

Effective IR strategies for a post-COVID world



Sandra Novakov discusses how IR strategies are evolving in response to both the pandemic and growing stakeholder demand for ESG engagement.



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Reporting and engagement habits in 2021 reflect continued pressure from the market as investors seek reassurance and additional clarity and context around performance and future expectations.

Findings of Citigate Dewe Rogerson's 13th *Annual IR Survey*, based on responses from 250 leading companies across 49 countries around the world, echo our own advisory experience in this respect. For example, around 30% of companies have modified their approach to guidance in response to COVID-19,

and only 14% of them intend to restore guidance to pre-pandemic levels by mid-2022.

However, demand for clarity has now moved beyond each organisation's immediate response to the crisis, and companies are increasingly being called upon to demonstrate their approach to navigating post-pandemic challenges and set out longer-term strategies for recovery. This has prompted a wave of investment case reviews as companies place redefining key messages and elevating delivery methods among their key priorities for the year ahead. The fact that nearly a quarter of our respondents also plan to set out a new corporate strategy by mid-2022 demonstrates the magnitude of the pandemic's impact.

Optimising the engagement mix in a renewed quest for fresh capital

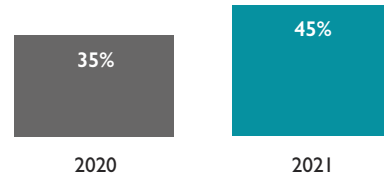
The gradual easing of travel restrictions during 2021 has presented IR teams with a long-awaited opportunity to re-start face-to-face meetings. Despite the success of virtual engagement during the pandemic, IROs still see physical meetings as critical to building relationships with potential investors.

However, many of our clients report a preference for virtual meetings among investors, showing that both institutional investors and the IR community have truly embraced hybrid working across the globe. The fact that 69% of our respondents expect to retain this model in the longer-term means that virtual engagement is likely to remain a key part of the engagement mix.

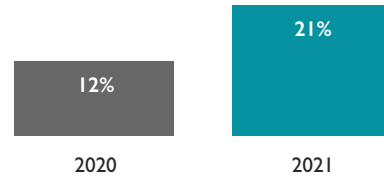
This will allow companies to continue to benefit from increased efficiency driven by reduced travel, the opportunity to engage with the wider pool of investors on a more regular basis, as well as more effective investor education through meeting attendance by more key executives from across the business. But this is something IR teams will need to prepare for and execute effectively, ensuring both in-person and virtual engagements are optimal for both the company itself and investors.

“Tolerance levels for an insufficient focus on ESG are in a rapid decline”

Results materials that regularly refer to ESG narrative



Regular ESG updates throughout the year



Source: Citigate Dewe Rogerson, 2021 Annual IR Survey

Strong ESG credentials no longer optional

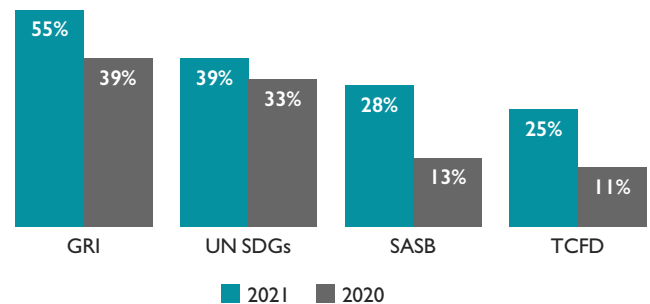
Heightened investor scrutiny of corporate behaviours during the pandemic resulted in increasingly challenging general meetings and a greater number of votes against AGM resolutions during 2021. Many companies cite ESG issues as a key driver of this trend.

With increased investor demand for ESG data and exponential improvement in the standard of reporting, mainly outside North America, tolerance levels for an insufficient focus on ESG are in a rapid decline.

In addition to rising integration of ESG narrative into day-to-day newsflow and results reporting, our research shows a substantial increase in the number of companies that adhere to an established framework in their ESG reporting, from 69% in 2020 to 84% in 2021.

While GRI remains the most popular framework globally, we see significant increases in the adoption of the SASB standards and TCFD, driven by ongoing consolidation in reporting standards and growing regulatory requirements. Following the launch of the Taskforce on Nature-related Financial Disclosures (TNFD) on 4 June 2021, we expect nature-related risks to come to the fore as reporting requirements continue to evolve.

ESG reporting framework(s) adopted by companies worldwide

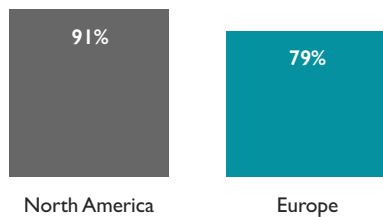


Source: Citigate Dewe Rogerson, 2021 Annual IR Survey

Rising demand for ESG accountability at executive and board levels

Despite increased focus on ESG strategy, a lack of executive management and board accountability for non-financial performance is a growing issue. While the number of boards with a dedicated sustainability committee has risen substantially during 2021, 81% of companies in our survey sample said their management teams have less than 10% of their remuneration package linked to ESG metrics.

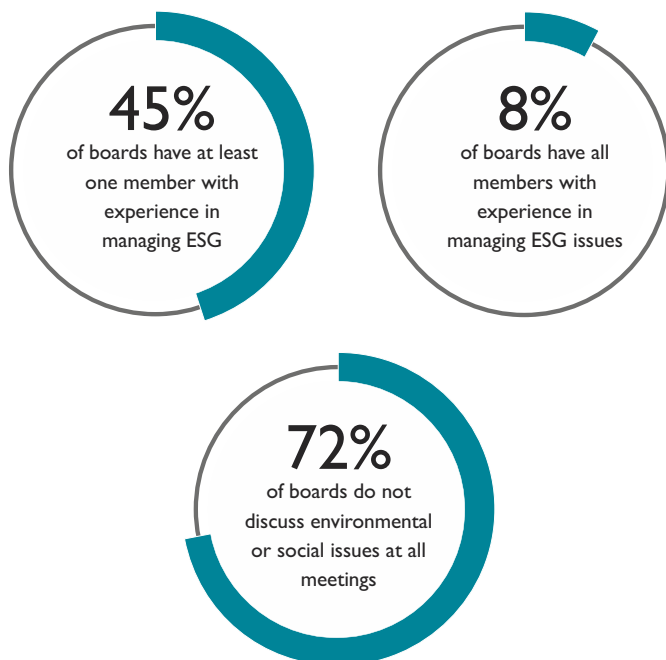
What proportion of your company's executive remuneration is linked to ESG metrics? (<10% linked to ESG metrics)



Source: Citigate Dewe Rogerson, 2021 Annual IR Survey

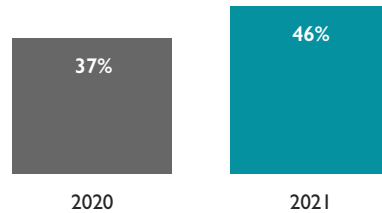
The fact that more than two thirds of boards still do not have social or environmental issues as a standing agenda item at all meetings reflects a wider lack of experience in managing ESG issues among many board members.

Many boards remain light on ESG experience, which limits their ability to fulfil their fiduciary duty...



Source: Citigate Dewe Rogerson, 2021 Annual IR Survey

Boards with sustainability committees



Source: Citigate Dewe Rogerson, 2021 Annual IR Survey

With investors facing increasing regulatory scrutiny of how they classify sustainable investments, demands for greater accountability among management and board directors will no doubt continue to rise into 2022.

Evolving IR skillsets

The IR landscape has undoubtedly changed considerably over the past year and IR skillsets are evolving in response to key trends.

As ESG becomes more embedded in investor relations programmes and disclosure requirements rise, nearly half of companies are investing more in in-house ESG expertise. The majority of these have already hired an ESG specialist for their team to facilitate increased focus on non-financial reporting and attendance at the growing number of dedicated ESG events.

As we look back on 2021, it is clear that our industry is rising to both the challenges, and opportunities, presented by the 'new normal'. With continuing uncertainty, we expect 2022 to bring more of both, making effective IR strategies and execution vital for overall success. ■

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