

What does Investor Relations have to do with sustainability?

Investor interest in companies' exposure to and management of sustainability issues is broadening, deepening and starting to impact company valuations. However, many corporate teams do not yet feel equipped to communicate meaningfully and efficiently with investors on sustainability issues. This creates an opportunity to develop the understanding and ability of IR managers to lead their firm's sustainable communications with financial markets.

By Joss Tantram

To date, the most significant elements of corporate disclosure of sustainability (or environmental, social and governance/ESG) issues to investors have tended to take the form of sections within annual reports and accounts, within formal sustainability or integrated reports or reflected within the assessments of sustainability ratings organizations. However, there is also a growing trend which focuses on the investor interface – how company IR professionals talk (or do not talk) to investors about sustainability. This is an essential area for evolution of practice. Put simply, if sustainability does not feature consistently within communication to investors of all types, they are unlikely to see it as a strategic corporate priority, and therefore unlikely to adequately recognize and reward companies for their ambition, approach, and performance.

If sustainability is of strategic importance to the company, it is of strategic importance to IR.

A gap at the investor interface

Through our work with the World Business Council for Sustainable Development's (WBCSD's) member companies and engagement with investors, we find that there can often be a gulf of mutual misunderstanding as to the priority that should be given to sustainability information within investor conversations. This can be broadly characterized on the company side as "investors don't consistently ask us about ESG, or if they do, they are most likely to be specialist ESG or responsible investors" and from investors: "We need companies to tell us which ESG issues are material to their business and therefore about their approaches and performance."



Sustainable Investor Relations drives sustainable enterprise.



It is increasingly obvious that not only are sustainability issues material to company performance, but also that companies which take a proactive approach to informing and educating investors will be those that are being assessed and valued accordingly. For instance, WBCSD's research on its members' stock market performance throughout the pandemic has shown that those companies which demonstrate taking ESG factors into account beat the major stock exchange benchmarks.

Bridging the gap – building confidence about sustainability and value

Despite a building evidence base, we find that there remains a lack of confidence in many companies in understanding how their sustainability efforts can be translated and communicated to match the interests of investors.

We believe that the techniques and approaches for effective sustainable value conversations already exist within IR, but what is frequently missing is the confidence to see just how and why sustainability should be integrated.

Bridging the gap between investors and companies requires sustainability professionals and their colleagues in IR to understand how their approaches to sustainability relate to overall enterprise value creation – of interest to any investor, whether they have an ESG or a "mainstream" focus.

Strategic, materiality focussed corporate sustainability is about value creation, not just value protection. Companies have the opportunity to take a more active role in communicating to investors how their approaches to sustainability not only deliver direct capital efficiency, risk reduction, and reputation benefits, but also drive new market development, revenue growth, and resilience. This will help shift company-investor conversations about sustainability from being predominantly risk-orientated to a wider risk and opportunity focus.

Effective integration for sustainable transition

WBCSD believes that there is a need for all businesses to understand and undertake sustainable transition to deliver the UN SDGs and drive change towards a future as defined by WBCSD's Vision 2050 Refresh. As the expectations and requirements for sustainable performance builds, so does the need for companies to identify and articulate their strategic responses to material sustainability opportunities and challenges. In order for their strategies to be successful, they also need to build the understanding and support of their investors.

In some areas, this is becoming clearer and more appreciated by both companies and investors, particularly in sectors that are undergoing transition along carbon reduction pathways – where there is little or no distinction between a sustainability aspect of a strategy and corporate strategy itself.

Over time, we seek to develop the comfort and confidence of companies in all sectors to understand just how sustainability performance and prospects can be related to the sorts of questions and measures that mainstream investors have.

Tools, guidance and insight for sustainable IR

Through the support of the Gordon and Betty Moore Foundation, WBCSD has initiated the "Building Bridges" project in collaboration with SRI-Connect, designed to provide insight and practical support for the development of sustainable IR.

Centered around a free, easily accessible and practical website, www.sustainable-IR.com, we are bringing together guidance, resources, case studies, and support for sustainability professionals to understand IR, for IR professionals to understand ESG, and for them both to work together to engage effectively and consistently with investors.

WBCSD believes that businesses that take a strategic and integrated approach to sustainability will not only be the ones to respond to and solve society's problems but will also be the most resilient and capable of thriving over the long term. Developing the extent and consistency of how companies communicate ESG through formal disclosure and also through IR, is a key part of this shift to put sustainability at the core of corporate purpose and performance.



JOSS TANTRAM is a Director of WBCSD's Redefining Value program, dedicated to developing approaches to align finance, business and the delivery of a sustainable future. He leads the program's work to embed sustainability within Investor Relations, and WBCSD's collaboration with the PRI. He is also supporting WBCSD's members in defining what Stakeholder Capitalism means for business.



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From CFO to chief value officer and from IRO to stakeholder officer?
If you want to hear more from WBCSD, join them for a Best Practice Session at the upcoming Geschäftsberichte-Symposium on June 23, 2021. Joss Tantram will explore the challenges of how ESG disclosure finds its way into investor conversations and how WBCSD is seeking to support companies to build their confidence and consistency in order to see sustainability as a strategic driver of value – the IRO as a sustainability champion. Furthermore, Dr. Martin Zwysig (REHAU) and FH-Prof. Mag. Monika Kovarova-Simecek (St. Pölten UAS) will bring in their expertise.