

Best practice of Investor Relations in the future



DIRK/EY Survey 2021

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Survey details

Best practice of Investor Relations in the future

Respondents

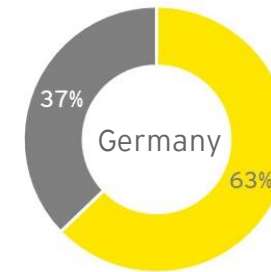
- ▶ Published by DIRK (German Investor Relation Association), initiated and sponsored by EY as co-publisher
- ▶ 130 responses from Investor Relations Officers in Germany, Switzerland and Austria
- ▶ Companies mainly listed in reg. markets
- ▶ Members of IR associations in Germany (DIRK), Switzerland (IR club) and Austria (CIRA)

Purpose of the survey

- ▶ Getting an insight on the IR best practice and financial communication in the future
- ▶ Providing an overview of expected changes in IR and their impact on financial communication



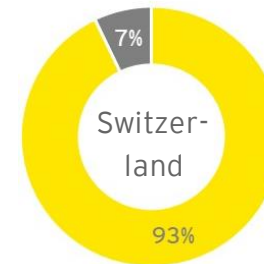
68 % DIRK members



Index (DAX, MDAX, SDAX)
Other



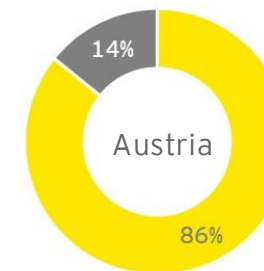
21 % IR club members



Index (SLI, SMI, SPI)
Other



11 % CIRA members



Index (ATX, ATX prime)
Other

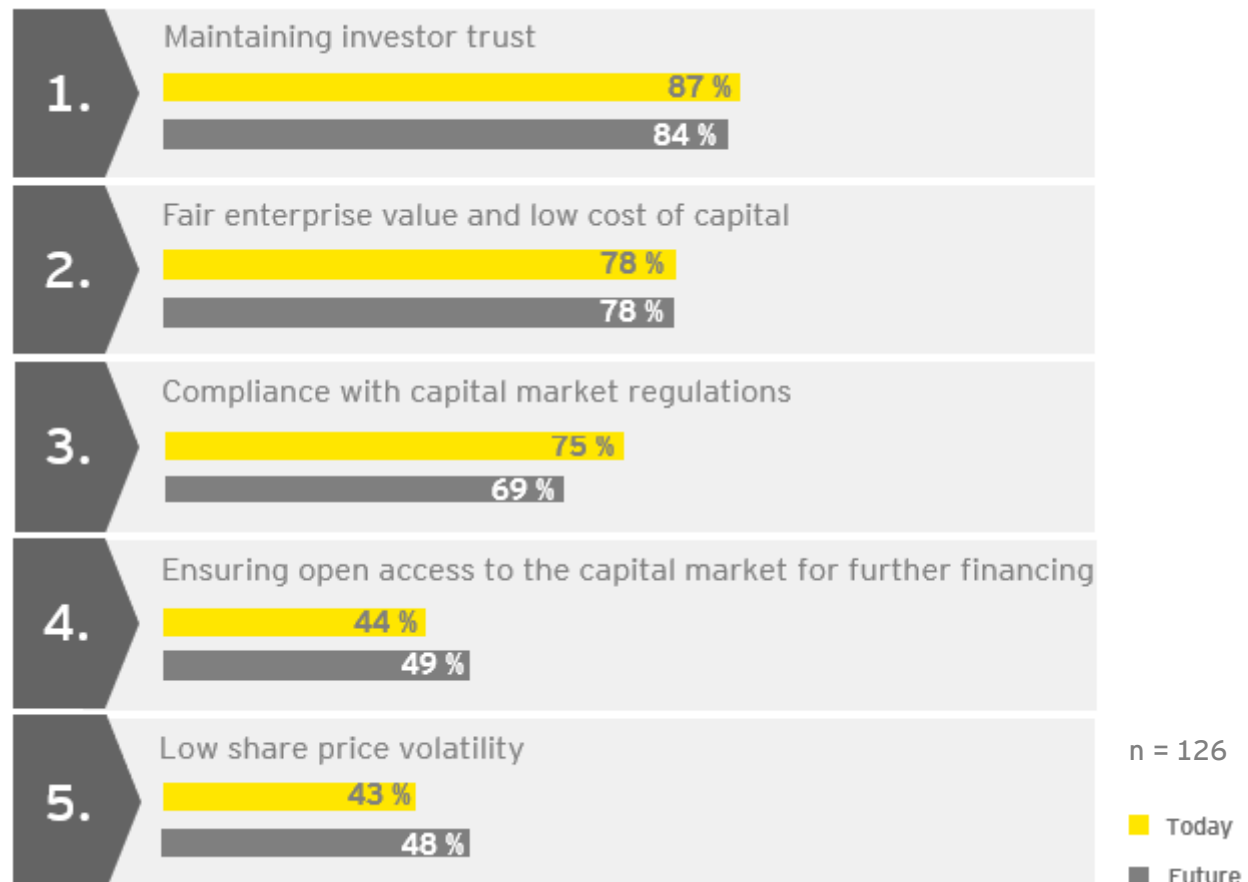


Changes in IR function

Changes in IR function

IR goals today and in the future

Q What are your IR goals today and in the future?
(Multiple answers possible)



IR goals

- ▶ Compared to a survey of 2018* and today's survey there's no difference in the top three IR goals according to the IR respondents: Maintaining investor confidence, a fair enterprise value and low costs of capital and compliance with capital market regulations remain the most important IR goals today and in the future
- ▶ There is hardly any difference between the IR goals today and in the future. However, ensuring an open access to the capital market for further financing, and a low share price volatility are getting more important in the future

* DIRK/EY: Digitalization in Investor Relations Practice, 2018
Source DIRK/EY: Best practice of Investor Relations in the future, 2021

Changes in IR function

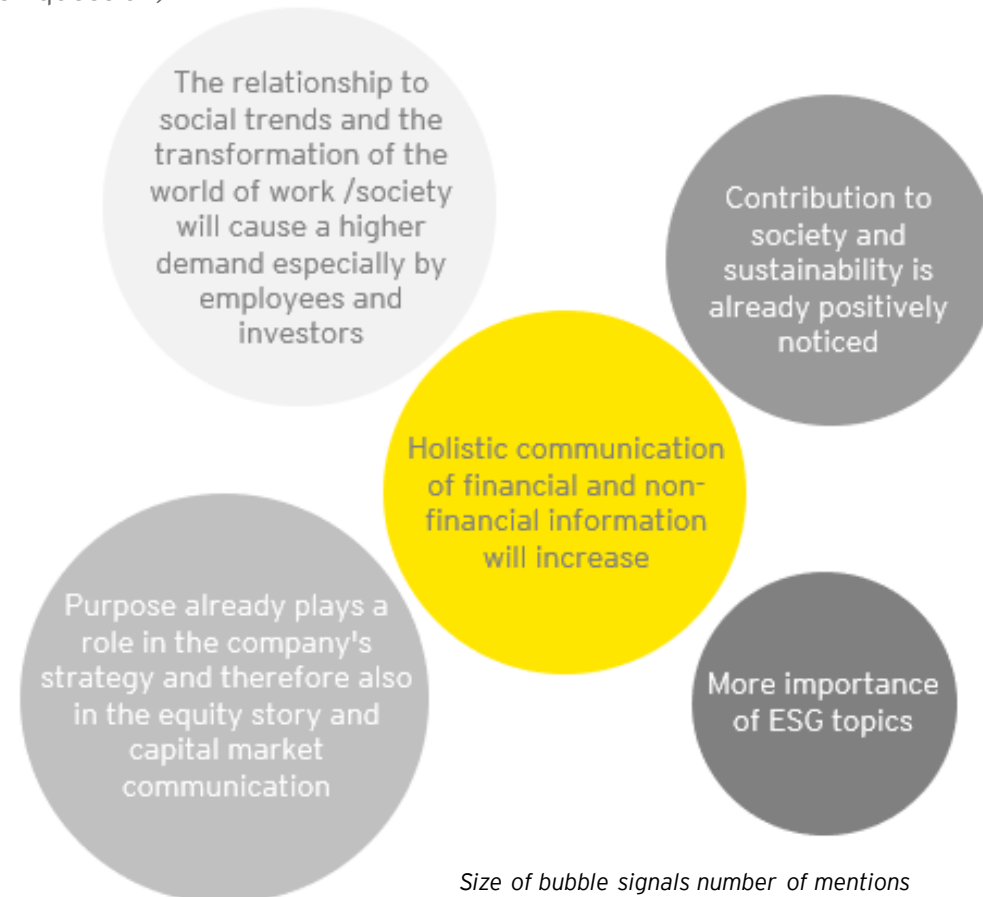
Change of capital market story and IR communication

Change of the capital market story and IR communication

- ▶ The relationship to social trends and the transformation of the world/ society, the holistic communication of financial and non-financial information and the contribution to society and sustainability will become of increasing importance in the future and will shape the capital market story and IR communication according to the surveyed IR officers. ESG (environmental, social and governance) topics will get more important in the future, too.
- ▶ IR officers also think that the purpose already plays a role in the company's strategy and is displayed in the company's equity story and capital market communication

Q How will the capital market story and IR communication change over the long term due to the "purpose" and social expectations?

(Open question)



Size of bubble signals number of mentions

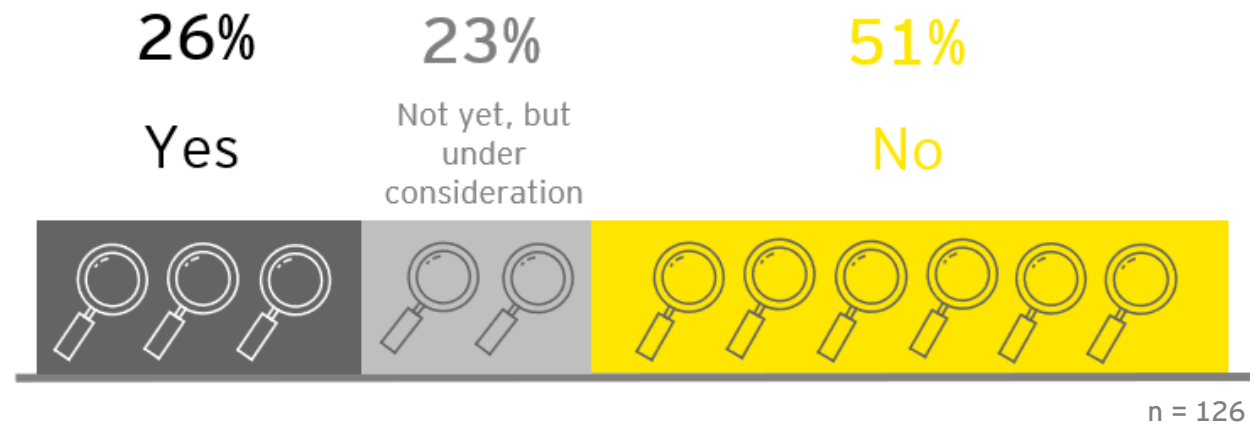
Changes in IR function

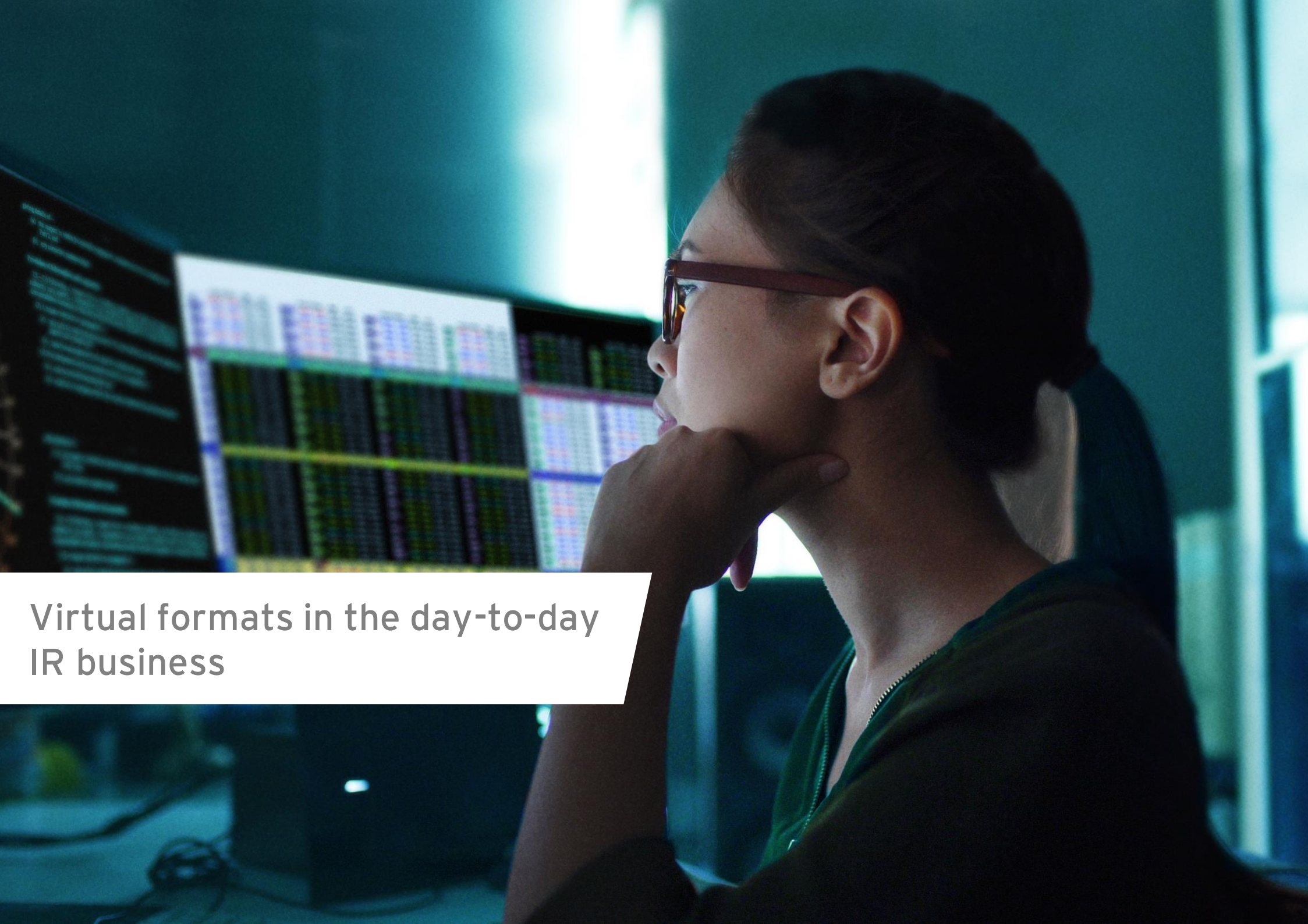
Internal audit of IR function

Internal audit of the IR function

- ▶ The IR function in terms of compliance of the disclosure processes is reviewed by internal audit according to 26% of the surveyed IR officers; it is currently being considered according to 23% of the respondents
- ▶ The IR function in terms of compliance of the disclosure process is not reviewed by internal auditing according to 51% of the respondents

Q Is your IR function in terms of compliance of the disclosure processes reviewed by internal auditing?





Virtual formats in the day-to-day
IR business

Virtual formats are a part of future IR

New media formats and tools

New media formats and tools in IR communication

- ▶ The digital roadshow is highest ranked when it comes to the question of what new media formats and tools should be used more often in IR communication in the future. Especially IR officers of DAX and SDAX companies want to use the digital roadshow more often in the future in IR
- ▶ The digital investor conference is ranked second and the virtual or hybrid general meeting is ranked third. Especially IR officers of SDAX companies want to make use of the virtual or hybrid general meeting more often in the future in IR

Q Which new media formats and tools should be used more often in the future in IR communication?

(Multiple answers possible)

Ranking of new media formats and tools, which should be used more often in IR communication		
1.	Digital roadshow	82%
2.	Digital investor conference	81%
3.	Virtual or hybrid general meeting	71%
4.	Digital analyst conference	59%
5.	Webcasts	50%
6.	Electronic reporting format (ESEF)	29%
7.	Digital press conference	27%
8.	Interactive website	16%
9.	Interactive PDF	10%
10.	Other	5%

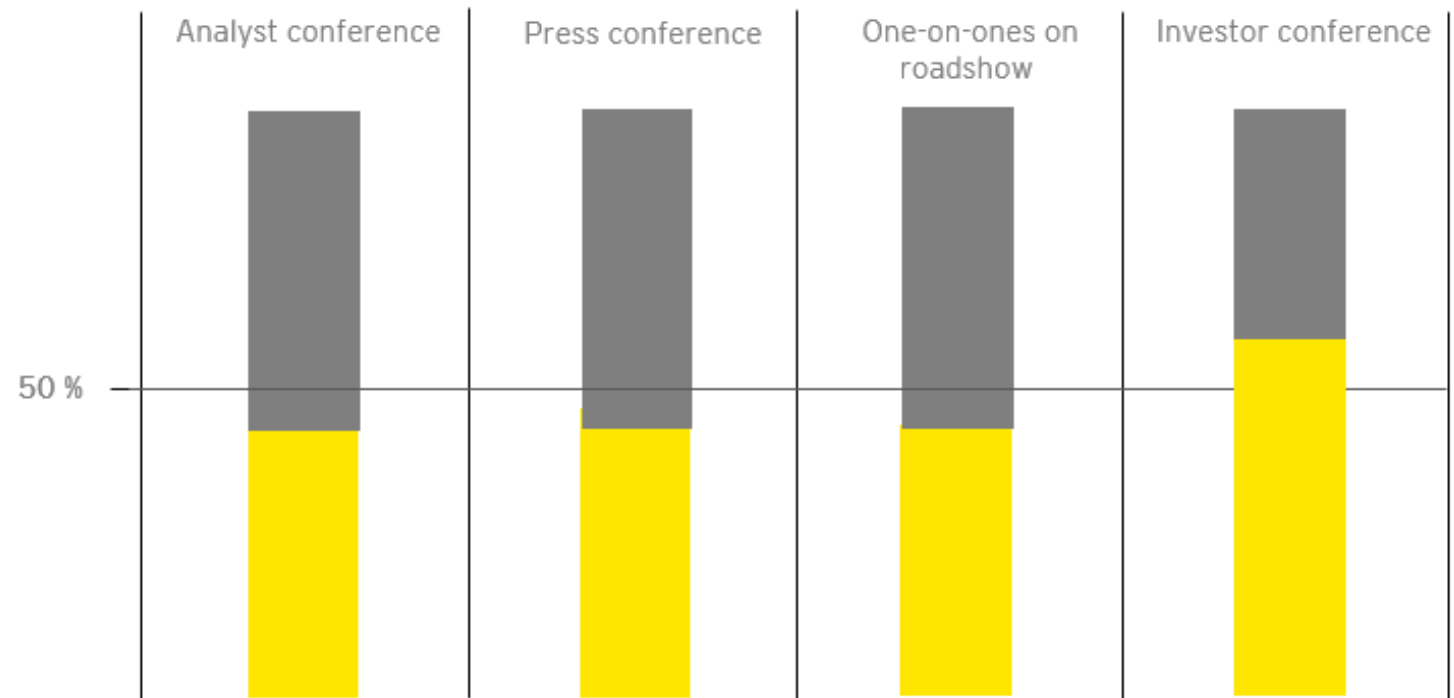
Virtual formats are a part of future IR

Split of virtual and live contact formats

Q How will you split IR contact formats (virtual and live) in the future?

Split of virtual and live contact formats

- ▶ Virtual contact formats will predominantly be used in IR in the future with minimal differences in the requested formats
- ▶ Analyst conferences, one-on-ones and press conferences will be slightly more used in virtual form, whereas for the investor conference the live contact is preferred



n = 124 (average)

■ Virtual
■ Live

Virtual formats are a part of future IR

Cycles of virtual contact formats

Q What cycles will be used for the virtual contact formats in the future?

	Daily	Weekly	Monthly	Yearly
Webcast	4 %	10 %	40 %	46 %
Roadshow	1 %	9 %	69 %	21 %
Investor conference	1 %	8 %	55 %	36 %
Analyst conference	1 %	2 %	26 %	71 %
Press conference	2 %	0 %	10 %	88 %
Other	25 %	0 %	25 %	50 %

Rank 1
 Rank 3
 Rank 2
 Rank 4

n = 118

Cycles for virtual contact formats

- ▶ Virtual contact formats will be predominantly used on a monthly and yearly basis in the future
- ▶ For the majority of respondents, the virtual roadshow and investor conference will be mainly used on a monthly basis; for companies not belonging to an index and SMI and SLI companies investor conferences will be rather used on a yearly basis
- ▶ The virtual analyst conference, press conference and other virtual contact formats (e.g. annual general meeting) will be mainly used on a yearly basis. The same applies to webcasts, but especially DAX, SDAX and SMI companies want to use webcasts on a rather monthly basis

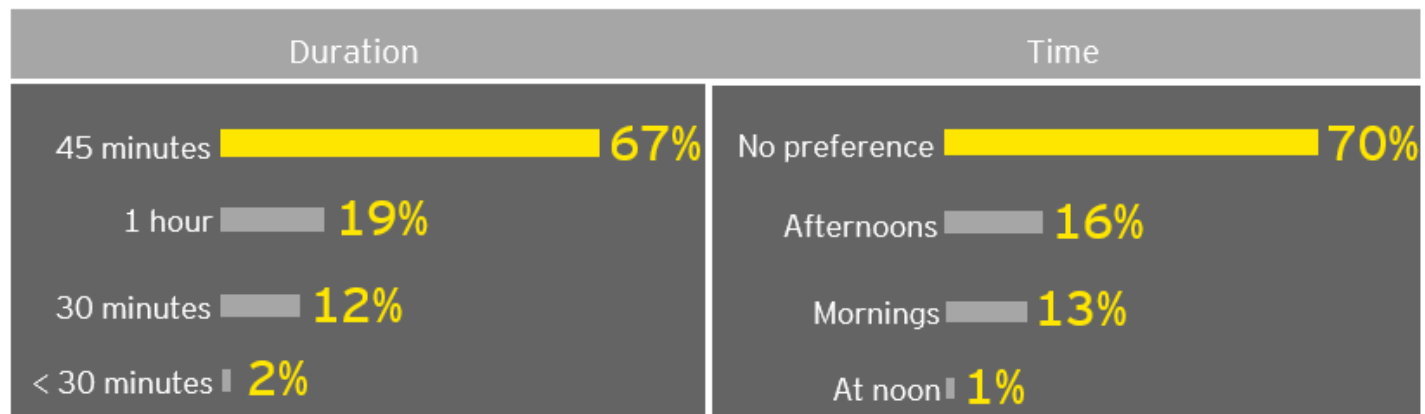
Virtual formats are a part of future IR

Duration and time of virtual meetings

Duration and time for a virtual meeting

- ▶ 45 minutes is the appropriate duration for a virtual meeting in IR with the investor target groups according to 67% of the respondents; one hour is also appropriate for almost 20% of the respondents
- ▶ The majority of the surveyed IR officers do not prefer a certain daytime for a virtual meeting with investor target groups

Q What is the appropriate duration and time for a virtual meeting in IR for the investor target group?



n = 128

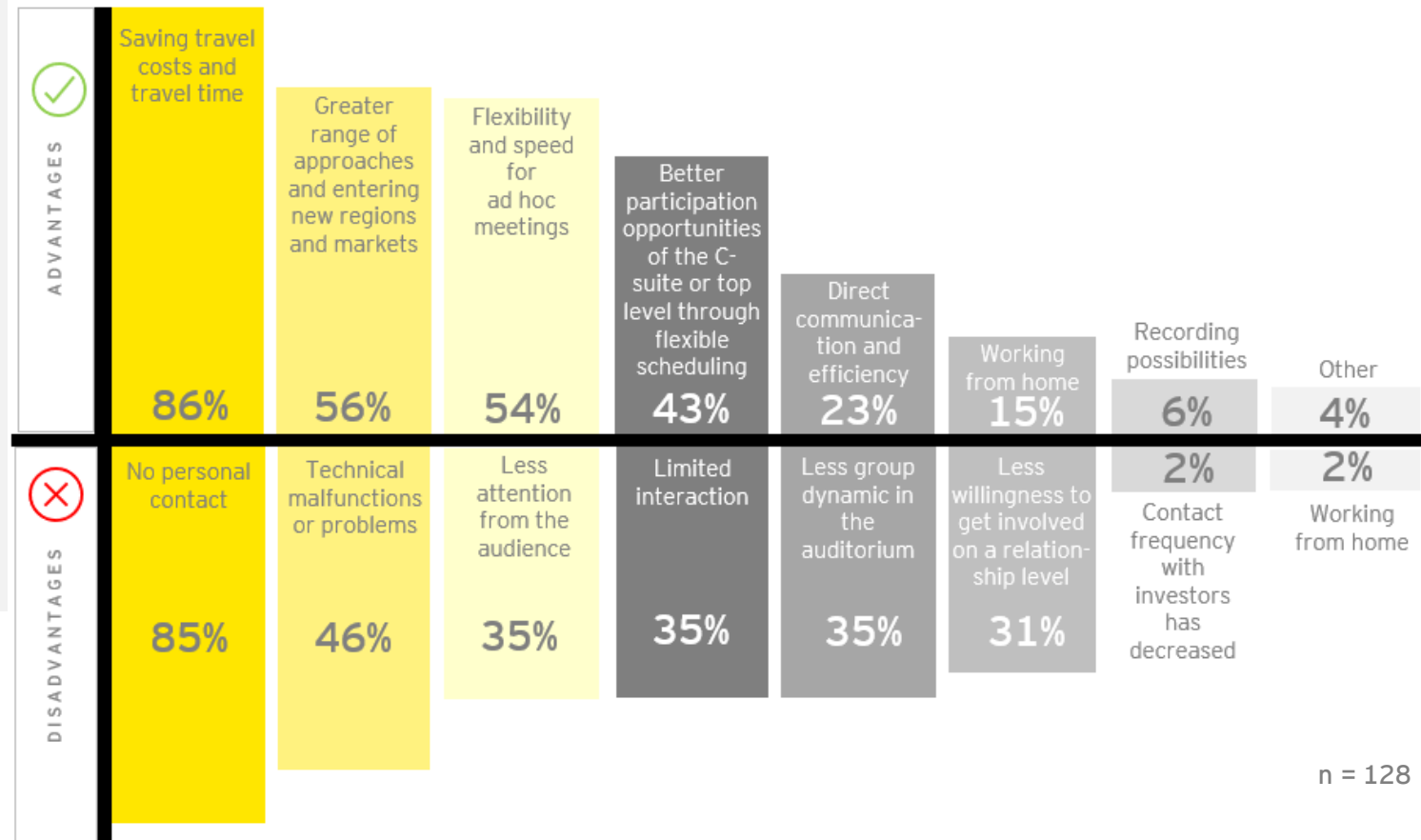
Virtual formats are a part of future IR

Advantages and disadvantages of virtual formats

Advantages and disadvantages of virtual formats

- ▶ IR officers see the biggest advantage of virtual formats in saving travel cost and travel time followed by a greater range of approaches and entering new regions and markets, the flexibility and speed for ad hoc meetings and the better participation opportunities of the C-suite or top level through flexible scheduling
- ▶ One major disadvantage is seen in the missing personal contact. Other disadvantages mentioned by IR officers are technical malfunctions or problems, less attention from the audience, limited interaction and less group dynamic in the auditorium

Q What are the advantages and disadvantages of virtual formats in IR?
(Multiple answers possible)



n = 128

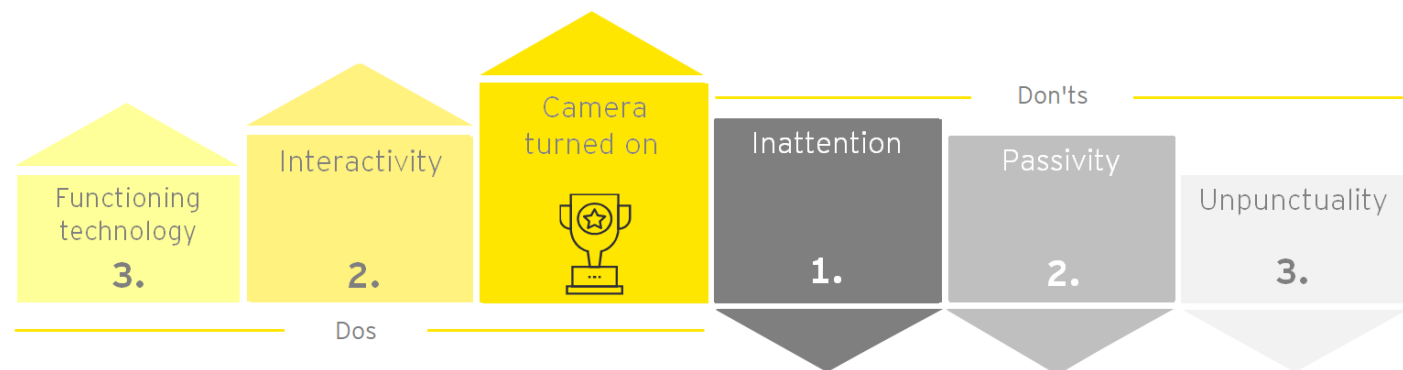
Virtual formats are a part of future IR

Top three dos and don'ts in virtual formats

Dos and don'ts in a virtual formats

- ▶ According to the surveyed IR managers the top three dos in virtual formats are firstly a turned on camera, secondly interactivity and thirdly a functioning technology
- ▶ The top three don'ts in a virtual format are firstly inattention, secondly passivity and thirdly unpunctuality

Q What are the top three dos and don'ts in virtual formats?
(Open question)



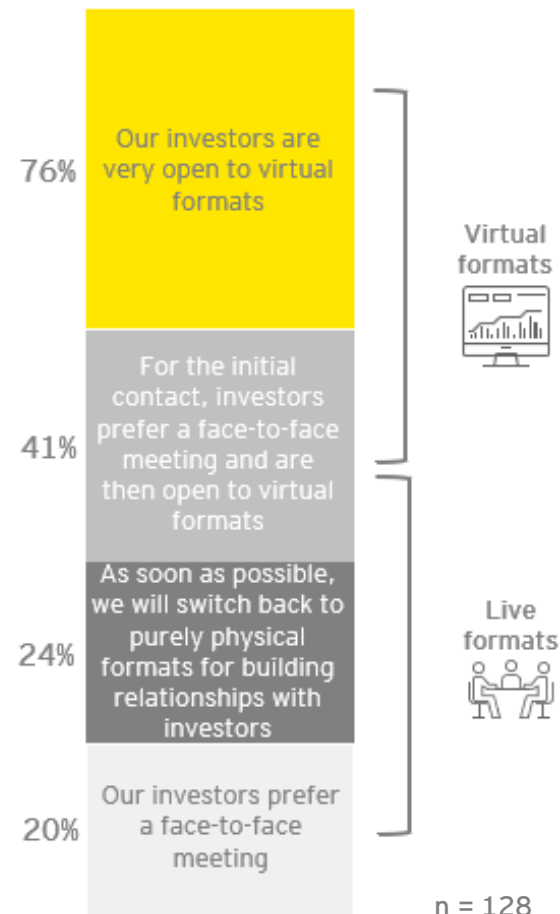
Virtual formats are a part of future IR

Openness to virtual formats

Openness of investors to virtual formats

- ▶ Investors are very open to virtual formats according to a majority of surveyed IR managers. However there's also a large group of respondents who think that investors prefer a face-to-face meeting for the initial contact and are open to virtual formats after that.
- ▶ In order to build a relationship with investors, companies will return to live formats as soon as possible according to almost one quarter of surveyed IR officers; only one fifth of the respondents think that investors are not open to virtual formats but rather prefer face-to-face meetings

Q How open are investors to virtual formats?
(Multiple answers possible)



Challenges with virtual formats

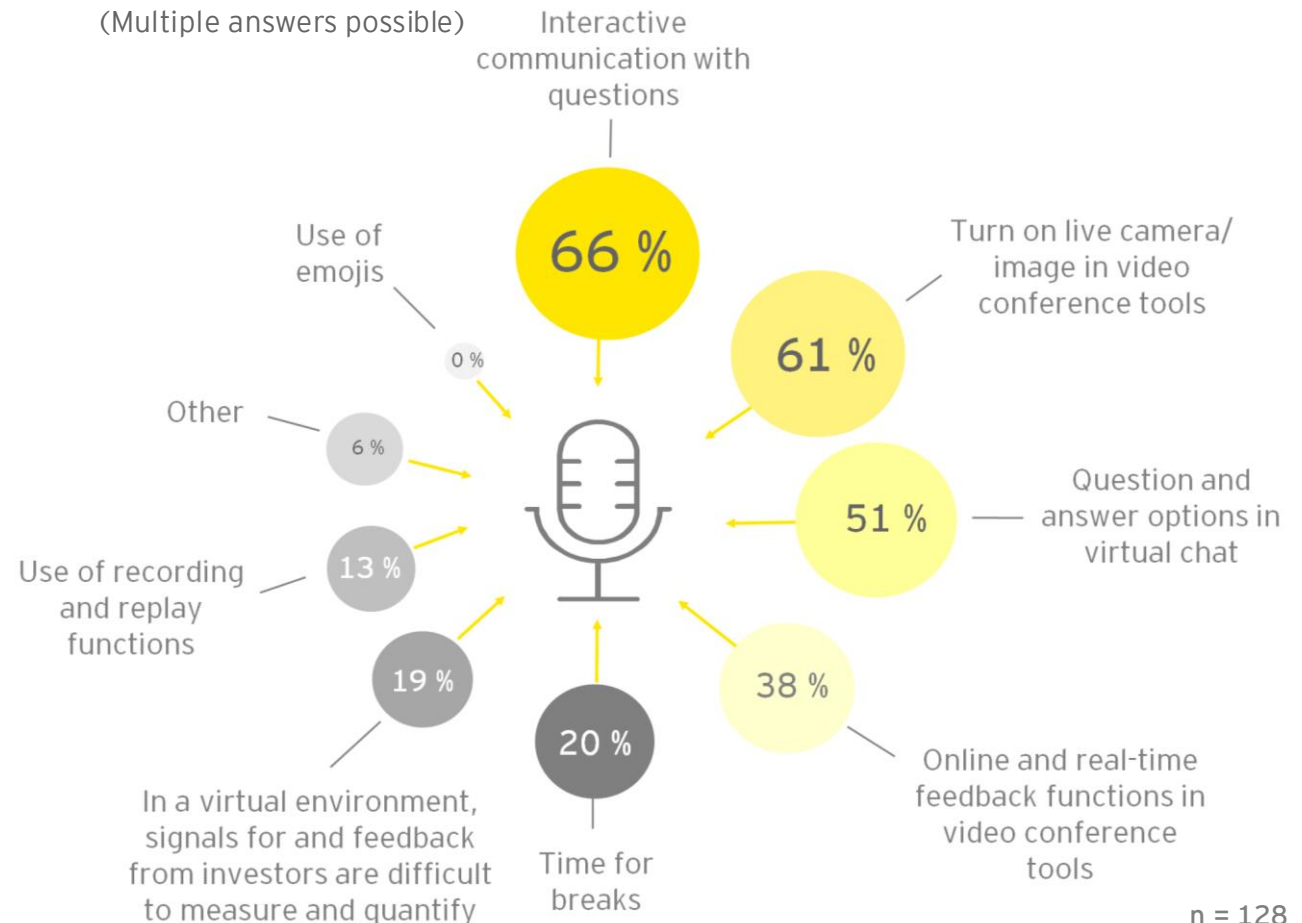
Keeping audience's attention in a digital environment

Keeping audience's attention in digital events and conferences

- ▶ Since most meetings are held virtually due to the pandemic, one of the most challenging aspects is how to keep the audience's attention in virtual events and conferences
- ▶ The majority of respondents prefer an interactive communication with questions, an activated camera or image and question and answer options in virtual chats
- ▶ Online and real-time feedback functions and time for breaks can also help keeping the audience's attention

Q How can you keep the audience's attention in digital events and conferences?

(Multiple answers possible)





Best practice: Virtual general meeting

Best practice: Virtual general meeting

Positive/ negative experiences of virtual general meeting

Positive/ negative experiences of virtual general meeting

- ▶ Due to the pandemic, the COVID-19 acts and laws enable the companies for the first time and for a limited period to conduct virtual general meetings without physical presence of the shareholders
- ▶ Positive experiences of the virtual general meeting are mainly seen in the possibility of saving costs, followed by less potential for escalation and organizational effort. More than one quarter of the IR officers value the direct election results as a positive experience
- ▶ 42% of the respondents didn't experience anything negative with the virtual general meeting. Less interaction with shareholders and technical challenges with implementation are mainly mentioned as negative experiences, though

Q What are your first positive and negative experiences of the virtual general meeting?

(Multiple answers possible)

POSITIVE EXPERIENCE	Saving costs	68%
	Less potential for escalation	59%
	Less organizational effort	58%
	Direct election results	27%
	Increased shareholder presence	21%
	Other	8%
	No positive experiences	6%

NEGATIVE EXPERIENCE	No negative experiences	42%
	Less interaction of shareholders	38%
	Technical challenges with implementation	29%
	Less depth on shareholder questions	16%
	More frequent shareholder complaints	11%
	Other	8%
	Technical problems	7%

n = 117

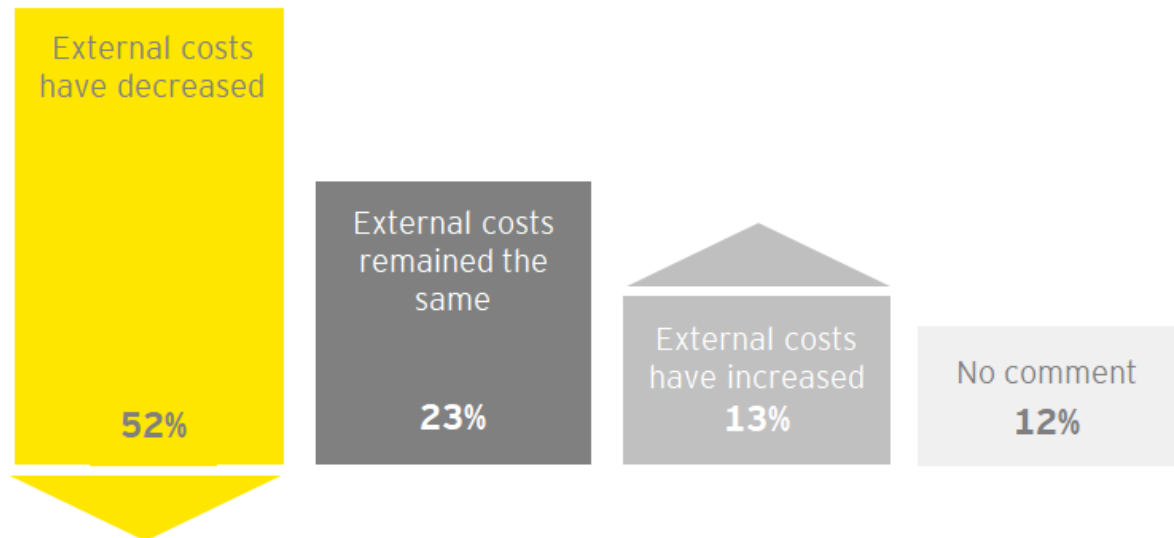
Best practice: Virtual general meeting

Change of external costs

External costs of virtual general meeting

- ▶ The external costs associated with the virtual general meeting have decreased for the majority of respondents
- ▶ For almost one quarter of the IR officers external costs remained more or less the same
- ▶ Only 13% of the IR managers see increased external costs when it comes to the virtual general meeting

Q Have your external costs associated with the virtual general meeting changed?



n = 116



Communication of forward
looking information

Forward-looking information in IR

Formats and media for forward-looking information



Formats and media in IR communication

- ▶ The majority of respondents don't see a need for new formats and media to be used more often for the communication of forward-looking information in the future. Thus, the following formats and media, displayed in a survey of 2020*, will still be used in the future:
- ▶ The analyst guidance and the forecast report in the management report were the most commonly used formats for the communication of forward-looking information, the half-yearly statement and the quarterly information were less used formats
- ▶ The analyst conference/call was the most commonly used media for forward-looking information, followed by the investor conference whereas the shareholders' meeting was a rather rarely used medium

Q What formats and media are used for the communication of forward-looking information?*

(Multiple answers possible)

No new formats and media will be used for the communication of forward-looking information in the future according to a majority of respondents

Survey 2020*			
Formats		Media	
1.	Analyst Guidance	89 %	1. Analyst conference/call 91 %
2.	 Forecast report in management report	87 %	2.  Investor conference 77 %
3.	Half-yearly statement	58 %	3. Press conference 36 %
4.	Quarterly information	56 %	4. Shareholders' meeting 29 %

n = 90

*DIRK/EY: Managing expectations in volatile capital markets in IR, 2020

Source DIRK/EY: Best practice of Investor Relations in the future, 2021

Forward-looking information in IR

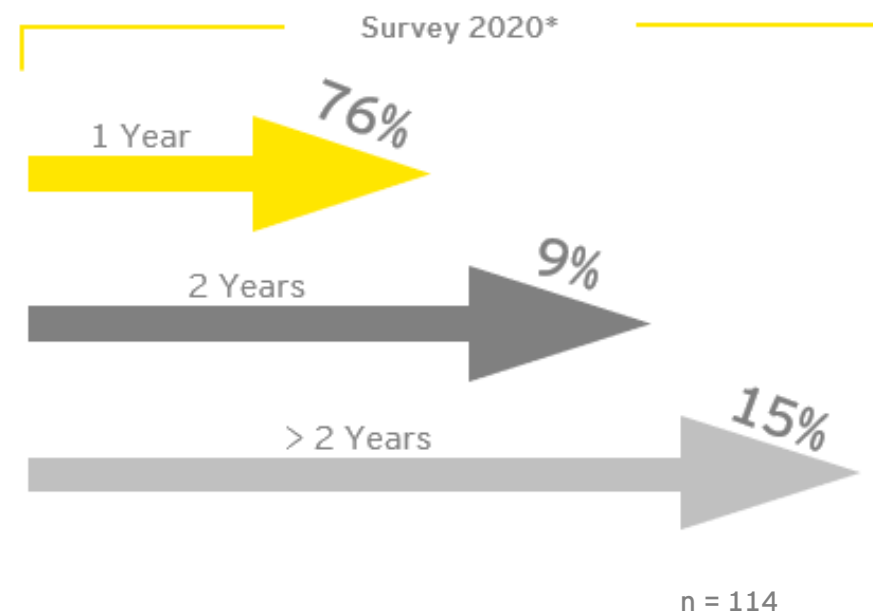
Forecast horizon

Q Will you use a different forecast horizon in the future?

Forecast horizon

- ▶ Today's survey shows that 88% of the surveyed IR managers don't intend to use another forecast horizon in the future. Thus, the following forecast horizon, displayed in a survey of 2020*, will still be used in the future:
- ▶ 76% of the surveyed IR managers provide their forecasts with a forecast horizon of one year
- ▶ Almost one quarter of the respondents of 2020 present their forecasts with a horizon of two years or more than two years

88% don't intend to use another forecast horizon in the future



*DIRK/EY: Managing expectations in volatile capital markets in IR, 2020

Source DIRK/EY: Best practice of Investor Relations in the future, 2021

Forward looking information in IR

Financial and non-financial performance indicators

Q Will you report on new relevant financial and non-financial performance indicators in the future?

(Multiple answers possible)

New financial and non-financial performance indicators

- ▶ 79% of the IR managers don't intend to report on new financial performance indicators in the future. Sales, ROCE, EBIT, dividend policy and EBITDA remain the most important financial performance indicators in the future
- ▶ 49% of the IR managers don't intend to report on new non-financial performance indicators. CO₂-related information, energy consumption, social commitment, employee and customer satisfaction remain the most important non-financial performance indicators in the future



Five financial performance indicators remain the most important:

1.	Sales
2.	Return on Capital Employed ROCE
3.	EBIT
4.	Dividend policy
5.	EBITDA



Five non-financial performance indicators remain the most important:

1.	CO ₂ -related information
2.	Energy consumption
3.	Social commitment
4.	Employee satisfaction
5.	Customer satisfaction

n = 114



Non-financial reporting

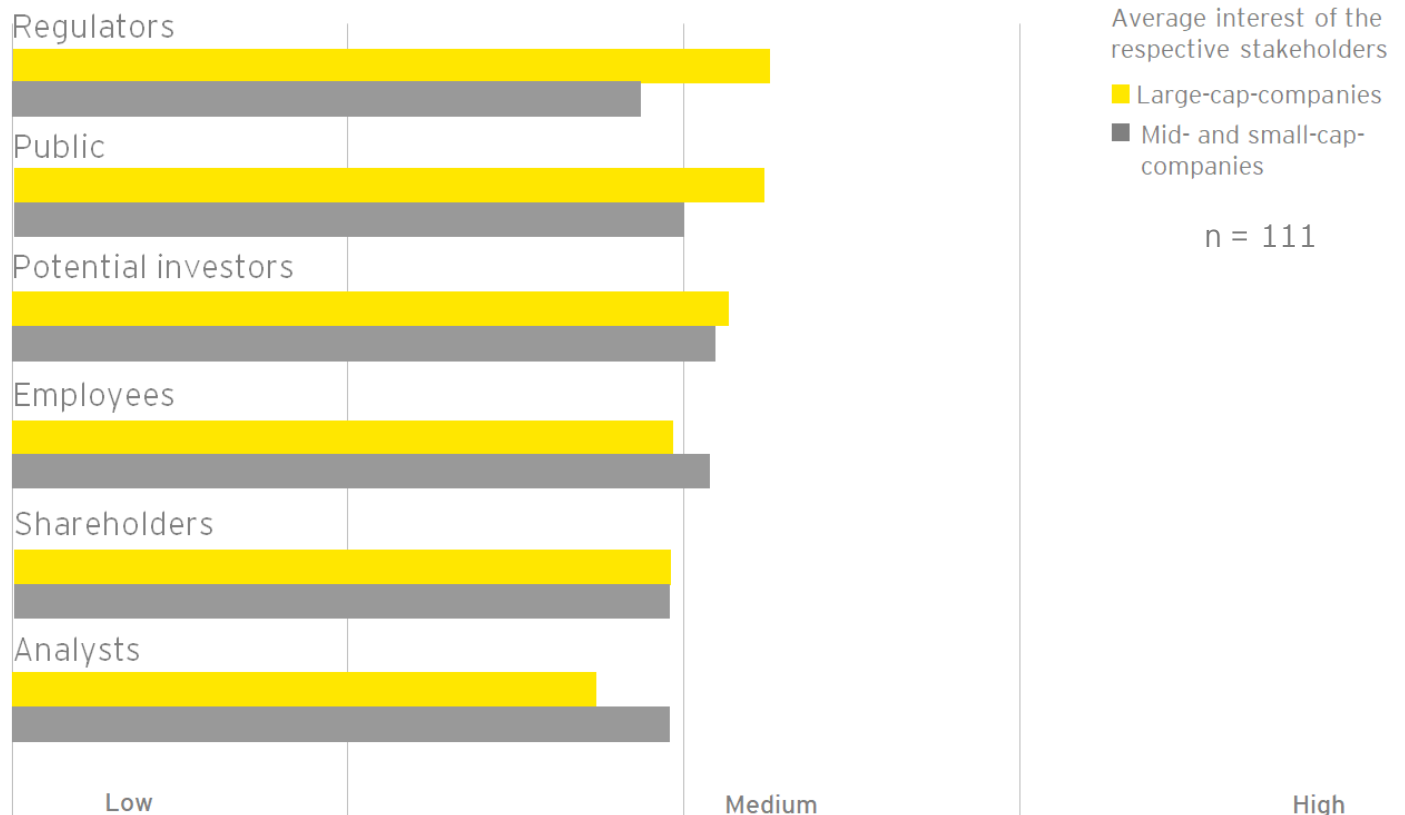
Non-financial reporting in IR

Interest of IR-stakeholders in the non-financial statement

Interest in non-financial statement

- ▶ Today's survey shows that there is a rather medium overall interest in the non-financial statement and thus a slightly increase compared to the results of the survey of 2019*. The IR officers still see the lowest interest by analysts, but the highest interest is today seen by regulators
- ▶ According to the survey of 2019* the overall interest of IR stakeholders in the non-financial statement was low to medium; IR officers observed a very low interest among analysts and the highest interest among potential investors
- ▶ Generally, the interest of IR stakeholders today seems to be higher for large-caps than for mid- and small-caps

Q How big is the current interest of IR stakeholders in the non-financial statement?



* DIRK/EY: Digitalization in Investor Relations Practice, 2019

Source DIRK/EY: Best practice of Investor Relations in the future, 2021

Non-financial reporting in IR

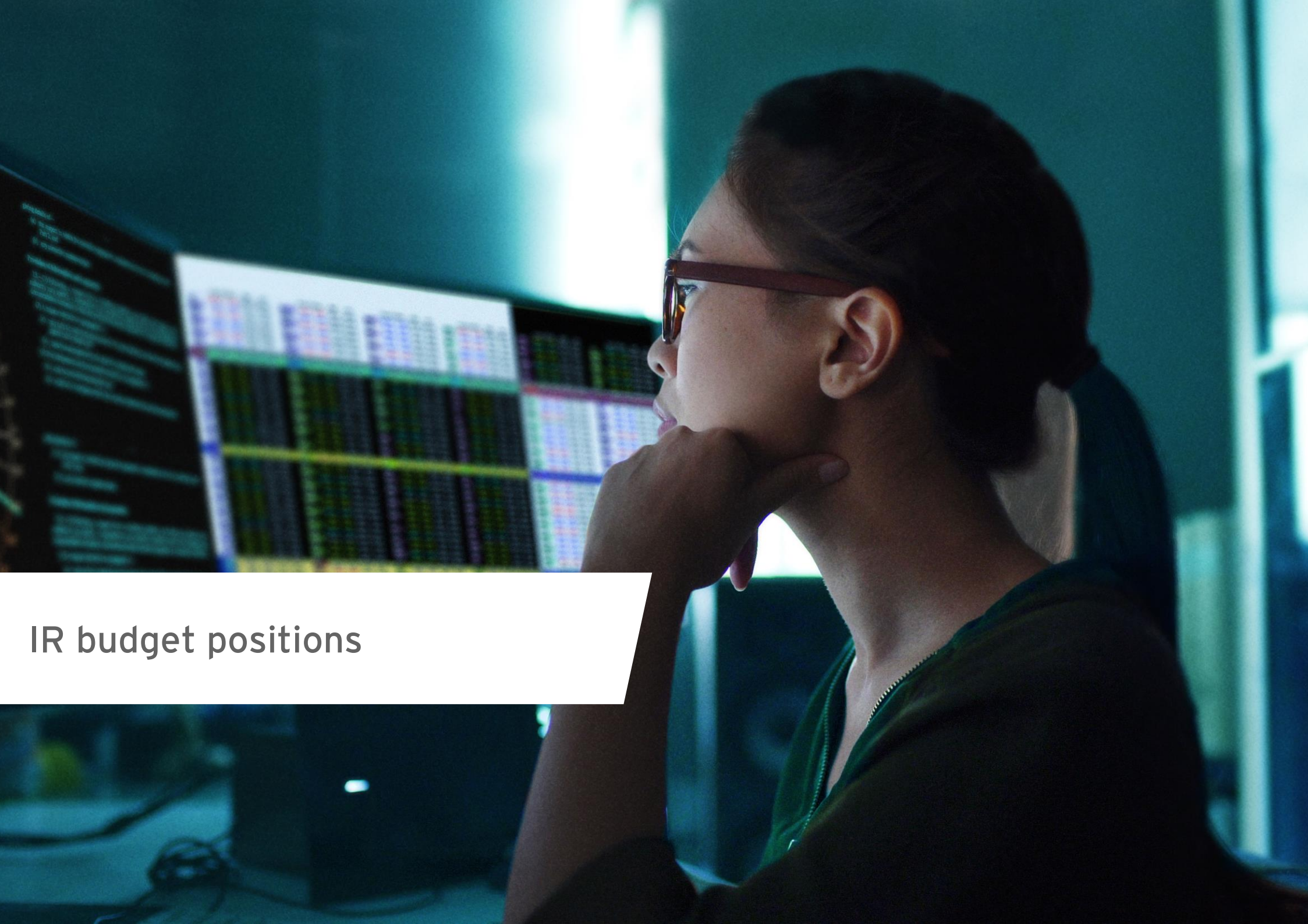
Challenges in the implementation of EU taxonomy

Challenges in the implementation of the EU taxonomy

- ▶ One of the biggest challenges in the application and implementation of the EU taxonomy for sustainable finance is seen in the missing standards and implementation details
- ▶ Other big challenges mentioned are the availability of data, time aspects and missing resources

- Q** What are the biggest challenges in the application and implementation of the EU taxonomy for sustainable activities?
(Open question)





IR budget positions

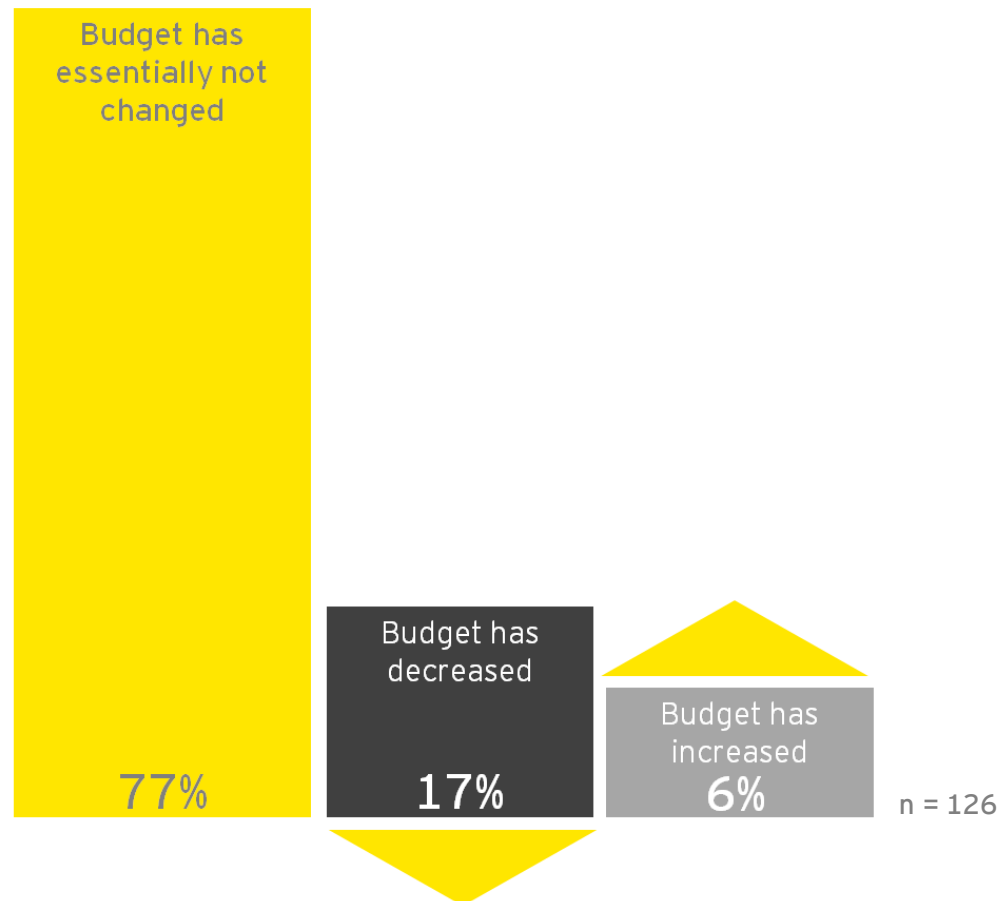
Amount of total IR budget

Changes in IR budget

Changes in budget

- ▶ For 77% of the respondents the digitalization and virtual tools do not have an impact on the budget as it has not essentially changed
- ▶ For almost one fifth the budget has decreased due to digitalization and virtual tools; whereas for only 6% the budget has increased

Q Do the digitalization and virtual tools have an impact on the IR budget?



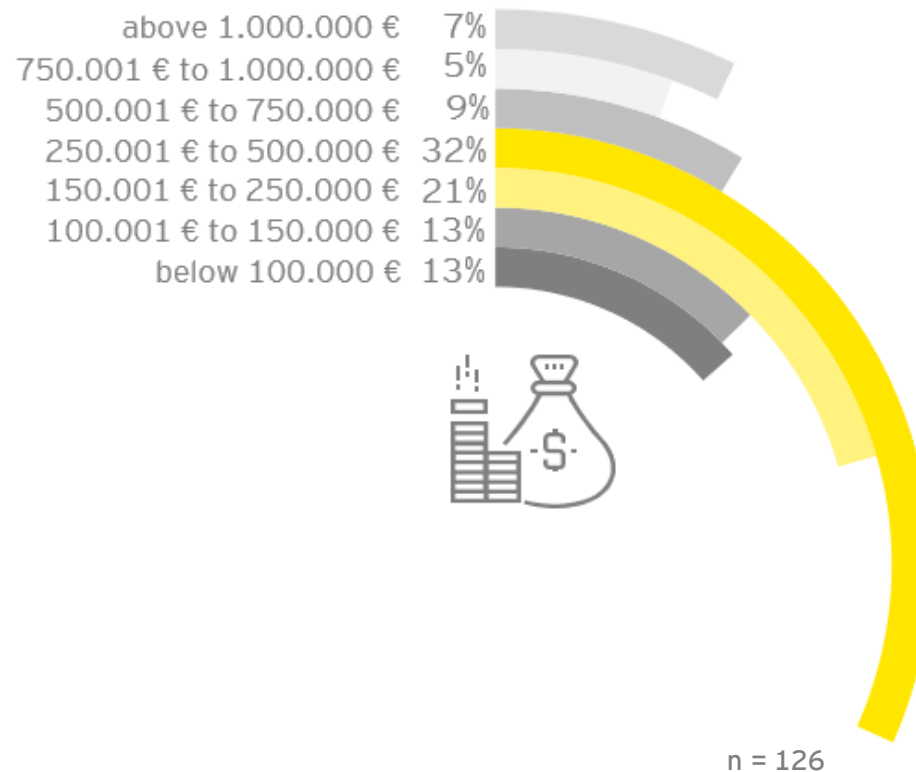
Amount of total IR budget

Size of company has an impact on total IR budget

Amount of IR budget

- ▶ For 32% of the respondents the total expected IR budget per year is between 250.000 € and 500.000 €, especially for MDAX, SDAX, ATX and ATX prime companies
- ▶ 21% of the IR officers have a total IR budget between 150.000 € and 250.000 €
- ▶ DAX companies tend to have a higher total budget which is above 1 Mio. €

Q What is the total expected IR budget per year (excluding personnel costs)?



Amount of total IR budget

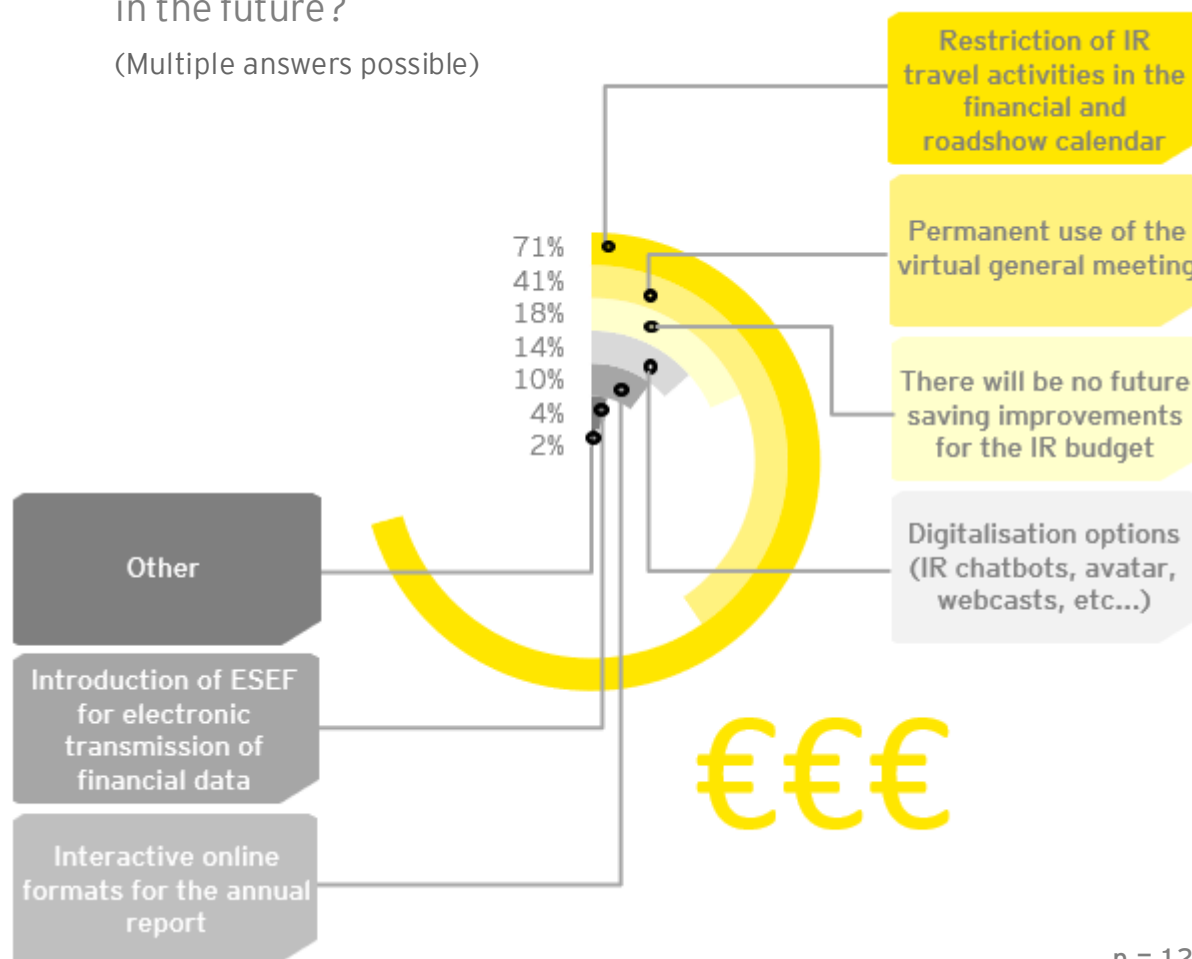
Potential for savings improvement in future IR budget

Potential for saving improvements in IR budget

- ▶ Restriction of IR travel activities in the financial and roadshow calendar provide the highest cost saving potential in the future IR budget according to a majority of surveyed IR officers
- ▶ The virtual general meeting is also identified as a budget position with potential to save substantial costs
- ▶ However, one fifth of the respondents don't see any future saving improvements for the IR budget

Q Which positions of the IR budget have potential for savings improvement in the future?

(Multiple answers possible)



Source DIRK/EY: Best practice of Investor Relations in the future, 2021



Chances for a better Investor Relations in the future

Chances for a better Investor Relations in the future

Approaches in IR practice

- ▶ Due to the COVID-19 pandemic, virtual IR events and meetings have become the new norm since. Post-COVID-19, IR could continue to be virtual or the future might provide for a hybrid IR experience, combining traditional live interactions with the benefits of virtual IR activities.
- ▶ Particularly in uncertain and volatile times like the pandemic but also post-COVID-19, IR has to find a balance between virtual and in-person formats:
 - ▶ to provide reliable information irrespective of the chosen format
 - ▶ to build up credibility in the capital market
 - ▶ to strengthen investor confidence.



The survey shows that virtual contact formats will be a part of the day-to-day IR business and activities in the future. The virtual or hybrid general meeting may become routine in the future. IR officers see potential for improvement and five essential approaches can be identified:

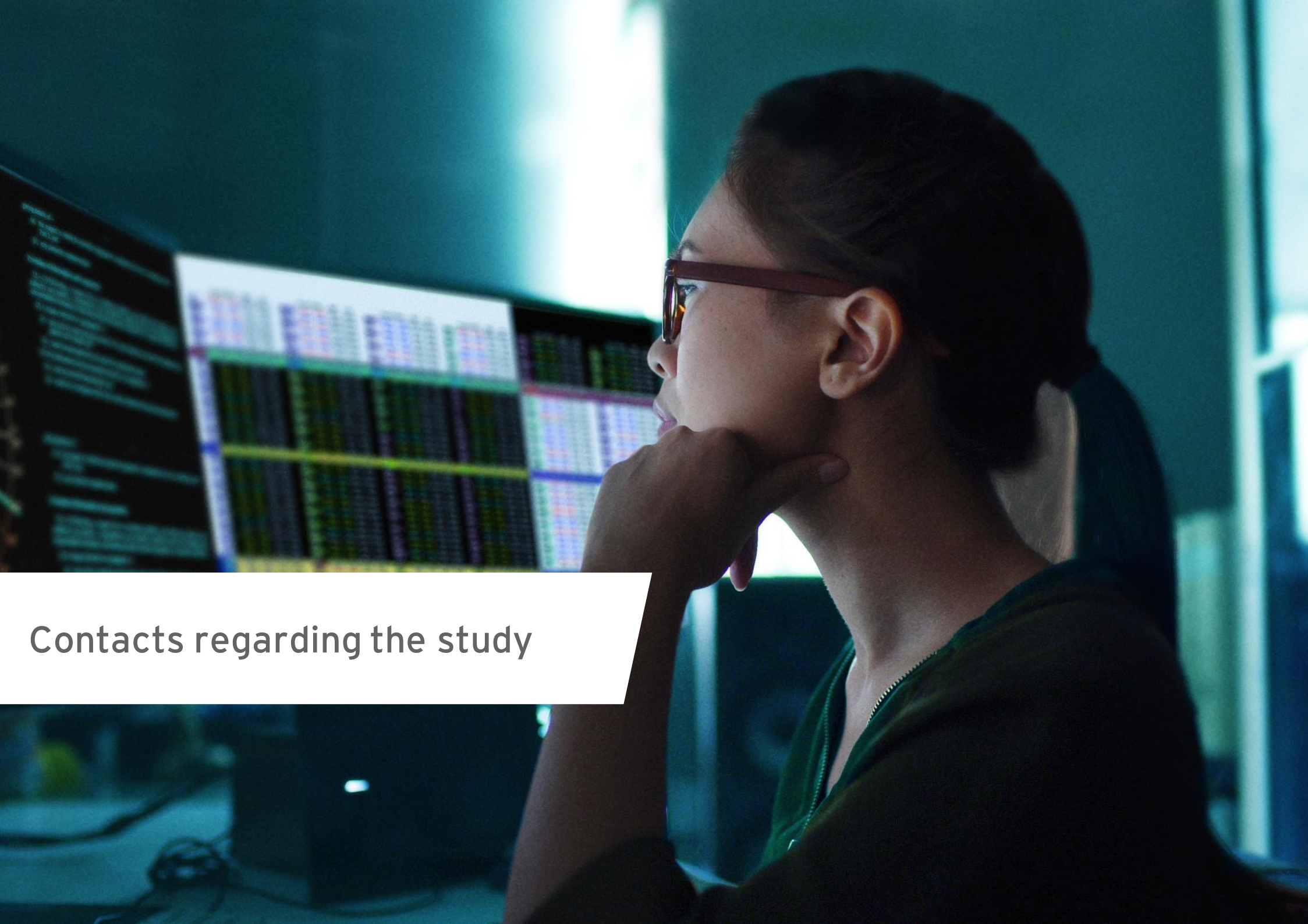
1. Consider virtual contact formats as a valid option for future IR activities as they will become increasingly important in the future IR routine. New media formats and tools to be used more often in the IR communication in the future are the digital roadshow, the digital investor conference and the virtual or hybrid general meeting. Biggest advantages of the virtual formats perceived are the possibility to save travel cost and time, a greater range of approaches and entering new regions and the flexibility and speed for ad hoc meetings.
2. Consider the dos and don'ts in a virtual environment. Interactivity, a functioning technology and a turned on camera are a must in virtual contact formats.
3. Find a balance between virtual and live general meeting format in the future to fully make use of the benefits inherent to both formats. Positive experiences of the virtual general meeting are the possibility to save costs, less potential for escalation and less organizational effort. Negative experiences perceived are less interaction of shareholders, technical challenges with implementation and less depth on shareholder questions.
4. More balanced communication of forecasts on key non-financial performance indicators. Important remaining non-financial performance indicators in the future are CO₂-related information, energy consumption, social commitment and employee and customer satisfaction.
5. Better positioning of the non-financial statement amongst all IR stakeholders, but especially among analysts, who provide the capital market with a range of the fair company value. Prepare for the challenges of the EU taxonomy for sustainable activities. Biggest challenges perceived are the missing standards and implementation details.

Checklist for a better Investor Relations in the future

Checklist

► The following questions help to individually position IR for the future

1. Which IR formats do we want to use virtually and which ones in-person in the future? Following questions can be helpful: Who is the target audience? What is the target and content of the format? What is expected? What is our budget?
2. What format will we offer for the annual general meeting (live, in-person or hybrid) in the future?
3. Do we already consider the dos and don'ts in a virtual environment?
4. How can we best achieve the increasing importance of the following IR goals: Ensuring an open access to the capital market for further financing and a low share price volatility?
5. How can we integrate virtual formats in our IR day-to-day business to build up long-term trust in the capital market and to increase the value creation potential of the company?
6. How can the IR budget be associated to new contact formats?
7. Do the purpose and sustainability as well as financial and non-financial performance indicators already play a role in our IR communication and do we want to integrate them in our capital market story?
8. Looking forward, to what extent can a reliable forecast be prepared? Which KPIs are relevant for the forecasts and analyst guidance?
9. Is our IR function ready to be reviewed by the internal audit? Do we have an IR manual?
10. How can we make sure to comply with the increasing ESG/ EU-taxonomy demands of investors and regulators? Do we already have processes implemented and sufficient data to comply with the EU taxonomy?



Contacts regarding the study

Contacts regarding the study

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