



# Edelman Trust Barometer

Special Report: [Institutional Investors](#)

2018 Canada Results

#TrustBarometer



# Institutional Investor Trust Report Methodology

**N= 500 Institutional Investors**

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## **Online quantitative study among**

Canada n=100

U.S. n=100

U.K. n=100

Japan n=100

Germany n=100

**Fielded from 9 September to  
22 October 2018**

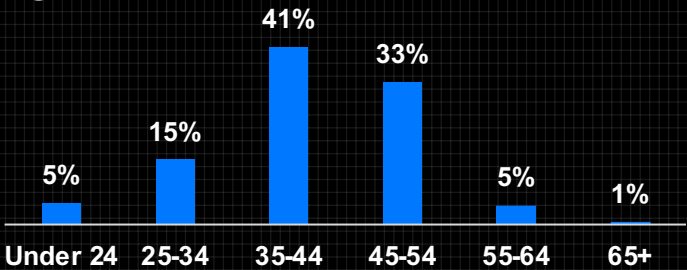
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# A diverse sample

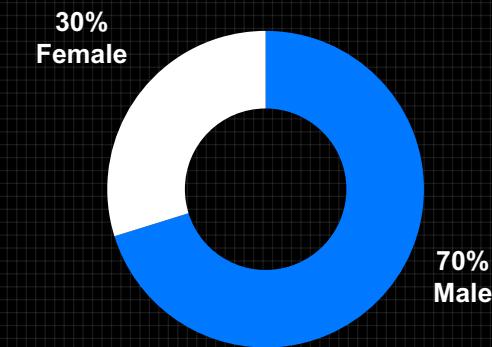
Age



Primary Investment Style

Growth	41%
Value	14%
Hedge	13%
Industry Specific	10%
Quantitative Index	7%
Activist	6%
GARP	6%
Prefer not to answer	3%

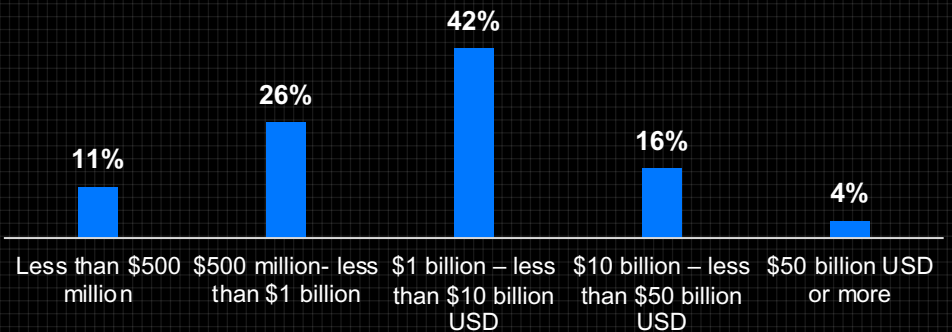
Gender



Respondents' Job Titles



Organizations' Assets Under Management





The background is a black and white photograph of a modern architectural interior, possibly a train station or a large atrium, with a long, straight walkway and glass railings. Overlaid on this is a series of vibrant blue, wavy, concentric lines that create a sense of motion and depth, resembling a stylized signal or a series of ripples. The main title is centered in the lower half of the image.

# Investors look beyond the numbers

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# Businesses expected to lead

## 2018 Trust Barometer

64%

say that **CEOs should take the lead on change** rather than waiting for government to impose it

## 2018 Edelman Earned Brand Study

64%

of consumers are belief-driven buyers, **up 13%** as compared to 2017

## Institutional Investor Trust Report

98%

of global investors think public companies are **urgently obligated** to address one or more societal issues to ensure the global business environment remains healthy and robust

### Top 5 Global Issues

- 1 Cybersecurity
- 2 Income inequality
- 3 Workplace diversity
- 4 National security
- 5 Immigration

### Top 5 Canadian Issues

- 1 Cybersecurity
- 2 Globalization
- 3 Income inequality
- 4 Immigration
- 5 Automation of workforce

Source: 2018 Edelman Trust Barometer. COM\_MCL. When looking for general news and information, how much would you trust each type of source for general news and information? Please use a nine-point scale where one means that you "do not trust it at all" and nine means that you "trust it a great deal." 9-point scale; top 4 box, trust, question asked of half of the sample. TRU\_INS. Below is a list of institutions. For each one, please indicate how much you trust that institution to do what is right using a nine-point scale, where one means that you "do not trust them at all" and nine means that you "trust them a great deal." 9-point scale; top 4 box, trust, CEO\_AGR. Thinking about CEOs, how strongly do you agree or disagree with the following statements? 9-point scale; top 4 box, agree, question asked of half of the sample. General population, 8-market average.

Source: 2018 Edelman Earned Brand. Q17. Please indicate how much you agree or disagree with the following statements. 9-point scale; top 4 box, agree. 8-market average.

Source: 2018 Edelman Earned Brand. Belief-driven buying segments. 8-market average

Source: Edelman Trust Barometer Special Report: Institutional Investors

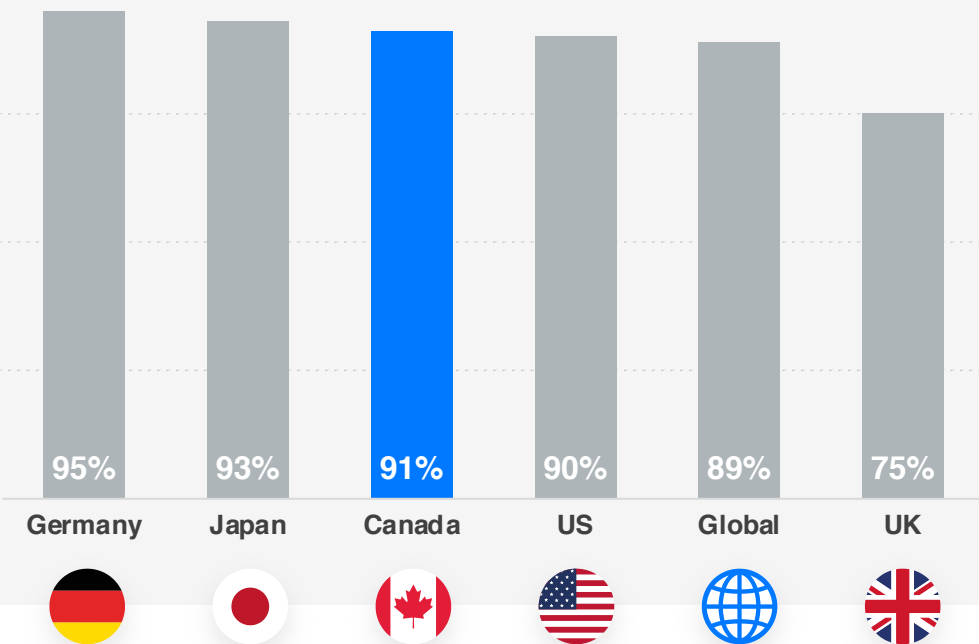
Q17. The following is a list of societal issues that are currently the focus of concern and debate in many countries. These issues may cause the creation of new governmental rules, laws and policies that have implications for how businesses operate. Please select the issues you feel companies have an urgent obligation to take a public stand on to ensure the global business environment remains healthy and robust.

# ESG increasingly important to Canadian investors

91% of Canadian investors “more attentive” to ESG risks

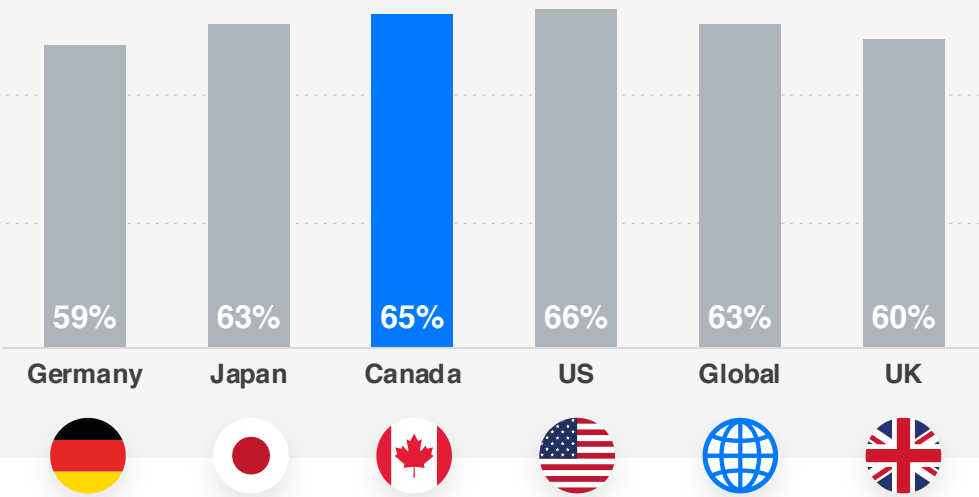
“My firm has changed its voting and/or engagement policy to be more attentive to ESG risks”

[Percentage who agree]



“Change has taken place in the last year”

[Percentage who agree]

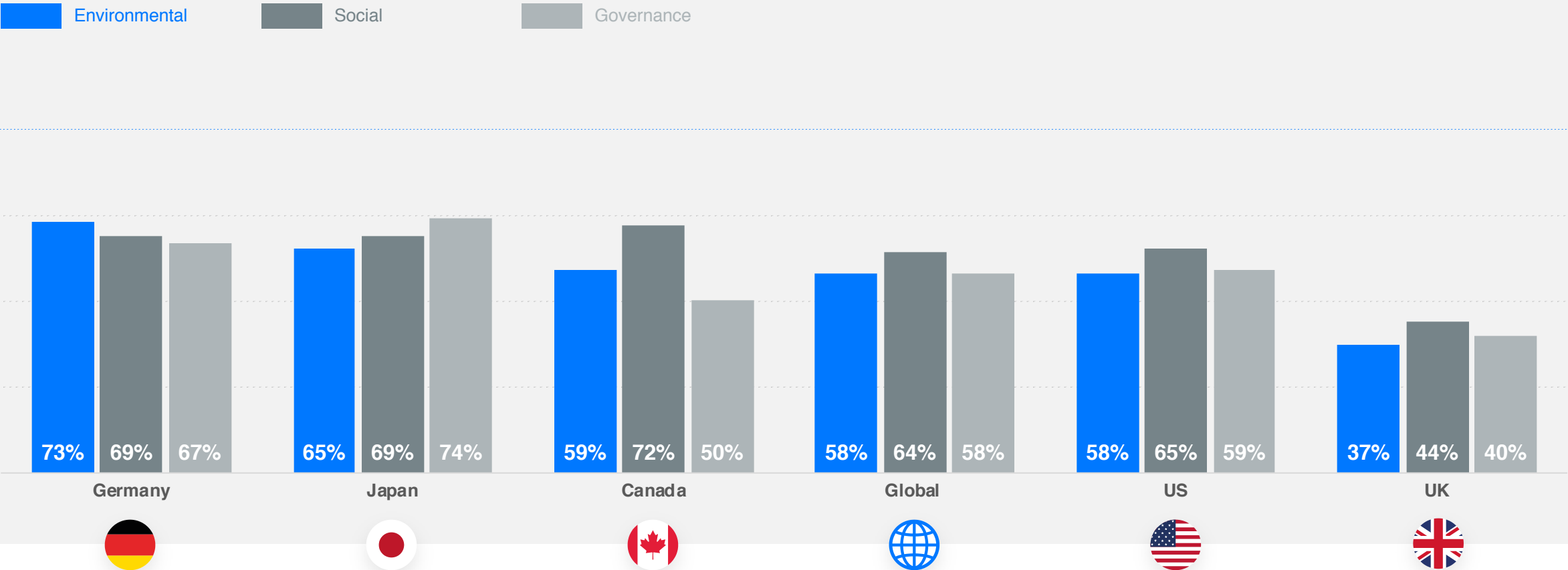


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Q12: Please indicate the extent to which you disagree or agree with the following statements regarding ESG/impact and socially responsible investing. Top 2 Agree Summary  
Q12a: You mentioned that your company has changed its voting/engagement policy to be more attentive to ESG risks. When did this change take place?



# Environmental and social practices matter as much as governance

Percentage who agree each is very important



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Q12b. Please select how important each of the following elements is when it comes to ESG investing. For each one, please indicate how important it is using a 9-point scale where 1 means “not at all important” and 9 means “most important”. - Top 2 Summary.

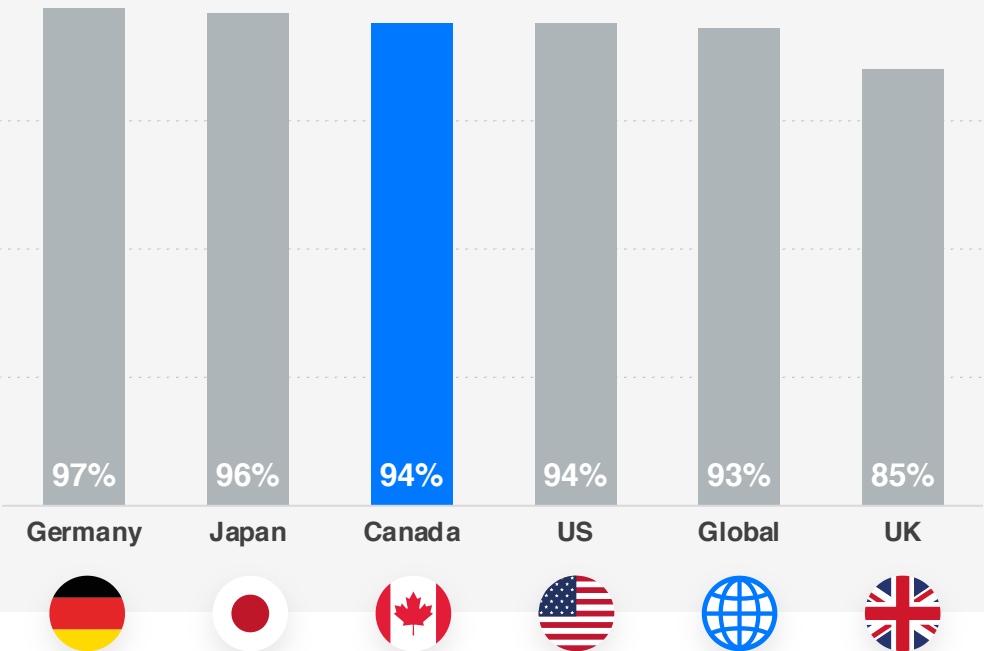
# Longer-term investors seek out sustainable investments

91% of Canadian investors would consider lower rate of return for improved sustainability

## “My firm believes

long-term value hinges on both financial performance and ESG features”

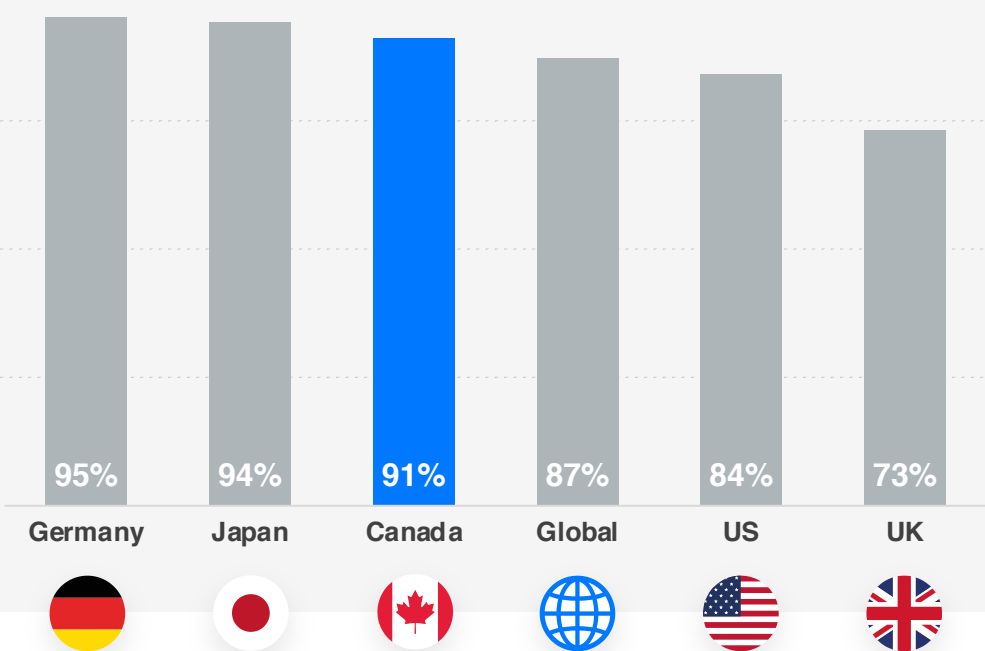
[Percentage who agree]



## “My firm would consider

investing with a lower rate of return if [the investment] included sustainable or impact investing considerations”

[Percentage who agree]



Source: 2018 Edelman Institutional Investor Trust Survey Q12. Please indicate the extent to which you disagree or agree with the following statements regarding ESG/impact and socially responsible investing. Agree Summary





# Investment criteria are evolving

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# Access more important to Canadian investors than financial metrics in building trust



**67%**

My ability to have meetings or calls with management



**63%**

My ability to have meetings or calls with Board of Directors



**62%**

Keeping investors well informed



**61%**

Having KPIs that measure environment sustainability



**59%**

Providing long-term guidance on financial performance



# Investors believe guidance impacts trust

## Long-term financial outlook

Investors who believe providing long-term guidance on financial performance impacts trust:

96%

Believe it impacts trust

66%

Believe it has a **great deal** of impact on trust

## ...and operational data points

Investors who believe providing operational metrics as part of guidance in addition to financial metrics impacts trust:

95%

Believe it impacts trust

63%

Believe it has a **great deal** of impact on trust

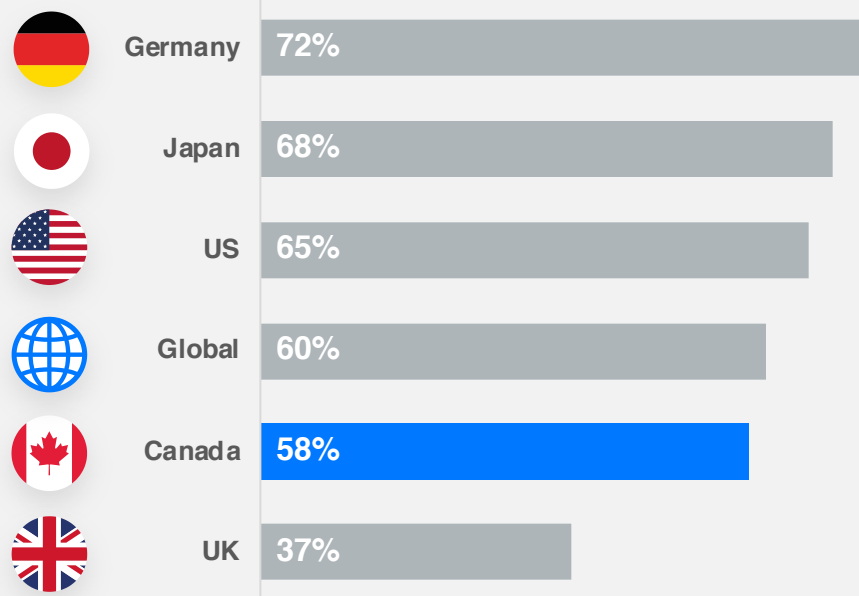


92%

of Canadian investors would like to see more use of **qualitative, forward-looking disclosures** when evaluating a current or prospective investment

# Investors globally are looking for companies to engage on corporate governance

Percentage of respondents who say companies actively engaging the investment community on corporate governance matters impacts their trust:



Canadian investors are more focused on issues of shareholder democracy:



1. Aligning executive compensation with investor interest
2. Providing equal voting rights to shareholders
3. Actively engaging the investment community on corporate governance matters
4. Having a separate Chairman and CEO
5. Executive and Board stock ownership
6. Frequently refreshing the Board of Directors





# Activism goes mainstream

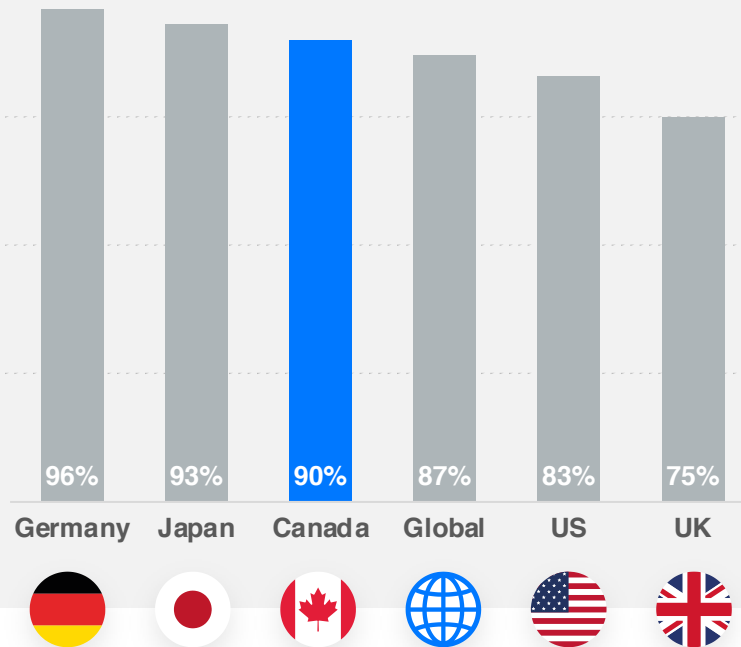
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# Canadian investors more comfortable with activism

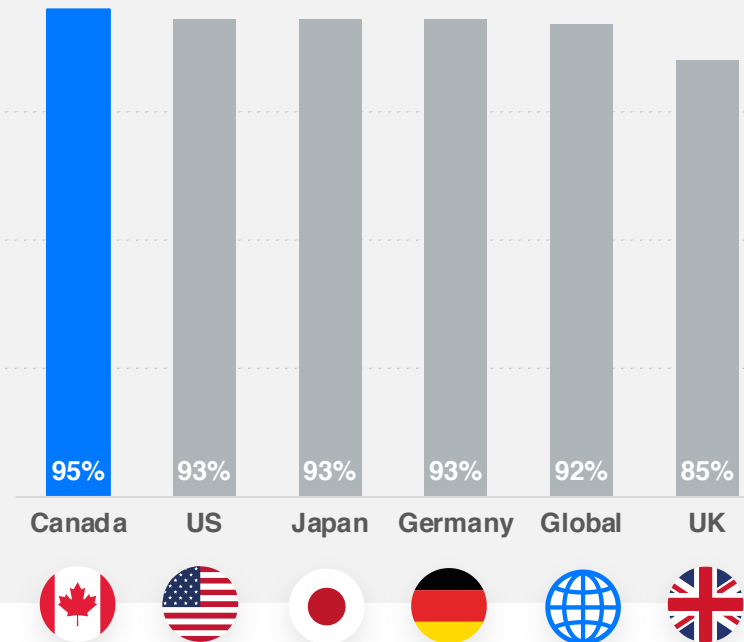
Investors are becoming more interested in taking an activist approach to investing

*[Percentage who agree]*



Investors will support a reputable activist if they believe change is necessary at a company

*[Percentage who agree]*



## Canadian Market Context



### Statement

70 Canadian companies actively subjected to activist demands in 2018<sup>(1)</sup>

Short-selling activity spiked in 2018<sup>(2)</sup>

While the vast majority of board-related activism were settled or withdrawn, 2018 saw a five-year high in proxy fights<sup>(2)</sup>

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Q11. Please indicate the extent to which you disagree or agree with the following statements regarding investor influence and shareholder activism. – Top 2 Agree Summary.

1. Activist Insight, Data as of November 18, 2018

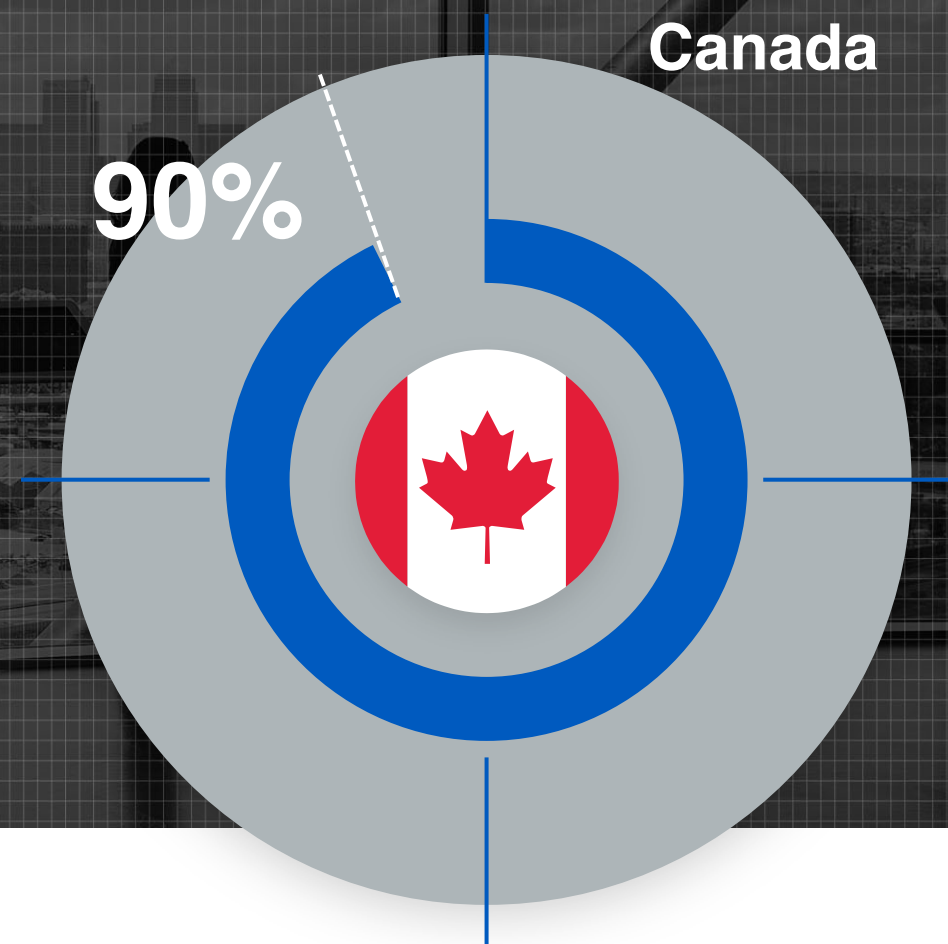
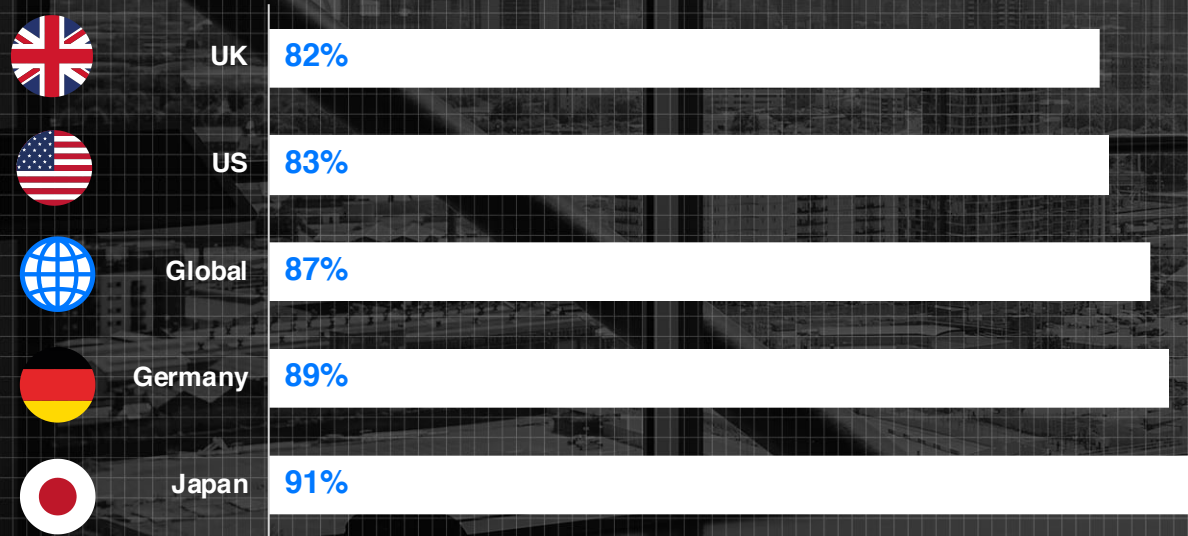
2. Laurel Hill "Trends in Corporate Governance", October 2018



# Companies are seen as unprepared for activist campaigns

Investors believe most companies are not prepared to handle activist campaigns

[Percentage who agree]





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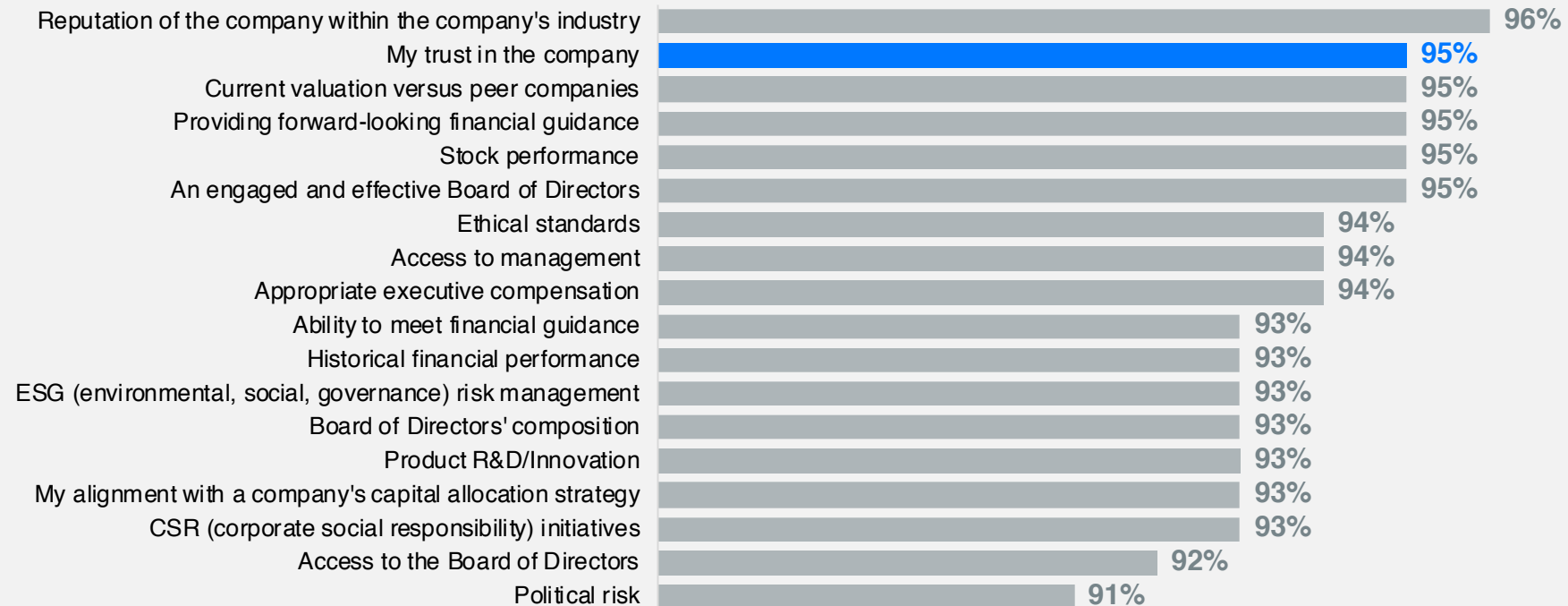
# A new framework for telling the investment story

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# Trust is the most important factor in investment decisions globally

Percentage who find each company attribute most important when making investing decisions

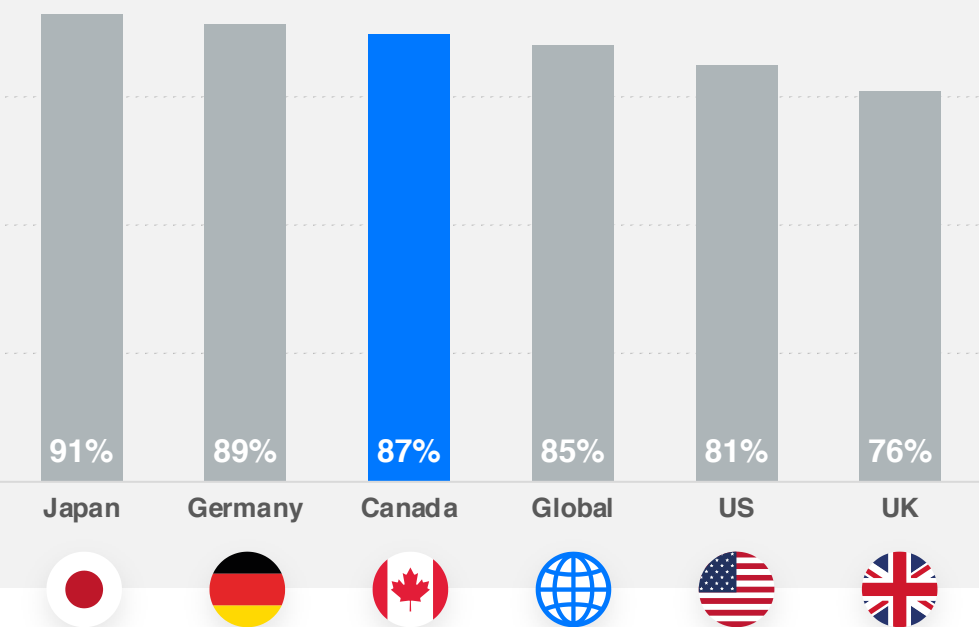


# Investors want more progressive IR communications

87% of Canadian investors believe current IR practices outdated

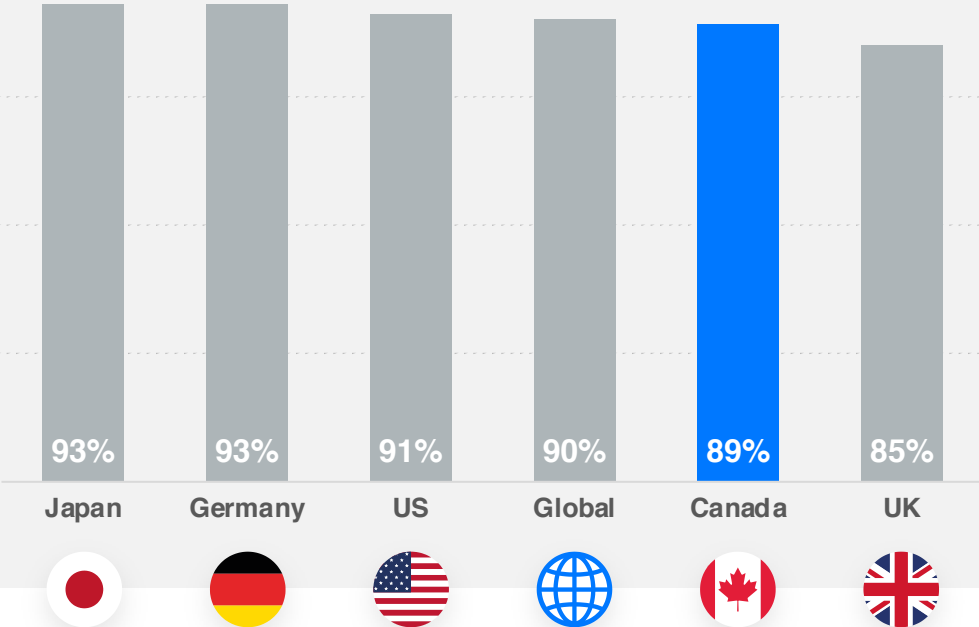
The way most companies share information for IR purposes is outdated

[Percentage who agree]



When evaluating a current or prospective investment, I would like to see more visual ways of sharing information

[Percentage who agree]

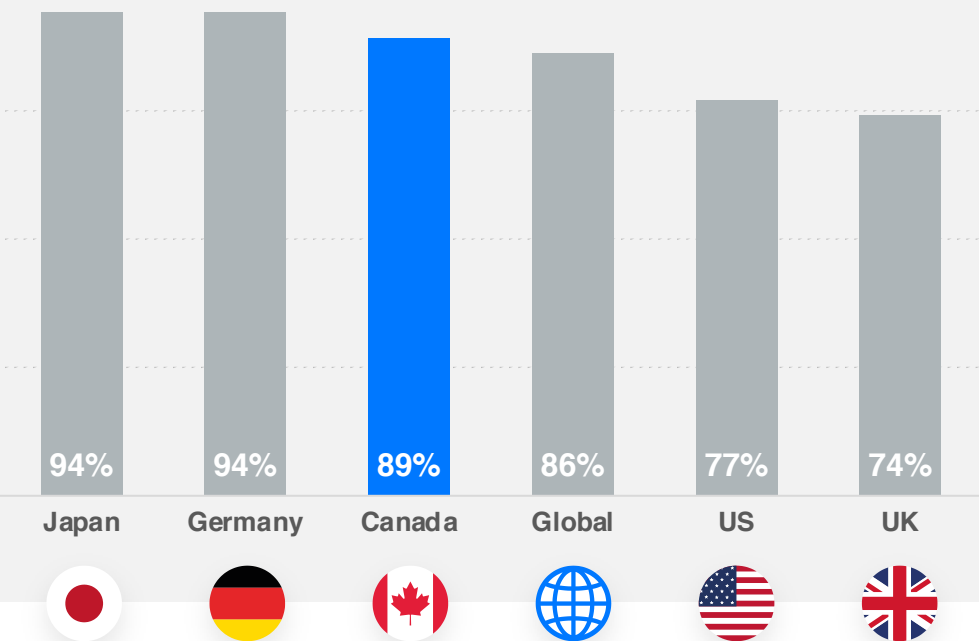




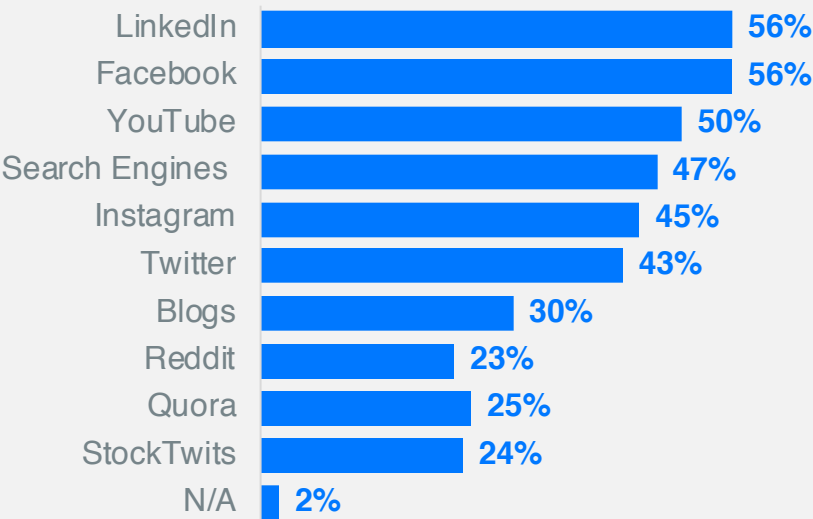
# Canadian investors consuming digital content

## Percentage who agree with the following statements:

When evaluating a current or prospective investment,  
I consult the company or executive's social media channels



I read/follow information published on a company's digital  
and social media channels, website, and/or corporate blogs



# Management does not fully control the company's narrative

Percent in Canada who believe the following source of information is credible





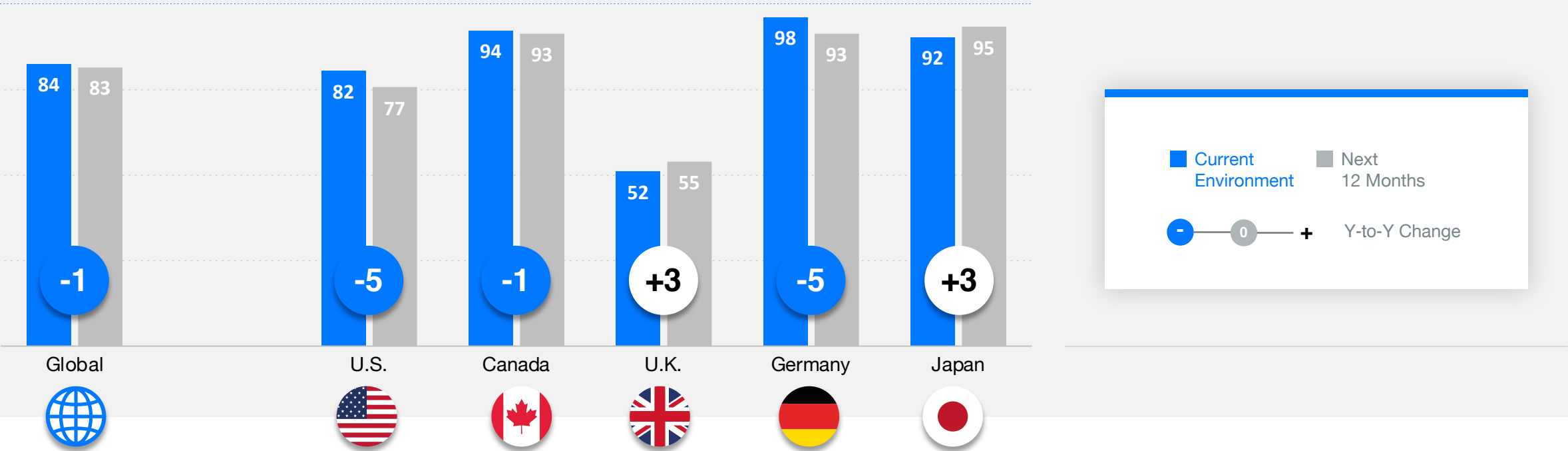
# A positive mindset, warning signs ahead

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# Investors optimistic, but warning signs emerging

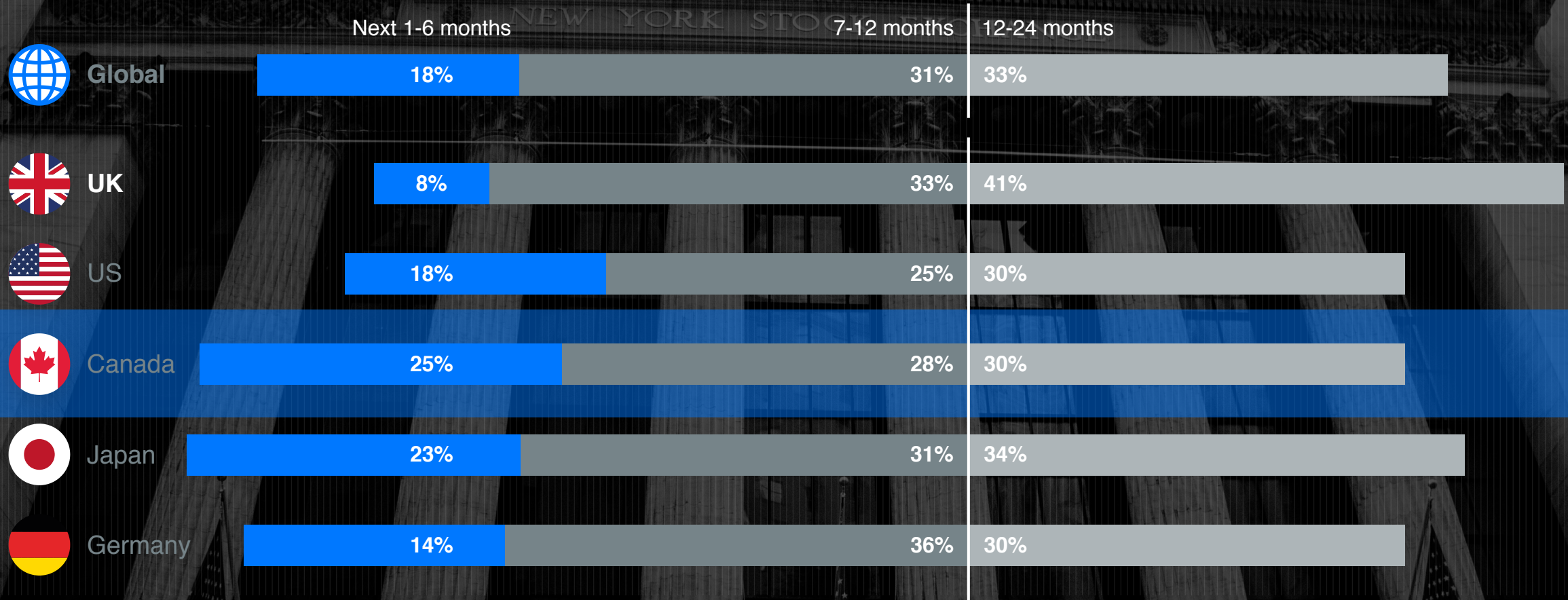
Percentage who feel positive about the current and future investing environment



Source: 2018 Edelman Institutional Investor Trust Survey  
Q1: Looking back at the economic and political climate over the past 12 months, how would you describe the current investing environment as compared to the previous year?  
Q2: Looking ahead at the next 12 months, what is your outlook on where the investing environment is heading, considering the economic and political climate?

# Canadian investors see near term end to bull run

Investors who believe the bull market will come to an end in:



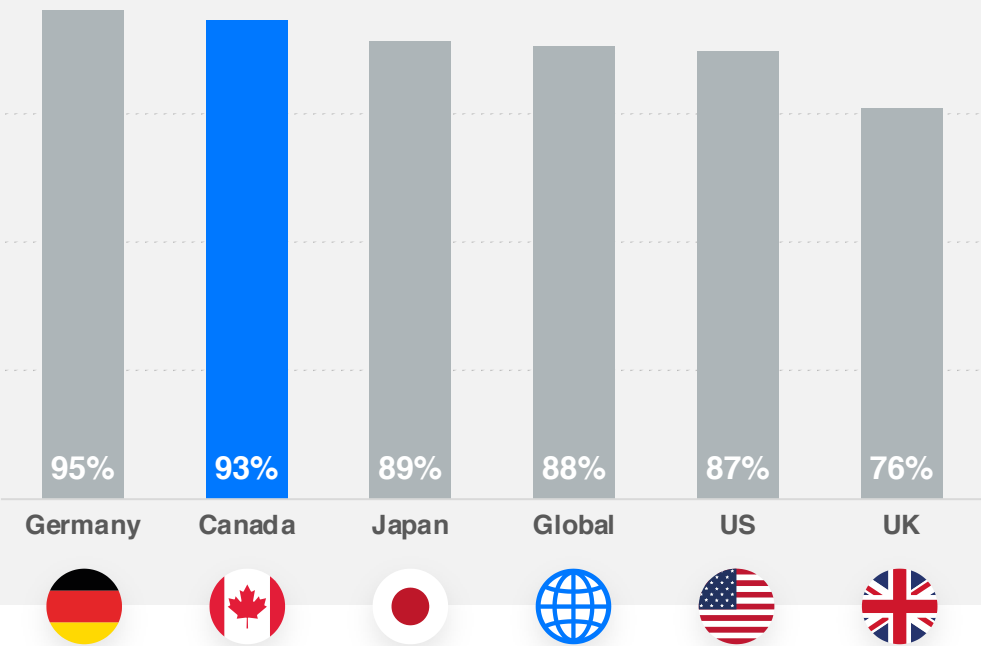
# Political risks are affecting investment strategies



**85%**  
of Canadian investors are more inclined to invest in U.S. assets as a result of the Trump administration's economic, trade and immigration policies.

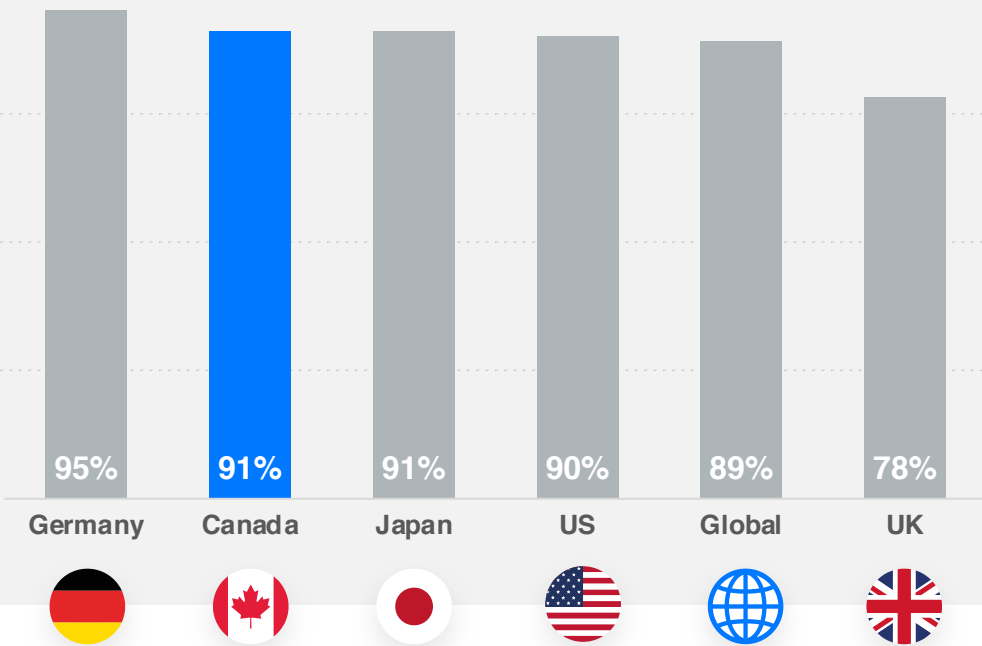
## The current political climate is influencing investment strategy

[Percentage who agree]



## International trade risks are impacting strategy

[Percentage who agree]



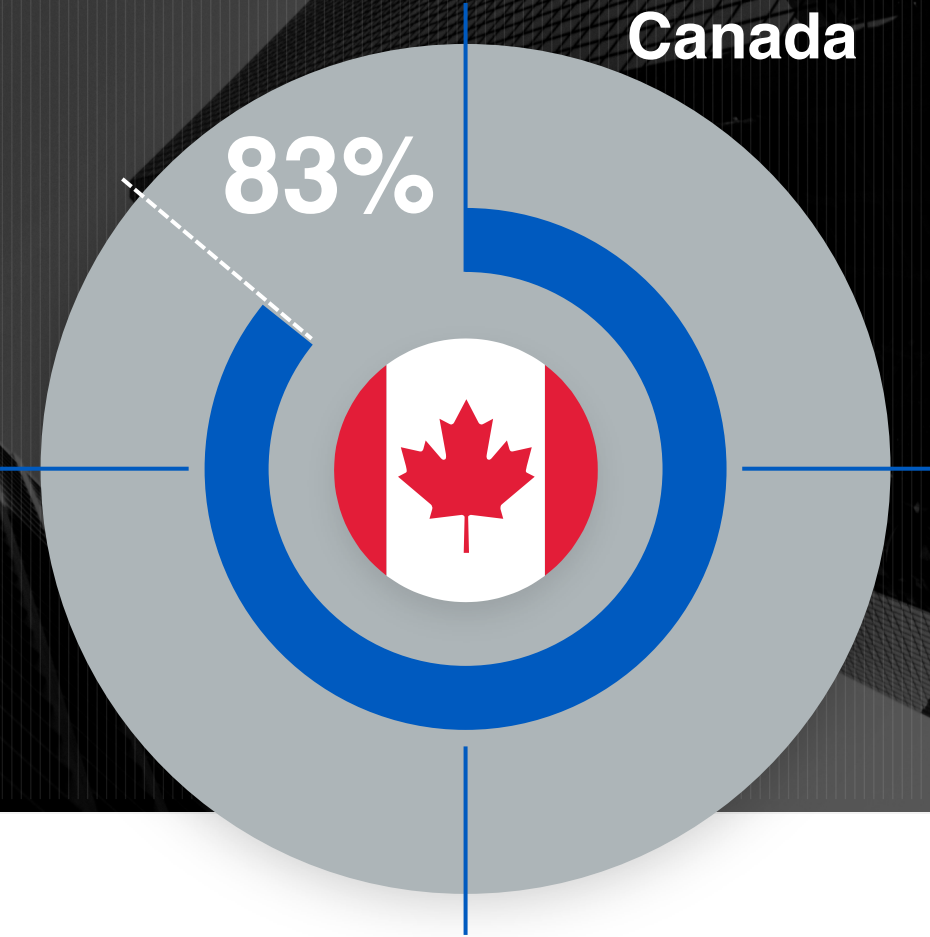
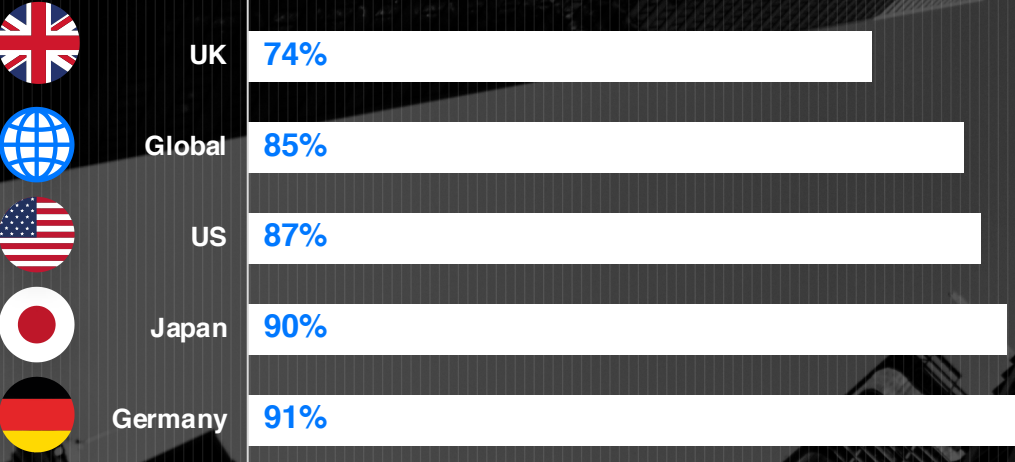
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Q18. Below is a list of statements about the current political and business climate in which publicly traded companies operate. Please indicate the extent to which you agree or disagree with the following statements. - Top 2 - Agree Summary.  
CAN2: As a Canadian investor, how have the economic, trade, immigration and other policies of the Trump Administration influenced your perspective on US investment opportunities? Please indicate the level of influence using a 5-point scale where 1 means "very negative influence, less inclined to invest in US assets" 3 means "no influence, same view" and 5 means "very positive influence, more inclined to invest in US assets."

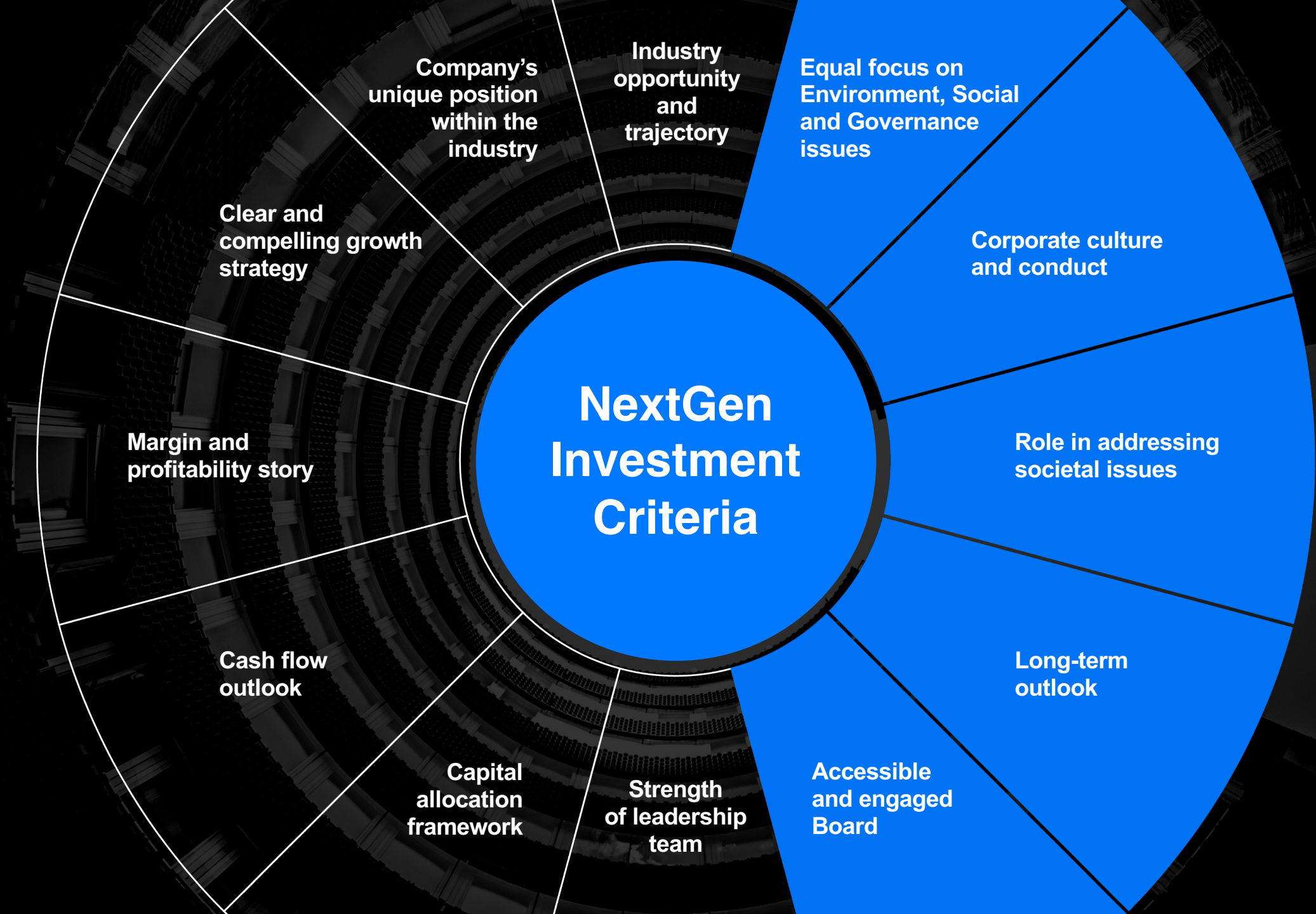


# Companies are seen as unprepared for political risks

Investors believe that most companies do not fully acknowledge the new risks to their business from the current political climate

[Percentage who agree]







[www.edelman.ca](http://www.edelman.ca)



# For more information

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