# HOW TO: Target investors and analysts

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### In this guide you will learn:

- About different types of investors
- How to assess investor interest in sustainability
- How to prioritize targeting
- From the practical engagement experience of Shell

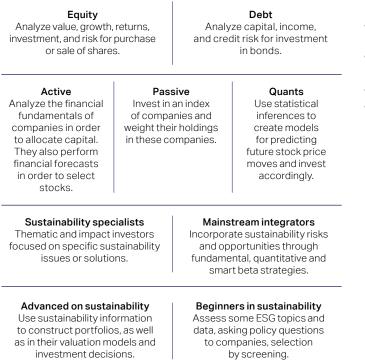
To develop clear, efficient and effective communications, companies will need to be able to understand investor positions, perspectives and interests. They'll also need to be able to identify the most relevant firms and individuals across investors and research providers.

A short, sharp targeting exercise identifies differences between firms and their various information needs. Factors to consider include different investment strategies, different levels of interest and maturity as well as individual analyst responsibilities.

#### **Know your investors**

In principle, all investors have similar needs and require similar information: to understand the value proposition, risk exposure, management strategy, cash flow, financial returns and balance sheet strength of businesses. In practice, investor approaches differ depending on the investor type, their remit, experience, strategy, risk appetite, time horizons and position in the value chain.

#### **Classifications of investors**



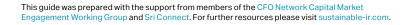
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#### Grade investor interest in sustainability

The most important investors to focus on are those who already hold your company's shares. Next are large investors with an appetite for sustainable investment.

You can use the following to grade investor interest in sustainability (from lowest to highest commitment levels):

- Signatory of the Principles for Responsible Investment
- Publication of an action-orientated sustainable investment policy or a responsible investment activity report
- Records of investment stewardship on sustainability (proxy voting, engagement etc.)
- Publication of commentary on specific sustainability issues or on sustainable investment development more broadly
- · ESG integration into investment activities and process
- Existence of funds that actively seek to invest in sustainability solutions or companies' sustainable transition







# **GET STARTED**

#### **For investors**

- List your top 40 investors
- Grade the depth and understand the nature of their sustainability interest
- Identify the head of ESG/Sustainable Investment research at each of these investors

#### **For research providers**

- Identify, for your company, the 3-4 most relevant:
  - ESG agencies
  - Sell-side brokers
  - Credit ratings agencies
  - Data providers
  - Engagement service providers
  - 'For impact' or grant-funded research providers

#### **CASE STUDY** Investor engagement in practice

For some companies, targeting sustainable investors can be a one-off exercise. For Shell, the process of getting to know their investors and analysts has been a 10 year process characterized by a mix of proactive communications, continued engagement and disciplined record-keeping.

#### **Developing relationships**

For Shell's investor relations team, it has been important to grow, develop and evolve their relationships and engagement with influential firms and individuals in the energy transition context. Frequent contact with these individuals and the relationships that develop as a result have strong parallels with the relationships that companies have with mainstream financial analysts.

#### **Proactive communications**

Relevant analysts from investors and research providers (ESG agencies, sell-side brokers and others) participate in events such as:

- The Energy Transition Strategy (Introduced in April 2021 issued every third year with a next update in 2024) | An annual Energy Transition Progress Report (Introduced in April 2022 – and issued annually) | Shareholders are offered an opportunity to support both reports at the Annual General Meeting (Say on Climate vote)
- The Annual ESG Update (which occurs every year) is an opportunity to pick up the broader ESG topics (as well as provide updates on Energy Transition)

These events also give companies the opportunity to update and refine its list of investors and analysts who are particularly interested in sustainability-related exposures and practices.

- Identify the analyst that covers your sector or find the analyst that focuses on the sustainability issues that are most material to your business
- Access any public commentary or research that they may
  have written on your sector or relevant issues



Recent years have seen:

- Mainstream financial analysts paying significantly more attention to the energy transition
- Investor action and debate often supported by campaigns, think tanks and other investor initiatives

Mainstream analyst relationships and responses are well established. Including think tanks and interest groups in communications and engaging them in direct dialogue has been helpful. Shell also continuously monitors the market for emerging influencers.

#### State of play

As a result, Shell believes it has a detailed understanding of the interests and needs of the investors that focus on the issue of energy transition, a good understanding of what its largest 50 investors want and a reasonable level of knowledge about what smaller investors might need. Shell also knows what analysts at its top coverage banks understand about the energy transition challenge.

#### The dialogue continues

Shell's engaged and targeted contact with investors and research providers mean that channels of communication are open, which will be important as the complexities and challenges of the energy transition unfold (e.g. supply and demand dynamics, investment, costs and customer/consumer expectations) with their various nuances and implications for investors and investment decision-making.







