Employee Trust and the Board of Directors

IPR-Edelman Smithfield Webinar

November 1, 2023
Our Agenda

How we’ll spend our time together today…

1. Introducing our Panel
2. Trust in the Workplace Snapshot
3. Group Discussion
4. Recommended Actions & Key Takeaways
Introductions
Meet the Experts
Today’s Facilitator

Deidre Campbell
Managing Director, Edelman Smithfield

Meet the Experts

Lex Suvanto
Managing Partner & CEO, Edelman Smithfield

Jamie Fish
Executive Vice President, Employee Experience
Key Take-Away #1
Board Aperture Widens to Include Employee Audiences
## A Conventional Board Agenda

### Sample Board Agenda Incorporating Strategy
How forward-looking boards should spend their time

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<thead>
<tr>
<th></th>
<th>Jan - Feb</th>
<th>Mar - April</th>
<th>May - June</th>
<th>July - Aug</th>
<th>Sept – Oct</th>
<th>Nov - Dec</th>
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<td><strong>Corporate control, fiduciary</strong></td>
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<td>Performance reports</td>
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<td>Annual general meeting</td>
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<td>Annual accounts</td>
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<td>Auditor’s review</td>
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<td>Legal, regulatory, compliance, and risk</td>
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<td><strong>Shaping</strong></td>
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<td>Strategy</td>
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<td>Market and competitive-landscape review</td>
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<td>Investment proposals</td>
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<td>Talent-quality review</td>
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<td>Risk management</td>
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<td>Reinvent board</td>
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<td>Decisions</td>
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<tr>
<td>Board education/team building</td>
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Source: NACD
Directors Say Culture is Top Board Blindspot

From the 2023 NACD Summit

What do you believe is the top blind spot in your company/organization? (217 responses)
What’s Driving the Increased Focus?

2022 was the ‘real year of the Great Resignation,’ says economist
A record 50.5 million people quit their jobs in 2022, breaking the previous high set in 2021 as ample job prospects and high pay lured them...
Feb 1, 2023

CNBC

Health care workers report increase in burnout, harassment since the COVID pandemic: CDC
A new CDC report published Tuesday found health care workers are experiencing worse mental health since the COVID pandemic and it’s reaching...
2 days ago

ABC News

UAW strike is costing General Motors $200 a week
The United Auto Workers union expanded its strike to a giant General Motors SUV factory in Arlington, Tex., just after the company told...
2 days ago

The Washington Post

Unsealed lawsuit by investor Carl Icahn accuses board, ex-CEO of causing ‘illumina to break the law’
The lawsuit follows Illumina’s $7 billion acquisition of cancer-detection company Grail. The deal has been tangled in regulatory challenges...
3 days ago

San Diego Union-Tribune

CHROs are rising stars of the C-suite. So why aren’t they on more boards?
CEOs are fond of saying that people are their company’s most important asset. But most corporate boards of public companies—while rich with...
7 hours ago

Fortune

Hiltzik: Where was Southwest’s board?
Southwest executives have issued public apologies and its front-line workers have taken the brunt of customer fury, but the board of...
Jan 3, 2023

Los Angeles Times
Key Take-Away #2

Employer Continues to Trend Up as Most Trusted Source of Information
Only Business is Competent and Ethical; Sustains Rise in Ethics for Third Year

(Competence score, net ethical score)

GLOBAL 23 Excludes China and Thailand
## Employer Media Most Believable

Percent of employees who believe information from each source automatically, or after seeing it twice or less

<table>
<thead>
<tr>
<th>Communications from…</th>
<th>My employer</th>
<th>National government</th>
<th>Media reports, named source</th>
<th>Major corporations</th>
<th>Advertising</th>
<th>Media reports, anonymous source</th>
<th>My social media feed</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>63</td>
<td>55</td>
<td>54</td>
<td>52</td>
<td>46</td>
<td>44</td>
<td>36</td>
</tr>
</tbody>
</table>

Nr. of times they need to see the information repeated before believing it:

- □ Once or twice
- □ If I see it here, I will automatically assume it is true

|                      | 18          | 16                   | 13                          | 12                | 11         | 9                             | 8                   |

I will never believe it is true if this is the only place I see it

|                      | 11          | 15                   | 15                          | 17                | 22         | 21                            | 29                  |

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2022 Edelman Trust Barometer Special Report: Trust in the Workplace. HEAR.TIME1. When you see a new piece of information or a news story in each of the following information sources, how many times do you need to see it or hear it repeated in that same type of information source before you believe it is really true? Question asked of half of the sample. “Once or twice” is a sum of codes 2 and 3. 7-mkt avg. All data is filtered to be among employees who work for an organization or corporation (Q43/1).
Most Credible Voices are Those Who Can Identify and Align its Vision with Respondents; Followed by those with Company Expertise

<table>
<thead>
<tr>
<th>Role</th>
<th>Credibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>A person like myself</td>
<td>72</td>
</tr>
<tr>
<td>Company expert</td>
<td>70</td>
</tr>
<tr>
<td>Academic expert</td>
<td>66</td>
</tr>
<tr>
<td>My CEO</td>
<td>63</td>
</tr>
<tr>
<td>NGO representative</td>
<td>51</td>
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<tr>
<td>CEOs</td>
<td>50</td>
</tr>
<tr>
<td>Regular employee of a company</td>
<td>48</td>
</tr>
<tr>
<td>Board of directors</td>
<td>47</td>
</tr>
<tr>
<td>Government official/regulator</td>
<td>43</td>
</tr>
<tr>
<td>Journalist</td>
<td>42</td>
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</tbody>
</table>

Percent who rate each as very/ extremely credible as a source of information about a financial service company, in the U.S.

*My CEO is asked among those who are an employee (Q43/1).*
Key Take-Away #3

Stakes are High on Employee Expectations around Social Issues and Culture
Consumers and Employees Pressure Business to Stand Up for Them

Percent who say

I buy or advocate for brands based on my beliefs and values

63%

Having societal impact is a strong expectation or deal breaker when considering a job

69%

Business reflects my values
Has a greater purpose
Meaningful work that shapes society
Opportunities to address social problems
Stops specific business practices if employees object
CEO addresses controversial issues I care about
On addressing each societal issue, business is

- Climate change: Multiplier 6.5x, 53% not doing enough vs 8% overstepping
- Economic inequality: Multiplier 6.5x, 50% not doing enough vs 8% overstepping
- Energy shortages: Multiplier 6.5x, 50% not doing enough vs 8% overstepping
- Healthcare access: Multiplier 6.5x, 47% not doing enough vs 7% overstepping
- Trustworthy information: Multiplier 5x, 45% not doing enough vs 9% overstepping
- Workforce reskilling: Multiplier 5x, 44% not doing enough vs 9% overstepping

Percent who say

2023 Edelman Trust Barometer. BUS_BND. Think about business as an institution, and its current level of engagement in addressing societal needs and issues. When it comes to each of the following areas, please indicate if you think business is going too far and overstepping what it should be doing, is doing just the right amount in regard to this activity, or is not going far enough in its actions and should be doing more. 3-point scale; code 3, “not doing enough”; code 1, “overstepping”. General population, 27-mkt avg. The multipliers are rounded to the nearest .5.
Expectations for Advancement, Empowerment, Societal Impact All Grow

Average percent of employees who say each is a strong expectation or deal breaker when considering a job

Career advancement (avg)

83%

Competitive wages
Work experience
Training
Career opportunities

$+$2 pts

Personal empowerment (avg)

80%

Regular communication
Truthful information
Easy employee input
CEO embodies values
Employees in planning
Employee diversity

$+$2 pts

Societal impact (avg)

71%

Reflects my values
Greater purpose
Meaningful work
Social impact
Listens to employees
CEO takes a stand

$+$2 pts

GLOBAL 7 Change, Sept 2022 to Sept 2023 Significant change

2023 Edelman Trust Barometer Special Report: Trust at Work, EMP_IMP. When considering an organization as a potential place of employment, how important is each of the following to you in deciding whether or not you would accept a job offer there? 3-point scale; top 2 box. important. 7-mkt avg. All data is filtered to be among employees who work for an organization or corporation (Q43/1). “Career advancement” is an average of attributes 1-4; “Personal empowerment” is an average of attributes 5-6, 8-11; “Societal impact” is an average of attributes 12-17. Year-over-year changes were tested for significance using a t-test set at the 99%+ confidence level. Attribute text has been shortened for readability; please see the full text in the Technical Appendix.
Belief that Employee Pressure Can Change Almost Anything About Their Organization Grows

Which best describes your view?

A large group of employees...

...exerting strong pressure can get our organization to change almost anything about itself

50%  +5 pts

...cannot force our organization to change anything that the organization itself does not want to change

Global 7 Change, Sept 2022 to Sept 2023

<table>
<thead>
<tr>
<th>Ages</th>
<th>18-26</th>
<th>27-42</th>
<th>43-58</th>
<th>59+</th>
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<tbody>
<tr>
<td>Significant increases among millennials and Gen X</td>
<td>+5</td>
<td>+7</td>
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<td>+7</td>
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</tbody>
</table>

Significant increases among millennials and Gen X

2023 Edelman Trust Barometer Special Report: Trust at Work. EMP_CHOICE3. You are about to see a series of two choices. We want you to choose the one that best describes your perceptions of the workplace. Question asked of half the sample. 7-mkt avg., and by generation. All data is filtered to be among employees who work for an organization or corporation (Q43/1). Year-over-year changes were tested for significance using a t-test set at the 99%+ confidence level.
Young Coworkers Influence Our Willingness to Pressure Employers

Percent of employees who say

Coworkers in their twenties have influenced...

…my willingness to pressure my employer to change things I do not approve of

61%  +6 pts

Change, Sept 2022 to Sept 2023

…my openness to unions or labor organizations

62%

2023 Edelman Trust Barometer Special Report: Trust at Work. KID_INFLU_WRK. To what degree, if any, would you say that the following things about you and your behavior in the workplace today have been influenced by your coworkers in their twenties? 5-point scale; top 3 box, moderately to entirely. Question asked of half the sample. 7-mkt avg. All data is filtered to be among employees who work for an organization or corporation (Q43/1). Year-over-year changes were tested for significance using a t-test set at the 99%+ confidence level.
Pathways for Employee Influence: Expectations Fall Short of Reality

Percent of employees who say each is a **strong expectation or a deal breaker** when considering a job, and percent who agree their employer is **doing** each.

**It is easy for employees to give input**

- Employees expect this: 81
- Employees agree their employer does this: 64
- Gap, expectation vs reality: -17 pts

**Employees are included in the planning process**

- Employees expect this: 76
- Employees agree their employer does this: 60
- Gap, expectation vs reality: -16 pts

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2023 Edelman Trust Barometer Special Report: Trust at Work. EMP_IMP. When considering an organization as a potential place of employment, how important is each of the following to you in deciding whether or not you would accept a job offer there? 3-point scale; top 2 box, important. EMP_VAL. Thinking about your current employer, to what extend do you agree with the following statements? 9-point scale; top 4 box, agree. 7-mkt avg. All data is filtered to be among employees who work for an organization or corporation (Q43/1).
Key Take-Away #4

The Role Communications Leaders Play For the Board is More Important than Ever
Regulators are also a Catalyst

Gary Gensler
@GaryGensler

Investors want to better understand one of the most critical assets of a company: its people.

I’ve asked staff to propose recommendations for the Commission’s consideration on human capital disclosure.
How Boards are Addressing Culture in the Boardroom

• Aligning executive compensation metrics to culture objectives.
• Evaluating how the C-Suite is modeling desired behaviors.
• Evaluating how culture is communicated.
• Measurement of culture.
• Considering culture as part of succession planning.
• Challenging the board’s culture.

Source: Equilar, EY
Engage Your Board of Directors

• **Ensure clear articulation of Culture** and how it aligns with purpose/strategy.

• **Map Culture to business KPIs** to drive understanding of the connection between corporate culture and business results.

• Formalize how culture is *communicated*.

• **Devise clear measurement** and provide updates / progress reports.

• **Advocate for Culture to be a topic on the board’s agenda** at least once a year.

• Understand that the culture in the C-Suite and Board can be a challenge and *be a culture champion within the leadership team*.

• **Provide helpful education (e.g., peer benchmarking)** to illustrate how other companies are doing this.

Source: NACD Summit 2023 , EY
Key Takeaways: Employee Trust and the Board of Directors

1. Board Aperture Widens to Include Employee Audiences
2. Employer Continues to Trend Up as Most Trusted Source of Information and Expectations Are High
3. Boards are Quickly Ramping up Focus and Capabilities on Workforce & Culture
4. The Role Communications Leaders Play For the Board is More Important than Ever
Thank you