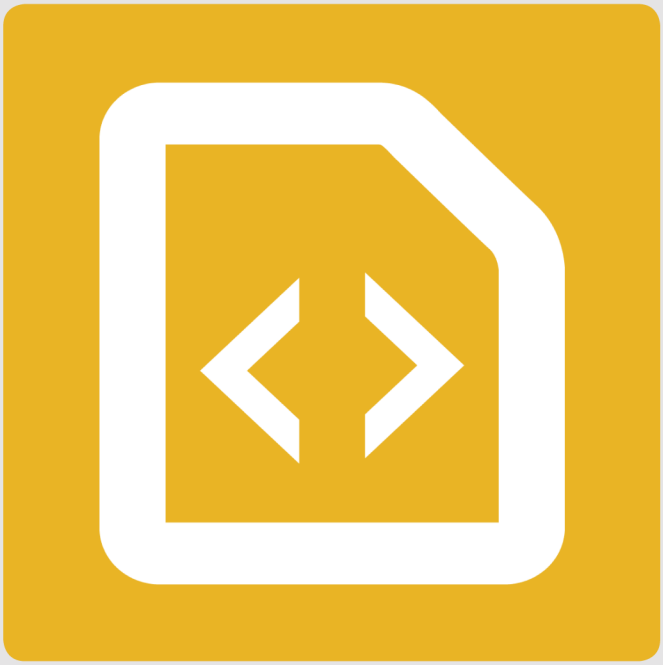
NEVIR Pedia



NEVIR

NEVIRPedia:
for the Investor Relations community
by the Investor Relations community;
the practical guide for all Investor Relations professionals

Contents

Listed companies

One of the most common reasons for companies going public, or -in other words- to get listed, is to raise primary capital to fund organic growth, repay debt or fund an acquisition.

Benefits and advantages of a listing

Besides access to the capital market, the benefits and advantages of a listing include:

- increased liquidity;
- brand recognition;
- professionalisation due to the high standard of corporate governance and financial reporting requirements;
- attracting talented personnel;
- creating a more diverse and international shareholder base (possibly in line with the activities of the company);
- transparency.

Disadvantages include the costs associated with a listing. Also a listing requires a relatively high level of transparency and frequent reporting which may be considered less attractive for some companies.

Requirements of a listing

A listing on the stock exchange requires a certain size of the company to justify the expense and to ensure sufficient investor interest. Companies use different sources of capital during the life cycle. Start-up firms are usually financed by the owner or other private capital. As the company starts to gain traction and grow revenues, in the early years financing increasingly will come from a combination of private equity and banks. It is not unusual for a company to be brought to the market by a private equity investor who is looking for an exit. In general, listed companies tend to be companies with more mature products, services and end markets.

Companies can also be taken private again (i.e. off the stock exchange). Examples of situations which may lead to a delisting include a take-over by another company as well as the case in which large shareholders or private equity firms make an offer for a company, because they see an opportunity to create more value, and hence decide to take that company private again.

Investor Relations in the Organisation

Investor Relations relates to interacting with the financial markets by providing strategic and financial information to enable investors to make a sound investment decision and to achieve a fair market value or stock price.

IR as a strategic management responsibility

Investor Relations (IR) is a strategic management responsibility that integrates finance, communication, marketing and securities law compliance to enable the most effective two-way communication between a company, the financial community, and other constituencies, which ultimately contributes to a company's securities achieving fair valuation. The term describes the department of a company devoted to handling inquiries from shareholders and investors, as well as others who might be interested in a company's stock or financial stability.

Embedding IR in the organisation

IR is primarily concerned with ensuring that the right company information is released in a fair and trustworthy manner to the current and prospective target audiences of the company. These are its shareholders and stakeholders, its investors (retail and institutional, domestic and foreign), as well as the analysts and media who comment on its performance. The types of information involved are strategic, financial and legal.

The IRO role

The IRO:

- must be aware of current and upcoming issues of his/her organisation;
- must be able to assess the impact on the stock-price;
- must act accordingly within the legal framework (corporate governance, publication laws, also see: www.afm.nl);
- must be accessible for investors and financial analysts;
- will work closely with the legal counsel on legal and regulatory matters that affect shareholders;
- will report to the CFO and have access to the Chief Executive Officer (CEO) and Chairman or President of the corporation and is therefore also able to communicate the broader strategic direction of the corporation and ensure that the image of the corporation is maintained in a cohesive fashion;
- often has a role in crisis management situations as, for example, corporate downsizing, changes in management or the internal organisation structure, and cases that can have a potential impact of legal liability claims awarded by courts, as these may consequentially impact the company's share price;
- stays visible and builds relationships;
- is factual in tone;
- focuses on the long-term story and balance sheet strength (as opposed to short-term earnings growth);
- answers concerns of investors;
- coordinates media relations and investor communications.

It is the responsibility of the Executive Board to ensure that the strategic decision-making process takes into account IR as well as to review and to approve the IR strategy itself. In addition, the Executive Board should provide regular input and feedback to improve the IR programme by sharing information on trends affecting the company and its industry, and if possible, share perspectives from other firms and the general context within which the company operates.

The IRO as linking pin

The IRO is a 'linking pin' with two roles:

- analyse the ownership structure of the company and identify how the company and its actions are perceived, making sure that the information regarding strategy, finances and any legal issues is disseminated appropriately so that the target audiences can make informed decisions on material matters;
- analyse audience feedback and update the Executive Board on how the market sees the company both in absolute and relative terms, absolute as far as decisions taken or announced are concerned and relative as far as comparing the company with its peers as a desirable investment.

IR is typically a department or person reporting to the Chief Financial Officer/soflink/0 (CFO). Most larger publicly traded companies have dedicated IR Officers (IROs), who oversee most aspects of shareholder meetings (See page67) , press conferences (See page6) , private meetings with investors, (known as "one-on-one" briefings), investor relations sections of company websites, and company annual reports (also see: IR Programme). The IRO is also often involved in disclosing the company's policy on corporate governance or corporate social responsibility.

IR Proposition

Equity and fixed income investors are generally looking for the same information about issuers regardless of the type of securities they are offering, the industry they are in - supplemented by industry-specific disclosures to aid in interpretation - or the types of securities they are selling.

What investors are looking for

Information investors are looking for includes: the issuers' market fundamentals and competitive position, business model, strategy and targets, governance, growth potential and risk profile.

Understanding the company

Investors are also looking for an in-depth understanding of the (underlying) financial performance, capital structure, working capital and required investments, and cash flow generation, while an increasing number of investors is also looking for disclosures on corporate social responsibility aspects.

Depending on their investment strategy, different investors will focus more on different elements of information disclosed.

Company Management

The CEO and CFO are, in principle, jointly responsible for determining the IR strategy of the company.

Depending on the size of the company, the IR team can comprise only the CEO and CFO up to dedicated departments headed up by the Investor Relations Officers (IRO) with a title such as Vice President IR (or any relating title).

Executive Board commitment

Senior bodies involved in formal disclosure policies include the Executive Board, specifically the CEO with respect to strategic development and the CFO with respect to the financial development, as well as the legal counsel. They are all involved in drafting formal disclosures, such as quarterly results publications, AGM preparation and materials, and announcements regarding changes in the (SB) Board or Executive Board.

The Executive Board needs to ensure that the IRO is involved in the strategic decision-making process, approves the IR strategy and programme and monitors it on a regular basis. An effective IR programme requires involvement and time of the Management Board, including time for preparation, road shows and presentations. It is advised that the IRO makes efficient use of management's time for two reasons:

- not to waste management time; and
- not to create the impression externally that management has ample time to spare.

Facilitating IR at Executive Board level

In order to make efficient use of the Board in IR activities, it is important for the IRO to organise meetings:

- well in advance, as management's calendars fill up soon;
- for new, potential investors, taking into account that they can possibly first meet with the IRO only;
- whilst contemplating whether to postpone a road show in case a broker would not be able to plan enough meetings for that road show;
- for which management is prepared well in advance, and know who they are going to meet, including maybe critical investors and assess if do they have an axe to grind etc.;
- ensuring that management always gets a feedback report from a road show.

Role of Supervisory Board (SB) or the Board

The members of the SB or of the one-tier Board are not involved in the day-to-day execution of the IR programme; i.e. they are not in contact with the investors in the company. In most cases they will be informed by the Executive Board with respect to the sentiment in the market regarding the company. In some cases, the IRO will have direct contact with the Chairman of the SB. In addition, in some instances it has been known that the Chairman of the SB has been in contact with large shareholders.

Affiliated Departments

When interacting with the investment community, the Executive Board needs to present accurate and actual understanding of all major issues and developments affecting its businesses. Be it legal, regulatory, accounting, product developments, IT, financial markets etc.

For the IRO, who is most often the person travelling and assisting the member of the Executive Board with these issues, this means he or she should know about all these issues and developments equally. The scope of the IR function is therefore incredibly broad based.

The departments of the company with which the IRO will work mostly are (in random order): treasury; legal; corporate secretary; finance and tax; business development (mergers and acquisitions or M&A, divestitures); communications; HR and the leaders of the major business or market segments.

Treasury

- Responsible for capital market transactions, such as equity issuance/buy-backs, stock splits etc. as well as debt issuance and placements;
- Manage short term liquidity management, financial/market risk management;
- Execute the dividend policy;
- Keep a close eye on share/debt price developments; and
- Are a great source for market intelligence as they maintain relationships with banks/brokers.

Legal

- Rules and regulation from being a listed company (exchange rules, Reg FD, disclaimers etc.);
- Product or service regulation (financial sector, pharma, patents etc);
- Corporate governance;
- Litigation;
- Prospectus for capital market transactions etc.; and
- Strategic business development (M&A, corporate restructurings, etc.).

Corporate secretary

- Generally involved in the organisation of an Annual or Extraordinary General Meeting (AGM or EGM), which may for instance organising the location, logistics etc;
- Determining the Board Calendar, working closely together with the IRO, particularly with respect to all Investor Relations events;
- Usually the linking pin to the members of the Supervisory Board.

Finance/Tax

- Close cooperation to produce financial reports including narratives (Quarterly and FY);
- Internal sparring partner for analyst reports/models and questions;
- Development of additional financial disclosures; and
- Accounting rules and regulation (IFRS, financial impact studies).

Business Development (M&A, divestitures)

- Market positioning – Peer group performance and market analyses;
- Setting / developing corporate strategy;
- M&A transactions; and
- Market intelligence from their counterparts (consultants etc.).

Communications (if and when separate department)

- Organisational and operational aspects of press releases;
- Internal communications;
- General communications/disclosure policy;
- (Financial) Media relations;
- Media monitoring; and
- Annual report, sustainability/integrated reporting.

HR

- Say on pay, executive remuneration and explanation in the annual report;
- Hiring and firing of staff;
- Utilising human capital, talent development;and
- Corporate code of conduct, corporate values etc.

Business/market segment leaders

- Detailed knowledge about products/markets/local competitors etc.; and
- Input and feedback on what IR hears from analysts and investors.

Other departments

Personal assistants

- Making sure you can get to see the Executive Board between their busy meetings.

Drivers

- Delivering information packs to the members of the Executive Board (EB) when necessary, and possibly to bring and pick up people to and from airports.

Internal print/copy shop

- Help to print your final presentation versions etc.

IT

- IT support in certain circumstances, to enable the organisation to make presentations, press releases and other documents in time.

Staff

There is a clear link between external and internal communication. IR should be involved or involve HR and Communications to get the right information in newsletters, employee magazines etc.

Role of IR in internal communications

IR will usually facilitate support to distribute press releases internally (e- mail and intranet) right after external publication. Also, organising internal information sessions when needed (quarterly or bi-annual information session/ informal drinks with management) may be something that IR is closely involved in.

Clients and Suppliers

Clients and suppliers are important users of financial information regarding the company.

It is therefore advised that key account managers are assisted in providing the correct information by for instance having an updated corporate PowerPoint presentation at hand.

Competitors

Competitors will use your company information like you use theirs.

When a competitor makes a public announcement it is likely that you will be asked questions on their announcement, such as what will this mean for your (market) position, do you experience/ view this the same? It is therefore important that you keep track of your competitors continuously.

Corporate Governance

The Dutch Corporate Governance Code (see: http://www.commissiecorporategovernance.nl) contains principles and best practice provisions that regulate relations between the Executive Board, the Supervisory Board and the shareholders (i.e. the General Meeting of shareholders).

The Corporate Governance Code

Although the relations between the company and its employees (staff representatives) are regulated elsewhere, their interests should be taken into account as they form part of all stakeholders of the company. The Code is part of a larger system, together with Dutch and European legislation and case law on corporate governance, which must be viewed in its entirety.

The Code is an instrument of self-regulation, to influence the behaviour of Executive Board members, Supervisory Board members and shareholders, and is based on the principle, accepted in the Netherlands, that a company is a long-term alliance between the various parties involved in the company.

Board responsibility

The Executive Board and the Supervisory Board have overall responsibility for weighing up interests of all stakeholders of the company, generally with a view to ensuring the continuity of the enterprise, while the company endeavours to create long-term shareholder value.

Confidence, integrity, transparancy and supervision

If stakeholders are to cooperate within and with the company, it is essential for them to be confident that their interests are represented. Good entrepreneurship, which includes integrity and transparency of the Executive Board's actions, as well as effective supervision of their actions and accountability for such supervision, are essential conditions for stakeholder confidence in management and supervision. These are the two pillars on which good corporate governance is founded and which are the basis of this Code.

Corporate Social Responsibility

Corporate Social Responsibility (CSR) refers to companies taking responsibility for their impact on society, environment on social welfare. As evidence suggests, CSR is increasingly important to the competitiveness of enterprises. It can bring benefits in terms of risk management, cost savings, access to capital, customer relationships, human resource management, and innovation capacity.

Corporate citizenship

The term generally applies to company efforts that go beyond what may be required by regulators or environmental protection groups. Corporate Social Responsibility may also be referred to as "corporate citizenship" and can involve incurring short-term costs that do not provide an immediate financial benefit to the company, but instead promote positive social and environmental change.

CSR as part of Corporate Governance Code

CSR is also part of the http://www.commissiecorporategovernance.nl: as corporate governance is basically a set of principles to regulate the manner in which the Executive Board and the Supervisory Board should take account of the interests of the various stakeholders, including corporate social responsibility issues that are relevant to the enterprise.

CSR and Global Reporting Initiative (GRI)

The Global Reporting Initiative (GRI) (see: http://www.globalreporting.org) is a leading organisation in the corporate social responsibility or sustainability field. GRI promotes the use of sustainability reporting as a way for organisations to become more sustainable and contribute to sustainable development.

Company Management

The CEO and CFO are, in principle, jointly responsible for determining the IR strategy of the company.

Depending on the size of the company, the IR team can comprise only the CEO and CFO up to dedicated departments headed up by the Investor Relations Officer (IRO) with a title such as Vice President IR (or any relating title).

Executive Board commitment

The Executive Board, specifically the CEO with respect to strategic development and the CFO with respect to the financial development, the legal counsel and the IRO are all involved in drafting formal disclosures, such as quarterly results publications, AGM materials, and announcements regarding changes in the (SB) Board or Executive Board.

The Executive Board needs to ensure that the IRO is involved in the strategic decision-making process, approves the IR strategy and programme and monitors it on a regular basis. An effective IR programme requires involvement and time of the Executive Board, including time for preparation, road shows and presentations. It is advised that the IRO makes efficient use of management's time for two reasons:

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The members of the SB or of the one-tier Board are not involved in the day-to-day execution of the IR programme; i.e. they are not in contact with the investors in the company. In most cases they will be informed by the Executive Board with respect to the sentiment in the market regarding the company. In some cases, the IRO will have direct contact with the Chairman of the SB. In addition, in some instances it has been known that the Chairman of the SB has been in contact with large shareholders.

Investor Relations – Role and Definition

Investor Relations (IR) is a strategic management responsibility that integrates strategy, finance, communication, marketing and compliance with corporate governance to enable the most effective interaction between a company, the financial community and other constituencies, to ultimately contribute to a company's securities achieving a fair valuation.

Investor Relations

The term IR describes the department of a company devoted to handling inquiries from shareholders and investors, as well as others who might be interested in a company's stock or financial stability, as well as devoted to pro-actively positioning the company, its strategy and its investment proposition.

Responsibilities of the Investor Relations Officer (IRO)

The clearest single element of an IR programme should be keeping the market informed of developments and events that may influence the share price, in a reliable, consistent, comparable and transparent manner. Investor Relations must be strategic and proactive as opposed to tactical and reactive – giving shareholders sound reasons to buy and hold stock or not depending on their individual risk appetites and time horizons.

Consequently, the IRO:

- needs to have a detailed and thorough understanding of the business in order to be a sparring partner for the company's investors;
- will generally have to be better informed than anyone else in the company on what information analysts and investors require of the company and on what their views are on the company;
- needs to be able to operate on a level playing field when dealing with questions/remarks from the investing community;
- needs to have full support from the Executive Board;
- needs to dare speak up to the Executive Board when needed;
- performs a balancing act;
  1. the IRO plays the role of the trusted internal advisor/coach, and
  2. the IRO is the single person echoing the critical views from the investment community (to the Executive Board).

The IRO is responsible for:

- identifying those issues that are necessary to address in presentations of the company, and to inform management about these issues;
- setting up an annual calendar of events to meet with the shareholders of the company (preferably on location, by means of road shows), potential investors and regular meetings with analysts (both sell-side as buy-side);
- organising these meetings, which are scheduled best around the annual and semi-annual results publications;
- maintaining broker contacts. It is advisable to rotate brokers, i.e. not to go to the same location with the same broker year after year;
- keeping track of the investor base (this can be done with the assistance of tools, such as databases provided by external companies) and to inform management about this
- analysing market and company data (also in comparison to its peers);
- ensuring that information about the company is disclosed transparently, comparably, consistently and reliably (also see:http://www.afm.nl).

The IRO needs to prepare quarterly result publications. This includes:
- drafting the press release/writing (parts of) the annual report;
- drafting the key messages;
- preparing questions and answers (the 'Q&A');
- making the PowerPoint presentation to reflect the main messages. It is advisable to keep slides succinct and visual; f.e. by using pie charts, graphs etc.;
- writing the script for the investor meeting/call in which the script refers to the IR PowerPoint presentation ('take them through the main slides containing the key messages');
- rehearsing the script/presentation with the CEO and CFO to ensure smooth delivery of the messages.

Furthermore, the IRO is responsible for (arranging):
- contacts with research analysts (both sell side and buy side);
- private meetings with investors, (known as "one-on-one" briefings);
- shareholder meetings;
- analyst meetings and press conferences;
- investor relations sections of company websites;
- company annual reports;
- corporate governance;
- corporate social responsibility;
- coordinating media relations and investor communications ('The story is the business, not the stock price').

Reputation Management

The prime responsibility of the Investor Relations Officer (IRO) is to keep the market informed of developments and events that may influence the share price, in a reliable, consistent, comparable and transparent manner. Increasingly, the IRO also needs to be aware of the overall reputation of the company/organisation and his/her role in managing the reputation

Reputation Management can be defined as: those activities performed by an organisation aimed at creating or maintaining a certain sentiment regarding the company by the public. Reputation Management involves the process of identifying what is being said about the company by external parties and –consequently or accordingly– taking steps to ensure that the general consensus is in line with the company's goals. Reputation Management can be considered an important element in the Corporate Social Responsibility strategy of an organisation. Although close collaboration with the Corporate Communication department is a prerequisite for good Reputation Management – effective Reputation Management needs the support and commitment of the Executive Board.

The Investor Relations (IR) Team

IR needs to be embedded well in the organisation's culture. This entails that the Executive Board recognises that IR is important and allocates time and resources to the IR programme and its execution. It also requires some vulnerability on the side of the Executive Board: the willingness to listen to criticism from investors and the ability to address these issues and if so required, to dare to change.

The IR department and/ or officer

IR (a department or person, the Investor Relations Officer or IRO) generally reports to the Chief Financial Officer (CFO). IROs will usually also have access to the Chief Executive Officer (CEO) and Chairman or President of the corporation to be able to communicate on:

- the company's financial strategy;
- the broader strategic direction of the corporation;
- a well-founded positioning of the company.

The IRO will also work closely with the legal counsel on legal and regulatory matters that affect shareholders, such as:

- legal liability claims and the consequential impact on the company's share price;
- crisis management;
- corporate downsizing;
- changes in management or internal structure;
- product liability issues;
- industrial disasters.

Internal IR

In order for an Investor Relations programme to be successful it is imperative that the investment story is supported by management and senior officers of the organisation. It is therefore advised to confer with management of subsidiaries/operating companies when preparing an IR presentation to ensure buy in.

Internal aligment of company positioning

The public positioning needs to be aligned with the internal situation. Management of subsidiaries/operating companies have – similar to the members of the Executive Board – multiple external contacts and relationships who are all interested to hear about developments of and in the organisation. These managers therefore need to be aware of the storyline and focus of the IR programme and they need to be up to date on which information has been made public and which information is still confidential.

Internal IR sessions

Scheduling in regular internal IR sessions with the relevant target group of managers needs to be part of the IR programme. In addition, it is not unusual that management of operating companies is requested to present their business during capital market days. This can be achieved more easily if the IRO and the IR team have worked well on internal IR.

Equity IR

Investor Relations (IR) is a strategic management responsibility that integrates strategy, finance, communication, marketing and compliance with corporate governance to enable the most effective interaction between a company, the financial community and other constituencies, to ultimately contribute to a company's securities achieving a fair valuation.

The term IR describes the department of a company devoted to handling inquiries from shareholders and investors, as well as others who might be interested in a company's stock or financial stability, as well as devoted to pro-actively positioning the company, its strategy and its investment proposition.

Consequences of equity financing for communication purposes

When a company has decided on equity financing instead of on taking on a loan in order to expand its business, this means that the investor(s) providing the equity financing need(s) to be kept informed on the development and strategic direction of the company. The manner in which information is disclosed to investors is firmly regulated for stock listed companies to ensure equal treatment of shareholders which need to be able to make their own trading decisions on the disclosed information. Consequently, the substance of information disclosed is – naturally – also of great importance.

Informing equity investors

Equity investors need to be informed on all matters pertaining to the company which may be considered or expected to be price-sensitive, by means of a public announcement (a press release). The content of the press release should provide the investors sufficient information to make a well-founded investment or trading decision.

Debt IR

Companies finance themselves with both debt and equity. When a company funds itself by means of, for instance, syndicated loans from banks or through bonds, the focus and interest of these stakeholders will be slightly different than those of the shareholders of the company. Debt IR therefore focuses on the debt service capacity of the company predominantly.

Debt IR (generally together with Treasury) will also deal with credit rating agencies, which are also focused on the debt servicing capacity of companies.

Raising debt

Companies can also opt to go directly to the markets to attract funding, rather than to banks, as:

- it's a deeper pool of capital;
- generally companies can borrow on better terms.

Debt investor contacts

Debt IR therefore entails:

- maintaining relationships with debt investors (i.e. bond holders);
- providing information – although fully aligned with Equity IR - which is focused on the debt servicing capacity of the company (both regarding interest and principal).

Sometimes a conflict between shareholder and bondholder interests may occur, for example in the situation that a company makes a strategic acquisition financed wholly by debt. The IRO will need to address the two audiences separately with different focal points (strategy, growth and EBITDA development for shareholders, cash flow and debt servicing capacity for debt holders).

Investor Targeting

Investor targeting (or shareholder targeting) is the process used by companies to identify and approach appropriate (potential) institutional investors.

It is an essential part of shareholder identification (or shareholder ID): knowing who your shareholders are and therefore also identifying who are not. Investor targeting could be a means of 'filling in the gaps'.

Matching investors to the company

Typical in the process of investor targeting is understanding the investor's specialisation (or 'sweet spot') in order to match those investors that fit best with the companies' characteristics. Criteria that should at least be screened in targeting the right investor are industry sector specialisation, preferred stage of company development, preferred investment amount, investor risk profile and geography.

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Shareholder Identification

Shareholder Identification (ID) is at the heart of any Investor Relations programme. Knowing your company's shareholder base is the most important tool to conduct effective IR, proxy solicitation and/or governance campaigns.

It enables peer comparison and helps to identify different types of investors, including activists, hedge funds and other non-traditional investors. It also keeps senior management up-to-date on major ownership trends.

Tools to identify shareholders

There are several tools to identify shareholders:

Public filings

The public information provided by the Netherlands Authority for the Financial Markets (AFM): the so called public 'filings'. The first threshold for notifying the AFM of capital holdings and/or rights of control is 3%. The former (first treshold of) 5% is maintained as a second notification threshold. Relying on public filings alone provides a limited view. For Europe, public filings show approximately 50% of ownership at best.

Staying in contact

Daily contacts with investors and/or brokers from which information can be obtained.

Databases

Some IR service-oriented companies offer databases with information such as names of investors, fund managers, publicly available holdings etc. This can be considered as useful basic shareholder identification information.

Depositary bank information

Data from custodian banks can be obtained ('depotbankenonderzoek'). Compiling the information gives the company a fair overview of who its shareholders are and gives insight in size, geographical spread and type of investor (institutional, retail or private investors).

Most companies hire a shareholder ID specialist to uncover their shareholders once, twice or four times a year or, where legislation enables it (for example in the USA, UK and in France), on a continuous basis: to ensure that companies have the most comprehensive and up-to-date view of their shareholders.

Corporate Governance Act

With the Corporate Governance Act that came into effect in the Netherlands on 1 July 2013, a company may request intermediaries to provide the names and addresses of those investors (with more than 0.5% shareholding) for whom they administer shares together with details of their positions. However, this can only be done in relation to an AGM or EGM. Also see: http://www.rijksoverheid.nl/onderwerpen/corporate-governance/corporate-governance-code.

Coverage Base

The coverage base of a company relates to the number of analysts who regularly publish research as well as investment opinions on (or in other words: who 'cover') this particular company.

Analysing the company or stock

Financial analysts who cover a company often use spreadsheets and financial software packages to analyse company data, as they try to find and highlight trends, and generate forecasts. Based on their analysis, analysts generate financial forecasts for all companies they cover. Using the results and outcome of these models, they write analyst research reports and make presentations. They usually also publish recommendations to buy, hold or sell a particular stock.

Being on the analyst's radar screen

Many companies tend to publish a list of analysts who cover the company's stock in the IR section of their corporate website.

Analysts who cover a certain stock often follow certain business sectors, which means analysts who cover your stock will also closely follow (listed and non-listed) peer companies.

The analysts obtain information, amongst others by studying public records and filings by the company, as well as by participating in analyst meetings and conference calls with company management and senior company staff members.

It is essential to ensure that analysts who ask and need information from the company get equal and same-time (access to) information, all based on the principles of 'fair disclosure'.

Large versus mid to small-cap company coverage

Large-cap companies, generally by nature better-known than smaller companies, often have a larger analyst coverage of their stocks than mid to small-cap companies. Larger analyst coverage is likely to result in higher trading volumes.

Some investors believe that a company with a relatively high or large analyst coverage would benefit from more investment activity than a company that is less 'covered'.

To increase liquidity and trading volumes, mid- and small-cap companies therefore often try to increase the analyst coverage base for the company, for example by trying to get closer to a certain broker.

On the other hand; certain value investors may focus (and buy) securities with low analyst coverage because these securities are less visible and could be undervalued.

Perception Study

A perception study has become part of the standard IR programme for many public companies. It should highlight the good, the bad, and the ugly about a company's IR efforts and its reputation.

Conducting a perception study

A perception study is conducted among the financial community (financial analysts and institutional investors and sometimes the financial media). A perception study will identify the strengths and weaknesses/challenges of an IR department and benchmark the performance of the IR team against sector peers.

The direct feedback from investors and analysts can be used to improve the IR strategy as well as to pro-actively improve the quality of the IR programme.

Typical topics to look at

Subjects to be discussed in a perception study are business strategy (e.g. strengths & weaknesses), investment case, stock-related issues, performance of management and the quality of financial communication/ disclosure.

A perception study can be conducted qualitatively (e.g. telephone interviews) or quantitatively (e.g. questionnaire with closed and open questions), while a combination of the two is possible as well.

Using the output

The outcomes of a perception study will provide valuable information for fine tuning a company's messaging and IR strategy.

Annual General Meetings

Once a year, the shareholders of a listed company meet during the Annual General Meeting (AGM) of Shareholders.

AGMs and EGMs

The Annual General Meeting is typically the only time during the year that the shareholders as a group interact with the company's executives. If a company needs to resolve an official issue in the course of the year (e.g. the nomination of a Board member), it has to call an Extraordinary General Meeting (EGM).

Formalities of the AGM

It is mandatory to host an AGM within six months after the end of the financial year. In the Netherlands, the relationship between shareholders and executives is formally regulated in the Dutch Civil Code (Burgerlijk Wetboek). A company's articles of association may include further arrangements with respect to the AGM, particularly about the notice period regarding convening an AGM and about the voting process, but also on the locations where the AGM can be held.

Voting

The AGM is chaired by the Chairman of the Supervisory Board, or Chairman of the Board of Directors in case of a one-tier-board system. At the AGM shareholders vote on issues such as appointments to the company's board of directors, executive compensation and dividend payments in relation to the financial results of the company which are presented. Shareholders who do not attend the meeting in person are asked to vote by proxy, which can be done online or by mail.

Press Conferences

Press conferences form an integral part of the company's dissemination of (financial) information. Financial information needs to be disclosed to the media according to certain principles and regulations (also see: http://www.afm.nl) to ensure equal and fair treatment of shareholders.

Financial Public Relations (PR)

During an interactive financial press conference, the focus is on explaining the 'story behind the results', more so than just the formal regulatory disclosure requirements. The company is de facto the marketer of the company's shares on the capital market.

Press conferences can vary in form and content. Depending on the information to be distributed, a meeting following for example a press release could take the form of a full press conference inviting all financial journalists of national and regional newspapers and the news agencies.

One-on-one meetings between journalists of important publications and a company spokesman could be another way of explaining financial or strategic developments in more detail.

Financial communication in social media

Press meetings will not necessarily target social media. But especially on Twitter, there are users with a large group of followers and prestige, who could be important persons to target in financial communication as well.

Organising the press conference

There is no specific regulation prescribing the need to organise a press conference. A general criterion is the number of questions to be expected. Another reason could be the complexity of the subjects and issue to be disclosed. Finally, organising a press conference could be simply to strengthen relationships with journalists. A meeting with the press has to be prepared meticulously using key messages. Authenticity, transparancy and reliability (honesty) are essential.

Analyst Meetings

At an analyst meeting, members of the Executive Board (generally the CEO and CFO) of listed companies provide information about the company's historic performance and future prospects. For example, the company will comment on its reported results, give a strategy update or discuss a merger or large acquisition.

Most listed companies organise a face-to-face analyst meeting at least twice a year, when the company publishes its annual and semi-annual results.

Quarterly results call

For the Q1 and Q3 results updates it is common to arrange a conference call for analysts.

Other analyst meetings

Analyst meetings are one of the many ways companies provide information. The information needs of analysts differ from those of investors or the media. That is why most companies organise separate meetings for the different key audiences of the company.

Format of the meeting

An analyst meeting typically starts with a presentation by the CEO about the strategy and/or operational developments of the business, followed by the CFO who gives financial details. Often, the CEO wraps up the presentation.

Q & A session

After the presentation, there is room for a Q&A (Questions and Answers) session, for many analysts the most important part of the meeting.

Webcasting

At an analyst meeting, analysts are able to obtain information that helps them form a better founded opinion of the company. Share price sensitive information should never be given. To maximise transparency, most companies - especially the larger ones - make their analyst meetings available through a webcast (audio or video).

It is customary to post/publish the presentation together with the relating press release on the company's website in order to secure equal treatment of shareholders. This should be done prior to the meeting.

Roadshows

Investor roadshows are a fundamentally important part for an IR programme. Roadshows are a series of informative meetings that take place in key investor locations worldwide over a number of days in order to reach a wide range of current and potential investors.

A roadshow can consist of one-on-one meetings, small group meetings and larger group meetings (e.g. at a lunch or dinner).

Participating in the roadshow

Representatives of a listed company, usually management (CEO and/ or CFO) and the IRO, participate in the roadshows and are usually accompanied by the bank or broker that has organised the roadshow.

Purpose of the roadshow

During a roadshow various meetings are scheduled during which the company presents its publicly known strategy and key investment proposition and (potential) investors have the opportunity to engage with management regarding the strategy and the financials of the company and -if wanted- discuss (pressing) matters. During these meetings it is important that a company does not provide any price sensitive information. The main purpose for investors is to meet management in person and get a better (and more detailed) understanding of the company story and for the company to build a reliable reputation. Whereas the numerical homework is done by analysts, management must be able to show credibility and decisiveness during these meetings.

Occasion and frequency

Dutch listed companies usually schedule a roadshow following the publication of their (semi) annual results, these are the so called 'non-deal roadshows'.

IPO roadshow

In case of an Initial Public Offering (IPO) representatives of the company participate in road shows in order to arouse interest in the companies' securities. During these 'deal-driven' road shows potential investors are informed about the company's equity story. A roadshow by and large is regarded as critical to the success of the offering.

Conferences

One of the various ways for the company to get into contact with current shareholders and potential future shareholders is attending a (broker) conference. These conferences are organised by brokers and are often organised 'sector-specific'.

There are real estate conferences, insurance and banking conferences, tech conferences, food & beverages conferences etc. Various brokers also organise conferences specifically aimed at geographical regions and there are also for instance Dutch small and midcap conferences.

Aim of the conferences

The aim of these conferences is to bring together investors and investment opportunities in the form of listed companies. During these conferences companies can present themselves, sometimes for the whole audience during plenary presentations or during various one-on-one meetings that are set-up throughout the conference.

Capital Markets Days

Having regular contact with investors and analysts is important to a listed company. Many companies organise capital markets days, often off-season, to provide financial stakeholders the opportunity to meet management of the company, get more information on the company in general and usually a division in particular, or for instance an update on strategy. The company has the chance to show a broader perspective and also invite non-board members to give a presentation.

Choosing the venue, opportunity for site visits

A capital markets day can be held at the head office or any other venue, but as a capital markets day often has the intention to create a better and deeper understanding of parts of the business, many companies choose to take the investors and analysts on a site visit.

In addition to the presentations that are given during the capital markets day, the site visit often includes a tour of the plant, facilities or location at which the meeting is held. When abroad, site visits can be spread over more than one day.

Inviting analysts and investors

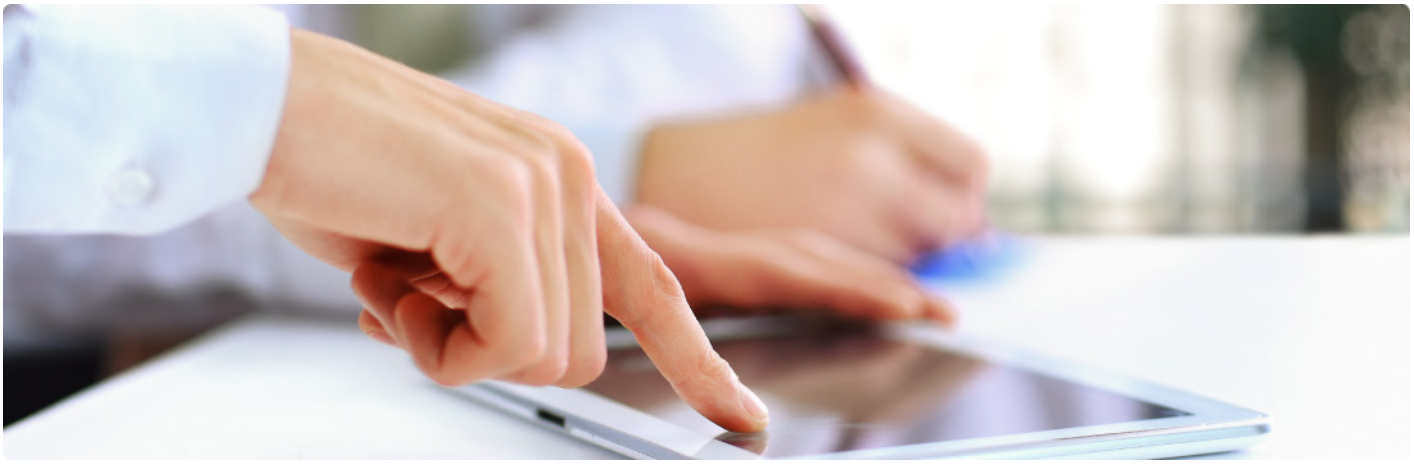
A capital markets day will typically be announced in advance, and the company can choose to invite both analysts and investors. Generally, investors are also invited to a a capital markets day , whereas when the company only plans to invite sell-side analysts it will be called an analyst day. Many larger companies hold a capital markets day annually, and webcast this through their website. It is common practice to post the (slides of the) presentations given on the website.

Issuing a press release?

If news or price-sensitive information will be disclosed during the capital markets day, it is obligatory to publish a press release upfront.

One-on-one meetings

Private meetings between management and/or the Investor Relations Officer (IRO) of a listed company and (current or potential) investors or analysts, are better known as "one-on-one" meetings.



Roadshows and one-on-one meetings

Whereas a roadshow consists of a number of organised one-on-one meetings during one or more days at a particular moment (e.g. after publication of results), individual one-on-ones can be organised, usually on the request of an investor, throughout the year.

Communicating with institutional investors, individual shareholders and the financial community is key to create a fair valuation of the company's stock.

A one-on-one is not an obligatory meeting, but an additional meeting to give investors more background to certain developments, results or strategy, which gives them a better sense of the company's direction.

During these meetings it is important that a company does not provide any price sensitive information.

Reverse roadshows

Reverse roadshows are, as the name suggests, the opposite of a traditional roadshow. Reverse roadshows involve a bank or broker taking (potential) investors and analysts to visit several companies, typically over two to three days.

Benefits of reverse roadshows

Reverse roadshows have obvious benefits for companies. They allow management teams to stay at home and meet a number of investors all at once. For investors and analysts, seeing various companies in a short period of time is a useful way to create a better understanding of their respective businesses.

Sales Force briefings

When releasing financial results and also on an ad hoc basis, it could be very beneficial for a public company to brief sales forces at investment banks (naturally with publicly available information!). These brokers speak to investors and prospects daily, so the IRO should make sure the sales forces are informed thoroughly and help them prepare for discussions about topical issues regarding the businessand its context.

Keeping the sales force meeting of interest to the audience

Naturally, presentations given during a sales force briefing should be informative, without surprising markets by releasing non-disclosed information. The presentation can either be done by the IRO or the CEO/CFO of a company.

Meetings could be on-site or online, depending on target groups and availability.

Price-Sensitive Information

Price-sensitive information is still confidential information that could influence the share price of a company. This information is therefore expected to have an influence on the investment decision of an investor. The information is specific, concerns the company and has not yet been made publicly available. At the moment the information is disclosed it may have an impact on the share price.

Disclosing price-sensitive information

A company that wants to disclose price-sensitive information in the Netherlands has to do so by means of issuing a press release. The Dutch Act of Financial Supervision (Wft - Wet op het financieel toezicht) deals with the publication of price-sensitive information (in section 5.1.a). There is no checklist available of what is and what is not considered to be price-sensitive. This also varies by company, sector, etc. There is no straight forward right or wrong and each case has to be assessed individually. It should be noted though that the AFM monitors whether companies disclose their price-sensitive information timely and accurately and that the AFM can take measures if companies have not done so.

The Market Abuse Act

The Explanatory Memorandum of the Market Abuse Act, the law that governs price-sensitive information cites a few examples and AFM provides a – non-exhaustive – list of examples of price-sensitive information. A company can delay the dissemination of price-sensitive information, but only under strict rules. The confidentiality of the information has to be guaranteed during the deferment. An investor that has access to information about for instance a negative profit warning from a company, can use that information to his advantage by already selling his shares for a good price as the rest of the market is not aware of this information yet. That is why trading based on price-sensitive information, is prohibited by law. This is laid down in the Market Abuse Act.

Insiders

Obviously there are people inside the company that need to have access to price-sensitive information, due to their profession/responsibilities. They are the so-called insiders and they have to oblige to strict rules that are included in an insiders policy. Also companies usually have a compliance policy which includes the rules on who can trade when in the shares of the company.

Corporate Announcements

Besides the (quarterly) financial results, there is a whole range of announcements that corporations are obliged to make or which they can choose to make public.

Information relevant to the company (story)

This can be price-sensitive information, but is not limited to this. In short, price-sensitive information is information that could influence the share price of a company and that is therefore expected to have an influence on investment decisions by investors.

Companies announcing price-sensitive information have to follow strict rules, such as distribution through a press release (Section 5.1a of the Wft).

Financial communication

Furthermore, companies can opt to disclose non-price-sensitive information, such as (small) orders, product launches, appointments, campaigns or surveys.

Financial PR or Investor Relations is not only about the obligatory information, but also about the corporate story that a company wants to share with its stakeholders.

These announcements will often be made public through a press release, but this can also be complemented or substituted through other methods of communication dependent on the company's profile and culture, the nature of the announcement and the target audience.

Guidance

´Guidance´ is the information and insight a company should provide with respect to its future results. As it is impossible to predict the exact result for the coming financial year, a public company provides its stakeholders with an outlook, for example the expected earnings per share (EPS) estimate for a specific period in the future (e.g. the next quarter or the next full year).

Disclaimer

It is customary and advised to always publish a disclaimer in conjunction with the company's outlook. Such a disclaimer is also referred to as a Safe Harbor statement. It is advised to co-operate with the legal counsel on such a disclaimer statement.

The outlook

In general, analysts and investors are not keen on surprisesand appreciate a realistic view on the future, based on a realistic assessment of opportunities and risks and on a realistic view of the manageability on macro-economic environment.

Managing expectations

Management and IROs should be aware of analysts' and investors' (implicit) expectations and the consensus estimate. Providing guidance on the 'building blocks', i.e. the underlying elements of the results, can be an effective way of managing expectations.

Based on the assumptions and guidance provided by the company on the different developments influencing a company's results, analysts and investors can make their own analysis and expectations for the results development of the company.

Consensus Estimates

When journalists write that a company has 'missed' or 'beaten' estimates they refer to the consensus estimate. The consensus estimate is a figure based on aggregated estimates of the analysts covering a listed company.

Use of consensus estimate information

While some analysts publicly announce their estimates or make them available to newswires such as Bloomberg and Dow Jones, many banks and brokers have a policy to not share their estimates with the general public.

Newswires will make their own consensus estimate based on the available estimates as well and report these consensus numbers before results are published. When the actual results are then published, the wire can quickly assess if the reported revenue and earnings are in line or above or below the analysts' expectations.

Importance of awareness

It is also important for the IRO to know the expectations of the analysts covering the company.

To obtain that information, an IRO can ask the various analysts that cover the company to provide their estimates by email several weeks before the publication date of the results. The IRO can then provide the consensus estimate in return.

Closed Period

Before a listed company announces its financial results it usually adheres to a so-called close or closed period. The close(d) period differs per company, spanning a few weeks period (e.g. three weeks or as of the first of the month following the preceding quarter) for quarterly results, and longer for annual results.

No inside(r) trading in close(d) period

The close(d) period is intended to prevent trading in company's shares by insiders before the publication of its financial results.

Insiders may be privy to information that is not yet in the public domain, which could be considered price-sensitive and may have an impact on the share price. Consequently, they are not allowed to trade in the company's shares (assuming they have shares in the company) prior to publication of the results. Besides the legal consequences for anyone who is involved in insider trading, it most likely will also have a negative effect on the reputation of the company. To help prevent this, a company has the obligation to compile an insiders' list of people that have access to price-sensitive information.

Those people who are on this list are not allowed to trade in the company's shares during close(d) periods.

Profit Warnings

Profit warnings are an adjustment to the publicly available expected results of a listed company. Profit warnings are therefore closely tied to a company's earnings guidance or outlook whereby the company's management informs investors and analysts about the expected continuation of its business and the expected earnings development of the company for the coming quarter or year.

Legal requirements regarding profit warnings

Investors and analysts use the company's earnings outlook to make investment decisions, adjust recommendations and calculate the expected earnings per share.

The manner in which the company provides their outlook and gives guidance varies from qualitative statements to quantitative guidance. If, at any moment in the quarter, a company realises that it is unable to meet its earlier disclosed guidance, it is required by law to issue a profit warning.

Dutch financial market authority AFM considers an adjustment to earnings estimates to be price-sensitive and therefore requires/soflink/0 companies to inform investors about this as soon as possible.

Usual timing of profit warnings

Typically, profit warnings come a few weeks before a new earnings release. This gives investors and analysts the time to adjust their expectations, but also allows companies the time to be certain enough of their new estimates.

If a company fails to issue a profit warning, the weaker-than-estimated earnings will come as a surprise and the share price reaction will be more severe. Such a situation will also call for regulatory interference, as the AFM should then investigate why a company did not consider it necessary to issue a profit warning.

Investors, meanwhile, will wonder the same thing and may decide to take a company to court over this.

Profit windfalls

Where profit warnings usually have an adverse impact on a company's stock price, the opposite is true for profit windfalls.

Companies that expect to beat their own or analyst expectations often remain silent about this until the earnings release. Whenthe company's results prove to be considerably above market expectations, the resulting spike in share price is not only good for investors on that particular day, but usually echoes through in the following weeks as well.

However, when the regulations are interpreted more strictly, a company should also report a positive profit outlook adjustment, and issue a press release ahead of the earnings release.

Annual Report

The Annual Report comprises the company's financial statements regarding the reported year and the management report which predominantly addresses strategy, corporate social responsibility, risk management and corporate governance. The annual report needs to be made public and accessible to shareholders and other stakeholders prior to the Annual General Meeting (AGM).

Requirements of the annual report

The management report is prepared by the directors of the company and gives a true and fair view of the current state of affairs. Details provided in the report are of use to investors to (better) understand the company's financial position and future direction. Listed companies are required to prepare and disclose an Annual Report. There are legal requirements for the Annual Report in the Civil Code (Burgerlijk Wetboek 2), as well as recommendations compiled by the Council of Annual Reporting (http://www.rjnet.nl/).

Annual report content

The Annual Report typically consists of two parts: the financial statements (including the balance sheet, cash flow statement, profit and loss/soflink/0 account, and notes to the financial statements/soflink/0) and the management report. The financial statements are mainly dictated by international accounting standards, and are usually compiled in compliance with IFRS/soflink/0 and/or US GAAP/soflink/0.

Management report

The management report, on the other hand, gives directors room to 'tell their equity story'. Companies can give their own interpretation on how to report about their investment case, their activities and operations, and risks involved in their operations, but most often the management report includes the following sections: Letter to Shareholders, Management Board report (or Review from the CEO in a one tier board structure), Divisional overview (if relevant to the business), Risk management, Governance, Auditor's report, Shareholder information.

CSR information

Other information deemed relevant may also be included in the management report, such as corporate social responsibility (CSR) reports. Some companies produce a CSR report alongside the annual report, but more and more companies have

integrated their CSR reporting in the annual report (i.e. being in line with the GRI guidelines).In December 2013 the International Integrated Reporting Council http://www.theiirc.org) introduced the International Framework for integrated reporting. This framework provides guidelines based on principles rather than detailed regulations.

Risk management information

In the past years the risk management section became more and more important: where it used to be part of the governance section, nowadays companies include risk management in their annual report as a separate section.

Usually this section includes a general introduction, a section explaining how the company manages its risks (organization, what framework, what control systems are put in place etc.), a list of main risks and how the company is mitigating these main risks. The risks are typically categorized by strategic, operational, financial and compliance risks.

Presentations

A presentation is used during various communication moments throughout the year. The IRO will frequently use a dedicated presentation as a communication tool in addition to a press release. It is for instance common practice to use a presentation for the publication of a company's quarterly results, during the Annual General Meeting for Shareholders (AGM) or for instance during road shows.

Investor presentation

Most companies have a so-called investor presentation that they continuously update, with the latest published results, the latest developments etc. This presentation is used for one-on-one meetings with investors throughout the year. It is regarded as best practice to make all presentations publicly available by publishing them on the company's corporate website.

Be aware that the presentation should in principle not disclose any information which has not been disclosed in the press release – despite the fact that the IR presentation will also be published.

Tips and tricks

Generally, an IR presentation is made with the intention to be able to show this presentation on a screen.
One should therefore take note of various 'do's and don'ts' in making presentations:

- make use of readable font (for the last row of the audience;
- do not put too much information on one slide;
- be aware of the colors used: are they visible at a distance?;
- use illustrations and graphics to liven up the presentation;
- be aware of the number of slides you wish to present - you can always add additional slides as addendum in the back end of the pack. A general rule of thumb is that one slide means three minutes of speech / presentation;
- consider presenting an agenda as slide 2 to 'guide' the audience;
- make print copies to hand out to the audience, with the possibility to make notes on the slides.

Corporate Website

A corporate website or corporate site is an informational website operated by a listed business or private enterprise. Listed companies need to have a corporate website. Not only is a site an essential marketing tool, a listed company is also required to post its press releases on its site, to provide corporate governance information, to provide information on AGMs and EGMs etc.

Building a corporate website

There are many companies/consultants to help out in building an effective corporate site, taking into account the investor relations part as well.

The following principles should be considered with respect to a corporate site:

- be aware of the audience of your site: it determines the style and substance of communication;
- the site is a 'living' community: the information provided on the site needs to be up to date;
- a corporate site is a source for company information: be aware that it has legal aspects to be taken into account;
- ensure a simple navigational structure: information should be accessible within three (at maximum!) clicks;
- make use of illustrations and graphics: make a site lively - the site gives a company 'a face', so be aware of this.

Providing information

Corporate sites provide information to the public about the company, its core activities, strategy, governance, financial results etc. Large companies typically maintain a single umbrella corporate site for all of their various brands and subsidiaries.

Corporate website content

Corporate websites usually include the following:

- A homepage;
- A navigation bar or other means for accessing various site sections, such as the section for Investor Relations;
- A unified look and feel incorporating the company logos, style sheets, and graphic images;
- An "about us" section with some or all of these:
  - A summary of company operations, history, and mission statement;
  - A list of the company's products and services;
  - A "people" section with biographical information on founders, board members, and/or key executives. It sometimes provides an overview of the company's overall workforce;
  - A "news" section containing press releases, press kits, and/or links to news articles about the company;
  - An "investor" section describing key owners/investors of the company;
- Pages of special interest to specific groups.These may include:
  - An employment section where the company lists open positions and/or tells job seekers how to apply;
  - Investor pages with the annual report, business plan, current stock price, financial statements, overview of the company structure, SEC filing or other regulatory filings;
  - Pages for employees, suppliers, customers, strategic partners, affiliates, etc.;
- Contact information. Sometimes this includes a feedback form by which visitors may submit messages;
- A terms-of-use document and statement of intellectual property ownership and policies as they apply to site content; and
- A privacy policy.

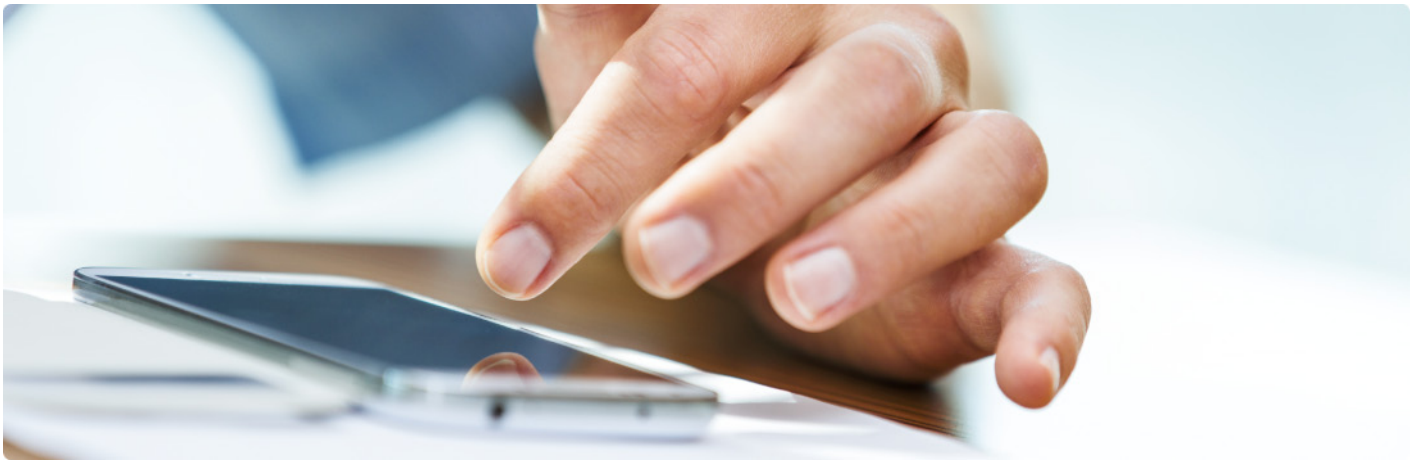
Best practices

As for the best practices on how to build and maintain a site: it is advised to consult a specialist on this to create a site that presents the company as required, is easily accessible through a well thought through navigation grid and presents the most important information in a user-friendly manner.

It is noted that however well-designed a corporate site may be, the quality of the content remains essential.

Financial Calendar

It is common practice to publish the financial calendar on the corporate website under the Investor Relations section - the level of detail varies by company.



Events

It is reasonable to publish the dates of the results announcements approximately a year in advance. The financial calendar of a listed company's website preferably should address the (dates of the) following events:

- Quarterly results announcements;
- Release of annual report;
- Dividend payment;
- Annual General Meeting;
- Organised roadshows;
- Major international broker conferences.

Publishing financial results

Financial results must be published within certain time frames, which correspond with the financial year of a company. Not for all companies does the book year align with the financial year. It is advised to confer with the legal counsel to ensure correct publication times.

In the event the financial year runs from January through December (i.e. the calendar year, which is the case for the majority of listed companies), the following regulations apply:

- Q1 trading update – must be published between mid-March and mid-May (more precisely - between ten weeks after the beginning and six weeks before the end of the half year);
- Half year results – within two months after the end of the financial half year (at last August 31st);
- Q3 trading update – must be published between mid-September and mid-November (more precisely - between ten weeks after the beginning and six weeks before the end of the half year);
- Annual results – within three months after the end of the financial half year (before end of March);
- Publication annual report – within four months after the end of the financial year;
- AGM – within six months after the end of the financial year.

For more information, see the website of The Netherlands Authority for the Financial Markets (/soflink/0).

Webcasts

Listed companies may wish to consider webcasting AGMs, management presentations of financial results and other management presentations. A webcast is an audio and/or video broadcast, either live or pre-recorded, of a physical meeting or event via internet.

Features

It enables you to make physical meetings accessible online to a live audience of tens, hundreds or thousands of viewers worldwide. This not only increases the number of people who can follow your meetings, but also provides you with a record of the knowledge shared during them, since a webcast can also be viewed and searched afterwards.

In addition to the audio and visual components, webcasts can also feature other relevant information such as PowerPoint slides of presentations which can be synchronised with the audio and video, agenda items and interactive options like 'Ask a question', live chat, polls or surveys.

Statistics

A webcast can be produced fully in line with an event's or organisation's house style. After the broadcast, detailed audience statistics are available, including viewing behaviour and geographical location. Other names for a webcast are 'web event', 'web lecture', 'virtual event' or 'live stream'.

A webcast is different from a webinar: a webcast is the broadcast of a physical event or meeting where a physical audience is present, whereas a webinar has a solely online audience and hence is often more interactive.

Mobile Apps

A mobile app is a software application that operates on a mobile device. By making use of the various options of the mobile device, calendar and GPS, a mobile app can provide a valuable contribution in the field of online communication.

Different mobile apps in use

There are different types of mobile apps: a web app, a native app and a hybrid app:

- A web app is basically a mobile version of the corporate website.
- A native app is specifically produced for mobile devices. The downloaded data can also be accessed offline.
- A hybrid app is basically a native app, but its content is mostly derived from the corporate website, and can be considered a combination of the native and the web app.

Presenting information via a mobile app

A mobile app presents information in a boxed fashion: it is conveniently ordered, portable and can be viewed everywhere. As more and more people use smartphones, the number of people accessing the internet through a mobile device is also increasing rapidly.

The behaviour of the mobile user differs from a desktop user. The latter is more investigative, looking for specific data, analysing it. The desktop user has a longer attention span than the mobile users. By comparison, one can generally say that a mobile user is snacking for information, while a tablet user is savouring his lunch, whereas the desktop user is preparing and consuming dinner. This can have an effect on how to present information for the various channels.

Investor Relations apps

The IR website is still considered the primary hub for digital communication. There are nevertheless more and more companies that offer an IR app. This app provides information that is specifically tailored to the financial community.

An advantage of having a native app is that for example annual reports, CSR reports and other information can also be accessed offline.

Social Media

The way we use internet has changed drastically. We spend more time on social networks than on the 'traditional internet'. Social media is not considered a hype any longer. Almost everyone is exposed to social media on a daily base. Social media refers to interaction among people in which they create, share, and/or exchange information and ideas in virtual communities and networks.

Corporate use of social media

People who talk about social media mostly refer to sites and tools such as Twitter, Facebook and LinkedIn, but there are many more and the number is growing each day. An increasing number of companies is active on social media. A recent study/soflink/0 by the European Commission found that Dutch companies are at the forefront in the use of social media.

Social media could contribute to the company's targets such as higher brand awareness, lead generation, customer satisfaction and product development. It is noted that social media are also a channel for disgruntled customers or shareholders to voice their negative opinions.

Over the past few years, companies' use of social media to communicate with members of the investment community has grown significantly and the use of social media by a company's Investor Relations departments is likely only to intensify in the future according to Bloomberg Law.

US regulations on social media

In April 2013, the U.S. regulator SEC issued a report/soflink/0 that makes clear that listed companies can use social media outlets like Facebook and Twitter to announce price-sensitive information so long as investors have been alerted about which social media will be used to disseminate such information.

Dutch listed companies may also use social media for the dissemination of price-sensitive information/soflink/0. This can only be done however after the information has been publicly announced via a press release.

Initial Public Offering

AnInitial Public Offering (IPO) is a type of public offering where shares of a company are sold to the general public, on a stock exchange, for the first time. Through this process, a private company transforms into a public company.

Raising capital through an IPO

IPOs are used by companies to raise new (expansion) capital - in this case new shares are issued - or as an exit for owners or early private investors, who sell their shares to the public.

Consequently, in the first case a company actually raises money, in the second case no money flows to the company as a result of the IPO process, it flows to the former owners.

Secondary offerings

In so-called secondary offerings, a company that is already listed can either issue new shares or sell additional shares of existing owners. An advantage of being a publicly traded enterprise is that acquisitions may be paid in shares. The increased name recognition that comes with a listing and becoming more attractive for employees are also mentioned as advantages.

Organising the IPO

Most companies undertaking an IPO do so with the assistance of external lawyers and an investment banking firm. Preparation includes an underwriting process by a syndicate made up of a group of investment banks.

The bank will help value the shares (share price), prepare a prospectus containing detailed information about the proposed offering and establishing a public market for the shares (initial sale). Although an IPO offers many advantages, at the same time, a listing carries a number of costs including the obligation to produce and disclose financial statements, adopt corporate governance codes and pay dividends.

Change-of-control situation

Finally, there is a possibility of a change-of-control.

Hostile Bid

A hostile bid is a bid against the wishes of the target company's management and is usually presented through a tender offer under which the acquiring company offers a substantial premium to current share price as it anticipates buying shares directly from shareholders.

A takeover or bid is perceived as hostile if (1) a bidder makes a bid on a company without discussing this with the target company upfront or (2) a bidder continues with its offer although it does not have the consent of the target company.

Public offer rules

Certain rulse apply to make a public offer; the Dutch public offer rules/soflink/0. Both the bidder and the target company need to comply with these rules in order to secure a transparent bidding process which is structured in an orderly fashion. However, according to these rules, informing the target company up front is not obligatory.

If the target company is not interested in a takeover by the bidder and the bidder wishes to continue without consent of the target company, the bidder continues in a hostile process.

A hostile bid or takeover can be accomplished in different ways. By an (by AFM approved) offer document in which the bid is elaborately explained. A bidder can also try to convince shareholders to act in concert in replacing current management of the target company in order to execute its plans.

Preventing a hostile takeover

Companies have different tools to prevent and/or postpone a hostile takeover. A company could buy back its own shares, find another bidder of its choice or in some cases use a protection measure/soflink/0, like preference shares.

Often, due to the large fragmentation of share ownership in large companies and the lead the management has in terms of knowledge, it is difficult for shareholders to stand up against management. The threat of a hostile takeover is often seen as an incentive for management to take action either way. A hostile bid, successful or not, can be seen in this context as economically beneficial by shareholders.

Crisis Communication

Crisis Communications is critical in effective crisis management, the systematic approach to deal with circumstances that could significantly impact the operations of an organisation.

Crisis communication and crisis management

It is relevant to make a clear distinction between the interaction between those involved in managing the crisis on the one hand and the communications about the crisis and the management of the crisis to all relevant stakeholders on the other hand. This paragraph focuses on the latter.

In order to manage a crisis as good as possible, it is important to provide as much clarity as possible to avoid speculations and misinterpretations that could easily cause additional damage to the company and its reputation. It is recommended to provide all stakeholders with updates on a regular basis. Attention should be given to the following critical elements;

Potentially conflicting interest of different stakeholders

The pressure of unexpected events could create a strong focus on the primarily involved stakeholders. Nevertheless the impact of the events, measures and communications on other (indirectly involved) stakeholders, should always be taken into account.

Making information available as soon as possible

However tempting it may seem, it is highly imprudent to try to hide certain information. One of the certainties of a crisis is that all relevant events will become public sooner or later. And in order to avoid unnecessary duration of the crisis and to keep as much control over the messaging as possible, it is critical to be able to take all relevant information into account when defining the communications approach and messaging.

Complying with all applicable rules and regulation

A crisis could confront an organisation with regulators that are nopt part of the traditional set of stakeholders. It is relevant to ensure full compliance with the new rules these regulators apply. Furthermore all existing rules and regulations remain applicable.

Preparation

A crisis always happens unexpectedly. Nevertheless: preparation – for the unexpected - is key. Do make sure that the relevant IR and communications officers are aware of the existing crisis plans and that the role of communications is clear and well understood to all involved parties.

Shareholder Activism

Shareholder activism refers to the way in which certain shareholders assert their power as owners of the company. Activist behaviour is a way for them to influence company management, and can range from dialogue with the company to voice concerns about certain issues, to formal proposals that are voted on at a company's annual general meeting.

Activist shareholder goals

By using an equity stake in a company to put (public) pressure on its management/soflink/, activist shareholders try to either reach their financial goals, such as increasing shareholder value/soflink/ through changes in corporate policy, financing structure, and cost reduction measures etc. or their non-financial goals, like adoption of environmentally friendly/soflink/ policies, (dis)investments in politically sensitive parts of the world and workers' rights.

It is often seen as a relatively cheap way to exercise rights as a fairly small stake in the company shares outstanding may be enough to launch a successful activist campaign.

Activist shareholder activities

Activism covers a broad spectrum of activities and includes private or public communication with company management, media publicity campaigns and blogging, putting forward shareholder resolutions, proxy battles, litigation, and calling shareholder meetings. Shareholder activism can also refer to investors who attempt to gain control of the company aimed at replacing management in the target companies.

Views on shareholder activism

Activists are generating significant attention from media by taking more sophisticated approaches to identifying their platforms and running their campaigns. Shareholder activists often invoke change in corporate boardrooms. In some cases shareholder activism is directed against other large shareholders, and not against the company or its management.

Shareholder activism is to some extent still considered controversial, as there is disagreement about how much power shareholders should delegate to company boards and when direct shareholder action becomes necessary and on what terms. Also, the nature of activism is changing, as new activism players appear whereas their tactics keep developing.

Capital Markets

Capital markets are financial markets in which market participants buy, sell and trade a wide range of different securities such as, for instance, equity, and debt securities, commodities, currencies as well as derivatives based on these securities. Any market flourishes by pooling buyers and sellers, resulting in increased liquidity and more efficient pricing.

Participants

Market participants include institutional investors (such as insurance companies, pension funds etc.), asset managers, hedge funds and retail investors (i.e. consumers who allocate their savings to investing in listed securities). Whereas in the past intermediates such as brokers, market makers and banks provided liquidity and smoothened trading, nowadays most trading is done by automated systems. An increasing part of the volumes is a result of increased program trading (via algorithms) and flash trading.

Primary and secondary markets

When companies or governments are raising funds through the issuance of equity or debt capital market securities, one talks about the primary market. On the primary market (where initial public offerings are done), each security can be sold only once. The process to create new shares or bonds is often lengthy due to legal and regulatory requirements.

In contrast, the secondary market is referred to as the financial market where the various market participants can buy, sell and trade securities.

Trading

Although the traditional stock markets such as http://www.aex.nl, the http://www.nyse.com (NYSE), http://www.nasdaq.com OMX and the http://www.londonstockexchange.com (LSE) are still important trading platforms, an increasing number of trades is executed on competing platforms such as Bats Chi-X and Turquoise and dark pools. Over the counter ('OTC') markets mean that two parties deal outside a regulated market.

Market monitoring

Capital markets are monitored to, among others, create a level playing field and to protect investors against fraud. In the Netherlands the financial regulator is the http://www.afm.nl (AFM or Autoriteit Financiële Markten). Its US counterpart, the http://www.sec.gov. (Securities Exchange Commission) is another well-known regulator.

Asset Classes

An asset class is a group of securities that have similar financial and risk characteristics, are subject to the same laws and regulations and behave similarly in the marketplace. The three main asset classes are equities (stocks), fixed-income (bonds) and cash equivalents (money market instruments). At times, real estate and commodities are also added as asset classes.

The most important assets classes are:

Equity

Shares or stock of listed companies or any other security representing an ownership interest.

Debt or fixed income (bond)

An instrument of indebtedness of the company (bond issuer) to the holders. The issuer owes the holders a debt and, depending on the terms of the bond, is obliged to pay them interest (the coupon) and in most cases to repay the principal at a later date. Debt securities include government bonds, corporate bonds, municipal bonds, preferred stock, collateralised securities and zero-coupon securities.

Commodities

Energy, raw materials and agricultural products which are tradable and physically deliverable. Commodities are traded physical or virtual. There are currently about 50 major commodity markets worldwide that facilitate investment trade in nearly 100 primary commodities. (see: http://en.wikipedia.org)

Real estate

One can invest directly in real estate (i.e. owning residences, commercial real estate, or agricultural land) which involves direct management of the assets. Indirect investment in real estate includes investing in real estate investment trusts (REITs) (publicly traded shares in a portfolio of real estate), for instance.

Derivatives

A derivative generally derives its value from the performance of an underlying entity, such as an asset, index, or interest rate. Derivatives can include forwards, futures, options, swaps, ETFs etc. (see: /soflink/0http://en.wikipedia.orghttp://en.wikipedia.org

Private equity

Equity capital that is not quoted on a public exchange. Private equity consists of investors and funds that make investments directly into private companies or conduct buyouts of public companies that result in a delisting of public equity. Private equity is more common to fund new technologies, expand working capital within an owned company, make acquisitions, or to strengthen a balance sheet.

Equity

Often a distinction between different types of equity categories is made. Once shares have been identified as a certain type of equity this facilitates the link to the right investor profile and investment style.

Types of shares

Generally, shares are typified as:

- Value shares: securities trading under their intrinsic value;
- Growth shares: securities of a company which is expected to grow at an above-average rate compared to its industry or the overall market;
- GARP (Growth At a Reasonable Price): A combination of value and growth investing;
- Index shares: shares that allow investors to have a stake in an index without having to purchase each individual stock that comprises it;
- Yield shares: Shares which have an interesting dividend yield (= annual dividends per share / price per share).

Debt

Debt markets are securities exchanges on which a company raises cash to finance short-term needs or long-term projects. An investment bank typically assists a firm in selling debt products, such as bonds and convertible bonds, on domestic and international securities exchanges.

Interest payments

A buyer of debt products, or a bondholder, receives periodic interest payments and, either in tranches or in 'bullet' (i.e. the total amount in one go) at maturity, the principal amount loaned.

Participants on Capital Markets

The main entities seeking to raise funds on the primary capital markets are business enterprises (companies) and governments (which may be municipal, local or national).

On the primary market (where initial public offerings are done), each security can be sold only once. The process to create new shares or bonds is often lengthy due to legal and regulatory requirements.

Capital market transactions

Most capital market transactions take place on the secondary market, on which institutional investors -such as pension funds, mutual funds, and insurance companies-, retail investors and investment banks trade on their own behalf as well as on behalf of hedge funds.

Institutional Investors

The term 'institutional investors' usually refers refers to large professional companies and financial institutions that invest in a wide range of financial securities.

Examples are:
- Insurance companies
- Pension funds
- Mutual funds
- Money managers

The IRO generally meets with the portfolio or fund manager and the buy-side analyst:

A portfolio manager has responsibility for its own portfolio or fund of selected securities, often specialised in a certain type of securities, a specific industry and/or a specific geographical area.The portfolio manager is frequently supported by an in-house research analyst, referred to as the 'buy-side' analyst, in order to give the fund manager an integral assessment and valuation of a specific security or industry.

Investment objectives

Institutional investors are organisations that hold and manage large amounts of money, frequently pension money or the collected insurance premiums. Institutional investors focus on maximising expected returns whilst minimising risks, as do many investors. Institutional investors, however, are held by certain rules and regulations (i.e. 'mandates') that serve to 'protect' the entrusted funds. For instance, besides the obvious financial investment criteria, other aspects could be influential / crucial in the investment decision, such as:
- Sustainability/ Economic Social Governance (ESG) / Corporate Social Responsibility (CSR)
- Geography
- Size and market cap

Investment styles and portfolios

Each institutional investor has its own 'mandate' according to which their portfolio is invested. The mandate may require a certain allocation between asset classes, and may also determine a focus on certain types of securities.

Investment horizon

The investment horizon of an institutional investor can be anything between very long term to short term, mainly depending on the objective and strategy of the investor. Investors with a long(er) term focus generally have a strategic view on a company and its markets and will require regular meetings with management for strategic and market updates, next to the market updates provided by brokers. Investors with a short(er) term focus may not want to be as involved in the strategic direction of a company, but will still require information from various sources (i.e. management, brokers, analysts) to make their investment decisions.

Retail Investors

Although the prime focus of the IR department will be on institutional investors, it is also important to pay attention to private investors. This group comprises of individual investors who allocate some of their savings to invest in listed securities for their personal account, rather than for a company or investment firm.

Compared to large professional investors, these investors typically have smaller funds available for investment and their investment process is less often professional and sophisticated. Another typical difference is the connection that a retail investor may have with a certain company or brand, for instance as an employee or as a customer of the company's products and/or services.

Collectively, retail investors can sometimes represent a substantial part the company's shareholder base, predominantly for smaller companies.

Types of retail investors

Retail investors can include:

- Employees and management; and for instance
- Investors who may feel strongly connected to the company's brand, its products and/or services.

Contacts with retail investors

For most quoted companies it is not feasible to maintain direct and individual relationships with retail investors. There are efficient and effective ways to maintain those relationships indirectly: through a group of organised retail investors (for study or leasure purposes), private banking relationship managers, presentations on conferences for private investors, articles (interviews) featuring company and management in dedicated magazines and dedicated websites for instance.

In the Netherlands, there are opportunities to address the retail investor base through organisations such as http://www.veb.net and http://www.iex.nl.

Controlling Shareholders

A controlling shareholder is an investor that has sufficient (voting) rights to exert influence on the management of a company. They are said to have 'control over the company'. Controlling shareholders may constitute institutional investors, but also individuals such as the founders of the company. These shareholders form a specific group.

Contacts with controlling shareholders

Usually the first point of contact with controlling shareholders will be the CEO or possibly the chairman of the (Supervisory) Board. In practice, the role and responsibility of the IRO in relation to controlling shareholders will vary and needs to be clear and discussed (and announced to the controlling shareholders) with the CEO/Chairman of the Supervisory Board.

Brokers

Brokers trade in securities of (stock listed) companies andexecute trading orders for their clients, investors, on a commission basis. In order to do so a license is required.

Brokers are a key intermediary between listed companies and the investment community and play an important role in dissemination of information on listed companies to investors. As such they are a key partner for an investor relations team and function as an extended arm and a sales channel in reaching the market.

Role of brokers

Brokers typically fulfill a role in:

Research

In-depth analysis by analysts of listed companies recorded in written reports that typically include a valuation and recommendation on a stock. Key point of interest for an investor will include the assumptions, risk assessment, valuation method, modelling and value drivers. Brokers will in any case provide research and acces and discussion to analysts to their best clients. Analysts employed with brokers (typically called sell-side analysts) will usually focus on a specific industry or segment (e.g. mid & small cap) and cover a certain number of companies. The analyst will primarily talk to investors that are sector specialists and/or buy-side analysts.

Sales

Sales plays a pivotal role in the dissemination of information by brokers. They are responsible for the account management of investors, which includes ensuring that each investor receives the information he or she wants and needs. Where an analyst takes a longer term view on companies and markets, sales also advise clients on more short term strategies. Smaller investors will have no or less access to investors and discuss their strategic view with the sales team. A sales person will be able to discuss a far larger number of (say 100 to 200) companies with an investor. A sales person will always refer key clients with more detailed questions to the analyst. The sales person will primarily talk to portfolio managers. In case of large, global industries, which typically require a number of analysts to cover the sector, some brokers have appointed 'specialist sales'. These are sales people who have specific knowledge on a certain sector.

Trading

Trading refers to the execution of trading orders.

Corporate Access

Investors value access to company management. This is provided by brokers through the organisation of roadshows, broker conferences and reverse roadshows. A reserve roadshow is a roadshow in which an investor travels and visits a number of companies.

Corporate Brokers

Corporate brokers help smooth relations between a company and its investors. Corporate brokers are an integral part of the London market and are not common in the Netherlands.

Outside the UK only a handful of companies have retained the services of a corporate broker. Other companies prefer instead to pick and choose advisers when they need them, and rely on their own in-house investor relations teams to manage relations with shareholders.

For further information also see: http://www.londonstockexchange.com

Liquidity Providers

Liquidity providers act as market makers and bring greater price stability. They can distribute securities to both retail and institutional investors.

A security is said to be liquid when it can easily be acquired or converted into cash, without having an impact on the price. Liquidity providers are usually appointed by small- and mid-cap companies for which the volume of trade in shares is substantially smaller than for listed companies with large market capitalisation of which the shares are more liquid. In addition, liquidity provision is not permitted for any of the equities included in the Euronext 100 Index.

Role of liquidity providers

Principle tasks of liquidity providers are to:

- protect against variations in volatility on the market;
- guarantee transactions at all times at the best price; and
- boost the volume of transactions in the Central Order Book.

In the bond market, liquidity provider agreements are signed between the relevant Euronext market operator and the liquidity provider. They are based on the applicable national governing rules, which differ depending on the method of listing and the type of issuer (e.g., government or corporation).

For equities, NYSE Euronext has identified two distinct profiles of liquidity provider activity—namely corporate brokers and dealers.

For further information on liquidity providers also see: http://www.euronext.com.

Issuers

Companies can raise funding, for instance through the markets by issuing equity (shares) or debt (bonds) in the market.

Debt markets

Debt markets are securities exchanges on which a company raises cash to finance short-term needs or long-term projects.

An investment bank typically assists a firm in selling debt products, such as bonds and convertible bonds, on domestic and international securities exchanges. A buyer of debt securities, or a bondholder, receives periodic interest payments and, either in tranches or in 'bullet' (i.e. the total amount in one go) at maturity, the principal amount loaned.

Rating Agencies

Credit rating agencies asses the creditworthiness of issuers of debt obligations, such as corporate bonds and sovereign bonds, but also non-listed debt such as credit facilities. Rating agencies provide credit ratings in which is the debtor's ability to repay and the likelihood of default are reflected.

The best-known and largest rating agencies are /soflink/0, /soflink/0 and /soflink/0. Rating agencies generate revenue from various credit rating-related activities. The issuers of the securities or the investors are generally the source of income for rating agencies.

Credit ratings and grades

The credit rating represents the credit rating agency's evaluation of qualitative and quantitative information regarding a company or government. The ratings are based on due diligence performed by the rating agencies who, in order to issue a reliable rating, must take a balanced and objective view of the borrower's operational and financial situation and capacity to repay the debt.

Credit rating agencies use letter grades to indicate ratings. The three largest agencies use AAA (Moody's: Aaa) as the prime rating description. For high and medium grade ratings, the agencies use AA+, Aa2 or varieties on these, going all the way down to ‚D' rating (default).

Rating adjustments

Credit rating adjustments have a substantial effect on financial markets, as they enjoy a high level of authority.

Trading

Investors have various styles of investing and use different horizons for their investment decisions. Some trade in indices, whilst others decide to engage in stock picking, selecting individual securities in certain markets for instance.

There are many categories, such as:

Index trading

Stock index options are options on an index comprising many stocks - not an option on a single stock – in order to be exposed to an entire market by means of one transaction (i.e. buying the index option). This is much simpler and less expensive than buying shares of all the companies that are part of the index group.

Trading in ETFs

Exchange Traded Funds or ETFs, also referred to as index trackers, are investment funds traded on the stock exchange with the aim to replicate the underlying stock index. The ETF fund consists of a predetermined selection of 14 stocks in one 'basket' and is traded through computerised programmes set to exactly replicate the benchmark (i.e. the index). The biggest advantages of an ETF are lower costs and large flexibility in buying and selling ETFs as they can be traded any time during the trading day.

Programme trading

/soflink/0Programme trading essentially entails that a trader has entered his orders directly into the market's computer system and that based on the predetermined conditions (and the triggers) these orders are executed automatically. This computerised trading is predominantly used by institutional investors and hardly ever by retail investors.

High frequency trading

High frequency trading is a kind of algorithmic trading, using computer algorithms to rapidly trade securities with the aim to make a profit by means of high volume trading with lower margins.

Block trade

In the event that an investor wishes to sell a large position in a company, the investor may turn to a broker to arrange a 'block trade' which is a privately negotiated transaction, which is traded outside of the stock exchange / electronic markets. In doing a block trade through a broker / investment bank, the volatility of the price can be managed better. The selling party will get an attractive price and the purchaser will be able to negotiate a discount off the market price.

Information for Investors

Equity and fixed income investors are to a large extent looking for the same information about issuers. Investors are interested in strategic, operational and financial information that will help them predict how the company may perform going forward.

Disclosure of company information

Information investors are looking for include the issuers' market fundamentals and competitive position, business model, strategy and targets, governance, growth potential and risk profile and profile of management.

Investors are also looking for an in-depth understanding of the (underlying) financial performance, capital structure, working capital and required investments, and cash flow generation, while an increasing number of investors is also looking for disclosures on corporate social responsibility aspects.

Depending on their investment strategy, different investors will focus more on different elements of information disclosed.

Whether information has a (potential) impact on the share price will depend on specific characteristics of the business model and the markets the company operates. Another item to consider is how newly disclosed information relates to previously provided data.

Disclosures to shareholders

There are a number of considerations to determine the level of disclosure to (individual) shareholders:

- All shareholders are to be treated fair and equal;
- Legal obligations regarding disclosure (timely, price-sensitive, material);
- (Controlling) shareholders may also be member of the (Supervisory) Board of a company, Consequently, they will have insider knowledge, but are also bound by insider trading rules;
- The IRO needs to treat carefully but firmly on guarding the processes around disclosure, but will need to do this in close collaboration and consultation with the Board;
- Controlling shareholders are indeed shareholders (who need to comply with and be treated according to the relevant regulations and governance), but they often also have a great strategic added value for the company.

IR contacts

IROs are in frequent contact with analysts (both sell-side and buy-side) who are interested in strategic, operational and financial information that will help them predict how the company may perform going forward.

Informing the market

Bearing in mind that the clearest single element of an IR programme should be keeping the market informed of developments and events that may influence the share price, it is good use to balance your information stream to markets on the aspects of visibility, consistency and credibility.

Elements of information that are taken into account consist of:

- (Corporate) Governance
- Remuneration methods
- Financial results
- Sales, EBIT / EBITDA, net profit
- Balance sheet: net debt, debtors, creditors, credit ratings
- Cash flow
- Financial covenants
- Business case
- Products and markets (geographical and demographic)
- Market share
- Competition
- Clients
- Developments / technology / innovation / trends
- Macro
- Economy in general: unemployment, GDP, mortgage application, consumer confidence, etc
- Company specific
- Management
- Personnel
- Organisational set-up and culture
- Geographic locations etc.

Shareholder Base and Investor Targeting

Generally, shares traded on stock exchanges are bearer shares, not registered shares, and as a consequence management does not know who the ultimate shareholders of their company are.

Shareholder identification

There are a number of possibilities to identify the shareholders in a company, and to consequently determine the shareholder base.

Directly

Through calls and during roadshows, the IRO can directly ask interested investors whether they are shareholder of the company and, if so, how many shares they own. Whereas some investors have a policy not to disclose such info, most investors have no problem providing this information or to give an indication.

Through official notifications

In many countries, investors are obliged to disclose a shareholding in a certain company if that shareholding crosses a certain threshold, either up or down. In the Netherlands for instance, shareholders are obliged to disclose their shareholding in a certain company it if crosses the following thresholds: 3%, 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%. This disclosure is done to the AFM, who will subsequently publish this ina public register on their website.

There is also a reporting obligation to the AFM if a shareholder has a shortposition which exceeds a certain percentage level of the share capital in a certain company.

In addition to these disclosures to a financial regulator some US based investors are obliged to fully disclosure their shareholdings periodically.

Finally, on the back of an increasing demand for more disclosure, some investment firms have decided to periodically disclosure their total public equity portfolio on their website.

Shareholder identification survey

The most thorough way to assess the shareholder base in the company, is to retain an advisor to conduct a shareholder identification survey. Such advisors have a large database of investors throughout the world whom they can approach on behalf of a company to request to disclose their shareholding in that company. Subject to the shareholder base of each individual company and the agency that conducts the study, shareholder identification surveys may identify well of 80% of the shareholder base.

For more information on investor targeting also see "IR Programme".

Auditors

A listed company is obliged to present its financial results on a quarterly basis. In the annual report, the listed company needs to disclose both the audited financial statements as the board report which includes the report on corporate governance issues. The relationship between a listed company and its auditors is therefore evident and important.

Auditors thoroughly check the accuracy of business records of companies; they need to ensure that records and statements by organizations are accurate and realistic and in accordance with the financial reporting framework.

Audit standards

The audit is usually conducted in accordance with the International Standard on Auditing (ISA) and/or GAAS (Generally Accepted Auditing Standards). These standards proclaim that auditors are independent in all matters related to the audit, are trained adequately and comply with the highest professional criteria when carrying out the audit and preparing the report.

Auditors review management, operations and financial reporting, assessing goodwill and evaluate the internal control systems. Finally, they sometimes check physical inventories, confirm accounts receivable and other accounts with a third party, and provide objective advice for improving financial reporting and internal controls.

Auditor's report

The so-called 'auditor's report' is a formal opinion, or disclaimer thereof, and serves as an assurance service in order for the user to make decisions based on the results of the audit. These reports are used to attract investors, obtain loans and improve the financial reputation of an entity.

Recently a "new style" auditors report is becoming increasingly common practice, containing more company specific and control specific elements, giving the reader more insight in the auditor's control activities and the companies' financial situation.

Legal Advisors

Most large corporates have an in-house legal department, headed by a legal counsel to provide counsel in all legal matters. However in some instances, a company will require the assistance of an outside legal advisor. In addition, it is at times advisable to obtain external legal guidance to ensure objectivity.

Legal advice in special situations

For instance, during an M&A (Mergers & Acquisitions) process or during an IPO process a company will need specialist legal guidance. In these processes the legal advisor plays a central role advising on all key aspects of the M&A or flotation process and the legal requirements of the company and its directors.

Corporate lawyers

In addition, corporate lawyers can provide advice on labour relations, employee contracts, tax issues and suits against the corporation. They also mediate in disputes over patents, employee injury, oversee contract signings with for instance suppliers of raw materials and advise about corporate management.

Local procedures and laws

Knowledge of comparable legal procedures and laws in the countries the company operates in, as well as comparable cases is crucial. Legal advisors apply the law to the companies' circumstances and accordingly keep the companies up to date on new business laws and regulations.

Broker Services

The prime responsibility of a broker is to bring buyers and sellers together. The work and advisory services of a broker complement and enhance a corporate's wider IR and communications programme. Generally, the relationship with a broker starts by having its research department ('the research desk') initiating coverage on a certain company. This entails that the research analyst will write (sell-side) reports on a certain stock.

Investor contacts

As brokers are talking to investors all day, every day, they have a good feel about the sentiment, movements and depths of the markets, they are the ones with the feet on the ground as it comes to questions, doubts and interests investors might have. With this, brokers have the tools and resources to reach the largest possible base of buyers. A broker can inform a (listed) corporate about details behind share development or movement in the market, give more detail about buyers or sellers in the market or how a deal was build up.

Broker role in listing process

During the listing process a (corporate) broker can provide listing sponsorship, research and/or promotional services to companies throughout the listing process. Once a corporate has been listed they can also act as a liquidity provider to protect the share against excessive volatility on the market, guarantee transactions at all times at the best price and boost the volume of transactions in the order book.

Broker role in roadshows

Corporates might decide, and often do so, to go on broker-sponsored roadshows. Next to testing the waters with potential investors and provide access to these parties, brokers can also help with logistics like flights, arranging drivers and accompanying management during meetings. This way corporate IR can focus on preparing management on the actual content of the meeting. After the roadshow brokers can facilitate an evaluation in which they include feedback of investors.

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Rating adjustments

Credit rating adjustments have a substantial effect on financial markets, as they enjoy a high level of authority.

Media

Financial media, but general and trade media as well, are important stakeholders to address in an IR and communications programme of a (listed) company as a means to reach (potential) investors. Building on media relations is a continuous process which is necessary to enable both qualitative and quantitative media exposure for a corporate.

IR media moments and contacts

In a normal annual IR cycle, the publication of the results is a typical moment in time for management to talk to the press. During the (semi) annual results publication, most listed companies, next to organising an analyst meeting, often also organise a presentation for media as well, sometimes even combined with the analyst meeting.

Media attention for reporting results

Some companies combine the two meetings (analyst and press), although this is not customary. During a press conference in which management elaborates on the reported results, journalists are often given the opportunity to ask questions and sometimes do a short one-on-one or longer interview. Prior to the meeting, a corporate can also organise a conference call with journalists of news wires in the early morning, this way steering messages shortly after publishing its results release.

Media Relations

Corporate IR and/or Communications are the designated parties to build and maintain media relations, not only in preparation for the results, but also throughout the year. This should preferably be a combination of both active and reactive contact and also involves talks with journalists to introduce the company to them by means of background information.

Financial PR Firms

Financial PR firms are independent public relations agencies hired by corporates to support them in developing and/or implementing (parts of) the companies' PR program.

Financial PR firms work closely with senior management of the company (i.e. the client), usually the CEO and CFO, and, if applicable, with the investor relations team when it has an in-house function. The audiences that a financial PR firm will engage with on behalf of its client are primarily the business media, sell-side analysts, private client brokers and, where required alongside the company's brokers, institutional investors.

Financial PR firms' support

Typically financial PR firms have extensive knowledge of and contact with the financial and business media. The agency will provide advice to its client to maximize the opportunities to communicate with the global marketplace.

Other areas in which a financial PR agency supports its client are among others the drafting of regulatory news releases and (financial) presentations, advice on corporate governance issues and communications advice during crisis situations.

Financial PR in corporate transactions

While most publicly traded companies have dedicated communication officers (corporate communications department), corporate transactions such as hostile bids or a reputation issue may require the support of a financial PR firm on an ad hoc basis.

Some of the services that financial PR firms provide are also offered by other financial advisors such as corporate brokers, registrars and IR consultancies.

IR Consultancies

In essence, IR consultancies are independent investor relations consulting firms hired by corporates to support them in developing and/or implementing (parts of) the companies' IR programme. IR consultancies can take the role of an IRO (in the event a company does not have a dedicated IRO) or support the IR team in the execution (and possibly in determining) the IR programme.

IR Consultancy Services

In essence the services provided by IR consultancies are in one way or another related to building, maintaining and/or improving the companies' relationships with its financial stakeholders.

IR consultancies can offer a broad range of IR related services to support the Executive Board or the in-house IR team on a retained basis. In addition there are specialised IR consultancies offering niche services such as share register analysis and targeting, road shows, sentiment surveys, in-house training and communications materials.

Support in corporate transactions

While most publicly traded companies have dedicated IR officers (IROs) who oversee most aspects of the companies' investor relations activities, corporate transactions such as mergers and acquisitions may require the support of an IR consultancy.

Some of the services that IR consultancy firms provide are also offered by other financial advisors such as corporate brokers, registrars and financial PR firms.

Annual Report, Website and App Consultancies

Annual report, website and app consultancies can support the in-house IR and/or corporate communications department of a listed company.

The amount of content that companies are required to produce and disclose is increasing and so are the channels through which information is publicly available: corporate websites, annual reports and mobile apps.

In order to easily create and review the information with a team during the process of drafting the annual report for example, software tools are available to create, update and publish this information simultaneously on multiple channels.

Annual Report consultancies

Each listed company has to produce an annual report each year. This process of developing a concept, deciding on themes, drafting texts and designing the report takes up quite some time. There are a number of specialised consultancies that can advise on and support in this process. Services vary from corporate writing, concept development, layout and digital solutions to one-stop-shops that offer full services.

Website consultancies

A corporate website with a dedicated IR section is also an obligation for listed companies. There are various agencies, from freelancers to large professional agencies, that offer website services, ranging from designing and building to content.

App consultancies

During recent years, consultancies specialised in specific niche services such as mobile apps and interactive annual reports.

Proxy sollicitors

A proxy solicitor is a specialist or company hired by shareholders of a company that searches for proxy voters to vote in place of shareholders. The aim is to collect a group of proxy voters to vote in line with the shareholders that hired the proxy solicitor.

Hiring the proxy sollicitor

An activist investor would need to contact dozens of individual shareholders, and keep track of the proxies that each shareholder submits. Proxy solicitors have the systems required to do this and have relationships with most of the largest institutional investors.

Hiring a proxy solicitor is often a last resort. Shareholders first try to have a constructive conversation with a company's board. Hiring a proxy solicitor can be expensive, so it will mostly be done when chances of achieving the desired outcome are high.

Proxy advisors

A proxy advisor is an independent consulting company that provides voting recommendations to institutional investors regarding their stakes in listed companies.

Voting services and research

Often a proxy advisor handles the actual mechanics of the voting process as well. Proxy advisors also provide institutional investors with research. These companies appear to have significant influence on voting outcomes.

Financial Regulation

Financial regulation is a form of regulation or supervision, which subjects financial institutions and companies active on the financial markets (i.e. listed companies) to certain requirements, restrictions and guidelines, aiming to maintain the integrity of the financial system.This may be handled by either a government or non-government organisation.

Aims of regulation

The objectives of financial regulators usually include:

- maintaining market confidence in the financial system
- contributing to the protection and stability of the financial system
- securing the appropriate degree of consumer protection
- reducing the extent to which regulated businesses can be used for financial crime purposes.

Regulators

There may be one of more regulatory authorities active in various jurisdictions.

Financial regulation for the Netherlands is in the hands of the /soflink/0Netherlands Authority for the Financial Marketshttp://www.afm.nl(Autoriteit Financiële Markten) or http://www.afm.nl, see: http://www.afm.nl.

In the United States of America, the two probably best known financial regulators are the U.S. Securities and Exchange Commission (http://www.sec.gov.) and the Federal Reserve System ("http://www.federalreserve.gov.").

Supervision of listed companies

Financial regulators ensure that listed companies and market participants comply with various regulations under the trading acts. The trading acts demand that listed companies publish regular financial reports, ad hoc notifications or directors' dealings.

The objective of monitoring whether listed companies comply with disclosure requirements is to ensure that all investors have equal access to essential and adequate information in order to make a well founded value and trading assessment of listed companies and their securities.

Supervision of stock exchanges and of financial services providers

Exchange acts ensure that trading on the exchanges is conducted in a proper manner. This may refer to pricing processes, trade, execution, settlement and efficient trade monitoring.

Banking acts lay down rules for banks which they have to observe. These acts are designed to prevent potentially system disrupting developments, thus ensuring a strong and efficient banking system.

AFM

The http://www.afm.nlhttp://www.afm.nlhttp://www.afm.nlhttp://www.afm.nlhttp://www.afm.nl ('Autoriteit Financiële Markten') supervises the conduct of the entire financial market sector: savings, investment, insurance and loans.

By supervising the conduct of the financial markets, http://www.afm.nl aims to make a contribution to the efficient operation of these markets. The http://www.afm.nl has been responsible for supervising the operation of the financial markets since 1 March 2002.

Role of AFM

The http://www.afm.nl is the independent supervisory authority for the savings, lending, investment and insurance markets. Also, the http://www.afm.nlpromotes the conscientious provision of financial services to consumers and supervises the honest and efficient operation of the capital markets.

In essence, http://www.afm.nl promotes fairness and transparency within financial markets and aims to:
- make the financial markets more accessible;
- promote the smooth operation of the financial markets; and
- maintain confidence in the financial markets.

The public, the business sector and the government all depend on the financial products offered on the various markets for many of their activities. Confidence in the fair and orderly and honest operation of these markets is therefore crucial.

The http://www.afm.nl is the successor of the STE (Securities Board of the Netherlands / Stichting Toezicht Effectenverkeer), which supervised all of the participants in the securities trade.

The current function-based supervision is divided into:
- prudential supervision, and
- supervision of market conduct.

Prudential supervision

Prudential supervision addresses the question of whether participants in the financial markets can rely on their contracting parties being able to meet their financial obligations.

The http://www.dnb.nl (http://www.dnb.nl, see: http://www.dnb.nl) is, after the merger with the Pensions and Insurance Board (Pensioen- & Verzekeringskamer) in 2004, responsible for prudential supervision.

Supervision of market conduct

The supervision of market conduct focuses on the question of whether the participants in the financial markets are treated properly and whether accurate information is disclosed in a timely manner. This supervision is the responsibility of http://www.afm.nl (see: http://www.afm.nl).

Investors, as well as other parties active in the capital markets, must be able to rely on the fact that the capital markets operate fairly and efficiently. The http://www.afm.nl supervision is designed to establish that companies operating in the capital markets provide timely and reliable information, and that auditors who have to assess the reliability of the financial reporting perform this task correctly. The http://www.afm.nl establishes whether the financial reporting is prepared in accordance with the correct standards.

The http://www.afm.nl conducts its supervision by means of inspections, enforcement and transfer of standards, and in so doing expressly monitors signals originating from the market and findings from its own control organisation.

If the http://www.afm.nl identifies any breaches, it can impose sanctions. It may issue instructions or public warnings, place institutions under undisclosed custody, withdraw licences, cancel or refuse registrations or file reports with the Public Prosecution Service. The http://www.afm.nl is also authorised to impose fines and orders for periodic penalty payments.

National supervision

The http://www.afm.nlsupervises the orderly operation and stability of the financial infrastructure. Together with DNB, the http://www.afm.nl aims at creating the preconditions for a financial system with manageable and transparent risks.

At a national level the two supervisory authorities in the financial sector, the http://www.dnb.nl and the http://www.afm.nl work closely together.

International cooperation on supervision

Most of the legislation concerning financial supervision is the result of choices made at not only European but also global level. The http://www.afm.nl tries to ensure that it is permanently represented in both European and global cooperative bodies that address issues relating to the supervision of conduct on the financial markets.

Internationally there are various associations and consultative bodies, the most important of which are the http://www.esma.europa.euhttp://www.esma.europa.euhttp://www.esma.europa.euhttp://www.esma.europa.euhttp://www.esma.europa.euhttp://www.iosco.org.

Thehttp://www.afm.nlalso works closely on a bilateral basis with a large number of its fellow supervisory authorities in other countries. The law allows the http://www.afm.nl the freedom to make written agreements with national and international supervisory authorities in the form of a covenant, a Memorandum of Understanding (MoU) or an Exchange of Letters.

Offences against regulation

If the http://www.afm.nl establishes that an offence has taken place, it can impose an administrative fine on the offender. Its powers to do this are based on various acts of parliament, most notably the:

- Financial Supervision Act ['Wet op het financieel toezicht', or 'Wft'],
- Pensions Act ['Pensioenwet'],
- Consumer Protection (Enforcement) Act ['Wet handhaving Consumentenbescherming'], and
- Audit Firms (Supervision) Act ['Wet toezicht accountantsorganisaties'].

The basic principle of the Wft is that all administrative fines are, ultimately, to be published, unless publication is or could be in conflict with the supervision to be exercised by the http://www.afm.nl regarding compliance with the Wft. The timing of publication depends on the offence. An administrative fine for a serious offence (category 3, or if the offence is so designated by law) has to be published without delay, meaning within five business days after the date on which the decision to impose an administrative fine has been notified to the offender. During these five days, the party concerned can apply for provisional relief.

Apart from administrative fines, the http://www.afm.nl can take a number of other measures in response to offences against regulations. These measures may include:

- instructive conversation on compliance with standards
- warnings
- public warnings
- notices
- orders for incremental penalty payments
- withdrawals or limitations of licence
- referrals to the Public Prosecution Service
- submission of disciplinary complaints (against an external auditor)

Stock Exchange

A stock exchange is a form of exchange which provides services for stock brokers and traders to trade stocks, bonds, and other securities. Stock exchanges also provide facilities for issue and redemption of securities and other financial instruments, and capital events including the payment of income and dividends. A stock exchange provides companies with the facility to raise capital for expansion through selling shares to the investing public.

Role of stock exchanges: raising capital for businesses

Besides making use of borrowing capacity, there are four common forms of capital raising in use. Most of these available options might be achieved, directly or indirectly, through a stock exchange.

- Going public, which means a company is being listed for the first time on a stock exchange;
- Limited partnerships, for which the cash-on-cash return must be high enough to entice investors;
- Venture capital is a common source of capital for start-up companies;
- Corporate partners refers to situations in which usually established multinational companies may provide capital for mostly smaller companies in return for marketing rights, patent rights, or equity.

Stock exchanges often function as "continuous auction" markets, with buyers and sellers consummating transactions at a central location, such as the floor of the exchange. To be able to trade a security on a certain stock exchange, it must be listed there. Usually, there is a central location at least for record keeping, but trade is increasingly less linked to such a physical place.

Initial (Public) Offerings

The initial offering of stocks and bonds to investors is by definition done in the primary market and subsequent trading is done in the secondary market. A stock exchange is often the most important component of a stock market. Supply and demand in stock markets are driven by various factors that, as in all free markets, affect the price of stocks.

Modern trading

Increasingly, stock exchanges are part of a global market for securities. There is no compulsion to issue or trade stock via the stock exchange itself. Trading can also be off exchange or over-the-counter, the usual way in which derivatives and bonds are traded.

In recent years, various other trading venues, such as electronic communications networks, alternative trading systems and "dark pools" have taken much of the trading activity away from traditional stock exchanges.

Modern markets are often electronic networks, which has the advantage of increased speed and reduced cost of transactions.

Euronext

Euronext was created in 2000 as the first pan-European exchange, spanning Belgium, France, the Netherlands, Portugal and the UK. Euronext operates regulated and transparent equity and derivatives markets, offering market participants a comprehensive range of services to meet their needs, including facilitating public offerings and providing trading facilities for equity and derivatives products. In 2013, through Euronext, more than €100bn was raised to finance the European economy, creating jobs and providing for growth.

NYSE Euronext

NYSE Euronext, Inc. was a Euro-American multinational financial services corporation that operated multiple securities exchanges, including the New York Stock Exchange and Euronext. In 2007, NYSE Group, Inc. merged with Euronext N.V. to form the first global equities exchange.

NYSE Euronext was then acquired by IntercontinentalExchange Inc., and was spun off through an IPO in June 2014.

NYSE Euronext is part of the S&P 500 index and the only exchange operator in the S&P 100 index.

Eumedion

/soflink/0 represents institutional investors' interests in the field of corporate governance and related sustainability performance. It is the objective of /soflink/0 to maintain and further develop good corporate governance and sustainability performance on the basis of the responsibility of institutional investors established in the Netherlands. Also see: http://www.eumedion.nlhttp://www.eumedion.nl

About 70 institutional investors currently participate. Together, they represent and manage more than 1000 billion Euros in assets. Consequently, it is important for an IRO to be aware of Eumedion and its recommendations.

Background

/soflink/0, an independent foundation, managed by representatives of participants, /soflink/0 wants to advance the acceptance of, and compliance with, generally accepted corporate governance standards by listed companies and institutional investors in The Netherlands and Europe in particular.

Although /soflink/0 has the legal form of a foundation, it has many features of an association. The Members' Meeting, for example, has a right to adopt the annual policy plan (including the budget) and a right to approve the annual accounts, the authority to grant the Board discharge from liability for its management every year and the power to dismiss the entire Board. Each member has one vote.

As of 2009,/soflink/0 has expanded its activities to sustainability issues in relation to corporate governance. Eumedion monitors listed companies on their ESG-performance and looks at risk management, remuneration, transparency and reporting.

/soflink/0/soflink/0 endeavours to improve corporate governance in the Netherlands by the following means:

- encouraging joint consultations between institutional investors, listed companies and their representative organisations,
- consulting with the Dutch government, institutions of the European Union, other relevant authorities and sectoral organisations,
- influencing legislation and regulations,
- providing services in the field of corporate governance to its members, and
- undertaking other activities, for example organising seminars, symposia and roundtables that advance the objective of /soflink/0.

Associated participants

/soflink/0 has three associated participants, so-called umbrella organisations for pension funds. The foundation is funded by annual contributions by these members' participants.

VEB

Dutch shareholders' association http://www.veb.net (http://www.veb.net, see: http://www.veb.net) represents the interests of investors. The association makes its voice heard through shareholders' meetings, in several media and via campaigns against demonstrable abuses in listed companies.

The http://www.veb.net has more than 48,000 members, including both retail investors and institutional investors.

Representing shareholders

The http://www.veb.net has a team of experts who are committed to act in the interests of investors.

AGMs

Advocacy will largely take place during the more than 150 shareholders' meetings which are attended annually. These meetings are attended by both employees of the http://www.veb.net and a team of meeting attendees. In these meetings, the http://www.veb.net focuses on shareholder interests. Issues such as dividend policy, acquisitions, corporate governance and capital position get extra attention.

The http://www.veb.net also aims to have a more active role in the field of (making use of) voting rights attached to shares. The http://www.veb.net can vote on behalf of shareholders to ensure they are represented in major shareholders' meetings.

This will be achieved through:
- Intensifying attendance at shareholders' meetings;
- Paying Extra attention to the relationship with institutional investors;
- Using the SCA for sending information to participating listed companies; and
- Recruiting votes among private investors.

Collective actions

In some cases, the http://www.veb.net undertakes (legal) actions to defend the interests of the investors involved.

Information to investors

Besides advocacy, the http://www.veb.nethttp://www.veb.netdoes everything it can to inform investors as well as possible on current developments in the financial world. This is done through their websitehttp://www.veb.net/soflink/0http://www.veb.nethttp://www.veb.netas well as the investment magazine Effect whichhttp://www.veb.nethttp://www.veb.net members receive twelve times a year.

Investors Conference

The http://www.veb.net organises an annual conference "Day of the Investor", which is attended by more than 7,000 interested investors. The conference offers companies an opportunity to present their products, operations, strategy and results to a large group of investors through a stand in the exhibition area and/or a business presentation.

VBDO

The http://www.vbdo.nl (http://www.vbdo.nl, see:http://www.vbdo.nl) works to create a sustainable capital market, a market that considers not only the financial criteria but also the non-financial, social and environmental criteria. http://www.vbdo.nl's vision is to increase sustainability awareness among companies and investors.

The two groups in the capital market that http://www.vbdo.nl deals with are the (private and institutional) investors and the companies in which they are invested. With specific actions, http://www.vbdo.nl tries to convince both groups in the capital market to be more sustainable. With some 600 members, http://www.vbdo.nl claims to have become a powerful member of debates.

The http://www.vbdo.nl members are not only private individuals, but also corporate parties such as investors and financial service providers. http://www.vbdo.nl has a devoted management and a professional team that is concerned with the daily activities.

Focus on sustainability

http://www.vbdo.nl is the only Dutch association of investors which explicitly focuses on a sustainable, corporate socially responsible, society. In http://www.vbdo.nl's statutes it says that the aim is 'to promote the interests of corporate and private investors who want to contribute to sustainability'. In practice, this means thathttp://www.vbdo.nl anticipates in public debates on sustainability. As http://www.vbdo.nl represents mainly investors, it conducts engagement with listed companies and corporate investors such as pension funds.

According to http://www.vbdo.nl, the ideal society is a sustainable society that meets everyone's needs, now and in the future. A just distribution of attention for social, ecological and economical values is a necessity for a sustainable society. Each individual and each company contributes in its own way to the preservation and development of this equilibrium.

VBDO's view on capital markets in connection to sustainability

http://www.vbdo.nl believes that the capital markets determine whether a sustainable society stands a chance. This is why http://www.vbdo.nl has chosen the capital markets to spread its vision of a sustainable society. The two parties in the capital markets that http://www.vbdo.nl deals with are the (private and institutional) investors and the companies in which are invested.

Activities of VBDO

http://www.vbdo.nl frequently asks questions about sustainability at the Annual General Meetings (AGMs) of publicly listed companies. Furthermore, a research on responsible investment policies of large investors such as pension funds, insurance companies, charities en religious institutions is conducted every year.

Also annual reports on sustainable savings and investments in the Netherlands, responsible supply chain and investments in food commodity are published by http://www.vbdo.nl.

With specific actions, http://www.vbdo.nl tries to convince both parties in the capital market to be more sustainable.

Each year, http://www.vbdo.nl organises a large number of events around the topic of sustainable investments. The staff of http://www.vbdo.nl are frequently asked to be speakers at seminars and other meetings.

VBDO International

http://www.vbdo.nl has strong connections with its sister organisation http://www.eurosit.org(European Sustainable Investment Forum). Eurosif's vision is to make the European financial market sustainable. Its member affiliates are corporate investors, financial service providers, trade unions and NGOs. Eurosif has developed the European Transparency Guidelines (ETG). Only the funds that signed Eurosif's ETG are mentioned on its leading website, and external parties are able to find the funds that comply to Eurosif's strict demands on transparency and sustainability for investment funds.

GRI

The http://www.globalreporting.org is a leading organisation in the sustainability field. GRI promotes the use of sustainability reporting as a way for organisations to become more sustainable and contribute to sustainable development. Also see: http://www.globalreporting.org.

http://www.globalreporting.org has pioneered and developed a comprehensive Sustainability Reporting Framework that is widely used around the world.

Sustainability reporting

http://www.globalreporting.org seeks to make sustainability reporting by all organisations a standard practice like, and comparable to, financial reporting. A sustainability report is a report published by a company or organisation about the economic, environmental and social impacts caused by its everyday activities. A sustainability report also presents the organisation's values and governance model, and demonstrates the link between its strategy and its commitment to a sustainable global economy.

GRI guidelines

GRI Guidelines are regarded to be widely used. More than 4,000 organisations from 60 countries use the Guidelines to produce their sustainability reports. GRI Guidelines apply to corporate businesses, public agencies, smaller enterprises, NGOs, industry groups and others.

Environmental transparency is one of the main areas of business under the scope of the GRI. GRI encourages participants to report on their environmental performance using specific criteria. The standardised reporting guidelines concerning the environment are contained within the GRI Indicator Protocol Set.

The http://www.globalreporting.org is an example of an organisation that acts outside of the top-down power command structures associated with government. Environmental governance is the multifaceted and multilayered nature of "governing" the borderless and state-indiscriminate natural environment.

The first version of the Guidelines was launched in 2000. The following year, on the advice of the Steering Committee, CERES separated GRI as an independent institution.

The GRI reporting framework and services

The framework enables greater organisational transparency and accountability. This can build stakeholders' rust in organizations, and lead to many other benefits. G4 is the latest version of GRI's Sustainability Reporting Guidelines – the core document in its Reporting Framework, which was released in May 2013. GRI's services for its users expanded to include coaching and training, software certification, 'beginners' reporting guidance for small and medium-sized enterprises, and certifying completed reports. In 2011, GRI published the G3.1 Guidelines – an update and completion of G3, with expanded guidance on reporting gender, community and human rights-related performance

Sustainability reporting as a standard practice

Awareness and uptake of sustainability reporting has increased dramatically in recent years. Many organisations consider sustainability reporting to be necessary and beneficial, yet growth in sustainability reporting is said to be needed to be exponential for it to become a standard business activity.

To make sustainability reporting standard practice, http://www.globalreporting.org is:

- Standardising sustainability reporting and providing up-to-date guidance
- Creating capacity through training and outreach
- Promoting a 'report or explain' approach to sustainability reporting policy
- Supporting the development of integrated reporting

IFRS

http://www.ifrs.org, see: http://www.ifrs.org are designed as a common global language for business affairs so that company accounts are understandable and comparable across international boundaries. They are a consequence of growing international shareholding and trade and are particularly important for companies that have dealings in several countries. They are progressively replacing the many different national accounting standards.

Harmonising accounting

http://www.ifrs.orghttp://www.iasc.orgbegan as an attempt to harmonise accounting across the European Union. The value of harmonisation quickly made the concept attractive around the world. The International Financial Reporting Standards may sometimes still be called by the original name ofhttp://www.iasc.orgInternational Accounting Standards (IAS). http://www.iasc.orgAS were issued between 1973 and 2001 by the Board of thehttp://www.iasc.org/soflink/0http://www.iasc.orghttp://www.iasc.org.

Many countries around the world, including all of Europe, currently require or permit IFRS reporting and/or require IFRS reporting for all domestic, listed companies, according to the http://www.sec.gov.

IFRS for and by investors and others

It is generally expected that IFRS adoption worldwide will be beneficial to investors and other users of financial statements, by reducing the costs of comparing alternative investments and increasing the quality of information.

Companies are also expected to benefit, as investors will be more willing to provide financing and companies that have high levels of international activities are among the group that would benefit from a switch to IFRS.

IFRS in financial accounting

Objective of financial statements

Financial statements are a structured representation of the financial position and financial performance of an entity. The objective of financial statements is to provide information about the financial position, financial performance and cash flows of an entity that is useful to a wide range of users in making economic decisions. Financial statements also show the results of the management's stewardship of the resources entrusted to it.

To meet this objective, financial statements provide information about an entity's:

- assets;
- liabilities;
- equity;
- income and expenses, including gains and losses;
- contributions by and distributions to owners in their capacity as owners; and
- cash flows.

This information, along with other information in the notes, assists users of financial statements in predicting the entity's future cash flows and, in particular, their timing and certainty.

General features of IFRS

IFRS has a number of general features, which broadly can be summarised as:

- Fair presentation and compliance with IFRS: requiring the faithful representation of the effects of the transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Framework of IFRS;
- Going concern: financial statements are present on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so;
- Accrual basis of accounting: an entity shall recognise items as assets, liabilities, equity, income and expenses when they satisfy the definition and recognition criteria for those elements in the IFRS framework;
- Materiality and aggregation: every material class of similar items has to be presented separately;
- Frequency of reporting: IFRS requires that at least annually a complete set of financial statements is presented. However, listed companies generally also publish interim financial statements (for which the accounting is fully IFRS compliant) for which the presentation is in accordance with IAS 34 Interim Financing Reporting;
- Comparative information: IFRS requires entities to present comparative information in respect of the preceding period for all amounts reported in the current period's financial statements.

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