

## The Business Imperative



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# 2016 Edelman Trust Barometer

The Interdependence of Purpose and Trust



# Methodology

## Online Survey in 28 Countries

- ▶ 16 years of data
- ▶ 33,000+ respondents total
- ▶ All fieldwork was conducted between October 13th and November 16th, 2015



### General Online Population

- ▶ 5 years in 25+ markets
- ▶ Ages 18+
- ▶ 1,150 respondents per country



### Informed Public

- ▶ 8 years in 20+ markets
- ▶ Represents 15% of total global population
- ▶ 500 respondents in U.S. and China; 200 in all other countries

Must meet 4 criteria:

- ▶ Ages 25-64
- ▶ College educated
- ▶ In top 25% of household income per age group in each country
- ▶ Report significant media consumption and engagement in business news



### Mass Population

- ▶ All population not including Informed Public
- ▶ Represents 85% of total global population

28-country global data margin of error: General Population +/- 0.6% (N=32,200), Informed Public +/- 1.2% (N=6,200), Mass Population +/- 0.6% (26,000). Country-specific data margin of error: General Population +/- 2.9 (N=1,150), Informed Public +/- 6.9% (N = min 200, varies by country), China and U.S. +/- 4.4% (N=500), Mass Population +/- 3.0 to 3.6 (N =min 740, varies by country), half sample Global General Online Population +/- 0.8 (N=16,100).



**Trust Drives Business Advantages...**

# Trust Matters

Percent who engage in each behavior based on trust

▲ General Population



Source: 2016 Edelman Trust Barometer Q371-589. Thinking back over the past 12 months, have you taken any of the following actions in relation to companies that you trust? Please answer yes or no to each action. General Population, 28-country global total, questions asked of half the sample. Q377-380. Still thinking about the past 12 months, have you taken any of the following actions in relation to companies that you do not trust? Please answer yes or no to each action. General Population, 28-country global total, question asked of half the sample.

# Peers Recommend Companies and Influence Purchasing

## Actions taken in the last 12 months based on trust

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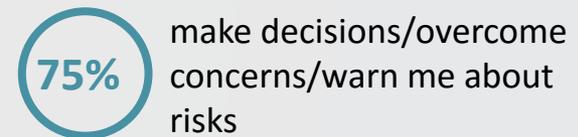


 General Population

Source: 2016 Edelman Trust Barometer Q371-589. Thinking back over the past 12 months, have you taken any of the following actions in relation to companies that you trust? Please answer yes or no to each action. General Population, 28-country global total, question asked of half the sample.

## Impact of conversations about brands with peers

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Source: 2015 Earned Brand Study of Global Consumers

Source: 2015 Earned Brand. Q41: Thinking about the conversations you have online and offline with friends and other people like you about brands, products and services you purchase, what impact do they have on you? [Net of 'They warn me about the risks,' 'They help me make decisions,' 'They help me overcome my concerns about the product / service,' and 'They help me overcome my concerns about my data being collected / my privacy being respected.']

 **...And Purpose Drives Trust**

# Doing Well by Doing Good Gets Results

Percent who cite each as a reason for why their trust in business has increased or decreased

 General Population

## Reasons Trust in Business Has Increased



## Reasons Trust in Business Has Decreased



Source: 2016 Edelman Trust Barometer Q328-329. For which of the following reasons, if any, has your trust in each institution listed below increased over the past year? Q330-331. For which of the following reasons, if any, has your trust in each institution listed below decreased over the past year? General Population, 28-country global total.

# Trust-Building Attributes: Half Are Purpose-Rooted

## Company Importance vs. Performance

	% Importance	% Performance	Gap
<b>Integrity</b>			
Has Ethical Business Practices	51	31	20
Takes Responsible Actions To Address An Issue Or A Crisis	54	31	23
Has Transparent And Open Business Practices	55	31	24
<b>Engagement</b>			
Treats Employees Well	58	33	25
Listens To Customer Needs And Feedback	58	33	25
Places Customers Ahead Of Profits	55	31	24
Communicates Frequently And Honestly On The State Of Its Business	48	29	19
<b>Products</b>			
Offers High Quality Products Or Services	58	35	23
Is An Innovator Of New Products, Services Or Ideas	41	32	9
<b>Purpose</b>			
Works To Protect And Improve The Environment	50	30	20
Creates Programs That Positively Impact The Local Community	44	29	15
Addresses Society's Needs In Its Everyday Business	45	29	16
Partners With NGOs, Government And Third Parties To Address Societal Issues	34	24	10
<b>Operations</b>			
Has Highly-Regarded And Widely Admired Top Leadership	39	27	12
Ranks On A Global List Of Top Companies, Such As Best To Work For Or Most Admired	36	27	9
Delivers Consistent Financial Returns To Investors	36	28	8

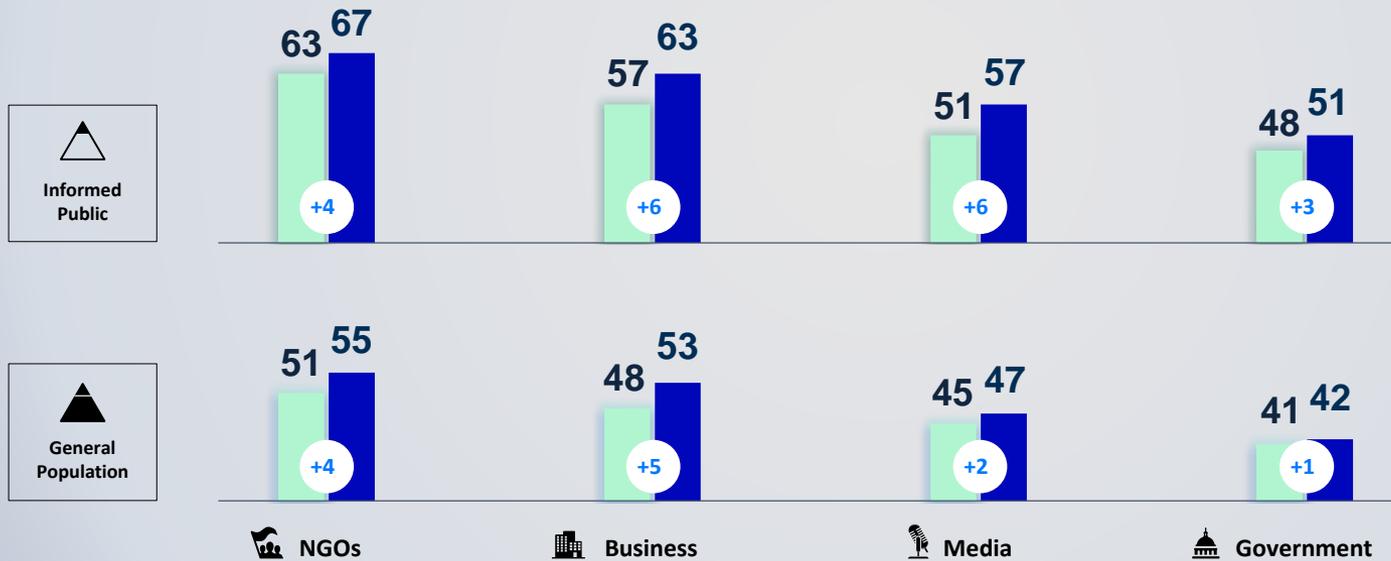
Source: 2016 Edelman Trust Barometer Q80-95 How important is each of the following attributes to building your TRUST in a company? Use a 9-point scale where one means that attribute is "not at all important to building your trust" and nine means it is "extremely important to building your trust" in a company. (Top 2 Box, Importance) Q114-129 Please rate businesses in general on how well you think they are performing on each of the following attributes. Use a 9-point scale where one means they are "performing extremely poorly" and nine means they are "performing extremely well". (Top 2 Box, Performance) General Population, 28-country global total.



**Business is Expected to Lead**

# Trust Rising

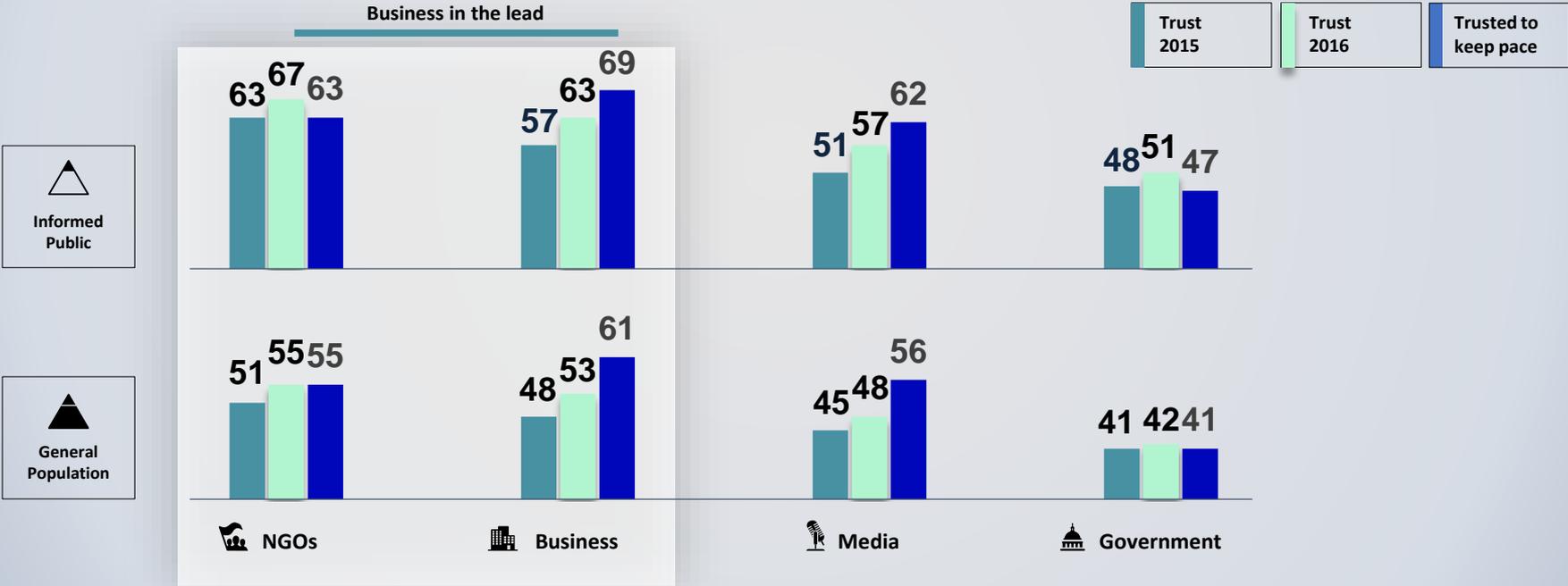
Percent trust in the four institutions of government, business, media and NGOs, 2015 vs. 2016



Source: 2016 Edelman Trust Barometer Q11-14. 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.” (Top 4 Box, Trust) Informed Public and General Population, 27-country global total.

# Business Most Trusted to Keep Pace, While Government Lags

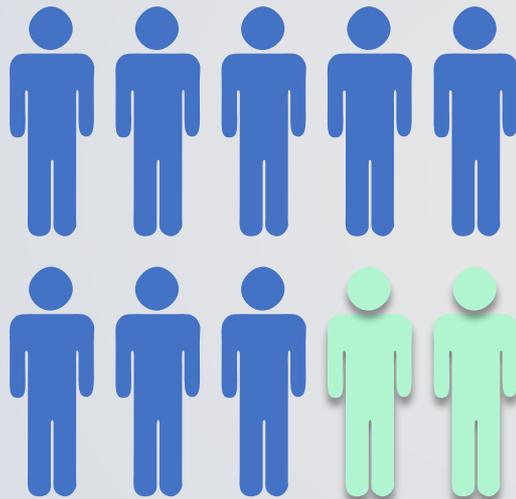
Percent trust, 2015 and 2016, and percent who trust each institution to keep up with the changing times, 2016



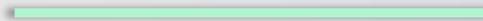
Source: 2016 Edelman Trust Barometer Q11-14. Below is a list of institutions. For each one, please indicate how much you trust that institution to do what is right using a nine-point scale, where one means that you “do not trust them at all” and nine means that you “trust them a great deal.” (Top 4 Box, Trust), Informed Public and General Population, 27-country global total. Q441-444 Below is a list of institutions. For each one, please indicate how much you trust that institution to keep up with the changing times using a 9-point scale where one means that you “do not trust them at all to keep up with change” and nine means that you “trust them a great deal to keep up with change”. (Top 4 Box, Trust) Informed Public and General Population, 28-country global total.

# Business Must Lead to Solve Problems

▲ General Population



**80% agree**



▲ up from **74%** in 2015

“A company can take specific actions that both increase profits and improve the economic and social conditions in the community where it operates.”



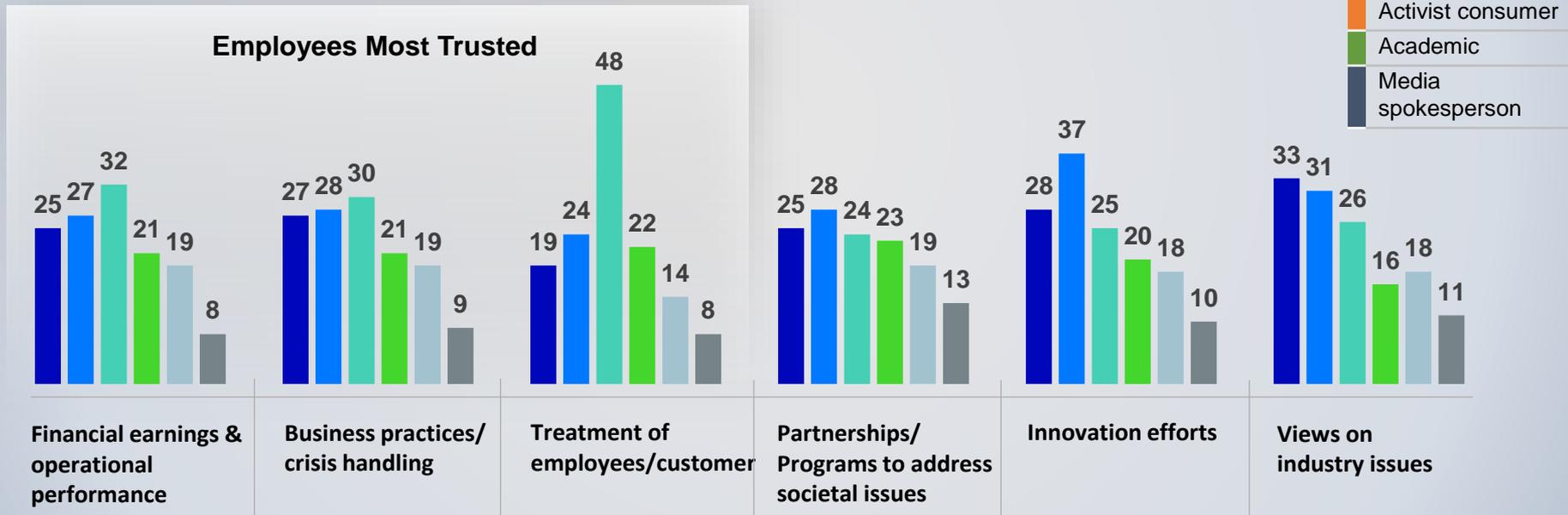
## **Your Employees are Indispensable**

# Employees are Essential Advocates

Most trusted spokesperson to communicate each topic

▲ General Population

- Company CEO
- Senior executive
- Employee
- Activist consumer
- Academic
- Media spokesperson



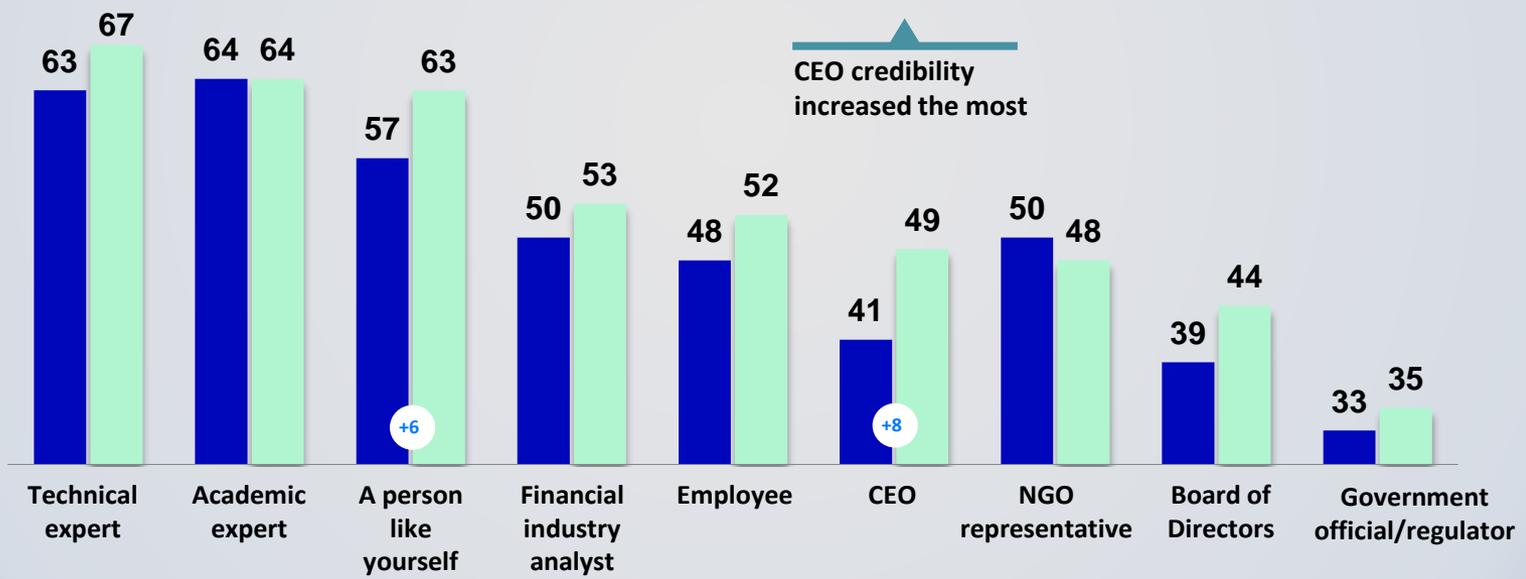
Source: 2016 Edelman Trust Q610 Who do you trust MOST to provide you with credible and honest information about a company's financial earnings and operational performance, and top leadership's accomplishments? Q611 a company's business practices, both positive and negative, and its handling of a crisis? Q612 a company's employee programs, benefits and working conditions, and how a company serves its customers and prioritizes customer needs ahead of company profits? Q613 a company's partnerships with NGOs and effort to address societal issues, including those to positively impact the local community? Q614 a company's innovation efforts and new product development? Q615 Who do you trust MOST to provide you with credible and honest information about a company's stand on issues related to the industry in which it operates? General Population, 28-country global total.

# Peers and Employees More Credible than Leaders



Percent who rate each spokesperson as extremely/very credible

2015 2016



Source: 2016 Edelman. Trust Barometer Q130-587. Below is a list of people. In general, when forming an opinion of a company, if you heard information about a company from each person, how credible would the information be—extremely credible, very credible, somewhat credible, or not credible at all? (Top 2 Box, Very/Extremely Credible) General Population, 27-country global total.

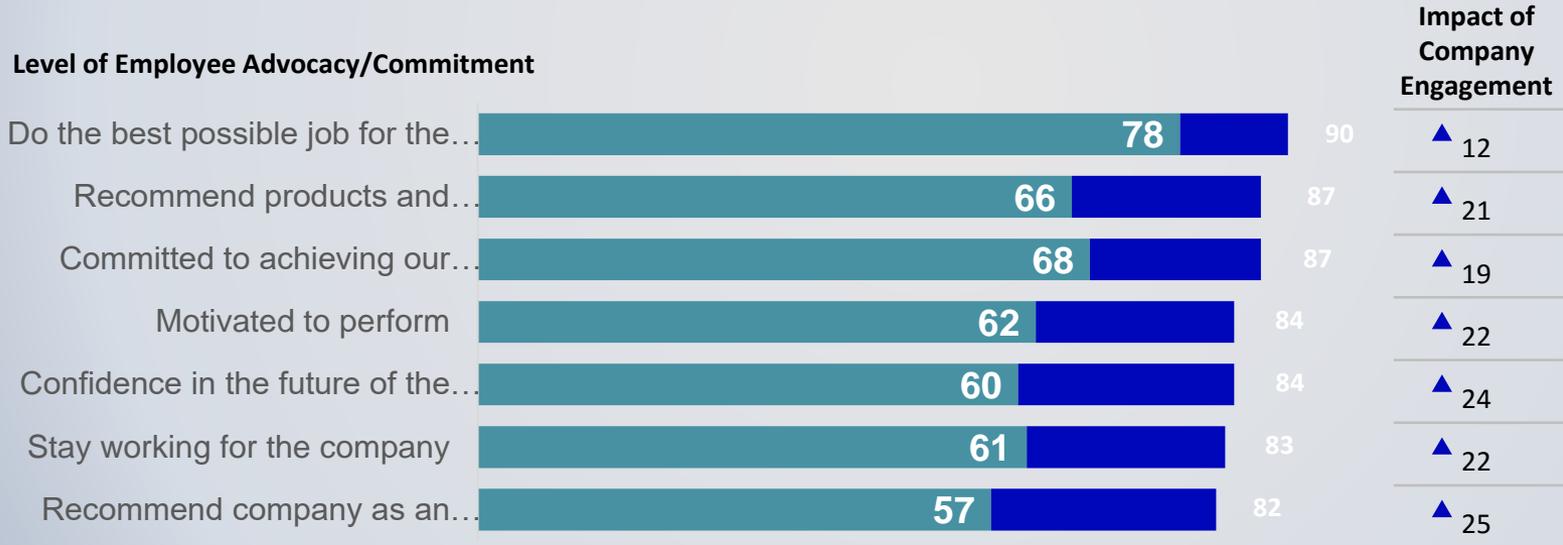
# Employee Advocacy Increases With Societal Issue Engagement

▲ General Population

Percent who agree with each statement, comparing those who work at companies involved in addressing broader societal issues vs. those who do not

Employees of companies NOT engaged in societal issues

Employees of companies engaged in societal issues



Source: 2016 Edelman Trust Barometer Q527-529 Does your company get involved in addressing broader societal issues beyond the core business, through programs or relationships with other companies? Q530-536. Thinking about your current company, please indicate how much you agree with each of the following statements using a nine-point scale where one means that you "strongly disagree" and nine means that you "strongly agree". (Top 4 Box, Agree) General Population, 28-country global total, question was asked of half the sample.



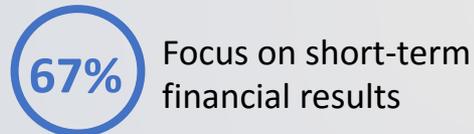
## What's Expected of CEOs as Leaders

# CEOs are Seen as Having Misplaced Focus

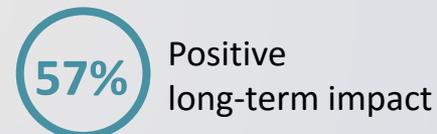
Percent who agree with each statement about CEOs

▲ General Population

## Too Much



## Not Enough



Source: 2016 Edelman Trust Barometer Q451-461. Thinking about CEOs, how strongly do you agree or disagree with the following statements? General Population. ['CEOs do too much lobbying,' 'Given that the average tenure of CEOs is just four years, CEOs aren't in their role long enough to make a positive impact,' 'CEOs are too focused on short-term financial results' (Top 4 Box, Agree), 'CEOs can be trusted to create jobs' (Bottom 5 Box, Do Not Agree)], 28 country global total.

# Leaders Seen As Underperforming

Importance vs. performance of 16 trust-building leadership attributes

	% Importance	% Performance	Gap
<b>Integrity</b>	<b>51</b>	<b>27</b>	<b>24</b>
Exhibits highly ethical behaviors	50	24	26
Takes responsible actions to address an issue or crisis	53	33	20
Behaves in a way that is transparent and open	50	24	26
<b>Engagement</b>	<b>49</b>	<b>24</b>	<b>25</b>
Treats employees well	52	25	27
Listens to customer needs and feedback	50	25	25
Places customer ahead of profits	47	23	24
Communicates frequently and honestly on the state of their company	46	23	23
<b>Products</b>	<b>45</b>	<b>33</b>	<b>12</b>
Places a premium on offering high-quality products or services	48	34	14
Is focused on driving innovation and introducing new products/services/ideas	42	32	10
<b>Purpose</b>	<b>40</b>	<b>25</b>	<b>15</b>
Is dedicated to protecting and improving the environment	41	22	19
Ensures that the company creates programs that positively impact the local community in which it operates	42	28	14
Ensures that the company addresses society's needs in its everyday business	43	26	17
Ensures that the company partners with NGOs, government and third parties to address societal issues	33	24	9
<b>Operations</b>	<b>37</b>	<b>28</b>	<b>9</b>
Attracts and retains a highly regarded and widely admired top leadership team	40	29	11
Is ranked on a global list of top CEOs, such as "The Best Performing CEOs in The World"	29	25	4
Manages the company in a way that delivers consistent financial returns	41	29	12



## Summary Observations

# Purpose Insights and Actions

- **Purpose can drive tangible business advantages** – Select a purpose platform that is aligned with your corporate goals, core to the brand and differentiated from the competition.
- **Trust in, and expectations of, business have aligned to create an extraordinary window of opportunity** – Prioritize the intersection of corporate, consumer and employee shared values as a filter for decision-making. Double down on CSR investments that yield significant, dual business and societal impact.
- **Chief executives who build purpose-driven organizations are rewarded.** – In turn, the most powerful programs are “leader-led.” Consumers want to see values-based leadership from companies and brands, with a long-term commitment to addressing societal issues.
- **Collaborative story sharing is key to building emotion and engagement** – Capitalize on the increasing power of social media and peer-to-peer communications to cultivate stakeholder communities whose members care what you care about it.



**Edelman**  
Business + Social Purpose

## The Business Imperative



### **Carol Gstalder**

Leader, Consumer Insights North America,  
Nielsen

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nielsen

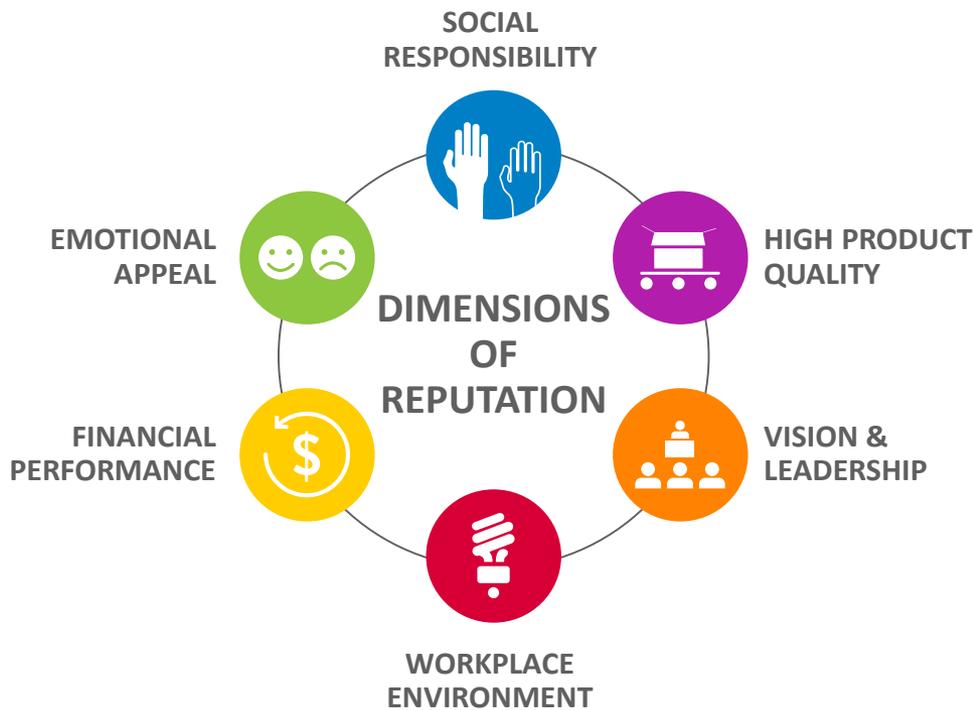
# THE SUSTAINABILITY IMPERATIVE

INSIGHTS ON CONSUMER EXPECTATIONS



May 2016

# REPUTATION MATTERS... UNLOCKING BUSINESS VALUE



## Companies with Excellent Reputation Reap Business Value



**+45**

Would say something positive



**+37**

Would purchase



**+39**

Would invest in

# CONSUMERS ARE DOING THEIR HOMEWORK



# CONSUMERS CARE AND PAY EXTRA FOR SUSTAINABILITY



Percent willing to **pay extra** for products and services that come from companies who are **committed to positive social and environmental impact**

**GLOBAL  
AVERAGE**



YOY Point  
Change

+11

ASIA-PACIFIC

LATIN AMERICA

MIDDLE EAST/AFRICA

EUROPE

NORTH AMERICA

2015

76%

71%

70%

51%

44%

YOY  
Change

+12

+8

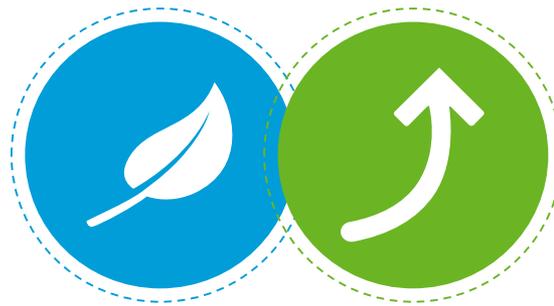
+7

+11

+2

# SUSTAINABILITY AND PROFITABILITY ARE NOT MUTUALLY EXCLUSIVE

Products with sustainability efforts contributed to...



over **4%** greater sales



1,300+ brands



13 categories



13 markets



**42%** of global consumers want **more new** products in the market that are **socially responsible** and **environmentally friendly**

# THE BUSINESS IMPERATIVE



the success of your business is directly related to the health of the communities in which you operate



sustainability is a leading factor in the relevance, viability and growth of your organization



integrating sustainability into your strategy enables responsible growth

Consumer brands that demonstrate commitment to sustainability outperform those that don't

*Is your brand at risk?*

## The Business Imperative



### **Curtis Ravenel**

Global Head, Sustainable Business &  
Finance Group, Bloomberg LP

 @bloomberg

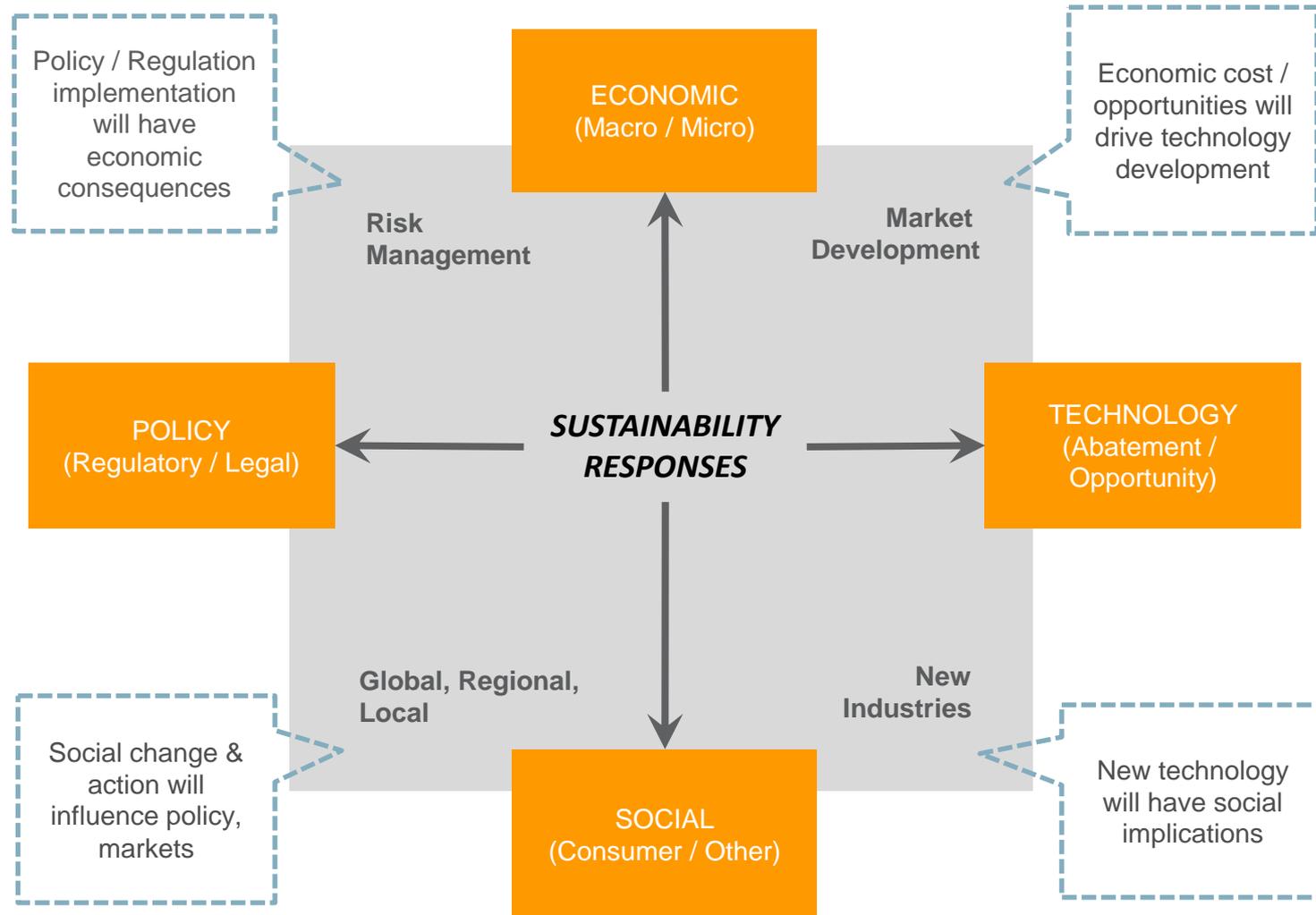
**BLOOMBERG**

**CREATING SUSTAINABLE  
IMPACT**

**Sustainable Business & Finance**

**May 2016**

# Sustainability issues will drive significant change and prompt a broad range of responses; Bloomberg will be impacted



# Developing *standardized accounting metrics* yields the information we need to account for externalities

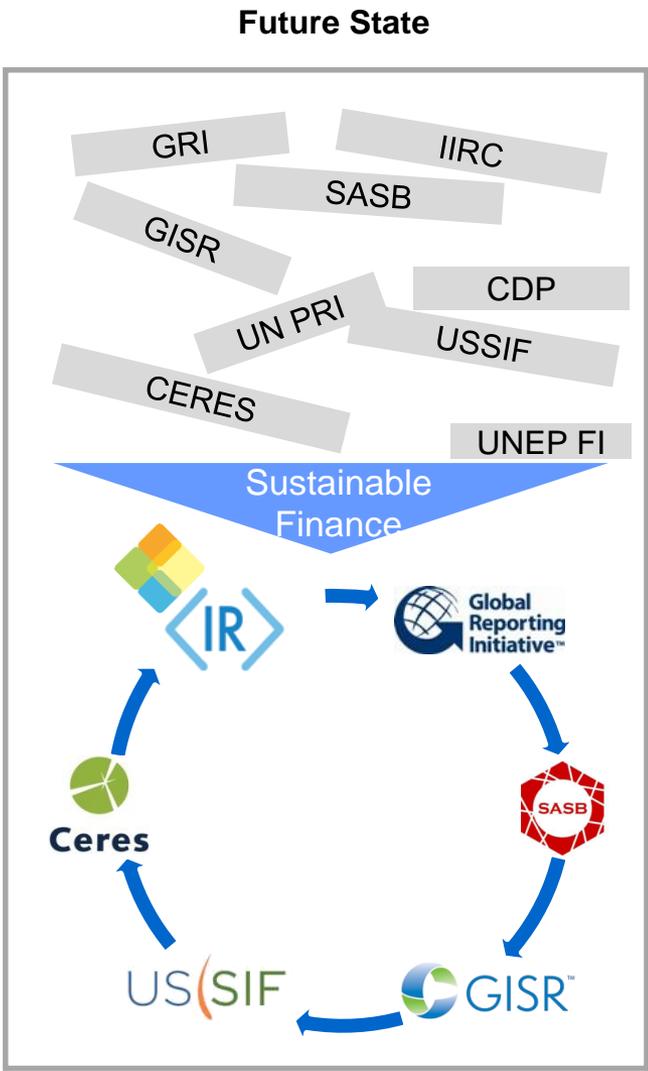
**NGOs are working hard to develop standardized accounting methodologies to capture the full spectrum of a business' impacts and outputs. This will:**

- (1) Generate consistent, comparable, complete data by which to meaningfully compare company's sustainability performance
- (2) Kick-start a "race to the top" by inducing competition among companies
- (3) Drive incorporation into investment and business decisions once a methodology is generally accepted



# The NGO community leads the externality accounting effort; Bloomberg is uniquely positioned to harmonize these initiatives

Primary Audience	Standard Setter	Value Proposition
NGOs / Companies	<ol style="list-style-type: none"> <li>  </li> </ol>	<ul style="list-style-type: none"> <li>Issue Identification</li> <li>Multi Stakeholder</li> </ul>
Industry / Regulators	<ol style="list-style-type: none"> <li>    </li> </ol>	<ul style="list-style-type: none"> <li>Issue Prioritization</li> <li>Targeted Stakeholders</li> </ul>
Raters / Research	<ol style="list-style-type: none"> <li>  </li> </ol>	<ul style="list-style-type: none"> <li>Measurement</li> <li>Performance</li> </ul>
Asset Owners / Managers	<ol style="list-style-type: none"> <li>    </li> </ol>	<ul style="list-style-type: none"> <li>Financial Integration</li> <li>Capital Flows</li> </ul>
Analysts / PMs / planners	<ol style="list-style-type: none"> <li>  </li> </ol>	<ul style="list-style-type: none"> <li>Application</li> <li>Certification</li> </ul>
Companies / Communities	<ol style="list-style-type: none"> <li>  </li> </ol>	<ul style="list-style-type: none"> <li>Implementation</li> <li>Validation</li> </ul>
Companies / Accountants	<ol style="list-style-type: none"> <li>   </li> </ol>	<ul style="list-style-type: none"> <li>Integration of Financial and Sustainability Reporting</li> </ul>



# And ultimately leverage this work to help integrate this content into decision useful analytics for the investment community

## Demand side: We have a strong portfolio

Our support to these organizations support the development of **standards for company disclosure**, the capacity building for these companies to report them and outreach to the financial community to utilize and integrate

### Sustainability Accounting Standards Board (SASB): Standards for Company Disclosure

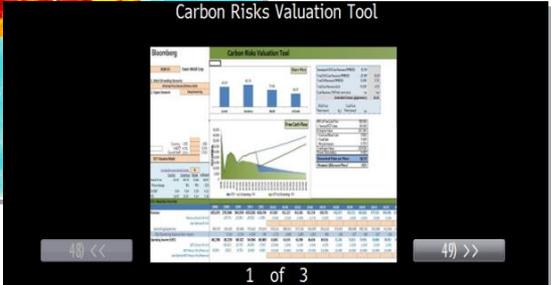
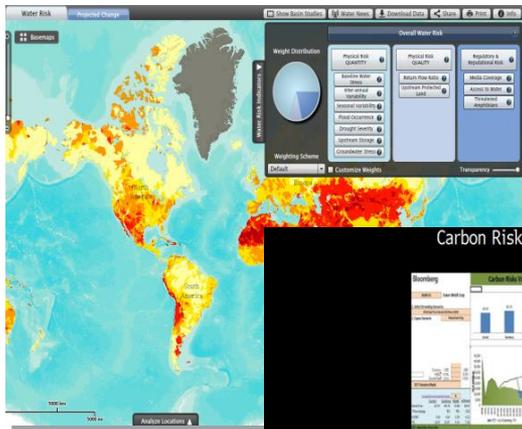
HES US Equity		90 Actions	97 Output	90 Settings	99 Feedback					
Hess Corp		Periods 10 Annuals								
Key Stats		1/S	B/S	C/F	Ratios	Segments	Add	ESG	Custom	
In Millions (except Per Share)		FY 2012	FY 2011	FY 2010	FY 2009					
12 Months Ending		2012-12-31	2011-12-31	2010-12-31	2009-12-31					
<b>Risks and Opportunities</b>										
Regulatory Risk Exposure										
Physical Risk Exposure										
Other Risk Exposure										
Regulatory Opport Present										
Physical Opport Present										
Other Opportunities Present										
<b>GHG Emissions</b>										
Scope 1 Emissions	Employee Turnover %	6.80	7.20	5.40	4.50					
GH Emissions	% Employees Unionized	6.00	6.50	8.70	9.00					
CH4 Emissions (CO2e)	% Women in Workforce	40.00	39.00	40.00	40.00					
N2O Emissions	% Women in Mgt	31.00	31.00	31.00	37.00					
N2O Emissions (CO2e)	% Minorities in Workforce	38.00	37.00	36.00	--					
SF6 Emissions (CO2e)	% Minorities in Mgt	25.00	25.00	24.00	--					
Scope 2 Emissions	Workforce Accidents	--	188	137	131					
Ret Certs Low Carbon	Lost Time Incident Rate	0.29	0.22	0.17	0.31					
Emissions from Travel	Lost Time Incident Rate - Contractors	0.18	0.12	0.09	0.15					
Emissions from Distribution	Total Recordable Incident Rate	0.50	0.71	0.80	0.83					
CDP Level of Uncertainty Scope 1 Emis...	Total Recordable Incident Rate - Contr...	0.70	0.73	0.46	0.45					
CDP Level of Uncertainty Scope 2 Emis...	Fatalities - Employees	1	0	0	0					
	Fatalities - Contractors	1	0	0	0					
	Fatalities - Total	2	0	0	0					
	Social Supply Chain Management	Yes	No	No	No					
	Sustain Sup Guidelines Encomp ESG Are...	No	No	No	No					

### Carbon Disclosure Project (CDP): Standards for Company Env. Performance Indicators

## Supply side: We need to develop this portfolio

Our support to these organizations support the development of standards for **valuing ecosystem services**, the capacity building for companies to use them and outreach to the financial community to utilize in analysis

### World Resources Institute (WRI): Water Risk Mapping



Carbon Risks Valuation Tool 2013-09-27  
 The Bloomberg Carbon Risk Valuation Tool provides a way to assess the potential share price and earnings impact fossil fuel extraction companies may face in a 'stranding' situation. The Tool offers several 'stranding' scenarios that the user can apply, as well as the ability to fully edit the underlying assumptions for a company's earnings, the price of oil and gas, and a company's cost of producing and finding and developing new

### Carbon Tracker Initiative: Carbon Asset Risk

# FSB Task Force on Climate-related Financial Disclosures (TCFD) was established by the G20 to focus on this challenge

**TCFD** TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES



## THREE PROBLEMS: ONE SOLUTION

- Public companies generally have a legal obligation to disclose material climate-related financial information, but there's no coherent framework to do so
- Fragmented, non-comparable reporting prevents investors, creditors, and underwriters from effectively using existing disclosures in their financial decisions
- In turn, regulators struggle to use existing financial disclosures to determine whether financial systems might be vulnerable to climate-related risks

**The solution to all three is a clear, efficient, and voluntary disclosure framework that improves the ease of both producing and using financial disclosures**