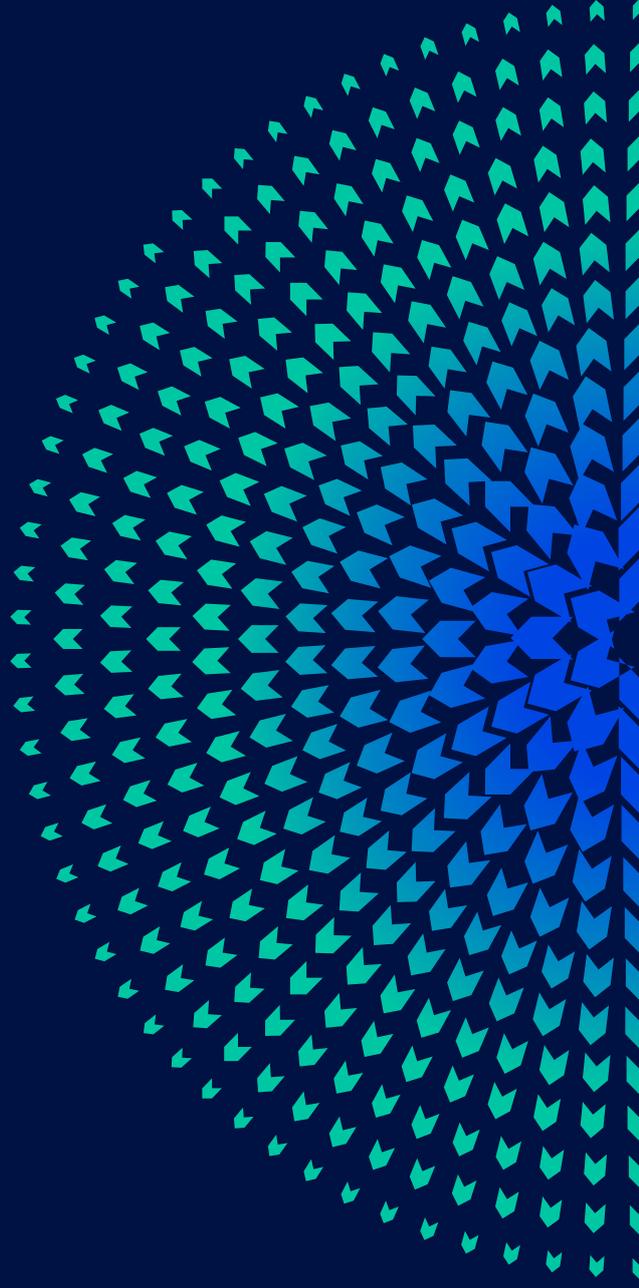
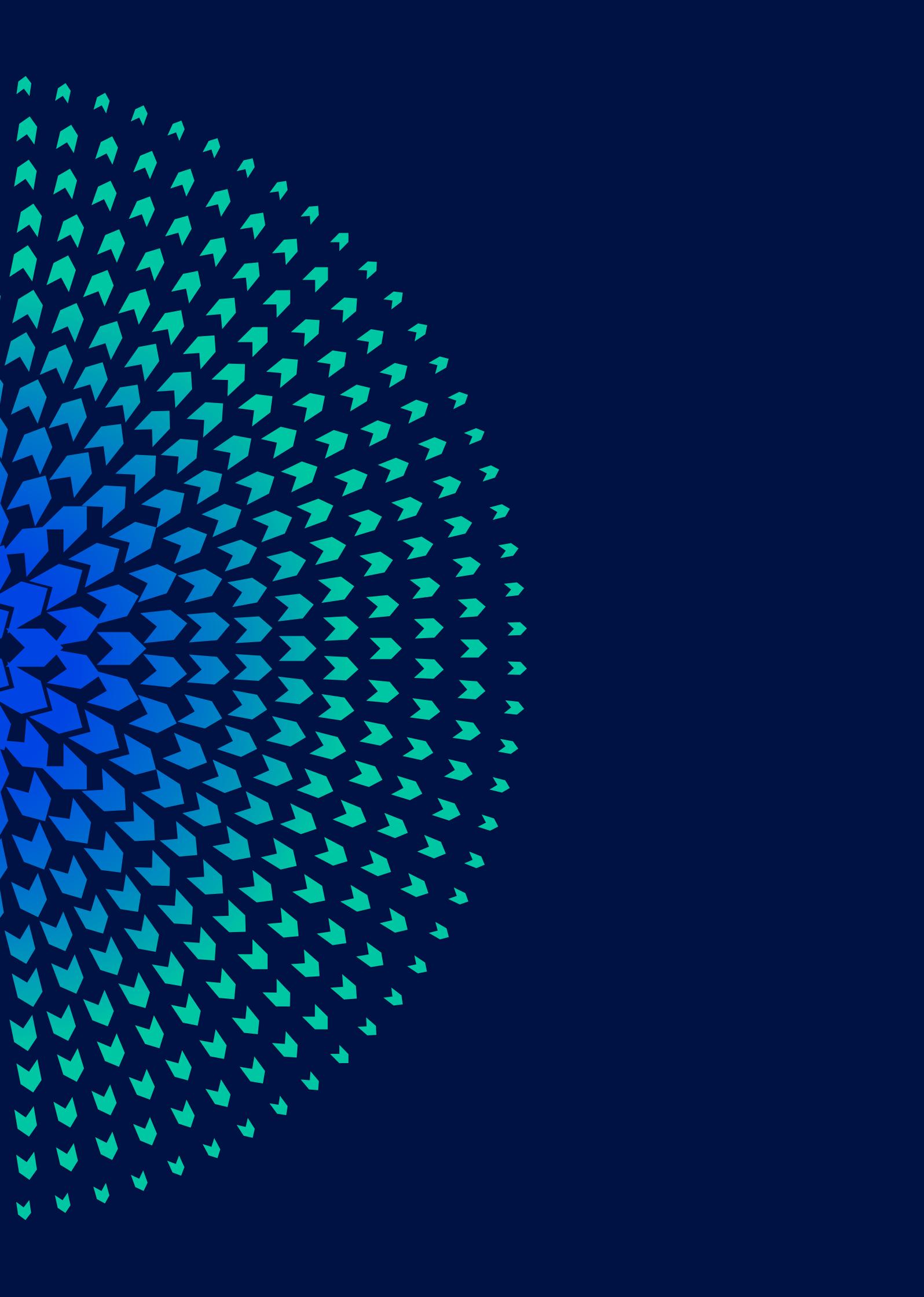


Investor Relations

Best Practice Toolkit







Since we published the inaugural IR Best Practice Toolkit in 2018, Saudi Arabia's capital markets landscape has transformed significantly. At the forefront of this transformation is the Saudi Exchange, one of the largest, and most liquid emerging markets stock exchanges in the world. Saudi Exchange has sustained its leadership by implementing several initiatives during the past few years, as a result of which total market size has increased along with the number and variety of newly listed companies. In 2023 and beyond, we aim to foster the operating conditions that have enabled us to welcome companies of different sizes and sectors to our markets.

Our listing framework works towards this end, accommodating companies of all sizes and sectors, with 2021 being a record year for listings on the Saudi Exchange. As we approached the end of the year, new investors were welcomed from around the world, and 19 listings on our Main Market. In addition to 32 listings on our Nomu - Parallel Market, 1 listing of corporate Sukuk and 8 Saudi government Sukuk.

As we aim towards achieving further success in the future, at Saudi Exchange, we believe that sustainability will remain a key priority for companies and markets around the world and a requirement to attract more investments. In line with this goal, in 2021, the Saudi Exchange launched ESG disclosure guidelines for issuers, in addition to a continuation of efforts to promote financial knowledge, and establish a more stable and transparent financial system that supports business growth and responsible business practices.

Guided by these principles, we look forward to many years of growth and prosperity, and largely support efforts aligned to the objectives of the Financial Sector Development Program within the Kingdom's ambitious Vision 2030, which, in turn, reinforced the Kingdom's position and strengthened its presence within the ranks of global investment indices.

At the same time, we recognize that investor sentiment towards listed companies has evolved. With these changes in mind, our updated Toolkit offers information, practical advice, and insights that are uniquely adapted to the Saudi capital markets environment to enable the IR teams of all companies on the Exchange to meet and exceed international IR standards. Success in this endeavor is critical not only to the success of individual companies but to the strength and prospects of the Kingdom's financial markets and corporate sector as a whole.

We hope the Toolkit can become a trusted and valuable companion to companies listed on the Exchange, guiding their IR teams on their journey towards further growth and supporting their communication and interaction with the investor community.

Mohammed Al-Rumaih CEO of The Saudi Exchange

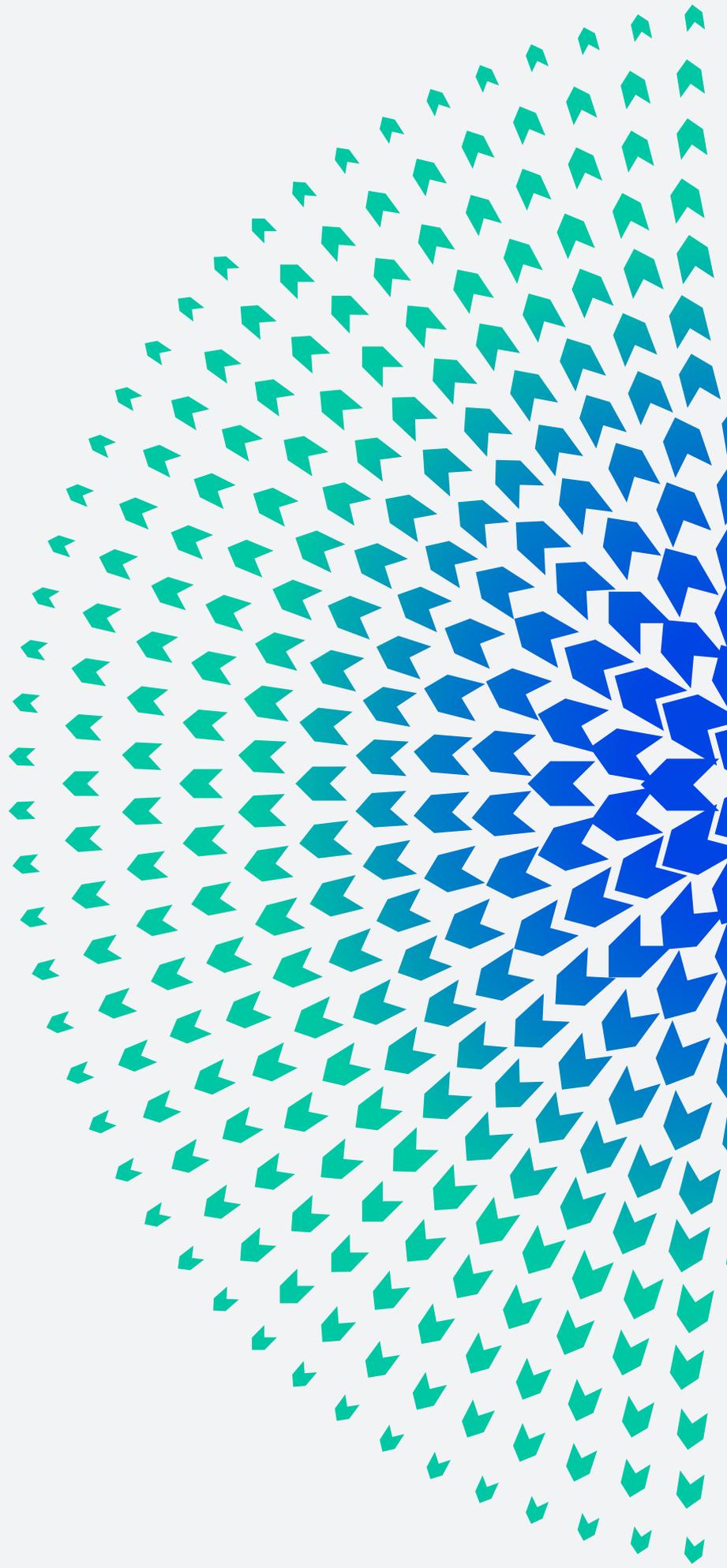
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Introduction to IR





1.1

The Meaning of Investor Relations

Investor relations (IR) is best understood as the interface that a listed company creates to conduct effective communications between itself and its current and potential investors, in particular, as well as the wider financial markets and community. This relationship is crucial because while investors own the company and ultimately control it, they are not normally involved in its daily operations. Investors, therefore, have limited information about the company, which has been published before, unless they are kept well informed. A company's IR department fulfils this requirement by acting as a trusted conduit between a company's board and executive management on one hand and its owners on the other. The relationship is very much two-way; effective IR channels information in both directions, for the benefit of all concerned.

Much of the information provided by a listed company is mandated by legal requirements and regulations, such as its earnings results. However, a large part of IR requires a high level of skills and an ability to understand the nature of the company's business. While a company may not be required to outline its five-year strategy, if it does so in a compelling way, its shareholders are likely to better understand the company's operations and growth prospects.

The audiences for IR go well beyond a company's current investors. Potential investors should also be targeted, as well as equity analysts at banks and brokers, the media, other commentators, and government bodies to meet certain requirements, which include forming an efficient and flexible structure for IR activities, to work as an integrated system. This is because all these entities carry influence. Together, they can create a powerful narrative, positive or negative, about the performance and prospects of a particular company.

1.2

The Impact of IR

A company's IR department plays a pivotal role in the success or failure of the entire enterprise. Its mission is to explain to investors why, out of the vast number of investment opportunities available to them – including rival companies, companies in different sectors, asset classes, and geographies – they should choose this specific company to invest in. IR professionals must have a complete understanding of their company and its strategy, in addition to advanced skills and expertise to enable them to translate the most important events and fundamental developments into messages targeted at the investor community. This, in turn, includes a comprehensive analysis and understanding of all events at the company level, as well as the needs of the investor community.

In addition to knowing which information meets regulatory requirements, and when and how it must be published, they should be able to proactively design and execute a persuasive IR program to reach the right investors in the right way. They must be able to engage confidently with their own senior management, important investors and other stakeholders, and be prepared to confidently put forward their point of view in the interests of the company and its shareholders. They must also liaise effectively with other functions in their company such as finance, business segments, human resources, public relations, marketing and legal, to ensure everyone is contributing to the broader narrative. They must know how to impress in routine communications, and how to handle a sudden reputational crisis.

In short, IR professionals must master a wide variety of knowledge, skills and abilities. They sit right at the center of the matrix of information that is the lifeblood of financial markets. While challenging, being a member of an IR team is immensely rewarding in terms of professional achievement and the importance of the role to the success of a listed company.

1.3

Objectives

The objectives of the IR function are diverse and wide-ranging. To help achieve them, the IR department should adhere to the guiding principle of transparency whilst considering other aspects that may influence the decisions of the investor community which sets the platform for them to successfully, efficiently and effectively accomplish many of their specific tasks.

Transparent IR first requires a clear and open attitude and approach to communications, such that a company aims to keep the market as informed as is reasonably practical about material developments related to the company, which will contribute to making investment decisions. Transparency also requires a highly structured and detailed IR framework, such as a schedule of events and activities planned for in advance that enables IR to deliver the high quality information the market expects.

Investors tend to be well disposed towards companies they view as transparent and clear in their communication. They are more inclined to give these companies the benefit of the doubt, compared to those they view as reluctant to release information or whose senior management does not engage with them in dialogue. By following the guiding principle of transparency, the IR Department is on the right path to reaching its goals.

Key IR objectives include:

- **Develop clear and effective messaging**

A company's reputation in the financial markets depends heavily on its messaging. Messaging is what a company says about itself, and how and when it does so. Messaging includes the company's information the company's total shares and major shareholders, as well as its statements about specific events and situations. Effective messaging should be:

- ➔ **Clear**
- ➔ **Concise**
- ➔ **Complete**
- ➔ **Compelling**
- ➔ **Consistent**

- **Deliver on the market's expectations**

The IR function should set and manage the expectations of the investment community to achieve a fair valuation of the company. IR should ensure investors are not increasingly concerned or confused by events and thus lose confidence in the company. This involves thinking carefully about how investors are likely to react to company statements or external events and closely monitoring how they do react. The company can then take prompt action through its communications to manage the narrative and reset expectations as necessary.

- **Improve relationships with the investor community**

Building close relationships is key and includes effective professional engagement through tangible activities such as regular conference calls, one-on-one meetings, site visits and perception surveys. Nurturing personal ties is also important to help create a high level of trust in the company. Such relationships should not be left solely to the IR department; investors also appreciate direct access to senior executives who should make time in their calendars to engage with important stakeholders.

- **Influence valuation**

Ensuring investors have equal access to high quality information about a listed company helps to build consensus in the market around the fair value of its shares. This benefits the company as it ensures the share price is in line with reality. Fair value supports share price stability, a broad shareholder base, and a reasonable level of liquidity in the company's shares. It also enables a company to access capital at an optimum cost in the future, for example, through a further sale of shares.

- **Comply with regulatory standards**

As well as being a requirement for all listed companies, proper compliance with regulations for disclosures and other activities is expected by investors. The IR Department should ensure it is fully aware of and able to meet all regulatory requirements and to promote the reputation of the company, and should often do more than merely meet the bare minimum standards.

- **Target investors effectively**

In addition to managing relationships with existing shareholders, IR should monitor the share register and identify investors that fit the objectives of the company, with a view to building relationships with long-term and supportive investors.

- **Report to internal stakeholders**

Feedback from the market is equally important to internal stakeholders. IR should understand and evaluate investors' feedback on the company's strategy, performance, competition, and the market, and report findings to the executive management and Board.

1.4

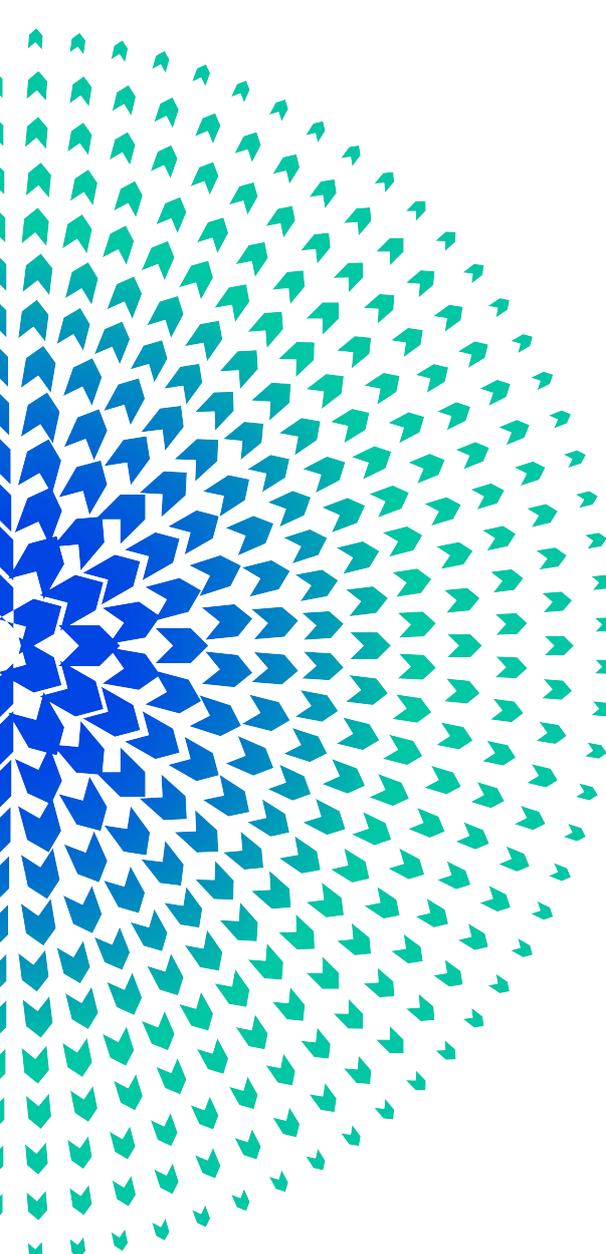
Recent IR Trends

Globally as well as regionally, the IR function is rapidly becoming more important to the success of any listed company. The explosion in the amount of information available to companies and their investors, is making the IR role more data-driven and technical.

There is growing reliance on shareholder registry analysis to understand who the investors are, including the type of entities which are holders, such as sovereign wealth funds or insurance companies. The behavior of investors is also exhaustively analyzed, ranging from whether they are likely to be short-term or long-term holders, to monitoring how they make investment decisions, including through new trends in quantitative investing. In addition to the tide of information that must be analyzed, the IR function needs to keep an eye on traditional and social media commentary as well as the activities of the company's competitors.

Globalization has increased opportunities to invest across borders, which expands the number of actual and potential investors that IR teams must monitor and communicate with. Advances in communications technology, such as video conferencing, are changing the way in which companies choose to interact with the financial community. Globalization has also increased the competition for capital, with companies vying for the attention of the same investor pool.

The COVID-19 pandemic accelerated some of these trends as face-to-face communication with investors was scaled back. The 'human' side of IR has not gone away, however. The ability to form personal relationships with key investors and understand their motives through conversation, rather than just analyzing behavioral patterns, is still as important as ever. Equally important is the capacity for the IR function to inspire trust in investors through professional excellence and a welcoming and positive attitude. In every effective IR team, these skills now exist side-by-side with technical prowess and analytic tools.



1.5

IR in the Saudi Capital Market

The rising interest by companies to list in Saudi Exchange, the Middle East's largest capital market by far, is increasingly putting IR at the forefront. The same IR trends at work globally apply to companies in the Kingdom, which also have to respond to the country's specific circumstances and dynamics.

In recent years, the significant expansion of the Saudi Stock Exchange's market capitalization, driven by an increased number of substantial companies joining the market, has intensified the focus of investors at home and abroad on opportunities in Saudi Arabia. The Kingdom's inclusion in the emerging markets indices of MSCI, FTSE Russell and S&P Dow Jones in 2019 has also had a major impact. These seals of approval by major index providers have increased investor appetite for and scrutiny of the Saudi Exchange. Official encouragement of foreign investment, such as the qualified foreign investor program, has reinforced this interest. So too has the requirement by the CMA starting in 2021 that all disclosures on the main market must be in English and Arabic to provide a level playing field for all investors. Domestically, the number of individual investors has grown steadily in recent years, reaching 5.9 million at the end of Q4 2021, according to the CMA¹, with the fastest growth being among female investors. Many companies in Saudi Arabia already operate sophisticated IR functions. Others, including smaller companies and newly listed entities on both the Main Market and Nomu - Parallel Market, are on a journey to expanding their IR outreach and implementing best practices. Fortunately, there are many tools and advisory services available to give valuable support to domestic companies.

Both the CMA and the Exchange itself provide informative workshops and promote the importance of the IR function in cooperation with IR professional associations. In addition, the Exchange has introduced a number of awards that recognize best practice IR.

Backed by this supportive framework, Saudi companies

¹Saudi Capital Market Authority Quarterly Statistical Bulletin. 31st Issue. (Page 15) https://cma.org.sa/en/Market/Reports/Documents/Statistical_Bulletin_Q2022_1.pdf

can develop their IR strategies and outreach with the confidence that they can meet the requirements expected of them.

1.6

ESG

There is no topic more important within the global investor community today than Environmental, Social and Governance (ESG) principles. Companies that are ESG leaders in their sector, and are able to demonstrate this to the market, often achieve a higher share price than their peers and greatly enhance their overall reputation.

Though much of the impetus for ESG compliance comes from other parts of the world, the Middle East is playing its part. The Exchange has published comprehensive voluntary [ESG Disclosure Guidelines](#) based on international best practices and guidance by the Sustainable Stock Exchanges Initiative. The Guidelines reference global reporting frameworks such as the Global Reporting Initiative and the Climate Disclosure Standards Board. The CMA has published non-binding Corporate Governance Regulations focusing on governance to promote transparency, trust and social equity.

Some Saudi companies are already adhering to ESG best practices but do not always disclose them under a dedicated ESG framework. ESG reporting can be achieved through standalone reports or within broader documents such as the Annual Report.



Environmental matters include climate change, such as reducing CO2 emissions; natural resources such as water use; and minimizing waste and packaging.



Social matters include human capital development, such as women's empowerment, product liability, and wellbeing, such as employee access to healthcare.



Governance matters include corporate oversight, such as anti-corruption procedures and decision-making frameworks, as well as business ethics and corporate culture.

The relevance of particular ESG matters varies markedly from company to company. A transportation company, for example, often has high CO2 emissions, while a manufacturing company might use a great deal of water.

As ESG outcomes expand further to become mainstream investment criteria, companies are considering how best to integrate them into their corporate strategy and their financial performance reports. Aligning ESG and broader corporate goals can help companies better manage sustainability-related risk, enhance the competitiveness of an organization, and create long-term value. Keeping investors abreast of progress made toward ESG goals is key, and thanks to a rising number of reporting frameworks, companies can now report across a number of metrics including financial, environmental and social. Examples include taking ESG into account when assessing goodwill, as well as amortization of assets such as polluted infrastructure, and the value of inventory that might be affected by an expected tightening of environmental regulations or loss of consumer approval.

Achieving ESG best practice should lie at the heart of every company's strategy. This includes disclosure of the company's ESG achievements not only through a formal reporting system, but also as part of investor presentations, press releases, the corporate and IR websites and other material.

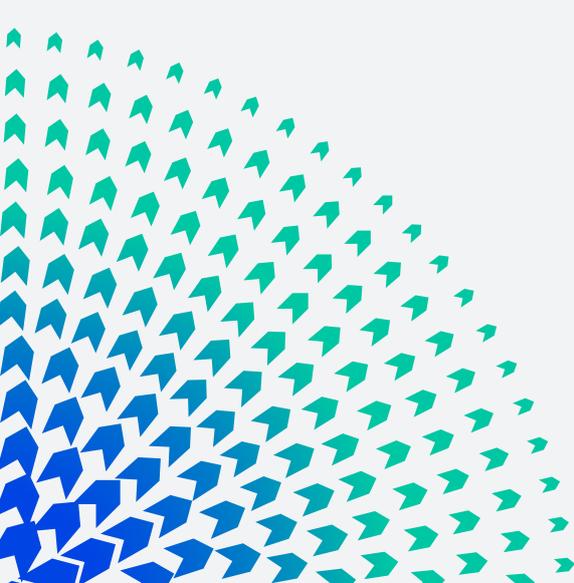
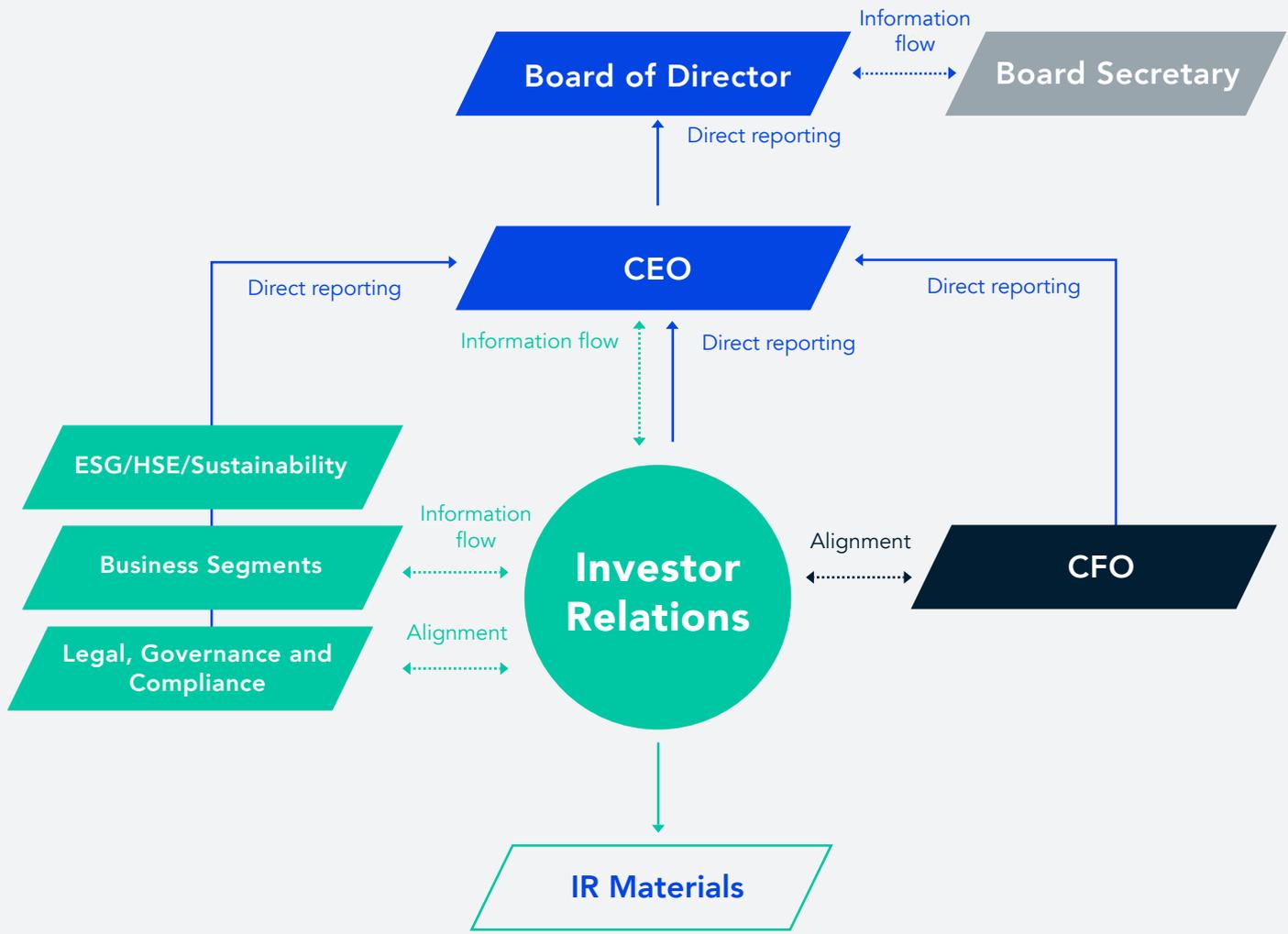
1.7 Building and Positioning the IR Team

The IR function should be staffed with skilled and knowledgeable individuals who can collectively perform the broad range of tasks required. Team numbers vary according to company size and appetite for investor engagement. They may range from one dedicated IR professional supported by individuals from other areas of the company to larger departments including several experienced and senior members.

IR staff come from a range of backgrounds including fund management and equity research as well as financial communications. The responsibilities of senior members include developing the IR strategy in consultation with senior management, as well as planning a schedule of earnings and other announcements, roadshows, the Annual General Meeting, and other important events in the life of the company. Maintaining close contacts with investors and analysts is also key to address their questions and comments.

The IR Department is responsible for the writing of regulatory releases and heavily involved in the development of investor presentations and financial press releases, in conjunction with other departments of the company. Other tasks include monitoring the share price, staying abreast of traditional and social media coverage, as well as managing the shareholder registry to understand who owns the company and conducting perception studies among investors and analysts.

Tasked with this array of important responsibilities, IR should always be a separate department within the company alongside and with equal status to others such as legal, business development, public relations, and marketing. The head of IR should ideally report directly to the Chief Executive Officer to ensure having full access and visibility on business updates. This formal reporting structure reflects the importance of the IR role and informally sets in place a process for the IR head to keep the senior management up to date on the market views and feedback from investors.



Aramco Case Study

Focus on Meeting High Market Expectations

About:

The Saudi Aramco IR function was created in 2017 ahead of the IPO. From 2017 to 2019 (when the Company went public), Aramco IR hired a consultancy firm to help with its formation and to adopt global best practices.

Challenge:

Saudi Aramco's highly anticipated listing necessitated the establishment of a best-in-class IR department. Investors in Saudi Arabia and globally had, and continue to have, high expectations from Aramco from a performance and transparency perspective. To this end, the establishment of the company's IR function focused on alignment with best practice and the establishment of KPIs with the guidance of external advisors. A key challenge to overcome was the identification and appointment of a team with significant capital markets expertise.

Action:

Aramco established a team with IR expertise prior to the listing, and the IPO team was also transferred to IR given their expertise in capital markets.

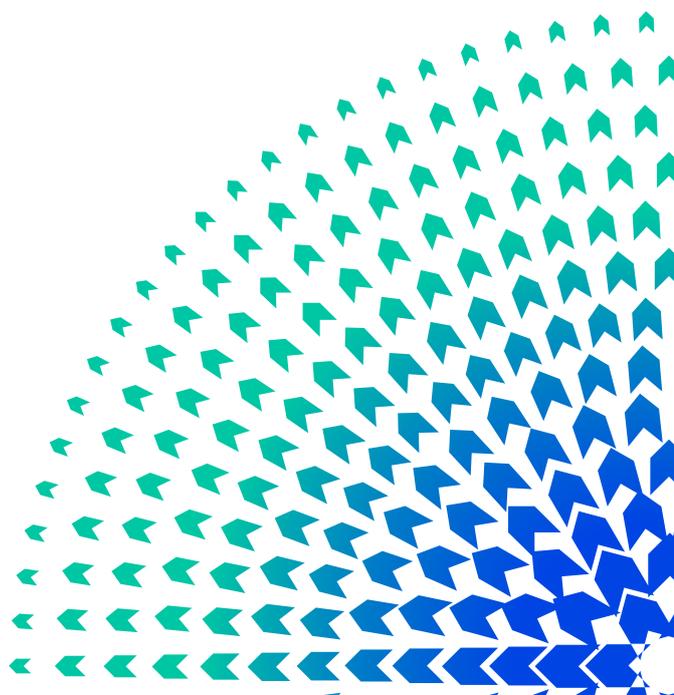
From the onset, the IR team implemented a data-led approach, closely monitoring the share register and identifying buy and sell trends. By clearly identifying its investors, Aramco was able to set in place its IR strategy and engage with investors in a meaningful way.

To continue to develop the team, emphasis was placed on continuous training, including ensuring all IR team members obtained the CIRO certification.

Result:

The targeted approach to IR and the development of a best-in-class team has led to better and more structured engagements with key shareholders and analysts.

Market sentiment has also been measured through engagement with shareholders after quarterly disclosures, ensuring the IR function is aware of investor perceptions.



Almarai Case Study

Striving to be the Leading IR function in the Middle East



About:

Almarai is the Middle East's leading food and beverage manufacturer and distributor – and the world's largest vertically integrated dairy company. Since Almarai's foundation in 1977, consumers across the region have come to recognize the Almarai brand as synonymous with quality.

Almarai shareholders include more than 50,000 individual shareholders among multiple corporate and foreign shareholders. Almarai's market cap in Q3 2021 was around SAR 55 billion.

Almarai's revenue for the year 2020 was SAR 15B with operating profit of SAR 2.5B. Almarai market share in its key market of GCC countries varies between 30% to 70%.

Almarai's IR team has functioned with around 3 people on average throughout this journey.

Challenge:

With a concentrated shareholder structure, Almarai's first key challenge post-IPO in 2005 was to define the role of IR whilst executing its growth strategy.

Once the role of the function was defined, Almarai focused on searching for talent to execute the strategy. With the right talent on board, the function's KPIs were defined, including assessing the quality and speed of execution of the IR strategy.

While Almarai had a wide retail investor base, the company continually strives to increase its international investor base through its IR engagement.

Objectives for the function included:

- Leading the external affairs for the AGM
- Managing the Annual Report and related filings
- Dividend Payments and shareholder affairs
- Debt and Equity shareholders communication throughout the year
- Maintaining the relationship with Saudi Exchange and CMA on multiple fronts including lodgment of key financial data throughout the year

Action:

The key pillars of Almarai's IR strategy were focused on open communication of operational and financial performance. Since the same platform was used for debt and equity shareholders, a concise strategy underpinning all areas of the organization was critical.

Additionally, the company actively participated in multiple conferences globally. This allowed Almarai to be benchmarked against international companies with best practice IR functions. By focusing on best practice from the onset, Almarai was able to also excel regionally.

Further, Almarai held annual investor days to directly engage with shareholders and other stakeholders, making them one of the first companies in the region to showcase their operations.

Almarai restructured the team across two fronts, focusing on operational and financial communication and compliance with regulatory affairs. When setting up an IR function, companies should continually seek external support and to learn best practices from peers and advisors.

To maintain its leadership in IR, and with the first mover advantage now behind, Almarai has focused on a steady approach to build.

Result:

Almarai maintains its ranking within the top 3 - 5 companies in the region for IR best practice, winning 23 awards over the past decade. The awards include best IRO awards, best Annual Report awards, best Treasury related awards and best CFO awards. In 2019, Almarai was the number one ESG company on the Saudi Stock Exchange as ranked by ESG Invest.

Moreover, the company's high attendance rate, aiming for more than 80% of all key capital market conferences, ensures continual feedback from existing and potential shareholders and debt holders.

Active interaction and continual positive feedback from both the buy and sell side reflects the transparency and efforts of the IR department and allows Almarai to meet its corporate ambition of delivering "quality you can trust."

stc Case Study

stc's IR Position in the Investment Community and the Capital Markets



About:

stc is the leading ICT services provider in the country, with strong regional presence which enables stc to deliver a variety of ICT solutions and digital services in several categories including telecommunication, IT, financial technology (fintech), digital media, cybersecurity, and other advanced digital solutions.

Challenge:

Transforming and repositioning stc's IR in the investment community and capital markets was a significant challenge that focused on enhancing investor confidence, achieving the principles of transparency and disclosure, maintaining the stability of the share price at a fair value and positive market perception. The team's efforts also focused on managing the expectations of the buy-side and sell-side analysts, and work on improving the relationship with all stakeholders in the capital markets.

Action:

stc restructured its IR department and built its strategy and objectives in order to reach an effective and productive IR program. stc's IR formalized and developed an IR governance model by establishing required policies and procedures to ensure proper flow and communication of information to the investment community, as well as ensuring the adherence to CMA & Saudi Exchange rules and regulations. The IR also improved the quality of the relationship between the company and its investors by keeping its senior management informed about how investors view the company, along with their areas of interests and concerns. By adopting passive and active approaches, stc's IR increased the communication with analysts and investors through conferences and in-house meetings, as well as expanding its base of local and foreign investors, including increasing the number of sell-side reports through active communication with sell-side firms along with frequent publications about the company's recent activities. As part of IR best practices, stc's IR developed the IR Website and the IR Application as

a channel to disseminate and exchange information with investors and boost the level of disclosure.

Result:

The restructuring efforts resulted in increased quality and quantity of investor engagement. Within a span of 3 years, communication with the financial community increased by 112%. Meetings with 559 analysts took place, representing 356 institutions, compared to 264 analysts and investors represented by 123 institutions in 2018. Furthermore, and through active and passive adopted approaches, foreign ownership in stc has increased to 5.56% as of September 2021 compared to 0.41% at the end of 2018. stc IR was able to manage its analysts' expectations, as the average estimates are usually within a $\pm 5\%$ range from the actual result. Furthermore, stc IR succeeded to reduce the amount of outstanding dividends with a 27% reduction compared to the highest level reached.

stc successfully improved its IR webpage, which was modified based on IR international standards and to meet MEIRA criteria. In addition to that, stc's IR started publishing its earning call transcripts & Investor presentations on the IR webpage, along with periodic posts relating to its financial results on social media networks. Furthermore, stc has conducted an investor targeting database for collecting and retaining information about different types of investors, with the aim of expanding/maintaining the current connections of investor relations and potentially building new relationships with potential investors.

Tips for IR teams:

In addition to the importance of the IR function and its fundamental principles, we believe the IR department in any company should have a direct relationship and connection with the Board of Directors, in order to ensure swift and transparent communication to and from the financial community. The IR department should also lead ESG communications, since it plays an important role in the investment decision-making process.

SABIC Case Study

Driving Investor Relations to Develop a Competitive Advantage



About:

SABIC was founded in 1976 by Royal Decree and its growth has been remarkable. Today, the company has operations in over 50 countries with a workforce of over 32,000 employees. Ranked among the world's largest petrochemicals manufacturers, SABIC is based in Riyadh. Saudi Aramco owns 70% of SABIC's shares with the remaining 30% publicly traded on the Saudi Exchange. At a strategic level, SABIC is the chemicals arm of Saudi Aramco, which reinforces the company's vision to be the preferred world leader in chemicals and maintain its role as a national champion.

The IR function reports simultaneously to both the CEO and the CFO and has a diverse team of certified professionals.

Challenge:

SABIC's IR function continues to focus on compliance and meeting CMA disclosure requirements. As part of the transformation journey and the opening of the Saudi Exchange to foreign investors, SABIC's IR team took the opportunity to improve the company's standing in the global market and achieve global standards. This included IR playing a role in supporting the decision process of SABIC's disclosures, supplying business insights and supporting financial transparency.

Action:

SABIC's strategic IR priorities are driven by a small but highly effective team. They include:

- High recognition and visibility of SABIC in the financial community.
- Strong relationships with internal stakeholders, investors, relationship banks and regulators.
- Compliance with regulatory requirements of CMA and other financial markets.
- First class IR team with robust processes.
- Maintain the highest credit and ESG ratings in the industry/region.

SABIC's enablers and tactics:

- Determination to build long-term credibility with the investment community through quarterly earnings calls, regional and theme-based investor conferences, as well as regular contact with analysts and other financial players.
- Aspiration to enhance disclosures to become best-in-class on global disclosure standards.
- CRM implementation tool to track investor activity and facilitate investor communication.
- Dedicated IR team members for financial analytics, as well as ESG experts.

Result:

SABIC has observed a consistently strong coverage of sell-side analysts and a loyal shareholder base. The company has increased investor exposure, especially from foreign accounts, with greater quality insights from investors on how they see SABIC's performance and management. Further, competitive pricing and high oversubscription levels were achieved on the latest bond issuances, showing the company is regarded as a global chemicals leader.

Bupa Arabia Case Study

Bupa Arabia's Commitment to Providing Accurate and Credible Material and Information to the Public



About:

Bupa Arabia's IR mission is to communicate the company's story and performance to the investor public to increase awareness and interest in its stock, improving the company's valuation. The company has established a robust IR function to coordinate and communicate with the investor public. Regular meetings are held with the investment community, which is crucial to present company performance and outlook clearly and consistently.

Challenge:

Bupa Arabia's strategy aims to effectively communicate the equity story to investors and analysts. It has also been important to manage expectations, including those of the management and the public.

Action:

Bupa Arabia's IR function established KPIs with clear guidelines for disclosure of material and price-sensitive information to the investor public. The company ensures proper communication that complements the overall communication strategy. Additionally, this policy intends to prevent the disclosure of confidential information before it is made publicly available.

Bupa Arabia's IR pillars include support from top management, establishing credibility within the market and promoting the right company culture.

Bupa Arabia advocates transparency and conducts informative interactions with investors to install a sense of trust, credibility and partnership.

Investors and analysts are tasked with gathering information to enhance the quality of their research and aid their investment decisions. They are expected to be curious, probing and sometimes intrusive. Bupa Arabia's responsibility is then to dictate which information can be shared and make such limitations clear to the investor public.

The IR team communicates with the investor public in a formal manner, abiding by best business conduct. Tools are deployed through the IR page on the corporate website, which is updated regularly with key information including company Articles of Association, quarterly performance updates, and Saudi Exchange announcements.

Result:

After rolling out the IR strategy, the team began to inform the management of developments in the competitive landscape, as well as analyst and investor feedback on strategies and expectations on capital structure, shareholder returns, etc. The IR team is instrumental in communicating Bupa Arabia's story to the investment community to expand the research coverage on the company.

Bupa Arabia maintains partnerships with the sell-side analysts to articulate the key aspects and differentiators, improving investors' understanding of the company. Information is disclosed in a fair and transparent way, considering the regulatory requirements, to build investor confidence. Finally, to maintain appropriate market sentiment, Bupa Arabia ensures regular contact with analysts and investors and monitors financial media.

Al Rajhi Case Study

Proactively Engaging with the Investment Community to Share Information and Gather Feedback



About:

Founded in 1957, Al Rajhi Bank is among the top 20 largest banks globally by market cap, with total assets of SAR 624 billion (US\$ 167 billion) and a paid-up capital of SR 25 billion (US\$ 6.67 billion) at year end 2021.

With over 60 years of experience in banking and trading activities, the Sharia-compliant banking group has a network of over 527 branches and the largest customer base of any bank in the Kingdom.

Challenge:

At Al Rajhi Bank, the Investor Relations program was designed to achieve the following goals:

- Effectively communicate with the investment community
- Accurately disclose financial information both to retail and institutional investors
- Comply with regulatory requirements
- Collect and present investors' feedback to the management
- Communicate the company strategy and strategic progress to investors
- Work with internal and external stakeholders on ESG initiatives and improving disclosures
- Improve digital IR materials and keeping them up-to-date

The KPIs are driven by the IR program's goals, ensuring that there is a clear plan to achieve them and take the IR function to the next level. They include items such as producing high-quality external materials, attending conferences and meetings, shareholders' ownership structure including foreign ownership, improving the digital IR material and presenting investors' feedback to management.

Action:

The IR function plays a critical role in facilitating communication by providing the market with the necessary information to make informative investment decisions.

An effective IR program will optimally result in fair valuation, improved stock liquidity, access to capital, and a resilient shareholder base.

Al Rajhi Bank focuses on improving engagement with internal stakeholders to ensure a deep understanding of the corporate strategy and market developments within different business units to convey a comprehensive message to the investment community.

Result:

The progress made since rolling out the IR program and strategy put the Bank in a leading position both locally and regionally.

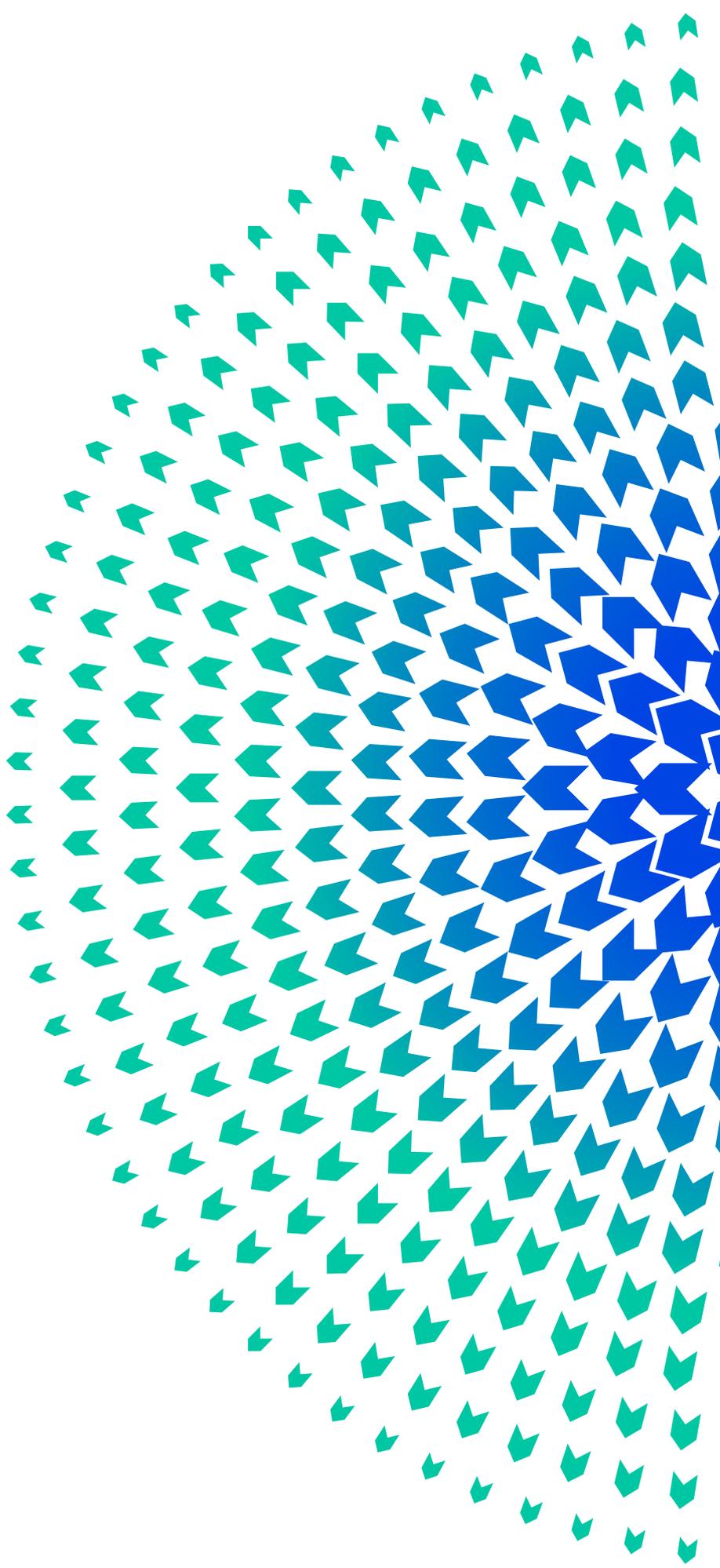
Al Rajhi Bank won seven awards related to the IR function, including Most Improved IR Team 2018 (MEIRA), Best IR in ME 2019 (MEIRA), Best IR Program 2020 (Saudi Capital Market Award), and Best CFO in ME 2021 (MEIRA).

The awards reflect the senior management and IR team's great efforts in their engagement with the investment community.

The Bank's efforts have also resulted in further analyst coverage of the Bank and an increase in foreign ownership.

2

Investor Relations Audiences



2.1

Types of Investor

At the end of 2021, more than 12,100 institutional investors were registered to trade on the Saudi Exchange together with nearly 5.9 million retail investors, of whom 74% were male and 26% female² Though most companies can expect only a small proportion of these to become their shareholders, it is important for IR to understand the overall investor landscape including the variances amongst investors and their unique goals, to gain a better understanding of the targeted audience and the existing shareholder book mix as well as potential new investor types and how best to target them.

Most freely floated shares listed on the Exchange are owned by institutional investors, with most shares held by Saudi institutions. GCC investors of all types owned 2.3% of free float shares on the Main Market by value at the end of 2021, while non-GCC foreign investors owned 15.2%, a significant increase from a few years ago.³

Traded value is dominated by individual or retail investors of whom the great majority are Saudi nationals. Foreign investors are mainly institutions, many of which are very active traders.

Institutional Investors

Institutional investors on the Exchange include sovereign wealth funds, government-related entities (GREs), corporates, mutual funds, discretionary portfolio managers, family offices, SWAP holders, foreign strategic partners and Qualified Foreign Investors (QFIs), as well as pension and insurance funds.

Institutions form the bedrock of shareholder support for listed companies. As well as having larger holdings overall than retail investors, most have long-term investment horizons. This enables companies to plan ahead in the knowledge that many of these shareholders are likely to stay the course as they have already formed the view that the company is a fundamentally sound asset.

² [Annual Statistical Report 2021](#)

³ [Monthly Ownership and Trading Activity Report, Month Ending 30 December 2021](#)

many of these shareholders are likely to stay the course as they have already formed the view that the company is a fundamentally sound asset. These shareholders may be well known and highly respected in the market, and simply having them on the share register sends a powerful signal to other investors that a company is of high quality.

Institutional investor support should never be taken for granted however; sometimes long-term holders do eventually sell for a variety of reasons, while other institutions, such as hedge funds, may never have had a long-term focus in the first place.

Institutions vary enormously in what they are looking for in a company and IR should be familiar with the investment philosophy of each of its major investors so it can understand exactly why it has chosen to hold its shares. Some institutions seek income in the form of high dividends. In the Saudi market the average dividend yield in the five-year period 2017-2021 was 2.99%.

Other investors look for capital returns from an eventual share sale. Institutions also vary in risk tolerance; some may stay away from new or unproven companies on principle, while others seek them out.

Some investors closely benchmark their holdings against a share index or buy Exchange Traded Funds (ETFs) that track an index. Typically, they are long-term investors. This style of investing is known as passive and has increased in popularity globally in recent decades as the associated trading fees are low and it often achieves higher returns than other trading strategies. Passive investing has become more relevant for the Saudi market following the inclusion of Saudi Arabia in the Emerging Markets indices of MSCI, FTSE Russell and S&P Dow Jones in 2019. A growing number of ETFs include Saudi companies among their components.

Active investors, by contrast, adopt a hands-on approach to try to make gains beyond those delivered by an index, by selecting stocks that they think will outperform the market. They typically have a shorter-term outlook than passive investors.

Active investors fall broadly into one of two categories: growth investors and value investors. Growth investors look for stocks with the potential to outperform the overall market over time,

often identified by consistent high earnings and sustainable business growth. Value investors seek shares they perceive to be out of favor currently but with future potential, and they are prepared to hold these until they move higher.

All institutional investors are making increasing use of data-driven technologies that rely on algorithms to analyze trading patterns and make price forecasts. IR teams need to understand the basic concepts involved to help them understand movements in the share price and communicate with credibility with the investor community.

International Investors

While international institutional investors are similar to regional ones in many ways, some have a different perspective that IR should be aware of. They can be more openly critical of companies they invest in. This could arise in calls for greater ESG compliance, for example, or questioning of strategic policy and management competence. Hedge funds may wish to short a stock, which is of increased relevance following the Exchange's introduction of equity derivatives in 2020. The CMA is committed to enhancing the entry of foreign investors directly and indirectly to the Saudi market, including allowing foreign investors to own strategic stakes in listed companies. The government's Financial Sector Development Program under Vision 2030 also aims to create an attractive environment for foreign investors⁴.

Retail Investors

Retail investors constitute a large number with varied investment styles too with some trading frequently and others adopting long-term horizons that are typical of institutions. Many are wealthy, with High-Net-Worth Individuals (HNWIs) defined on the Exchange as having an average portfolio size of SAR 1 million or more, and Individual Professional Investors (IPIs) having an average portfolio SAR 50 million. Many companies seek retail investors to increase liquidity in their shares. A large retail base also gives a company a high public profile, which can help to make its products and services more popular if they are sold directly to consumers.

Another reason Saudi companies seek retail investors is to enable Saudi nationals to share in their success and prosperity as the company and the economy as a whole expands. It is common for companies to allocate some shares to a retail tranche when they carry out their IPO. Retail investors often receive information about a company and interact with it in very different ways than institutional investors, for example through social media rather than the IR website.

Debt Investors

The IR function for debt products has traditionally been less active than for equities, as the debt market was seen as relatively stable and less influential on the fortunes of the company as a whole. Companies in Saudi Arabia also tended not to be major issuers of debt. This picture has changed however as the debt market has become more volatile in recent years and debt issuance has increased. The value of non-government debt instrument issuances in Saudi Arabia increased by 239% in 2020, reaching SAR 31 billion compared to SAR 9 billion in 2019.⁵

Debt investors are therefore an increasingly prominent audience for IR. The lead is usually taken by the company treasurer or CFO working closely with IR to ensure consistency and quality of messaging. The IR team will need to engage a number of stakeholders including debt investors, debt analysts, ratings agencies and financial media to ultimately service existing fixed-income investors. The program may also involve marketing new debt issues and preparing materials for roadshows.

⁴ <https://cma.org.sa/en/Market/QFI/Pages/default.aspx>

⁵ CMA 2020 Annual Report. Available at https://cma.org.sa/en/Market/Reports/Documents/CMA_2020.pdf

2.2 Analysts

Sell- and buy-side analysts have a huge influence over fund managers and investors sentiment and decision-making respectively. They therefore form an important audience for IR. Sell-side analysts are usually employed by brokerages and investment banks and each analyst publishes several reports a year about the companies they follow, including immediately after earnings releases and other significant events. Their reports tend to include:



Comparison with other companies in the same sector



Opinions on how the company and its management are performing



Forecasts of future financials including earnings and revenue



Valuation of the company using various models



A recommendation to buy, hold, or sell the shares

The last of the above is often the most eye-catching, especially for journalists writing about a company. Buy-side analysts are employed by funds or other investors and their reports and recommendations are not made public, but rather they are prepared exclusively for the benefit of the entity that employs them to guide its investment decisions. Sell-side analysts tend to cover companies with significant trading volumes and substantial numbers of institutional shareholders, and often focus on particular sectors and company size with some covering only large-cap companies while others cover mid-cap businesses. Some may be more concerned than others with particular measurements of success such as net profit or cash flow. IR should ensure it understands the various motivations and outlook of individual analysts to help them cover the company accurately and persuasively.

Goldman Sachs

Goldman Sachs Corporate Access department

The importance of engaging with the sell-side:

It is best practice for investor relations teams to regularly engage with the sell-side and utilize their relationships and expertise in order to amplify your investor relations message and meet with current and future shareholders. By closely working with the sell-side, IROs can benefit from the economies of scale that a global investor distribution platform provides and benefit from the up-to-date information they have on trends and developments on the buy-side and in the market.

Advice for dealing with the sell-side:

- Analyst coverage – quality of coverage and often quantity of research coverage is important. The buy-side relies on the insight that the sell-side provides, especially for investors who are investing outside of their home markets. Regular updates post earnings will be important to ensure you get the most out of your coverage universe.
- Work with Corporate Access teams – for your meeting and communications and for improving investor awareness. They work with sales, trading and research teams to provide up-to-date information on investor movements, trends, and can also help with the logistics around road-showing your management teams. Furthermore, many brokers host conferences which are an efficient way to see a lot of investors in a relatively short space of time.
- Get to know the sell-side sales teams – they are the main point of daily contact for buy-side investors. Their client expertise is crucial. They know their clients' investment criteria and tailor their recommendations accordingly. They can also help cascade your message to investors on your behalf together with the research analyst.

2.3

Media

Relations with the media are primarily the responsibility of the corporate communications department as the outlook and needs of journalists are hugely different from those of investors and analysts. Their focus is more superficial and they tend to emphasize simple messages, whether positive or negative. IR needs to liaise closely with corporate communications to ensure messaging is consistent, even if not exactly the same. IR should be heavily involved in writing earnings releases and other financial announcements as these require specialist knowledge to develop. Many investors can be just as influenced by what they read in the media as by analyst reports, or more so.

IR should be aware that while building relationships with the media is important, contact with journalists can be very transactional in that many of them perceive their job as being primarily to probe, challenge, and question. This is particularly true of the international media. It is also important to know if a journalist is on a tight deadline, because if a response to a question arrives too late it cannot be used. This is often the case with newswires, which compete down to the second to deliver news ahead of the others. Journalists should also be regarded as valued stakeholders in the company, even when their reports contain sensitive information. An antagonistic relationship is counterproductive, as is ignoring their questions, as this may result in further negative coverage.

Questions from the media should be answered through the communications department, with IR involvement as necessary. The responses are normally delivered either by the communications department itself or by a senior executive.

2.4

Internal Audiences

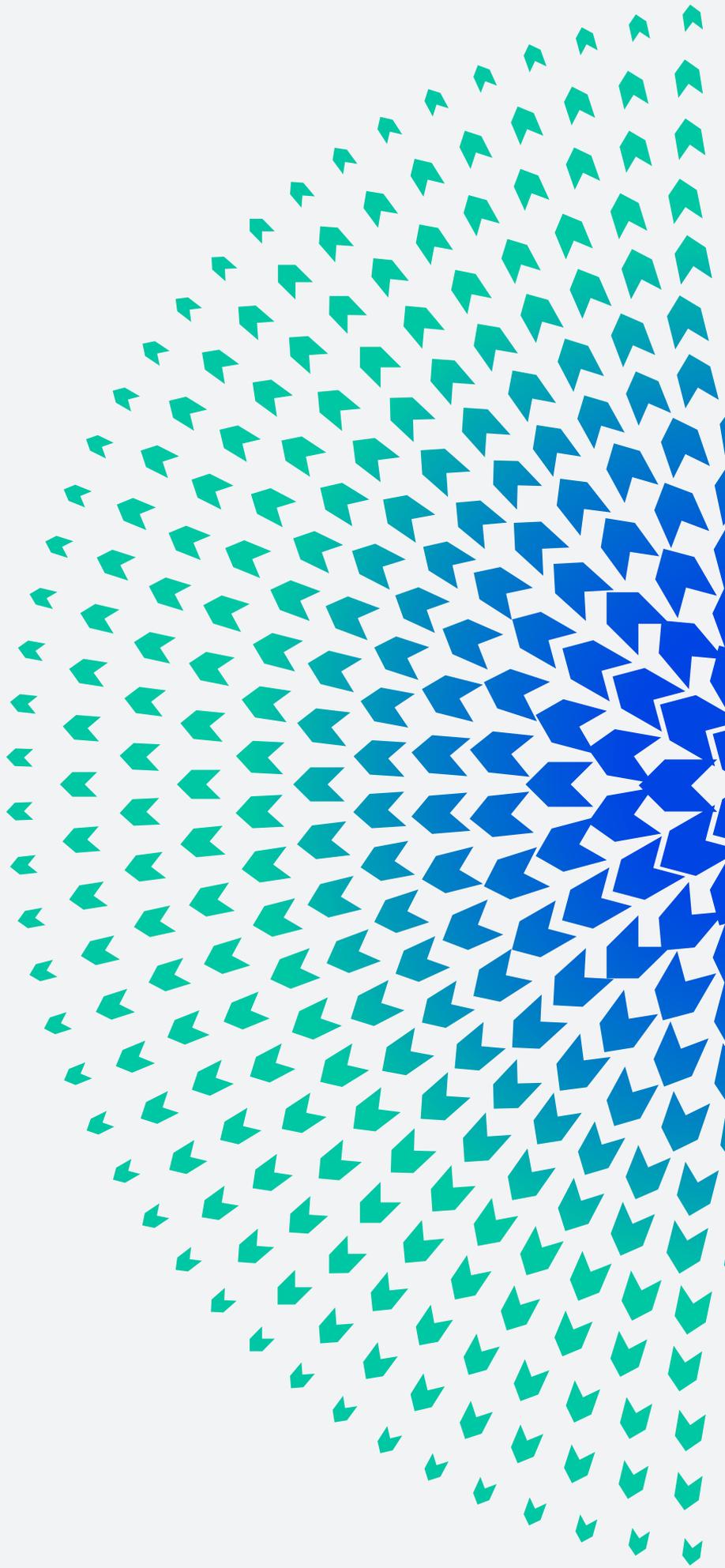
Not least among the audiences of IR are senior management of the company and other departments. In particular, IR should ensure that a well-defined structure for information flow with senior management is in place combined with a cooperative relationship, providing IR a framework to gather information about the company from management, and report back to management on investor sentiment and feedback.

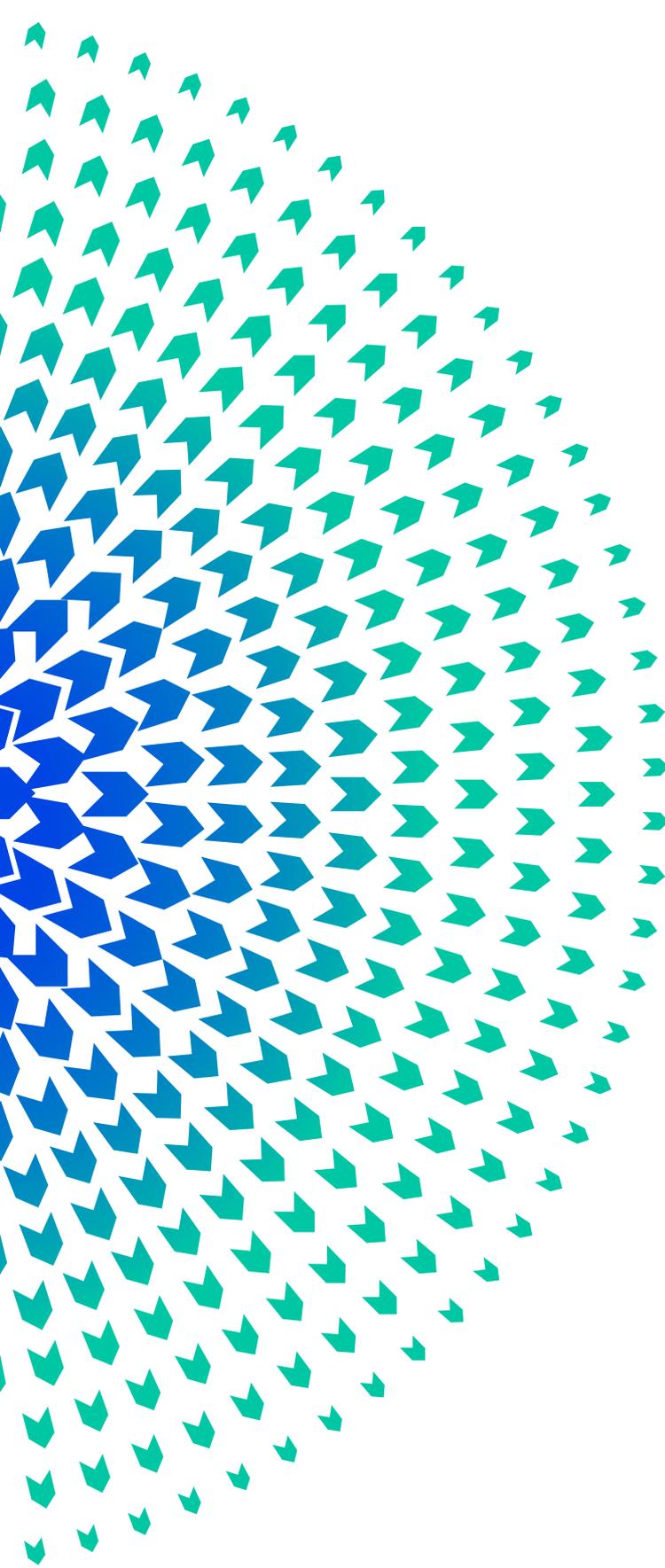
A clear and collaborative framework will allow IR to integrate with other relevant key departments to enable effective two-way communication with the investment community, government and regulatory bodies and with other constituents. It will also enable IR to develop overall messaging and the content of key material such as earnings presentations and the Annual Report. Visible support from senior executives will give IR extra credibility in its dealings with other departments.

As well as working closely with the communications department on media issues, IR is likely to often find itself working with the legal department or governance department on regulatory and disclosure requirements, and the finance department on earnings announcements and in responding to investor questions. It will also liaise with departments that run various parts of the business, such as delivering products or services, in order to understand details about the company's commercial operations. Keeping these relationships both professionally productive and personally cordial is essential to the smooth running of the IR function.



Building the IR Program





A comprehensive IR program that looks at least a year ahead should be developed and constantly updated, so that senior management and the IR function itself are clear about milestones and objectives.

The program should be constructed around the key announcements of quarterly, half-year, and annual results, together with other major events whose date is known well in advance, such as publication of the Annual Report and the Annual General Meeting (AGM). Other critical developments that do not necessarily occur according to a timetable, such as a takeover announcement, a new CEO appointment or the launch of a major new product line, can be included as needed.

The key to a successful IR program is advance planning. IR should take the initiative by drafting the schedule, gaining approval for it from senior management, and ensuring they will be available for engagements during the year that require their participation.

The IR program should be kept under constant review in line with any changing needs of the company. The opinions of the investment community should be sought on how to enhance disclosures, earnings materials, earnings calls, and other key elements of the program. Other departments in the company should also be asked for their feedback.

Good use should be made of relatively quiet times between major items in the calendar. These are opportunities for IR to develop relationships with investors, conduct perception surveys and shareholder analyses, identify speaking engagements for the senior management at high profile conferences, upgrade collateral including the IR website, and other activities that support the IR program.

3.1

Program Messaging

The IR program should deliver clear and simple messaging to the financial community that clearly articulates the company's investment case. Key messages should be repeated at every suitable opportunity so that they form part of the company's identity in investors' minds. They can be reinforced by more specific messages to address particular matters as the need arises.

Considering existing market perceptions, key messages should be developed around a small number of topics including:

- The company's track record of expansion and development
- The growth prospects of the markets in which the company operates
- The corporate strategy and its objectives that will deliver long-term success
- The quality of management including their ability to innovate and seize opportunities
- The company's financial strength particularly in earnings growth
- The company's ability to respond to market headwinds or to address issues in the business

The messaging should rely heavily on facts and data about the company's products or services, finances, and markets to validate the points being made. It should also be aspirational and optimistic, without being unrealistically confident, to encourage investors to buy into the equity story. It is crucial to invest significant time and thought into developing and refining the right messaging, so that the company stands out against its peer group and in the market as a whole.

3.2

Program Resources

The best IR program backed by excellent messaging will falter if it lacks the right resources to deliver it. IR should work out exactly what is required for the tasks ahead, starting with the capacity of its own team and the input and help needed from other departments, and the tasks that are better outsourced to external service providers. This is often a difficult judgement call. External suppliers can be expensive, but in many cases have expertise that is not available internally. Specialist IR firms can provide first class writers with extensive capital markets experience as well as high quality audiovisual and design capabilities, freeing up the company's IR team for other tasks such as focusing more on relationships with investors and analysts, and in providing market feedback to the management.

When discussing its needs with senior management, IR should consider seeking additional resources for some of the larger events that it is planning, or hoping, to stage. Management may see value in spending extra on a video, for example, or a conference with a larger number of investors than originally suggested, if IR clearly articulates the justification. Cost lines can also be shared with other departments where it can be pointed out that they are benefiting, such as the PR department if premises will be hired to conduct interviews with media as well as meetings with investors and analysts.

Resources should also be set aside for training, such as spokespersons being coached on how to deliver a compelling presentation and handle hostile questioning, and in continuously developing the IR team capabilities. This is another area where hiring an external provider can be worth the cost as the expertise is often not available in-house.

3.3

Key tasks in the IR Calendar

Financial Results

The company's financial results, often referred to as earnings results, set the agenda for how it is understood and valued by the market. The regularity of the results announcements makes them an ideal platform for consistent reinforcement of key messages. They should be used to creating a coherent and evolving narrative for the company.

For listed companies in Saudi Arabia, the Capital Market Authority (CMA) has outlined timelines for the reporting calendars. On the Main Market, results must normally be announced quarterly within 30 working days of the period end. On Nomu - Parallel Market, the requirement is less rigorous, with only half yearly results required and 45 working days allowed before results need to be announced. On both markets, full year results must be announced within 3 months.⁶



Earnings call script and Q&A



Media toolkit and interviews



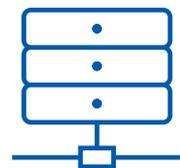
Factsheet



Website updates



Investor newsletter



Analyst pack

Best Practice Earnings Toolkit



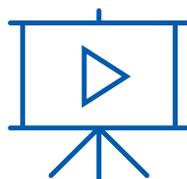
Saudi Exchange announcement



Earnings release



Supporting social media content



Earnings presentation

Preparation

Investors expect international best practice in the quality of results announcements and the way they are presented to the market. Thorough preparation is required, and the market should be informed about the date of the results announcement well in advance. The company is likely to work on the preparation with its corporate broker, an advisory firm that is an interface between the company and the investor community ensuring the right investors attend the earnings presentations.

The results announcement should include all the key financial and operational figures that investors expect including revenues; gross and net profit and EBITDA; profit margins; and assets and liabilities. It is acceptable to emphasize certain figures more than others to help investors fully understand the company's development and strategic direction; the appearance of cherry-picking should be avoided however as it may be counterproductive. The presentation and other collateral may also give

⁶ Rules on the Offer of Securities and Continuing Obligations. Available at https://cma.org.sa/en/RulesRegulations/Regulations/Documents/OSRCI_en.PDF

more detail about some parts of the company's business than others, so that investors focus on the most significant aspects

The performance of the company's peer group should also be taken into account, as well as the content and tone of their investor presentations, as investors will certainly make comparisons. IR should also contact investors and analysts to gauge their sentiment and identify any concerns they may have so that they can be addressed when the earnings are announced.

Crafting such content and delivering a compelling investor presentation is a difficult and complex task that is best begun many weeks before the earnings announcement must be made, with many rounds of discussion and revision to be expected before the final version is reached.

Analysts' forecasts also should be published on the company's website to generate an accurate consensus and help monitor market expectations.

Tasks

- Map our plan and results day timetable, engage internal stakeholders for input (financials, operational updates).
- Develop key messages based on internal input and draft financials, draft IR toolkit materials. Update IR model.
- Prepare media plan, confirm earnings call details, gather market sentiment to identify key issues.
- Set up post earnings call investor meetings, and media interviews. Review IR toolkit materials.
- Rehearse earnings presentation and Q&A. Sign of all documents. Confirm meetings and interviews.

As the results announcement day draws closer, IR should contact investors and analysts to confirm their attendance at the earnings call. This is normally held on the same day as the announcement, though it can sometimes be a day or two later. IR should also work with the PR department to ensure that Results Day interviews by senior executives with key media are arranged well in advance.

It is vital that the spokespersons who will deliver the earnings presentation are fully involved with preparing it and that they rehearse sufficiently to address its content and be well positioned to manage the Q&A session that immediately follows it. All kinds of questions should be anticipated, ranging from strategy and company leadership to enquiries about changes in the cost of sales and obscure items in the balance sheet. IR should make sure that management are well versed in how to address difficult and challenging enquiries, even though preparing for these is not always a comfortable exercise.



Results Day

Indicative Earnings Results Timetable



Crafting Earnings Announcements

A results announcement should be issued as a disclosure on the website of the Saudi Exchange in line with the CMA's Instructions for Companies' Announcements regulations. These include revenue, gross profit, operating profit and net profit (or losses), as well as total comprehensive income, including comparisons with the same period from the previous year. Reasons for changes in profit should be given and the company may add further information if it wishes.

In parallel, a more detailed statement, often referred to as an earnings release, should be issued along with the disclosure on the Exchange. This needs to satisfy several audiences simultaneously – investors, analysts and media, internationally and regionally. As well as including the same figures as the disclosure, it often includes more detailed information such as margins, cashflow and further balance sheet information as well as revenue and profitability broken down by business sectors within the company. The release should explain the reasons for changes in numbers from the previous period, whether positive or negative, at greater length than the disclosure does. It is also an opportunity to present the operational performance of the company in general, the operational environment and overall market dynamics, and the progress of previously announced business plans and objectives. For example, if sales costs have risen for reasons beyond the company's control, impacting profits, this should be clearly stated. A sudden increase or decrease in sales in a product line or service should be highlighted, with reasons. The company's progress on ESG matters should always be emphasized as many investors see this as integral to every company's business.

A forward-looking element should be included in the release to outline the near term prospects and future strategy, including an explanation of how the company intends to reach its goals, for example by raising capital or entering new markets. This element can be fairly high level, but specific enough to enable the market to form a view about the company's ambitions and capacity to achieve them. The earnings release should also tell a compelling story, and supportive data, which will stay with many of its readers long after they have forgotten the financial details. Its headline can focus on a simple theme, such as a continuing track record of rising

profits, or development of new product or service lines. This can be repeated in the first paragraph and emphasized again in a quote by the CEO. This story will influence the perception of the company as a brand as well as a business and it is worth devoting considerable time to deciding what this high-level messaging should be. The quality of the writing is also critical. Senior management putting their heads together with IR might supply the big idea, and the finance department can contribute the numbers that back it up, but a specialist writer should be asked to craft the words that will keep the reader scrolling down the page for more. In a well-written release, any negative aspects of the company's performance will be mentioned appropriately in the interests of transparency and balance, but the reader's attention will be drawn to the positive.

Journalists in particular will focus on the simple, high-level messaging. Even if they do not repeat it in full, as many like to find their own angle, a flavor of the release's narrative may well find its way into their articles.

[Refer to detailed guide on page 63.](#)

Earnings Presentation

The earnings presentation, based around PowerPoint slides and delivered to investors and analysts by senior management, should cover the same ground as the earnings press release, but in much more detail in terms of the financials and business performance. Ideally, the CEO will begin the presentation, handing over to the CFO and perhaps the COO at appropriate points. The slides should begin with a high-level introduction of the company, followed typically by a brief look at the latest period's key financial highlights. Then the market and competitive landscape in which the company operates can be outlined, followed by a detailed business and financial performance review. Finally, the company's strategy and prospects are highlighted. Presentations often take 20 to 30 minutes. As with the press release, the messaging and flow of the presentation require careful thought and preparation, care should be taken to design slides that are easy to understand and attractive to look at, with charts and tables clearly labelled. Financial information can often look very cluttered unless it is clearly laid out. The presentation is followed by a Q&A session, which often lasts longer than the presentation itself.

As well as the extensive preparation that they will have done for this session, the spokespersons presenting should bring detailed notes to refer to for factual information and corporate messaging.

[Refer to detailed guide on page 64.](#)

Earnings Call

With the improvement of video conferencing technology, it has become increasingly common to use this method to deliver earnings results. As shareholders around the world can take part, this creates a level playing field, as they all receive the information and can ask questions at the same time. English is the preferred language on the main market, though the presentation slides and all related collateral should also be published in Arabic in line with market expectations.

A moderator, often part of the corporate broker team, opens and closes the earnings presentation call and manages the Q&A session, including selecting questions to put forward to the company spokespersons to answer.

Companies often go on domestic and perhaps overseas roadshows as soon as possible after announcing their results. As with the initial earnings presentation, senior management should take part in these events. Feedback should be sought soon afterwards from investors and analysts, to gauge their reaction both to the results themselves and the way they were presented. New forecasts by analysts should be reviewed to enable a new consensus to be disclosed.

When a company announces its earnings, journalists expect access to senior management to discuss them just as investors and analysts do. However, it is advisable to keep press briefings separate, as journalists' questions can be very different and they usually have less background knowledge about the company. Their presence in a meeting with investors and analysts might also inhibit company spokespersons from speaking freely, in case what they say is published. Press briefings should be jointly managed by the PR and IR departments.

[Refer to detailed guide on page 64.](#)

Factsheet

Companies also often create simple factsheets that provide 'at a glance' information about them in two or three pages. They focus on the most important facts and numbers and the key messages, with a brief portrayal of the company's activities, as their purpose is to provide an overview that is far quicker to absorb than the earnings release or presentation. They can be quickly updated with every new earnings announcement and displayed prominently on the IR website.

With retail investors accounting for the majority of trading activity in the Saudi market, distributing performance information through social media channels has become increasingly important. Companies should distil earnings data into easy to digest social media content to be distributed at the same time as the press release when they announce their results.

Analyst Pack

An analyst pack can be developed to provide analysts and investors the financial, operational and ESG data they need. Analyst packs can be developed in an excel sheet format or in a more sophisticated online format. These packs usually contain historically reported financials and selected operational and ESG data in spreadsheet format, which allows analysts and investors to easily access the data required for modelling the company. This tool enhances transparency and improves investor engagement, allowing IR teams to maximize resources and better utilize the time of executive teams.

Annual Report

The Annual Report brings together all the key business and financial events and developments of the past year in one document. Investors, analysts, and media all turn to it to understand the big picture as well as the detail. It should be simpler to understand and navigate than the IR website and is a key IR communications tool to help make overall sense of the company's substantial output through various channels during the previous 12 months. Publication date should be announced well in advance.

A typical Annual Report includes a high-level opening message from the Chairman, covering performance without going into the details and also setting out the company’s overall direction and outlook. A more detailed statement from the CEO then offers a review of the business performance over the past year. The CFO writes about revenues, earnings and other financials and other senior executives might also contribute their own perspective about the business

As with all important company documents, it is best practice to publish the Annual Report in English and Arabic. Particular attention should be paid to the design, which can brighten up what can otherwise seem a somewhat dry document and help investors absorb the information more easily. Increasingly, annual reports are digital only in line with changing reading habits and to avoid using up paper and print under ESG policies. Some companies publish their Annual Reports on a dedicated microsite, rather than as a pdf. This makes its various segments more visible to search engines, and enables the use of analytics to see who is looking at which parts of the document.

The format can vary considerably, but should include:

- Business introduction and overview
- Executive and Director statements
- Corporate strategy for the coming year and beyond
- Market overview
- Business operations and performance
- Detailed financials
- Governance information including attendance at Board meetings
- Risks and uncertainties in the business
- ESG performance

Tasks

5 months 4 months 3 months 2 months 1 month



Mobily Case Study

Regional Leaders in Best Practice Annual Reports



About:

Etihad Etisalat Co. (Mobily) is a telecoms company providing integrated services to individuals, businesses, and carriers. Its network reaches all of Saudi Arabia's major cities, ending a monopoly in the country's wireless industry by providing mobile telecommunications services nationwide. Acquiring over one million subscribers in its first 90 days of operation in 2005, Mobily was named the Middle East and North Africa's fastest growing mobile operator in 2006.

Mobily's Investor Relations: Mobily won the first place for the Best Annual Report Award – Digital Category and the first place for the Best Annual Report – Print Category in the Middle East in the event organized by the Middle East Investor Relations Association (MEIRA). Moreover, the Head of Investor Relations was among the top six Best Investor Relations professionals in Saudi Arabia. These awards are a result of the votes of investors and analysts on investor relations performance and the listed corporates 2020 Annual Reports in the Middle East.

Challenge:

Mobily has been developing an Annual Report in line with regional best practice for several years. This includes a Strategic section, a Governance section, and the Financial Statements. The company has also ensured compliance with the local regulations. Mobily's challenge each year is to continue to benchmark itself against regional and international best practice, and continuously enhance the Annual Report.

In 2020, Mobily focused on four key areas for improvement. 1) To develop a fresh look and feel for the print report and a fully functional Digital Annual Report, which went beyond the high standards set the year prior 2) To enhance the company's ESG disclosure and emphasize the importance of ESG metrics to the company's values and strategic objectives 3) To provide a clear narrative for Mobily's response to Covid-19 and provide investors an analysis of measures taken 4) To clearly articulate the company's investment case.

Action:

Mobily implemented roadmap for the Annual Report with a clear timeline set at the end of Q3.

Using quarterly and investor presentations as tools to evaluate the year's performance and challenges, Mobily began to map out the content structure for the report. The development process also involved seeking continuous input and feedback from key internal stakeholders. Mobily aligns the report to meet regulatory requirements, which can be seen in the thorough governance section of the report, and ensures that key messages are well-communicated in English and Arabic.

In 2019, Mobily introduced an ESG section in the Annual Report. For 2020, this section was developed further and was included as a separate page in the Digital Annual Report. The report's content was further enhanced by adding new chapters such as a COVID-19 response and an Investment Case section.

Mobily's Annual Report film was also improved with meaningful footage and voiceovers in both English and Arabic. The CEO commented on the overarching messages for the year, and highlights were showcased through callouts and dynamic infographics.

Result:

Mobily's 2020 print Annual Report featured an improved design, integration of new strategic chapters, fresh photography and enhanced storytelling. The Digital Report has also been enhanced with interactive features, a new film and the inclusion of new chapters. Mobily has been transparent and informative in their reporting and has complied with relevant regulations. The company has received positive feedback from key stakeholders. Mobily's efforts have been recognized at the MEIRA Awards for Best Print Annual Report and Best Digital Annual Report, earning first place in both categories. The company has received positive feedback from the Board, as well as from other companies in the region, who are looking to Mobily's Annual Report as an example of regional best practice.

Annual General Meeting

The Annual General Meeting (AGM) is an important event in the calendar as the owners of the company, the shareholders, can use the occasion to hold the Board and management to account. Shareholders vote on Board resolutions such as approval of the audited financials, payment of dividends, appointment of Directors and external auditors, and other matters such as increases in share capital. Companies also make use of AGMs to give updates on their performance.

There is a global trend towards delivering the AGM as a webcast, with online voting taking place for those shareholders who do not attend physically. The practicalities of organizing and accurately tallying the voting are facilitated by the Tadawulaty service of Edaa company which offers listed companies a General Meeting management service through which the identity of shareholders can be validated and votes tallied including through e-voting.

Notice of the AGM together with the resolutions that require shareholder votes should be announced in advance as a regulatory disclosure requirement, as should the results of the AGM after the event. While many AGMs discuss straightforward affairs, shareholders have the opportunity to use them to criticize the company's strategy and performance and ask searching questions. Companies sometimes also hold other General Meetings during the year to enable voting on significant matters.

Other Presentations and Events:

As well as regular presentations for earnings and AGMs, companies with an active business agenda and IR function are likely to organize other investor events during the year. These can include:

- Non-deal roadshows
- Broker conferences
- Investor days/site visits
- Strategy presentations

Non-deal roadshow presentations, if conducted outside the earnings presentation cycle, may vary in content depending on the occasion. If conducted outside the earnings results presentation cycle. They may aim to provide a general introduction to the company to potential investors who are not familiar

with it, for example, while others will focus more on detailed financials. Sometimes presentations are given to clients of a particular broker.

Some companies hold investor days, which are all-day events where managers of operating divisions often cover the performance of and outlook for the different business areas in more detail than usual. Investor days are often held at a company's head office or other key facilities such as a factory. Such events are known as site visits. The breadth of information provided and physical closeness to the company, in addition to being present in the company's facilities, makes them popular with both analysts and investors.

Other presentations can focus mainly on high level strategy, often for the benefit of analysts and key investors.

Such investor events are ideal for introducing new potential investors to the company as well as strengthening ties with existing ones, as the atmosphere can be relatively relaxed since the focus is not on announcing earnings or any particular transaction. The company can discuss which investors to invite with its corporate broker or investment bank advisor, to determine the class of investors it intends to invite, and they should have a useful database of investors who may be interested in coming on board after a comprehensive 'getting to know you' session.

The format for these events can vary widely depending on what is most convenient, ranging from a series of one-on-one meetings with more important entities to group meetings of different sizes. While many of these meetings are likely to be virtual, it is recommended that these do not replace physical meetings altogether. Face to face contact remains an effective way to build relationships, particularly in the early stages.

Indicative IR Calendar

January

- Information materials development: website, investor presentation, rolling Q&A document, factsheet
- Peer group benchmarking
- Shareholder identification and analysis
- Investor targeting for roadshow to take place after full year financial results
- Investor targets approached
- Notice of results announcement
- Presentation training for management

February

- Analysis of results forecasts by analysts
- Announcement of full year financial results
- Presentations of results to investors and analysts/ webcast
- Roadshow meetings
- Post-presentation perceptions research
- Further preparation of Annual Report

March

- Broker conference
- Update presentation, Q&A document and factsheet
- Shareholder identification
- Publication of Annual Report
- Distribution of Annual Report to analysts and investors

April

- Publication of Digital Annual Report
- Notice of Q1 results announcement

May

- Analysis of results forecasts by analysts
- Announcement of Q1 financial results
- Presentations of results to investors and analysts/ webcast
- AGM

June

- Investor day: Site visit and in-depth discussions
- Peer group benchmarking
- Annual investor and analyst perception survey

July

- Investor targeting for roadshow to take place after half year financial results
- Investor targets approached
- Notice of results announcement
- Update information materials development: website, investor presentation, rolling Q&A document, factsheet

August

- Analysis of results forecasts by analysts
- Announcement of Q2 financial results
- Presentations of results to investors and analysts/ webcast
- Roadshow meetings

September

- Broker conference
- Strategy presentation to key investors
- Roadshow for potential new overseas investors

October

- Shareholder identification and analysis
- Notice of Q3 results announcement
- Annual training for executives on insider rules and disclosures compliance
- Kick off Annual Report planning and information gathering

November

- Analysis of results forecasts by analysts
- Announcement of Q3 financial results
- Presentations of results to investors and analysts/ webcast
- Begin drafting Annual Report

December

- Database development
- Further work on Annual Report
- Internal company perception survey of IR function
- Annual review of performance of IR consultancy

Perception Studies

At least once a year, IR should conduct formal perception research among its investor and analyst audiences to ascertain their perceptions of the company including its strengths, weaknesses and position in the market. The study should be conducted by a third party and should be anonymous. That encourages investors to be transparent and reveal opinions that they might never say to a company directly. Questions typically cover:

- Company strategy and business model
- Financials and share price
- Opportunities in the market in which the company operates
- Comparison with rivals
- Quality of company's IR engagement
- Company's ESG initiatives
- Notable strengths and weaknesses of the company

Participants may include a handful of major investors whose opinions an IR department particularly seeks, plus 15 regional and international fund managers that hold smaller stakes in the company, and another 15 that do not, for a decent range of opinion. Analysts can also be included.

Surveys are normally conducted by phone, email or a purpose-built website. Questions should be a mix of quantitative ('on a scale of 1-10, do you have confidence in the company's management team?') and open-ended ('what do you think of the company's strategy to undercut its rivals on price?').

An investor perception survey often sparks changes to a company's IR strategy. For example, if it shows that the management is seen as inaccessible, IR might arrange more one-on-one meetings.

Share Registry Analysis

A basic requirement of IR is to keep an up-to-date share registry. This tells a company who its investors are at any given time, providing a snapshot of the exact holding of every institutional and retail investor

This data can be mined for critical information. A registry analysis can show how many shares are held by regional versus international institutions, for example, and whether these are mutual funds, sovereign wealth funds, family offices, hedge funds, etc. It can also show how this mix has changed over time.

The information can be used to:

- Discover why your company appeals to certain investors and not others, which might prompt changes to your communication strategy or even business strategy
- Monitor closely who is buying and selling your shares, so that you can contact them to understand more about their perception of the company's performance, strategy, governance and transparency, and give them relevant publicly disclosed information
- Detect selling or shorting patterns, which can warn you of loss of confidence in your company
- See if someone is building a large stake, which could be a prelude to seeking to influence company policy or even a takeover bid
- Understand who are the beneficial rather than just legal owners of shares. Saudi law helps with clarifying this issue, which is a considerable concern on many markets, as explained in the Anti-Money Laundering and Counter Terrorism Financing (AML/CTF) Guide issued by the Saudi Central Bank⁷.

With Saudi companies becoming increasingly attractive to both regional and international investors, this type of analysis is more important than ever. Registry services can also include practical necessities such as counting votes at General Meetings, enabling dividend payments and ensuring changes in substantial shareholdings can be duly reported to stock exchanges. A number of international firms undertake shareholder registry work. In selecting a firm, IR should ensure it has sufficient capacity and knowledge of the MENA region.

A company can also benchmark its share registry against those of its sector peer group, or other companies across the Saudi market, to identify potential new investors. If an investor has shares in other similar businesses, but not IR's own company, IR can reach out to them to suggest a meeting to showcase the company's equity story and journey and facilitate reaching these investors. IR can also compare its strategy with those of its peers and gain insights into how it might enhance its own messaging.

⁷ Saudi Central Bank. <https://www.sama.gov.sa/en-US/Laws/BankingRules/The%20Anti-Money%20Laundering%20and%20Counter-Terrorism%20Financing%20AML%20-%20CTF%20Guide.pdf>

3.4

IR for Transactions

IPO

One of the most important events that the company manages in close and direct cooperation with the IR department. Since the company is by definition not listed before this takes place, its IR function at that stage is likely to be small and may have little experience.

It is therefore crucial for any company planning to IPO to hire effective in-house IR expertise many months before the listing is expected to take place, so that adequate preparations can be made. It is advisable also to hire the services of a first-class IR consultancy to work with the in-house team every step of the way including developing the messaging, drafting material, and handling media. IR also works closely with one or more financial advisers such as investment banks that help the company manage the IPO process.

IR preparation for the IPO should begin well before the company receives the necessary regulatory approvals from the CMA and Saudi Exchange. Many rounds of conversations should take place with senior management and advisors to decide how best to tell the company's equity story as well as its financial track record and prospects. Initial soundings of investor sentiment can take place before making any IPO related announcements.

Investors look carefully at two important sources of information once the company has announced its intention to float:

Prospectus

While much of this document is intensely detailed and technical, it also lays out the overall investment case and business strategy of the company as well as providing information about its financials. IR should be involved both in the messaging development and the writing to ensure that key parts of the lengthy text are compellingly and attractively written.

IPO Webpage

This is normally brief and to the point, setting out the equity story and providing a timetable of events leading to the listing which normally takes place a

few weeks later. The page also explains how to subscribe for shares, provides a link to the prospectus, and gives details of how many shares will be offered to the public and what percentage of the company's share capital this represents.

The company then makes a series of announcements leading up to the listing giving information about:

- Book-building period for subscription by institutions
- Initial price range of the shares
- Subscription period (if any) for individuals
- Allotment of shares including oversubscription and final price
- Expected date of listing

These announcements are made in a factual and straightforward style in line with regulatory requirements.

Roadshow Presentation

The roadshow presentations to institutional investors during this period are key to the success of the IPO. They must make the investment case in every aspect, be exhaustively rehearsed, and the management team should anticipate and address all kinds of questions. The tone must be right too; both professional and welcoming, as the company's executives giving the presentations may be meeting the investors for the first time and need to show they are looking for long-term relationships.

IPO Audiences

As well as meeting the expectations of investors, the company should remember that other audiences are also closely watching the IPO. These include customers, business partners, and the company's own staff. Communications should take this into account, especially just before and after the listing when wide-ranging media interviews should be arranged with a focus on the company's business strengths, success in the marketplace, and high-level plans for the future.

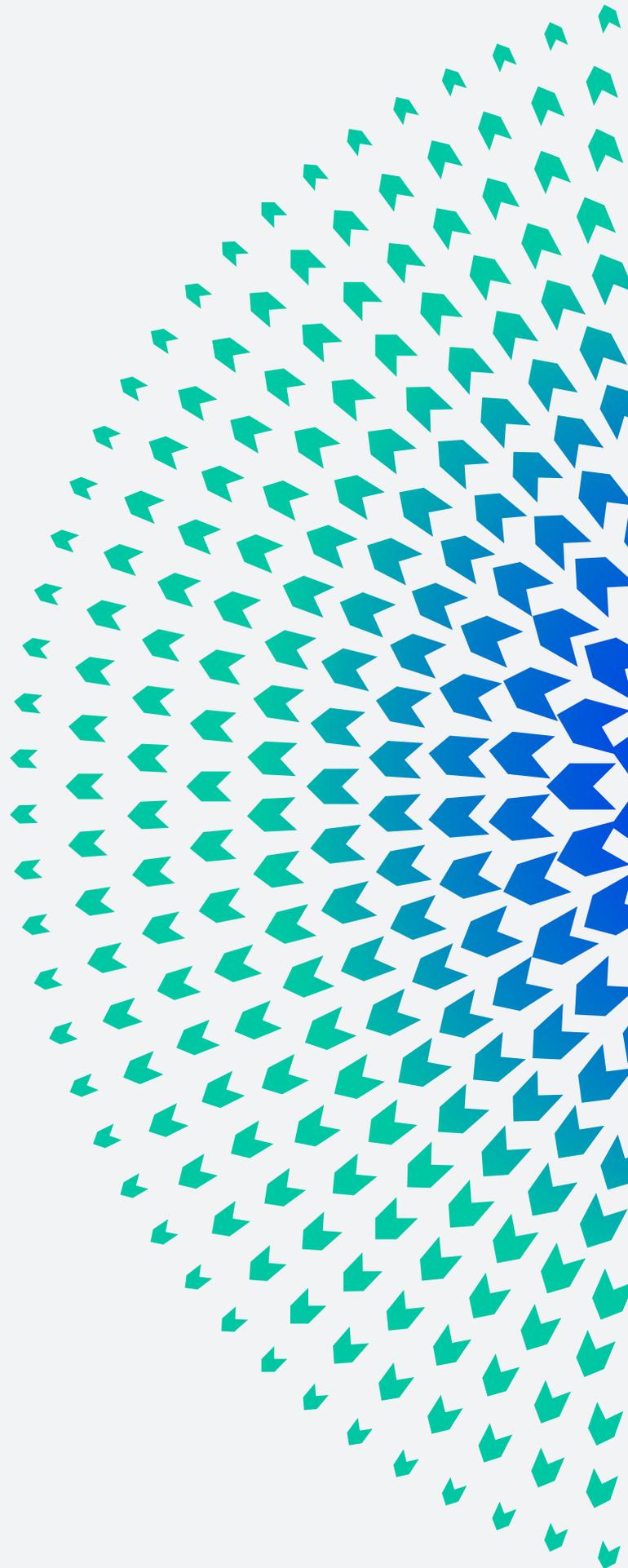
These messages should also be developed across social media, especially for companies with a young consumer base that may spend more time there than reading mainstream media outlets.

For a detailed review of IR for IPOs, IR teams can refer to the Saudi Exchange's [Listing Guide](#).

Other Capital-Raising Initiatives

Once a company has listed it may raise further capital. This is often in the form of a rights issue, in which the company grants existing shareholders the right, but not the obligation, to buy new shares. Often this is done through a prospectus and for IR the process can be similar to an IPO, though usually lower key and with less publicity. One reputational issue to be aware of is that a rights issue tends to put downwards pressure on the share price, since the value of the company has stayed the same, but the number of shares has increased. This may need to be explained carefully to some investors and media.

A company might also raise more capital through a follow-on public offering which offers shares to the public as a whole, not just existing shareholders. Saudi companies increasingly raise capital through issuing Sukuk, which would also need to be explained and marketed to investors, through presentations and roadshows. A Sukuk issuance will need to be announced through a regulatory disclosure and a press release in a similar manner to an IPO.



Theeb Case Study

From Family Business to Listed Company, Theeb's IPO Journey



About:

Theeb has developed an IR department, which can be contacted by telephone, email or in-person at the headquarters to serve investors directly.

In addition, the company has included a webpage linked to the Saudi Exchange platform to allow direct access to relevant information.

Challenge:

As a family business, taking Theeb public was a step to support the Company's growth, and set in place a structure to continue to build a sustainable and resilient business.

By going public, Theeb looked to address a few challenges facing the business. First, the difficulty in attracting top talent as a family business. Second, the need to automate financial reporting and vehicle monitoring. Third, to ensure compliance with listing requirements prior to listing.

The listing process took place while some of the Covid-19 restrictions were still in place, which added the additional challenge of arranging meeting investors while managing the daily workload.

Action:

Theeb's IPO strategy included ensuring full disclosure and transparency with investors and setting up an IPO team, separate from other departments to ensure the business continued to run efficiently.

To engage with investors pre- and during the IPO, the company brought in advisors to diversify the investor base.

Theeb further held in-person meetings, following COVID-19 safety regulations, to ensure transparency and promote the principles of trust and loyalty.

For others looking to list, it is recommended to prioritize strong corporate governance, avoid postponing the listing process and commit to a timeline, and utilize the CMA's and Saudi Exchange procedure facilitation.

Result:

The company's efforts led to increased credibility and trust from investors, and raised the company's profile among stakeholders, which in turn led to an increase in annual rental units from the business sector. Since listing, Theeb has also seen increased employee and client loyalty, with a clear vision for the future.

The success of the IPO can be measured through different metrics. For Theeb, a result of the listing was the improvement of employee retention and enhanced working environment, the improvement of internal and external reporting, and sustained revenue and profit growth.

The listing decision has also illustrated transparency to the market, which encourages competitors to take a similar step and increases the volume of competition.

Tanmiah Case Study

Tanmiah's Brand New IR Function Successfully Told its IPO Equity Story



About:

Tanmiah is a top four Saudi poultry producer and number two in the fresh poultry market where it has been expanding its market share. Planned capital expenditure in the next five years is expected to increase feed milling and processing capacities, enabling the company to capture new and emerging growth opportunities.

Challenge:

IPOs often take place around a punishing timetable and Tanmiah Food Company's was no exception. Starting from scratch, the company created a high-quality IR function that began by crafting the IPO website. A few weeks later, Tanmiah was engaging with investors in an IPO roadshow, and then managed earnings announcements following the listing. A particular challenge was to articulate the potential of a company that is not the largest in its sector but has one of the strongest track records combined with a strategy for rapid expansion. Addressing issues around the COVID-19 pandemic, which particularly affected the food sector, was also a priority.

Action:

The company drew on the help of senior executives to devise and execute its IPO strategy and engaged top quality external IR advisors. Together they prepared a compelling and detailed investment case to be delivered through presentations, the media, the company's website, and other materials.

The focus was on the company's unique business model which has led to its growth in the key sector of fresh poultry sales, as well as its sound financial fundamentals and its excellent record in awards for high quality produce. The government's support for the poultry sector, in the form of subsidies and a drive towards food self-sufficiency, was also emphasized, as well as the popularity of the company's products with consumers and the company's commitment to ESG, including managing wastewater and planting trees.

Result:

The Tanmiah offering was oversubscribed by institutional investors more than 94 times. The share price was set at the top of the range at SAR 67, and 30% of the share capital was sold as scheduled raising SAR 402 million.

The success of the communications campaign continued to be felt post-listing, with the share price rising swiftly to achieve close to what the company considered to be fair value. Media reported on the company's strong position in the marketplace and its potential for further growth. Journalists queued up for interviews, especially after the company announced H1 results with messaging focused effectively on positive results achieved.

Riyadh Cement Case Study

Investor Relations Function at Riyadh Cement Company

About:

Riyadh Cement Company established its IR function under the finance department before going public. The objective was for the IR function to support with corporate governance, conduct internal financial audits, and start communicating with investors.

Challenge:

Since listing, Riyadh Cement Company's IR team has seen increased demand from investors who seek in-depth disclosures from the company. Key challenges include:

- Meeting investor demands for non-financial disclosures including information on social responsibility, green production, employee protection, corporate social responsibility (CSR), and corporate governance
- Managing investor interactions through social media. With digital channels accessible to all, shareholders can use social media to complain, criticize or monitor the corporate governance of the company, which requires the involvement of the IR team to ensure queries are addressed promptly

Action:

Riyadh Cement Company's IR team is using a number of key performance indicators (KPIs) to assess progress against our strategic objectives, including both financial and non-financial measures. The IR program is designed to do a number of things, including:

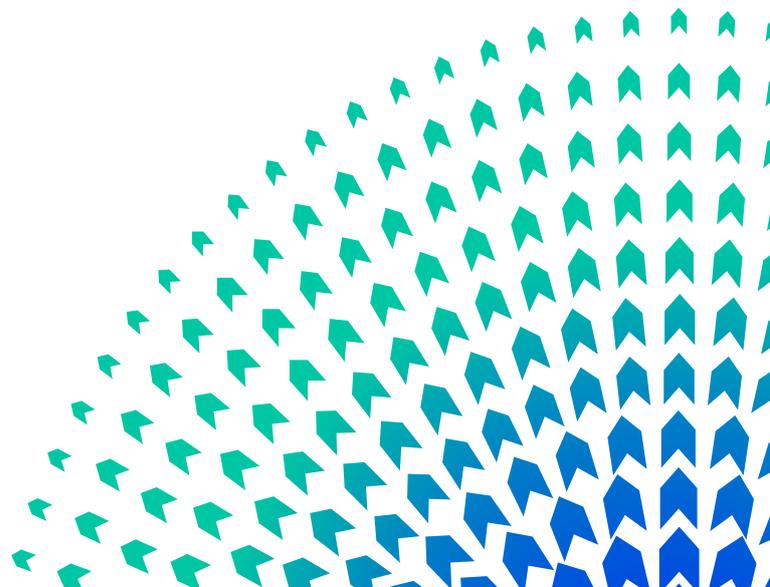
- Identifying the right team for the IR section
- Defining the function's policies and procedures
- Developing the company website
- Maintaining proactive disclosure and transparency with investors

The IR function implements their strategy by combining finance and communication to effectively control the flow of information between the company and its investors.

Result:

The results achieved include:

- Maintain a loyal shareholder base
- Enhance long-term shareholder value
- Build long-term credibility with the investment community



Dr. Sulaiman Al-Habib Medical Group Case Study

د. سليمان الحبيب
DR SULAIMAN AL HABIB
المجموعة الطبية
medical group



Investor Engagement Supported IPO by Integrated Healthcare Provider

About:

Dr. Sulaiman Al Habib Medical Services Group is a private integrated healthcare provider with a 25+ year track record for developing and operating healthcare facilities, pharmacies, and associated services in Saudi Arabia and the GCC. The Group's portfolio includes 7 hospitals in Saudi Arabia and the UAE, more than 1,900 beds and more than 1,370 clinics, 1 primary care medical centre, and the management of 1 medical centre in Bahrain.

Challenge:

In March 2019, HMG started appointing the IPO financial advisors bookrunners (together, the Joint Bookrunners) in relation to the company's IPO. CMA approved the offer in September 2019 and thereafter planning for the IPO commenced.

The onset of the COVID-19 pandemic, travel restrictions, market volatility, and an evolving digital landscape demanded an agile response in order to meet shifting deadlines and ensure the IPO was a success.

Action:

To ensure the listing was a success, HGM focused on three main strategies. 1) Proactive and early investor engagement 2) Secure independent research 3) Establish HMG's IR function in line with best practice.

The Group's management had extensive early investor engagement rounds regionally and globally, reaching out to over 1,200 investors and conducting over 200 meetings with institutional investors and fund managers.

In addition, a proactive approach was taken to speak to various sell-side houses to initiate IPO research reports to assist investors in analyzing the opportunity and achieve a wider group of local, regional, and international investors. As a result, two research teams (EFG Hermes and Riyadh Capital)

initiated a pre-IPO coverage of the Group to provide an independent and objective view of the issuer prior to the launch of the IPO. These research reports were distributed to over 6,500 clients.

The Group has applied best in class corporate governance practices with fully activated Board of Directors and committees. It has developed its policy in line with the provisions and mandatory articles of the Corporate Governance Regulations issued by the Capital Market Authority. During the IPO process, an IR team was formed with the appointment of HMG's IR Manager. The team set in place a post-listing IR strategy, with ambitious goals to provide investors access to the Company and Management. An IR toolkit was developed along with the Company's IPO and IR webpage.

In addition, to ensure high levels of disclosure and transparency, HMG's IR team rolled out an independent capital markets perception study ("IR Optic Report") by an external consultancy to understand the views of the investment community and find areas for improving both business strategy and investor communications.

Result:

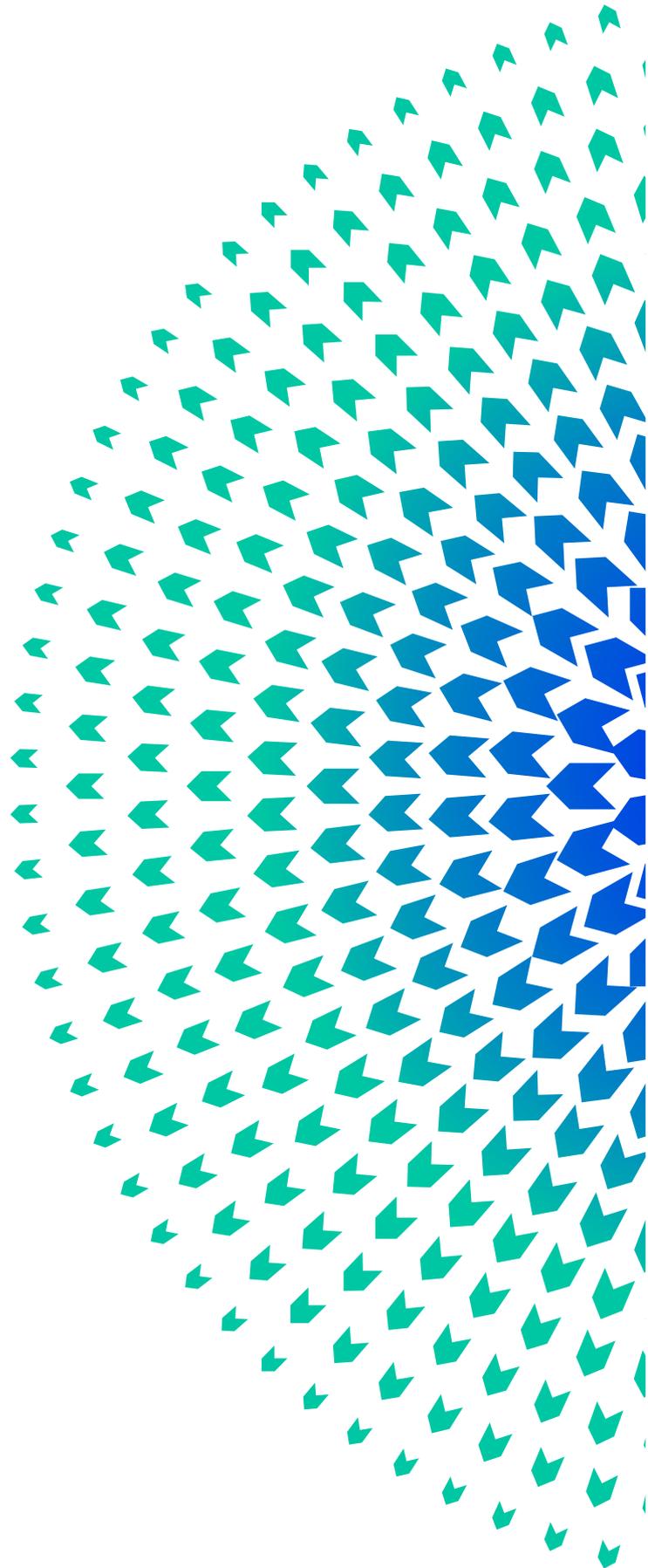
The IPO process was completed with remarkable success, which indicated the trust that investors have in the Saudi economy and the healthcare sector in general, and in Dr. Sulaiman Al Habib Medical Services Group. The offering of 52.5 million shares was fully subscribed, with a value of SAR 2.6 billion at SAR 50 per share. The IPO price represented the high end of the range that was used during the book-building period (SAR 43 – SAR 50).

Post IPO, HMG participated in several virtual investor conferences attended by 300+ investors, spending 60+ hours with the investment community to discuss the Group's strategy, financial and operational performance, and growth outlook. In addition, the IR team supported by the Group's

Management participated in 340+ virtual one-on-one investor meetings, engaging with the buy- and sell-side around the world.

Beyond its ongoing interaction with shareholders and stakeholders, the IR function celebrated two significant achievements during 2020 which included the inclusion of “HMG” into the MSCI Global Standard Index and the FTSE Emerging Market Index – a testament to the Group’s success in establishing a best-in-class IR function and delivering a compelling investment story.

Another achievement, within nine months of set-up, the IR function was recognized by the Middle East Investor Relations Association for best-in-class digital investor relations and the Group’s 2019 Annual Report, a source of great pride for a new issuer.



3.5

IR Website

The most important tool by which a company engages with investors and shareholders is its dedicated IR website.

This should provide a comprehensive database of information in a clear and simple structure so that investors and other stakeholders can easily find what they are looking for, whether it is the most recent earnings results, the company's progress on ESG, or a recent presentation to investors. A well-designed website should be engaging as well as informational, encouraging visitors to browse and learn more about the company. Videos and infographics also help make the website look attractive.

Both the content and design of an IR website should send a strong message that a company is transparent, aware of that the investment community is taking a close interest in it, and keen to engage in discussion. The IR website should be updated without delay whenever new material has been made public, such as earnings results or the Annual Report, as investors often go straight to the website when important announcements are made. Names and contact details of senior IR team members should be prominently displayed together with an invitation to get in touch to ask questions or give feedback. A poorly maintained IR website is a red flag for many investors, indicating a lack of commitment to keeping shareholders informed and indifference to the company's wider reputation with the public.

Key Elements of IR Website

About Us

- Company overview
- Strategy
- Vision, mission, values
- Fact sheet

Governance

- Board of Directors with profiles
- Senior management with profiles
- Ethics and code of business conduct
- Directors' shareholdings in the company

Operations

- Company products and services by segment
- Market context
- Plans for developing business
- Risks and challenges

Financial information

- Latest and historical earnings results
- Financial presentations
- Key financial ratios
- Annual Report
- Analyst center/pack

News

- Press releases
- Regulatory announcements
- Media articles written by the company
- Speeches by company executives

Sustainability/ESG

- Outline of ESG or sustainability framework
- Reductions in CO2 emissions, water and paper usage; energy savings and renewable energy use
- Social and human capital metrics

Shareholder Information

- Main shareholders
- Share price information including chart
- Dividend history
- List of analysts
- Analyst consensus information
- Company advisors
- AGM information
- IR contact details including mobile phone

3.6

Day-to-day Operations

In order to stay informed and alert to fast-moving situations the IR team should conduct certain tasks on a daily basis. These include:

Monitoring Security Prices

The stock price of a company should be closely monitored by the company's IR team during the Exchange's trading hours of Sunday through Thursday from 10:00am to 3:00pm (GMT 07:00am to 12:00pm). Significant or surprising share price movements should be analyzed and senior management kept informed.

There could be many reasons for this ranging from an ordinary market reaction to an event or a disclosure to possible market manipulation. If it appears that a share price movement may be due to market misconduct of some kind, the company may wish to investigate further and inform the Exchange.

Media

IR should stay abreast of reporting by the financial media so that it is aware of news that is shaping the opinions and behavior of its investor base. The way the media is reacting to the company's press releases and other statements should also be observed to refine the messaging as needed. Various companies offer specialist monitoring services of regional and international news outlets including television and radio, traditional, digital and social media, in English and Arabic amongst other languages.

Monitoring media output requires IR to work closely with the PR department. Together they can help to ensure that reporting and commentary about the company is accurate, and that journalists are not ignoring important developments that reflect well on the company. They can also keep an eye on criticism of the company or coverage of sensitive topics. Where this occurs the company can decide how best to react. It may well do nothing, on the ground that the issue is likely to fade away on its own and that saying anything would simply draw more attention. Sometimes the most effective

approach is to contact a particular journalist to share relevant background information with them and ensure they have a full understanding of the facts. In more serious cases the company might issue a public rebuttal.

Rumors in the media can sometimes cause share price movements. If the company is asked if a rumor is true, a standard initial response is that it is company policy not to comment on rumors or speculation. The company can then decide if an exception should be made in that particular case.

If a rumor is largely accurate and its underlying facts are based on inside information, a company should disclose this information as soon as possible. If it is largely false however, then it is not likely to amount to inside information. Nevertheless, companies should consider whether a rebuttal is in order to contain the impact of misleading information in the market.

Working with the PR function, it is advisable to establish and nurture relationships with the most influential journalists to ensure they have a better understanding of the company's story and the environment in which it operates.

Social Media

Companies that have an active voice on social media can broaden the reach of their communications to target audiences as well as existing and potential investors.

Social media can be used to strengthen brand identity and awareness. Just like mainstream media, social media should also be closely monitored, and similar considerations apply in deciding how to handle inaccurate information posted on social channels. Institutional investors may follow social media as part of their due diligence on a company and take note of positive or negative sentiments. They are likely to take note of comments on social media as an indicator of a company's reputation and relationship with its customers, even where the comments have nothing to do with its financial performance.

When social media is used to distribute financial news, care should be taken to write simple text that is easily understood. It can be angled to suit a

general audience rather than just investors. A link at the end can direct readers to a press release for more detailed information. Social media is particularly suited to communicating highlights of conference speeches and other IR events, often in real time to create added impact. Thought leadership can also be promoted through social media using compelling text that links to an in-depth article on the company's website.

The rules and policies that govern a company's overall communications also apply to its social media activity, including a prohibition against revealing inside information or making unauthorized disclosures. Employees who are active in a personal capacity on social media should take care not to post anything that might damage the company's reputation. Unless they are designated spokespersons, they should not appear to speak for their company in any way. They should also avoid posting anything on any subject at all that might be controversial, if it might be perceived as representing their company's opinion. They should specify that the views expressed are their own to prevent any misperceptions. Any employee who receives a request for commentary or further information about the company should inform the IR or PR departments as a priority and avoid dealing with it themselves.

Regular Contact with Investors and Analysts

Maintaining regular contact with investors and analysts is a basic IR function, even when no earnings or other important announcements are being made or perception surveys being carried out. IR should make clear that questions and comments are always welcome and that access to senior management can be facilitated, when it can reasonably be expected. Even if investors and analysts do not always wish to take up the opportunity, they should know it is available to them.

IR should always respond promptly to a question or comment, even if just to acknowledge receiving it ahead of sending a substantive reply. Responses should be scrupulously accurate and as expansive as company policy and confidentiality requirements allow.

Sell-side analysts have authority in the marketplace and can have enormous influence on a company's share price. Many investors read their research notes closely because they use their knowledge and

expertise to forecast revenues and earnings, make recommendations about whether to buy or sell, and often include a target price for the stock. They also provide useful insights into the company's business performance and position in the market compared to peers. Some analysts who build a track record of forecasting success are followed particularly closely by investors and the media. Forecasts and guidance by analysts that is generally correct helps to achieve consensus around fair value and supports investor confidence in the company. If the analysts get it wrong, investors may feel unsettled and volatility in the share price can follow.

IR should therefore monitor analysts' forecasts rigorously, especially just before and after earnings announcements, and discuss them with the authors to address any potential misunderstandings or inaccuracies. This provides a basis for analysts to modify their views if they wish. IR also need to engage with analysts effectively, and should understand their models and valuation methods, which often vary considerably from individual to individual. Contact should be handled carefully; context and broad expectations can be discussed, but it is not the company's role to try to influence an analyst's recommendation on whether or not to buy shares. Guidance should not be offered on any matter to one analyst without making it available to all other analysts and the broad investor base as this could violate selective disclosure rules.

If a company feels analysts' earnings forecasts are wrong to a significant extent, in either direction, it might issue a statement to the market to provide its own perspective with a clear rationale and the supporting facts and figures. This is sometimes known as a profit warning. It is a classic example of managing market expectations, which is so central to the role of IR.

Collateral and Databases

All IR collateral should be kept updated on an ongoing basis. This includes presentations and Q&A documents, as these may be needed at short notice. So, when a company makes a significant announcement, such as acquiring a competitor, IR should update these documents as soon as possible even if the next scheduled presentation is several weeks away. The Q&A in particular is often needed for senior management to use in meetings with investors, media or other stakeholders that are arranged on short notice. Fact sheets should also

be kept updated. Keeping the website current is a particular challenge as it contains so much material. It can involve not merely adding the latest press releases, but also rewriting an existing overview of the business to reflect the content of the release, and perhaps removing a document from another part of the site that the release has rendered out of date.

IR should maintain a database of investors in a CRM system and keep this constantly updated in line with its ongoing share registry research and analysis. The database should be broken down into useful categories. This ensures IR is not on the back foot when another department asks for a list of current investors of a particular type, such as pension funds, or in a particular geography. A similar database of analysts should also be kept. IR should also have access to PR's database of journalists and might want to build its own contact list to suit its specific purposes.

3.7

Handling Sensitive Issues and Crises

Every company listed on the Exchange faces the constant gaze of public scrutiny. This is of course to be welcomed as it provides opportunities to showcase the company's achievements and success. Sometimes, however, even the best run companies face awkward moments and setbacks that need careful handling from a communications point of view. It could be a steep drop in profits, a new product line that was launched with fanfare but failed to impress consumers, or the sudden departure of a senior executive. Unsure of how to manage the issue, some companies clam up in such situations and say little to nothing or become defensive and deny there are any problems. This is almost always a mistake. It is better to keep communicating freely with investors and other stakeholders, address the issue, and put it in the appropriate context to contain it and ensure it is not perceived to be more significant than it really is. Transparency is always appreciated and usually effective.

Crisis Communications

Occasionally a more serious issue may arise that poses a genuine threat to the company or appears

to. Every company should have a crisis management plan, formally approved by senior management and reviewed regularly. Communications should play an important part in it. The plan should identify key individuals who should communicate with each other in the event of a crisis, including senior management and the head of IR, and keep each other informed immediately about unfolding developments, and decide what actions to take.

In a crisis, a credible announcement of some kind should often be made by the company as soon as practically possible to be broadly distributed and posted on its website. If necessary, it can be a holding statement that contains little substantial information – for example, the company can say it is aware of an incident that has impacted one of its facilities and is investigating its cause and the extent of the disruption. In such announcements, the company can typically state that it will provide updates when they are available to keep investors informed and reassure them that the right procedures to deal with the situation are in place.

A later update might simply say that the cause of the incident was an accidental tanker lorry explosion and that the facility is starting to resume activities. At this stage it does not have to be detailed. The announcement will help to minimize rumors of something worse and strengthen the company's reputation for transparency. It may also have an instant positive impact on the share price. The IR team should ensure they are accessible to investors and respond to their questions quickly, even if they can do little more than repeat existing company statements. Ignoring them would make a far worse impression.

Some crises unfold over longer periods, such as the COVID-19 pandemic. Again, it is crucial to keep investors informed. Some companies did this very effectively by explaining what measures they were taking (such as work from home and testing staff for the virus) and how these ensured that the company's business continued to operate effectively for the most part, while keeping staff and customers safe. Transparent information about how the company plans to deal with setbacks is also important in a crisis. IR should acknowledge that certain business lines might be affected, for example, and explain how the company proposes to deal with this.

Fawaz Abdulaziz Alhokair Co (Alhokair) Case Study

IR Roadmap and Strategy Aligns with Company's New Vision

About:

Alhokair was formed in 1990 by Fawaz, Salman, and Abdulmajeed Alhokair. The company has since become the leading franchise retailer in Saudi Arabia and the only listed business of its type in the Middle East. Since the opening of its first store in 1991, Alhokair has grown considerably and now trades in circa 1,700 stores across 100 shopping malls in 11 countries, with a retail platform operating on a total GLA of more than 450,000m². All of this is managed by a workforce numbering more than 11,000. Alhokair currently represents over 90 brands, spanning from womenswear, menswear, kids and baby, department stores, shoes and accessories, cosmetics, in addition to operating a series of restaurants and coffee shops.

Alhokair's IR team was formed in 2021, with the appointment of an Investor Relations Manager. The team reports to the CEO and CFO and works in collaboration with the finance and legal departments, the business units' heads, and aligns with other communications functions.

Challenge:

With the retail market dynamics changing at a fast pace, a new management team was brought in to formulate a strategy in response to market headwinds and lead the transformation of the company. The onset of the Covid-19 pandemic, which resulted in retail store and F&B outlet closures, led to significant additional challenges for Alhokair, with sales and operational pressures affecting financial performance.

Gaining the support of investors was key to the success of the strategy. To this end, a new Investor Relations ("IR") team was appointed with the objective of establishing a best-practice function, enhancing reporting materials, and establishing a proactive and transparent two-way communications line with the market. The new function also aimed to address historical market perceptions and enhance the company's equity story.

Action:

Alhokair developed a one-year roadmap and strategy for IR, aligned with the Company's new vision and the key pillars of its transformation strategy.

The IR function was set up in line with best practices and guided by newly established policies and

procedures. The first steps taken was a comprehensive stakeholder mapping process as well as an informal market sounding exercise.

The focus was then applied on the IR toolkit including a new IR website and enhancements to Alhokair's reporting materials by focusing on in-depth financial analysis, comprehensive operational updates, and proactive disclosure of progress made against the strategy as well as in addressing legacy issues, including by reopening communications channels with sell-side analysts as key stakeholders of the IR function.

Alhokair's IR team took a data-driven approach to further enhance the priorities of the IR function. Every month a shareholder register analysis was conducted, which allowed the team to develop a targeted corporate access plan and measure its impact overtime. The team also conducted a formal investor perception study to understand key investors and sell-side analysts concerns and identify areas for improvement.

Result:

Since the establishment of the IR function, Alhokair has enhanced relationships with its shareholders and the investment community by committing to proactive, transparent, and consistent communications.

A new IR website and comprehensive CRM are in place and corporate access has been streamlined to optimize management's time. In the first 9 months of 2021, Alhokair participated in 6 investor conferences, conducting over 30 1:1 meetings with some 80 local and regional institutions.

In a short period of time, Alhokair has effectively communicated its transformation strategy, including through an enhanced Annual Report and quarterly earnings calls. With buy and sell-side analysts increasingly understanding the strategic pillars and growth drivers, the IR team is ready to build on the progress made to further enhance its best practice program.

IR is an ongoing process. It takes time for investor to understand your company and potential upside. Patience, consistency, and transparency are key to success.

Al Hassan Ghazi Ibrahim Shaker Company (Shaker Group) Case Study

Communicating Shaker's Breakthrough Transformation Program

About:

Shaker was founded in 1950 and was amongst the first in Saudi Arabia to introduce Air Conditioning & Home Appliances for Saudi consumers. Shaker is the importer and distributor of several leading international brands; including Maytag, Ariston, Indesit, Midea, Bompani in Saudi Arabia, and the sole distributor of LG air conditioners in Saudi Arabia. ESCO, as a business unit of Shaker, provides energy solutions.

Shaker has been a publicly listed company on the Saudi Stock Exchange (Saudi Exchange) since 2010. Throughout the years, Shaker has positioned its name among the top Saudi companies, providing a range of integrated solutions in terms of air conditioners and home appliances in the Saudi market and the region.

The IR function is led by the Company's CEO, VP of Finance and Strategy, and Transformation Director.

Challenge:

Shaker Group faced pressures related to sales revenues as a result of market challenges, including increased competition, a lackluster construction sector, unfavorable seasonality, and one of the largest oil price declines from 2014-2016. To turn the business around, Shaker embarked on a significant transformation program to improve the company's performance.

During challenging times, Shaker Group needed to enhance engagement with investors to communicate the company's expected positive impact of its Breakthrough Transformation Program. Shaker's IR strategy focused on proactive and transparent communications in times of heightened scrutiny.

Action:

Shaker Group announced the launch of its Breakthrough Program in 2019, with four pillars for improving performance.

Shaker developed a three-year IR roadmap and communications outreach program to keep the market updated on the company's performance and progress of the transformation program.

A new investor presentation and financial results materials were developed to communicate the company's performance and track progress made against the transformation program's strategic pillars. A new IR web portal was also developed to host all materials. The management also attended investor conferences and conducted regular meetings with investors.

Result:

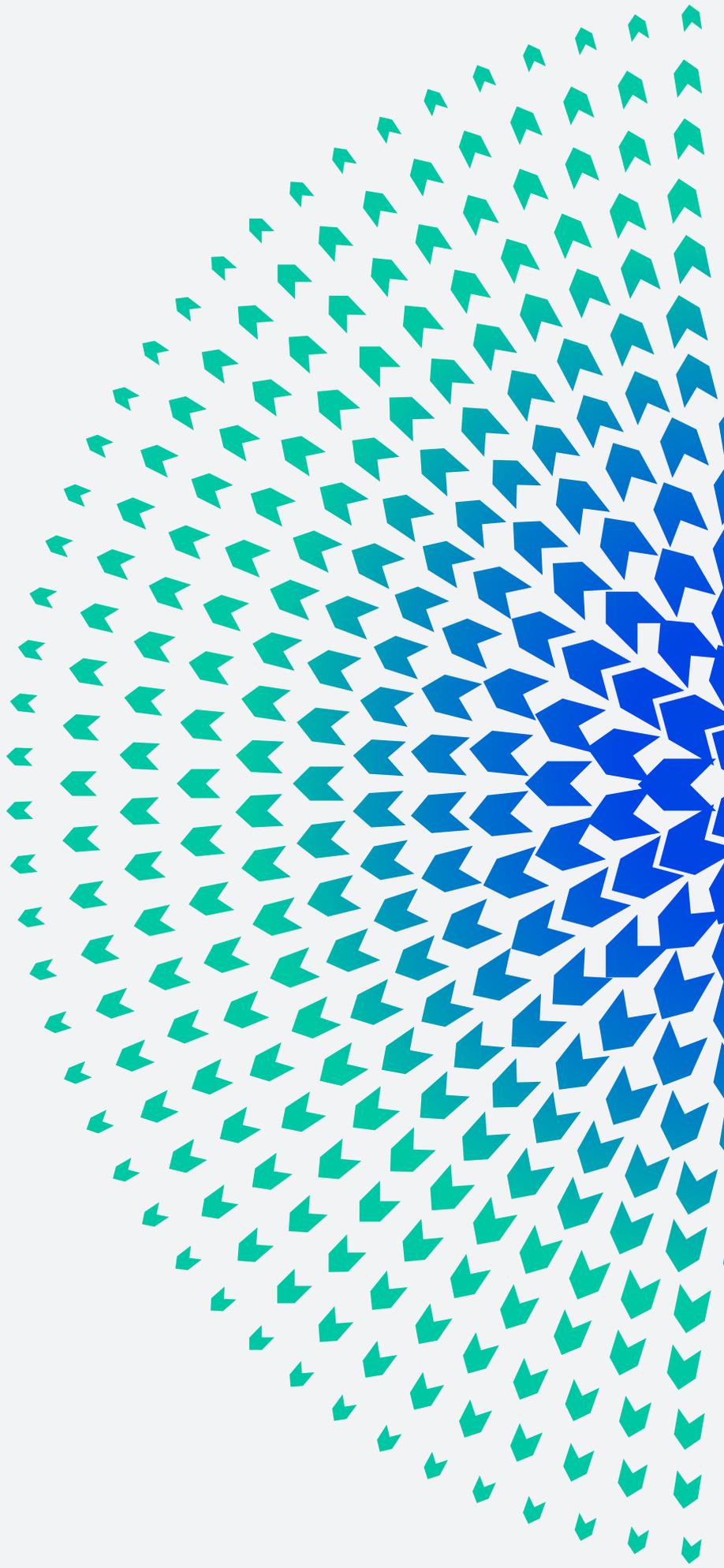
Since the launch of its new IR strategy, Shaker has built strong relationships with key stakeholders and investors and improved the IR function considerably. The company was able to maintain strong relationships with investors during turbulent times and gain the trust and confidence of international and regional investors as a result of its transparency during its transformation program.

A strong IR function which operates beyond the minimum regulatory requirements was established and continues to communicate proactively with investors.

The commitment to best practice IR has resulted in improved relationships with both buy-side and sell-side analysts, increased demand for calls from investors, and the stabilization of the Company's share price.

4

Regulatory Requirements



4.1

Key Principles

Listed companies on stock exchanges around the world are subject to a comprehensive framework of laws and regulations. Their main objective is to ensure, as far as possible, that companies are run competently and honestly and that investors can have confidence in them.

They provide an environment in which companies treat investors equally and fairly, and keep the market informed about important developments through a flow of accurate and timely disclosures.

This framework should enable investors to make informed decisions about whether to buy or sell a company's shares in a balanced and orderly market.

A well-regulated market is important not only to companies and their investors, but also to a country's economic success. Thriving capital markets lead to increasing investment in the country as a whole, expansion of successful companies, an increase in investor wealth, and national economic growth.

Key objectives of regulators include:

- Promote good corporate governance
- Promote transparency by listed companies, without compromising their legitimate commercial secrets
- Provide clarity on which types of information companies must disclose publicly and when
- Ensure level playing field so that all market participants receive relevant information at the same time
- Punish misconduct in the market that enables some investors to unfairly make financial gains and disadvantages others
- Create an environment for listed companies to thrive

4.2

Regulatory Framework in Saudi Arabia

Saudi Arabia provides robust and rigorous regulatory infrastructure for the financial markets and those who participate in them. Fundamental laws include the **Companies Law** and the **Capital Markets Law**, from which the CMA obtains its authority as the Kingdom's autonomous national regulator. Important CMA regulations include:

- **Corporate Governance Regulations** including shareholder rights; formation and composition of the Board of Directors; ethical standards
- **Rules on the Offer of Securities and Continuing Obligations** including types of security and conditions for a public offer on the Main Market and Nomu – Parallel Market; continuing obligations such as financial information and material developments; restrictions on dealing in shares by Board Directors and others
- **Market Conduct Regulations** including prohibition of market manipulation and deceptive practices; prohibition of disclosure of inside information and insider trading; definition of insiders
- **Instructions for Companies' Announcements** including announcement forms for earnings results, Board of Director changes; capital increases; dividends; annual general meetings

The Exchange's own **Listing Rules** include listing conditions for securities on the Main Market and Nomu – Parallel Market; continuing obligations including timing of disclosures; cancellation and suspension of listing.

The IR team should develop a good understanding of the above regulatory framework and the provisions that impact their role in the company.

4.3

Disclosure Obligations

The CMA's Rules on the Offer of Securities and Continuing Obligations impose on listed companies an obligation to disclose to the public any material developments which are not public knowledge and which may reasonably be expected to affect the assets and liabilities or financial position or the general course of business of the issuer or its subsidiaries. In addition, an issuer must assess whether a prudent investor would be likely to consider information about these developments in making their investment decisions.

In general, the more specific a piece of information is about a company, and the greater its impact, the greater the likelihood that it is price sensitive. Examples of information that are price sensitive include financial statements; substantial acquisitions; mergers, corporate restructurings; major investment in new product or services capacity; changes to dividends policy; major legal disputes; changes to the Board of Directors or senior management; capital increases or decreases; and a likelihood that analyst forecasts of earnings will be significantly off target.

Deciding whether a particular piece of information is price sensitive and therefore needs to be disclosed or not can have a significant subjective element and is not always straightforward. IR should always be alert to the possibility that a disclosure might need to be made. It should ensure that comprehensive internal disclosure principles, agreed with senior management, are in place so that a proper determination can be reached. Discussions should involve all relevant departments and senior management. IR should maintain and deliver on these principles based on a policy of continuous disclosures through the Exchange.

A company should make its decision carefully and may wish to consult advisors including lawyers, financial advisors, brokers and IR specialists. Early stages of negotiation about a corporate takeover, for example, or internal company discussions about possibly moving into a new market, may not need to be disclosed.

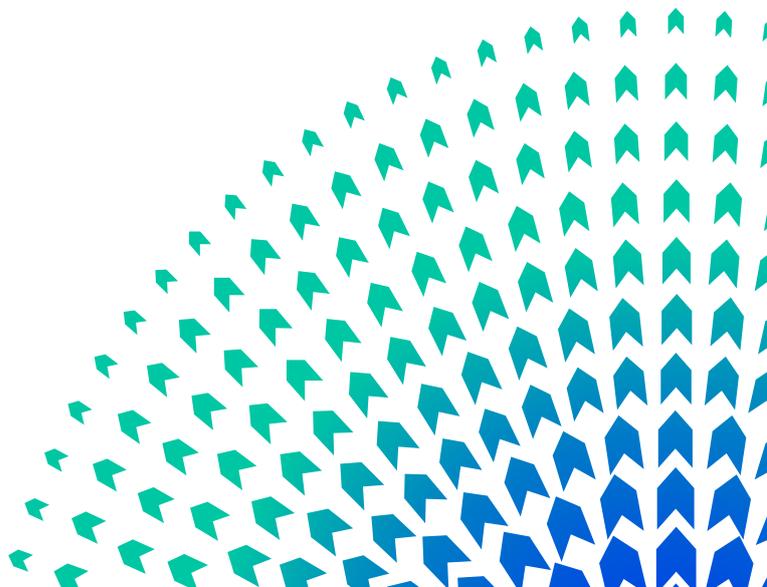
The Rules on the Offer of Securities and Continuing Obligations also list a number of specific events that need to be disclosed even if they are not material developments. Examples include certain transactions, financial losses and decisions on dividends. IR should ensure that it is aware of these obligations and ready to deliver on them.

The Rules on the Offer of Securities and Continuing Obligations require listed companies to disclose annual and interim financial results after they have been approved by the Board, CEO, and CFO. Annual financial statements must be disclosed within three months of the end of the annual financial period, and not less than 21 calendar days before the AGM.

Disclosures should be written in a clear manner providing all necessary information and should normally be made as soon as possible through an announcement in the correct format on the Exchange's website. This enables all investors to access them at the same time, ensuring fair and non-selective disclosure. The information may then also be publicized on the company's website and disseminated through press releases, social media and other channels.

Failure to comply with disclosure requirements can lead to serious consequences, including suspension from trading or even cancellation of the listing. The reputation of the company may also suffer as existing and potential shareholders may lose confidence in the company's management and its ability or desire to keep them adequately informed.

Approvals Cycle of Earnings Disclosure:



4.4

Corporate Governance

Key rights of shareholders are set out in the Corporate Governance Regulations of the CMA. They include the right to fair and equal treatment, with the Board and executive management specifically obliged not to discriminate among shareholders who own the same class of shares nor prevent them from accessing any of their rights.

A company is required to specify in its internal policies the procedures that are necessary to guarantee that all shareholders exercise their rights.

Shareholder rights under the Regulations include:

- To obtain their share of net profits which are to be distributed in cash or shares
- To attend General Meetings, take part in their discussions and vote on their decisions
- To monitor the performance of the company and the activities of the Board
- To ask to see data and information related to the activities of the company and its operational and investment strategy, without prejudice to the interests of the Company or breach of the Companies Law and the Capital Market Law
- To hold Board members accountable and file liability lawsuits against them
- To nominate and elect the Board members

The Board must make available complete, clear, accurate and non-misleading information to enable them to exercise these rights. The information must be provided at the appropriate times and updated regularly. A company is required to communicate through “the most effective methods.”

The Corporate Governance Regulations require an “Ordinary General Assembly” to be held at least once a year within the six months after the end of the company’s financial year. Such a meeting is generally known in the market as the Annual General Meeting. The date, place and agenda of the General Assembly must be announced at least twenty-one days in advance on both the website of the Exchange and the company’s own website. Shareholders must be given the opportunity to effectively participate and vote. In preparing the agenda, the Board must take into consideration matters that the shareholders wish to be listed. Shareholders holding no less than 5% of the shares are entitled to add one or more items to the agenda.

4.5

Market Conduct

Market conduct regulations govern the behavior of all market participants in securities trading. They aim to prevent some participants having an unfair advantage over others in terms of access to information and also prohibit manipulative and deceptive practices. The aim is to ensure a level playing field.

Key concepts include:

Insider Trading

Insider trading takes place when someone who possesses price sensitive information makes use of it to trade, when that information is not available to the public as a whole. Such information is called inside information. Insider trading is prohibited by Article 6 of the CMA’s Market Conduct Regulations. Insiders are also prohibited from disclosing inside information to anyone else.

The Market Conduct Regulations define inside information as:

- 1) Information that relates to a security or orders entered or to be entered for it;
- 2) and that has not been disclosed to the general public, and that is not otherwise available to the general public;
- 3) and that a normal person would realize that, in view of the nature and content of the information, disclosing it or making it available to the public would have a material effect on the price or value of the security⁸.

Much of the information that companies are obliged to disclose under the Rules on the Offer of Securities and Continuing Obligations is inside information, such as earnings statements, major investments by the company, dividend policy and changes to the Board and senior management.

⁸ https://cma.org.sa/en/RulesRegulations/Regulations/Documents/Market_Conduct_Regulations_En.pdf, page 6

To keep knowledge of inside information as restricted as possible and prevent it from leaking out to anyone else, a company should keep a list of individuals who are allowed to have access to it. People on the list are of course prohibited from trading based on the information, as is anyone else who comes into possession of inside information.

This insider list, sometimes called the inside information team, should include senior executives, as well as the nominated capital markets spokespeople and members of the IR team. Other individuals will be designated as insiders in relation to specific items of information as and when they learn about them.

An insider list needs to clearly identify each person with access to inside information, the reason why, and the date the list was created or updated. Those individuals should be informed that they are on the list.

If an individual is unsure whether information they come to possess is inside information, they should immediately inform the inside information team of their concern. In deciding how to proceed, companies should remember the importance of perception in the market; share trading that is not influenced by inside information may be perceived to be so. Insiders should therefore err on the side of caution in their personal trading. Blackout periods during which insiders may not trade, such as before earnings announcements, are an effective way to prevent real or perceived transgressions.

A company can designate external parties as insiders where it is commercially necessary to provide them with certain information, such as when earnings announcements need to be prepared. They may include financial, legal and IR advisors and other entities with which the company transacts or does business. These external parties should sign a confidentiality agreement before any disclosure is shared with them.

Companies should take rigorous steps to prevent any unauthorized individuals from accessing inside information.

In case inside information was leaked or disclosed improperly, then members of the company's inside information team should be notified immediately by IR or any other department. Improper disclosure or leakages can happen through a media interview,

or in conversations with one particular broker or investor. If the company determines that it is indeed inside information, it should announce the information as soon as possible in the proper way through a disclosure on the Exchange website.

Training should be given to senior executives, capital markets spokesmen and the IR team to ensure they are fully aware of the regulations and legislation governing inside information. The IR team should be particularly knowledgeable about the obligations and restrictions. The company should keep a comprehensive record of all relevant discussions and decisions regarding inside information and potential inside information.

Market Manipulation

A key area of market misconduct is manipulation of a company's share price. Companies should be alert to the possibility of such manipulation and report it promptly to the Exchange if it occurs.

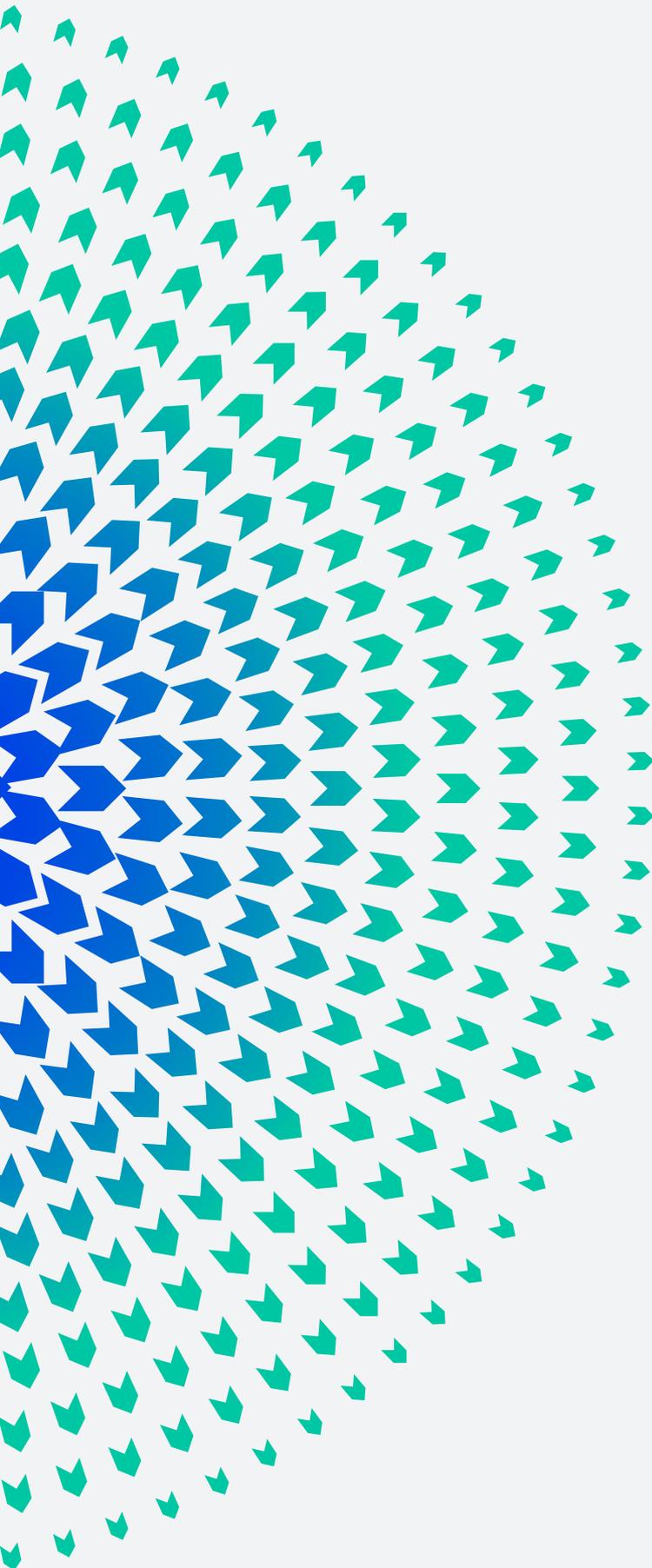
Market manipulation is the deliberate attempt by any party to interfere with the free and fair operation of the market and create false appearances, in order to artificially move the price of shares.

The Market Conduct Regulations prohibit trading that "creates a false or misleading impression of trading activity or interest in the purchase or sale of the security; or that creates an artificial bid price, ask price or trade price for the security." The prohibition covers entering an order or executing a trade by any means, including using technical tools to generate and enter orders automatically.

Examples of market manipulation that sometimes take place on exchanges around the world include:

Wash sales Creating an illusion of trading activity for a given stock. One form of wash sale is when a person sells a security to his son or a family member and then buys back the security on the same day at a higher price or lower price, depending on the illusion that the person is intending to create. The primary motive of such actions is to mislead the market in order to make unethical profits⁹.

⁹Study Material for For Capital Market Examination-1 (CME-1) of General Securities Qualifications Certificate PART 2: Securities Operations <https://cma.org.sa/en/AboutCMA/CME/Documents/Part2SecuritiesOperations.pdf>



Churning When a capital market institution advises or solicits a client to deal or deal or arrange a deal in the course of managing for a client if the dealing would reasonably be regarded as contrary to the interest of the client, having regard to the number and frequency of trades relative to the client's investment objectives, financial situation and the size and character of his account¹⁰.

Pump and dump When a person publishes untrue and misleading information regarding an acquisition offer by one company to another although he/she knows that this information is not true but spread it anyway to affect the stock price¹¹.

The Market Conduct Regulations prohibit the making of untrue statements in order to influence the price of a security, or for any other manipulative or deceptive purpose. Circulating such statements made by others, amounting to spreading rumors, is also prohibited. The CMA's Instructions for Companies Announcements stipulate that if a rumor relates to a material development, a company must decide whether it needs to publish an announcement on the Exchange website in response.

If a company is approached to comment on a rumor of any kind, it is usually best practice to initially say that it is company policy not to comment on rumors. The company can then decide if it does want to give a substantive response. Where a rumor is largely accurate and is based on inside information, including rumors that are repeated in the media, the company should disclose that inside information as soon as possible. If the rumor is largely false, it is not likely to amount to inside information. Nevertheless, companies should consider whether it warrants a rebuttal through a disclosure in order to prevent misleading information being believed.

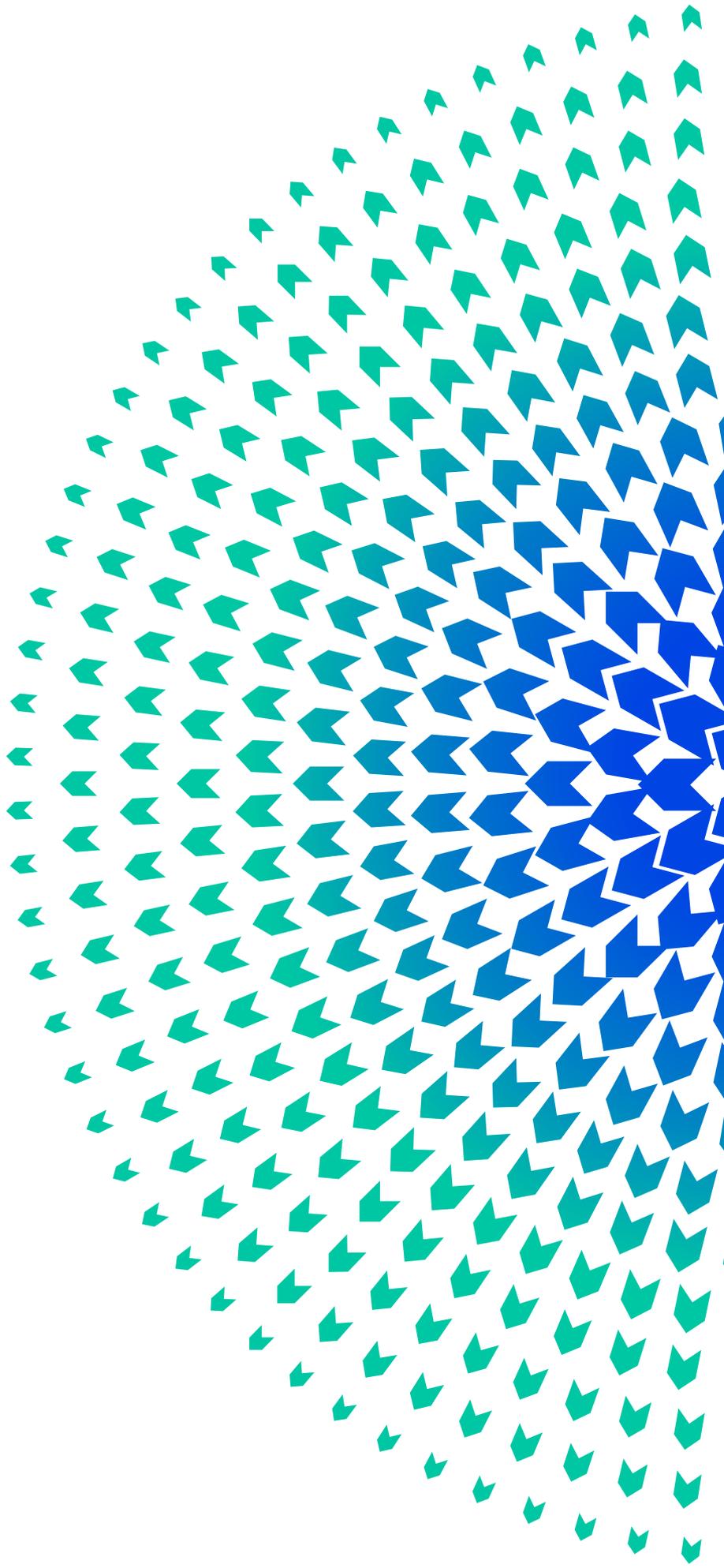
During trading hours, a company should closely monitor its stock price to see if there may have been any untoward share price movements. There could be many reasons for share price movements, ranging from ordinary market reaction to a disclosure by the company to an increase or decrease in line with general market sentiment. But sometimes the cause turns out to be market manipulation or reaction to a rumor.

¹⁰Market Conduct Regulations https://cma.org.sa/en/RulesRegulations/Regulations/Documents/Market_Conduct_Regulations_En.pdf

¹¹Examples of some violations of the Capital Market Law and its Implementing Regulations Booklet https://cma.org.sa/en/Awareness/Publications/booklets/Booklet_16.pdf

5

Measuring Value



Assessing the effectiveness of the IR function is no easy task, given that it produces no revenue or goods that can be counted. The main metric that IR focuses on, the share price, cannot easily be used to measure performance as it is affected by many factors that are beyond IR's control, such as the company's earnings and performance against its peers, the effectiveness of the company's strategy and management, and market sentiment towards the share markets as a whole or a particular country. In any case, IR's aim is not to maximize the share price but to achieve fair value, so it should not automatically be complimented when the share price goes up. If not sufficiently supported by fundamentals, an overvalued share price can be hard to sustain and have adverse long-term consequences.

Nevertheless, an analysis of the share price with benchmarking against that of rival companies and the market as a whole, should be carried out in assessing the IR function as long as its limitations are understood. It is also useful to look at the quality and stability of the shareholder base, including whether the company is attracting the types of investor it seeks such as mutual funds or foreign investors. The volatility of the share price can also be considered

Other criteria to measure IR include:

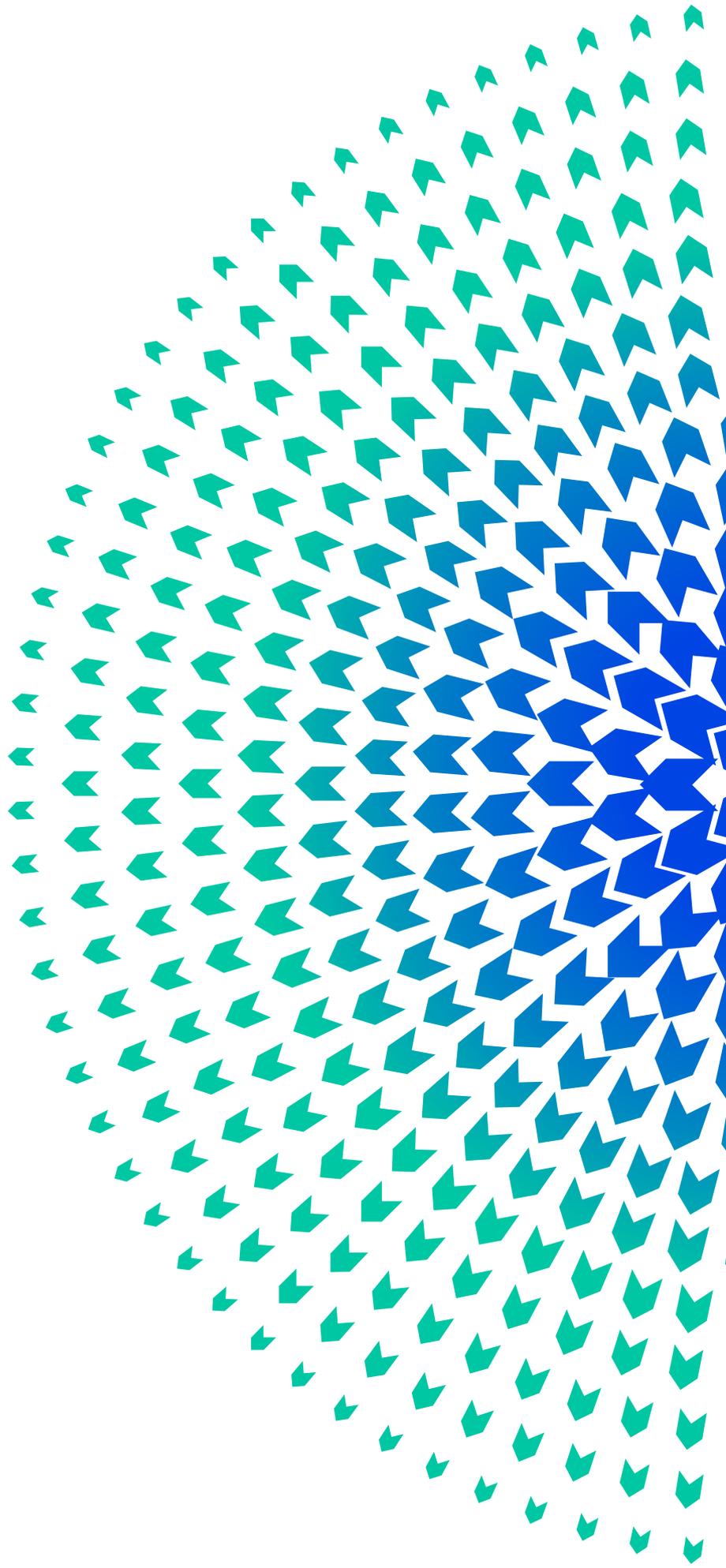
- Number and quality of sell-side analysts who cover the company, and whether their forecasts are accurate
- Number and quality of investor and analyst perception studies about the company carried out by IR
- Perception study responses to specific questions about the performance of the company's IR function
- Number and quality of roadshows, presentations and meetings with investors and analysts by capital markets spokespersons, and whether these included the main target companies
- Effectiveness of such contacts, such as the number of follow-up enquiries by investors and conversion ratios of meetings to new investors
- Diligence of IR: Including in initiating contact with investors, potential investors and analysts, including

raw numbers of contacts; time taken to respond substantively to external and internal questions; quality of IR website including displaying the required information in a timely and visually attractive manner and analytics-based assessment of public engagement

- Timely and high-quality drafting and dissemination of disclosures
- Number and quality of sell-side analysts who cover the company
- Quality of Annual Report and comprehensiveness
- Proactiveness of IR in making valuable suggestions to the Board and senior management and passing on valuable investor feedback
- Internal company surveys that reveal how other departments rate the IR function based on interaction with them
- Awards and recognition for IR function from independent bodies including best overall IR function in the region, best IR website, best Annual Report and best IR professional

The above activities can add enormous value to the company and are an important pillar of its overall success in the marketplace. They should be looked at together to form a judgment that is somewhat subjective but can indicate whether IR is performing to the standard expected or not. A well-run IR team should be confident that the effective work it is doing can be demonstrated to the Board and senior management, ensuring their continued support and perhaps securing a deserved departmental expansion.

Staying Ahead in IR



6.1

Changing Landscape

IR is developing rapidly. It is becoming more demanding, more complex and more important to the success of a company. After moving quickly from infancy towards maturity in recent years, the IR role in Saudi Arabia can now look forward to even more profound transformation. Key areas include:

Regulation There is a global trend towards tighter and more wide-ranging oversight of listed companies by regulatory bodies, to promote transparency and corporate best practice as well as limit activities deemed to be harmful. Companies need to be ever more vigilant about what they must do as well as what they must not, or risk regulatory sanction. This trend is clearly apparent in the Middle East. Companies should be aware that enforcement of existing regulations may also evolve.

Technology The increased use of artificial intelligence and machine learning will continue to change investor behavior and trading patterns. IR must stay informed of these developments in order to understand its stakeholders' priorities. Technology advances may also further impact communications between IR and investors such as digital contacts, new social media channels and more intense monitoring of trading.

ESG Sustainability is set to grow rapidly in importance as a criterion by which every company is judged by investors. Global assets under management that meet ESG standards are likely to reach USD 53 trillion by 2025, more than a third of the total, according to Bloomberg. No issuer can afford to stay on the sidelines.

Globalization The increase in international inflows to companies listed on the Exchange is bringing new attitudes and perspectives to the investor community. The way in which companies respond to these is likely to influence their progress.

Expectations Investors of all kinds may become more curious and critical about the companies they select. In an era where investments in different companies, asset classes and geographies can be made with a few mouse clicks, investor loyalty and commitment can never be assumed.

6.2

More Active Role

The ever-increasing amount of data coming into IR functions from investors, as well as going in the other direction, will require a more proactive and dynamic IR team than in the past. As well as channeling information to senior management, IR will be in a stronger position to make valuable suggestions and recommendations to enhance the company's performance.

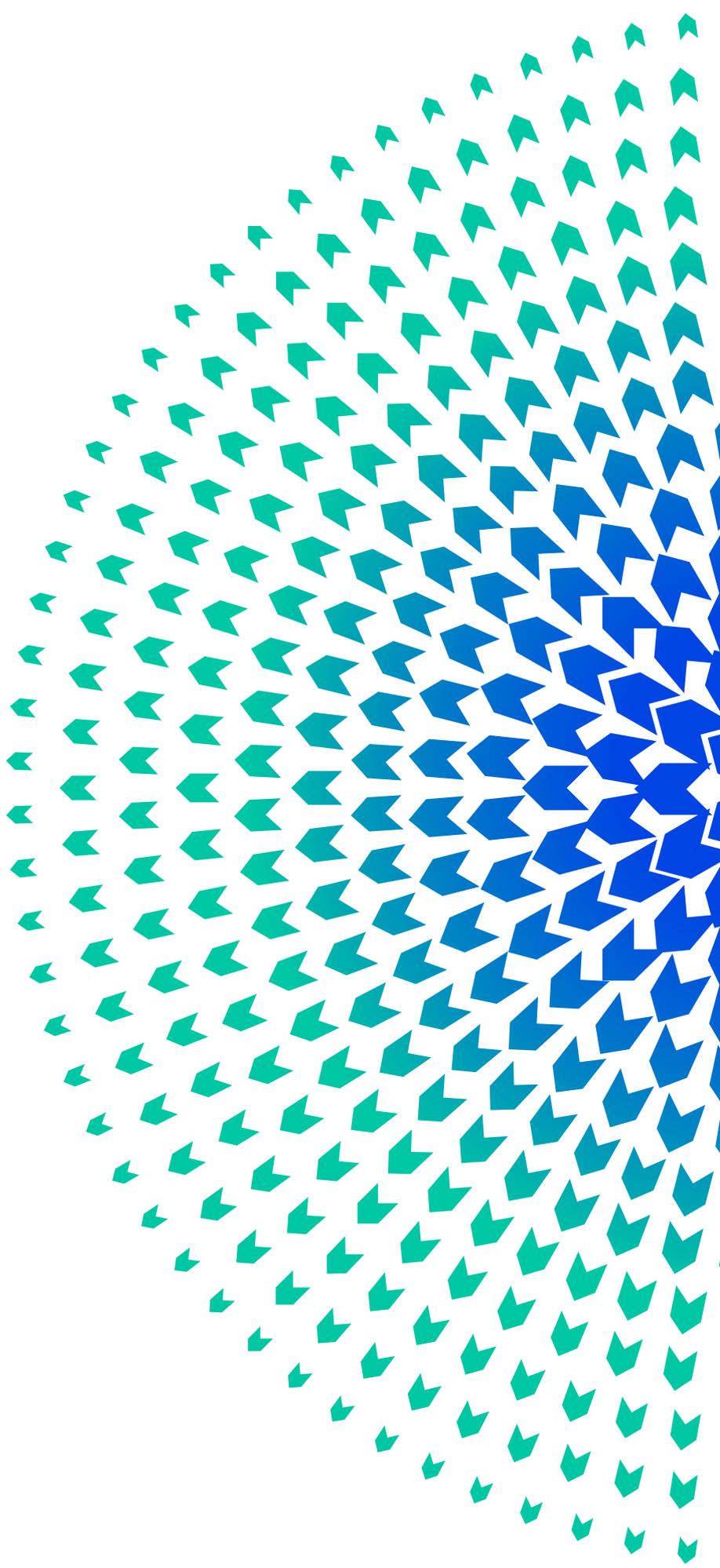
IR might be able to point out that the company can qualify for inclusion in a key ESG index, for example, by making a particular enhancement to its environmental performance, or simply by reporting more accurately to investors on what it is already doing. Or it could alert the Board to subtle changes in investment flows from East Asia to the Middle East which the company could benefit from through increased emphasis on roadshows to that region.

IR's interaction with legal, PR and business teams in the company is likely to increase as well as IR becomes more tightly integrated into the corporate fabric.

IR vigilance will also have to increase in monitoring both trading activity and traditional and social media commentary on the company, as sentiment about the company is driven by the ever expanding volumes of information. The IR role is destined to become more responsible and challenging over the years ahead, with a corresponding increase in its stature within the corporate framework.



Resources for IR teams



7.1

12 - Month Planner

Refer to indicative IR calendar on page 34.

IR YEARLY PLANNER		YEAR	
IR OBJECTIVES			
KEY INCLUSIONS	MONTH BY MONTH		
1. <u>Earnings results and call dates</u>	JAN	FEB	MAR
2. <u>Investor conferences</u>			
3. <u>Board meetings</u>			
4. <u>Dividend payments</u>	APR	MAY	JUN
5. <u>AGM, EGM, etc</u>			
6. <u>Annual report kick-off and publishing date</u>			
7. <u>National holidays in KSA and other investor markets</u>	JUL	AUG	SEP
8. <u>Capital Markets Day</u>			
9. <u>Roadshows</u>			
10. <u>Other key milestones</u>	OCT	NOV	DEC

7.2

Earnings Results Checklist



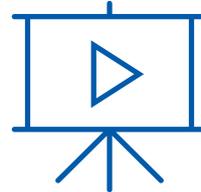
Saudi Exchange announcement



Earnings release



Supporting social media content



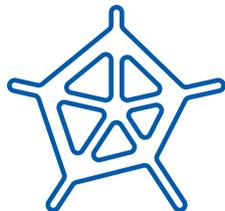
Earnings presentation



Earnings call script and Q&A



Media toolkit and interviews



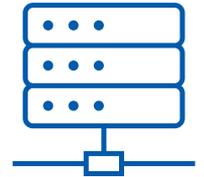
Factsheet



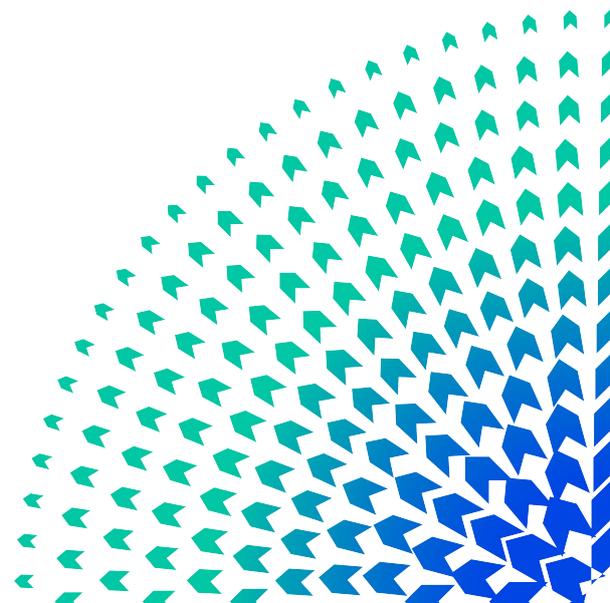
Website updates



Investor newsletter



Analyst pack



7.3

Earnings Release Guide

THE ANATOMY OF AN Earning Release

HIGHLIGHTS

- Key messages for the reporting period
- Key financial and operational metrics

FINANCIALS

- Summary of key metrics e.g. Revenue, Net Profit, EBITDA, EPS, etc
- Compare year-on-year and/or quarter-on-quarter

ADDITIONAL INFORMATION

- Summary financials
- Disclaimers
- IR website links
- Supplemental data & notes
- IR team contact details

MAIN LOGO

- Date
- Earning period

HEADLINE

- Headline that adds context and summarizes key message for the period

INTRODUCTORY TEXT

- Summary of financial results and key messages for the period, includes year-on-year and quarter-on-quarter comparisons

EXECUTIVE QUOTE

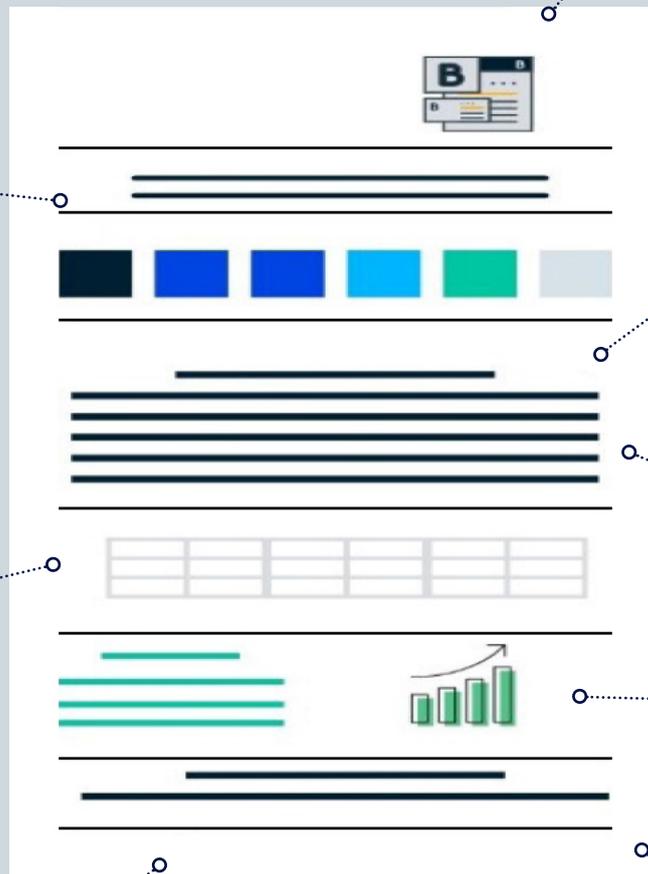
- Adds color and context around the numbers

SEGMENTAL REVIEW

- Summary of operational highlights and financial results for segments of the business

STRATEGY & OUTLOOK

- Overview of strategy and outlook for the upcoming period



7.4

Earnings Presentation Guide

Core Elements of an Effective Earnings Presentation			
Summary of reporting period <ul style="list-style-type: none"> • One-page summary for investors including key financial and non-financial metrics • Historical comparison of data; ensure metrics remain consistent 	Investment thesis <ul style="list-style-type: none"> • Clearly articulated equity story, summarized in one page 	Detailed financial review <ul style="list-style-type: none"> • Detailed review of financial for the quarter/year. Include historical comparisons and commentary • Adhere to metrics throughout the year 	Operational review <ul style="list-style-type: none"> • Review of business units, key investments or projects for the period and/or other relevant operational developments
Financial structure <ul style="list-style-type: none"> • Reconciliations and financial considerations for the period • Debt profile, if applicable 	Company overview <ul style="list-style-type: none"> • Asset map and footprint • Key information about the company 	Sustainability/ESG <ul style="list-style-type: none"> • Performance against sustainability and/or ESG objectives 	Additional information <ul style="list-style-type: none"> • Financial statement summary • IR contact details and links to website • Disclaimer

7.5

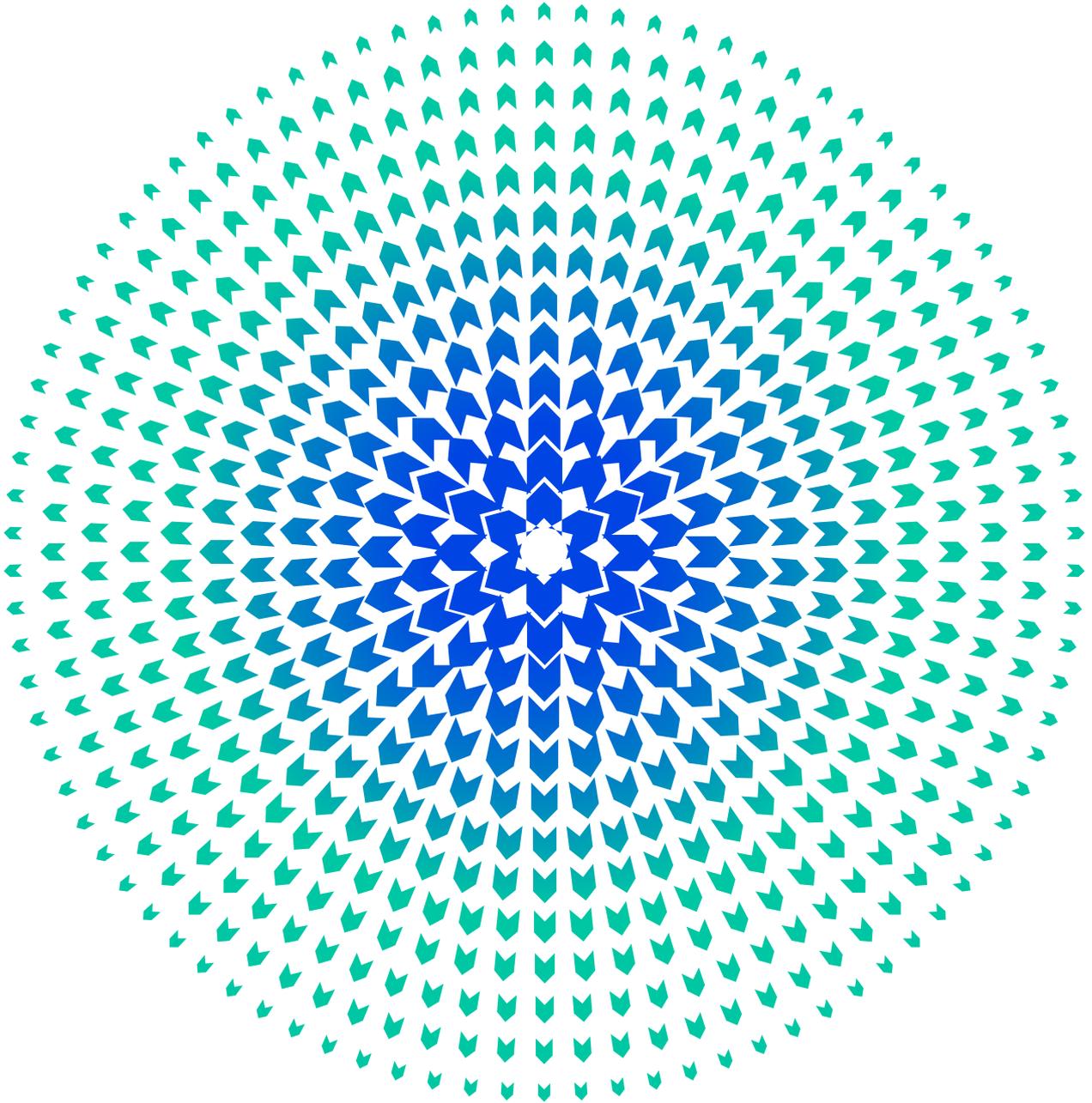
Earnings Call Checklist

- Secure call provider and prepare invitations
- Send out invitations to investor CRM
- Prepare earnings presentation, talking points/script and Q&A
- Rehearse the presentation and Q&A with the executive team
- Share the presentation with investors and analysts ahead of the call
- Join the call ahead of time to ensure a timely start
- Use the call to update investor on upcoming events or conferences
- Make your call accessible by ensuring you upload the recording and transcript on your website

7.6

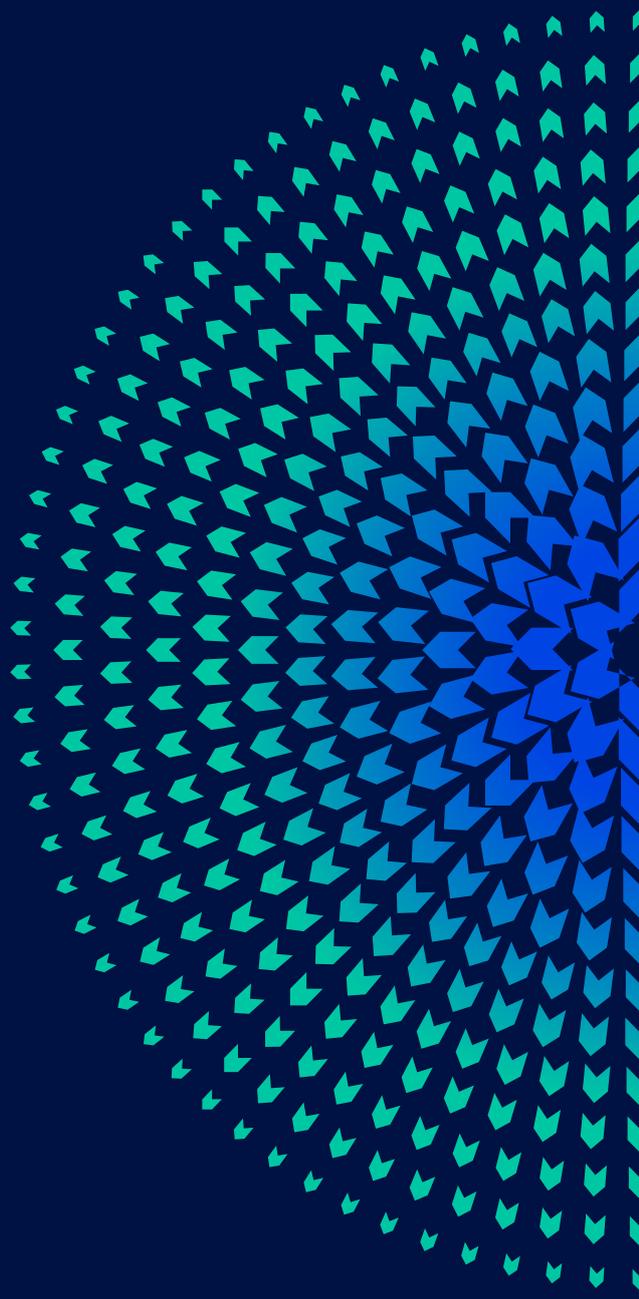
Annual Report Checklist

<input type="checkbox"/>	Identify project leader and internal stakeholders who will be involved
<input type="checkbox"/>	Map out reporting lines and approvals process
<input type="checkbox"/>	Define project completion date and production schedule
<input type="checkbox"/>	Engage external providers if required (design and content)
<input type="checkbox"/>	Define Annual Report format (print, PDF, digital)
<input type="checkbox"/>	Develop content outline
<input type="checkbox"/>	Define key messages for the year
<input type="checkbox"/>	Collate information from management and internal teams
<input type="checkbox"/>	Draft content – allow for sufficient time for changes and approvals
<input type="checkbox"/>	Gather audited financials and financial commentary
<input type="checkbox"/>	Gather relevant photography
<input type="checkbox"/>	Sign off content and design
<input type="checkbox"/>	Print/online production
<input type="checkbox"/>	Distribute to relevant stakeholders



We welcome your feedback and suggestions by contacting us via email, at:

toolkit@saudiexchange.sa



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@tadawul



For more information please visit:
Saudiexchange.sa