

# HOW TO: Prepare messages and data for investors and analysts

## In this guide you will learn:

- About investor information needs and uses
- How to develop a sustainable equity story
- How to focus on key metrics
- From the practical communication experience of PMI

In order to communicate effectively with investors, it's important to understand that different investors will need different types of sustainability information.

Companies can then meet these different needs by:

- Developing a sustainable equity story for 'mainstream', thematic and integrating investors
- Providing easy and open access to other data for quants investors and analysts and ESG ratings agencies

## DIFFERENT INFORMATION IS USED DIFFERENTLY

### Categories of information, principle users, and purpose

#### Three types of information

- |  |   |
|--|---|
| <b>1. Context</b><br>policy environment, market conditions, value chain dynamics, etc. | <b>2. Company response and market positioning</b><br>describing how the company uses sustainability to position and differentiate (strategy, investment, returns, growth etc.) itself in the context of key drivers and trends. |
|--|---|

**Used by:** Mainstream investors  
**For:** Integration into valuation and subsequent capital allocation

**Used by:** Thematic investors  
**For:** Capital allocation

- 3. Other ESG performance data**  
relating to sustainability performance, impact, etc.

**Used by:** ESG ratings agencies  
**For:** Developing ESG ratings and scores

**Used by:** Data providers and investors  
**For:** Portfolio-level analytics and reporting

**Used by:** Engagement service providers  
**For:** Single-issue-focused engagement

## HOW TO

### Develop a sustainable equity story

A "sustainable equity story" is a coherent set of messages that aligns a company's investment case with its sustainability-related transition.

An effective story will give investors a clear line of sight between:

- The sustainability challenges that a company faces and its strategy for responding to these
- Sustainability and key value drivers of the business
- Financials (investment & returns) and sustainability factors

To develop a story, companies will need to work with the following teams:

- Sustainability
- Investor relations
- Strategy
- Finance
- Communications

To articulate their story, companies will need a clear understanding of:

- Sustainability factors in a business value and financial context
- Factors related to their business currently of interest to investors
- Any overlap between the two

## FOCUS ON KEY METRICS

1. Start with the metrics that best illustrate your firm's exposure and response to sustainability challenges/opportunities
2. Identify data "asks" from leading research providers and investors
3. Identify the metrics that matter to your business and the metrics that you are commonly asked for

### Provide easy and open access to data and provide updates:

- On your website
- Regularly
- In an accessible format (i.e. a datasheet)
- Indicating the time frame for the data, when it was posted and when it will next be updated

### DO

- Establish a regular pattern of updates
- Notify research firms when you have updated data
- Provide clear links to background information to contextualize the data as it relates to your business

### DON'T

- Supply data to any one research provider that you do not supply to the market as a whole
- Assume that all data requested by data providers is actively used
- Expect research providers to be able to understand your business from data alone – make direct contact

## CASE STUDY

### Business transformation communication

Philip Morris International (PMI) is leading a transformation to create a smoke-free future.

This transformation is the headline of PMI's equity and sustainability narrative, connecting business performance, strategy and impact. PMI's approach, insights and learnings provide valuable lessons for other companies.

#### The story

PMI's business transformation combines its value proposition, market positioning, approach to sustainability and societal impact. Addressing prospects, growth and financials, as the company actively accelerates the decline of cigarette smoking and pursues an impact-driven approach to sustainability across products and operations. This allows investors to consider their net revenue, earnings and cash flow forecasts over time and the integration of ESG factors in investment decision-making processes.

#### Ensuring the right focus

PMI's sustainability materiality assessment is an important process and framework to identify ESG priorities, supporting focused communications that consider all relevant stakeholder perspectives (including investors), following the principles of double-materiality to consider outward and inward impacts. Product health impact is the most material topic and is at the core of its strategy. Accordingly, strategies and KPIs related to the phase out of cigarettes, maximizing the benefits of smoke-free products, net positive impact in wellness and healthcare receive the highest weight in PMI's Sustainability Index which links ESG performance to long-term executive compensation. These strategies define success and measure progress via a set of bespoke financial and non-financial KPIs which the company calls Business Transformation Metrics, which they report on periodically and also highlight in PMI's statement of purpose.



#### Metrics that measure what matters

PMI's Business Transformation Metrics, with stated forward-looking goals for a number of KPIs, allow shareholders and stakeholders to measure and assess purpose and related actions taken to achieve it, resource allocation, as well as the pace and scale of the company's transformation. The metrics cover PMI's value chain, including research and development, sourcing and operations, consumers, commercialization and revenues. Notable examples connecting financials and societal impact include:

- Adjusted R&D expenditure ratio (smoke-free/total) (2021: 99% vs 2015 baseline 70%)
- Adjusted net revenues ratio (smoke-free/total) (2021: 29.1% vs 2015 baseline 0.2% / 2025 aspiration: >50%)
- Estimated number of users who have switched to PMI smoke-free products and stopped smoking (in millions) (2021: 15.3 vs 2015 baseline 0.1 / 2025 aspiration: >40)
- Number of markets where smoke-free products are available for sale (2021: 71 vs 2015 baseline 7 / 2025 aspiration: 100)
- Commercial (marketing) expenditure ratio (smoke-free/total) (2021: 73% vs 2015 baseline 8%)

#### Listening formally and informally to stakeholders

To receive feedback, PMI conducts formal investor perception studies and stakeholder consultation. In addition, and equally important, it gathers feedback on an ongoing basis from many interactions with various stakeholders, including investors and analysts, understanding perspectives on the company's direction and communications.

#### Communicating about context

As the largest player in the industry, PMI has taken a conscious decision to communicate comprehensively and regularly to investors – not just about its business performance but also about many aspects of its operating environment – recognizing that investors need to understand this but may not have the time or resources to track complex industry trends directly themselves.