PLC Transformation (PLCT) Programme

Towards a more responsible and high performing Corporate Malaysia

BURSA MALAYSIA

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How to use this guidebook

The objective of this third Guidebook in a series of five (5) PLCT Guidebooks is to look into the best practices of stakeholder management in PLCs, including the importance of the Investor Relations (IR) programme and associated activities that ultimately lead to improvements in the overall performance of PLCs.

For this Guidebook, the focus is on sharing the fundamental principles and providing a structured approach with practical 'how-to' guidance to effectively engage and communicate with various stakeholders.

To obtain a better appreciation of the principles and methods espoused in this Guidebook, various real-life examples, videos, templates and case studies have been included. This Guidebook also aims to showcase lessons learnt, considerations for effective engagement strategies as well as methods employed by various companies.

The content is intended to be of relevance to PLCs of all shapes and sizes; those which may be embarking on this journey as well as companies which are far along the stakeholder management and IR-maturity. At the very least, for PLCs advanced in these efforts, this Guidebook could serve as a good refresher.

By virtue of the subject matter at hand and the broad target audience, the content and supplemental areas in this Guidebook are by no means exhaustive and further research and deliberation by respective PLC Boards and management is highly recommended prior to embarking on any of the proposed engagement efforts.

We hope this Guidebook proves useful to support PLCs in efforts to better manage stakeholders and harness the value and benefits from these important initiatives.
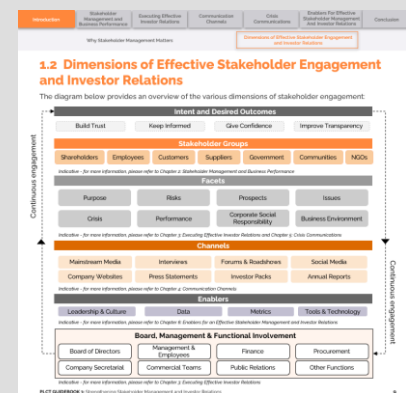
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Why Stakeholder Management Matters

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1.1 Why Stakeholder Management Matters

The shift from shareholder value maximisation to holistic stakeholder management underscores the importance of maintaining a comfortable balance between meeting the specific needs of shareholders while addressing the expectations of the wider stakeholder groups. Where the focus on shareholder value maximisation was once the driving force for companies to conduct themselves, the recognition of how the broader group of stakeholders can directly or indirectly influence business performance is now essential for the sustainability and continued success of companies.[1]

Stakeholders are defined as those parties with a vested interest in the being, outcome and purpose of a company.[2] In this instance, stakeholders not only include the investors of a company but goes much broader to include vested parties such as employees, customers, vendors, creditors, regulators and the wider community amongst others. These broad groups of stakeholders have different motives, behaviours and expectations of the company and also have different levels of influence over the company's continuity and success. Consequently, these various stakeholder groups need to be managed and engaged uniquely as there is no one generic formula for effective stakeholder management. The importance of communicating and engaging with stakeholders is also emphasised in Principle C of the Malaysian Code of Corporate Governance (MCCG) 2021 - Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders.

This Guidebook provides points of view for PLCs of different sizes and Investor Relations (IR)-maturity to frame effective stakeholder management strategies and plans which require involvement across the company. Additionally and specifically, this Guidebook highlights the distinct aspects of effective IR as well as crisis communications in engaging the many stakeholder groups. A further emphasis of the Guidebook is on the means and modes of engaging and communicating to build and maintain relationships, trust and confidence with stakeholders.

[1]Adapted from From Shareholder to Stakeholder Capitalism: Follow the Yellow Brick Road, Forbes
[2]Source Stakeholder, Corporate Finance Institute

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Why Stakeholder Management Matters

Dimensions of Effective Stakeholder Engagement and Investor Relations

1.1 Why Stakeholder Management Matters (cont'd)

This Guidebook is framed around the "Dimensions of effective Stakeholder Engagement and Investor Relations" introduced in the subsequent pages. The ensuing chapters are built upon each dimension to further illustrate the approach and considerations for an effective stakeholder management programme.
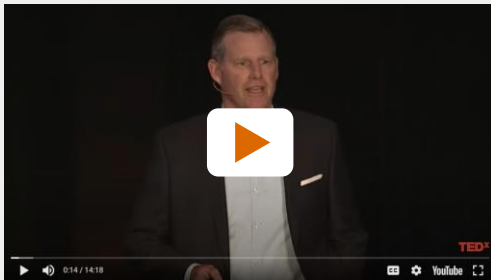
Source: The Tyranny of Order: Balancing Stakeholder Need & Being a Force for Good | John Stroup | TEDxClayton

Watch this video by John Stroup, CEO of Belden Inc., as he shares his story of creating a high-performance environment that drives growth and also being a force for good, through balancing stakeholder needs — shareholders, customers and employees. He talks about recognising the interrelationships between these stakeholders and the actions taken, which has led to each stakeholder group and the company itself benefiting. Under his leadership, the company's revenue rose from $1.2 billion in 2005 to $2.36 billion in 2015.

"..stakeholder management helps you balance stakeholder needs and create a high-performance environment."

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Why Stakeholder Management Matters — Dimensions of Effective Stakeholder Engagement and Investor Relations

1.2 Dimensions of Effective Stakeholder Engagement and Investor Relations

The diagram below provides an overview of the various dimensions of stakeholder engagement:

Continuous engagement

Intent and Desired Outcomes

Build Trust	Keep Informed	Give Confidence	Improve Transparency

Stakeholder Groups

Shareholders	Employees	Customers	Suppliers	Government	Communities	NGOs

Indicative - for more information, please refer to Chapter 2: Stakeholder Management and Business Performance

Facets

Purpose	Risks	Prospects	Issues
Crisis	Performance	Corporate Social Responsibility	Business Environment

Indicative - for more information, please refer to Chapter 3: Executing Effective Investor Relations and Chapter 5: Crisis Communications

Channels

Mainstream Media	Interviews	Forums & Roadshows	Social Media
Company Websites	Press Statements	Investor Packs	Annual Reports

Indicative - for more information, please refer to Chapter 4: Communication Channels

Enablers

Leadership & Culture	Data	Metrics	Tools & Technology

Indicative - for more information, please refer to Chapter 6: Enablers for an Effective Stakeholder Management and Investor Relations

Board, Management & Functional Involvement

Board of Directors	Management & Employees	Finance	Procurement
Company Secretarial	Commercial Teams	Public Relations	Other Functions

Indicative - for more information, please refer to Chapter 3: Executing Effective Investor Relations

Continuous engagement

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Why Stakeholder Management Matters | Dimensions of Effective Stakeholder Engagement and Investor Relations

1.2 Dimensions of Effective Stakeholder Engagement and Investor Relations *(cont'd)*

The dimensions of effective Stakeholder Engagement and Investor Relations illustrated in the previous page have been anchored on six core attributes. These attributes help frame collectively the components, activities and desired outcomes for the PLC's stakeholder management programme. The following is an elaboration of what each core attribute represents:

Intent and Desired Outcome

Building and maintaining trust and confidence through appropriate communication and engagement with stakeholders is paramount for the long-term viability of organisations. Watch this video by Alison Taylor, Managing Director, Sustainability Management BSR on "*Why Engaging Stakeholders Has Never Been So Important*" as she explains the need for building stakeholder trust.

Source: Building Stakeholder Trust in 2019

Stakeholder Groups

Identifying and maintaining relationships with stakeholders with the aim of meeting their needs while achieving returns, growth and shareholder value. Watch this video by Witold Henisz, author of Corporate Diplomacy on the importance of Building Reputations and Relationships with External Stakeholders.
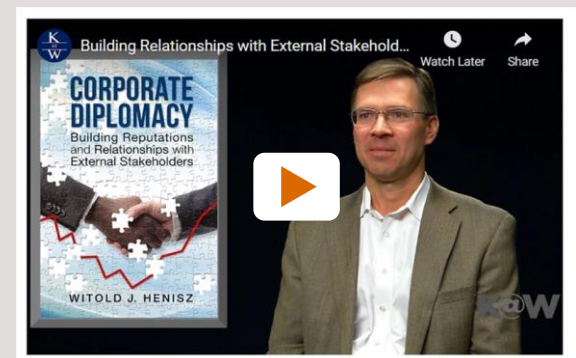
Source: Building Relationships with External Stakeholders

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Why Stakeholder Management Matters | Dimensions of Effective Stakeholder Engagement and Investor Relations

1.2 Dimensions of Effective Stakeholder Engagement and Investor Relations *(cont'd)*

Facets

There are many facets of what needs to be communicated to various stakeholder groups. The information and insights to be shared range from the organisation's purpose to business performance, from opportunities to risks and crisis communications amongst others. Understanding when and what needs to be communicated is essential for effective stakeholder management.

Channels

This refers to the various types of communication and engagement channels that can be employed to widen the reach to stakeholder groups. Formal channels such as annual reports and media releases are now supplemented with social media and virtual platforms to increase frequency, enhance connectivity, widen reach and promote better continuous engagement with stakeholders.

Enablers

Effective stakeholder engagement and IR are enabled by a combination of critical elements. The culture of the organisation, specifically as it relates to transparency and trust, shapes the norms of stakeholder management activities. Other infrastructure and resources such as people, data, metrics and tools and technology provide the necessary support for effective engagement across various stakeholder groups.

Board, Management and Functional Involvement

The role and responsibility of stakeholder management is not the accountability of one. Stakeholder management is a collective responsibility that permeates through the hierarchy and functions of the organisation. Top companies regard IR as a C-suite activity that warrants the appropriate seniority and stature for IR to deliver on its mandate.

The following chapters in this Guidebook elaborates on the dimensions set-out above, emphasising the principles, approaches and implementation considerations that PLCs can leverage on.

2 | STAKEHOLDER MANAGEMENT AND BUSINESS PERFORMANCE

"When trust is high, the dividend you receive is like a performance multiplier, elevating and improving every dimension of your organisation and your life…. In a company, high trust materially improves communication, collaboration, execution, innovation, strategy, engagement, partnering, and relationships with all stakeholders."

- Stephen Covey, Educator, Author and Speaker

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2.1 Stakeholder Management and Business Performance

Stakeholder management is the process of organising, monitoring and improving relationships with stakeholders. It involves systematically identifying stakeholders, analysing their needs and expectations, and planning and implementing various initiatives to engage with them. A good stakeholder management process will be the means through which companies are able to coordinate interactions and asses the status and quality of relationship with various stakeholders.[3]

Effective stakeholder management has a correlation with overall business performance as set out below:
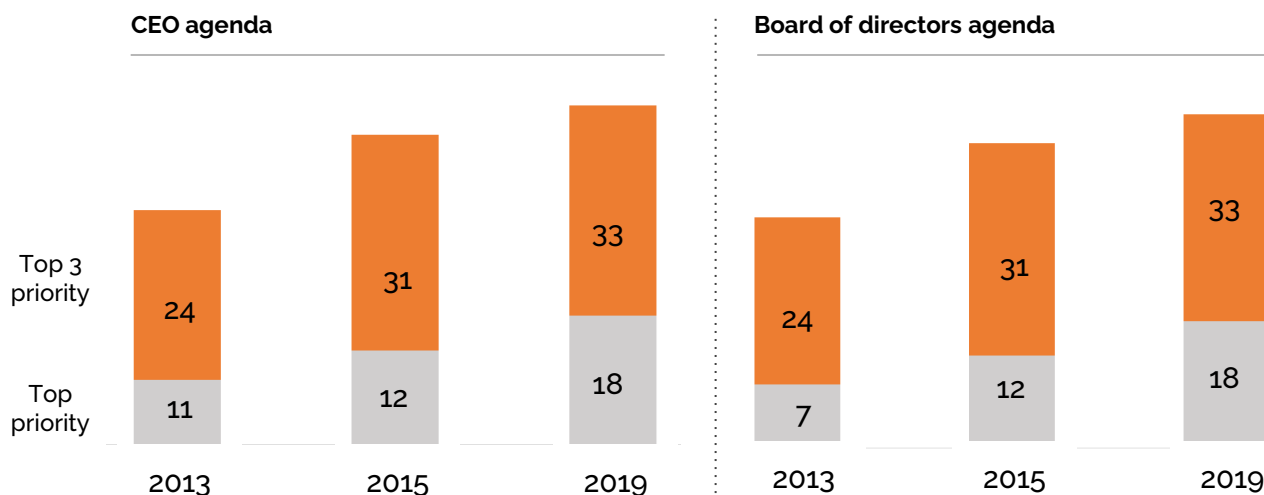
Continued relevance of products and services in the market through robust insights and feedback from past, current and potential customers	Enhanced market value and attractiveness through robust engagement with the wide range of investor communities
Strengthened adherence to regulatory and statutory requirements through continuous engagements with regulators and policy makers	Better management of critical business dependencies by understanding various stakeholder needs, constraints and interdependencies across the business value chain (e.g. suppliers constraints, customers complaints and regulatory requirements)
Companies that have a good track record of honest, insightful and timely engagements with stakeholders will be in a better position to manage and recover from crisis	Effective communications of an appealing corporate purpose and associated values will enable better attraction of top talent
A corporate culture that promotes robust, transparent and timely stakeholder engagement across the company at all functions and levels will result in a more stable and progressive organisation	Establishing trust with stakeholders through honest and informative engagements will promote loyalty and confidence in the business thus attracting investors, financiers and other stakeholders across the value chain

[3]Adapted from _Stakeholder Management The Ultimate Guide, Darzin Software_

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2.1 Stakeholder Management and Business Performance *(cont'd)*

External stakeholder engagements have become a growing priority for CEOs and Board of Directors[4]

Priority of external engagement on leaders' agendas, % of respondents[1]

CEO agenda

- Top 3 priority
- Top priority

	2013	2015	2019
Top 3 priority	24	31	33
Top priority	11	12	18

Board of directors agenda

	2013	2015	2019
Top 3 priority	24	31	33
Top priority	7	12	18

[1]Respondents who said "top 10 priority", "not a priority", "not on the agenda", or "don't know" are not shown. In 2013, n=2,186; in 2015, n=1,334; in 2019, n=1,418.

Effective stakeholder management should not be left to chance and it should be an intentional and an integral part of the business.

[4]Adapted from The pivotal factors for effective external engagement,McKinsey & Company

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2.2 Process for Effective Stakeholder Management

Implementation is key and the following sections in this chapter provide a step-by-step process for effective stakeholder management as well as guidance on how this process can be effectively implemented for sustainable impact.

Effective stakeholder management involves a robust process that can be anchored on the components illustrated in the diagram below.[5]

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2.2 Process for Effective Stakeholder Management *(cont'd)*

The following sections provide guidance for companies to consider in their efforts to formulate and implement effective stakeholder management strategies based on the process illustrated:

2.2.1 Identify stakeholder groups

Identification of relevant stakeholder groups is a critical starting point for the stakeholder management process. Companies could have a multitude of stakeholders depending on their size, reach and nature of business and these will change as the business evolves. In order to ensure that a comprehensive view of stakeholders is formed, a structured stakeholder identification approach is required.

- Companies need to conduct a thorough stakeholder analysis during stakeholder engagement to identify all the stakeholders who will be directly or indirectly impacted and their characteristics.
- Understanding who the stakeholders are and the influence they may have (see <u>section 2.2.2</u>) is vital to ascertaining what needs, motives, and expectations must be satisfied in the stakeholder management process.

Watch this video by Bob Whelan, 2009 Harvard Advanced Leadership Initiative (ALI) Fellow as he shares his experiences and learnings relating to identification of relevant stakeholders. He reveals the time and effort needed to build relations, from both top down as well as bottom up, to garner the trust and build relationship with the community stakeholders he was working with.

Source: <u>Building Stakeholder Relationships</u>

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2.2 Process for Effective Stakeholder Management
(cont'd)

2.2.1 Identify stakeholder groups (cont'd)

Internal Stakeholders:

These represent the groups within the company that are directly impacted by the company's conduct of business. A company's organisation chart and business processes provide good resources to identify internal stakeholders across the business.

External stakeholders:

- These represent groups outside the company who have a vested interest in the company's operations and products or services.

- As a preliminary guide, start with analysing existing contracts or arrangements that may be in place with external parties (e.g. investors, financiers, vendors, creditors, customers) as well as regulatory stakeholders.

- Extended stakeholders: These are groups that may have an impact on, or be impacted by, the conduct of the business in a particular location e.g. residential communities, environmental societies, NGO's, other business communities in the same location, secondary suppliers of components or raw material, provincial authorities or equivalent, amongst others.

- There are also groups who may be impacted by the products or services as secondary users / providers e.g. when the company's products are used by other businesses as components to produce new products, when the services provided by the company could impact the well-being or status of wider parties, amongst others.

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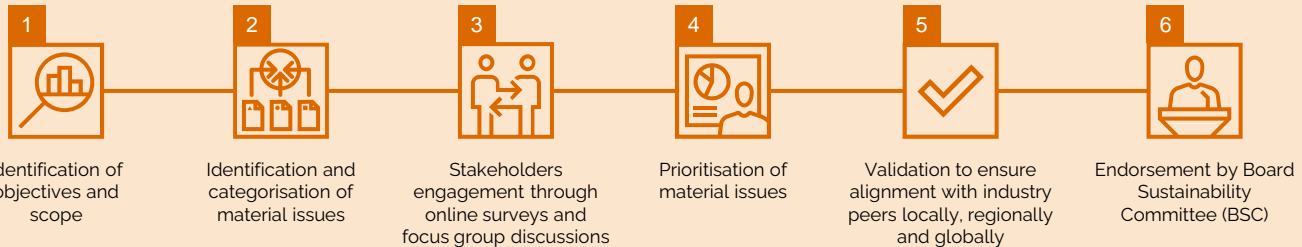
The spotlight below brings to life how stakeholder identification is used by an organisation to understand and address a specific focus area, in this case ESG issues.

Spotlight on Sunway Berhad's Materiality Assessment with stakeholders

Sunway Group, one of Southeast Asia's leading conglomerates defines its stakeholders as those parties which their business has significant impact on and parties with vested interest in the Group's operations. Sunway Group believes that actively engaging and working in partnership with their stakeholders is crucial in addressing sustainability concerns.[6]

The materiality assessment is used to identify and assess key risks and opportunities for sustainable growth and enables them to engage with their stakeholders and improve their understanding on ESG issues. Below is the process of Sunway's Materiality Assessment:

1	2	3	4	5	6
Identification of objectives and scope	Identification and categorisation of material issues	Stakeholders engagement through online surveys and focus group discussions	Prioritisation of material issues	Validation to ensure alignment with industry peers locally, regionally and globally	Endorsement by Board Sustainability Committee (BSC)

Sunway held an online materiality survey among internal and external stakeholders and focus group discussions with C-suites to gather insights. The methods of engagement with each stakeholder group, frequency of engagement and addressing their expectations are also established. For more information on Sunway's Materiality Assessment and their journey of sustainable value creation, please refer to their 2020 Sustainability Report and 2021 Sustainability Report.

[6]Adapted from Corporate Sustainability Stakeholder Engagement , Sunway Berhad

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2.2 Process for Effective Stakeholder Management *(cont'd)*

2.2.2 Analyse influence

While identifying a comprehensive list of internal, external and extended stakeholders is essential to effective stakeholder management, it is critical to assess the level of influence that these stakeholders could have on the company in order to formulate proactive engagement plans.

A structured approach to ascertaining stakeholder influence can be adapted from Mendelow's matrix depicted below. By analysing and mapping various stakeholders as identified above to these quadrants, a targeted stakeholder engagement plan can be formulated based on the level of prioritisation.
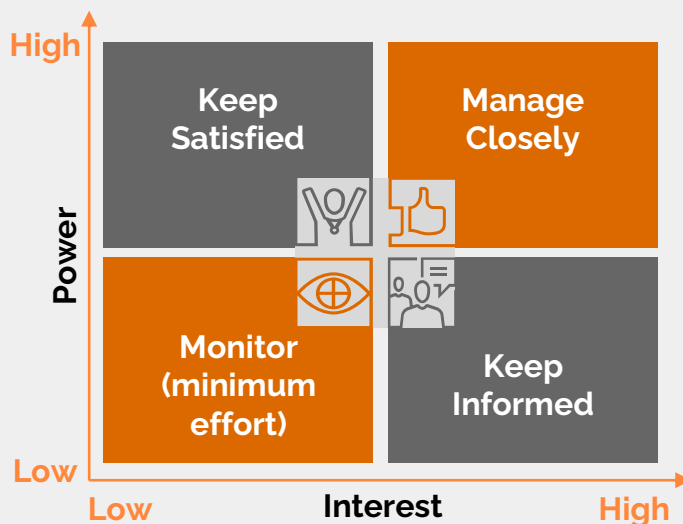

Figure 1: The Mendelow's Matrix for stakeholder mapping[7]

Power

Stakeholders' ability to influence the company's strategy or operations based on their position

Interest

Stakeholders' interest in the company's success

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[7]Adapted from <u>Stakeholder Analysis, Mind Tools</u>

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2.2 Process for Effective Stakeholder Management *(cont'd)*

2.2.2 Analyse influence (cont'd)

The following provides some illustrative examples of how stakeholders could be mapped to these quadrants and the potential stakeholder engagement orientation companies can take.

High power, low interest (Keep Satisfied)

Example: A government agency issues licenses and performs periodic inspections on a company's operations. While this agency may not be interested in the success and overall performance of the company, the agency will have a significant say in the ability for the company to continue carrying out its business.

Potential Stakeholder Engagement: Proactively engage to ensure that all regulatory requirements are met and new or emerging requirements are well understood by the company through interactions with the agency.

High power, high interest (Manage Closely)

Example: A major financial institution is providing significant funding for the expansion of a company's business into another market. This institution will be extremely interested in the performance of the company to meet its covenants and repayment obligations and will have a significant influence in the current and future funding of the company.

Potential Stakeholder Engagement: Ensure that the financial institution receives the relevant information to assess the business' performance and provide frequent updates on outlook of the business, risks and how these are being mitigated.

Low power, high interest (Keep Informed)

Example: The Company is building a major highway which has been approved by the government near a residential area which may be affected by the noise from the highway project. While the residential community would have high interest on the project's impact, they may not have direct influence over it but could raise significant opposition through indirect means.

Potential Stakeholder Engagement: To keep this group adequately informed about the project's progress and frequent engagement on how the company plans to address their grievances. Additionally to gain insights on how these stakeholders may be influencing others.

Low power, low interest (Monitor)

Example: The company is involved in providing outsourced room cleaning services for a prominent hotel. Customers to the hotel may not be interested in the identity of the company providing this service and will only be interested in the quality of the service provided, which they will identify as part of the hotel's services.

Potential Stakeholder Engagement: While the customers may not have any direct influence over the company or any interest in the performance of the company, any issue with the quality of services will be highlighted to the hotel via feedback mechanisms. The company needs to monitor customer feedbacks carefully if they want to maintain their business.

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The spotlight below demonstrates the use of Mendelow's Matrix by an organisation to help prioritise stakeholders to be managed.

Spotlight on Arsenal Football Club and the Emirates Stadium implementation of the Mendelow's Matrix

Arsenal Football Club, one of the leading clubs in English football, has implemented Mendelow power/interest matrix to identify key stakeholders that have a stake in the operations of the Emirates Stadium.[8] The figure below shows the stakeholders grouped into the 4 categories and justifications for doing so.

Although this group has low levels of interest, they provide key services to the club and its supporters. (e.g. supporters rely heavily on TFL's service to get to and from the stadium).

As long as the football club fulfils their playing roster regulations, both of these stakeholders require minimal effort on the part of the stadium management.

Keep Satisfied
Stakeholder Engagement
Stakeholders:
Met Police
Transport for London (TFL)

Manage Closely (Key players)
Stakeholder Participation
Stakeholders:
Directors
Upper Tier Sponsors and Partners
–Emirates Airlines

Monitor (Minimum Effort)
No need to engage/participate
Stakeholders:
Premier League
Broadcasters

Keep Informed
Stakeholder Engagement
Stakeholders:
Supporters
Banks
Shareholders
Lower Tier Sponsors
Upper Tier Sponsors and Partners
–Delaware North Companies
London Borough of Islington
Local Community Residents

Level of Power — High / Low

Level of Interest — Low / High

This group collectively owns approximately 70% of the clubs shares. They would have the control and ability to make certain decisions that affect the stadium management.

This group is kept informed on stadium developments, issues, events at the stadium and financial performance.

Source: Adapted from Mendelow (1991) and Low and Cowton (2004)

[8]Source: *Stakeholder Management and Sport Facilities: A Case Study of the Emirates Stadium, Research Gate*

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2.2 Process for Effective Stakeholder Management
(cont'd)

2.2.3 Identify triggers

In addition to defining the potential stakeholders and associated influence they may have on the business, there is also a need to assess the potential events that could elicit a positive or negative reaction from the respective stakeholders. Understanding these "triggers" would enable companies to prepare themselves for potential events that could impede the achievement of their objectives. The following indicative events could be considered in assessing potential triggers for various stakeholder groups:

New products or services being launched that could cause stakeholder reactions, both positive and negative	Major disruption to services that could impact customer experience	Emerging performance or profitability issue that could cause stakeholders to be alarmed
Environmental impact in setting up new production facilities that could raise attention from NGOs and other stakeholders	Significant increase in market share and /or profitability that will excite a specific group of stakeholders	Breakthrough development in the technology that the company uses that would garner the interest of investors, competitors, fund providers, employees and suppliers

Based on the triggers above, it will be crucial to determine the stakeholders that will be impacted and how they would react to these events. This will in turn entail an appropriate stakeholder engagement response. Please also refer to crisis communication elaborated in **Chapter 5** of this guidebook for further perspectives.

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2.2 Process for Effective Stakeholder Management
(cont'd)

2.2.4 Strategise communications

A critical element for effective stakeholder management is the actual communications process, mode and messaging. The steps elaborated above, i.e. identifying stakeholders, analyse influence and identify triggers will provide invaluable input to formulate a comprehensive and targeted communications plan. This plan would include the following components.[9]

The importance of the stakeholder: The more important the stakeholder is, the more structured the communication should be planned and carried out.

The type of communication: Ascertain whether the stakeholder would like to be provided with the information or would they like to actively look for information themselves. A distinction could be made between push and pull communication.

The mode of communication: Ascertain whether the stakeholder wants to be informed personally in a conversation or by telephone, or if an SMS or e-mail is adequate. Do they want reports or social media postings or alternatively physical stakeholder meetings to get the messages across in the most impactful manner.

The frequency and timing of communication: Ascertain whether the stakeholders want to be continuously updated or planned interval reporting is sufficient.

The customised content on the communication: Ascertain the key messages and content of the communication and how will it address the triggers and influence of the stakeholders.

Effective stakeholder management requires impactful communications that builds trust, instills confidence, informs and provides transparency to the various stakeholders. **Chapter 4** provides further insights on the various communication channels available to meet stakeholders needs.

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[9]*Adapted from Stakeholder Communication, t2Informatik*

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(cont'd)

2.2.5 Analyse impact

In order for stakeholder management efforts to yield positive outcomes on a sustainable basis, the impact of various stakeholder initiatives should be analysed on an ongoing basis. The results from these ongoing analysis will provide a virtuous cycle of improvement in the company's ability to manage stakeholders better over time and in specific situations.

A few possible approaches to analysing the impact of stakeholder management initiatives include the following.

Structured feedback loops from stakeholders such as interviews, feedback through stipulated channels for comments and views, and surveys.

Listening tools & sentiment analysis that collect data from various unstructured sources such as social media postings, emails and other postings.

Measure outcomes against defined set of metrics (see **Chapter 6** on measuring the IR programme).

Benchmark outcomes against other successful stakeholder engagement efforts to gauge any gaps or deficiencies.

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The spotlight below showcases how social listening can be used to monitor stakeholder sentiments to the benefit of the company.

Spotlight on the use of social listening by Fitbit

The use of social media platforms have increased tremendously over the past years. Companies have been using social media to track and monitor news related to their company, brand or initiatives. This provides an opportunity for companies to be able to respond and react accordingly. One example is **Fitbit**, a global leader in wearable fitness technology.

> "Customer experience is really paramount to everything we do here."[11]
>
> *- Alison Leahy, Director of Community for Fitbit*

1,222,026 MEMBERS

735,433 TOPICS

111,634 ANSWERS

3,455,930 POSTS

53,498 SUGGESTIONS

The Fitbit Community is where you can exchange solutions and advice for Fitbit products, and discuss your health goals and wellness journey. Join the conversation!

fitbit | COMMUNITY

- Fitbit uses social listening to monitor customer sentiment, sales and marketing and service.
- They offer proactive customer support and service by providing customer support over Twitter.
- **More than 70%** of consumers have stated that they tend to stay loyal to a brand if they feel a sense of belonging to a group or a community.[10]
- A feature that was inspired by customer requests, "Reminders to Move," is a buzzing reminder on the Fitbit device that encourages the user to get up and take some steps. Users in the community forums had self-titled it "Idle Alert," but the core idea was the same.[11]

Fitbit Support ✔
@FitbitSupport

Follow

Support for @fitbit devices in English, Deutsch, Español, Français, Italiano, Svenska, Nederlands, 日本語, and 한국어. Visit community.fitbit.com for more.

[10]Adapted from *How Fitbit Uses Social Listening to Build a Loyal Community of Users, Radarr*
[11]Adapted from *How Fitbit Keeps Its Customers Moving in Social Media and Online Communities, Social Media Today*

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2.2 Process for Effective Stakeholder Management
(cont'd)

2.2.6 Mitigate risks

Finally, an effective stakeholder management process will not be complete without robust risk management. Every stakeholder management initiative offers a unique risk that needs to be effectively mitigated from the outset. An Enterprise Risk Management (ERM) approach should be considered to identify the holistic risks of the business and thereafter mapped to the stakeholder management initiatives. Please refer to Bursa Malaysia's PLCT Programme Guidebook 1: Creating Purpose & Performance Driven Public Listed Companies (PLC), 2022 on the topic of ERM.

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2.3 Implementation Considerations

The effective implementation of stakeholder management initiatives cannot be overemphasised. While companies may have comprehensive stakeholder engagement plans, a failure to put in place the required rigour for implementing these plans could result in disastrous outcomes.

The implementation considerations for stakeholder management initiatives include[12]:

1

Identify the stakeholders correctly
The first and foremost thing to do is to identify and analyse the stakeholders. Planning the engagement process is impossible without this key step.

2

Understand stakeholder expectations, needs and concerns
It is imperative to communicate the purpose of the engagement and seek to understand the role of each stakeholder and how they could influence business.

3

Manage the stakeholders as per their power and interest level
Identification of the stakeholders is done so that the companies can manage the stakeholders as per their power (low or high) and interest (low or high). Companies make a big mistake when they manage all stakeholders in the same manner.

4

Keep stakeholders updated
Many leading companies make it a point to engage their stakeholders continuously but some companies fail to keep stakeholders up to date resulting in misinformation.

5

Identify, assess and manage stakeholder risks
Risks when ignored can turn into major issues with stakeholders, which is why companies should make sure that they regularly monitor risks and have a proactive mitigation plan.

[12]*Adapted from 5 Most Common Stakeholder Engagement Mistakes, Engagement Hub*

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2.3 Implementation Considerations *(cont'd)*

> **Useful links to practice aids**

  ✓ <u>Appendix 1 - Stakeholder analysis template:</u> Provides a template that can be used to identify the stakeholders based on their level of influence and interest.

  ✓ <u>Appendix 2 - Stakeholder communication plan:</u> Provides key elements to consider for a stakeholder communication plan including examples.

  ✓ <u>Appendix 3 - Issues and risks mitigation template:</u> Provides a template for conducting a structured risk assessment on stakeholder management initiatives.

3 | EXECUTING EFFECTIVE INVESTOR RELATIONS
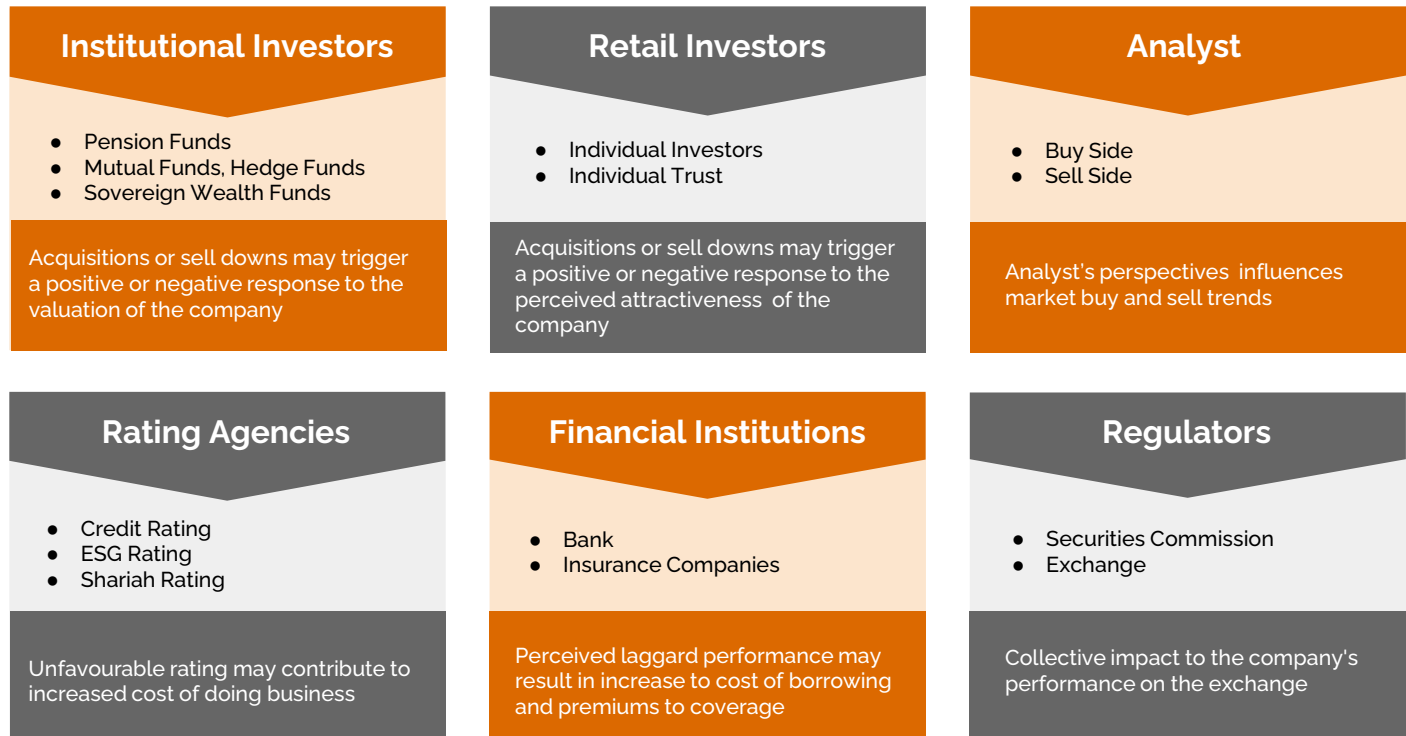
"Never invest in a business you cannot understand."

- Warren Buffett, Chairman and CEO of Berkshire Hathaway

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3.1 Perspectives on Investor Relations

A key group of stakeholders with a highly influential role that could shape the conduct of the company's business and its standing in the market is the investor community. With such potential influence, this stakeholder group needs to be distinctively engaged and managed.

This chapter specifically sets out the considerations, roles, processes and impact of IR within a company in addressing the investor community. The chapter elaborates on the aspects of IR both as a process to be managed and as a function within the organisation. The key activities associated with IR and the interdependencies are further explained and referenced throughout the contents of this Guidebook.

A representation of what the investor community universe (non exhaustive) may look like and impact of their actions are shown below.

Institutional Investors

- Pension Funds
- Mutual Funds, Hedge Funds
- Sovereign Wealth Funds

Acquisitions or sell downs may trigger a positive or negative response to the valuation of the company

Retail Investors

- Individual Investors
- Individual Trust

Acquisitions or sell downs may trigger a positive or negative response to the perceived attractiveness of the company

Analyst

- Buy Side
- Sell Side

Analyst's perspectives influences market buy and sell trends

Rating Agencies

- Credit Rating
- ESG Rating
- Shariah Rating

Unfavourable rating may contribute to increased cost of doing business

Financial Institutions

- Bank
- Insurance Companies

Perceived laggard performance may result in increase to cost of borrowing and premiums to coverage

Regulators

- Securities Commission
- Exchange

Collective impact to the company's performance on the exchange

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3.1 Perspectives on Investor Relations *(cont'd)*

In an interview with Inside America's Boardroom, Rebecca Corbin the Founder and CEO of Corbin Advisors spoke of how Boards can better leverage the IR Officer(s)[13] to manage the perception and sentiment of the company's investor base - do people understand the company's story and the strategies of the company. To her, the fundamental role of IR is to strategically minimise this knowledge gap and if done well, can help influence the company's valuation.

"To align the valuation of what the company is worth to the perception of the investment community"

- Rebecca Corbin, Founder and CEO of Corbin Advisors on the role of Investor Relations

From a survey conducted

89% of investor respondents have said that IR influences valuations

38% of the respondents state that a company's valuation is influenced by good IR and

41% conversely state that the company's valuation is influenced by bad IR

Source: *How Boards Can Better Leverage the Investor Relations Officer, Inside America's Boardrooms*

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[13]Adapted from *How Boards Can Better Leverage the Investor Relations Officer, Inside America's Boardrooms*

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3.2 What is Investor Relations?

IR is a strategic responsibility and acts as a bridge between the company and its investor community. IR is tasked with the responsibility of sharing the company's affairs to investors and potential investors, which helps these investors make informed decisions on investments in the company. The following are three characteristics for a successful IR programme.

Proactive communication	Communication is an important part of IR and companies should take the opportunity to engage with the investor community whenever and wherever possible. This is to obtain feedback on how the company is being perceived, which is vital information for the Board and Senior Management to respond to accordingly.
Upholding transparency	IR messaging should be straightforward and open when communicating news to the investor community. The IR programme should disclose information to all parties at the same time to avoid inconsistent and selective disclosures.
Ensuring accuracy	Timely and accurate information is essential to investors in making well informed decisions. When organisations communicate factually on their performance and outlook for the future, it is more likely that they will be fairly valued by the market.

A representation of what IR is and what IR is not is depicted below.[14]

What is IR?

IR refers to the process through which a public listed company organises and conducts itself in **effective two-way communications** with its shareholders, the financial community and other stakeholders on **factual information.**

What IR is not

To put it simply, **IR is not Public Relations**. Though both functions relate to corporate communications, IR does not deal with shaping an organisation's "brand".

[14]Source: _Investor Relations: Put Into Practice, Bursa Malaysia_

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3.2 What is Investor Relations? *(cont'd)*

The following depicts a non exhaustive list of key objectives of the IR activity:

✓ Ensuring that the company achieves the optimum share price that reflects the fundamental value of the company

✓ Representing the company to investors

✓ Providing financial information to investors (retail and institutional) in a timely and accurate way

✓ Providing non-financial data to support company's valuation

✓ Building receptive capital markets for future financing at favourable terms

✓ Presenting investors' feedback to the company's management and to the Board

✓ Observing regulatory requirements

The subsequent section expands upon the establishment of the role of the IR Function and IR Officer(s).

Source: *Role of Investor Relations, Corporate Finance Institute*

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3.2 What is Investor Relations? *(cont'd)*

Establishing the role of the IR Function and IR Officer(s)

IR combines finance, communication, and marketing to effectively control the flow of information between a public listed company, its investors, and its stakeholders. This information flow sets out the company's outlook as well as its operational and financial aspects to current and potential shareholders, as well as analysts.

The IR Officer(s) helps oversee and manage this function including releasing appropriate information, handling enquiries and engagement events, providing feedback to management and managing the relationship with investors. The knowledge and competencies required of an IR Officer(s) should be extensive for them to discharge their duties effectively. An indication of the competencies required are reflected below.

- ❏ Experience in investment management i.e. appreciation of the market needs and how capital markets work
- ❏ Familiarity with all relevant regulatory requirements and developments (e.g. prominence of the ESG agenda)
- ❏ A sound knowledge of the company, its activities and prospects
- ❏ Ability to utilise a variety of corporate and financial communications channels
- ❏ Ability to develop the key IR messages i.e. to translate complex corporate, financial and technical data into an understandable form

Source: Investor Relations: Put Into Practice, Bursa Malaysia and Role of Investor Relations, Corporate Finance Institute

How investor relations has changed and where it is going[15]

Watch this interview with Smooch Reprovich Reynolds, the Managing Partner of Global IR and Communications practice group ZRG Partners as she shares on how the IR profession has transitioned over the last decade from being a task oriented role to a more leadership role.

[15]Source: *How investor relations has changed - and where it is going*

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3.2 What is Investor Relations? *(cont'd)*

Establishing the role of the IR Function and IR Officer(s) (cont'd)

The diagram below provides an overview of the typical set-up of an IR Function and role of the IR Officer(s). There are also a number of companies which have outsourced this function and whilst the function may be outsourced, the fundamental objectives of the IR programme remains. Please refer to the IR Terms of Reference (TOR) in the appendix section for more information.

Mandate of IR
IR is a strategic management responsibility that is capable of integrating finance, communication, marketing and securities law compliance to enable the most effective two-way communication between a company, the investor community, and other constituencies, which ultimately contributes to a company's securities achieving fair valuation.

IR Function and IR Officer(s)
• IR Function refers to the department of a company devoted to handling inquiries from shareholders and investors, as well as others who might be interested in a company's stock or financial stability. The IR Function manages the IR programme within the company. • IR Officer(s) on the other hand, is the focal person responsible for the company's IR programme. A strategic role acting as the bridge between the Board and Senior Management of the company to the investor community.

Set-up of the IR Function

The IR Function typically sits at the corporate level of the company.

Reporting line

C-suite

The IR Officer(s) in most cases reports to the Chief Financial Officer but can also report directly to the Chief Executive Officer. The IR Officer(s) provides updates on the IR programme and advice prior to investor or analyst meetings.

Board of Directors

Include open dialogs with the Board of Directors on pertinent IR matters in line with the company's business direction.

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The reflection below encapsulates the rising importance and evolution of the IR Function and IR Officer(s) in organisations promulgated by increased stakeholder activism on the business conduct of these institutions. The IR Function and IR Officer(s) play an important role in supporting the Board and Senior Management to proactively manage these stakeholders' sentiments.

> "With investor activism increasing and world markets gripped by uncertainty, CEOs need a new breed of skilled IR Officer(s) to bridge the gap."[16]
> - *The Changing Role of the Investor Relations Officer by Dennis Carey, Ram Charan, and Bill McNabb*

CEOs are now having to navigate heightened shareholder activism where investors are increasingly weighing in on the company's strategy, ESG, executive pay and Board composition matters, amongst others. With investor activism increasing and world markets gripped by uncertainties, the IR Officer(s) needs to build and sustain credibility with long term investors while providing useful information on a timely basis. For such reasons, the IR Function needs to change in four distinct ways[16]:

The IR Function role needs to shift from simply explaining corporate strategy and practices to laying out why the strategy is best positioned to unlock shareholder value and therefore attract and keep long-term investors.	The IR Function must become an intelligence agency which has identified the hot-button issues investors care about.
The IR Function must foretell the decision-making trends among the buy-side analysts. They must know how to find the right investors for the company and proactively cultivate them and try to get them on board.	The role will require not only for IR to be financially savvy but to truly understand how today's sophisticated investors operate. It should function as an early warning radar system when trouble is brewing.

[16]Adapted from *The Changing Role of the Investor Relations Officer, Harvard Business Review, 2021*

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A Case Study on Sunway's Proactive Approach towards IR

☼ Spotlight on Sunway Berhad ("Sunway")

Sunway approaches IR with the objective of presenting a true and accurate view of the Company in the capital markets. It aims to bridge information gap between the Company and the investment community to facilitate informed investment decisions.

The core principles of IR at Sunway focus on building trust and long-term relations with stakeholders. These principles guide the manner in which the Company communicates with its various stakeholders.

Core IR Principles

| Integrity | Transparent | Accurate | Fair | Trust | Long Term |

Sunway's IR strategy focuses on proactive engagement with its stakeholders

Sunway promotes a culture of proactive engagement with stakeholders. This has assisted the Company in building long-term relations and trust with its stakeholders. The following are key attributes of proactive engagement demonstrated by Sunway:

Understanding the intricacies of 'effective communication'

Communicating the company's information is not simply information dissemination but more about how the recipient perceives the information. Sunway employs a transparent communication approach in making information accessible to the investment community. The IR team plays a proactive role in ensuring the accuracy and efficacy of this communication.

Internally, IR's role is also to create awareness on the importance of sharing relevant information, supported by data insights, with the investment community in order to strive towards achieving a fair valuation. IR also engages with management and internal stakeholders to ensure effective communication.

Sunway seeks feedback from the investment community in evaluating the effectiveness of its IR communication.

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A Case Study on Sunway's Proactive Approach towards IR (cont'd)

Spotlight on Sunway Berhad ("Sunway")

Adapting with evolving times

In the past, IR engagements focused mainly on institutional investors, and engagement with retail investors were primarily through AGMs. With advancements in technology, stakeholder engagement channels have expanded to digital platforms and social media in addition to conventional stakeholder engagement channels.

The growing prominence of Sustainability (ESG) has led to the incorporation of Sustainability into IR communication to the investment community. In this respect, Sunway has initiated and organised Sustainability (ESG)-centric engagement sessions for the investment community, which is unique and different from the conventional IR engagements.

Close engagement with leadership

Close engagement between IR, Senior Management and the Board is an important factor to align communication of corporate vision to the investment community. For diversified businesses such as conglomerates, IR may collaborate and organise a corporate day to provide an opportunity for the investment community to engage with the Senior Management of the various divisions.

Stay connected at all times

Integrity is built upon adhering to high level of transparency. Whilst it is easy to communicate good performance during rosy seasons, it is equally important to continue to engage with the investment community during challenging times. Maintaining high integrity in communicating good and bad news forms a balanced and transparent communication approach.

As an example, during the depths of the Covid-19 pandemic, Sunway regularly provides analysts and investors with the latest business performance updates and strategies to keep them abreast of the company's progress and performance.

> **Willingness to meet and engage with investors in good as well as challenging times, especially the worst of times, is how you build trust and credibility in the long run.**
>
> - Investor Relations Team, Sunway Berhad

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3.3 Malaysian Investors' Perspective

A Malaysian Investors' Perspective

As part of the Bursa Malaysia PLC Transformation Programme in Dec 2021 - Jan 2022 and June 2022, cross-section of investors, analysts and IR firms were engaged to understand their priorities and perspectives on PLCs, the capital market landscape in Malaysia and views on the IR Function via a limited survey. Insights from these respondents are summarised below and provide some bearing for IR Officer(s) on what investors are looking for and how this can help shape their engagement plans.

Highlights from the survey	Key takeaways for IR
What is going on well ● Improved quality of disclosures especially for large cap companies ● Better shift towards stakeholders needs rather than merely shareholders needs ● Able to establish sound and attractive strategies	● Understanding the minimal standards of disclosure as warranted by investors ● The strategy, structure and sharing of information takes into account the needs of all relevant stakeholders ● IR is enabled to articulate succinctly the strategy and long term plans of the company
What can be improved ● PLC leadership capability and availability ● Declining trust in Malaysian PLCs ● Facilitating two-way IR communications with stakeholders	● IR is enabled to articulate the value of the management team to the strategies of the company ● Ensuring honest, clear and timely messaging with proper context to build investor trust and confidence ● Establishment of clear engagement plans and measurable outcomes with the investor community

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3.3 Malaysian Investors' Perspective *(cont'd)*

A Malaysian Investors' Perspective (cont'd)

Highlights from the survey	Key takeaways for IR
What investors prioritise • Good financial performance, growth and dividends • Clear business direction, executed by capable leadership • Ethically and Socially Responsible companies • Safeguarded Stakeholders interest • Balance between financial and non-financial performance	• Reporting and sharing of information should provide an integrated and overall view on the performance and standing of the company catering to the needs of various stakeholders and aligned to the strategy and purpose of the company
What to share and disclose • Earnings per share, growth, profitability and return on capital • Business sustainability and ESG compliance • Shareholding structure, management remuneration, related party transactions • Governance performance, customer satisfaction, employee satisfaction • Labour productivity, wage growth and training	• IR to be highly conversant with the current and emerging investor expectations for information due to rise in stakeholder activism • IR empowered and enabled to deal with the various stakeholder expectations • IR to be prepared for communicating both good news and not so good news to the investor community in a manner that will keep them well-informed with high levels of transparency

> " The larger PLCs have certainly progressed and applied standards / methods such as integrated reporting, stakeholder matrix assessment, sustainability reporting, structured engagements, and such; but still open to scrutiny to determine the "truth". "
>
> - Malaysian investment firm

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The following interviews spotlights on two prominent Institutional Investors in Malaysia as they share their expectations of IR and what they look out for in a company to invest in.

Spotlight on EPF as an Institutional Investor

Puan Rohaya Mohammad Yusof
Chief Investment Officer
Employees Provident Fund (EPF)

In this interview, Puan Rohaya Binti Mohammad Yusof, Chief Investment Officer of the Employees Provident Fund shares her opinion and experience on the purpose of IR from the lens of an Institutional Investor. She shared how IR in Malaysia can be improved through a number of ways.

According to Puan Rohaya, it is important for companies, especially the small and mid-cap companies to establish an IR team. She also emphasised on the need for companies to share their growth stories or developments with investors. Having a consistent dividend payout policy is also something that investors typically look out for.

" We look for transparency, timelines of reporting and accuracy of information. These are important considerations to stakeholder like us. "

Puan Rohaya binti Mohammad Yusof, Chief Investment Officer, Employees Provident Fund

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Puan Rohaya further explained some of the key attributes of good IR:

Standing of the IR Officer(s):
It is important to have an IR Officer(s) that is senior in ranking preferably member of management, with the relevant capabilities who can explain and talk about the company on areas of financial, strategic or even operations

Effective use of data:
The information provided to the investors should be supported with data allowing for better understanding on the company's performance

Keep investors informed:
It is important to engage with investors especially prior to major transactions

Engage the Board:
Engage with the Board of Directors as companies can leverage and tap into this wealth of information and experience of the members

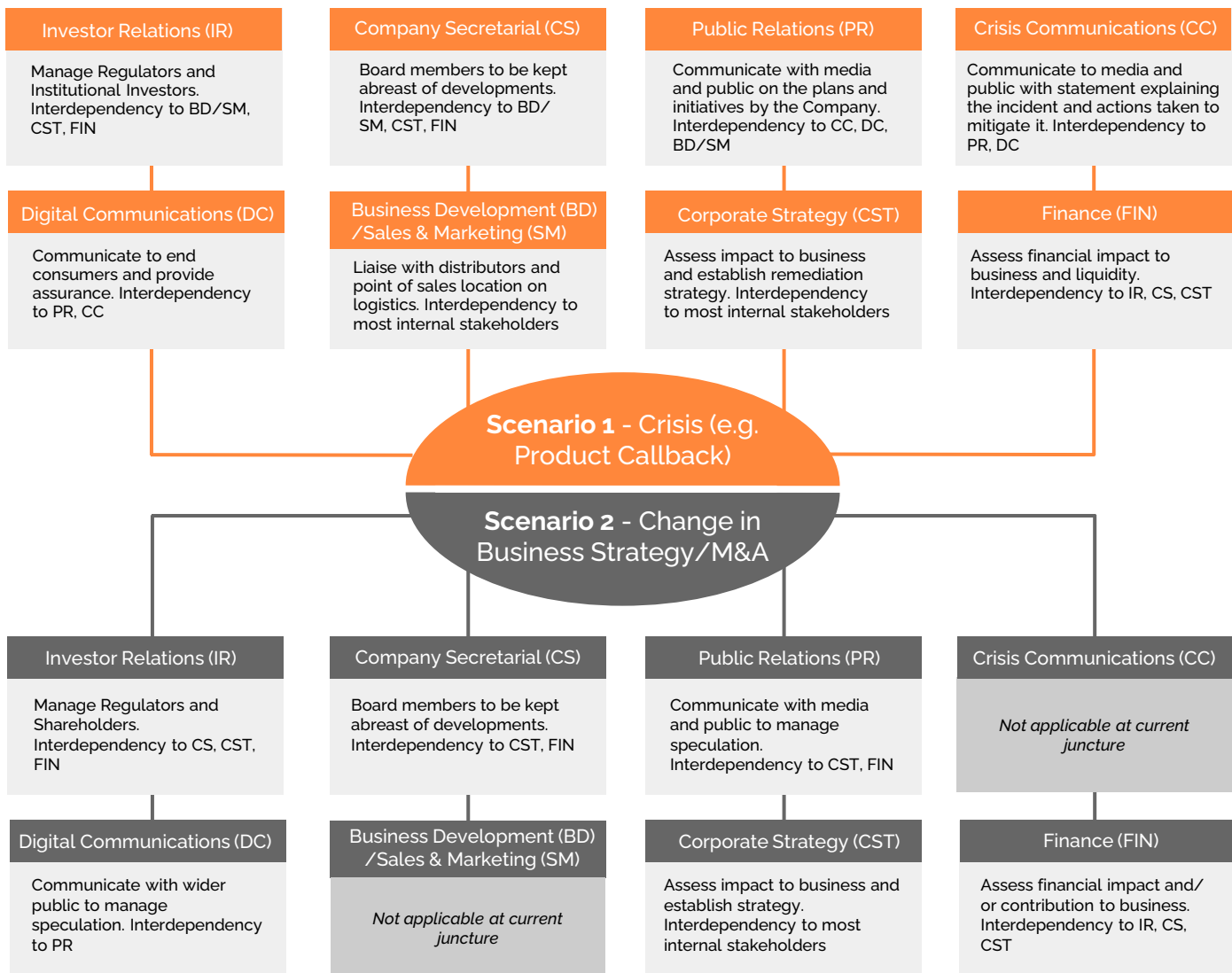| Introduction | Stakeholder Management and Business Performance | Executing Effective Investor Relations | Communication Channels | Crisis Communications | Enablers For Effective Stakeholder Management And Investor Relations | Conclusion |

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Spotlight on PNB as an Institutional Investor

In this interview, En Sheikh Al-Zaquan, Cluster Head, Investment Analysis Department, Permodalan Nasional Berhad (PNB), shares his views on the core purpose and the effectiveness of the IR Function. He talks about the key focus areas for PLCs when dealing with institutional investors.

Encik Sheikh Al-Zaquan bin Amer Hamzah
Team Supervisor, Investment Analysis Department
Permodalan Nasional Berhad (PNB)

5 key areas of focus for PLCs

Proactive Communication
IR should provide regular and efficient engagements with institutional investors and be quick to give updates and explanations on any new company developments. Companies may need to invest more resources in establishing or strengthening their in-house IR capabilities.

Clarity
IR should be more transparent and clear when providing information and disclosures. This will allow analysts to make a fair and a more assured assessment on the company's business going forward. The leadership of companies should translate broad goals into quantifiable metrics.

Consistency
IR should ensure important or sensitive information is conveyed in a symmetrical and equal way rather than only to specific groups or at separate times.

Consideration
IR engagements with investors should be used as an avenue for 2-way communication. This will help the company to also understand the key concerns from the perspective of an institutional investor.

Climate
ESG and sustainability is becoming increasingly important for the investing market, hence ESG disclosures should be done in a meaningful way and on a regular basis.

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3.4 Investor Relations is Not The Accountability of One

> "We cannot just appoint a chief stakeholder officer if we really want to serve all stakeholders. If we really want to serve stakeholder needs, we need to get everyone involved."[17]
>
> - TED Talk by Dame Vivian Hunt, Dame Commander of the Order of the British Empire for services to the economy and women in business

As a central figure in dealing with the investor community and stakeholders, the IR Function is also dependant on the internal stakeholders of the company in order to execute its function. Through communication and engagement with internal stakeholders, a greater understanding of their goals, objectives and needs can be gained, enabling IR to articulate the stories of the company better. A description of a selection of internal stakeholders and their relationship to IR are explained in the following page.

.

2017 Walmart Investor Relations Q&A

Watch this video on Walmart Investor Relations Q&A session facilitated by the IR Officer and interviewee panel led by its CEO and the leadership team from strategy, finance, people, sustainability and governance.

Source: 2017 Walmart Investor Relations Q&A

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[17]*Adapted from How businesses can serve everyone, not just shareholders, TED*

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3.4 Investor Relations is Not The Accountability of One *(cont'd)*

Internal Stakeholders (cont'd)

Board and Senior Management

- IR provides periodic updates to the Board and Senior Management on investors and analysts engagements
- Highlight key matters from engagement sessions and plans for the upcoming sessions
- Keep the Board informed about key concern areas

Company Secretary

- IR engages with Company Secretary to manage the administrative and statutory compliance responsibilities
- The Company Secretary ensures that the company is abiding by the relevant rules and regulations
- Company Secretary coordinates with IR to plan and arrange sessions for advising the Board of Directors on key matters
- Company Secretary coordinates with IR on timely quarterly and annual announcements and engagements (i.e. AGMs, publishing of annual reports)

Finance

- IR engages with Finance to understand the fundamentals behind significant movements or updates in the financials
- IR should be equipped with the company's financial information to provide accurate explanations to investors and analysts

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3.4 Investor Relations is Not The Accountability of One *(cont'd)*

Internal Stakeholders (cont'd)

Public Relations

- The curation of investor presentations and packs are consistent with the branding of the company
- IR collaborates with Public Relations to ensure congruency in the story and messages being disseminated to the public

Commercial Teams

- IR engages with Commercial Teams to stay abreast of the latest offerings and/or services, future ventures and how it will affect the prospects of the company
- IR should be well-versed with the commercial drivers of the company and be able to integrate that knowledge in engagements with investors and analysts

The following page provides scenarios as an illustration of the relationship between IR and its internal counterparts.

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3.4 Investor Relations is Not The Accountability of One *(cont'd)*

The following illustrates the relationship between IR and internal stakeholders in indicative scenarios in a company.

Investor Relations (IR)

Manage Regulators and Institutional Investors. Interdependency to BD/SM, CST, FIN

Company Secretarial (CS)

Board members to be kept abreast of developments. Interdependency to BD/SM, CST, FIN

Public Relations (PR)

Communicate with media and public on the plans and initiatives by the Company. Interdependency to CC, DC, BD/SM

Crisis Communications (CC)

Communicate to media and public with statement explaining the incident and actions taken to mitigate it. Interdependency to PR, DC

Digital Communications (DC)

Communicate to end consumers and provide assurance. Interdependency to PR, CC

Business Development (BD)/Sales & Marketing (SM)

Liaise with distributors and point of sales location on logistics. Interdependency to most internal stakeholders

Corporate Strategy (CST)

Assess impact to business and establish remediation strategy. Interdependency to most internal stakeholders

Finance (FIN)

Assess financial impact to business and liquidity. Interdependency to IR, CS, CST

Scenario 1 - Crisis (e.g. Product Callback)

Scenario 2 - Change in Business Strategy/M&A

Investor Relations (IR)

Manage Regulators and Shareholders. Interdependency to CS, CST, FIN

Company Secretarial (CS)

Board members to be kept abreast of developments. Interdependency to CST, FIN

Public Relations (PR)

Communicate with media and public to manage speculation. Interdependency to CST, FIN

Crisis Communications (CC)

Not applicable at current juncture

Digital Communications (DC)

Communicate with wider public to manage speculation. Interdependency to PR

Business Development (BD)/Sales & Marketing (SM)

Not applicable at current juncture

Corporate Strategy (CST)

Assess impact to business and establish strategy. Interdependency to most internal stakeholders

Finance (FIN)

Assess financial impact and/or contribution to business. Interdependency to IR, CS, CST

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3.5 Implementation Considerations

The importance of IR cannot be underestimated. The demands of the role in engaging the investor community to maintain a healthy and open avenue for sharing, disseminating and receiving information requires well established and institutionalised IR strategy and processes. The following are key considerations in implementing an effective IR programme:

1

IR is a strategic role and requires buy-in from Senior Management
The expectations of the role warrants a position of seniority. The IR Officer(s) is in constant liaison with the Senior Management and Board and needs to be granted with the appropriate stature to engage the investor community.

2

There must be a proper IR strategy established
The engagement with the investor community is a continuous process and requires a structured approach to it. The strategy must consider the stakeholders to engage, when and how to engage with clear engagement objectives.

3

IR Officer(s) must be equipped to deliver their job
The discipline required of an IR Officer(s) ranges from financial literacy, communication skills and business strategy. The IR Officer(s) needs to be trained and developed to be effective.

4

IR is a coordinated effort and requires teamwork across all functions
The effectiveness of the IR programme is dependent on the internal collaboration within the organisation. A successful IR programme is the doing of many. The IR programme needs to map out the roles and responsibilities of all internal stakeholders.

5

The IR programme must be measured of its effectiveness
Appropriate measures must be established to assess the effectiveness of the IR programme and its activities both in quantitative and qualitative terms. These measures are further discussed in **Chapter 6** in this guidebook.

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3.5 Implementation Considerations *(cont'd)*

Useful links to practice aids

- ✓ <u>Appendix 4 - Getting started with Investor Relations:</u> Covers the key areas for organisations starting their IR Function or setting up their IR programme.

- ✓ <u>Appendix 5 - Investor Relations Terms of Reference</u>: Key points of a TOR that help frame the mandate and structure of the IR Function within the organisation.

- ✓ <u>Appendix 6 - Investor Community mapping template</u>: Provides a template covering the context to engage with the relevant investor community.

- ✓ <u>Appendix 7 - Investor relations presentation checklist</u>: Illustration of best practices to adopt when creating investor relations' presentations.

4 | COMMUNICATION CHANNELS

"The two words 'information' and 'communication' are often used interchangeably, but they signify quite different things. Information is giving out; communication is getting through."

- Sydney J Harris, Journalist and Author

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4.1 Communications Channels

This chapter focuses on the various communication channels available for companies to engage with its broader stakeholders and the more specific investor community. To increase reach and impact, companies are re-evaluating their communications strategies by considering and adopting a myriad of formal, complementary and emerging trends in communications including social media and other virtual platforms. Whilst there are many modes and channels at disposal, companies need to constantly uphold professional discernment on what information is communicated and how this will be received by stakeholders. The following illustrations serve to remind us of the lessons learnt from communication efforts that have succeeded and those that have led to further distress.

Traits of Bad and Good Communication

Insensitivity, Pride and Ignorance, Misleading ← → *Humility, Transparency, Clarity, Accuracy, Informative*

A look at three case studies from United Airlines, BP and Toyota. The first two were exacerbated by the mishandling or comments from their chief executives whilst Toyota failed to heed the complaints from its customers.

Source: *Top PR nightmares: What went wrong*
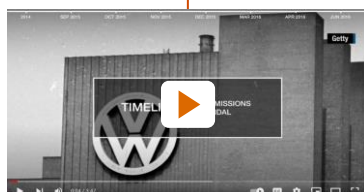
A look at VW's emission scandal. VW initially denied then later admitted working around emission laws to officials. This resulted in the CEO's resignation, endless lawsuits by customers and actions by authorities with an estimated remediation cost of $14.7 billion.

Source: *Volkswagen emissions scandal: A timeline*

Larry Fink is the Chairman and CEO of BlackRock, the world's largest asset management firm. He sets the tone with his annual letters to CEOs since 2012. It has drawn remarkable attention from the CEO community where he highlights issues from capital management to company's purpose, the pandemic and climate change.

Source: *Larry Fink's CEO letter*

Warren Buffett, the CEO of Berkshire Hathaway, engages his stakeholders by holding annual shareholders meeting in Omaha, USA.

It is the most sought after governance meeting where tens of thousands of shareholders attend to listen and question.

Source: *Warren Buffett's annual shareholders meeting*

News surrounding the termination of employees via a zoom call questioned the appropriateness of the company in managing its employee stakeholder group.

Source: *Better.com CEO fires more than 900 employees on single Zoom call*

Toyota CEO Akio Toyoda publicly apologising to Congress and families of victims for safety lapses that led to widespread recalls for accelerator and braking failures in 2010.

In his statement, he sincerely shares the reasons that led to these unfavourable incidents.

Source: *Toyota CEO Apologizes for Recall, Accidents*

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4.2 Formal Channels

There are various formal channels of communications available to companies. Irrespective of the channels to be used, the fundamental communication principles remain that of tone, transparency, accuracy and timeliness of information being shared. The following describe some of these formal channels, their characteristics and considerations for use.

1. Annual Reports and quarterly announcements

Annual and quarterly reports and announcements are required by Bursa Malaysia Listing Requirements. This mode of communication provides the company's financial results and material information in a structured manner. The typical components of the Annual Report revolves around[18]:

The Directors' Report - This report provides a perspective on the principle activities, business environment and strategy culminating with details of the financial performance of the company (amongst others),

The Corporate Governance Statement and Report - This statement provides information on the corporate governance practices, state of disclosure and application of the MCCG by PLCs.

The Statement on Risk Management and Internal Control - This statement provides an overview on the design and effectiveness of the risk management and internal control environment within the company.

The Sustainability Statement - This statement provides information on the company's material sustainability matters (risks and opportunities) and how it is governed.

The Financial Report - This report provides perspectives on the financial performance and position of the company.

The Auditors' Report on the Financial Statements - This report sets out the external auditors independent opinion as to whether the financial statements give a true and fair view of the company's standing.

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[18]Adapted from _A Guide To Understanding Annual Reports; (Malaysian Listed Companies), Malaysian Institute of Accountants (MIA)_

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4.2 Formal Channels *(cont'd)*

1. Annual Reports and quarterly announcements (cont'd)

i) Developments in Annual Reports

Whilst the baseline for matters to be reported in Annual Reports are clearly set out in the Bursa Malaysia Listing Requirements, there is a rise in demand for more holistic reporting by companies.

Stakeholders are no longer focusing on just the financial parameters of the Annual Reports but also on how a company's strategy and performance are linked to environmental, social and governance aspects within the ecosystem they operate in. Additionally, stakeholders are demanding disclosures on how value is created and preserved and how these are represented in the business plans and operating models of the organisation via integrated reporting, in order for stakeholders to make more informed decisions.

Practice 12 of the Malaysian Code of Corporate Governance (MCCG) 2021 encourages large companies to adopt integrated reporting based on a globally recognised framework.

The Code defines it as a concise communication about how a company's strategy, performance, governance and prospects lead to value creation. An integrated report improves the quality of information available to investors and promotes greater transparency and accountability on the part of the company.

It further sets out that the Board should undertake active engagements with the relevant stakeholders to gain a better understanding of the expectations and concerns (if any) of these stakeholders and the company's impact on them.[19]

[19]Adapted from MCCG 2021.

The Sustainability Reporting Guide (2nd Edition) provides guidance on how to embed sustainability in the organisation. The Guide makes reference to authoritative standards, references and guidance on integrated reporting, amongst others.

It also sets out detailed guidance on how to report in accordance with sustainability-related Listing Requirements, including disclosure examples and good practice recommendations. This is further supplemented by selected themes and indicators for disclosure, based on the PLC's material sustainability matters.[20]

[20]Adapted from Bursa Sustainability Reporting Guide 2018

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4.2 Formal Channels *(cont'd)*

1. Annual Report and quarterly announcements (cont'd)

ii) Developments in Integrated Reporting

> "An integrated report is a ***concise communication*** about how an organisation's strategy, governance, performance and prospects, in the context of its external environment, lead to the ***creation of value*** over the ***short, medium and long term***."
> – *International Integrated Reporting Framework*

The pressure for information by stakeholders has moved beyond just financial statements in Annual Reports. Stakeholders are keen to understand the strategic relevance to the information disclosed and its linkage to the wider matters reported. This demand of information is promulgated by some of the developments mentioned below.[21]

- **Navigation of risks** - Social and environmental risks to business models are ever increasing. Institutional investors, like BlackRock and SSGA, have said they will vote against boards that are not making sufficient progress in sustainability reporting.[22]
- **Societal impact** - Stakeholders are increasingly asking for deeper, more reliable information on impacts (including quantification) to be better informed on their decisions e.g. climate change impacts on livelihoods and economic growth.
- **Technology advancement** - Telling your own story is more important now than ever as investors and others 'scrape the internet' and look to sources of information outside of the reporting company.
- **Regulatory developments** - More and more regulatory bodies are requiring that companies disclose – and in some cases, assure, certain information on the way they operate and manage social and environmental challenges.

Research has also shown that companies that have started on the integrated reporting journey demonstrate:

65% Better understanding of business opportunities and risks.

79% Improvements in decision making.

78% More collaborative thinking about targets and goals by the Board and strategy departments.

Source: PwC - Implementing Integrated Reporting (2019)

[21]Adapted from *PwC's Annual Review of Corporate Reporting in the FTSE 350 2020/21*
[22]Source: *Investors Crank Up Pressure on Companies With Record Climate, Race Proxy Proposals*

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The spotlight below brings to life how integrated reporting is used by organisations to tell a more holistic performance narrative.

Spotlight on Nedbank 2020 Integrated Reporting, South Africa

The following sets out Nedbank's Integrated Report which straddles strategy and resource allocation, key trends affecting the business, risk and opportunities and performance, amongst others:

Clear purpose and vision with targets to achieve the 2023 strategy

Discussion of risks and opportunities in the company's operating context

Key trends affecting the business and its strategy in the short to medium term
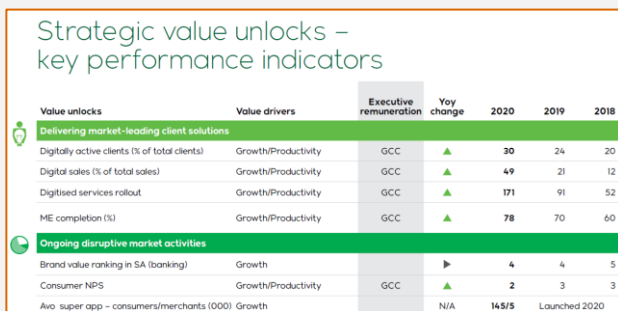
Defining KPI and reporting achievements consistently to short, medium and long term outlook
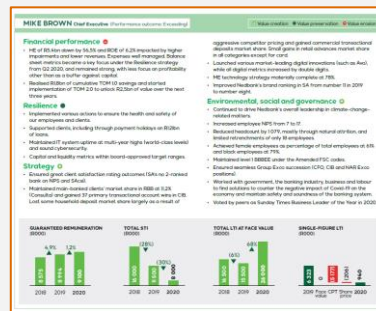
Linking performance and remuneration for Senior Management

Source: Nedbank Group Integrated Report for the year ended 31 December 2020

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4.2 Formal Channels *(cont'd)*

2. Engagement with the media

The main purpose of media statements and briefings is to help share information or announcements about the company and its developments. It is a way to capture the attention of the press to help the company share its story to a wider audience. Listed below are some of the key considerations when engaging the media:

Media has the ability to analyse a PLC's performance in depth and share insightful information to their audience

Media can influence an investor's decision making and their investment choices as well as consumers' behaviour

Continuous engagement with media houses are important to establish long-term relationships

Crucial for IR and Public Relations (PR) Functions to work together when it comes to effective media communications

Whilst IR Function's expertise is to provide accurate information about the company, the PR Function should establish specific strategy to convey the right messages to promote the company's story to the media

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4.2 Formal Channels *(cont'd)*

2. Engagement with the media (cont'd)

In the preparation of a media engagement plan, it is important to establish the following to identify the most appropriate media channel to reach the intended audience.

- Reasons and rationale for the communication
- Key messages and intended outcomes of the communication
- Target stakeholder audience
- Timing of communication

The following highlights some good practices when engaging the media[23]:

Identify a media channel or mode that suits the target audience in terms of tone and style for ease of understanding and for the message to get across (e.g. press releases could include local or national newspapers, online news sites, radio news bulletins, and local or national television news organisations)

Leverage on existing company press office or media liaisons and understanding of how the media works. Seek assistance on how to effectively communicate through the chosen media channel for your target audience.

Timing is crucial when working with the media. For example, successful communication with the news media often depends on how current the news or update is.

[23]Adapted from Media Engagement, National Co-ordinating Centre for Public Engagement

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4.2 Formal Channels *(cont'd)*

Watch this interview with Mark Laudi, the Managing Director of Hong Bao Media as he shares the key considerations in dealing with the media. Mark Laudi was a former presenter at CNBC and regularly mentors CEOs on media interviews.

☀ Spotlight on Hong Bao Media

❝ Get ready to tell your story in a **credible, authentic** and **sincere** way.❞
- Mark Laudi, Managing Director of Hong Bao Media

Mr Mark Laudi
CEO of Hong Bao Media, RIABU LLP and PitchMark LLP

3 key components when dealing with the media:

Get media savvy as the media landscape has changed a great deal and to fully engage with the different channels out there,

Develop a **culture of communication** in your organisation to address stakeholder effectively

Have an **important and relevant message** to communicate when approaching media interviews

Key takeaways

- Have an **end goal** in mind to better measure if it yielded the results expected.

- Be ready to **deliver and lead a compelling story** with enthusiasm so the audience is inspired.

- Understand the **different types of media** and ways to reach out to prospective customers in order to build the brand and enhance the intangible value of the brand.

- **Unblock the blockers** that contribute to the restriction from appearing in the media.

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4.2 Formal Channels *(cont'd)*

Apart from the annual reports and engagement with media, there are other formal avenues for companies to engage with their stakeholders and investor communities. The following sets out how these additional channels can be deployed:

3. Roadshows

- These are series of events across different relevant locations (cities, states, countries) in which the company has vested stakeholders and where top executives of the company have the opportunity to engage directly with current or potential investors and even other stakeholders.

4. Periodic one-on-one C-suite engagements

- These are opportunities to profile top executives to stakeholders and hear their perspectives on various topics such as:
  - The company's strategy and financials
  - Market sentiments and growth opportunities
  - Current or potential issues that could affect the company
  - Other developments of interest

5. Periodic engagements with analysts

- These sessions enable open dialog with analysts on the company's performance and outlook as well as to receive valuable feedback. Analyst engagements are important proactive investor relations initiatives as these could preempt any misinformation which could influence the investor community.

6. Investors' day / Investors' pack

- Investors' day is an event where presentations are made by the company in front of a live audience, for the purpose of updating the investor community on the health and direction of the company.
- An Investors' pack serves as a medium to communicate information to the investor community. The information may include introduction of the company, financial information, product or service offerings and customer analysis among others.

7. General meetings

- These meetings are an opportunity for shareholders to participate, engage the board and senior management effectively and make informed voting decisions. Please refer to MCCG 2021 Practice 13 on best practices in the conduct of general meetings.

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The spotlight below shows how an organisation uses a virtual investor day to share new initiatives in their company and benefits to be derived.

Spotlight on Nestle's virtual Investor seminar

Nestle used its own YouTube channel to broadcast an investor seminar which included insights, as well as Q&A sessions with its Senior Management.

The seminar provided an opportunity for the company to share and have a conversation with its investors, financial analysts and media. At these sessions, Nestle shared perspectives on the digital transformation of its Sales & Marketing organisation, strategies, plans and ambition.
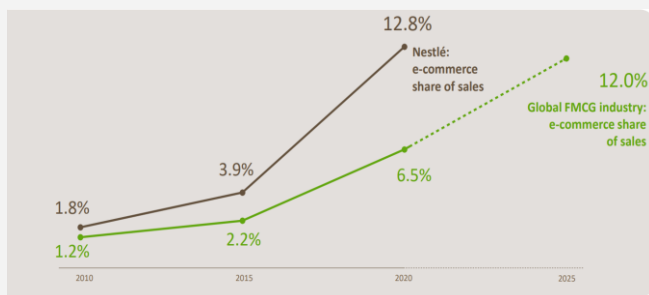
Source: Nestle, 2021 Virtual investor seminar

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The spotlight below shows an example of an Investor Pack that highlights some of the key content that investors typically look forward to.

Spotlight on Maybank's Investor Pack, Investor Day 2021

Investor Day 2021, Maybank Group's Five Year Strategy

Highlights of Maybank's strategic journey from 2010 to 2025

Maybank's Investor Day pack forms part of its investor engagement program. This pack serves as a medium to communicate the organisation's strategic plans and lookahead.

Source: Investor Relations Engagements, Maybank

M2020 Strategy: Summary of achievements by the five strategic objectives

The investor pack contains concise yet informative description of Maybank's sharing to its investors. Here are some of the key topics that was included:
- Details of the organisation including mission, vision and strategic journey
- Financial details including earnings growth and liquidity positions
- Highlights of achievements and awards won
- Operational highlights
- Strategic plans lookahead and future business growth drivers

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The table below illustrates a high level comparison of the degree of disclosures across three different markets listed on Bursa Malaysia. The focus is on disclosures provided within the annual report (guided by annual report components as described on <u>page 55</u>) and the companies' website.

		Main Market Companies	ACE Market Companies	LEAP Market Companies
Annual Report	**i. Directors' Report**	●	●	○
	ii. Corporate Governance Statement	●	●	○
	iii. Statement on Risk Management and Internal Control	●	●	○
	iv. Sustainability Statement	●	●	○
	v. Financial Report	●	●	●
	vi. Auditors' Report on the Financial Statements	●	●	◐
Website	**i. Investor Relations & Financial Information**	●	●	◐
	ii. Investor Relations contact details	●	◐	○
	iii. Announcements & investor information	●	●	◐

Legend: ○ Unavailable in all companies ◐ Not available in some companies ● Available in all companies

Source: Assessment of a selected list of companies across the Main, ACE and LEAP Markets.

Based on the comparison, it is observed that:
- Main and ACE Market Companies have published required information in their annual report.
- Not all ACE Market Companies have included Investor Relations contact details on their website.
- LEAP Market Companies may not have most of the information publicly available as compared to the Main Market Companies.

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4.3 Emerging and Complementary Channels

There is now increasing adoption of new and emerging communication channels to disseminate and obtain the latest company information. With the advent of digital channels of communication, PLCs need to re-strategise the best way to communicate pertinent and timely information to its investors to complement its traditional formal channels. The following are examples of emerging channels of communication that have gathered significant momentum over the recent years.

1. Social Media platforms

The power of social media and its ability to disseminate information quickly and widely is now well accepted and has led to widespread use by companies. It is no longer merely an optional channel and companies without social media presence are seen to be outdated and not progressive.

Additionally, without strong social media presence, companies are missing out on an effective way to engage various stakeholders. The following are some the benefits of social media as a platform for communication.

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4.3 Emerging and Complementary Channels *(cont'd)*

1. Social Media platforms (cont'd)

The following are some the **benefits of social media** as a platform for communication:

People are spending more time on social channels with many users having multiple platforms. This provides a larger reach for cascading information to potential investors.	Building and strengthening relationships is a key use of social media. It's important to focus on providing trustworthy information and resources as nearly a quarter of internet users follow the brand first before making any decisions.[24]	Social media also helps to evaluate a company's performance. It makes it easy for the company to track a particular campaign to see if it is driving valuable results.[25] Refer to **Chapter 6 on Tools and Technology as Enablers** for more information.
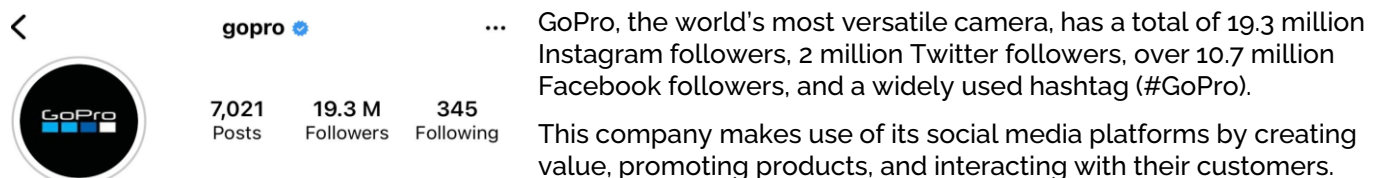
[24]Adapted from *Social Media in Financial Services: Benefits, Tips, Examples, Hootsuite*
[25]Adapted from *Top 14 Advantages and Disadvantages of Social Media,WebFX*

Spotlight on GoPro using social media platforms effectively

gopro ✓

7,021 Posts   19.3 M Followers   345 Following

GoPro, the world's most versatile camera, has a total of 19.3 million Instagram followers, 2 million Twitter followers, over 10.7 million Facebook followers, and a widely used hashtag (#GoPro).

This company makes use of its social media platforms by creating value, promoting products, and interacting with their customers.

They've identified what each platform is best used for and created a strategy to ensure that they get the most out of each one of them. For instance, they use Facebook to promote their brand, reach new clients, and connect with their existing customers. Instagram is their platform of choice for showcasing the quality of their cameras and promoting user-generated posts. Twitter is used primarily for product announcements as well as for communicating with customers. Their YouTube account is made for uploading videos showing tips and tutorials on how to use their products.[26]

[26]Adapted from *The 9 Best Brands on Social Media, Eclincher*

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4.3 Emerging and Complementary Channels *(cont'd)*

1. Social Media platforms (cont'd)

The analysis below illustrates the high social media penetration in Malaysia reinforcing the fact that it is a key platform for stakeholders to look for and to receive information.

Reflection on Social Media Penetration in Malaysia

In 2020, about **87.7**% **of the Malaysian population were using the internet**.

By 2025, this figure is projected to grow to **89.57**%.
(refer to the chart on the right)

Source: *Internet penetration rate in Malaysia from 2020 and a forecast up to 2025*
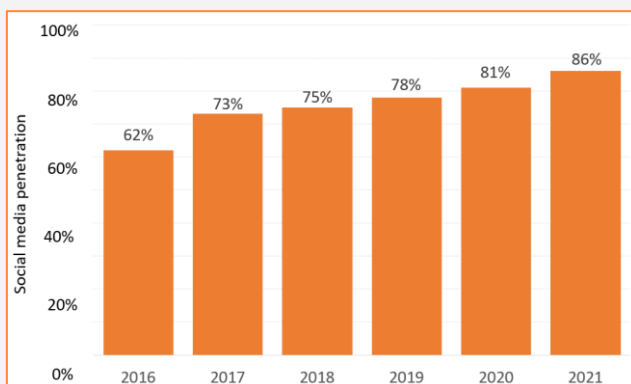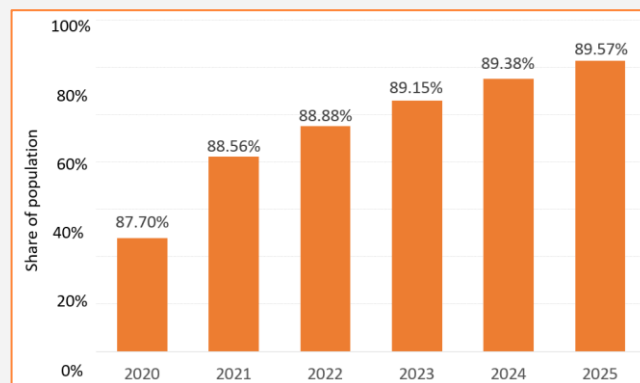
Source: *Active social media users as percentage of the total population in Malaysia from 2016 to 2021, Statista*

- The social media penetration stood at **86% as of January 2021**. It was a rise of 24 percentage points from 2016, where the social media users accounted for only 62% of the entire population.
- **Facebook** sees the highest number of users at **91.7%** followed by Youtube at 80.6% and Instagram at 63.1% (as per Internet user survey 2020, MCMC)
- As of the third quarter of 2020, the average daily time spent using the internet by people in Malaysia was around 9.17 hours out of which **3.01 hours is on social media every day**. (Statista, 2021)

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The spotlight below shows how an organisation uses social media to keep their stakeholders informed of the developments in the company.

☀ An example of Social Media use by IHH Healthcare

IHH Healthcare ("IHH") has been keeping its stakeholders duly informed through its consistent and amplified messaging across all social media platforms. The company uses LinkedIn, Facebook, Twitter and Telegram to promote its events, business plans, initiatives, and news.

Source: *LinkedIn, 2022*

Source: *Facebook, 2022*

Learning points from IHH's use of social media:

✓ Usage of the hashtag #CareForGood in most of its posts
✓ Similar content and consistent messaging customised to engage different audience profiles across social media platforms
✓ Language and tone of content is consistent from post to post
✓ Strong public presence of its Managing Director
✓ Use of videos and animations to create more engaging posts

A short phrase with a long lasting impression

"Care. For Good" encapsulates IHH's aspiration as it hits the 10th year anniversary of being listed in 2022. This tagline has been emphasised steadily in all of its social media posts that showcases its four key stakeholder groups of Patient, People, Public, Planet, which has created a lasting impression on its stakeholders and readers. It exemplifies the purpose and values in each initiative they undertake, through this short but meaningful motto.

A persistent spotlight on the Managing Director

Dr. Kelvin Loh, Managing Director and Chief Executive Officer of IHH, has taken efforts to actively engage with the media over the years. He has appeared as a guest speaker or interviewee in podcasts, roadshows and articles, and would share the engagements through his own social media accounts, complemented with intimate but impactful messages.

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4.3 Emerging and Complementary Channels *(cont'd)*

2. Periodic calls to investors and analysts

More often than not, "quick chats" are highly effective in maintaining a close, long-term partnership with investors. This outreach should form part of the company's IR strategy to ensure the company stays within the investors' radar. The following are some key talking points when having such conversations with investors:

❑ Important updates on current performance, including any challenges and risks the company has faced
❑ Recent outcomes and achievements by the company
❑ Provide the opportunity for investors to ask questions
❑ Outlook and what the investors can expect from the company moving forward

3. Active engagement with rating agencies and research houses

The investor decision making process is also influenced by rating agencies (such as MARC and RAM) and research houses, which assess the outlook, performance and risks of companies independently. Companies should actively engage with these stakeholders for the following reasons:

❑ Understand the agencies' criteria and rationale for a favourable rating
❑ Understand the risks and scenarios that may negatively impact the company's rating
❑ Keep track of updates, announcements and key insights
❑ Be in a position to lead the narrative around the company's performance with these agencies

Note: This is a non-exhaustive list

Spotlight on Digi

Digi undertakes engagements with analysts on quarterly basis. These engagements take place via different channels which include physical meetings, virtual calls and emails.

The engagements are aimed at providing transparency to augment analysts' assessments and for better understanding of Digi's fundamentals that could influence medium and long term valuation.

Additionally, with the increased focus on ESG, Digi engages with rating agencies on its latest ESG initiatives to enable the rating agencies to factor these important developments in their rating efforts.

Please see pages 101-102 for more insights from the Digi interview.

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| Communication Channels | Formal channels | Emerging and Complementary Channels | Implementation Considerations |

4.3 **Emerging and Complementary Channels** *(cont'd)*

4. Other Channels

Depending on the specific stakeholder groups, there are also a myriad of other engagement channels at the companies' disposal. The fundamental characteristics of effective communications such as timely, being transparent and accurate remain. The following showcases some of these other channels that companies can consider for specific stakeholder groups:

Stakeholder Group	Targeted Communication Channels	Examples of Stakeholders' Interest[27]
Customers	Website, FAQs, Complaint Channels, Emails, Apps Notification, Careline	• Product or service quality and value • Product compliance to sustainability requirements/ expectations
Employees	Staff Surveys, Focus Group Discussions, Townhalls, Emails, Intranet	• Company's performance • Employment income/benefits and job security • Depending on the nature of the business, employees may also have a specific interest in a particular subject i.e. health and safety matters
Regulators	Regulator Dialogues, Statutory Reports and Returns	• Material events and announcements of the company (i.e. M&A, JV, litigation, investigation) • Significant circumstances that may impact market conditions
Communities	Dialogues, Townhalls, Engagement with Local Representatives	• Environmental, social and economic impact to areas and communities in which the companies operate
Suppliers/ Vendors	Supplier Forums & Dialogues, Supplier Code of Business Conduct, Website, FAQs	• Company's position on ESG standards and impact which helps suppliers to understand the supply chain and sourcing needs • Company's position on business conduct, integrity and ethics on dealing with third parties • Company's expectations on third parties/ agents representing the company

[27]Source: *Stakeholder, Corporate Finance Institute* & *Stakeholder Interests: Importance and Examples, Indeed*

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4.4 Implementation Considerations

Companies have various options and channels to engage and communicate with its stakeholders and investor community. The development of robust communication strategies and plans, including appropriate channels to be used, should take into account the specific needs of the intended recipients and how information is to be conveyed in order to ensure it is meaningful and well received by stakeholders. The following provides some implementation considerations for high impact communication initiatives:

1
Information shared must be insightful, accurate, transparent and timely
Irrespective of the channels used, the information shared must uphold high standards of accuracy, transparency, timeliness and provide insightful information to its readers to make informed decisions.

2
Alignment to the stakeholder mapping and engagement plan
The communications and channel strategy should be mapped back to the stakeholder mapping and the engagement plan. Stakeholders will have different preferences on the frequency, methods and types of information required.

3
Establishing a quality assurance (QA) process prior to the release of information
Companies should establish a structured QA process to vet the information to be shared across various channels. This is to ensure the credibility and appropriateness of the information prior to release. The QA process should have mechanisms for proper segregation of duties for those preparing the information and those vetting the contents.

4
Track and monitor feedback
Companies should put in place a process to seek and track feedback from stakeholders on the quality of information and effectiveness of the channels used. The feedback should be used to refine the communication strategies and channel adoption for the future.

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4.4 Implementation Considerations *(cont'd)*

<div style="background:orange;">

💡 **Useful links to practice aids**

</div>

- ✓ <u>Appendix 8 - Press conference checklist</u>: Illustrates the key considerations for stages in a press conference shown below:
    - ○ Pre-press conference planning
    - ○ During the media event
    - ○ Post-press conference follow up

- ✓ <u>Appendix 9 - Internal communication clearance</u>: Describes the considerations to be taken prior to issuance of any communication releases.

5 | CRISIS COMMUNICATIONS

"You'll often hear leaders say they didn't have time to respond effectively in an emergency. But if you didn't have time, you didn't do your job. Your job is to be ready, know your audience and get them clear and accurate information about what's going on."

- Baruch Fischhoff, Psychologist, Carnegie Mellon University

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5.1 Crisis Communications

With a more dynamic and challenging business environment, PLCs are now faced with the heightened risk of crisis events beleaguering their day to day operations. Whilst these companies may be able to address and withstand the impact of penalties, remediation costs and reputational damage over the short term, managing the longer term impact of a crisis on a company's valuation and attractiveness is heavily dependant on its ability to effectively engage and manage its stakeholders. This chapter focuses on managing and communicating with stakeholders in times of crisis with a focus on the three areas below.

Recognising the importance of crisis management and the resources and plans required to manage stakeholders accordingly

Crisis Events & Stakeholder Management

Considerations for the set-up and roles of the crisis communications team

Crisis Communications Team

Crisis Communications Plan

Guidance and considerations in developing an effective crisis communications plan

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5.2 Crisis Events and Stakeholder Management

While many organisations may have already implemented a robust Enterprise Risk Management (ERM) programme to identify potential risk areas and implement the necessary mitigation controls, unforeseen risk can materialise, leading to the possible occurrence of disruptive and unexpected events.

There are different crises that an organisation may potentially face:

Operational crisis	Financial crisis	Technological crisis	Humanitarian crisis	Legal crisis
• Utility failure • Failure of key equipment • Supply chain disruption • Product failure	• Insolvency • Currency crisis • Loss of revenue • Shareholder activism	• IT system failure • Data leakage • Ransomware / malware attack	• Natural disaster • Geopolitical disruption • Terrorism	• Ethical misconduct • Non-compliance with law and regulation

One may not be able to predict when a crisis will occur but one can certainly prepare for it. Any of these crises would inadvertently lead to a reputational impact to the organisation, and how the organisation communicates with its stakeholders can either make or break its image. Assigning a strong Crisis Communications Team and developing an effective Crisis Communications Plan is a key step to preparing the organisation to be crisis-ready.

For organisations with Business Continuity Management (BCM) in place, it is key that the Crisis Communications Team works hand in hand with the Crisis Management Team / Business Continuity Management Committee in managing the stakeholders during a crisis. Similarly, the Crisis Communications Plan should work seamlessly with the Crisis Management Plan and Business Continuity Plan. An organisation that is aligned and unified may not only stand a chance in managing a crisis well, but may even thrive in challenging situations.

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5.2 Crisis Events and Stakeholder Management *(cont'd)*

"A study performed by Knight and Pretty (1996) shows that catastrophes can impact shareholder value differently depending primarily on the ability of companies to recover from such events. Based upon their study, companies affected by a corporate catastrophe can be divided into two groups: 'recoverers' and 'non-recoverers'. Recoverers show an unexpected increase in market value relative to their anticipated market value in absence of the event, whereas non-recoverers exhibit a substantial long-term decrease in market value. This difference between the two groups is mainly attributed to the ability of management to manage a crisis under difficult circumstances."[28]

A similar study by MARSH and McLENNAN in 2017 adopting the methodology by Knight and Pretty concluded the same. Companies can still be divided by 'recoverers' and 'non-recoverers'. The study shows that the 'recoverers' recover approximately 50 trading days from the catastrophic event whereas 'non-recoverers' do not recover at all and experience a negative average cumulative impact of around 20% a full year after the event. For 'recoverers' the impact is even positive after a full trading year, totalling an average cumulative gain of approximately 20%. The research attributes that one of the factors leading to the loss of company value is due to inadequate crisis management responses.[28]
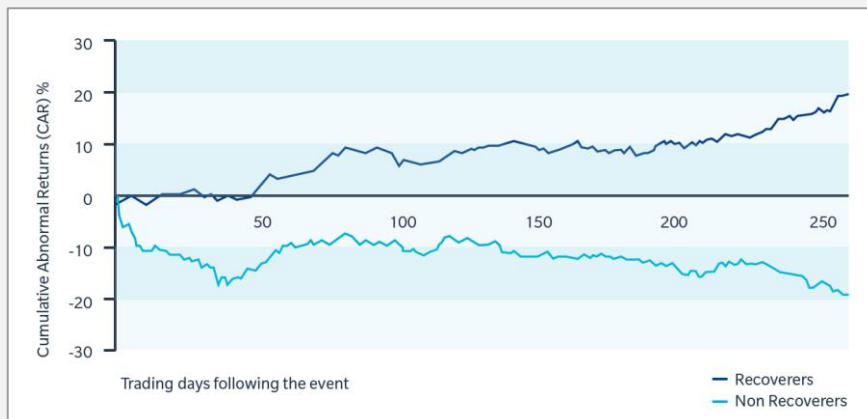
"....'recoverers' recover approximately 50 trading days from the catastrophic event..."

"....'non-recoverers' do not recover at all..."

[28] Adapted from *Event Study by MARSH and McLENNAN Companies, November 2018*

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5.3 Crisis Communications Team

The Crisis Communications Team will be responsible for executing the overall crisis communication strategy during a crisis. When assigning the respective roles and responsibilities in the Crisis Communications Team, it is important to take into account the following tasks:

- Conduct media monitoring and analysis
- Perform end-to-end communication process flow: develop, review, approve and disseminate
- Organise and manage press conference

Roles and responsibilities to consider in forming the Crisis Communications Team are as follows:

- Provide the official spokesperson with key/ timely information

- Provide oversight in the development of communication strategies

- Act as central point of communication

- Provide technical contents and insights on the crisis

- Manage and monitor social media platforms

- Coordinate press conferences and logistics

- Assess the statements to be released

- Manage internal communications

- Manage and coordinate with external stakeholders

The Crisis Communications Team members should have an alternate identified in the event that the primary personnel is unable to support during a crisis. Both primary and alternate personnels should be provided with sufficient training to ensure that they are well-versed with their roles and responsibilities during a crisis. Alternatively, the team can also engage with external public relations agency specialised in crisis communications to provide assistance and guidance during a crisis.

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5.4 Crisis Communications Plan

The Crisis Communications Plan is aimed to guide the Crisis Communications Team in responding to a crisis, ensuring that the stakeholders and the organisation's reputation are managed accordingly. The plan should be reviewed and tested periodically to ensure that the communication strategies remain relevant. The Crisis Communications Plan can include the following key information:

Incident classification code

Understand what constitutes a 'crisis' in the organisation and what events would trigger one. This information can assist in determining the relevant communication strategies that should be carried out accordingly.

Crisis communication centre

Identify the location where the Crisis Communications Team will gather when activated, be it physically (primary and alternate location) or virtually. This will ease the coordination and communication among team members to enable swift response.

Stakeholder matrix

Identify the stakeholders both internally and externally that has an interest in the organisation and what their possible concerns are during a crisis. The following are some examples of stakeholders:

Internal stakeholders: Board of Directors, Employees
External stakeholders: Investors, Customers, Regulators, Media

Based on the stakeholders identified, assign the right individual and pinpoint the communication 'touchpoints' that the organisation should use to reach out to them. This can include the organisation's social media channels, main website, email and customer care phone lines, etc.

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5.4 Crisis Communications Plan *(cont'd)*

Company spokesperson

Pre-identify the primary and alternate spokesperson to represent the company in addressing the public. The assignment of spokesperson may vary, depending on the location or type of incident that has occured. These spokespersons should consider attending media training courses to ensure that they are able to address the public with confidence and clarity.

Crisis communication strategy

Strategise the tone you would like to set in your messages. More importantly, ensure that the key message to the stakeholders ACTS well: **A**ccurate, **C**onsistent, **T**imely and from a **S**ingle source. Other strategies such as deployment of social seeders can also be taken into consideration.

Press conference

Identify the physical location or virtual platform where the press conference will be held. Ensure that the media representatives are invited accordingly and given a press kit containing relevant information about the organisation and the crisis. The spokesperson should be briefed prior to the press conference and a representative from the organisation should moderate the session.

Pre-approved templates

Develop and approve communication templates in relevant languages for various scenarios. During a crisis, the team can leverage on these pre-approved templates to expedite the communication process.

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5.4 Crisis Communications Plan *(cont'd)*

Post-crisis activities

Perform follow-up activities and a post-crisis reflection to understand what went well and what can be further improved after a crisis stand down. Below are some of the tasks to be considered:

- Health check on brand reputation via analytical tools
- Analyse internal and external communication channels and their effectiveness
- Evaluate the team's performance and the plan's effectiveness
- Assess if further training and awareness sessions are needed
- Discuss documents that need to be archived
- Establish follow-up activities, assign personnel for tasks and set timelines
- Prepare post-mortem report

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Spotlight on EPF's swift release of press statement

On 13 February 2018, a crisis emerged for Employees Provident Fund ("EPF") when a fire broke out at their Petaling Jaya branch caused by a spark from maintenance works undertaken on the first floor.

> "Contributors' data is also safe because we have data backup. We will take action on the recovery process as soon as possible. Our business continuity plan will be in place."
>
> *- Datuk Mohd Naim Daruwish, Chief Operating Officer*

The following sets out EPF's swift response to the fire crisis:

- Activated Crisis Response Team, BCP and alternate site
- Released press statement within 1 hour in 2 languages (English and Bahasa Malaysia)
- Spokesperson addressed the media within 1 hour
- Addressed public inquiries and provided further updates via corporate website and Twitter
- Quickly addressed rumors by releasing press statement

Source: 1. Kebakaran Di Cawangan KWSP Petaling Jaya, Kumpulan Wang Simpanan Pekerja (KWSP); 2. Bangunan KWSP Jalan Gasing terbakar, Astro Awani; 3. (UPDATE) Petaling Jaya's KWSP Building Caught Fire, Hype; 4. Kumpulan Wang Simpanan Pekerja (KWSP), Facebook (ENG); 5. Kumpulan Wang Simpanan Pekerja (KWSP), Facebook (BM)

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☀ Spotlight on KFC's chicken shortage crisis strategy

After switching delivery companies, KFC suffered supply problems that caused chicken shortage at its UK restaurants which resulted in a closure to more than two-thirds of its locations in February 2018.

They quickly acknowledged the issue publicly and responded with a quick set of FAQs.

> "We were responding live as we received new information. We acted fast in assessing the issue and working out the best approach."
>
> *- KFC's Spokeswoman*

Lessons learnt

✓ It was clear a crisis plan was activated – KFC were organised and able to act fast with their public announcements and advertisement placements.

✓ Damage can be minimised by providing responses rather than choosing silence.

✓ They were honest and transparent, admitting to the public that they made a mistake and explaining how they were working to fix the problem.

✓ Their advertisement was humorous because it reflected the emotions of everyone affected, without being offensive.
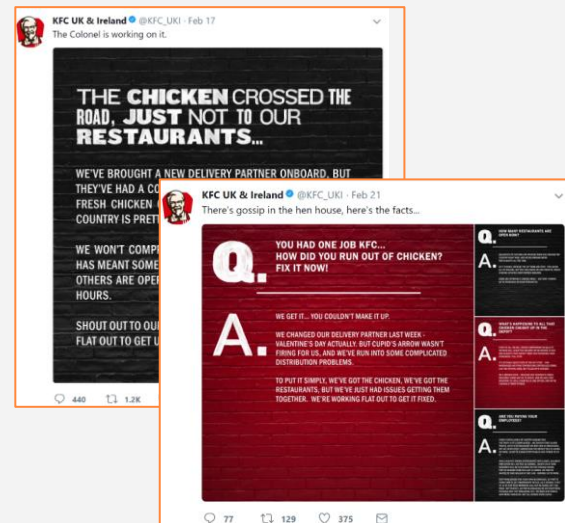
Source: The inside story of the great KFC chicken shortage of 2018, Wired Consulting

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5.5 Implementation Considerations

The adoption and realisation of the need for proper crisis management programmes have become inevitable in the current climate. Companies which do not prepare themselves risk financial and non-financial implications to their organisations. Stakeholders need to be managed and informed in order to feel confident that the company is doing the necessary in such delicate moments. The implementation considerations for crisis communications activities are denoted below:

1

Formalised crisis communications strategy and plan
The need for a formalised communications plan is vital to engage stakeholders in time of crisis. The plan must set out clearly the mapping to the invested stakeholders.

2

Integration with the BCM programme of the organisation
The crisis communications plan must be integrated to the wider BCM programme of the company. This is to ensure a coherent approach to the overall crisis management strategy of the organisation.

3

Clarity over roles and responsibilities
There should be clear internal coordination amongst IR and Media Relations to ensure consistency of information published to all affected stakeholders. This should be mapped out in the crisis communications plan.

4

Equipping the crisis communications team
The traits required of the crisis communications team should comprise of both intellectual and emotional intelligence - in times of pressurising and intense moments. The team should be well trained and equipped to respond in dire times.

5

Assess and monitor the impact to the organisation post-crisis
There should be a formal process to evaluate the impact of the crisis to the organisation in the longer term perspective. Appropriate data points should be collected and measured to establish potential implications to the reputation, goodwill and valuation of the company.

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5.5 Implementation Considerations *(cont'd)*

> ### Useful links to practice aids

✓ Appendix 10 - Crisis communications press release template: Provides an example of a crisis communications press release template with the standard content that should be considered.

✓ Appendix 11 - Checklist: Pre-crisis phase practices: Describes the practices to be adopted pre-crisis.

6 ENABLERS FOR EFFECTIVE STAKEHOLDER MANAGEMENT AND INVESTOR RELATIONS

"Research shows that superior performance in the matter of engaging with your stakeholders is worth around 2% per annum of superior stock market performance, that amounts to 20% over ten years. So this is now a massive new factor in driving corporate performance and corporate sustainability. In fact, we would say that this is the new frontier, a competitive advantage."

Robin Nutall, Principal, McKinsey & Company in Connect: The value at stake in stakeholder engagement, 2016

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6.1 Enablers for Effective Stakeholder Management and Investor Relations

The focus of this chapter is on leveraging enablers to facilitate effective stakeholder management and IR. The effects of each enabler are explained in the following pages.

01 Cultivate a culture that embraces stakeholder management and IR across the organisation

02 Leverage and analyse data to gain insights on stakeholder behaviours and decision patterns

03 Use of qualitative and quantitative metrics to track performance and improvements

04 Develop or procure tools or technologies that supplement stakeholder engagement and IR activities

Leadership and Culture

Data

01 02

03 04

Metrics

Tools and Technology

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6.2 Leadership and Culture as an Enabler

> "We found that investors allocate about 30% of their decision making based on the quality of leadership."
>
> - Allen Freed and Dave Ulrich in Calculating the Market Value of Leadership, Harvard Business Review, 2015

A company's culture and values uniquely defines the organisation and its people. Culture is permeated through the behaviours and traits of individuals in the organisations they serve. Leaders and employees are a reflection of the conduct of those organisations. Culture when embedded well drives performance as set out in Chapter 4.2.1 of the Bursa Malaysia's PLCT Programme Guidebook 1: Creating Purpose & Performance Driven Public Listed Companies (PLC), 2022. Stakeholders are drawn positively or negatively to the conduct and behaviours shown by these organisational representatives.

The focus on corporate leaders and what they say is vital from Brunswick Group's Digital Investor Survey 2021.

The survey shows a general increase by investors relying on digital channels for information by CEOs and C-suites of organisations. The survey also shows that in 2019 and 2020, consistently 57% of Asian investors rely on these channels to learn about what C-suites are saying.

CEOs and C-suites are seen to be the face and voice of the company and are held in high regard.

Their actions and comments influences decision making and sentiments of stakeholders and investors.

	2019	2020	Change
Learn what specific CEOs are saying	28%	38%	+10
Learn what members of the C-suite are saying	38%	48%	+10
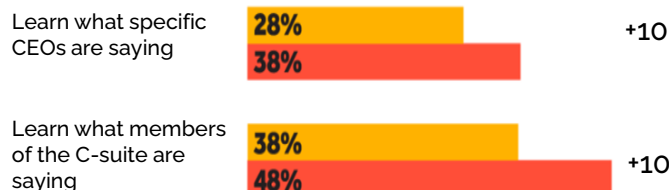
Learn about what C-Suite is saying

	2019	2020	Change
North America	39%	45%	+6
Continental Europe	35%	53%	+18
UK	32%	48%	+16
Asia	57%	57%	0

Source: Digital Investor Survey 2021, Brunswick

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6.2 Leadership and Culture as an Enabler *(cont'd)*

With the rise in shareholder and stakeholder activism, the conduct of Boards, CEOs and Senior Management are watched closely and scrutinised by stakeholders. The investment community has witnessed how the failure to react to stakeholder demands have resulted in such stewards being replaced to ensure their voices are heard and acted upon. Embracing leadership and culture has become imperative in helping shape a company's business conduct vis-à-vis its engagement with stakeholders.

The following are considerations for PLCs to embed leadership and culture for effective stakeholder management and IR:

❏ Develop stakeholder management plans where stakeholders are clearly identified along with their needs and influence, engagement plans and the mode of communication - see Chapter 2 Stakeholder Management and Business Performance for more details.

❏ Include a performance management framework across Senior Management team that reinforces transparent and regular communication with stakeholders.

❏ Use insights from data and analytics to develop strategies for stakeholder management.

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6.3 Data as an Enabler

The effective use of data enables greater visibility into stakeholder needs and the assessment of their influence. With data-driven insights, companies are able to:

- Gather real-time assessment and surveillance of who is driving the companies' share price, why they are doing it, and for companies to develop response strategies.[29]

- Help determine and measure investor interests to enable more effective investor targeting. This can result in possibly accessing new institutions and analysts that previously were not included in the stakeholder engagement plan or the IR radar.[30]

Data when used well helps companies refine their narrative to the market. A data-driven stakeholder management plan when effectively developed allows companies to benefit through better understanding of investors' behaviour.[31]

[29]Adapted from _A Buyer's Guide to Investor Relations Technology, Q4, National Investor Relations Institute (NIRI)_
[30]Adapted from _How technology is impacting the Investor Relations industry, Carter Murray_
[31]Adapted from _Webinar – The power of data for your IR program, IR Magazine partnership with Q4_

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☀ Spotlight on DiBots - Market data and peer benchmarking tool

DiBots is a data intelligence solutions tool that leverages on Global Data, Big Data Technology and the Power of Analytics in providing market insights, co-founded by Lim Kok Eng, CEO of DiBots IT Solutions Sdn Bhd, and Philippe O. Piette, founder of World Vest Base (WVB).

Through DiBots, companies can analyse and better understand their investors' behaviour with access to trade demographics, market and stock movements, The insights gathered can help companies frame and refine their stakeholder engagement plans.

The demographic data, provided by Bursa Malaysia and integrated into DiBots, is another potent tool for investors and companies to assess trading activities. It shows the types of investors — whether retail, institutional, foreign or nominee — that trade the shares of a particular company over a given period.[32]

> **"** We believe DiBots can emerge as the benchmark for service differentiation among other data service providers by offering expanded datasets not commonly available in the market. **"**
> - *Datuk Muhamad Umar Swift, Chief Executive Officer of Bursa Malaysia*

Through its DiBots Analytics Platform that has big data and AI technologies, the data offering can provide users with seamless connectivity and an in-depth visualisation of data collected from multiple sources.[33]

For further information refer to https://www.dibots.com/home

Note: Bursa Malaysia has partnered with DiBots to offer PLCs that has registered to participate in the programme in 2022, a 1-year freemium access.

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[32]Adapted from *Investing: Making sound investment decisions using data, The Edge Markets*
[33]Adapted from *Bursa Malaysia Announces Strategic Collaboration To Expand Its Regional Digital Offerings Through The Launch Of DiBots, Bursa Malaysia*

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6.3 Data as an Enabler *(cont'd)*

The following are considerations for PLCs over the use of data for effective stakeholder management and IR:

❏ When developing stakeholder management plans, utilise data and analytics for insights into identifying stakeholders' needs.

❏ Develop compelling, data-backed messages for your stakeholders. Justifying decision making with data driven logic and transparency will inspire confidence and trust from your stakeholders.[34]

❏ With the rise in the use of social media platforms, consider data collection via social listening for insights and measurement of outcomes (i.e. track positive and negative mentions/trends, understand market sentiments to build on existing campaigns, feed into crisis response monitoring).

❏ Use data and insights as inputs into metrics to measure the effectiveness of stakeholder management programme. Metrics as enablers will be discussed in Chapter 6.4 Metrics as an enabler.

[34]*Adapted from Using data driven insights to better inform stakeholder communication, Arcadis Gen & Harnessing the Power of Data in Investor Relations, Q4*

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6.4 Metrics as an Enabler

Qualitative and quantitative measures should be introduced for PLCs to better understand the performance of their implemented stakeholder management programmes, These measures provide insights into the effectiveness of the current plans and feedback for future enhancements.

There are numerous indicators for companies to consider. The examples below focus on the metrics primarily for the IR activities due to its primacy in dealing with the investor community:

Shareholders

- Conversion rate of targeted activities to share trading or acquisition
- Direct feedback from shareholders
- Perception study feedback

Analysts

- Buy side recommendations from analyst reports
- Quantity of coverage or new initiation
- Quality and prestige of covering analyst
- Positive mentions by analysts in interviews/ articles

Leadership

- Amount of time saved for C-suite in financial community inquiries
- Allocation of management's time effectively in attending to key stakeholder matters
- Board and management reliance on IR advice and expertise
- Feedback from reports and co-workers on the overall IR programme performance

Events and Materials

- Effectiveness of key IR events (quarterly briefs, analyst days/calls, AGM)
- Fulfillment of promises made in annual reports or investor pack
- Roadshow planning and execution
- Voting outcomes

Source: Can We Really Measure Investor Relations Performance?, Turkish Investors Relations Society

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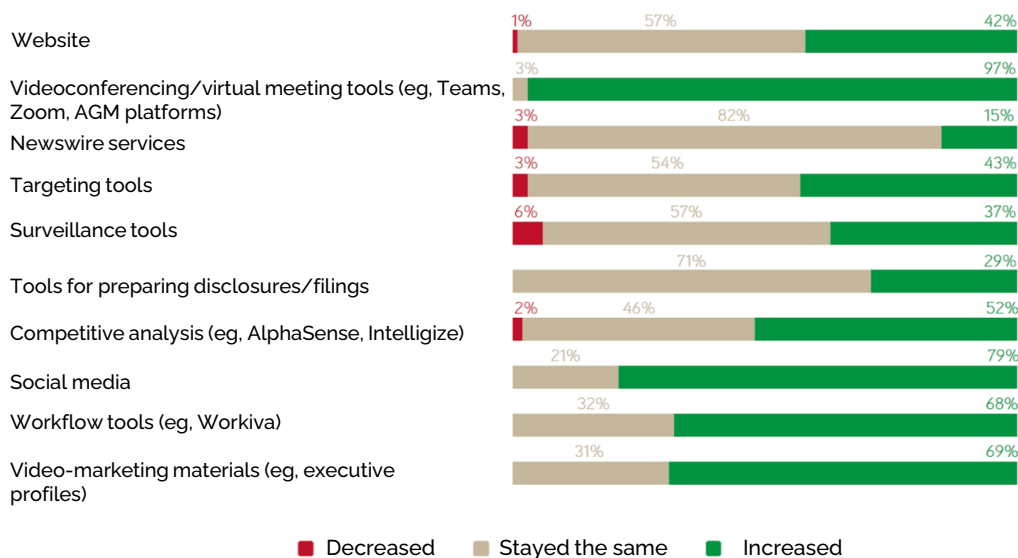| Enablers for Effective Stakeholder Management and Investor Relations | Leadership and Culture as an Enabler | Data as an Enabler | Metrics as an Enabler | Tools and Technology as Enablers | Implementation Considerations |

6.4 Metrics as an Enabler *(cont'd)*

Awards and Recognition

- Peer benchmarking on stakeholder management processes to better understand how others have implemented them and outcome derived
- Receiving an award, recognition or distinction from the media, IR associations or relevant achievement awards

Valuation

- Share price movement
- Industry peer or benchmark ratio (i.e. P/E)
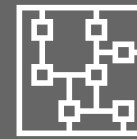
Tools and Technology

- Amount of time and resources saved from dispersing information to stakeholders
- Turnaround time to responding to stakeholder queries
- Social media reach, engagement and volume coverage

The following are considerations for PLCs to develop metrics for effective stakeholder management and IR:

1.

Assess appropriate metrics which are aligned to the companies' strategy to measure the effectiveness of stakeholder engagement plans.

2.

Utilise insights obtained from these metrics to enhance future stakeholder engagement plans.

3.

Incorporate selected metrics as part of individual performance management framework across Senior Management team to encourage leadership and culture alignment.

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6.5 Tools and Technology as Enablers

Stakeholders alike, are evolving and adopting new and emerging technologies. Companies need to embrace tools and enabling technology to continually listen and stay in touch with their stakeholders' needs. The following are examples of enabling tools, technologies embraced by companies and considerations for stakeholder management and IR.

> "Historically, IR was a reactive function that responded to market fluctuations and investor needs as they arose. Today, IR Officer(s) are able to predict events before they arise, and communicate directly with a larger investment community through the use of technology."
>
> - Jessica Lee Holland in "How technology is changing Investor Relations", Financial & Corporate Relations, 2018

Example of Investor Relations tools	Highlights for consideration in enabling technology[35]
Website	● Being the primary channel for communicating with stakeholders, it is important to have a well-designed, fully responsive and brand customised website.
Virtual event platforms	● Hosting a virtual or hybrid event for greater outreach to communicate with the wider investor group. ● Facilitates end-to-end integration, from pre-registration to interactive live webcast and video streaming to massive audiences.
Integrated Customer Relationship Management ("CRM")	● Integration of analytics, monitoring, and relationship management into an easy-to-use platform. ● Ideally, a single centralised automated platform to report on stock performance, shareholder composition and investor engagements.
Shareholder intelligence	● Intelligence that provides insights into investor movements and activities for companies to understand the markets and movements in the shareholder base.
Media outreach platforms	● Ability to reach out to the reporters beyond existing media list, or that of PLC's current PR agencies.

[35]Adapted from A Buyer's Guide to Investor Relations Technology: Picking the Right Partner, National Investor Relations Institute, 2020

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6.5 Tools and Technology as Enablers *(cont'd)*

Based on IR Magazine's Global IR Survey conducted in Q3 2020 conducted across 249 respondents in the North America, Europe and Asia, there has been a significant rise in the use of technology in IR.

Videoconferencing has seen the highest increase in use by IR Officer(s) over the past two years.

The use of emerging technology in workflow tools, competitor analysis, targeting and surveillance are also increasing.

How has your use of these technologies changed in the past two years?

Technology	Decreased	Stayed the same	Increased
Website	1%	57%	42%
Videoconferencing/virtual meeting tools (eg, Teams, Zoom, AGM platforms)	3%		97%
Newswire services	3%	82%	15%
Targeting tools	3%	54%	43%
Surveillance tools	6%	57%	37%
Tools for preparing disclosures/filings		71%	29%
Competitive analysis (eg, AlphaSense, Intelligize)	2%	46%	52%
Social media		21%	79%
Workflow tools (eg, Workiva)		32%	68%
Video-marketing materials (eg, executive profiles)		31%	69%

■ Decreased   ■ Stayed the same   ■ Increased

Source: Technology and IR sample report, IR Magazine

"Not only can public companies use video to communicate financial news on the fly, Video can also broaden their corporate storytelling to encompass ESG and other types of stories not being told before."

"IR Officer(s) everywhere are increasingly convinced that video will be the secret ingredient for making hybrid events compelling for stakeholders going forward. Companies expect virtual to remain an important component of their engagement even once in-person events resume, according to IR Magazine."

- The IRO's Guide to Stakeholder Engagement, Notified 2022

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6.5 Tools and Technology as Enablers *(cont'd)*

In the Brunswick Group's Digital Investor Survey 2021, company-provided IR websites emerged as the most used and most trusted sources of information for investors.

The survey found that:

92% of investors report using the IR section of a company's website to investigate an issue.

72% say they have made an investment decision based on something they learnt there.

The survey also found that, on **trust,** company's provided **IR websites topped** Bloomberg, the FT, and all other traditional news sources.

Legend: Investigate an issue | Make an investment decision
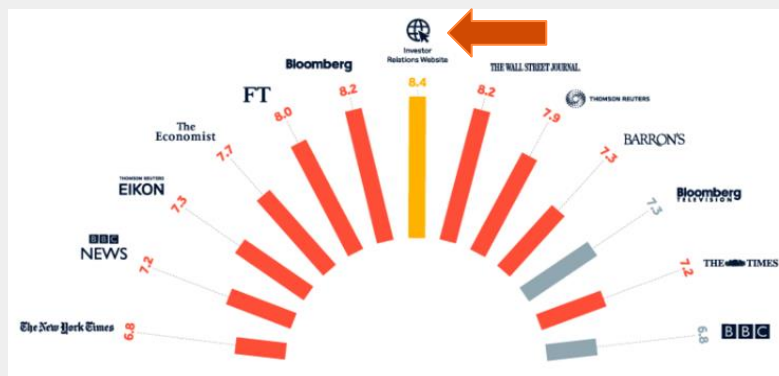
Legend: Digital Source | Traditional Source | Broadcast Source

0 = Least trustworthy   **10 =** Most trustworthy

Source: Digital Investor Survey 2021, Brunswick

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6.5 Tools and Technology as Enablers *(cont'd)*

The following are considerations for tools and technology deployment for effective stakeholder management and IR:

❏ Understand and continually assess the tools and technology required in addressing stakeholder needs.

❏ Adapt to provide the necessary information to address the stakeholder needs based on the appropriate technology platforms, where appropriate.

❏ Identify new technology, related knowledge and upskilling personnel where required.

Spotlight on MIRA's 2021 Awards acknowledging the use of technology in IR

Listening to the changes in stakeholders' needs and the changing business environment, MIRA has introduced a new category in the 2021 awards - "Best Innovation and Use of Technology for IR" award category.

Read more of MIRA's 2021 Awards here.

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Spotlight | A case study on Digi's Investor Relations strategy - enabled by Leadership and Technology

Digi approaches IR as a strategic enabler with the vision of "Empowering Societies, Connecting you to what matters most". Digi operationalises this vision by developing an IR practice based on the main components below:

Enhance Stakeholder Engagement

Clearly identify stakeholders and communicate based on 4 pillars - transparency, accuracy, timeliness and in being non-selective. Main intent is that all stakeholders have access to the same level of information.

Measure and monitor key metrics

Clearly setting key metrics to optimise stock valuation and target an optimum shareholder mix. Measurement metrics on the liquidity of stocks and share price performance are closely monitored.

Improve Disclosures and Credibility

Clearly identify stakeholders and provide access to the same level of information. Improve disclosures for regulatory compliance purposes, for example, to comply with the Bursa Malaysia Main Market Listing rules and corporate governance requirements.

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Digi has enabled the main components of the IR practice based on the key practices. These key practices have contributed significant positive outcome to Digi's overall IR programme.

Enablers Demonstrated by Digi:

Heightened focus on Innovation and Technology

Provide the necessary digital materials and tools to stakeholders to make informed decisions. For example. Digi provides downloadable financial information in Excel which typically gets provided in PDF format. Objective is to ease the investor community in not having to mine or manually key-in their own set of financial information which may be subject to accuracy and transparency issues.

Digi has invested in having more interactive content on their website with the belief that websites are the main source of accessible information in today's world. Digi has also invested in technology capabilities to increase efficiency and reduce manual processes. For example, subscription to a platform which automates mailing/RSVP list, sending of meeting links to investors.

Support from Leadership and Culture

Buy-in and support from Senior Management to invest resources in innovation and technology has been an important success factor to Digi's overall IR programme.

Digi's culture in understanding the importance of IR has allowed for sufficient focus of time and manpower. It is not seen as an afterthought or as a function of lesser importance which can be outsourced.

Staying relevant

Understanding the relevance of latest topical areas is critical. As ESG initiatives and their intended outcomes are top on the stakeholders' agenda, IR has also stepped up in being able to clearly and independently articulate ESG matters.

> " I truly believe in digitalising and automating IR processes as it drives overall efficiency. More importantly, the strong support from our CFO throughout this digitalisation journey have really helped us to set the industry benchmark for best IR practices. "
> - Christine Lau, Head of Investor Relations, Digi.com Berhad

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6.6 Implementation Considerations

The implementation considerations in enabling effective stakeholder management and IR include:

1

Cultivate desired behaviours and traits
The culture of an organisation manifests through the desired behaviours expected of its leaders and employees. Both awareness training and KPIs should be introduced to internalise the company's expectations into day-to-day activities and behaviours.

2

Establish structured data gathering and analysis process
There should a formal process to collect, analyse, report and escalate data (where appropriate) to the rightful and accountable parties for decision making. The process must demonstrate how processed data is used by the company to its benefit.

3

Formalise qualitative and quantitative metrics to measure effectiveness
The formulation of the metrics act as yardstick for self assessment on the successful implementation of the stakeholder management and IR programme. It should be supplemented with a feedback mechanism for continuous reflection and improvement.

4

Establish clear plans for tools and technology usage
The business case and investment for tools and technology usage should be clearly rationalised and benefits to be derived, well documented and measured.

5

Equip the team and build capacity
The team responsible for the planning and deployment of data management, metrics measurement and tools and technology adoption described should be trained and equipped to ensure the desired outcomes and benefits are consistent with the stakeholder management and IR strategy.

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6.6 Implementation Considerations *(cont'd)*

> ## 💡 Useful links to practice aids

✓ <u>Appendix 12 - Capability building for an Investor Relations Function</u>: Examples of training programmes which may further enhance the skill sets of the IR Function.

✓ <u>Appendix 13 - Balanced Scorecard for an Investor Relations Function</u>: Provides description of a balanced scorecard in the perspective of the IR Function.

7 | CONCLUSION

CONCLUSION

Stakeholders and shareholders are looking beyond the confines of financial reporting to analyse, assess and make sound conclusions and decisions on the companies that are of vested interest to them. Financial statements which were once the mainstay of reporting are now overshadowed by a myriad of information demands which may not be financial in nature. The process of gathering, processing, consolidating and dispersing information requires significant diligence, good data governance and a well institutionalised framework in place.

Companies need to recognise the level of influence each stakeholder group has upon them and appreciate that the engagement and communication needs may differ from one stakeholder to another. The stakeholders may also evolve in line with the company's growth, whether entering into new markets, new revenue streams and new jurisdictions. Those responsible for stakeholder management in companies need to understand that this process is a continuous cycle and should not be left to chance.

It is also in the interest of PLCs to grow their shareholder base and attract new investors. The role of IR is crucial in managing existing investors and going about the process of identifying, targeting and developing strategies to attract and onboard potential investors.

The role of IR is no longer regarded as a task oriented exercise but rather strategic in nature acting as the bridge between the leaders of the companies to the wider investor community.

Although still relevant, Annual General Meetings (AGM) which was once the prime conduit of interaction between the companies and its shareholders for the sharing of the company's performance and activities are no longer the primary avenue for engagement. To widen reach and instill continuous engagement, companies need to embrace the various forms of channels, from those of familiarity such as Annual Reports and media release to complementary and emerging trends communication in the social realm.

Finally, companies need to embrace that effective stakeholder management and IR requires a collective effort across the organisation. The integrated lens *(as demanded by stakeholders)* to reporting of a company's performance straddles across the multi-disciplinary streams and functions. The accountability does not lie on the IR Function or IR Officer(s) alone. This shared responsibility is paramount to the strengthening of the stakeholder management and IR programme in companies.

APPENDICES

Appendix 1

Stakeholder Analysis Template[36]

A stakeholder analysis (also called stakeholder mapping) is a critical activity. Stakeholders include individuals, community leaders, groups and other organisations who will be impacted by the company's strategy, operations, success or who could influence the outcome. They can be internal or external.

This template can be used to identify the stakeholders, including their level of influence, which issues are important to them and how they will be engaged.

For illustration purposes only

1 Stakeholder name	2 Contact person	3 Power	4 Interest	5 Important information	6 Stakeholder contribution to the company	7 Strategy for engaging the stakeholder
Add your own text here	*Add your own text here*	*Add your own text here*	*Add your own text here*	*Add your own text here*	*Add your own text here*	*Add your own text here*

1. List the identified stakeholders (i.e. investors, financial institutions, media, government)

2. There should be a contact person for each stakeholder for communication purposes. Include details such as phone number, email, website, address

3. Identify how much influence do they have over the company's strategy or operations based on their position (Low, Medium, High)

4. Identify how much interest do they have over the company's success (Low, Medium, High)

5. List the important information needed by the stakeholder considering their power, interest and/or company's project

6. Identify what is the stakeholder's contribution to the company

7. Describe how you will engage each stakeholder (i.e. monthly update meetings, weekly emails, etc.)

[36]Adapted from Stakeholder Analysis Matrix Template,Tools4dev

Appendix 2

Stakeholder Communication Plan

A stakeholder communication plan should be effective and concise. It covers the planning aspects of 'when and how' a company communicates with its stakeholders. The key elements to consider are[37]:

- What needs to be shared?
- Who needs to receive?
- What is the main channel for communication?
- How often do you need to communicate?

A general stakeholder communication template should consist of these five (5) items:

For illustration purposes only

1 Communication goals	2 Stakeholders	3 Communication method	4 Frequency	5 Owner
Add your own text here	Add your own text here	Add your own text here	Add your own text here	Add your own text here

1. These goals could take the form of update frequency, best practices for internal communication, or project information

2. List the identified stakeholders (i.e. investors, financial institutions, media, government)

3. Set the communication standards by naming a method of communication as this keeps communication predictable for stakeholders

4. The frequency of communication will vary based on project timelines, needs, and stakeholders (i.e. weekly, monthly, quarterly, etc.)

5. Identify who is responsible for communicating the updates to the stakeholders

[37]Adapted from Project Communication Plan Templates, Examples & How-To, GetGuru

Appendix 3

Issues and Risks Mitigation Template

This template is for conducting a structured risk assessment as part of the stakeholder management.

For illustration purposes only

1 Stakeholder	2 Trigger points	3 Stakeholder engagement objectives	4 Desired outcomes	5 Issues / Risks	6 Mitigation/ contingency plans	7 Monitor and Feedback	8 Change in communi- cation strategy, if any
Add your own text here	Add your own text here	Add your own text here	Add your own text here	Add your own text here	Add your own text here	Add your own text here	Add your own text here

1. List the identified stakeholders (i.e. investors, financial institutions, media, government)

2. Identify potential events or scenarios that can be trigger points i.e. potential change in the strategic direction of the company

3. Include the planned engagement activities and objectives

4. List out the expected or desired results and outcomes

5. Identify the corresponding risks or issues that may arise

6. Prepare the required mitigations or contingency plans that would reduce or mitigate the risk identified

7. Continuously monitor the risk and mitigations. Record and evaluate any feedbacks received

8. Enhance current stakeholder communications strategy or plans if required

Appendix 4

Getting started with Investor Relations

The following checklist sets-out the key areas for an organisation in starting their IR Function or setting up their IR programme. The checklist is by no means exhaustive but serves as a baseline for the organisation to consider.

A. Strategy and Structure

1. Determine whether to establish the IR Function **in-house or outsource** to a third party service provider. There are IR agencies that provide such services.
2. **Identify key spokesperson** for the organisation. This does not necessarily refer to an IR Officer(s) but the person who is seen as the face of the company.
3. **Establish** an organisational **IR plan or strategy**. The strategy should encompass elements of identifying key stakeholders, the engagement and communication activities, matters to monitor and report, amongst others.

B. People

1. **Identify** the **person** who will be **responsible** for the IR activities in the organisation.
   a. This may lead to the appointment of an IR Officer(s).
   b. If an internal appointment is not the current strategy of the organisation, consider the option to outsource to a third party service provider (as mentioned).
   c. There must still be a key liaison within the organisation interacting with the third party service provider.
2. The person responsible for the IR activities must be accorded with the **relevant training** and **development**.
3. **Run awareness sessions** on the importance of IR to the **Senior Management and Board**.

Appendix 4 *(cont'd)*

C. Process

1. **Develop** relevant **Standard Operating Policies and Procedures** (SOP) for the IR activities. The SOP should cover the accountability and decision making structure for the IR activities. For example, clearance of press releases, quarterly reporting to the Board.
2. **Develop** relevant **guidelines** and **templates** for the IR activities. Please refer to the selection of appendices shared in this Guidebook.
3. **Identify** the **communication channels** that are of relevance to the organisation. Establish the communication plan for the year (i.e. frequency, mode, target audience).
4. **Establish monitoring** and **reporting metrics** to help assess the performance of the IR programme. The metrics can be a combination of tasks and outcome driven measures, qualitative and quantitative based.

D. Tools and Technology

1. **Assess** and **identify** the **use of tools and technology** relevant to the IR activities (i.e. virtual meeting platforms, social media usage, data intelligence tools).
2. **Consider acquisition and / or subscription to services** by third party service providers. For example, amongst others:
    a. Virtual AGM platforms - There are third party service providers with end-to-end offerings from registration, to live webcast, question & answer sessions and voting administration.
    b. Social listening services - There are third party service providers that provide monitoring services on the organisation's footprint in the social realm.
    c. Data intelligence databases - There are subscription services for industry / market performance data, demographics and stock movements to help organisations understand investor behaviours.

Appendix 5

Investor Relations Terms of Reference (TOR)

The Terms of Reference (TOR) document helps to frame the mandate and structure of the IR Function within the organisation. Below are key points to include in a TOR:

Note: There is no regulatory requirement for an IR Function to establish a TOR

Contents of an Investor Relations Terms of Reference (TOR)

1. Have a **primary purpose**. Summarise the main aim and context of the IR Function's role. This can include the IR's role of providing up-to-date information about the company's operations and financial statements to current and potential shareholders, as well as third-party analysts.

2. State the **authority and accountability**. It is important that the decision making and authorities for IR Officer(s) is spelled out clearly.

3. Specify the **responsibilities of the IR Function** to meet its purpose. Detail the duties and tasks required to produce the expected deliverables. It is also important that the IR Function **recognises the interdependencies and working relationships** with other functions within the company.

4. Communication to the Board. The **requirements for the reporting** process and the **frequency of reporting** should be clearly specified.

5. Determine an **appointment process** of the team. The TOR should specify the **skills and expertise** required and seniority of the function.

Source: Establish Leadership, Method, Terms of Reference, End Drowning

Appendix 6

Investor Community Mapping Template

The investor community mapping template below aims to provide context to engage with the relevant parties. Investor groups and the relevant criteria for engagement can be defined to provide better clarity to the IR team.

For illustration purposes only

Investor Community Mapping			
Investor Community	**Criteria for engagement**	**Frequency**	**Feedback**
Existing Investors *(Define the list of existing investors within the company)*	Identify the different types of investors and identify methods of engagement based on the strategy. This may include: ● Annual General Meetings ● One-to-one meetings	Apart from the Annual General Meeting being a yearly affair, the frequency of other engagements is subject to the plans of the company.	Companies should use these engagement occasions to obtain and record any feedback from shareholders and their views of the company.
Potential Investors *(Identify the potential investors that the company is looking for)*	Determine the target investors (i.e. institutional investors, hedge funds, retail investors) from analysis done, required criterias of these investors and identify suitable engagement objectives and methods.		
Analysts *(List the applicable and relevant analysts. This may include brokerage houses, fund managers, financial media outlets, etc)*	Companies should leverage on the analysts to build the company profile with the broader community. This can be done through: ● Broker roadshows ● Site visits ● Media interviews ● Press releases		

Appendix 7

Investor Relations Presentation Checklist

A presentation deck is a key document that will capture the attention of the current stakeholders and attract the attention of potential stakeholders. It can create a good impression if it contains the right information.

Checklist of a good IR presentation[38]

1. Define your **goals and needs**. Consider what is the purpose and what is to be accomplished with the presentation.

2. To provide the **information that matters the most to your investors**, the slides should describe the general information of the company and the company's goal, the latest development stage, focus indications and the company's progress.

3. Place data or information in a **figure, graph or table** and summarise in bullet points as this can provide more legible information to the reader instead of a bulk of text. Keep technical data in the appendix and ensure to obtain approval for confidential data.

4. Work on a **data credibility.** Ensure that insights and conclusions provided for the presentation are sufficiently evidenced by data from credible sources.

5. Be **clear and concise.** Ensure that your information gets portrayed effectively and clearly. When you are nearly done with your presentation, make sure to run the 'Spelling and Grammar' function.

6. **Highlight very important information**.You can highlight the most important information or keywords in bold. You can also add action titles to each slide if that is the main message that you want to convey to your target audience.

7. **Keep track of time**. Be prepared and plan out the time for your presentation.

Appendix 8

Press Conference Checklist

Press conferences or media releases can be a great opportunity to bring positive media coverage to the company. The following outlines key considerations as part of the pre-press conference planning, during the media event and post-press conference follow ups.[39]

Pre-Press Conference Planning

1. Identify and lock down the location. Depending on where you choose, make sure the necessary bookings and contractual details are arranged.

2. Determine the layout and setup of platforms, seating, and equipment. Make a list of potential items that needs to be prepared for the session.

3. Alert the media in advance. In the media alert, emphasise that important information will be provided at the press conference.

4. Prepare the materials in advance. Review the statements in terms of content relevance and validate any facts and figures with the right team members. Consider making the materials short and concise.

During the Press Conference

1. Treat the media representatives well. Greet each reporter as they walk in, set up a sign-in sheet and refreshment table. Small gestures go a long way.

2. Don't be afraid to intervene when necessary.

3. Consider to provide some background information of the company with a short summary of what your company does at the end of a press release, for those who might not be familiar.

---

[39]Adapted from _Checklist for a Successful Press Conference, Berbay Marketing and PR_

Appendix 8 *(cont'd)*

Press Conference Checklist (cont'd)

Post-Press Conference Follow Up

1. Thank the media for coming and assure them they have received all the necessary information.

2. Tailor your follow-ups with each individual reporter, acknowledging their attendance at the conference. This is essential in creating a long-lasting relationship with that particular journalist.

[39]*Adapted from Checklist for a Successful Press Conference, Berbay Marketing and PR*

Appendix 9

Internal Communication Clearance

The following lists several internal considerations (non-exhaustive) that must be taken prior to issuance of any communication releases:

Ensure that the context and style of writing is consistent with the policies of the company. Every word matters (personally and professionally) and is retainable, discoverable and shareable. Avoid inappropriate language, fix any typographical-errors and statements that might seem derogatory or defamatory.

Seek for review and endorsement from the responsible members of management and legal council where applicable to ensure any potential legal risks are mitigated.

Review the date and timing of the planned releases. Releases that are done, for example on a Friday or the eve of a public holiday will not garner the expected attention from the audience. Similarly, releases done during a sensitive period for the public may have negative implications.

Consider the potential impact of social media postings to the stakeholders and the company's personal brand. Think of how these stakeholders may react to what is being posted.

Appendix 10

Crisis Communications Press Release Template

It is important to develop a pre-approved template of a press release statement as it would expedite the communication process should a crisis arise.

Below are essential parts to include in a press release template [40]:

For illustration purposes only

Headline: Being the first thing that people see, a headline is very important part of a press release. Try to keep it concise and engaging.

Summary: This section summarises the key points of the press release and answers the "Five W's" of Who, What, When, Where, and Why.

Date and location: The dateline should list the city name, the state name, and the full date (including year).

Body: Body copy is the main part of a press release. It details the announcement and provides all the necessary information in a concise and effective manner.

End: Indicate the email and contact details of the persons managing enquiries.

FIRE AT EPF PETALING JAYA

The Employees Provident Fund (EPF) announces that its Petaling Jaya office and branch is temporarily closed until further notice due to a fire at the building.

The EPF Crisis Response Team is working closely with the Fire and Rescue Department, who will ensure the fire does not spread to any other floors or surrounding areas. As safety of customers and staff is our prime concern, total evacuation of the building has been taken, and office and counter services are closed until further notice.

We would also like to assure members that there has been no compromise to data integrity or members savings in any manner. We will continue to monitor the situation as it develops and will provide an update once the branch is back in operations.

Members and employers who wish to perform any transactions with the EPF are advised to contact or visit the nearest EPF branch. Alternatively, members may call the EPF Contact Management Centre at 03-8922 6000 or forward their enquiries via myEPF website at http://enquiry.kwsp.gov.my.

Issued by
Corporate Affairs Department
Employees Provident Fund

Date: 13 February 2018

For media enquiries on the incident, please call **Nurin Mastura** at 03-2616 2279 (nurin-mastura@epf.gov.my); **Shahimah Shaharuddin** at 03-2616 6202 (shahimah@epf.gov.my) or **Sherilyn Goh** at 03-2616 1893 (goh-mei@epf.gov.my).

[40]Adapted from _How to Write a Press Release + Templates and Expert Advice, GetGuru_

Source: _(UPDATE) Petaling Jaya's KWSP Building Caught Fire, Hype_

Appendix 11

Pre-Crisis Phase Checklist

Prevention involves seeking to reduce known risks that could lead to a crisis. This is part of an organisation's risk management program. The planning and preparation allow crisis teams to react faster and to make more effective decisions.[41]

Below, we have outlined the pre-crisis practices to be adopted:

Have a crisis management plan and update it at least annually. A crisis management plan provides lists of key contact information, reminders of what typically should be done in a crisis, and forms to be used to document the crisis response.

Have a designated crisis management team that is properly trained. As there are many types of crisis, it is important that the right team is placed to manage the situation.

Conduct exercise at least annually to test the crisis management plan and team. Training the crisis management team will improve their decision making and performance if such crisis arise.

Pre-draft crisis management messages and templates for crisis statements. Have the legal department review and pre-approve these messages.

[41]*Adapted from Crisis management and Communications, Institute for Public Relations*

Appendix 12

Capability Building for an Investor Relations Function

It is important that an IR team not only possess the right qualifications but continuously expand their skill set and keep up with the latest developments. Attending trainings, be it in-house, online or external, coaching sessions and seminars are some common ways an IR Function can consider.

Below is a list of in-house trainings provided by MIRA where an IR Officer(s) can look into expanding their capabilities:

Sources *Note: This is a non-exhaustive list. Please visit the MIRA in-house training programme page for more programmes and updates.*

Malaysian Investor Relations Association (MIRA) in-house training programme includes the following areas[42]:

1. IR Basics – What You Should Have in Place

2. Proactive IR – Active Engagement with Shareholders

3. Using Technology to Add Value for Investors

4. Simple Ways to Enhance Your IR Function

5. Crisis Management and Communications - Preparing for and Dealing with a Problem

6. Management Discussion and Analysis Statement - What and How to Disclose

7. Sustainability - Challenges, Opportunities, Managing Stakeholders' Expectations and Reporting

8. The Annual General Meeting - A Practical Insight for All Stakeholders

[42]*Adapted from Inhouse training programme, Malaysian Investor Relations Association (MIRA)*

Note: MIRA also engages with its members individually on specific requirements or situational needs. Please reach out to MIRA via +603 20347000 or email mira@bursamalaysia.com.

Appendix 13

Balanced Scorecard for Investor Relations Function

A Balanced Scorecard (BSC) is a visual tool used for strategic planning and management system. The BSC suggests that we examine an organisation from four different perspectives (i.e. Financial, Stakeholder, Internal Process and Learning and Growth) to help develop objectives, measures (KPIs), targets, and initiatives relative to those views.[43]

Below shows a balanced scorecard from the perspective of the IR Function:

For illustration purposes only

For example:

- Timely and accurate sharing of information
- Timely engagement with key stakeholders

Financial

Objective:

Ensure that the company's financial performance and financial goals are met

Stakeholder

Objective:

Manage the key stakeholders in terms of understanding their concerns and priorities

For example:

- Stakeholder satisfaction survey
- Evaluation of stakeholder engagement process

For example:

- Adoption of tools and technology for IR activities
- Use of appropriate channels for communication

Internal Process

Objective:

Ensure that the quality and efficiency of key internal processes are effective

Learning and Growth

Objective:

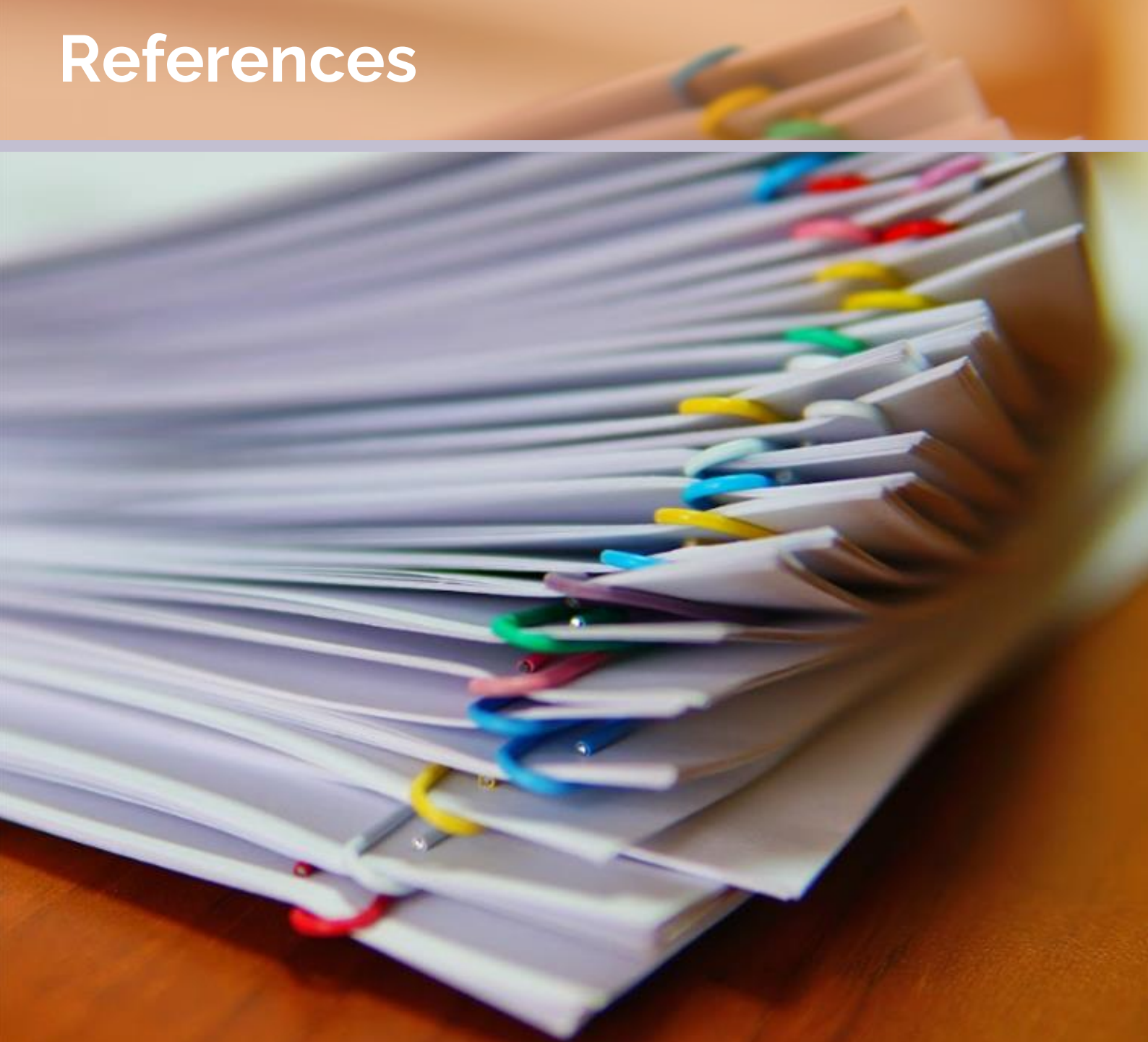*Performance and skill sets of the company's resources to meet expectations*

For example:

- Continuous training for the crisis communications team
- Capability building of IR team
- Leadership media trainings

[43]*Adapted from Balanced Scorecard Basic, Balanced Scorecard Institute*

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