

10 April 2017

## **NEW GUIDELINES GETTING SET FOR COMPANIES TO BETTER HANDLE ENVIRONMENTAL, SOCIAL AND GOVERNANCE ENGAGEMENT CHALLENGES**

Corporations listed on the Australian and New Zealand Securities Exchanges will soon have a detailed blueprint outlining how they can best manage environmental, social and governance (ESG) issues that increasingly are championed by powerful shareholders and used to challenge boards and management.

The Australasian Investor Relations Association (AIRA) has issued a draft of its recommended practices for widespread comment before a final blueprint is issued.

“ESG issues are now part of the mainstream, and set to expand in importance,” AIRA’s Chief Executive, Mr Ian Matheson, said today. “All listed companies need to have in place robust disclosure policies and develop investor relations strategies that effectively include ESG issues. This is a global issue. ESG factors are frequently used by investors when they make major investment decisions.

“There is evidence, however, that this focus is not well understood among listed companies. A recent AIRA survey, for instance, found that only 23.5% of respondents proactively engage with stockbroker and investor ESG analysts, and 82.7% don’t hold specific events to explain their ESG practices. To the best of our knowledge, this is the first guide of its kind focusing on listed entities.”

“There is a clear need to raise awareness and to improve engagement practices by listed entities. Companies will only attract long-term capital and global investors if they engage in effective dialogue on these critical issues. ESG includes many touchstone issues like executive remuneration, the impact their businesses have on climate and more recently social concerns such as corporate attitudes to gender equality. I want every listed company to adopt effective engagement policies sooner rather than later, for their own benefit.”

The draft guidelines include 13 recommendations covering issues like engagement and co-ordination; systematic strategy and integrating planning; feedback and review; and board involvement.

One of the most important is that companies form a single coordinating and facilitating role for ESG communication with the investment community so all relevant internal and external parties can be effectively covered. Given the existing responsibilities handled by the investor relations officers, the guidelines recommend that this team would ordinarily be best placed to coordinate this role.

Another critical recommendation deals with the increasingly complex nature of those involved with ESG issues within the investment community. Companies now deal with a web of interested parties, such as asset owners and managers, ESG managers and analysts, proxy voting analysts, ESG research and ratings groups, and governance and proxy research. Companies need to identify and engage with relevant parties in this system.

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The draft guidelines also offer advice about the timing and practicalities of how companies can best engage. For instance, they should integrate ESG matters into their existing investor engagement schedule. They also need to incorporate their ESG strategy into their overall investor relations strategy, and disclose their program as part of their investor relations outreach. It is important to be talking to the right investors, and at times when it suits them.

A draft of the guide, ESG Engagement: Recommended Practices for Listed Entities can be found in the news section of the AIRA website or by [clicking here](#).

Any comments, feedback, suggestions on these guidelines can be submitted via email [administration@aira.org.au](mailto:administration@aira.org.au) by Wednesday, 3<sup>rd</sup> May 2017.

**End.**

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### **About AIRA**

The Australasian Investor Relations Association (AIRA) was established in 2001 to advance the awareness of and best practice in investor relations in Australia and New Zealand and thereby improve the relationship between listed entities and the investment community. The Association's 160 corporate members now represent over **A\$1.2 trillion** of market capitalisation, over 80% of the total market capitalisation of companies listed on ASX.

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