

## CALL TO ACTION FOR LISTED COMPANIES

For many companies, this year will be the time to refresh your corporate communications to reflect increasing investor expectations as well as the new NZX Corporate Governance Code. While the new Code is “comply or explain”, it recognises growing activism among investors. Companies need to recognise that competition for investor funds increasingly involves a more rigorous approach to communication than has been effective in the past.

January saw an [open letter to CEOs from Blackrock](#), the world’s largest investor with \$US6.3 trillion under management. Blackrock CEO Larry Fink wrote of growing anxiety among investors about the capacity of companies to create long-term value. He is calling for companies to describe their strategy for sustainable, long-term growth and not only talk to their financial results but also show how they make a positive contribution to society.

Read on for more information on issues to consider to ensure your investor relations approach remains not only compliant but best practice. Action points in response to Larry Fink’s letter are suggested below.

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### Create an accessible, readable, useful and Board-approved strategy document

*We want to reiterate our request, outlined in past letters, that you publicly articulate your company’s strategic framework for long-term value creation and explicitly affirm that it has been reviewed by your board of directors.*

*.. a central reason for the rise of activism – and wasteful proxy fights – is that companies have not been explicit enough about their long-term strategies.*

- Your strategy should be a living document and evolve over time as the business environment changes.
- It should articulate what you are doing to achieve long term value creation and growth, taking into account financial goals as well as the need to make a positive contribution to society.
- Keep messaging clear, simple and consistent.

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## Develop an ESG framework and link this into your strategy

- Develop a robust ESG framework that identifies industry and societal trends relevant to your business, key risks, challenges and opportunities and how these may affect your business.
- Articulate your goals and the practices and policies you have in place to achieve these.
- When developing your ESG framework, consider the different stakeholders who are affected by your business and how your strategy benefits/supports them.
- Take into account the new NZX corporate governance guidelines and recommendations.

*To prosper over time, every company must not only deliver financial performance, but also show how it makes a positive contribution to society.*

*Companies must ask themselves: What role do we play in the community? How are we managing our impact on the environment? Are we working to create a diverse workforce? Are we adapting to technological change? Are we providing the retraining and opportunities that our employees and our business will need to adjust to an increasingly automated world?*

*Companies must benefit all of their stakeholders, including shareholders, employees, customers, and the communities in which they operate.*

## Diversity should be a key focus

*Boards with a diverse mix of genders, ethnicities, career experiences, and ways of thinking have, as a result, a more diverse and aware mindset. They are less likely to succumb to groupthink or miss new threats to a company's business model. And they are better able to identify opportunities that promote long-term growth.*

- Put in place policies and practices that encourage diversity starting with a Diversity Policy (as required by the NZX).
- Develop a culture that encourages and celebrates diversity throughout the business.

## Have a robust communications plan in place with appropriate resource/expertise

*If engagement is to be meaningful and productive – if we collectively are going to focus on benefitting shareholders instead of wasting time and money in proxy fights – then engagement needs to be a year-round conversation about improving long-term value.*

- Know your different audiences and tailor communications to each group.
- Management (and the board) should dedicate time and resource to meeting and communicating with different audiences.
- Ensure company information – website, presentations, facts sheets etc – are up to date and relevant.

**Ellis and Co can help you develop your ESG framework, create your strategic document and put in place a robust communications plan to communicate your strategy to stakeholders.**