تداول
Tadawul

Investor Relations
Best Practice
Toolkit

السوق المالية السعودية
Saudi Stock Exchange

Foreword

The aim of this Investor Relations Best Practice Toolkit is to provide information, advice and support to all companies either listed on or about to list on Tadawul. It outlines the key principles of international best practice and provides an explanation of the benefits of following these standards.

Most importantly, the Toolkit was created with the ambition to become an invaluable practical guide to all professionals handling investor relations for a company listed on the Saudi Stock Exchange, inspiring them to go beyond the regulatory requirements and raise the bar in their respective market or sector.

Over the past 18 months, Tadawul has implemented numerous measures to enhance the effectiveness of the capital market, foster an attractive investment environment for local and international investors and further optimise its regulatory framework.

As the first publication of its kind in the Middle East, this Toolkit marks yet another milestone on Tadawul's journey towards establishing itself as an active player in global capital markets, building on its current role as the leading regional stock exchange.

We hope the Toolkit, which will be updated on a regular basis, will become a trusted source of reference for its readers. If you have feedback or suggestions, we look forward to hearing from you at toolkit@tadawul.com.sa.

Further information on Tadawul and the markets it operates can be found in the 2018 Listing Guide.

Tadawul (Saudi Stock Exchange)

Contents　　　　Page

1 Introduction to investor relations

1.1 What is investor relations

The managers of a listed company are responsible to its shareholders as owners of the company for the company's activities under the guidance of the board of directors. Although the shareholders do not usually take an active part in the day-to-day management of the company, they have the right to understand how the company is performing. These rights are expressed in the regulatory obligations laid upon listed companies.

It is the role of investor relations (IR) to be the interface between the company and its investors. More broadly, investor relations is the channel for two-way communications between a company and the financial markets as a whole. Investor relations should not just be a one-way mouthpiece for a company; it should also provide the company with essential feedback from investors and the wider market as to their views on the company in terms of its performance, strategy and outlook. Used wisely, this intelligence can: a) provide valuable input to a company's strategic decision-making; whilst b) maximising the effectiveness of its communications by tailoring it to any existing or emerging concerns of the markets.

Effective IR differs from public relations and/or marketing as it should aim to provide a fair understanding of a company's strategy and business to actual and potential investors, to allow for balanced and informed judgements to be made. This contrasts with PR/marketing, which usually aims to present a company's products and services in the most favourable light possible.

1.2 Why it is important

For financial markets to function efficiently, there must be a flow of information from listed companies to the market. The price of a company's shares reflects the performance of the company and expectations of the market about its future results. In order properly to assess performance and to understand the factors affecting its results, the market needs to be fully informed by the company about all relevant information.

Strict regulatory provisions exist to ensure that listed companies make the necessary disclosures.

1.3 What makes effective investor relations

One of the fundamental driving forces of financial markets is confidence. This applies both at the macro level for markets and at the level of individual companies. Confidence in a company's future performance will depend on the management of market expectations about it. These expectations are shaped by the way in which a company communicates.

To be effective, investor relations must communicate in a consistent, comprehensive and accurate manner. Achieving these objectives over time will enhance the credibility of the company, which in turn will build trust, leading to confidence in its management and prospects.

Credibility and trust are reinforced by the quality of the relationship between the company and the shareholder. This means that the company must go beyond the minimum regulatory requirements and understand the needs of shareholders for additional informationand explanation.

It means responding quickly to investor questions and making senior management available to investors at appropriate times. Effective investor relations is not only a matter of building investor relationships, but using those relationships to create a good understanding of the company's future opportunities and growth potential. It means clearly differentiating the company's story from competing investment opportunities.

Key hallmarks of effective investor relations include:

- Distinctive profile among the investment community
- Good understanding of the company's future opportunities and growth potential by the market
- Clear differentiation of the company's story from competing investment opportunities
- Demonstration of the strength of management
- Trust and confidence in management
- Encouragement of sell-side analyst coverage
- Broadening of the shareholder base
- Improved levels of liquidity in the company's shares
- Consistent and fair valuations
- Easier and cheaper access to capital in the future

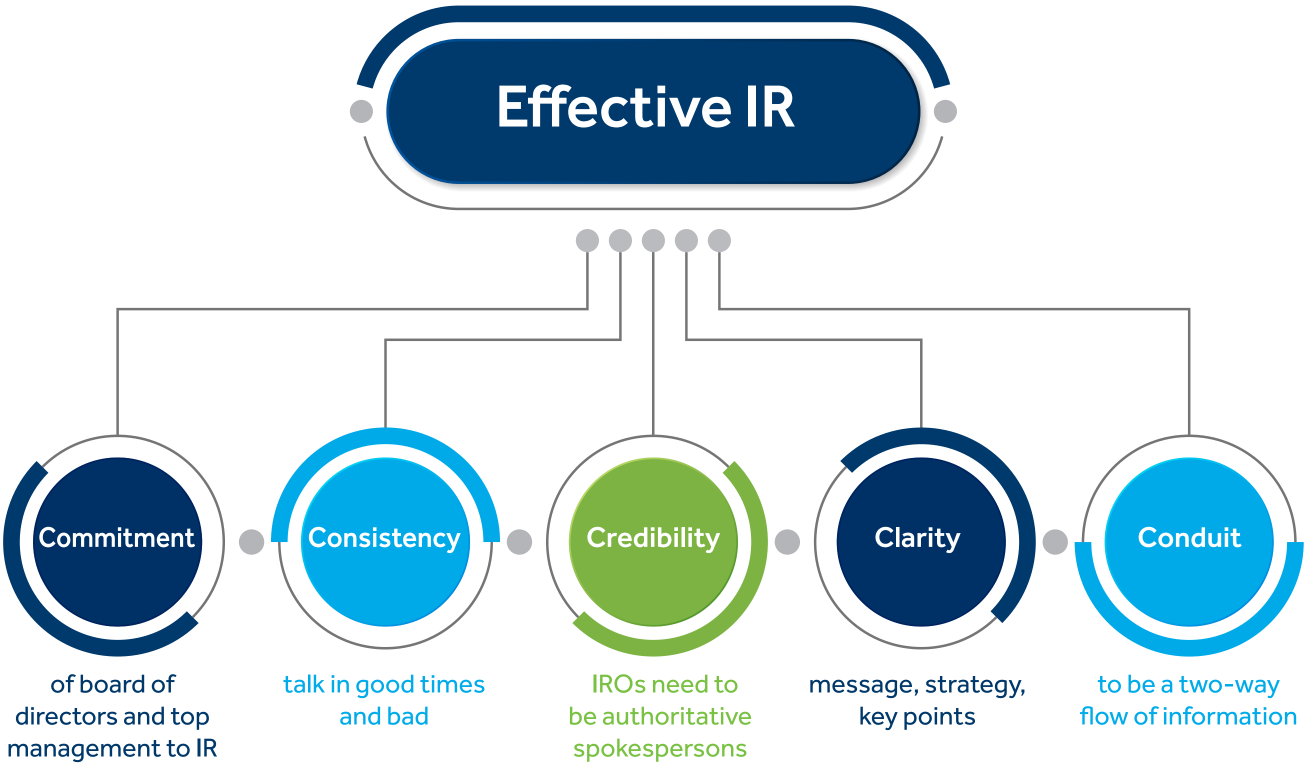
What effective investor relations is NOT about:

- Marketing spin
- Selective disclosure (see 4.2.2 Fair and non-selective disclosure)
- A short-term undertaking
- Substitution for poor management
- One-way communication from a company to the market
- Maximising the share price, but seeking a full and fair valuation

Although share price out-performance may be desirable, it cannot in itself be an objective, because: a) there are too many external factors outside the control of the investor relations department that affect it; and b) encouraging an overvalued share price not necessarily supported by fundamentals can lead to false expectations that are hard to sustain, leading to adverse implications in the longer term including loss of credibility which a company may struggle to rebuild.

1.3.1 Fundamental principles:

Best practice investor relations has five fundamental underlying principles, the 5 Cs:



1 Commitment

Support and commitment from the top is essential to establishing credibility within the market and instilling the 'right' culture throughout the company.

2 Consistency

Avoid gloss and spin by being prepared to communicate in bad times as well as in good times. There also needs to be consistency of the messaging in order to optimise effectiveness and reinforce credibility.

3 Credibility

In order to act as an authoritative spokesperson for a company, investor relations needs to have credibility both externally (with the market) and internally (with a company's executive management and across functions).

4 Clarity

Messages need to be both precise and succinct.

5 Conduit

Effective investor relations is all about two-way communication: both speaking and listening to the market, thereby helping to minimise the information disconnect.

1.4 Benefits of effective investor relations

Beyond complying with legal obligations in terms of communicating with its shareholders and the wider financial markets, effective investor relations can also bring benefits to the company.

A full and fair market valuation for a company should be the principal objective of effective investor relations, and this is achieved through minimising the perceived cost of capital. Lowering the cost of capital should make it easier to raise capital through equity markets in the future, and/or undertake an acquisition using a company's shares as currency.

Investor relations can bring stability to the share price, minimising volatility and giving greater predictability to a company's valuation as a basis for strategic planning. It can also support stability in the shareholder base, meaning that the company's strategy will be supported by a loyal group of core investors.

Good practice in investor relations can create a virtuous circle of effects. An interesting, positive and developing investor proposition will lead to enhanced levels of liquidity in the stock, which will help to support a fair market valuation, providing a company with easier and cheaper access to capital, thereby reinforcing the investor proposition and broadening and solidifying the support of its core shareholders.

1.5 Key investor relations responsibilities

1.5.1 Managing (and aligning) expectations

Managing market expectations is a key element of investor relations. Of necessity, investors do not have 'inside' knowledge of the state of a company's business and this creates a gap in perceptions between management and investors about the company's performance, which can be difficult to address if that gap widens.

Expectations are set and managed through a clear, comprehensive and consistent two-way dialogue with the markets. This is especially relevant in the case of earnings, but can also relate to other factors, such as net debt levels, shareholder remuneration, corporate strategy and market conditions.

The company's management and its investor relations representatives are not the only influences on expectations. Analysts can also significantly affect them. Furthermore, investors will take into account information from alternative sources, such as other companies in the sector and industry experts, in addition to economic and industry data.

Managing expectations is about setting appropriate investor expectations by minimising the information disconnect whilst being consistent with the company disclosure policy and regulatory requirements, especially with respect to non-selective disclosure (see 4.2.2 Fair and non-selective disclosure) and dealing appropriately with price sensitive information (see 4.2.3 Price sensitive information).

If done well, expectation management will lower investor uncertainty, build investor confidence and loyalty and contribute to a fair valuation.

Mismanagement of market expectations can not only have a negative impact on the stock price, but also lead to long-lasting investor scepticism, with credibility implications for management so that recovery in sentiment can be a multi-year process, inhibiting the company's ability to raise capital in the future.

1.5.2 Control of information flow

An effective investor relations function uses the financial calendar to optimise its planning and efficiency, making best use of the opportunities to engage with the market (in terms of complying with reporting requirements), whilst also identifying occasions to strengthen IR relationships.

In order for the market to be able to form an informed view of a company, information provided should be as open and transparent as possible, without harming the company's operations by giving away commercially sensitive information.

Investor relations needs to control the flow of information externally in terms of its accuracy and relevance, whilst ensuring that there is consistency of message and ascertaining the optimal timing and methods of dissemination, balanced against what is required under current regulations.

1.5.3 Development of investor relations strategy and program

In order to develop an appropriate investor relations strategy and program, the key objectives first need to be identified, which may include but are not limited to:

- Articulation of the company's investment story and/or change in company strategy
- Rectifying any potential market misunderstandings
- Raising the company's profile, including that of senior management
- Differentiation versus peers
- Development of the shareholder base
- Broadening sell-side analyst coverage

1.5.4 Regulatory compliance (see 4 Regulation)

Investor relations needs to have a full understanding of the regulatory requirements of the country or countries in which the company has listed securities and operations, and what is generally regarded as international best practice. The regulatory requirements can be generally divided into seven main categories encompassing:

- Market misconduct (see 4.2.1 Market misconduct)
- Listing rules
- Offer of securities and continuing obligations
- Companies Law
- Disclosure (see 4.3 Disclosure obligations)
- Reporting
- Corporate governance

1.6 Allocation of resources

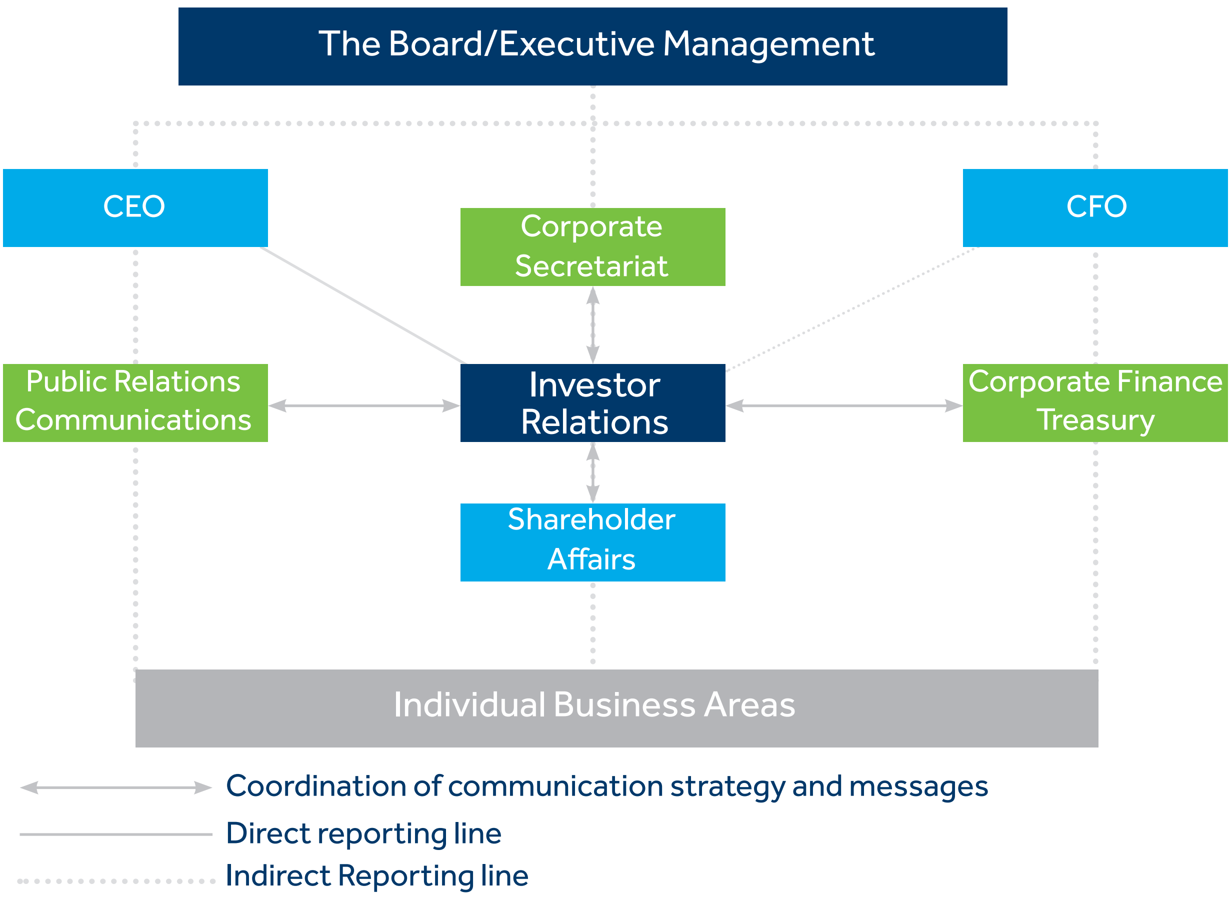
Team sizes in investor relations will vary according to company size and location but typically comprise three people as a minimum. They tend to come from a variety of professional backgrounds, including:

- fund management
- investment banking
- sell-side research
- accountancy/financial controller/treasury
- corporate communications

Position	Responsibilities
Head of IR	• Investor relations strategy development and implementation • Primary contact for analysts and investors • Liaising with senior management – regular reporting • Roadshow participation • Structuring and drafting releases and presentations • Managing external advisers – brokers, consultants etc.
IR Manager (possible x2)	• Secondary contact for analysts and investors • Monitoring market activities and compiling reports • Assisting with drafting of releases and presentations • Roadshow participation
IR Assistant (possible x2)	• Maintaining databases, websites, document production • Assisting with organisation of roadshows and meetings • Distribution of releases and other announcements • Office management • Administrative support

1.7 Internal positioning of investor relations

How a company's IR department might be positioned internally (i.e. not prescriptive)



1.8 Capital markets spokespersons

The number of people who can speak on behalf of a company to the capital markets should be limited to ensure that the market is supplied with consistent information in terms of style and message, which will also help to establish and nurture trust and confidence in the company and its management.

To help ensure accuracy and consistency, the spokespersons should be fully informed of a company's developments to be able to evaluate and discuss events that could potentially impact a company's valuation.

As an indicative example, the key capital markets spokespeople could be:

- CEO
- CFO
- Head, Investor Relations
- Corporate Finance, Treasury

The individuals above should be the trained spokespeople for the major presentations, roadshows following results announcements, and key investor relations events such as investor days etc.

Investor relations, together with the treasury function for debt and PR representatives, should handle the daily contact with the capital markets and media, respectively, and be the principal points of contact for specific questions.

Investor relations professionals co-ordinate who should meet analysts and investors and should attend all such meetings, heading them in the absence of the CEO/CFO. Heads of business divisions are able to interact with analysts and investors under certain circumstances, including events such as investor days, for which they will be adequately prepared by investor relations in terms of what to expect, what can and cannot be said etc.

The investor relations team should brief the spokespeople before meetings or presentations, giving background information on who will attend, what to expect to, providing Q&A documents and information about price sensitive information. Investor relations professionals should be present at these meetings.

Persons not mentioned above should refrain from responding to individual enquiries from the investment community or financial media without consulting with investor relations in the first instance to agree on what can and cannot be said.

2 Investor relations audiences

2.1 Institutional investors

Capital markets in most developed countries are dominated by institutional investors. These institutions take a number of forms, including:

- Pension funds
- Mutual funds
- Insurance companies

Pension funds are the most common type investment vehicle, followed by mutual funds and the insurance funds. The remaining types of funds comprise of private wealth funds (e.g. family offices), sovereign wealth funds and alternative asset managers (e.g. hedge funds and private equity).

There is a fundamental division in investment styles, between active and passive investors. Active investors make investment decisions based on analysis and judgement. They look to outperform the market by being under/overweight in sectors and stocks.

Passive investors (also known as index or tracker investors) seek to match the performance of an equity index, whilst keeping trading costs to a minimum. This can be accomplished by holding in a portfolio the stocks that comprise the index in the same proportion as the index weighting.

Passive investing, especially in the form of exchange traded funds (ETFs), are increasing in popularity as fees for active managers are often not felt to justify the investment returns.

Within the category of active investors, a number of sub-categories can be identified:

2.1.1 Income investors

These investors hold stocks that have a dividend yield generally higher than the market's, which is both secure and is forecast to grow at least in line with inflation over the medium term. Higher yield companies tend to be larger and more mature and concentrated in certain industries, such as utilities and insurance.

2.1.2 Value investors

These investors hold stocks which they believe are valued at a discount to their historic levels, the market or the company's intrinsic value. They are often contrarian in nature and are attracted by those stocks out of favour with the majority of investors. They tend to have longer-term investment horizons than their growth counterparts as they wait for the convergence of value and price.

2.1.3 Growth investors

These investors place the greatest emphasis in their selection process on the growth prospects of a company's earnings. They are attracted often by those companies displaying positive earnings and/or ROE momentum, operating in industries with attractive long-term growth dynamics. They are willing to pay above market average multiples for a stock they believe can continue to deliver rising economic returns.

2.2 Retail investors

It is worthwhile keeping in close touch with the retail shareholder base as they tend to be long-term investors and supportive of the incumbent management. In addition, the Saudi market retail trading accounts for a significant percentage of the market turnover.
For many large companies, retail investors may be large in number but represent a relatively small proportion of the share capital. Compared to institutional investors, who tend to be more sophisticated, contact tends to be more administrative in nature (e.g. date of annual general meeting, dividend entitlement etc.).
Depending on the size of the company and the available resources, it may make sense to allocate responsibility for them to a nominated individual and/or direct them to a separate part of the IR website (e.g. shareholder affairs).

2.3 Analysts

Research analysts tend to work for investment banks and brokerages, although independent research boutiques are beginning to grow in numbers. They advise investors as clients of their firms on the investment quality of listed companies, publishing reports on their forecasts for company earnings, setting targets for share price performance and issuing recommendations on whether investors should buy the shares.
Their commentary can be influential, not only among investors, but also with media. The recommendations of leading analysts can either accelerate or slow down share price movements, and their comments can shape perceptions of company events through positive or negative interpretations.
Analyst recommendations influence market expectations of share price performance. However, if the range of analyst forecasts for company valuations is widely dispersed, this will create uncertainty in the market about the fair valuation of the stock. This uncertainty can increase perceptions of risk, leading to a discount on the share price and greater volatility.

An analyst research report will typically contain:

- a detailed analysis of a company's competitive advantages
- information on management's expertise and how the company is operating
- stock valuation compared to a peer group and its industry
- an earnings model, clearly stating the assumptions that are used to create the forecast
- a conclusion and recommendation whether the stock is likely to outperform the relevant market or sector

2.4 Debt investor relations

Although the company treasurer and/or CFO usually takes the lead for debt investor relations (as a separate asset class, the primary focus is on cash flow and serviceability, rather than profitable growth as is the case with equity investors), investor relations departments are increasingly becoming more involved due to:

- a need for consistency of message
- evolving diversification of the funding mix
- converging interrelationship of debt and equity ratings

Consequently, it is recommended that there should be close coordination of both the debt and equity investor relations activities.

2.5 Media

The involvement of IROs with the press and media will depend on the size of the company and the skillsets within the investor relations department. As a minimum, IROs needs to know what is being said to the press; so, if there is a separate PR/communications department, there should be close liaison between the two to ensure consistency of message.

It is very important that nominated spokespersons (e.g. CEO, CFO) are properly briefed and, if possible, accompanied by a representative from the investor relations department or the press office whenever they speak to market participants.

All spokespersons who are authorised to deal with the media should receive appropriate media training.

2.6 Internal audiences

For the investor relations function, it is essential to obtain support by both the board of directors and senior management from the outset. The ability of an IRO to understand the senior management and speak reliably on behalf of them demonstrates credibility. This sets the tone for the rest of the company in its interactions with the markets.

Effective investor relations requires significant investments, both financially and in terms of senior management time. To realise its full value, investor relations needs to be the conduit between the market and the board; this implies having regular access to the board in terms of relaying back any market concerns, issues, sentiment, and intelligence – intelligence which can then be used in board-level strategic decision-making.

Investor relations needs to establish itself as an integral and essential part of the management structure, in effect the 'eyes and ears' of management when it comes to interactions with the capital market. It is critical that IROs are given proper access to the CEO and the board to enable them to do their job properly.

If the board is not aware of the activities of the investor relations department, then it will not be able to appreciate and value its output, and hence justify its ongoing and possibly significant investment.

It is vital that direct reporting lines for investor relations functions are established to minimize the risk of information and key messages becoming diluted. In most cases, IROs reports directly to the CFO, but often with a close relationship to the CEO.

IROs should work closely with the corporate communications department to ensure that there is consistency of message.

3 Building the investor relations program

3.1 Investor relations objectives

To design the investor relations program, the investor relations department must set clear objectives, which should include:

• **Educating investors about company strategy:** Investors should understand why management makes business decisions as part of their value-creating strategy. All actions by the investor relations department should be targeted at facilitating this understanding. Hence, it is important that the investor relations function has access to strategy meetings within an organization.

• **Broadening or restructuring the shareholder base:** As an appropriate valuation and sufficient liquidity of the stock is encouraged by continued interest from new investors, the investor relations department should target them strategically.

• **Maintaining and upgrading investor relations collateral:** All investor relations collateral should be reviewed regularly to ensure that it contains accurate and up-to-date information. Ideally, format and design should also be in line with industry best practice.

• **Managing market expectations** (see 1.5.1 Managing (and aligning) expectations): The investor relations department should monitor market sentiment and analyst forecasts to ensure that they give a realistic reflection of the company's current performance. Unexpected developments – whether good or bad – in the financial results might unsettle investors and leave them feeling disconnected to the company.

• **Informing senior management about market perceptions** (see 3.2.1.10 Perceptions Research): Investor relations is not only the channel through which the company communicates with the market, but also the channel through which the company gathers feedback. Senior management should be regularly briefed about matters of interest to investors as well as trends affecting the market sentiment, which can influence strategic decisions.
Such objectives should be balanced with the resources available. Key issues to evaluate include:

• **What are your resources (internal and external) to achieve your objectives?**
- How much work can/should be done in-house?
- Is it more cost efficient to retain an external consultant as an additional resource, compared to hiring an in-house IR professional?

• **What are current market perceptions? (see 3.2.1.10 Perceptions Research)**
- Conduct qualitative research among analysts and fund managers to provide a basis for developing the corporate positioning and investor presentation. This can be achieved through a perception study that gauges the effectiveness of investor relations and gathers feedback from the investment community. To avoid bias of the responses, this is usually conducted through a specialised third party.

• How big is the investor relations budget?
- Can you negotiate additional budget for some of the larger events?
- Can you share some cost lines with other departments (e.g. PR department for a site visit)?
- If budget is limited, prioritise those elements of the program that are likely to have the largest impact and bring you closer to achieving your goals.

• How committed is the management to investor relations?
- Accessibility of the senior management is the key to a successful investor relations program and it is important to identify from an early stage how much time members of the senior management team will be prepared to commit to activities in this field.

• Is there a need for any investor relations training (for investor relations staff, senior or divisional management)? (see 4.3.7 Training)
- Can it be done internally? If not, research suitable training providers or ask for recommendations.

With a multitude of activities requiring involvement of both senior management and IROs, advance planning through a carefully designed investor relations program is critical. The financial calendar (i.e. quarterly, half-year and annual results announcements) is the cornerstone of any such program, complemented by other milestones such as the annual report and the annual general meeting.
The investor relations department should make strategic use of comparatively quiet periods in the financial calendar to enhance its relationships with the investment community. These are opportunities for the investor relations department to pursue a proactive approach to communications to shape the external profile of the company.
IROs can also identify opportunities that may be beneficial to raise awareness for the company's investment case, for example by hosting investor meetings/roadshows or taking part in international investor conferences.
Once the financial calendar has been drafted, it should be presented to senior management to obtain their approval and secure time in their diaries for important activities.
A formal assessment and review of the investor relations program is recommended at least once a year against set goals and objectives using qualitative and/or quantitative metrics.
Feedback should be regularly sought from the IRO's 'clients' (effectively the investment community) as to how things might be improved. This can be an integral part of a larger perception survey, for example. At the same time, the importance of asking for internal feedback (e.g. from the finance department, PR department, the board, the divisional management etc.) should not be underestimated as they are key stakeholders in an effective investor relations function.

3.2 Best practice investor relations program

A 'best practice' investor relations program should encompass the following activities:

3.2.1 Structured, periodic tasks

3.2.1.1 Message development

The company should develop an investment proposition, agreed by all relevant parties, including the IR Officer and senior management. This proposition should express the reasons why the company can be considered a good choice for investors and may include points such as:

- The growth and profitability of the markets the company operates in
- The company's own track record of growth and profitability
- The objectives of its corporate strategy
- The quality of its management
- The company's financial strength

Altogether, these points should tell a strong, credible investment story an create a clearly differentiated positioning for the company that helps it stand out from its peer group.

Having formulated the investment proposition, a set of key messages should be developed to support it. These verify the proposition by providing factual data about the market and the company's performance, its products and its history. The messages should cover a company's activities, performance, strategy and outlook, while also explaining how it creates long-term value.

These messages should be clear and concise, built around no more than four to five key points, be consistent from one period to the next (unless the strategy has changed) and resonate with the companies' audiences. It is crucial to invest significant time, thought and attention into developing and refining them.

Feedback from meetings with analysts and investors can be used to ensure that the key messages are kept up to date and remain relevant.

3.2.1.2 Shareholder identification / Investor targeting

3.2.1.2.1 Shareholder ID

A basic requirement of the practice of investor relations is to understand a company's shareholder base, along with the potential wider investor audience.

With Saudi Arabia becoming increasingly integrated into the global capital markets, driven by the easing of foreign ownership restrictions and its anticipated inclusion in international indices (e.g. FTSE, MSCI Emerging Markets Index), it is strongly recommended that the investor relations departments of Tadawul-listed companies carry out regular monitoring of their shareholder registers.

The prevalent trend globally is now for shares to be held in custody on behalf of the underlying client, with nominee accounts increasingly being used for administrative or confidentiality purposes. This can complicate matters and make it hard to find out who is actually managing the shareholdings, be it either the beneficial owner and/or an external fund manager who is able to exercise discretionary control.

A number of well-established international firms undertake shareholder identification studies. In selecting a firm to conduct a research study, the IRO should consider value for money, but also the experience of the firm in the GCC and MENA region and thus its knowledge of the regional shareholder universe.

Conducting shareholder identification at least twice a year will enable a company to track changes in its ownership and reveal trends. It will show the profile of the company's investors, providing information about their location, size of their shareholding and their investment style.
It is important to note that shareholders in Saudi Arabia are registered on a beneficial ownership level. This effectively means that it is a less burdensome exercise for a Saudi listed company to identify its shareholders as compared to international markets.

3.2.1.2.2 Investor screening and targeting

Most shareholder identification firms and many investor relations agencies also offer peer group analyses. These will compare the company's shareholder profile with that of similar businesses, allowing it to understand any gaps or under-represented areas in its shareholder base as well as identifying individual institutions (and the relevant individuals) that hold the shares of peer group companies but not necessarily of the company itself. Such an analysis would form the starting point for the development of shareholder targeting exercises to help overcome these deficiencies.
It is important that IROs actively manage the investor base. A screening phase will help to identify the relevant individuals to target. It can also encompass an assessment of their knowledge of the company, propensity to invest and – if appropriate – a review of the reasons for their under-investment. The latter is very valuable as a basis for developing messages and materials to address this.
In developing a targeting and roadshow strategy, the IRO should consider a number of questions:

- Who are our existing shareholders?
- How do we build a balanced register in terms of concentration, geographies, retail/ institutional split etc.?
- Are we ready to have a more intensive dialogue and more engagement with the market?
- Should we prioritise existing investors, and/or target key underweights and non-shareholders?
- What mode of targeting should we use? There is an abundance of options, including peer targeting, fund weighting analysis, aligning fund investment styles with company profiles, average holding periods etc.
- Do we wish to include debt investors in our roadshow schedules?
- When did we last visit each region?
- Have we met any of the key players recently at conferences?
- Do we have a new member of the management or investor relations team to introduce to the market?

3.2.1.3 Financial results

The company should use the occasion of the financial results announcement to set the agenda for how the company is understood by the market.
The regularity of financial results announcements makes them an ideal platform for consistent reinforcement of the company's key messages, quarter on quarter. They can be used to create a coherent and evolving narrative for the company.

3.2.1.3.1 Preparation for results

The announcement of financial results is a key moment in the company's financial calendar. The way in which they are announced can also help build the credibility of the company. International investors tend to look to global best practice and will expect the announcement process to be managed professionally.

The company has the benefit of knowing that the results should be announced on or around a certain date and so can plan accordingly. The market should be informed about the date of the results announcement in advance.

Four weeks are generally considered a reasonable amount of time to allow for sufficient preparation for the results day, which can include 'snapshot' feedback studies to gather analyst and investor sentiment; a valuable source of market intelligence to help make the results announcements as relevant as possible and address any concerns market participants might have.

This should ideally be complemented by a collation of analyst forecasts. Not only will this help monitor market expectations, but also generate an up-to-date and correct market consensus for wider distribution.

As well as reflecting the company's performance, the presentation of results should take the market context into account. The investor relations department should review the results announcements of the company's peer group to ensure that the performance indicators it reports allow the market to compare it easily with other companies. It is also advisable to monitor the themes covered by competitors so that the company can position itself effectively as a thought leader in its sector. If possible, the IRO should know the reporting dates of its peer group and monitor their announcements as they appear.

The key to a successful results announcement is thorough preparation of the management, including sufficient time to rehearse the presentation and the Q&A session. In some cases, management may benefit from presentation training.

Indicative timetable for results preparation – global best practice

-4 weeks

- Agree timetable including rehearsals
- Agree running order for the results day
- Send out "Save the date" invitations to analysts and investors for the earnings conference
- Gather analyst and market sentiment through feedback surveys

-3 weeks

- Develop key messages
- Draft announcement releases and presentation, along with supporting script and speakers' notes; review for tone and content
- Develop Q&A document
- Confirm venue for analyst presentation and/or arrangements with conference call or webcast providers
- Start work on the investor road show schedule

-2 weeks

- Approach domestic and international media to arrange face-to-face meetings and telephone interviews on the day
- Start collating analyst forecasts
- Presentation rehearsal

-1 week

- Contact remaining journalists to set up interviews
- Contact investors to set up roadshow meetings
- Determine analyst consensus and distribute to participating analysts and/or post on website
- Final presentation rehearsal
- Q&A session with advisors
- Sign-off of all documents
- Final press release and presentation
- Upload of results announcement (and press release if applicable) to Tadawul, embargoed until results day

3.2.1.3.2 Results day

Suggested timetable for results day – global best practice

RDay

- Results announced on Tadawul website

RDay +1min

- Results release emailed to analysts, investors and the media
- Press release dissemination

RDay +30min

- Newswire conference calls (Bloomberg, Dow Jones, Reuters)

RDay +2hrs

- Analyst and investor presentation, earnings conference

RDay +3hrs

- Telephone or face to face interviews
- presentation dissemination goes live on company website

RDay +5hrs

- Financial press calls
- Follow-up calls with financial press and analysts
- Start of investor road show (actual / virtual)

* Assuming results are released pre-market opening at 10am

- Delivery of the Results

Hosting a live presentation, telephone conference or webcast maximises the effectiveness and reach of a company's internal and external communications around financial results. It also increases transparency for shareholders.

A moderator-assisted telephone conference is the most economical and subsequently most widely used method to present financial results to a company's stakeholders.

The combination of a live presentation in conjunction with a moderator-assisted conference call or webcast can take communications to the next level. This is especially convenient for participants who are unable to attend in person. Telephone conferences and webcasts offer the opportunity to take part in the question and answer session of a live presentation.

English is the preferred language.

3.2.1.3.3 Post-results day activities

It is standard international practice for companies to go on international roadshows after making their results announcements. Senior management should take part to discuss the results with major investors, including both existing and potential shareholders.

Many companies undertake a short perception research survey among investors as post-presentation research to assess the reaction to the results. In this way, the company can collect market feedback to ascertain what succeeded and what was less successful. It can also identify any new or unresolved issues that should be addressed.

It is important to review analysts' forecasts following each set of results as this will reveal to what extent their assumptions have changed and enable an accurate and updated forecast consensus to be disclosed.

3.2.1.3.4 Earnings announcements

Best practice dictates that the earnings announcement is more than a simple presentation of figures. The financial statements should also include a clear explanation of the drivers behind the results, looking both at internal and external factors. This allows the market to monitor the performance of the company and test the claims of the management against the actual results. Other important parts of the earnings announcements are in-depth insights into a company's operations, strategy, business objectives and outlook, on the basis of which analysts will decide whether current expectations of the company's future value will need to be readjusted. This, in turn, enables investors to make more informed investment decision.

The results press release must accomplish two main objectives:

- It must meet regulatory and disclosure requirements, giving full and accurate information
- It has to set out a coherent narrative that presents the company's success in realising its strategy.

It is important to structure the announcements in a way that is familiar to international investors. Moreove ded that earnings announcements (along with other results collateral, such as earnings presentations) are published in English as well as Arabic.

A typical press release on financial results is structured as follows:

- Headline

The headline should set the context for readers' understanding of the results. It may highlight a specific aspect of the results, such as the first time something has occurred, or a particularly noteworthy increase in a key metric.

- Company strapline

The company should have a standard phrase that it uses to describe itself in all communications (e.g. "a global top 3 petrochemical producer" or "the largest bank in the Middle East").

- Financial and operational highlights

This paragraph summarizes the most important points, adding details where appropriate. Sometimes financial and operational highlights may be presented in a table format, with year-on-year and quarter-on-quarter comparisons for ease of reference.

- CEO quote

The CEO quote has more flexibility in its content than the simple presentation of data and should add an interpretative element to the numbers, guiding the market on the significance of the numbers and referring to the investment proposition and key messages of the company

- Divisional review

This more detailed section should include:

- Key factors determining the latest results;
- Income statement / profit and loss account;
- Revenue and earnings – for group/company and by division business segment;
- Balance sheet;
- Assets: development of CAPEX, working capital;
- Liabilities: current and deferred liabilities, long-term debt, shareholders' funds;
- Cash flow;
- Main uses of cash, gross and net cash flow, impact of outliers.

- Summary and outlook

The summary reiterates the key messages on the company's performance in the reporting period and gives insight into how senior management see the company positioned for the short- to mid-term. This will also be the place to issue new, or reiterate existing, guidance.

- Contact details and reference to presentation

The release should include name, phone number and email for key individuals in the investor relations department. Assuming that the release is being issued in advance of the results presentation, it should also contain information on the time and venue of the presentation and URL links to presentation slides and webcast (if applicable).

3.2.1.4 Other information materials

3.2.1.4.1 Earnings presentations

The earnings presentation is usually designed for use on a conference call at the time of the results announcement. A typical earnings presentation could be structured as follows:

- Introduction

- Introduction and re-statement of key strategies
- Financial highlights
- Key operational developments

- Short market and competitive review

- By division/business segment, with a macro perspective

- Strategy

- Overall strategic goals - longer term (where does the company want to be in 2-5 years?)
- Immediate or short term strategic goals by division/business segment

- Detailed financials

- Key factors determining the latest results
- Income statement / profit and loss account
- Revenue and earnings - for group/company and by division/business segment
- Balance sheet
- Assets: development of CAPEX, working capital
- Liabilities: current and deferred liabilities, long-term debt, shareholders' funds
- Cash flow
- Any other financial information the company find relevant.

- Outlook and prospects

- Divisional and group guidance (financial and non-financial) for the current year (if applicable) and for the next 2-3 years (e.g. revenue, EBITDA, EBIT, EPS, net debt, CAPEX spend, dividend, M&A, regulatory reform etc.)

- Appendix

- Additional information (which might need to be referred to when answering questions)

3.2.1.4.2 Other presentations

Other presentations may include:

- Non-deal roadshow presentations
- Broker conference presentations
- Investor day presentations
- Strategy presentations
- Presentations for annual general meetings

Non-deal roadshow presentations may vary in content depending on the occasion. If they are undertaken following a results announcement, for example, they will tend to be an expansion of the results presentation. If undertaken outside the results announcements period, the presentation will aim to provide a more general introduction to the company. The content of a broker conference presentation will largely depend on the extent of familiarity of investors with the company. While an introduction to the company may be required for new investors, existing investors are usually more interested in an update on recent performance and market trends.

When holding an investor day, the company will need to prepare a series of presentations. Most of these are likely to be given by managers of operating divisions and will cover the performance of and outlook for the different business areas in more detail than usual.

3.2.1.4.3 Factsheets

A company factsheet is a condensed version of a company presentation. It should be quick to read and easy to digest. Its aim is to convey what the company does, how it differentiates itself and how it adds value – in other words, a re-iteration of the key messages.
These key messages should be supported by headline financials and key metrics, share price performance and contact details for the investor relations department.
A good factsheet seeks to encourage its readers to find out more about the company. It is strongly recommended that it is published in both English and Arabic. The condensed format of the factsheet means that it can be kept up to date more easily than other documents.

3.2.1.5 Annual report

Preparing the annual report is a major exercise and can take up much of the investor relations department's time if the content is prepared in-house.
Although the investor relations website is the first port of call for most investors, the annual report is the primary source of and comprehensive information on a listed company. As well as fulfilling regulatory requirements, it needs to skilfully complement other sources of information, such as the investor relations website. It is essential to ensure consistency between the all channels and to not think of them as separate information outlets that are used by different target groups.

From a best practice perspective, the key objectives of an annual report are to:

- Educate and inform current and potential shareholders
- Explain the corporate strategy and report on how it is being implemented
- Report on performance during the reporting period
- Put the results in a wider context by linking them to external factors and market developments
- Elaborate on the risks that could influence the performance of the business
- Provide clarity and direction on corporate governance issues
- Fulfil other legal and regulatory responsibilities

These objectives are underpinned by four key principles for the content of the report:

- Simplicity
- Clarity
- Consistency
- Concise

It is strongly recommended that the annual report is published in both English and Arabic.

3.2.1.6 Website

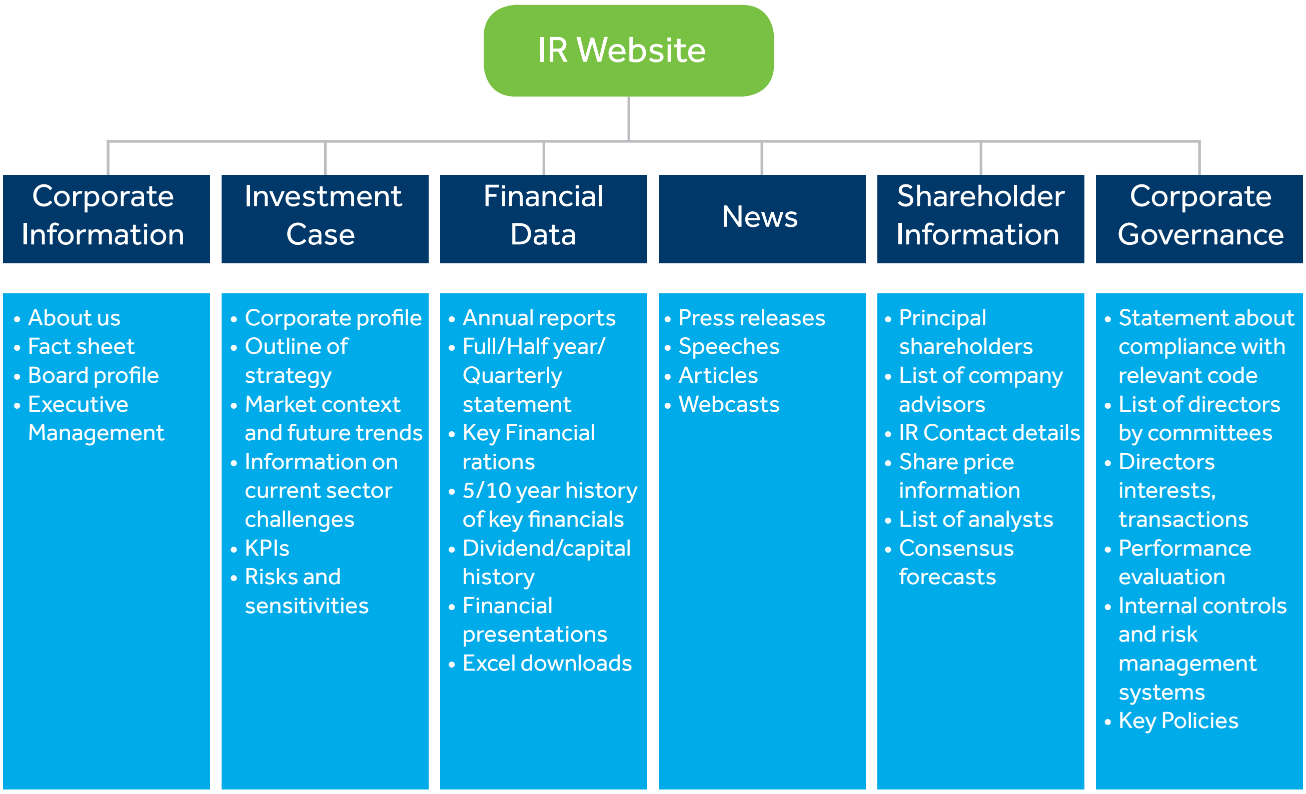
A company's investor relations website is the go-to platform for most investors and should be used to encourage engagement between a company and market participants. Compared with social media and other online channels, corporate websites continue to take rank first, and many companies prioritize website upgrades over investments in other platforms, such as investor relations apps.
It is therefore vital that the investor relations website is not only easy to navigate, but also offers up-to-date content that accurately reflects the business and the investment case.

It should be considered as a medium of communication rather than just a 'digital library'. A clear, simple website structure makes it easy for all types of stakeholders to find what they are looking for. Current investors may want to find out when the next financial results are due to be announced, while non-investors may wish to educate themselves about the company more generally.

An investor relations website section offers many different ways to engage visitors. Infographics and videos can add to the visual appeal, while links to other parts of the company website invite to explore.

It is also vital to ensure that the section is continuously updated so that its content is up-to-date and always reflects the evolving nature of the business. Outdated information (for example outdated analyst estimates) can be misleading and will undermine the credibility of the information offered on the website. On a positive note, the investor relations section can be an efficient way to ensure compliance with the regulatory and legal framework by offering an abundance of resources, thus creating transparency.

3.2.1.6.1 Example of Best Practice IR website



3.2.1.7 Consensus collection and analysis

Understanding the market's expectations, including analysts' forecasts, helps to achieve an efficient, orderly and fair market in a company's shares which is in accordance with best practice.

Forecast monitoring provides a basis for the correction of mistakes and helps to identify poorly understood areas and stress points, which helps to tailor future communication to market needs.

Furthermore, such monitoring provides real time updates for companies on the emerging consensus, while enabling them to monitor their own internal expectations against the market's and take action if the expectations are fundamentally different. If no action is taken, a false market might start to emerge. By reducing the gap between expectations and results, the equity risk premium will be lowered, which contributes to a 'fairer' valuation. Narrowing the variance between analysts' forecasts minimizes the risk of disappointment and misinterpretation.

Ideally, monitoring of analysts' forecasts should be conducted on an ongoing basis. As a minimum, it is recommended that analysts' forecasts are collated and analysed before and after the announcement of quarterly results; with the compiled up-to-date and accurate consensus being publicly disseminated, usually through the company's website. This provides a transparent way for the market to gauge future expectations of financial performance, enabling a more accurate reflection of a company's prospects and hence better share price development.

3.2.1.8 Roadshows

Roadshows refer to a series of meetings between management and investors. They can be hosted on the occasion of high profile, one-off events, such as an IPO or a fund raising (commonly referred to as 'deal' roadshows); or as regular post-results meetings (commonly referred to as 'non-deal' roadshows). Roadshows are usually greatly appreciated by investors and are a key tool to build and strengthen relationships. Non-deal roadshows also convey a clear message about a company's commitment to investor relations as it actively seeks to engage with its shareholders. In terms of the personnel involved, it is expected that the CEO and the CFO attend these meetings, along with investor relations professionals.

To maximise their effectiveness, roadshows are often conducted in conjunction with investor targeting exercises. If they are organised by a broker or investment bank (as part of corporate access service), the company should always provide clear guidance on the investors it wants to meet and carefully review the target lists provided by the organiser. In terms of planning for these meetings, early preparation is key. A typical planning and implementation process would be as follows:

-6 weeks

- Discuss roadshow objectives
- Agree target investors, roadshow schedule

-4 weeks

- Invite target investors

-3/2 weeks

- Circulate draft schedule (including replies received/ reasons for any declines)

-1 week

- Circulate final roadshow schedule, including investor profiles
- Pre-roadshow briefing
- Background on individual investors (if required)

-6 weeks

- Roadshow meetings as per schedule

Roadshow

- Contact investors for their meeting feedback

Roadshow ends

- Circulate investor feedback report and hold de-brief call
- Plan conference call with any major investors not met

Non-deal roadshow can be hosted in three different formats:

- **One-to-one meetings**

These should be used to target key senior fund managers and typically attract a well-informed audience. These meetings should be held at the investor's office and will provide the opportunity to focus on specific questions and issues.

- **Small group meetings**

Small group meetings will be best when there are about 6-8 participants; mostly fund managers. These meetings can be used to attract potential investors as they facilitate direct interaction with the management whilst providing a comparatively private, comfortable environment to learn more about the company.

- **Large group meetings**

While large group meetings can cover a substantial audience group and are very time efficient, they are not likely to attract senior fund managers. The typical investor meeting consists of a 30-minute presentation, followed by a 30-minute Q&A session. It is to be expected that there will be a greater emphasis on Q&A with more knowledgeable investors.

In terms of the likely questions from analysts and investors in these meetings, they can generally be drawn from a group of headings, including:

- Business environment and outlook
- Strategy
- Operations
- Financial performance
- Valuation
- Leadership and corporate governance
- Technical factors (e.g. the free float, potential share overhang/flowback issues, shareholder concentration)

It is vital that both senior management and investor relations professionals come across as fully engaged and immersed in these meetings. Preparation and rehearsal are key as analysts and investors will want to witness the management's commitment and drive.
Fortunately, advances in technology have opened up more options for direct engagement without having to make the significant time investment of a roadshow. There has been a rapid take-up in virtual evcse companies not located near global financial centres. However, it is recommended that these types of virtual meetings are not used as a replacement for physical meetings altogether, particularly in the early stages of establishing relationships.

3.2.1.9 Company/site visits

Such visits are commonly referred to as 'investor days' and are very popular with both analysts and investors. The focus tends to be on a company's actual business rather than the financial results themselves. The investor day often addresses topics such as corporate strategy. operations, the wider markets, the company's competitive positioning and growth potential etc.
The main objectives are to:

- Improve the market's understanding of the business as a whole to encourage informed investment decisions;
- Provide an opportunity for analysts and investors to meet and interact with the management;

- Establish and strengthen relationships with market participants by allowing 'behind the scenes access', if applicable.

Although these events require and careful planning and organisation – not least in preparing what division managers, who may be relatively inexperienced in these matters, can and cannot say within the boundaries of regulation – such events are considered extremely useful by all participants.

Investor days are usually one-day events and held either at a company's head office and/or other key facility. Alternatively, they can be hosted in a major financial centre to encourage attendance. Companies are also increasingly webcasting these events, which greatly extends their reach.

3.2.1.10 Perceptions research

Corporate and financial communications are most effective when based on a clear understanding of the current perceptions and levels of knowledge among target audiences. Perceptions research can help the board and executive management to:

- Evaluate audiences' understanding of, and support for a company and its strategic objectives.
- Understand the market's assessment of a company's performance against targets;
- Identify emerging issues and shifts in investor sentiment at an early stage;
- Provide the board with a baseline assessment of investor sentiment;
- Help shape effective communication of new strategic initiatives;
- Determine how a company can be differentiated from its peers in future communications;
- Support proactive investor targeting.

Perceptions research can be undertaken in either one of two ways, or a combination of:

- 'Snapshot' feedback studies, recommended as a key part of the results process (before and after results)
- In-depth perception studies, recommended to be carried out annually. These in-depth perception studies are more comprehensive and target 20 to 25 analyst and investors. Each participant is asked a mix of qualitative and quantitative questions in telephone interviews that are strictly non-attributable to encourage openness and avoid bias. Each call is then transcribed to allow a thorough analysis.

The in-depth perceptions research should cover the following topics:

- Business environment and outlook
- Strategy and operational performance
- Leadership and governance
- Financial position and guidance
- Valuation / investment issues
- Investor relations / communications

Although brokers and investment banks often offer this type of feedback for 'free', there is a growing resistance by investors to share feedback with such intermediaries. The concern is that there might be a potential conflict of interest, which restricts the willingness of investors to voice their views freely, which of course negatively impacts the quality of the feedback. Furthermore, brokers and investment banks are hindered from speaking to other sell-side analysts, which is why it is recommended that independent specialists such as investor relations consultants are commissioned to carry out such studies.

3.2.1.11 Benchmarking studies

To maintain the effectiveness of a company's investor communications, regular benchmarking versus peers is highly recommended. This will help to identify any emerging best practice; for example what works well and what doesn't, what is well received and how best to position a company facing a particular issue. These best practices could apply to either content, level and format of disclosure or the methods and channels for communicating. The peers could include companies who either operate in the same sector or geography, but also companies displaying similar characteristics such as market capitalisation, capital structure, growth or yield stock etc.

3.2.2 Day-to-day operations

3.2.2.1 Maintaining market intelligence

3.2.2.1.1 Regular contact with analysts and investors

All analysts and investors should be encouraged to establish relationships and to have regular two-way dialogues with the investor relations team and the senior management. This minimizes the information disconnect between the two sides, within the legal boundaries, thus helping to prevent misinterpretation and speculation. This can contribute to a fair market valuation.

Accessibility and responsiveness are key attributes of an effective investor relations function, as are accuracy and credibility. If the information required is not available right away, it is imperative to never improvise. It is perfectly acceptable to admit the necessity to gather the required information and provide it as soon as possible. Questions should always be answered as completely and honestly as possible, but always within the boundaries of what is legally permitted and within a person's professional 'comfort zone', i.e. his or her area of responsibility and knowledge.

When dealing with analysts, companies should assist them in forming an accurate view of company activities, current trading and prospects, as they are a key audience and exert a huge influence on perceptions of the company. Investors heavily rely on analysts' judgement and views, so it is very important to have a close working relationship with them. Following international best practice, this should involve an understanding of the analysts' models and valuation methods. Forecasts should be obtained whenever possible, and receiving draft research should be encouraged to ensure correction of factual inaccuracies and mathematical errors if necessary. As a rule, a general discussion of assumptions is allowed, correction is not, as is the case with specific forecasts or figures.

Companies should never attempt to influence an analyst's recommendation, nor offer guidance on any matter to one analyst without making this available to all other analysts. Additional value-added information can be provided to assist an analyst, but this has to be based on non-material and/or previously published information. The important principle to remember is that all analysts should be treated the same to avoid violating selective disclosure rules.

3.2.2.1.2 Regular contact with journalists

Journalists expect companies to provide access to senior management in the same way as they do for analysts and investors. However, their angle of interest may be slightly different and is often less detailed. For results announcements, it is thus common for group press briefings to be held separately from analyst and investor meetings . This type of contact should be managed by the PR department with the involvement of the investor relations department. As with analysts and investors, it is worthwhile to establish and nurture relationships with the most influential journalists for them to better understand a company's story and the environment in which it operates. Most journalists welcome the opportunity to meet with senior management such as the CEO or CFO. As with analyst and investor meetings, the same rules apply with regards to non-selective disclosure of price sensitive information, so it is best practice to have someone from either the investor relations or the communications department in attendance too.

3.2.2.1.3 Monitoring of the financial media, including newswires and social media

It is important to monitor the financial media to ensure that the right messages are being conveyed to the right people in the right way. As well as helping to ensure the accuracy of the reporting, this should also include keeping an eye on any emergent stories or potentially critical topics. If any such stories are detected, an assessment should be made as to their materiality and credibility and whether appropriate action should be taken, such as an active rebuttal. With the increasing spread of misinformation and 'fake-news' through the use of social media, this is has been evolving as a common issue for companies. Although such issues usually fall within the remit of the PR department, a clear process for mitigation should be developed alongside the investor relations department.

3.2.2.2 Database development / maintenance

3.2.2.2.1 Analysts and investors (and journalists)

Development of contact databases for analysts and investors (and journalists) and an effective CRM system are critical to the effectiveness of the investor relations function. It vital to ensure these are complete and kept up to date.

3.2.2.2.2 Q&A

Having a Q&A document that anticipates likely questions by key stakeholders and suggests suitable answers is an important pillar of a highly efficient investor relations function. It can be used across the full range of investor relations activities – from planned investor meetings to ad-hoc market queries – and should be regularly updated to reflect prevailing conditions and issues.

3.2.2.3 Social media

3.2.2.3.1 Purpose

Successful social media engagement can increase traffic to a company's investor relations website, improve control of corporate messaging and broaden the reach of communications to existing and potential target audiences.
Active social media community management allows for monitoring of what is being said about a company, but more importantly can be used to correct wrong information and direct users to the corporate website as the authoritative voice of the company.
While the application of social media in investor relations is still evolving, but some ways in which it can support activities targeted at investors are now beginning to become established.

For example:

- As a medium for the distribution of financial press releases and other new news, using links to drive traffic back to the company's website
- Live tweeting of highlights from results presentations and other investor relations events
- Positioning a company as a thought leader in the industry through links to relevant market and industry information and providing commentary where appropriate
- Monitoring what is being said about a company and developing a consistent strategy for countering potential rumours

However, social media is not a primary source of information for most institutional investors. Some may however take note of comments on social media as an indicator of a company's performance or relationship with its customers.

3.2.2.3.2 Policy overview

Corporate engagement with social media should be subject to the same rules governing compliance and disclosure of information as all other forms of communication. This encompasses the concept of inside information and the requirements not to disclose any information that has not already been made public through authorised channels.

Those employees not nominated as spokespersons by a company should not speak for a company in any way; and should they be linked to the company at all, they should preface comments by making it clear that their views do not necessarily reflect those of the company. Any requests through social media for comments and views on a company should be passed to the head of investor relations or the PR department.

In general, employees should use social media with care and avoid to say or post anything that may bring a company into disrepute or damage its reputation.

Companies in Saudi Arabia should be particularly alert to the potential risks of social media as they typically have a large domestic retail shareholder base, combined with one of the world's most active social media sectors. Usually the online image of the company will be the responsibility of the corporate communications or public relations department, but the investor relations department should closely coordinate with them on issues related to retail investors.

3.3 Crisis communications

The value of investing time to developing a crisis management plan should not be underestimated, as it is often precisely this resource which is in short supply if unforeseen eventualities occur.

When putting together a crisis management plan, this should be a collective effort, drawing in stakeholders from across the business. The investor relations department is just one part of the crisis management team, primarily concerned with how its target audiences might be impacted. Consequently, such a plan should never be the sole responsibility of investor relations.

A key determinant in how successfully a company might navigate and emerge from a potential crisis from an investor relations perspective is if it already has a well-structured and executed communications program in place. If the core investment proposition remains intact, this is likely to be recognized by both analysts and investors and reflected in the share price. If a company, however, does not have such an effective investor relations function, the probability is much greater that a company's investment story will become overshadowed by events, with an adverse impact on the share price.

An essential first step to formulating a crisis management plan is the identification of risks (business, financial and operational) that a company might face. As part of international best practice, companies are encouraged to outline such risks within the annual report in the upfront strategic review section, along with a description of how they are being managed.

3.4 Example IR Program

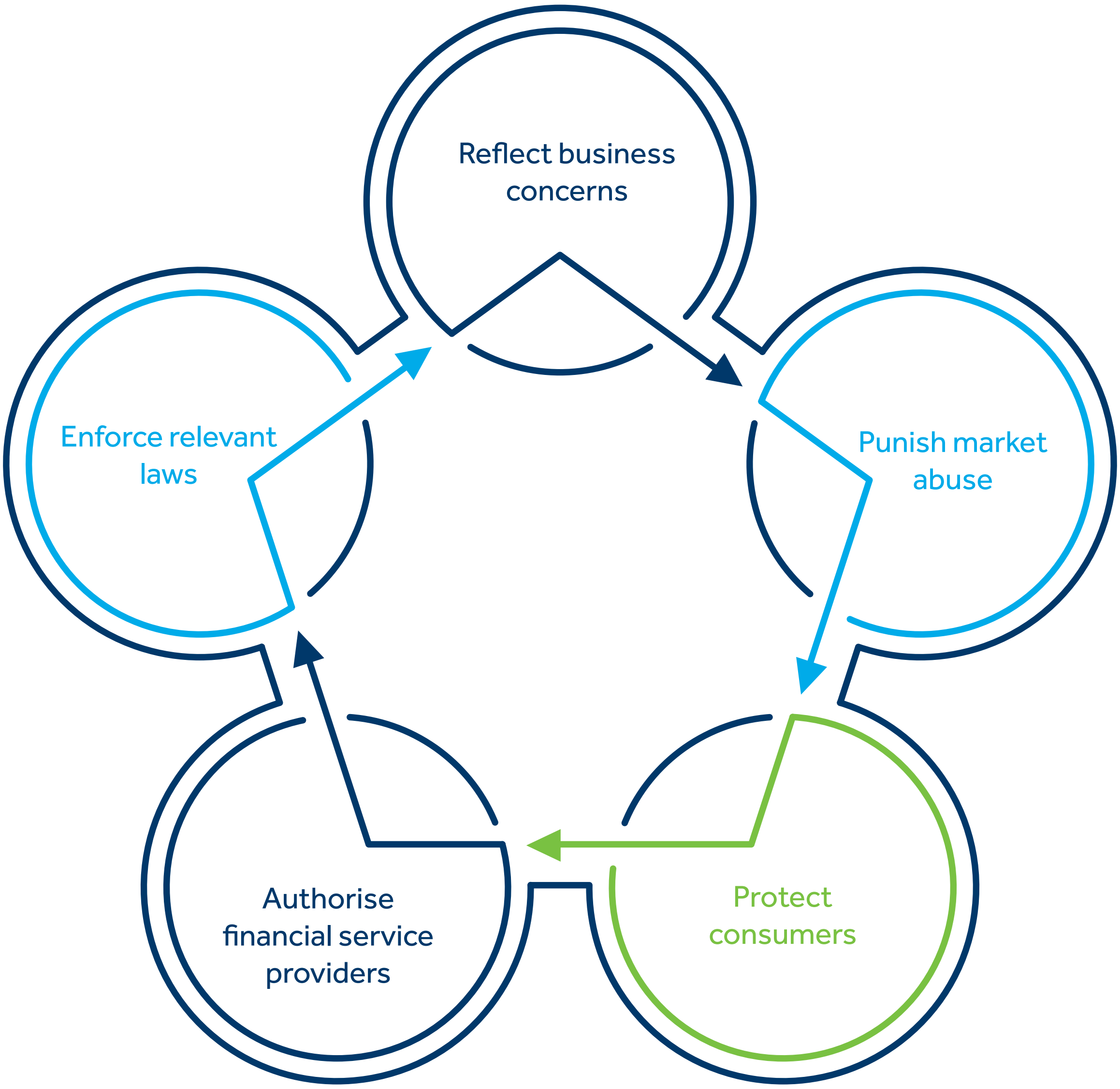
Timing	Activities
January	• Information materials development: website, investor presentation, rolling Q&A document, factsheet • Peer group benchmarking • Shareholder identification • Investor targeting • Roadshow targets approached • Notice of results announcement • Presentation training
February	• Forecast collection and analysis • Announcement of full year financial results • Analyst / investor presentation / webcast / conference call • Roadshow meetings • Post-presentation perceptions research
March	• Broker conference • Update Q&A document and factsheet
April	• Shareholder identification • Publication of annual report • Distribution of annual report to analysts and investors • Notice of results announcement
May	• Forecast collection and analysis • Announcement of Q1 financial results • Analyst / investor presentation / webcast / conference call • Annual general meeting
June	• Investor day
July	• Shareholder identification • Roadshow targets approached • Notice of results announcement
August	• Forecast collection and analysis • Announcement of Q2 financial results • Analyst / investor presentation / webcast / conference call • Roadshow meetings
September	• Broker conference
October	• Shareholder identification • Notice of results announcement
November	• Forecast collection and analysis • Announcement of Q3 financial results • Analyst / investor presentation / webcast / conference call
December	• Database development

4 Relevant Rules and Regulation

4.1 Key principles

Although regulatory environments around the world differ from market to market, their common principal objective is to ensure confidence in their respective financial markets through providing environments in which companies and investors can conduct business fairly, equitably and within the confines of the local laws. Without such conditions, it is impossible to establish and develop a financial system that works to the mutual advantage of both companies and investors.

Financial regulators inspire such confidence by pursuing the following strategic objectives that are self-reinforcing:



4.2 Key concepts

Regardless of laws that have been implemented to suit a particular local market, there are certain concepts that are universal to all regulated financial markets. The most important to be aware of when communicating with the capital markets are:

- Market misconduct
- Fair / non-selective disclosure
- Price sensitive information

4.2.1 Market misconduct

The exact definitions of market misconduct will vary by jurisdiction but the principles are the same, covering two main components:

- Market manipulation
- Insider dealing

- Market manipulation

Market manipulation is the deliberate attempt to interfere with the free and fair operation of the market and create artificial, false or misleading appearances with respect to the price of, or market for, a security, commodity or currency through:

- Manipulating transactions
- Manipulating devices
- Dissemination of information
- Misleading behaviour and distortion

- Insider dealing

Insider dealing occurs when a person who is privy to price sensitive information trades on that information and/or encourages someone else to do so.

4.2.2 Fair and non-selective disclosure

Fair and non-selective disclosure is based on the premise that material price-sensitive information should not be released to selected entities and/or individuals at the expense of others and that all such information should be made public at the same time. This is to help ensure that there is a level playing field; otherwise, one or more parties would gain an unfair advantage.

Should any such price sensitive information be divulged accidentally, this information needs to be put into the public domain immediately. As a minimum requirement, it should be disclosed as an announcement via an officially recognised information service provider and not just the company's own website. Appropriate precautions should be followed when meeting analysts, investors and journalists to mitigate against the risk of accidental leaks.

4.2.3 Price sensitive information

Price sensitive information is all information relating to a company's business operations and financial performance that could influence its share price or other financial instruments, and which has not been announced externally.

Inside information is information that:

- Is precise;
- Has not yet been made public;
- Relates directly or indirectly to the company and:
- If made public, would have a significant effect on the price of the company's shares, other

listed securities, if any, or any related derivatives.

Given the above four factors, the test that should be applied to establish whether something should be classified as inside information is that the information would be likely to be considered by a reasonable investor to have a significant effect on the price of that company's securities.

A company itself (along with its advisors such as its financial advisors, brokers, auditors and public relations advisors) is best placed to make an initial assessment of whether information amounts to inside information. The decision as to whether a piece of information is inside information may be difficult and a company will need to exercise its judgement, taking into account Saudi Arabian Capital Market Law.

This following list is a guide to price sensitive information and is not exhaustive:

- Structural changes: mergers, major acquisitions or divestments, major restructuring, take-over or purchase offers
- Major investment decisions
- Changes in capital: capital increases or decreases, share buy-backs, issuance of rights or new loans that could be converted to shares or subordinated debt
- Significant changes in profit levels: unexpected reductions in profit (through company-specific developments rather than sector-specific events), unexpected major losses or unusual profit increases
- Profit warnings, when profits will not be in line with analyst forecasts that are based on information previously disclosed by the company
- Dividend announcements; large reduction in/no dividend, change in existing dividend policy
- Significant extraordinary items/expenses/one-off items or income (anything that would have a significant impact on the balance sheet or profit and loss account
- Change in business: move out of a major business area following a refocus of the business; agreement on an alliance with significant impact on the business; amendment or ending of important contracts
- Major legal disputes/competitive investigations
- Important personnel changes in supervisory or managing board or other key positions and changes in internal audit (e.g. change during the current business year)
- Signing of substantial contracts
- Share dealings by directors or substantial shareholders

This is by no means a full list of events and judgement has to be used in all other cases. As a general rule, the more specific the information, the greater the risk of it being price sensitive.

4.3 Disclosure obligations

4.3.1 When to disclose price sensitive information

By definition, inside information must be released as soon as possible, regardless of the timing of any subsequent, planned or regular information release. Inside information is not generally information that can be kept confidential in the normal course of business until a subsequent results presentation or trading update.

Inside information must be released in an orderly manner and should be released first through the regulatory news services used by a company and then the corporate website soon thereafter (i.e. this information should not be posted on a company's website before it is more widely distributed through Tadawul disclosure system (IFSAH)). It must not be disclosed in an ad hoc manner (e.g. via local press releases) or to selected market participants. If information that a company believes to be inside information has been disclosed improperly, either from within the company or by another external party, then members of the inside information team should be notified immediately. Generally, if the inside information team believes that the information that has been leaked may be inside information, a draft announcement should be prepared immediately for the consideration of the senior management team. If the senior management team concur, such inside information will need to be disclosed publicly through the formal channels as soon as possible.

A company may delay the public disclosure of inside information such as not to prejudice its legitimate interests provided that:

- Such omission would not be likely to mislead the public
- Any person receiving the information owes the issuer a duty of confidentiality
- The company is able to ensure the confidentiality of that information

4.3.2 Standing insider list and identification of inside information

All members of a company's invetsor relations team should be identified as standing insiders ("inside information team"), along with the nominated capital markets spokespeople as outlined in 1.8 Capital markets spokespeople.

Other individuals will be made insiders on an 'as and when needed' basis when they come into receipt of inside information.

An insider list needs to be drawn up and contain the identity of each person with access to inside information, the reason why, and the date on which the list was created/updated.

If an individual is unsure whether the information may be inside information, he/she should immediately escalate their concerns to the inside information team who determine whether the information is deemed to be inside information and will make an assessment of any steps necessary.

4.3.3 External advisors

External parties may be made insiders to the extent provided for in applicable regulations and as approved by the senior management team, or otherwise within ongoing advisory relationships or pre-designated transaction-related advisory engagements. These external parties should have executed a confidentiality agreement (often referred to as non-disclosure agreement, or "NDA") in favour of the company in advance of any disclosure to them.

A company's advisors may be made insiders in respect of its results in order to assist in the preparation of the related statements and presentation. Research analysts may also be made insiders in respect of specific statements to be issued publicly on the results announcement day, and most usually after the market close on the precedeing day.

In pursuant to paragraph (C.) of article (61) of the Rules On The Offer Of Securities And Continuing Obligations, the issuer shall be prohibited from communicating any metrial information (before publishing it) to parties not bound by a confidentiality obligation and an obligation to protect such information. An issuer must also take all necessary steps to prevent the leakage of any information and material developments before disclosing them.

4.3.4 Monitoring of security prices, and market rumours

During business hours, the stock price of a company should be monitored by both the company's investor relations team and financial advisers. Significant share price movements should be communicated and explained to the senior management team by the investor relations team and the financial advisers.

In the first instance, if the company is approached to comment on a rumor, a consistent response should be made: "It is our policy not to comment on market rumors or speculation". Senior management (CEO/CFO) will then make a decision as to whether the circumstances warrant making an exception.

In the event that there is a specific rumor in the market that is perceived to be driving the change in the stock price, this should be communicated to the senior management team as soon as possible for their consideration.

In case a press speculation or market rumor is largely accurate and the information underlying the rumor is inside information, a company should disclose the inside information as soon as possible. If the press speculation or market rumor is largely false, then it is not likely to amount to inside information. However, consideration should be given as to whether this speculation or market rumor warrants a rebuttal.

Press cuttings should be reviewed daily by the media relations team. Any inside information that is contained within press coverage that has not been publicly released should be flagged to the senior management team and the other members of the inside information team as soon as possible.

4.3.5 Non-public commercially sensitive information

Commercially sensitive information is defined as information that – while not inside information – may be detrimental or beneficial to a company's interests were it to be made public.

Non-public information about a company's business that is potentially commercially sensitive should not be discussed with analysts or investors without prior approval by the senior management team.

Furthermore, detailed information that has not been discussed with investors by the senior management team should only be shared by the investor relations team with consent of the senior management team.

4.3.6 Training

All members of the senior management team and the investor relations team should undergo training to ensure an in-depth understanding of the rules and legislation on inside information. It is important that there is company-wide awareness of the concept of inside information and that inside information is dealt with correctly. Investor relations team members should be particularly knowledgeable about the resulting obligations and restrictions as well as the potential consequences of non-disclosure, incorrect disclosure or other misuse of inside information. A record of all announcement dates should be kept by the investor relations department.

5 Measuring the value of investor relations

To establish and maintain a fully functioning investor relations function requires significant investments, both financially and in terms of senior management commitment. Quite understandably, a company's board and management will want to see measurable results as a means of assessing the return on the company's investment (and their own time) and as a justification for future expenditure. However, measuring the effectiveness of investor relations is one of the most difficult challenges the profession faces. The main issue is that there is a lack of quantitative metrics that are within the direct control of the investor relations department. It is often incorrectly assumed that share price performance should be the key measure of performance in the belief that share price maximisation should be the ultimate objective. Rather, share price optimisation is the objective to strive for as maximisation can encourage an overvalued share price. If not sufficiently supported by fundamentals, an overvalued share price can be hard to sustain and have adverse long-term consequences.

Furthermore, share price optimisation cannot be the sole objective as there are an abundance of variable factors that can influence a company's share price, and not all of these are within the direct control of investor relations or the wider company. Also, matters are complicated further by investor relations covering many different parts of a company's business, thereby making it hard to identify direct key performance indicators.

It is generally considered that the most effective way to evaluate the return on investment for a company's investor relations is to have a balanced scorecard that is a mixture of soft (i.e. qualitative) and hard (i.e. quantitative) targets, where metrics should not be looked at in isolation.

Financial targets can include:

- Share price performance relative to a prescribed set of peers
- Valuation ratios relative to a prescribed set of peers
- Variance of earnings forecasts
- Share price volatility

Non-financial targets can include:

- Analyst and investor perception studies
- Target audience contacts (e.g. number of investor meetings)
- Effectiveness of investor road shows (e.g. conversion ratios of meetings to new investors)
- Average shareholding period
- Achievement of share register targets (e.g. reduction of concentration, increase in overseas investors, increases in value investors)
- Level of sell-side coverage
- Quality of sell-side coverage

It is vital that progress against such targets is monitored and reported to the board regularly to secure its continued support. Ensuring that the board is aware of what investors think is an essential part of the two-way communication process, and is a key deliverable of an effective investor relations program.

Regular analyst and investor feedback through perception studies remains the most popular yardstick: not only by measuring the perceived success of a company's investor relations, but also by gathering opinions on how management is running the company. Shareholder base development and internal feedback come in second and third respectively.

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