

ESG Communications

How to Evolve From Financial Reporting to Corporate
Storytelling & Stakeholder Engagement



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| Introduction

Environmental, Social and Corporate Governance (ESG) communications are an investor relations issue now more than ever before.

Investors want companies to connect the dots between their financial matters and material non-financial matters. There are more than 2,000 signatories of the United Nation's Principles for Responsible Investing, which requires asset managers and owners to consider the material ESG risks that may affect their portfolios.

In recent years, as ESG has become more mainstream, investors have appreciated that this isn't just a case of risk mitigation;

ESG best practices can create significant value.

This was evident in [Larry Fink's letter to CEOs](#) at the start of 2020. **The BlackRock CEO wrote that:** "We are on the edge of a fundamental reshaping of finance...in the near future – and sooner than most anticipate – there will be a significant reallocation of capital."

In Fink's letter, he explained that BlackRock has been encouraging public companies, through engagement, to publish ESG information in line with the Sustainability Accounting Standards Board (SASB) and the Task Force on Climate-Related Disclosures (TCFD) framework. BlackRock will consider voting against the re-election of directors at companies that fail to demonstrate progress and awareness of sustainability issues specifically, Fink threatened.

"A company cannot achieve long-term profits without embracing purpose and considering the needs of a broad range of stakeholders... A strong sense of purpose and commitment to stakeholders helps a company connect more deeply to its customers and adjust to the changing demands of society. Ultimately, purpose is the engine of long-term profitability," Fink wrote.



| How Has COVID-19 Affected ESG?

While some sceptics suggested that investors' focus on ESG would tail off during the market downturn in March, April and May, the opposite is true. **Trading patterns since the COVID-19 outbreak have demonstrated that ESG is integrated into many investors' decision-making processes.**

For example, companies that perform well with ESG ratings agencies outperformed the market by seven percent between February 24 and March 23, according to a [study by HSBC earlier this year](#). Similarly, many ESG funds have outperformed their counterparts, according to MSCI, demonstrating that ESG is an important investing screen for many active and passive investors.

However, the pandemic has shifted the emphasis somewhat. Whereas environmental and climate change topics were at the foreground of discussions prior to the COVID-19 outbreak, the focus has been shifted towards companies' handling of employee safety, well-being and engagement.

This was further emphasized following the protests for racial equality across the world, following the death of George Floyd. In that moment, public company executives had to step up and say something meaningful and authentic about their commitment to diversity and inclusion in the workplace and their community as a whole.

This shift in focus came at a poignant moment. It follows on the heels of the Business Roundtable's Statement on Corporate Purpose, which was signed by 181 US CEOs and has placed a greater emphasis on connecting the dots between investors needs and other stakeholder needs. The extent to which employee or customer communications is an IR issue depends on the nature of your business, but what's universal is the need to create cohesion between the message that your different stakeholder groups see.

Companies today are required to tell a compelling and cohesive story about how they treat their employees, how they measure their climate risks, how they ensure they have good governance and why all of the above is material and important to investors. This requires a greater level of collaboration between investor relations, corporate communications, public relations and, in some cases, human relations teams.

In this white paper, we'll outline some best practices and practical examples of how companies are connecting the dots between ESG, stakeholder communications and investor relations.



| The IR Website: The Home for Your ESG Story

The IR website is a portal for all investors to access crucial financial information. But as investor interest in ESG issues intensifies, along with interest from other stakeholders, there's a need for IR teams to think about how they can tell their ESG story in a prominent and easy-to-access manner.

The IR website is, of course, created with the financial community in mind, but it's also increasingly likely that employees, media and other stakeholders will be navigating there to find out information about their companies' environmental impact, workforce diversity or any number of other issues.

The prominence of Corporate Governance sections on IR websites has increased in recent years, giving greater visibility to companies' proxy statements, board of directors and annual meeting schedules.

The most progressive companies are going one step further by adding dedicated sections for ESG-related information.

This is particularly evident on [Waste Management's IR website](#). The company publishes its sustainability information – including graphs about its greenhouse gas emissions and other key environmental measures, as well as a description of the company's environmental goal and community goal – alongside its financial results and information about its upcoming earnings call.



“I wanted to work closely with our ESG team to find a way to put more information on our website,” says Ed Egl, Senior Director of Investor Relations at Waste Management. “We publish a sustainability report – which is a massive document – so we looked to get some key messages that our shareholders and stakeholders would want to know onto our website.”

The sustainability page provides links to the company’s ESG disclosures in both Sustainability Accounting Standards Board (SASB) and Global Reporting Initiative (GRI) format, for investors and stakeholders that want to take a deeper dive into the company’s performance.

But perhaps the most notable aspect of Waste Management’s sustainability content is the language. Examples of the strong wording include:

- “Waste Management is committed to the highest standards of environmental, social and governance practices.”
- “Our senior leadership team is made up of experienced and dedicated executives prepared to meet the challenges of the changing waste industry. The Board of Directors of Waste Management directs the affairs of the corporation and is committed to sound principles of corporate governance.”
- “Transparency is an important part of our commitment to our stakeholders.”
- “We provide regular financial disclosures, and we disclose our progress toward our sustainability goals.”



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| Top ESG Tips for IR Websites

- 1** You don't need to reinvent the wheel. If your company already produces a sustainability report, pull out the investor-relevant information and post it to your IR website. Your investors are looking for decision-useful information that they can quickly digest.
- 2** Explain why this information is relevant to investors. In many cases, your investors will identify their own materiality concerns, but they may differ to the topics that you identify. By explaining why you're publishing the metrics you are, it helps your investors understand how you're thinking about ESG.
- 3** Write strong, actionable and measurable statements. Investors, media, employees and other stakeholders aren't interested in greenwashing or vague progressive statements – in fact, they can be deemed as a net negative.
- 4** Create cohesion between your other communications channels. For example, if your communications team is publishing an update on employee safety during COVID-19, give your stakeholders a consistent experience by posting the update to your IR website.
- 5** Enhance the story with video profiles of your executives. These videos can strike a more personable tone and allow viewers to assess the authenticity of your ESG messaging.

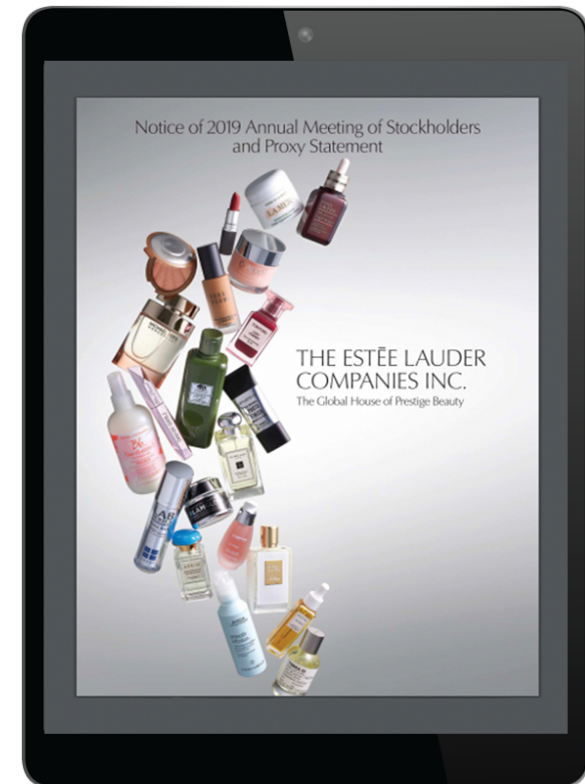
| Collaboration Creates Consistency

At most companies, IR websites are the responsibility of the IR team and there's very little collaboration with other teams. But with the rise of ESG investing and the need to communicate to a broader group of stakeholders, **the time is right for investor relations, corporate communications and public relations to think more carefully about how to tell a consistent story.**

For example, if a company tells a powerful story about how it's helping local communities in a social media post, that story should be easy to find on the company's website or IR website. Often, it isn't. The specifics of how to do this will vary for each company, but there are some powerful results that can be delivered through working together.

This has been brought the foreground this year with the need to communicate how companies are ensuring employee safety considering COVID-19 and working towards racial equality, in light of the Black Lives Matter protests.

In both instances, investors were looking closely to see how companies were responding, and companies that didn't publish statements on their IR websites were asked why. This sharper focus from the investment community followed through to the most recent earnings cycle, where there was an unprecedented increase in discussions of employees, human capital management and race, according to analysis from IR Magazine.



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By sticking to a cohesive message across a company's social media channels, press releases, corporate websites, IR websites, earnings calls and investor events, it reinforces the authenticity of the management teams' message. Not only does this allay the concerns of investors and employees; it can also become a powerful marketing and recruitment tool, because the companies with the most authentic and consistent message will be the most attractive to customers and potential employees that are increasingly concerned about corporate responsibility and ESG.

One example of a company that delivered value to multiple stakeholders is Estee Lauder. Three years ago, the company created an IR, corporate communications and PR working group to think about how to make their storytelling more cohesive in their company reports.

The first step was simply to create a consistent look-and-feel between the proxy statement, the annual report and the sustainability report. Once that was achieved, the working group focused on how to bring the story to life through online, interactive components. Ultimately, as the group worked together, they recognized that they would integrate their e-commerce platform into their online corporate reports, so that readers could purchase cosmetics products while reading the reports.

This worked for multiple stakeholders – employees and customers reading the sustainability report could purchase the new products on offer, while investors and analysts could see a real-time demonstration of Estee Lauder's e-commerce functionality and customer acquisition funnel, while also reading about the company's financials. **It's a powerful example of the benefits that can be gleaned from forming cross-functional working groups** and was highly praised by customers, employees and investors alike.





[On-Demand Webinar] Telling Your ESG Story: Resonating with All Corporate Stakeholders

Notified co-hosted a video webinar with IR Magazine, which featured speakers from Waste Management and ICR. The on-demand recording is [available here](#).



| Owing Your ESG Story and Understanding ESG Data Providers

One of the challenges of owning your company's ESG story is that there are so many other sources of data available to investors and other stakeholders.

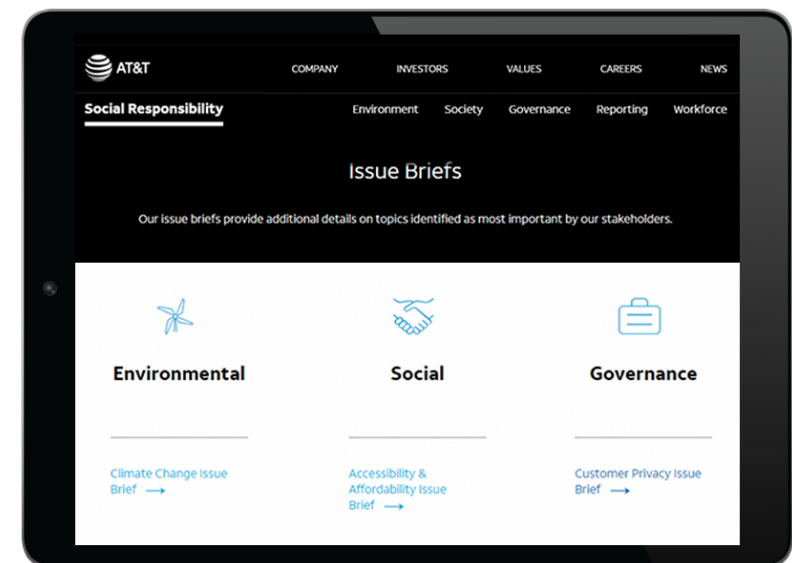
In 2016, there were 125 different ESG data providers, according to a report from [State Street Global Advisors](#), each with their own methodologies. Some of these providers send extensive surveys to IR and legal teams, while others base their ratings on publicly available information.

Therefore, your IR website is an incredibly useful tool for increasing the accuracy of the ESG information that is distributed about your company, providing context and branding that supports your story.

At AT&T, collaboration was at the heart of the solution. The IR and CSR teams recognized the need to provide more accurate ESG data – both for the benefit of investors and ESG data providers.

Led by the company's head of sustainability, they looked at all of the data points that might be considered material in relation to AT&T's business, grouped them into 20 categories and then produced 20 mini-ESG reports – on topics ranging from employee diversity and inclusion, executive compensation, sustainability, carbon emissions, and cyber security. Each report is 1-2 pages long.

The IR team then created a dedicated section of the AT&T website where each report can be accessed. The company says that it has received an extremely positive response from investors and that the webpage that hosts these reports is the most visited on the IR website.





Top Tip: Your ESG Story Isn't Just “About the Data”

Make sure that stakeholders can easily locate information about your commitment to ESG and ensure that the information is delivered in a format that stakeholders are most comfortable with. Use of infographics, video, and ESG microsites can make this information more accessible.



| Increasing Video Output and Decreasing Carbon Footprint

Video meetings and interviews have long been touted as a cost-effective communications tool, compared to in-person meetings. **The forced adoption of video conferencing due to the COVID-19 outbreak has softened even the harshest critics about the effectiveness of video meetings.**

It's essential that companies bear this mind when travel is once again allowed and in-person meetings can be convened. There will always be a need for in-person events. But do we need to maintain the same volume of in-person events? It's important that companies walk the walk, as well as talk the talk, on ESG. Video meetings are an effective way to do so.

"We saw an uptick in ESG roadshows, even before COVID-19," says Simon Ball, Senior Vice President of Product at Notified. "A key justification for this was carbon saving. Of course, there's a significant cost saving by taking meetings online, rather than flying everyone to a destination and paying for a large hotel and meeting space. You can get everything that you need from a virtual experience – including networking."





Notified Carbon Savings Calculator

Notified's Studio webcasting platform **displays a carbon savings calculator**, which shows the amount of carbon that you have saved by conducting a virtual meeting, rather than an in-person meeting.



| Investing in Virtual Events

Almost all public companies transitioned to a virtual AGM this year, and many experienced increased attendance and more ESG-focused questions from their retail investors. With that in mind, **IR teams are now more confident in participating in virtual non-deal roadshows, as well as investor and analyst days.**

Virtual events are considerably more efficient than in-person events, by saving travel time, cost and carbon emissions. Many IR teams are relishing the fact that their CEOs and CFOs can participate in more investor events that ever before, because they're virtual and, therefore, more efficient. This is once again where cross-functional collaboration can elevate investor events for the remainder of 2020 and into 2021.

In the spirit of establishing an authentic ESG story for multiple stakeholders, **virtual investor events provide IR teams will an opportunity to introduce new product specialists and functional heads to the investment community.**

"When we have shareholders that want to talk to us about sustainability, it's great to be able to bring in our sustainability team and have a direct dialogue," says Egl from Waste Management. "Our team can talk about specific metrics – whether it's carbon emissions, water usage or human capital management – and that's appreciated by shareholders."

By having a deeper bench of executives and product specialists all telling the same, consistent story, it creates a positive impression for investors and other stakeholders who are trying to identify which companies really mean what they say, and which companies are guilty of greenwashing. Egl also explains that Waste Management sees the move to virtual investor events as an opportunity to target European investors, who tend to be further down the line with ESG integration.

"Typically, it would just be myself and the CEO or CFO going to Europe, because it's pretty expensive to fly over there and spend a week going from country to country," Egl says. "But in this situation, we're able to get a broader group of participants involved. So, we could add our ESG person or our senior vice president of HR can come in and say what we're doing for diversity and inclusion. It's a stronger message when we have those senior leaders directly tied to those functions attending some of the meetings."

"It's also important to keep in mind that shareholders will still need to be engaged in the story of your company," Ball adds. "Your content must be compelling and engaging. Using a virtual event and webcasting platform for delivering your AGM offers more opportunity to provide supplemental materials and content, more than you may have been able to provide at an in-person event."

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Top Tip:

Outline your virtual event's content well in advance and get feedback on the outline from your speakers. **Determine how many days and/or sessions** you want to host. **Map out the topics** and think about how you'll sequence them. **Finalize the format** of your sessions, along with their interactive tools.



Beyond Earnings: Next Steps to Communicate Stakeholder Value

Investors are looking beyond a company's financial statements for a more complete picture of how it's creating long-term value for shareholders, and for greater society in which it operates.

Effective communication with stakeholders is crucial to a company's success. **Your ESG-focused IR team needs to do more than just report earnings—you need to showcase company sustainability initiatives as part of your broader investment story.**

A successful communications strategy will drive a range of stakeholder outcomes, including:

- Improving communication
- Growing your investor base
- Retaining your current investor base
- Increasing brand value
- Mitigating risk

Investors are demanding easily accessible and transparent information about your ESG efforts, and you have an opportunity to provide content that attracts and engages all your stakeholders through the channels mentioned in this whitepaper.

| About Notified

Notified is the world's only communications cloud for events, public relations, and investor relations to drive meaningful insights and outcomes.

Notified Event Cloud lets you create unforgettable experiences to build brand and community engagement. It's the world's most comprehensive end-to-end event technology and related services to power the creation and management of events.

Notified PR Cloud helps you optimize brand value, increase earned media, and drive meaningful business impact. Reach global audiences, monitor brand sentiment, send GlobeNewswire press releases, and measure success.

Notified IR Cloud lets you manage stakeholder communications and regulatory requirements to maximize shareholder value. Tell your investment story with high-impact, multichannel solutions – earnings announcements, press releases, webcasting, virtual events, and IR websites.

Visit Notified.com to learn more.

