

# Best Practice Report

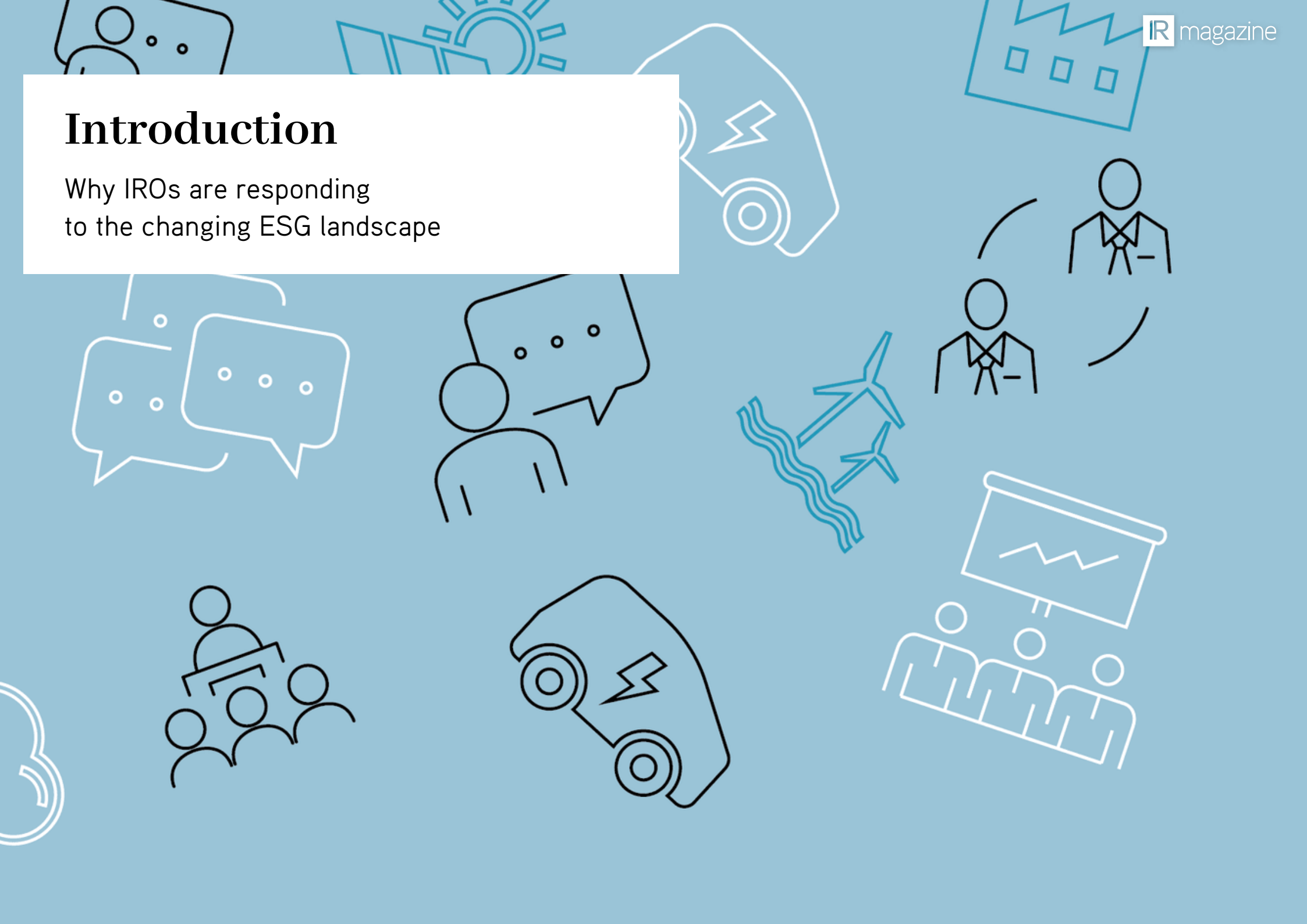
## Conducting an ESG Roadshow

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# Introduction

Why IROs are responding to the changing ESG landscape



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## Why IROs are responding to the changing ESG landscape

ESG roadshows have long been recognized as an excellent idea but, in practice, a number of trends had to converge before this new type of investor outreach caught on.

For many firms, it took attaining enough sophistication in the ESG reporting journey to justify blocking off several days of management time to highlight the firm's ESG progress to an investor audience.

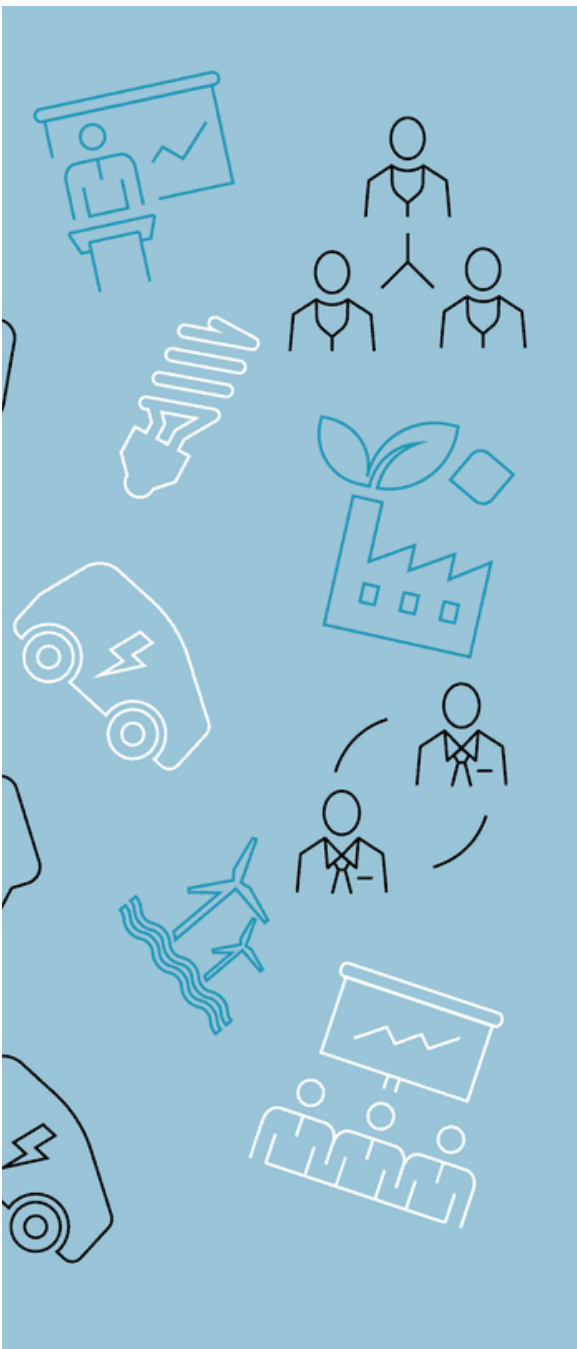
IROs embark upon ESG roadshows for numerous reasons, but the rapidly growing pool of ESG capital is often among the most compelling. 'ESG investors are increasingly a large share of the investor universe,' says Sean Kensil, director of IR for Annaly Capital

Management, based in New York City. 'From an investment standpoint, there's a large, untapped opportunity for most companies when you think about the wide range of ESG strategies and prospective capital out there.'

The numbers *are* impressive. Using a broad definition of ESG, the entire value of global assets invested according to some form of sustainable or socially responsible criteria is set to skyrocket by nearly 50 percent in the next three years, from \$35 tn in early 2022 to \$50 tn by 2025, according to data from [Bloomberg Intelligence](#).

For IR professionals, the growth in ESG investments is fundamentally changing their job descriptions.

According to Nasdaq's most recent [Global IR Pulse Survey](#), heading into 2022 nearly one in five IR professionals served in a lead ESG role – with almost 40 percent of IR professionals having an ESG-focused remit.





# Key ingredients for an ESG roadshow

## Consider your timing, players, audience and itinerary

ESG roadshows defy easy definition. While financials take center stage at most IR roadshows, other topics have been deemed so important they have merited dedicated events.

Governance roadshows, for instance, have been a staple of investor activity for decades, although those efforts are typically led by an issuer's corporate secretary, not by the chief sustainability officer or the IR team.

The rationale behind an ESG roadshow is slightly different: investors have an opportunity to drill down on the environmental, social and governance aspects of a company's story that are both material and can prove critical for long-term success.

The challenge for public companies is to cover within a brief conversation a vast spectrum of topics from emissions to gender and racial diversity, ESG frameworks and rating systems, executive compensation and other thorny governance topics. So when putting together an ESG roadshow, here are a few practical considerations.

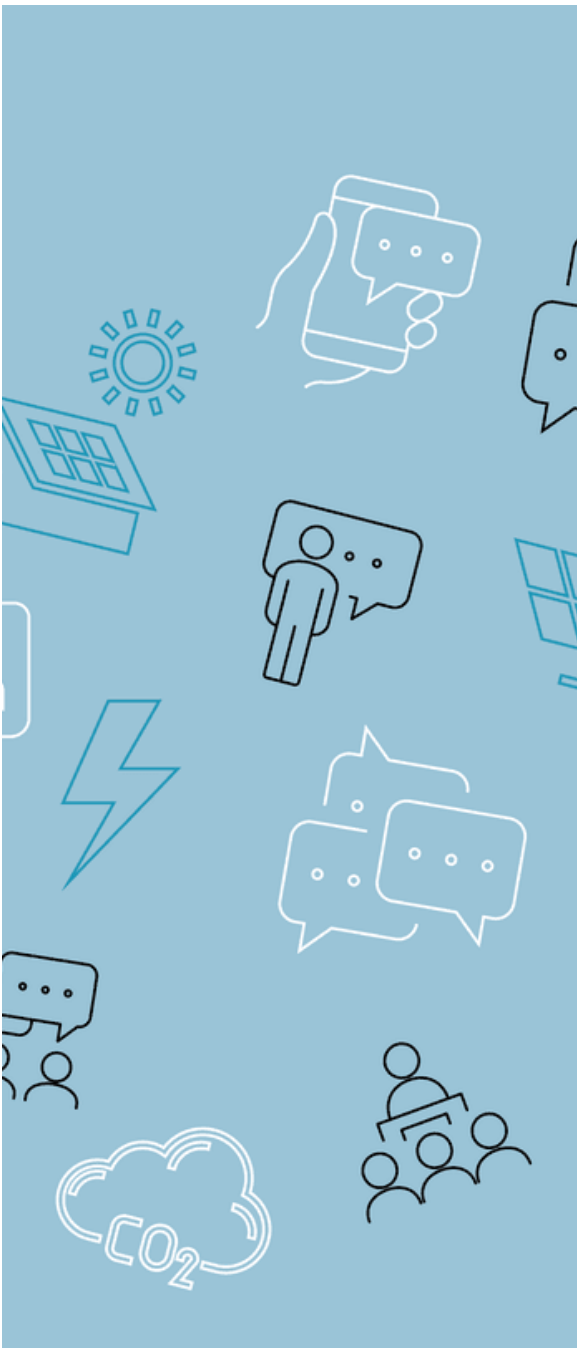
### Timing

Some companies arrange ESG roadshows on the heels of a traditional IR roadshow. Others organize ESG roadshows after a sustainability report has been released or whenever the calendars of key executives permit.

When reserving dates on a calendar, remember that while no hard and fast



rules exist, a typical ESG roadshow runs for one or two days. That said, some companies may dedicate three



days to an ESG roadshow, while others confine the event to a single morning or afternoon.

The meetings within an ESG roadshow tend to mirror one-on-ones, running just shy of an hour. Some suggest that meetings at an ESG roadshow should begin with a 10-minute corporate overview, especially when the audience is expert in ESG but does not necessarily know the ins and outs of a company's story.

### The roadshow players

A typical ESG roadshow is attended by at least two of the following corporate functions: management (CEO, CFO or CIO), corporate secretary, investor relations, senior independent director and/or ESG or CSR.

Some companies find that by having IR and sustainability run an ESG roadshow, events are easier to organize because no management time is

involved. Such an approach has its pros and cons. Many contend that having the CEO participate and speak knowledgeably about ESG is indispensable because it sends a strong message that a company is walking the talk on these issues.

Michael Bennett, vice president of IR at Schnitzer Steel, based in Portland, Oregon, prefers to include CEO Tamara Lundgren on ESG roadshows 'because it shows that ESG is really important to us'.

### The audience

Some ESG roadshow meetings are small groups, others are one-on-ones. While group meetings use management time efficiently, one-on-ones have their advantages, too.

Bennett points out that as Schnitzer's ESG outreach program has grown in sophistication, one-on-ones are becoming the norm. At its most recent ESG roadshow in May, for instance,

Schnitzer's team scheduled far more one-on-ones in a nod to investor preferences. That's because after an introductory meeting, investors tend to look for deeper dives into their own particular issues.

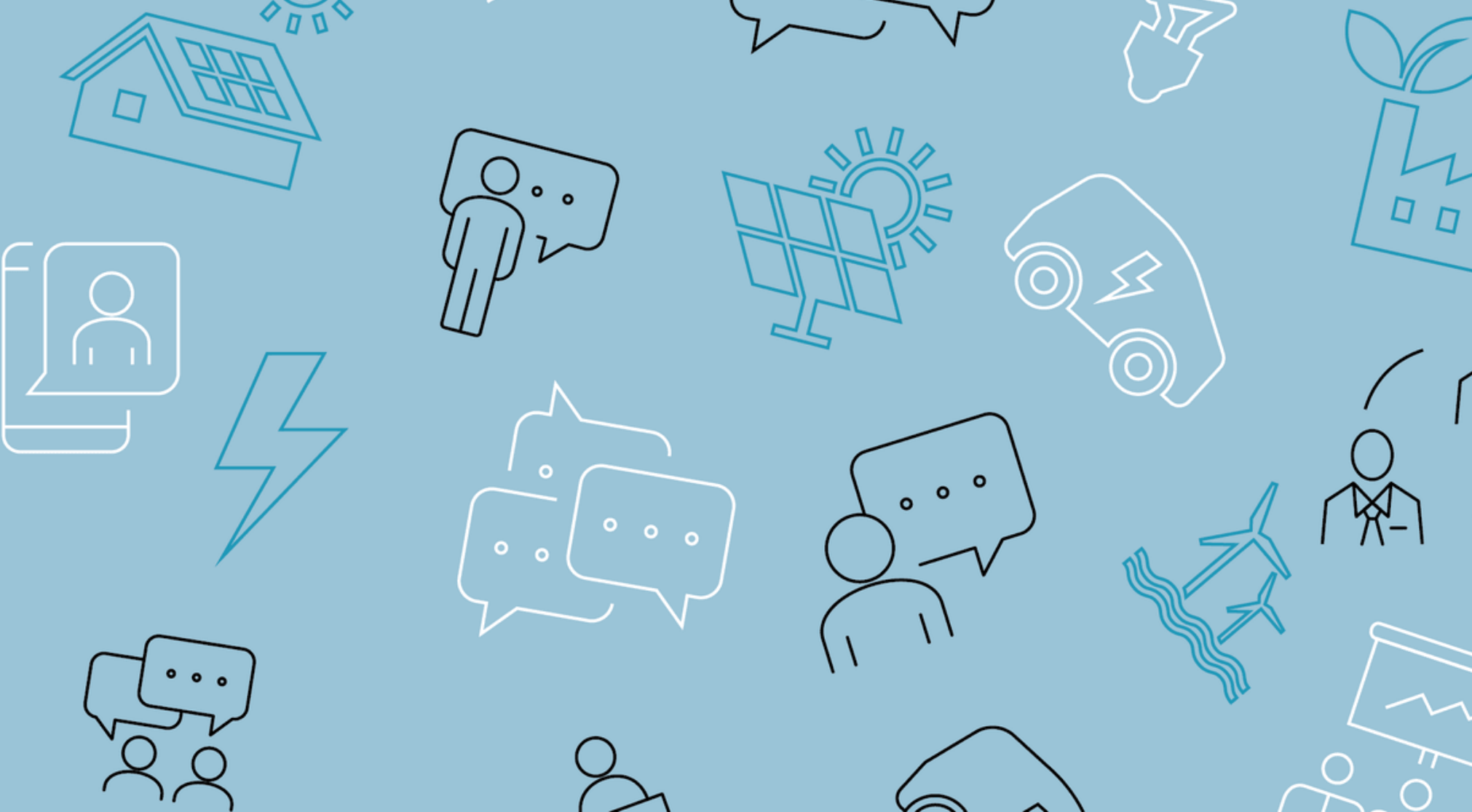
### The itinerary

Planning the itinerary for an ESG roadshow is not much different from planning a traditional investor relations roadshow: companies tend to visit places where a concentration of prospective investors is found. For this reason, Europe is a popular destination because investors there generally focused on ESG long before those in North America or Asia did.

When looking for large concentrations of ESG investors in Europe, the UK, Germany, Switzerland and the Netherlands are all good places to start.

# Broadening outreach

Targeting tips for your ESG roadshow audience



# Broadening outreach

## Targeting tips for your ESG roadshow audience

'A few years ago, we were patting ourselves on the back because we were putting out a sustainability report and had one slide in our quarterly earnings deck on sustainability. That's all changed,' says Michael Bennett, vice president of IR at Schnitzer Steel. He notes that while Schnitzer was doing more in terms of ESG outreach than other metals and mining companies, it was not until he began benchmarking against thematic peers that he fully recognized the need to boost the firm's ESG engagement.

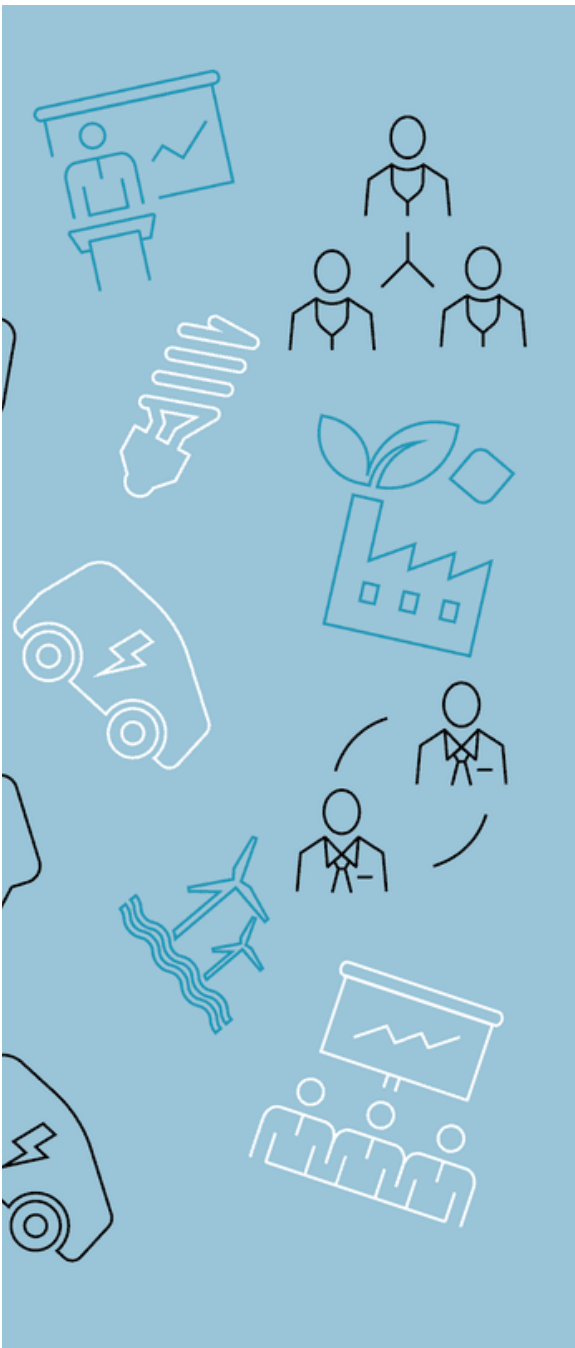
'We were seeing a lot of the same investor names, and there was so much missed potential out there,' he explains. 'We knew we had to open up [our ESG discussions] to a new audience, but it

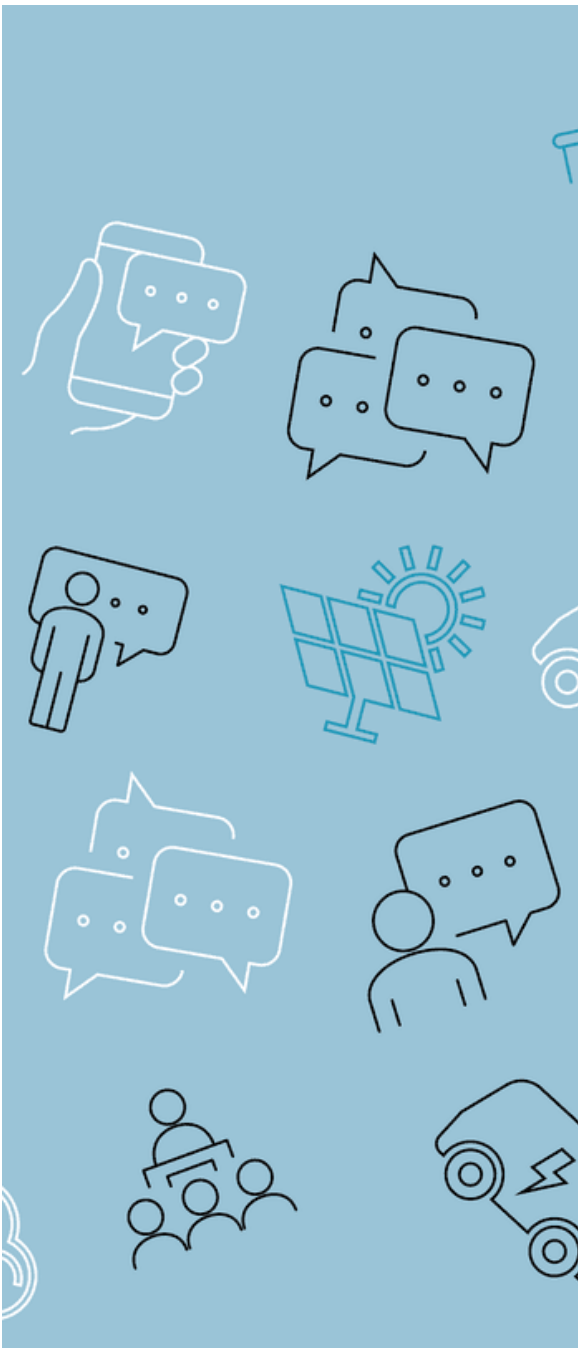
can be challenging to know who to speak to at funds and who to invite to the roadshow.'

As IROs get their arms around the arguments for reaching out to new and

different ESG investors, the investor audience is undergoing seismic changes of its own. Investment funds now have a more sophisticated build-out of ESG roles and responsibilities so identifying the right individuals to

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communicate with may require more effort than in the past. Here are some targeting tips.

### **Know the lingo**

ESG investors are no longer a monolithic group but fall into several different categories.

There are ESG investors with exclusionary strategies, which screen for certain sectors or practices. There are thematic investors, which invest in specific solutions to ESG problems (examples include renewable energy and circular economy funds).

There are impact investors, which invest in companies that are achieving positive and measurable social and environmental results. And there are ESG integration investors, which weave ESG issues into all aspects of their investment analysis. Consider which type of ESG investor would find your story most appealing.

### **Research signatories**

When assessing a fund's commitment to ESG, look to those that are putting their names to particular platforms. A good place to start may be signatories to programs such as the [Net Zero Asset Managers initiative](#), an international group with 273 signatories and \$61.3 tn in assets under management.

### **Understand the regulatory landscape**

Numbers differ for how many sustainable mutual funds and ESG-focused ETFs are out there. In Europe, for instance, regulators recently imposed stricter rules about which funds could be labeled 'sustainable'.

As a result, in early 2022 Morningstar removed the sustainable label from more than 1,200 European funds, with the expectation that the numbers will drop even further [still](#). That said, funds leaving the ESG universe are being rapidly replaced by waves of newcomers to the space.

In the US, there are similar regulatory efforts afoot. In May, the SEC proposed rule changes that would prevent investment funds from making unsupported claims about their ESG credentials. The new 'Fund Names' proposals would bar investment managers from using the descriptor 'ESG' unless certain specific environmental, social and governance criteria are [met](#).

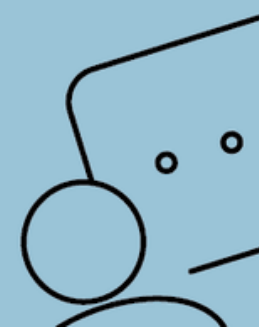
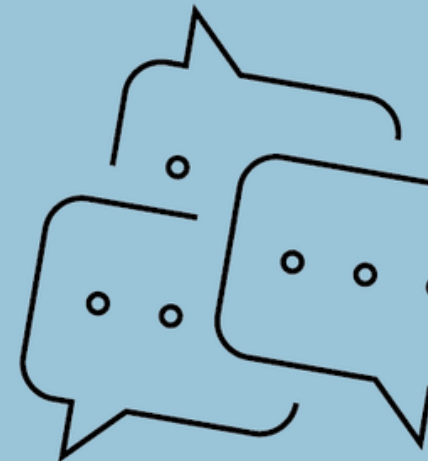
### **Polish your message**

Distilling a company's ESG message for a group meeting or one-on-one is no easy feat. Fortunately, honing complicated messages into memorable stories is a skill IROs possess.

One way to hone your message is to benchmark against roadshow presentations of peers and leaders in the space. Knowing investor expectations and crafting a responsive presentation are additional ways to make sure your story hits home.

# Are virtual ESG roadshows here to stay?

Adapting to the post-pandemic new normal



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## Adapting to the post-pandemic new normal

Some might argue that the Covid-19 pandemic proved a boon for ESG roadshows by making it commonplace for these events to be conducted virtually. For many companies, the virtual format tipped the scales and made ESG roadshows seem doable. Asking a CEO to travel abroad is a much harder sell than having him or

her block off a day on the calendar for back-to-back Zoom meetings.

In the first 18 months after lockdowns began, the overwhelming majority of companies suspended all types of in-person roadshows. In fact, just 7 percent of companies went on the road in the 12 months from Q3 2020 to

Q3 2021, according to [IR Magazine's latest Global Roadshow Report](#).

This compares with 81 percent of companies that went on the road in person between Q3 2019 and Q2 2020, and 93 percent of companies that traveled the previous year.

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Not surprisingly, virtual roadshows took up much of the slack. *IR Magazine* found that more than 60 percent of companies held some type of virtual roadshow in the 12 months from Q3 2020 to Q3 2021 – almost nine times the number of companies that held in-person events.

Virtual ESG roadshows offer undeniable advantages. They allow a company to reach far-flung investors that previously may have been overlooked, and scheduling conflicts cease to be insurmountable. In the past, if a key investor couldn't make the date when a company was coming to town, the company was out of luck. With a virtual roadshow, meetings can easily be postponed.

As Sean Kensil, director of investor relations for Annaly Capital Management, puts it: 'With a virtual ESG roadshow, we can get the most bang for our buck in a short amount of time with a geographically dispersed group of investors.'

That said, Kensil believes Zoom should not replace face-to-face meetings, so his team plans to embark on the company's first in-person, ESG roadshow in late 2022 or early 2023.

# Preparing for tough questions

Demands from different regions and for quality reporting





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## Demands from different regions and for quality reporting

Hungry for ESG information, investors feel they're not getting the types of answers they want. In fact, only around one third of investors, on average, think the quality of the ESG reporting they're seeing meets their needs, according to a PwC global investor [survey](#) conducted in fall 2021.

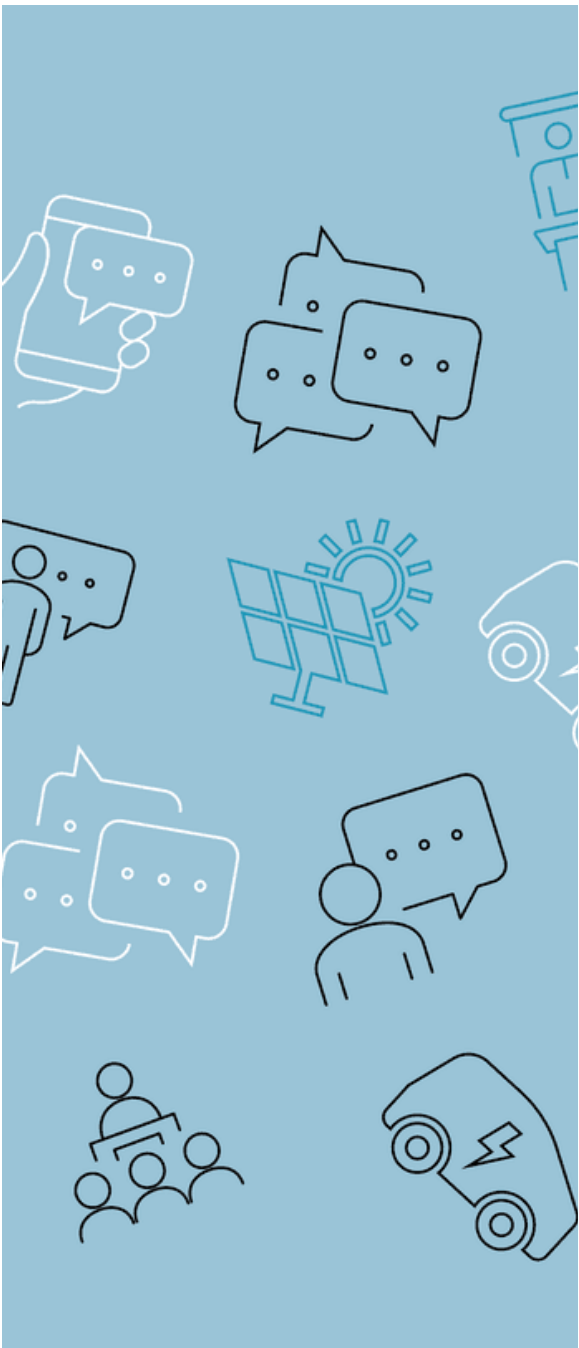
Participants said they could not easily differentiate between firms when it comes to ESG-related performance. 'Investors question whether much of today's ESG reporting gives them the relevant, reliable, timely, complete and comparable information they need for effective decision-making,' notes PwC.

Meeting investors' information needs is an enormous challenge for

executives on an ESG roadshow, especially given the breadth of possible questions a company may be asked. 'In an ESG roadshow, you just have to be ready for anything,' says Michael Bennett, vice president of investor relations at Schnitzer Steel.

Prepping for investor questions may even differ by region. 'In the US, investors are focused on a thematic approach; they're looking for a company like ours that's contributing to decarbonization efforts,' explains Bennett. 'When we go to Europe, on the

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other hand, the question topics are much more specific.'

He recalls that at one meeting during his company's May ESG roadshow in London, the firm held 'a 15-minute discussion about how we were going to go about targeting Scope 3 emissions, so the conversations can be a little more intimidating.'

Fortunately, investor relations professionals have a wealth of experience preparing management for obscure or highly technical questions. Some minefields to watch for include failing to explain ESG performance or giving insufficient details about a particular ESG controversy. Investors are very attuned to greenwashing and

want specifics rather than pleasant-sounding phrases.

Another no-no is concealing information. Remember that rankings by ISS, Glass Lewis and MSCI are public, so it's extremely unwise to downplay problems a company may have had with these advisory firms.



# Conclusion

## A holistic approach

What makes an ESG roadshow best in class? Some believe the ESG roadshow can act as an important catalyst for companies on their ESG journey.

As CEOs, CFOs, CIOs and even independent directors bone up on statistics about net-zero emissions and workplace safety initiatives to prepare for whatever questions may arise, these professionals are absorbing valuable

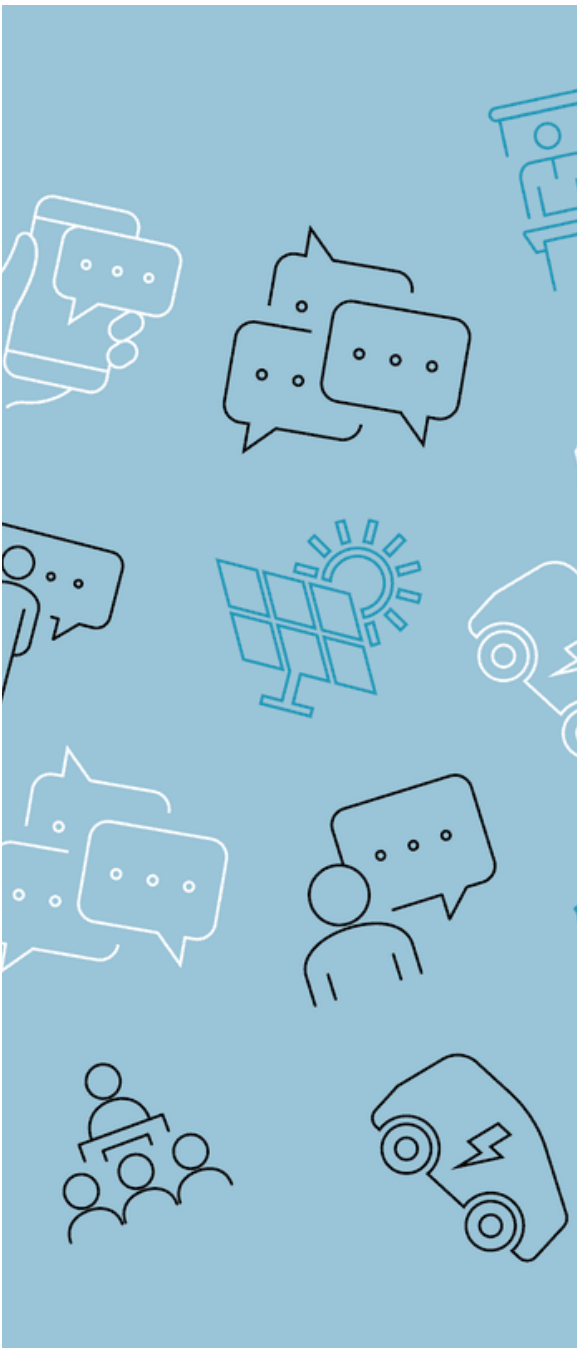
information. They are also getting on-the-job training for speaking a new type of language, just as they once gained fluency by diving into discussions of Ebitda and other financial metrics.

Ditto for IROs. As ESG increasingly becomes part of the IR remit, the ability to engage with ESG investors matters more than ever. Not far off, some

believe, is the day when an IRO's performance will be measured, to some extent, by his or her engagement with ESG investors. It's entirely possible that in the future one component of an IRO's compensation may be success at initiating ESG engagement through vehicles like roadshows.

Arguably, the most valuable form of ESG engagement is dialogue, so the

**The best ESG roadshows may be ones where management, IR and the sustainability team gain as much insight as they impart**





roadshow can be viewed as an opening act. Remember: it's not necessary to respond to every investor's ESG question on the spot.

As investors demand more granular detail on climate change and other complicated topics, IROs and other executives need to overcome the urge to answer quickly with generalities and instead promise to furnish more thorough answers later. After all, emailing or telephoning an investor in the days following an event is a golden opportunity to strengthen a burgeoning relationship.

In the end, the best ESG roadshows may be ones where management, IR and the sustainability team gain as

much insight as they impart. If, for instance, an investor is enthusiastic about a new ESG framework that has just arrived on the scene, find out why. What IROs learn can make an enormous difference when improving ESG websites, introducing new topics and perspectives within sustainability reports, and exploring novel strategic avenues and approaches.

The give-and-take of investor dialogue can help you burnish your ESG program like nothing else. Ultimately, the true value of an ESG roadshow may lie in the two-way communications of companies and investors that make the time to engage meaningfully with one another about a host of pressing concerns.

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## **Trends in ESG and tips for IR to capture the ESG multiplier**



# Trends in ESG and tips for IR to capture the ESG multiplier

By Michael Stiller, Nasdaq's head of ESG advisory & engagement

IR's stake in ESG has grown meaningfully, with nearly **40 percent of IR professionals now having ESG as part of their remit**, according to [Nasdaq's third annual Global IR Pulse Survey](#), to which more than 700 IR professionals responded globally. This level of focus by IR teams can be attributed to a number of factors, but it would be hard to ignore the increased attention by investors as one of the main drivers. Asset owners, retail investors and other allocators of capital have increased their focus on including ESG in the capital allocation process.

As a consequence, we've seen an explosion of asset managers launching ESG strategies to meet this demand. ESG-dedicated funds and ETFs now command \$2.9 tn in assets under management<sup>1</sup>. More impressive is the growth in ESG-dedicated funds and ETFs. Globally, there are now 5,808 ESG-dedicated funds and ETFs, compared with 4,061

ESG-dedicated funds and ETFs as of Q4 2019 – a 43 percent increase in less than two and half years<sup>2</sup>.

## Engaging ESG capital: One size does not fit all

Not all ESG-dedicated capital is created equal and the variance between ESG strategies has brought greater confusion for IR teams looking to engage ESG investors. ESG strategies can range from including ESG topics in the investment process (ESG integration) to ESG topics being the dominant factor in the investment process, such as impact investing, or only investing in firms that positively impact society or the environment.

While ESG integration still captures the majority of ESG-dedicated strategies, impact and thematic ESG funds are growing in popularity. Since Q4 2019, **the number of impact and thematic ESG funds and ETFs has grown 116 percent**, compared with ESG

integrated fund and ETF growth of 34 percent<sup>3</sup>. Some believe impact and thematic ESG funds and ETFs are the fastest-growing portions of the asset management industry.

## Engaging investors on ESG topics requires a mix of engagement strategies

As investors increasingly include ESG topics in their investment processes, it has changed the calculus by which IR teams prepare for investor conversations. From retaining top holders to building relationships with new investors, the engagement strategies vary based on the investor's level of ESG focus.

In conversations with an investment professional at an ESG integration fund, ESG questions may be limited as the ESG work may have been done ahead of the meeting using in-house experts or ratings agency data. If an IR team engages an impact fund, the questions will be largely ESG-led and tend to be deeply technical. This range in strategies forces IR teams to include new corporate participants in investor conversations, especially in ESG-led conversations.

We've seen these trends play out in Nasdaq's proprietary investor meetings data, whereby we

anonymize, aggregate and analyze 7.5 mn investor meetings from the last 10 years. When analyzing the data, we found that **the volume of corporate participants in sustainability and ESG roles attending investor meetings jumped 39 percent between 2020 and 2021**<sup>4</sup>.

We suspect that with the broadening of ESG and sustainability as a senior leadership function within firms, in combination with the technical nature and growth of impact and thematic ESG funds, we will see continued growth in sustainability and ESG professionals joining investor meetings in the future.

ESG can have a multiplier effect. For those IR teams with ambitions to capture the ESG benefits by running dedicated ESG roadshows, we suggest IR teams use the following tips list to ensure readiness, meeting efficacy and scale.

### Six tips for IR professionals when considering dedicated ESG roadshows

- **Assess your readiness:** Dedicated ESG roadshows require sophistication – does your company have an ESG strategy, data-rich ESG report and a

strong ESG position vs peers (for example, above-average ESG ratings/scores)?

- **Know your audience:** When targeting current and new ESG investors and understanding their ESG process, consider the funds' ESG exclusion policy, degree of ESG focus (integration, thematic, impact), investor location and whether the fund or asset manager has ESG professionals who engage.
- **Have the right content:** Leverage your company's ESG report, but also think about a set of focused content – such as an ESG highlights summary/ ESG tear sheet or ESG roadshow deck – depending on the audience's degree of ESG focus (integration, thematic, impact).
- **Timing and leveraging fresh content:** Consider conducting the ESG roadshow in the months following the release of your company's ESG report.
- **Add ESG corporate participants to investor meetings:** In meetings where investors have stronger ESG focuses, include sustainability and ESG professionals to more effectively answer complex questions about ESG scores/ratings and strategy.

- **Leverage your existing relationships and the sell side:** Many asset managers have launched ESG strategies on top of traditional funds. Leverage your relationships with sector analysts and portfolio managers at existing holders to get in the door with new ESG funds. Also leverage the sell side, which has ramped up ESG roadshow support and forged new relationships with ESG investors.

### How Nasdaq can help

#### Proritize ESG efforts & engage stakeholders

– Nasdaq's ESG Advisory Program brings together data, insights and a team of analysts to prioritize and guide your ESG efforts as well as engage stakeholders to secure ESG capital. Draw from Nasdaq's extensive expertise for sector-specific recommendations to understand what metrics and strategies are most suited to your company at its current development phase.

#### Footnotes

<sup>1</sup> Nasdaq Corporate Solutions, as at June 30, 2022

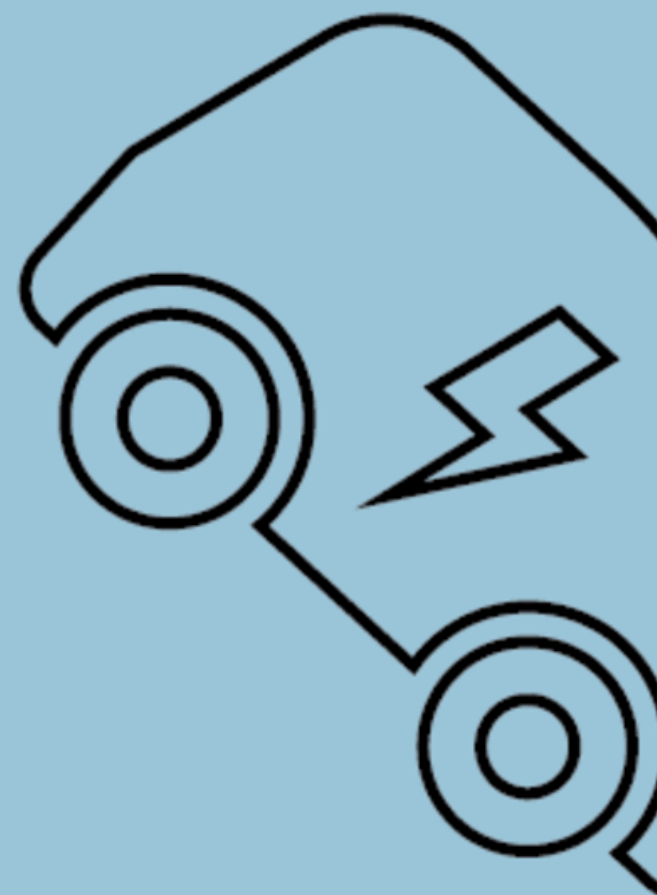
<sup>2</sup> Nasdaq Corporate Solutions

<sup>3</sup> Nasdaq Corporate Solutions, as at June 30, 2022

<sup>4</sup> Nasdaq Corporate Solutions

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Thank you for reading

# Best Practice Report – Conducting an ESG Roadshow

