Citigate Dewe Rogerson

Investor Relations Survey

Increasing returns on IR investment

2014

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Investor Relations Survey

Increasing returns on IR investment

Investor Relations Officers (IROs) from leading companies in Europe were invited to participate in our survey between 24th January and 4th April 2014. Citigate Dewe Rogerson sought their views on different aspects of their investor relations programmes and plans for the future, including recently implemented innovations, key communications challenges, disclosure and guidance, analyst coverage, investor engagement, and use of technology.

A record number of 190 IROs contributed to our survey, representing companies from 18 countries and all FTSE industry indices.

In this year's survey, responses provided by top 10 IR practitioners in Europe (based on a number of external awards and recognitions for different aspects of investor relations) were separately analysed to identify any points of differentiation between their practices and those of the market as a whole. References to such findings are made throughout the report.

We would like to thank all our respondents for making our sixth annual IR survey the most successful to date. Special thanks goes out to the UK IR Society, and Germany's Deutscher Investor Relations Verband ('DIRK') and IR Club for their support.

Citigate Dewe Rogerson, July 2014

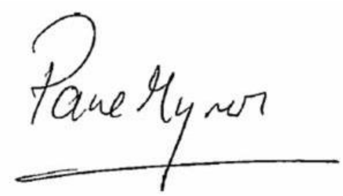
Foreword

Some of you may be aware that the subject of shareholder engagement is one that I have cared passionately about for many years. When I was asked by Her Majesty's Government in 2001 to write a report into Institutional Investment in the UK and to recommend how behaviours might be improved, one of my main concerns was that investors should act as responsible long-term owners of companies rather than as mere holders (or renters) of financial instruments. I have long argued that shareholders should engage actively with the companies they own, should exercise their shareholder rights diligently, and that their decisions should be rational. This may seem obvious and entirely uncontroversial, but believe me, it was and remains far from the norm.

The flip-side of the same coin as responsible shareholder engagement is proper governance and clear communication on the part of companies and their boards. Concepts such as fair disclosure and transparency have long been accepted as the sine qua non of quoted company communications and efficient capital markets, and I am gratified to see that the role of Investor Relations within listed companies has become increasingly recognised over the past decade or so and that engagement levels are rising across the globe.

But there is work still to do. Too often there remains a gap in communications and constructive engagement between a company and its owners. Shareholders need to engage more actively and responsibly, and company boards, executive management and IROs need to strive to bridge the remaining gap and to communicate honestly and effectively.

I am delighted to introduce this survey by Citigate Dewe Rogerson into current trends in investor relations. It is the sixth annual poll of IROs across Europe by CDR and as such provides valuable insights into the issues, concerns and trends that are shaping effective shareholder communications. If this report goes some way to inspire those who have fallen behind the frontrunners to improve their investor relations practices and shareholder engagement levels then it will have served a very worthwhile purpose.



Lord Myners

Lord Myners is a former UK Treasury minister, member of the Court of the Bank of England and the Investment Board of Singapore's sovereign wealth fund. He is an active proponent of shareholder engagement and effective corporate governance. In 2001 he was commissioned by the Chancellor of the Exchequer to carry out a review of institutional investment. His report (widely known as the Myners Report) set out principles for investment decision making for pension fund trustees. Paul Myners later also published a review on behalf of the Shareholder Voting Working Group, an industry advisory body that includes the Bank of England, the National Association of Pension Funds and the Association of British Insurers, on the impediments to voting UK shares. The report highlighted a number of issues affecting the voting process by institutional investors at that time and provided recommendations on how the voting process of institutional investors could be improved.

Improved investor targeting with respect to potential shareholders in order to use management time most efficiently.

Increasing roadshows in Asia.

Purchase and use of an investor targeting tool.

Introduce investors to the next layer of management.

Broadening base of IR briefcase app.

Better disclosure, fewer waste of time conferences.

Further involvement of senior management / experts in roadshows and conferences to give investors a broader view on specialist topics.

We are increasing the number of themed events (shorter events and focused on a single subject).

Embarking on a series of investor meetings in regions with particular attention on the larger PCB houses.

We plan to create a new IR website and update the design of our investor presentation.

Addressing more private investors with "grass root measures" (e.g. contribution to a bank jubilee; speeches at universities).

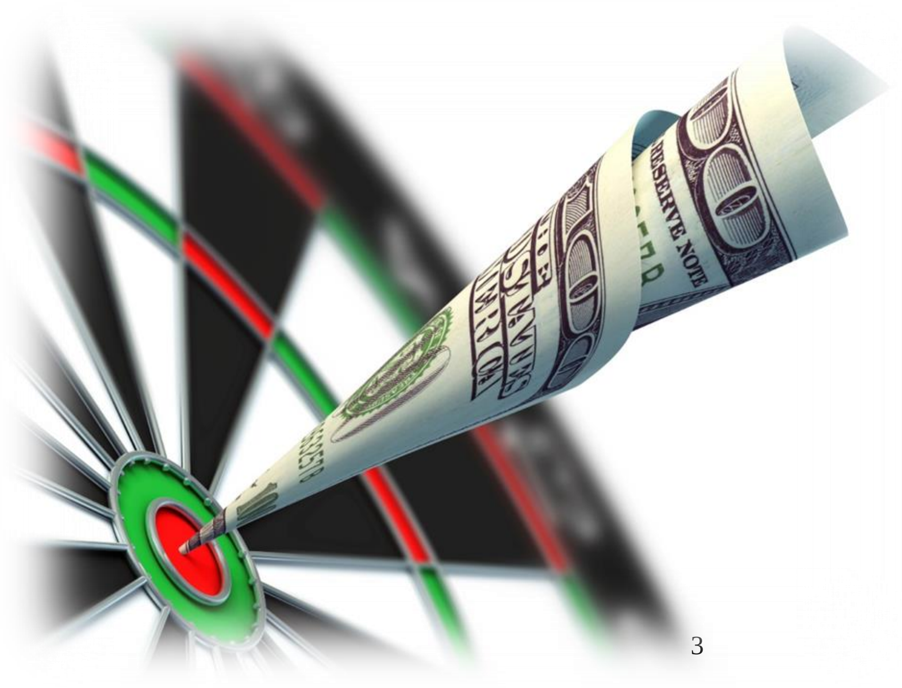
Annual breakfast with the CFO for the sell-side.

We started an online-tool to collect direct feedback after meetings to bypass broker feedback.

Introduce certain key individuals outwith CEO, FD at investor meetings and provide greater access to the sell-side in key areas of focus.

A better CRM system to manage meetings and schedules better.

Contents



Summary of findings

Whilst 2014 is not shaping up to be a year of ground-breaking changes in how companies engage with the financial markets, this year's findings of our IR survey show a clear determination on the part of IROs to do it all smarter.

What does that mean in practice?

Reporting

When it comes to disclosure, 32% of companies are fine tuning the level of information they provide to increase disclosure in areas investors are particularly interested in or that the management feels are critical to the company's long-term success. At the same time, there is a drive to reduce overall reporting complexity, as well as a number of country, industry and company specific factors affecting disclosure decisions.

Whilst sustainability reporting in general continues to gain in popularity due to high levels of investor demand, senior management buy-in and a gradual increase in regulatory pressure, 32% of European companies have adopted the integrated reporting approach in a bid to shift their reporting dialogue beyond the discussion of short-term earnings. The fact that integrated reports provide information on environmental matters only if they materially affect value creation is clearly an advantage for some companies, and shows that this approach truly is the smarter way of presenting non-financial performance.

Engagement

With 43% of companies increasing roadshow activity in 2014, the focus is very much on enhancing returns from investor meetings. To this end, IR teams are taking control of targeting by closely reviewing broker suggestions or in 44% of cases setting their own targets. 77% of IROs also regularly go out on the road without senior management to both maintain contact with existing shareholders and assess viability of targets.

Engagement with second tier investors is increasingly conducted through virtual meetings and conferences, with face-to-face meetings reserved for top shareholders and most promising potential investors. As well as being a cost effective solution, videoconferencing is being used to address specific investor interest areas by including relevant divisional managers in meeting programmes.

In addition to a wider range of executive and divisional management, in response to a growing, international trend in shareholders seeking greater engagement at board level, nearly a third of chairmen and other board directors now regularly engage with investors away from the AGM. Whilst this is clearly a positive trend, many boards still have a long way to go.

Recent AGM voting results across Europe reveal another area with clear room for improvement: nearly half of IROs (47%) have none or hardly any engagement with investors on executive remuneration. A higher level of engagement on this topic would help to identify critical issues and increase investor support in advance of key events.

When it comes to IR events, there is a clear trend towards more targeted events with smaller, themed group meetings and site visits being used to address specific topics of interest. To ensure key messages are reaching investors through different channels, there is evidence of renewed efforts to engage with the sell-side through one-to-one meetings at the start of roadshows or annual breakfast meetings with the CEO / CFO.

Rather than relying on sell-side analysts to brief the sales force, companies are increasingly conducting briefings themselves to ensure undiluted key messages are delivered to this audience before the senior management embarks on investor meetings.

Expectation management

Whilst 75% of companies are not changing the type or amount of guidance they provide to the market, among those who are making changes, it is all about making KPIs as relevant as possible to ensure detailed guidance is provided in areas that are key to the future development of the business.

A key tool in managing expectations, consensus management is now standard practice among 92% of companies. However, companies could increase returns on the resources spent on proactive management of estimates by more widely sharing the results of this exercise, ensuring at the same time fairer disclosure of information. Currently only 23% of companies post their consensus on their websites, relying instead on verbal communication or emails for this.

Use of technology

More than just providing an alternative platform to publicise news and events via social media, technological innovations are for many companies enhancing all aspects of investor relations. More effective engagement is being fostered through increased interactivity of virtual events, more frequent contact, new targeting and online feedback tools, and CMR platforms.

In addition, technology is seen to be democratising corporate access with the recent introduction of a number of online platforms for setting up meetings and group events. At the same time, IR apps and websites are being populated by content which is not only mobile device friendly but also more closely reflects analyst and investor financial models.

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Communications context

Key challenges in 2014

Despite improving economic conditions across most of Europe, the external environment remains the most frequently cited challenge for 2014. However, this is now much more closely followed by company-specific issues.

Guidance remains an issue with over a third of companies struggling to manage expectations.

A notable change versus 2013 is the lower number of IROs expecting difficulties in conveying the investment story, an issue that has been driven by high market uncertainty over recent years.

Finally, regulation is more prominent on the list of challenges for 2014, driven mostly by the Financials sector, and to a significant extent by Utilities companies.

Figure 1: What do you see as your main challenges in 2014?

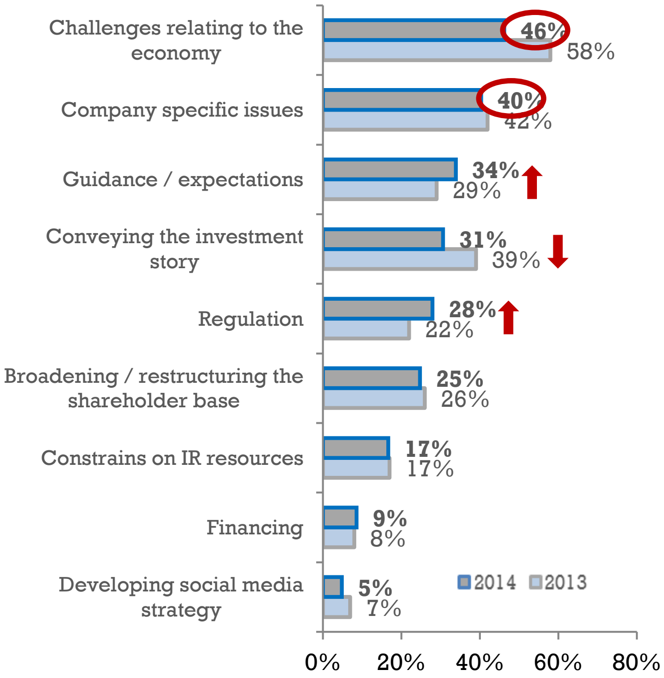
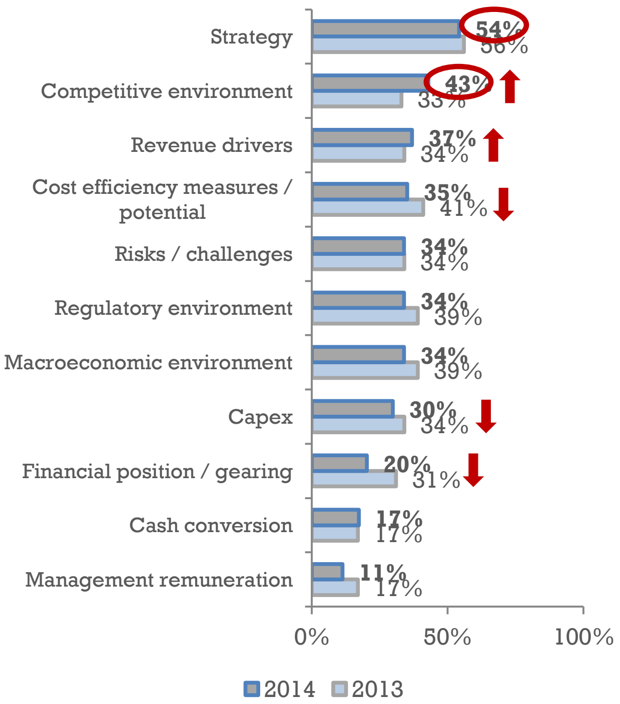


Figure 2: Have you seen an increase in the level of enquiries in any of the following areas over the past 12 months?



Investor focus areas

Strategy remains the key focus area for most companies' investors with many taking a closer interest in their investees' competitive positioning in order to assess sustainability of current positive trends or the likelihood of an improvement in operating conditions going forward.

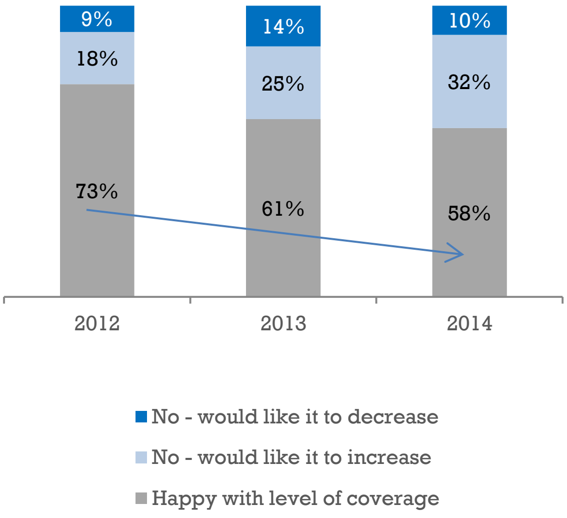
Over the past year, fewer IROs have registered an increase in the level of enquiries regarding cost cutting measures, capex and financial position, indicating an easing in concerns over liquidity.

Interestingly, despite some high profile shareholder disputes regarding executive remuneration, only 11% of IROs have seen an increase in enquiries on this topic, reflecting among other factors their lack of regular engagement with investors regarding executive remuneration.

Buy-side research on the rise as sell-side research quality issues persist

The number of companies satisfied with their level of sell-side coverage continues to fall, reaching 58% in 2014. In addition to complaints over quantity, 37% of IROs have noticed a further decline in the quality of sell-side research, down slightly from last year's record high of 41%. As expected, the level of coverage remains directly proportionate to company size: only 15% of the smallest companies are happy with the level of coverage against 71% of the largest.

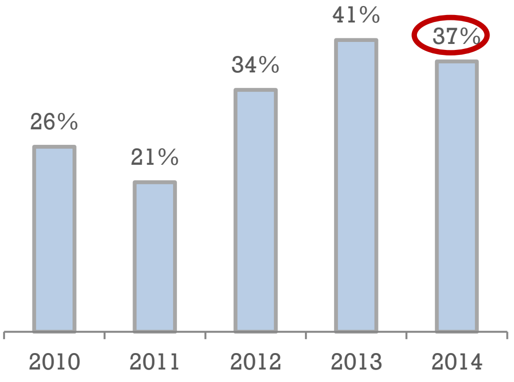
Figure 3: Are you happy with the level of your current sell-side coverage?



Looking at a sector breakdown, 83% of Oil & Gas companies are happy with their level of sell-side coverage (2013: 57%). Utilities, which have historically enjoyed good coverage levels, are no longer satisfied – whilst 75% were happy in 2013, this figure now stands at just 42%.

Within Europe, Scandinavian companies are the most satisfied with their coverage levels (73%), whilst 60% of emerging markets companies would like to see an increase.

Figure 4: Have you noticed a change in the quality of your sell-side coverage over the past 12 months? Yes, it has worsened.

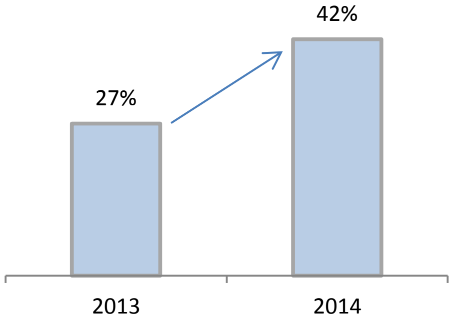


In line with multiple reports of investors bypassing the sell-side and engaging with companies directly, greater levels of buy-side research coverage have been reported across the board. Even among small caps (<£500 million in market cap), 31% have noticed this trend.

Buy-side research has been on the rise in particular in Healthcare (63%), Technology (57%) and Utilities (50%) industries, with more companies in Southern Europe (85%) and Scandinavia (64%) reporting an increase than elsewhere.

Investors appear to have less need for in-house research on the generally well-covered Oil & Gas sector; only 17% of these companies have noticed an increase in buy-side coverage. French companies, on the other hand, are unhappy with their sell-side coverage but are generally not seeing a rise in buy-side coverage to compensate for this. The slower pace of economic recovery in France compared to the rest of the Eurozone may go some way in explaining the current lack of investor interest compared to other countries in Europe.

Figure 5: Have you noticed an increase in internal buy-side research over the past 12 months?

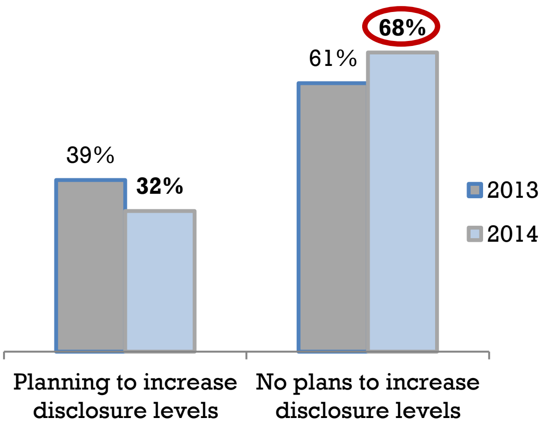


Reporting

Presenting relevant content in a user-friendly manner

Whilst the number of companies satisfied with their overall disclosure levels continues to rise with two thirds stating they have no plans to change disclosure levels in 2014, considerable efforts are being made to ensure that data provided is most relevant for investors, that it is presented in a way that can be easily imported into valuation models, and that it offers an appropriate level of interactivity.

Figure 6: Have you increased, or are you planning to increase your disclosure levels?



Best practice IR companies increasing disclosure

Interestingly, there is a clear distinction between the Top 10 companies in our sample known for their best practice IR and the rest of the market. Among these companies, 60% are planning to increase disclosure levels during 2014 against the overall average of 32%.

A more in-depth analysis of the findings shows that none of the Healthcare companies are increasing disclosure levels.

A few trends have emerged among responses from companies which offered additional details regarding the planned improvements in their reporting:

- Reduced complexity in overall reporting
- Increased level of detail in specific areas of interest to investors (often in response to specific feedback collected), including:
  - Cost savings
  - Capex
  - ROI
  - Leverage calculations
- Regulation-driven changes
  - Country-specific (e.g. DRS 20 in Germany)
  - Industry-specific (e.g. Basel III for Financials)
- Greater detail on revenue drivers
  - More detailed segmental analysis
- Changes to KPIs driven by company-specific events including:
  - New strategy
  - Acquisitions
- Greater level of information on sustainability topics
- Presentation of financial information in a format that is easy to import into analyst models

"We are planning to significantly overhaul our disclosure, making it more relevant and logical."

"We are providing more disclosure on investment and cash returns on that investment. Analyst models are changing as a result to better reflect our business."

"Sharpening financial disclosure on parameters of key importance to investors."

"We are providing increased disclosure and granularity on group and divisional income drivers."

Rising demand for non-financial reporting

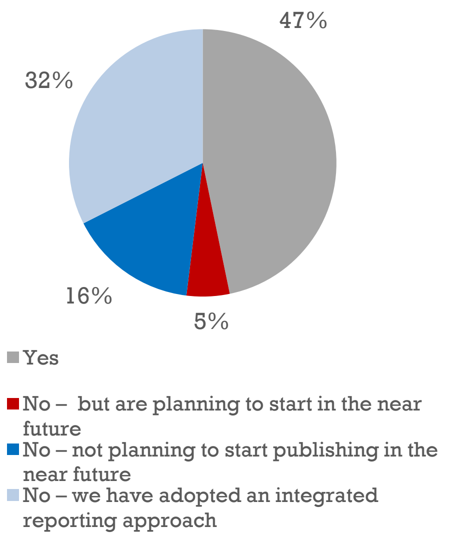
According to a recent PWC study, 80% of investors consider sustainability when making investment decisions. At the same time, 74% of CEOs think that measuring and reporting total non-financial impacts contributes to long term success.

With such high levels of demand from investors and top management buy-in, it comes as no surprise that sustainability reporting is on the rise.

This trend is expected to continue following the recent adoption by the European Parliament of the Directive on disclosure of non-financial and diversity information by large companies and groups, as companies concerned will need to disclose information on policies, risks and results as regards environmental matters, social and employee-related aspects, respect for human rights, anti-corruption and bribery issues, and diversity on boards of directors.

In addition to regulators, stock exchanges are also driving increased demand for sustainability data. For example, the London Stock Exchange has recently signed up to a UN pro-sustainability programme in a bid to improve its efforts to promote investment into sustainable companies.

Figure 7: Do you produce a stand-alone sustainability report?



For many, meeting this demand should not pose a great challenge. Our research shows that 47% of companies against last year's 36% already produce a stand-alone sustainability report. Among those who do not, 60% have adopted the integrated reporting approach, whilst another 9% are planning to publish a stand-alone report in the near future.

Our findings show that small caps are least likely to spend resources on sustainability reporting with 50% of companies with a market cap of under £500 million not planning to start publishing sustainability reports in the near future.

On the other hand, all Healthcare and Oil & Gas companies either publish a stand-alone report or have adopted the integrated reporting approach.

Companies in Scandinavia and Southern Europe are the most likely to publish a stand-alone sustainability report (67% and 73%, respectively).

Integrated reporting approach: the next step

Whilst not mandatory in most countries, the Integrated Reporting Framework has been attracting interest from regulators and is seen by many as the future direction for narrative reporting.

The framework helps solve a number of problems presented by conventional sustainability reporting, such as the failure to account for all sources of value and impact, the overwhelming length of reports, and the challenge to communicate the important link between sustainability and financial performance to stakeholders.

A recent KPMG study also showed that companies encourage short term thinking on the part of investors by issuing annual reports that neglect a long-term view and focus mainly on financials.

As such, the framework is seen to offer a broader perspective on reporting shareholder value creation and should be of particular interest to companies wanting to shift their reporting dialogue beyond the discussion of short term earnings.

Whilst the integrated reporting approach has been widely debated during recent years with many of the view that its implementation would take some time as companies change the way they think about non-financial performance internally, a surprisingly high number of IROs (32%) state that this is now standard practice in their reporting.

Among early adopters of the integrated reporting approach are Telecoms and Technology companies, where 50% and 57% of IROs, respectively, have stated that this practice is followed by their companies.

For some of these companies, integrated reporting may be more appropriate than publishing stand-alone sustainability reports given that integrated reports provide information on environmental matters only if they materially affect value creation.

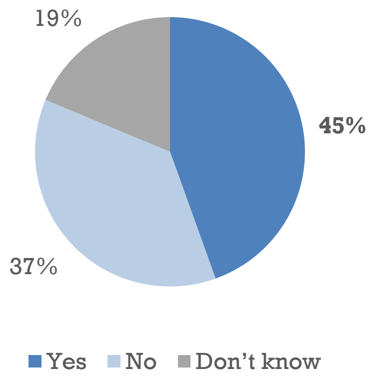
Within Europe, UK companies lead with 45% producing integrated reports.

However, whilst the momentum is accelerating, the gap between early adopters and the rest of the market may not be easy to bridge.

Beyond reporting: board diversity

With rising transparency and disclosure requirements regarding board diversity aimed, among other things, at measuring progress towards EU and/or national targets regarding female representation on boards, we asked European IROs whether their companies had any initiatives in place to actively promote female representation on their boards or executive committees. Around 45% stated they were aware of such initiatives, with large caps leading the way. Looking at a geographical breakdown, French companies lead with 64% actively promoting greater board diversity.

Figure 8: Do you have any initiatives in place to actively promote female representation on your Board / Executive Committee?

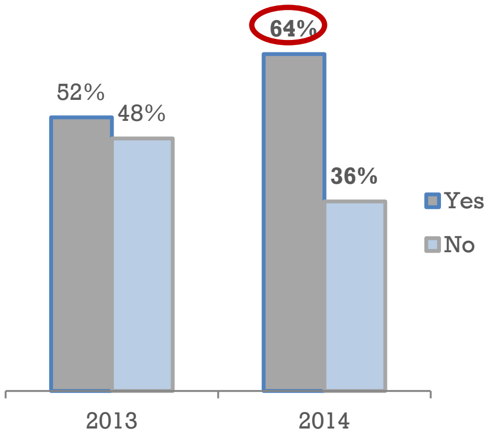


As pressure continues to mount, with the EU proposing a 40% target for female board members, we expect this figure to rise in the coming years. The issue, however, goes beyond just reporting requirements with most commentators highlighting the benefits of diverse boards for the long-term interests of companies.

Outreach and engagement

Investor engagement: is the structured approach always best?

Figure 9: Have you actively sought investor engagement on key issues ahead of key events (incl. AGM) over the past 12 months?



A number of recently published reports have noted an improvement in investor engagement at all levels over the past 12 months and our research findings confirm this trend with 64% of IROs against 52% in 2013 stating that they had actively sought investor engagement on key issues ahead of important events.

Financials and Utilities lead the way with 82% and 83%, respectively, taking this structured approach. At the other end of the scale are Healthcare and Consumer Goods companies among which 63% do not engage with investors ahead of key events.

A geographical split shows that UK companies are the biggest fans of the structured approach with 79%.

However, it is fair to ask whether structured is always the best approach and whether high engagement levels throughout the year remove the need to reach out to investors ahead of the AGM.

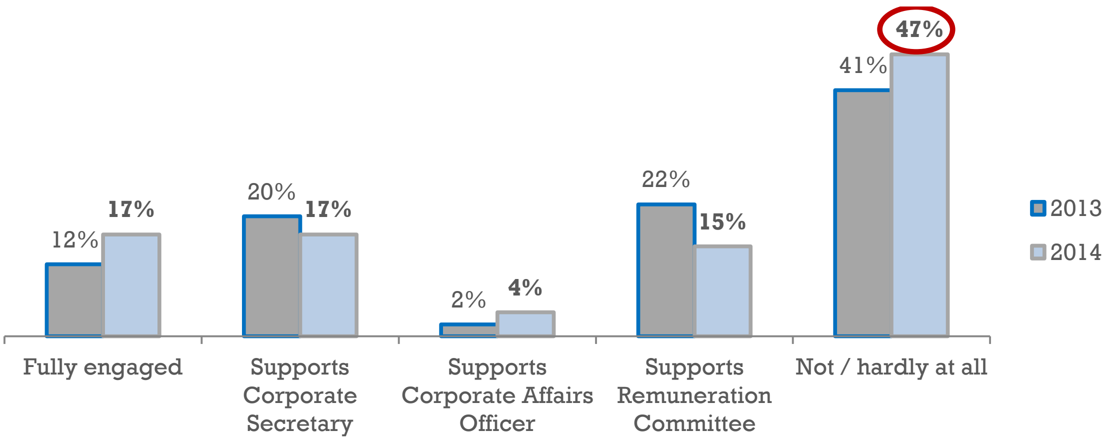
Questions regarding executive remuneration: who to call?

When it comes to addressing concerns regarding executive remuneration, only 17% of IROs feel they are fully engaged with investors, which is a slight improvement on 2013 when only 12% of respondents stated this was the case. However, nearly half of IROs have none or hardly any involvement in such discussions, which is a shockingly high figure.

Looking at a sector breakdown, Healthcare and Oil & Gas companies are the most engaged with 38% and 33%, respectively. Despite some high profile investor conflicts over remuneration reports in the sector, however, none of Consumer Goods IROs see the need to get involved.

Whilst being led by the Remuneration Committee and other departments within the company is no doubt helpful, it remains unclear why IROs who address all other investor queries shy away from remuneration questions.

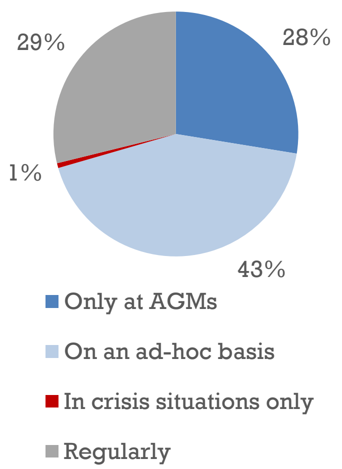
Figure 10: How involved is IR in engaging with investors over executive remuneration?



Is your board engaged?

Whilst the AGM has historically been the main forum for investors to meet a company's board of directors, there has recently been a growing, international trend in shareholders seeking greater engagement at board level. Our research this year looks more closely at the way companies are responding to these demands and the extent to which chairmen and other board members are making themselves available for meetings with shareholders. Whilst nearly a third of chairmen in Europe now have regular contact with shareholders, over a quarter still only meet investors at the AGM.

Figure 11: How often does your chairman have direct contact with shareholders?



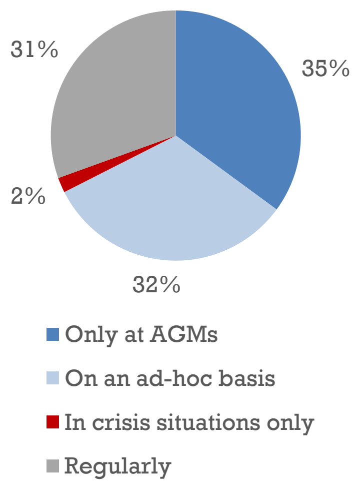
Chairmen of large cap companies (>£10bn market cap) are most likely to have regular contact with shareholders with 55% of companies stating that this was the case, whilst chairmen of small cap companies (<£500m market cap) are least likely to do so (8%).

Looking at a sector breakdown, chairmen of Healthcare and Oil & Gas companies are most likely to have contact with investors at AGMs only with 63% and 67%, respectively. On the other hand, Consumer Goods and Basic Materials companies frequently put their chairmen in front of investors with 63% and 58%, respectively, claiming their chairmen had regular contact with shareholders.

Companies from Germany, Switzerland and Austria are ahead of the rest of Europe with 55% stating their chairmen had regular contact with shareholders.

Scandinavian companies, on the other hand, are the least likely to put their chairmen in front of investors with 60% stating this only happened at AGMs.

Figure 12: How often do your Board members (excl. chairman) have direct contact with shareholders?



In addition to chairmen, a similar percentage of other board members (31%) regularly engage with shareholders. Again, directors from Germany, Switzerland and Austria are most likely to regularly engage with investors with 67% stating this was the case. French and Scandinavian board members are least likely to have regular contact with investors with 82% and 64%, respectively, only seeing investors at AGMs.

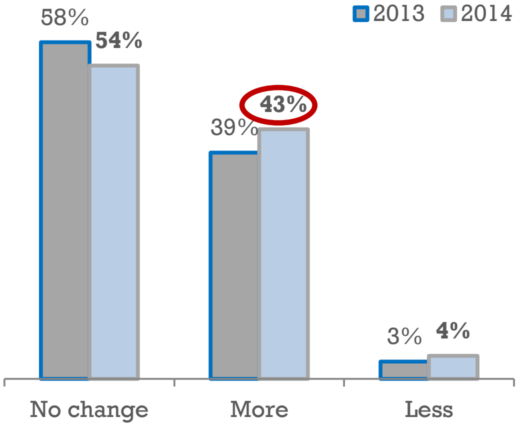
Interestingly, 40% of CEE & CIS board members regularly engage with investors, ahead of many other Western European countries. Increased pressure on companies from this region to demonstrate high levels of corporate governance is likely to have played a role in driving this trend. In addition, high-profile independent directors chosen to give emerging markets boards greater credibility are often placed in front of investors more regularly for the same reason.

Finally, there appears to be a clear distinction between the responses given on this topic by companies which are seen to be at the forefront of best practice IR and the rest of our sample with 70% of chairmen of the Top 10 engaging with investors on a regular basis.

Roadshow activity intensifies further: are you keeping up?

The number of companies which plan to spend more time on the road over the coming year continues to increase, up from 39% in 2013 to 43% in 2014.

Figure 13: Are you planning to devote more / less time to investor roadshows over the next 12 months?



Looking at a sector breakdown, Basic Materials companies, in particular, are intensifying their efforts with 67% stating they will be dedicating more time to roadshows in 2014. Oil & Gas companies are most likely to reduce roadshow activity with 17% stating this was the case.

73% of French companies are planning to devote more time to roadshow meetings in 2014, ahead of any other country in Europe, with the same percentage stating they would be increasing the number of meetings with potential investors.

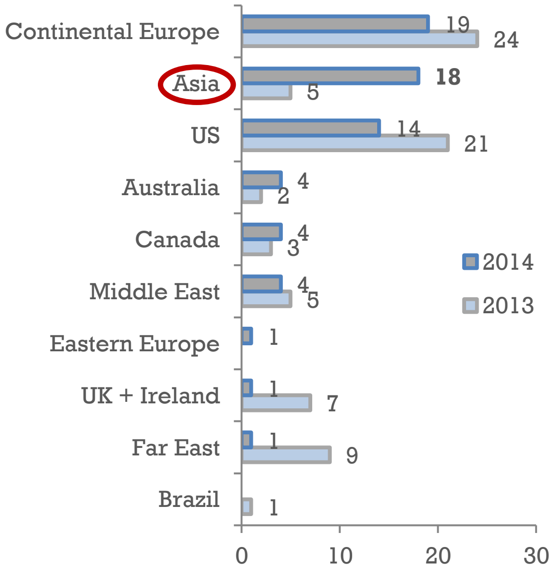
Focus on potential investors

Overall, 48% of companies will be spending more time with potential investors in 2014. Basic Materials and Technology companies in particular are leading the way with 75% increasing the number of meetings with potential investors. Consumer Goods companies are the least likely to follow this trend (25%).

As part of this trend, 41% of companies plan to include additional financial centres in their roadshow schedules in 2014.

Continental Europe and secondary financial centres within the US remain popular in this respect. However, the most noticeable change compared to 2013 is the rise in the popularity of Asian roadshows. Those who offered more specific comments mentioned Hong Kong and mainland China, Kuala Lumpur, Seoul, and Singapore.

Figure 14: Have you included, or are you planning to include any new financial centres in your roadshow programmes this year? (number of mentions)



Rise in IR-only roadshows

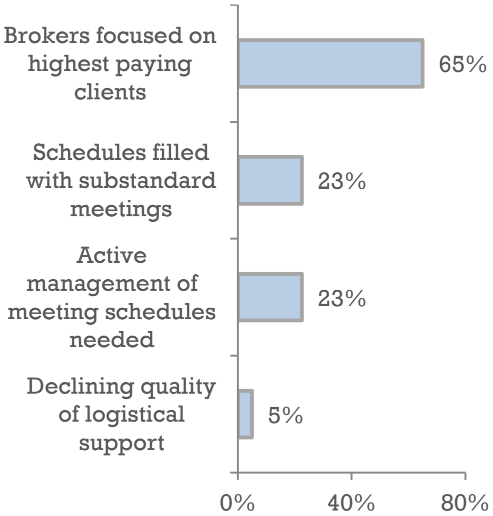
IR-only roadshows, whereby IR teams go out on the road without being accompanied by senior management, also continue to gain in importance with 77% of companies adopting this practice.

This is particularly common among Healthcare companies and geographically in Scandinavia, where all companies have stated that this was part of their IR programme.

Brokers: still the first point of call for roadshows…

Despite 39% of IROs voicing concerns over broker motivation and potential conflicts of interest, 82% of all roadshows are organised by brokers, with the remainder split between in-house teams and independent consultants.

Figure 15: Do you have any concerns regarding your brokers' motivation when conducting investor targeting / arranging roadshows?



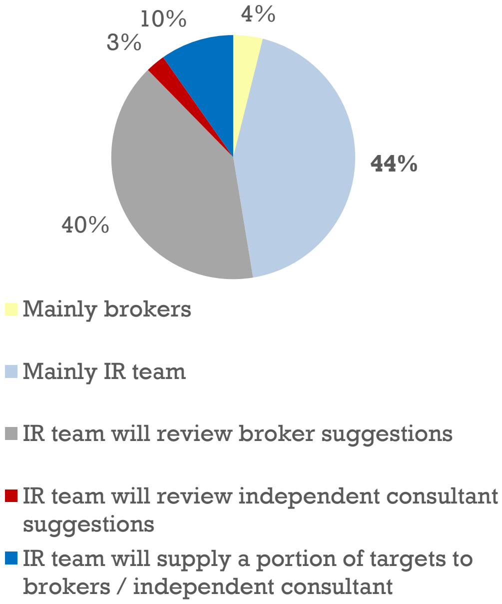
As expected, the majority of concerns centre on the conflict of interest between companies and their brokers, with a lot of broker attention perceived to be given to highest paying clients when it comes to putting together roadshow schedules.

IROs also complain about the quality of meetings, stating that schedules are often filled with substandard meetings with the management placed in front of investors who are unlikely to become shareholders, or where only junior analysts are in attendance.

…but IR teams increasingly in the driving seat

Given the circumstances, companies increasingly feel the need to actively manage their brokers and their investor targeting efforts, with just 4% leaving it to brokers to determine their roadshow targets. In fact, the most popular approach is for IR teams to take control over targeting, asking brokers to handle execution and logistics around the meetings.

Figure 16: Who will determine your roadshow targets in 2014?



So, which IR teams are ahead of the general trend when it comes to actively managing roadshow schedules?

- Healthcare and Oil & Gas companies – 75% and 67% of roadshow targets determined by IR teams, respectively
- Large caps (market cap of over £10 billion) – 61% of roadshow targets determined by IR teams
- Scandinavian companies – 73% of roadshow targets determined by IR teams

SRI investors: an untapped source of investment?

SRI investors are actively targeted by 20% of companies in Europe (down slightly from 22% in 2013). This trend is driven by large caps with 56% of companies with a market cap of over £10 billion targeting SRI investors. An industry breakdown shows that only 6% of Consumer Services companies target SRI investors, which comes as a surprise given the efforts by these companies to demonstrate their high level of social responsibility and ethical standards to their customers. A geographical breakdown shows that emerging markets companies in Europe are the least likely to target SRI investors with 7%.

Targeted IR events

In line with trends when it comes to disclosure levels and guidance, events are also becoming more focused on specific areas of interest. More frequent, shorter and themed events are being planned across Europe.

For many companies this also means greater involvement in such events by divisional managers with greater insights into topics chosen for discussion. The 'next level of management' is also being introduced to investors during roadshow meetings for the same reason.

In addition to site visits and Capital Markets Days covering a number of financial centres, several companies are also planning webinars or webcast briefings outside of results season to provide an update to the market on issues such as upcoming changes in the regulatory environment or new R&D programmes planned for the future.

Re-engaging with the sell-side

Despite widespread dissatisfaction with the quality of sell-side research, not all have given up on proactive engagement with this audience.

Among initiatives planned for this year, several companies mentioned they would be dedicating more time to meeting analysts. Dedicated sell-side site visits, one-to-one meetings during Capital Markets Days or the first day of roadshows, regular breakfast meetings with the CEO or CFO, as well as meetings with divisional managers, are all in the pipeline.

Sales force briefings

In addition to briefing the sell-side, the much talked-about benefits of delivering key messages directly to sales teams are increasingly being recognised.

Several IROs state that starting the roadshow with such events helps sales teams reinforce the company's key messages when speaking to investors that the management meet with during the roadshow.

Focus on retail investors

In an effort to broaden their shareholder base, several companies are planning to place greater focus on retail investors by targeting private client brokers through "grass root measures" such as contributions to a bank jubilee or by giving speeches at universities.

Use of technology

Enhacing all aspects of IR

Whilst technology has long played a key role in delivering material information to shareholders in a timely manner, advances made during recent years have led to greater focus on utilising tools available to not only efficiently deliver financial reports in a mobile-friendly format, but also to collect feedback from investors, deliver key messages and showcase assets using online videos, manage relationships and meeting programmes, attend virtual conferences, and host increasingly sophisticated and interactive online IR events.

On the rise: IR apps, use of video and virtual events

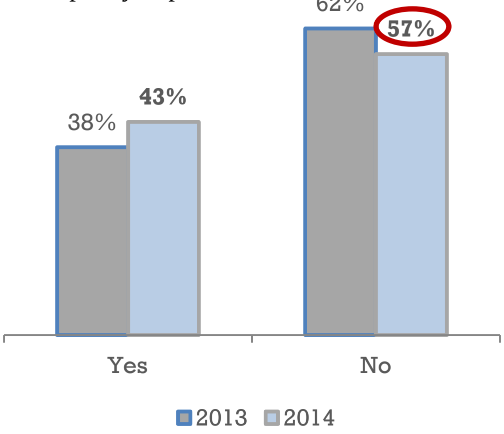
When asked about successful innovations they had implemented during 2013, nearly a third of respondents named technology-related innovations. Apart from increased use of social media channels (with a particular focus on IR apps), the most frequently cited innovations included interactive webcasts and greater use of video. Our findings also resonate with the growing popularity of virtual roadshows and conferences observed by a number of Citigate Dewe Rogerson's clients and contacts. From our sample, 23 companies stated that they have taken part in virtual roadshows and seven have hosted virtual AGMs. According to market reports, videoconferencing now accounts for 15% of total roadshow activity. This figure is expected to rise going forward as investment banks increasingly include videoconferencing as part of their corporate access offering. In particular, this is seen as a good way of reaching investors in remote geographic locations or of offering a diverse range of management perspectives by including additional senior or divisional managers in the programme, in line with specific investor interest areas. With new online platforms for setting up meetings being launched, technology is also expected to democratise corporate access and allow companies to make direct contact with smaller funds. Beyond events, new technology tools for collecting feedback, investor targeting and CMR are also being evaluated by IROs.

In fact, 29% of respondents are planning further technology-related initiatives in 2014.

The most popular by far will be improving the IR website, long established as the most important online IR tool, followed by greater use of video, IR apps and investor targeting tools. The latter, in particular, comes as no surprise given the considerable efforts made by IR teams to take control of this activity and ensure maximum roadshow effectiveness.

Social media: greater controls needed

Figure 17: Do you have a formal social media policy in place?



When it comes to social media, the number of companies taking a systematic approach is gradually increasing with the percentage of companies without a social media policy declining to 57%, from 62% in 2013. Whilst it comes as no surprise that some of the smaller companies (which may not be among the most regular users of social media) do not have strict internal controls over how these channels are used, 46% of large caps (>£10 billion market cap) do not have a formal social media policy either.

True to their reputation, companies from Germany, Switzerland and Austria are the most organised with 54% stating they have a formal social media policy with Southern Europe the furthest behind with only 23%.

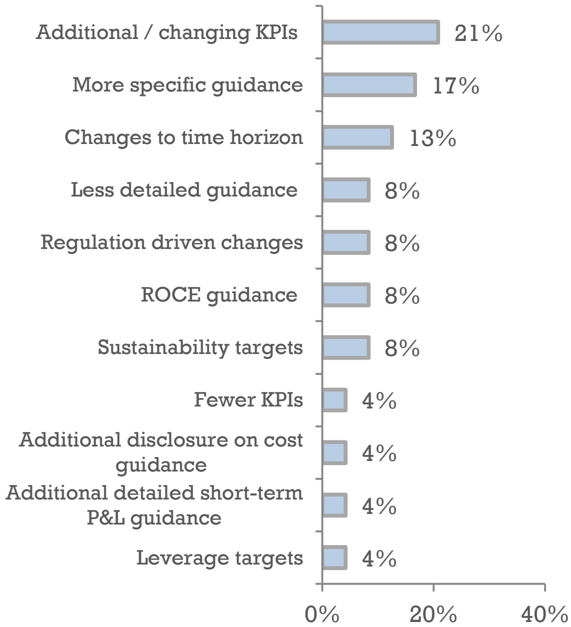
Expectation management

Guidance: focus on relevant indicators

Nearly 75% of companies have not changed and/or are not planning to change the amount or type of guidance they provide to investors.

Among the minority with such plans, the most popular measure will be to amend the set of KPIs with the aim of making these as relevant as possible, with the second most popular change similar in nature with companies providing more specific guidance in areas that are key for the future development of the business. Only 13% of the small sample plan to make changes to the time horizon used as a basis for guiding investors.

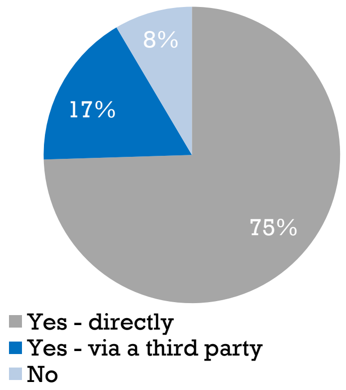
Figure 18: Have you changed or are you planning on changing the amount or type of guidance you give?



Nearly all collecting consensus…

Only 8% of European companies in our research sample do not proactively collect consensus estimates from sell-side analysts, indicating that this practice is now an almost universally adopted tool used to manage expectations and encourage quality sell-side coverage.

Figure 19: Do you proactively collect / manage consensus estimates?



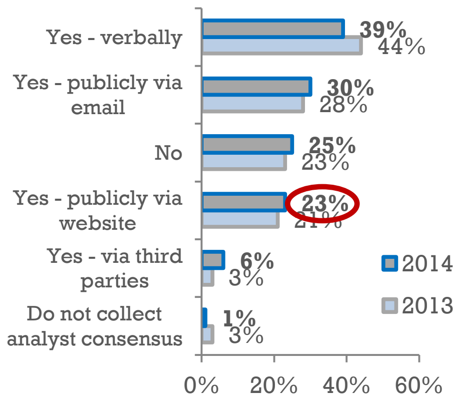
…but fewer sharing

When it comes to giving back, the standards are somewhat lower with 25% of companies not sharing their consensus with the market. Whilst verbal sharing is down slightly on last year, it remains uncomfortably high at 39%.

Healthcare companies are the most transparent with 86% posting their consensus on the website, a practice long advocated by Citigate Dewe Rogerson. Worst offenders include Oil & Gas companies, 83% of which do not share their consensus at all.

Scandinavian companies lead the way with 64% posting their consensus on website, whilst this figure is only 7% in Southern Europe. French companies are the worst offenders when it comes to sharing consensus verbally with 73% of companies choosing this approach.

Figure 20: Do you share your analyst consensus with the wider market?

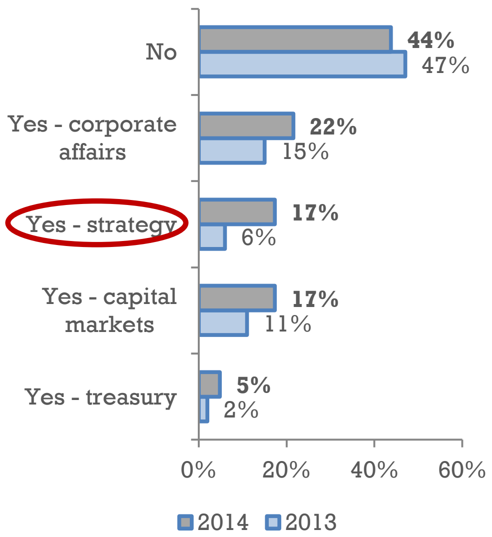


IR function

IROnly?

IROs are increasingly getting involved in a range of additional activities with the most notable increase seen in the area of strategic development.

Figure 21: Do you have any additional responsibilities outside of IR?



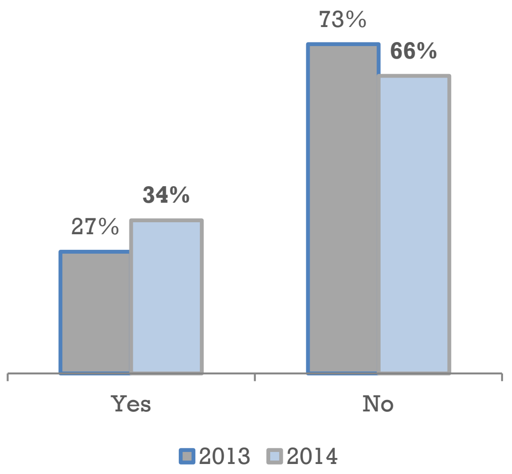
Have you got influence at board level?

Whilst the vast majority of IROs continue to be excluded from board of directors meetings, a gradual improvement can be seen in this trend compared to 2013.

IROs of small companies (<£500 million market cap) are the most likely to attend board meetings (54%), whilst none of the IROs from the Healthcare industry (89%) get this opportunity.

Within Europe, UK companies are ahead with 45% of IROs attending board meetings whilst none of their counterparts in Scandinavia do so.

Figure 22: Do you regularly attend Board of Directors meetings?



Is post-roadshow feedback the best way of measuring IR effectiveness?

Feedback received from analysts and investors remains by far the most common way of measuring effectiveness of IR activities.

Nevertheless, only 43% of companies carry out in-depth perceptions studies, with most opting to rely on post-roadshow feedback polls carried out by the brokers to keep up-to-date with their investors' views on their investment case.

With recent studies reporting dissatisfaction with the quality of broker feedback following roadshows, we ask European IROs: is this the best way to measure the effectiveness of your efforts?

Figure 23: How do you measure IR effectiveness?

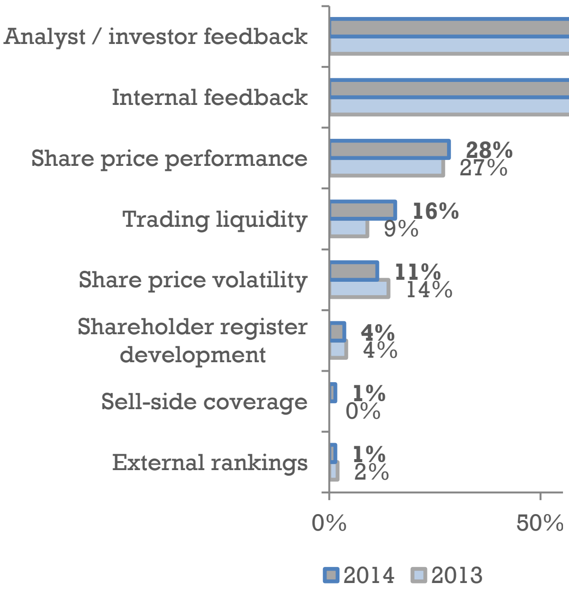
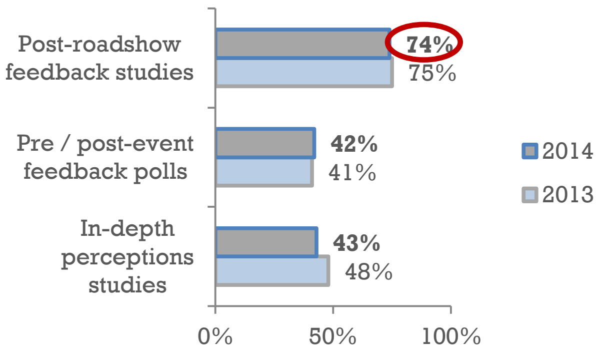
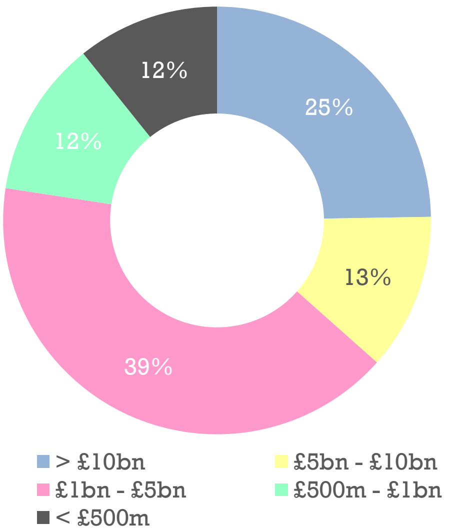


Figure 24: What type of surveys do you carry out?

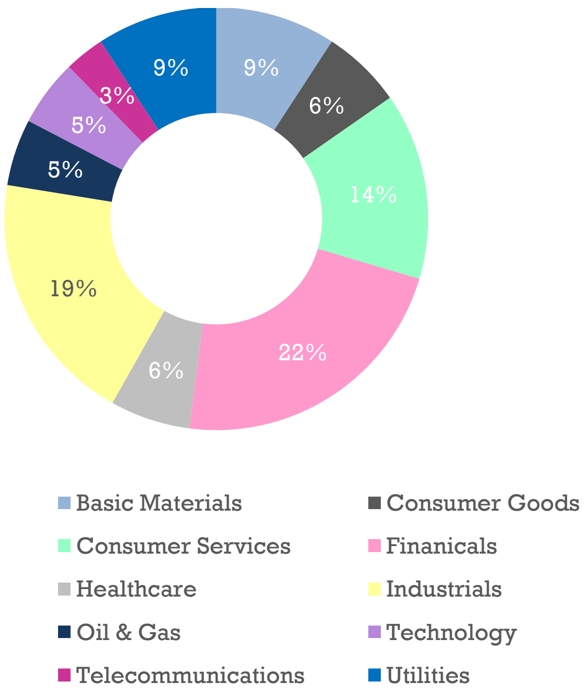


Respondent profiles

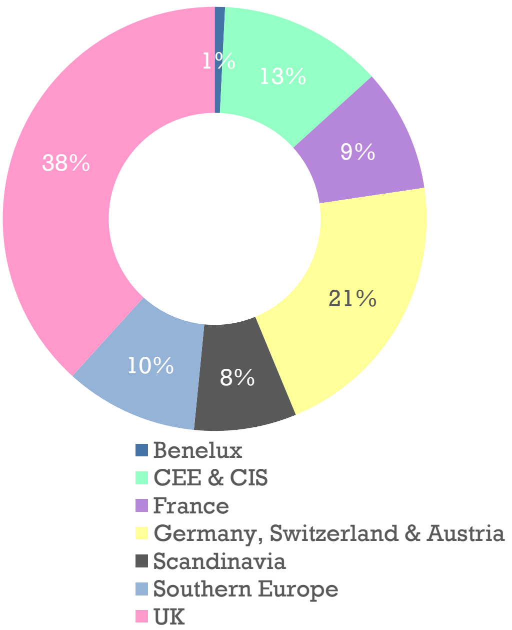
Respondent profile by market cap
(excluding undisclosed)



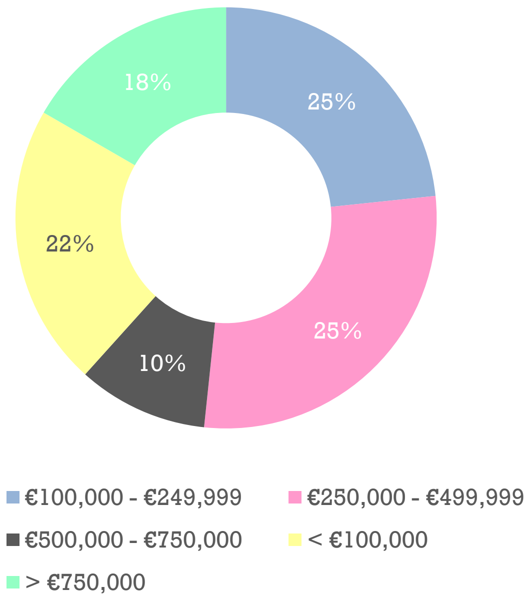
Respondent profile by industry
(excluding undisclosed)



Respondent profile by location
(excluding undisclosed)



Respondent profile by size of IR budget
(excluding undisclosed)



About Citigate Dewe Rogerson

Citigate Dewe Rogerson is a leading international consultancy specialising exclusively in financial and corporate communications including:

- Full service investor relations advice and support;
- Financial calendar work;
- M&A, demergers, restructurings;
- IPOs and all other capital market activities;
- Shareholder activism;
- Corporate reputation and positioning;
- Crisis communications and issues management; and
- Public affairs consultancy.

We have more than 90 experienced consultants in London including a dedicated team of 10 IR specialists. Our more than 300 clients in 37 countries include 100 of the top 500 companies in Europe, and we are justly proud of our strong relationships with the IR community and international media. Headquartered in London, Citigate Dewe Rogerson has an extensive global network of wholly-owned or affiliate offices in key financial centres, many of which are also leaders in their respective markets.

Investor Relations

Our dedicated team of investor relations consultants combines backgrounds in investment banking, equity analysis, fund management, accountancy and in-house investor relations to bring an unparalleled breadth of financial markets expertise and an in-depth understanding of the international investment community's IR requirements. Add to that our rigorous analytical skills and extensive access to the buy- and sell-side and you start to understand why we are consistently ranked among the leaders in our field.

Our independent strategic advice is exactly that - influenced by nothing other than our clients' best interests. And as a full-service consultancy, we also have the experience and technical - as well as human - resources to support a company's investor relations team in successfully executing its IR programme.

Our client list is drawn from all over the world and represents a wide spectrum, both in terms of industry and company profile. But they all have one thing in common: a desire for exceptional service and advice that is tailored to match their precise needs.

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