The Investor Relations Society

BEST PRACTICE GUIDELINES

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The role of the IRO

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The role of the IRO

1.1 IR strategy

The IR Society's position

The IR Society believes that each IR department should develop a strategy for its activities that both reflects and supports the strategy for the business. It should be constructed so as to build a clear, concise and accurate picture of the company, the environment in which it operates, the outlook over the near term as well as its medium/long-term goals and strategy to achieve those goals.

It should take note of important corporate events and try to incorporate updates at relevant times during the year – preferably outside of the reporting schedule. The IRO should seek to build direct and robust relationships with both analysts and investors, allowing for open and constructive relationships.

Best practice in brief

- An IR strategy should be developed such that it reflects and supports the company's goals.
- It should be reviewed at least annually and usually is a live document that evolves along with the company.
- The engagement plan should be reviewed by the board for appropriateness.
- Progress should be tracked and adjusted accordingly.
- Plan should be sense checked with advisers.
- Communication lines should be kept open, even if (and particularly when) things are not going to plan
- IR should keep good records of all investor interaction.

Any IR strategy should be supported by:

- An appropriate reporting calendar.
- Excellent presentation and statement created with input from across the Company to reflect strategy and performance:
  - advisers to sense check and ensure investor and media concerns are addressed.

- Monitoring and management of analyst forecasts.
- Roadshow dates booked out with both CEO and CFO presenting to existing and good quality potential investors.
- Investor engagement through site visits, divisional updates, product launches etc., which should be scheduled (where possible) outside of the reporting calendar.
- A robust and flexible website that gives a clear and concise picture of the company while also providing a forum for regulatory information.

Further details

Enhancing Stewardship Guidance:
https://www.icsa.org.uk/assets/files/pdfs/guidance/Enhancing_stewardship_dialogue/icsastewardshipreport.pdf

Club IR programme

IR Society course: Best Practice in IR

1.2 Annual timetable

The IR Society's position

A rolling annual timetable of planned engagement activity should be developed, in support of the IR strategy.

Best practice in brief

- Should include executive directors, the board and possibly other senior managers, as well as IR.
- Should be appropriate to the company, its investors and its stage of development.
- A good roadshow will include both existing investors and good potential investors, who will add depth to the register.
- Major investors should be offered the opportunity to meet with the chairman at regular intervals – does not have to more often than once every two years.
- Should be imaginative – type and timing of events, use of management.
- Progress should be monitored with feedback from attendees included.

Further details

Enhancing Stewardship Guidance:
https://www.icsa.org.uk/assets/files/pdfs/guidance/Enhancing_stewardship_dialogue/icsastewardshipreport.pdf

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1.3 Shareholder identification

The IR Society's position

The IR Society strongly believes that companies have the right to know who their shareholders are. We believe that companies can only communicate effectively with their shareholders if they can reach them directly through transparent identification and that this in turn promotes investor engagement and responsible behaviour and voting by shareholders.

The Society opposes any external pressures to erode the UK's shareholder identification regime. The Society maintains vigilance to ensure UK shareholder identification remains effective.

Best practice in brief

- Share registers should be analysed regularly and the results circulated to the board.
- It is important to get as much data as possible on your investor base and the funds they manage. This would include:
    - Identifying beneficial owners;
    - analysis by type of fund;
    - investment style and objective;
    - buying and selling trends;
    - length of holding;
    - level of churn;
    - comparison with peers;
    - where funds are managed from.
- There should be a mechanism in place to monitor strange / sudden share price movements. Monitor and identify predator activities, critical when faced with an activist attack.
- Database providers and registrars can help in providing data for your analysis.

Further details

IR Society course: Best Practice in IR

IR Society course: How to enhance your investor targeting

Companies Act 2006

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1.4 Investor targeting

The IR Society's position

Ensuring the widest possible pool of potential investors for a company is vital and is the responsibility of that company's investor relations team. Effective investor targeting can be a real value adding function of investor relations. The benefits include: building a balanced portfolio of investors in the company; encouraging shareholder engagement; generating support for management; reducing share price volatility; and optimising use of management time.

Best practice in brief

- The investor targeting effort should be owned by the IR team, supported as required by corporate brokers and other advisers.
- The IR team should have a clear understanding of the company's investment proposition and the type of investors who might find this attractive. Ensure you align your Company's appeal with investor needs: 1) investment style, 2) country or region mandate, 3) cap-size requirements, 4) corporate governance guidelines and 5) sector or industry focus.
- The annual engagement plan should include a mix of existing and potential investors and should not be confined to your home market. All major hubs of serviced and unserviced capital should be included or at least considered.
- Private investors as well as institutional investors should be considered as part of the plan.
- The appropriateness of the investor targeting should be reviewed at least annually, taking into account how the register has evolved and where there might be gaps.
- Potential investors new to the company should meet IR and be brought up to speed before seeing the CEO or CFO.

Further details

IR Society course: How to enhance investor targeting

IR Society course: Beyond the traditional investor base – hedge funds and sovereign wealth funds

Club IR programme

1.5 Investor engagement

The IR Society's position

The Society believes that companies should provide their shareholders the opportunity to meet with the CEO and CFO at least once a year. Whilst this is usually done around half and full year results when strategy can be explained in the context of the recent results, thought should be given to opportunities outside of the reporting calendar as well.

In addition, it believes that the Chairman and/or Senior Independent Non-Executive Director should be available to meet with major shareholders once a year as required. Other Non-Executive Directors should also be available, as appropriate.

Best practice in brief

- The IR department should be the conduit for all contact with shareholders and potential shareholders.
- It is important to develop relationships before they are required. An annual engagement plan should be prepared, consistent with the company's IR strategy.
- An IR representative should be available at every meeting and should record the discussions and any concerns raised. IR should note any outstanding questions/data and get back to investor.
- Meetings should be focused on explaining strategy. The focus is not results, but should be addressed if raised in an investor meeting.
- Rehearse how difficult questions might be answered, paying particular attention to body language.
- It is always useful to go into a meeting with a clear agenda, whilst leaving enough flexibility should the investor have other issues to discuss.
- Meetings with shareholders and potential investors provide an unrivalled trust and relationship building opportunity. Good meeting discipline is very important: make sure you arrive on time, well-briefed and prepared, communicate your key messages, find out who is in the room and what they think about what you have just said, follow up afterwards.

Further details

FRC: Enhancing Stewardship Guidance: https://www.icsa.org.uk/assets/files/pdfs/guidance/Enhancing_stewardship_dialogue/icsastewardshipreport.pdf

Club IR programme

IR Society course: Best Practice in IR

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1.6 Investor roadshows

The IR Society's position

Companies should undertake regular roadshows to meet existing and prospective investors. Regular face-to-face meetings are vital in order to shore up investor support and secure the company's ability to access the equity and debt markets.

Best practice in brief

- It is usual to arrange non-deal roadshows immediately after half and full year results, blocking out full days in the CEO/CFO diary. However a more flexible approach should also be considered: perhaps a series of half days and/or meetings away from results announcements. This can improve availability and help provide a more long term focus to the conversation. Thought should be given to roadshows if there is something to discuss after a trading update.
- The IR team should be in control of the roadshow schedule, even if a third party has been used to arrange the details.
- Undertake a targeting exercise ahead of any roadshow. With your brokers, agree the key targets who should be interested in your company – looking at those already invested in your peers, sector, etc.
- Group meetings (usually arranged over breakfast, lunch or dinner) can be used to meet several investors at the same time, given a limited number of 1-1 slots for major investors.
- Companies may like to consider including salesforce briefings for an accompanying broker.
- Consider using a number of different sources of third party support. The company's corporate brokers may be appropriate, but there may also be another broker with a greater knowledge of a particular market.
- Presenting executives should be supported with:
  - Presentation pack
  - Pre-roadshow rehearsals

- Quick access/links to financial data
- IR support to anticipate/research difficult questions and get back to investors with answers

- Always seek feedback: in the meeting and after the meeting

Further details

Club IR programme

IR Society course: How to enhance your investor targeting

IR Society course: Best Practice in IR

1.7 Analyst/capital markets days

The IR Society's position

The Society believes that analyst days /capital markets days are a good opportunity to present the company's operations, its strategy and long-term outlook in depth.

Best practice in brief

- Analyst days are often conducted annually, outside of the main financial reporting season. If there is nothing really new to say, a biannual event is fine.
- Sell-side analysts, buy-side analysts and fund managers are typically invited. The audience may also include bankers, but it is not recommended to invite journalists.
- It is recommended to offer a webcast alternative in order to be able to reach those analysts and investors who cannot attend in person.
- The CEO and CFO should present on the operational and financial strategy. Even if the strategy has not changed significantly since the last such event, there should be a reminder session.
- An analyst day is not a results meeting and the content should therefore be more long-term orientated and/or aspect of the business should be presented in greater depth than one would typically do in a results meeting.
- It is common to have in-depth presentations from divisional heads, which may be coupled with a site visit. This represents an opportunity to showcase the company's management breadth. it is very important that they understand the limits of what they can say within the bounds of price sensitive information.

Further details

IR Society course: Best Practice in IR

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1.8 Investor presentations

The IR Society's position

Presentations are not a RNS document, so care needs to be taken over selective disclosure. Presentations at results should not contain more information than is in the RNS with minor exceptions. However, it is often the case that more colour around certain points is communicated via presentations. Presentations should be uploaded to the website as soon as they become public – i.e. once the analyst presentation has ended.

Best practice in brief

- Presentations should be clear, concise and comprehensive with a good mix of text and graphics.
- Presentations should take no more than 20-30 minutes with enough time for Q&A during a one hour meeting or conference call.
- Investors may say at the beginning of a meeting that they do not want to go through a presentation but would prefer to jump straight into Q&A. The attending executives should be briefed to expect this. If the company does not go through the presentation, it is very important to ensure that the key points are summarized at the end of a meeting.
- This is a good forum for presenting and explaining the strategy in more detail. It is useful to include KPIs for measuring performance and an update on performance is good practice. These are included in the annual report as part of the strategic report and often also on the website.
- Presentations should highlight the key financial and operational metrics of the company.
- They should be fair, balanced and reasonable.
- Presentations should not disclose material data which is not already disclosed in the statutory RNS.
- The focus should be on the right content and the right cosmetics. i.e. the look and feel are articulated in the most balanced way.

- Presentations should be available on the corporate website within 24 hours of the analyst meeting.

Further details

IR Society course: IR scriptwriting for management presentations

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1.9 Providing guidance

The IR Society's position

The Society believes that the provision of public guidance on a company's current trading and future prospects is best practice. The exact form that guidance may take and the combination of narrative and data points provided will depend on the nature of an individual company's business model and its established practice. We believe that consistency in the provision of relevant and comparable guidance is important.

Best practice in brief

- Guidance is typically included in the statutory RNS.
- It should be updated when events dictate and are particularly relevant when economic conditions become difficult.
- Guidance should be given on the metrics that will have an impact not just on revenues, margins, costs etc. but also on operational issues. Guidance metrics should be tangible and enough to allow for analysts to build their models whilst taking into account other publically available information.
- Care needs to be taken regarding giving explicit profit forecasts in guidance especially at the start of the year. Some companies do give explicit profitability forecasts but it should be noted that this gives less flexibility in market communications

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1.10 Shareholder feedback

The IR Society's position

The Society recommends that all companies should seek formal feedback (perception study) from shareholders at least once a year, preferably collated by an independent third party. Feedback should be designed to elicit opinions on the company's strategy, the performance of its directors, its investor relations, and its disclosure. The feedback should be provided to company non-executive directors and included in board packs as a matter of course.

Best practice in brief

- Companies should seek formal feedback from shareholders at least once a year. For smaller companies this might not always be practical. A more pragmatic approach might be to be to develop a close working relationship with the shareholder base so that issues can be raised by investors as and when they occur.

- In addition, regular feedback should be sought (directly or through brokers) following each investor meeting.

Further details

Club IR programme

IR Society course: Best Practice in IR

1.11 Crisis management

The IR Society's position

The Society believes that companies have a duty to communicate openly and regularly to shareholders during a major crisis and that effective communication during such a period can be a significant mitigating factor in protecting a company's reputation and the downside in its shares. The most appropriate forum is through public announcements on the RNS system with follow up telephone conversations and/or meetings.

Care should be taken to ensure adherence to the "Market Abuse Regulation", which clearly lays out the regulation with regard to "soundings" and consultation with shareholders. Most investors will not want to be wall-crossed, as it would restrict their ability to trade in shares.

This includes the Chief Executive, Chairman and other key Board members being highly visible during the crisis as well as compliance with the disclosure and transparency regime.

Best practice in brief

- Identify the possible risks within your organisation.
- Seek to build a reputation for responsibility before any crisis occurs.
- Ensure you have a crisis management communications plan and keep it up to date.
- When a crisis occurs gather facts first – don't speculate.
- Open communication channels with media and key audiences as quickly as possible.
- Establish the company as the single authoritative source of information.
- Focus on the impact on people first.
- Make sure you communicate how the company feels about the situation and what is being done to remedy it.

- Utilise the website to update information.
- Make sure you learn any lessons and take action to avoid a recurrence.

Further details

The FCA: https://www.the-fca.org.uk/markets/market-abuse/regulation

IR Society course: IR regulation and compliance essentials - Module One: IR toolkit to comply with regulation

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1.12 IR for small-cap companies

The IR Society's position

There is no fundamental difference between large-cap and small-cap IR. However, teams, budgets and access to advisers are very likely to be smaller, so a more focussed approach to IR is required.

Best practice in brief

- A good website which gives a clear overview of the business, its strategy. Access to past statements, presentations and audio/web casts is a good idea. Contact details for IR should also be included.
- Clear reporting structure with half and full year results, supplemented with trading statements – most are moving to Q1 and Q3 updates. Recent regulation allows for a more flexible approach to trading statements. This includes clear, concise and insightful statements, presentations and annual report with a robust roadshow after results are announced.
- Management should meet with shareholders regularly – at least once a year with many companies meeting shareholders after half and full year results. Smaller companies tend to have a more tightly held register, which makes the exercise easier to handle. However, the demand to see the top team also tends to be greater.
- Smaller companies tend to have a register concentrated around the home market with Europe and then the US and ROW tending to become interested as the market cap grows. Despite the concentration around the home market, care should be taken to selectively extend the investor outreach.

Further details

The Quoted Companies Alliance: http://www.theqca.com/