

6

STEPS

GETTING YOUR ESG JOURNEY OFF ON THE RIGHT FOOT

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The past few years have been filled with unprecedented events, including investors pouring in nearly \$70 billion into funds centered on environmental, social and governance (ESG) principles in 2021—a 35% increase from 2020. In what could be called ESG’s inflection point in the U.S., ESG was further accelerated by the global COVID-19 pandemic and the racial justice movement, which amplified the need for greater corporate focus on ESG issues, from climate change and environmental stewardship to diversity, equity and inclusion (DEI).

The SEC has entered the ESG discussion with proposals focused both on investors and issuers, including establishing disclosure requirements for self-described ESG

funds and investment advisers, and requiring companies to include certain climate-related information in registration statements and financial reports.

With ESG having become mainstream and more ESG disclosure regulations sure to come, boards and executive teams are looking to investor relations officers to develop and implement an ESG strategy. The task can seem overwhelming. Where do you start?

The good news is that ESG is a journey, not a destination. By taking some key initial steps, you can establish a solid ESG foundation to build on over time. To get started on this “walk before you run” approach, consider the following six steps:

¹ <https://www.cnbc.com/2021/02/11/sustainable-investment-funds-more-than-doubled-in-2020-.html>
<https://www.ai-cio.com/news/sustainable-funds-see-record-breaking-year-in-2021/>

STEP

1

**IDENTIFY KEY
ESG MATERIAL ISSUES,
OPPORTUNITIES
AND GAPS**

Begin with a thoughtful analysis to identify the key material risks for your company, validate your strengths and reveal gaps in your ESG communications, disclosures and practices.

Fortunately, there are tools to help. The Value Reporting Foundation's [SASB \(Sustainability Accounting Standards Board\) Materiality Finder](#) is designed to identify material issues and disclosures for your company's industry and classification. The [Task Force on Climate-Related Financial Disclosures](#) outlines how to disclose climate-related risks and opportunities more effectively through existing reporting processes. To see how your company is perceived by stakeholders and how you stack up against peers, you can review ESG scorecards for your company from [ISS](#), [Glass Lewis](#), [MSCI](#) or [Sustainalytics](#).

Make sure to conduct an internal audit to identify any existing ESG initiatives in your organization that may be "under the radar." And consider conducting a materiality assessment that includes stakeholder interviews with investors, employees, customers, partners, and community representatives to gain their perspectives.

STEP

2

**START TO
DEVELOP A
COMPELLING ESG
NARRATIVE**

A compelling and credible ESG messaging framework is essential. Consider where your vision, mission and purpose overlap with your ESG strengths and the material ESG focus areas identified in Step 1. At the heart of the messaging framework is a narrative with supporting pillars that give investors and other stakeholders a clear understanding of your ESG strengths and aspirations, with defined reasons to believe. As you develop your ESG narrative and implement initiatives, it is important to define and track success metrics and set achievable goals. This provides you with the opportunity to control your narrative by emphasizing metrics that are most relevant to your material ESG focus areas and that correlate to the success of your initiatives. Additionally, it lends credibility to your ESG journey and program.

STEP

3

**ENGAGE THE
EXECUTIVE TEAM, BOARD
AND CROSS-FUNCTIONAL
ESG TEAM**

For an ESG initiative to be effective, it must be embedded in your strategy and integrated into your company's processes and practices in fundamental ways. That requires board-level engagement, executive sponsorship and cross-functional participation. Findings from your materiality assessment and regular progress reports should be presented to the executive team and board. If you do not already have a cross-functional ESG team in place, leadership should form one with representation from across the organization—including investor relations, communications, legal, HR, finance, and each business segment.

**A BEST-IN-CLASS ESG PROGRAM
IS BUILT OVER TIME.**

STEP

4

**BRING YOUR ESG
NARRATIVE TO LIFE,
STARTING WITH YOUR
WEBSITE**

Developing a robust ESG report that meets SASB and TCFD standards is an excellent goal but may not be feasible in the short term. A good place to begin communicating your ESG narrative is your corporate website.

For starters, adding a dedicated sustainability/ESG page or section to your site is a great first step. Keep the content focused on your ESG narrative, including key ESG metrics and achievable goals. Incorporating video can make your message more engaging and compelling. And including downloadable assets like an ESG fact sheet or infographics can make program highlights easily digestible.

While your website is a great place to start, it's important to take a holistic approach to communications. Remember, ESG should be an integral part of your company's long-term strategy, not an afterthought. So leverage your ESG narrative across all touchpoints, both external and internal. As you make progress toward your ESG goals, make sure everyone knows about it.

STEP

5

**DRIVE
SHAREHOLDER
ENGAGEMENT**

Proactively communicating your ESG narrative to investors should be a priority. This may include ESG investor briefing calls, virtual ESG non-deal roadshows and targeted outreach to ESG integrated and ESG impact funds. Include active listening on these roadshows – no one expects a company to be perfect at ESG so take this opportunity to gather feedback from investors and truly have a conversation versus a one-sided presentation.



STEP

6

**TAKE
THE LONG
VIEW**

A best-in-class ESG program is built over time. Having a clear roadmap that identifies your near-, mid- and long-term priorities and goals will ensure you are aligned across the organization and positioned for success. Your roadmap should include data collection, reporting metrics and communications milestones—and clearly assign ownership within the organization.

ESG investing is here to stay, heightening the urgency to develop a cohesive strategy. Investor relations professionals can shrink from this challenge—or they can embrace it as an opportunity to help guide the organization on its ESG journey. Following these six steps can begin the process of creating a strong, strategic foundation you can build upon over time. The sooner you get started, the better able you will be to create an ESG program that delivers value for your company and its stakeholders for years to come.

For more information on how Sharon Merrill helps investor relations officers succeed in driving their company's ESG journey, visit [ESG Engagement](#)

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