

PROACTIVE ESG COMMUNICATION IN THREE STEPS

ESG ratings have turbocharged interest in sustainability and are key in meeting financial markets' thirst for sustainable investments. We reveal how companies can leverage this trend as part of their sustainability communication strategy.



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ESG ratings are evaluations of corporate "sustainability", i.e. they assess the quality of how a company manages its environmental, social and governance issues (hence the ESG acronym).

A sustainability rating, published by specialist providers and increasingly by all the major rating agencies. It considers a multitude of qualitative and quantitative aspects that are not always easy to interpret or simplify in the eyes of stakeholders but serves as a system that investors can use to select and filter investment opportunities from a sustainability point of view.

A tool with a lot of potential left unexploited

ESG ratings are familiar to only a small community of specialist professionals but harbour great communication potential

thanks to the fact that they are built around a perspective that is external to the company: they serve their users (investors) who need a practical and quantifiable snapshot focusing on material issues and value creation. But partly due to their technical nature, this communication potential is often left unexploited.

Indeed, integrating ESG aspects into corporate reporting is just a first step: companies need to communicate these issues through well selected channels.



Every single data point that a company collects and reports on can be analysed so that it becomes information, and that information itself needs to be communicated in the best possible way so that it generates value.

The problem: publicly accessible information

Most ESG ratings are based on public information, illustrating a valuable rule: what you don't disclose doesn't exist. The agencies that perform ESG ratings base their analyses solely on documents, reports and information publicly available online.

The issue here is that companies aren't always able to communicate their ESG value even though they may have adequate structured processes in place or even outstanding data from a strictly ESG point of view. This is because they are not aware of the needs of these agencies and the market participants they serve.

In my experience as sustainability consultant, I have often found myself faced with companies with stellar profiles, but with little ability to interpret their strengths and communicate them adequately, to the

detriment not only of relations with the financial community, but with all stakeholders. In fact, I think it is necessary to always keep in mind that clear, consistent and transparent communication is a shared responsibility towards all stakeholders, not only towards "ESG professionals", despite the fact that the latter demand precise, consistent and quickly accessible information and data.

The solution: effective transparent communication

In this fast-growing context, there has been a widespread tendency for companies to "react" to the demands of the financial community, often without an adequate internal structure and providing an insufficient amount of information.

To avoid receiving a sustainability assessment passively, I think it's useful to structure a proactive and appropriate communication, using the rating itself as a tool for analysis.

The first piece of advice I would give is to start with a corporate self-assessment in three steps:



DIALOGUE AND ENGAGEMENT

Am I appropriately engaging those who are rating my company? Can they reach out to me?



BENCHMARK ESG

Do I have a map of ESG communication in my sector? How do my competitors behave?



ESG COMMUNICATION

Do I provide appropriate and clear information (in reports and online) to facilitate those who are evaluating me?

This is a path we can take together. Through this analysis, we can identify your position in the ESG market and then structure an effective and communicative sustainability reporting ecosystem, engaging multiple stakeholders and optimised for analysts and investors too.

When dealing with the disclosure of ESG information, proactive communication is key. Ensuring your material ESG topics are being communicated in your reports, on your website and through other public tools is the first step. Once these are clearly communicated, you should start an ESG communication that is proactive – you should not wait for the agencies to ask about the documents but disclose them in a clear and accessible way.

To get a concrete idea of these actions, it's useful to observe two cases that stand out:

1 NOVARTIS AND ITS PROACTIVE ESG COMMUNICATION

Novartis is a good example to express the points addressed so far. The company uses its main communication channels to communicate its ESG information clearly and directly:

- It publishes its ESG Report, "Novartis in Society ESG Report 2019" with the aim of disclosing its ESG commitments and actions, with a view to building trust with society;
- It narrates its actions and its commitment in a dedicated area of its website, within

the Investor section, "Environmental, Social and Governance";

- It guides experts and professionals in the search for targeted ESG information thanks to its "ESG index", a specific area of the website, which serves as a map to indicate where its key disclosures can be found across publications and channels.



Cover of Novartis In Society ESG Report 2019

2 CLARIANT AND ITS INTEGRATED REPORT

Clariant's integrated digital report is functional and useful to the reader. Titled "Here we go", it gives a detailed overview of the company's multidimensional approach to value creation, covering both tangible and intangible assets, financial and non-financial aspects of its business.

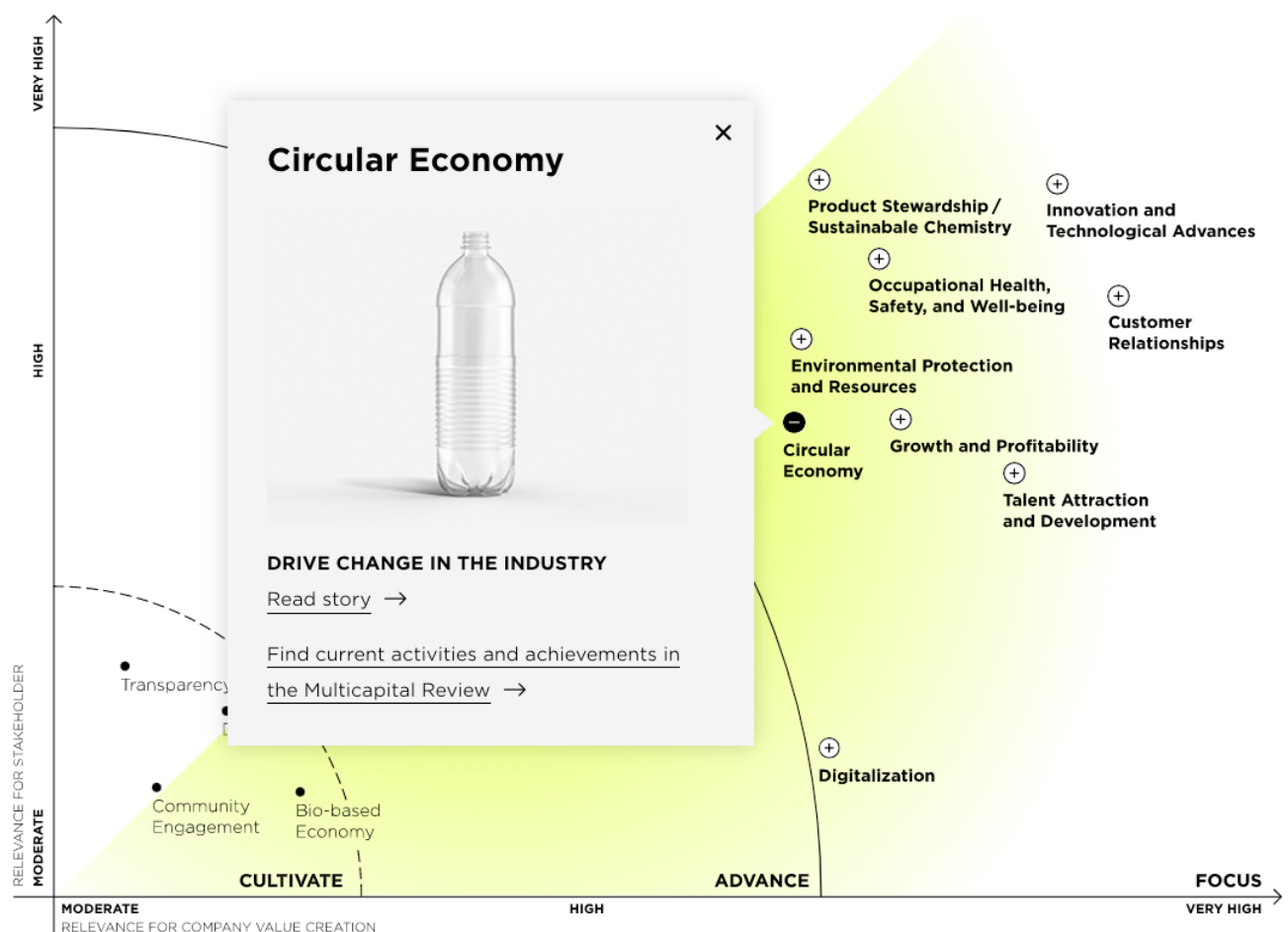
The report is concise yet complete, giving an immediate overview of key sustainability information.

Moreover, it has a great added value for the reader, who is "accompanied" in the reading thanks to interconnections between data and stories behind the projects. In this way, engagement is guaranteed.

The role of Clariant within society and its concrete actions to generate a positive impact are well communicated. Recognising the importance of adequate ESG communication can be the key to success in

a process that, I realise, requires energy and commitment at different levels of the company. The "self-assessment" I suggested can be a starting point to understand whether ESG ratings are adequately understood by the company and what tools are needed to address it.

Integrating and enhancing corporate communication, as well as combining business and sustainability, is essential in demonstrating to all stakeholders that they have solid strategic priorities that look to the future of the company.



Extract of Clariant's 'Here we go' digital report.