Citigate Dewe Rogerson

# Investor Relations Survey

# Extraordinary Times

2011

Investor Relations Survey
Extraordinary Times

Investor Relations Officers (IROs) from leading companies in Europe were invited to participate in our survey between 25th January and 11th February 2011. Citigate Dewe Rogerson sought their views on disclosure and guidance, debt IR, investor engagement, analyst coverage, their shareholder base and investor targeting activities and their channels of communication.

151 IROs contributed to our survey representing companies from 17 countries and 37 of the 39 FTSE sector indices. Participants included 27% of the FTSE100, 20% of the IBEX35, 17% of the DAX and 15% of the CAC 40.

Citigate Dewe Rogerson, April 2011

# Contents

# Executive summary

## Extraordinary Times

These are extraordinary times. Interest rates have never been lower, but as soon as the fear of deflation receded, inflationary pressures started to mount. In an uncertain world, dividend yields on European equities were higher than the yields available on government bonds, something that has not happened for the best part of 60 years. Corporate profits have been strengthening, but there are concerns about consumer demand and while companies strengthened their balance sheets, governments found themselves immersed in sovereign debt. Hopes are pinned on the private sector to drive economic growth as the state retreats.

March 2009 turned out to be a great buying opportunity, and a remarkable stock market rally has continued into a second year as value investors grew their share of company share registers. Meanwhile governments and policy makers are feeling their way through the muddle, trying to rebalance their economies without jeopardising fragile growth. The strength of the stock market rally masks huge uncertainty which is encapsulated by a phenomenon known as 'Risk On – Risk Off', an indiscriminate and crude herding strategy whereby all assets prices are driven up by optimism on one day and down by pessimism on another.

In some respects, and paradoxically as a degree of normality returns, the job for investor relations officers (IROs) will become more difficult. They will move away from communication strategies that convey clear and quantifiable messages on costs savings and debt reduction to more uncertain messages on top line growth and investment. *Extraordinary Times*, our 2011 Investor Relations Survey, reviews changes to the landscape over the past year and assesses the issues facing IROs over the coming year.

### Disclosure

*Level of disclosure rising with companies providing more information on objectives and strategy and drivers behind revenue and profit growth*

Sixty-four percent of respondents are disclosing more information on objectives and strategy. Clear communication of strategy with regular updates against progress enables companies to provide a strong narrative at all times. Increased communication in this area is in marked contrast to only 17% of respondents that are disclosing more information on the competitive and macroeconomic environment. The two areas of disclosure should go hand in hand to provide investors with suitable context that will enable them to properly evaluate strategic choices. Information on challenges and risks should also rise from the 22% of respondents that increased disclosure in this area. Increasingly, investors are focusing on risks and successful communication strategies here can reinforce management credibility which helps build trust with investors.

## Guidance

*Twenty-eight percent of companies are increasing, or are considering increasing, the amount of guidance they provide*

One reason why 72% of respondents have not changed the amount of guidance they provide, and have no plans to do so, is because many sectors already draw on a wide armoury to guide analysts. The health care and technology sectors offer the most metrics, but all but two sectors guide on an average of at least four criteria. The most commonly offered form of guidance is capital expenditure, followed by revenues, market and industry trends and margins. There remains a wide spread in the various communication channels used to share guidance. We believe that this is an area where a healthy debate into the pros and cons over which medium to use is well overdue.

## Debt IR

*Forty-three percent of companies have seen a decline in the volume of enquiries related to debt*

It is not surprising that the volume of enquires related to debt has fallen for a significant number of respondents since the financial crisis, but the fact that the majority have not seen declines suggests that debt IR will remain a major part of the IRO's brief. In fact longer term structural changes resulting from a shift into corporate bonds from equities and instances of companies issuing bonds to their customers and employees will support this. Companies are therefore right to increase the information they provide on debt.

## Investor engagement

*Lack of investor engagement is the biggest barrier to corporate governance*

The issue of corporate governance remained prominent during the past year and a number of initiatives born out of the financial crisis came to fruition. These included the Stewardship Code, which seeks to enhance the quality of engagement between institutional investors and companies to help improve long-term returns to shareholders. Forty-one percent of respondents feel that the biggest barrier to effective corporate governance is lack of engagement from shareholders. However, the onus is likely to be with companies to avoid boilerplating when they simply repeat rules and guidelines and state that they are complying with them. Instead, a more engaging narrative will help them get the attention of investors that are working more closely with their governance investment teams to make investment decisions.

## Sell-side coverage / analysts

*Coverage up, quality down, but trend improving*

Sell-side analysts are a crucial channel for disseminating a company's investment proposition and their endorsement is vital to companies. Their research remains an important piece of material at every stage of the investment process from the moment an investor becomes aware of a company to the point at which a decision is made to invest, and remains important as long as the stock remains in the portfolio. Sixty-five percent of respondents said that the number of analysts providing coverage on their company has increased over the past year. The gap between the percentage of respondents that feel that quality has declined (21%) and those that feel it has improved (17%) has narrowed.

## Shareholder base and investor targeting

*Majority report geographic changes to the investor base and an influx of value orientated investors. The lack of disclosure on short-selling and stock lending presents the biggest challenge to monitoring the shareholder base*

Over the past 12 months the biggest change to the investor base has been driven by geographic diversification by investors and the biggest change in terms of investment style mix was an increase in value-orientated investors on companies' shareholder registers. It would appear that the market rally has been fuelled not just by generous monetary and fiscal policy, but also by a view among investors that stocks were undervalued. The biggest challenge faced by companies monitoring their shareholder base is a lack of disclosure on short-selling and moves are afoot to improve disclosure regimes across Europe. Companies will hope that pan-European initiatives can cope with regional variations to produce workable solutions that do not dilute the benefits enjoyed by some countries. A roll-out of proactive disclosure rights, such as the UK's Section 793, across all countries and applicable to all instruments would be welcomed by companies to help monitor their shareholder base.

## Channels of communication

*Increase in communication for third year running*

Companies are increasing their communication across all channels, but the biggest change is represented by more roadshows and capital markets days, which is seen as a sign of confidence among respondents. It is interesting to see that 9% of respondents are planning more communication through social networks such as Twitter, up from 5% in our 2010 survey. Like many innovations, these media have powerful advocates promoting them, but most IROs are biding their time to gauge the experience of their peers and to properly understand the pros and cons. The point at which they have to engage on these platforms may be sooner rather than later as there is a significant increase in the number of respondents that say they are aware of an increase in communication between investors through non-traditional channels of communication.

**Author**
Sean Bride
Investor Relations Practice
Citigate Dewe Rogerson
T: +44 20 7282 1044
E: sean.bride@citigatedr.co.uk

For more information on Citigate Dewe Rogerson please turn to page 38

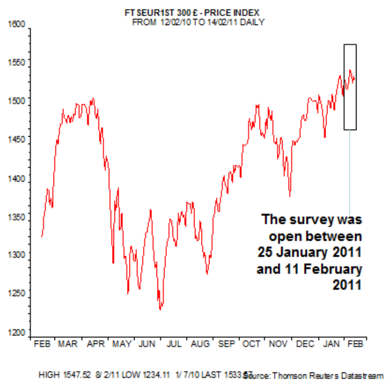
# Context

Since it hit a low point in March 2009, the FTSE-All World index has more than doubled and the rebound is being hailed as one of the greatest stock market rallies of all time. The rapid rise, however, belies a high degree of uncertainty. To properly understand this, and assess the implications for companies' investor communication strategies, we need to understand the equity market in a wider context and identify the issues driving the rally.

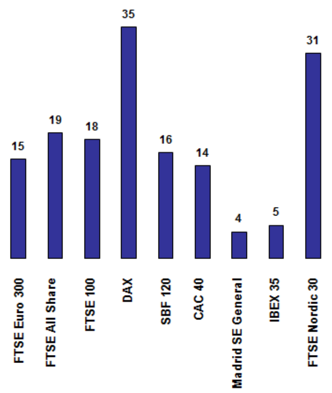
**Exhibit 1**

**Context**

FTSE Euro 300 for 12 months to 14 February 2011




Percentage increase for 12 months to 14 February 2011 for selected indices




Source: Reuters Thomson Datastream

A wider analysis of all trading classes revealed a phenomenon known as "Risk On – Risk Off", whereby the market believes future prospects are good and risk is on; or the market believes future prospects are bad and the risk is off. Relationships between assets that had rarely moved together became highly correlated. When risk is on, assets such as equities and commodities rise and credit spreads narrow; when risk is off, the assets move into reverse. This short-term herding strategy can only create difficulties for companies conveying their investment proposition. With assets driven by a single common factor, namely optimism, factors specific to a particular asset class, never mind a particular equity, fall on deaf ears. The rise in the stock market suggests that investors have been more optimistic than pessimistic and a rising tide has floated all boats. But when normality returns, company fundaments will become more important and any weaknesses will become more apparent.

As for the return of normality, the unravelling of this phenomenon will provide an indicator. Correlations generally rise during crisis periods, but the Risk-On – Risk-Off (RORO) index developed by HSBC and the University of Oxford Mathematical Institute found that correlations continued to rise after the crisis had peaked. It concludes that an absence of unsettling events, such as quantitative easing, the threat of deflation and sovereign debt risk, will need to fade before the phenomenon unravels.

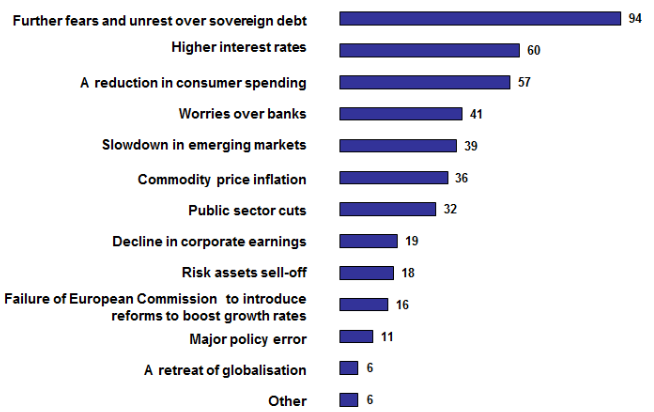
In 2009 a massive recapitalisation of the banks and deficit reduction plan saved us from a severe depression. A year later, markets realised that the liabilities and risks had simply been transferred from the private sector to the state. The resulting sovereign debt crisis remains the biggest threat to the rise in the stock market over the next 12 months according to 70% of respondents to our survey (exhibit 2). The Eurozone suffered the most serious crisis in its short history and the rules that governed it were revealed as inadequate. Although the Maastricht treaty made no allowance for rescuing a sovereign member, Greece and Ireland had to be bailed out with aid totalling nearly €200bn. Mandates to curb budget deficits to 3% of gross domestic product were unenforceable and failed to address the current account deficits run up by Greece, Spain, Portugal and Ireland during the boom. The risk to the stock market is twofold. The imbalances could destroy the rally or the plans to reduce them could choke off demand and also destroy the rally.

**Exhibit 2**

**Context**

Number of responses

**Which factors present the biggest threat to the rise in the stock market over the next 12 months?**




Notes
134 respondents answered this question.
Multiple responses apply

Generous monetary and fiscal policy have also helped to push asset prices up and our survey found that IROs believe the second biggest threat to the rise in the stock market over the next 12 months is a rise in interest rates. As the threat of deflation recedes, and is replaced by the spectre of inflation, a rise in short-term rates is inevitable. The alternative is a halt to the economic recovery if a tightening of fiscal policy subdues demand. The strength of the current rally naturally invites comparisons with previous rallies including the one that started in 1982 and heralded the biggest equity bull market in history. During the 1980s, a steady fall in interest rates helped maintain the rally. Today, although central banks, including the Bank of England and the European Central Bank, are not expected to move interest rates up from their ultra-low levels until well into this year, borrowing costs for firms can still rise as competition for funds grows. Pressure is also mounting on central banks to address inflationary pressures by raising interest rates sooner rather than later.

The rebound in corporate profits owed much to companies shedding staff and eking out productivity improvements from their remaining employees. IROs have been able to convey quantifiable messages on cost cutting measures and debt reduction. But companies cannot rely on this strategy to improve their margins indefinitely and an





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economic recovery will either raise labour costs, or higher levels of unemployment will weigh on demand and revenues will suffer. Our survey suggests that IROs are more concerned about the latter with 43% of respondents believing that a reduction in consumer spending presents a threat to the continuing rise in the stock market. Only 14% of respondents expect a decline in corporate earnings to halt the recovery, suggesting that companies can at least maintain productivity gains.

When asked what the biggest challenge was for 2011, conveying the investment story remained the most common answer, but was joined by challenges relating to the economy.

**Exhibit 3**

**Context**


Notes
90 respondents answered this question.
Multiple responses apply

In a number of cases, IROs said the biggest challenge was getting investors to focus on the fundamentals of their business rather than making broad brush conclusions based on their expectations for the economy.

"Communicating the short-term effect of the economic slowdown or slower recovery versus long-term evidence of the strategy and business improving" – The Netherlands, Consumer Services

"Explaining our fundamental growth story in the face of short-term driven market participants who are looking for quick wins" – Germany, Consumer Services

"Maintaining investor/analyst focus on longer term growth prospects and the attractive investment proposition amid a challenging current trading environment" – Not disclosed

> "Reduce volatility, increase interest on the company rather than the macro environment" – Spain, Financials
>
> "Refocusing analysts and investors on the underlying business, highlighting the scope for improvement, following a couple of years where the main focus has been on the prospects for the wider economy and the company's financing arrangements" – UK, Consumer Goods
>
> "Ongoing macroeconomic issues causing a flight to perceived safer, blue chip, dividend paying, large cap companies and consequent decline in risk appetite for smaller, less mature businesses" – UK, Health Care

The survey explores what companies are doing to convey their investment story and assesses whether they are disclosing information that will help them address the challenges they face. The conventions and rules surrounding guidance are an enduring issue for IROs, which the survey tracks closely.

To what extent is debt a distant memory for companies that in some cases have rebuilt their balance sheets, or has it become an integral part of the IRO's brief? The survey explores debt IR and shares the latest information on debt disclosure from respondents. Investor engagement remains topical and regulators in the UK, US and continental Europe are producing new guidelines. The degree to which they address challenges in investor engagement and the communication of corporate governance issues are explored. Last year the survey gauged the health of the sell-side model and this year's survey provides an update into the progress banks have made to provide even coverage across sectors and insightful research. Satisfaction with corporate brokers is also explored.

An assessment of changes to the shareholder base including shareholders by investment style is covered, and challenges involved in monitoring the shareholder base are investigated as a number of initiatives are launched to improve transparency and disclosure of shareholders. The survey also takes stock of the impact of the digital revolution on IROs as well as their utilisation of more traditional communication channels.

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The survey is based on the views of 151 IROs representing companies from 17 countries across Europe and 37 of the 39 FTSE sector indices. Participants included 27% of the FTSE 100, 20% of the IBEX 35, 17% of the DAX and 15% of the CAC 40. Citigate Dewe Rogerson would like to thank everybody who contributed.

Further classification data is provided in exhibit 20, 21 and 22 on page 35 and 36.

# Disclosure

## Level of disclosure rising with companies providing more information on objectives and strategy and drivers behind revenue and profit growth

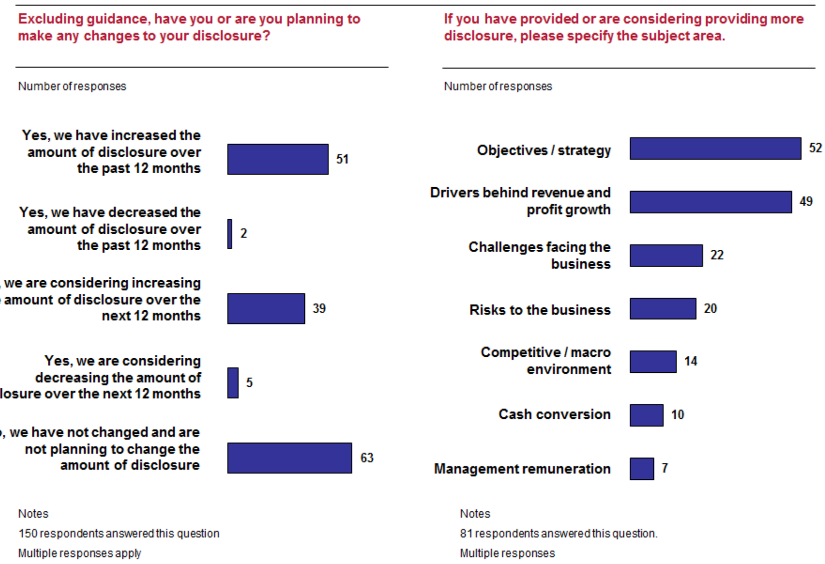
- Fifty-four percent of respondents have either increased their disclosure over the past 12 months or are considering plans to do so.
- The focus on objectives and strategy will help them provide a strong narrative to the market.
- All respondents from the pharmaceutical sector and asset management sector are increasing disclosure.

*Level of disclosure rising*

Thirty-four percent of respondents said they have increased their disclosure over the past twelve months and nine of these 51 companies are considering further increases in disclosure over the next 12 months. A further 30 companies are also considering increasing their disclosure taking the total percentage of companies increasing, or considering increasing, disclosure to 54% (exhibit 4).

**Exhibit 4**

**Disclosure**




Only two companies decreased their disclosure over the past 12 months, but a further five companies are considering decreasing their disclosure over the next 12 months. Forty-two percent of respondents have not changed their disclosure and are not considering plans to change their disclosure over the next 12 months.





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*Respondents are disclosing more information on strategy and objectives and the drivers behind revenue and profit growth*

A company needs to carefully judge the level of information it should disclose to meet the needs of investors and analysts without compromising its competitive position. We also feel there is an opportunity for companies to set the agenda by clearly stating their investment proposition and providing supporting evidence. This is most certainly the case for companies that wish to increase their following and broaden their shareholder base and who are frustrated by analysts whose research seems to be influenced purely by the financial calendar and offers little in the way of new insights. Companies should also be aware that investors will make judgements on the quality of the management team based on the information they disclose as well as how they present it. We asked respondents that had increased or were considering increasing disclosure which areas they were providing more information on (exhibit 4):

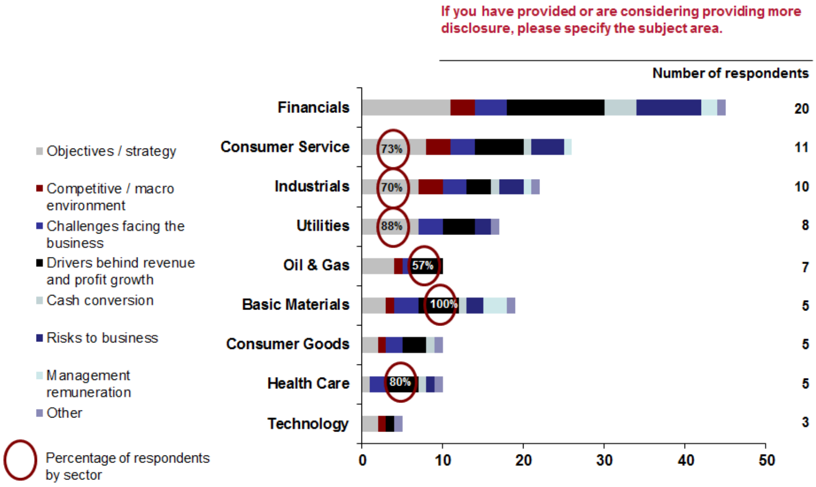
- Sixty-four percent of respondents are disclosing more information on objectives and strategy. Clear communication of strategy with regular updates against progress enables companies to provide a strong narrative at all times.
- Sixty percent of respondents are disclosing more information on the drivers behind revenue and profit growth. We would expect this area to feature strongly, particularly in the current environment. Many companies have a strong story to tell around cost savings and value-orientated investors, which have become more prominent on shareholder registers over the past year, are particularly interested in quantitative criteria.
- Twenty-seven percent of respondents are disclosing more information on the challenges facing the business. This may be relatively low because companies prefer not to mention them unless they have to. With share prices rising, there will have been less pressure from their audience too.
- Similarly, companies are sometimes reluctant to talk about the risks to their business model. Only 25% of respondents are disclosing more information on this area. Reporting on risks is still in its infancy and for too many years companies chose to avoid this area for fear of drawing attention to weaknesses in their business. The financial crisis provided a new impetus for companies to address this and fund managers and buy-side analysts are paying more attention to their governance investment teams so that they pay proper attention to business risks as part of their investment decision. Companies need to communicate risks within the context of their business model and strategy, with links to KPIs to demonstrate the likelihood and impact of key risks with clear strategies to mitigate them. This can reinforce management credibility and help to build trust with investors.
- Seventeen percent of respondents are disclosing more information on the competitive / macro environment. We feel this percentage is too low and may reflect the preoccupation of analysts with the reporting calendar or uncertainty about the economy and demand. However, we feel it is essential for companies to provide context and insight into macro-economic factors and market dynamics that affect their industry and their competitive position. In addition, they should provide commentary on trends as they see them. This allows investors the opportunity to properly evaluate strategic actions and the sustainability of performance.

**Analysis by sector**

*Pharmaceutical companies and asset managers the most proactive in increasing disclosure*

**Exhibit 5**

**Disclosure**




Notes

Bar chart excludes companies that did not provide classification data. A total of 74 respondents answered this question

- All of the respondents in the **pharmaceutical** sector have increased or are considering increasing their disclosure and 80% of these are disclosing more information on the drivers behind revenue and profit growth (exhibit 5).
- All of the respondents in the **asset management** industry have increased their disclosure and are providing more information on objectives and strategy.
- Eighty percent of respondents in the **utilities** sector have increased or are considering increasing their disclosure and of those 88% are disclosing more information on strategy and objectives.
- Seventy-three percent of **insurers** have increased or are considering increasing their disclosure and, of those, 63% are disclosing more information of the drivers behind revenue and profit growth.
- Sixty percent of **oil & gas** producers have increased or are considering increasing their disclosure and 67% of these are disclosing more information on objectives and strategy. Within the total oil & gas sector, which also encompasses oil equipment services, 57% of respondents are disclosing more information on the drivers behind revenue and profit growth.
- Fifty-eight percent of respondents in the **banking** sector have increased or are considering increasing their disclosure and 71% of those are disclosing more information on the risks to their business. None of the banks have disclosed more information on management remuneration and apparently only 29% are considering it.

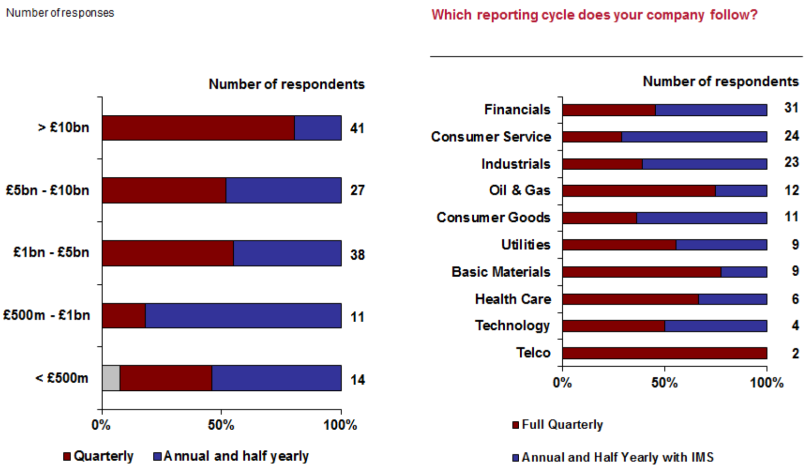
- Over half of the respondents in the **basic materials** sector have increased or are considering increasing their disclosure and all of those companies are disclosing more information on the drivers behind revenue and profit growth.
- Nearly half of the respondents in the **consumer service** sector have increased or are considering increasing their disclosure and 73% of those companies are disclosing more information on objectives and strategy.
- Forty-two percent of respondents in the **industrials** sector have increased or are considering increasing their disclosure and 70% of these are disclosing more information on objectives and strategy.

*Half of respondents follow a full quarterly reporting cycle and half provide annual and half-yearly reporting with interim management statements (IMSs)*

As you might expect, the company's market capitalisation has a bearing on its reporting cycle. Eighty percent of the largest respondents, defined as those with a market capitalisation in excess of £10bn, have a quarterly reporting cycle (exhibit 6).

**Exhibit 6**

**Disclosure**




Notes
150 respondents answered this question.
Bar chart excludes companies that did not provide classification data

However, there is a significant proportion of large companies with a market capitalisation between £5bn and £10bn that does not follow quarterly reporting. Forty-eight percent of companies in this band provide annual and half yearly reporting with interim management statements.

Of the small to mid-cap companies with a market capitalisation below £500m, 36% follow a quarterly reporting cycle, which is actually higher than the companies with a market capitalisation between £500m and £1bn (18%) and the companies with a market capitalisation between £500m and £1bn (29%). The sample number is, however, quite small totalling five companies and one of these companies is switching to less regular reporting. Of the four remaining companies, three are listed in Spain.

The proportion of companies considering any changes to the frequency of their reporting is very low at 7% of respondents. In the majority of cases, these do not represent wholesale changes and are adjustments where a sales update or pre-close statement is dropped because it is too close to an IMS. There is no appetite for any increases in the frequency of reporting.

# Guidance

## Twenty-eight percent of companies are increasing, or are considering increasing, the amount of guidance they provide

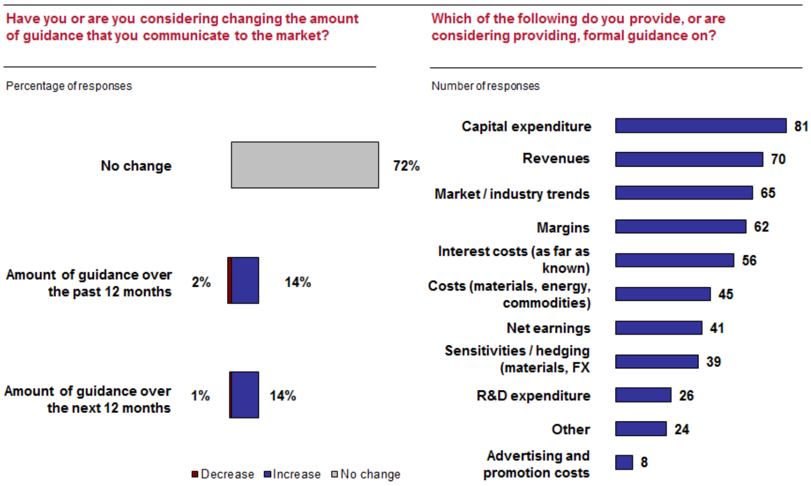
- Fourteen percent of respondents have increased the amount of guidance over the past 12 months and a further 14% are considering increasing the amount of guidance they provide.
- Capital expenditure is the most commonly offered form of guidance, followed by guidance on revenues.
- Eighty-five percent of respondents share their consensus forecast with the market.

*Percentage of companies increasing guidance falls*

Seventy-two percent of respondents have not changed the amount of guidance they communicate to the market over the past 12 months and have no plans to do so over the next 12 months (exhibit 7). This is up from 63% in 2010.

**Exhibit 7**

**Guidance**




Notes
146 respondents answered this question
3 (2%) companies have both changed and are considering changing their guidance

Notes
123 respondents answered this question.
Multiple responses

Fourteen percent of respondents said they had increased the amount of guidance they communicate over the past twelve months and three of these companies are considering further increases over the next 12 months. A further 15 companies are also considering increasing their guidance bringing the total percentage of companies increasing, or considering increasing guidance, to 28%, the same percentage reported in our 2010 survey.

The reason for this could be that companies feel that they are providing sufficient guidance and in all but two sectors, companies are using at least four criteria to guide analysts (see below). Another reason the number of companies increasing guidance is lower than last year will be on account of uncertainty in the economy, which makes forecasting demand more difficult. Of the companies decreasing guidance, respondents that volunteered reasons have decided that they do not want to be hostages to fortune and are withdrawing actual numbers or specific numeric targets.

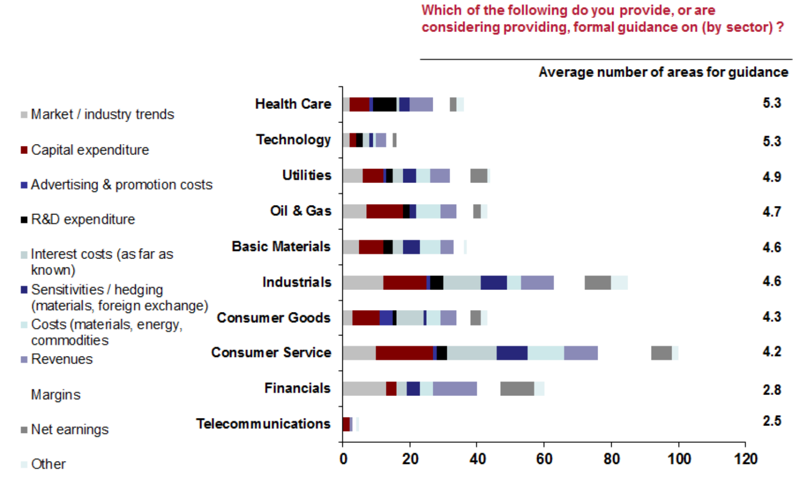
Of the companies increasing guidance, some are using more metrics, both non-financial and financial, some are providing specific financial information such as tax rates, currency rates and financing charges, some are making alterations to the time frame, both short-term and long-term, and some are talking about specific projects or regulatory issues.

**Analysis by sector**

*The health care and technology sectors use the widest armoury to guide analysts*

**Exhibit 8**

**Guidance**




Notes

Bar chart excludes companies that did not provide classification data. A total of 123 respondents answered this question

- In the **health care** sector, respondents use an average of 5.3 criteria to provide guidance with one company using as many as seven criteria and no company using less than four. The most common criteria are R&D expenditure and revenues, which are used by 100% of health care respondents.
- Our sample in the **technology** sector is too small to draw definitive conclusions, but the three companies that answered this question also use an average of 5.3 criteria to provide guidance. One company uses as many as eight, another six and the third company relies on only one. All three companies guide on revenues.
- In the **utilitie**s sector, respondents use an average of 4.9 criteria to provide guidance. The most common criteria are capital expenditure, revenue, margins and market and industry trends, which are used by 67% of respondents. More respondents use market and industry trends in the utilities sector than in any other sector.
- Industry and market trends are also popular in the **oil and gas** sector where 64% of respondents use these criteria for guidance. The same percentage guides on

costs, but the most common metric is capital expenditure, which is offered by 100% of respondents. Respondents in the oil and gas sector use an average of 4.7 criteria.

- In the **basic materials** sector, respondents use an average of 4.6 criteria to provide guidance. The most widely used criterion is capital expenditure used by 88% of respondents followed by costs (materials, energy, commodities) used by 75% of respondents.
- In the **industrial**s sector, respondents also use an average of 4.6 criteria to provide guidance. Perhaps reflecting the diversity within this sector, this average includes one of the highest ranges with two companies using as many as ten criteria and two companies relying on one criterion. The most widely used criterion is capital expenditure used by 68% of respondents.
- In the **consumer goods** sector, respondents use an average of 4.3 criteria to provide guidance. The most common criteria by a considerable margin were capital expenditure and interests costs used by 80% of respondents. As you might expect, this is the only sector where more than one company provides guidance on advertising and promotion costs.
- Along with the industrials sector, the **consumer service** sector has the highest range with a general retailer and a media company relying on one criterion at one end of the scale and one travel and leisure company deploying ten criteria. Overall, respondents in this sector use an average of 4.2 criteria with capital expenditure used by 71% of respondents drawn mainly from the retail and travel sectors. Sixty-seven percent of respondents in the consumer services sector provide guidance on margins.
- The number of criteria adopted by respondents in the **financial sector** is notably lower than for the other sectors and measures, such as capital expenditure and R&D that are less relevant. Instead, the most popular criteria are revenue and industry and market trends, which are used by 59% of respondents. Overall, respondents in this sector use an average of 2.8 criteria.
- The sector with the lowest average criteria is **telecommunication**s with respondents using an average of 2.5 criteria. As in technology, the sample of only two companies is too small to draw definitive conclusions, but both companies use capital expenditure to provide guidance with one company also favouring revenues and the other preferring margins.

*The majority of guidance covers a time frame of up to one year*

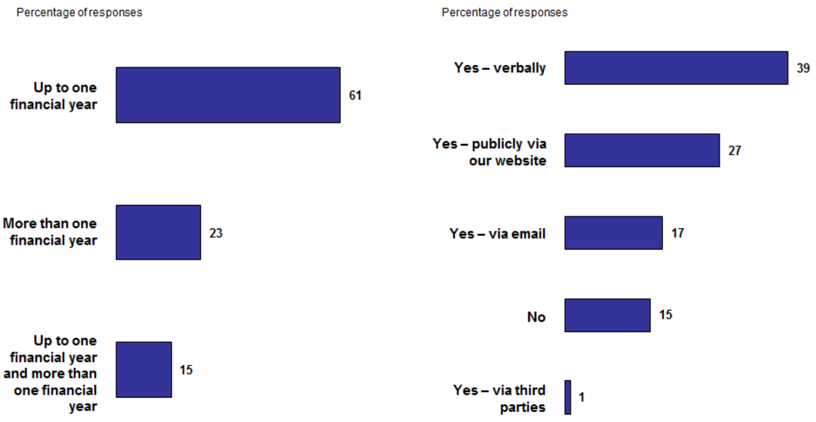
Of the 131 companies that provide guidance, 61% of respondents focus on a time frame of up to one year and 23% of respondents focus on a time frame of more than one financial year (exhibit 9). These tend to be sectors with more visibility over the longer term, such as general industrials (80%) and utilities (33%). Fifteen percent of respondents provide guidance on both time frames.

**Exhibit 9**

**Guidance**

What time frame does your guidance focus on?

Do you share your consensus with the wider market?




Notes
131 respondents answered this question.

Notes
146 respondents answered this question.

*Most respondents continue to share their consensus with the wider market*

Eighty-five percent of respondents share their consensus forecast with the market, up from 82% in our previous survey (exhibit 9). Of the companies that do not share consensus with the wider market, some respondents share consensus on a selective basis, perhaps to incentivise analysts to provide their forecasts, and others are not confident that they have a suitably transparent and auditable mechanism for compiling consensus.

*There remains a wide spread in the various media used to share guidance*

The most popular medium for communicating guidance remains verbal communication, at 39% of companies, followed by the corporate website adopted by 27% of respondents and email followed by 17% of respondents. This is broadly in line with last year's findings. The percentage of companies using the corporate website increased by only two percentage points. While this represented the biggest increase, the rate of growth has slowed considerably. Last year, the use of the corporate website for publishing consensus grew from 15% to 25%.

We maintain our view that companies should publish consensus numbers, provided they are based on timely data collected directly from analysts and are drawn up on a consistent basis. From our conversations with IROs throughout the year, we understand that the main barrier to this remains a concern that it will be construed as profit forecast endorsed by the company. We think this is misplaced and we are more concerned about the risks of selective disclosure from communication verbally and via email. We are not convinced that analysts always know what the consensus forecast is with too many quoting out of date forecasts from third party providers. In the case of verbal communication, we are also aware of analysts claiming that poor communication from companies forced them to make unexpected changes to their forecasts, which reflects badly on the company.

# Debt

## Forty-three percent of companies have seen a decline in the volume of enquiries related to debt

- Forty-three percent of respondents have seen a decline in the volume of enquiries related to debt since the credit crisis.
- The most common areas of debt disclosure are maturity profiles, funding costs, gearing ratios and credit ratings.

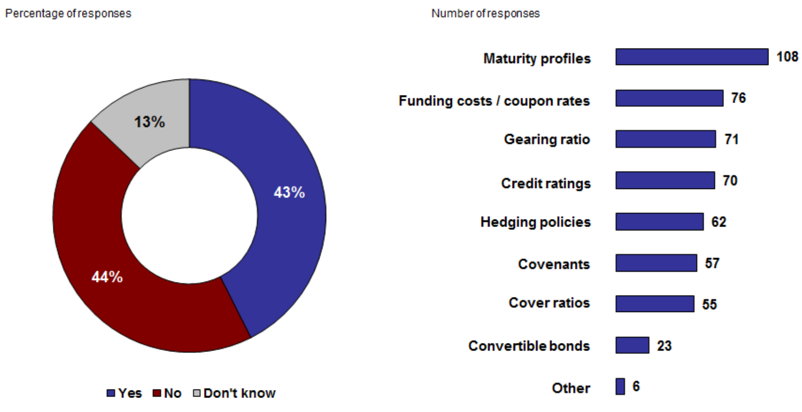
*Fall in debt enquiries reflects companies' efforts to repair their balance sheets…*

The finding that 43% of companies have seen a decline in the volume of enquiries related to debt is not surprising (exhibit 10). Debt remains a key issue for investors, but companies have concentrated their efforts on repairing their balance sheets and the situation has improved for many companies.

**Exhibit 10**

**Debt IR**

**Has the volume of enquiries related to debt declined since the credit crisis?** | **If yes, please provide details**




Notes
136 respondents answered this question.

Notes
127 respondents answered this question.
Multiple responses apply

*…but debt remains an issue for investors*

With respondents expecting interest rates to rise and threaten the impressive stock market rally, investors are likely to retain their focus on debt. Companies with less impressive credit ratings or with debt that will need to be refinanced will be tapping the markets to extend maturities and smooth out repayments.

It is quite possible that the volume of debt enquiries will rise over the next 12 months and worries over sovereign debt will affect all debt issuers. Companies will have to compete for funds with banks and governments. Moreover, central banks will, at some point, start to raise interest rates and requirements for banks to hold more capital will also affect their capacity to lend and their cost of funding, which is likely to be passed on to customers.

*Companies appear to be providing a reasonable amount of information on debt*

In our previous survey, we were concerned that companies might not be providing enough information on debt. Twelve months ago, 55% of companies were not providing or considering providing additional details on debt (exhibit 10). This year, the situation looks healthier with respondents disclosing information on debt across several areas. Eighty-five percent of respondents are providing information on maturity profiles and over half of respondents are providing information on funding costs, gearing ratios and credit ratings (exhibit 10).

While it is natural for the volume of enquires to subside following the financial crisis, we expect debt IR to remain a key part of an IRO's brief and even grow in importance regardless of the economic situation. A shift into corporate bonds by pension funds to better match their liabilities represents a longer-term structural change that will see debt investors holding more sway over companies despite the fact that they have no voting rights and no claim to the future cash flows generated by a company once their loan has been repaid. The ongoing importance of debt to the capital structure of most companies, and new and innovative ways to fund expansion by companies issuing bonds to their customers and employees will support this trend.

# Investor engagement

## Lack of investor engagement is the biggest barrier to effective corporate governance

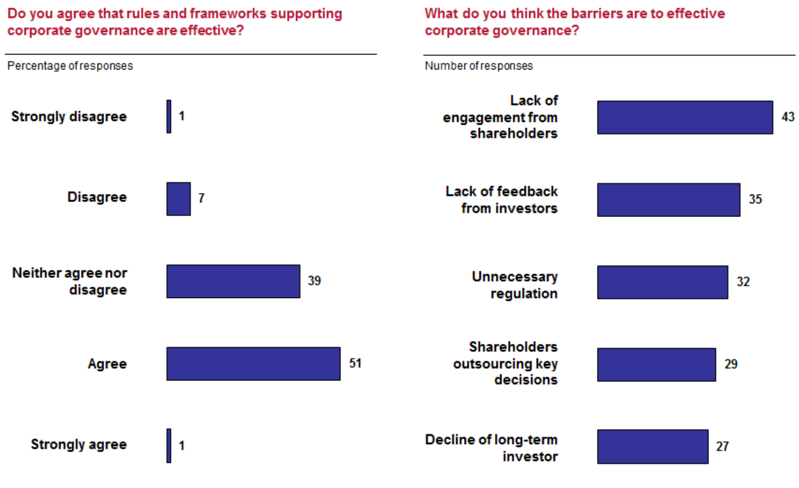
- Fifty-two percent of respondents agree that the rules and frameworks supporting corporate governance are effective.
- Lack of investor engagement is the biggest barrier to effective corporate governance.
- The findings suggest that some of the corporate governance measures introduced over the past year to address investor engagement are prioritising the correct areas.

*Respondents agree that rules and frameworks supporting corporate governance are effective…*

Fifty-one percent of respondents agree that the rules and frameworks supporting corporate governance are effective and 39% are ambivalent and neither agree nor disagree (exhibit 11). Only 8% believe they are not effective.

**Exhibit 11**

**Investor engagement**




Notes
137 respondents answered this question.

Notes
105 respondents answered this question.

A small number of comments offered by respondents on the effectiveness of the rules and frameworks supporting corporate governance were also illuminating with some respondents feeling that corporate governance is a box ticking exercise, with one adding that this approach was perpetuated by the 'comply or explain' principle. One added that it was hard to know where to start and unless there is a problem it is largely ignored.

*…but further measures to improve engagement could make corporate governance more effective*

The issue of corporate governance remained prominent during the past year and a number of initiatives born out of the financial crisis came to fruition. In the US, the Commission on Corporate Governance, which was created by the NYSE in 2009, published ten key principles, which reflected a move away from the US's traditional prescriptive culture and approach based on rules. This is encouraging because rules lead to 'boilerplating', which occurs when companies simply repeat the rules and guidelines in their corporate governance reports and state that they are complying with them. Such reports are tedious to read and do not provide any real insights into a company's approach to corporate governance - a clear example of the law of unintended consequences. In the UK, the Combined Code was replaced by the Corporate Governance Code. The Stewardship Code was also published, which seeks to enhance the quality of engagement between institutional investors and companies. From December 2010, all UK-authorised asset managers are obliged to produce a statement of commitment to the Stewardship Code or explain why it is not appropriate to their business model.

This addresses an issue we discussed in our previous survey about whether more engagement by investors will lead to better corporate governance. The issue came to a head as regulators and governments conducted their post mortem on the banking crisis, but in reality the problem has been brewing for much longer as greater dispersion of the shareholder base magnified the inherent agency problem for listed companies. Simultaneously, the reduced involvement of domestic life and pension funds, increased cross broader investment and the outsourcing of decision making by fund managers have combined to extend the distance between company and shareholder.

The findings from this survey suggest that a large proportion of respondents agree with measures to increase investor engagement. Forty-one percent of respondents feel that the biggest barrier to effective corporate governance is lack of engagement from shareholders (exhibit 11). This was followed by lack of feedback from investors, cited by 33% of respondents. These findings challenge the temptation to treat the issue in 'black and white' terms with a clear delineation of responsibility between companies and investors, whose first duty is to their fund holders. In reality, the lines of responsibility are blurred and while investors should not become insiders, it is the view of many that measures to get them more engaged in corporate governance are desirable.

The role of regulation must also be finely judged. Thirty percent of respondents said that unnecessary regulation was also a barrier to effective corporate governance and time will tell if new codes on governance have the desired effect. Consultation on the European Commission's reforms to corporate governance in financial institutions closed in September 2010 and any legislative or non-legislative proposals will be adopted during 2011. Interestingly, only 15% of financial institutions and 25% of banks felt that unnecessary regulation was a barrier to effective corporate governance. The European Commission has broadened its scope with the publication of a green paper on corporate governance in companies in April 2011.

Communication on corporate governance is often influenced by a company's desire to demonstrate that it is complying with codes and guidelines laid down by the regulators, which tends to result in very dry reports. The onus is on companies to provide more colour by explaining the link between governance and its business model, showing how the board influences its behaviour and culture, and by explaining how decisions on areas such as succession planning are made. Reporting progress against objectives can also help to bring reporting on corporate governance to life.

# Sell-side coverage / analysts

## Coverage up, quality down, but trend improving

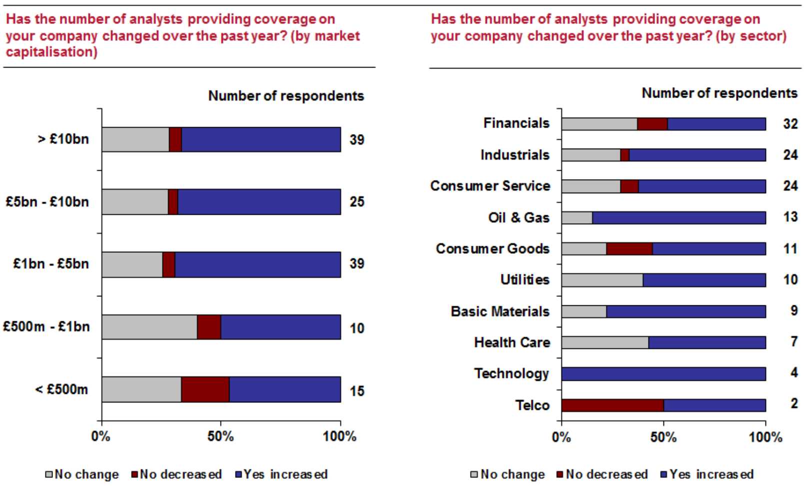
- Sixty-five percent of respondents said that the number of analysts providing coverage on their company has increased over the past year.
- The quality of analyst coverage has not improved over the past year. The gap between the percentage of respondents that feel that quality has declined (21%) and those that feel it has improved (17%) has narrowed.
- Eighty-six percent of respondents are happy with the quality of service they receive from their corporate brokers.

*Analyst coverage continues to increase…*

Analyst coverage increased for 65% of respondents over the past year which, although down slightly on 71% reported in our previous survey, represents a high level of growth (exhibit 12). Only 11% of respondents reported declines in analyst coverage. As before, this was weighted towards the smaller companies, but their situation has improved over the past 12 months in that the rate of deterioration has slowed. In 2010, 42% of respondents with a market capitalisation below £500m said coverage had decreased over the past year, but this time the percentage was down to 20%.

**Exhibit 12**

**Sell-side coverage / analysts**




Notes
Bar chart excludes companies that did not provide classification data. A total of 142 respondents answered this question

The concerns we raised last year about the ability of the investment banking market, dominated by the integrated model, to fund serious long-term research for smaller companies appear to be easing.

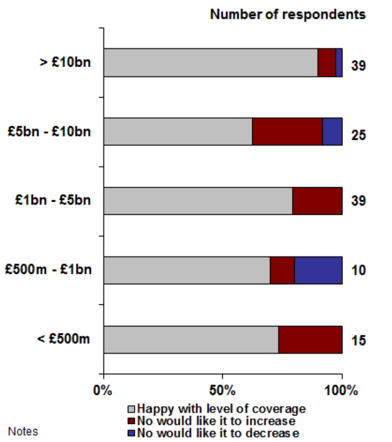
*…and most companies are happy with the level of coverage*

Seventy-six percent of respondents are happy with the level of sell-side coverage they receive in terms of the number of analysts, up five percentage points on 2010 (exhibit 13).

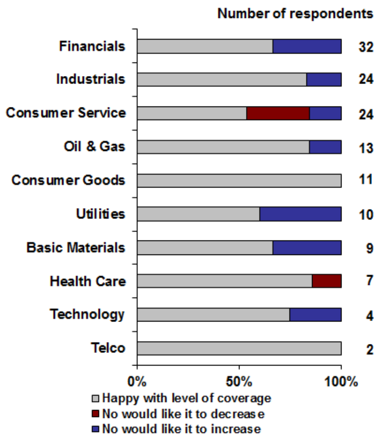
**Exhibit 13**

**Sell-side coverage / analysts**

Are you happy with the level of coverage that you receive in terms of analysts? (by market capitalisation)




Are you happy with the level of coverage that you receive in terms of analysts? (by sector)




Notes

Bar chart excludes companies that did not provide classification data. A total of 140 respondents answered this question

Twenty percent would like to increase the number of covering analysts and 5% would like to see a decrease. Companies wanting to decrease the number of analysts tended to be the larger companies, but the sector also has an influence on the number of covering analysts with general retailers complaining that over 30 analysts is simply too many. For companies with this many analysts following them, not only is there an administrative burden, but also a concern that investors are swamped with more analyst reports than they can digest, which could dilute the equity story. The risk of analysts failing to engage with a company and publishing research with inaccuracies and misconceptions also increases.

Last year, companies wanting to increase coverage were weighted towards the band of companies with a market capitalisation below £500m. Sixty-seven percent of respondents in this band wanted to see an increase in the number of covering analysts in 2010. A year later the percentage has dropped to 27% (and a large proportion of these companies are listed in Spain). This is actually a smaller percentage than the band of companies with a market capitalisation between £5bn and £10bn, where 29% of companies would like to see an increase in coverage in terms of analysts. The largest companies – those with a market capitalisation above £10bn – are happiest with the level of coverage they receive in terms of analysts. Ninety percent of these companies, up from 85% in 2010, are happy with the level of coverage. Companies with a market capitalisation between £5bn and £10bn are the least satisfied with only 63% of respondents happy with the level of coverage.

By sector, 50% of financial companies would like to see an increase in coverage, up from 33% last year, and 40% of utilities companies would like to see an increase in coverage. Specifically, in the financial sector, there is a demand for more coverage of insurance and real estate companies. Industrials, which had also complained about the lack of coverage in 2010, have seen the situation improve and the percentage of respondents that would like to see an increase is down from 30% to 20%. However, any equity analysts looking to change their specialism may like to consider Spanish construction and materials! The survey did not prompt respondents to suggest a decrease in coverage and in this context, the fact that 43% of general retailers stated they would like to see a decrease in coverage is more striking.

*Continued albeit less pronounced deterioration in the quality of coverage*

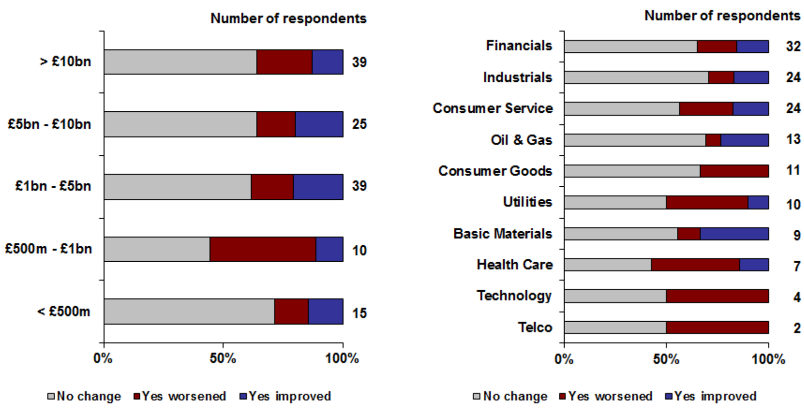
There are concerns about the quality of analyst coverage and this has been a feature of our survey since it first sought the views of IROs three years ago. Twenty-one percent of respondents feel the quality of analyst coverage has declined over the previous 12 months, which is an improvement in the rate of decline on the previous year when 26% of respondents felt the quality of analyst coverage had declined (exhibit 14). On balance, the quality of coverage is not getting better, but the trend is improving. Seventeen percent of respondents feel it has improved over the past year, compared to 14% of respondents in 2010.

**Exhibit 14**

**Sell-side coverage / analysts**

Do you think the quality of analyst coverage has changed over the past year? (by market capitalisation)

Do you think the quality of analyst coverage has changed over the past year? (by sector)




Notes

Bar chart excludes companies that did not provide classification data. A total of 140 respondents answered this question

Companies with a market capitalisation above £10bn have seen an improvement in the quality of research. That is less than the average for all respondents, but overall they are happier than they were last year (exhibit 14). Over the past year, 64% of respondents in this band have seen no change in the quality of analysts' output and 23% would like to see it improve compared to 35% in 2010. Companies with a market capitalisation between £500m and £1bn were the least happy with the quality of research, with 44% reporting that it had worsened and only 11% reporting improvements. Last year, companies with a market capitalisation below £500m were not impressed with either the quantity of coverage or the quality of coverage, but this year, the situation has at least stabilised. Seventy-one percent of companies in this band reported that the quality of analyst coverage over the past 12 months was the same and fewer respondents reported declines in quality.

On a sector basis, consumer goods companies remain unhappy with the quality of analyst coverage, but not to the same extent as last year. In 2010, consumer goods companies were the least happy with the quality of analyst coverage, with 63% reporting that it had declined (exhibit 14). A year later, the percentage has fallen to 27%. In 2011, the sector least satisfied with the quality of analyst coverage was health care, with 43% saying it had declined, followed by utilities with 40% (50% of technology companies believe the quality has declined, but this is based on only two respondents). On a more positive note, the sector highlighting the biggest improvement in the quality of analyst coverage was basic materials for the second year running with 33% of respondents reporting improvements. Twenty-three percent of respondents in the oil and gas sector also reported improvements in the quality of analyst coverage.

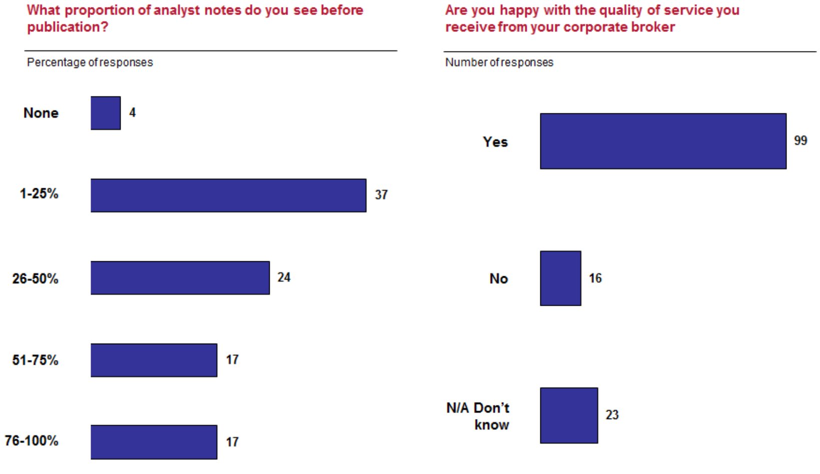
> "We are happy with the number of analysts, but not the quality of coverage with a number of analysts only doing the minimum necessary" - UK, Consumer Goods
>
> "Laziness, lack of credibility in recommendations within the investment community" – France, Utilities
>
> "There appear to be fewer analysts with the ability to deliver differentiated / impactful analysis – lots of analysts churning out newsflow" – UK, Health Care
>
> "There are too many analysts just repeating what their peers do and chasing coverage of too many companies to be able to do justice to each other" – UK, Oil & Gas

*Most respondents review less than half of analyst notes*

Sixty-five percent of respondents see 50% or less than 50% of analyst research notes before publication, which compares to 62% last year.

**Exhibit 15**

**Sell-side coverage / analysts**




Notes
139 respondents answered this question.

Notes
115 respondents answered this question.

As in our previous survey, 4% do not see any at all (exhibit 15). The main reason for this is bank policy that prevents the sharing of notes ahead of publication, particularly by bulge bracket banks. However, it is not the only reason. Of the six companies that do not see any notes, two respondents suggested this was company policy, with one company saying it would only look at an initiating coverage note. For some of the biggest companies, the volume of research means it is impossible to see every note published. The type of research note also has a bearing, and the increase in the proportion of trading notes driven by the financial calendar as a percentage of output means that it is impractical for companies to review all the broker notes.

> “Some analysts publish without asking a review on factual mistakes” – Belgium, Basic Materials
>
> “The analysts do not make a habit of sharing their research with us before although we do discuss the detail of their models and specific information” – Not disclosed
>
> “Not standard practice, only if they start new coverage” – UK, Oil & Gas

*Fourteen percent of respondents are unhappy with their brokers…*

Excluding companies that do not have a broker or did not express an opinion, 86% of respondents are happy with the quality of service they receive from their corporate brokers (exhibit 15).

*…but only a handful of these plan to change their brokers*

Of the 16 respondents that are unhappy with the quality of service, only three companies plan to change their corporate brokers, four companies have no plans to make a change and nine companies are undecided. Two companies that are happy with the quality of service they receive from their broker also plan to make a change.

Sell-side analysts remain an important channel for disseminating a company’s investment proposition and their endorsement is vital to companies. Their research remains a crucial piece of material at every stage of the investment process from the moment an investor becomes aware of a company to the point at which a decision is made to invest and remains important as long as the stock remains in a portfolio. It is therefore encouraging that the survey reveals that in most cases their research is well regarded, although concerns remain that too many analysts are covering certain sectors and too many analysts are producing research that fails to add real value to investment decisions.

# Shareholder base and investor targeting

## Majority report geographic changes to the investor base and an influx of value orientated investors. The lack of disclosure on short-selling and stock lending present the biggest challenge to monitoring the shareholder base

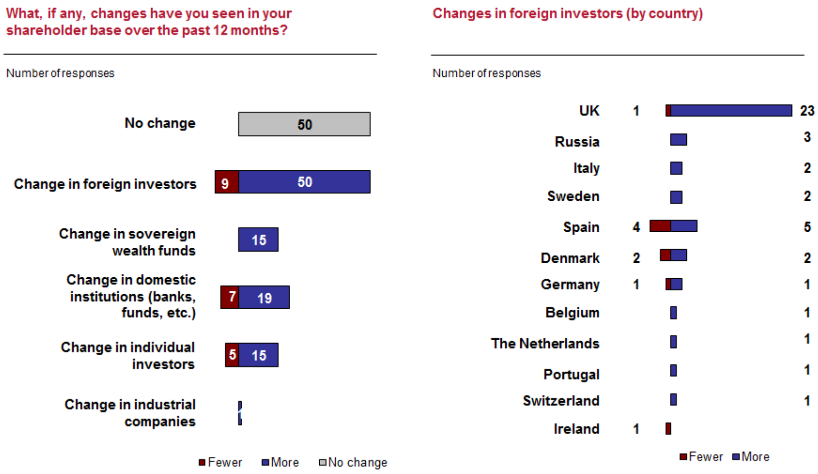
- The biggest change to the investor base was caused by geographic diversification by investors followed by an increase in sovereign wealth investors.
- The biggest change by investment style was an increase in value-orientated investors.
- Lack of disclosure on short-selling and stock lending is the biggest challenge companies face in monitoring their shareholder base.

*Majority of respondents report changes in their investor base…*

Sixty-two percent of respondents have reported changes in their investor base (exhibit 16). As in our previous survey, the largest change to the shareholder base over the past 12 months was driven by geographic mix of investors, continuing a long-term trend in cross border diversification. Thirty-eight percent of respondents have reported an increase in foreign investors and 7% have reported a decline. The overall percentage is skewed by a large proportion of companies listed in the UK reporting increases in foreign investors.

**Exhibit 16**

**Shareholder base and investor targeting**




Notes
132 respondents answered this question
Multiple responses apply





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The trend is not as pronounced for other European countries and this could be for a variety of reasons, including a stronger culture of equity ownership, fewer restrictions on foreign ownership in the UK and an increase in foreign companies listing in the UK.

Respondents also reported an increase in sovereign wealth funds on their shareholder registers, which is consistent with figures published by Norton Rose, a law firm, which reported that sovereign wealth funds increased assets under management by 11% in 2010. Fears of politically driven investment decisions by largely autocratic states led the International Monetary Fund to develop best practice guidelines, which were adopted by leading funds in 2008.

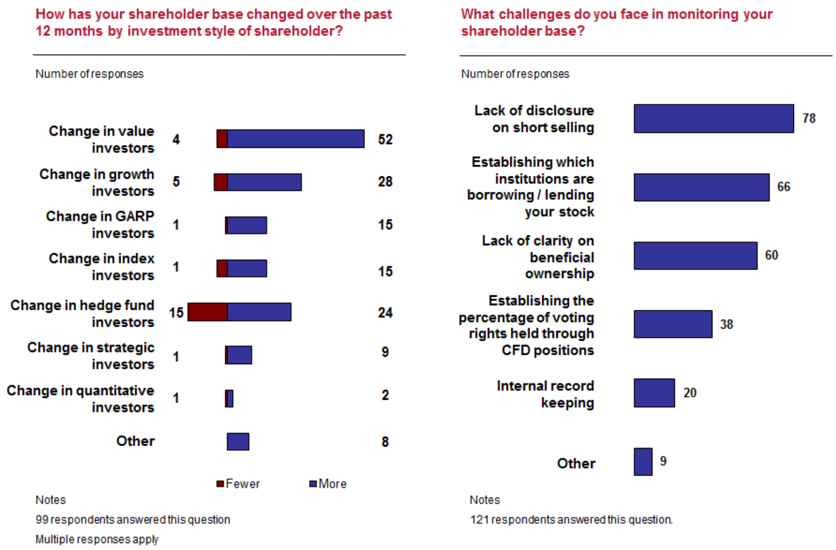
Our survey suggests that a long-term shift away from risky investments has stabilised with the number of companies reporting an increase in domestic institutions outweighing those that have seen a decrease. This is unsurprising in an environment that combines low interest rates with inflationary pressures.

*…and increases in value-orientated investors*

The survey also considered changes in the shareholder base by investment style. The biggest change over the past 12 months was an increase in value-orientated investors reported by 51% of companies followed by an increase in growth investors reported by 28% of companies (exhibit 17). It would appear that the market rally has been fuelled not just by generous monetary policy, but also by a view among investors that stocks were undervalued.

**Exhibit 17**

**Shareholder base and investor targeting**




Value investing tends to be based mainly on quantitative criteria such as asset values, cash flow and discounted earnings. Our questions on disclosure revealed that companies were providing information on revenue and profit drivers, which will resonate with value investors, but possibly not enough on cash flow conversion, which is also of interest. It is also helpful for companies to provide information that is consistent with the inputs required for a discounted cash flow model.

Growth investing stresses qualitative criteria in the form of value judgements about the business, its markets, its management and its ability to extract future earnings growth from the industry. Of the companies that reported an increase in growth investors, only a small proportion is providing more information on the competitive and macro environment. We feel this kind of information is growing in importance among all investors to help them evaluate strategic choices. It is particularly important for growth investors that make value judgements on the quality of management actions.

The largest declines in the shareholder base by investment style were hedge fund investors. Fifteen percent of respondents reported fewer hedge fund investors, although this was offset by 24% of respondents that had seen increases in hedge fund investors. Wider forces may have had a bearing on these findings. The promise that hedge funds could deliver 'absolute returns' in any economic environment was proved false by the severity of the recession and the greater than anticipated correlation across asset classes, resulting in heavy redemption out of hedge funds. To restore confidence, hedge funds have invested in measures to improve transparency. The cost of investing in compliance and internal operations is likely to result in a further shake-out as smaller hedge funds close or sell themselves to larger funds.

*Lack of disclosure on short selling is the biggest challenge*

The biggest challenge companies face in monitoring their shareholder base is lack of disclosure on short selling, which was cited by 64% of respondents (exhibit 17). This was fairly consistent across all countries. In March 2010, the Committee of European Securities Regulators (CESR) published its proposed model for introducing a pan-European short-selling disclosure regime. There are two tiers of disclosure, and the initial threshold for disclosure to the regulator is set at 0.2% of issued share capital (rather than the 0.1% initially proposed). Public disclosure of individual net short positions above 5% will also be required (market making activities are exempted from the disclosure requirements). In order to achieve the benefits of a pan-European regime, national regulators need to share a common approach to the detail of the way in which the regime is applied. This takes time and so the effects of the new disclosure regime are not fully reflected in this survey. There are also questions about whether pan-European regimes can be effective as they are subject to a range of variables including different settlement systems and different interpretations of what constitutes a reportable position.

On a related subject, the Transparency Directive specifies that the maximum percentage an investor can own before disclosing to the market is 5%. A review of the transparency directive could result in maximum harmonisation, which means that national law cannot exceed the terms of the legislation. This would be fiercely resisted in the UK, where the rate is 3%.

As a result of increasingly intricate lending agreements and transactions, the second biggest challenge companies face is establishing which institutions are borrowing / lending their stock. This was the biggest challenge for French companies where it was cited by

71% of respondents compared to 54% overall. The challenge was also prominent in Denmark (60%) and the UK (53%).

Respondents based in Germany were more concerned about the lack of clarity on beneficial ownership. Fifty-eight percent of German companies said this was an issue compared to 50% overall. In Europe, the UK, Ireland and Finland have rules in place protected by law that allow them to demand the identity of an investor in a company.

Establishing the percentage of voting rights held through Contracts for Difference (CFD) positions is considered a challenge for 53% of UK companies compared to 31% overall. Shareholder register analysts in the UK think that CFDs should come under Section 793 enquiries and proactive disclosure rights of this kind applied across all instruments, in all territories, would help address many of the challenges faced by respondents that need to monitor their shareholder base.

# Channels of communication

## Increase in communication for third year running

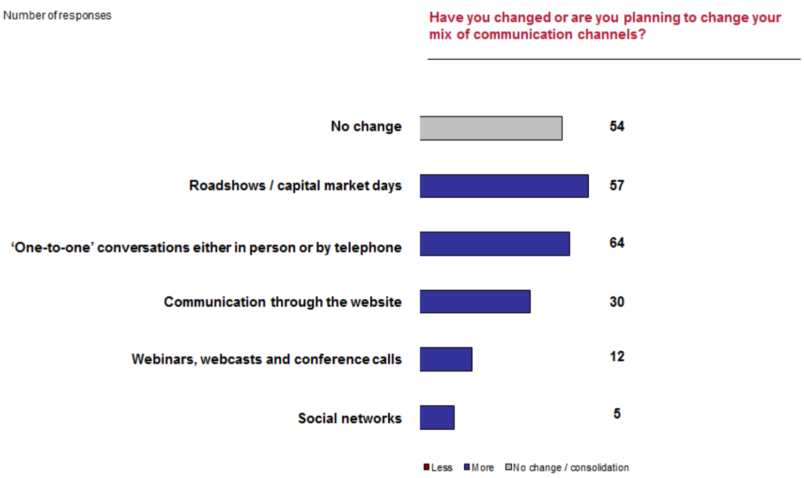
- Sixty-two percent of respondents have changed or are planning to change their mix of communication channels.
- This represents an increase in communication across all channels, with roadshows and capital markets days accounting for the biggest increase, followed by more 'one-to-one' conversations.
- Nine percent of respondents are planning more communication through social networks.

*Most companies have changed or are planning changes to their communications mix*

Sixty-two percent of respondents have changed or are planning to change their mix of communication channels, up slightly from 60% last year (exhibit 18). The majority of respondents making changes are increasing communication through at least one channel, with 23% of respondents increasing communication through two channels, 18% increasing communication through three channels and 5% of respondents increasing communication through four channels. Only one company is making increases across all five channels.

**Exhibit 18**

**Channels of communication**




Notes
141 respondents answered this question
Multiple responses apply

The biggest change in the communications mix is represented by more roadshows and capital markets days, cited by 45% of respondents, which is up from 39% in 2010 and has overtaken 'one-to-one' conversations. This is seen as a sign of confidence among respondents. The number of companies increasing communication through 'one-to-one' channels is broadly in line with our previous survey and these two channels are the most important when it comes to building a shareholder base and staying in an investor's portfolio. Communication through the website continues to grow, but more slowly, at 21% versus 27% last year while communication through webinars, webcasts and conference calls increased for 9% of respondents compared to 11% last year.

Various pieces of research have shown that all people forming opinions, not just investors, rely on an increasing range of communication channels. If they hear a consistent message through more than one medium, they are more likely to believe it. When investors are looking for investments, they will look at both sell-side and buy-side research, speak to other buy-side professionals and industry experts and read articles in trade publications and the financial media. Once a share is in their portfolio, they rely more on communications from the company.

*More IROs paying attention to social networks*

It is interesting to see that 9% of respondents are planning more communication through social networks such as Twitter, up from 5% in our 2010 survey. Like many innovations, these media have powerful advocates promoting them, but most IROs are biding their time to gauge the experience of their peers and properly understand the pros and cons. The point at which they have to engage on these platforms may be sooner rather than later as there is a significant increase in the number of respondents that say they are aware of an increase in communication between investors through non-traditional channels of communication. In 2010, the response was 30%, but a year later it has increased to 41% (exhibit 19).

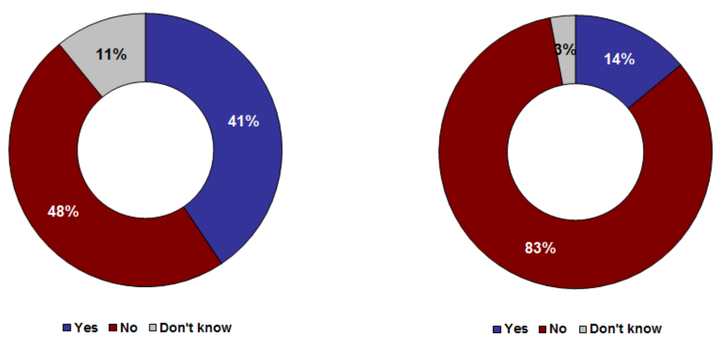
**Exhibit 19**

**Channels of communication**

Are you aware of an increase in communication between investors through non-traditional channels of communication such as LinkedIn and Twitter?

Have you become more concerned about rumours about your company on non-traditional channels of communication?

Percentage of responses




Notes
140 respondents answered this question.

Notes
139 respondents answered this question.

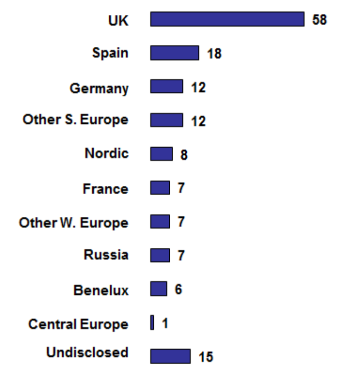
The number of respondents that have become more concerned about rumours about their company on non-traditional channels of communication is broadly in line with last year at around 14%. The figure remains low, which is good if it means that the number of rumours appearing via these channels is not increasing. In 2010, two small oil and gas explorers listed on AIM used the courts to force two bulletin boards to reveal identities of anonymous users, who they claimed were trying to drive down the share price in order to profit from short selling. Our own anecdotal evidence suggests that more companies are becoming aware of investor bulletin boards, which tend to be populated by retail investors. They are not part of the community of professional analysts and investors that IROs talk to on a regular basis, but should not be ignored as damaging comments that originate in this space can quickly seep into the consciousness of professionals.

# Data bank

**Exhibit 20**

**Classification data for participants**

Number of respondents by country




Number of respondents by sector

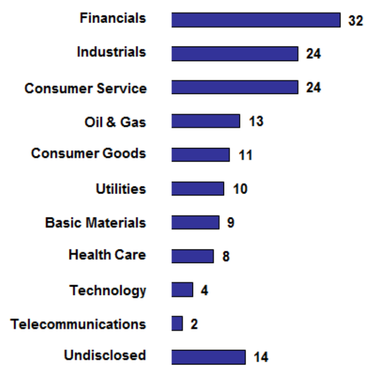
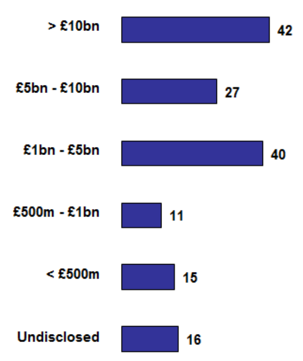



**Exhibit 21**

**Classification data for participants**

Number of respondents by market capitalisation




Number of respondents by size of IR department

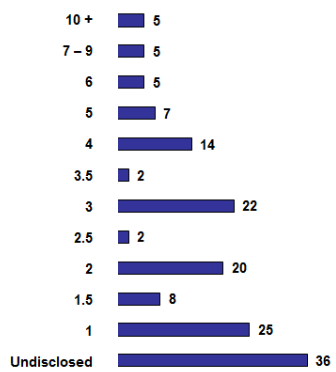







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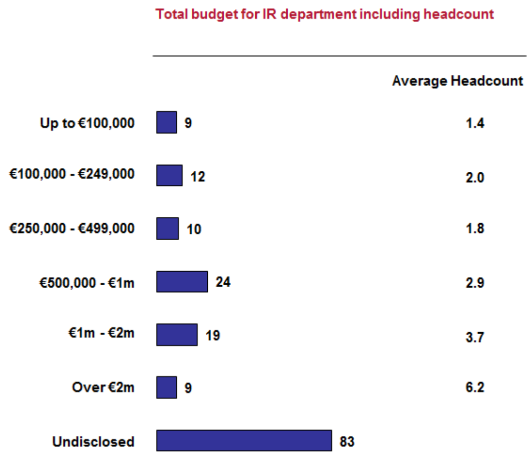
**Exhibit 22**

**Classification data for participants**



# About Citigate Dewe Rogerson

Citigate Dewe Rogerson is a leading international consultancy specialising exclusively in financial and corporate communications including:

- Full service investor relations advice and support;
- Financial calendar work;
- M&A, demergers, restructurings;
- IPOs and all other capital market activities
- Corporate reputation and positioning;
- Crisis communications and issues management; and
- Public affairs consultancy.

We have more than 90 experienced consultants in London including a dedicated team of 10 IR specialists. Our more than 300 clients in 37 countries include 100 of the top 500 companies in Europe, and we are justly proud of our strong relationships with the IR community and international media. Headquartered in London, Citigate has an extensive global network of wholly-owned or affiliate offices in key financial centres, many of which are also leaders in their respective markets.

## Investor Relations

Our dedicated team of investor relations consultants combines backgrounds in investment banking, equity analysis, fund management, accountancy and in-house investor relations to bring an unparalleled breadth of financial markets expertise and an in-depth understanding of the international investment community's IR requirements. Add to that our rigorous analytical skills and extensive access to the buy- and sell-side and you start to understand why we are consistently ranked among the leaders in our field.

Our independent strategic advice is exactly that - influenced by nothing other than our clients' best interests. And as a full-service consultancy, we also have the experience and technical - as well as human - resources to support a company's investor relations team in successfully executing its IR programme.

Our client list is drawn from all over the world and represents a wide spectrum, both in terms of industry and company profile. But they all have one thing in common: a desire for exceptional service and advice that is tailored to match their precise needs.

## For more information, please contact:

**Michael Berkeley**
**Direct Tel: + 44 20 7282 2883**
**michael.berkeley@citigatedr.co.uk**

**Sean Bride**
**Direct Tel: + 44 20 7282 1044**
**sean.bride@citigatedr.co.uk**

Citigate Dewe Rogerson
3 London Wall Buildings
London Wall
London EC2M 5SY



Citigate Dewe Rogerson