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ISSUE 122: SPRING 2024

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Why 'technology' is not a noun

As I reach the end of another full-year results season (and swiftly move to another!) I always try and take time to reflect on what could have worked better and where further improvements can be made. This year I reflected on a number of topics including the complexities of the markets in which we operate, the volume of regulatory change, building trust with the significant number of stakeholders we engage with, the volume of reporting documentation produced and the pace of change, particularly from a technology perspective.

I am sure a number of these are focus areas for many of you, and as a Society we aim to inform members on such developments (and indeed other areas), helping you navigate effectively for future success. Considering technological change in particular, as an industry it is an imperative that we stay on top of the constantly evolving developments. As a great philosopher (or comedian) once said 'Technology is not a noun, it is a verb, it is always moving' and to be successful we need to keep up with the pace of change. With this in mind this issue of *Informed* features a really interesting special feature on AI and its relevance to IR, something that is only going to become more important in future years.

Despite these interesting AI developments investor relations remains a relationship-focused business where meaningful and effective dialogue is critical to building trust. With this in mind, as a Society, we continue to work very closely with the industry and other professional bodies including the Investor Forum to identify areas for improvement and develop best practice. I am excited about these discussions and the additional opportunities for value creation – and we will continue to keep you updated on developments.

As always I hope you find this magazine interesting and if you have topics you want covered, just let us know.

Douglas Radcliffe

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ISSUE 122 – SPRING 2024

A strong start to the year for IR professionals

In her latest quarterly update, **Laura Hayter** reports on the expanding activities of the Society, the growing demand for the CIR qualification and the forthcoming annual conference.

Alongside a busy results season for some in the IR community, it's also been a delightfully busy start to the year for the IR Society. And for many (alongside results prep), the start of the year is a good opportunity to take stock, plan professional development, consider some of the topical IR issues on the horizon, and to implement best practices for the year ahead.

With this in mind we've been busy helping our members get ready for the year ahead. The best practice committee has been hard at work reviewing our IR Society guidelines, with the updated guidelines recently launched to the membership.

Considering those IR issues that are top of mind this year, we have also updated our sections on AI, debt and retail IR, so if you haven't looked at them recently, we encourage you to refer to them as a valuable member resource. Dan Redman, chair of the best practice committee provides a comprehensive update of all the changes in his review on page 9.

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The IR Society's new office at 70 Gracechurch Street.

Policy

It has also been a busy start to the year on the policy side, and the policy committee has been particularly engaged around areas such as ESG reporting, listing rules changes and changes to the Corporate Governance Code. We continue to engage with the regulators this year and Liz has provided a very comprehensive summary of activities on page 14.

Our professional development programme has had a strong start to the year, with a full complement of registrations on our core courses either as new IR practitioners or additional study towards the Certificate in Investor Relations (CIR). We've had a bumper crop of registrations too for the CIR including from the UK and overseas. This is an important prerequisite qualification for anyone in IR so do get in touch with Tara Mitchell here if you are considering taking it and want to hear more.

Team change

On team news, we will be sad to say good bye to Christina this month as she is moving on to pastures new after two years with us as events manager. She has done a fantastic job of overseeing our full events programme and delivering our two flagship events, the conference and the Best Practice awards evening. We wish her all the best.

We are delighted to be welcoming Anneka Finnane who joins us from the Association of Foreign Banks, she joins us in time for the conference. On that note, we are busy finalising the schedule for this year's conference, 'IR: moving the dial – navigating a fast-evolving landscape'. We are of course, delighted to welcome back Evan Davis, who will host a day full of debate, discussion, and networking.

If there's one day to take out of your busy schedule to meet with your peers, network and keep up-to-date on the latest IR trends and issues, this is it and we look forward to seeing you in London on June 12!

Finally one other update – after 10 years at our Coleman Street office in the City we moved at the end of January to 70 Gracechurch Street. Not far away by any means, and right in the heart of the bustling insurance district and the beautiful Leadenhall Market. Do come and visit next time you are passing! ■

New IR Society members

We welcome new members from the following companies who joined from December 2023 to early March 2024:

Alliance Advisors
Anglian Water
Bank of Kigali
Bloomsbury Publishing
Broadridge Financial Solutions
Brunswick
Bunzl
Capital Access Group
Cisco
Curation Corp
Diploma
Drax
Dufry
Edison Group
Euroclear
Friend Studio
Harbor Access
Harbour Energy
Investor Hub
Itaú Unibanco
Liberum Capital
Modular Finance
Mondi
Morrow Sodali
N Brown
Notified
Parity Technologies
Pomelo-Paradigm
Powerscourt
QinetiQ
Rose & Company
Schneider
Taaleem Holdings
Tesco
The Edge Picture Company
TransferWise
Williams Nicolson
Zinc Media Group

Diplomas presented

The IR Society would like to congratulate Gemma Terry and Kate Patrick who were recently awarded the Diploma in Investor Relations, our senior level qualification.

In the last edition of *Informed*, they both highlighted how they found the programme an incredible opportunity to further their skillset, knowledge and experience in IR – and they found the mentor aspect hugely valuable as a way to seek guidance and support of someone who has been through the programme.

Gemma Terry and Kate Patrick.

Updates to the IR Society's Best Practice Guidelines

The IR Society regularly updates its guidelines to provide IROs with the latest advice. Here, **Daniel Redman** provides an overview of the latest updates.

It seems like every year the IR function is at a pivotal juncture, it's what makes the role such an exciting one. Each time the IR Society best practice committee sits down to discuss updates to the Best Practice Guidelines, our initial thoughts are 'there won't need to be many changes this year', then as we delve deeper into the trends that have marked the year, such as rapid technological advancements, heightened environmental awareness and a diverse investment landscape, this thought process changes dramatically.

Working as joint chair with Geoff Callow, head of IR at Ecora Resources, and an extremely knowledgeable committee of IR experts from a diverse range of fields and industries, we looked to make revolutionary updates to the investor relations best practice guidelines.

Key changes include:

Introducing AI:

Although best practices for artificial intelligence (AI) in IR are still emerging, and the application of AI across businesses in general remains at an early stage, we have introduced a dedicated section on AI (see page 41). This section offers guidance on potential use cases for AI in IR, addressing ethical considerations and transparency as well as providing considerations for addressing AI in corporate reporting. This addition acknowledges AI's growing impact on IR and is an area we look to develop out in the future.

Addressing ESG investor engagement:

In alignment with the increasing prioritisation of sustainability factors, the 'integrating sustainability and IR' section of the guidelines provides best practice around developing ESG specific IR plans.

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Further guidance on engagement with retail investors and debt IR:

Recognising the diverse investor landscape, the updated guidelines offer expanded advice on engaging with retail investors and managing debt IR. This ensures that companies can effectively communicate with all investor subsets, fostering inclusivity and ensuring that all voices are heard and valued in the corporate arena.

Focus on private company IR strategies:

In the private market, new regulated platforms are connecting businesses and investors with increasing efficiency, streamlining capital raising, disclosure and communications. An increasing number of private companies are adopting investor relations strategies to keep debt holders and private equity backers updated on the financial performance of the company. Acknowledging the unique challenges faced by private companies, the revised guidelines include a section dedicated to private company IR strategies. This addition aims to support private entities in establishing transparent, effective communication channels with their investors, adapting best practices to fit the private market context.

Clarity on the sustainability landscape:

To assist companies in navigating the complex landscape of sustainability reporting, the guidelines now feature a comprehensive chart outlining key sustainability reporting regulations and standards. This tool is designed to help IR professionals stay abreast of regulatory requirements and ensure that their companies' reporting aligns with best practices and legal obligations.

Restructuring content and access:

Finally, the update which I am most excited about, is the move away from a single downloadable PDF to the full digital hosting of the guidelines.

The guidelines have been restructured for enhanced clarity and usability, allowing IR professionals to navigate the document more intuitively. This new structure is designed to streamline access to information, ensuring that IR professionals can quickly find the guidance they need to address specific challenges or opportunities.

On top of this, we have restructured certain sections of the guidelines to allow for easier access to information. For example, a dedicated 'crisis and transactions' section focuses on IPOs, crisis comms and M&A, rather than this content being provided as part of the 'market communications' section.

A whole host of further updates have been made beyond the ones mentioned above. Revisions and updates to content such as digital comms, sell side and buy side engagement and investor events ensure the guidelines remain as relevant as ever.

The committee are confident that these guidelines will empower IR professionals to navigate the complexities of the modern financial ecosystem – but, however they evolve, the core principles of transparency, engagement, and professionalism remain. ■

Activism and active engagement on the agenda

A recent IR Society breakfast briefing considered how companies can be prepared for activist investors. Here, **Martin Railton** summarises some of the key themes.

On Wednesday 28th February we held an IR Breakfast Briefing on the topic of shareholder activism at the Berenberg offices. One of the main objectives of the panel was to better understand how active and activist engagement differs, and hear perspectives from the buy side, investor relations, and communications experts. The panel was moderated by Evdokia Petrakopoulou, head of global corporate governance, M&A, and activism at S&P Global with invited guests: Robert Schuchna, partner at Cevian Capital; Jocelyn Brown, head of governance EMEA & APAC at T. Rowe Price; and Anneke Hoijtink, managing director at FGS Global.

The event was well attended by over 50 IR professionals leaving standing room only for the later arrivals.

Activism is a highly sensitive topic and the ensuing panel discussion proved to be as interesting as it was informative. While it is perhaps convenient to bracket investors into the camps of active, activist, or neither, it's probably more useful to think of investors forming a point on a spectrum of corporate engagement – from the most passive owners of your stock to ones that are active with their engagement, and to those that seek to effect change by fair means or foul.

There were several themes that continued to surface, mainly centred around the benefits of good communication, planning, and consistency of engagement. Understanding who your investors are and how they are likely to behave during AGM time is critical. How you mitigate risks, and then potentially deal with any eventual symptoms of dissatisfaction, comes down to constructive engagement and practical planning. What follows is a synopsis of the major takeaways from the discussion.

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> "Once an activist sets their sights upon you, a well-drilled activist playbook will help you stay calm"

Be prepared because they will be

The first tool in the armoury is identifying activists on the register. Having a good understanding of how investors voted in the previous AGM is a great way to see who is aligned with your company, and perhaps more importantly, who is not. Voting behaviour can be managed and predicted with the right outreach and communication, so surprises should be kept to a minimum.

Activists are well prepared and will speak with other investors to test their hypotheses and to hopefully garner support. Past employees or other stakeholders may be canvassed. The activist may, or may not, have a sound investment hypothesis but they will be looking to effect change of some sort. In light of the diligence that the activist will be taking in their research and outreach, it's crucial that IR and management teams are equally well prepared. Sensible planning and effective communication are fundamental to this.

Be clear on who should be involved in the response team

Have a clear understanding of who is in the activist-response group and what criteria will trigger the involvement of different personas. The CEO or CFO have the company to run and should not be distracted from the business side of things unnecessarily. Running through scenarios for different types of approach can help set these criteria and form part of good corporate governance. They can also be planned around quieter periods in the calendar. Be open-minded and test a variety of hypotheses and scenarios.

In terms of the internal activist response team: CEO/CFO, head of communications, legal corporate secretary, members of the finance team, with board or supervisory board included where necessary. From the external side: bankers, law firm, communications consultants, and corporate governance experts who understand how activists operate.

Once an activist sets their sights upon you, a well-drilled activist playbook will help you stay calm, be less likely to act on emotion (don't take it personally!) and prepare the ground for clear, confident, and consistent communications. Not all activism plays out in the public eye but having good relationships with the media can also be invaluable when trying to manage the narrative. Despite the exact nature of the approach, be open to the conversation, listen to the arguments and thank the investors for their input but don't expect them to just go away. Speak with other investors to find out how they feel and, if necessary, get your top investors to come out in support of you – public shows of support can be really powerful. Try to stay on the front foot and counteract conjecture and inaccuracies with your own facts. Deal with misinformation quickly and extinguish smaller fires before they take hold elsewhere.

Make friends before you need them

Prevention is better than cure so proactive communication with the street can help assuage activist advances before they even happen. Ongoing dialogue with existing and prospective shareholders via non-deal roadshows (NDRs) and corporate governance roadshows are a must.

Trends

The panel also discussed trends they have seen over the last six months, particularly given that activism seems to have been appearing more regularly in the news. Activism and corporate governance related issues are still the primary driver (ISS and Glass Lewis also getting more critical), M&A and value creation have also been in the spotlight, with environmental and social activism secondary factors.

Eva Petrakopoulou, Anneke Hoijtink, Robert Schuchna and Jocelyn Brown.

Survey responses

In the spirit of active engagement, during the session we asked the audience three questions around activism and their preparation thereof. Interestingly, almost half of the audience confirmed that they had had correspondence from, or engagement with, an activist in the last 12 months. In terms of preparation for an activist approach, 75% responded that they were 'somewhat prepared' and only 21% described themselves as 'fully prepared'. When it came to the question 'do you feel your management takes potential activist approaches seriously enough for the risks that you see in your business?', a little over a quarter of the respondents said management do not take it seriously enough. ■

Learnings from listing Haleon

Sonya Ghobrial reflects on the London Stock Exchange listing, and offers tips to IROs who are going through the same process.

On 18th July 2022 Haleon listed on the London Stock Exchange, in what was the largest listing on it in a decade, resulting in the first listed pure-play consumer healthcare (CH) company following the demerger of GSK's CH business. It was not a day I will forget – much excitement and buzz of finally being listed after two long years of hard work – along with it less impressively coinciding with my sister's birthday which I managed to forget.

It's been an incredible journey and just over one and a half years since listing, and below I offer my advice and learnings. This includes what might have helped if I had been told at the start of the journey or even what I would do if I did it all over again.

1. Start early

I was hugely fortunate that GSK hired me to lead IR for the separation and for its CH business, which would become Haleon, two years ahead of the separation. This was a real advantage to us, particularly as a new company in a new subsector, and ahead of the transition to consumer from pharmaceutical coverage both by analysts and investors.

It provided a runway to plan and evolve the IR strategy, to work with management new to the markets, to educate the markets on a new company and sector, all enabling us to hit the ground running post listing. It's the reason I believe 14 analysts covered us within one month of listing, which compares with our current coverage of 20 analysts. It also gave us time to evolve, nuance, test and shape the investment case.

Whilst I was initially sceptical of how much interest we would get from the buy side and sell side, we were really positively surprised, with good conference schedules and our own results catch-up calls. We started one day after GSK reported, with CH management packed with both pharma and future consumer HPC analysts in the years pre-listing.

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2. Leverage external learnings

Ahead of separation we had a great window and opportunity to ask investors and analysts what 'good' looked like, which companies did things well and why. As a new company in start-up mode, the willingness of investors and analysts to do this was higher than I had ever seen, and not having the constraints of being actively covered by the sell side was a real luxury. The knowledge and learnings from this provided brilliant insight to shape the work in getting ready for the listing, from evolving the investment case, testing messaging, designing the future press release and thinking on how to nuance messages on both Haleon and the sector.

3. Getting the tool kit ready

Our runway to listing enabled us to implement a CRM system and provider ahead of split, arrange for external assistance on consensus collation, find preferred video event providers, and design the investor section of our website – enabling IR to hit the ground running when public.

4. Taking the internal with you

Internal engagement has always been key to IR but the opportunity with this was elevated in the journey to listing, enhancing the opportunity to strengthen internal connections. In the year up to listing, I personally did 24 internal presentations – all requested – on what being listed would mean and with a teach-in on the markets and consumer staples coverage. This connection has been invaluable in strengthening relationships across the business, and enhancing the quality of information we get back from the business for our day-to-day IR work'.

Haleon won 'Best overall company IR' for a large cap at the IR Society's Best Practice Awards in November 2023.

5. Hire a great team

As any IRO knows, having a good team is invaluable. My team formed through a mix of both internal and external hires brought different strengths and skill sets. One learning from the last few years would be to at least initially overhire – as the initial workload will be far higher than you think. Extra resources, given the huge to-do list, would have been helpful as well as providing a great internal rotation opportunity over one-to-two years.

6. Use your IR network

As with ongoing IR work my network was as always key, helping with views of providers, potential hires, on CMD venues and learnings and at times for bouncing off ideas.

7. Enjoy it

This was one of the things that the GSK CEO told me ahead of the first capital markets day. Given the sheer workload, the time to listing will fly by as will the first year of listing.

It's an incredible opportunity – one that I would encourage anyone to do – but make sure that you enjoy it along the way. It's the most challenging, exciting and rewarding IR experience that you can be a part of. ■

A busy regulatory calendar

Against an uncertain political and economic background, IROs have a lot to consider in the forthcoming regulatory and market changes in 2024, as **Liz Cole** reports.

This year has already brought a raft of developments including the revised Corporate Governance Code with supporting guidance, and the Financial Reporting Council's (FRC's) 'root and branch' review of the Stewardship Code.

We have also now seen more detail of the Financial Conduct Authority's (FCA's) proposed new listing regime. The FCA's intended move towards a disclosure-based regime is not without its issues, with investor bodies concerned about the move away from shareholder votes towards greater disclosure, which puts more onus on investor due diligence. Corporates may also be concerned around some of the practical implications of the FCA's proposed 'enhanced announcement requirements' for significant transactions.

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IR INDUSTRY NEWS

The recent Budget heralded the launch of the 'Great British ISA', and 'PISCES' – the new intermittent trading platform for private companies. The budget also included confirmation that the FCA will regulate ESG ratings providers, and we are now a step closer to EU regulation of ESG data and ratings providers. Meanwhile the voluntary code has been finalised – see 'A code for ESG ratings and data products providers' on page 22.

The Society partnered the Investor Forum on their 'Bridging the Gaps between Companies and Investors: Shaping Tomorrow's Dialogues' white paper, which focuses on helping build stronger, more collaborative partnerships, and rejuvenating the investor-company dialogue. This project is ongoing, with further events planned for 2024.

AI remains topical, with the government confirming its light touch regulatory regime will be 'flexible', based on five cross-sectoral principles and context-based without 'unnecessary blanket rules'. AI developments include:

- significant government investment of £100 million to support AI innovation and regulation;
- the establishment of a central function to drive coherence across government and the regulators and who will produce an AI risk register; and
- the launch of the AI and Digital Hub by the Digital Regulation Corporation Forum (DRCF). This is a pilot scheme for a new advisory service to support innovation run by expert regulators.

See our feature articles on latest AI developments starting on page 41.

Meanwhile, large companies operating in the EU should begin to prepare for sustainability due diligence requirements, now the CSDDD is close to being adopted, and sustainability reporting marches on, with the SEC's long-awaited climate reporting rules finally being issued. These have been watered down, and are already being challenged in the courts by both sides.

Given the growing need for reliable sustainability reporting, the FRC have launched a market review of sustainability assurance to look at competition and choice, market capacity and the possible impact on the statutory audit market.

The Society updated its Best Practice Guidelines in January with new material on AI, ESG, IR strategy and private company IR, which is topical given the launch of PISCES. They have also been revamped into HTML format to improve navigation by members. See 'Update to the IR Society's Best Practice Guidelines' on page 9.

New sustainability rules

The EU is a significant step closer to requiring companies operating in the EU to monitor their supply chains for the risk of human or environmental rights violations, with the EU Council finally agreeing a watered-down Directive on Corporate Sustainability Due Diligence (CSDDD or CS3D). It also deals with remediation of any such violations, and mandates Paris-aligned transition plans (but does not require them to be linked to remuneration). The 'chain of activities' covered by the due diligence obligations includes companies' own operations plus those of subsidiaries and their upstream and downstream value chain, but will focus on direct business partners (rather than indirect ones), and excludes the downstream activities of regulated financial undertakings.

It will apply only to the largest EU companies (with 1,000 employees and €450m turnover worldwide), and to non-EU companies with €450m turnover in the EU (with no employee threshold), meaning around 5,500 companies are likely to be in scope. Once approved by the EU parliament, it will be phased in from mid-2027 to mid-2029, with the largest companies (5,000 employees and €1,500m EU turnover) being brought in first.

Market regulation

New UK listing regime – detailed FCA proposals revealed

The FCA is consulting on measures intended to make the UK's listing regime more accessible, effective and competitive, with the aim of attracting more companies to list in London, but these would also impact on existing listed companies. As proposed in its 2023 consultation, the FCA intends to move to a simplified listing regime, and a disclosure-based regime for major transactions. Under the new regime:

- the current premium and standard segments will be replaced by a single segment, the new 'equity shares (commercial companies)' category (ESCC), with streamlined eligibility and ongoing requirements;
- shareholder votes will no longer be required for significant/Class 1 and related party transactions;
- a modified sponsor regime will remain a cornerstone of investor and market protection;
- relationship agreements with controlling shareholders will remain mandatory; and
- there will be significant changes to the eligibility requirements for prospective IPO candidates, moving to a disclosure-based rather than rules-based regime.

The FCA's proposed 'enhanced announcement requirements' for significant transactions are almost a pseudo-circular, but would be required at announcement stage rather than eight weeks later. From an overall company perspective, and the company secretary in particular, the announcement could give rise to practical difficulties due to the accelerated timing, although this may be mitigated by using external advisors and lawyers, with the associated cost implications.

In practice, the impact of the proposals on IR teams would likely be limited to the indirect impact on investor engagement and relationships (for example, Class 1 transactions may entail more shareholder engagement).

CP 23/31 also sets out the FCA's plans for investment funds, Special Purpose Acquisition Companys (SPACs) and overseas issuers with a secondary listing in London. The FCA intends that all existing premium-listed commercial companies will be automatically migrated to the new ESCC category. Existing standard-listed companies will be migrated to a new transition category – with the same continuing obligations as the current standard listing, and closed to new listings – where they can remain (with no present fixed end-date) or make a streamlined application to join the ESCC category when they are ready to do so.

> **"Shareholder votes will no longer be required for significant/Class 1 and related party transactions"**

The FCA published further details in early March, with a full draft of the new UK Listing Rules, including their proposed new Listing Principles, additional guidance on Listing Principle 1 (establishing and maintaining adequate procedures, systems and controls to enable an issuer to comply with its obligations) and Listing Principle 2 (dealing with the FCA in an open and co-operative manner).

This also provides more detail on the transition category for existing standard listed companies, international companies seeking a secondary listing (UKLR 14) and draft rules for other categories of issuers, including closed-ended and open-ended investment companies, as well as areas that apply to issuers in all categories such as the suspension, cancellation and restoration of listing.

The FCA expects to publish final rules early in the second half of 2024 and these will come into force two weeks later.

UK Transition Finance Market Review

The UK has established a new Transition Finance Market Review, which is due to report by July on how the UK financial and professional services ecosystem can become a leading hub for transition financial services, including how best to create the conditions for scaling transition-focused capital-raising with integrity. Read more on www.gov.uk.

Budget news for IR professionals

The 'Great British ISA'

This will help promote investment in UK-listed or traded companies by allowing an additional £5,000 to be invested in UK equities to 'support the wider work being done to increase the capital available for UK businesses and to support the competitiveness of UK 'equity capital markets.'

ESG ratings providers

There was confirmation from the Treasury that the government will press ahead with developing a regulatory regime for ESG ratings providers "where these assessments of ESG factors are used for investment decisions and influence capital allocation", to improve clarity and trust in ESG ratings. This will be regulated by the FCA, with a full consultation response and legislative steps to follow later this year. Meanwhile, the voluntary code has been finalised - see 'A code for ESG ratings and data products providers' on page 22.

The PISCES trading platform

The government has launched a consultation setting out its proposal for a new platform that will allow private companies to trade their securities in a controlled environment and on an intermittent basis, supporting the pipeline for future IPOs in the UK as one way of boosting the UK as a listing destination. The new Private Intermittent Securities and Capital Exchange System (PISCES) incorporates elements from public markets, such as those that offer multilateral trading, and elements from private markets that provide greater discretion on what company disclosures should be made public.

Takeovers where target director appointed by shareholder

The Takeover Panel has published a new bulletin providing guidance for where a target has representative directors who have been appointed by, or otherwise represent the interests of, a target shareholder.

Rule 20.1 of the Takeover Code requires information and opinions relating to an offer (or a party to an offer) to be made equally available to all target company shareholders.

Panel Bulletin 6 highlights the need to consider the application of Rule 20.1 where a target director has been appointed by a target shareholder, and such director is provided with information by the target company who in turn provides that information to their appointing shareholder.

Regulation of ESG data and ratings providers

The EU has reached a provisional agreement on the upcoming ESG ratings regulation which would require ESG rating providers to be authorised and supervised by the European Securities and Markets Authority (ESMA) and comply with transparency requirements, in particular with regard to their methodology and sources of information. The agreement also foresees the possibility of providing separate E, S and G ratings, and encourages more raters to address impact and double materiality.

> “The EU agreement also foresees the possibility of providing separate E, S and G ratings”

Meanwhile the UK is pressing ahead with its own regulatory regime, and a Voluntary Code of Conduct for ESG Ratings and Data providers was issued in December, with a focus on promoting transparency, good governance, management of conflicts of interest, and robust systems and controls. See ‘A code for ESG ratings and data products providers’ on page 22.

Private company reporting needs greater clarity

The FRC’s Thematic Review on Reporting by the UK’s largest private companies found the overall quality of reporting was mixed, particularly in terms of how clearly companies explained material matters that were complex or judgmental, and sets out key findings for companies and their auditors to take into account.

Corporate governance

‘Bridging the Gap’ with the Investor Forum

To further the Capital Markets Industry Taskforce (CMIT) suggestion of an ‘investor and issuer forum’, the Society partnered the Investor Forum on their recent ‘Bridging the Gaps between Companies and Investors: Shaping Tomorrow’s Dialogues’ white paper.

Looking ahead to the 2024 annual general meeting season

There have been the usual updates on current market practice and voting recommendations for AGMs in 2024 from Institutional Shareholder Services (ISS) and The Pensions and Lifetime Savings Association (PLSA), and on remuneration policies from the Investment Association (IA).

ISS proxy guidelines

Changes to the ISS proxy voting guidelines include:

- board diversity policy streamlined in light of the changes to the listing rules on diversity and inclusion;
- clarification that, when assessing whether a director who represents a significant shareholder will be considered independent, holding of 3% or more will be considered ‘significant’; and
- share issuances policy updated to reflect the changes made to the IA’s Share Capital Management Guidelines in February 2023.

The revised guidelines became effective for meetings held on or after 1 February 2024.

PLSA stewardship and voting

PLSA has published its Stewardship & Voting Guidelines 2024, which set out the PLSA’s views and voting recommendations on key issues. Updates relate to cybersecurity, AI, ESG (biodiversity impacts and social factors) and DCSS sunset clauses.

The guidelines have also been updated to reflect the 2024 UK Corporate Governance Code, and the PLSA has published a summary of the guidelines and its voting recommendations.

IA sets priorities on remuneration

The Investment Association did not issue its usual annual update to the Principles of Executive Remuneration last autumn in time for remuneration reports preparation and the AGM season. However, the IA have now written to FTSE 350 companies’ remuneration committee chairs, reviewing the 2023 season and setting priorities for 2024.

The IA also welcomed the ongoing public debate on competitiveness of the UK listing environment and UK remuneration practices.

It reported that various themes emerged from roundtable meetings with nearly 100 FTSE 350 companies, including quantum and the need for more flexibility to offer higher LTIP awards to create more competitive remuneration structures, along with the need for global companies to operate hybrid schemes (with both performance and restricted shares).

Following this engagement, the IA plans to review and publish simplified principles later in 2024.

This focuses on helping build stronger, more collaborative partnerships, with focused engagement and rejuvenated investor-company dialogue, including reflections from investor relations, sustainability, corporate governance and audit perspectives. It sets out some practical actions that would improve best practice, reduce friction and strengthen relationships between companies and investors, enabling them to focus on long-term value creation.

See 'Bridging gaps between companies and investors' on page 32 for more, including a 'top ten' investor wish list.

Revised Corporate Governance Code

Our feature article 'Introducing the revised UK Corporate Governance Code' on page 26 provides an outline of the key changes. These include increased focus on outcomes reporting, reinforcement of 'explanations' (where directors decide that Code departures are more appropriate) and improved transparency around the effectiveness of internal controls and 'malus and clawback' arrangements and usage, although it remains unclear whether this would cover all attempts or only successful attempts.

Revised supporting guidance has also been issued, aimed at being less prescriptive. See more at irsociety.org.uk/resources/news.

FRC review of Stewardship Code

The FRC is seeking views from all stakeholders on whether the Stewardship Code, in its current format, is being used by asset managers and owners in a manner that drives better stewardship outcomes from engagement with issuers. To inform their formal consultation, the FRC are conducting targeted outreach on issues such as engagement, short-termism and issuer reporting burdens, and the Society will be participating in FRC roundtable events to enable members to provide feedback to the FRC.

Given the importance of regulation being uniformly proportionate along the value chain, this engagement is likely to cover issues such as the need to address how investors act on proxy voting guidelines in cases where there is appropriate departure from the Code, in order to compliment the 'comply or explain' approach within the Corporate Governance Code and help dispel any 'comply or else' mentality. See more on irsociety.org.uk/resources/news

FCA's 'Dear CEO' letters to asset managers on ESG

With the Sustainability Disclosure Requirements (SDR) and investment labelling regime coming into force from 31 July, the FCA has written again to the chief executives of alternative and mainstream asset management firms. The FCA warns managers who promote their environmental, social, and governance credentials to ensure that their governance systems can oversee the resourcing and management of information about those activities, related compliance change programmes, any claims made, and third-party ESG data providers used.

UK consults on draft code for cyber governance

The UK government has sought feedback on a draft Cyber Governance Code of Practice designed to ensure that organisations have detailed strategies in place to respond to and recover from any potential cyber incidents. The draft code, which was designed by industry directors and cyber and governance experts, outlines a series of actions on risk management, cyber strategy, people, incident planning and response, and assurance and oversight. These should be regularly assessed and accompanied by a formal system for reporting incidents.

Sustainability reporting

SEC adopts climate-related disclosures

The US Securities and Exchange Commission (SEC) has voted to adopt rules to enhance and standardise climate change-related disclosures in the annual reports of domestic and foreign private issuer registrants and in public offerings.

The long-awaited rule marks the first nationwide climate disclosure rule in the US, although the rule's scope has been significantly scaled back from the original draft proposal. Scope 1 and 2 disclosures have been limited to emissions deemed financially material for larger SEC-registered businesses.

Reporting of Scope 3 emissions along the value chain has been abandoned, and there is also no requirement to disclose remuneration linked to climate-related issues (unlike the equivalent ISSB and Corporate Sustainability Reporting Directive (CSRD) requirements). See more on SEC.gov and our news article 'IR Society survey on Scope 3' on page 18.

Other emissions reporting updates

The ISSB and Global Reporting Initiative (GRI) have published some GRI-ISSB interoperability guidance for greenhouse gas (GHG) emissions reporting, demonstrating a high degree of alignment so companies disclosing Scope 1, 2 and 3 under the GRI Standards will be well positioned to report in accordance with The International Financial Reporting Standards Foundation (IFRS) S2.

A summary of Q&As related to the European Sustainability Reporting Standards (ESRS) used for CSRD reporting has also been published on the ESRS Q&A platform.

This first set of 12 Explanations includes clarifications for companies that need to disclose GHG emissions for several subsidiaries within the same group. See more on irsociety.org.uk/resources/news

Nature reporting update

The GRI Biodiversity standard is now available, the Taskforce on Nature-related Financial Disclosures (TNFD) has announced the list of early-adopters, and the UN has published a comparison of various nature-related standards and frameworks. The ISSB has also published examples of reporting on risks and opportunities that are climate-related but that also consider nature or social issues. See irsociety.org.uk/resources/news.

SASB Standards now internationalised!

The International Sustainability Standards Board (ISSB) has amended the Sustainability Accounting Standards Board (SASB) standards to enhance their international applicability, removing and replacing jurisdiction-specific references and definitions, without substantially altering industries, topics or metrics. The new standards are available to download on sasb.ifrs.org/standards/download. ■

IR Society survey on 'Scope 3'

With a large number of companies already using Scope 3 reporting – there is a growing call for further uptake in the UK and Europe. Here, **Liz Cole** summarises a recent IRO survey.

There is significant uncertainty in the market around the methodologies used to generate and report on Greenhouse Gas Protocol's 'Scope 3' greenhouse gas (GHG) emissions data. We therefore surveyed our IRO members about their experiences with Scope 3 and streamlined energy and carbon reporting (SECR).

Methodologies and measurement

Our member IRO respondents indicated a willingness among corporates to report Scope 3, especially among the largest companies, with all FTSE 100 respondents and just over 70% of the FTSE 250 already reporting it, with a further 14% planning to do so in their next reporting cycle. Overall, over three-quarters of corporates already are reporting it, and a slim majority (52%) support making it mandatory; however, there is a clear challenge around reliability and measurement given well over half of companies are not using any direct measurement, instead relying on estimates or third party providers. Of those reporting Scope 3, over 80% were using estimates to some degree, with over 50% using third party providers and only 43% using any direct measurements (see chart).

Of those respondents that use at least some direct measurement, 90% are also using estimates and 50% are also using third party providers. Breaking it down by index, 50% of those using any direct measurement are FTSE 100, 40% are FTSE 250 and 10% are traded on AIM. Within the FTSE 100, 56% are using at least some direct measurements, with 78% using estimates and 56% using third party providers. Within the FTSE 250, 50% are using direct measurements, all (100%) use estimates and 88% use third party providers.

There is a divergence in methodologies of measurement, with the largest companies more likely to be using direct measurements and have Science Based Targets initiative- approved (SBTi) targets.

The vast majority of respondents currently reporting Scope 3 cited 'difficulty in obtaining data or estimates' as a challenge or disincentive, with nearly 70% citing 'lack of confidence in ability to measure accurately'.

A modest level of interest

SECR reporting is viewed by nearly 70% as being not terribly onerous from a resource or cost perspective, perhaps because larger UK companies have been subject to SECR reporting requirements for several years so are likely to have well established processes in place, although there was a significant minority describing it as a lot of work or significant.

Levels of interest in SECR reporting among investors or other stakeholders is perceived by our respondents as modest (especially for smaller companies), and mandatory reporting of Scopes 1, 2 and 3 GHG emissions would require significantly more work for 40% of respondents.

Estimation bases

There was general support for the Financial Conduct Authority's (FCA's) proposal of Scope 3 reporting from periods beginning in 2025, although a minority viewed it as unrealistic and several commented that the reliability of the data would be compromised if the timetable is too tight. Given Scope 3 reporting will involve significant levels of estimation for some time to come, stipulation of estimation bases would improve the reliability and comparability of reporting.

There was a suggestion that companies should be given at least a year after publication of new reporting requirements to collect data in order to reduce reliance on extrapolation and estimation that could otherwise limit the value in the disclosure. The limitations (for example, estimates and judgements) would need to be fully understood by any user.

Harmonisation

Respondents suggested that more harmonisation is needed with EU standards, with better clarity on the interactions and potential inconsistencies between the International Financial Reporting Standard (IFRS) S2 and the Corporate Sustainability Reporting Directive (CSRD). Sector specific guidance would help companies and investors track performance over time. The vast majority of respondents expect to be required to report Scope 3 in future anyway, well over half due to being caught by the EU's CSRD, nearly half (46%) in order to report to their value chain with a similar number citing investor governance/reporting requirements, and nearly 40% citing reporting to lenders for their financed emissions determinations.

About the survey

The survey was conducted from 23rd November to 7th December 2023 among IR Society members who are IROs. There were 37 respondents, though not every respondent answered each question.

The findings were included in the Society's response to the government's recent call for evidence on Scope 3 and SECR reporting. Detailed findings are available to members in the Knowledge Bank on the IR Society website.

How do you derive Scope 3 measurements? (select all that apply)

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Improving competitiveness of the UK capital markets

With significant changes under foot in capital markets, **Tom Hinton** explains how the UK is adapting to remain effective on the international stage.

The efficacy of the UK's capital markets continued to be the topic of much debate in 2023 and we will see positive changes beginning to be implemented this year as a result.

As a member of the Capital Markets Industry Taskforce (CMIT), the London Stock Exchange has played a convening role in working closely with the UK government, policy makers, regulators, industry bodies and other stakeholders to evolve our financial ecosystem and improve the competitiveness of the UK's capital markets.

CMIT operates to a vision statement: 'How do we create the best possible environment in the UK for great companies to start, grow, scale and stay here and how do we provide the best possible returns for our pensioners, our policy holders and our savers for life events and retirement.'

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Since its inception in July 2022, CMIT has been actively involved across the policy landscape. This work has focused on five areas:

- supporting efforts to reform the UK's primary markets rules (including changes to the listing rules, prospectus rules and research environment);
- unlocking more capital to be deployed into UK public and private companies;
- reforming the corporate governance environment to ensure the relationship between companies and investors is delivering the intended outcomes;
- the development of the intermittent trading venue to streamline investor access mechanisms for private companies as they grow; and
- finally creating the best possible environment in the UK for great companies to scale.

Globally competitive

In December 2023, the FCA published the third stage of its *Primary Markets Effectiveness Review* which outlines proposed changes to the listing regime. This is the largest re-writing of the rules since the 1980s and the changes are intended to ensure our markets remain globally competitive, serving the needs of companies and the sectors of tomorrow. Implementation of the changes is expected in the middle of 2024.

More recently, as announced in the Spring Budget 2024, the UK government published the proposed framework for the Private Intermittent Securities and Capital Exchange System (PISCES, formerly ITV). The introduction of a venue that provides private companies with choice in how and when they access liquidity, and gives shareholders opportunities to enter and exit investments, could be transformational for UK capital markets. The London Stock Exchange will work with HMT and other stakeholders to bring our own innovative solution to market later this year.

Also announced in the Spring Budget were reforms to support achieving real value for money for UK pension holders and to ensure that they understand how their pensions are supporting the economic growth of the UK. As a member of CMIT, we are supportive of these measures which will lead to greater participation in the UK economy.

Further reform currently underway includes consultations and engagement papers relating to how research is produced in the UK, how knowledgeable investors can access bonds of UK companies in the same way institutional investors are able to do so and regulations surrounding production of prospectuses (via the Public Offers and Admission to Trading Regime – POATR) all of which are anticipated to complete during 2024.

As outlined above, a great deal of progress has been made in enhancing the effectiveness of the UK's capital markets. We look forward to seeing the positive impact of the changes being implemented in the months ahead. ■

A code for ESG ratings and data products providers

Simone Utermarck explains a new industry-led voluntary code of conduct and its guiding principles for the IR community

Companies (IROs) need to understand and be able to communicate about sustainability and, more specifically, environmental, social and governance (ESG) factors. On the one hand, this is increasingly important to investors (often with a long-term investment horizon) and other stakeholders; on the other hand it should be a vital component of a company's overall strategy, especially for those companies that need to change or adjust their business model to transition.

The use of ESG ratings and data products has therefore grown considerably to either provide a quick view on how a company is dealing with risks and opportunities related to sustainability or even as part of how investment funds are designed and labelled. However, while this can be somewhat useful, a lack of clarity, alignment of definitions and transparency of methodologies has resulted in a confusing landscape and calls for regulatory intervention.

Laying foundations

Starting in December 2022, an industry-led working group commissioned by the Financial Conduct Authority (FCA), consisting of participants from Europe (including the UK) and the US, has drafted a Code of Conduct for ESG Ratings and Data Products Providers. The secretariat was jointly provided by the International Capital Market Association (ICMA) and the International Regulatory Strategy Group (IRSG) and the working group meetings have been attended virtually by various international regulators. On 14 December 2023, the final code was published and ICMA assumed ownership.

In line with recommendations by the International Organization of Securities Commissions (IOSCO), the code focuses on promoting transparency, good governance, management of conflicts of interest, and strengthening systems and controls in the sector. As such, it is intended to be internationally interoperable and could be used by jurisdictions where no local code or regulation is in place. Providers are encouraged to implement this voluntary code and explain in a 'statement of application', how the principles have been embedded within their organisation.

The implementation period for ESG ratings providers is six months and the implementation period for ESG data products providers is twelve months. ICMA is keeping a list of providers who signed up to the code on the ICMA website (www.icmagroup.org – sustainable finance).

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> "Providers should be clear on the principal sources of information used in the assessment"

A principles-based approach

The usefulness of the code will be decided by the market (mainly users of ESG ratings and data products) over time. Some parts which IROs – especially of rated entities – might be interested in are:

- Providers adhering to the code, should, for example, according to 'principle 4' on transparency, publish information that is relevant to understanding their methodologies, subject to any proprietary or confidentiality considerations. Among others, this would include the criteria used to assess the company, the KPIs used and the relative weighting of these criteria to that assessment. Furthermore, providers should be clear on the principal sources of information used in the assessment, including for example whether they are forward-looking such as transition plans.
- 'Principle 2' aims to ensure that providers operate internal arrangements designed to avoid and, if identified, to address any potential conflicts of interest appropriately.
- The purpose of 'principle 6' is to ensure that providers operate internal arrangements that provide forward visibility to covered entities as to what to expect from their assessment. This would include providing a clear and consistent contact point with whom the covered entity can interact to address any queries relating to the assessment provided; inform covered entities that they are in the process of being assessed; and of the principal categories of data on which an ESG

rating is based before the publication of the ESG rating; as well as allow the covered entity and users to draw attention to any factual errors or omissions in the ESG rating or ESG data product.

Due diligence

The final code is focused on the seven out of IOSCO's ten recommendations, directly pertaining to ESG ratings and data products providers. It therefore has not codified the recommendations for regulators, market participants or rated entities. Nevertheless, the preamble of the code encourages investors such as asset managers to perform their own due diligence, especially when it comes to raw or estimated data.

Other developments such as the standardisation of corporate reporting and disclosure under the International Sustainability Standards Board (ISSB) standards or the European Sustainability Reporting Standards as part of the EU Corporate Sustainability Reporting Directive will also contribute to enhancing the trust in these products. Hereby crucial for investors to understand is whether the reported data speaks to single materiality (ISSB's primary focus is enterprise value) or double materiality (the EU and also China require companies to additionally report on their impact on the environment). This is reflected in 'principle 4' of the code, asking providers to describe an ESG rating or data product's intended purpose including its measurement objective.

> **"The preamble of the code encourages investors such as asset managers to perform their own due diligences"**

Other global initiatives

Since 2022, we have seen a raft of measures aimed at bringing more transparency to ESG ratings and data products, including legislative efforts or encouraging the development or following of voluntary industry standards or codes of conduct. This includes, for example: Japan, India, Singapore, South Korea, Taiwan and Hong Kong. The EU on 5 February 2024 reached a provisional agreement on a proposal for a regulation on ESG rating activities, following its consultation in 2023.

In the UK, following a consultation by HM Treasury (HMT) in 2023, the chancellor of the exchequer, Jeremy Hunt, announced at the Spring budget on March 6th 2024 that the government will regulate the provision of ESG ratings, where these assessments of ESG factors are used for investment decisions and influence capital allocation. According to HMT, a full consultation response and legislative steps will follow later this year. The regulatory regime for ESG ratings, as had already been indicated in last year's consultation, will be developed by the FCA.

ICMA is also hosting the Singapore Code of Conduct created by the Monetary Authority of Singapore (MAS), and, sponsored by the Hong Kong Securities and Futures Commission, is also currently evaluating whether and how the code published in December 2023 could work for the Hong Kong market (see the ICMA website for updates on each).

On 31 January 2024, the market welcomed the code with a hybrid event at the London Stock Exchange Group. The event featured a keynote from IOSCO and two panels on 'The Code in Practice' and on 'The International Context'. Regulators from the FCA, Japan Financial Services Agency and MAS participated in the latter one. The recording of the event is available on ICMA's website. ■

Recent CIR and ICIR passes

The IR Society would like to congratulate the following candidates who passed the CIR or ICIR from December 2023 to February 2024.

Abdulrahman A. Al-Sharhan – MEIRA
Ahmed Hussain AlZahrani – MEIRA
Aleya Sultan – African Export Import Bank
Alreem R. Al-Sabah – MEIRA
Barnaby Harrison – Teneo
Charles Henri Descalzi. – MEIRA
Christopher Deifuss – MEIRA
Elyse Kapoor – HSBC
Fawwaz A. Al-Ghamdi – MEIRA
Harriet Coleman – Snow Hill Advisors
Jaber Ahomoud Homoud – MEIRA
Jean Jacque Van Zyl – MEIRA
Kanhai Parasharya – Brunswick Group
Karolina Molinska – Kingfisher
Kelvin Junhan Goh – Watson Marlow Asia Pacific
Libby Bundock – Equitory
Maryam Shukralla – MEIRA
Max Robinson – Bunzl
Mohammed A Abahussain – MEIRA
Narjis Al-lawati – MEIRA
Oscar Langaas Løvik – Storm Communications
Phakamile Ngcobo – Nedbank
Philip Von Tell – Independent
Rachel Dare – Ecora Resources
Rishi Pabari – iCON Infrastructure
Roxane Girard – MHP Group
Salman Saad Alsahli – MEIRA
Samuel Ayotunde Sangobowale – Teneo
Satyan Laxman – MEIRA
Yan Wai Fun – HKIRA

GREATER GOVERNANCE– *a 15-page special feature*

How I learned to love the governance report

Richard Costa discusses how a different mindset can transform governance reporting, once a regulatory necessity and now a key means of communicating with stakeholders.

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It's been a long time coming. A new principle in the Financial Reporting Council's (FRC's) Corporate Governance Code asks governance reports to emphasise board decisions and outcomes in the context of strategy and objectives. Of course, the FRC has encouraged companies to do so for years but has been mainly rewarded with boilerplate statements and lists of topics discussed that provide little insight.

The typical appearance of the governance report reveals the status quo. Beyond the photos of the directors' younger selves lies dull text that makes little effort to tell us what the board has been up to. If mystery is attractive in show business, it isn't here. Shareholders – no, all stakeholders – value transparency. Moreover, they want to see strategic stewardship in action. governance reporting should exemplify it.

Such an approach is taken for granted in the strategic report. The glossy earns its moniker in the 'front section', where straplines, feature panels, and information graphics appear in relentless succession. If the cumulative effect can leave the reader scratching their head rather than stroking their chin, it also demonstrates the double standards being applied.

Who needs governance anyway?

The governance report has always been a poor relation of its glamorous strategic counterpart. The reasons are historic. Annual reports were conceived to provide financial updates and operational reviews. Demonstrating good governance just wasn't a thing. The modern-day exhortation – familiar to this readership – to align with stakeholder capitalism reveals the cultural aftermath of corporate governance disasters like Carillion, Parmalat, and Enron.

Today, society calls upon businesses to be good citizens, create prosperity, and protect people and the planet. Audiences dig deep into companies' governance and sustainability. These expectations drive the government's 'Restoring trust in audit and corporate governance' agenda enshrined in regulation. Boards must colour financial results with non-financial accomplishments and balance short-term gains with long-term ambition. Corporate governance reporting has never mattered more.

This backdrop necessitates a new approach to governance reporting, bringing it up to par with strategic reporting. The code nudges us in the right direction, but a reactionary mindset is hard to spot when it is pervasive. It is accepted unquestioned, and it is the total of many little things.

Take, for example, the chair's letter at the beginning of the strategic report. It's a legacy of days before the strategic report was introduced in 2014. When you are unconsciously biased to perceive the governance report as playing second fiddle, continuing to appear front in the book seems sensible, even if the strategic report's disclosures are more pertinent to the CEO.

But the strategic and governance reports are equally important in the cold light of day. They focus on distinct aspects and play complementary roles. Appearing here or there doesn't reflect status but remit. You may choose to sequence the governance report before the strategic report. Heresy? Disconnect the report from its traditional print-based medium; there is no linear arrangement in a digital environment.

My recommendations

1. Feature one letter by the chair and one letter by the CEO. Showing up is good, but don't overstay your welcome.
2. Elevate governance reporting to a standing equal to strategic reporting. The governance report is where the one letter by the chair should find its pride of place.
3. Use the letters to highlight clear roles and responsibilities; demonstrate ownership and accountability.

The code update confirms governance reporting must become more comprehensive and analytical, akin to strategic reporting. As stakeholders demand more meaningful information, governance reports must shift from compliance to communication to engagement. It's down to what you want your audience to think or do after reading them. ■

Introducing the revised UK Corporate Governance Code

The UK Corporate Governance Code is a crucial document for listed companies. **Jessica Dahlstrom** explains how the revisions can be applied by the IR community.

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The Financial Reporting Council published a revised UK Corporate Governance Code on 22 January 2024, following the largest ever consultation run by the FRC.

During the course of 2023, almost 5,000 stakeholders attended events to provide their views on proposed changes to the Code, and over 250 written responses to the consultation were received. The updated Code is now available on the FRC's website, alongside the responses received and a feedback statement which summarises how the views of stakeholders have been taken into account.

The FRC's key focus in updating the Code has been to enhance transparency and accountability of companies listed in the UK, while providing support for the growth and competitiveness of the UK and its attractiveness as a place to invest. The FRC has listened carefully to stakeholders who indicated that some of the proposed changes could have resulted in unnecessary regulatory or reporting burdens, and these were not taken forward.

As planned from the outset, the main changes to the Code relate to risk management and internal control, in 'section 4' of the Code. The government asked the FRC to make changes to strengthen reporting in this area, and the final Code includes an expanded 'provision 29', which asks boards to make a declaration about the effectiveness of their material controls.

Many stakeholders provided feedback to this part of the consultation, and in the updated Code the FRC has been clear that the requirements are very different from those of the US's Sarbanes-Oxley legislation, which is more onerous. In addition, more time has been allowed for implementation of this provision, in response to feedback from some companies that further work is needed to strengthen material controls in non-financial areas.

> **“Insightful reporting can mean complying with the Code provisions as set out, or providing a cogent and justified explanation for why a provision is not suitable”**

Focused on results

There have also been changes to some other aspects of the Code. A new principle included in 'section 1' encourages companies to report on the outcomes of their governance activity, rather than the activity itself. This change is in response to feedback that annual reports are getting longer, partly as the result of the need to include policies and procedures in many areas. Using this new principle, the FRC's intention is that companies will avoid such lengthy reporting, and comment in a concise manner on the impact that their governance activity has had.

This same new principle includes a reference to the 'comply or explain' nature of the Code, emphasising that insightful reporting can mean either complying with the Code provisions as set out, or providing a cogent and justified explanation for why a provision is not suitable in the specific circumstances for the company. Explanations should demonstrate the principles of good governance. It is important that this approach is understood by companies and investors alike, to reduce the erroneous perception on the part of some investors that a departure from the Code, even when explained well, is a concern and ultimately may lead to voting against a resolution.

Diversity and inclusion

The remaining changes in the Code are designed to reduce duplication and generate more company-specific reporting. Changes in 'section 3' bring the Code up to date in relation to diversity and inclusion and replace the terminology around board evaluations with board performance review. A further change in 'section 4', in addition to the risk management and internal controls amendments, is to bring the Code into line with the FRC's own 'Audit Committees and the External Audit: Minimum Standard'. This change has resulted in the removal of duplication.

Malus and clawback

Finally, section 5 on remuneration now includes a direct reference to malus and clawback. To reduce the reporting burden on companies, the proposal to have a five year backward look on malus and clawback in the annual report has not been kept in the final version of the Code. Provision 40 has been removed as highlighted in the consultation, as the *FRC's Annual Reviews of Corporate Governance* reporting found that some companies used it to produce boiler-plate reporting.

Considerations for IR

It is worth drawing attention to two proposals in the consultation with relevance to the investor relations community which have not been progressed. Firstly, the consultation proposed strengthening the Code's language around shareholder engagement, including around audit committee engagement with shareholders on specific topics. Consultation feedback suggested that there was limited appetite for such engagement so the amendments weren't progressed. In addition, the consultation included some suggestions to address the issue of over-boarding. Although the issue was acknowledged as important by many, there was a concern that the proposals put forward to address it could result in an unnecessary reporting burden and these changes were therefore not included in the updated Code.

The publication of the revised Code was supported by updated guidance to support the Code. The FRC has combined its three previous guidance documents related to the Code (*Guidance on Board Effectiveness*, *Guidance on Audit Committees and Guidance on Risk Management*, *Internal Controls and Related Reporting*) into one, easily accessible, online resource with links between the Code and the guidance, and between the guidance and other relevant FRC-produced and external documentation.

The 2024 Code will be applicable for financial years starting on or after 1 January 2025, except for 'provision 29' (the internal controls declaration) which will apply to financial years starting on or after 1 January 2026. The FRC is happy to be contacted with questions from stakeholders, including from companies planning for the implementation of the new Code. ■

The Code: Practical reporting considerations

Harriet Rumball assesses the updated UK Corporate Governance Code, and considers some of its practical implications for the IR community.

Harriet Rumball is investor and ESG communications director at Black Sun Global.
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As advisers on annual reports, we have strongly welcomed the new UK Corporate Governance Code 2024 ('the Code'), the very active engagement the Financial Reporting Council (FRC) has undertaken to communicate its objectives, and the valuable guidance published the week after in a single, searchable, online format for the first time.

While the FRC has been very clear that it is not expecting companies to adopt revisions to the Code early, they have encouraged companies to begin to plan in a timely way. They have also strongly emphasised the value of high-quality explanations where it is more appropriate for a company to depart from the Code provisions.

Here we discuss some of the practical considerations in relation to certain revisions.

Outcomes and culture

In the first section of the Code on 'board leadership and company purpose', there are two interesting changes where we anticipate there may be some early adoption.

The first change relates to reporting on the outcomes of board decisions. From a practical perspective, questions the FRC has encouraged companies to consider here include:

- What did the key decision achieve?
- Was it what was expected?
- Was it necessary to make further changes as the year progressed?

The second change relates to the board's responsibility to assess and monitor how the company's desired culture has been embedded. Here the Code guidance points to the role of middle management in embedding culture and encourages boards to consider feedback received from employees not just on the 'tone from the top' but also the 'tone from the middle' which may be a helpful new way for some companies to approach their culture reporting.

Diversity

With no changes to section 2 of the Code on 'division of responsibilities', one to note in section 3 on 'composition, succession and evaluation' is the change to wording around diversity which is broader and less specific than in the 2018 Code. Here again we anticipate there may be some early adoption and, to bring reporting to life, companies might consider questions such as:

- Are people being trained differently?
- What are the next steps from initiatives in place?
- What has been achieved from them for the business?

Risk management and internal control

Section 4 on 'Audit, risk and internal control' contains the most significant changes and there is much more to the revisions than can be commented on here. A few key points are, however, worthy of note:

- In relation to reporting on a review of the effectiveness of a company's risk management and internal control framework, whilst the Code includes this new provision, it is in effect a reinforcement of what companies should already have been doing.
- In relation to the board declaration of effectiveness of the company's material controls, this relates to all material controls, not just financial controls.

The declaration itself is an entirely new requirement and will require careful consideration but the Code guidance makes an important point in stating that 'The board can only provide a reasonable conclusion regarding the effectiveness of the controls, based on the work carried out and evidence obtained.'

Some changes have also been made to section 5 on remuneration, which the FRC hopes will encourage use of 'malus and clawback' measures where appropriate, and avoid boiler-plate reporting.

The introduction to the new Code encourages boards to use the Code 'wisely' and for investors and their advisers to assess differing company approaches 'thoughtfully.' We look forward to supporting our clients in aligning with this approach and working to deliver corporate governance reporting of the highest standard. ■

The ‘pros’ of proactive proxy engagement

Relationship building is a crucial part of maintaining your share register. **Alison Owers** offers advice to IROs on how to handle proxy advisors.

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In the UK and globally, the investor relations industry has built itself a reputation for proactive engagement. How is that starting to cross over into a broader stakeholder set, including proxy advisors, and what are the best ways for you to go about that challenge?

In 2023, Morrow Sodali, in collaboration with Durham University Business School released a comprehensive research study commissioned by the Financial Reporting Council (FRC), which aimed to address critical questions surrounding the recommendations and ratings provided by proxy voting and ESG rating agencies. The findings of the study challenge conventional assumptions about the clear-cut and direct impact of recommendations and ratings provided by proxy advisors and, while acknowledging the influence of these entities on behaviour and voting decisions, the analysis reveals a more nuanced perspective, as observed from voting patterns and interviews with investors.

Engagement considerations

A quote which summed up the challenge of interaction for me was this one from a responsible investment manager, “In AGM season, we don’t have enough time to talk to everybody. If we have a resolution that we are curious about and we’ve got a good contact at the company, then we’ll get on the phone and try and have a chat with them about our thoughts on voting.” This could indicate the proxy advisor research may be more heavily weighted when there is more time pressure on the investor.

This was further illustrated by the research around the consensus between companies and investors on the quality of research carried out by proxy advisors. <50% of companies said they were dissatisfied, compared to only 6% of investors. All companies considered that they should have a mandatory right to comment on draft benchmark research reports. Yet only 56% of investor respondents thought companies should have this right.

To unpick the proxy advisor influence across your shareholder base, let’s start with the basics. Most investors will look to the research of groups like ISS, Glass Lewis and PIRC to help provide them an informed view in readiness for the voting requirements. A large number will have their own stewardship teams who act independently; however, some will have a default position to follow the guidance of the advisors. Having a good understanding of the level of influence by proxy advisors on your shareholder base is a good place to know which of the proxy advisors to engage with.

Proactive engagement

Therefore a key consideration, with the relationship traditionally owned by the company secretariat, is to broaden your stakeholder outreach to include the proxy advisor groups. Meeting with proxy advisors can give companies invaluable information and insights ahead of proxy season, allowing them to:

- gain a clearer understanding of how their company is perceived by the market;
- explain why they consider specific policies appropriate for their company and shareholders;
- understand how proxy advisors' views and preferences may have changed;
- identify issues and risks which they may face during proxy season; and
- build trust and personal relationships.

Importantly, these meetings also allow people to put faces to names and build relationships, enabling proxy advisors to better appreciate the people and the thinking behind specific corporate decisions, or to seek commitments or suggest initiatives that would make them easier to support.

Why is it important?

For a company, they provide opportunities to find out where they stand relative to the rest of the market, and what other companies in their space are doing. Proxy advisors have seen it all, assessing a huge range of companies and have a great wealth of knowledge about the market that company representatives can tap into.

It is also always useful to learn how proxy advisors' policies may have recently changed, what issues they are currently focusing on, what they will potentially start recommending against and what their clients (the company's investors) are currently saying.

Each proxy advisor has a slightly different lens: while some might be focused primarily on individual directors and their track records, others tend to concentrate more on executive remuneration and alignment to performance, or on sustainability matters such as climate change and modern slavery.

Pick the right time

Timing is an important consideration, as it can vary between proxy advisors. For example, some will meet with companies after the notice of meeting has been published, while others will not. Meetings are often scheduled for the period between the release of the annual report and notice of meeting, but for companies that are comfortable with their disclosures and have a clear sense of what they want to achieve, there is no reason not to meet earlier in the reporting cycle.

Even where these are not voting items, proxy advisors still closely scrutinise how boards are managing issues related to ESG performance and disclosure. These topics have become almost mainstream and are impacting on director elections around long-term shareholder value creation and corporate purpose. Proxy advisors, and by extension their clients (investors), are increasingly holding directors accountable for what they have been doing and the decisions they've been making on new and emerging risks.

> **“Meeting with proxy advisors can give companies invaluable information and insights ahead of proxy season”**

During the AGM season

With hundreds of meetings being held, companies should be mindful that:

- Proxy advisors focus on ensuring that the company's proposals are understood, and research reports produced for their investor clients are balanced and accurate.
- Proxy advisors have different policies on giving companies opportunity to comment on draft research reports. Some aim to do so in all cases, others only in certain circumstances, and others not all.
- Where an opportunity to comment exists, it extends only to research reports that apply the proxy advisors' benchmark voting policy, not to 'specialty' policies offered by some proxy advisors.
- The majority of proxy advisors and investors said they will not engage directly with companies during AGM season, with most citing time and resource constraints as main reason.
- In addition, the majority of investors interviewed do not notify companies of their intention to vote against a resolution in advance of doing so.

Outside the AGM

From our research, we found that just over 60% of companies had attempted to engage with one or more proxy advisors in advance of AGM season in the previous two years. Of these companies, 96% had engaged on remuneration, compared to 23% on both board composition and ESG issues.

Company and proxy advisor interviewees had different views on the purpose of engagement in advance of AGM season. Many companies sought to obtain an indication of whether a proxy advisor would recommend voting in favour of company's proposals. Proxy advisors view it purely as an opportunity to exchange information.

A notable difference was in the percentage of FTSE 100 companies that had attempted to engage with proxy advisors (68%) compared to FTSE 250 companies (50%).

Ultimately, a governance roadshow or engagement outside the AGM season is welcomed by investors and therefore is a golden opportunity to build on your relationship with this group, but make it a consistent regular part of your overall shareholder engagement outreach. The proxy advisor stakeholder is an important extension to that group and should be included. ■

Bridging gaps between companies and investors

Engagement is critical to building trust with potential and current investors. Sallie Pilot draws on a recent research report to offer advice to IROs.

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In the dynamic landscape of investment, where change and uncertainty reign supreme, a comprehensive assessment of the state of key dialogues between UK companies and investors highlights that the foundations of the relationships between companies and investors are robust.

Insights from our latest research report, *Shaping Tomorrow's Dialogues; Bridging the Gaps between Companies and Investors*, reveal not only the strength of these relationships but also the immense potential they hold for shaping the future of our markets.

Building on strong foundations

At the heart of this strength lies the recognition that dialogue is pivotal to building trust. Leveraging this robust foundation, we believe we can elevate the quality of discourse between boards and investors, thereby addressing challenges and in the process help invigorate UK equity markets.

While the investment landscape grows increasingly complex, with companies and asset managers facing mounting pressures to deliver sustainable returns, the UK equity market boasts numerous positive attributes. From unparalleled access to companies and transparent information flows to long-standing investor protections, our market stands out.

The day-to-day relationships between companies and investors serve as a solid basis for enhancing dialogue and fostering trust. We've witnessed first-hand the dedication of professionals on both sides committed to the success of UK publicly listed markets.

The investor relations dialogue was robust and structured, characterised by strong relationships and deep expertise in building investor trust and fostering long-term commitment. There was a wealth of skill in identifying and effectively communicating key strategic elements. It was seen as crucial to distinguish between engagements aimed at information sharing and those focused on value creation. This involves understanding a diverse investor landscape and employing effective strategies to engage and cultivate enduring relationships.

Debunking some myths

We uncovered some unexpected myths or misperceptions during the course of the discussion, which we believe need debunking to pave the way for more meaningful dialogue and focused engagement in the future.

Myth: All engagement is good engagement
Reality: No, strategic engagement is good engagement. Understanding the purpose behind engagement is vital – whether aimed at information gathering or transformative change. Clear objectives, well-defined agendas, and robust feedback mechanisms are essential components for impactful dialogue.

Myth: Consistently applying the same approach guarantees success
Reality: Dynamic markets, different investment approaches, evolving investor expectations, and increasing stakeholder demands necessitate a shift toward redefined relationships. Rather than adhering to conventional practices, success hinges on establishing agreed-upon expectations before delving into specifics.

Myth: All companies and investors are the same
Reality: No two companies or two investors are the same. Companies vary in size, structure, industry, geography, strategy, governance and financial health, while investors have diverse objectives, approaches, risk tolerances, time horizons and investment preferences.

Recognising and understanding these differences is crucial for effective communication and collaboration, ensuring tailored approaches that acknowledge the unique characteristics of each company and investor.

Having a common understanding of each other is paramount for nurturing strong relationships, enabling informed decision-making, and unlocking opportunities to enrich the investor company dialogue.

Challenges highlighted by companies and investors

Our research highlighted a number of challenges for both companies and investors. The main challenges for companies primarily focused on access within investment firms and securing investor feedback and for investors focused on simplifying interactions and optimising engagement timing.

The rapidly changing reporting requirements and evolving regulatory landscape present a challenge for both investors and corporates. Additionally, the growing imperative to focus on sustainability presents a common challenge, as both parties strive to align corporate sustainability endeavours with evolving expectations while upholding performance objectives.

Actions that companies can take

Despite the multitude of challenges, through constructive dialogue and engagement within our working group, a deeper understanding emerged. We collectively identified key actions for companies to enhance the effectiveness and efficiency of dialogue with investors. (see box, above).

These findings and others from the report are not static, but a starting point and a foundation to build on. The market dynamics are rapidly evolving, requiring continuous re-evaluation and adaptation of relationships and dialogues to ensure their effectiveness and efficiency in the future.

Getting involved in shaping tomorrow's dialogue.

Moving forward, our shared commitment to value creation unites the investment chain, emphasising the need to establish conditions conducive to a vibrant listed equity market. The Investor Forum aims to cultivate an environment where collaboration thrives, facilitating the exchange of ideas and initiatives to drive practical outcomes.

If you're interested in learning more or exploring how you can participate, please don't hesitate to reach out. Together, let's shape tomorrow's dialogues. ■

Note: 'Bridging the Gaps between Companies & Investors: Shaping Tomorrow's Dialogues' captures the findings from the Investor Forum's ongoing programme to identify and promote best practice dialogues between companies and investors. The paper consolidates the findings from six months of discussions with investors and companies across four dialogues: investor relations, sustainability, governance and voting, and assurance and audit – and sets out a basis for enriched dialogue and focused engagement.

Top 10 things that investors would like

1. Make access easy. Establish a feature on corporate websites for investors to express interest in engaging and to sign up to distribution lists (and maintain a generic IR@plc.com).
2. Determine the purpose of any meeting – information gathering, investment decision-making, strategic or thematic engagement – and focus on both specific information needs and attendee expectations.
3. Tailor communications to meet the needs of your different audiences – equity, credit, ESG - as each may have different interests and priorities, investment strategies, risk appetite, and long-term goals.
4. Communicate with authenticity and straightforwardness in all interactions to build credibility and trust.
5. Be bold in crafting and owning your narrative; emphasise your unique value proposition and sustainability journey.
6. Understand the materiality of issues for your company. Use this understanding proactively to inform how you address regulatory and reporting requirements.
7. Align reporting efforts with strategic objectives to ensure coherence and relevance.
8. Avoid unnecessary complexity in reporting by providing clear summaries and linkages. Present information in various formats tailored to the needs of different investors.
9. Be aware of the pressure and influence that different asset owners mandate on asset managers.
10. Don't be offended if investors don't engage regularly but do ensure that the lines of communication are open.

How the new QCA Code seeks to support success

The Quoted Companies Alliance has recently updated its corporate governance code. Here, **Jack Marshall** explains how its flexible nature has seen adoption rates soar.

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Corporate governance codes are often developed in response to corporate scandals. The world's first code, published by the Cadbury Committee, was issued in the UK in 1992 in response to the Mirror Group, Caparo and Polly Peck scandals, where issues with reporting and accountability were on an epic scale.

Today, having been reformulated and reviewed on multiple occasions, including most recently in January 2024, the Cadbury Code now exists in the form of the UK Corporate Governance Code.

The UK Code is not, however, the only code in the UK, and indeed multiple others exist. The most notable of these is the QCA Corporate Governance Code, which had a revised edition published in November 2023.

Much like the UK Code, the publication of the new QCA Code is the culmination of thirty years of evolution in corporate governance practice and expectations. We first issued guidelines in 1993, with several iterations being published over a 20 year period before the formal establishment of the QCA Code in 2013.

> **“The QCA Code is a flexible, principles-based approach to governance that is specifically tailored for small and mid-sized companies”**

Whilst they follow a similar historical timeline, the UK's two dominant codes are built on very different foundations. The QCA Code is a flexible, principles-based approach to governance that is specifically tailored for small and mid-sized companies. Through its ten principles, it seeks to support the promotion of the company's success to create value for its shareholders, employees, and other stakeholders, as opposed to being unduly preoccupied with the prevention of its failure.

Its flexible nature has seen adoption rates by growth companies soar. It is applied by nearly 900 companies across the UK's exchanges, with 93% of AIM, over three-quarters of Aquis, and over a quarter of the Standard List applying it.

So, given this, why was there a need to change it?

A lot has changed since the QCA Code was last updated in 2018. Stepping away from governance briefly, we officially left the EU, have come through the other side of a global pandemic, and have witnessed more prime ministers than many people care to remember. Evidently, these events are of a fairly revolutionary nature.

Returning to governance now, progress within this space has been more evolutionary than revolutionary. This is natural; governance is a dynamic concept that evolves and changes over time as practices and expectations develop. And, as the QCA, we not only have a responsibility to ensure we are following good practice ourselves – and looking at the document after five years felt like the right thing to do – but also to ensure that we help our members and the wider community achieve the latest good practice. This allows companies to improve outcomes for their business, employees and customers, and also helps to satisfy shareholder expectations and ensure they are attractive propositions for potential future investors.

The 2023 QCA Corporate Governance Code.

What has changed?

First and foremost, the flexible nature of the QCA Code remains unchanged. Companies are able to diverge from conventional approaches provided there is a well-justified explanation as to why such practice is in the best long-term interests of the company. Other market participants should also be mindful of the size and complexity of companies when they depart from aspects of the QCA Code and not exert undue pressure.

In terms of structure, some minor revisions have been made to re-order and re-shape some of the ten principles, to focus on the logical steps companies should take to address governance issues.

The main changes around the contents include key topics such as company purpose, ESG, risk management, independence and remuneration. These revisions were the result of extensive engagements with members and other stakeholders and sought to reflect the new and emerging responsibilities of the board, highlight key issues that have come to the fore to help meet shareholder expectations, and address stakeholder feedback on the previous version.

How do companies obtain the new QCA Code?

There is important information included on how and when to apply the code on the QCA's website in the supporting information document and in the FAQs, but I will address a new element: the QCA Code badge.

Our trademarked badge is intended to become a recognisable kitemark for investors, governance experts, the media, and wider stakeholders. It is not a mark of how the code has been applied, as that is for investors and other stakeholders to determine, but will help us better track usage of the code.

QCA members which use the code are automatically entitled to use the badge, and it is also available to non-members who have bought a copy. Companies should display the badge on their website or in their annual report.

How can companies achieve good governance?

Demonstrating good governance should not be deemed a scary thing, and nor should it be approached as a 'compliance' exercise. Fundamentally, it is about culture, rather than procedure. It is about having the right people, working together, doing the right things. This encourages robust and constructive decision-making, fostering the effective running of the company to the benefit of all its stakeholders.

The main challenge is in communicating this and building trust. Clear disclosure is only part of the puzzle; strong relationships and compelling engagement, particularly with shareholders, but also with other stakeholders, will help to convince these constituents that the board is accountable, and that their interests are safeguarded.

As a final pointer, I return to the essence of the QCA Code and the importance of highlighting the company's success, rather than solely the prevention of its failure. ■

Balanced governance for smaller companies

The UK Corporate Governance Code doesn't always suit smaller companies. Here, **Phil Corbett** explains why Jadestone Energy uses the QCA Code instead.

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A robust governance framework is a prerequisite for all companies, irrespective of size and ownership structure. It not only ensures appropriate shareholder protections, but also acknowledges the significance of other key corporate stakeholders, particularly employees and supply chain, as well as holding companies accountable for the wider impact of their business, particularly on the environment. However, governance should complement, not stifle, entrepreneurship and decision-making, particularly for growth companies and in emerging industries, where a higher risk profile is often commensurate with higher rewards for all stakeholders.

In a developed market such as the UK, with significant experience of corporate behaviour (both good and bad), external frameworks like the UK Corporate Governance Code (UKGC) set the prevailing standard on how corporates should be controlled and directed, as well as the behaviours and reporting which their stakeholders should expect. For smaller companies, who do not either have the organisational bandwidth or resources to justify adherence to the UKGC, a different approach is necessary.

An appropriate framework

The QCA Code attempts to balance these competing priorities – ensuring an appropriate level of governance for smaller, fast-growing companies while not overburdening them with cost and 'red tape'. Governance and reporting requirements are simpler than the UKGC, with the principles-based approach and related disclosure requirements bringing welcome structure and focus to corporate governance reporting for smaller companies. At Jadestone Energy, we are committed to delivering high standards throughout our business, and an effective corporate governance framework underpins the investment case and enhances stakeholder confidence in our company. Consequently, at Jadestone, we have chosen to follow the QCA Code, believing it provides an appropriate framework to sustain a strong and high-level of corporate governance, given the company's current size and AIM Market listing.

> **"Investors have their own time constraints and bandwidth issues – and corporates cannot force their owners to engage, particularly if there is no reason to"**

Evolution or revolution?

Like businesses, corporate governance codes should adapt over time to reflect changing stakeholder expectations. At the same time, they should also aim to ensure that evolving requirements are appropriate and balanced and don't undermine the attractiveness of a listing venue or geographical region. Overall, while the revisions in the 2023 QCA Code result in an expansion of the QCA Code and associated compliance requirements, the new QCA Code remains true to its aim of being a 'practical, outcome-oriented and principles-based approach to governance that is tailored for small and mid-sized companies'. However, the closer alignment with the UKGC may reduce the attractiveness of the QCA Code for the companies it is intended for. For those corporates already following the QCA Code, the changes represent evolution rather than revolution, although for smaller companies in the process of deciding which corporate governance code to adopt, the decision may be less clear cut than before.

Sensibly, the QCA is phasing in the application of the revised code for reporting purposes, with the QCA recommending that companies use the new 2023 QCA Code for periods commencing on or after April 1 2024 (rather than the 2018 QCA Code).

Purpose and independence

The changes in the 2023 QCA Code can be broadly grouped into two categories. Firstly, there are changes and additions to practices and activities which are within the company's control and where compliance should not create much of an extra burden. A good example of this is the updated requirement to provide greater emphasis around company purpose, to help build and understand the business model and strategy and explain the linkage between them. It should not be difficult for good, well-functioning companies with a clear strategy to more clearly define their purpose and link strategy and business model, in turn making it easier for them to articulate to investors the differentiation and uniqueness of their business model.

Likewise, updated requirements for board and director independence, where there are clear guidelines and expectations, are easy enough to understand and comply with or explain departures from the QCA Code. Increased requirements around ESG and risk reporting also appear sensible and reasonable, particularly given the greater prominence of ESG across the corporate landscape in recent years, meaning that most corporates should already be in a position to adhere to the expanded scope of the QCA Code in this area.

A nuanced approach

Some of the other changes to the 2023 QCA Code are more subjective in nature, in turn making compliance reporting and disclosures more of a 'judgement call' for corporates. For example, how much engagement with stakeholders is 'enough'? Investors have their own time constraints and bandwidth issues – and corporates cannot force their owners to engage, particularly if there is no reason to, for example if a company is performing well and exhibiting clear and positive governance behaviours. Does a lack of engagement on paper undermine a company's claim to comply with the QCA Code in any particular reporting period? It is important that all stakeholders exercise a common sense approach to corporate governance reporting and that corporates should not feel compelled to apply a 'tick box' approach.

The new QCA principle on remuneration may well prove to be the most contentious from a company perspective. No one would dispute the good intentions behind 'establish[ing] a remuneration policy which is supportive of long-term value creation and the company's purpose, strategy and culture'. However, only time will tell whether the new requirements for annual remuneration reports and remuneration policies to be put to shareholder votes will support the intent of this principle. Any significant vote against a remuneration report or policy would necessitate shareholder engagement in response – if a shareholder feels very strongly on this topic, why not engage with the company directly first? Is it appropriate to vote down a remuneration report or policy because of one particular element, or again would this be better addressed through direct engagement?

Finally, it would be helpful for companies if their stakeholders gave feedback on the QCA Code statements in the company's annual report. This would help companies understand if more detail in certain areas is needed and/or disclosure principles are appropriate. Such feedback would ensure that governance remains at the forefront of a company's thinking, and disclosures and practices can evolve over time. ■

What lies ahead for corporate governance?

The last few years have brought huge change to markets around the globe. Chris Hodge considers what IROs will need to have on their radar in 2024.

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Having peered into my 'corporate governance and ESG crystal ball', I have come up with some predictions for the months ahead. The overall picture looks foggy and uncertain, but there are some things that stand out.

The first is that climate change in particular, and sustainability more generally, will continue to be a dominant issue for companies and investors. Some progress was made during 2023 but there is much still to be done and some fundamentals are still unresolved.

The political commitments made at COP28 in December were hard won, although there has been some criticism that they did not go far enough to meet the Paris targets. Earlier last year the International Sustainability Standards Board (ISSB) published its first two standards, which came into effect this year. They are an important building block in developing an operational framework that companies can use to set targets and enable them and their stakeholders to monitor progress, but many parts of that framework are still missing.

Large companies operating in the EU are also likely to have to implement climate transition plans as one of a raft of measures requiring them to mitigate potential adverse impacts on the environment and human rights assuming the Corporate Sustainability Due Diligence Directive, the provisional text of which was finalised in December, obtains final approval. Other jurisdictions are also developing similar proposals.

However, as more progress is made we have also seen more push back. The two seem to go hand in hand. Some of the push back might be described as raising practical concerns – for example, is climate change a material issue for all companies and, if not, should they all be subject to the same regulations and standards? And is the pace of change that is being demanded of companies realistic?

However, a lot of the push back is politically inspired. This is something we have seen not just in relation to climate change but ESG and corporate governance more widely. There are those politicians and commentators who dismiss the E in ESG as scare-mongering, the S as wokeness and the G as unwarranted interference. We can expect those voices to become even louder this year, particularly in major markets like the US and UK in the run up to national elections.

> **“The boards of high-profile companies need to be aware of the reputational risk of suddenly finding themselves the object of politically inspired criticism”**

Investors might find themselves in the firing line, but so might companies. Boards need to recognise this. All boards should have political risks on their risk register, and the boards of high-profile companies also need to be aware of the reputational risk of suddenly finding themselves the object of politically inspired criticism, either for doing too much or too little. Those companies that feel they may be particularly exposed in this regard may even want to add ‘political awareness’ to the list of skills and expertise that they want to have reflected in their board profile.

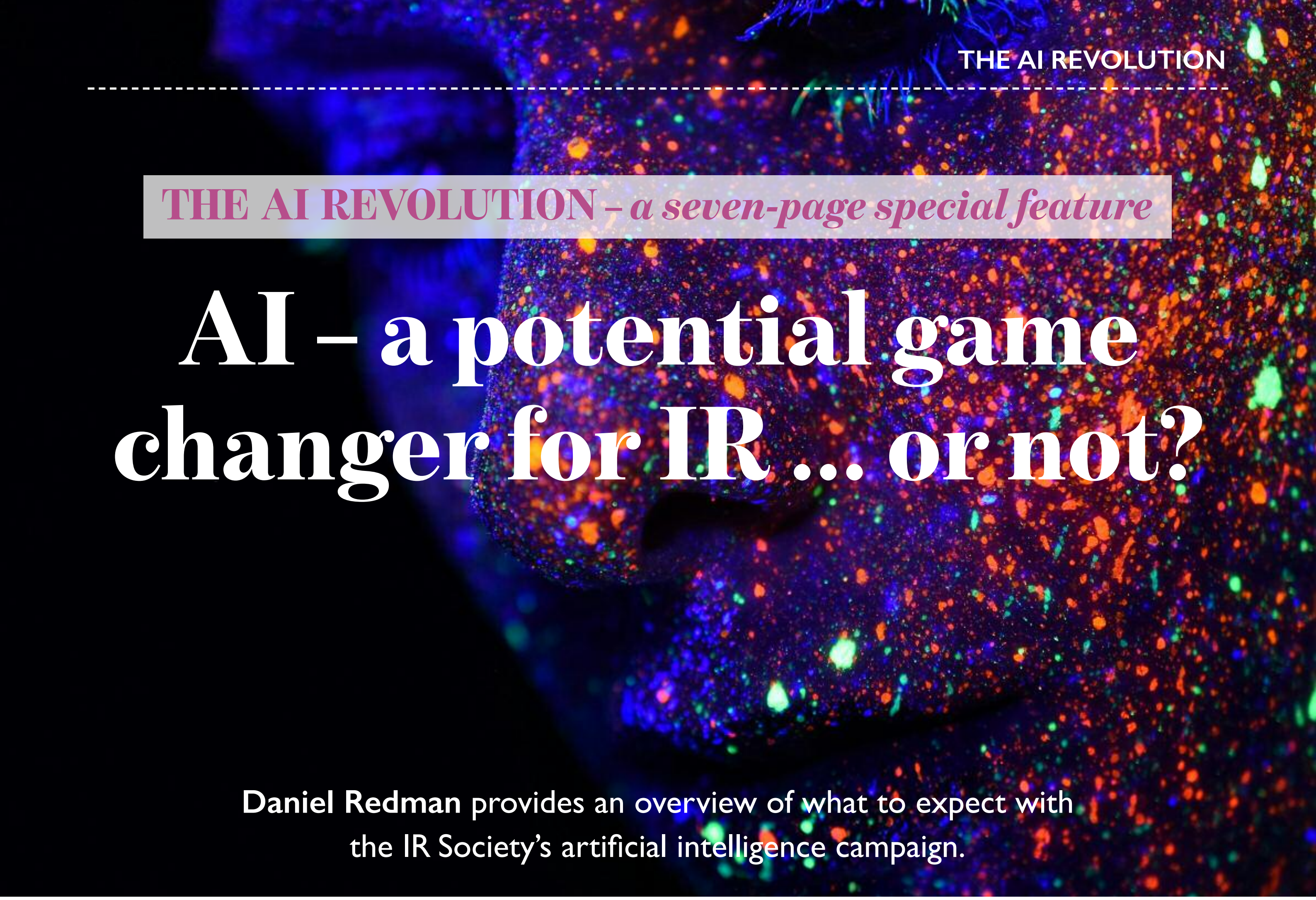
These lists get longer every year as expectations on boards continue to increase alongside the developments that potentially impact on the company’s business model and risk exposure. ESG, AI and cyber are all examples of issues that were not on most boards’ agendas even five years ago but which no board today can afford to ignore.

Don’t lose sight

Strategic leadership is a core competence for boards, particularly in challenging times such as these. Many economies will continue to be stressed by a combination of factors such as inflation, currency value, debt, and slowdowns. Add that to the politicisation of governance that I referred to earlier and it creates a potentially volatile business environment.

All boards need to ensure they do not lose sight of their core functions and competencies while at the same time adapting to meet new challenges. For some, this may mean they need to review their capacity and capabilities, for the board collectively and for individual directors – over-boarding continues to be a major concern for investors – and perhaps also their governance processes.

The key characteristics required of boards in 2024 will be alertness and agility, to give them the ability to adapt to rapid external changes while continuing to pursue their long-term strategic direction. ■



THE AI REVOLUTION – *a seven-page special feature*

AI – a potential game changer for IR … or not?

Daniel Redman provides an overview of what to expect with the IR Society's artificial intelligence campaign.

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In recent years, the rise of artificial intelligence (AI) has been nothing short of revolutionary, permeating every corner of industry and society. Corporate communications is no exception to this and, as a result, the investor relations landscape finds itself at a pivotal juncture. AI's potential to analyse market trends, enhance investor engagement and alleviate administrative burdens for investor relations officers (IROs) is undeniable. But, as we navigate these technological developments, some could question whether the positives outweigh the potential dangers associated with AI's integration into IR practices.

In recognition of this transformative moment, the IR Society will collaborate with members and industry professionals to explore the current and prospective impacts of AI in the IR landscape through a range of events and other activities, running from April to November. Through a diverse array of platforms, including webinars, workshops, fireside chats and articles, we aim to delve into the multifaceted dimensions of AI's role in IR.

Webinars and workshops

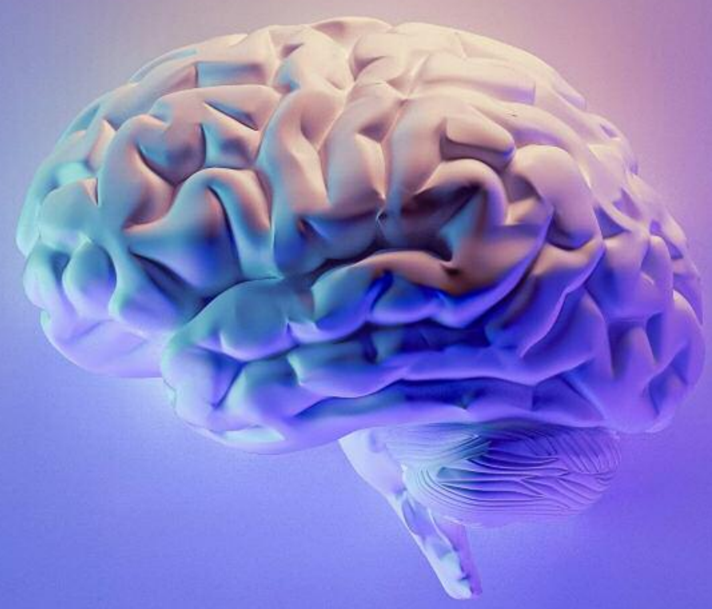
The planned webinars promise a dynamic exploration of diverse topics at the intersection of AI and IR. From first-hand accounts from seasoned IROs who have harnessed AI in their IR practices to interactive workshops dissecting the core challenges and opportunities within the evolving landscape, these sessions will offer invaluable insights and encourage engaging discussions and knowledge sharing. We will also dive into best practice reporting on AI, gaining insights from a panel of reporting experts as they share key strategies and showcase examples illustrating how companies have effectively approached the topic of AI in their communication channels, offering actionable insights and inspiration for reporters.

Central to our campaign is a comprehensive survey designed to gain insights from IROs regarding their attitudes towards AI, current usage and perceptions of its impact from an investor's standpoint. By understanding the nuances of AI adoption and its implications, we can better navigate the evolving IR landscape.

The campaign will culminate in a feature in *Informed*, outlining the findings of the survey, distilling key learnings from our events and spotlighting compelling case studies showcasing AI's transformative power in IR practices.

As we embark on this journey, we invite all stakeholders – IROs, investors, reporting companies and curious observers alike – to join us in the exploration of AI's boundless potential in investor relations. So, mark your calendars and stay tuned for more information about our upcoming AI campaign. ■

The IR Society's guidelines on AI



The IR Society's recently-updated best practice guidelines include new advice on the use of generative artificial intelligence. Here, **Al Loehnis** provides an overview.

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Artificial Intelligence (AI) has been used in investment management for decades, but its ability to transform productivity and performance in this sphere leapt forward with the arrival of ChatGPT and other generative AI models. These models can identify patterns, trends and correlations in vast pools of unstructured data. They can create text, images and videos of remarkable sophistication on the basis of a few simple prompts. They are relatively cheap, quick to deploy and easy to use. It is clear that their impact across the realm of finance is going to be profound.

Such has been the pace of change that attempting to define 'best practice' for our members seems at once both overdue and premature. But potential use cases within the investor relations function abound and widespread adoption is already underway. More broadly, the scale of the business opportunity and the attendant risks mean that AI is high on the agendas of management teams and boards. For listed companies with ongoing disclosure requirements, the IR function is going to be a key internal stakeholder as companies articulate the value creation potential of AI and the processes by which they will manage the risks. The guidelines aim to assist in that exercise, while highlighting the opportunities that AI offers to improve productivity and performance in the IR function itself.

Use cases and opportunities for using AI in IR

Our starting point was to look at how Gen AI is being used by institutional investors. Asset managers globally are investing heavily in AI-powered applications to improve both the research process and portfolio performance. These are some examples of how these capabilities are already being applied by investors:

- analysing the sentiment of a company's earnings statements through natural language processing (NLP) techniques;
- assessing the confidence of business leaders by analysing the tone of voice and body language used in management Q&A;
- identifying new patterns and correlations in a wide range of alternative data sources, such as satellite imagery or emissions data, which can underpin investment decisions; and
- conducting real-time ESG assessments through analysis of corporate reports and releases.

> "Our guidelines provide a basic framework for those who are starting to use AI in their IR activities"

The extent to which these techniques are giving some investors an edge is unclear – for competitive reasons you'd probably want to keep quiet about it if they were. But many companies are responding, for example by testing drafts of earnings releases, to understand how sentiment may be being analysed by investors, then changing the language they use accordingly. It is easy to see the potential damage this cat and mouse game could cause – less authenticity, less transparency, less trust.

But AI can undoubtedly enhance productivity in IR too. Gen AI tools are already used by many IR teams to produce transcripts of events, or summaries of peer group results and Q&A themes, saving IR resources and providing potentially valuable insights which it would otherwise be unfeasible to get. IR tasks which are starting to see AI-powered transformation include:

- Investor targeting: improving accuracy and reach through use of Gen AI tools to analyse large and/or unstructured data sets.
- Improved IR website functionality: using IR chatbots to provide an enhanced FAQ facility, or introducing AI-powered site search to enable thematic queries across all types of web content.
- Corporate reporting: rolling forward and updating elements of prior year reporting templates; preliminary drafting of certain sections.
- Content creation: drafting of IR materials eg blogs, investor education materials, fact sheets; enhanced charting and data visualization.
- Internal communications: creating summary market/peer reports; automating elements of monthly board reporting.
- Customisation and personalisation: tailoring content to specific investor profiles or themes; on-demand translation of documents and website content.
- Meeting notes: automating the production of minutes or meeting summaries, including actions and follow-up reminders.

While the opportunities AI provides are huge, so too are the well-documented risks, some of which are particularly acute given the confidentiality and price sensitivity of the IR function's responsibilities. The large language models (LLMs) used for training Gen AI applications have been shown to contain bias and misinformation. More concerningly, Gen AI is known to make things up – or 'hallucinate' – occasionally presenting fictitious data, citing imaginary sources, or making up quotes. In the wrong hands the scope for financial fraud could make share-selling 'boiler rooms' look benign by comparison. Highly plausible 'deep fake' videos are already being used to dupe unwitting investors and finance team employees. Even without bad actors, IR operates in a highly regulated environment where it is sensible to be cautious in the adoption and use of new technology.

Guidance for using AI in IR

Our guidelines provide a basic framework for those who are starting to use AI in their IR activities. When doing so it is important to address the same key issues we have outlined above: What is the scope of the opportunity and how will you manage the risks? Even if the IR function is not primarily responsible for a company's AI policies, its position as the gatekeeper for shareholder relationships and financial communications mean that it has an important role to play in the evolution of a company's AI policy and governance. In the listed company domain at least, every IR department should be prepared to answer investor questions about the expected impact of AI on their business - and how they are managing the attendant opportunities and risks.

Companies should also consider how to address the subject in the governance section of its annual report. Existing aspects of the Corporate Governance Code and s172 regulations currently provide the framework for considering the implications of new technologies, including AI. It may also be worth looking for any read-across from previous experience in developing the governance process and communications around cybersecurity and data protection, both of which have significant overlap with AI.

The guidelines are available in the 'members zone' of the IR Society website. We expect these guidelines will evolve significantly in the coming years and we hope that they will do so with the input and support of our members. ■


society

Increasing efficiency and maximising impact

Smaller companies often lack the resources of their larger counterparts. Here, **Q4 Inc** consider ways in which artificial intelligence could help level the playing field.

Investor relations has traditionally been labour-intensive, with teams spending significant time on tasks such as data analysis, report generation, and responding to investor inquiries, leaving little room for strategic planning and proactive investor engagement. In addition, small IR teams face the unique challenge of limited resources, time constraints, and a constant need to deliver impactful communication to investors.

The good news for these teams? As the efficacy of AI in strategic communication and investor engagement becomes increasingly prevalent, small IR teams are discovering new avenues to streamline operations, enhance engagement, and maximise their influence in the market.

In working with our clients as well as integrating AI into our own product development, we've identified four primary use cases:

Data-driven, sentiment-based communications

Adopting AI to craft communications that resonate on a deeper level. This approach goes beyond just content creation; it involves analysing the sentiment behind data to ensure messages align with investor expectations and perceptions. By understanding the nuances, communications are more effective and more likely to positively influence market sentiment

Preparing management for Q&A using predictive analytics

By analysing historical data, including past Q&As, analyst reports, and peer discussions, companies can predict the questions management might face with greater accuracy. This predictive power is invaluable in maintaining investor trust during volatile market conditions and capitalising on emerging opportunities.

Q4 Inc's team at the London Stock Exchange.
talktosales@q4inc.com

Effectively targeting investors using AI-driven insights

AI tools can help refine investor targeting strategies to identify potential investors more effectively. By analysing investor profiles, historical data, and market trends, these tools can pinpoint investors who are most likely to be interested in a company's offerings. This targeted approach not only saves time and resources but also improves the chances of securing investments from the right stakeholders.

Summarising investor materials for consistency

Consistency in messaging is paramount in IR. AI aids IR teams in summarising key investor materials, including presentations and transcripts, ensuring communications remain consistent across all channels. This helps not only reinforce the strategic narrative but also maintain clarity and coherence in investor engagements.

Security, privacy, and ethical considerations

Despite the numerous benefits, it's essential to acknowledge the limitations and challenges associated with AI adoption in investor relations. Privacy concerns, data security risks, and the need for human oversight are valid considerations that must be addressed.

Prioritising ethical considerations and data protection ensures the deployment of AI aligns with the highest standards of integrity and compliance. Keeping sensitive information secure involves avoiding the use of open AI platforms for handling 'material nonpublic information'.

Ethical AI usage requires careful oversight. Employing supervised AI and avoiding unattended AI in public markets is essential due to unpredictability risks. Human oversight is key; AI acts as a co-pilot, enhancing efforts under strict supervision to mitigate risks and ensure compliance. This enables the responsible use of AI's benefits, upholding the integrity and security of operations.

Expanding the scope of IR

By automating repetitive tasks, providing valuable insights, and facilitating personalised communication, AI is enabling these teams to overcome their resource constraints and compete on a level playing field with larger counterparts. As AI continues to evolve, its role in investor relations will only become more pronounced, reshaping the way companies interact with investors and stakeholders. ■

The Artificial Intelligence Act: Giving professionals a pedestal

The EU's new Artificial Intelligence Act requires the labelling of synthetic content. **Lulu Trask** seeks insights from Clyde & Co to explain why this is an opportunity.

Lulu Trask is head of marketing and activation at Wardour.
lulu.trask@wardour.co.uk

In 2023 there were two predominant feelings about AI, in investor relations and further afield. The first half of 2023 brought a unifying sense of excitement at the benefits this technology could offer. Drafting proxy statements, earnings reports and creating summaries or even FAQs from publicly disclosed information took minutes, rather than hours or even days. The world of investor relations was changing.

It didn't take long, however, for people to realise this change was happening at such a speed that it was outpacing regulation. Calls were being made across the wider communications and creative industries for laws to control AI and, months later, on 22 January 2024, details of the European Union's new Artificial Intelligence Act – the world's first comprehensive AI legal framework, detailed in an 892-page document – were leaked.

The EU's Artificial Intelligence Act: a summary

Expected to become law in 2024, the act establishes baseline regulations for general purpose AI, and its impact understandably varies depending on the nature of a business and its use of AI technologies. Businesses that heavily rely on data and technology are more likely to be affected by the legislation. Nonetheless, it does apply to almost every business. Similar to the European Union's General Data Protection Regulation (GDPR), companies outside the EU will fall under the scope of the act if the output produced by an AI system is used in the EU. In other words, the Artificial Intelligence Act will have a global impact.

The act follows a risk-based approach based on clear categorisation of AI systems, which come with corresponding obligations and prohibitions. But despite this welcome clarity, the act also brings confusion, namely in the lack of definition of AI itself.

"The EU AI Act represents a significant step forward and addresses key issues. However, it doesn't fully address all questions that arose during the legislative process. In some instances, it even raises new questions," explains Jan Spittka, partner at law firm Clyde & Co.

What the act has made clear is that any synthetic content – that is, any content generated using AI – must be labelled as such. But the point at which content must be labelled remains a grey area, despite this being key to implementation. By trawling every piece of information available on the internet, for example, AI has the potential to generate valuable insights which can help stakeholders keep abreast of events in a fast-moving market. But at what point in that information's journey – from initial research that drives a social media post, to an internal summary shared among a team, to a line in a published report – does it become synthetic and require the 'synthetic' label?

We hope this will be clarified in time – but that might be optimistic. "This mirrors the introduction and implementation of the EU GDPR, where, even after more than five years, numerous questions remain unanswered, awaiting clarification through case law," explains Spittka. With fines amassing up to €35m (or 7% of a company's total worldwide annual turnover – whichever is higher), we'd predict businesses will err on the side of caution and label AI content where any AI technology has been involved. And this is where reputational impact comes into play.

A reputational divide

AI has widely been welcomed as a tool to elevate creativity and increase efficiency. With the technology, we can now summarise a stakeholder meeting, draft proxy statements, create graphs and gather information for myriad investor segments – all in a matter of minutes. Under the new regulations, however, it's likely these synthetic outputs will need to be labelled. So how might this impact a business's reputation?

"An investor will know which is capable of producing business-critical information using the expertise and knowledge of its people, and which opts for the technology"

A business that labels synthetic content speaks of honesty, transparency and compliance – all valuable traits in investor relations. But how would that business stack up against its competitor who produces those same outputs all without the use of AI? In an instant, an investor will know which is capable of producing business-critical information using the expertise and knowledge of its people, and which opts for the technology. What does this mean? Perhaps everything in a world where trust is in short supply. AI might enable us all to do more, but the introduction of this legislation imposes limits on those who chose to utilise the technology – for the moment.

What's next for investor relations?

Using AI in investor relations is very different to using AI in another communications setting. Investor relations deals with protected information, including highly confidential finances for listed businesses. And while the legal requirement for transparency will be widely welcomed, the fact that it's needed at all is reason to make investors nervous about AI technology.

"Generally, companies should focus on a proper data processing and governance strategy, as it is imperative to always respect third party rights, interrelated to data protection and privacy, as well as intellectual property," advises Dr Florian Pötzlberger, counsel at Clyde & Co.

Professional businesses and the investor relations community will largely welcome the incoming regulations – albeit they will be frustrated by the lack of clarity in some areas. AI will undoubtedly be incomprehensibly advantageous when used for the right tasks, but a select few will see the opportunity for competitive advantage through the balance of both AI and human expertise. Interestingly, companies that don't use AI for every possible task, particularly in investor relations, can seemingly still stand out against the competition in a newly emerging space where the 'human touch' will be increasingly valued. They can own the fact that the reason they aren't labelling their content is because they don't need to – because their people, and their years of hard-won experience, is at the heart of their business. ■

Professional development

Our professional development programme comprises a suite of courses and qualifications for IR professionals at every stage of their career. For more information and to book a course, please visit: www.irsociety.org.uk/professional-development

Streamlining our courses

With 2024 proving successful so far, **Matthew David** explains why the IR Society has chosen to refine two of its offerings on popular subject areas.

Matthew David is professional development coordinator at the IR Society.
matthew.david@irsociety.org.uk

At the start of 2024 there is an increased appetite for continued professional learning, with 53 people attending training between January – early March up from 40 in 2023 and 34 in 2022. With 85 people already scheduling for courses throughout the year we are hopeful that, should this trend continue, 2024 will be a positive year for IR professional development.

Regulation and compliance

We have started the year by streamlining of our course programme to better ensure our course offerings remain fully relevant and learning outcomes do not overlap in their function. The 'IR regulation and compliance essentials' course, formerly a two-day modular course, has been separated into two separate courses, 'IR regulation and compliance essentials' and 'IR regulation through corporate transactions', the former retaining its status as a highly relevant CIR supporting course and later acting as a deeper examination into specific corporate transactions as well as understanding corporate brokers.

The core aim of this separation is to encourage greater uptake of the recommended training for those on our CIR programme. This thus far has proved popular, with the 'IR regulation and compliance essentials' course running twice in three months online with strong attendance. With six scheduled deliveries of this course throughout the year, it is now running at the same frequency as the 'Introduction to IR and the financial markets' course.

IR writing skills

We have temporarily combined our writing course provision, 'Introduction to writing for IR' and 'Advanced writing skills in IR', into a singular writing course. While both courses have been historically popular, a common point of feedback in 2023 was the similarity in content which has been exacerbated by a noticeable change in the seniority profile of those attending the introductory course.

E-learning

Looking ahead to future projects this year we have focused our attention on the potential application of e-learning, especially in regard to deepening the support for our CIR qualification. This is an exciting project to be pursuing, where professional development can be undertaken in easier bitesize chunks and at one's own convenience. ■

Course calendar 2024

Upcoming IR Society courses

Here you will find our upcoming professional development courses. We also offer bespoke courses to suit your exact needs. To view our full course schedule for 2024 or to book a course, please visit: www.irsociety.org.uk/professional-development

● Core IR Skills ● Advanced IR ● Specialist ● CIR

Apr 10 • 9.30am-4.30pm

Demystifying company accounts & valuations – module one

A clear explanation of accounting jargon, together with the relevance and limitations of financial statements. You will learn how to identify which key numbers are important in communicating your company's story.

Apr 11 • 9.30am-4.30pm

Demystifying company accounts & valuations – module two

This module will build upon module one, and will help you to understand in more depth how financial analysts and investors look at companies.

Apr 23 • 9.30am-4.30pm

CIR revision course

In this course you will undertake, as a group, practice mock exam questions. The course covers: corporate entities and corporate governance; market conduct; reporting; and accounting, valuation and investment principles.

Apr 24 • 9.30am-1.30pm

Building your debt IR capability

This course provides an overview of bond markets and rating agencies, looking at investor expectations and how to deliver an effective debt IR programme. It also covers current best practice and discusses the benefits of proactive debt IR engagement.

Apr 25 • 9.30am-4.30pm

Introduction to IR and the financial markets

This one-day course provides an excellent introduction to the world of investor relations, listed companies and the financial markets in which they operate. It explains clearly how the markets are regulated.

Jun 3 • 9am-4.30pm

Financial modelling

This course will help delegates build financial models through a range of practical model-building exercises. It will assist in the understanding of valuations and will review the most common methodologies used by the market.

Jun 5 • 9.30am-4.30pm

IR regulation and compliance essentials

Whether it's in financial reporting, market disclosures, compliance with relevant listing regimes, the treatment of inside information, or in the context of a transaction, mistakes are costly – not least in reputational terms.

Jun 6 • 9.30am-4.30pm

IR regulation through corporate transactions

Designed as a follow on course to the IR regulation and compliance essentials, this course looks at more specific areas and situations, such as IPOs, more general transactions, the US market, the Takeover Code and more.

Jun 25 • 9.30am-4.30pm

CIR revision course

In this course you will undertake, as a group, practice mock exam questions. The course covers: corporate entities and corporate governance; market conduct; reporting; and accounting, valuation and investment principles.

Your CIR journey

Tara Mitchell interviews three recent Certificate in Investor Relations candidates about their experience of completing the IR Society's foundation qualification.

Andrew Gamwell is IR director at Schneider Electric.

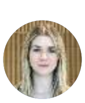
Karolina Molinska is investor relations senior analyst at Kingfisher.

Ailsa Renton is director at Hanover.

Tara Mitchell is professional development executive at the IR Society.
tara.mitchell@irsociety.org.uk

Tell us a little about your background – what were you doing before you moved into IR?

I have been working in IR at Schneider Electric for coming up on six years, having previously worked elsewhere within the finance function, within the group's consolidation and external reporting team. My background is as a chartered accountant, and I have worked both in practice (mid-tier and 'big four' experience) and in industry in finance roles at several companies. My time in IR has been exciting – coinciding with significant evolutions of the equity story at Schneider – and I have enjoyed broadening my skillset and working within a dynamic and diverse team.

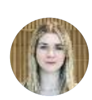


I have been working in IR at Kingfisher for just over three years. This is my first role post-university, having completed a master's degree in maths at Durham University prior to joining.

I've been in corporate communications for 10 years at Edelman and Hanover Communications respectively, dipping in and out of financial communications throughout. Hanover has always offered financial communications in some way or another, however in 2023 we saw more businesses consolidating their briefs and budgets so we found ourselves supporting clients with more and more IR and decided to formalise that offer. As we saw it, one of the steps to formalising our financial communications offer was by training the team with the CIR and the Chartered Financial Analyst qualifications as appropriate.

Why did you decide to study for the Certificate in IR?

Despite my in-role experience working in IR, I felt there were some 'blind spots' in my expertise. While I was confident in my financial acumen given my background, I felt that in some areas such as the regulatory environment I could benefit from taking a structured approach to furthering my education as an IR professional. The IR Society qualifications are well respected in the profession, and given that I am UK-based but working for a truly global company, with a listing in France, the International Certificate in IR seemed perfect for my situation.



I wanted to broaden my knowledge of investor relations outside of what I had learned so far during my time at Kingfisher.

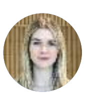
It came down to confidence to be honest. As our offering and practise has grown, so has the level of support we've been able to offer our clients...and quite quickly you find yourself in a room of senior executives and lawyers debating the right course of action. While we had confidence in our experience and counsel, the CIR was able to offer us the very latest in industry discussion around likely regulation and disclosure rules, for example.

> “I no longer wash over the financial regulation updates in the press, but I’m interested in the discussion”

We deliberated over which certificates to sign up for and felt that the CIR was well-rounded, well-networked and offered an effective programme that covered all bases while being possible to study in only a couple of months.

How did you find the process of studying for the Certificate in IR?

The study guide is comprehensive and broken down into chapters that are well organised by different subject areas. I found it particularly interesting to consider the role of an IR professional through these differing lenses – some where I had a good level of existing knowledge, and others where I benefitted from learning new approaches and considerations. The online mock exam allowed me to test my knowledge retention and understanding, preparing me fully for a successful attempt at the final examination.

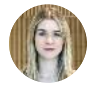


It was very helpful to be able to access the mock exams to have a better understanding of how the content is being examined. The study materials gave a good overview of each topic and there are some areas which I found particularly interesting and will be looking to gain more insight into through courses offered by the IR Society.

I really enjoyed it, more than I’d expected to. It’s hard to justify studying when it detracts from your day-to-day activity, however the study guide and the recommended in-person training was very manageable in only a couple of months. It was a real plus being able to attend the in-person sessions for some of the ‘drier’ subject matter and for that I’m ever thankful. Now when I think of market conduct and formal reporting obligations, I’m reminded of the examples shared by the IR Society or by the in-house teams in the room, rather than a sea of acronyms that have the very real potential of merging into one very unhealthy and forgettable alphabet soup.

Has the knowledge gained from the CIR been useful in your day-to-day job?

Absolutely. The role of IR is always evolving and it is important that we as IR professionals evolve with it. I have been able to bring new perspectives to my day-to-day work, and I certainly feel that I now have a more rounded knowledge base to draw from when faced with the different situations we encounter through our professional lives. Perhaps the greatest benefit of the ICIR is not so much any individual fact or piece of information, rather a wider 360-degree view of everything that IR encompasses, giving greater context to the challenges and opportunities that come our way.

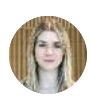


The knowledge gained as a result of having completed the CIR has been helpful in providing me with a stronger understanding of why we, as an IR team, do certain things in a certain way – e.g. due to reporting regulations or requirements of a listed company.

As a business, we have advised on a number of transactions and financial communications strategies for FTSE firms and start-up businesses alike, so while the CIR wasn’t necessary to grow that practice, it offered us the confidence, the network and the latest developments on all things investor relations from MiFID II to ESG benchmarking. It’s meant I’ve strengthened relationships, found my areas of interest and developed those areas of interest into individual offers at Hanover. I no longer wash over the financial regulation updates in the press, but I’m interested in the discussion and am continually looking to upskill in those areas. I’ve since joined the IR Society as a member as it offers a useful breadth of training, events and webinars to keep up-to-speed on latest developments in IR.

What would you say to anyone who was thinking of studying for the Certificate in IR?

I would recommend the Certificate in IR for all those making their way in the profession, particularly those coming into the function from different backgrounds. The ICIR specifically lends itself to those, like me, who are working in listed companies registered outside the UK. It can form an important step of ongoing professional education as we each look to best prepare ourselves for the challenges of the future.



I would recommend completing it early on in their IR career. There is a lot of interesting and helpful background to the role of investor relations, which you can either hope to learn at some point – or be sure you are aware of from the very start, thanks to the CIR.

If you have an interest in IR or financial communications, go for it. While IR is only a small part of my job as a corporate communications specialist, the fact that you can study for the CIR quite quickly makes it worthwhile. It provides you with a well-rounded offer at whatever level you are in IR from which to either develop your IR interests or specialise. We had some really experienced IR professionals in the room and everyone learnt something … often IR is full of templates and ‘do this, it worked last time’ and the CIR is a useful exercise in thinking for yourself and developing your confidence. ■

Certificate in IR®

The CIR / ICIR is an internationally recognised qualification for the investor relations profession. It is suitable for anyone working in investor relations or related professions, or considering a move into investor relations, either in the UK or overseas.

The qualification allows successful candidates to demonstrate their knowledge of the financial and market environment, the regulatory and reporting requirements for listed companies and a sound understanding of the principles of investor relations, which will enable them to operate competently and safely.

What does my CIR/ICIR registration give me?

- Access to a comprehensive CIR or ICIR study guide (in PDF)
- Access to an online mock exam platform to take some practise test papers.
- 1 examination sitting – you may book a re-sit of the exam for a small admin fee (£50).
- An exam date and time of your choosing* – the exam can be conducted over Zoom, or in person at the IR Society offices.
- A 20% discount on selected supporting courses we recommend for your studies.
- Access to the monthly Policy Roundup & *Informed.*
- A CIR or ICIR certificate when you have passed the exam.
- The use of CIR or ICIR, and the relevant logo, after your name to indicate you have passed the qualification.
- Your name and company will appear in our next edition of *Informed.*

* *Monday to Friday, 9am to 5pm (UK time)*

CIR and ICIR revision course dates

We will be running regular revision courses for both the CIR and ICIR study guides. The CIR revision dates will be April 23rd, June 25th, September 24th and December 5th. The ICIR revision dates will be either July 23rd or July 24th.

The International CIR (ICIR)

We offer an international syllabus of the CIR which captures the essential elements common to international markets. The CIR and ICIR is currently run in the UK, Denmark, Hong Kong, Indonesia, Latin America, the Middle East (CIRO), the Netherlands, Romania, Spain and Sri Lanka.

THE PROCESS FOR TAKING THE CIR/ICIR

STEP 1 – REGISTER: Register on our website and pay online

STEP 2 – WELCOME: Receive a welcome letter and access the candidate zone

STEP 3 – ACCESS: Download study guide and access mock exam platform

STEP 4 – STUDY: Self study and attend supporting courses (optional)

STEP 5 – EXAM: Sit final exam online or in person

STEP 6 – QUALIFY: Receive certificate after successfully passing the exam

SUPPORTING COURSES TO ATTEND

IR regulation and compliance essentials

This one-day course provides an analysis of current legislation and forthcoming changes.

Demystifying company accounts and valuations

This two-day course provides the foundation knowledge needed to understand a set of accounts and be able to answer questions from analysts, investors and the financial press.

CIR/ICIR revision course

This one-day course will focus on key sections within the study guide to prepare you for your final examination

"I would recommend the Certificate in IR for all those making their way in the profession, particularly those coming into the function from different backgrounds"

For further information on the CIR/ICIR please download our brochure from our website or contact Tara Mitchell at tara.mitchell@irsociety.org.uk.

Diploma in IR®

The Diploma in Investor Relations (DipIR®) is the senior level qualification from the IR Society. Developed by expert IR practitioners and educational organisations, the Diploma will equip delegates with the skills, tools and expertise they need to become leaders in our profession.

Who should consider the Diploma?

Each candidate will be considered on their own merits. In general, however, it is expected that Diploma candidates will be members of the IR Society, will have successfully completed the IR Society's Certificate in Investor Relations (CIR) qualification and will have a minimum of five years' experience in IR or a related profession.

What is the process?

Candidates will complete an application form and if successful they will be registered for the next available intake.

How is it examined?

Diploma candidates will be examined on three modules and attend two compulsory half-day courses:

Modules:
- Principles of IR Module
- IR in Practice Module
- Presentation Module

Half-day courses:
- Ethics Course
- Revision Course

Candidates will sit two three-hour essay-based exams which will assess their skills, knowledge and experience across the compulsory topics and at least three of the optional topics shown in the syllabus. The exams will also assess familiarity with the UK's legislative and regulatory environment and corporate governance standards, and detailed knowledge of best practice IR and how it adds value. Candidates will also be expected to demonstrate their ability to communicate clearly in writing, identifying and justifying their key messages, their management and leadership potential and their understanding of their company and industry.

The presentation module, where candidates will make a formal 15 minute presentation with Q&A, is designed to test the candidates' competency in some of the softer attributes required as they progress in their career, including gravitas, authority/presence, credibility, clear communication and presentation skills.

On successful completion of the qualification, candidates will receive a certificate and are entitled to put DipIR® after their name.

What does it cost?

The cost for the Diploma is £1,230 + VAT and this covers: Examination fees, two half-day training courses and support from an IR Society mentor.

Developing the Diploma for IR advisers

In the several years that we have been running our Diploma in IR (DipIR), we have had both IR advisers and in-house IROs participate in the programme together. We are now taking steps to better recognise the differing experience candidates have had, and are looking to tailor the 'IR in Practice' examination paper for each group. This will allow IR advisers in particular to demonstrate their expertise gained while working across a range of clients or sectors, while in-house IROs will be tested on their in depth understanding of the role within a corporate environment.

Please check our website for further details in including the criteria for candidates in terms of industry experience.

For more information on how to join the next cohort, or to request an application form please contact: Tara Mitchell, professional development executive, at tara.mitchell@irsociety.org.uk

Events calendar

Upcoming IR Society events for 2024

Take a look at a selection of our upcoming events, open to IR Society members and professionals across the industry. For the latest information and for bookings, see irsociety.org.uk/events and if you have any questions, contact the IR Society team at enquiries@irsociety.org.uk

S&P Global Market Intelligence

S&P Global Market Intelligence is pleased to sponsor The Investor Relations Society's 2024 Events Programme.

Apr 18 • 8.15am-9.45am

IR networking: IRO breakfast
Central London
This is designed to allow IROs to share ideas and engage in peer group discussion in an informal environment. The event will be attended by in-house-IR practitioners along with a member of the IR Society board and executive team.

May 14 • 8.15am-9.45am

IR networking: Senior IRO breakfast
The Wolseley City, 68 King William Street, EC4N 7HR
This is designed to allow senior IROs to share ideas and engage in peer group discussion in an informal environment.

May 16 • 12pm-1pm

Masterclass: Practical skills for IR teams
BAT, Globe House, 4 Temple Place, WC2R 2PG
This IR Masterclass will cover the practical skills needed to successfully run your IR programme from IR Strategy and content creation to data and feedback

May 20 • 12pm-1pm

Webinar: Digital communications for your IR strategy
Online
As established digital communication channels continue to shift to address the needs of all stakeholders, this webinar will focus on the opportunities digital communications and social media can offer IROs.

Jun 12 • 8am-6pm

Annual conference 2024:
IR: Moving the dial – Navigating a fast-evolving investment landscape
IET: Savoy Place, 2 Savoy Place, London, WC2R 0BL
The IR Society's Annual Conference for 2024, will cover the key trends, issues and opportunities facing Investor Relations, as IR practitioners lead the way and continue to shapeshift and adapt. This is against a backdrop of a variety of changes which are impacting key constituents of the investment community, including trends in the UK listing environment, the changing shape of asset management, as well as AI and innovation.

Jun 25 • 6pm–9pm

AGM and summer drinks
Central London
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