

ESG Investor Briefing

**A new framework for communicating ESG value drivers
at the company-investor interface**

16 June 2012

PRI Association

Registered office: Bath Place Business Centre, 2 Bath Place,
Rivington Street EC2A 3DR London, UK Company no. 7207947
T: +44 (0) 20 7749 1940 W: www.unpri.org E: info@unpri.org



UNEP Finance Initiative
Innovative financing for sustainability



United Nations Global Compact

ESG Investor Briefing Project

General objectives of the project

- Development of a general framework for ESG¹ value driver communication that fulfils investor requirements for relevance, comparability and integration in financial analysis
- Prioritization of company- and industry-specific ESG issues and value drivers in terms of their relevance for investor communication
- Laboratory for innovation in terms of content, format, and technology used
- Task force providing a protected space for frank and transparent feedbacks between companies and investors

Introductory remarks

- Through this project, companies are invited to hold ESG Investor Briefings – conference calls with mainstream investors to present new developments of interest to investors and highlight the link to core business and to shareholder value creation
- The call should not just present the general sustainability strategy of the company, but also highlight true achievements and new initiatives, products or services relevant to mainstream investors
- The call should not simply repeat the content of the latest CSR/sustainability report, but offer new insights or highlight that part of already available information relevant to mainstream investors
- The following sections summarise guidelines for the format, content and logistics of the calls. The ‘Must have’ elements should be used by all presenting companies. We also include additional ‘Recommended’ elements

Format of Briefings

Must haves

- Duration of call is 60 minutes maximum
- CEO, CFO or board member participate in the call to emphasize strategic nature of sustainability commitment²
- Head of Sustainability/CSR actively participates in the preparation of the call

Recommended

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

¹ Economic, Social and Governance (ESG)

² Other senior management members possible, in case they are the ones usually communicating strategic issues to investors

Content of Briefings

Must haves

- 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 ESG Value Driver Framework (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 Framework 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
- 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 seven top issues on the CEO agenda?
- Explain one of key metrics the company is using and how it relates to the value driver framework
- Make an example of a development that the company expects to become material from the investors' point of view at a certain point in time

Logistics of Briefings

- Calls will follow the same procedures of financial results conference calls
- Calls will be open to all interested institutional investors (this includes banks, insurance companies, asset managers, pension funds, and generally all institutions active in the investment industry)
- A webinar facility will be used that allows presenters to queue, prioritize, and filter relevant questions for the Q&A session
- Following the call, all participants will be asked to answer a short online survey and are invited to submit follow-up questions
- The possibility of participants registering several days before the call and submitting questions ahead of calls will be evaluated

ESG Value Driver Framework

Introductory remarks

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

Growth	New Markets & Geographies	Gain access to new markets and geographies through exposure from ESG programs
	New Customers & Market Share	Use ESG programs to engage customers and build knowledge of expectations and behaviour
	Product & Services Innovation	Develop cutting-edge technology and innovative products and services for unmet social or environmental needs
	Long-term strategy	Develop long-term strategy encompassing all ESG issues and shape material ESG communication based on value driver framework
Return on Capital	Operational Efficiency	Enable bottom line cost savings through environmental operations and practices (e.g. energy, water, waste efficiency, less raw materials used).
	Human Capital Management	Attract & retain better and highly motivated employees by positioning company and management as ESG leaders
	Reputation Pricing Power	Develop brand loyalty and reputation through ESG efforts that garners customers' willingness to pay price increase or premium
Risk Management	Operational & Regulatory Risk	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
	Reputational Risk	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.
	Supply Chain Risk	Secure consistent and long-term access to high-quality raw materials and products by engaging in supply chain community welfare and development
	Leadership & Adaptability	Develop leadership skills and culture to adapt to fast changing political, social and environmental situations.