

HOW TO: Target investors and analysts

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

<p>Equity Analyze value, growth, returns, investment, and risk for purchase or sale of shares.</p>		<p>Debt Analyze capital, income, and credit risk for investment in bonds.</p>
<p>Active Analyze the financial fundamentals of companies in order to allocate capital. They also perform financial forecasts in order to select stocks.</p>	<p>Passive Invest in an index of companies and weight their holdings in these companies.</p>	<p>Quants Use statistical inferences to create models for predicting future stock price moves and invest accordingly.</p>
<p>Sustainability specialists Thematic and impact investors focused on specific sustainability issues or solutions.</p>		<p>Mainstream integrators Incorporate sustainability risks and opportunities through fundamental, quantitative and smart beta strategies.</p>
<p>Advanced on sustainability Use sustainability information to construct portfolios, as well as in their valuation models and investment decisions.</p>	<p>Beginners in sustainability Assess some ESG topics and data, asking policy questions to companies, selection by screening.</p>	

HOW TO

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

For both investors & research providers

- 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

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.

Engaged reactivity

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.