EVENTS PROGRAMME | CHAIRMAN'S LETTER | NEW MEMBERS | INDUSTRY NEWS

INFORMED

THE VOICE OF INVESTOR RELATIONS IN THE UK

ISSUE 74 SPRING 2012

IR in China

The greatest opportunity of the 21st century – or corporate governance nightmare?

a special feature

CRACKING THE CODES 2012

A progress report on the new corporate governance and stewardship regimes

PLUS

Interview with Philip Broadley of Old Mutual on IR and the financial crisis

Conference 2012 – programme update

IR Service Providers Directory

ir society

CONTENTS

GOVERNANCE AND IR: CRACKING THE CODES

A progress report on the UK corporate governance and stewardship codes

IR WORLD: CHINA

The implications for IR of China's rapid growth and increasing financial muscle

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CHAIRMAN'S LETTER

Dealing with remuneration

By all the economic evidence, 2012 has started fairly well. As a result, the weight of bulls and bears has shifted to the bulls (for now!) and the focus has moved on to who will be the winners and losers - either countries or sectors - in this early recovery (for now!). Europe continues to feel the pressure with real uncertainty remaining about the long term future of the euro and its constituents. This is likely to cause euro-centric businesses further headaches, but those exposed to global demand should be differentiated.

The bulls would say that equities are undervalued today, with low price-earnings ratios (PEs) and steady earnings numbers, improving output and better US and emerging market data. The bears point to cautious guidance and some earnings disappointments in the early reporting cycle suggesting the 'E' is vulnerable to downside risk.

For IROs and their colleagues the focus will be on managing expectations carefully. There remains little upside in being the best or most aggressive but the downside of being first to disappoint is disproportionate. Those with high ratings will have to juggle their communications carefully.

And this leads nicely into the first quarter's hot topic. Yes, you guessed it – remuneration. The internal debates are probably in full swing as how to balance the outcome of agreed budgets, incentives and performance.

Scrutiny on rewards and performance

For calendar year end businesses the chances are that next year's plans and structure have been agreed and when the reports come out there will be a great deal of scrutiny on rewards and performance. For those who are looking at the issues now, and still planning for the next twelve months, there is a danger of overreaction when management have continued to deliver a strong performance in difficult times.

The media will always look to excite the reader, linking pay to redundancies and cost cutting and the appropriateness of reward. But investors need management to remain focused on making the hard choices. The reality is that in many cases remuneration does need more thought. Simplification, while a solution for some, may create a one size-fits-all answer that serves no one - after all it's where we started 15 years ago and I challenge anyone to retain good management in

DATE FOR YOUR DIARY

The IR Society AGM and Summer Drinks Reception

Tuesday 19 June, 2012

Citi Depositary Receipts Services, Stirling Square,
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FOR MEMBERS ONLY

traditional businesses when the money is to be made in higher risk, higher growth sectors. Many strong businesses deliver consistent shareholder value, perhaps not as exciting but with important portfolio implications for investors, with no less management challenge. Intelligent incentives, linked to sustainable long term business drivers and a well-thought through investment proposition are the answer.

Having this debate with investors can be a very difficult process. Typically, board timetables and processes, splitting responsibilities between non-executives and executives make these debates move slowly. Engaging with investors proactively when you are unable to be clear on future plans and the detailed investment case may often confuse.

IR Forum

Finding ways of starting this debate is one of the objectives of our new IR Forum. A regular meeting between senior IROs and the fund management community is intended to provide a place where we can debate these sorts of issues, to help facilitate the stewardship role of investors and the dialogue with management about long term governance and business strategy. Whether investors like it or not, they need to be involved if only to ensure that management they support are properly empowered and guided to deliver their expectations and that the governance processes are clear, defining the basis for a healthy relationship between executives and non-executives alike. ■

JOHN DAWSON

Society membership follows markets

Sometimes trends can tell you all sorts of interesting things that help you make predictions based on solid assumptions. And sometimes they can simply confirm what is already known! However, that doesn't mean the latter don't have their uses, *writes Richard Knight*.

Below is a graph showing FTSE100 year end levels plotted on the left axis and year-end IR Society membership levels on the right.

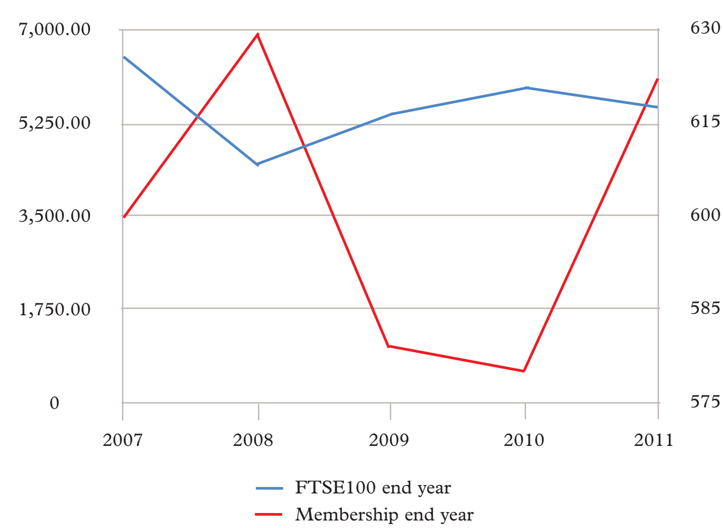
What's going on?

At first glance it appears that the FTSE100 and IR Society membership levels are almost diametrically opposed – which might strike readers as a bit odd. However, what becomes clear is that where the FTSE leads, our membership numbers roughly follow.

So the high start point for the FTSE at the end of 2007 is reflected in the high figure for IR Society membership one year later at end 2008. Unfortunately, while Society membership increased throughout 2008 to that level, the FTSE itself was on the slide as America's subprime debt crisis filtered through into global capital markets via financial institutions through that year, culminating in the credit crunch. The crunch saw membership levels fall in 2009 and 2010, mirroring the FTSE100 slide of 2008.

Roughly the lag appears to be 12-18 months. From 2009-2010 as the FTSE100 started to recover IR Society membership levels improved. This pattern is

(continued on page 8)



More IR engagement with remuneration

Remuneration has been a major talking point already in 2012. But to what extent is it an IR issue? To find out, we conducted a mini-survey with IRO members and asked them two principal questions (right):

The answers were revealing:

- the largest single response to the question of whether IROs are more or less engaged on this than a year ago is 'about the same' - 58%. However 37% are either 'clearly or somewhat more engaged' than one year ago. Only 4% said this was not an issue for IR and no one so far has said they are less engaged now; and
- by a large margin our IRO members think IR will become more involved in discussions with investors over exec remuneration (77% vs 23%).

From these answers it would appear that on the subject of remuneration IR will be/already is much more engaged with investors. We will monitor developments on this subject in members' interest and report on where there are direct IR implications. ■

Following the government's recent proposals to give shareholders more powers to veto executive pay packages, how do your (as IRO) discussions with investors about executive remuneration compare to one year ago?

a) Cleary more engaged now
b) Somewhat more engaged
c) About the same level of interest/ engagement
d) Somewhat less frequent
e) Clearly less frequent

Do you think that IR is going to be involved in discussions with investors about executive remuneration?

a) Yes
b) No

IR Society announces annual sponsors for 2012

The IR Society is pleased to welcome back five annual sponsors for 2012.

BNY Mellon Depositary Receipts will once again be the Society's platinum sponsor for the coming year. This will be their fourth consecutive year as platinum sponsor and the Society looks forward to working with them during 2012.

Chris Hanley, managing director, UK & Ireland at BNY Mellon Depositary Receipts said: "BNY Mellon Depositary Receipts are delighted to once again be the platinum sponsor for the UK IR Society. 2012 will prove to be a challenging year for the global financial markets and we are pleased to be supporting the Society's tremendous efforts in the field of investor relations."

Deutsche Bank Depositary Receipts has agreed to continue as our professional development sponsor for the fourth year running. This gives the professional development programme a great sense of continuity and we look forward to another successful year for courses in 2012.

Zafar Aziz, head of DR Market Solutions at Deutsche Bank commented: "Deutsche Bank Depositary Receipts is very pleased to support the IR Society in its drive to raise standards in the investor relations field via the professional development courses. The course programme has generated much interest from not only the UK but also from overseas which is a testament to its success. We look forward to continuing our partnership in 2012."

We are also delighted to confirm that **Richard Davies Investor Relations** will continue as a Gold sponsor for 2012 and that **global3digital** has become the first of our Silver sponsors to sign on the dotted line once again. Finally, **Investis** is on board once again as a Bronze sponsor and sponsor of the audience voting pads at the annual conference.

Without the support of our sponsors we would not be able to continue our work of promoting IR and supporting our members in their work so a big thank you to these sponsors for their continued support.

There are still a number of annual packages available as well as some more specific opportunities around the conference to suit all budgets.

For more information about the benefits of our annual sponsorship packages contact Robert Dann at robert.dann@irs.org.uk or phone 020 7379 1763. ■

Barclays is lead sponsor of 2012 conference

The IR Society is pleased to announce that Barclays will be the lead sponsor of the 2012 conference 'The Competition for Capital' on 22 May.

The conference, once again moderated by economist and broadcaster **Evan Davis**, will examine the fast-changing international funding environment: the sources of capital; the investors and what they are looking for; and the implications for companies and their IROs. The current hot topic of the acceptable face of capitalism will also be debated.

Barclays will be taking an active part in the conference, providing speakers for several of the conference sessions including **Rich Ricci**, co-chief executive of corporate and investment banking, who will deliver the opening keynote address on the international competition for capital. The bank is also inviting all conference delegates to post-conference drinks and canapés and a chance to mix and unwind with fellow delegates at the end of a busy and stimulating day.

Speaking about the sponsorship, Alisdair Gayne, managing director, head of corporate broking at Barclays, said: "We are delighted to be able to support The Investor Relations Society 2012 conference. The conference will debate the key issues facing IR professionals at a time when competition in an uncertain market to secure strategic investment is as challenging as it has ever been. This is a key event in the IR calendar and we are pleased to be part of a strong line-up."

Latest developments

The event will provide IR professionals with an excellent opportunity to keep abreast of the latest developments, network with peers and engage in debates.

The Rt Hon **Danny Alexander** MP, chief secretary to the Treasury, will provide the midday keynote and **Luke Johnson**, chairman of Risk Capital Partners and former chairman of Channel 4 Television, will give the closing speech at the event. A list of conference speakers is shown here (right) – please visit www.irs.org.uk for updates.

Following the success of last year's conference, the IR Society is returning to the award-winning Kings Place in London, near St Pancras and King's Cross. Don't miss the only conference run by IROs for IROs. In the words of one of last year's delegates: "I defy anyone to come away from this conference without picking up something useful". ■

CONFERENCE SPEAKERS

- Rich Ricci, co-chief executive of corporate and investment banking, Barclays
- The Rt Hon Danny Alexander MP, chief secretary to the Treasury
- Luke Johnson, chairman of Risk Capital Partners and the former chairman of Channel 4 Television
- Jeremy Baldwin, head of European credit research, AIG
- Anna Bateson, marketing director EMEA, YouTube at Google
- Carol Bell, non-executive director, Salamander Energy plc
- Richard Boath, managing director, co-head of global finance IBD, EMEA, Barclays
- Shaun Browne, managing director, McQueen
- Philip Coggan, the Buttonwood columnist and capital markets editor, *The Economist*
- Alisdair Gayne, managing director, head of corporate broking, Barclays
- Ken Olisa, chairman of Restoration Partners
- Chris Parker, group treasury director, Inchcape plc
- Roberto Rivero, head of market development, Standard & Poor's
- Will Straw, political commentator and associate director for globalisation and climate change, IPPR
- Will Tovey, managing director, head of European cash equities, Barclays
- Philip Watkins, director, automotive equity research, Citigroup
- Trelawny Williams, director, Fidelity Investments

Society membership

(continued from page 5)

understandable if we see the FTSE index as a reflection of business confidence.

The sharp recovery in membership is also coupled with decisions taken within the Society to introduce new membership packages from 2011, which have so far proved very popular, new initiatives such as online membership registrations, targeted mailings and more proactive calls.

We have also seen an increase in international members reflecting the inflow of foreign companies to London and the recognition that the UK leads in IR practice.

Looking ahead

Predicting the performance of the FTSE100 and wider world economy in the last few years has been notoriously tricky. If the decisions taken by eurozone countries have now managed to adequately address sovereign debt, if US recovery continues and if the private sector and consumers gain confidence (all possible) then the UK economy should show growth in 2012 and the FTSE100 put on value with a potentially positive impact on Society membership.

However, if the eurozone sovereign debt contagion spreads, US recovery stutters under the weight of its own debt, China's growth continues to slow and the UK suffers a second successive quarter of negative growth then the FTSE100 is likely to fall.

If the worst does happen then the Society will reiterate our key message to existing and potential members during the credit crunch that the investor relations function is not merely for when the sun shines and hay is made but also for when the storm clouds open and nerves become frayed! For company management to seek to make budget cuts in the department that bridges the gap between investors and the company makes no business sense at all, and indeed is recalled by investors for years to come. ■

NEW IR SOCIETY MEMBERS

The IR Society welcomes the following new members from mid-December 2011:

Esra Agca - Turkcell
Ekaterina Alferova
Belinda Barnes - Rathbone Brothers Plc
Ekaterina Belyaeva - Emerging Communications (EmCo)
Andrey Bendyakov - Sberbank of Russia
Pete Biggs - Thomson Reuters
Renate Birkeli – Algeta
Alexander Boreyko - Evraz Plc
Mike Bowman - WorkCast Corporation
Barney Brown - WorkCast Corporation
Craig Cameron - Standard Life
David Crundwel - Thomson Reuters
Laura Dixon - HgCapital
Irina Dubitskaya - Evraz Plc
Bassem El-Shawy - Palm Hills Developments
Kate Ferry - Carphone Warehouse Group plc
Bojana Flint - Henderson Group
Jane Flynn – Capita
Andrew Gillian - Lloyds Banking Group
Charles Gorman - Corporate Governance Ltd
Isabel Green - InterContinental Hotels Group
Jamie Hastings - Serco
Andrew Jackson - Langsford Corporate Design
Katherine Jones - The Phoenix Group
Douglas Keatinge - Digicel Group Limited
Paul Langsford - Langsford Corporate Design
Matthew Loosley - SThree plc
Richard Mather - SAB Miller
Jill McCabe - Standard Life
Oona Milnes-Fallon - LSG Holdings
Nihat Narin - Turkcell
Natalia Nurihmatova - Evraz Plc
Sarah Ogilvie - Intertek
Krista Ostapovich
Jakub Rosochowski - Standard Life
James Simpson - Capita Financial Group
Yesim Tohma - Turkcell
Andrey Urzhumtsev - Emerging Communications (EmCo)
Peter Walton - Essec Business School
Gary Woolfries - Capita Financial Group
Uliana Zaluzhskaya - Evraz Plc

For information on membership benefits and to join the IR Society please contact Richard Knight: richard.knight@irs.org.uk or visit www.irs.org.uk

CERTIFICATE IN INVESTOR RELATIONS – PASSES

The IR Society congratulates the following candidates who passed the Certificate in Investor Relations (CIR) to February 2012:

Robert Bailhache - Independent
Uttara Basnet - Independent
Kerry Becker - Carphone Warehouse Group
Nik Mod Auni Bin Nik Mat - Padiberas Nasional Berhad
Sita Sarina Binti Md Idris - Padiberas Nasional Berhad
Nicola-Jane Brooks - AMEC
Alexandre Bykov - Ipreo
Eva Chan - Hong Kong Student
Maddy Cox-Smith - Cookson Group
Joanna Crawford - Temple Bar Advisory
Joshua Cryer - Broker Profile
Cassia Curran - Hong Kong Student
Anton Demchenko
Leong Eoi Chun - Greenyield Berhad
Brian Gallagher - Independent
Lucinda Gamble - The Phoenix Group
Nicki Greening - Towry
Laurel Harmer - Alliance Pharmaceuticals
Oliver Harris-St.John - Broker Profile
Patricia Hwong Siew Chium - Delloyd Ventures Berhad
Cassie James - Centrica
Bernardo Janot de Mattos - Independent
Huang Jiunn Min - Independent
Viktoriya Kareva
Sheena Khan - Broker Profile
Yap Mooi Kheng - Saming Global Limited
Reene Kishore - Royal Dutch Shell
Seema Kotecha
Julie Langley - Independent
Salmi Fatiha Mohd Hilmey - Heitech Padu Bhd
Jesper Nordström
Ilya Popov
Amanda Price - Rolls Royce
Malika Sadvakasova - Alliance
May Chan Sew Moh - Hua Yang Berhad
Rachel Shields
Alexandra Shilov - Biddicks
Natalia Trusova
Liz Vaughan-Adams - IP Group plc
Wong Yuen Yee - Greenyield Berhad

About the Certificate in Investor Relations
The CIR is the UK's foundation-level professional qualification for IR practitioners and has been updated to include the recent changes to the Companies Act, as well as details on the Alternative Investment Market (AIM) rules. For further information, please contact Janet Kelly – janet.kelly@irs.org.uk

Twin peaks and the Financial Services Bill

Industry news briefing
Selected key issues for IROs

The Financial Services Bill was introduced to Parliament on 26 January 2012 and is currently going through the committee stages. The bill will implement the government's stated commitment to strengthen the financial regulatory structure in the UK and will fundamentally reform the current tripartite regulatory system, which divides responsibility for financial stability between the Treasury, the Bank of England and the Financial Services Authority (FSA).

The new system establishes:

- the Financial Policy Committee (FPC) as part of the Bank of England, tasked with macro-prudential regulation and systemic oversight of UK financial stability;
- a focused new regulator, the Prudential Regulation Authority (PRA) established as a subsidiary of the Bank of England with the remit of implementing the FPC's macro-prudential policy, authorisation, supervision, enforcement and prudential rule-making; and
- a new business regulator – the Financial Conduct Authority (FCA) – which will supervise all firms to ensure that business across financial services and markets is conducted in a way that advances the interests of all users and participants, with the overall strategic objective of ensuring markets function well. The FCA will be responsible for regulation and enforcement of market conduct - drawing up of the Code of Market Conduct, identifying market misconduct, imposing penalties for market abuse, prosecuting insider dealing or criminal market manipulation and with powers of suspension or removal of financial instruments from trading to protect investors or orderly functioning of markets.

Financial services firms will be regulated by both the PRA and FCA (see below). Other firms will be regulated solely by the FCA which is assuming the FSA's current role as the designated UK Listing Authority. Given the FCA's remit this will be the regulator that most of our members will be coming into contact with on a regular basis. Its first head will be Martin Wheatley, formerly CEO of Hong Kong's Securities and Futures Commission. Meanwhile FSA CEO, Hector Sants, has announced his intention to step down from the regulator by the end of June this year.

The FSA will be making the first of the imminent regulatory changes by internally switching to the new 'twin peaks' model from 2 April which is designed to ensure a seamless transition.

From 2 April, banks, building societies, insurers and major investment firms will be supervised by these two separate bodies with one focusing on prudential issues and one focusing on conduct. The Financial Services Bill is due to receive royal assent by the end of this year with full implementation in 'early' 2013.

Of great significance is how the new regulatory regime will integrate with the European system of financial supervisors. Currently there are three bodies: the European Systemic Risk Board, European Banking Authority and European Insurance and Occupational Pensions Authority, and European Securities and Markets Authority.

The 'three into two' framework will no doubt result in some initial teething problems and how these are overcome will be of crucial importance to the success of the overall regulatory regime – what is clear is that interlinked financial problems require global responses both within the EU and further afield.

EU COUNCIL APPROVES SHORT-SELLING RULES

The Council of the EU is taking steps to 'harmonise' short-selling regulations and areas of credit default swaps across all 27 member states. The European Securities and Markets Authority (ESMA) will submit draft technical standards by 31 March this year with the regulation applicable in all member states from 1 November. There will be significant changes in trading and securities lending regarding equities.

Interestingly the UK delegation abstained from the vote. The council states its objective to 'ensure the proper functioning of the internal market and to improve the conditions of its functioning, in particular with regard to the financial markets, and to ensure a high level of consumer and investor protection'.

With the second bailout of Greece amidst on-going concerns over eurozone peripheral debt, it would appear that the council is seeking to head off any potentially destabilising trading.

As the council itself said: 'At the height of the financial crisis in September 2008, competent authorities in several member states and supervisory authorities in third countries such as the US and Japan adopted emergency measures to restrict or ban short selling in some or all securities...

'The measures adopted by member states were divergent as the Union lacks a specific common regulatory framework for dealing with short selling issues.'

FSA imposes huge fine on hedge fund

In January, a landmark case for the FSA saw high profile US hedge fund manager David Einhorn and his firm Greenlight Capital fined a total of £7.2m for market abuse in trading ahead of an equity fundraising by Punch Taverns in 2009.

The FSA claimed that Einhorn was informed by Punch's broker and management that a planned equity issue was imminent with Einhorn immediately reducing his position ahead of the highly likely subsequent fall in Punch's share price. In the event, it fell 29% saving Greenlight £5.8m following its offload of 11,656,000 Punch shares - 13.3% to 8.89%.

However, Einhorn insisted to Greenlight investors that he was not party to insider information: "Nothing was imminent. I was told no decision had been made and Punch was simply exploring strategic alternatives to raise funds." He also claimed that the FSA was looking to "score a win against a high profile American hedge fund." ■

NYSE-DEUTSCHE BÖRSE MERGER BLOCKED

In early February the European Commission blocked the proposed merger between NYSE-Deutsche Börse on competition fears over the prospective size of the combined derivatives market in particular.

The European competition commissioner, Joaquín Almunia, stated: "The merger between Deutsche Börse and NYSE Euronext would have led to a near-monopoly in European financial derivatives worldwide...These markets are at the heart of the financial system and it is crucial for the whole European economy that they remain competitive."

Reaction has been strong – Reto Francioni, chief executive of Deutsche Börse said: "This is a black day for Europe and for its future competitiveness in global financial markets."

The NYSE-Deutsche Börse argument has been that the consolidated organisation would represent a European powerhouse in capital markets that will now result in business going to emerging markets. Francioni concluded, "What comes now is a bitter race by all exchange sites, including those in Asia, for the best positioning." ■

So it's goodbye to quarterly reporting?

Michael Mitchell is general manager of The Investor Relations Society. michael.mitchell@irs.org.uk

Michael Mitchell discusses recent speculation about the future of corporate reporting and the role of IR.

In a *Financial Times* article written on the day he announced his interim report into the UK equity market and long term decision making, John Kay said: 'almost no one supports the obligation on listed companies to produce quarterly accounts or interim management statements… The tyranny of quarterly earnings has created a dysfunctional cycle of smoothed and exaggerated numbers and relations between companies and analysts based on earnings guidance, an activity almost unconnected to the real business of the company and to assessing its progress.'

So although Kay says his comments 'do not represent even provisional conclusions', we get the message that the writing is on the wall for interim management statements (IMSs). And of course the EU machine is grinding through the process of abolition as well.

Surprisingly therefore, when we consulted members about being freed from the shackles of quarterly reporting they nearly all said they would probably continue with four to six earnings announcements per year 'as the market has come to expect it'.

Modus operandi

Most companies seem to have just about worked out a modus operandi for the current reporting cycle and many IROs find it convenient to have a calendarised opportunity to talk to the market without making it seem to be a special event, with all the connotations that brings. However, not having to slavishly abide by the sometimes artificial timings imposed by the IMS regime will make things easier, especially for the summer holidays! And for those businesses with much longer time horizons, less frequent reporting may be beneficial for both the company and the investors. It is likely that best practice will develop differently from sector to sector, and of course those companies with US listings will still have to continue with quarterly reporting. It will be important to forewarn the analysts and investors of any change in your reporting cycle, as suddenly turning off the information flow may be judged negatively.

> 'For those businesses with much longer time horizons, less frequent reporting may be beneficial for both the company and the investors'

We all subscribe to the view that the market is too short-termist and penalises long term thinking. But of course there is something of a chicken and egg conundrum here. A CFO will berate analysts and fund managers for their short term outlook, but with his chair of the pension trustees' hat on, we hear the self-same CFO grilling pension fund managers on their quarterly performance! So 'physician heal thyself' may be the cry.

Professor Kay reminds us of some of the, possibly forgotten, fundamentals of equity investment: 'The basic historical function of equity markets was – and remains – to allow for the different time horizons of companies and savers. Companies could make long term investments, while savers could retain liquidity for their funds because they have the opportunity to realise their investments in the secondary market… Thus the naive view that because some savers, or those who act on their behalf, have short time horizons, the companies in which they invest are obliged to operate to similarly short time horizons, is based on a misunderstanding of how equity markets work.

'The time horizons of companies and savers may interact, but not in this direct way. It is other investors, not the company, who give money back to those who need to realise their investment.'

Financial engineering

IR has a key role in promoting engagement but Kay states that 'we received many reports of how shareholder engagement had encouraged companies to engage in financial engineering, to run their businesses to 'make the numbers', or otherwise to emphasise short term financial goals at the expense of the development of the business capabilities. And tellingly, Sir Terry Leahy is quoted as saying that 'he felt that the interaction had deteriorated rather than improved: that analysts and fund managers had become more concerned with quarterly numbers and with earnings guidance, and less with the strategic direction of the business.'

Judging by the 50-page interim report, the full review is going to be a thoughtful and thorough piece of work which will, hopefully, help achieve Kay's 'fundamental goals of high performing companies and good risk adjusted returns'. IR has a critical role to play in this process so it is worth reading the interim report and the final report in due course. ■

Rising to the challenge of the post-crisis world

In this *Informed* interview, we talk to Old Mutual's group finance director **Philip Broadley** about the IR issues faced by a leading insurance and financial group in dealing with international investors.

Philip Broadley has been group finance director of Old Mutual since November 2008. He was previously group finance director of Prudential plc from May 2000 until March 2008. Prior to joining Prudential, he was a partner in Arthur Andersen from 1993 to 2000. He has been chairman of the 100 Group of Finance Directors, a founding member and trustee of the CFO Forum of European Insurance Company Finance Directors, and a member of the IASB's Insurance Working Group. He is a member of the Code Committee of the Takeover Panel.

As a highly experienced finance director within the insurance sector, how has the 2007/8 banking crisis impacted your interaction with investors? In particular how has your communication with investors changed since the crisis? Are these changes likely to reverse?

The level of interaction with hedge funds increased dramatically. In my view, the insurance industry's business model performed robustly through the crisis but the focus on 'mark to market' of bond portfolios (in particular) overwhelmed interest in the underlying business. Our industry is one of long term flows, stable liabilities and low liquidity needs. The banking crisis was triggered by excessive leverage in that industry with high exposure to liquidity strain.

We adopted a more granular approach to our disclosure but many shareholder meetings were a poor use of management time with little real interest in long term business performance and too much focus on risk of default in extremis. Nevertheless, with some areas of improved disclosure, such as cash flow data, we have succeeded in highlighting our core strengths.

We think this additional disclosure will be here to stay; the lasting benefit is that it provides an opportunity to differentiate ourselves.

POST-CRISIS WORLD

- **The insurance industry is one of long term flows, stable liabilities and low liquidity needs.**
- **With the recovery in European markets more recently, there is now an increased international interest in stock.**
- **Shareholder bases will become more fluid and cross-border.**
- **We changed the way we service both the sellside and buyside to provide better quality engagement.**

Old Mutual is listed in London and Johannesburg and has operations in a number of markets, including the Nordics business which is being sold – have investors responded differently according to geography or is response governed by investment style?

Investors in the two major geographies of our register have different peer groups and also investment flexibility. South African investors cannot invest much outside SA and their research tends to be very localised as a result. International investors are much more country-agnostic.

Clearly major changes are underway in the structure of the Old Mutual driven by the crisis. Please run us through corresponding changes in the shareholder base. What are your expectations for future shifts in the structure of the shareholder base?

During the crisis the SA shareholder base proved very resilient and much more fundamental than the international investors. We had previously seen a decline in the SA register ownership but that has reversed with approximately 40% of our base either from South Africa or those who hold the South Africa line of our stock. With the recovery in European markets more recently, there is now an increased international interest in stock.

Increasingly, shareholder bases will become more fluid and cross-border – driven by the relaxation of regulatory restrictions and more sophisticated client mandates, which will seek to manage concentration risk at a broad portfolio level whilst forcing investment managers to focus on a smaller absolute number of stocks to deliver alpha.

What are the key issues that investors want to talk to you about – again have these changed since 2008?

The key issue is the future direction of the group, now that we are well on our way in the restructuring process. They are excited about the growth of our emerging market operations and can see opportunities for our business model in Europe.

How well have shareholders understood the major challenges in your business over the last few years? What have been the specific communications challenges in this regard?

What is interesting is the lack of familiarity with the complexity of

> ‘ Sensible investors trust managements to execute for the best interests of the company over the long term ’

regulation and how this can constrain our actions and those of competitors, how simplistic analysis can be as a result, and how impractical some of their thinking has been in the past. Often this is a result of a lack of industry specific knowledge. In the current climate, substantial M&A activity is almost impossible in the European insurance industry and yet this is not well understood.

Sensible investors trust managements to execute for the best interests of the company over the long term. We are very focused on earning our shareholders’ trust.

What do you see as the key attributes of an investor relations department, in particular in times of volatility, and what do you look for from your IR Director?

The key attribute is credibility – both internally and externally. We changed the way we service both the sellside and buyside to provide better quality engagement. Our use of ‘investor-to-corporate’ visits, conferences and webcasts has reduced travel time but also has increased investor contact substantially.

I particularly want my IR director and the team to be very straight with the executive management team and the board on what they sense from the market and what our peers are doing well.

With Old Mutual’s African heritage how important is corporate responsibility within your business? Have there been any special challenges in this regard?

It is vital that we remain closely connected to our South African heritage. We have a special role in managing the savings and protection of our customers and are very active in housing, infrastructure and agricultural investments as well as more conventional equity bond investments.

The challenge is to balance the sometimes competing pressures of building a fairer society while promoting economic development.

The key challenges are skill shortages, unemployment and infrastructure deficiencies. We are playing our role in addressing those challenges. ■

OLD MUTUAL

Old Mutual is an international long-term savings, protection and investment group.

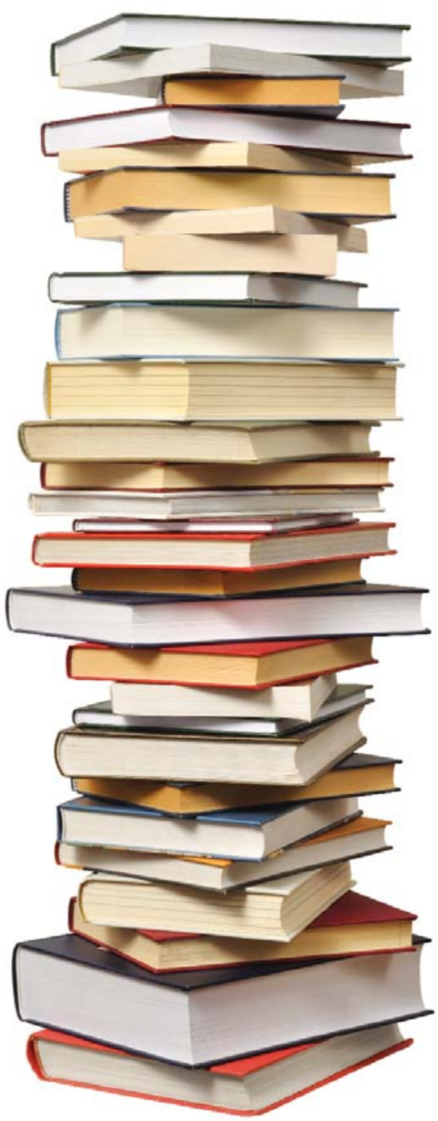
Originating in South Africa in 1845, the group provides life assurance, asset management, banking and general insurance to more than 15 million customers in Europe, the Americas, Africa and Asia.

Old Mutual is listed on the London and Johannesburg Stock Exchanges, among others, since 1999. In the year ended 31 December 2011, the group reported adjusted operating profit before tax of £1.5bn (on an IFRS basis) and had £267bn of funds under management from core operations.

For further information on Old Mutual plc, please visit the corporate website at www.oldmutual.com

FEATURE

GOVERNANCE AND IR: CRACKING THE CODES



How UK listed companies behave in the boardroom is becoming an increasingly hot topic in the City and in Westminster.

Since the post-crisis tightening up of corporate regulation and guidance on governance, the pressure on directors, both executive and non-executive, has increased. IR professionals share those pressures.

In this feature, we look at the way in which the **corporate governance** and **stewardship** codes are working for UK companies and investors.

Reviewing the UK corporate governance code

The IR Society's **Michael Mitchell** looks at recent corporate governance developments and how they have been put into practice in UK boardrooms.

In December 2011 the Financial Reporting Council (FRC) issued a paper, 'Developments in Corporate Governance: the impact and implementation of the UK corporate governance and the stewardship codes', in which it reviewed the progress that had been made.

The FRC feels that a good start has been made with, for example, 80% of FTSE 350 companies adopting annual re-election of all directors and over 230 firms signing up to the stewardship code.

What the FRC says

In her introduction to the review, Baroness Hogg, the FRC chairman writes: 'The quality of explanations in annual reports varies, and we will be looking at this more closely over the coming year.

'The quality of engagement between companies and shareholders remains variable. Investors have raised concerns that some companies do not respond appropriately to significant negative votes at AGMs, while companies complain that they are given too little notice of these.

'Remuneration will be a highly sensitive issue over the coming year, with the onus on both boards and shareholders to demonstrate a responsible approach. There are some big challenges here, not least what is called in the US the "pig in the python" problem – the fact that so much of engagement activity is concentrated into the few months between companies' annual reports and annual general meetings, most of which take place at the same time of year. However, there are signs of a more proactive approach on both sides, and a determination to address this problem through ongoing engagement at other times of year.

'There is a continuing need for companies to demonstrate that they are acting in the interests of their shareholders and other stakeholders, and for investors to demonstrate that they are acting in the interests of their clients and beneficiaries. Some in Europe see boards and asset managers as part of the problem rather than part of the solution, and would therefore wish to restrict their freedom of action by replacing a 'comply or explain' regime with hard law. We believe that usurping the responsibilities of boards and the rights of shareholders, and transferring these to regulators, would only serve to slow the flow of equity capital to the region at a time when it is so clearly needed to support economic growth.

'But the onus is on companies and shareholders to continue demonstrating that a code-based approach can change behaviour and drive up standards. At the FRC, we are proposing to make only a limited number of changes to the codes at their next revision, which subject to consultation will take effect from 1st October 2012. As we have already announced, these changes will include requirements for companies to articulate their policies for board diversity, and we have urged them to proceed with this as soon as possible.

'These changes will be specifically targeted at strengthening the current framework rather than changing it, and our aim will be then to leave both codes unchanged for a further two years.'

In a further study published in February 2012 the FRC stressed the importance of proper explanations of non-compliance with the Corporate Governance code. There are those in Brussels who have raised questions about the effectiveness of our 'comply or explain' model and would favour the introduction of new prescriptive regulation. It is therefore up to companies themselves to show that our system works effectively.

Put governance into context

The FRC believes that corporate governance statements should set out the company's approach to governance in the context of the business model. The chairman's statement could be used more effectively to do this. Companies that offer a coherent explanation of their governance approach are more likely to find that their explanation is readily acceptable when they choose to deviate from a particular provision of the code.

There is no doubt that the spotlight will be focused on governance in this year's reporting round, so it is up to companies to use the opportunity of the annual report to explain clearly how governance contributes to the strategic management of the business. ■

> ‘A code-based approach must be seen to change behaviour’

GOVERNANCE CODE

- **The quality of engagement between companies and shareholders remains variable.**
- **Changes will be specifically targeted at strengthening the current framework rather than changing it.**

Will stewardship really become an IR fixture?

The Stewardship Code is aimed at building engagement between companies and investors – **Hugh Wheelan** reports on its progress so far.

The recent furore in the UK over executive pay leading to the government's proposal of a binding shareholder vote was another step forward in the development of investor stewardship; even if in the heat of debates on bonuses no-one called it that.

For the moment, the word 'stewardship' hasn't translated into political or economic capital; perhaps it sounds too sensible. But with its embodiment of responsible planning and management of resources it fits neatly into the present dialogue on responsible capitalism.

The Stewardship Code is a voluntary initiative that came out of a recommendation in the UK's 2009 Walker review on governance at banks and financial institutions. As of December 2011 – a year and a half after its launch – the code had attracted 234 signatories: 175 asset managers, 48 asset owners and 12 service providers. The numbers have nudged up slightly since then and indicate that the investment management market is willing to take the concept of stewardship seriously.

The seven principles include requirements to monitor investee companies, to have a clear policy on shareholder voting and to disclose votes cast. In light of criticism of shareholders as 'absentee landlords' during the financial crisis, its broad policy goal is to make shareholders take a greater interest in and influence the companies in which they invest with a view to improving long-term company returns.

The high number of asset manager signatories appears to be due to the requirement to 'comply or explain', where they must become a signatory or divulge why not. What's less clear at the moment, however, is the extent to which asset owners (pension funds, charities, insurance companies, foundations) will embrace stewardship; less than 50 signatories is a small proportion, for example, of the total number of UK pension funds.

Pressure and commitment from asset owners will ensure – or vice versa – that fund manager 'agents' stay focused on stewardship, despite its voluntary nature.

> ‘One problem has been confusion over the term ‘stewardship’’

To date, the response to the code has been mixed despite the positive sign-up rates.

Responsible

The Financial Reporting Council (FRC), which oversees the code, believes one problem has been confusion among asset owners about the term 'stewardship' – with some equating it solely with socially responsible investment.

Similarly, the FRC has complained that signatory statements are often hidden on firms' websites and that more than 40% of them provide no contact information. A review of stewardship in November 2011 by a group of MPs and organisations including the Association of British Insurers, the Trades Union Congress and BlackRock, the world's largest asset manager, gave some indications of the potential barriers.

One lever, it said, that might help ensure the code is taken seriously could be to publicly commend investors that have an active engagement policy with companies.

Collaboration

Another issue that may be blocking the progression of stewardship and investor collaboration, the review said, is the

STEWARDSHIP CODE

- **The broad policy goal is to make shareholders take a greater interest in and influence the companies in which they invest with a view to improving long-term company returns.**
- **The spirit of stewardship demands that investor engagement becomes more than just a box-ticking exercise.**
- **The influence of stewardship is spreading internationally.**

Hugh Wheelan is the managing editor of *Responsible Investor*, an on-line publication. www.responsible-investor.com framework of rules for investors collaborating or 'acting in concert'. It said these should be reviewed to see whether they are fit for purpose and actually fill the 'democratic deficit' for shareholders. It is rare to influence company strategy without a near impossible 50%+ share of the vote.

Another recommendation was for shareholders to be more involved in the nominations of corporate directors. Some of these remaining teething problems of stewardship will likely be dealt with by a review to be published this summer. While it is not envisaged that new principles will be introduced, it is thought the language of stewardship needs clarifying in certain places. One is the different stewardship roles of asset managers and asset owners. The problem of collective engagement also looks certain to be tackled to enable investors to join forces at critical moments to ensure that boards acknowledge and respond to their concerns.

Other areas of practice the FRC is considering tightening include conflicts of interest such as potentially differing opinions on governance between asset managers and their clients.

Investor use of proxy voting agencies is also under scrutiny. With proxy advice being looked at in the forthcoming EU Green Paper on Corporate Governance, and some member states pushing for regulation, the FRC has already advised investors to show that they are using proxy voting recommendations 'responsibly'. This, it said, would 'help alleviate pressure for excessively prescriptive regulation of these agencies'.

A final tweak to stewardship is likely to be a recommendation that investors disclose their policy on stock lending to ensure they recall loaned shares in order to exercise their vote.

> 'Investors should be receiving regular updates from investee companies and having more face-to-face meetings'

Despite these adjustments to the code, the FRC says that asset owners that have signed are increasingly seeking to verify fund managers' stewardship assurance reports before they award investment mandates, which is key to its success. These fund manager stewardship reports are now prepared under guidance from the Institute of Chartered Accountants in England and Wales as a supplement to its existing AAF 01/06 standard, which ensures that they are comparable and reputable. If differentiation becomes widespread it should mean that stewardship becomes an important factor in choosing investment managers or at least entails a levelling up of practice.

Consultants

Also encouraging is the growing involvement of investment consultants in introducing stewardship services, which will boost asset owner sign-ups in schemes where part-time trustees are not always equipped to hold their asset managers to account. If asset managers become committed stewardship signatories via their own volition and client pressure, then that influence will mean that corporate investor relations departments become much more closely involved on a regular basis with their shareholder owners rather than predominantly around the annual general meeting.

As a result, IR staff will need to be much more aware of the governance issues that are preoccupying their shareholders. By the same token, fund managers will need a better understanding of the day-to-day business concerns of IR personnel. The spirit of stewardship demands that investor engagement becomes more than just a box-ticking exercise. Success shouldn't be measured by the volume of "oppose" votes at general meetings. Rather, investors should be receiving regular updates from investee companies and having more face-to-face meetings to find out exactly what is going on. This is not one-way traffic. Companies have noted that the investment and corporate governance functions within the majority of fund managers are rarely integrated so that both attend corporate analyst meetings.

International

Notably, the influence of stewardship is spreading internationally. Large European, US and Australian asset owners back the principles. In addition, Dutch shareholder organisation, Eumedion, has drafted a code for the Netherlands based on the UK's system and South Africa has adopted a similar initiative.

If the remaining significant barriers to stewardship are tackled this year – and the current political environment suggests they will be – then stewardship could become one of the most important words heard in conversation between company IR professionals and shareholders, both in the UK and significant parts of the world. ■

UPDATE IR SOCIETY'S NEW IR FORUM CONSIDERS STEWARDSHIP ISSUES

At a ground-breaking meeting held in February, representatives from some of the UK's largest fund management firms met with senior IR directors to discuss issues relevant to investors and public companies.

The inaugural 'Investor Relations Forum' which was convened by the Society discussed, amongst other topics, the operation of the UK's new Stewardship Code. Although it is widely accepted that most investors conform to the code in general, the meeting participants agreed there was still room for improved communications. On the topical question of remuneration, it was agreed that companies should do more to explain their policies well in advance of annual meetings.

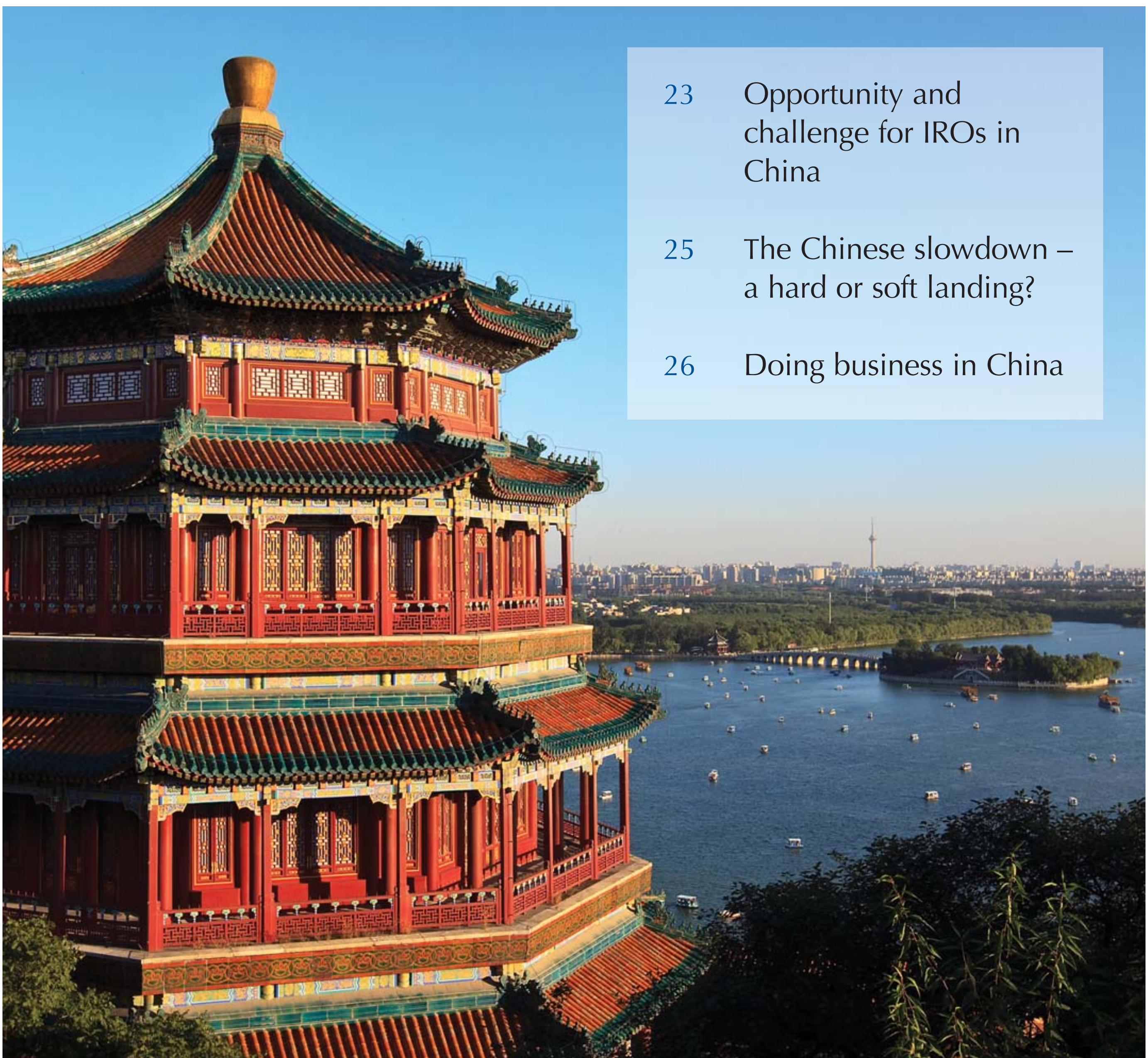
John Dawson, chairman of the Society said: "We felt it was important to get investors and IROs round a table to identify issues of mutual concern and to find mutually acceptable solutions. It is important that company management understands what fund managers need from them in terms of format, content and frequency."

The IR Society IR Forum will meet on a regular basis to develop best practice in the communication between public companies and their investors. ■

FEATURE

IR WORLD: CHINA

China promises to dominate financial markets in the century ahead. Here we look at the implications for IR and the current challenge to improve corporate governance practice.



Opportunity and challenge for IROs in China

Lynge Blak discusses the continuing growth of Chinese investment markets and the need for improved IR professionalism by some Chinese companies.

Whilst we in the West have all but forgotten the New Year greetings, the Chinese have now entered a New Year where the dragon (one of the 12 possible symbols) would be expected to make a difference to virtually everything in both their business and personal lives.

Superstition plays a significant role in Chinese culture and should not be underestimated – it is indeed a great boon for clairvoyants, who can read everything from your hand, your head or your stars. So the Chinese people will be looking for the dragon to help them in these tricky financial times, as well as to help their leaders through the New Year.

What does the dragon hold for the IR community? The early part of the New Year shows a very mixed bag.

Looking back

History shows that mainland China has been the world's largest market for initial public offerings (IPOs) in the past two years. Last year 265 offerings raised yuan 270bn (£27bn) at the exchanges in Shanghai and the AIM-inspired Shenzhen for high-tech growth companies, after a record 349 listings collected a combined yuan 478.3bn (£47.8bn) in 2010. And in 2011 Hong Kong topped the World Economic Forum's 2011 index of financial market development, replacing the US and UK in the highest rankings for the first time.

The US and UK each dropped one place from 2011 to rank second and third respectively in the forum's fourth annual Financial Development Report. However, Hong Kong jumped from fourth, making it the first Asian financial centre to lead the 60-country index, helped by non-banking services such as IPOs and insurance.

With the China Securities Regulatory Commission (CSRC) aiming to press forward with further reforms to create more transparency on issues like the approval process for IPOs, Beijing released the names of 515 IPO candidates just two weeks into the New Year. It looks like another busy year for this market. Based on these 515 applications, at least 400 companies could find a home on the Shanghai and Shenzhen stock exchanges this year – creating a potential 400 new IRO jobs! Or is this just another dream scenario?

Lynge Blak is president and CEO of Lynge Blak Investor Relations.
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> ‘China looks determined to reform the IPO system to live up to the promise of protecting investors’

THE CHINA CHALLENGE

- **Mainland China has been the world's largest market for IPOs in the past two years.**
- **There is a difference in the use of IR between the two different share listings – the domestic strictly regulated and the 'lax' listings abroad.**
- **Profound concerns regarding corporate governance, financial reporting and business ethics have shaken the confidence of investors in Chinese equities.**
- **There needs to be more IR training, more guidance on best practices and a better focus on transparency and consistency.**

Certainly, the newly-appointed chairman of CSRC, Guo Shuqing, looks determined to reform the IPO system because he wants to live up to the promise of protecting investors. The market, though, has expressed concern about the large number of new offerings, and hoped to see Guo slowing the rate of IPO approvals, to avoid what could become a significant liquidity challenge.

But what about the expected introduction of international IR best practice in China?

Again, when it comes to IR in China, it is important to distinguish between the domestic listed A- or B-shares, the H-shares listed in Hong Kong and the Chinese companies with foreign listings. In principle there is a world of difference in the use of IR between the two different share listings – the domestic strictly regulated and the 'lax' listings abroad.

Why lax? Again it would be wrong to generalise – and unfortunately that is what the international investment community has spent most time on in 2011 – but this is because profound concerns regarding corporate governance, financial reporting and business ethics have shaken the confidence of institutions investing in Chinese equities.

While the US-listed China sector has seen a string of spectacular frauds in the past year, the cloud of suspicion has impacted the valuations and sponsorship for many high quality issuers. This has effectively closed the window to new IPOs from China since the second quarter of 2011. Surveys suggest that only 2% of fund managers describe themselves as 'very satisfied' with the disclosure and governance practices of the Chinese companies in their portfolios.

To get out of the credibility crisis for Chinese-listed companies, both domestically and internationally, we need to see a significant change in the form of better corporate governance based on IR training. This would have a positive impact on the way investors would look at issuers who have a professional approach to investor relations.

China's lurking scare stories

The big issues in 2011 have been the wave of selling due to concerns about the viability of the common legal structure used by Chinese TMT companies, concerns about the enforceability of contracts in the Chinese legal system and continuing headlines on accounting deficiencies in Chinese companies.

> 'It will require a continued improvement in IR professionalism'

Striking an IR nerve

2011 was also the year where buy- and sell-side speakers at *IR magazine*'s China, Hong Kong & Taiwan Award and Conference in the Hong Kong Conrad hotel, told a stunned audience that Asian IROs could not be taken seriously and that their companies would avoid contact with them.

What should be our closest allies in the IR process were criticising us for a lack of full, fair and simultaneous disclosure.

However, for the knowledgeable IRO working in the region there was a bit of relief, when the same representatives highlighted a well known Achilles heel in the IR community: the predominant role the media plays in this largely retail market, and the reliance management places on the media to disseminate information.

The local PR agencies are natural partners in the IR process but, due to management often showing too little interest in the use and importance of IR, PR agencies are sometimes handling activities that would be better managed by a qualified IR function.

The speakers felt this lack of serious attention to proper communication with the financial community often leads to selective disclosure, including updated guidance at investor conferences not being followed by public disclosure, and stock market announcements not being disclosed to wider stakeholder audiences.

All this means that the investors and analysts who cover these stocks must constantly monitor multiple channels - the newspapers, the news channels and the stock market website – and attend every single investor conference if they are to avoid being left out of the news flow.

Challenges for 2012

Apart from the obvious task of marketing their individual stocks – whether listed in mainland China, Hong Kong or abroad - to jittery domestic and international investors who have been burned with a growing number of volatile stocks, we have an even more important task going forward. It will require a continued improvement in IR professionalism in our region.

The dragon needs to breathe fire into the IR community to push us towards more IR training, more guidance on best practices and a better focus on the importance of transparency, continuity and consistency in the financial communication process – for 2012 and beyond.

The Chinese slowdown – a hard or soft landing?

Deutsche Bank's chief economist for Greater China **Jun Ma** examines the factors which will affect the country's economy this year.

The Chinese economy is likely to visibly decelerate in early 2012, amid a significant drop in export growth and weakening real estate activities. We expect annualised quarter-on-quarter GDP growth to fall to 7% (or slightly below) in Q1 2012, before recovering in the remainder of the year towards 9%.

For the year as a whole, we expect China's GDP growth to be 8.3% in 2012, down from 9.1% in 2011. CPI inflation is also likely to decline sharply to 3% in the first half of 2012, from 5% in Q4 2011, as a result of falling agriculture and commodity prices.

The three main factors driving the deceleration of Chinese economic growth will be the eurozone sovereign debt crisis, falling volumes in the local real estate market and ongoing credit tightening.

The contraction of the eurozone economy as a result of the sovereign debt crisis and the deleveraging of the global banking sector will have a significant impact. Given the decline in external demand from the EU and the US, we expect China's nominal export growth to slow from 20% in 2011 to 10% in 2012.

The first half of 2012 may see even weaker single-digit rate export growth. The fall in Chinese property transaction volumes and the resulting deceleration in investments by developers will also be important.

Developers' investment, which accounts for 16% of the total investment in China, is likely to slow from 30% year-on-year to sub-10% in Q1 2012. This will lead to weakness in demand for materials.

The ongoing credit tightening, which has resulted in the suspension of 70% of the railway construction projects and constrained the production of many small enterprises, will only be relaxed gradually in the coming months.

Jun Ma is chief economist for Greater China, and head of China/Hong Kong Strategy for Deutsche Bank.
www.adr.db.com

Macro policy

We expect the government to ease macro policy in early 2012 in reaction to inflation and GDP data. Together with persistent weakness in property sales and investments, this data should convince the government that the priority should be shifted towards supporting growth rather than restraining inflation.

The response from the People's Bank of China (PBOC) and the government is likely to be to permit an increase in monthly net lending to around RMB700bn per month (from the current RMB500bn per month), consider a cut in the reserve requirement ratio, introduce some more tax cuts to support SMEs and the service sectors, and expand the local government bond issuance programme to support infrastructure financing.

Changes in official interest rates are not necessary in our view and the RMB is likely to continue its appreciation at 4 – 5% against the US dollar in 2012. Thanks to this policy easing, we expect China's GDP growth to recover on a quarter-on-quarter basis from Q2 2012, begin to rise on a year-on-year basis from Q3, and reach 9% on an annualised quarter-on-quarter basis in H2 2012.

We are also relatively optimistic about Chinese equities. While in the short-term, the European uncertainty and the fear of China's economic slowdown are likely to generate significant market volatility, on a 12-month basis we believe China's equity index is likely to deliver one of the best performances in emerging markets. ■

> 'We are relatively optimistic about Chinese equities'

CHINESE SLOWDOWN

- **The Chinese economy is likely to visibly decelerate in early 2012.**
- **The priority should be shifted towards supporting growth rather than restraining inflation.**
- **The renminbi should continue to appreciate against the dollar.**

Doing business in China

Should IROs make the journey? **Richard Carpenter** highlights the benefits – and some of the cultural differences that visitors should be aware of.

For a westerner, doing business in China can be weird, wonderful and frustrating but also extremely rewarding – both in monetary and cultural terms. As long as you approach each visit with an open mind and understand that you can be thrown a curve ball at every turn, you are likely to continue to see the attraction. If, however, you think that a bit of bureaucracy (for that, read quite a lot) and sometimes painful application of hierarchy will stand in your way, then you had better cancel your ticket.

First up, the important stuff: eating. Going out for a meal with clients is often a key part of a trip – often with you and your western colleagues being the centre of attention. It will depend on who you're visiting but being the 'British guy' who is forced to try lots of fantastic Chinese delicacies to the great hilarity of all around you has become apparent on more than one occasion.

So, as you crunch through snake, fish lips, chicken feet and ox forehead, just remember that you're doing it in the name of better relationships. And it works, too. Showing willing to this sort of cross-cultural ceremony often breaks down many of the barriers that exist in a more formal setting in an office. Just be aware of the particular dangers of Szechuan cuisine.

On the flipside, be aware that socialising with western contacts outside of business settings can be very stressful for your Chinese counterparts. Often this is because they will feel stressed about speaking English or appearing ignorant about international leisure activities and social conduct. If you are doing the entertaining, take advice on how best to create a setting that will be comfortable for your contacts.

Translator

Getting into this more informal environment often takes a while, however, with major language barriers to get through in the first instance. It might sound basic but do make sure you have a translator/colleague with you who speaks good Mandarin or Cantonese (and knows the difference). Some contacts will claim to speak English as a matter of pride – which can then lead to an extremely awkward meeting if it proves to be a somewhat hollow claim.

In such an instance, you need a back-up, particularly if, as in most cases, your own language capabilities aren't anywhere near as good. Be prepared for a simple question to stimulate a 15 minute heated discussion while you sit there twiddling your thumbs. Followed by the eventual translation being: 'No'. Quick lesson: you really have to trust your translator. That said, such a long discussion followed by such a short riposte is not out of the ordinary at all and is worth mentally preparing for. In short, being able to speak the language is helpful – but not essential. What remains key is a willingness to understand the client's business and navigate through the trigger points in Chinese corporate culture.

This raises the next major issue. Pride and what it means in a business setting is one of the greatest potential barriers to business in China from a western viewpoint. There will be many instances where you think you are reading what is going on in a meeting only to realise that you have completely misunderstood the reality of the meeting due to people not wishing to speak out of turn.

This can lead to major frustrations from a western viewpoint – mainly due to it often taking longer to actually understand

BUSINESS CULTURE

- **Showing willing to cross-cultural activities outside the office often breaks down many of the barriers.**
- **If you are doing the entertaining, take advice on how best to create a setting that will be comfortable for your contacts.**
- **Business meetings in Beijing will be very different to Hong Kong, both in tone and language but also, maybe, in dress.**

> ‘Pride and what it means in a business setting is one of the greatest potential barriers to business’

Richard Carpenter is managing partner of MerchantCantos.
rcarpenter@merchantcantos.com

> ‘Taking time to explain the difference between expectations of a local Chinese and international audience is worth its weight in gold’

what the viewpoint of the meeting is. There have been many instances where we believed we understood what the common view was, only to realise later that it was the virtual opposite. The main challenge is that the corporate hierarchy means that people will often not say what they think in a meeting as they don't want to speak out of turn. The follow-up by email or telephone then becomes that much more important.

Credibility

From an IR point of view, there remains a general lack of understanding of the discipline in China – although some leading companies have been producing good IR for a number of years, now. If helping local clients with IR issues for an overseas market, such as the UK or US, you will likely immediately command more credibility due to an assumption (not always correct) that you know the market better than them. That said, don't be surprised if your client also sees IR advice as drafting documents in English and then proof-reading them.

The best way round this is – as with any advisory role – pointing out angles and issues that will not have occurred to your client. Taking time to explain the difference between expectations of a local Chinese and international audience is worth its weight in gold to many clients and will be the main point of difference. It's also worth pointing out that you can act as a cultural bridge in reverse too – there will be many westerners who have ridiculously naïve assumptions about China, about the level of affluence (or not), how businesses are run and how the investment community works.

Perspective

Finally, it should probably go without saying but it is worth noting that China is big. Really big. To put it in perspective: aside from Beijing and Shanghai, there are 30 or so cities bigger than Manchester that you will likely never have even heard about. It's also big in geography terms, too. Business meetings in Beijing will be very different to Hong Kong, both in tone and language but also, maybe, in dress. Not wearing a tie in humid Hong Kong won't be given a second thought – but in Beijing it may well be frowned upon by some contacts.

None of the above should put you off taking the plunge. As mentioned at the start, the rewards can be amazing – and the historical and cultural – or indeed, extremely modern – setting should make it that much more significant. ■

Events

The events below are scheduled over the rest of 2012 for IR Society members. Further details will be announced in due course. For the latest information and to register for our events, please visit www.irs.org.uk/events.

APRIL - DECEMBER 2012

IR NOW LUNCH: PRESS TALK – HEARING FROM JOURNALISTS BEHIND THE STORIES
Wednesday 19 April
Venue: MHP Communication offices
Time: 12.45 registration for 1pm-2pm.

IR WEBINAR: DERIVATIVES 101
Tuesday 1 May

ANNUAL CONFERENCE: THE COMPETITION FOR CAPITAL
Tuesday 22 May
Venue: Kings Place, 90 York Way, London N1 9AG
This year's IR Society conference will examine the fast-changing international funding environment: the sources of capital; the investors and what they are looking for; and the implications for companies and their IROs.

IR WEBINAR: DIY IR
Tuesday 12 June
This webinar will look at cost effective IR solutions for SMEs.

IR BREAKFAST: STARTING OUT IN IR
Thursday 14 June
A session offering hints and tips for new IROs.

AGM AND SUMMER DRINKS RECEPTION
Tuesday 19 June

IR PM: MAKING THE MOST OF YOUR CAREER IN IR
Thursday 5 July

IR WEBINAR: SOCIAL MEDIA – STILL SOCIAL OR MORE SERIOUS?
Tuesday 4 September

IR BREAKFAST: MANAGING YOUR BROKERS
Wednesday 12 September

IR NETWORKING: TREASURE HUNT WITH WINE TASTING
Thursday 20 September

IR WEBINAR: SHOULD IROs BE MORE INVOLVED IN CORPORATE GOVERNANCE?
Tuesday 2 October

IR SEMINAR: DEVELOPMENTS IN FINANCIAL MARKETS
Thursday 11 October
This half-day seminar will look at new trading platforms, high frequency trading, and sell and buy side developments.

IR WEBINAR: CSR REPORTING – MAINSTREAM OR MARGINAL?
Tuesday 6 November

IR NOW LUNCH: MEET THE FUND MANAGERS
Tuesday 13 November

IR BEST PRACTICE AWARDS AND ANNUAL DINNER
Tuesday 20 November

IR WEBINAR: IR AND THE PRIVATE INVESTOR
Tuesday 4 December

IR SEMINAR: REVIEW OF 2012 AND FORECAST FOR 2013
Tuesday 11 December

Courses

The IR Society provides a comprehensive programme of training courses as well as half and full day seminars. For further information, visit www.irs.org.uk.

PROFESSIONAL DEVELOPMENT PROGRAMME 2012

Level	Course	Dates
Foundation level	*INTRODUCTION TO FINANCIAL MARKETS FOR IR* This course gives you a basic introduction to investor relations and the financial environment in which IR professionals work. It explains how the financial markets operate and are regulated.	Thursday 17 May Wednesday 4 July Tuesday 18 September Wednesday 17 October Thursday 22 November
Foundation level	*IR – OPTIMISING CITY RELATIONSHIPS* This interactive day of workshops presented by senior practitioners explores their day-to-day roles and helps you understand their interaction with companies. This course builds on the aspects covered in 'Introduction to financial markets for IR'.	Tuesday 27 March Wednesday 15 August Tuesday 4 December
Foundation level	*PRACTICAL IR TOOLS AND TECHNIQUES* IR is communication. This interactive day of workshops presented by senior IR executives explores the most current communication tools and techniques relevant to IR practitioners in their day-to-day roles.	Thursday 19 July Thursday 25 October
Foundation level	*INVESTOR RELATIONS FOR PERSONAL AND EXECUTIVE ASSISTANTS* Executive assistants and board level personal assistants who come into contact with investors and external advisors need to understand the dynamics of the financial markets. Who should they prioritise for meetings and phone calls? What information can be disclosed and how can they support senior management.	Wednesday 13 June Thursday 11 October
Core IR Skills	*DEMYSTIFYING COMPANY ACCOUNTS – MODULES ONE AND TWO* If you are working in investor relations or financial PR you need to understand financial statements and be able to answer questions from analysts, investors and the financial press. This two part course will help you achieve this by providing foundation knowledge in accounting.	Wednesday 9/Thursday 10 May Tuesday 11/Wednesday 12 September Tuesday 6/Wednesday 7 November
Core IR Skills	*IR REGULATION & COMPLIANCE ESSENTIALS* This course provides essential information and updates for both new and experienced IR professionals. Understand the legal compliance requirements for IR communications and how they are best applied in practice.	Wednesday 2 May Thursday 30 August Wednesday 21 November
Core IR Skills	*IR REGULATION UPDATE* This half day course will bring you up to date with latest rules and regulations.	Wednesday 13 June Tuesday 9 October
Core IR Skills	*EFFECTIVE INVESTOR TARGETING* Gain an understanding of how to effectively target investors nationally and internationally, through using practical tools and leveraging external advice and resources. Understand how to maximise the investment in brokers, sales teams and other service providers and get a perspective on the key requirements for executing a successful roadshow.	Thursday 18 October
Core IR Skills	*ANNUAL REPORTING – BEST PRACTICE IN PRACTICE* In autumn 2011 the UK Department of Business, Innovation and Skills announced a wideranging review of the way companies report to shareholders. This course will update you on the progress of the new proposals and consider the implications on best practice reporting in 2012.	Thursday 27 September

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PROFESSIONAL DEVELOPMENT PROGRAMME 2012

Core IR Skills	UNDERSTANDING THE MEDIA FOR IROS It's easy to get the wrong headline, but how can you use the press to develop your corporate profile in a positive way? On this course you will hear directly from a journalist on what they look for in a story; from a PR advisor on how to position your company with the media; and from an IR practitioner on how its done in practice.	Tuesday 10 July
Specialist course	DEBT IR – THE NEW FRONTIER This course will explain the nature of debt instruments and help professionals to understand the information requirements of holders.	Planned for November
Specialist course	BEHIND THE TRADERS' SCREENS – HOW SECURITIES ARE TRADED This course provides a basic knowledge and understanding of the key aspects of equities-related securities trading including the operation of markets, use of new trading platforms and dark pools, securities lending and borrowing and the interaction with short selling and derivatives trading.	Thursday 6 December
Specialist course	IR FOR DIRECTORS AND SENIOR EXECUTIVES The new Corporate Governance Code and the UK Stewardship Code has put increased emphasis on effective communication between boards and investors. It is therefore ever more important to understand how investor relations can facilitate effective contact with the investor community. This course provides a unique opportunity to understand how to make the best use of IR resources, what IR can do to help to increase liquidity in your shares, and more.	Bespoke course run in-house
Personal Development	WRITING AND PRESENTATION WORKSHOP FOR IR This interactive course will help to make sure your writing and verbal communication is clear, efficient and authoritative. Understand what makes a document readable and learn how to get your message across succinctly, through the written and spoken word as well as the web.	Tuesday 25 September
Personal Development	ACHIEVING YOUR POTENTIAL – HOW TO ADD VALUE TO YOUR IR PROGRAMME This course aims to help IROs to develop their position and credibility within their organisation by explaining how to create added value from the IR function. Course attendees will learn how to define personal targets and goals; measure success; identify personal strengths and weaknesses; and more.	Tuesday 3 April

CERTIFICATE IN INVESTOR RELATIONS (CIR) 2012

	CIR REVISION COURSE To revise the CIR Study Guide and assist candidates with any questions they may have on specific sections of the syllabus.	Tuesday 15 May Wednesday 8 August Wednesday 19 September Friday 16 November
	CIR EXAM DATES The following are exam dates for the Certificate in Investor Relations.	Thursday 24 May, 2012 Monday 20 August, 2012 Thursday 4 October, 2012 Thursday 29 November, 2012

The IR Society promotes the highest standards among its members and the wider IR community. Our training courses increase awareness of IR techniques, issues and best practice for IR practitioners at every stage of their careers. For more details see www.irs.org.uk.

The IR Service Providers Directory

The *Informed* IR Service Providers Directory features those organisations who offer key services to the IR community and shows the categories in which they have chosen to appear.

This section is published in parallel with the service provider section on the IR Society website – www.irs.org.uk.

For more information and to list your business here, please call Christiane Dickens on +44 (0)1285 831 789 or email cdickens@silverdart.co.uk.

Key to IR SERVICE PROVIDERS by category

ADR depositary services
- BNY Mellon
- Deutsche Bank

Annual reports
- Black Sun
- Emperor Design
- Investis
- Jones and Palmer
- Langsford Corporate Design
- MerchantCantos

Board advisory
- Fidelio

CRM databases
- IR.soft
- Nasdaq OMX Corporate Solutions
- RD:IR
- Thomson Reuters

Executive search
- Fidelio

Internet services
- Black Sun
- global3digital
- The Group
- MerchantCantos
- Nasdaq OMX Corporate Solutions
- WorkCast

Investor presentations
- Red Oyster

Investor relations
- Africa Practice
- Broadridge
- Capita Investor Relations
- Clare Williams Associates
- EmCo
- Fidelio
- h2glenfern
- Investis
- Maitland
- Makinson Cowell
- MHP
- Nasdaq OMX Corporate Solutions
- RD:IR
- Thomson Reuters
- WorkCast
- World Television

IR for small caps
- Investis
- RD:IR

Investor roadshows
- RD:IR

News providers
- ADVFN

Opinion research
- RD:IR

Proxy and corporate support
- RD:IR

Publications
- IR Magazine

Public relations
- Jones and Palmer
- Kreab & Gavin Anderson
- Lansons
- MHP

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- Clare Williams Associates
- Investor Perceptions
- RD:IR

Shareholder targeting
- Nasdaq OMX Corporate Solutions
- RD:IR

Webcasting
- h2glenfern
- Investis
- Nasdaq OMX Corporate Solutions
- Thomson Reuters
- World Television

Website development
- Black Sun
- Clare Williams Associates
- Emperor Design
- global3digital
- The Group
- Investis
- Jones and Palmer
- MerchantCantos
- Nasdaq OMX Corporate Solutions
- WorkCast

ADVFN – www.advfn.com – *news providers*

AFRICA PRACTICE – www.africapractice.com – *investor relations*

BLACK SUN – www.blacksunplc.com – *annual reports, internet services, website development*

BNY MELLON – www.bnymellon.com/dr – *ADR depositary services*

BROADRIDGE – www.broadridge.com – *investor relations*

CAPITA INVESTOR RELATIONS – www.capita-ir.co.uk – *investor relations*

CLARE WILLIAMS ASSOCIATES – www.clarewilliamsassociates.com – *investor relations, shareholder research, website development*

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