

**ESG MARKET CONNECT SERIES*****From Dialogue to Delivery: What  
Investors Really Want from Your  
ESG Story***

Post-Webinar Insights from Erste Asset Management

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# Why This Matters

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For many corporate leaders, ESG still feels like a compliance maze - a checklist of disclosures, ratings, and acronyms that rarely align with how investors actually make decisions. Yet behind the scenes, buy-side firms like Erste Asset Management are navigating this terrain daily, translating ESG signals into real capital allocation choices.

If your ESG story doesn't resonate with investors, your valuation, access to capital, and investor base could all suffer.

This whitepaper distills key insights from our conversation with Erste AM - to help CFOs, IR teams, and sustainability leaders communicate what truly matters to investors.

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An aerial photograph of rolling green hills, likely in a rural or natural landscape, serving as the background for the title.

# Erste AM's ESG Approach

*“We don’t just ask whether a company reports on climate. We ask: **how does this risk or opportunity affect the business model, financial performance, and long-term value?**”*

Dominik Varga, CFA, Erste Asset Management

At Erste AM, ESG is not an overlay or post-facto screen - it is part of the core investment process. But integration looks different than many corporates assume. ESG is one of multiple lenses used to evaluate risk, resilience, and strategy - alongside fundamentals, macro context, and valuation. The goal isn't to reward “green” companies. It's to manage downside risk and identify those who are best positioned to adapt.

Real-world application: Erste AM cited examples where ESG red flags - such as weak governance in supply chains or lack of climate adaptation strategy - led to active engagement or even exclusion. Conversely, strong ESG performance aligned with strategy (e.g., companies decarbonizing in hard-to-abate sectors) often supported positive investment theses.

Key takeaway for issuers: It's not enough to “do ESG” - you must show how ESG connects to your risk management, strategy, and future value creation.





# Engagement VS. Divestment

*“We don’t expect perfection. But we do expect clarity, openness, and a credible plan.”*

Dominik Varga, CFA, Erste Asset Management

One of the biggest misconceptions issuers have is that ESG risks automatically lead to divestment. In reality, long-term investors like Erste AM often prefer to engage first - especially when the company shows willingness to improve.

At Erste, ESG engagement is structured and strategic:

- Initial contact: Requesting clarifications or improvements on material issues (e.g., emissions transparency, board oversight).
- Dialogue phase: Setting expectations for change, aligned with industry benchmarks or stewardship principles.

- Escalation triggers: If no meaningful response is observed, investors may escalate by voting against management, joining collaborative engagement platforms, or divesting. Issuers who delay or downplay ESG risks risk falling into the “non-responsive” category. And in many cases, poor ESG response signals deeper governance or strategy problems - becoming a red flag far beyond sustainability.

Key takeaway: Responsiveness is as important as performance. A clear roadmap, even if imperfect, gives investors something to build on. Silence or vagueness often ends the conversation.



# ESG Comms: Pitfalls to Avoid

Even the most sustainable companies can fail to communicate effectively with investors - especially if the message is buried in jargon or misaligned with what investors actually need to hear.

Here are 3 frequent missteps observed by Erste AM:

## 01 Framework overload without strategic clarity

Companies list every framework (GRI, SASB, TCFD, SDGs...) without explaining what matters most to their business and why. Investors don't need a dump of metrics - they need narrative clarity.

## 02 Confusing inside-out vs. outside-in ESG

IR teams often talk about their 'impact' (inside-out) - but investors also care deeply about how ESG factors impact your business (outside-in).

## 03 Overreliance on ratings

MSCI, Sustainalytics, CDP, and others are useful signals - but rarely explain why your ESG performance matters financially. High scores alone are not a strategy.

**Key takeaway:** The best ESG communication connects dots: strategy → material risks → investor value. Don't just say what you do - explain why it matters.



# ESG-Ready? Checklist for CFOs & IR

- 01 Can we clearly explain how ESG risks and opportunities link to our business model and long-term strategy?
- 02 Do we know which ESG topics are material to investors - not just to regulators?
- 03 Are we prepared to speak to both ESG ratings and internal KPIs?
- 04 Do we have a clear escalation framework for investor dialogue on ESG?
- 05 Is our ESG reporting aligned with capital markets logic - not just compliance language?

If any of these raise doubts - it's time to align ESG and financial narratives more closely.





# Audience Q&A Highlights

**Q:** Are ERSTE Asset Management's ESG investments beating their benchmarks?

**A:** Due to strict exclusions, sector allocations may deviate from common indices. However, over the long run, ESG-focused mandates are as competitive as conventional ones with the same universe.

**Q:** What data is still difficult to get in ESG research?

Forward-looking data is under-utilized. While promising, it can be unstable (e.g. rescinded commitments).

**Q:** What are your engagement priorities for 2025/26?

**A:** Biodiversity, climate, human rights, and responsible remuneration remain key themes. See Erste's 2024 Engagement & Voting Report.

**Q:** How relevant is EU Taxonomy data (revenue, capex, opex)?

**A:** Increasingly important. Erste certifies ESG funds with labels like the Austrian Ecolabel and German FNG Siegel. Taxonomy alignment will become mandatory.

**Q:** What does best-practice ESG engagement look like for a corporate roadshow?

**A:** Ideal timing is before AGM or after your sustainability report. IR, ESG leads, and ideally a Board representative should join. Topics include board oversight, transition plans, human rights, DEI, compensation, and materiality.

**Q:** Do you escalate or collaborate during engagement?

**A:** Both. Erste works solo and via platforms like Climate Action 100+, PRI, and Sustainalytics. Escalation includes voting, collaboration, or divestment.



# What's Next?



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This webinar is part of a growing recognition: investors and issuers need better dialogue around ESG. Not more noise, but clearer connections between sustainability and capital.

What's coming:

- CSRD and assurance will push reporting quality
- Active ownership will put engagement under the spotlight
- Capital markets discipline will demand ESG to prove its value, not just its virtue

Stay tuned for our next ESG Market Connect sessions - where we'll continue bridging the gap between issuers and investors, with real-world insights and practical clarity.

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