

The Role of Investor Relations in Promoting Responsible Investments

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Overview

1. akzente
2. Investor relations and RI
3. Results of a survey in Germany
4. How investor relations need to change
5. A word about mainstreaming

akzente kommunikation und beratung GmbH

- Founded 1993 in Munich, Darmstadt-office since 2007
- Communications consultancy specialised in Corporate Responsibility (CSR, sustainability, ESG, [S]RI, ...)
- Main business: Working with large Germany-based corporations on CR strategies
 - developing
 - implementing
 - communicating
- Main “products”: CR strategies, CR reports, stakeholder dialogues

akzente clients (current)



B/S/H/



ThyssenKrupp Steel

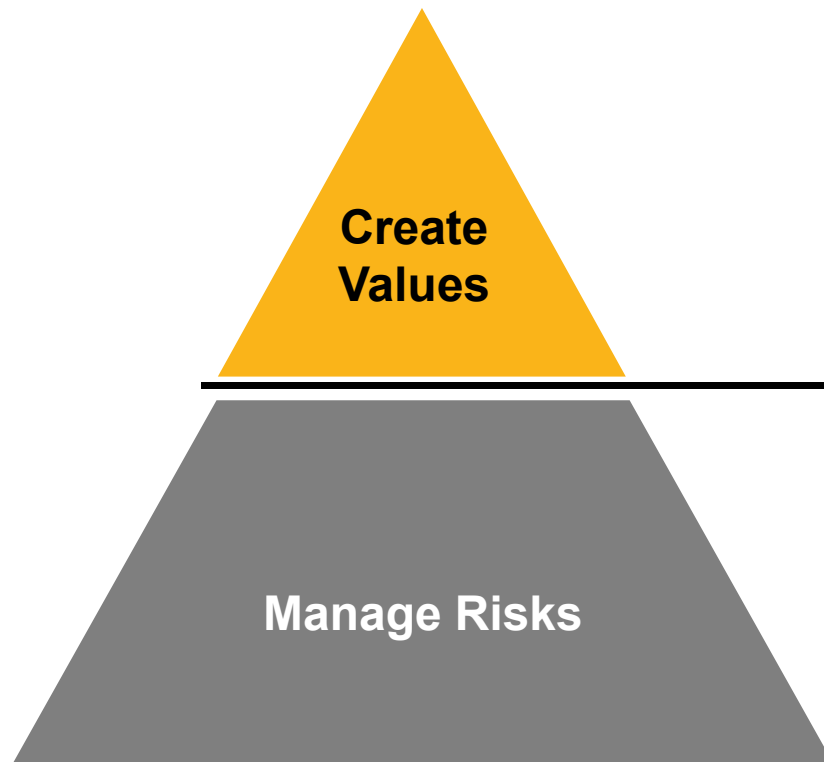


BERTELSMANN
media worldwide



akzente

akzente approach to CR, ESG, ...



- Integration into business processes and client relations
 - Development of future markets by taking social needs into account
-
- Identification and management of business and reputational risks
 - Management systems
 - Compliance

Investor relations and ESG

“A department, present in most medium to large public companies, that provides investors with an accurate account of the company’s affairs. This helps investors to make informed buy or sell decisions.”

“A company’s investor relations department serves as a bridge for providing market intelligence to corporate management.”

(definition from *investopedia.com*)



If the “company’s affairs” include Corporate Responsibility – the management of ESG issues –, then ESG should be part of investor relations.

Investor relations and ESG

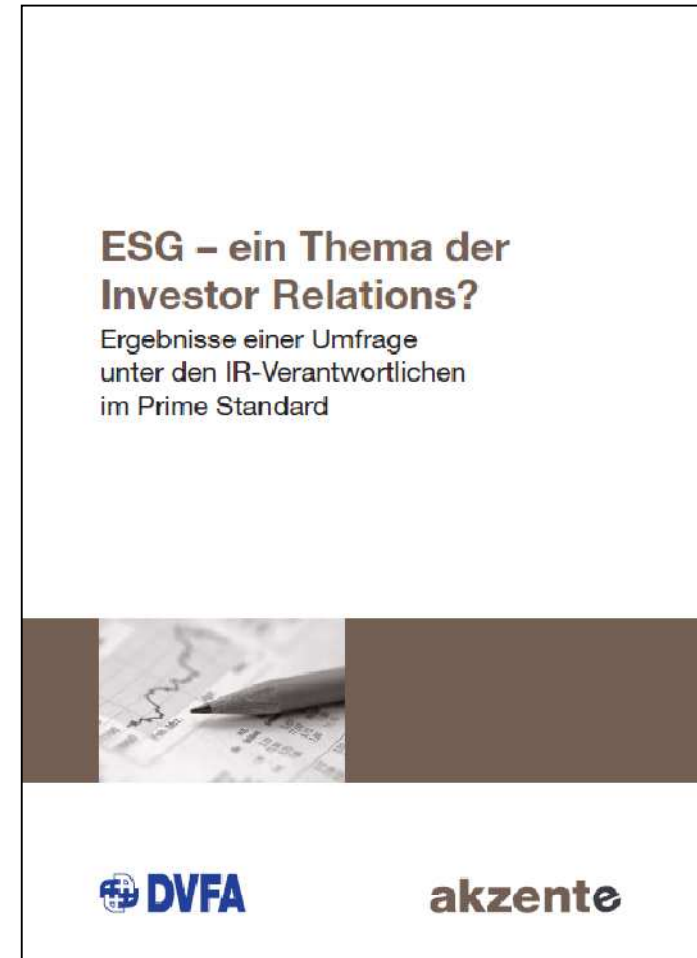
- In many cases, the “accurate account of the company’s affairs” mainly consists of sales and earnings figures and product strategies.
- Typical IR products: annual financial report, quarterly reports, annual shareholder meetings, adhoc news, investor road shows, capital markets presentations (the “equity story”).

And ESG?

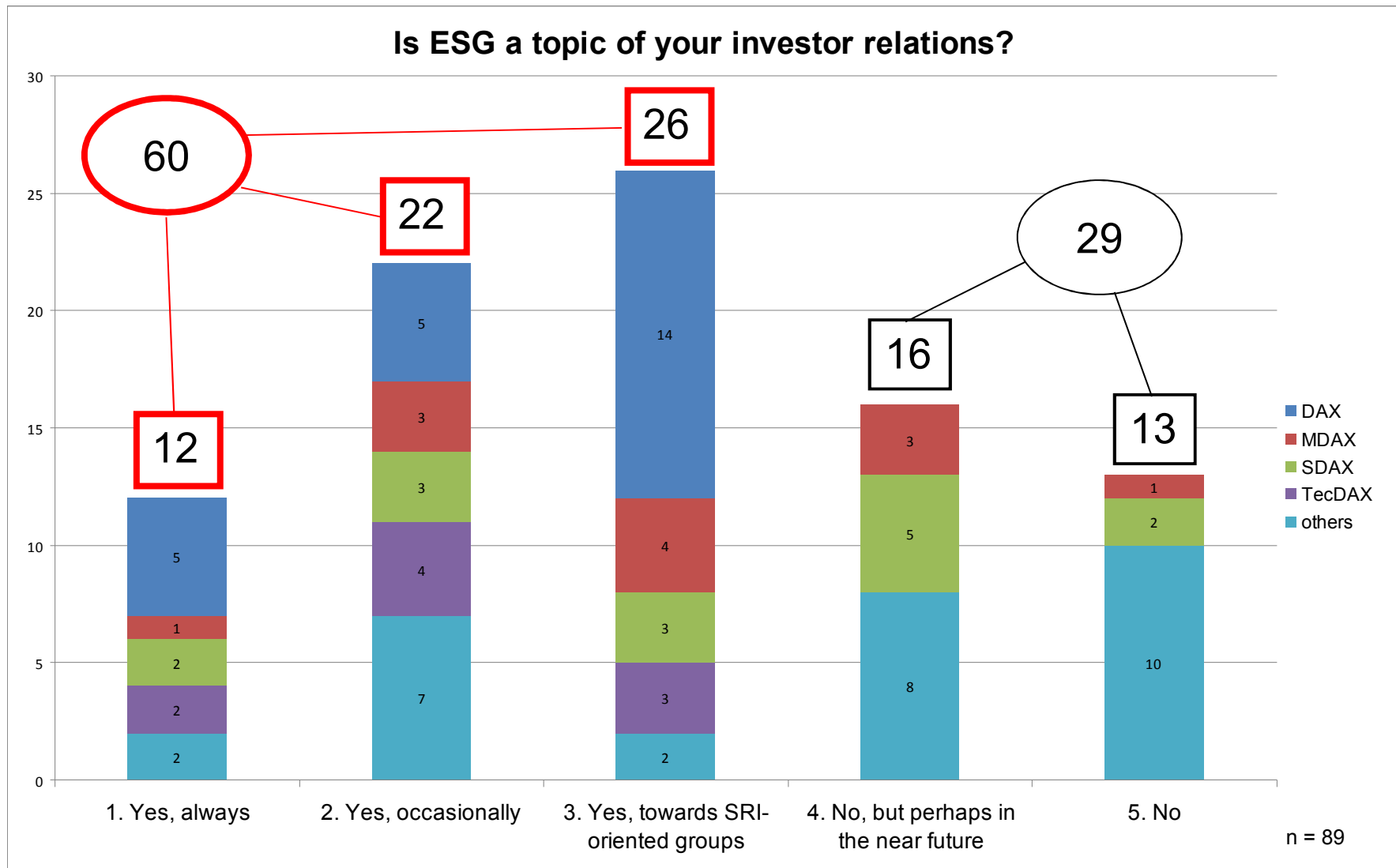
- ESG is not part of the training of an IR officer.
- Some ESG issues are not presentable in pure figures.
- Therefore, the importance of ESG issues for corporate evaluation is often disputed.

German survey on ESG as IR topic (1)

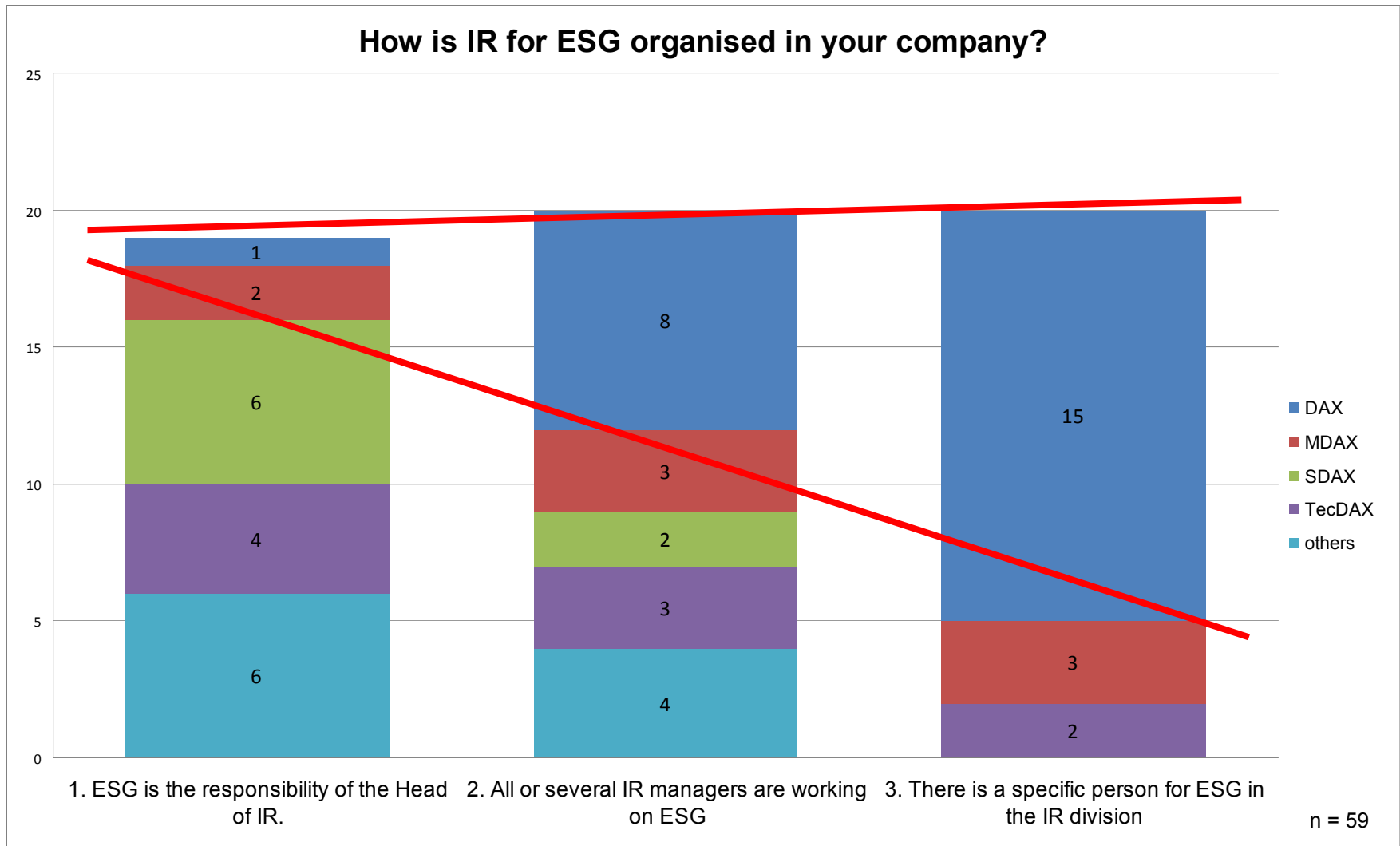
- Online survey organised by akzente and DVFA (German association of financial analysts and asset managers)
- Field period: 23 Oct. to 13 Nov. 2009 – report published Dec. 2009
- Target group: The IR professionals of the 300 companies in the “Prime Standard” of the German stock exchange
- 81 participants (27 percent)



German survey on ESG as IR topic (2)



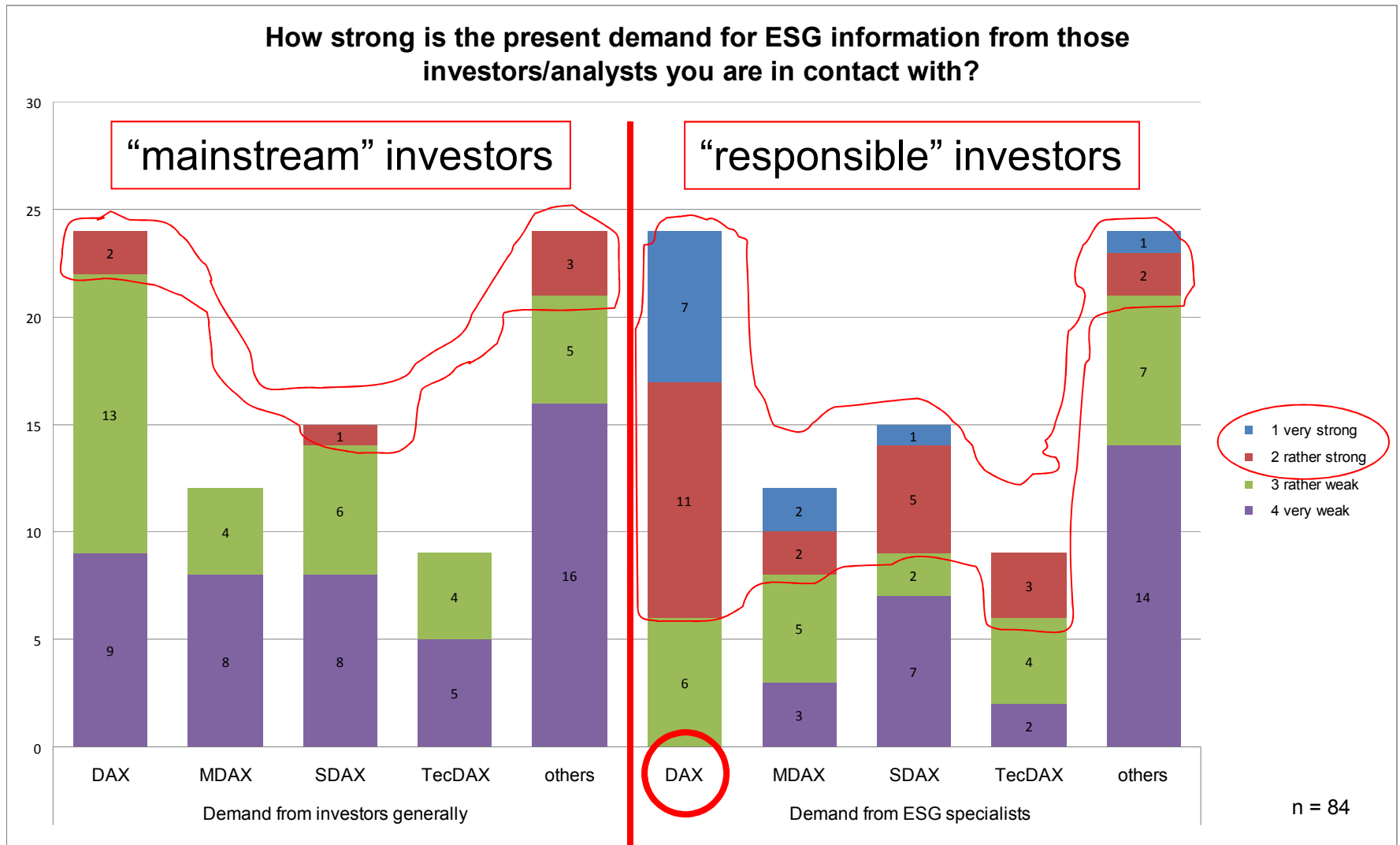
German survey on ESG as IR topic (3)



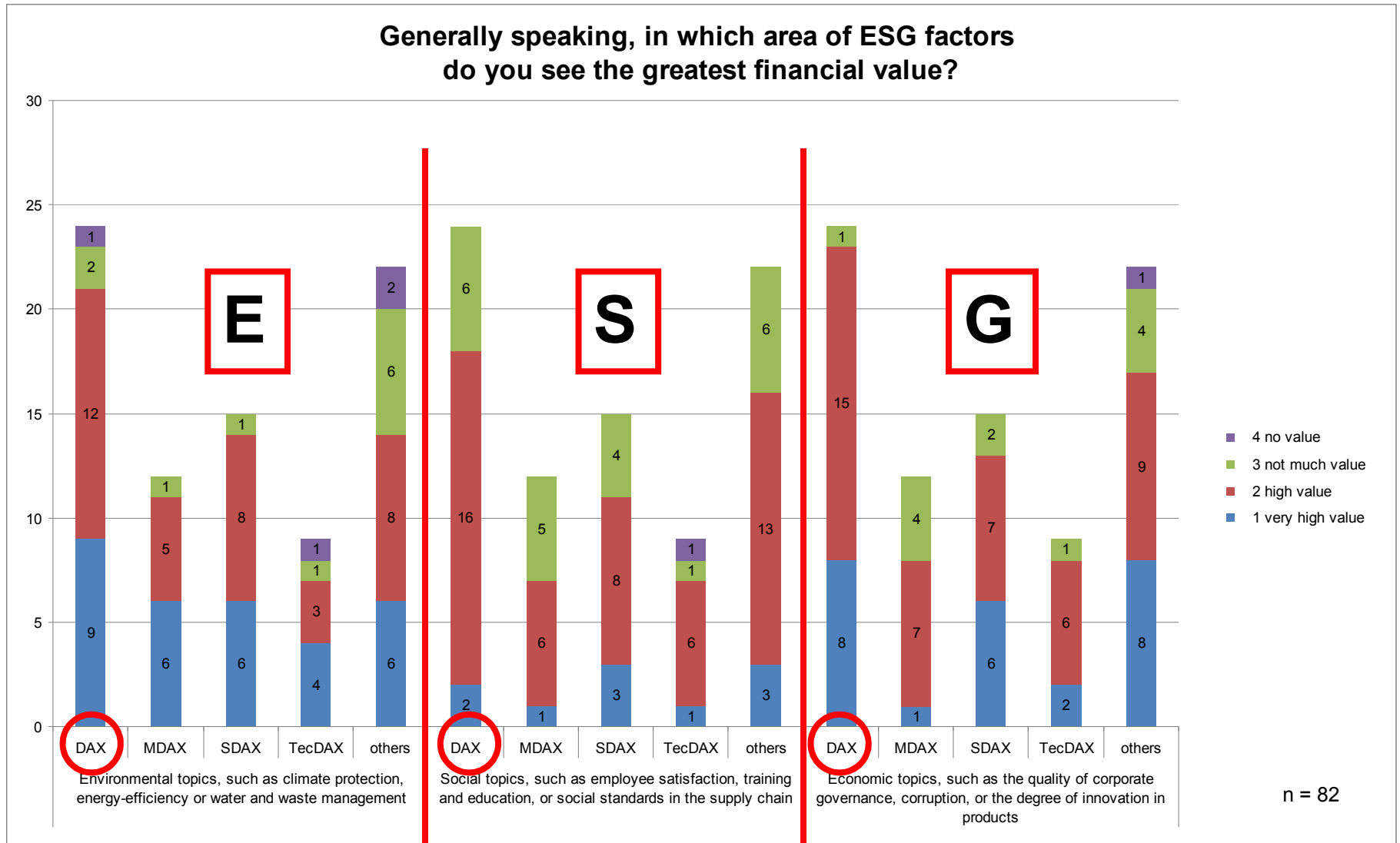
German survey on ESG as IR topic (4)



German survey on ESG as IR topic (5)



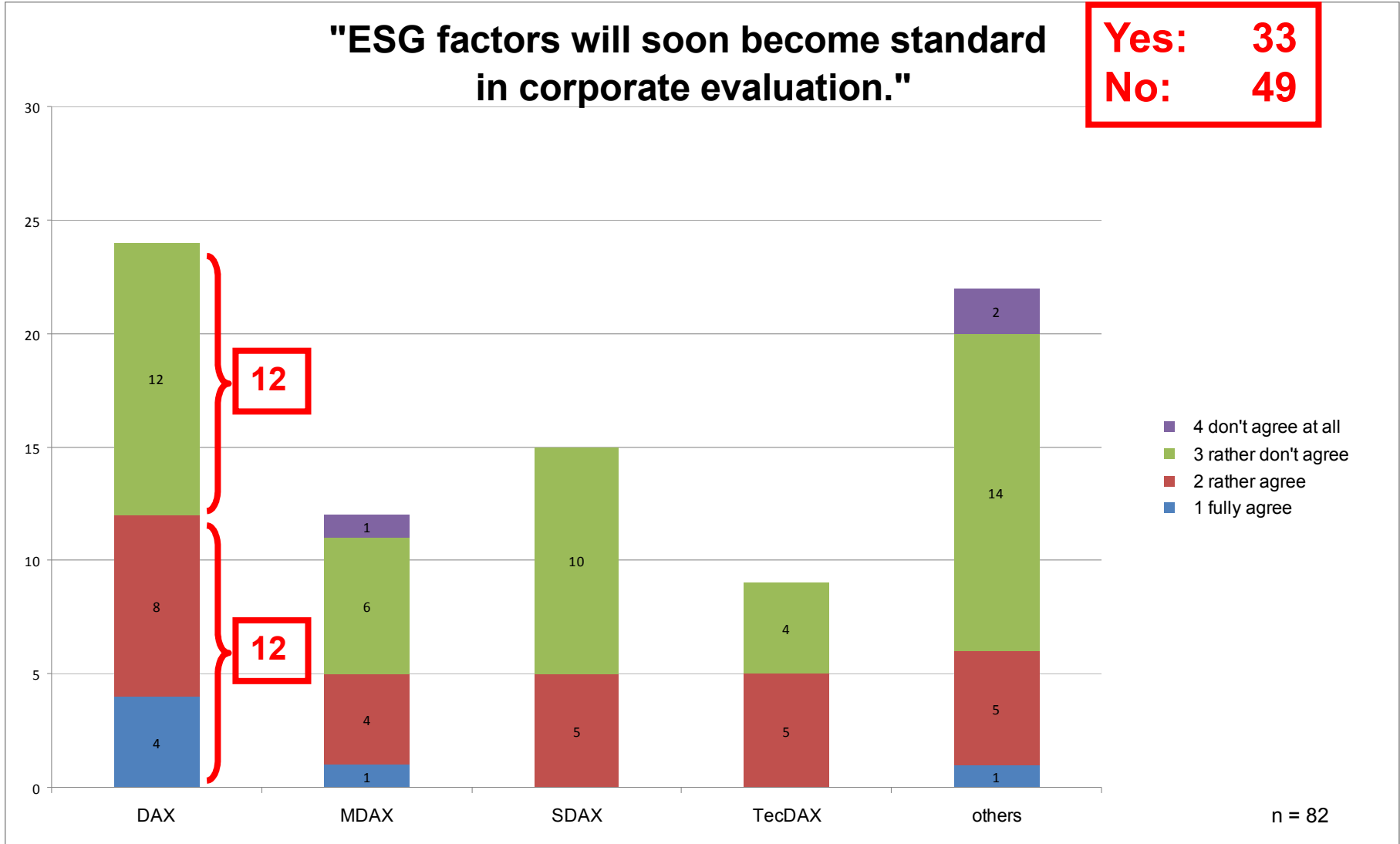
German survey on ESG as IR topic (6)



German survey on ESG as IR topic (7)

"ESG factors will soon become standard in corporate evaluation."

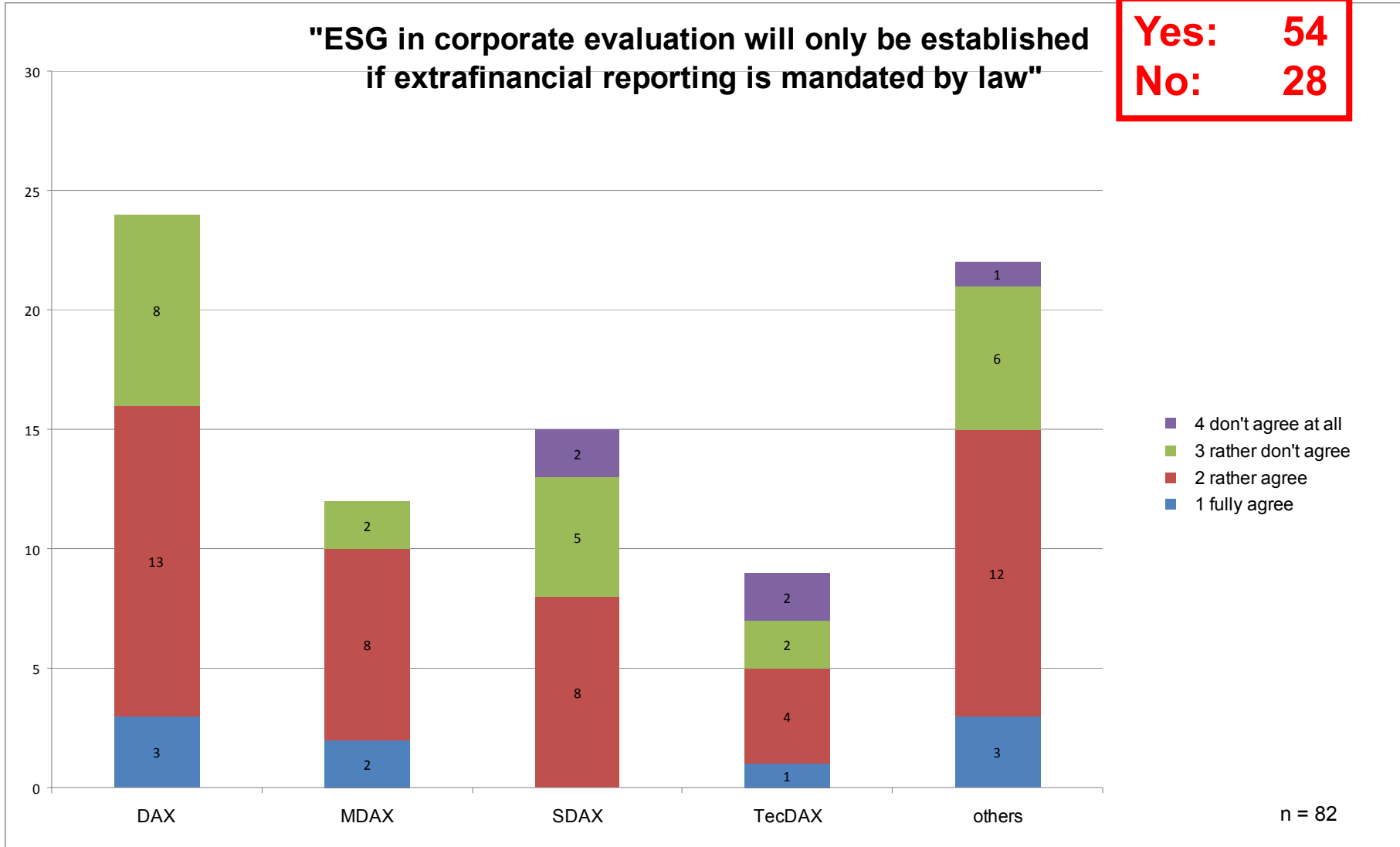
Yes: 33
No: 49



German survey on ESG as IR topic (8)

"ESG in corporate evaluation will only be established if extrafinancial reporting is mandated by law"

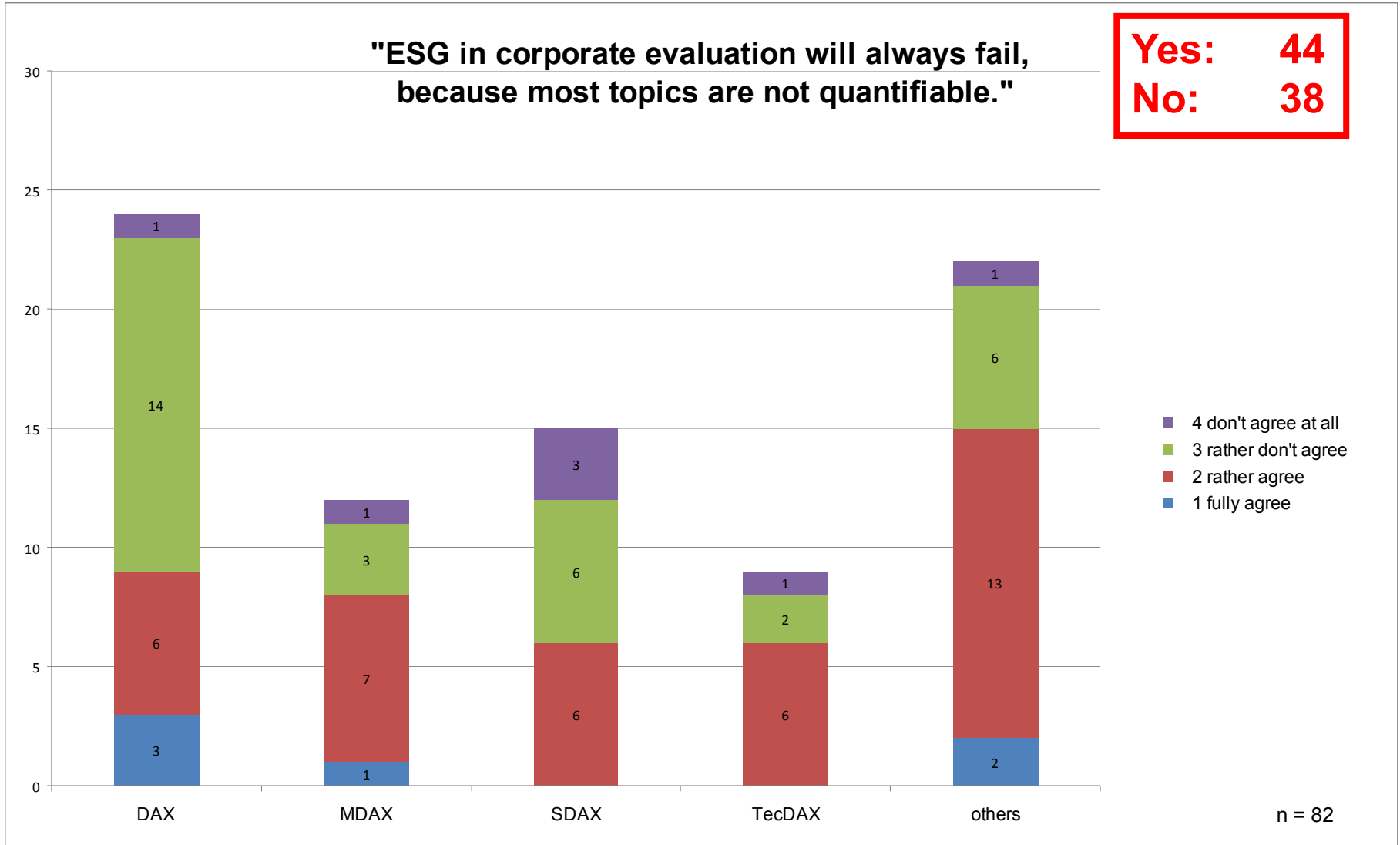
Yes: 54
No: 28



German survey on ESG as IR topic (9)

"ESG in corporate evaluation will always fail, because most topics are not quantifiable."

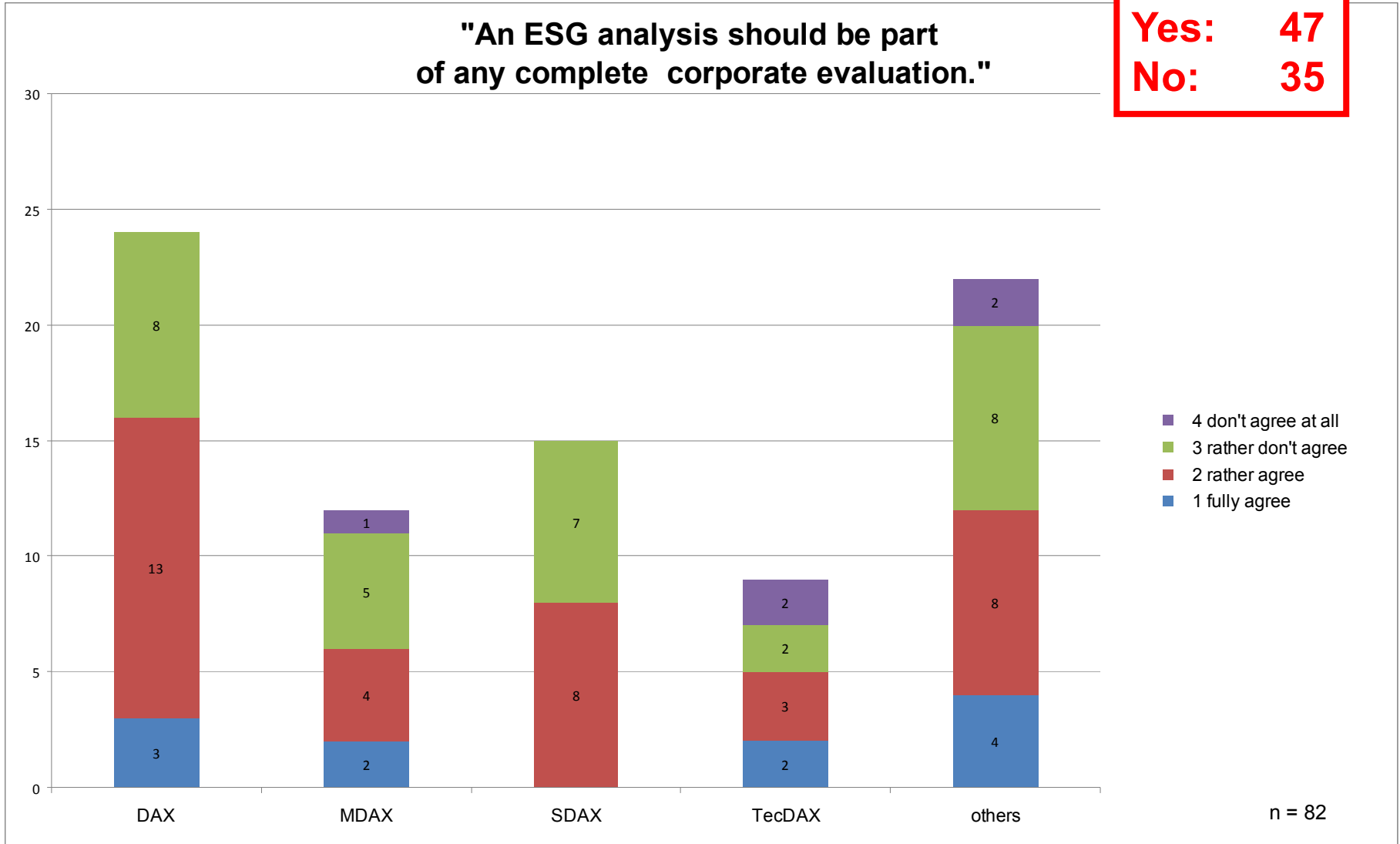
Yes: 44
No: 38



German survey on ESG as IR topic (10)

"An ESG analysis should be part of any complete corporate evaluation."

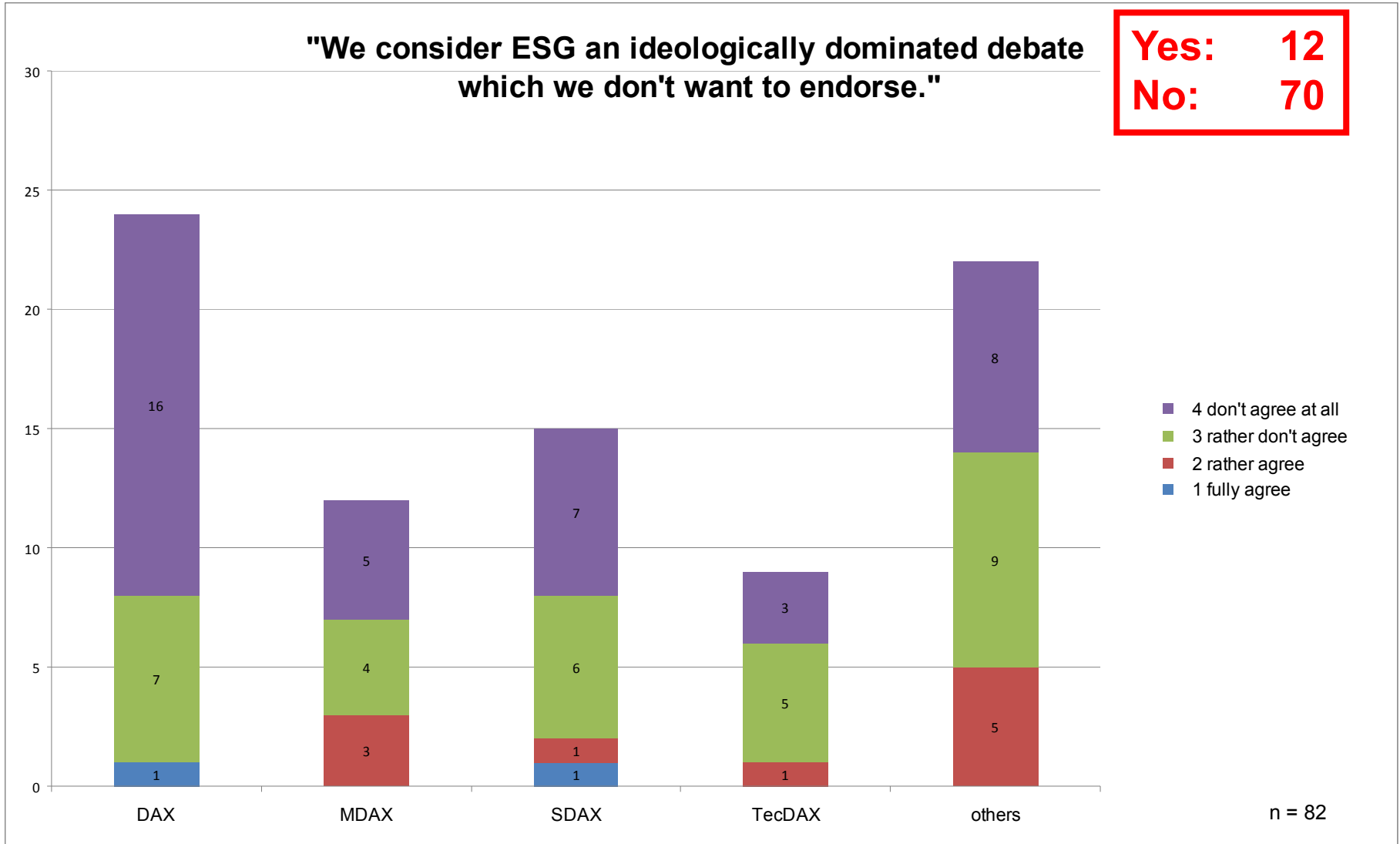
Yes: 47
No: 35



German survey on ESG as IR topic (11)

"We consider ESG an ideologically dominated debate which we don't want to endorse."

Yes: 12
No: 70



German survey on ESG as IR topic (12)

Summary:

- ESG has arrived as an IR topic (in Germany).
- Many companies have ESG (CR) specialists in their IR divisions – the larger the more likely. The smaller the IR division, the more likely that SRI is disregarded.
- The main hindrance for the ‘not-so-active’ is lacking demand from investors and analysts. But whose responsibility is it: demand side or supply side?
- ESG topics are generally acknowledged as having financial value – especially product innovations and climate protection.
- The larger the company, the more convinced it is of ESG. In part this is due to larger demand for ESG information from large companies (in Germany: DAX-30 listed companies).

How investor relations need to change (1)

If ...

- ESG issues are acknowledged as having financial value ...
- (some) ESG issues are difficult to explain in financial data and figures ...
- the demand for ESG information leaves something to be desired ...
- the tools available to IR divisions are not sufficient or good enough for ESG ...

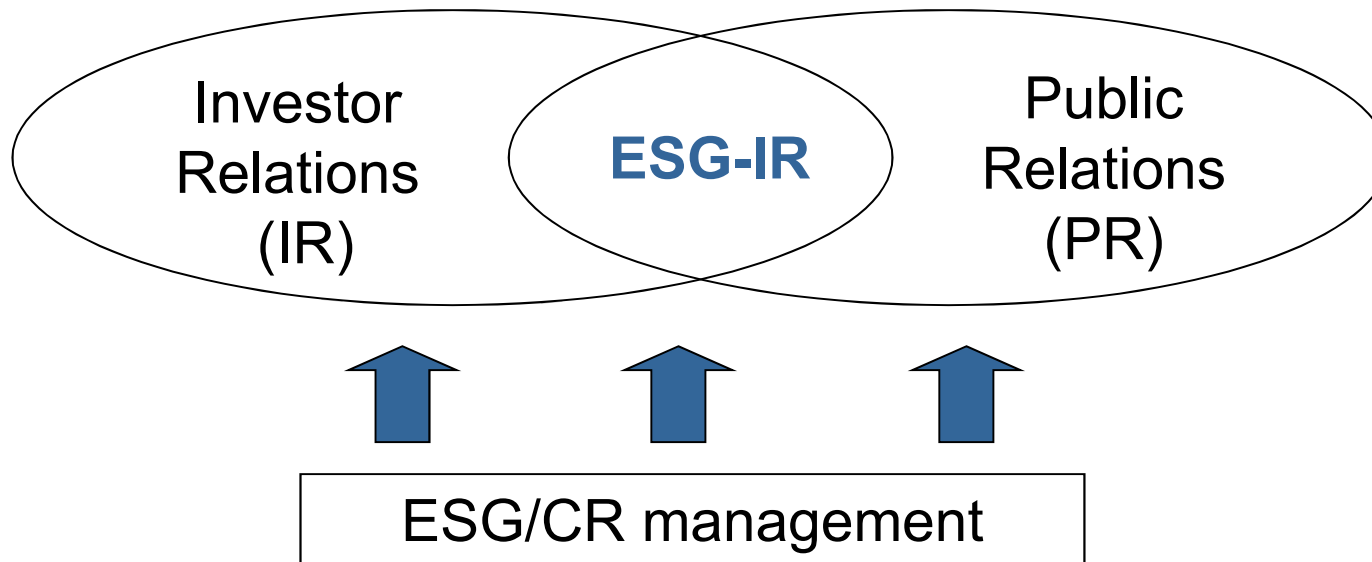
... then

- ... IR divisions must learn to explain ESG in economic terms to investors.
- ... IR officers must learn to argue in qualitative terms (not only quantitative).
- ... IR officers can create a demand by better supply (an old marketing wisdom).
- ... the palette of tools must be expanded.

How investor relations need to change (2)

ESG-IR needs to combine the “best of both worlds”:

- suitable tools from investor relations
- appropriate tools from public relations
- factual basis from ESG/CR management



How investor relations need to change (3)

Suitable tools from **investor relations**:

- equity story
- company presentation
- roadshows

Appropriate tools from **public relations**:

- media relations
- newsletter
- brochures
- events

**ESG-
Investor
Relations**

How investor relations need to change (4)

Example: Company presentation containing equity story

- Most current examples don't serve their purpose, because they don't explain the business success with their ESG performance



A word about mainstreaming (1)

- If organic food is better for human health and the soil, organic should be the norm. If renewable energy is better for the climate and for saving resources, renewables should be the norm.
- **If SRI is better for us, SRI should be the norm (not a niche)!**
- ALL investments should be “responsible” – ethically, socially, environmentally.
- In reality, responsibility in the investment markets is limited to the short-term fiduciary financial aspects and legal compliance.
- ALL investments have social and environmental impacts. Each one of us has to decide for himself/herself whether to recognise these impacts or not.

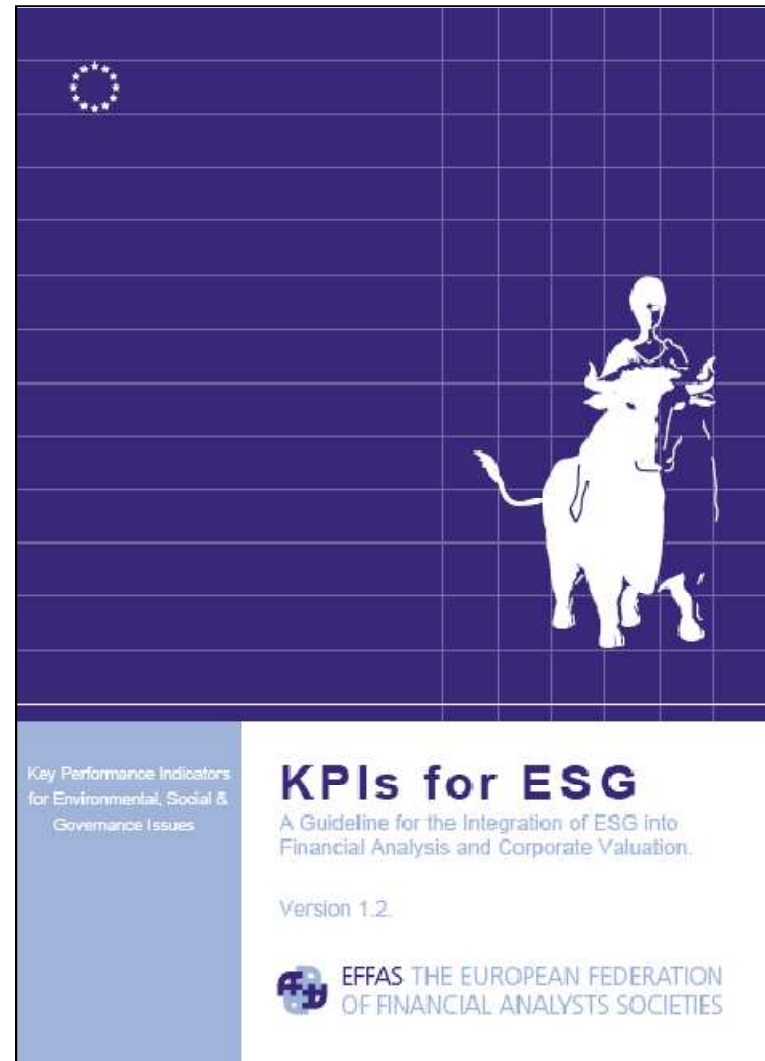
A word about mainstreaming (2)

- **“Vertical mainstreaming”:**
Today, almost every major investment company has at least one SRI product.
- **“Horizontal mainstreaming”:**
An “ESG-filter” for the whole business of an investment company.

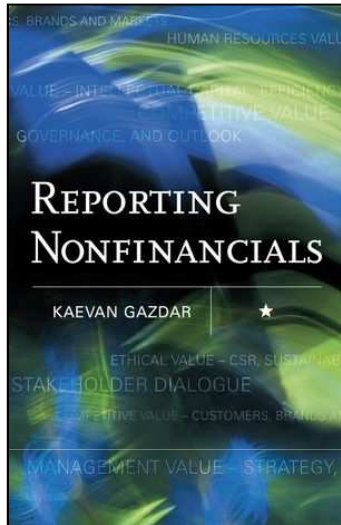
The UNPRI are a step in this direction. But there is still a long way to go.

A word about mainstreaming (3)

- An easy tool for integrating financial, ethical, social, and environmental responsibility into financial analysis is the “KPIs for ESG” guidance from EFFAS (2009)
- A guide to be used by analysts and investor relations alike.
- New edition with sector-specific additions to be published shortly.



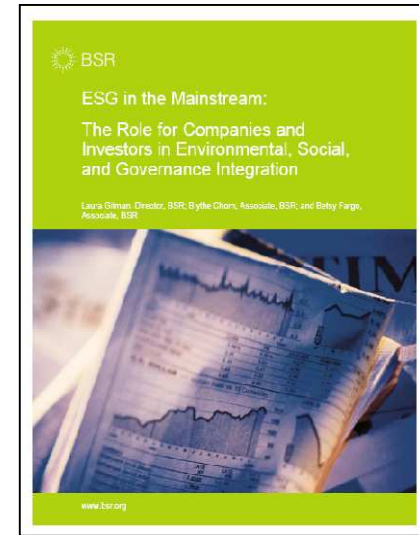
Further reading



Kaevan Gazdar:
Reporting Nonfinancials.
(Chichester: John Wiley
& Sons, 2007)



Christian Fieseler: *Die
Kommunikation von
Nachhaltigkeit – Gesell-
schaftliche Verantwor-
tung als Inhalt der Kapi-
talmarktkommunikation*.
(Wiesbaden: Vs-Verlag,
2008)



Laura Gitman et al: *ESG in
the Mainstream: The Role
for Companies and
Investors in Environmental,
Social, and Governance
Integration* (San Francisco:
BSR, 2009)

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