The Investor Relations Society
www.irsociety.org.uk

BEST PRACTICE GUIDELINES

Section 1

THE ROLE OF THE IRO

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Topics

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, both at results and outside of the reporting schedule. The IRO should seek to build direct and robust relationships with sell side analysts, existing shareholders and potential new shareholders, 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 with respect to building, communicating with, and maintaining its shareholder base.

- The IR strategy should seek to address investor concerns and bridge the gap in understanding inside and outside the company.

- 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.

- The 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 interactions.

- Any IR strategy should be supported by:
  - an appropriate reporting calendar, which reflects regulatory requirements;
  - appropriately detailed presentations and statements created with input from across the company to reflect strategy and performance, and sense-checked by advisors to ensure that investor and media concerns are addressed;

- monitoring and management of analyst forecasts;
- roadshow dates scheduled well in advance, including both the CEO and CFO, presenting to existing and appropriately targeted potential investors;
- investor engagement through site visits, divisional updates, product launches etc, which should be scheduled (where possible) between earnings reports; and
- a good quality corporate website that gives a clear and concise picture of the company, its markets and strategy and the investment case, and contains information that is required to be publicly disclosed by the regulators.

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.
- Ideally will include a significant element of IR-only activity.
- 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.
- Group meetings can help management to see more investors. These may be most appropriate for non-holders looking for a general introduction to the company and/or smaller institutions and private client brokers.
- Major shareholders 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, for example in the type and timing of events and use of management time.
- Progress should be monitored with feedback from attendees included.

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 and 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, including large buyers and sellers in the period.

- The top 20/30 investors should be monitored regularly and offered meetings with management and the chairman.

- The short position in a company's shares should also be monitored continually, and the board should be informed about any material changes in the data.

- It is important to get as much information about your shareholders as possible, including, among other things:
    - identifying the beneficial owners;
    - the type of fund in which the shares are held;
    - the fund manager's investment style and objective;
    - recent buying and selling trends;
    - the typical holding period;
    - the average 'in-price' for the fund;
    - level of churn within the fund;
    - whether the fund also owns shares in listed peers; and
    - where the funds are managed from.

- There should be a mechanism in place to monitor unusual or sudden share price movements.

- A board-level plan should be developed to monitor and respond to approaches from activist investors.

- Third-party shareholder targeting service providers and registrars can help in providing additional data to support your analysis.

1.4 Investor targeting

The IR Society's position

Ensuring the widest possible pool of potential capital for a company is a vital responsibility of the IRO. Effective investor targeting by the IR team, can add significant value in this process, with benefits including:

- building a balanced portfolio of long-term investors in the company;
- encouraging shareholder engagement;
- generating support for management and the company strategy ;
- reducing share price volatility; and
- optimising the use of management time.

Best practice in brief

- Investor targeting should be the responsibility of 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 targeting efforts with your company's likely fit with the investors' requirements:
  - investment style;
  - country or region mandate;
  - cap-size requirements;
  - corporate governance guidelines; and
  - sector or industry focus.

- The ongoing 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 un-serviced capital should be included or at least considered.

- The appropriateness of the investor targeting should evolve, taking into account how the register has developed and where there is room for improvement.

- It can often be most effective for potential investors which are new to the company to be briefed by IR before arranging a meeting with the CEO or CFO. However, IROs should exercise judgement: for example, where a large and potentially influential investor shows a keen interest in the business it may be worth involving senior management at the outset.

1.5 Investor engagement

The IR Society's position

The Society believes that companies should provide shareholders with the opportunity to meet with the CEO and CFO at least once a year. While this is usually done around earnings announcements, when the company strategy can be explained in the context of the recent results, thought should be given to opportunities between reporting dates as well.

In addition, it believes that the chair and/or senior independent director should be available to meet with major shareholders if required. In particular, as part of good corporate governance, meetings or calls with them should be offered ahead of the AGM around key matters. Other non-executive directors should also be available, as appropriate.

Best practice in brief

- The IRO should be the first point of contact for investors, in particular prospective shareholders who can be briefed by IR on the company, its markets and competitive positioning, ahead of meeting management.

- An annual engagement plan should be prepared in order to develop relationships with appropriate prospective investors.

- IR should also be aware of the governance contacts from their shareholders, who may not necessarily be the usual contacts for post-results roadshows and IR meetings.

- 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 the investor as required. Notes on meetings will provide intelligence for future investor meetings and for senior management.

- Ahead of the meeting, IR should develop a Q&A document, with input from advisers where appropriate, which should include likely questions, and how these might be answered. These key questions should be discussed with management ahead of the meeting, and where there are specific matters or an agenda to cover IR should ensure management has been fully briefed ahead of the meeting.

- It is always useful to go into a meeting with some information on the fund manager and the institution, any intelligence from prior meetings, and an understanding of the likely focus of the meeting. Companies should also recognise the need to be flexible, should the investor have other issues to discuss.

- Investor meetings provide a key opportunity to build trust and a strong relationship. Good meeting discipline is very important: make sure you arrive on time, are 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, and, where required or relevant, follow up afterwards.

1.6 Investor roadshows

The IR Society's position

Companies should undertake regular roadshows to meet existing and prospective investors. Regular meetings are essential in securing continued existing investor support and through potential investors ensuring a continued ability by the company to access both the equity and debt capital markets.

While the Society has always encouraged face-to-face interactions, the value of which is unlikely to abate, the recent COVID-19 crisis has highlighted some of the advantages of virtual investor meetings (conference calls, video calls etc). This includes the ability to reach a wider global audience and to reduce or eliminate travel, thereby allowing for a greater number of meetings in any given period, freeing up senior management's time, and having a positive impact on the environment. Unsurprisingly, many IROs have indicated that they expect the number of virtual meetings to increase in the future.

IROs will need to exercise judgement and continue to gauge the views of their existing and potential shareholders. Over time they may find that virtual meetings work well for 1-1s versus group meetings, and to reach investors in less frequently visited destinations. Potential new investors may still prefer to get to know management in person whilst longer-term holders may be satisfied with virtual engagement around the results calendar, combined with a reduced number of face-to-face meetings.

Best practice in brief

- Typically, companies will arrange non-deal roadshows immediately after half and full year results, blocking out full days in the CEO/CFO diary. For additional coverage, supplemental days should be considered by IR to extend the investor reach and educate and target prospective investors.

- It is also worth considering if a more flexible approach is merited: perhaps through a series of half days and/or meetings away from results announcements, and utilising time when management or IR are already in key locations. These meetings away from results can improve availability and can also facilitate a more long-term strategic focus for discussions. Furthermore, consideration should be given to roadshows, if merited, after trading updates.

- The IR team should be in control of the roadshow schedule and driving the allocation of meetings within this, even if a third party has been used to help with this or to facilitate logistics. This is particularly important given MiFID II to ensure that all investors are considered in planning and attendees are not confined to a specific broker's clients.

- Undertaking a targeting exercise ahead of any roadshow is key given limited time for any 1-1 slots and to maximise management time. With your brokers or roadshow facilitator you should agree key targets for the limited 1-1 slots, including significant shareholders and also potential investors who should be interested in your company – looking at those already invested in your peers, sector, and utilising internal investor insight from past roadshows and meetings etc.

- Group meetings (usually arranged over breakfast, lunch or dinner) can be used to meet with several investors at the same time, increasing visibility in a time efficient way, and are particularly invaluable as often after ensuring major shareholders have 1-1 slots there may only be limited space for potential investors.

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 and 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 strategy 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 all company presenters and representatives attending the event understand the limits of what they can say within the bounds of price sensitive information. IR should be responsible for providing briefing materials and/or an internal Q&A to company participants ahead of the event.

1.8 Investor presentations

The IR Society's position

Presentations are not an RNS document, so care needs to be taken over selective disclosure. Presentations to accompany results should not contain more information than is in the RNS announcement, with minor exceptions. For example, it is often the case that more colour around certain points will be communicated via presentations. However, this must not be material new information.

Presentations should be uploaded to the website as soon as they become public – i.e. at the start of the analyst results meeting, to prevent the selective disclosure of information.

Best practice in brief

- Presentations should be clear, concise, factual and balanced, with a good mix of text and graphics to engage the audience.

- They should highlight the key financial and operational metrics of the company and provide an opportunity for explaining the company strategy in greater detail.

- Presentations should not disclose material new data which is not already disclosed in the statutory RNS.

- They should be made available on the corporate website at the start of the analyst results meeting to prevent the selective disclosure of information.

- Results presentations can be used for the post-results roadshow and can be adapted for roadshows at other times of the year. Copies of any presentations used for investor meetings or conferences should be made available on the corporate website.

- Presentations used during a one-hour investor meeting or conference call should take no more than 30 minutes, leaving enough time for Q&A.

- Investors may state at the beginning of a meeting that they do not want to go through the presentation but would prefer to jump straight into Q&A. In this case, it is still important to ensure that the key points are summarised at the end of the meeting.

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 practices. 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 clear and unambiguous and referred to by IR and management when asked about future performance.

- Ideally the format of management guidance should be consistent from year to year to help build trust with those following the company.

- Guidance needs to be perceived as demanding but not unrealistic, and where this is also included directly in senior management incentivisation this can provide added assurance that the interests of management and shareholders are aligned.

- Delivery on guidance can be a material differentiator in building trust and management credibility, with the potential to materially impact the share price and resulting company valuation.

- Guidance should be updated when events dictate and is particularly relevant when economic conditions become difficult. Where a material event or transaction occurs that will materially impact this guidance, consideration should be given to quantifying the impact of the event on the prior guidance or indeed whether the earlier guidance should be withdrawn. Where guidance is withdrawn there should be clear reasons detailed in the RNS as to why this has happened, and where possible some assistance given to allow analysts and investors to revise forecasts.

- Guidance should be given on the metrics that will have an impact not just on revenues, margins, costs etc. but also on operational issues where possible and without compromising anything competitively sensitive. Guidance metrics should be tangible and enough to allow for analysts to build their models whilst taking into account other publicly available information.

- Benchmarking relative to direct and broader sector peers can provide useful insight in determining guidance and in identifying best practice.

- 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.

- An IRO should always know how analyst expectations and forecasts compare to company guidance and address any follow ups as required as well as sharing feedback on this internally to senior management.

- As ESG is increasing in importance a number of external stakeholders are looking for delivery not only on company financial guidance but also on guidance related to ESG matters. This should also be considered.

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 every two or three years, preferably collated by an independent third party. This feedback should be designed to elicit opinions on the company's strategy, the performance of its directors, its investor relations, and its disclosure. The perception study should be made available to all executive and non-executive directors.

Regular feedback should also be sought following all investor meetings and roadshows and summarised in the IR monthly/quarterly board report as a matter of course.

Best practice in brief

- Companies should seek formal feedback (perception study) from shareholders at least every two or three years, preferably collated by an independent third party.

- For smaller companies this might not always be practical. A more pragmatic approach might 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 and after all roadshows and communicated to the board.

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 protect and possibly enhance a company's reputation, as well as mitigate any impact on its share performance (both absolute and relative). The most appropriate forum for timely dissemination of information to the investment community is through public announcements on the RNS system with follow up telephone conversations and/or meetings.

Care should be taken to adhere to MAR (*see 4.1 – Market abuse*), which clearly sets 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. The chair, CEO and other key board members should be highly visible during the crisis and ensure compliance with the disclosure and transparency regime.

Best practice in brief

- Review any existing crisis management plan, particularly where it covers communications and investor engagement and propose changes if necessary. If one doesn't exist, escalate to the CEO and CFO.
- Ensure that IR is seen as a key member of any crisis response team.
- As a company, seek to build a reputation amongst investors for responsibility before any crisis occurs.
- When a crisis occurs:
    - gather facts first – don't speculate;
    - establish the company as the single authoritative source of information; and
    - open communication channels with media and key audiences as quickly as possible.
- In any written communications:
    - prioritise the impact on people; and
    - make sure you clearly communicate the facts, the company's sympathy/solidarity with those impacted, what is being done to remedy the situation and when/how further updates will be forthcoming.
- Use the website to update information.
- Be sure to learn any lessons and take action to avoid a recurrence.

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, the universe of potential investors, team size, budgets and access to advisers are all very likely to be smaller, so a more focused approach to IR may be required.

Best practice in brief

- The corporate website should give a clear overview of the business and its strategy. Access to past financial statements, presentations and audio/web casts is a good idea and contact details for IR should also be included.

- Set out a clear reporting structure for half and full-year results, supplemented with trading statements as necessary. This includes clear, concise and insightful information, 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- year 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 executive 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.

- The 'retail' investment community can be a prominent feature on the register of small-caps. As a result, a specific strategy for retail investors may be required, potentially involving C-suite attendance and presentations at retail investor conferences and/or media (i.e. video interviews with web investor channels) specifically geared towards retail.

- Trading liquidity can be a major issue for small-caps. If the company's market capitalisation grows over time, this may be addressed naturally. However, small-caps, particularly those without regular news flow, may need to be more proactive and spend more time and money to maximise the profile of the company and investment case.

1.13 Debt IR

The IR Society's position

Traditionally, the treasury team in a company communicated with the debt investors and the IRO with the equity investors and other stakeholders. The Society acknowledges that the company treasurer or CFO usually has prime responsibility for the relationship with bond holders, but given that the communications messages and methods are very similar, the Society believes that each IR department should be involved with this activity, to help support the overall strategy for the business and ensuring the core messages about the company are consistent. If a given company has publicly rated debt, it is also important to understand how the rating agencies operate because a change in the debt rating of the company can have an impact on the equity share price.

Best practice in brief

- Responsibility for debt IR is likely to differ between companies depending on capital structure, market cap, and the resources of the IR and treasury teams

- IR teams are increasingly becoming involved in relationships with debt and bond holders.

- A typical debt IR programme should involve conference calls/presentations, debt investor meetings, and post results roadshows around FY, HY & quarterly results. The materials and messaging for this programme should be consistent with that of the equity IR programme.

- Where debt IR is not the remit of the IR team, IROs should support the treasury team in relationship management and in ensuring that messaging remains consistent, for example by providing equity investor presentations to be used as the basis for debt specific investor days and broker hosted conferences.

- The IR team should work with the treasury team to understand their company's debt investor base (no official register, unlike for equity investors):
    - o track participants when doing an issue;
    - o maintain an ongoing dialogue to obtain as much information as possible – ask directly for updates on holdings; and
    - o targeting – build visibility during events.

Further reading

External:

- Stewardship Code 2020
- Companies Act 2006
- FCA Handbook: Listing Rules
- FCA Handbook: Disclosure Guidance and Transparency Rules Sourcebook
- FCA: Market Abuse
- ESMA: Q&A on Market Abuse Regulation (MAR)
- The Quoted Companies Alliance

IR Society qualifications:

- Certificate in Investor Relations (CIR)
- Diploma in Investor Relations (DipIR)
- DELIVER programme

IR Society courses:

- Best Practice in IR
- Investor targeting and engagement
- IR scriptwriting for management presentations
- IR regulation and compliance essentials – module one
- IR regulation and compliance essentials – module two
- IR regulation update
- Building your Debt IR capability

For more information about the IR Society's professional qualifications and for a full list of courses offered, visit the professional development section of our website here.