Closing the Sustainability-Investor Relations Gap
Executive Summary

There is a growing recognition that sustainability can have a significant effect on company financial performance. Investors are increasingly integrating consideration of these sustainability issues and metrics into their decision-making. However, too few companies effectively get clear sustainability performance messages out to their investors.

In recent conversations with companies, SustainAbility heard that one of the main barriers to communicating to investors was the internal company dynamic between Sustainability and Investor Relations (IR) departments.

Desk research and interviews with company IR and Sustainability professionals, as well as other expert stakeholders, demonstrate a wide range of current practices of engagement between IR and Sustainability teams in companies. We identify several consistent themes, which we describe as "gaps". For the purposes of this project, we define a gap to mean an area of misalignment between Investor Relations and Sustainability teams.

Gaps between Investor Relations and Sustainability Teams:

**Language**
Differing terminology to describe, and different indicators to measure, company performance

**Timeframe**
Companies and their IR teams are pressured by investors to report on short term results while Sustainability teams often focus on issues that play out over the medium to long term

**Expertise**
Inadequate levels of mutual comprehension and technical capacity in the respective disciplines of IR or Sustainability

**Relationships**
Lack of strong internal relationships between IR and Sustainability departments and team members

**Resources**
Not enough staff time or other resources dedicated by Sustainability and/or IR departments to integrate sustainability issues and sustainability performance data into investor communications
Telling Your Story

Most companies are not sufficiently communicating their sustainability strategy and performance to investors. Stronger internal engagement between Sustainability and IR teams is a critical enabling factor for proactive, integrated communications to investors.

The Spectrum of Engagement

In the graphic below, we outline a range of practices that fall along a spectrum of external communications. On this same spectrum, we identify internal engagement practices between Sustainability and IR teams. We find them to be highly correlated – those companies with better internal collaboration have more proactive, integrated external communication.

Companies that are further along the spectrum will feel fewer pain points and have smaller gaps. Many leading companies have applied the solutions we described and have benefited from deeper engagement. We have also organized the solutions along the spectrum, so that a company can identify where it sits along the spectrum and look to solutions that may be most practical or relevant to them.

Our research also identifies a host of benefits to closing the gaps within companies and between companies and investors:

Benefits of better internal Sustainability-Investor Relations engagement:

Investor Relations benefits:
- Increased opportunities to attract new investors, including long term investors and investors seeking more comprehensive risk and opportunity analysis
- Deeper knowledge of the current business risks and opportunities
- Better understanding of the wider social and environmental context in which the business operates

Sustainability benefits:
- Greater knowledge of investor needs and perspectives to help make reporting more relevant to investors and to clearly communicate the financial value of the company’s sustainability efforts
- Increased ability to create stronger linkages between financial and sustainability issues to drive sustainability integration across the company more broadly

Company benefits:
- Enhanced ability to demonstrate or explain how the company will be sustainable over the long term
- Reduced effort and time needed to respond to investor surveys and ad-hoc enquiries relating to sustainability issues
- More consistent external messaging on company strategy and performance

Company benefits of proactively engaging investors:
- Improved investor understanding of how the company generates value through its actions on material sustainability issues
- Greater trust and credibility with investors
- Reduced risk of investors and others using inaccurate information to make decisions about the company
- Enhanced ability to attract investors looking for value over the long term
Accelerating the Shift

Both investors and companies have roles to play in shifting the system to fully take into account sustainability performance data. More investors need to actively use sustainability information and share how they are using the information with companies. On the company side, more information on sustainability performance needs to be included in mainstream investor presentations. Those companies that want to lead in this area should tell their story in an integrated way to educate their investors.

Another important shift that we believe must happen to drive change in both companies and investors is mandatory disclosure of sustainability performance information. Stock exchanges and other governing bodies are increasingly making changes to their requirements for corporate disclosure on these issues. We hope for continued growth of this trend, as companies need clarity on what to report and investors need timely, standardized information they can use in decision-making.

We also see a need for more and deeper dialogue between professionals in the IR, sustainability and investment fields to enable clearer understanding of what each needs and can deliver.

By acting to close the gaps between these internal groups of IR and Sustainability, companies have an opportunity to pull a powerful lever, accelerating information flow that can drive capital to more sustainable businesses and to the creation of a more sustainable future.
There is growing recognition that sustainability can have a significant effect on company financial performance. A 2015 Harvard Business School study found that businesses focusing their sustainability investments on material factors enjoyed significantly higher returns than those focused on immaterial sustainability factors. In a recent analysis, Moody’s looked at credit exposure to environmental risks and noted that 11 sectors have immediate risk where material impacts are being felt now or will be felt in the next 3-5 years. A further 18 sectors are expected to feel credit impacts from environmental risks in five or more years.

Investors are increasingly integrating consideration of sustainability into their decision-making. According to a recent MIT study, nearly half of investors say that they won’t invest in a company with a record of poor sustainability performance. Seventy-five percent of investment community respondents in the MIT study see improved revenue performance based on sustainability as a strong reason to invest. The rising number of shareholder resolutions related to sustainability issues is a clear signal of the rising importance, as is the growth of green and social impact bonds. Mainstream companies such as BlackRock and Morgan Stanley have created ESG analyst teams.

A Note on Terminology

There are a plethora of terms that are used to describe those issues that contribute to a company’s future success but which are not currently summarized in financial values. There is no one perfect term and certain words will resonate more with different stakeholders.

However, throughout this report, SustainAbility will use the term sustainability, as it is the most commonly used and comprehensive. We acknowledge that the investment community tends to use the term Environmental, Social, and Governance (ESG), but we do not believe it sums up the issues sufficiently. Another term is “non-financial” issues, which we believe perpetuate the silo that sustainability teams often continue to sit in, as many issues do have a direct or indirect financial impact, but typically not in the short term. We include those other terms in the report if they are used in a quote or in a specific study for the sake of accuracy.
CEO’s recent letter to top CEOs on the need for the long term perspective sent a strong message to companies on the shift in thinking taking place in the investor community (see box on page 32). A group of 130 institutions that control $13 trillion of investments signed a letter, co-authored by the Investor Group on Climate Change and five other coalitions, calling for G20 nations to ratify the Paris agreement and force disclosure of climate-related financial risk – an indicator of the significance of climate change to those investors.4

This shift in interest from investors is breeding progressively sophisticated systems and structures to serve evolving investor needs. Stock exchanges around the world are requiring more information to be listed, including what might have typically been found only in sustainability reports. The US Securities Exchange Commission is currently considering revising its disclosure standards to potentially require even more sustainability performance information than they already do. And research firms are enhancing their sustainability expertise. For example, Morningstar has formed a partnership with Sustainalytics, which has enabled them to provide Sustainability Ratings for approximately 21,000 mutual funds and exchange-traded funds, encompassing $13 trillion in assets under management, or more than half of fund assets globally.5

On the corporate side, while many companies are actively identifying and managing sustainability issues at an operational level, too few effectively get clear messages on that activity out to their investors. According to a 2014 Nasdaq Advisory Services study of 500 publicly traded companies, barely one-fifth of US companies were integrating sustainability into their investor communications. Although the figure was higher in Europe, the percentage was still just over half.6

The information flow from companies to investors is an important leverage point in the wider investment system. Guaranteeing and rewarding the transmission of the best possible contextual information is key to incentivizing the right corporate ambitions and shifting to a more sustainable financial system.

The challenge of ensuring more efficient and comprehensive transmission of information on sustainability to investors is complex. A host of multi-stakeholder collaborations are already working on enabling better communication. The Sustainable Accounting Standards Board (SASB) is focused on disclosure standards by sector, as are several sell-side brokers such as UBS. The Task Force on Climate-related Financial Disclosure tackles disclosure around the single issue of climate change. Others are focusing on valuing externalities. For example, the Natural Capital Coalition offers a standardized framework to identify, measure, and value impacts and dependencies on natural capital.

In recent conversations with companies, SustainAbility heard that one of the main barriers to communicating to investors was frequently the internal company dynamic between Sustainability and Investor Relations (IR) departments. Stronger internal engagement between Sustainability and IR is a critical enabling factor for proactive integrated communications to investors. By acting to close the gaps between these groups, companies have an opportunity to pull a powerful lever and accelerate the momentum driving capital to more sustainable businesses and to the creation of a sustainable future.

Building on SustainAbility’s Previous Research

SustainAbility has explored the investor engagement topic in our two previous Engaging Stakeholders Network research projects. In 2014’s See Change, we highlighted materiality, externalities and integration as three aspects that are needed for transparency to drive performance. The report calls out differing definitions of materiality as one of the strong barriers to engaging investors. In 2015’s Sustainability Incorporated, we focused on integration more deeply, identifying five key pathways to enable the embedding of sustainability into business. In that report, we identify transparency, and specifically integrated reporting, as a driver of integrated thinking and an opportunity to engage investors.

This research project also builds on our Rate the Raters research, which ran from 2010-2012, and explored the universe of external sustainability ratings with the goal of influencing and improving the quality and transparency of such ratings. We recognize that ratings continue to be a key tool that some investors use in order to take into account company sustainability performance or transparency. Ratings can also play a significant role in the relationship between Sustainability and IR teams (see PG&E case study page 49).
We saw an opportunity to carry out research to enable stronger collaboration between Sustainability and IR teams and, ultimately, drive both better investor communication and stronger sustainability performance as a result. Through desk research and interviews with over 40 corporate issuers (including representatives from both Sustainability and IR teams), investors, investor relations advisors, non-governmental organizations and multilateral organizations, we sought to answer the following questions:

1. What is the current state of engagement between Sustainability and Investor Relations teams? What are the gaps between the teams and what are the reasons for these gaps? What are current best practices for engagement between them?

2. What guidance can be provided to Sustainability and Investor Relations teams to drive better engagement on sustainability performance?

3. How can greater collaboration between Sustainability and Investor Relations teams strengthen investor communications?

The research and conversations revealed several consistent themes and ideas for improvement. In this report, we summarize those findings and use them as the foundation to develop actionable guidance for how companies can close the gaps between Sustainability and Investor Relations.
Before we describe the various challenges that limit engagement between Sustainability and IR departments, it is important to outline the rationale for strong collaboration not just for the respective teams, but also for the company as a whole, as well as for investors and society.

Benefits of better internal Sustainability-Investor Relations engagement:

Investor Relations benefits:
- Increased opportunities to attract new investors, including long term investors and investors seeking more comprehensive risk and opportunity analysis
- Deeper knowledge of the current business risks and opportunities
- Better understanding of the wider social and environmental context in which the business operates

Sustainability benefits:
- Greater knowledge of investor needs and perspectives to help make reporting more relevant to investors and to clearly communicate the financial value of the company’s sustainability efforts
- Increased ability to create stronger linkages between financial and sustainability issues to drive sustainability integration across the company more broadly

Company benefits:
- Enhanced ability to demonstrate or explain how the company will be sustainable over the long term
- Reduced effort and time needed to respond to investor surveys and ad-hoc enquiries relating to sustainability issues
- More consistent external messaging on company strategy and performance
Company benefits of proactively engaging investors:

- Improved investor understanding of how the company generates value through its actions on material sustainability issues
- Greater trust and credibility with investors
- Reduced risk of investors and others using inaccurate information to make decisions about the company
- Enhanced ability to attract investors looking for value over the long term

Investor benefits of better corporate communication on sustainability issues:

- Reduced effort required to find information for sustainability analysis
- Deeper understanding of the financial connections of sustainability issues, which enables stronger investment decision-making

Societal benefits of improved company/investor engagement on sustainability issues:

- Shift in investment to companies with more sustainable business models

Given all these benefits, what keeps internal teams from deeper and better engagement? What prevents companies from proactively telling their integrated value story to investors? The following chapter answers those questions and outlines ways to realize the benefits listed above through best practices.

“Even if investors are not interested in ‘sustainability’, as such, what Investor Relations can learn from Sustainability professionals is how to make their company more attractive to investors. It is material for IR teams to understand how they can maximize their potential to seek investment.”

- Flavia Micilotta, Executive Director, Eurosif
3. Gaps and Solutions

Through our desk research and interviews, we identified a wide range of current practices in companies. Several themes emerged which we describe as “gaps”. For the purposes of this project, we define a gap to mean an area of misalignment between Investor Relations and Sustainability teams. It is helpful to explore each gap in turn to understand the root causes of each and thus how to best address them.

The first two gaps are the widest. They present the most fundamental challenges in the current system and the most powerful levers for change:

- **Language**
- **Timeframe**

The three other gaps are further barriers to engagement but are more easily addressed:

- **Expertise**
- **Relationships**
- **Resources**

We describe the gaps in further detail in the following pages. For each gap we outline:

- **Pain Points**: These explain how the gap is commonly felt. These vary from company to company and even within the company. We include those that came up with the most frequency and/or emphasis.

- **Solutions**: These encompass the best practices that we recommend to help address the pain points and bridge the gap. These are listed in order of relative ease of application, which will vary based on company culture and other factors. They do not directly correlate to the pain points, i.e., multiple solutions may help with a single pain point or a single solution may help address more than one pain point.

- **Case Studies**: These provide concrete examples of ways companies have successfully applied the solutions to the pain points.
We ask the reader to consider the following factors that affect our grouping:

- Many of the gaps are interrelated; there is an inherent challenge in assigning pain points and solutions to one particular gap.

- What a company communicates to its investors is not wholly controlled by IR, and neither the Sustainability nor the IR team operates in a vacuum. Finance, Legal, Corporate Communications and other departments also play key roles, as does the Board of Directors.

- Investors also act as drivers of the information. The gaps noted between internal teams are partly due to lack of investor pressure. As Sarah Bostwick, Manager of Reporting at the UN Global Compact, highlighted: “The inertia to involve ESG issues in reporting is from all three sides: sustainability teams, IR teams and even investors.”

With these factors in mind, the following pages are organized around the five gaps listed above, and serve to help readers recognize pain points within your own companies and to identify possible solutions to close the gaps and reap the benefits of stronger alignment between Sustainability and IR teams.

**Language**

**Language Gap Definition:** Differing terminology to describe, and different indicators to measure, company performance
During our research, this gap emerged as the deepest. IR and Sustainability teams use different language, apply different context and have different ways of asking questions about the same issues. Metrics play a big role in perpetuating the gap, with IR and Sustainability teams using different measures to demonstrate company resilience and value creation. The ongoing challenge of translating sustainability performance data into financial metrics is a core barrier to engagement.

The differences between IR and Sustainability team communications stem from serving different stakeholders who each have their own jargon and metrics. Few mainstream investors explicitly ask for sustainability performance information, leaving many IR professionals with the perception that sustainability doesn’t factor into their investment decision-making. There is a need for Sustainability teams inside companies to be interpreters – to ensure IR teams understand investor interest in sustainability and have the most relevant performance data in hand to respond.

The language gap can also result from differences in expertise (the third gap we outline in this report). Greater understanding of the respective disciplines will help to address the language gap.

Pain Points

1. **Lack of agreed definition of materiality** - We frequently heard during our interviews with IR and Sustainability teams that the lack of an agreed definition of materiality is a barrier to integration of sustainability issues into the company strategy, and thus, into investor reporting. “When we talk about materiality in relation to sustainability, internal stakeholders often challenge our application of the term,” said Ellen Kondracki, Senior Director, Global Sustainability at Becton Dickinson. “I wish we called it something different.”

2. **Sustainability issues or performance are not communicated in the language investors want** - This pain point is multifaceted. All investors care about financial metrics, so if sustainability issues and performance are not explained in financial terms, there is less interest. In a survey by Pricewaterhouse Coopers, 82% of investors were dissatisfied with how sustainability-related risks and opportunities were currently identified and quantified in financial terms.7 Bruce Kahn from Sustainable Insight Capital Management pointed out: “Sustainability teams may not have the right language to translate ESG factors into investment terms.” Another aspect of this pain point is that those investors that do use sustainability metrics need those data points to be consistent and comparable with peers over time, not anecdotal. “In our estimation, 80% of sustainability reports are not useful for investors,” said Verity Chegar, ESG Strategist at BlackRock.

3. **Investors may not explicitly call issues “sustainability” or “ESG” issues so no connection is made** - Investors who know their sector understand the full breadth of systemic and company-specific risks and opportunities, but investors may not label any of them as “sustainability” issues. Greg Elders, ESG Analyst at Bloomberg, stated, “IR may not be hearing the right questions. Energy costs, employee turnover - it’s a question of how the issue is framed and understanding how to respond to that.”

Gaps and Solutions

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Consider revising the language of “materiality assessments” - Sustainability teams often conduct so-called materiality assessments, which are considered “issue prioritizations” by the rest of the business. Continuing to use the term “materiality” may alienate colleagues, so simply shifting the terms used may help to bridge the language gap.

Identify intersections between sustainability issues and the business model - Be prepared and proactive about supporting conversation about this with IR teams. Include relevant stakeholder perspectives and other data as much as possible. In our 2015 report Sustainability Incorporated, we identify materiality and business models as two pathways to integrating sustainability into the business and provide examples of companies who have made those connections clear (see box on page 13). Other guidance can be found in SASB’s industry standards, which identify issues that are likely to be material based on clear evidence of financial impacts, and also the Value Driver Model, developed by the UN Principles for Responsible Investment (UNPRI) and UN Global Compact (UNGC) (see box). Karen Samhat, SVP Finance and Investor Relations at Jones Lang LaSalle Incorporated, recommended that companies consider expanding their sustainability program: “I think some companies may struggle to connect their sustainability program to core business because it’s too narrow - it’s just considered philanthropy or environmental. The broader the definition of sustainability used, the easier it is to tie it into financial metrics.”

Highlight peer examples of financial impacts of issues - This is a good way to demonstrate translations of what may be considered by some as “non-financial” issues into concrete financial implications. Hugh Share, former Global Director of Beer and Better World at Anheuser-Busch InBev, highlighted examples of peers not proactively addressing the issues of responsible drinking and water stewardship that were then affected by policies which ultimately harmed business.

Ask investors what language and metrics they use - Though this report focuses on IR/Sustainability misalignment, the language gap can be addressed with insight into how investors describe sustainability. By engaging investors on key metrics and terms that resonate with them, IR and Sustainability can work better together to provide information in the language that serves investors’ needs.

Value Driver Model

UN Principles for Responsible Investment and UN Global Compact recommend drawing connections between sustainability and the following value drivers to emphasize the financial impacts:

1. Current and future revenue growth
2. Overall productivity and operating margin
3. Exposure to risk
Closing the Sustainability-Investor Relations Gap

Gaps and Solutions

Case Study

SAP

Illustrating where material issues affect the current business model

Pain point addressed: Sustainability issues or performance are not communicated in the language investors want

Solution applied: Identify intersections between sustainability issues and the business model

The German technology company SAP has been a leader in demonstrating the financial materiality of their social and environmental issues. Will Ritzrau, Director of Sustainability, said, “We wanted to get sustainability out of the perception of tree-hugging, philanthropy, financial irrelevance. We wanted to integrate sustainability in our investor communication and speak the language of investors.”

The company has carried out research to analyze the financial impacts of its material issues. For example, they found that a +/- 1 percentage point change in their Business Health Culture Index had a €75–85 million impact on operating profit.

SAP has been careful with their language – they use the term “pre-financial factors” or “leading indicators.” As Will pointed out, “In other words, the issue may not be financial as of yet, but shortly it’s going to be turned into a dollar value. So nothing is non-financial actually!”

Will also sees an opportunity to educate investors that may be less engaged on sustainability: “It’s a chicken and egg situation. Our approach is to take the lead and tell them this information, instead of expecting that the mainstream investors will ask us for this.” After the company released the metrics, one of SAP’s investors told them that it was the first time he actually paid attention to those issues because he finally understood how it was relevant to him.

Case Study

Tata

Using an investor survey to align investor relations and sustainability

Pain point addressed: Investors may not explicitly call issues “sustainability” or “ESG” issues so no connection is made

Solution applied: Ask investors what language and metrics they use

Two years ago, the Indian conglomerate Tata created the Tata Sustainability Group (TSG) and a year in, the TSG sought to advance its understanding of how investors approach the ESG imperative to feed into investor engagement practices across Tata companies. A starting point for this journey was a study of how global investors are looking at ESG factors in the investment processes.

Sourav Roy, Deputy General Manager, TSG, told us “Investors were asked about the sustainability topics that are important now and what will be important to them five years from now.” They were also asked what their expectations were across industries and investee companies, how they value ESG and what sort of information they take from sources such as the media or NGO communication. The study helped understand some of the current and emerging sustainability issues from an investors’ perspective, confirmed the growing importance for companies to set up systems, processes and structures to manage their ESG risks and emphasized the importance of company disclosures.

The survey enabled IR and sustainability teams to have a shared understanding of what investors were looking for from companies.
Gap 2

Timeframe

Timeframe Gap Definition: Companies and their IR teams are pressured by investors to report on short term results while Sustainability teams often focus on issues that play out over the medium to long term.
Closing the Sustainability-Investor Relations Gap

Sustainability teams struggle to help IR teams understand why sustainability issues matter in the short term - Misalignment between time horizons leads to lack of attention to sustainability issues in investor communications, as they are not seen as relevant within the short term investor time horizon. Short term investors tend to be less interested in sustainability issues as they are unlikely to be impacted by them.

IR teams are not meeting long term investor demands for sustainability information - Many long term investors are looking for more information than is already shared by companies in terms of long term performance indicators. “For long term investors, ESG data is the most common way of addressing the factors that affect company’s financial performance over time,” said Verity Chegar, ESG Strategist at BlackRock. IR teams may not currently consider sustainability information when communicating to long term investors. Sustainability teams may have that information given their focus on the issues that play out in the medium to long term but may not be currently channeling that information to their IR colleagues.

The Shift away from Short Termism

There is growing recognition of the negative impacts of prioritizing only near term results. A study by UNPRI and UNGC pointed out that short term pressures from investors lead to companies underinvesting in sustainability-related research and development, failing to develop sustainable products which could open new markets, failing to develop their human capital, and not effectively managing the risks to their businesses.

In a recent letter to CEOs of the S&P 500 and the largest European companies, Larry Fink, CEO of BlackRock, called for company leadership, including from Boards of Directors, to set long term strategies. He explained that “Without clearly articulated plans, companies risk losing the faith of long term investors. Companies also expose themselves to the pressures of investors focused on maximizing near-term profit at the expense of long term value.”

These divergent timeframes have significant effects on how IR and Sustainability teams communicate with one another and externally, the sort of data they seek out to inform decisions, and the type of language they are likely to use with regard to particular issues. Being aware of and addressing this gap will be key to improving the IR and Sustainability teams’ ability to complement one another. What needs to be avoided is a “Tragedy of the Horizons” where big long term issues, such as climate change, don’t get sufficient company or investor attention until it’s too late.
Closing the Sustainability-Investor Relations Gap

Barclays

Focusing on a long term sustainable strategy

Pain point addressed: IR teams are not meeting long term investor demands for sustainability information

Solution applied: Spot opportunities to shift the conversation

Barclays is a transatlantic consumer, corporate and investment bank with home markets in the UK and the US. They move, lend, invest and protect money for customers and clients worldwide, but believe Barclays can only succeed and prosper if the societies and communities in which they live and work also succeed and prosper.

Their VP of Investor Relations, Maritz Carvalho, told us “As the macro, regulatory and political environment evolves, ESG issues are becoming more important to investors and provide us with an opportunity to discuss how our approach differentiates Barclays – how we’re operating in the wider community to support and educate as a part of a sustainable banking future, one that creates societal as well as commercial value.”

With further engagement from investors and analysts on ESG, Maritz sees his sustainability colleague Vedant Walia as an important partner in an integrated approach. An increasing emphasis on longer-term horizons supported by influential institutions, improved analyst coverage and more accessible information on ESG factors help deepen the dialogue with the market.

Solutions

✓ Understand the diversity of investor time horizons - Investors are not homogenous. Tailoring the message by investor type is critical – there is no point in talking long term if the investor has a three-month investment time horizon.

✓ Spot opportunities to shift the conversation - There may be particular internal or external moments that present an opportune window to discuss those issues that enable long term success and attract investors.

✓ Share and deepen perspectives on the value of cultivating long term investors - Companies recognize the value of longer term investors that enable them company to invest more of their returns back into R&D. Tom Aust, Vice-President, Senior Analyst at State Street Global Advisors went further: “IR should experiment and realize that there is value and an audience for longer term perspectives. In order to make the transition, they may need to search out those investors that take longer-term perspectives. I suggest fixed income investors are great people to talk to.”

Case Study

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UNGC LEAD & UNPRI Recommendations

COPING, SHIFTING, CHANGING: Strategies for Managing the Impacts of Investor Short termism on Corporate Sustainability outlines 15 recommendations for companies including:

• Develop and implement sustainability strategies that, as far as possible, provide clear financial benefits (e.g. cost reduction, improved efficiency) over the short term.

• Communicate the short and the long term financial benefits of their sustainability-related strategies and activities.

• Confidently communicate and demonstrate how their business strategy, including their approach to sustainability, will create long term value for their investors.

• Consider whether to stop producing quarterly earnings guidance and instead report on issues and metrics that are of relevance to the longer term success of the business.”
Gap 3

Expertise

Expertise Gap Definition: Inadequate levels of mutual comprehension and technical capacity in respective disciplines of IR or sustainability
Our research suggests a disparity in expertise between IR and Sustainability teams, which includes knowledge gaps on both sides. Many sustainability practitioners go quite deep on key sustainability issues, participating in multi-stakeholder initiatives, certification processes, and other issue-specific efforts that have generated valuable knowledge and context that is not widely held across the organization, including within IR teams. Conversely, IR teams are usually well-versed in areas that are less understood by their sustainability colleagues, such as company revenue growth strategies or investor perceptions of the company.

**Pain Points**

1. **Sustainability teams often lack traditional finance skills and/or deep understanding of the full range of investor needs** - Many, though not all, sustainability practitioners come from environmental, social, communications or other backgrounds that have not required deep finance, let alone investment, expertise. The gap may be as simple as Sustainability teams lacking awareness of the specific nature of the format, frequency and volume of information that is shared with investors. Or it may be a more complex issue, such as possessing a refined understanding of the diverse needs of different shareholders, their various histories and the wider context that influences IR’s approach.

2. **IR teams often lack deep understanding of sustainability** - IR professionals are highly knowledgeable about their company’s financial accounts and other areas such as operations and risk management. However, they have often not had to provide investors with sustainability performance data, so they have not needed as much understanding of the issues in this discipline. Abigail Herron, Head of Responsible Investment Engagement at Aviva Investors, pointed out: “IR professionals have a better take on sustainability than they have had previously but still need to skill-up in this area - investors are asking about it.” One ESG analyst at a mainstream investment firm highlighted that, at a recent conference in Germany, he invited companies to discuss ESG issues with him but the IR contacts declined, explaining that they couldn’t speak to those issues, with some admitting they’d never met with ESG analysts before.

3. **Sustainability issues are perceived to be more about risk than opportunity** - IR is often focused on telling a growth story as that’s the equity market priority, while sustainability traditionally comes from a compliance and risk-focused context. On the whole, companies have not yet made a clear enough case for how sustainability offers business opportunities. A Sustainability Director at a leading healthcare company said, “The risk versus reward conversation is an interesting one. Traditionally, ESG is seen as only risk management, but, as a global healthcare company, we give a lot of attention to public health. Where people have good access to public health, it is also creating business opportunities through ESG. There is opportunity is to tell the story to investors.”
Solutions

Ensure the Sustainability team knows the basics of the IR team’s function and relationships - IR departments generally host a range of virtual and in-person events, such as quarterly earnings calls and biannual roadshows. The calendar for these events is set in advance and usually published on the company IR website, so Sustainability teams should familiarize themselves with those activities to respect their timing and to understand the tone and key subjects of IR communications. Sustainability teams should also seek out the transcripts of those events to understand which issues have surfaced repeatedly and consider how they relate to the sustainability issues that they manage on their side of the house. And, the Sustainability team should consider ways it can help provide information relating to those issues in the future.

Enable the IR team to have opportunities to engage in Sustainability team activities - Build IR awareness of the Sustainability team’s processes and priorities and explore ways for IR to directly engage with the team. Provide information on the connections between the company’s financial and sustainability information to the IR team (see related solution in Language section).

Consider joint capacity building sessions - Working sessions to facilitate cross-departmental understanding, including IR but also Finance, Legal, and others who influence investor communications, can help build understanding of each other’s strategies and processes (as well as relationships – the next gap we outline).

Encourage corporate executive rotations through IR and sustainability teams - Many companies have a culture of leadership rotation through different departments. Consider enabling executives to sit in both the IR and Sustainability teams (i.e., making it obligatory to not just do one, but both, as part of development and advancement) to enable deeper understanding of each team’s subject matter.

Case Study

Itaú Unibanco
Driving expertise through integrated reporting and joint training

Pain points addressed:
- IR teams often lack deep understanding of sustainability
- Sustainability teams often lack traditional finance skills and/or deep understanding of the full range of investor needs

Solutions applied:
- Ensure the Sustainability team knows the basics of the IR team’s function and relationships
- Enable the IR team to have opportunities to engage in Sustainability team activities
- Consider joint capacity building sessions

In the past several years, Itaú’s Investor Relations and Sustainability departments have made it a priority to build the skills and expertise necessary to communicate sustainability performance data effectively to investors.

The Sustainability team has focused on deepening its own knowledge of the finance sector. On the IR side, the team has worked on developing their understanding of the financial value of the company’s sustainability programs.

“To get buy-in and educate others in the company (including IR) – ask them to help connect the dots, to help translate it (versus sustainability directing it).”

- Former pension fund manager and present SustainAbility Board Member, John Schaetzl
A key part of this journey has been Itaú’s focus on integrated reporting, which has helped the company’s IR and Sustainability departments develop a joint approach to investor communications. “We instituted a reporting committee within Itaú where both the heads of Sustainability and IR teams came together to determine how to integrate our financial and sustainability reporting,” said Licia Rosa, Investor Relations Consultant for Itaú. “The Sustainability team now focuses more on numbers and results because that’s what investors are looking for, and less on narrative.”

Another aspect of this process was a series of meetings undertaken by both the company’s Sustainability and IR executives with socially responsible investors during 2015 and 2016, in Brazil and Europe.

Developing each team’s expertise has enabled them to work together to structure and conduct meetings with SRI investors in Brazil. It also led to the IR team to foster relationships with ESG/SRI rating agencies and ensure the company maintains its status in indexes such as the Dow Jones Sustainability Index (DJSI) and CDP.

A major US manufacturing company
Enabling leadership to connect the dots

Pain points addressed:
- IR teams often lack deep understanding of sustainability
- Sustainability teams often lack traditional finance skills and/or deep understanding of the full range of investor needs

Solutions applied:
- Ensure the Sustainability team knows the basics of the IR team’s function and relationships
- Enable the IR team to have opportunities to engage in Sustainability team activities

Soon after the Senior Director of Investor Relations of a major US manufacturing company moved into his role from Finance, he was meeting with an important investor and presenting some of the company’s goals relating to social and environmental issues. He realized that sustainability issues were not “non-financial” issues, but rather that the company was doing a poor job of communicating the financial value of its sustainability programs.

He began working more closely with the company’s Sustainability team to increase his expertise on the issues and consulted with asset managers regarding the kinds of sustainability performance data they wanted.

“From an effective communication perspective, there is only so much the Sustainability team can do. You need a really good Finance person to dive in deeper and work out what data asset managers want,” said the Director of Sustainability.

The result of that collaboration is that the company is now experimenting with different ways of translating its sustainability performance information into data that investors care about, with promising results. Their CEO recently approved their first dedicated investor presentation on the company’s sustainability strategy and performance, which will be held in early 2017.
Gap 4

Relationships

Relationships Gap Definition: Lack of strong internal relationships between IR and Sustainability departments and team members
Given the relative newness of interest in sustainability issues in the investor space, many companies do not yet have the internal relationships necessary for deep engagement between their IR and Sustainability teams. Anthony Miller, Economic Affairs Officer from United Nations Conference on Trade and Development, makes the point that “Both IR and Sustainability struggle to break through the internal walls of a company.” They are often perceived to serve quite separate functions and thus do not always perceive the need to develop strong relationships with one another.

### Pain Points

1. **Sustainability and IR teams do not have a consistently strong rapport** - We heard from many companies that the relationship between the two teams was ad hoc and inconsistent. Even if the colleagues know each other, the teams may not meet regularly, so when issues requiring them to work together do arise, engagement can be more challenging.

### Solutions

1. **Foster IR/Sustainability alliances** - Appoint one person in each team to be responsible for ensuring communication and engagement. Nominating a dedicated person in each team to serve as a liaison between groups can save time in the future, so the expertise and relationship does not need to start from scratch every year.

2. **Maintain and deepen relationships through regular meetings/communications** - Some of the leading companies we spoke to have weekly meetings between their Sustainability and IR point people, but even meeting on a quarterly basis can help to foster a good rapport. Demonstrating mutual interest in supporting each team’s respective objectives will help to build genuine relationships. Jones Lang LaSalle Incorporated’s IR and Sustainability teams meet quarterly to agree on the content for the quarterly investor presentation. The IR team seeks to have the Sustainability team identify ways to integrate sustainability information throughout the entire presentation and strengthen the message to investors. They also always include a dedicated slide on the company’s sustainability performance.

“Over the last few years, the Sustainability Affairs and Investor Relations teams have established a closer collaboration between key persons on both sides. This has proved to be a solid basis for an ongoing mutual exchange and efficient cooperation.”

- Caroline Portmann, Vice President, Sustainability Affairs at Credit Suisse
Case Study

**Shell**

*Strengthen investor relations and sustainability reporting relationships through joining forces*

**Pain points addressed:**
- Sustainability and IR teams do not have a consistently strong rapport

**Solutions applied:**
- Foster IR/Sustainability alliances
- Maintain and deepen relationships through regular meetings/communications

In late 2014, Shell was informed that investors planned to file a resolution on greenhouse gas emissions management disclosure at the company’s May 2015 Annual General Meeting. The Board of Shell recommended that Investors support the resolution in January 2015. Between January and May, the IR and Sustainability Reporting teams had regular meetings to discuss the best strategy for responding to the request and to determine a new approach to reporting going forward. The regular meetings and joint purpose allowed the teams to build strong communication channels.

“When we first received notice of the upcoming shareholder resolution I hadn’t been with the team for long. It was a great learning experience and a good way to develop stronger relationships with the IR team. Even though we don’t need to have as much frequent contact now, we have a strong relationship foundation. There is a basis of trust and mutual understanding of what we both need and want,” said Beatrix Wieczorek, Senior Manager of Sustainability Reporting & Indices.

Both the IR and Sustainability Reporting teams viewed the resolution as an opportunity to take a fresh look at the company’s reporting on emissions management going forward. One of the outcomes was the company’s *Energy Transition and Portfolio Resilience Report* published in May 2016.

Case Study

**Pacific Gas & Electric Company (PG&E)**

*Building relationships through early and continuous engagement*

**Pain points addressed:**
- Sustainability and IR teams do not have a consistently strong rapport

**Solutions applied:**
- Foster IR/Sustainability alliances
- Maintain and deepen relationships through regular meetings/communications

The Corporate Sustainability and IR teams at PG&E have a strong relationship that has evolved and grown over time. It is partly a result of the company culture. Janet Loduca, Vice President, Investor Relations, pointed out that, “One of our keys has been simply getting to know each other – learning what each group does so we can help each other.”

The Director of Corporate Sustainability, Chris Benjamin, also made the point that certain projects provide a vehicle to build and maintain the relationship. “The DJSI is a good example of an initiative that brings our groups together in a structured way. Each year, IR reviews, provides feedback, and signs off on our submission. The disclosure process creates an opportunity for us to collaborate.”
Gap 5

Resources

Resources Gap Definition: Not enough staff time or other resources dedicated by Sustainability and/or IR departments to integrate sustainability issues and sustainability performance data into investor communications.
Both IR and Sustainability teams frequently identify resources as being a limiting factor to proactively communicating with investors on sustainability. This gap is related to how much of a priority sustainability is considered by the company. If company leadership sees value in it, they invest in people to manage it and the necessary supporting resources. Many interviewees voiced frustration over the lack of their ability to prioritize sustainability in investor communications, given how overstretched they were in other areas.

**Pain Points**

1. **Overwhelming number of surveys required by indices can dominate IR & Sustainability teams’ time** - Companies are facing a large number of surveys and questionnaires from investor-focused companies. Responding uses resources and can prevent IR and Sustainability teams from carrying out other more proactive and relevant communications.

2. **Short staffing leads to sustainability not being prioritized in communications** - Many IR and Sustainability teams feel short-staffed. They would often like to be more proactive but are unable to make time given higher priority tasks.

**Solutions**

1. **Build on existing tools and channels** - The IR profession has developed its own communication processes already; dovetailing sustainability information into those processes as much as possible will enable greater efficiency.

2. **Prioritize fewer surveys or decide not to respond** - There is a general trend of companies refining and reducing the list of surveys they participate in, which frees up time for more strategic work. Brown-Forman, one among a number of companies pursuing this strategy, decided not to respond to the DJSI and has not had any pushback from investors as a result.

3. **Identify top investors and their specific level of interest in sustainability information** - Mike Tyrrell, from SRI-Connect, highlighted this point: “Sustainability teams should find out their company’s top 20 investors and identify the extent to which each is interested in sustainability information.” In other words, be strategic and targeted with communications. IR and Sustainability can only spend so much time channeling sustainability information to investors, so they should ensure it is tailored to the most important investors.
**Case Study**

**Anheuser-Busch InBev**  
*Taking a hard look at surveys*

**Pain points addressed:**
- Overwhelming number of surveys required by indices can dominate IR & sustainability teams’ time
- Short-staffing leads to sustainability not being prioritized in communications

**Solutions applied:**
- Prioritize fewer surveys or decide not to respond
- Identify top investors and their specific level of interest in sustainability

Anheuser-Busch InBev enhanced its investor communications strategy to make the most of limited resources. Hugh Share, former Senior Global Director, Beer & Better World, recognized that they had a small team and felt that surveys were dominating their time. “Transparency is important – we knew that, but reporting expectations have increased rapidly and we were forced to prioritize.”

Instead of responding to every survey, they decided to engage key investors directly by participating in investor road shows to better understand their sustainability priorities and the ratings/questionnaires most important to them, which included Sustainalytics, MSCI, Vigeo and a few others.

“We knew it was a bold move to not respond to some external questionnaires, but we didn’t see any negatives from being more focused. In fact, it enabled us to spend our time and energy on improving programs that key investors were most interested in.”

Looking back, Hugh also believes that performing well in their sustainability programs made the company a stronger investment, so a focused approach was actually more impactful than making sure to tick every box on every questionnaire.

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**Case Study**

**A leading healthcare company**  
*On the journey to more efficient communication*

**Pain points addressed:**
- Overwhelming number of surveys required by indices can dominate IR & sustainability teams’ time
- Short-staffing leads to sustainability not being prioritized in communications

**Solutions applied:**
- Build on existing tools and channels
- Prioritize fewer surveys or decide not to respond

A leading healthcare company has been more reactive than proactive in their investor communication on sustainability due to capacity. “We are short-staffed to address each and every issue proactively because most of our time goes into being reactive,” said the Sustainability Director. “It’s the same for our IR team. It’s not about lack of interest, but just a time issue.”

Steps they are taking to be more proactive include adding sustainability information into existing IR tools. The Investor Relations Director mentioned, “We’re trying to get more consistent and more proactive. IR has a database where we keep typical investor questions on business and we’ve had some sustainability content in there, but it’s not been comprehensive. We’re now talking about integrating more sustainability information into the system which will hopefully make it easier.”

They are also thoughtful on which investor inquires to respond to. “We put in a value judgment to what gets most of our time.” The company is one of those that have chosen to stop responding to the DJSI due to the amount of resources it requires.
Closing the Sustainability-Investor Relations Gap

The result of all of these misalignments is that, on the whole, companies are not doing a good enough job of proactively and comprehensively communicating their strategies and performance on the sustainability issues that impact business performance to investors. A 2015 survey conducted by MIT Sloan Management Review and the National Investor Relations Institute found that only 24% of surveyed IR professionals were asked by their organizations to tell investors about the value of sustainability to the company’s bottom line.12

Companies are missing an opportunity to educate their current and prospective investors on how they are addressing their key sustainability-related risks and opportunities, and how this effort supports the core business strategy.

4. Telling Your Story

- Getting the Right Information to Investors at the Right Time
Furthermore, lack of communication can often lead investors (those that are looking for sustainability performance information) to use incomplete data in their decisions. Luzia Hirata, Equity Research Analyst at Santander Asset Management, pointed out: “It’s difficult to find the information. I need to make an assessment on ESG but I have to assume that the company is not conducting good practices on the issue if I can’t find the information.” Companies that lead on proactively and comprehensively communicating information may benefit from a competitive advantage over those that follow, attracting more investors.

The implication of a shortage of sustainability information flow leads to a lack of clear signals to investors; when investors and markets don’t receive relevant data, they don’t know the full range of value being created, or depleted, by a companies’ operations.

Better communication will help meet the needs of those investors who are already seeking sustainability information from companies. It will also enable other investors, who currently may not be considering sustainability issues, to have better visibility into the connections between financial and non-financial metrics.

Who Holds the Relationship?

Reinforcing the existing “We don’t hear investors asking for sustainability information” perceptions, investors or investor-focused research firms often go straight to Sustainability teams rather than Investor Relations teams when seeking sustainability data. This preference for the Sustainability team may be due to an existing relationship or perhaps because they perceive it to be a more efficient way to access the information.

SRI-Connect and Extel’s 2015 survey found that in 28% of companies, Sustainability departments were responsible for communicating to Socially Responsible Investors (SRIs).13

We recommend that Sustainability teams share SRI contacts and communication as much as possible with IR colleagues to ensure consistent messaging. The IR team should be the main point of contact for all investor-related inquiries and relationships, with Sustainability teams seen as key subject matter experts.

What Not to Do: Disjointed Messaging

We should stress that messaging around sustainability should not be simply tacked onto investor communications, but rather integrated to demonstrate a more holistic value proposition.

One company we interviewed highlighted that, several years ago, after being told by the CEO that citizenship was a top priority, included citizenship metrics on the front page of the quarterly investor presentation. The reaction was that it was not relevant enough so it was dropped from future communications. Perhaps if the information had been woven in to explicitly draw a link with the financial information, there would have been less resistance.

“It is incumbent on the company to tell the story - they shouldn’t wait for investors to ask”

- Seb Beloe, Head of Research at WHEB Asset Management.
The Spectrum of Engagement

In the graphic below, we outline a range of practices that fall along a spectrum of external communications. On this same spectrum, we identify internal engagement practices between sustainability and IR teams. We find them to be highly correlated – those companies with better internal collaboration have more proactive, integrated external communication.

Companies that are further along the spectrum will feel fewer pain points and have smaller gaps. Many leading companies have applied the solutions we described and have benefited from deeper engagement. We have also organized the solutions along the spectrum, so that a company can identify where it sits along the spectrum and look to solutions that may be most practical or relevant to them. We list them in order of relative ease of application.

“I find group meetings and roundtables to be really valuable and efficient for both companies and investors.”

- Abigail Herron, Head of Responsible Investment Engagement at Aviva Investors

SRI-Connect Recommendations to Reach SRIs

SRI-Connect has a 10-step plan companies can take to be more proactive with Socially Responsible Investors (SRIs): 14

**Step 1** Understand SRI

**Step 2** Identify SRI investor interest levels

**Step 3** Create a ‘Register of SRI interest’

**Step 4** Record recent activity

**Step 5** Develop an SR-IR Plan

**Step 6** Shape the key messages

**Step 7** Publish a Sustainability Results Statement & a Sustainability / CSR Report

**Step 8** Undertake an SRI Roadshow

**Step 9** Respond to selected requests and questionnaires

**Step 10** Rest
Royal Bank of Scotland (RBS)
Proactive communication of long term value

RBS, a UK-based bank, has increasingly focused its investor communications on long term value creation through its strategy to become stronger, simpler and fairer. Sustainable Banking Manager, Varun Sarda, who leads the company’s SRI engagement alongside Investor Relations stated, “We see investors as one of the key stakeholders for our communication outputs – engaging the investor community is one of our key objectives.”

In its March 2016 report, Building Long Term Shareholder Value, RBS outlined a clear strategy for reducing risks and investing in long term growth, strong governance and transparency. RBS is increasing proactive investor engagement on sustainability, showcasing the long term financial value of its sustainability initiatives, scaling-up face-to-face events with investors, and increasing the length of its investor roadshows.

“I think there is an onus on both investors and business to be proactive on sustainability, but I don’t think it hurts for companies to take the lead in communicating about the financial value of their sustainability work and risk management,” Varun commented. “You can report on an issue, or you can proactively go to your stakeholders and have a conversation about the issue and what you’re doing to address it. We are trying to be proactive and build trust.”

Novo Nordisk
Using the triple bottom line to guide comprehensive communications

The Danish health care company Novo Nordisk is managed according to the triple bottom line and has been publishing integrated reports since 2004 to account for integrated management and performance – no separate sustainability report is published.

“We carefully consider language when we communicate to an external audience. We don’t talk about ‘Sustainability’ and don’t use ‘non-financial’” said Susanne Stormer, Vice President of Corporate Sustainability.

“The integrated reporting format and careful consideration around terms has to a large extent solved the issue of language and labeling as a barrier – language is focused on business priorities and long-term value creation and not on ‘putting topics in buckets’.”

The company talks about what it takes to be a sustainable business – one that is future-fit – and part of that is to contribute to a more sustainable society. They keep their focus on what it means for the business. Integrated management and reporting is about creating, capturing and communicating value over time, hence it is much more than the financials.

“At Novo Nordisk, we talk about ‘material issues’, which is different than ‘materiality’ in the traditional sense,” Susanne added.

To ensure a structured approach to reporting, they developed a framework describing what high quality reporting requires: 1) it must cover material issues and 2) data must be of a high quality on all dimensions of performance (on par with internal controls for financial reporting). The performance information is used for management and investor decision-making so the focus on data quality is vital. Ensuring strong definition of material issues and high data quality helps to build Investor Relations - and investor - interest and trust.
5. Accelerating the Shift

Having outlined the range of current practices on internal Sustainability-IR engagement and external communication of sustainability performance information to investors, we conclude by highlighting the actions we believe most capable of catalyzing future progress in this space.

Both investors and companies have roles to play in shifting the system to ensure sustainability issues are taken into full account. We heard that companies won’t disclose the information until investors ask for it. More investors need to actively use sustainability performance information and share how they are using the information with companies.

On the company side, more information on sustainability issues needs to be included in mainstream investor presentations. Those companies that want to lead in this area should tell their story in an integrated way so as to educate their investors. We continue to advocate for integrated reporting as a useful framework for companies to explain how they generate long term value. An evolution of language is also paramount, ensuring the issues do not get labeled as “non-financial.” We encourage companies to look deeper, recognizing that improved and sustained sustainability performance makes the company a more attractive investment. It’s not just how you communicate, but what you communicate, that really matters.

Another important shift that we believe must happen to drive change in both companies and investors is mandatory disclosure of sustainability performance information. As we discussed in the introduction, stock exchanges and other governing bodies are increasingly making changes to their requirements for corporate disclosure on these issues. We hope for continued growth of this trend, as companies need clarity on what to report and investors need timely, standardized information they can use in decision-making.
We also see a need for more and deeper dialogue between professionals in the IR, sustainability and investment fields to enable clearer understanding of what each needs and can deliver. This communication can take place at the company level, the sector level, or in a broader forum to enable better engagement between all groups. Sourav Roy at Tata Sustainability Group highlighted this concept in a concrete form, asking “Does it make sense for a company to have their investor relations teams actively participate on internal sustainability advisory platforms or committees to create a bridge between IR, Sustainability and investors?”

Lastly, though we have just outlined the multiple gaps and the need to shift them, we are optimistic that stakeholders are collectively moving in the right direction. We hope this report helps corporate practitioners accelerate the change within their companies and engage their investors on the value of managing sustainability. The power is in your hands to build the bridge to a more sustainable future.

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**Additional Resources**


SRI-Connect: http://www.sri-connect.com

SASB Materiality Map: http://www.sasb.org/materiality/sasb-materiality-map
Acknowledgements

This report was developed with support from the members of SustainAbility's Engaging Stakeholders network. SustainAbility has convened this group of global companies for nearly two decades to explore the themes of transparency, stakeholder engagement and integration to further progress toward a sustainable future.

A key benefit of the network is access to our annual research output, developed to be of greatest relevance to their roles as sustainability practitioners. This year’s report builds upon our 2014 report, See Change, which explored the role of transparency in driving performance, and on 2015’s report, Sustainability Incorporated, which explored the topic of integrating sustainability for greater impact. Members contributed to the research by selecting the topic through Convetit, a virtual think tank, and by sharing their ideas through interviews, case studies and ongoing discussions with team members at SustainAbility.

We would like to thank our Engaging Stakeholders members for their time and insights and for raising important questions about the challenge of integrating sustainability into investor communications — we could not have created this report without your input throughout the process, nor without your financial support as members of the network.

We would also like to thank the many individuals who helped create this report. SustainAbility’s intern, Satwik Mudgal, conducted valuable desk research and interviews, and helped us to organize our thoughts into a clear and structured approach. The Engaging Stakeholders team, Denise Delaney, Margo Mosher and Bron York, contributed their time, energy and passion by helping to interview stakeholders and by contributing to the writing of this report. Christina Wong, Michael Harvey, Lorraine Smith and most importantly, Mark Lee, provided much needed guidance and thought leadership throughout the research and writing process. Thanks must also go to Chris Wolf for creative direction and Lucy Player for their expert design and layout of the final publication.

Many other organizations helped inform our thinking on this topic. We appreciate you sharing your time, insights and experience with us as we conducted research for this report.

Interviewees:

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* Denotes membership in the Engaging Stakeholders Network
Engaging Stakeholder Members


Differing terminology to describe, and different indicators to measure, company performance... intersections between sustainability issues and the business model.

Highlight peer examples of financial impacts.

Sustainability Teams:
- Investor Relations
- Sustainability

Gaps between Spectrum of Engagement

- **Solutions IR / Sustainability Engagement**
  - **Company → Investors**
  - **To Progress to Next Stage:**
    - Foster IR/Sustainability alliances
    - Maintain and deepen relationships through regular meetings/communications
    - Ensure the Sustainability team knows the basics of the IR team’s function and relationships
    - Enable the IR team to have opportunities to engage in Sustainability team activities
    - Build on existing tools and channels
    - Prioritize a few surveys or decide not to respond
    - Consider revising the language of “materiality assessments”
    - Identify intersections between sustainability issues and the business model
    - Highlight peer examples of financial impacts

- **IR / Sustainability Engagement**
  - **Main collaboration is through IR sign-off of investor sustainability surveys**
  - **Irregular, ad hoc internal engagement**
  - **No explicit mention of sustainability data or narrative outside of regular sustainability communications**
  - **Produces Annual Report which includes some sustainability performance information but is not tied to core business**
  - **Responds to investor ESG ratings inquiries**

- **Sustainability and IR teams are siloed and spend little time communicating with each other**

- **Solutions IR / Sustainability Engagement**
  - **Company → Investors**
  - **To Progress to Next Stage:**
    - Ask investors what language and metrics they use
    - Identify top investors and level of interest in sustainability information
    - Understand current investor time horizons
    - Consider joint capacity building sessions
    - Spot opportunities to shift the conversation

- **IR / Sustainability Engagement**
  - **Both the IR and Sustainability teams engage on key issues with external stakeholders**
  - **Minimal knowledge sharing**
  - **Main collaboration is through IR sign-off of investor sustainability surveys**

- **Sustainability and IR teams have good relationship that enables constructive dialogue and outputs**

- **To Progress to Next Stage:**
  - IR works with the C-suite to frame investor communications around the need for sustainability efforts to deliver value as part of financial value creation

- **Solutions IR / Sustainability Engagement**
  - **Company → Investors**
  - **To Progress to Next Stage:**
    - Encourage corporate executive rotations through IR and sustainability teams
    - Discuss the value of cultivating long term investors

- **IR / Sustainability Engagement**
  - **Direct collaboration between teams on investor communications**
  - **May hold Investor presentations may include some reference to sustainability program**
  - **May produce integrated report using the integrated Reporting framework**

- **Sustainability and IR teams have deep relationship and see each other as core partners for achieving respective goals**

- **To Progress to Next Stage:**
  - Foster IR/Sustainability alliances
  - Maintain and deepen relationships through regular meetings/communications
  - Ensure the Sustainability team knows the basics of the IR team’s function and relationships
  - Enable the IR team to have opportunities to engage in Sustainability team activities
  - Build on existing tools and channels
  - Prioritize a few surveys or decide not to respond
  - Consider revising the language of “materiality assessments”
  - Identify intersections between sustainability issues and the business model
  - Highlight peer examples of financial impacts
SustainAbility is a think tank and strategic advisory firm that for over 25 years has catalyzed and supported business leadership on sustainability. Through our agenda-setting research and advocacy, we chart new territory and help business leaders and their stakeholders understand what’s next. Through our advisory services, we help clients anticipate trends, understand and respond to key risks and opportunities, and foster authentic, effective engagement and collaboration with stakeholders.