January 2020

NIRI Virtual Chapter Newsletter

NIRI Virtual's quarterly newsletter keeps our members and friends informed of everything that is going on with our chapter and in the world of investor relations.

Visit our Website

Connect with us on social media



A note from the Chapter President

Happy New Year!

The start of a new calendar year is always busy for the NIRI Virtual Chapter. We have just a few months left of programming and we are in full planning mode for our popular in-person Lizard Lounge party at NIRI's Annual Conference in June. In addition to all of that, it is with great excitement that I present the first edition of our new quarterly newsletter. We will use this form of communications going forward to keep our members up to date on all of our educational events and professional development opportunities, as well as news from NIRI National.

I want to welcome Matt Abenante, Senior Vice President, Porter, LeVay & Rose to the 2019-20 board, where he will serve on the Market & Communications Committee. A complete list of the chapter's current board directors and committee members can be found on our website.

We are also grateful for the support of our many sponsors who contribute to our success and look forward to another year of strong partnerships. The NIRI Virtual Chapter Gold Level sponsors are Broadridge® and PGi GlobalMeet; Silver Level sponsors are IHS Markit, Q4 Inc., and ModernIR; and Bronze Level sponsor is Business Wire®. The NIRI Virtual Chapter relies on the support of financial and in-kind sponsors to connect its members through virtual webinars and local gatherings. The chapter's sponsors also provide thought leadership that fosters the exchange of ideas through programming and member interaction.

I'm also excited to let you know that we have recently begun posting new content to the members-only portion of our website. In addition to program replays, slides and other supporting materials, you will now be able to access detailed wrap-ups for each program going back over a year. If you have any questions including log-in details, please contact our chapter administrator at info@nirivirtual.org.

Lastly, I have some member news that I am pleased to share. In December, NIRI announced its 11th class of Investor Relations Charter (IRC®) credential holders. We are happy to announce that Aly Bonilla, VP, Investor Relations at ORBCOMM, Inc.; Traci Mangini, Director, Investor Relations at ChannelAdvisor; Ramesh Shettigar, VP, Investor Relations at Glatfelter; and Matt Tractenberg, Investor Relations Partner at Q4, Inc. were part of the new class. Congratulations to each of you!

On behalf of the entire Virtual Chapter board, we thank you – members, sponsors and friends – for your continued support. We hope you'll be able to participate in one of our upcoming webinars and that we see you in person at the Annual Conference in Miami in June!

Best,

Rebecca Updegraph
Chapter President

Our Next Event

Market Sentiment and Investor Attitudes: Impacts and Implications for IROs

January 15, 2020 - 12:00 p.m. EST

RBC Wealth Management Technical Strategist, Bob Dickey, will share his analysis of trends in the market and how they are created from the sentiment and attitudes of investors and the general public. Join us for a discussion of what's happening in the stock market today, how it compares to prior periods, and what IROs should expect in the future. Bob provides his unique perspective on trends in investor sentiment, what is driving them, and his views on the implications for IROs.

REGISTER



Featuring RBC Wealth Management Technical Strategist, Bob Dickey

Future Events

February 19, 2020 - Election Year Forecasting

March 20, 2020 - Targeting

April 15, 2020 - Intro to ESG Reporting

NIRI National News

Registration open for the NIRI Annual Conference.

June 14-17, 2020, Miami, FL
Register by March 31, 2020 for Advance Registration Rates

REGISTER



NIRI Virtual's infamous Lizard Lounge party planning is in the works!

Program Summaries (Members Only)

The Impact of MiFID and the Changing Sell-side Landscape

Building Better Relationships with Passive Investors

Demystifying Market Structure

Welcome our Newest Members

Michael Miller, **IHS Markit**

Traci Mangini, IRC, **ChannelAdvisor**

Smadar Lavi, **Ormat Technologies, Inc.**

Emily Halverson, **Alaska Airlines**

Jackie Burka, **Marriott International, Inc.**

ESG Integration: Then & Now

A 3-Year Comparison of Investor Views on ESG Integration (2017 vs Today)

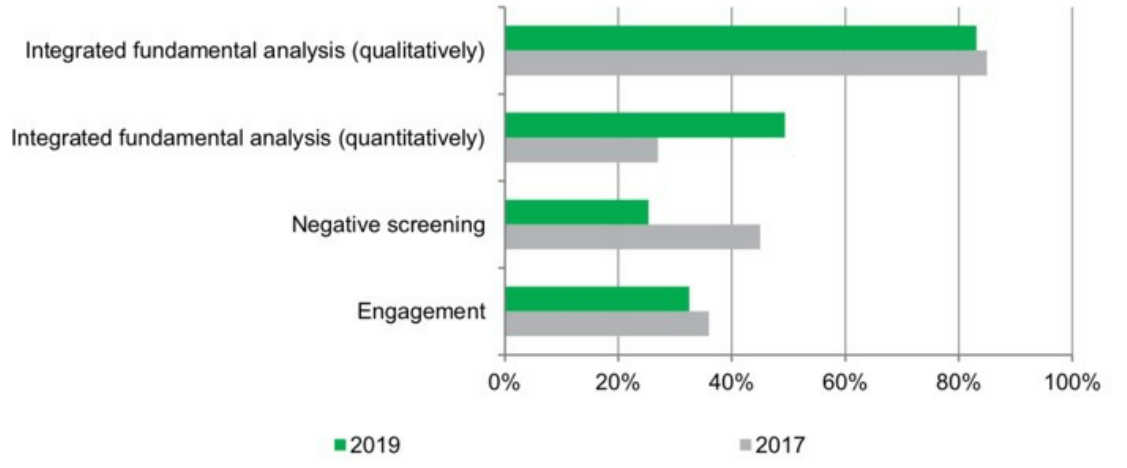
Disclosure: IHS Markit is a sponsor of the NIRI Virtual Chapter.

IHS Markit's *Perception Analytics* team maintains constant communication with buy-side institutional investment managers on behalf of clients, surveying them regularly on questions of interest both to specific clients as well as the entire universe of our research. During 3Q19, the group collected responses from 85 buy-side firms from 15 countries representing over $5.1T in EAUM with respect to their usage of ESG information to make investment decisions. The questions were identical to those asked of a similar universe in 3Q17, with a goal of viewing the progression of this trend in the asset management community over time.

Key Findings

1 - Investors have broadly added ESG integration into their investment process since 2017.

Figure 1 - How are ESG factors incorporated into investment decision-making?



Notes: Participants had the option of providing multiple responses.
Source: IHS Markit

© 2019 IHS Markit

-The industry is now awash in data. In 2017, PMs and analysts covering stocks conducted a primarily qualitative analysis of ESG; in 2019, almost twice as many respondents explicitly cite using quantitative methods (49% in 2019 vs. 27% in 2017).

Investors are now taking in ESG data at both a *high level* (ratings from third-party providers) and also a *more granular level* (raw ESG data used to create a proprietary quantitative view of the ESG risks of an investment). However, the availability and reliability of data was cited by many participants as concerning, especially in the small-cap range.

-More firms are now staffed to conduct ESG research. Compared with 2017, ESG analysis processes are now more rigorous and are often handled by dedicated ESG, risk, or engagement teams. While stewardship teams (often responsible for the voting decision) may have handled this task previously, 48% of investors polled mentioned a specific in-house ESG research team.

-Positive screening strategies are much more common than before. While the most common dedicated strategy around ESG may have previously been a "negative screener" approach (i.e. "market segment *minus* poor ESG"), we now see many more investors identifying positive ESG attributes in their strategies. Negative screening was highlighted by *fewer* investors as a core strategy, down to 25% from 45% in 2017.

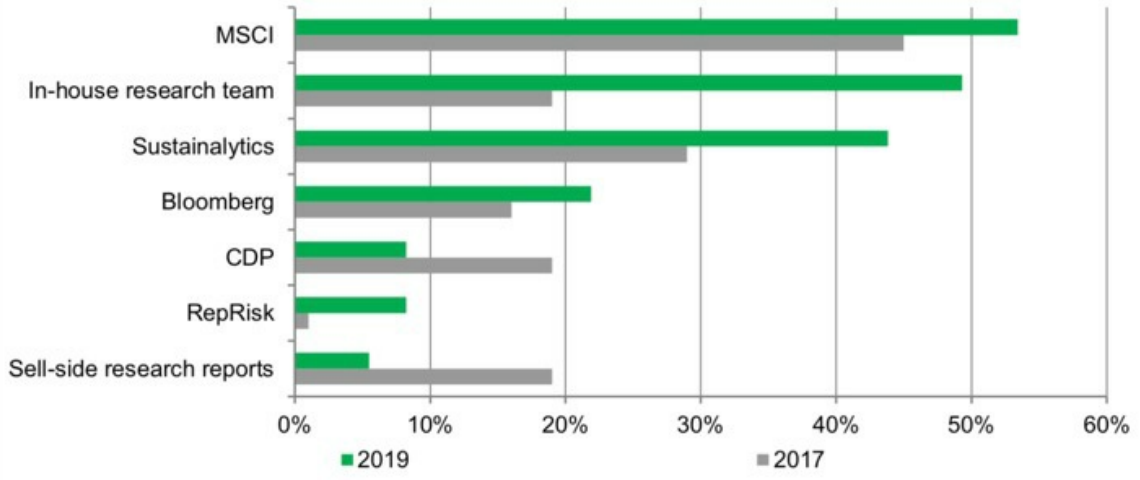
Positive "inclusion" strategies are now easier to conduct with additional data available, and a longer time series helps investors identify companies that have made *progress* on particular ESG criteria, even those in industries that may be seen as limited by the nature of their business.

-Governance concerns remain core to investors. Most rank-and-file analysts and PMs have a deeper background in reviewing companies from a "G" perspective than from "E" or "S" – hence nearly a quarter of respondents, unprompted, suggested governance reviews are an integral part of their analysis.

2 - Investors use an even more diverse range of ESG data sources, with more eyeballs in

different parts of the company using them than before.

Figure 2 - What are the key resources you rely on for ESG research?



Notes: Participants had the option of providing multiple responses.
Source: IHS Markit

© 2019 IHS Markit

- Consolidation has shrunk the range of data / research providers to some degree. Our 2017 community cited 26 distinct providers used for ESG insights to help derive both the investment and voting decision; a slightly-larger 2019 audience cited 21 providers in use. Further, we saw a greater concentration in usage from the largest two providers: MSCI was cited by 53% of respondents (+8%) and Sustainalytics 44% (+15%). The most acquisitive provider since our last survey, ISS, was mentioned as an *investment decision* data source by 15% of respondents, up from 9% in 2017.

Increasing concentration may be felt in the asset owner community as well – multiple respondents noted that their clients (outside asset owners) push managers to use these large providers.

- Ratings agencies are used more widely – but not necessarily trusted. Several respondents highlighted the fact that they subscribe to multiple ESG data and ratings surveys deliberately, since the methodologies and coverage universes of providers vary and ratings are calibrated differently. Most respondents mention a consistent need to review outputs and come up with their own views of a company's ESG risks, using external research only as an initial source.

- There is increased interest in providers that centralize timely ESG information on companies. Several respondents highlighted names like *RepRisk* and *TruValue Labs* that source "controversies" data from news stories and other public sources and can alert analysts to evolving risks in portfolio holdings. These two names in particular garnered just a single mention in our 2017 survey, but came up in 12% of responses in 2019.

- Some smaller investors source all of their ESG information internally. Both large and small investors described taking their own view using company-disclosed information such as the sustainability section of the website, dedicated sustainability reports, and the standard annual report, proxy statement, and other filed documents with 39% of respondents mentioning these resources directly. However, a surprising number of smaller investors noted *exclusively* using their own research.

- A few providers showed less consumption from investors. *CDP* and *RobecoSAM* both saw fewer citations in this year's survey. Note that our survey took place prior to RobecoSAM's acquisition announcement by S&P; separately, CDP data is sourced into a number of financial data terminals (including *Bloomberg* and *Eikon*), so it may be difficult for the analyst to isolate the end source of the data being used.

3 - Investors' opinions diverge on what the primary role of IR should be in ESG

- IR's role should vary by industry and region. Study participants do not consider data providers an adequate replacement for their own due diligence and company engagement. They rely on issuers to give them insight into ESG practices. For companies in industries that directly touch impact investing or green revenue, ESG is of singular importance to the investment story, and respondents cite IR teams as needing to be a complete resource given the topic's materiality.

However, respondents do not necessarily believe IR needs to be an expert on *non-material* items, and suggest that they direct inquiries to other internal experts.

Two emerging markets managers noted that an issuer may need to help a PM describe the environmental & social aspects of doing business in specific countries in order to help solidify the company's investment case. Generalist investors also expect IR teams to highlight the relevant ESG concerns for the industry.

- Manager expectations vary based on company size. When dealing with smaller corporates, analysts typically interact with the C-suite or field experts and leverage IR as a gateway to knowledgeable individuals. They state that as firms grow or endeavor to become more efficient at dealing with a large investor base, IR personnel should become well versed in the technical details of a company's investment case, with ESG topics becoming increasingly important in this sense.

- ESG can be a differentiating factor in the story IR is telling. Some investment managers that do not explicitly cite "engagement" as one of the ways they incorporate ESG into their investment process nevertheless note that proactive outreach from their companies is appreciated. Further, IR's influence over producing the disclosures necessary to meet rating agencies' needs was cited – some managers have even connected rating agencies with company IR to make sure accurate information is used.

Authors: Brian Matt, CFA and Alexi Meghir
Brian Matt, CFA, is Director and Head of ESG, Americas, within IHS Markit Corporate Solutions. Alexi Meghir is a Research Analyst in the Perception Analytics division of IHS Markit Corporate Solutions.

For more information on ESG investing, visit IHS Markit here.

Not a member? Participate in your first NIRI Virtual event on us.
Enter code "VIRTUALNEW" when registering.

Click "Join" to learn about the many benefits and how to become a NIRI Virtual member.

JOIN

NIRI Virtual Chapter Sponsors

GOLD Level Sponsors

Broadridge PGi GlobalMeet

SILVER Level Sponsors

Q4 IHS Markit ModernIR Market Structure Analytics™

BRONZE Level Sponsors


Business Wire
A Berkshire Hathaway Company