

The IRO's Guide to Stakeholder Engagement





Introduction

In December 2021, when Ericsson acquired Vonage, the rise of the Omicron variant made a physical roadshow impossible. And yet, the Swedish telecommunications giant wanted its investors to have the opportunity to ask questions and hear management respond. In a mere two days, the Ericsson investor relations team set up a virtual roadshow that required only a few hours of management time.

“We can do a virtual roadshow and fill it up with top investors super quickly,” says Pernilla Raj, Investor Relations Program Manager at Ericsson. “With the digital world, we’re much faster. If we have an urgent message to get out there, it’s now easy and quick to do.”

Not only can public companies use video to communicate financial news on the fly, video can also broaden their corporate storytelling to encompass ESG and other types of stories not being told before.

This is good news indeed because video and other changes came just as IR professionals were eager to tell a much broader and multi-faceted story. Today, companies communicating with investors and other stakeholders must address sustainability, corporate purpose, and even a rapidly shifting news cycle — from Covid-19 protocols to racial protests.



Investors and other stakeholders are dramatically altering the IR conversation with new sets of expectations and questions about ESG and other areas of business that rarely made it into a quarterly earnings call in the past. **One of the most seismic changes is that since the beginning of the pandemic, millions of new retail investors have started actively trading stocks.** This retail audience is tech savvy and wants its questions on social, environmental, and other issues answered quickly and convincingly.

With an audience hungry to listen to your company's latest news about sustainability and other less traditional topics, forward-thinking companies are beginning to tell their stories in bolder and more compelling ways—and yet the fundamentals of good shareholder engagement still apply. **Above all, stakeholders want companies to tell a consistent and coherent story to a range of audiences from traditional buy-and sell-side analysts to retail investors and members of the communities where operations are found.**

A Multi-Stakeholder Approach = Higher Returns

Walking the talk on sustainability makes sense for the bottom line. Public companies that paired strong stakeholder language (“the talk”) with strong performance on material ESG measures (“the walk”) generated four percent higher returns over a three-year period in terms of ROIC (return on invested capital), according to a study [released in 2022 by FCLTGlobal and the Wharton School at the University of Pennsylvania](#).

The study analyzed annual reports from 3,000 global companies, drawn from MSCI's All Country World Index, comparing the presence of “stakeholder-oriented language” with financial and ESG outcomes.

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The Rise of Stakeholder Value and Corporate Purpose

Today's companies have a new and evolving conception of themselves that they are keen to share.

In 2019, the Business Roundtable (BRT) made headlines by releasing a statement signed by 181 CEOs on the purpose of a corporation. This statement drew attention to the importance of actions benefiting all stakeholders, from customers and employees to suppliers, communities, and shareholders.

The values BRT highlighted were quickly tested by both the Covid-19 pandemic and by protests over racial equity.

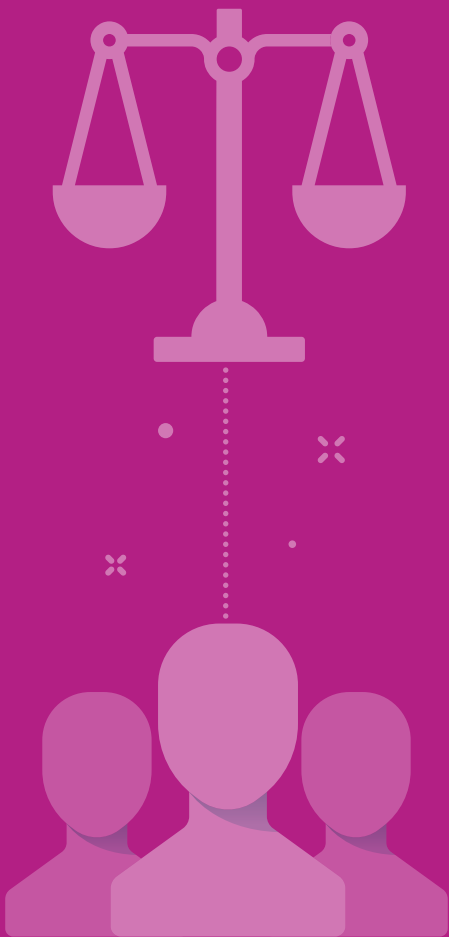
After George Floyd's death, for instance, many prominent CEOs from JP Morgan's Jamie Dimon to Gap's Sonia Syngal rose to the occasion.

Apple's Tim Cook is another chief executive who addressed employees in a particularly heartfelt way: "To stand together, we must stand up for one another, and recognize the fear, hurt, and outrage rightly provoked by the senseless killing of George Floyd and a much longer history of racism."

Racial equity is only one issue that IROs are addressing. Since the beginning of the pandemic, companies have found themselves making quick decisions about mask mandates, quarantining, vaccination requirements, remote work, and employee leave policies. Many companies acted decisively and compassionately, but not all communicated about the positive steps they were taking. If you're not communicating effectively, your investors, employees, and other stakeholders may not be giving you the credit you deserve.

Research indicates that since the pandemic, companies are increasingly driven by a sense of purpose—and that purpose-driven companies outperform their peers.

According to authors of a recent report by Schrodgers, "the data reveals that 'high purpose' companies on average outgrew 'low purpose' peers even before the pandemic but the gap widened significantly over 2020." By the fourth quarter of 2020, high-purpose companies had a revenue growth advantage of 14.1 percent—compared to just a 2.5 percent advantage in the fourth quarter of 2019.



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Sustainability Reporting: The Latest Trends

If there's one topic that public companies worldwide have been compelled to address over the past few years, it's sustainability. That's because **sustainable investments now represent more than one in every three dollars invested globally**, according to the Global Sustainable Investment Alliance (GSIA).

Using data from the U.S., Canada, Japan, Australasia, and Europe, the GSIA says sustainable investments accounted for 35.9 percent of total assets under management at the start of 2020, compared with 33.4 percent in 2018. And this trend is poised to intensify.

According to a 2021 UBS Investor Watch survey, **90 percent of investors surveyed say that they have a strong interest in aligning their values with their investments. In addition, 59 percent said that they have a greater interest in sustainable investing because of Covid-19.**

One reason why investors are finding it challenging to meet their sustainability goals is a lack of consistent standards. While no single, comprehensive standard has yet become the gold standard, investors have begun to gravitate towards a few: GRI (Global Reporting Initiative), SASB (Sustainability Accounting Standards Board), and TCFD (Task Force on Climate-Related Financial Disclosures).





In addition, in recent months the major standards developers have shown a willingness to work towards consolidation, e.g., through the emergence of the International Sustainability Standards Board (ISSB) following the November 2021 UN Climate Change Conference (COP26).

Regulators in the U.S. and Europe are also preparing rules that will mandate sustainability disclosures; these rules promise to be a game-changer in terms of data availability and comparability.

For companies, the lack of a single, defining ESG standard can sometimes be advantageous. It allows IROs to pick and choose the standard that best fits their own business models.

Which industry a company is in might also determine which standard to apply. SASB, for instance, publishes 77 separate standards, each with its own industry-specific criteria.

Out of a desire to meaningfully measure progress, companies have begun to establish metrics and then disclose progress in meeting their goals. Putting hard data to initiatives like lowering carbon emissions is something stakeholders want and need.

While many companies have begun to quantify their sustainability efforts, a handful have taken the added step of obtaining third-party assurance for the reliability of the carbon emissions and other ESG data they provide.

Accounting firms are starting to offer independent auditing and assurance of data in public companies' sustainability reports — just as they do for financial results.

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Embedding Sustainability Within the Reporting Cycle

When companies consider the best way to embed their sustainability message into their quarterly reporting, they look for ways to make information decision useful. In addition, they want their **sustainability data to harmonize with the overall message they're conveying**.

“Stakeholders are increasingly holding corporates accountable for their ESG performance,” says Randall Hopkins, VP and Head of Nasdaq OneReport.

Hopkins notes that the risks incurred by not including ESG in the reporting cycle are serious. “Corporates who don’t communicate a strong ESG message may risk access to capital, since investors want to better understand the ESG issues that are affecting the company’s bottom line before allocating capital,” he says.

Sustainability reports using infographics make a company’s ESG progress easy to visualize. For instance, FIS, which won IR Magazine’s 2021 award for best ESG reporting, uses infographics to show how in 2020 the company reduced energy use by 23 percent, lowered Scope 1 and Scope 2 emissions by 23 percent, and reduced water usage by 35 percent.

“Fewer bidders for your stock impacts not only valuation, but also cost of capital (spread). At the same time, companies hitting ESG milestones and showing progress instill confidence and demonstrate quality management.”

— Randall Hopkins, VP and Head of Nasdaq OneReport

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Best Practices: Aligning Your Message Across the Business

The issues seizing the imagination of stakeholders are evolving rapidly, creating a sort of Wild West mentality within some organizations. Under these circumstances, it's easy for different departments to rush to respond to the news of the day, without coordinating efforts.

If a more consistent story across different communication channels is the Holy Grail, then companies need to consider: How can we best achieve this?

Cross-functional teams are the bedrock. If the whole organization is going to speak with one voice, then that story must reflect the perspectives of the C-suite, department heads, finance, PR, IR, and the sustainability group.

Although the specific role that IR will play varies by organization, **IR professionals tend to be the catalysts for coordinating messages.** Because they are a company's eyes and ears in the capital markets and are gathering input from an increasingly diverse stakeholder audience, the IR team can articulate a corporate story that can become a roadmap for the whole organization to follow.

When it comes to sustainability reporting, IROs are only just now finding their footing as valued contributors. Even when a company has a dedicated sustainability group, it's important for IROs to have a seat at the table because of their firsthand knowledge of what investors want and need to know.

“Sustainability and IR teams need to work together to create a strategy around their ESG story and a shared language that investors can understand,” emphasizes Nasdaq's Hopkins. He notes that in [Nasdaq's 3rd Annual Global IR Pulse Survey](#) nearly 40 percent of IR professionals reported ESG as part of their remit.








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Owning Your Story on the IR Website

The IR website remains the first port of call for investors and analysts seeking information. That said, other stakeholders are also using the site and so it's important to make sure that they're getting what they want and need when they visit. In [Brunswick Group's Digital Investor Survey 2021](#), company-provided investor relations websites emerged as the most used and most trusted sources of information for investors.

When building or revamping the IR site, investors should be a focus, but so should employees (and potential employees), media, and third-party ESG data providers visiting your website to locate the key sustainability data they need.

Considering the breadth of stakeholders to be reached, here are some possible additions to your website:

-  **Infographics and other data visualization tools.** Telling your story through visually arresting charts is often a better way to engage with a varied stakeholder audience than relying on lengthy text. Visual tools are an excellent way to provide ESG data, too.
-  **Dividend reinvestment calculators.** A tool like this is of no interest to institutional investors but can be invaluable for retail holders. A calculator lets individuals tabulate what their holdings would be worth today had they reinvested their dividends earlier.
-  **Webcasts.** Today, companies are producing more sophisticated webcasts, using video and other techniques to hold interest, and then archiving them on the IR site and even using footage for future shareholder outreach. What's more, even something as simple as a text-based Q&A can give you insights into your stakeholders' questions and may highlight aspects of your story that need to be better understood.
-  **FAQs.** Because direct engagement is not always feasible, some of the same benefits can be achieved with a thoughtful list of common questions accompanied by clear, concise answers.
-  **Updated presentation materials.** The best presentation materials will not only align visually with your design and branding but will clearly communicate key performance indicators (KPIs). Remember, it's important to present data in ways that will be understood by audience members of varying levels of financial sophistication.

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The Outlook for IR Events

At a recent shareholder meeting, Volkswagen used video footage of Daft Punk, the famous French electronic music duo, to highlight that VW vehicles were equipped with Fender audio systems to deliver concert-quality sound.

Not all virtual shareholder meetings will double as rock concerts, but the general idea applies. **Some companies are exploring the use of animation, short films, commercials, B-roll footage, and TV-quality interviews to liven up virtual events.**

Fortunately, **video conferencing became reliable and easy to use just as the global pandemic hit, giving employees, investors, and other stakeholders a chance to connect remotely.**

Employees, investors, and other stakeholders were given new ways to connect remotely, and companies had the opportunity to express themselves using live video, animation, and high-quality audio.

Video discussions of earnings results are proving increasingly popular. Nokia, for instance, made an eight-minute-plus video to add a personal touch to its third quarter 2021 results. In that video, David Mulholland, Head of Investor Relations, stands in an office beside President and CEO Pekka Lundmark as the two elaborate upon the company's financials. The video is available to everyone via YouTube.

Others—like Ericsson—are using video for whole new types of events designed to extend their stakeholder reach. During a Covid spike in spring 2021, Ericsson hosted a virtual event with management a few days prior to its AGM. From a studio in Stockholm, the VP of IR Peter Nyquist spoke with President and CEO Borje Ekholm, with both calling in remotely. Each man's image was projected onto a pillar, allowing them to appear to converse much as they would face to face. Ericsson also furnished a dedicated line for investors to call in and ask questions.

“We’re a global company with an executive team distributed all over the world. It’s great that they can call in via Teams and we can integrate the feed into the event,” says Pernilla Raj from Ericsson. “We feel this gave us the opportunity to present a very good show.”



When the pandemic forced AGMs to be held virtually as the only way to fulfill regulatory requirements, many companies did the bare minimum. By year two of AGM season, though, some had begun to get creative, using video on location so speakers could address stakeholders from the executive suite, the board room, or even an eye-catching company site.

Remote video technology expands the list of potential speakers because any executive can now participate, regardless of geographic location, using just a webcam.

“Video helps audiences quickly understand key messaging points and takeaways and builds connection between stakeholders and business executives. Nearly all investor relations activities could benefit from a video strategy - earnings calls, annual meetings, virtual roadshows, company announcements and multimedia press releases.”

— Ben Chodor, President of Notified

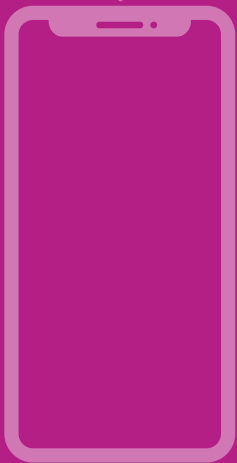
Virtual investor days have also been reinvigorated using video. For example, Notified has seen an approximately 30 percent increase in the use of video for investor days since the pandemic began.

As some companies return to in-person AGMs, online voting is another issue to be considered. Many companies are finding online voting systems work for hybrid events because in-person shareholders can use tablets or smart phones to cast their votes while remote participants can vote electronically.

To some extent, current uptake of video depends on where companies are based. Europe has always been a leader in video because European companies aren't tethered to quarterly reporting requirements. Free from the earnings treadmill, many European IROs have combined a marketing-style event with their general meetings.

That said, IROs everywhere are increasingly convinced that video will be the secret ingredient for making hybrid events compelling for stakeholders going forward. **Companies expect virtual to remain an important component of their engagement even once in-person events resume, according to IR Magazine.**

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The Growing Importance of Retail Investors

Even before the pandemic, the number of retail investors had been steadily increasing. In fact, the level of retail trading activity within the US has **doubled since 2016**, with 20 percent of the average daily traded equity volume within the US coming from retail investors.

Some of the growth in the number of retail investors was driven by stay-at-home mandates, which gave individuals more time to research investments. Another contributing factor was the spread of investing apps and retail investing groups.

“There are clearly changes taking place in retail investing that seem to be bringing more, and perhaps younger, individual investors into the market,” says Gary A. LaBranche, former President and CEO of the National Investor Relations Institute (NIRI). The growth of retail investing, he explains, was enabled by new technologies and changes to market structure. As an example, he cites zero-fee retail brokerage platforms, such as Robinhood.

The demographics and information needs of investors are changing, too, with experts having identified a shift to “The Millennial Investor.” Millennial investors are adept with technology and savvy about information-gathering.

Millennial investors tend to be ESG focused and are not afraid to speak their minds. They also expect their questions to be answered intelligently and promptly.

Talking about sustainability—through videos or even a virtual ESG roadshow—is a terrific way to capture retail attention. Remember your millennial investors are particularly keen to understand your company’s stance on climate change and sustainability, so why not use these topics as a hook to initiate deeper engagement?

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A Broader Conversation

Since adding live video to its earnings calls, Ericsson has reached a much broader audience. In the old format, a conference call typically had 80–100 attendees, while today there are 500 attendees at the live video webcast, with “a couple hundred more listening over the next few weeks,” says Raj. **“I don’t think we’ll ever go back to telephone because meeting by video is so much more efficient. We definitely reach more people with video than we did with the phone.”**

Among the new attendees are employees and retail investors, says Raj. And while she emphasizes that the main target group will always be investors and financial analysts, she’s glad that new audiences are there, too.

IROs sometimes balk at the work required to communicate effectively with a large and unwieldy retail audience or an audience of employees and other stakeholders. However, new tools make it possible to address a growing audience’s needs without requiring too much individualized time and energy.

Here are some examples:

- ★ **Actively ask for comments and questions.** A simple tool on your IR site like a “Contact Us” form can go a long way toward making retail investors and other stakeholders feel heard.
- ★ **Add text-based Q&A to investor events.** Even if during a video or hybrid event questions arise that cannot be directly addressed, letting stakeholders express themselves is a strong move. After the event, IROs can look for themes and brainstorm ways to communicate aspects of a company’s story that are not well enough understood.
- ★ **Encourage engagement.** One easy way to signal interest is to come out and ask for comments. The message can be simple and straightforward: “We welcome engagement with all stakeholders. Email us your questions.”

Finally, engaging proactively with non-traditional audiences may be a way to preempt disruptions in the boardroom.

As of September 1, 2022, the SEC will permit shareholders of any size to nominate their own directors on management’s proxy card. The SEC’s new Rule 14a-19 will make it easier for even the smallest shareholder to nominate a dissident slate of directors and possibly unseat incumbents. For this reason, communicating in advance of a problem makes more sense than ever.

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A Stakeholder Engagement Checklist

Below are 10 questions to ask when considering your own approach to shareholder engagement:

- 1 Are you telling a consistent story to all stakeholders across different communications channels?
- 2 Are you making sure your sustainability message is expressed in a way that will resonate with multiple stakeholder audiences?
- 3 Does IR have an opportunity to explain materiality and convey stakeholder concerns to the organization more broadly, ensuring everyone is on the same page about what to communicate?
- 4 Are you using video to make your virtual and hybrid investor days livelier and more compelling?
- 5 Have you added a “contact us” box to your IR site?
- 6 Do you accept text questions from all stakeholders during online events?
- 7 Are you working with the CEO, PR team, and in-house ESG experts to address sustainability and social issues in a heartfelt and meaningful way?
- 8 Are you engaging with online forums on Twitter, Reddit, and various other social media platforms where millennial investors congregate?
- 9 Is information easy to find and digest through infographics and board-skills matrices?
- 10 Are you making sure that the production values for video used in hybrid events, online investor days, and sustainability roadshows is as professional as possible?



| Conclusion

Increasingly, companies are taking a multi-faceted approach to communications as they recognize the importance of addressing as broad an audience as possible. Savvy companies fear that not doing so carries reputational risks, as well as a potential loss of access to capital and valuation problems down the road.

Communicating more broadly with stakeholders through ESG roadshows, hybrid investor days, and video-enhanced webcasts may at first look like tremendous amounts of additional work. And no question, the learning curve can be steep.

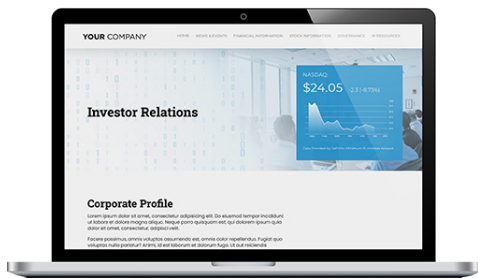
On the other hand, video and hybrid events, which can showcase leadership to a global audience, has brought business unit heads, R&D specialists, and a wealth of other innovative thinkers in front of new audiences of investors, employees, and other stakeholders. Not only do stakeholders love this, but often your leaders do, too.

The number of virtual and hybrid IR events is likely to continue to climb, increasing your stakeholder reach and allowing for a far superior experience for investors and other interested parties, near and far.

In the end, those IROs who begin experimenting with new types of engagement early will attract fresh capital, cement the loyalty of their existing base, and uncover innovative ways to tell consistent and compelling stories to a much broader audience.

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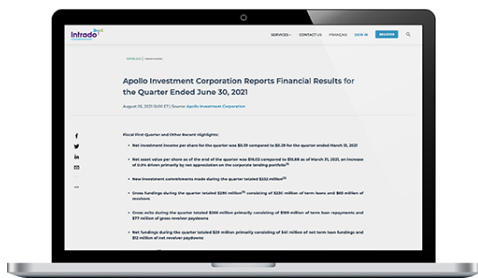
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