ESG Investor Briefing Project

A model for communicating ESG value drivers at the company-investor interface
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The ESG Investor Briefing Project sets out to:

• test a basic model for enhancing companies' communication on how environmental, social and governance (ESG) strategies and performance translate into financial value.
• overcome the silos that often exist regarding sustainability within companies and financial institutions, as well as between the various actors along the investment value chain.
• offer a platform for innovation in terms of content, format, and technology used
• provide a protected space for frank and transparent feedback between companies and investors

Through this project, companies are invited to hold an ESG Investor Briefing. The Briefing itself is a conference call with investors modelled after quarterly analyst calls, only focused on highlighting the link of ESG efforts within a company to its overall business strategy and shareholder value creation. The Briefing should not just present the general sustainable business strategy of the company, but discuss how the company’s ESG strategies and performance translates into financial value and prioritize the communication of company- and industry-specific ESG issues in terms of their relevance for investor communication. The Value Driver Model can be used to formulate the content for this communication. The following sections summarise guidelines for the format, content and logistics of the calls.

Format of Briefings

Essential

• Duration of call is 60 minutes
• CEO, CFO or board member participate in the call to emphasize strategic nature of sustainability commitment
• Head of Sustainability/CSR and Investor Relations actively participates in the preparation of the call; Investor Relations presents on the call

Recommended

• 50% of time reserved for questions and answers
• Head of Sustainability/CSR also presents during call

Content of Briefings

Essential

• Focus on sustainability as integral part of business strategy (target audience is mainstream investors and the focus should therefore be core business)
• At the beginning of the call, the company’s sustainability investment case is summarised in a short executive statement (ideally by the CEO/CFO/board member in 3 minutes maximum)
• All companies use the common Value Driver Model (see below) in presenting their sustainability investment case
  • Companies are invited to present their investment case in the context of and in relation to the company’s key financial metrics
  • The use of the Model is flexible in the sense that each company decides which value drivers to focus on
  • Companies can convey a mix of quantitative and qualitative value driver information

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1 Other senior management members possible, in the case that they are the ones usually communicating strategic issues to investors
• Exemplify the company’s investment case by presenting recent or planned sustainability initiatives, products or services and how they relate to the company’s key financial metrics

Recommended

• Clearly state the relevance of ESG issues as part of the company’s key priorities: Are ESG issues among the top issues on the CEO agenda?
• Explain one of the company’s key metrics and how it relates to the value driver model
• Provide an example of a development that the company expects to become material from the investors’ point of view, with the expected time horizon

Logistics of Briefings

• Calls will follow the same procedures of financial results calls; will be open to all interested institutional investors
• Following the call companies will receive feedback per responses to participant survey
• A webinar facility will be provided for companies through the PRI webinar platform
### ESG Value Driver Model

- Each company can choose to focus on those parts of the model that are relevant to the investment case it wants to present during the call.
- Companies are invited to contextualise the model in light of their industry’s characteristics and key value drivers.

<table>
<thead>
<tr>
<th>Return on Equity or Capital</th>
<th>Growth</th>
<th>Productivity</th>
<th>Risk Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Markets &amp; Geographies</td>
<td>Gain access to new markets and geographies through exposure from ESG programs</td>
<td>New Customers &amp; Market Share</td>
<td>Use ESG programs to engage customers and build knowledge of expectations and behaviour</td>
</tr>
<tr>
<td>Product &amp; Services Innovation</td>
<td>Develop cutting-edge technology and innovative products and services for unmet social or environmental needs</td>
<td>Long-term strategy</td>
<td>Develop long-term strategy encompassing all ESG issues and shape material ESG communication based on value driver model</td>
</tr>
<tr>
<td>Operational Efficiency</td>
<td>Enable bottom line cost savings through environmental operations and practices (e.g. energy, water, waste efficiency, less raw materials used).</td>
<td>Human Capital Management</td>
<td>Attract &amp; retain better and highly motivated employees by positioning company and management as ESG leaders</td>
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<tr>
<td>Reputation Pricing Power</td>
<td>Develop brand loyalty and reputation through ESG efforts that garners customers’ willingness to pay price increase or premium</td>
<td>Operational &amp; Regulatory Risk</td>
<td>Mitigate risks by complying with regulatory requirements and industry standards and ensure uninterrupted operations by addressing ESG issues in policies, systems and standards and engaging with employees</td>
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<tr>
<td>Reputational Risk</td>
<td>Facilitate uninterrupted operations and entry in new markets using local ESG efforts and community dialogue to engage citizens and reduce local resistance; avoid negative media publicity and NGO boycotts by addressing ESG issues.</td>
<td>Supply Chain Risk</td>
<td>Secure consistent and long-term access to high-quality raw materials and products by engaging in supply chain community welfare and development</td>
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<tr>
<td>Leadership &amp; Adaptability</td>
<td>Develop leadership skills and culture to adapt to fast changing political, social and environmental situations.</td>
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