Building and maintaining trust in a polarized environment

In March 2023, board members and senior executives from leading financial institutions were joined by Lex Suvanto, CEO, and Andrew Wilde, Global Chair of Financial Services, at Edelman Smithfield for a series of dinner discussions exploring findings from the 2023 Edelman Trust Barometer, which surveyed 32,000 individuals across 28 countries to assess consumer sentiment. In these discussions, participants examined how financial institutions can build and maintain employee and customer loyalty in the context of deep ideological divisions and erosion in trust in media and government. They also explored the pressure that leaders of large banks and insurers face to address contentious social issues and the risk of alienating large portions of their customer and employee bases in doing so.

This document synthesizes insights from those conversations, focusing on the following themes:

- The current environment of mistrust, polarization, and economic anxiety
- How to respond to heightened expectations

The current environment of mistrust, polarization, and economic anxiety

Edelman has been measuring trust in four institutions—business, government, media, and non-governmental organizations (NGOs)—for over 20 years. Recent results have shown meaningful shifts in the trust landscape, with important implications for leaders of financial services firms. Participants discussed several key aspects of Edelman’s findings:

- Business is now the most trusted institution. According to Mr. Wilde, “For many years, NGOs were out in front. Things shifted during COVID to governments. You needed the people you voted for. In the UK, people got behind the government and its people with the vaccine effort.” But this spike in trust in government was short-lived. Both government and media are now seen as “sources of false information.” There has been a
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sharp decline in trust in both, with media falling behind government. Over the last three years, “government has been firmly replaced by business” as the most trusted institution. The trust in business may come as a surprise to some, but Mr. Suvanto noted that business is perceived as “both competent and ethical.” Business is also seen as a “reliable source of information. The most trusted source of information is a person’s company newsletter.” While this might be considered a positive development for business, Mr. Suvanto cautioned that this “problematic imbalance with business, government, and media” makes it more difficult to address societal problems requiring collaboration and collective action.

- **Polarization reinforces and compounds lack of trust.** Polarization has reached record levels in many geographies, and disagreements on political, social, and cultural issues are leading to deep divisions. Mr. Suvanto observed, “We are more divided now than we have ever been, especially in developed markets. People feel more distant from people with different perspectives. Only 20% of respondents would be a neighbor or coworker with someone with different views.” He said that in this polarized world, “ideology has become identity,” adding that our divisions are reinforced by “a polarized ecosystem of belief,” with social media and other outlets targeting audiences that share their beliefs, undermining confidence in mainstream media, and weakening the social fabric.

- **Trust has become local and personal.** Growing suspicion of traditional sources of authority coupled with the fact that “trust in experts has collapsed” has created conditions where “trust is hyperlocal,” according to Mr. Wilde. “People are more likely to trust a work colleague than someone from government or a scientist.” Hyperlocal, particularistic trust means that while trust in CEOs in general is low, people tend to trust their own company’s CEO, said Mr. Wilde.

- **Trust in financial services has improved, but it remains low.** Trust in business is not universal across sectors. The financial services sector has historically lagged other sectors in the Edelman survey. Mr. Suvanto said, “Since the Great Recession, financial services had been the least trusted industry. But it has been getting better over the last three or four years. It’s now second from the bottom.” Banking in particular saw a significant uptick in trust during the COVID-19 pandemic, while insurers’ reputations continued to suffer. “Banking had a very good COVID,” Mr. Wilde said. “Banks were the front line, seen as a defense mechanism, facilitating government payments and offering relief. Insurers had a tougher time; they were forced to pay out.” Insurers continue to trail the broader

“*The most trusted source of information is a person’s company newsletter.*

– Lex Suvanto

“*Trust in experts has collapsed...trust is hyperlocal.*”

– Andrew Wilde
industry in part because individual interactions with insurers are infrequent, and negative encounters are amplified: “With insurers, they are all negative stories. It’s me telling my bubble about getting my claim denied,” one participant pointed out.

- **Economic pessimism and anxiety are widespread.** Mr. Suvanto reported that economic optimism—defined by the number of people who think they and their families will be better off in five years—“has declined in 24 of the 28 countries we surveyed” and is particularly low in developed economies. Drivers of anxiety are changing and becoming more personal: “Personal anxieties around things like inflation and job loss are now on par with existential threats like climate change and war,” said Mr. Suvanto.

**How to respond to heightened expectations**

In this environment of mistrust, polarization, and heightened economic anxiety, leaders of large financial institutions must tread carefully. With business now more trusted than government and media, firms may face heightened stakeholder expectations. Customers and employees, for instance, increasingly want to align their purchasing or employment decisions with their values. “The belief-driven client is more likely to advocate for a particular brand,” Mr. Wilde said. In Edelman’s 2023 survey, 63% of consumers said, “I buy or advocate for brands based on my beliefs and values,” while 69% of employees agreed with the statement “Having societal impact is a strong expectation or deal breaker when considering a job.”

The perception that an institution stands for something is especially important for customer and employee loyalty in financial services, where the product is relatively “invisible” and undifferentiated, meaning that potential customers or employees need to identify with the institution rather than the product.

The declining trust in elected officials and rising trust in business is increasing the public’s expectation that business leaders will address social and political issues. “Do people care about a CEO talking about climate change and reproductive rights?” Mr. Wilde asked. “Yes. Statistics vary by country, but overall, 85% of people expect CEOs to have a public voice on issues.” Mr. Suvanto said, “People want business to do more and play a role in things like climate, jobs, and reskilling.” This expectation is not limited to customers and employees. Mr. Wilde noted that in recent research from Edelman, “Eighty-seven percent of institutional investors said they want the CEO and chair to have a clear public role on big social issues, and 85% of large institutional investors say public opinion is crucial when deciding whether to invest in a given financial institution.” When institutional investors were asked which issues it is most important for a bank CEO to address publicly, the impact of
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inflation and sector regulation were at the top (cited by 88% and 87%, respectively), but nearly as many cited social inequality and climate change (87% and 84%), according to Mr. Suvanto and Mr. Wilde.

Participants had mixed views on whether it is appropriate for financial institutions to engage actively—and especially to comment publicly—on societal issues. One director questioned the entire premise of business becoming more active: “Can business really do more? I’m skeptical.” Other participants emphasized the risks of taking public stands on highly politicized issues and advocated an approach of “sticking to your knitting,” that is, focusing only on those issues that are closest to your business. Another participant said that a good rule of thumb is “the better things are going and the more investors trust you, the less you should say.” According to Mr. Wilde, however, “The data suggests that over the past 15 years, the rewards [of speaking up] outweigh the risk. If there were a time to be bolder with communication, it’s now.”

Participants acknowledged that decisions to engage publicly on social issues are not binary and cannot be covered by blanket policies or approaches. A number of considerations affect whether and how to engage:

- **The nature of the issue.** Participants agreed that decisions about whether and how to speak out vary depending on the specific issue in question. Some issues—multiple directors in both the United States and the United Kingdom cited the murder of George Floyd as an example—represent basic matters of human rights, so that “stakeholders needed to know where we stood on it,” and speaking out was clearly “the right thing to do.” Other social issues, such as reproductive rights or gun control in the United States, are more controversial, and taking a stand risks alienating large portions of the customer or employee base. On such issues, a more cautious approach is warranted, and several directors noted that their organizations had decided not to take a public position. One said that if an issue doesn’t directly affect their business, they should avoid taking a public stance: “Every board I’m on is aligned that if an issue is not a direct hit, don’t bring it in the house.”

Not all the issues on which customers and employees desire a company comment are necessarily divisive. “When people think about social issues, they often default to things like climate that can be very polarizing. When we talk about social issues, it includes digitization, it is about jobs and reskilling, it is about what you intend to pay for a basic level of protection. They are not necessarily asking you to weigh in on saving the rain forest,” noted Mr. Suvanto.
• **The standing of the CEO.** Participants noted that how effective a CEO or board chair can be in speaking on public issues depends in part on the person’s stature and credibility. A participant observed that “Jamie Dimon will speak on everything, Brian Moynihan will speak on some things, and Jane Fraser will speak only occasionally, like on Roe versus Wade, for example.” A CEO’s personal experiences lend credibility when they speak on related issues. Participants pointed out that when Aviva CEO Amanda Blanc was appointed Women in Finance Champion by the UK Treasury and led the development of the Women in Finance Charter in 2022, she had an “authentic, authoritative platform” from which to address discrimination and misogyny—obstacles she herself had experienced in her own career, including the misogynistic comments she had faced during Aviva’s annual shareholder meeting in 2022.

• **The involvement of the board.** While the CEO is often the public face of the corporation, boards are increasingly weighing in on whether and how to take public positions. One director said that if the CEO is considering taking a public stand on an issue, the board chair or lead director at least needs to be informed, “even if it is time sensitive, over a weekend. The risk is too high.” The risk inherent in taking a public position means that for many boards the threshold for the board to weigh in is lower than it would be for other issues. Several participants reported that their boards have established protocols or frameworks both to inform these decisions and also to ensure in advance that there is alignment between the board and management about when taking a public stand is appropriate.

• **Alignment of public statements with other corporate actions.** Participants emphasized that financial institutions’ engagement with social or political issues goes beyond public statements. One participant said, “It’s not just about public statements. It is also about the policies you put in place for employees, your commitments, your sustainability report and political contributions. There is a whole spectrum of corporate actions and statements. All of them are attackable by activists. My recommendation for boards is that you need to think in a multidimensional way; they all need to align with your purpose.”
Appendix
The following individuals participated in these discussions:

- Alastair Barbour, Chair of the Board, Phoenix Group Holdings; Non-Executive Director, RSA
- Andrew Birrell, Non-Executive Director, Sanlam
- Louise Birritteri, Chief Executive Officer and Founder, PIKL
- Paul Bishop, Non-Executive Director, Just Group
- Matthew Brewis, Director, General Insurance and Conduct Specialists, Financial Conduct Authority
- Marianne Brown, Non-Executive Director, Charles Schwab
- Michael Cole-Fontayn, Non-Executive Director, JPMorgan Securities
- Howard Davies, Chair of the Board, NatWest Group
- Pierre-Olivier Desaulle, Non-Executive Director, Beazley
- John Fitzpatrick, Non-Executive Director, Assurely
- Charlotte Gerken, Executive Director, Insurance Supervision, Prudential Regulation Authority, Bank of England
- Eeman Haider, Senior Account Supervisor, Strategic Situations and Investor Relations, Edelman Smithfield
- Jenni Hibbert, Partner, Heidrick & Struggles
- Petri Hofsté, Audit Committee Chair, Rabobank; Non-Executive Director, Achmea
- Sheila Hooda, Risk Committee Chair, Mutual of Omaha; Nominating and Governance Committee Chair, Enact Holdings
- Craig Isaacs, Vice President, Operations, State Farm
- Matthew Jones, Chief Strategy Officer, Cowbell
- Ed Kearns, Chief Data Officer, First Street Foundation
- Senthil Kumar, Senior Executive Vice President and Chief Risk Officer, BNY Mellon
- Michael Littenberg, Senior Partner, Ropes & Gray
- John Liver, Non-Executive Director, Barclays UK
- Monica Mächler, Non-Executive Director, Zurich
- Doina Palici-Chehab, Non-Executive Director, AXA
- Suzy Parish, Culture Manager, Chief Innovation Office, Aviva
- Mary Phibbs, Non-Executive Director, Just Group
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- Alessa Quane, Executive Vice President and Chief Insurance Officer, Oscar Insurance; Non-Executive Director, AXA XL
- Manolo Sánchez, Non-Executive Director, Fannie Mae
- Mark Shields, Solutions Marketing Director, FNZ
- Kory Sorenson, Remuneration Committee Chair, Phoenix Group Holdings
- Lex Suvanto, Chief Executive Officer, Edelman Smithfield
- Sara Thompson, Group Human Resources Director, Phoenix Group Holdings
- Tim Tookey, Audit Committee Chair, Royal London
- Jane Tutoki, Non-Executive Director, Sedgwick
- Andrew Wilde, Managing Director; UK and Global Chair, Financial Services, Edelman Smithfield

- Omar Ali, EMEIA Financial Services Regional Managing Partner
- Jan Bellens, Global Banking and Capital Markets Sector Leader
- Ed Majkowski, Americas Insurance Sector and Consulting Leader
- Peter Manchester, EMEIA Insurance Leader and Global Insurance Consulting Leader
- Peter Neufeld, EMEIA Financial Services Digital Customer Experience Leader
- Isabelle Santenac, Global Insurance Leader
- Sophia Yen, Senior Partner/Principal and Insurance Strategy and Innovation Leader

- Dennis Andrade, Partner
- Eric Baldwin, Principal
- Tucker Nielsen, Partner
- Andre Senecal, Associate
About this document

This ViewPoints document is the output of Tapestry Networks’ convening of financial services board members, executives, and stakeholders, together with other subject matter experts, with the goal of addressing pressing problems and enhancing trust in financial markets. The meeting was organized and led by Tapestry Networks with the support of EY as part of its continuing commitment to board effectiveness and good governance.

ViewPoints is produced by Tapestry Networks to stimulate timely, substantive discussions about the choices confronting board members, management, and their advisers as they endeavor to fulfill their respective responsibilities to the investing public. The ultimate value of ViewPoints lies in its power to help all constituencies develop their own informed points of view on these important issues. Those who receive ViewPoints are encouraged to share it with others in their own networks. The more board members, members of management, and advisers who become systematically engaged in this dialogue, the more value will be created for all.

About Tapestry Networks

Tapestry Networks is a privately held professional services firm. Its mission is to advance society’s ability to govern and lead across the borders of sector, geography, and constituency. To do this, Tapestry forms multistakeholder collaborations that embrace the public and private sector, as well as civil society. The participants in these initiatives are leaders drawn from key stakeholder organizations who realize the status quo is neither desirable nor sustainable and are seeking a goal that transcends their own interests and benefits everyone. Tapestry has used this approach to address critical and complex challenges in corporate governance, financial services, and healthcare.

About EY

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Endnotes

1 *ViewPoints* reflects the network’s use of a modified version of the Chatham House Rule whereby comments are not attributed to individuals or corporations. Quotations in italics are drawn from conversations with participants in connection with the meeting.