

# Interaction between IR and the Board in the capital market

## year

DIRK/EY Survey 2022



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## Interaction between IR and the Board in the capital market year

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## Survey details

### Interaction between IR and the Board in the capital market year

#### Respondents

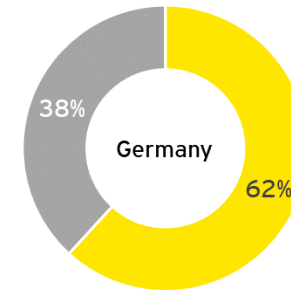
- ▶ Published by DIRK (German Investor Relations Association), initiated and sponsored by EY as co-publisher
- ▶ 108 responses from Investor Relations Officers in Germany, Switzerland and Austria
- ▶ Companies mainly listed in reg. markets
- ▶ Members of IR associations in Germany (DIRK), Switzerland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

#### Purpose of the survey

- ▶ Getting an insight on the interaction between IR and the Management Board and Supervisory Board during the capital market year
- ▶ Providing an overview of the organization of IR as an interplay with the Management Board and Supervisory Board



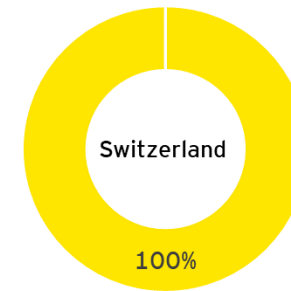
82 % DIRK members



Index (DAX, MDAX, SDAX)  
Other



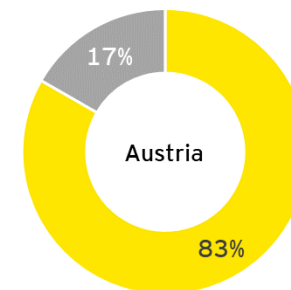
7 % IR club members



Index (SLI, SMI, SPI)  
Other



11 % CIRA members



Index (ATX, ATX prime)  
Other

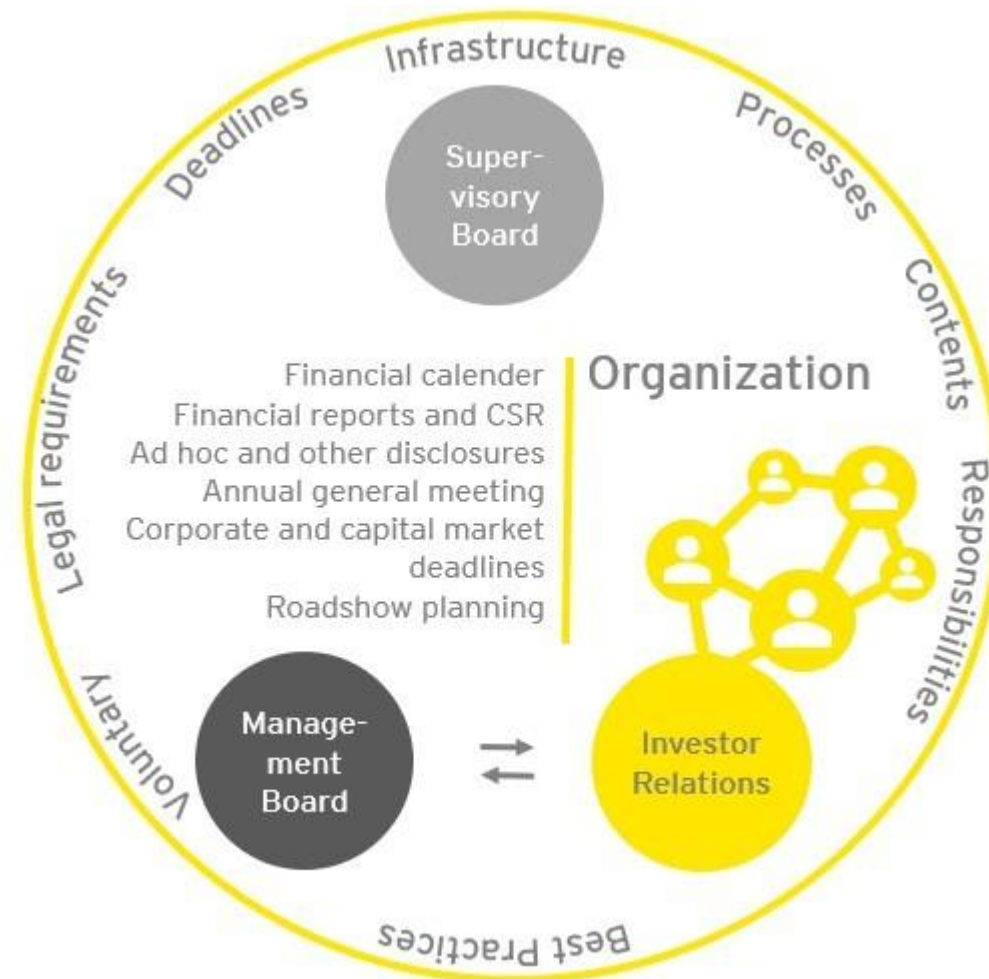
Legal basis for the  
communication between IR and  
the Board



# Legal basis for the communication line with IR

## Organization of IR capital market duties with the Board

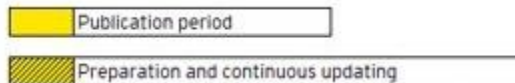
- ▶ Management Board has the authority to communicate
- ▶ More active role of the Supervisory Board in the capital market communication due to institutional investors and Proxy Voting Guidelines
- ▶ IR as organizational talent in between



Source DIRK/EY: Interaction between IR and the Board in the capital market year, 2022

# Legal basis for the communication line with IR

## Important ongoing capital market obligations for the capital market calendar



<u>Format and legal source</u>	<u>Publication deadline/ period</u>	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
<b>Annual financial report</b> §51 par. 2 BörsO FWB, §114 par. 1 i. c. w. §117 WpHG	Four months after the end of the fiscal year	Yellow	Yellow	Yellow	Yellow								
<b>Half-year financial report</b> §52 par. 4 BörsO FWB, §115 par. 1 i. c. w. §117 WpHG	Three months after the end of the reporting period						Yellow	Yellow	Yellow				
<b>Quarterly financial statement</b> §53 par. 5 BörsO FWB	Two months after the end of the respective reporting period				Yellow	Yellow					Yellow	Yellow	
<b>Annual general meeting</b> §175 par. 1 AktG	Within the first eight months of the fiscal year **	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow				
<b>Financial calendar</b> §54 par. 1 BörsO FWB	Preparation and continuous updating	Diagonal	Diagonal	Diagonal	Diagonal	Diagonal	Diagonal	Diagonal	Diagonal	Diagonal	Diagonal	Diagonal	Diagonal
<b>Supervisory Board meetings</b> §110 par. 3 AktG	At least two ordinary meetings per calendar half-year ***			Yellow		Yellow				Yellow			Yellow
<b>Analyst event</b> §55 BörsO FWB	At least one event per year ***			Yellow		Yellow			Yellow			Yellow	
<b>Declaration of compliance</b> §161 par. 1 AktG	Annual publication ***											Yellow	Yellow

   Only for issuers listed on Prime Standard

\* Presentation based on capital market and stock corporation law obligations for German issuers in the regulated market.

Different regulations may apply to issuers in Austria and Switzerland.

\*\* Current exemptions through COVID-19 regulations and emergency legislation not included.

\*\*\* Displayed publication periods refer to best practices.

# Legal basis for the communication line with IR

Example: Organization of the value chain of the financial disclosure process



Source DIRK/EY: Interaction between IR and the Board in the capital market year, 2022



Organization of IR as an interplay  
with the Board

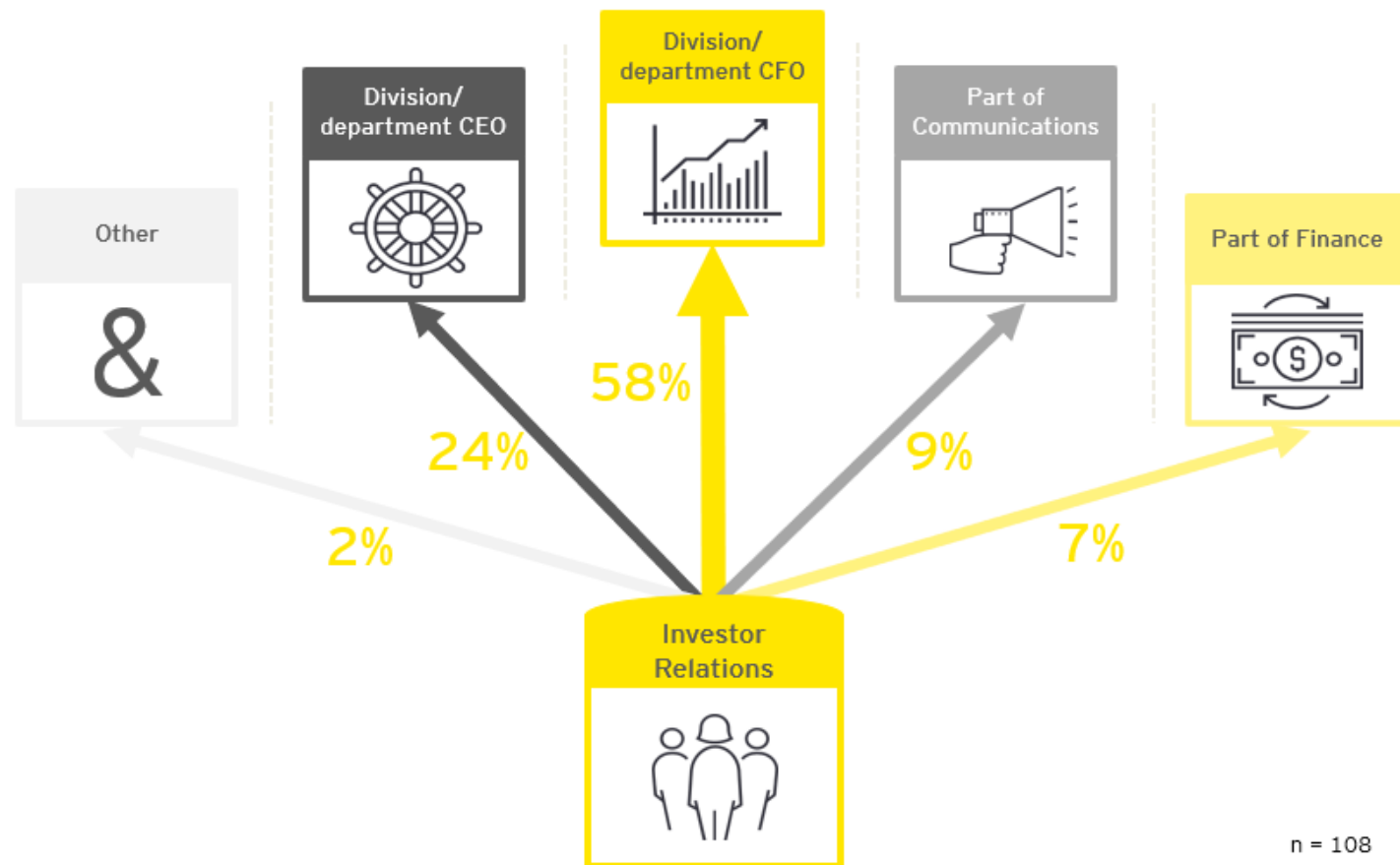


# Organization of IR as an interplay with the Board Assignment of IR in the company

## Assignment of IR in the company

- ▶ According to the majority of respondents, IR is assigned to the division or department of the CFO
- ▶ For 24% of the respondents, IR may also be assigned to the division or department of the CEO

**Q** To which position or department within the company is IR assigned to?



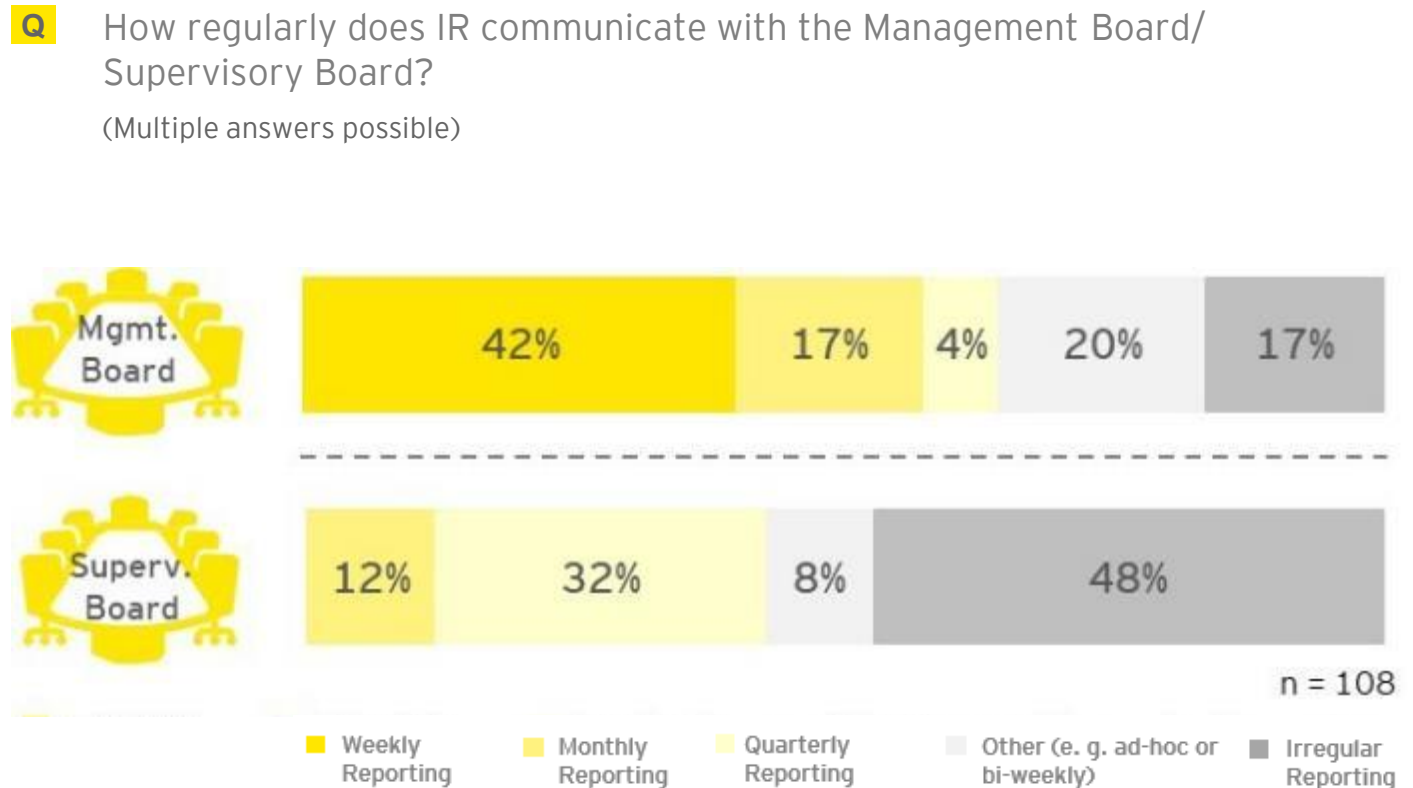
n = 108

Source DIRK/EY: Interaction between IR and the Board in the capital market year, 2022

## Organization of IR as an interplay with the Board Communication frequency

### Communication frequency

- ▶ According to 83% of the surveyed IR officers, there is a regular reporting between IR and the Management Board:
  - ▶ A weekly reporting is the most common reporting frequency used according to 42% of the IR officers; a monthly reporting is used according to 17% of the IR-officers
  - ▶ 20% use other regular frequencies, e. g. an ad hoc or bi-weekly rhythm
- ▶ According to 52% of the surveyed IR officers, there is a regular reporting between IR and the Supervisory Board:
  - ▶ A quarterly reporting is the most common reporting frequency used according to 32% of the IR officers
  - ▶ The smaller the company, the lesser exists a regular reporting to the Supervisory Board



Source DIRK/EY: Interaction between IR and the Board in the capital market year, 2022

# Organization of IR as an interplay with the Board

## IR reporting topics

### IR reporting topics

- ▶ Of those companies that have a regular reporting line between IR and the Management Board, the most important topic is the market and investor sentiment, followed by frequently asked questions from investors and investor activities
- ▶ Of those companies that have a regular reporting line between IR and the Supervisory Board, the market and investor sentiment is the most important topic, too, followed by discussions on financial reports and the annual general meeting

**Q** What are topics of a reporting between IR and the Management Board/ Supervisory Board?

(Multiple answers possible)



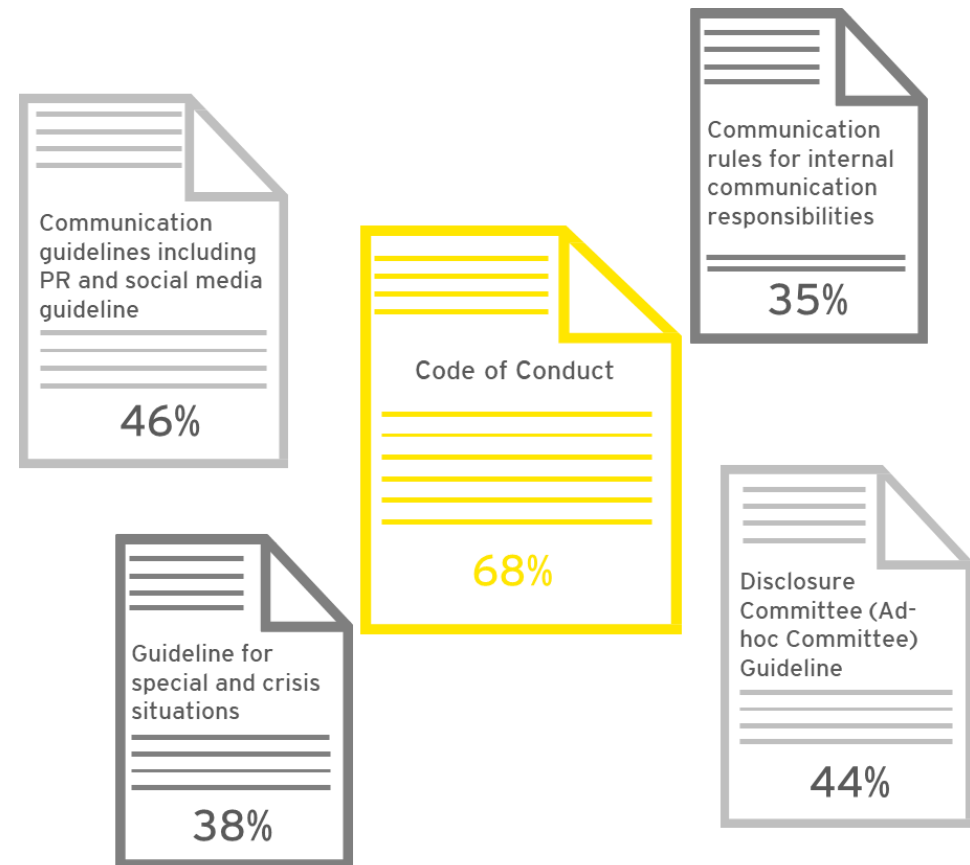
Source DIRK/EY: Interaction between IR and the Board in the capital market year, 2022

## Organization of IR as an interplay with the Board Roles and competencies in IR related guidelines

### Roles and competencies in IR related guidelines

- ▶ The guideline that exists most often in companies is the Code of Conduct, followed by communication guidelines, including PR and social media guidelines and a guideline for the Disclosure Committee
- ▶ A guideline for special and crisis situations and communication rules for internal communication responsibilities also exist, but less often though
- ▶ The Disclosure Committee guideline, the guideline for special and crisis situations and the communication guidelines including PR and social media guideline exist more often in DAX companies compared to companies belonging to another index

**Q** Which IR related guidelines do exist?  
(Multiple answers possible)



n = 106

Source DIRK/EY: Interaction between IR and the Board in the capital market year, 2022

Best practice: Disclosure  
Committee

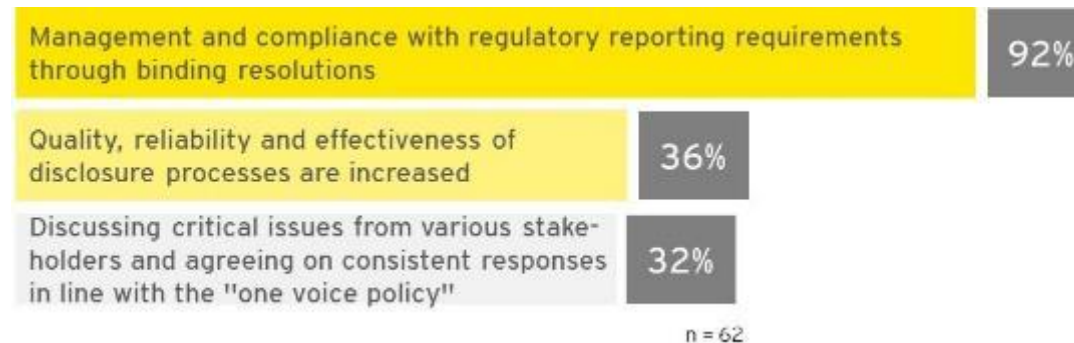


## Best practice: Disclosure Committee Purpose

### Purpose of the Disclosure Committee

- ▶ The management and compliance with regulatory reporting requirements (e.g. ad hoc disclosure) through binding resolutions is the top purpose of the Disclosure Committee seen by the majority of IR officers, in case a Disclosure Committee is existent
- ▶ Other purposes mentioned by the IR officers are the increase in the quality, reliability and effectiveness of disclosure processes and the discussion of critical questions from various stakeholders (investors, analysts and others) and the coordination of consistent answers in line with the "one voice policy"

**Q** What purpose does the Disclosure Committee serve in your company?  
(Multiple answers possible)



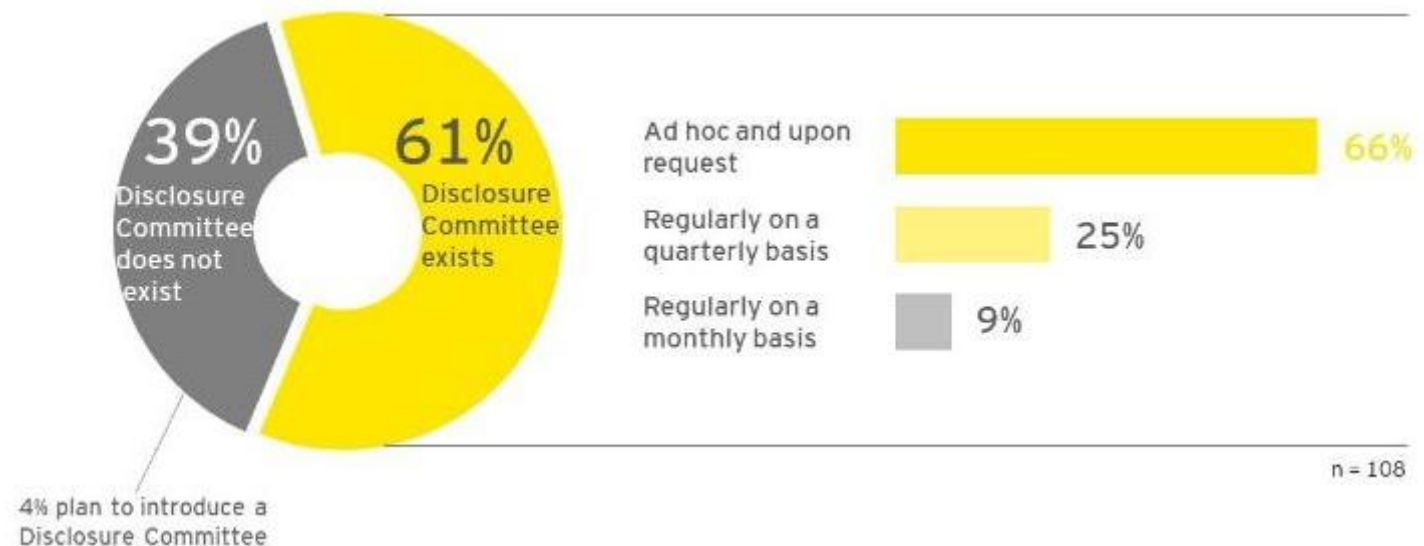
## Best practice: Disclosure Committee Existence and meeting frequency

**Q** Does a Disclosure Committee exist and, in case it does, what is the meeting frequency?

(Multiple answers possible)

### Existence and meeting frequency of the Disclosure Committee

- ▶ Although the establishment of a Disclosure Committee is not required by law, it is already common practice for the majority of companies (61%) to have such a committee:
  - ▶ According to a majority of respondents, the committee meets on an ad hoc basis and upon request
  - ▶ Meetings on a quarterly basis are also common, but less often though. Meetings on a monthly basis are rare
- ▶ 39% of companies do not have a Disclosure Committee at the moment, especially SDAX and non-index-companies, but 4% plan to introduce such a committee





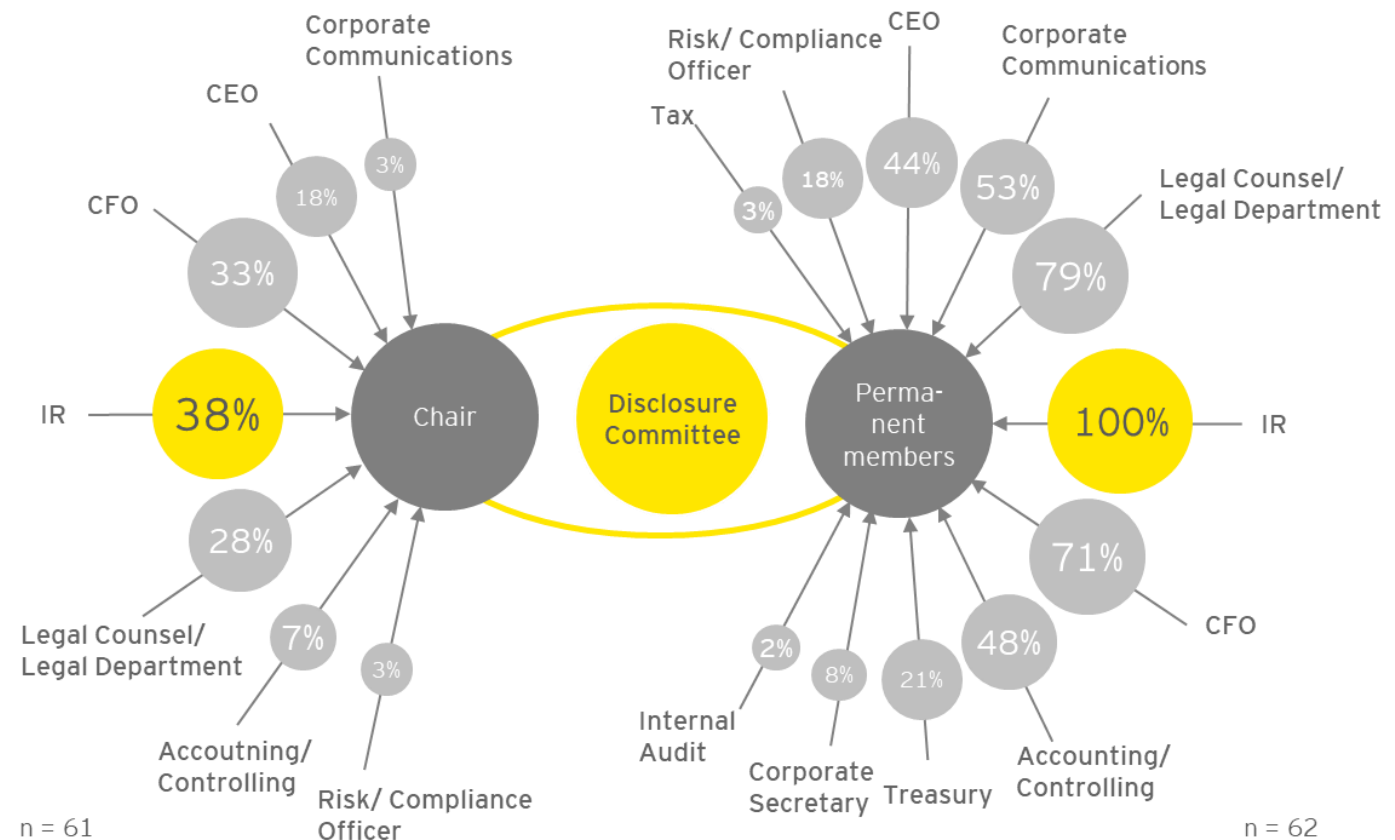
## Best practice: Disclosure Committee Chair and permanent members

### Chair and permanent members of the Disclosure Committee

- ▶ In case a Disclosure Committee is existent, IR is in charge for chairing the committee according to 38% of IR respondents. The CFO and the legal Counsel/ Legal department may also be in charge for chairing the committee
- ▶ When asked about permanent members of the Disclosure Committee, IR is always considered a permanent part of the committee, in case a Disclosure Committee does exist. Other permanent members mentioned are the Legal Counsel/ Legal department and the CFO
- ▶ Non-permanent or situational members of the Disclosure Committee are Accounting/ Controlling and the Risk/ Compliance Officer

**Q** Who chairs the Disclosure Committee and who are permanent members?

(Multiple answers possible)



Source DIRK/EY: Interaction between IR and the Board in the capital market year, 2022

## Planning of the IR capital market calendar



# Planning of the IR capital market calendar

## Coordination of the financial calendar

### Coordination of the financial calendar

- ▶ According to 70% of respondents, IR is responsible for coordinating the dates of the financial calendar, especially at SDAX and non-index companies
- ▶ The legal department and PR/Communications are less often responsible for the coordination

**Q** Who is responsible for coordinating the financial calendar?  
(Multiple answers possible)

70% IR  
n = 108

German issuers listed on Prime Standard are obliged to prepare and continuously update a financial calendar according to § 54 BörsO FWB.

# Planning of the IR capital market calendar

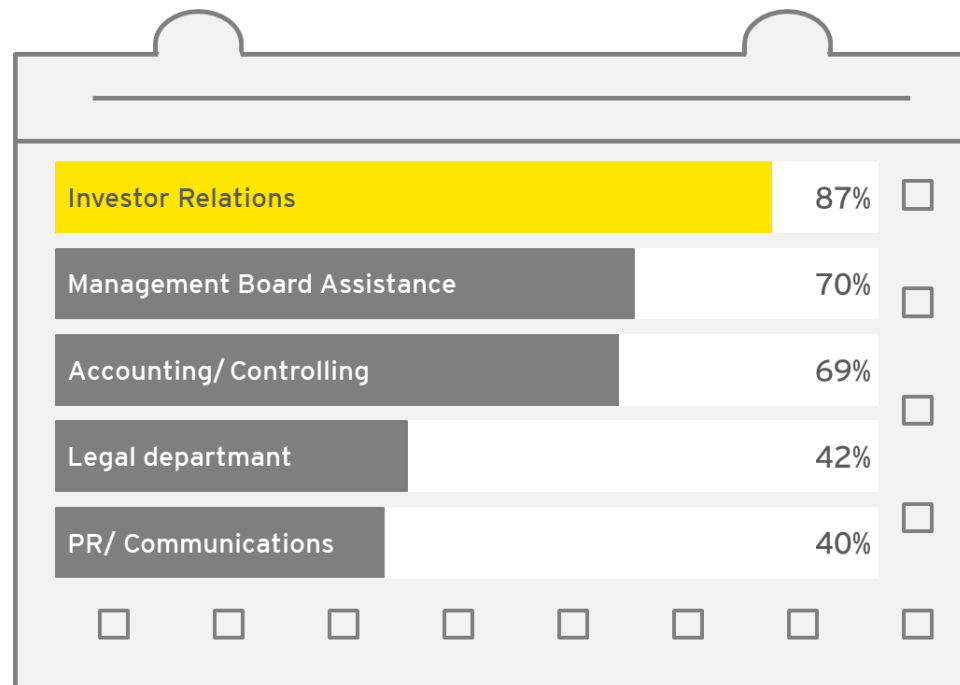
## Departments involved in the financial calendar

### Departments involved when determining dates of the financial calendar

- ▶ IR is mainly involved when it comes to determining the dates of the financial calendar
- ▶ Other departments involved when determining the dates of the financial calendar are the Management Board Assistance and Accounting/ Controlling
- ▶ The legal department is also mentioned by 42% of the IR respondents. This department is particularly often involved when determining the dates in the financial calendar at DAX and MDAX companies

**Q** Which departments are involved when determining the dates of the financial calendar?

(Multiple answers possible)



n = 108

## No time to rest for IR

### Q1

- ▶ Presentation of Analyst Guidance
- ▶ Publication of Annual Report until end of March and investor communication
- ▶ First Board meeting

### Q2

- ▶ Annual General Meeting (AGM)
- ▶ Publication of Q1 figures until mid of May and investor communication
- ▶ Second Board meeting

### Q3

- ▶ Publication of Half-year Report until mid of August and investor communication
- ▶ Third and fourth Board meeting

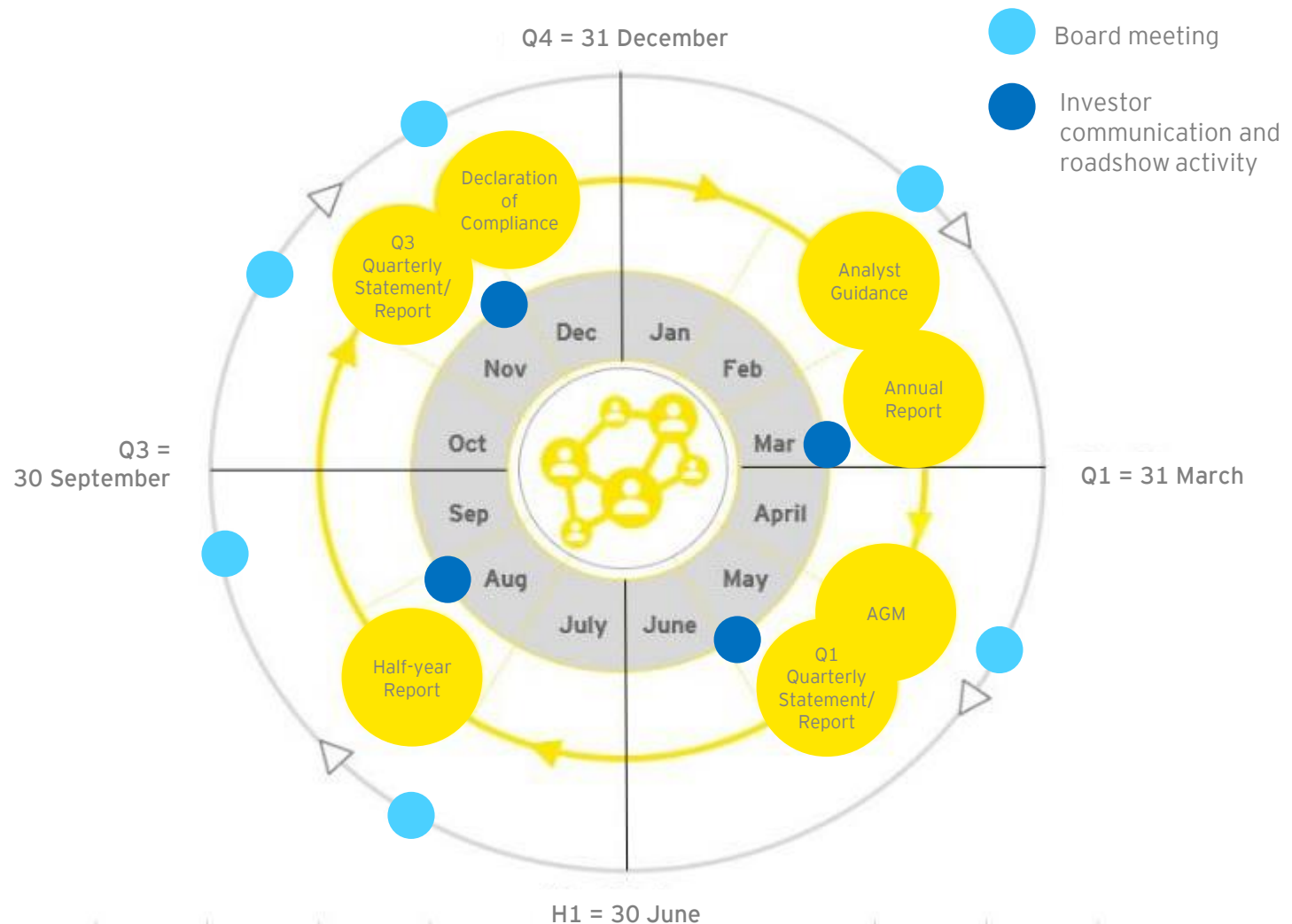
### Q4

- ▶ Publication of Q3 figures in November and investor communication
- ▶ Publication of Declaration of Compliance with the Corporate Governance Code until end of Q4
- ▶ Fifth and sixth Board meeting

Source DIRK/EY: Interaction between IR and the Board in the capital market year, 2022

# Planning of the IR capital market calendar

## No time to rest for IR



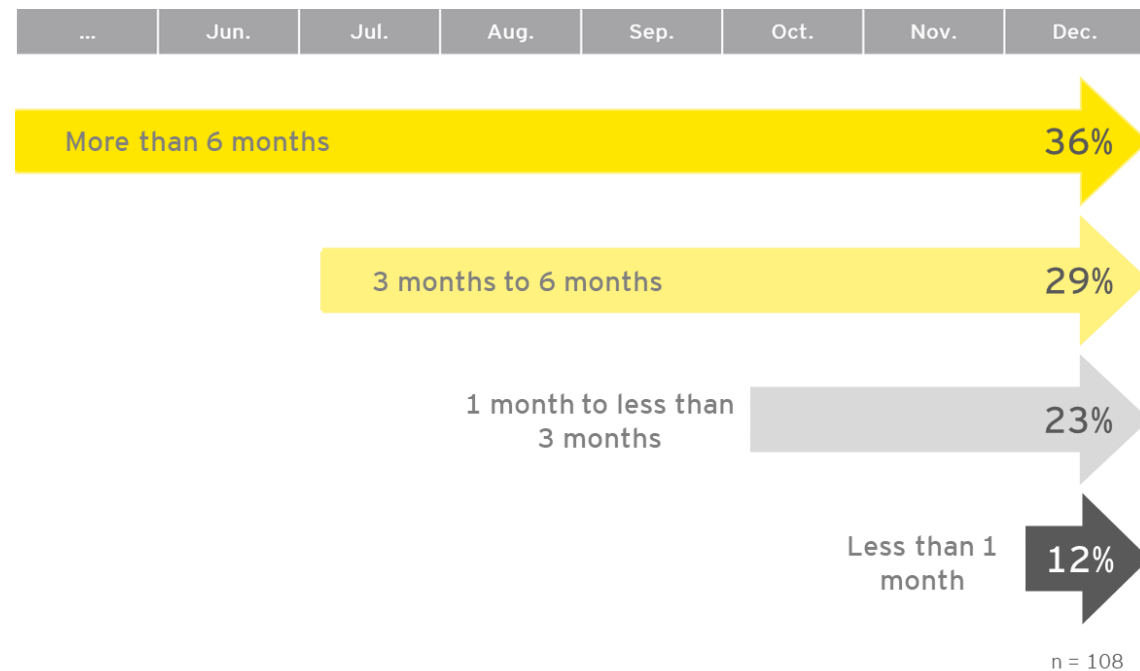
# Planning of the IR capital market calendar

## Planning period of the new financial calendar

### Planning period of the new financial calendar

- ▶ Planning of the new financial calendar begins more than six months before the start of the next financial year according to 36% of IR respondents. This is particularly often the case at DAX and MDAX companies
- ▶ A planning period of three to six months for the new financial calendar before the start of the next financial year is also very common. To start the planning with a period of less than one month is rather rare
- ▶ Generally, SDAX and non-index companies plan their new financial calendar with less time in advance

**Q** When do you start to plan the new financial calendar before being published?



## Planning of roadshows and conferences



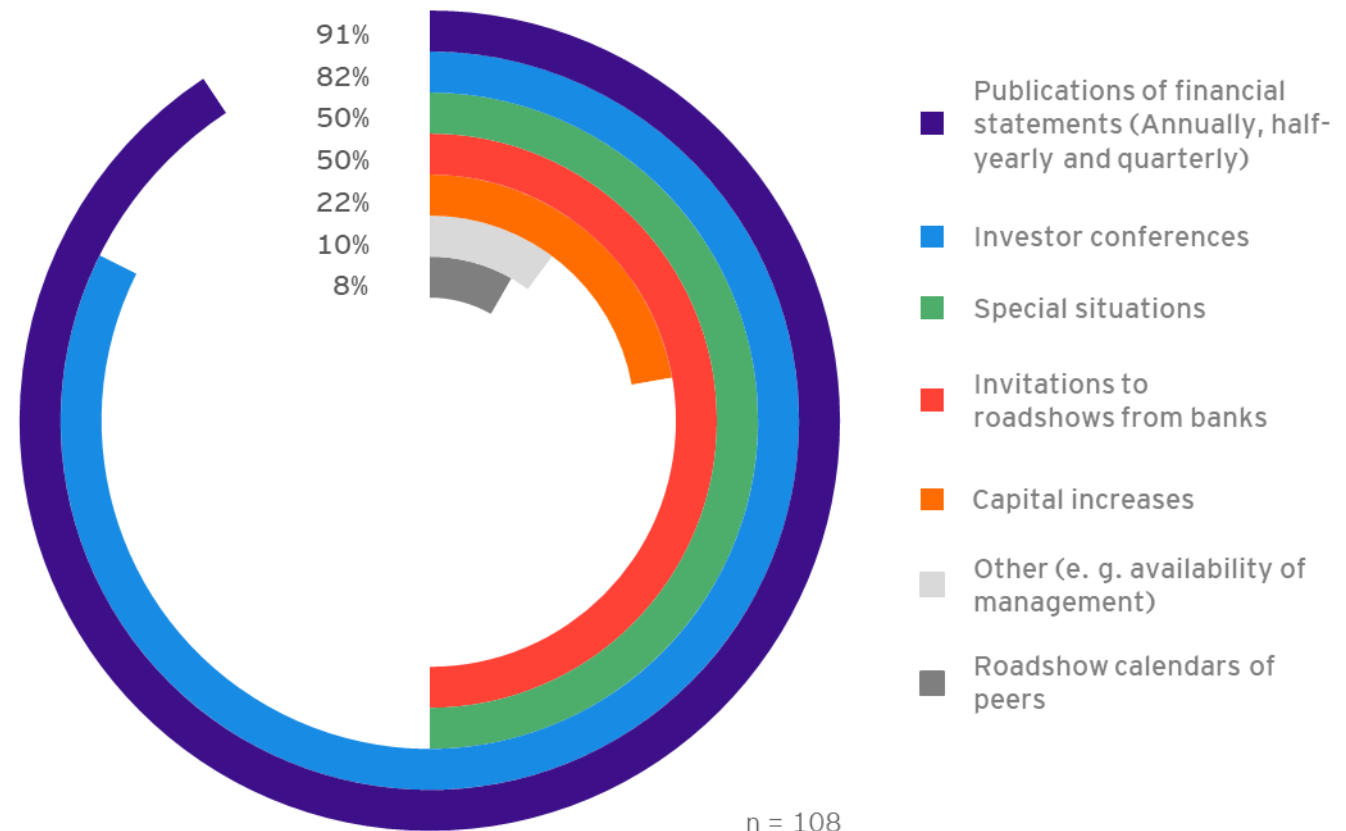
# Planning of roadshows and conferences

## Triggers for roadshow planning

### Triggers for roadshow planning

- ▶ According to the surveyed IR officers, roadshow planning is primarily triggered by the publication of financial statements
- ▶ Other triggers for roadshow planning are investor conferences as well as special situations and invitations to roadshows from banks

**Q** What are triggers for roadshow planning?  
(Multiple answers possible)



Source DIRK/EY: Interaction between IR and the Board in the capital market year, 2022



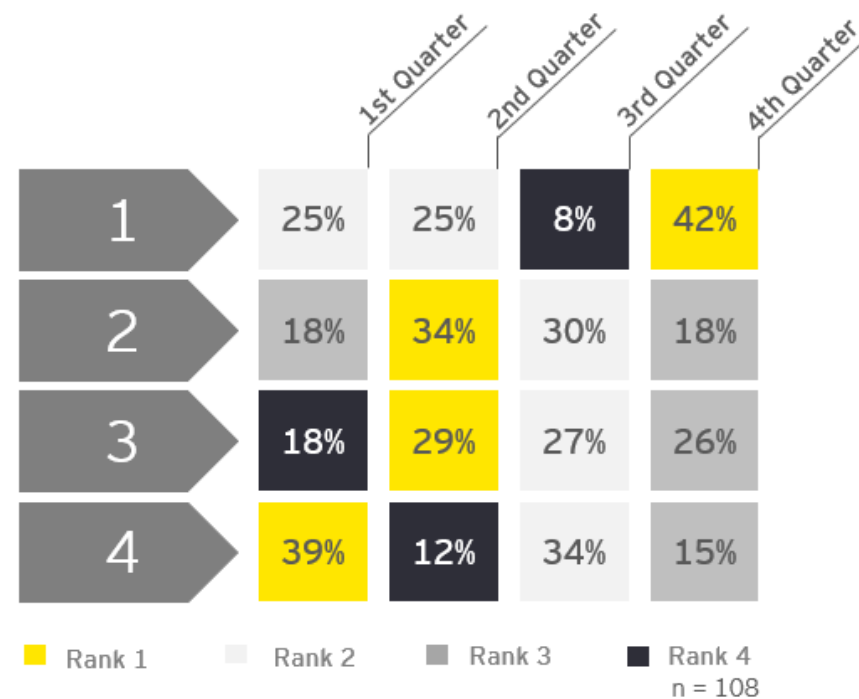
# Planning of roadshows and conferences

## Relevance of each quarter for roadshows

### Relevance of each quarter for roadshows

- ▶ For 42% of IR officers, the fourth quarter is the most relevant quarter for roadshows. In the fourth quarter the Management Board usually presents the Q3 figures
- ▶ According to the IR respondents, the second quarter ranks second and third. Usually the Q1 figures are presented in the second quarter, the annual general meeting and its agenda items are prepared and the analyst guidance is being published.
- ▶ According to 39% of IR respondents, the first quarter is the least relevant quarter for roadshows

**Q** How relevant is each quarter for roadshows?  
(Multiple answers possible)



Source DIRK/EY: Interaction between IR and the Board in the capital market year, 2022

# Planning of roadshows and conferences

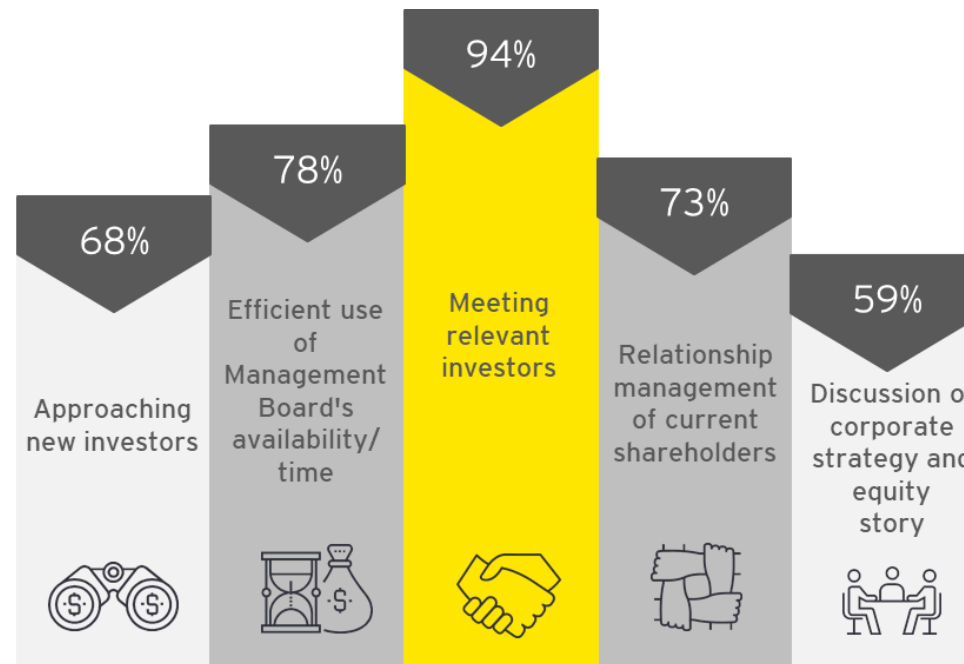
## Expectations of Management Board

### Expectations of the Management Board

- ▶ Meeting relevant investors on roadshows and investor conferences is the Management Boards' top expectation according to the surveyed IR officers
- ▶ Other Management Boards' expectations on roadshows and investor conferences are the efficient use of the Management Board's availability or time and the relationship management of current shareholders

**Q** What does the Management Board expect regarding roadshows and investor conferences?

(Multiple answers possible)



n = 108

Source DIRK/EY: Interaction between IR and the Board in the capital market year, 2022

Chances for a better interaction  
between IR and the Board



# Chances for a better interaction between IR and the Board - Key takeaways

## Approaches in IR practice

- ▶ The Management Board is responsible for the contact to stakeholders, capital market communications and the IR function. The Supervisory Board assumes a more present role in the capital market public.
- ▶ To date, there is no standard on how the cooperation between IR, the Management Board and the Supervisory Board can be structured.
- ▶ Close and trusting communication between those parties is crucial:
  - ▶ to increase the effectiveness of IR work
  - ▶ to fulfil legal obligations
  - ▶ to determine how well the company can position itself in the international competition for capital



The survey shows that it is crucial to determine an effective communication line and process between IR, the Management Board and Supervisory Board in the capital market year. Five essential approaches can be identified:

### 1. Organizational talent IR

IR takes on the role as coordinator and organizer of the capital market obligations and roadshow activities in close cooperation with the departments involved.

### 2. The Management Board has the authority to communicate

However, the Supervisory Board is getting a more prominent role in the capital market communication due to the direct approach of investors and proxy voters recognizing its increasingly important role in a listed company.

### 3. Internal communication lines are getting more important

While reporting with IR and the Supervisory Board is primarily quarterly but also monthly with a focus on market and investor sentiment, but also on regulatory requirements, IR and the Management Board communicate more regularly with a primary focus on "market-related" topics .

### 4. Efficient planning of the rolling capital year is essential

IR plays a decisive role as the coordinator of the financial calendar. Many companies plan their financial calendar with six month in advance. The establishment of a Disclosure Committee should be considered individually for each company. The majority of companies already have such a committee,

### 5. No time to rest for IR

The publication dates of the financial information set the framework for the capital market calendar and are basis for voluntary IR activities that generally follow the publication of the financial information. The calendar also contains dates for the Annual General Meeting, regular Supervisory Board meetings and the declaration of compliance with the Corporate Governance Code.

## Chances for a better interaction between IR and the Board

### Checklist

- ▶ The following questions help to individually position IR for the interaction with the Board

1. How can we efficiently set up the organization of the IR function in the company (infrastructure, processes, functions and competencies)?
2. Do we have an IR manual with clear documentation of IR infrastructures, process descriptions and owners for the capital market obligations?
3. How do we establish an efficient and clear IR communication line to the Management Board and the Supervisory Board?
4. What is included in the IR reporting and what is the reporting frequency to the Management Board and Supervisory Board?
5. Do we need a Disclosure Committee, who should chair and be a member of the committee and what is the communication process within the committee?
6. What IR (communication) guidelines do we need at the time of an IPO and afterwards to ensure a "one voice policy"?
7. How do we plan and organize our IR capital market calendar?
8. How do we communicate in times of crisis situations and do we need guidelines for this?
9. To whom should the IR department be assigned to in our company and what budget is available for the IR function in terms of mandatory and voluntary IR activities?
10. Are important IR processes for the capital market obligations audited by internal audit?

Contacts regarding the study



## Contacts regarding the study

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