



## **2018 – Most Effective Integration of ESG**

*Categories: FTSE100, FTSE250, Small Cap & AIM, and International*

### **IR Principles**

Please note that for all awards categories, companies need to emphasise how you have successfully addressed the following IR principles:

- Having an equity story and investment case that are clearly communicated
- Helping investors, analysts and others to understand the growth and value drivers of a company, such that there is a fair and orderly market in its shares
- Meeting or exceeding all regulatory requirements around disclosure

### **Award Description**

For this award we are looking for evidence of a year-round communication approach to investors that provides insight into how sustainability and environmental, social and governance (ESG) risks and opportunities are identified, understood and proactively managed and measured to contribute to competitive advantage.

We recognise that this is a developing area for many around the world, and companies will be at different stages of the journey. Businesses are expected to adopt a more thoughtful approach to wider value and evidence mounts for the importance of governance and overall stewardship to investors. We believe that a real opportunity exists for companies to be proactive in setting out their long-term strategies and ESG issues when engaging with the investment community and we encourage companies to move in this direction.

Communications should focus on a company's purpose, values and strategic objectives and effectively demonstrate how the company creates long-term value. Recognition and evidence of engagement and understanding of key stakeholder interests and ESG factors and how this drives improvements in performance as well as a clear discussion of; the leadership and good governance essential to delivering sustainable growth is desired. A clear focus on materiality, value drivers and performance against non-financial KPIs that affect profitability and long-term business success.

Overall, judges will be looking for evidence of a clear, consistent and proactive point of view on material ESG issues and long-term value creation across all communications with investors.

### **What is ESG?**

ESG, for example, could cover relevant elements such as:

- Environment – Climate change, water, waste
- Social – UN SDGs; safety; social impact; diversity and gender pay gap; supply chain; access to work (graduates etc.)
- Governance – Socially responsible investing policies; initiatives (UK Stewardship Code, UK Corporate Governance Code etc.); succession planning, Exec Rem linked to non-financial

## **Entry requirement**

The award is assessed on an equally weighted qualitative and quantitative basis. To be considered for the award you only need to provide a statement in relation to the qualitative element, so in 600 words or less write a short statement referring to the following:

## **Qualitative assessment**

### **Objectives**

- What were your objectives for this year? How does this support your overall business strategy and investment proposition?
- How has the importance of ESG evolved in the context of your investment proposition?
- Who was your target audience and what attributes are you trying to emphasise and why?

### **Strategy**

- What is your approach to the communication of your long-term sustainable value creation and what channels (Annual Report, Website, Roadshows, Presentations, Social Media etc.) do you use?
- What are the principal elements of your narrative?
- How do you create consistency across various channels?

### **Outcomes**

- Can you evidence that long-term value creation communications has been effective at strengthening investor relations and the company's equity/investment story. What measures are used and why? (This could be supported by quantifiable or anecdotal results or unexpected outcomes. Results should be relevant to your initial objectives and the context of your business.)
- Is there any evidence of collaboration between the CR/IR teams to define, measure and proactively communicate the company's ESG risks and performance to mainstream as well as specialist SRI investors?
- Can you evidence that long-term value creation communications has had a positive effect on the company's relations with other stakeholders?

## **Guidance Notes**

For the quantitative element, assessment criteria guidance includes:

### **Strategy**

- Clear communication of the company's strategic framework for long-term value creation
- Clear and consistent communication of a robust set of ESG targets, key performance indicators and metrics that underpin long-term value creation

### **Governance**

- Tone at the top – evidence of an engaged board and commitment to managing for the long term
- How Board of directors' outlines the company's purpose and the Board's role in developing the strategy for long-term sustainable value
- Evidence how the Board is taking into account market trends and understands their investors and other key stakeholders and the issues that might affect the company's potential for growth
- Clear communications of management team's responsibilities for delivery of long-term sustainable value creation and evidence of how that is being articulated in a consistent and coherent manner
- Communications of the link between strategy, performance, and remuneration

### **Approach to long-term value communications**

- Demonstrate an effective creative and engaging approach to communications with investors and wider stakeholders in line with overall long-term value creation strategy
- Approach to defining material issues based on relevance to key external stakeholders as well as business criteria which impacts core and long term financial performance
- Outline of how sustainability and ESG risks and opportunities are identified, understood and proactively managed and measured to contribute to competitive advantage