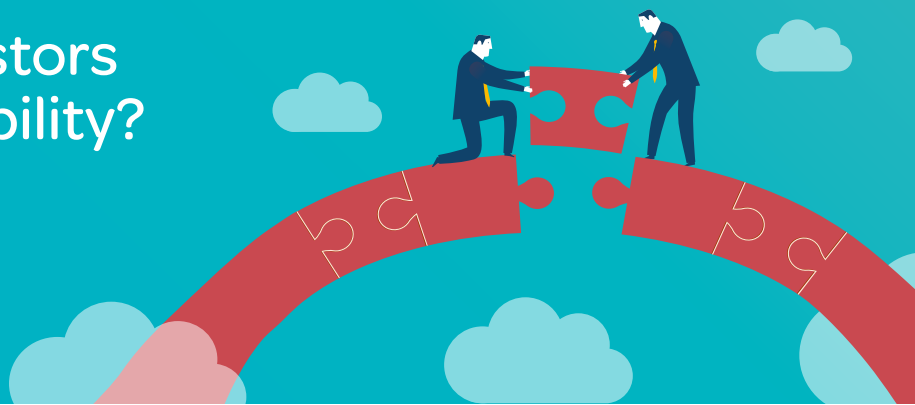


IR meets CR: Do Investors Care About Sustainability?



Corporate Citizenship was delighted to welcome over 140 attendees to its Long-Term Value Project conference “IR meets CR: Do investors care about sustainability?” on 21st February 2018. The event was hosted by the ICAEW and in partnership with the Investor Relations Society. Panel questions and roundtable discussions focused on identifying the practical steps for companies to better engage investors on environmental, social and governance (ESG) performance. To achieve this goal, a true collaboration between Corporate Responsibility (CR) and sustainability practitioners and those working in Investor Relations (IR) is essential.

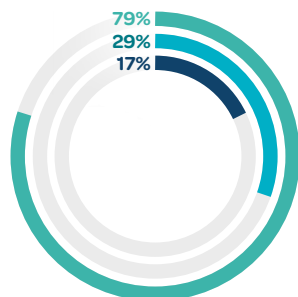
- **Investors do care about sustainability.** The investment management industry increasingly recognises that ESG factors are material to financial performance – it can and does influence decision-making. But investors’ approaches to ESG research, integration techniques and stewardship practices can differ.
- **A real opportunity exists for companies to be proactive** in setting out their long-term strategies and ESG issue-specific positions when engaging with the investment community. Investors look to companies to articulate how they view and manage ESG risks and what opportunities they see from innovation.
- **All the relevant stakeholders** – whether companies, asset owners, managers, ESG rating or research providers – should focus more on articulating a clear corporate purpose and the strategic drivers of long-term value, rather than being limited to select KPIs, frameworks or standards.



“*Relevant stakeholders should focus on a clear corporate purpose and the strategic drivers of long-term value*”

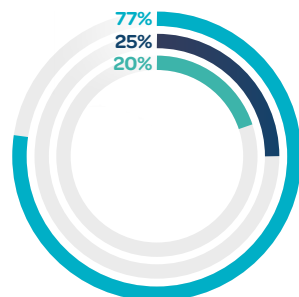
From Corporate Citizenship’s 2017 survey

UNDERSTANDING INVESTOR VIEWS ON ESG ISSUES



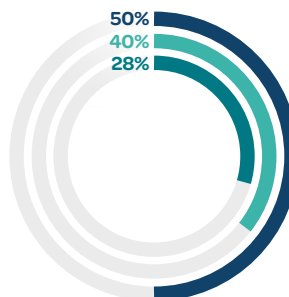
- 79% OF COMPANIES BELIEVE THEY UNDERSTAND WHICH ESG ISSUES ARE MATERIAL TO INVESTORS
- 29% OF COMPANIES HAVE INCORPORATED INVESTORS’ VIEWS INTO THEIR MATERIALITY PROCESS
- 17% OF COMPANIES DISCLOSE MATERIAL ESG ISSUES ON THEIR INVESTOR-FACING WEBSITE OR WEBPAGES

ENGAGING INVESTORS ON LONG TERM VALUE CREATION



- 77% OF COMPANIES SEE A NEED FOR IMPROVING ESG DISCLOSURES
- 25% SAY A LACK OF MANAGEMENT INTEREST IN ESG IS A BARRIER
- 20% SAY A LACK OF INVESTOR INTEREST IN ESG IS A BARRIER

WHEN AND WHY DO IR AND CR TEAMS WORK TOGETHER?



- 50% RESPONDING TO ESG RELATED INVESTOR QUERIES
- 40% RESPONDING TO ESG RATINGS, RANKINGS & RESEARCH PROVIDERS
- 28% COLLABORATING TO PROACTIVELY ENGAGE INVESTOR AUDIENCES ON FINANCIAL AND ESG PERFORMANCE

77% of companies see a need for improving ESG disclosures

29% of companies have incorporated investors’ views into their materiality process



Session One

Our first session featured speakers from Schroders, PRI, MSCI, Sustineri and Aberdeen Standard Investments. The panel offered a perspective on how investors research and evaluate corporate sustainability or ESG performance. Discussions focused on the nature of the information corporates provide to investors, and the degree to which such information shapes investment decisions as well as the role of sustainability in driving long-term financial value.

The panel was moderated by the founder and editor of SRI-CONNECT, Mike Tyrrell. Emphasis was placed on addressing the uncertainties associated with how ESG information is utilised by investors as well as alignment on which ESG issues are deemed to be material. Successful engagement with investee companies can lead to new insights for investors and a potential favourable change in company's policies, practices or disclosure. The panellists confirmed that investors do care about sustainability, ESG factors are being integrated, but the onus is on companies to be proactive:

- **Proactive in providing a point of view on material ESG issues and long-term value creation.** An opportunity exists for companies to take the lead and communicate on how they are managing ESG risks relevant to their business model.
- **Proactive in making the most of ESG rating and ranking participation.** It was also suggested that companies prioritise and then engage with the ESG ratings and rankings providers to ensure a company is in control of its own ESG narrative.
- **Proactive in targeting investor communication and ESG engagement efforts.** Not all investors are the same. Companies should identify the investors that are most important to the business and engage with them to drill down to how they evaluate ESG performance. Reporting and communications should follow from this prioritisation.



“
ESG factors are being integrated by investors, but the onus is on companies to be proactive”





Session Two

Our second session featured panellists from companies who discussed how they got their “house in order” in terms of ESG language, materiality, performance, data and disclosure. Representatives from Total, Royal Bank of Scotland and Stora Enso shared their successes and lessons learned, and the steps they have taken to successfully engage investors on ESG.

Panellists said that they were making a conscious effort to prioritise direct engagement with asset managers through meetings, roadshows, webinars and microsites. They moved beyond simply relying on ESG questionnaires from rating agencies to tell the full picture of their companies’ purpose in society and ESG performance. One panellist had consulted its top investors on what ratings and rankings they considered as part of the investment valuation process in order to prioritise which it would respond to. However, the point was made that these ratings and rankings *can* and should be leveraged as internal management tools, pinpointing ESG strengths, weaknesses and potential blind spots.

There was resounding agreement on the need for reliable data and some debate around whether the ESG information that is currently provided is truly “investment grade” and whether it could ever be truly “comparable”. The ability to trust the data – for example, through assurance - was deemed vital if true integrated reporting is to be achieved to successfully communicate ESG performance to investors.



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The ability to trust the data through assurance is vital if true integrated reporting is to be achieved to successfully communicate ESG performance to investors”

Corporate Citizenship’s Long-Term Value Project

Launched in 2016, the [Long-Term Value Project](#) strives to bridge the gap between Corporate Responsibility (CR) and Investor Relations (IR). IR and CR have a shared ambition: to create sustained, long-term value for a company’s shareholders and wider stakeholders. Through this project we aim to identify the barriers and solutions to closer cooperation between IR and CR, enabling a mindset shift within corporations and a step change in sustainability performance.

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