

SIX Swiss Exchange

Investor Relations Handbook

Fundamentals, Instruments, Practice
6th edition





Doing the Right Thing and Knowing Why

Dear readers

New sustainability regulations, rising interest rates, combatting inflation, the after-effects of the coronavirus pandemic, artificial intelligence as a megatrend, the war in Ukraine and other geopolitical uncertainties – during the ups and downs of the stock markets, the importance of the relations between companies and investors, what we call Investor Relations (IR), has grown significantly over the past two decades. The increased need for information, stricter regulations, and greater transparency demand specific specialist knowledge in how to communicate with the financial market. The quality of a company's IR exerts a direct influence on investment behavior and the share price.

This practical handbook shows how IR officers can deal with these challenges and what instruments Investor Relations provides for this. This 6th edition of the handy companion describes the current status of specialist knowledge and offers an insight into professional IR as a part of corporate strategy. For the first time, the sustainability section is published as a handbook on its own.

“On the stock market, it's about doing the right thing without knowing why”, as the saying goes. How companies can do the right thing on the stock market and also know why they are doing the right thing will be made clearer by reading this companion.

Your Issuer Relations team, Primary Markets, Swiss Stock Exchange

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Strategic Relevance of Investor Relations



In a Nutshell

Investor Relations is a field of action in strategic corporate communication. It describes the management by a stock corporation of its relations with investors.

The primary goal of IR is to optimize the company's market valuation or its equity financing.

Moreover, credible, reliable, and consistent information raises the profile and the basis of trust of companies and thus strengthens their market position.

IR takes on a strategic relevance in exceptional situations, such as transactions (M&A), the emergence of shareholder activists, and in crises.

The clearer the corporate strategy, the more efficient the implementation, and the more disciplined the deployment of capital and resources, the stronger the basis for financial communication.

Maintaining close relations with institutional investors also helps.

A strong IR and communication program starts with a good analysis. What strengths and weaknesses does the company have from an investor's perspective?

The actual and target status of the IR objectives is identified and the target groups, perception, instruments and communication principles are defined in the IR strategy. It is becoming ever more important for risk analyses, sustainability planning and business strategy to be run as integral processes.

The strategic issues involved in Investor Relations are operationalized and laid out on a timeline for the IR planning.

1.1 Origins

The roots of Investor Relations stretch back a long way. Here's a brief history.

On 24 January 1609, Isaac Le Maire, a merchant who knew every trick in the book, took up his pen and wrote a sharply worded letter to the Dutch East India Company (VOC), one of the largest trading companies of the 17th and 18th centuries (see Paul Frentrop and Joost Jonker in the → **Bibliography**). In it, he complained about the miserable corporate governance, the abuse of power by the management, the company's strategy and the poor treatment of the stockholders. Shareholder activism has been with us for over 400 years. Even today, this form of exerting influence is frequently still cause to strengthen Investor Relations or put them on a new footing.

The same applies for listings for similar reasons. **"New stock or bond flotations, upon which an expanding business must depend for its success, can be effected only if the concern has understood how to gain confidence and good will of the general public."** This was written by Edward Bernays in his classic work *Propaganda*. Published in 1928, it was one of the first books to describe the fundamentals, meaning and purpose of corporate communication. The recognition that relations not only with investors but also with the wide public should be intensified and professionalized during and after the process of going public has been established for some time.

Origin of the Term

While industrial icon General Electric (GE) had already developed a communication program especially for private investors in 1953, the term "Investor Relations" came to the fore in German-speaking countries only in 1968 with the dissertation by H.K. Hartmann. In Switzerland, Michael Drill produced a systematic review of the topic in a dissertation at the University of St. Gallen in 1995. His deliberations remain as topical today as they were back then, which is why credit is given to Drill in several presentations in this handbook. Kristin Köhler chronicled the history of IR in detail and linked it to the professionalization of the job of IR in her book that was published in 2015 (see → **Bibliography**).

1.2 Definition and Objectives

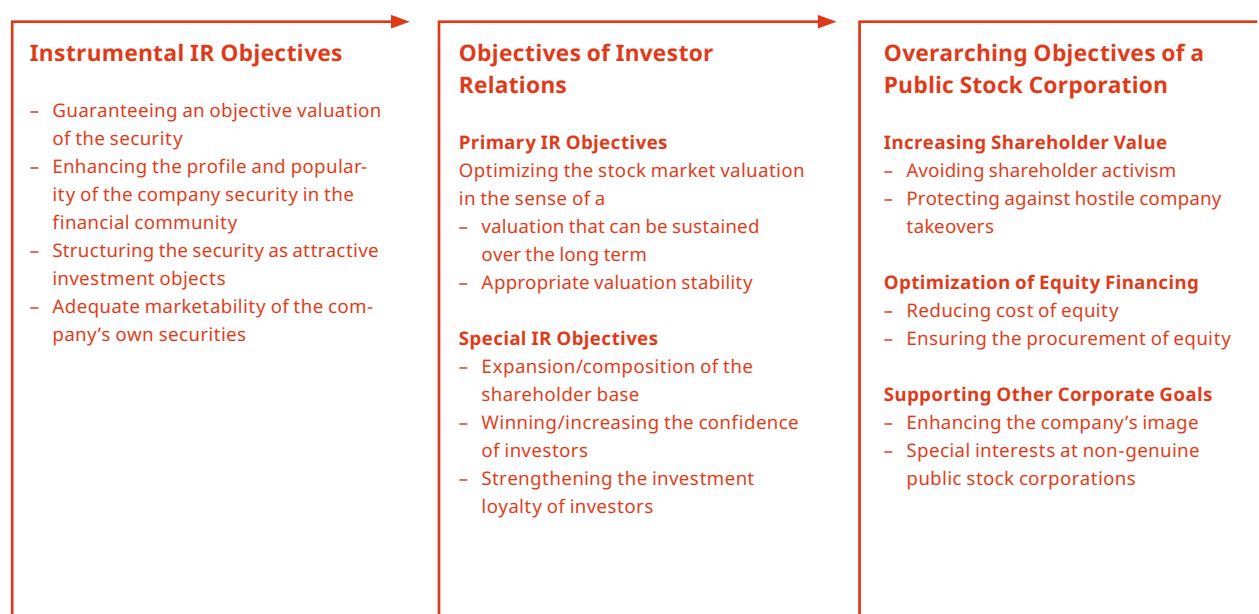
Investor Relations is a special discipline in corporate communication.

The National Institute of Investor Relations in the US defines the core of this activity as follows (definition from March 2003, see → niri.org/about-niri): **“Investor Relations is a strategic management responsibility that integrates finance, communication, marketing and securities law compliance to enable the most effective two-way communication between a company, the financial community, and other constituencies, which ultimately contributes to a company’s securities achieving fair valuation.”**

This sentence encapsulates the objective: Investor Relations influence a company’s valuation. The recently revised definition put forward by the German professional IR association DIRK puts things more clearly in this respect (→ www.dirk.org): **“Investor Relations (IR) describes the strategic management task of establishing and nurturing relations of the company with existing and potential investors and lenders of equity as well as with capital market intermediaries.”**

The illustration below presents the target values of Investor Relations in more detail.

Target Values of Investor Relations

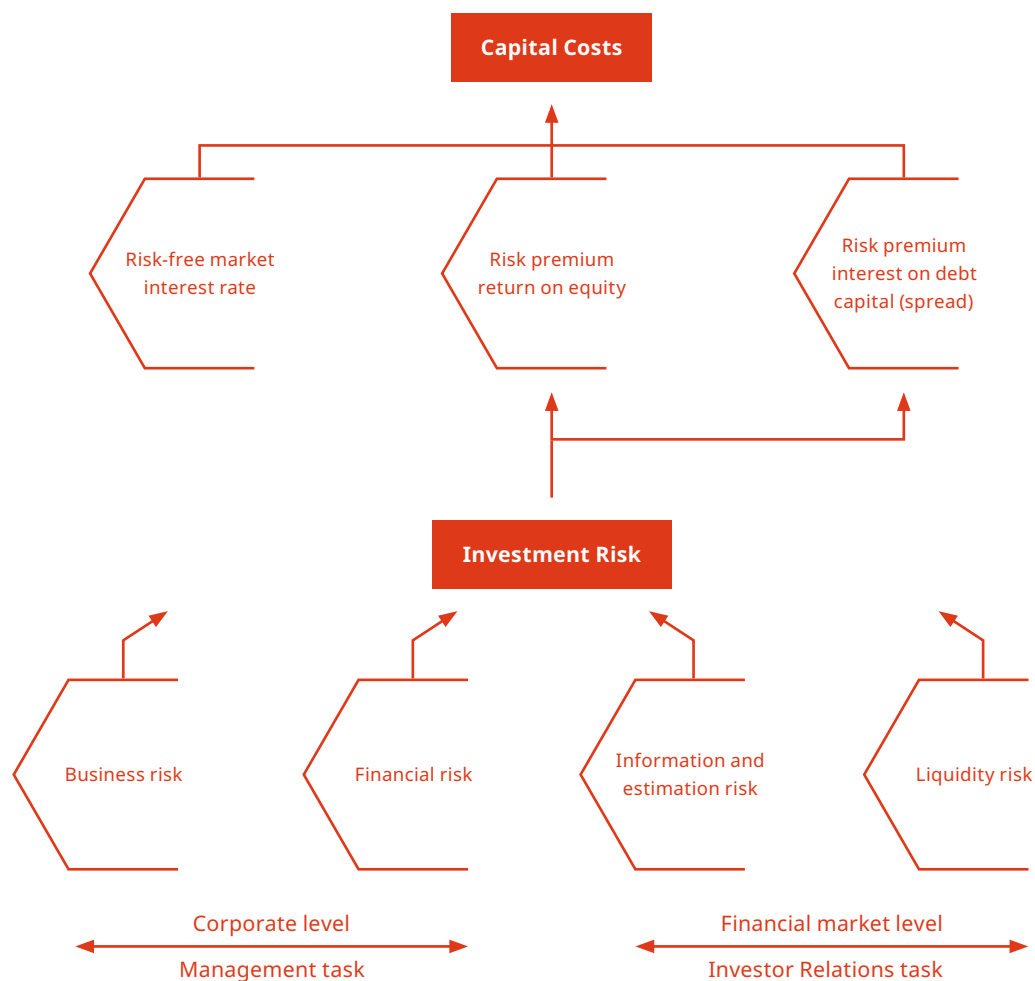


Investor Relations objectives, Source: Drill

One subtlety should be pointed out in the illustration below: A fair valuation is a means to an end, increasing shareholder value (a concept that has now become discredited, although the term remains accurate in its actual meaning as “enterprise value”). Investor Relations thus sets out to provide a transparent description of the status quo and to create realistic expectations in the sense of valuation levels that can be maintained as a maximum over the long term and the reasonable stability of that valuation. On the other hand, unrealistic forecasts and empty promises are not appropriate.

How the objectives of the communication policy described in the illustration can be achieved is described in more detail in this handbook. The illustration below presents the idea that management and communication tasks are interlinked.

Reducing Capital Costs as an Objective of Investor Relations



1.3 IR Projects of Strategic Relevance

Investor Relations has to be taken seriously in the day-to-day business, even if it is a less than spectacular topic.

The standard measures and the duties of communication are described in Chapters → 6 and → 8. IR issues can very suddenly take on strategic relevance and rise to the very top of the list of priorities of the board of directors and the management on account of extraordinary company situations. A selection of situations of this kind is described below.

1.3.1 Listing/Spin-off

For the vast majority of companies, a listing is the trigger and starting point for establishing or professionalizing Investor Relations. From the perspective of institutional investors, who almost always form the most important target group during an initial public offering (IPO), a listing is a clearly defined process that involves valuing a company, making an investment decision, sounding out the supply and demand in cooperation with the syndicate banks, and defining a suitable price for a share package. Companies and the media may have an interest in magnifying the significance of this rational process and stirring up emotions for a variety of reasons. They do this through the media positioning of the company and its management. The tasks and processes involved in a listing, also those from a communication perspective, are presented in detail in the IPO Guide published by SIX, see → [six-group.com/en/products-services/the-swiss-stock-exchange/listing/equities/ipo.html](https://www.six-group.com/en/products-services/the-swiss-stock-exchange/listing/equities/ipo.html)

IPO as the Basis for IR

For that reason, we mention only briefly here that the listing lays the foundation for any kinds of IR activity. The cornerstone is laid in the IPO both in terms of all contents, specifically in the prospectus and the roadshow presentation (see → **Chapter 2** for more on this) and in terms of the investor or shareholder structure (→ **Chapter 4**). Furthermore, continual IR activities lay down in the first year after the listing how transparently and how frequently a company communicates its strategy, what it has achieved and what it is planning (see Chapters → 2 and → 3 on this). It is recommended that this be done on the basis of a concept and not on the spur of the moment (ad hoc).

1.3.2 Mergers and Acquisitions

Mergers and acquisitions, M&A for short, are a concrete element of strategy at many companies. This includes processes in connection with ownership rights in companies, including the restructuring of corporations, mergers, the financing of company acquisitions, the formation of joint ventures, and the takeover of companies.

The variety of premises involved in M&A activities is reflected in the different objectives and relevance of communications. The most frequent transactions are those in which the two parties come to a discreet agreement and set a joint course for the merger or acquisition. In addition to making preparations for dealing with any leaks of information, a coherent justification for the merger and the financing, and a technically flawless announcement and processing of the transaction, the task of IR consists primarily in being equipped to handle any criticism from individual shareholders. The announcement of the transaction forms the high point of the communication concept. As far as the communication with investors is concerned, it is followed by the processing as stipulated by the Swiss Takeover Board or the ad hoc rules.

Swiss Takeover Board

In Switzerland, the Takeover Board lays down a detailed set of regulations for M&A transactions. These regulations require acquiring companies to set out a precise schedule, from the prior notification, to the purchase prospectus, and up to the provision of information on the interim and end results. The regulations also define the technical part of the communication. In the case of cross-border transactions, it is moreover necessary to harmonize the communication with the legal regulations of the two countries involved. For the legal framework, please refer to the website of the Takeover Board (→ www.takeover.ch/) as well as the Verordnung der Übernahmekommission über öffentliche Kaufangebote (Ordinance of the Swiss Takeover Board on Public Takeover Offers), see → admin.ch/opc/de/classified-compilation/20082263/index.html

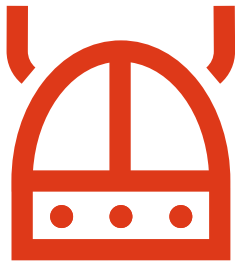
Bidding Wars

The IR tasks are more complex in the case of controversial transactions. As important as the initial announcement is in such cases – who says what and in which tone? – there is often just as little certainty over the course that takeover bids, hostile takeovers, and bidding wars will take. Success is critically dependent here on the communication following the initial announcement. The financial community wants to be persuaded by valid arguments and good communications. In addition to the basic instruments specified above, the news service, i.e. a comprehensive and up-to-date analysis of the opinions of investors, analysts and journalists, takes on increased importance here, not least in order to become swiftly familiar with statements made by the opposite side. The more time available to draw up one's own position, the better. The advent of the Internet and social media has shortened the previous daily news cycle to an hourly cycle.

There is no doubt that good communications make an M&A project easier for an acquiring company, even if investors ultimately make their decisions on the basis of hard figures, i.e. the amount and form of the purchase price. Companies that have a good understanding of their own shareholders, however, increase their chances of implementing a transaction at a good price. They reduce the probability that shareholders of one or both companies in question will offer resistance.

Hostile Takeover Bids

Similarly, good communications will mean that a company confronted by a hostile takeover bid has better potential of realizing a higher price than the one first offered. Note that this is also the most frequent objective when a binding takeover bid is on the table; it is rare to maintain independence. Consequently, in a hostile takeover, the communication of the target company focuses mainly on the elements that suggest a higher valuation. Moreover, legal disputes – between the two companies or between shareholders and companies – have become the rule rather than the exception and part of the negotiating tactics in controversial transactions. The consequence of this is that all formulations, whether in press releases or presentations, have to be carefully weighted by the attorneys.



Factors for Success in M&A Situations

- First impressions count: the initial announcement has to contain coherent arguments and leave as few questions open as possible
- It is not only the hard facts that matter – the style of communication is just as important
- Bring communication to a climax at individual events in the M&A process in order to achieve an impact
- Personal, direct communication from the CEO is the most effective
- Plan scenarios and also consider ESG risks and opportunities
- Communication addressed to target groups: provide consistent and accurate information not only to the financial community but also to the employees as well as business partners and customers
- Coordinate closely with the legal team
- Cultivate the relevant local style of communication for cross-border transactions
- Involve communications at an early stage, not least on account of the increasing risk of leaks
- Provide sufficient resources, also for unforeseen events
- Prepare an ad hoc publication in advance

1.3.3 Protection Against Hostile Takeovers

Hostile takeovers come frequently, although not always, as a surprise. There is consequently little time to make decisions and to prepare the necessary measures. Companies that are confronted with an undervaluation are therefore urged to make appropriate preparations. Not just legal preparations, but communication preparations, too. Moreover, it is important to clearly define the organization of any defense team that is set up.

Takeover battles are generally decided by the purchase price or the premium. The best defense is therefore the management of the share price. It should diverge as little as possible from the value of the company, which is based primarily on the profits and cash flows expected in the future. When an undervaluation is suspected, it is advisable to conduct a general review of the IR strategy and the equity story. This review will generally end in intensifying the IR program and precisely monitoring changes in the shareholder base.

Team of Specialists

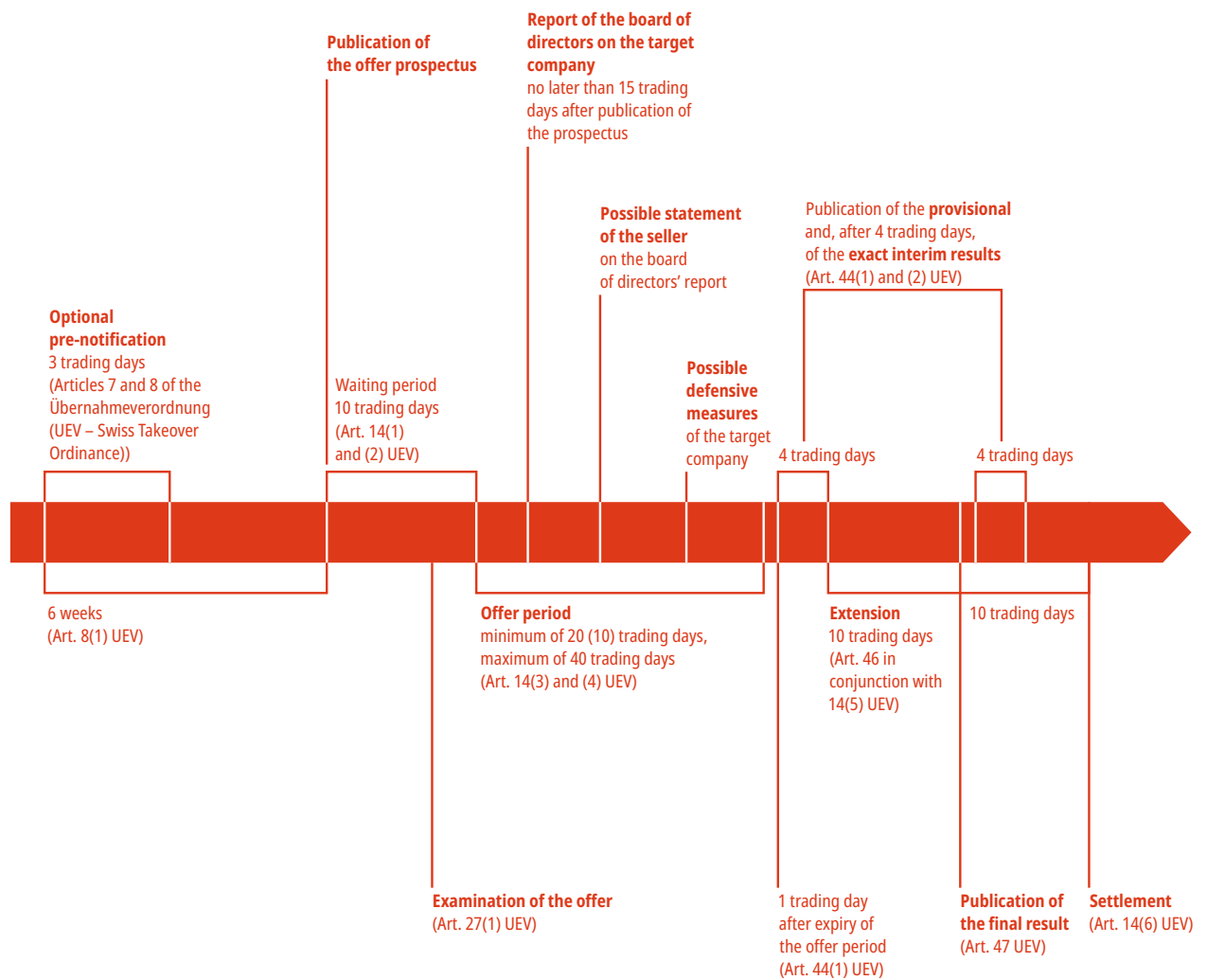
A potential bidder can build up an equity position, make informal contact with the board of directors, or enter into discussions with the target company. At all events, it is advisable to mandate a qualified legal advisor, a bank and a communication consultant with the objective of assessing the legal options, while at the same time determining which criteria should be used or are necessary for public communications.

There are also cases in which the board of directors has learned through reports from a news agency that a bidder – with or without pre-announcement – has published a public takeover offer. Legally, the board of directors is not required to comment publicly on a pre-announcement or a takeover bid immediately. Nevertheless, it can be advisable to respond swiftly with a public statement in the form of an ad hoc announcement (see → **Chapter 8.6**) and accompanying PR and IR measures. A lot of companies have prepared defense measures for this purpose, which can include drafts for media releases and other communication and IR instruments.

Report of the Board of Directors

The board of directors is required to publish a report no later than the 15th trading day after the offer has been published. The report has to state clearly and with valid reasons whether the board of directors accepts or rejects the offer or abstains from making a recommendation. Other time limits are noted in the following presentation.

Timetable in the Event of a Takeover Bid



Timetable in the event of a public takeover bid, Source: Wenger & Vieli

1.3.4 Activist Shareholders

An activist shareholder acquires a share in the company with the aim of exerting pressure on the board of directors and of increasing the enterprise value through its intervention.

Activists analyze the target company closely before initiating contact with the board of directors or launching a media campaign. The most frequent points of attack are the below-average performance of the company's share price, inefficient capital investments (strategic errors, operational missteps), and inadequate corporate governance or pronounced weaknesses in the area of sustainable business management. Excessive management compensation can also be a point of attack, especially during a media campaign.

The majority of institutional investors welcome the increase in activist shareholders that has been observed in Europe and also in Switzerland over the past few years. Even if they do not necessarily agree with the specific demands made by these shareholders, they support the generally higher pressure on the company to adjust better and faster to changing market conditions and to operate in an "investor-friendly" way.

If the House Is in Excellent Shape...

The best defense, when there is a threat that an activist shareholder will get on board, is having as few open flanks as possible: the clearer the corporate strategy, the firmer its implementation, and the more disciplined the capital investments and use of funds, the better. Maintaining close relations with institutional investors also helps.

The second-best defense is a good IR and communication program. It starts with sound analysis. What strengths and weaknesses does the company have from an investor's perspective? Which potential arguments of an activist make sense in principle and ought to be taken into more detailed consideration in the strategy or the organization? How can that happen specifically? Which arguments would have to be countered, which facts could be used to underpin the counterarguments? Organizational in addition to strategic questions also have to be answered. How would the board of directors and management get organized if an activist emerges on the scene? Who would talk to them? Which advisors would have to be consulted?

Tight-Knit Management of the Communication

The specific IR measures are similar to those used to defend against a hostile takeover bid: a review of the IR strategy and equity story, generally followed by an intensification of the IR program and of the relationship management with analysts and investors. Also valuable is good knowledge of how the most important investors see the company, where they identify weak points in the strategy, and what they think about the dividend policy or the allocation of capital. Particularly careful attention has to be paid to the need to comply with all legal (communication) requirements in order not to expose additional areas to attack.

If an activist makes their presence felt, their track record and also their conduct towards earlier targets have to be examined. A decision has to be made on this basis on whether to seek direct contact and how this should be organized. As with any major shareholder, direct contact of this kind is generally, but not always, constructive. The situation is the exact opposite when it comes to the media: it is generally not sensible to escalate the conflict with an activist through the media to begin with.

1.3.5 Communication in Crises

Serious company crises also involve IR. Financial problems, sudden changes in management, loss of data, product recalls, accidents – crises can have many causes, that is why there is no standard formula for what the specific IR strategy has to look like in each individual case.



A characteristic of the majority of corporate crises, however, is that the different information requirements of the individual target groups are accentuated. Even more so than in the day-to-day business, customers, employees, crisis and investors have to be provided with information specific to the target group but where the core messages are consistent at the same time. The same principle also applies within IR, as in a crisis shareholders, bondholders, and lending banks turn their attention to various key financial indicators and strategic aspects.

Crisis, What Crisis?

Crisis (from old and scholarly Greek κρίσις, krisis – today κρίση, krísi), originally meaning “an opinion”, “an assessment”, “a decision”, later more in the sense of “a culmination”, describes a problematic situation where a decision linked to a turning point is required.

Crisis communication here forms part of the crisis management that serves to influence hard and soft factors in order to prevent or to overcome corporate crises.

Despite the many differences, the following principles have stood the test of time:

Management and Organization of Crisis Communication and IR

- Small committee (crisis team)
- Direct involvement of the decision-makers (high availability)
- In-house clarity about who belongs to the decision-making committee
- High frequency of information exchange, swift decisions
- Power over significant resources

Communication

- Clarify or investigate and document facts
- Quickly communicate the known facts, even if there are only a few
- High rate of information, define communication windows in which information will be provided in compact form
- “One voice policy,” meaning concentration on very few or only one speaker, as high-ranking as possible, for the Investor Relations (generally CFO)

Prevention

- Good relationship management with the most important investors
- Familiarity with the investors’ view of the company
- Define IR crisis team and roles

1.4 IR Strategy

1.4.1 Corporate Strategy

The IR strategy is initially derived from the corporate strategy. Important elements here include:

Growth Strategy

- Growth ambitions
- Financing of growth beyond the net inflows from the operating activity
- Probability of capital increases or M&A transactions with treasury shares as an element of the purchase price
- Geographic expansion – can exert an influence on future investor base

Investor-Oriented Financial Management

- Securities policy (registered vs. bearer shares; various classes of shares)
- Issuance policy
- Dividend policy
- Stock market policy

Corporate Governance

- Independence of board or directors
- Management and corporate culture
- Management compensation concept

Communications Strategy

- Relevance of the (IR) branding for the company's success
- Degree of transparency

In addition, the pillars of the corporate strategy must also form the foundation of the equity story (more on this in → **Chapter 2**), specifically, for example, the positioning of the company within the relevant industry and its trends, the features distinguishing the range of products and services offered, and the question of where and how the company intends to grow or become more efficient.

1.4.2 Development of an IR Strategy

As the basis for the IR strategy, the actual and target state has to be determined with regard to:

- Objectives: To which degree are objectives achieved in terms of existing IR strategy?
- Target groups: Which investor base is required for the next phase of the company's development? How does this compare with the current base?
- Perception: What strengths and weaknesses do investors identify concerning key topics in the equity story?
- Instruments: What measures are suitable for addressing these (new) investors? What does that mean for planning roadshows and for individual discussions with investors?
- Communication principles: How well do the current basic rules of the communication policy function? How can they best be adapted if need be?

What IR objectives are pursued beyond the fulfillment of the statutory requirements and how this is supposed to be achieved are defined in the IR strategy. The starting point for this is a clear analysis, see the presentation below.

Issues for Analysis in Investor Relations

Stock Market Analysis

- Daily trends in the share price and market sales of company's own securities
- IR activities of comparable companies
- Trends on equity and other capital markets (including dividend yields, PER, PCFR and PBR in the peer group)
- Economic, political and legal, and social environment
- Investment potential of the different financial centers and investor types

Investor Analysis

- Breadth and identity of the shareholder base (total number, name, address, commitment, investment volume of the shareholders)
- Structure of the shareholder base by investor type (individual/institutional investors), size classes, home base (region, international), ESG strategies etc.
- Commitment period of the investors; changes in commitment among investors
- Daily identification of buyers and sellers of major volumes as well as determination of the reasons for the investment decision
- Identification of potential institutional investors that are involved in shares in the same industry and/or country of origin
- Investment behavior, investment loyalty, investment objectives, risk attitude, shareholder activism of current and potential investors (investor groups)
- Information requirements, interests and expectations of the individual and institutional investors with regard to the company's IR work

Multiplier Analysis

- Identification of the key multipliers that the company regularly pursues with company studies and press reports
- Information requirements, interests and expectations of the multipliers with regard to the company's IR work

Company Analysis

- Opportunity/threat and strengths/weaknesses profile of the company taking the existing and planned strategies into explicit consideration
- Financial and strategic (forward-looking) company valuation (DCF method); assessment of the suitability of the market valuation

Analysis grid, Source: Drill

For the principle of non-communication periods, refer to the regulatory requirements and in particular the ad hoc communication (see → [Chapter 8.6](#)).

Principles of Communication Policy

Principle of Target Group Orientation

- Employment of the communication instruments tailored to the target groups
- Precise tailoring of the contents of the communications to the information requirements of the individual target groups

Principal of Equal Treatment

- Essentially the same information in response to the same questions as well as simultaneous provision of new, price-sensitive information to the target groups (insider problem)
- No deliberate preferential treatment of or discrimination against specific target groups or individual members of the financial community

Principle of Materiality

- Clear, comprehensible, and compact presentation of material new information
- No presentation of details that are not important for the respective target group

Principle of Continuity

- Regular communication with the financial community
- Communicators in the company that do not change and are available at any time

Principle of Non-communication Periods

- Refraining from IR activities during a “quiet period”
- Withholding critical information that is not yet publicly known until the stipulated publication date (e.g. planned M&A transaction)

Principle of “Corporate Communications”

- Consistency of the contents of the financial communications with the other corporate communications to ensure coherent overall corporate communications
- External consistency of the contents of the financial communications with the other corporate communications to ensure a uniform appearance

IR principles, Source: Drill

1.5 IR Planning

The strategic issues of Investor Relations are operationalized and placed on a timeline during IR planning.

When will which target groups be addressed with which instruments, topics, and messages? The allocation of resources (IR financial resources, IR personnel) is additionally defined. Not only the management but also the board of directors has to know the annual IR plan. The table below presents an annual plan of this kind. The individual IR measures are described in → [Chapter 6](#).

What Is a “Quiet Period” and Why Is It Needed?

Many listed companies have a trading blackout period, also known as a quiet period, for the management and the employees who

are involved in the annual and interim financial statements. This is an appropriate time frame, generally between four and eight weeks before the quarterly or annual results are published, in which purchasing and selling shares in the company is prohibited.



In parallel to this, many companies limit their IR during the same period, for example by not arranging individual talks with investors or conducting meetings at investor conferences, in order to ensure that all shareholders are treated

equally and that no information of any kind on the forthcoming results leaks. Issuers occasionally also publish this quiet period on their website. The timeframe for the quiet period must be published in the corporate governance report.

Template for an IR Plan for Small and Mid Caps

Annual Objectives

- Sharpen the equity story: Growth/investment focus for the next three to five years in sector A; sector C on the test bench
- Derived from that, and in very general terms, better matching of market expectations with the company's own financial projections
- Expand investor base (in addition to Switzerland, UK, and the US) in Germany and Scandinavia
- Improve level of knowledge about the perception of the company held by institutional investors

Annual IR Plan

	1st quarter	2nd quarter	3rd quarter	4th quarter
Topics, Messages, News	<ul style="list-style-type: none"> – Annual figures – Revision of equity story, together with annual financial statements 	<ul style="list-style-type: none"> – Opening of a new R&D center in Scandinavia – Possibly quarterly figures 	<ul style="list-style-type: none"> – Half-year figures – New medium-term guidance, together with results from first half of the year 	<ul style="list-style-type: none"> – Launch of a new product category – Possibly quarterly figures
Important IR Activities	<ul style="list-style-type: none"> – Adaptation of IR presentation + IR website to new equity story – Investor/analyst conference on annual financial statements – Annual report – Sustainability report – Annual general meeting 	<ul style="list-style-type: none"> – Revision of guidance concept 	<ul style="list-style-type: none"> – Communication of new medium-term guidance with semi-annual report – Investor/analyst conference call on the first half of the year 	<ul style="list-style-type: none"> – Event for investors, analysts, and financial media – Investor survey
Roadshows and Investor Conferences	<ul style="list-style-type: none"> – Roadshow CH, UK, USA with Bank A – Presentation to investor conferences, V+W Bank – XY trade fair, with investor visits 	<ul style="list-style-type: none"> – Event for investors, analysts, and financial media – Roadshow Scandinavia with Bank B – Presentation to investor conference, X Bank 	<ul style="list-style-type: none"> – Roadshow CH, UK, Germany with Bank C – Presentation to investor conference, Y Bank 	<ul style="list-style-type: none"> – Presentation to investor conference, Z Bank – XZ trade fair, with investor visits

1.6 Tips

1.

It's like in sports: The better the athlete's physical fitness and the more familiar they are with the sequences, the better they perform under pressure. What this means is that a strong and well-practiced IR function increases the probability both when it's "business as usual" and in special situations that the relevant corporate and communication objectives can be achieved.

Who forms part of the core team in the event of a crisis? Consulting specialized attorneys and advisors is recommended for smaller companies, even if this is only on a stand-by basis.

5.

The most important annual targets and milestones must be made transparent within the company. Not only the management but also the board of directors has to know the annual IR plan.

4.



2.

The IR strategy, equity story, and financial guidance should be reviewed on a regular basis.

3.

It is worth getting a picture of how the company is judged by investors every 12 to 18 months in a structured form. Does this picture match the current strategy? Do new groups of investors have to be addressed?

2.0

Content of Investor Relations



In a Nutshell

The value of a company is defined in the medium and long term by

- the performance of the relevant key market,
- the corporate strategy,
- the business performance in general,
- the growth in turnover and profit or the return on capital,
- the quality and communication strength of the management.

Investors want to know where exactly the company stands and also exactly where it intends to go. The company has to provide the right information for this.

The equity story is the heart of Investor Relations. At its core, this story involves how the company will increase turnover and profit and earn dividends in the future.

As far as the quality of the corporate communications and Investor Relations is concerned, it is not only the substance that matters but also the way and when and how the information is presented.

The sustainability report must fit in with and be embedded within the corporate strategy. It is important to identify material issues and report them in a balanced way. Of particular relevance are the areas identified where improvements can be made together with the associated processes. “Greenwashing” or appearing to act as a benefactor via external projects with no direct link to a company’s core business is to be avoided.

By “opting in”, issuers can announce that they create a sustainability report in accordance with an internationally recognized standard, such as the Global Reporting Initiative (GRI). From 2024, a basic sustainability report will be mandatory, applying to the 2023 financial year.

2.1 Themes and Equity Story

What content does Investor Relations have to focus on?
This question can be answered in a variety of ways.

An initial answer is that the content for Investor Relations corresponds to the criteria that determine the value of a listed company. These include:

- Subjective factors, such as the psychology of the stock market, global expectations, and personal preferences for securities
- Objective, company-specific factors such as strategy, quality of the management, market position, products, and financing
- Objective, industry or market-specific factors such as interest rates, economic activity, regulations, political and social events
- Controlling interests such as ownership structure or “takeover speculation”
- Marketability of the security, such as liquidity and potential investor base

The sum of these factors determines the enterprise value. Although they cannot be broken down individually in the sense of a direct cause-and-effect relationship, empirical studies nevertheless suggest that, from this wide variety of factors that determine value, the following four are crucial over the long term:

- The dominant drivers in their market
- The corporate strategy (also see the following → **chapter**)
- The business performance in general and the growth in turnover and profit or the return on capital specifically – as proof of whether and how the strategy adds up or how effectively and efficiently it is implemented
- The quality and communication strength of the management

The Scale of Influence of CEOs on Their Companies

(Abridged version of an article from the *Neue Zürcher Zeitung* from January 2018)

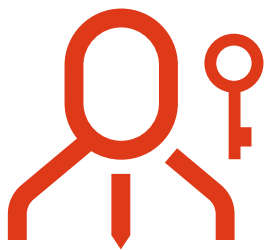
Various studies have attempted to measure the influence of the big boss at large firms. The best-paid top managers at listed companies in Switzerland receive over 10 million Swiss francs a year; the average compensation of CEOs at the 50th- to 70th-largest listed Swiss companies is around 3 to 4 million Swiss francs. With their need to personalize articles, the media contribute to the perception that top managers exert an enormous influence on the fate of their companies.

But is this influence really so large? There are in principle two schools of thought among academics. One emphasizes that, through the company's strategy, the selection of their trusted management personnel, and the communication of an image both in-house and to the outside world, top managers have a major influence on the fortunes of a company. The other school of thought, in contrast, refers to the massive limitations on the influence of the individual CEO at major companies. In this reading, factors such as general economic climate, the industry, the quality of the workforce, the corporate culture, the competition, and luck are key drivers and cannot be influenced or can only be influenced to a limited degree in the shorter term by an individual.

The "truth" probably lies typically somewhere in-between. Attempts to measure the influence of top managers can be found repeatedly in research literature, which is heavily marked by American studies. The standard study concept is based on a statistical procedure that uses data from hundreds of companies and several decades to assess the factors determining a company's success (generally measured by its profitability) and that also endeavors to identify how large the measurable influence of the "boss" factor is.

10 to 20 Percent Influence

A review of surveys, of the literature and individual studies from the past 20 years reveals a large range of estimates – with the impact of the No. 1 ranging from statistically insignificant to very large. If the extremes are filtered out, what is left as a trend statement is that the



"boss" factor based on typical estimates may explain perhaps around 10 to 20 % of the fluctuations in corporate success (upward as well as downward) on average. That would not be the be-all and end-all; factors that cannot be influenced by management may well be significantly more important. Yet the estimated CEO effect is not inconsiderable. Based on typical estimates, the effect would be comparable in magnitude to the influence of the "industry" factor. Given the

uncertainties in the methods of estimation, the figures cannot be taken as the gold standard but have to be seen only as a possible order of magnitude based on the current state of superficial knowledge.

At major corporations with annual profits running into the billions, fluctuations of a few percent will already produce amounts in the tens of millions. With such orders of magnitude, it may initially be of relatively little consequence in the view of boards of directors and shareholders whether the group's chief executive officer earns 2 million or 10 million francs. But decision-makers also have to ask themselves what signals the compensation packages for top managers send to their own workforce, the customers, and other stakeholders.

What Investors Want

A second way of determining content is driven by needs. What content do investors ask for?

It has to be noted here first of all that there are many different types of investors. Private investors typically invest according to different criteria than institutional investors. And the latter in turn invest according to different concepts, for example in line with the value or growth approach (see → [Chapter 4](#) for more on this).

The similarities, however, are greater than the differences when we consider the question of what information investors are interested in. All investors ask, to begin with, for statistical and historical data, which they examine for affirmative signals as well as for inconsistencies. The way that all types of investors think is based on cause and effect. It must be noted here:

- The fewer statistical series there are, the more questions will be raised
- The better investors know the long-term drivers of the success of a company, the easier they find it to accept that details are not published
- It is not the "news" that moves the share price but the reaction of investors

The company-specific information that investors typically require for an assessment is presented in the illustration below.

What Active Institutional Investors Are Looking For

Quality	Responsibility Towards Stakeholders	Valuation by Means Of
<ul style="list-style-type: none"> - Competitive advantage - Solid balance sheet - Innovation/pipeline - Consistent implementation of strategy - Management track record 	<ul style="list-style-type: none"> - Appropriate, ambitious targets - High governance standards - Appropriate taxes and dividends - Reduction in consumption of resources - Social responsibility - Anticipation of future regulation 	<ul style="list-style-type: none"> - Classic key value indicators (P/E, P/B, dividend yield, etc.) - DCF and other non-statistical valuation models

Relevant aspects for an investment, Source: Schroders

A Look at the Market

A third way: Investigate and define IR topics with a view to market trends and competitors. Which IR contents are other companies in the relevant industry communicating? Where is your own company relatively better positioned? Where does it have unique selling points from the investor's perspective?



The communication with investors, and especially the IR presentation, which summarizes the equity story (for more on this, see → **Chapter 6.4**), should take the above-mentioned points into due consideration. In addition to a comprehensive description of the relevant topics in the IR presentation, it can be helpful to publish these on the website or in other IR documents in a short and concise form. The most important elements are listed in the sidebar below.

The Equity Story – the Heart of Investor Relations

How Does the Company Make Money? The company's business model	In Which Markets Does the Company Operate? The market prospects	Where Does the Company Stand in Relation to the Competition? Peer comparison and unique selling points (USP)	Where Does the Company Intend to Be in Five Years? The vision
Strategic Corporate Goals Business targets, earnings targets, financial targets, sustainability/ESG criteria	How Does the Business Model Work in Detail? The success and risk factors in the value chain	Opportunities and Risks in Figures The company's key performance indicators: historical performance, current business figures, and forecasts	

Source: Prof. Dr. Olaf Streuer

2.2 Communication of the Corporate Strategy

In ongoing Investor Relations, an adjustment to the corporate strategy is frequently occasion to rethink the IR strategy and to thoroughly adapt the equity story.

The following elements are typically important here:

Topic	Input
Strategy	<ul style="list-style-type: none"> - A good strategy is perfectly embedded in the market environment: What structural and current market trends are decisive? Reliable market figures and forecasts provide the strategy with the necessary foundation - What is the situation when it comes to barriers to market entry? - What makes the company different from its competitors? How can it further develop this USP? - A good strategy is easy to understand and can be summarized in one sentence - What is the priority of sustainability, what KPIs are defined for it?
Segments	<ul style="list-style-type: none"> - Many companies operate several business segments where their differences as far as the IR issues are concerned are greater than their similarities - In that case, it is generally more promising to represent the strategy of the individual segments in detail than to describe a necessarily more abstract overarching corporate strategy
Quantitative information	<ul style="list-style-type: none"> - Does a rebalancing of the segments require a change to the sectoral reporting? - If yes, are retrospective pro forma figures helpful for the new sectors? - Which ESG numbers are provided and consistently commented on?
Qualitative information	<ul style="list-style-type: none"> - How can investors follow the implementation of the strategy – beyond the financial results? - Operational milestones for the next one to two years are a tried and tested means for this - If one sector gains a significantly greater importance over others, specific key performance indicators (KPIs) can be redefined and communicated, if need be also as part of the guidance
Guidance	<ul style="list-style-type: none"> - Are the maturities and key performance indicators of the previous guidance consistent with the adjusted strategy?
Form	<ul style="list-style-type: none"> - The key document for depicting the strategy is the IR presentation - For the other communications, the strategy and the creation of value should be summarized for the investors in one sentence

2.3 Figures and Transparency

The reported, audited financial figures form the basis of every company valuation.

Investors and financial analysts spend a lot of time analyzing and extrapolating from the balance sheet, the income statement, the statement of changes in equity, and the statement of cash flows and the trends underlying them.

This is easier said than done, as various factors make it difficult for investors to read the financial figures and, above all, the income statement. Three can be mentioned here as representative of the many others:

- Firstly, the income statement maps both recurring and non-recurring items, such as revenue on the one hand and the sale of assets on the other
- Secondly, both effective costs, such as personnel expenses or rent, and also expenses of an investment nature, for example for research or the development of new software, are reported as costs
- Thirdly, various items in the income statement such as expenses for share options or amortization and write-downs of intangible fixed assets, are based on estimates

Adjusted Figures

In the wake of the opaqueness in these and other areas, many companies have switched to publishing adjusted figures in addition to the audited results. These are frequently also called alternative performance measures, pro forma figures, or non-GAAP measures. There is nothing wrong with this in principle, if the individual items and effects are reported consistently over time as either ordinary or extraordinary. And if it is not only costs that are presented as non-recurring items but non-recurring profits, too.

The problem with adjusted figures is that they are susceptible to improper embellishment. This is true in particular if the variable compensation of the management is based on pro forma figures and not on the profit reported in accordance with accounting regulations. One of the issues closely monitored by exchange supervisory authorities is that companies immediately identify alternative figures as such in their communication tools and show how any adjusted figures are derived.

EBE – Something to Smile About

As an extreme example of an adjusted figure, cynics put forward the EBE, “earnings before expenses”, in the style of Luca Pacioli, who, around the year 1500, was the first person to produce a complete description of double-entry bookkeeping.

The regulations governing accounting require much more detailed reporting today than 20 or 30 years ago. In comparison with 20 or 30 years ago, investors rely less on these financial figures today in their valuations. Studies show that the reported profits and carrying amounts explain around only half of the company valuation – once it was around 80 percent. The reason for this is the increasing importance of intangible assets, whether it be patents, research efforts, trademarks, or business processes, that are not mapped either in the profits or in the carrying amounts.

Communicate More Than Just the Mandatory Information

In the course of this development, companies have switched to publishing other information in addition to the obligatory material. This can include for example:

- Incoming orders of an industrial company
- Figures on the POS of a retail company
- Development of the research pipeline of pharmaceutical and biotech companies
- Valuations of the individual properties of real estate companies
- Number of customers and acquisition costs per customer of an Internet company
- Sustainability report

This will sometimes involve precisely this presentation of intangible assets but always the dismantling of information asymmetries. Whether a company wants to publish information of this kind will require careful consideration. Studies have shown that when companies provide more precise information on the current situation and the way forward, the cost of capital and price volatility is lower. Even a direct correlation with trading volume and the bid-ask spread has been documented. Among the reasons put forward against this kind of transparency that goes beyond the mandatory program are generally possible disadvantages in relation to the competition and the greater probability of legal action.

Because they are convinced of the stated advantages, a lot of companies communicate this kind of information in excess of the annual financial statements. In order that this information is also useful for investors, it must be collected and published in a systematic and standardized way. Furthermore, there must be a direct cause-and-effect relationship with the financial figures. These criteria are fulfilled for example by incoming orders in industry or the development of a biotech research pipeline mentioned earlier. Less valuable from this point of view are, for example, the results of customer or employee surveys.

2.4 Qualitative Factors

Even with this additional information, as just described, the enterprise value can frequently deviate distinctively from the actual market value. Qualitative factors evidently also play a role. The University of St. Gallen has summarized this in a study as follows:

- Quality and interaction of the management
- Comprehensibility of the strategy
- Quality of the corporate communications and Investor Relations
- Public reputation of the company
- Corporate governance

A lot of investors include these factors in their analysis and assessment. This is because the reliability of the financial projections and also the reliability of the underlying company data are sometimes massively influenced by these qualitative features. The estimation risk falls and the reliability of the forecast increases when there is credible, trustworthy management, the company enjoys a good reputation, the corporate governance is exemplary, the reporting is transparent and of a high quality, and there is a clear, coherent corporate strategy.



Quality Means Not Only What but Also How

As far as the quality of the corporate communications and IR is concerned, it is precisely not only the substance that matters but also how and when the information is presented. Studies show that the priority given to information, for example how prominently pro forma figures are presented, or the adjectives that are used to describe the financial figures have an influence on the valuation.

How can non-financial, qualitative factors be effectively employed?

- Where possible, underpin statements and arguments by verifiable facts and figures: "Where is the evidence?"
- Use a communication style and tone to place facts and figures in the right context: Honest, clear messages create trust. This is important not only for personal but also for written communication
- Investors are people! Good personal relationships help in the ongoing communication and most especially in sensitive situations
- A media presence can help small companies to gain more attention among investors
- Demonstrate the relevance of the business model
- A great deal of what is involved in Investor Relations is serious and dry, but there are times when it can be original

In this respect, the letters to shareholders from Warren Buffet are recommended as a source of inspiration. They contain stylistic idiosyncrasies of all kinds, such as this one that he used to describe the mortgage business: **"It is interesting that the industry has invented new ways to lose money when the old ways seemed to work just fine."**

2.5 Corporate Governance and Management Compensation

2.5.1 Directive Corporate Governance

Among the information that issuers have to provide in their annual report are specific details about the management and control at the highest level of the company (corporate governance). What information has to be published can be found in the Directive Corporate Governance (DCG). The DCG requires issuers to publish information about the management and control at the highest corporate level of their enterprise or to provide substantial justification of why certain details are not published ("comply or explain" principle). The individual disclosures that have to be published in a separate corporate governance chapter in the annual report of an issuer are specified in the appendix to the DCG (see → **Chapter 8.4.2** for further information).

2.5.2 Management Compensation

An important sub-aspect of the communications in corporate governance matters is the communication concerning management compensation. The legal basis underlying how the related information has to be presented can be found in the Directive Corporate Governance (DCG, see also the section above) as well as in the VegÜV – Ordinance Against Excessive Remuneration in Listed Stock Corporations, see → admin.ch/opc/de/classified-compilation/20132519/index.html. At present, many companies are going about incorporating ESG factors into their variable remuneration. For new listings, this should be taken into consideration from the start.

With the introduction of the VegüV in 2014, communication with the annual general meeting underwent a pronounced change, especially as additional votes are now required. The tasks of Investor Relations concerning management compensation here include:

- Cooperation in and/or knowledge of the remuneration report, including with regard to the degree of transparency of the report or the presentation of additional information, such as the realized compensation of the management; clear and comprehensible preparation of the information
- Cooperation at and/or knowledge of the annual general meeting, including with regard to the concept of the prospective and retrospective votes and the voluntary consultative vote
- Answering questions from institutional investors and primarily the proxy advisors; each one has a detailed catalog of questions on this
- If need be, IR roadshow on corporate governance and compensation issues in advance of the annual general meeting or in the case of planned adjustments to the compensation model
- Cultivate contacts with proxy advisors

Communication increases in importance especially when criticism starts to be expressed. It is generally understood to be a warning signal to the board of directors when approval for the remuneration report falls below 80 percent at the annual general meeting. Typical points of criticism from investors and proxy advisors include:

- There is a lack of more specific information on the targets and only general levels of payment are described in relation to the achievement of targets
- The compensation system includes an (excessively) large number of target values and compensation elements
- In general terms, the links between performance and variable compensation are not clear and comprehensible.
- ESG factors are inadequately or not at all considered in the remuneration model.

Regulatory Changes

Another IR task consists of appropriately recording and mapping changes in the regulations. SIX Exchange Regulation AG therefore revised the Guideline on the DCG in 2017, specifying in more detail the information that has to be published by companies. One of the innovations means that improved disclosure results in better assessments of the performance incentives offered and the reasons for the compensation trends. The design of the compensation packages of the board of directors and the management should be disclosed “in a manner as transparent and comprehensible as possible” (section 5.1 of the DCG). The basis for the passage is formed by the need for more transparency concerning the connection between “pay” and “performance”.

In addition, the criteria for setting compensation are newly described in the Guideline to the DCG. If criteria of this kind are applied, specific information on them and how much weight they are given has to be provided. It must be explicitly pointed out if the criteria are weighted on a discretionary basis.



There are serious doubts, however, that the basic problem of the weak or non-existent correlation between pay and performance can be remedied with these regulations. The level of compensation awarded to the board of directors and the CEO is closely connected both in Switzerland and internationally to the market capitalization of the company but not with the business performance over the course of time. The cause of this is not the remuneration report but the compensation model.

2.6 Tips

1.

In addition to the audited results, a lot of companies also publish adjusted figures. There is nothing wrong with this in principle if these figures are clearly defined, described in a comprehensible and not misleading way, used consistently over the course of time, and transferred to the audited figures.

2.

The same is true for figures that go beyond those in the audited financial statements, for example relating to incoming orders or to the sustainability report.

3.

It is OK, whether in operational terms or in the area of sustainability, if everything is not yet in perfect shape at the company itself. It is crucial that this potential for improvement is recognized and reported and that the steps involved in driving this improvement forward are presented.

5.

The communication style and tone can also be used to place facts and figures in the right context. Honest, clear statements create trust.

4.

This reporting that goes beyond the audited financial figures creates added value. To this end, however, it must not be selective or embellished but objective, consistent over the course of time, and relevant for decision-making processes. Where possible, statements and arguments have to be underpinned by verifiable facts and figures: "Where is the evidence?"



3.0

Financial Guidance



In a Nutshell

Investors judge companies on the basis of future profits and cash flows. “Financial guidance”, also called “earnings guidance”, is understood to be the official financial projections of listed companies.

Financial guidance is a proven method to manage investors’ expectations.

Forecasts for operating income and projections for revenue are the most frequent form of financial guidance in Switzerland.

In the US, it is the expected earnings per share – for the current or next quarter of fiscal year – that is the most frequently used key projection metric.

Investors and analysts generally estimate the growth prospects of companies with a good track record on the high side. As a result, the share price of such a company often corrects particularly sharply in the event of a profit warning.

3.1 Pros and Cons

The question of whether and how to provide investors with forward-looking information and especially with financial projections – moving beyond the strategy – has been the subject of fierce debate for many years.

Counting Warren Buffet, the CFA Institute, and McKinsey among its ranks, one group firmly advocates not practicing financial guidance, primarily because it encourages short-term thinking and action. Opposing this group is the majority of listed companies, which, despite these concerns, communicate financial guidance.

In the US, the Regulation Fair Disclosure (RegFD) of the Securities and Exchange Commission (SEC), published in 2000, gave a powerful boost to the concept of financial guidance. In Switzerland, too, a trend can be identified toward increased guidance; this is practiced here at home by the majority of companies today, most especially by the larger ones.

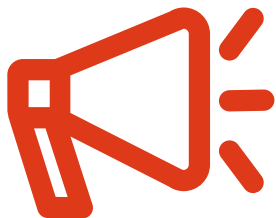
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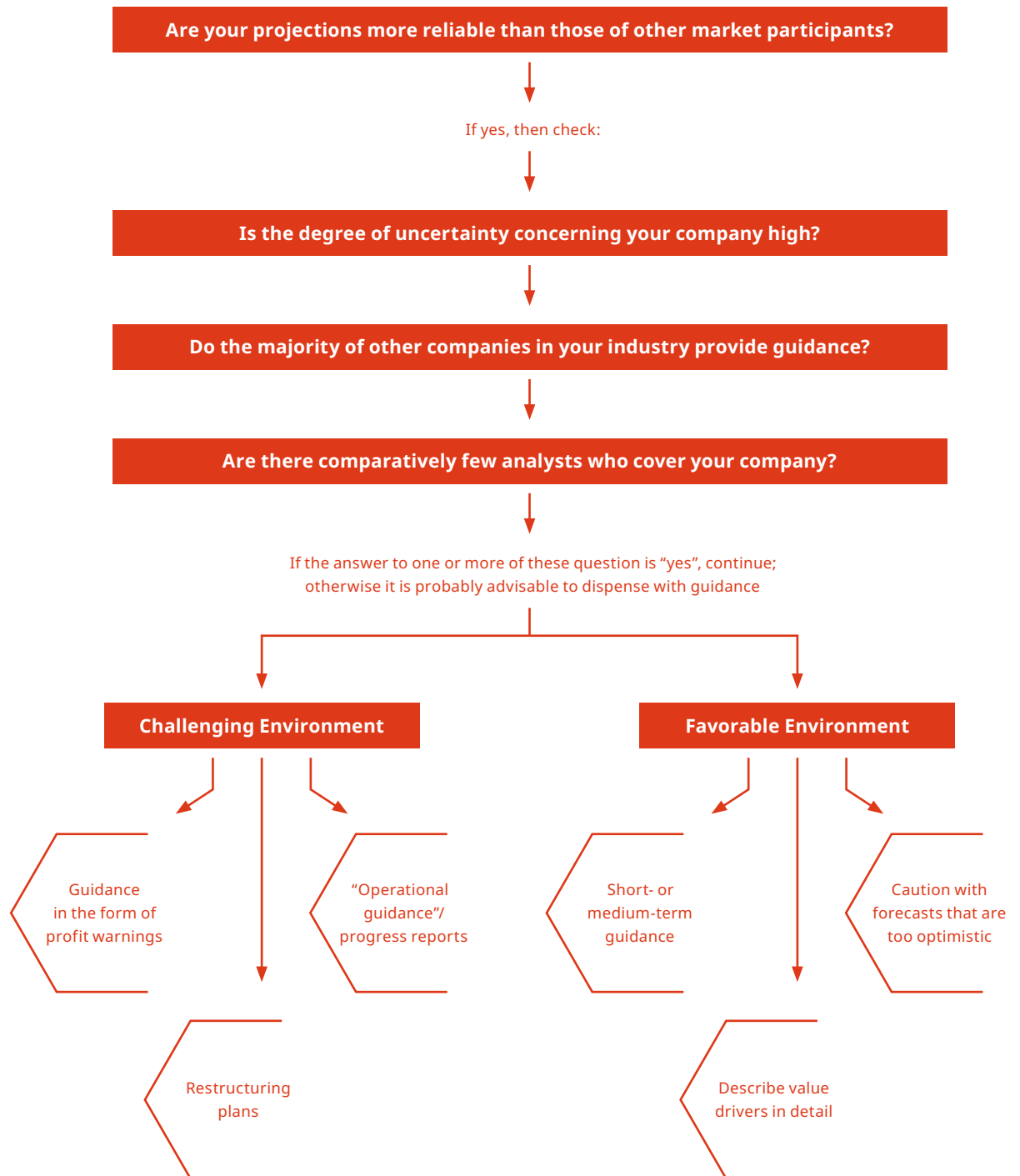
The regulatory requirements may have played a role in this. The rules on Ad hoc Publicity also include the duty, in line with established practice, to inform investors if the annual or interim results deviate notably from the guidance given or in cases where no guidance has been given significantly from the results achieved in the prior-year period.

But bear in mind: The more precise the guidance, the greater the probability that it will have to be corrected in the course of a profit warning.

More than Noise

One argument that critics put forward is that guidance is just “noise”. According to this, managers cannot forecast future results better than investors and analysts can and should therefore not get involved in this activity. However, studies have demonstrated the opposite. Managers clearly beat analysts when it comes to how correct and accurate their financial forecasts are, and this skill is also recognized by the financial market (for more on this, see the book by Baruch Lev referred to in the → **Bibliography**). The differences in this respect can be large, however, depending on the industry and the company situation. The decision tree below can be helpful in answering the question of whether your company should publish guidance and, if yes, what kind of guidance.



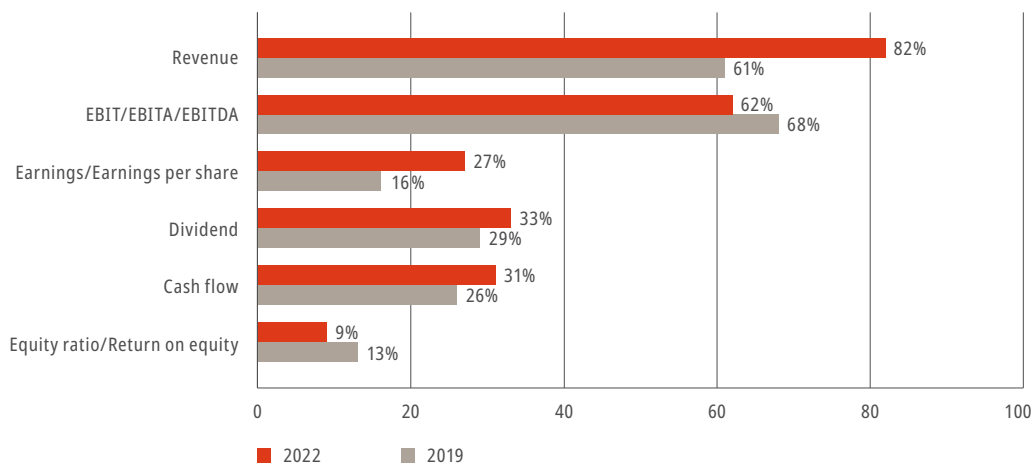
Pro/Con Decision-Making Criteria for Financial Guidance

Decision tree for financial guidance based on Baruch Lev

3.2 Financial Guidance in Switzerland

The majority of large companies issue financial guidance as part of their annual reporting (**study by IRF** on SMI Expanded companies). Nine in ten companies use quantitative target values, while somewhat fewer present qualitative information. It can be assumed that the smaller companies represented in the SPI are generally less and less likely to practice detailed guidance.

Key Performance Indicators in Quantitative Guidance



Research on SMI Expanded companies, consulting firm IRF, 2023

Of the 91% of the companies that provide quantitative guidance, 82% provide a forecast for revenues and 62% for the operating result (EBIT/EBITA/EBITDA) and 61% for revenue. The amount of the dividend and cash flow are also popular target figures, with about one third of the companies providing guidance on these two items. Somewhat fewer provide guidance on earnings or earnings per share, while the equity ratio or return on equity is far less popular. In addition, the majority of the firms that provide guidance also use sector-specific performance indicators, such as the cost-to-earnings ratio or net new money for banks, the combined ratio for insurance companies, capital spending for industrial firms or the occupancy rate for real estate companies.

In terms of internal performance parameters, the development of individual business units and product groups or benchmarks versus the market are the primary metrics. Barely 40% of the companies surveyed provide guidance on these items. Costcutting programs and operational efficiency (29%) along with geographic coverage (18%) receive less of a mention.

The IRF survey shows that currently a large majority of the companies surveyed provide only shortterm forecasts for the next 12 months (91%). Compared to previous years, the amount of companies releasing medium-term forecasts has increased to 64%. Far fewer companies release longterm targets over five years when announcing their results (18%).

In light of the current debates on climate change, strong campaigns by both active and passive investment funds and the introduction of new regulations, forecasts and targets on environmental factors are increasingly becoming the standard. The proportion of companies publishing this information is already 96%. The percentage of companies publishing social indicators is now also very high (91%).

3.3 Concept of Financial Guidance

The concept of financial guidance for a company should include the following elements:

- Objective and purpose: Why is guidance practiced or why not?
- Forecast values and key performance indicators that are used: To what extent are these an appropriate indicator for documenting the implementation of the strategy? The sales projections may be key, for example, for a high-growth company, while in a profitable company in a saturated market it may be the profit or cash flow instead
- General conditions: Should the company's own forecasts be related to exogenous factors such as market growth or exchange rates and, if yes, how?
- Time horizon: Guidance with what deadline?
- Communication: In what form and with what instruments is the guidance to be communicated?
- Decision-making mechanism: When and how is the guidance reviewed and, if need be, adjusted?

3.4 Dealing with Profit Warnings, Profit Collapses and Profit Hikes


What has to be done when there is growing evidence that the company's own projections will be missed in the forthcoming annual or interim financial statements (profit warning) or, if projections of this kind have not been communicated, will turn out to be significantly weaker or significantly stronger than the last period for comparison (profit collapses/hikes)?

The short answer: Publish an ad hoc announcement as quickly as possible (i.e. as soon as the issuer becomes aware of the problem) that transparently presents the expected scope and the reasons for the worse or better results.

The longer answer: **“It is better to be roughly right than precisely wrong.”** This dictum of the economist John Maynard Keynes can also be applied to simple profit warnings. A couple of recommendations:

- It is better to communicate an estimate as quickly as possible than practically definitive figures weeks later and shortly before the results are presented
- In case of uncertain forecasts, communicate ranges, e.g. revenue or EBIT of CHF x-y million.
- If the reasons for the poorer results are not a one-off but structural in nature, it can be helpful to communicate, in addition to the guidance, a plan and the most important measures for tackling the new market situation
- This should be followed by a status report on this bundle of measures at the forthcoming results deadline
- Do not make the upcoming result look better than it is by reaching into a bag of tricks and pulling out spontaneous sales campaigns and short-term cost-cutting programs. That only puts the vast majority of problems off to a later date
- The aim must be for the management to maintain as much confidence as possible with no-nonsense communication and not for the share price to undergo as little correction as possible

Be Careful When Everything Is Running Smoothly



As studies show, investors and analysts generally estimate the growth prospects of companies with a good track record on the high side. This leads to the share price of a company of this kind frequently experiencing a particularly hefty correction in the event of a profit warning, less on account of the one-off failure to meet expectations and more because of the adjustment of the medium-term growth forecasts that were basically too optimistic. There is a lesson to be drawn from this for managers and IR specialists: If there are indications of an (at best industry-wide) overvaluation, resist the temptation “to ride the wave”. Rather, the enthusiasm of the investors should be subtly and gradually curbed.

3.5 Tips

1.

The forecast values and key performance indicators that are used should be a suitable indicator for documenting the progress of the corporate strategy in question.

2.

The more precise the guidance, the greater the probability that it will have to be corrected in the course of a profit warning.

3.

Stocks with a lot of momentum are especially exposed. Care should be exercised in a growth phase to prevent exuberant enthusiasm.

4.

When it looks likely that the forecasts will be missed, it is advisable to provide information as swiftly and transparently as possible.



4.0

Core Target Group Investors



In a Nutshell

Generally speaking, when we talk about Investor Relations, we mean the communication with professional or institutional investors.

Accounting for 40 percent, value investors make up the most important group on the Swiss stock market. Index funds have experienced strong growth in the last few years and now account for over 20 percent of the SPI. Existing and new investor models are also focusing more closely on ESG criteria, meaning ESG assessments now form part of the basic data.

A core task of Investor Relations consists in finding out from the wide variety of potential investors which ones are a good fit for the company in question. This is known as investor targeting.

Just over 80 percent of investors on the Swiss stock market are domiciled abroad.

It is worth seeking contact with proxy advisors in the context of the continual Investor Relations and especially in the case of capital market transactions or delicate annual general meetings.

4.1 Type and Investment Styles

Generally speaking, when we talk about Investor Relations, we mean communication with professional or institutional investors.

The most important institutional investors include equity funds, index funds, hedge funds, insurance companies and pension funds.

Although they are furnished with relatively few voting rights in comparison with institutional investors, private investors, also known as retail investors, are significant in terms of their numbers. An intermediate form consists of wealthy private individuals, also called high-net-worth individuals (HNWI).

Institutional investors generally pursue one of the following two investment processes:



– In the **bottom-up procedure** or stock picking, the focus is placed on the specific selection of the individual security. Sectoral or regional diversification is rarely practiced here or only as a long-term instrument for diversifying risk

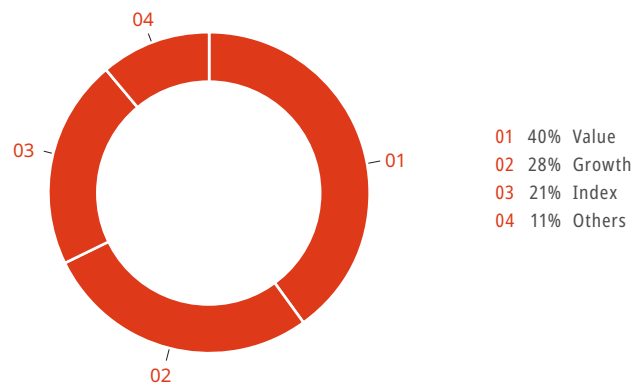


– In the **top-down procedure**, investors evaluate markets and their prospects and subsequently look for individual securities in the favored industries or regions

There are also differences when it comes to investment style.

- In the **growth approach**, the focus is placed on the growth outlook of the company, meaning that sales, profit, or cash flow per share should be growing faster than in other companies in the industry
- In the **value approach**, a favorable valuation and the stability of the investment takes center stage. Value investors look for shares that they rate as undervalued by the market, generally in association with a higher dividend yield
- Both growth and consistency with previous definitions of value are taken into consideration in the **blend or core approach**

Investors in All SPI Companies by Investment Style



Investors in all SPI companies by investment style
 Source: IHS Markit/IR club Schweiz, Swiss Ownership Trends Q4 2022
 (rounded figures)

The above graphic shows the investors on the Swiss stock market based on their investment style. Accounting for 40 percent, value investors make up the most important group on the Swiss stock market in line with the “defensive” profile of the Swiss stock market. Index funds have grown strongly over the last few years and now account for over 20 percent of the SPI. They have become a factor that has to be taken seriously not only for large caps but also for small caps.

4.2 Investor Targeting

For obvious reasons, the greatest importance is attributed to the “right investor base”.

Companies estimate that their share would increase by 15 percent and the volatility would fall by 20 percent over the next two to three years if they had the perfect investor base (study by the National Investor Relations Institute and the Rock Center for Corporate Governance, see → **Bibliography**). Consequently, increased engagement with existing investors and the geographic diversification of the investor base are the two most important objectives of the companies listed in Western Europe (IR survey conducted by BNY Mellon).

A core activity for Investor Relations consists of finding out from the wide variety of potential investors which ones are a good fit for the company in question. Companies can rely on the services offered by banks and specialized consultants for this or they can take matters into their own hands. The following criteria are helpful for this. What is required for investor targeting is access to databases (see → **Chapter 4.3**) that allow investors to be selected using a variety of criteria, display current portfolio structures, and provide other market data.

Criteria for Investor Targeting

- 1) Investment style: “Marry fundamentals with complementary shareholder base”
- 2) Peer investors: Understand why a fund owns a share of a peer
- 3) Type of investor, for example pension fund versus an ETF equity fund
- 4) Sector focus
- 5) Size of the investor, minimum investment volume
- 6) Size of the company, e.g. small cap equity fund versus a large cap equity fund; be careful when transitioning from small to mid or mid to large cap, as there are different contact partners
- 7) Investment horizon
- 8) Thematic focus, e.g. ESG or blue chips
- 9) Regional/country focus: Look at sales breakdown and, where appropriate, use local presence; take advantage of the expertise of brokers/partners/consultants

Prioritizing the criteria can be effective when selecting investors with the support of databases. The criteria “investment style” and “sectoral focus” are generally at the top of the list here. For example, investors who hold shares in competitors but who have not invested in your company can be identified using peer group comparisons.

A portfolio analysis applying other criteria will reveal which aspects play a role in the decisions taken by an investor. Aspects of your company’s own “equity story” can be accentuated on the basis of this fundamental analysis. Is your annual growth rate higher than that of the competition, for example? Then it will be worth asking the manager of a “growth” fund the question of why they have actually invested in the competition rather than in your company. Finally, it should be remembered that, along with the growth of passive vehicles, more and more investment decisions in the stock market are not made by people but by artificial intelligence.

4.3 IR Databases

A lot of companies operate an IR database in order to manage their investor contacts efficiently. Small and mid caps generally use hand-made Excel tables or the in-house CRM platform for this. Larger companies rely on specific IR software solutions of financial information, IR technology or other service providers. These can link the planning process directly to the planning of the roadshow or facilitate investor targeting thanks to detailed investor profiles.

4.4 Shareholder Identification

Shareholders often remain anonymous as a result of various market factors. Many hide in the share register behind “nominees”, people or institutions that hold shares for third parties. In combination with instruments such as shareholder identification, the share register offers companies the opportunity to find out who their shareholders are. Major companies regularly conduct this process, small and medium-sized enterprises generally only do it in special situations, for example in the event of controversial votes at the AGM (proxy solicitation of the shareholders in respect of the exercising of voting rights) or during M&A transactions.

4.5 Bridge – Connecting issuers with the buy side

In 2021, the Swiss Stock Exchange launched a new digital offering – “Bridge” – for listed companies and institutional investors. “Bridge” provides a consolidated overview of issuers’ company calendars and the option to contact issuers directly, which will help bring investors and companies closer together.

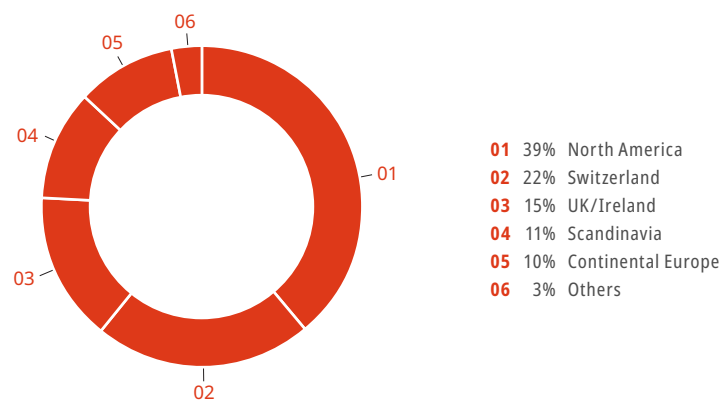
At Bridge’s core lie the **consolidated company calendars** on the Swiss Stock Exchange website. Both the companies listed on SIX and institutional investors benefit from this new free-of-charge service: Issuers are more visible to investors and can also get a closer insight into the calendars of other listed companies. This allows them to select the ideal dates for their investor days, roadshows, conference calls and general meetings.

In turn, investors benefit from being able to find consolidated information on a neutral platform and they are therefore able to make well-founded decisions on current and future investments. They can also register directly for an event held by an issuer or request contact with a company listed on SIX via the respective corporate profile.

4.6 Where Investors Come From

The graphic below shows where investors on the Swiss stock market come from. The high proportion of foreign investors is striking here. Accordingly, investors resident in Switzerland account for only 22 percent of the entire stock market.

Investors in All SPI Companies by Origin



Where investors in the SPI come from. Source IHS Markit/IR club Schweiz, Swiss Ownership Trends Q4 2022 (rounded figures)

It should be noted here that this picture is dominated by the heavy-weights on the Swiss share index such as Nestlé, Novartis, and Roche. Looking at small caps, the share of investors with a Swiss domicile is almost 50 percent. The proportion of foreign investors is still high even for these smaller stocks. It follows from this that the Investor Relations activity of each company has to have an international focus.

Finally, investors typically have different sectoral preferences depending on where they come from. For example, investors from Scandinavia and Switzerland are exposed primarily to the healthcare, consumer goods and industry sectors. By contrast, Asian investors like to invest in financial stocks.

4.7 Investors in Switzerland

Investment funds, pension funds, and insurance companies are some of the largest institutional investors in Switzerland. The tables below provide an overview of the largest players.

Largest Providers on the Swiss Investment Fund Market

Company	Volume
UBS	341,673
Credit Suisse	177,393
Swisscanto	136,465
BlackRock	107,974
Pictet	80,151
Vontobel	32,996
JP Morgan	28,723
Siwss Life	26,287
Lombard Odier	21,440
Zurich	19,326

Source: Asset Management Association Switzerland, August 2023 (in CHF million).

Local investment funds (table above) invest around 44 percent of their funds in stocks but of course not only in Swiss stocks. It should be noted here that in comparison with their international – i.e. English and American – competitors, Swiss fund providers are significantly smaller. The four largest asset managers in the world, BlackRock, Vanguard, Fidelity and State Street, all manage more than CHF 3,000 billion, which is several orders of magnitude more than the largest Swiss provider. At the same time, the English and American fund houses are the largest providers of ETFs and are best at exploiting the trend toward passive investment strategies.

Swiss pension funds, see table below, invest around 30 percent in shares on average (bonds and real estate are the two other major categories), where around one third of this is invested in Swiss and two thirds in international equities.

Largest Pension Funds in Switzerland

Pension funds	Volume
Swiss Federal Pension Fund PUBLICA	48,231
Canton Zurich BVK fund	45,226
UBS	33,975
Federation of Migros Cooperatives	32,639
Nestlé (group assets)	28,742
Asga	27,175
Caisse de prévoyance de l'Etat de Genève (CPEG)	23,971
City of Zurich Pension Fund	23,647
SBB	21,355
Credit Suisse	21,216
Roche	21,008
Post	19,475

Source: Thinking Ahead Institute/Willis Towers Watson Global 300, September 2022 (in USD million)

For specific sectors and market niches (small caps for example), there are many other actors that can definitely play a notable role in the context of Investor Relations, even if they are not one of the national heavyweights. One example is active equity funds for Swiss small caps, which are listed in the table below.

Active equity funds for Swiss Small and Mid Caps

Fund	Volume
Pictet Swiss Mid Small Cap	1,435
SaraSelect	1,408
zCapital Swiss Small & Mid Cap	1,016
Vontobel Fund - Ethos Equities Swiss Mid & Small	1,007
UBS Mid Caps Switzerland	972
UBS Institutional Fund Small & Mid Cap Equities Switzerland	812
IST Aktien Schweiz Ergänzungswerte	752
Swisscanto Equity Fund Responsible Small & Mid Caps Switzerland	684
GAM Swiss Sustainable Companies	469
LO Funds Swiss Small & Mid Caps	433

Source: SIX Swiss Exchange/Bloomberg, July 2023 (in CHF million). Funds domiciled abroad are not included in the list.

4.8 Proxy Advisors

In order to fulfill voting obligations responsibly and efficiently, many pension funds make use of the services of proxy advisors or proxy firms.

The institutions that are primarily concerned here are pension funds that hold a large number of Swiss shares either directly or through a single investor fund – irrespective of the size of the fund. While smaller institutions often lack the resources to make a decision, larger institutions are interested in basing their voting decisions on the soundest information possible.

The legal expert Mariel Hoch defines the term as follows: **“Proxy advisory is the fee-based consultation provided to institutional investors when exercising their voting rights at annual general meetings of listed companies. Proxy advisors perform this consultative function by issuing specific recommendations (FOR or AGAINST, rarely ABSTAIN) on the individual items on the agenda of an annual general meeting, where they do not take the individual interests of the investors into consideration. The recommendation and related argumentation are based on internal guidelines of the proxy advisor and are provided in report form.”** (Link to the full article in the → [Bibliography](#)).

It is generally thought that every third vote at the annual general meeting of a Swiss company with a broad shareholder base may well be influenced by proxy advisors. Domestic and foreign service providers are active on the proxy advisory market. The most important are ISS (→ [issgovernance.com](#)), followed by Glass Lewis (→ [glasslewis.com](#)). The Swiss providers, namely Ethos (→ [ethosfund.ch](#)) and zRating (→ [inrate.com](#)), are smaller but in exchange are very familiar with the local regulatory conditions. A good article on ISS can be found in Bilanz, see → [bilanz.ch/unternehmen/stimmrechtsberater-iss-so-tickt-die-aktionaers-polizei-902708](#)

It is worth seeking contact with proxy advisors in the context of the continual Investor Relations and especially in the case of capital market transactions or delicate annual general meetings. IR has to recognize their needs and also the areas of tension where there may be a significant divergence of views on the part of the company and the proxy advisors. At present, this for example affects the speed at which gender quotas and climate targets are implemented. Increased scrutiny is also being applied to the appointment of members of boards of directors as well as CEO remuneration. The German professional IR association DIRK has moreover published an excellent guide on dealing with proxy advisors that includes good portraits of the most important actors, see → [dirk.org/wp-content/uploads/2020/11/IR-Guide-Proxy-Advisor-FINAL.pdf](#) (in German only)

4.9 Tips



**2.**

Proxy advisors have sometimes rigid and also contradictory ideas and criteria when it comes to the issues of corporate governance and compensation. Each individual company has to find its own way.

3.

Many companies operate an IR database in order to manage their investor contacts efficiently. Checking out a specific IR software solution from financial information, IR technology, or roadshow service providers is recommended.



5.0

Equity Research



In a Nutshell

Equity analysis has the aim of separating the “bad” from the good and thus promising stocks.

Analysts draw up estimates for the future fiscal years for a huge range of key performance indicators, especially for sales and profit figures. These gain public relevance.

There are a large number of studies on the quality of the work performed by analysts. The majority of them come to the conclusion that the forecasts by analysts tend to be too optimistic but are better than simple extrapolations.

Communication with analysts plays a central role in Investor Relations.

ESG analyses are becoming increasingly important. On the one hand, specialist ESG rating agencies are producing these analyses, while on the other, ESG analysis criteria are being included in traditional equity research.

5.1 Types and Role

Equity analysts are a central link between professional investors and listed companies.

They analyze selected companies and provide a judgment on the quality and suitability of an investment. A distinction is drawn between two types of analysts:

- **Sell-side analysts** can be found at financial institutions that trade in shares, thus investment banks, brokerage houses, and private banks. Furthermore, there are specialized boutiques that are dedicated entirely to financial analysis. Sell-side analysts do not themselves invest (or only rarely) money in the companies that they write about but provide third parties with buy and sell recommendations. An individual analyst will generally cover around a dozen companies. The core of the analysis is an independent company valuation. An important basis of information for this is provided on the one hand by the detailed results and notes in the annual report and, on the other, by information on the future as well as face-to-face meetings with the management. When you read and hear about analysts in the media, they are almost always sell-side analysts.
- **Buy-side analysts** are part of an investor team that makes investments itself and directly. They generally work at investment and asset management companies. Their remit is very similar to that of the sell-side analysts. They also analyze companies, and they also form their own opinion. But they generally cover more companies in this process – more numerous rather than one dozen – and can thus normally spend less time on an individual investment. They sometimes take the reports by sell-side analysts as an occasion to take a closer look at and form their own opinion on a company. Buy-side analyses are not intended for a wider public.
- **ESG analysts** are becoming more commonplace both on the sell and buy side. Whether an ESG analysis is used as the basis for an investment decision or if it forms part of a straight sustainability strategy that focuses on the ESG analysis – all these different approaches can be found. Nowadays, it is rare for an investment decision to be made without at all taking into account sustainability aspects and the associated risks. ESG data providers audit firms using various data models and in many cases require in-depth information. It is advisable for a company to publish in-depth ESG data and answer the specific questions raised by the ESG analysts as necessary.

Many thousands of different equities are available worldwide to investors to choose from. Equity analysis holds an important position here, as it enables a careful selection of stocks to be made on the basis of a variety of factors. Equity analysis thus has the aim of separating the “bad” from the good and thus promising stocks.

Quality of the Forecasts

How good are analysts' forecasts? There are a large number of studies on the quality of the work performed by analysts. The majority come to the conclusion that the forecasts by analysts tend to be too optimistic but are better than simple extrapolations. The quality of the analyses respectively analysts has a positive correlation here with the individual experience, the breadth of coverage of the relevant industry and the size of the employer. Good analysts know the specific industry especially well, have cultivated excellent networks and have access to the customers of the companies in question (more on this can be found in the book by Baruch Lev, see the → [Bibliography](#)).

For this purpose, analysts draw up estimates for a wealth of key performance indicators and ratios for future fiscal years. Various data providers such as Bloomberg and the Swiss news agency AWP consolidate the published key performance indicators into consensus forecasts, generally for sales and profit or profit per share. They gain public relevance.



Conflicts of Interest

Analysts work both for their clients and for their employers. If the employer is a bank that trades in shares, a potential conflict of interest arises, namely that analysts with pointed opinions and projections can stimulate share trading (brokerage) or optimize the valuation that is key for investment bankers with optimistic analyses in the course of a listing or a capital increase. Clear organizational divides, known as Chinese walls, and internal bank regulations are intended to minimize these conflicts of interest.

5.2 Expanding Research Coverage

While large companies are generally assessed by a large number of analysts, many small and mid caps set themselves the aim of enlarging their research coverage. Around half of the companies listed on SIX are covered only by one analyst or not at all, and the trend is rising. The problem for these companies is that the costs of the analysis for the financial institutions are higher than the earnings.

The following options are available in order nevertheless to receive coverage from analysts:

- Take the long road of conviction. Find analysts who cover a competitor, for example, and provide them as a high priority and at reasonable intervals with information as part of the IR program.
- Ask the “house bank” or an investment bank for a concrete offer. If an issuer is willing to commission the bank with the market making or the next capital increase, for example, it may be prepared in return to take on the research coverage. The service offered and how much it will cost will vary sharply or will depend essentially on the situation and size of the company. It is worth comparing several options with each other.
- Joining the “Stage” program of SIX (see the next chapter for more on this) or directly commissioning one of the specialist research boutiques.

5.3 The SIX “Stage” Program



For a variety of reasons, small and mid caps often have less liquidity. In order to support companies in raising their profile on the market and thus in obtaining a reasonable valuation, SIX offers the “Stage” program. The program aims to increase the visibility among stakeholder groups with a regularly updated fact sheet as well as research reports that are prepared by experienced partners. Further information can be found at: → six-group.com/six-stage-program

5.4 Dealing with Analysts

Providing analysts directly, promptly, and professionally with the relevant facts at suitable intervals and with an appropriate depth of information has become normal practice. Yet opinions differ at listed companies on whether and how influence can be exerted directly on the analysts' assessments when the consensus diverges significantly from the company's own estimates or when there is a large variance between the individual estimates of the analysts. The same question is raised when an analyst suddenly issues a "sell" recommendation for a company or adopts an opinion that is in sharp contrast with that of the management. Whatever this answer may turn out to be, the Directive Ad hoc Publicity, lays down the principles of equal treatment and thus also stipulates that no price-sensitive information may be communicated to individual analysts.

The CFA Institute, a training organization for equity analysts, has published a good guide entitled "Best Practice Guidelines Analyst/Corporate Issuer Relations", which can be downloaded free of charge from the link below. It may no longer be totally new, and it is also geared to the US market, but the fundamentals nevertheless fit the bill. → cfapubs.org/doi/pdf/10.2469/ccb.v2005.n7.4004

5.5 Swiss Equity Research

Sell-side analysis has become an ever tougher market since the dot-com bubble burst.

In Germany, the number of equity analysts has since fallen from 800 to 200. The trend is moving in the same direction in Switzerland, albeit to a lesser extent. There is a lot of movement in the market, not least because of the new regulatory requirements (see sidebar on MiFID in → **Chapter 5.1**). The table below presents the most important players for Switzerland.

Institutions with Swiss Equity Research

Type	Company
Major/investment banks	Bank of America, Citigroup, Deutsche Bank, Goldman Sachs, Jefferies, JP Morgan, Morgan Stanley, UBS
Cantonal banks	ZKB
Private banks and asset managers	Berenberg, Mirabaud, Vontobel
Specialized research and/or brokerage companies	Baader Helvea, Kepler Chevreux, MainFirst, Octavian, Research Partners, Stifel

The role of analysts has been changing since the introduction of MiFID regulations throughout Europe in 2018. It was clear there would be a certain loss of importance.

Coverage Provided by Selected Banks and Research Institutions

	Coverage Universe	Analysts in Switzerland	Analysts Abroad	Number of SIX Equities	Number of Global Equities
ZKB	Switzerland/SPI	21	–	141	–
Vontobel	Switzerland/SPI	11	–	98	–
Research Partners	SMI/SPI	>9	–	102	–
UBS	Global/SMI/SPI	6	586	89	3,358
Baader Helvea/ Alphavalue	DACH	4	36	92	585
Kepler Chevreux	Cont. Europe; Small/Mid/Large Caps	7	105	80	> 1,100
Stifel	SMID cap Cont. Europe, UK and US	–	171	75	2,141
Octavian	SMI/SPI	11	0	71	–
Berenberg	SMID cap Cont. Europe, UK and US	–	103	43	810
Mirabaud	SPI	4	3	40	47
Deutsche Bank	Global/SMI/SLI	1	176	43	1,226
Jefferies	Global/Mid/Large Caps	–	194	45	3,016
Morgan Stanley	Global/Mid/Large Caps	0	720	37	3,700

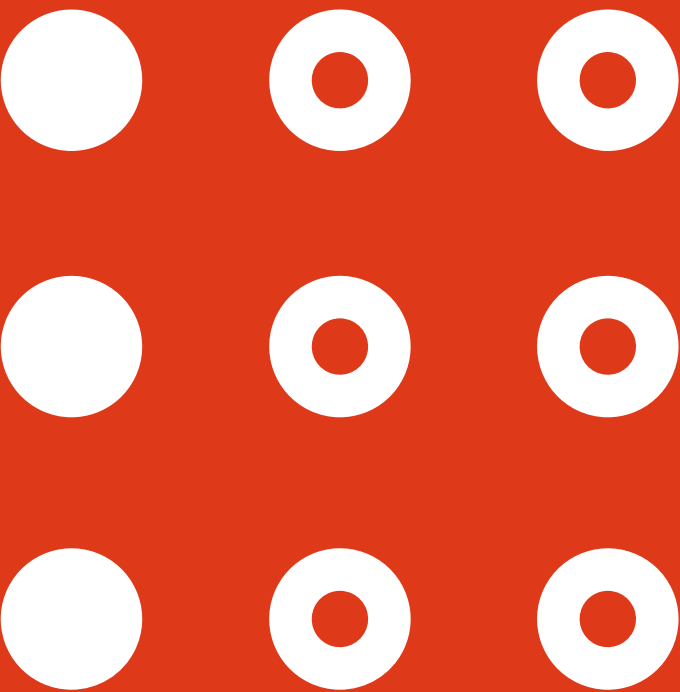
As at October 2023, information from respective banks and financial institutions.

5.6 Tips



6.0

IR Activities



In a Nutshell

Which communications satisfy investors? When evaluating and assessing the quality of a company, the majority of institutional investors – and this is what Investor Relations generally addresses – rely on:

- Data and historical time series from annual and interim reports or (more rarely, as less common) investor handbooks
- Information provided in presentations, at investor conferences, and in one-on-one meetings with the management
- In-house research on products, sector, and competition

As a result, the following activities are the focus of the IR instruments:

- Personal interaction in the form of one-on-one meetings and group presentations, based on an investor presentation
- Annual and interim reports
- Website as a central platform and as an archive
- Additionally, annual general meeting and media releases for regulatory reasons
- In contrast, neither media articles nor social media are among the primary information sources used by professional investors in Europe.

The individual IR measures are described hereafter.

6.1 One-on-One Meetings

Description	<ul style="list-style-type: none"> - One or more representatives of the management meet investors or analysts of an individual institution – usually 1–2 people - Typical duration: 45-60 minutes - The management or (during initial contacts) the IR officer presents the most important facts, followed by a Q+A - For existing contacts, the meeting is generally limited to the Q+A - One-on-one meetings are frequently part of a roadshow (see next → chapter)
Purpose	<ul style="list-style-type: none"> - Create trust and persuade investors to invest in the company - Receive feedback from investors on the company and the competition
Occasion	<ul style="list-style-type: none"> - During initial contact: To introduce the company and management - After financial results and important events: To repeat key messages, to clarify outstanding questions of the investors - In the run-up to or during capital increases: To create demand
Content	<ul style="list-style-type: none"> - Company profile - Current developments - Market trends - Strategy and its implementation - Financials - Outlook - Investment characteristics ("investment case") - Sustainability
Tips	<ul style="list-style-type: none"> - Employ management in a targeted way, if possible have the IRO do the preparatory work and possibly also conduct the initial contact. - Relieve the CEO if possible; use CFO and/or head of business divisions too. - Use the chair of the board of directors strategically with important investors, primarily in the run-up to the AGM. - Don't forget preparation and follow-up: Create an overview of the last time an investor was met; topics for discussion. - Create investor profiles for new contacts.

6.2 Roadshow

Description	<ul style="list-style-type: none"> - As one-on-one meetings, but a combination of one-on-one meetings - Duration: Generally 2 to 3 days, longer in special cases - Generally takes place at the investors' premises - Reverse roadshows or field trips in which brokers organize a tour of a company with investors are becoming increasingly common
Purpose	<ul style="list-style-type: none"> - As one-on-one meetings - Sometimes part of a program to expand the research coverage or the investor base geographically
Occasion	<ul style="list-style-type: none"> - As one-on-one meetings
Content	<ul style="list-style-type: none"> - As one-on-one meetings
Tips	<ul style="list-style-type: none"> - Only go on a roadshow when there is something to say: Schedule roadshows directly after the financial figures are released in order to bring investors up to date and to clarify questions. - In the case of pressing issues, send out two teams at the same time. This allows a faster return to the day-to-day business. - Weight teams with regard to investors (investors interested in strategy: CEO; investors interested in figures: CFO). - Ensure one-voice policy, especially when two teams are on the road at the same time. - Select the right broker/partner: The quality of the investor targeting and a good sales team on-site are crucial, not the name. - Definitely also go on a roadshow with brokers who have issued a sell recommendation or who don't cover you. - Change brokers/partners regularly (access to other investors, equal treatment of brokers). - New roadshow destinations for the first time only CFO and/or IRO. - Have a clear idea of whom you want to meet: Have important investors put on the list even if these don't have contact with the broker. - Hedge funds are also investors! – Good sparring partners, prevent short positions. - No more than six meetings a day. - Roadshows are intensive, which is why good trip planning is key (transport and baggage logistics, back-up equipment for IT and batteries, etc.). - Following the coronavirus pandemic, virtual road shows have become commonplace. - Get feedback (via brokers/partners) after the roadshow and forward to management. - Conduct promised follow-ups promptly.

6.3 Investor Conferences

Description	<ul style="list-style-type: none"> - Presentation to investors who have been invited by a broker or financial institutions to a one-day or multi-day program - Investor conferences of independent providers, especially "Investora" in Switzerland, are less frequent and primarily geared towards small and mid caps - There is an opportunity for one-on-one meetings before and after the presentation
Purpose	<ul style="list-style-type: none"> - As one-on-one meetings and roadshow
Occasion	<ul style="list-style-type: none"> - As one-on-one meetings and roadshow
Content	<ul style="list-style-type: none"> - As one-on-one meetings and roadshow
Tips	<ul style="list-style-type: none"> - In contrast to the one-on-one meetings, presentation skills are critical here. Who from the management team is especially good at this? It doesn't always have to be the CFO. - Either way, presentation skills can be trained and actually always improved, on the basis of constructive feedback... - ...as well as on the basis of good preparation. A training run before an important investor presentation, including simulated Q+A, prepares the speaker mentally for the occasion. - Presentations via the platform Salesforce are also efficient and effective; they can be used, together with an analyst or brokerage team, for a pitch to stock traders. The brokerage teams invite their traders to participate via a web or telephone conference. - Following the coronavirus pandemic, virtual investor conferences have become more common.

6.4 IR Presentation

Description	<ul style="list-style-type: none"> - The IR presentation is the basis for all contacts with investors, whether these are in the form of one-on-one meetings, a roadshow, or an investor presentation - It describes in concentrated form the strategy, the activities, and the financial situation as well as the path by which the strategic objectives are to be achieved
Purpose	<ul style="list-style-type: none"> - As one-on-one meetings, roadshow, and investor presentation
Occasion	<ul style="list-style-type: none"> - As one-on-one meetings, roadshow, and investor presentation
Content	<ul style="list-style-type: none"> - As one-on-one meetings, roadshow, and investor presentation
Tips	<ul style="list-style-type: none"> - A good IR presentation starts with a good, compact description of the company. - What are the USPs of the services and products? This often gets ignored. - Place the result of the current period in the medium-term trajectory. - Connect the net income to the overall result and cash flow. - Present the upcoming milestones and, if possible and sensible, their potential influence on the assessment.

The Perfect Presentation to Institutional Investors

Dos (Maxim: "Less Is More")	Don'ts
Link the reporting period to implementation of strategy	1st slide crammed with highlights from the financial year
Description of the products and the competitive advantages	Description of the company that is simple or too detailed
Description of the markets/customer segments	Description of the organization (segments)
Important changes in customer requirements and internal response to these	Simple mention of the internal decision: "Opening/closure of the ABC site"
Where are the products and the company heading in the medium term. Do earlier targets still apply?	Precise outlook for the next 3–6 months (instead of ranges)
Key financial figures from the past period and reasons for deviation from the norm/target	Simple comparison with reference period
Presentation of the historical value added	Comments on valuation or share price
Explanations on cash flow and net income	Assumption that annual report is enough for this
Inclusion of sustainability aspects	

The perfect IR presentation, Source: Schroders

6.5 IR Conference Call/Video Conference

Description	<ul style="list-style-type: none"> - IR conference calls or video conferences are an efficient instrument as a follow-up to an important media release. - They are generally based on a presentation, which is made available on the IR website on the morning of the conference call. - The presentation is less crucial, it is the Q+A that is more critical. - Duration: Generally around 30 to 60 minutes - The conference call is announced promptly on the website, investors (and generally also the media) are invited to it 1–2 weeks before the call. - Most companies make the audio or video file publicly available on their IR website after the conference.
Purpose	<ul style="list-style-type: none"> - Communicate core messages - Clarify general investor questions
Occasion	<ul style="list-style-type: none"> - After financial results - When there are important events such as M&As, long awaited licenses for key products, unexpected problems such as profit warnings for example
Content	<ul style="list-style-type: none"> - Dependent on the specific event
Tips	<ul style="list-style-type: none"> - Provide a short summary to introduce the key messages and end the conference after the Q+A with the core statements. - Prepare a script for both... - ... and also for the presentation that will be discussed. - Presentations during conference calls should be as compact as possible: no more than a dozen slides, no longer than 15 minutes. The shorter, the better. - A growing number of companies are doing without an introductory presentation and are holding just a Q+A session. - If problematic facts are involved, describe these in the introduction and a carefully prepared statement and refer to them in the Q+A. - A conference call makes sense only when a good answer can be given to most of the investors' questions. In certain crisis situations where this is not the case, one-on-one meetings are sometimes more constructive. - Each conference should be introduced and chaired by a moderator, including professional technology (no open lines). - Various providers of conference calls and video conferences offer IT solutions that present by name the participants and people who want to ask questions – very useful information.

6.6 Annual and Interim Reports

Description	<ul style="list-style-type: none"> - In accordance with the Listing Rules of SIX, issuers are required to publish an annual report and a semi-annual report. - In contrast, the publication of quarterly financial statements is optional. - The publication requirements are described in the Listing Rules of SIX as well as in the Directives on Regular Reporting Obligations (DRRO), Financial Reporting (DFR), Ad hoc Publicity (DAH) and Corporate Governance (DCG) (see → Chapter 8).
Purpose	<ul style="list-style-type: none"> - Reporting on the fiscal year or the period in question - Transparent presentation of the financial situation - Sometimes also meets the purpose of a company portrait - Obligation to maintain the listing
Occasion	<ul style="list-style-type: none"> - Publication at the latest four months after the balance sheet date for the annual financial statements, time limit of three months for the semi-annual financial statements
Content	<ul style="list-style-type: none"> - Letter to shareholders from the chair of the board of directors and/or CEO, including statements on the strategy and its implementation (optional) - Sectoral reports (optional) - Detailed financial report, in accordance with relevant accounting standard - Sustainability report from the 2023 financial year, mandatory under Art. 964 (CO) - Special additional rules on the financial reporting apply for real estate and investment companies - Report on the corporate governance (only in the annual, not, however, in the semi-annual report) → ser-ag.com/dam/downloads/regulation/listing/directives/DCG-en.pdf
Tips	<ul style="list-style-type: none"> - Investors primarily read the report from the chair of the board of directors and CEO as well as the financial section (including notes). - A good catalog of criteria for the contents of an annual report (basis of the annual ranking list for the value reporting) can be found in the brochure "Swiss Annual Report Rating 2023", from page 68 → geschaeftsberichte-rating.ch/2023/downloads - More and more companies are switching to publishing the annual report only on the website. - The media release on the annual and semi-annual report must include a link (direct URL) to the report in question, or the complete document can be attached in PDF format to the media release. - Annual and interim reports must always be published with an ad hoc announcement since 2021 pursuant to Art. 4 para. 2 DAH.

6.7 Website

Description	<ul style="list-style-type: none"> - The company website presents the information relevant for all stakeholder groups – and especially for investors – in a structured form.
Purpose	<ul style="list-style-type: none"> - Communication of all relevant facts at a glance - More in-depth information for example on the financial report and on the corporate governance - Archive function
Occasion	<ul style="list-style-type: none"> - The listing on SIX is accompanied by the requirement to provide on the company website information that is relevant not only for customers and employees, but also for investors and the media.
Content	<ul style="list-style-type: none"> - SIX has issued few regulations governing what a company website has to contain. - The mandatory material includes the corporate calendar (annual general meeting, publications dates of the annual and interim financial statements), ad hoc announcements, and the annual and interim reports. - In addition, the vast majority of companies provide information on the website concerning: <ul style="list-style-type: none"> - Company portrait, strategy, activities - Corporate governance - Specific investor topics - Media releases - Sustainability - The scope and contents will depend heavily on the size and the activity of the company.
Tips	<ul style="list-style-type: none"> - The website is the business card, also for investors. First-time visitors should be able to find the most important information easily and not have to search around for a long time. - Studies show that investors are more interested in the “About us” pages than the IR pages; therefore greater attention must be paid to the former, for example with special sections on their strategy, the business model and the markets in which they operate. - The writing team of the Value Reporting annual report (see → previous chapter) publishes good criteria for content for IR websites in the brochure “Swiss Annual Report Rating 2022”, from page 75, criterion 10 Digital Access to Value Reporting → geschaeftsberichte-rating.ch/2023/downloads - Any need for action from the investor's viewpoint is frequently placed on the landing page of the IR website. This should provide a compact presentation of the most important IR information, including the IR presentation for download. - Pursuant to Art. 9 para. 1 DAH, ad hoc announcements have to be uploaded on the issuer's website in an easy to find directory in chronological order indicating the date of distribution.

6.8 Media Releases

Description	<ul style="list-style-type: none"> - Media releases are a suitable means for communicating news quickly and efficiently. - The disclosure of information on price-sensitive facts must begin with a classification as "ad hoc-announcement pursuant to art. 53 LR".
Purpose/ occasion	<ul style="list-style-type: none"> - Communication of price-sensitive information and other information that is of interest to investors - Please see → Chapter 8.6 for more detailed information on Ad hoc Publicity
Content	<ul style="list-style-type: none"> - Title and lead with core statements and, if applicable, the flagging as "ad hoc announcement pursuant to art. 53 LR" - Explanatory text - Tables and more detailed information and weblinks if necessary - Contact details (telephone numbers and e-mail addresses) - Short company portrait (boilerplate) - Possible legal notices (disclaimer)
Tips	<ul style="list-style-type: none"> - Price-sensitive information must be disclosed as soon as the company becomes aware of the essential elements of the matter at hand. If possible, the announcement must be published outside of critical trading hours (before 7:30 am or after the close of trading at 5:40 pm). If, in exceptional cases, the announcement is made during trading hours, SIX Exchange Regulation AG must be informed at least 90 minutes before publication. - In order to remain capable of acting in the event of an IT problem, the most important recipient addresses (cf. the Directive Ad hoc Publicity) must be stored in a separate system and access to it must be secured. - A buffer is also recommended in terms of the exact time of publication so as not to come into conflict with the above time limits (90 minutes before the start of trading) in the event of an IT problem. - The core statements of a media release, even if this involves sensitive or negative facts, must be presented appropriately, meaning in the title, the lead or at the least on the first page. - The telephone numbers stated in the media releases should be reachable and operational from the time the release is sent. - Since 2021, ad hoc announcements must be flagged as such, and uploaded to Connexor and saved in an easy to find directory on the website.

6.9 Annual General Meeting

Description	<ul style="list-style-type: none"> - Annual meeting of the shareholders stipulated in the Swiss Code of Obligations; extraordinary meetings as required. - The annual general meeting (AGM) is generally convened by the board of directors; in the case of a listed company, it can also be requested by one or more shareholders who together represent no less than 5 percent of the share capital. - For the non-transferable powers of the AGM and other legal bases, see Articles 698 ff. of the Swiss Code of Obligations → https://www.fedlex.admin.ch/eli/cc/27/317_321_377/de#part_3/tit_26/chap_3/lvl_A - For companies listed on SIX and domiciled abroad, the legal provisions of the relevant country will apply.
Purpose	<ul style="list-style-type: none"> - The AGM is the decision-making body of the company under stock corporation law. - It is frequently also the only platform for direct communication with the small shareholders. - In special cases, for example in crisis situations or controversial M&A projects, AGMs are also relevant with regard to the media and have a broader reputational impact.
Occasion	<ul style="list-style-type: none"> - In accordance with the Swiss Code of Obligations, AGMs must be held no later than six months after the annual financial statements.
Content	<ul style="list-style-type: none"> - The statutory duties include stipulating and amending the articles of association, electing the members of the board of directors and the auditors, approving the management report and the consolidated financial statements, approving the annual financial statements, and adopting the resolution on the appropriation of the net retained profit, especially setting the dividend, and granting formal approval for the actions of the members of the board of directors. - The AGM holds a binding and separate vote on the compensation that is received by the board of directors and the management of the company. The articles of association regulate the details of the vote (see → Chapter 2.6). - From the 2024 GM, the sustainability report must also be submitted to the meeting for approval - The addition of other items to the agenda is the responsibility of the board of directors; shareholders with a share of voting rights of now at least 0.5% have a right to add items to the agenda. - Social program as an option.
Tips	<ul style="list-style-type: none"> - Whether and how the AGM is to be used as a platform for reputational purposes, moving beyond its legal obligations, has to be defined as part of the corporate communication. - Early exchanges with the most important institutional investors and proxy advisors is recommended in the case of important votes – for example, issues relating to corporate governance or compensation. - If the media are interested, a separate PR concept and specific media services will be required. - If the invitation to the AGM or the results of votes contain facts that the issuer classifies as price-sensitive, the rules of Ad hoc Publicity apply. In this case, an ad hoc announcement must be published. In addition, the original documents must be uploaded to the homepage.

Following the introduction of the new Company Law as of the start of 2022, some rules regarding general meetings have also changed; see → [Chapter 8.11](#)

6.10 Social Media

Description	<ul style="list-style-type: none"> - Social media channels have now become an established element of corporate communications. - The most important platforms for IR include X (formerly Twitter), LinkedIn, Facebook, and YouTube (company blog, if present).
Purpose	<ul style="list-style-type: none"> - Ability to address (small) shareholders on a wider scale - Simple and efficient instrument for announcing news - Extensively self-administered distribution list
Occasion	<ul style="list-style-type: none"> - Social media are used primarily to distribute media releases on a wider scale and in the event of important IR events (investor day, investor presentations)... - ... and for swift, simple dialog.
Content	<ul style="list-style-type: none"> - Summary of media releases, link to more detailed information - In the case of IR events (investor day, investor presentations), they are also suitable for giving advance notice, for updates during an event, and as follow-up.
Tips	<ul style="list-style-type: none"> - Social media represent a "fast" medium, particular caution has to be exercised to ensure that the information distribution is correct and not published too early (compliance with ad hoc rules on all accounts, e.g. CEO accounts) - Conduct live chats – the community can be expanded and cultivated in this way, e.g. #RiskChat with company X. - Create your own hashtags: #InnoDay of company X – #UnlockThePotential. - Use cashtags: Dollar signs and stock exchange symbols, e.g. \$ABCD. - Live-stream an investor day via Periscope (requires technical expertise). - Provide sufficient resources. - Do not forget international monitoring. - Ensure one-voice policy and employee training - The German IR association DIRK has published a good guide on the topic, see → dirk.org/wp-content/uploads/2020/11/Best-Practice-Guide_Internet-und-Social-Media_final.pdf (in German only).

6.11 Tips

5.

Early exchanges with the most important institutional investors and proxy advisors is recommended in connection with the annual general meeting, especially in the case of important votes (issues involving corporate governance or compensation).

4.

More and more companies are switching to publishing the annual report only on the website.



7.0

Monitoring the Market and Measuring Success



In a Nutshell

Numerous instruments are available for monitoring and assessing the market and how the company is perceived.

Analyzing market-related key performance indicators and systematically evaluating the management of relations with investors are recommended as a minimum.

The success of Investor Relations measures is very difficult to verify objectively. In fact, causal relationships can generally only be assumed.

Nevertheless, there are proxy values related to the stock market and publicity that can provide indications of the success of the IR measures, provided they are calculated over a lengthy period.

7.1 Market Monitoring

In order to find out how the company is perceived, IR officers have to monitor the market and especially the investor community on a continual basis.

This can be done using investor surveys and analyses. A company's reputation on the capital market is generally determined by a relatively small number of networked investors who possess instructive information. If they are willing to provide the information (which is not always the case, however), these individuals can be asked about the current market situation and the company (see → **Chapter 7.3**). Maintaining contacts with small shareholders can also be worthwhile, as they form a stable survey group thanks to their long-term approach to investments.

Totally independent of the scope in which surveys are conducted, every IR officer is advised to keep up-to-date data material easily at hand. Quantitative key performance indicators, as described in the next → **chapter** of measuring success, provide pointers for assessing the IR work. These can be compiled for evaluation in a report sheet and analyzed every three to six months.

IR officers should be able to guarantee that the market is being monitored and the relevant key performance indicators can be announced over a period as long as possible. Constantly reselecting the key performance indicators to achieve a positive image is not recommended. Using a range of measurement values that can be combined well together is additionally recommended when selecting the key performance indicators.

7.2 Measuring Success

The success of IR measures is difficult to verify objectively.

Measuring success always requires a causal connection between the measure and its effect. This can rarely be unequivocally established in communications.

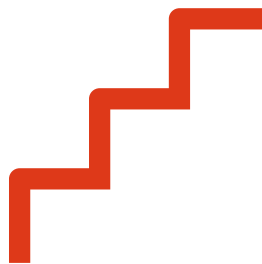
What kind of quality is the IR communication? What effects does it trigger: Satisfaction, trust, investor loyalty? How sensibly are budgets employed? An isolated measurement of the impact is almost impossible in practice, while the operationalization of the target values has proved to be problematic. Hardly any suitable measurement models and instruments are available. In fact, causal relationships can generally only be assumed today. Systematic controlling of the Investor Relations that goes beyond the measurement of success does not exist. A "return on investment", which allows income and expenses to be allocated to individual measures, cannot currently be realized on account of the problems described.

Nevertheless, there are tests and ways that demonstrate a measurement of IR success by systematically obtaining data that are objective as possible on the effectiveness of the measures carried out. Empirical studies for the stock market in the US show that the market valuation of companies with good financial reporting is significantly higher in comparison with the industry average and that these companies report a lower volatility.

Defined Strategy and Targets as the Basis for Measuring Success

First of all, it should be established whether the investments in the management of the Investor Relations are worth it in terms of the defined targets and whether they are appropriate. To this end, it is important to evaluate the impact both of individual instruments and of the whole program. The relevance of strategic objectives for Investor Relations is once again demonstrated here. The measurement of success primarily examines the previously defined IR goals, and the identification of suitable criteria for success depends crucially on the defined target values.

What should actually be measured then? The proxies for monitoring success and the levels of the measurement of success provide a starting point. See the two figures on the next page.



Measuring the Success of IR Measures

Criteria for Measuring Success in Terms of the Stock Market	Criteria for Measuring Success in Terms of Publicity
Trends in the size and composition of the shareholder base (especially commitment of institutional investors after IR activities)	Number of IR presentations and IR interviews
Performance of the share price relative to the general market and to the industry (analysis of dividend yield, PER, PCFR and PBR)	Behavior related to the demand for information, understanding of the information communicated, and level of knowledge about the company among multipliers and investors
Trends in the security-specific volatility in a sectoral and time comparison	Acceptance/assessment in the financial community of the IR activities conducted (including by means of participant numbers at event, criticism expressed, feedback)
Trends in stock market sales before and after IR activities (e.g. financial analysts' meeting, press conferences, roadshows, etc.)	IR rating from independent institutions (e.g. FuW, pro Swiss Invest, SVFV)
Willingness of investors to commit during capital increases and in the case of shareholder options	Number/frequency and also quality of the contents of the company studies and press reports written about the company as well as stock recommendations expressed
Investment loyalty of investors in crisis situations and downward trends in the results and share price	Profile/financial image of the company in the financial community
	Accuracy of the forecasts in the earnings estimates published by analysts

Proxies for measuring the success of IR measures. Source: Drill

Proxy values related to the stock market and publicity can provide indications of the success of the IR measures only if they are calculated over a lengthy period. This is because the share price is much more heavily dependent in the short term on the general market sentiment, trends, and economic climate.

Levels of Measurement of Success of Investor Relations



Levels of the measurement of success. Source: Porak

At What Levels Can the Success of IR Be Assessed?

- At the output level, the quantity of the pure “production output” of the IR communications can be measured. This includes, for example, the number of contacts with investors, conference calls, or visits to the IR website.
- At the outgrowth level, the perception by the target groups is surveyed in quantitative and qualitative terms. How was the communication output perceived and how was it understood?
- At the outcome level, the impact of the information on the attitude and the behavior of the target group is examined. Measurement instruments include perception studies (see next → **Chapter 7.3**).
- Finally, it can be investigated at the outflow level what influence the change in attitudes and behavior has on the value added and the enterprise value.

It should be noted that the currently practiced methods move for the most part in the area of the performance measurement and do not deal with the actual success (outcome and outflow).

It generally holds true that success can be expected only as the result of continual and long-term IR work. The confidence of investors is difficult to win using short-term campaigns that are conducted on a case-by-case basis, for example immediately before a capital increase, and it is impossible to measure any success here systematically.

The following quantitative and qualitative metrics can be consulted in the course of a pragmatic and sensible implementation of the measurement of success. However, they offer only a rough and frequently unrepresentative picture of the IR success, and they lack causality. Virtually all methods neglect the acceptance and decision-making processes of the actors on the capital market whose behavior is, however, crucial for the assessment of the company and thus the success of the IR measures. A combination of qualitative and quantitative measures therefore seems worth striving for.

Quantitative Metrics

- Share price: performance comparison with a peer group or leading index
- Volatility: fluctuation of a share in comparison with the overall market
- Capital costs: allow indirect conclusions to be drawn on IR
- Investor mix: As a rule, private investors own fewer shares than institutional investors but tend to hold their portfolios for a much longer time, which plays a part in reducing price volatility. Inside investors generally have extremely long holding periods.
- Investors by geographical distribution: The success of a roadshow can be measured by the geographical distribution of the shareholders. The analysis can also be used to plan the next roadshow (for example in a region with few investors up to now).
- Purchases and sales: Important additions and disposals in the share register and in accordance with SIX reporting obligations should be systematically recorded.
- Bid-ask spread: Investors would like to know the transaction costs for purchasing and selling shares.
- Average holding period: The aim of IR is to increase the holding periods and reduce the volatility.
- Stock in circulation: The number of available shares for trading influences the price stability. If a lot of securities are available for trading on the market, large daily trading volumes can be coped with and the price stability increased as a result. In turn, this increases the attractiveness of the stock.
- Trading volume: Regular roadshows can help increase the trading volume over the long term, and liquidity can be improved as a result.

Other quantitative key performance figures can be found in the book by Steven Bragg, pages 225 ff.

Qualitative Metrics

- Perception studies (survey of capital market participants)
- Analyst coverage: Analysts' reports are an instrument for selling shares. One of the goals of IR is to generate research coverage for the company that is as broad as possible.
- Number and composition of the participants at broker conferences, on conference calls, and at investor days (reflects interest in the company)
- Analysis of the contents of research reports on the sell side (investigation of the deviations)
- Use of the IR web pages (access statistics and assessment of the quality of the content)
- IR ratings published annually by organizations and the media

7.3 Perception Studies

How well do you know the market? How we perceive ourselves and how others perceive us often do not match.

By systematically questioning various stakeholder groups on the capital market, perception studies reveal the view that the market has on the company with regard to issues such as strategy, innovation, positioning, management, and communication. Surveying the perception of the company is a suitable measure of the success of the IR, as it is essentially influenced by the company's communications. The results shed light on information and communication deficits as well as the potential for optimization that can be derived from that. Repeating a study of this kind every 12–18 months, with identical questions, is advisable in order to gain a systematic evaluation and to identify any changes.

The Procedure for Performing a Perception Study Is Divided into Three Steps:

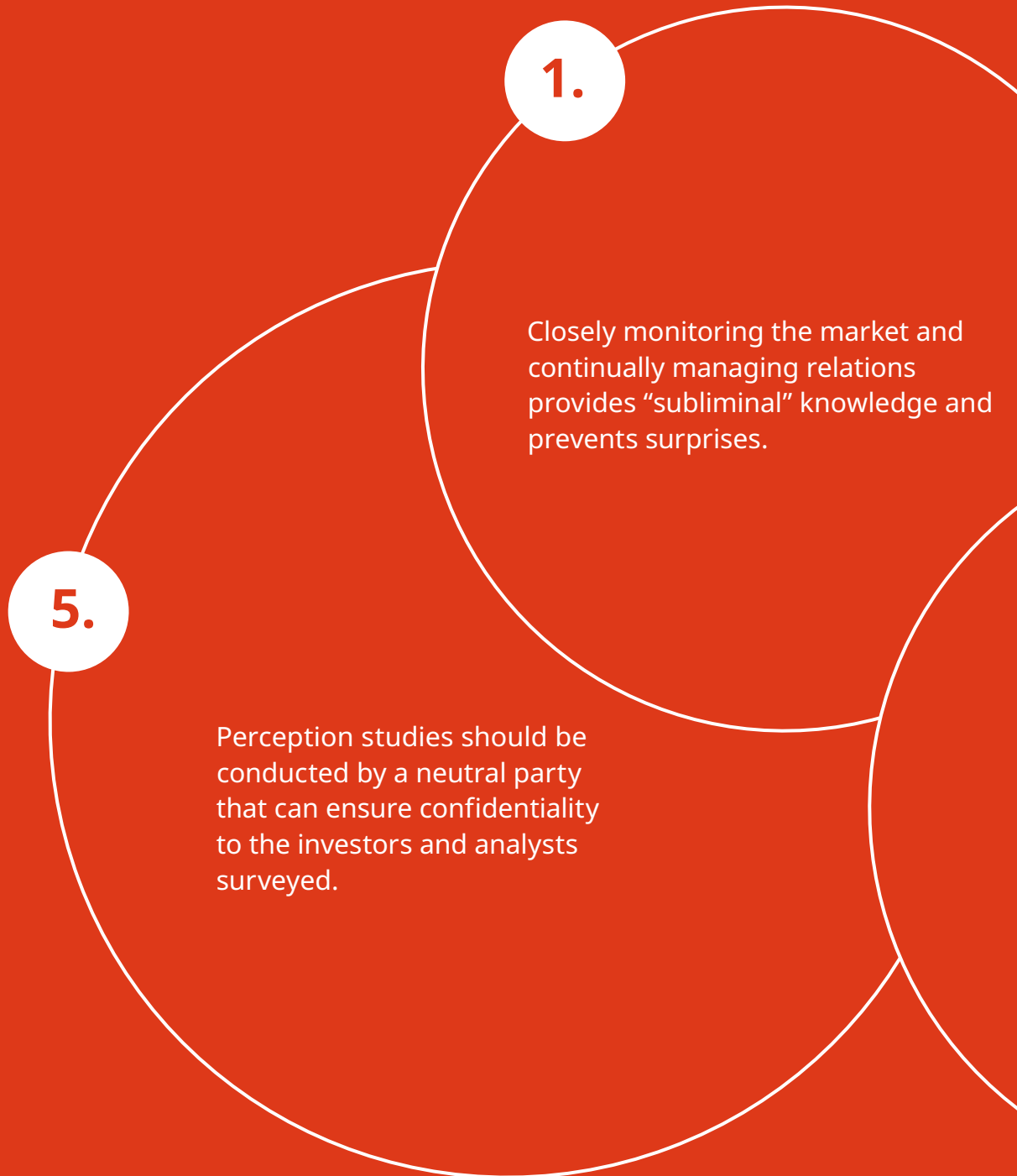
- The first phase involves preparing the survey and defining the scope and nature of the interviews (possibly with the help of an external service provider). To this end, the current information material is inspected and survey objectives, target groups, geographical target area, and the contents of the survey are defined.
- The focus of the second phase is the implementation of the survey and the evaluation and documentation of the results.
- The third phase looks at the impact on the communication strategy and objectives. Based on the survey of perception, a company obtains starting points concerning the current information requirements and target group-specific indicators for future measures.

The greater the market capitalization and thus the investor base of a company are, the more reliable the results will turn out to be. This means that, for small caps, the results will sometimes have to be treated with caution, as it is frequently the case that only a dozen or so institutional investors are themselves invested or deal regularly with the company in question. The picture is shaped by only a few voices.

For medium and large companies, it can be worthwhile conducting studies of this kind in various markets – Switzerland, Europe/UK, the US, for example – especially as the perception can frequently vary significantly from country to country.

A prerequisite for good perception studies is finally that they are carried out by a neutral party that can guarantee confidentiality to the investors and analysts interviewed. It is then more likely that they will talk freely.

7.4 Tips







8.0

Regulatory Environment, Rules and Reporting at SIX



In a Nutshell

Companies listed on SIX have various obligations to provide information to their investors and the public.

These obligations serve to ensure continual transparency about the listed company.

A distinction is drawn between recurring and event-related obligations. The CONNEXOR reporting plays a central role in the recurring or regular reporting obligations. CONNEXOR reporting is the official electronic reporting platform for transmitting facts subject to reporting obligations and ad hoc announcements to SIX Exchange Regulation AG.

The rules governing Ad hoc Publicity are the most important in terms of the event-related obligations.

Each issuer needs a clear regulation governing the responsibilities, including a deputy, for the Ad hoc Publicity. The personnel and IT infrastructure must be designed in such a way that a media release can be written, signed off on, and published within the shortest time frame at any time, which includes back-up plans in case of an IT malfunction for example.

Finally, the issuers are responsible for defining proprietary rules and procedures regarding insider information. The companies are responsible for ensuring that the necessary control mechanisms have been installed and that criminal behavior is detected.

8.1 Relevant Regulators

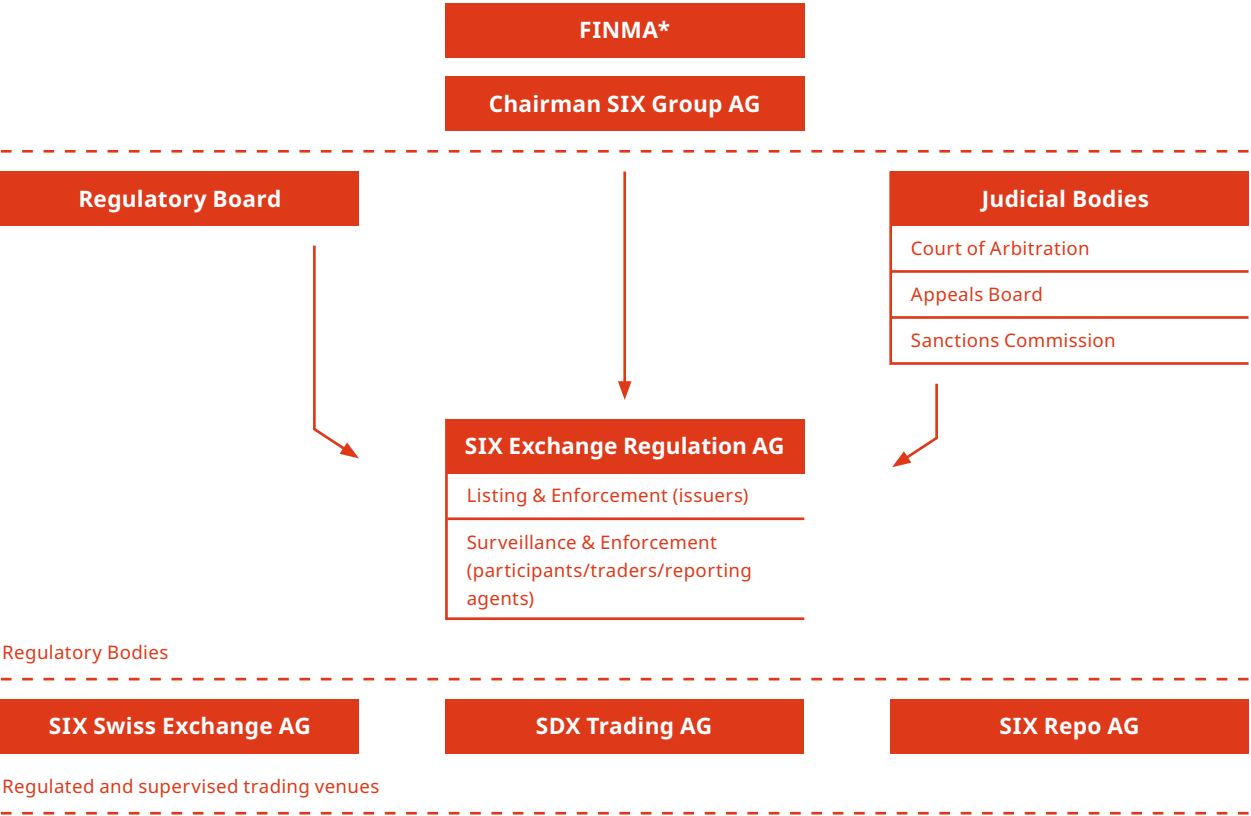
Swiss legislation demands from stock exchanges that they issue, monitor, and enforce rules for issuers and stock market participants.

SIX, which includes the exchanges SIX Swiss Exchange AG and SDX Trading AG as well as the multilateral trading system SIX Repo AG, pursues a consistent policy of separating regulatory functions from the operating business, while in its regulatory remit under stock exchange law it also maintains a firm distinction between rule making, rule enforcement and jurisdiction.

Special Regulatory Bodies Have Been Created for This Purpose:

- **Regulatory Board**
Defines the rules for issuers and participants (including traders) in the regulations; the rules issued by the Regulatory Board must be submitted to the Eidgenössische Finanzmarktaufsicht FINMA (Swiss Financial Market Supervisory Authority) for approval.
- **Three Judicial Bodies**
The Sanctions Commission, Appeals Board, and Court of Arbitration issue decisions concerning breaches of the regulations if the proceedings are not concluded by means of a sanction notice by SIX Exchange Regulation AG
- **SIX Exchange Regulation AG**
SIX Exchange Regulation AG regulates and supervises exchange participants and issuers within the scope of self-regulation. Its tasks also include the listing of securities on the stock exchange of SIX. SIX Exchange Regulation AG issues sanction notices, if the rules grant it this competence, or submits proposals for sanctions.

Schematic Overview of the Regulatory Bodies Relevant for SIX



*Supervision and approval of the rules

For more information, see:
→ ser-ag.com/en/about.html

8.2 Listing and Admission to Trading

Access to SIX is granted through listing or admission to trading.

8.2.1 Listing

Listing, or the approval of securities to exchange trading, occurs upon application by the issuer. The process follows various regulatory standards depending on the security category, listing requirements and accounting standards. The listing application must be submitted by a recognized representation. Bonds and derivatives can be registered and provisionally approved for listing via CONNEXOR Terms or Internet Based Terms (IBT).

8.2.2 Admission

International stocks and bonds that are already listed on a recognized foreign exchange can be admitted to trading on SIX upon application by an exchange participant without having to go through the full listing process. This simplified procedure is also available to domestic and foreign investment funds in the SIX Swiss Exchange-Sponsored Funds trading segment.

8.3 Recurring and Event-related Obligations

The obligations of a company with a primary listing to provide information are straightforward on SIX in comparison with other stock exchanges. Quarterly reporting is optional, for example.

Recurring and Event-related Obligations

Recurring Obligations	Event-related Obligations
Corporate Reporting <ul style="list-style-type: none"> – Financial reporting: annual & semi-annual report, alternative performance measures – Corporate governance: information on the governance and management of the company (e.g. composition and compensation of the board of directors and of the management); “comply or explain” rule 	Ad hoc Publicity Information on price-sensitive facts (e.g. material changes in earnings, restructuring, purchase offers). Annual and interim reports must be published with an ad hoc announcement.
Regular Reporting Technical and administrative information on the issuer and on the securities (e.g. information on dividends)	Disclosure of Management Transactions Reporting of all relevant transactions by the board of directors and management
	Disclosure of Shareholdings Reporting by the person or group subject to reporting obligations when reaching, exceeding or falling below the voting right thresholds of: 3%, 5%, 10%, 15%, 20%, 25%, 33 ¹ / ₃ %, 50% or 66 ² / ₃ %

Communication requirements for maintaining a listing on the Swiss Exchange

The individual requirements are outlined individually below.

8.4 Corporate Reporting

8.4.1 Financial Reporting

8.4.1.1 Financial Accounting

Issuers listed on SIX are required to convey a true and fair view of their net assets, financial position and results of operations based on a recognized financial reporting standard in their financial reporting twice a year. These are the following:

- International Reporting Standard: IFRS, US GAAP
- Swiss Reporting Standard: Swiss GAAP FER, the financial reporting standard under the Swiss Banking Act
- Standard for Investment Companies: IFRS, US GAAP
- Standard for Real Estate Companies: IFRS, Swiss GAAP FER
- Standard Sparks: IFRS, US GAAP, Swiss GAAP FER, the financial reporting standard under the Swiss Banking Act
- Standard for SPACs: IFRS, US GAAP
- Standard for Depository Receipts: IFRS, US GAAP

Further Information

For the Directive Financial Reporting, see

→ ser-ag.com/en/topics/corporate-reporting.html



8.4.1.2 Alternative Performance Measures

For issuers of equity securities, there are transparency requirements regarding the use of Alternative Performance Measures (APMs) effective since 1 January 2019. According to these requirements, APMs shall not be misleading. To achieve this, the following requirements apply:

- Clear and comprehensible definition of APMs
- Meaningful labelling
- Reconciliation statement
- Prominence of presentation
- Consistency
- Disclosure of deviations from consistency

Further Information

For the Directive Alternative Performance Measures, see

→ ser-ag.com/dam/downloads/regulation/listing/directives/DAPM-en.pdf

8.4.2 Corporate Governance

The rules on corporate governance instruct the issuers to publish important aspects relating to the senior management of their company or to provide substantial justification as to why these disclosures are not published. This includes information on the:

- Organizational structure of the group, including all subsidiaries and information on the significant shareholders
- Capital structure
- Composition of the board of directors (with short curriculum vitae)
- Composition of the management (with short curriculum vitae)
- Compensation, shareholdings and loans of the board of directors and management
- Shareholders' participation rights
- Changes of control and defense measures
- Transparency over non-financial matters
- Audit
- Information policy
- Quiet periods
- "Comply or explain" rule: Nondisclosures have to be substantiated.

For more information concerning the contents and the scope of the disclosure requirements of issuers in the Directive Corporate Governance (DCG), see: → [dgc-en.pdf \(ser-ag.com\)](#)

As of 1 January 2023, the revised Directive Corporate Governance (DCG) was harmonized with the revised corporate law. The changes relate to the more flexible foundation and capital requirements for public limited companies, the incorporation of the provisions of the ordinance governing excessive pay for listed public limited companies (VegüV) into the Swiss Code of Obligations and the provisions on better protection for people and the environment.

As part of the revision of the DCG, the Guideline on the DCG has also been updated, see → [ser202301-en.pdf \(ser-ag.com\)](#).

Further information can additionally be found on this website:
→ [ser-ag.com/en/topics/corporate-reporting.html](#)

8.4.3 Sustainability Reporting

As of 1 July 2017, a regulation (art. 9 of the Directive Corporate Governance) became effective, allowing listed companies the opportunity to voluntarily produce a sustainability report (opting in) in recognition of the growing importance of sustainability reporting. By opting in, the issuers commit to produce their reports in accordance with a sustainability reporting framework recognized by SIX Exchange Regulation AG.

The following sustainability reporting frameworks are recognized:

- Global Reporting Initiative (GRI)
- Sustainability Accounting Standards Board (SASB)
- IFRS Sustainability Disclosure Standards (ISSB)
- European Sustainability Reporting Standards (ESRS)

Sustainability reporting is governed by Art. 9 of the Directive Corporate Governance (DCG) see: → [dcb-en.pdf \(ser-ag.com\)](#)

Further information can be found on:

→ ser-ag.com/en/topics/corporate-reporting.html

The current list of issuers having opted in is available on the website of SIX:

→ six-group.com/en/products-services/the-swiss-stock-exchange/market-data/shares/sustainability-reporting.html

8.5 Regular Reporting

These reporting obligations are intended to guarantee that the stock exchange and the market participants are provided with technical and administrative information about the listed securities promptly and in suitable form. This includes information for example on:

- Changes of name
- Capital structure
- Dividends
- Annual general meeting
- Updating of various weblinks

CONNEXOR Reporting plays a central role in the regular reporting obligations. CONNEXOR Reporting is the official electronic reporting platform for transmitting company events. As the official reporting tool for reporting obligations of SIX Exchange Regulation AG, it allows issuers to fulfill their reporting obligations under stock exchange law simply, reliably and promptly in a single step. By using CONNEXOR Reporting, issuers can ensure maximum data quality for their company's events thanks to validation rules that carry out a formal review of the entries in the interface with CONNEXOR Reporting. Predefined input screens with a wide range of different event types are available for recording company events.

Useful tips for CONNEXOR Reporting

- It is recommended to register several people so that the reports can be transmitted to SIX Exchange Regulation AG on time even during absences due to vacation or illness.
- Deadline management must be always in compliance with Appendix 1 of the Directive Regular Reporting Obligations.
- Please note that some reports are transmitted not only to SIX Exchange Regulation AG but also to third parties (principal paying agent, market participants, SIS, etc.) => Do not breach ad hoc publicity rules.

Further Information

For the Directive on Regular Reporting Obligations for Issuers of Equity Securities (Shares), Bonds, Conversion Rights, Derivatives and Collective Investment Schemes, see

→ ser-ag.com/dam/downloads/regulation/listing/directives/drro-en.pdf

The electronic reporting platform “CONNEXOR Reporting” has been set up for the efficient and simple fulfillment of reporting obligations (use is mandatory), see → ibc.six-swiss-exchange.com/usafelogin/Login?Location=https%3A%2F%2Fibc%2Esix%2Dswiss%2Dexchange-%2Ecom%2Fibc%2F

8.6 Ad hoc Publicity

8.6.1 Basics

The duty to provide information as part of the Ad hoc Publicity concerns price-sensitive facts that are not publicly known and that occur in the area of operations of a listed company.

Examples of facts that could be relevant for the share price in individual cases:

- Financial figures (annual and interim reports must always be published by means of an ad hoc announcement)
- Changes in personnel in the company
- Mergers
- Takeovers
- Spin-offs
- Restructuring operations
- Changes in capital
- Takeover bids
- Changes in business operations (e.g. new sales partners, new and significant products, withdrawal or recall of a significant product, etc.)
- Information on trading results (e.g. significant changes in earnings such as profit decrease/increase or profit warning, cessation of dividends, etc.)
- Significant changes to shareholder structure
- Financial restructuring

In the event of a duty to make an ad hoc announcement, the following recipients must be informed as a minimum with a media release flagged with the preface “ad hoc announcement pursuant to Art. 53 LR”:

- SIX Exchange Regulation AG (via Connexor Reporting)
- Two electronic information systems, such as Reuters or Bloomberg
- Two Swiss media (printed or electronic) of national importance and
- Any interested party upon request (push system)
- At the same time as the media release, the ad hoc announcement must be published on the issuer’s website in an easy-to-find directory for ad hoc announcements (pull system)

Issuers of primarylisted equity securities must exclusively use the online platform CONNEXOR® Reporting for transmission of their ad hoc announcements to SIX Exchange Regulation AG – as with the regular reporting obligations.

Each issuer needs a clear regulation governing the responsibilities, including a deputy, for the Ad hoc Publicity. The personnel and IT infrastructure must be designed in such a way that an ad hoc announcement can be written, signed off on, and published within the shortest time frame at any time, which includes backup plans in case of an IT malfunction for example.

Further Information

For the Directive Ad hoc Publicity, see → www.ser-ag.com/dam/downloads/regulation/listing/directives/dah-en.pdf

Guideline on the Directive on Ad hoc Publicity, see → ser-ag.com/dam/downloads/publication/commentaries/2022-03-21-guideline-dah-en.pdf

Update of the Issuers Committee Circular No. 1 concerning ad hoc publicity and corporate governance, see → www.ser-ag.com/dam/downloads/regulation/listing/communiqués-regulatory-board/com202306-en.pdf

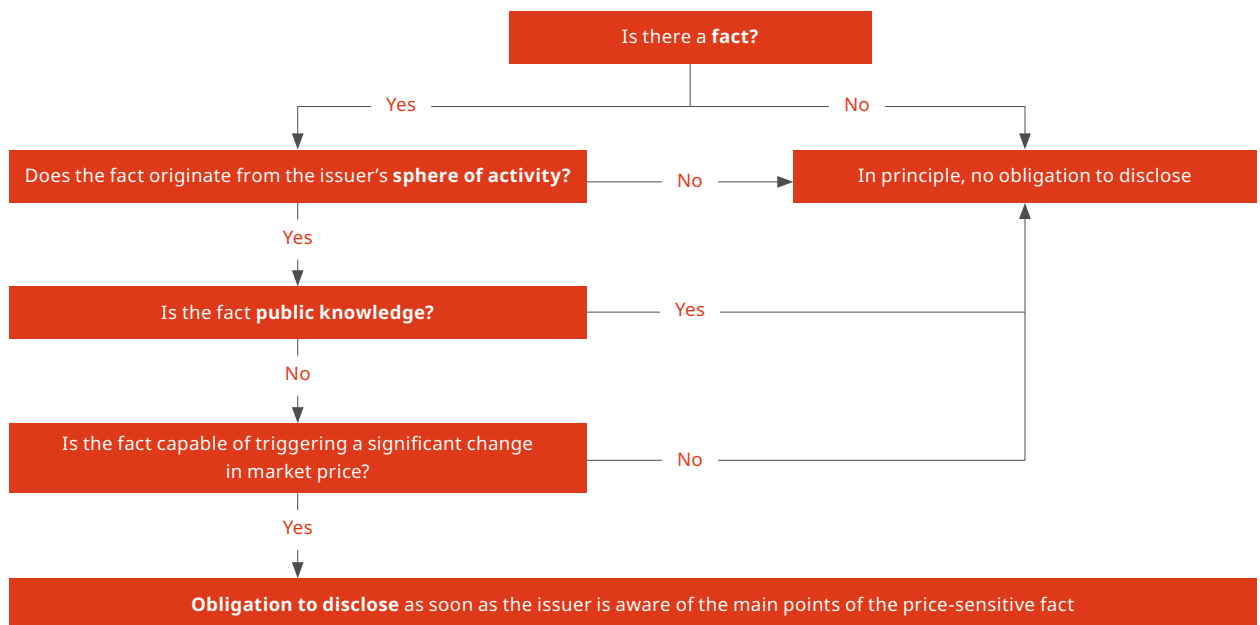
Microsite and FAQs of SIX Exchange Regulation AG, see → www.ser-ag.com/en/projects/revision-ad-hoc-.html

Guide to the application and registration of CONNEXOR® Reporting, see → ser-ag.com/dam/images/Media/Onboarding_Connexor_Reporting_DE.pdf and → ser-ser-ag.com/dam/images/Media/Manual_Connexor_Reporting_DE.pdf

8.6.2 Rumors Versus Facts

When considering whether or not there is a disclosure requirement in relation to an event under the ad hoc publicity rules, issuers must ask themselves the following questions:

Rumors, Ideas, and Intentions Are Not Facts



Disclosure requirement as part of the Ad hoc Publicity

8.6.3 Profit Warning

Dealing with financial guidance and especially with material changes to the (expected) sales and profits is frequently a tough problem for issuers to solve.

SIX Exchange Regulation AG uses the following definitions and principles in practice:

Definition of profit warning:

- Issuer raised expectations on the market through its forecasts.
- Foreseeable result deviates notably from the earlier forecasts.
- Correction of the forecast: profit warning by means of an ad hoc announcement

Definition of profit collapse or profit hike:

- Issuer has not given any forecasts.
- Foreseeable result deviates significantly from previous year's figure.
- As soon as financial figures respectively the deviation can be estimated: publication of an ad hoc announcement

The topic of profit warnings and profit collapses and hikes is moreover discussed in → **Chapter 3, Financial Guidance.**





8.6.4 Postponement of Disclosure

During planned projects that may affect the share price, such as a far-reaching restructuring or an M&A project, the question of postponing the disclosure crops up repeatedly. It is possible to postpone the disclosure if all three of the following conditions are met:

- The fact is based on a plan or decision of the issuer (no postponement of disclosure for financial figures, annual and semi-annual reports).
- Its dissemination is likely to have an adverse impact on the legitimate interests of the issuers.
- Comprehensive confidentiality is guaranteed (non-disclosure; prepare a draft ad hoc announcement; in the event of an information leak, immediate publication following consultation with SIX Exchange Regulation AG).

8.6.5 Ad Hoc Announcements During Critical Trading Hours

Process for disclosing price-sensitive information during trading hours

Price-sensitive information must be disclosed as soon as the issuer becomes aware of the essential elements of the matter at hand. The announcement must be published outside of critical trading hours: as a rule, before 7:30 am or after the close of trading at 5:40 pm. If, in exceptional cases, the announcement is made during trading hours, SIX Exchange Regulation AG must be informed at least 90 minutes before publication so that they can temporarily cease trading the affected securities if the situation requires it.

1. Telephone Contact Details for SIX Exchange Regulation AG Corporate Disclosure Team

- Available on +41 58 399 55 05 on trading days between 7:30 am and 5:40 pm
- Description of the issue and name of the issuer
- Price-sensitive information: statement and explanation
- Possible suspension of trading: statement and explanation
- Publication time: 90 minutes after making contact

2. E-mail for Authentication and Documentation

Immediately after telephone contact, SIX Exchange Regulation AG sends an e-mail with the request for specific information. This must be returned to adhoc@six-group.com including the following details:

- Issue: summary
- Price-sensitive information: statement and explanation
- Possible suspension of trading: statement and explanation
- Publication time, required time: in principle, possible 90 minutes after making contact
- Enclosure: draft press release
- Power of attorney of issuer (if acting on their behalf/in agreement with them, for example as external communications company or lawyer)

3. Preparing of the Press Release

- Finalization of press release
- Translation of press release (if required)
- Preparation and scheduling of dispatch and publication

4. Sending the Ad Hoc Announcement

- The ad hoc announcement must only be sent once SIX Exchange Regulation AG has approved the immediate publication of the press release via e-mail to the issuer and has notified the latter about any potential suspension of trading.

8.7 Disclosure of Management Transactions

Issuers have to disclose transactions in relevant financial instruments (equities; conversion, purchase or sale rights; etc.) by the members of their board of directors and management in accordance with the following process:

- The issuer is required to instruct, train and periodically remind the persons subject to reporting requirements in an adequate and sustainable way regarding the obligations to disclose management transactions.
- Members of the board of directors and of the management must report to the issuer all relevant transactions within two trading days from the creation of the reporting obligation (conclusion of the binding transaction or, in stock exchange trades, the execution of the transaction).
- The issuer has to submit the transaction (including the indication of the name, date of birth and function of the person subject to the reporting obligation) within three subsequent trading days on the electronic reporting and publication platform of SIX Exchange Regulation AG.
- The report is published without the name and date of birth, but with the specification of the relevant function, on the website of SIX Exchange Regulation AG.

Further Information

For regulations, directives and commentary concerning the disclosure of management transactions, see

→ ser-ag.com/en/topics/management-transactions.html

For entering management transactions via the electronic reporting and publication platform, see

→ disclosure.six-exchange-regulation.com/obligations/management_transaction/ddeal/login_en.html

For published management transactions, see:

→ ser-ag.com/en/resources/notifications-market-participants/management-transactions.html#/

For the upcoming revision of the regulations, including the revised guidelines (to enter into force on 1 February 2024), see

→ ser-ag.com/dam/downloads/regulation/listing/communiques-regulatory-board/com202308-en.pdf

8.8 Disclosure of Shareholdings

Shareholders are required to disclose their shareholdings in listed companies. Persons who are authorized to exercise voting rights at their own discretion are also subject to reporting obligations.

- Shareholders as well as persons who are authorized to exercise voting rights at their own discretion must report to the issuer and to the Disclosure Office within four trading days if they reach, exceed or fall below the following voting rights thresholds: 3%, 5%, 10%, 15%, 20%, 25%, 33 $\frac{1}{3}$ %, 50% or 66 $\frac{2}{3}$ %.
- The reporting obligation arises with the creation of the right to acquire or sell equity securities (binding transaction), irrespective of whether this claim is conditional or not.
- The issuer publishes the disclosure notification within two trading days of reaching the threshold using the electronic publication platform operated by the Disclosure Office.

Further Information

For the legal basis, see

→ fedlex.admin.ch/eli/cc/2015/853/en

→ fedlex.admin.ch/eli/cc/2015/855/en

→ ser-ag.com/en/topics/disclosure-of-shareholdings.html

For entering shareholdings via the electronic reporting platform, see

→ disclosure.six-exchange-regulation.com/obligations/management_transaction/ddeal/login_en.html

Published equity interests on:

→ ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html

8.9 Exploitation of Insider Information and Market Manipulation

Compliant trading is a key factor in safeguarding the reputation of the Swiss Stock Exchange and the image as a financial centre. Surveillance & Enforcement surveils the Swiss Stock Exchange to ensure that any insider trading, price and market manipulation and other irregular activities and regulatory breaches are detected.

As insider information qualifies confidential information that would have a significant impact on the price of a security if the information were disclosed. Critical issues for companies include takeover situations and communication with significant shareholders (if closely related to the company). Caution is also called for situations when block trades, trading with own shares or share buybacks are involved. The laws are relatively broad, and in individual cases circumstantial evidence may be sufficient for a conviction.

The Surveillance & Enforcement department of SIX Exchange Regulation AG monitors price formation and trading on the exchanges of SIX so that insider trading, price and market manipulation and other violations of statutory and regulatory provisions can be detected. In the event of suspected violations of the law or other irregularities further investigations will be conducted. If regulations are breached, SIX Exchange Regulation AG initiates sanctions proceedings.

If violations of the laws are suspected, the findings of the investigation are reported to FINMA. FINMA's responsibility in the area of insider trading and market manipulation is not limited to individuals and legal entities subject to FINMA regulation and prudential supervision. This means that FINMA can in principle take action and order measures against any person in violation of the laws.

FINMA investigates behavior relevant from a supervisory law perspective and provides information relevant under a criminal law perspective to the law enforcement authorities, e.g. the Office of the Attorney General. The Office of the Attorney General has effective tools to act, and if the evidence provided is sufficient, it can, for example, obtain search warrants and have access to mobile telephones and computers. The sanction measures range from a professional ban to fines to imprisonment of up to five years depending on who is imposing them. FINMA can also issue declaratory rulings, confiscate or order the disgorgement of illegally generated profits and publish final rulings.

The issuers are responsible for defining proprietary rules and procedures regarding insider information. Insider lists must be drawn up for potentially delicate issues, and a confidentiality agreement must be signed with every person involved. Companies are responsible for ensuring that the necessary control mechanisms have been installed and that criminal behavior is detected. The best protection for the company is a good governance of inside information.

Issuers have the possibility to notify Surveillance and Enforcement of SIX Exchange Regulation AG about trading conspicuities in its securities (→ ser-ag.com/en/contacts/contact-enc.html).

Further Information

Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (Financial Market Infrastructure Act, FinMIA), in particular Art. 142 et seq. and Art. 154.

→ fedlex.admin.ch/eli/cc/2015/853/en

FINMA Circular 2013/8 "Market conduct rules"

→ finma.ch/en/~media/finma/dokumente/dokumentencenter/myfinma/rundschreiben/finma-rs-2013-08-01012021_de.pdf?la=de

8.10 Stock Market Equivalence

The Federal Council introduced a recognition obligation for foreign trading venues. The ordinance entered into force on 1 July 2019. The aim is to protect the Swiss financial center and its stock exchanges and to ensure that European market participants continue to have access to the most liquid and deepest order book of the securities listed on SIX and the efficient trading of these securities.

Since 2019, the European Commission (EC) no longer grants Switzerland equivalence as a recognized third-country trading venue. In return, the Federal Council implemented an ordinance aiming at protecting and safeguarding the functioning of the Swiss Stock Exchange infrastructures.

On the basis of this ordinance, on 1 January 2019, a recognition obligation was introduced for foreign trading venues that trade equity securities (e.g. shares) issued by companies with registered offices in Switzerland where such equity securities are listed on a Swiss stock exchange or are traded at a Swiss trading venue ("Swiss shares"). According to the Federal Council's ordinance, shares of companies that have a primary listing on SIX but do not have their registered office in Switzerland are exempt from this measure.

The intended consequence of the ordinance is that EU securities firms should continue to have access to the Swiss market and that they can continue to trade Swiss equities in their home market.

As a result of Brexit, at the beginning of 2021 the United Kingdom and, in turn, FINMA recognised the respective trading venues and the restrictions on both sides were lifted. In June 2022, the Federal Council decided to transpose the protective measures into ordinary law.

Further information on this topic is available at the microsite of SIX:
→ six-group.com/en/products-services/the-swiss-stock-exchange/site/exchange-equivalence.html

8.11 New Corporate Law

The new Company Law, which has been gradually introduced since 2021, is a mix between smaller and larger amendments. For Investor Relations, it is relevant inasmuch as the new law strengthens the shareholders' rights and protects minorities. Aside from voting rights, minority shareholders previously only had the right to ask critical questions once a year at the AGM. Now, boards of directors must provide shareholders who represent at least 10 percent of capital or votes with information within four months between GMs. In addition, the threshold for having the right to submit motions at GMs has been lowered: Instead of the previous 10 percent, only 0.5 percent is needed for listed companies. This also applies to the right to convene a general meeting and the right to inspect and file a complaint to request a special audit.

Furthermore, digitalization is also affecting corporate law, inasmuch as the AGMs may now be held completely virtually.

Here is an overview of some new changes:

General Meetings across Multiple Locations or Held Virtually

- A general meeting can take place at several venues at the same time. Various locations around the world can be defined, and the events at the locations can be broadcast live to the other locations. In the event of a vote, all shareholders vote simultaneously.
- Shareholders can also participate in general meetings remotely, connecting electronically to communicate and vote via video.
- If a company's articles of association allow, a general meeting may even be held entirely virtually in the same way as video conferences.
- General meetings can be held in writing.
- Companies wishing to make use of this new option must put in place the necessary technical infrastructure promptly and define the legally correct processes.
- Thanks to electronic voting, shareholders will be able to participate in a GM without being present in person and therefore will no longer have to give voting instructions to a proxy advisor.

Introduction of a Gender Quota

- Boards of directors must comprise at least 30 percent of both genders; for executive boards, this figure is 20 percent. The transition period for boards of directors is five years (i.e. until 2027) and for executive boards, 10 years (2032).
- If the quotas are not met, the companies must disclose in their annual report the reason and the measures they are taking to improve the situation.
- Harsh sanctions are not planned. Legislators are relying on public pressure to influence those companies who do not fulfil the quotas.

Stricter Rules for Independent Proxies

- Proxies must treat the shareholder instructions confidentiality until the AGM.
- They may give the executive board or board of directors general information regarding voting trends on individual agenda items but no earlier than three working days before the meeting.
- At the meeting, they must report on the information disclosed to the company, thus ensuring transparency.
- The provisions regarding the independence of proxy advisors have been tightened. This means that they must now be as independent as an external auditor.

8.12 Tips

1.

Each issuer needs a clear regulation governing the responsibilities, including substitute representation, for Ad hoc Publicity. The personnel and IT infrastructure must be designed in such a way that an ad hoc announcement can be written, signed off, and published within a very short period of time, which includes back-up plans in case of an IT malfunction for example.

4.

With regard to CONNEXOR Reporting, it is recommended to register several people so that the reports can be transmitted to SIX Exchange Regulation AG on schedule even during absences due to vacation or illness.

**2.**

A profit warning has to be published as soon as a member of the management or a non-executive director has a rough idea of the foreseeable business performance.

3.

As far as the disclosure of shareholdings is concerned, both the amount of the shareholding and also the identity of the significant shareholders can be relevant for investors. The change in the shareholding can thus be price-sensitive and is therefore subject both to the Ad hoc Publicity requirement and the requirement for the issuer to disclose the shareholding. The publication by third parties of price-sensitive information in connection with an issuer does not release the issuer from its obligation to publish an ad hoc announcement on the same information.

9.0

IR Organization



In a Nutshell

Various people and functions are engaged in IR tasks within a company, starting with the chair of the board of directors and the CEO and including the chief financial officer, the IRO, the head of communications and, if need be, external consultants.

The IRO plays the central role, frequently at smaller companies as a sub-task together with another function, such as the CFO, secretary general or head of communications. At large companies, in contrast, IROs manage their own teams.

Communication with investors and analysts calls for very specific knowledge and skills, some of which are very different from those of a good head of communications, for example.

The majority of companies employ their own resources to perform the most important IR activity, the direct interaction with the institutional investors and analysts. Nevertheless, there are good reasons for involving external support.

9.1 Organizational Chart and Classification

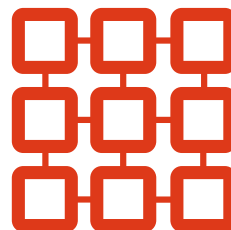
Depending on the size of the company and the strategic importance of Investor Relations, the organization of IR tasks varies greatly across individual companies.

The assignment of the tasks to the following functions can be observed in practice – by frequency:

- CFO
- CEO
- Chief Communication Officer

In Terms of Organization, the Following Options Are Popular:

- Independent staff department, popular primarily at small and mid caps: direct link to the CEO, CFO or Chief Communication Officer
- Central office, i.e. as above but here part of a larger corporate services team
- Line function, generally assigned to the finance department



9.2 IR Officer Job Profile

Communication with investors and analysts calls for very specific knowledge and skills, some of which are very different from those of a good head of communication, for example.

An Investor Relations officer has a complex profile. They must be well versed in the following activities:

- Communication strategist (development of the capital market story, positioning of the company on the capital market)
- Speaker and “marketer” (presentation events, one-on-one meetings) of the company on the capital market
- Analyst (peer group analyses, investor targeting, perception study, interpretation and discussion of analyst reports)
- Advisor to the management and sometimes also to the board of directors in capital market questions
- Writer (preparing annual and interim reports, ad hoc reports, speeches, etc.)
- Presentation organizer (IR presentations)
- Online manager (design and content management of the IR web pages on the Internet, monitoring of online portals, social media)
- Event manager (roadshows, conferences, annual general meeting)
- Constant “translator” and “networker” in the company as well as between the company and target groups

What makes a good IR officer can be derived from the combination of these skills:

- Good knowledge of the company and its markets: thanks as far as possible to their own experience as well as direct access to good sources of information inside and outside the company
- Good knowledge of finance and accounting, of financial analysis and how the capital markets work
- Well versed in interpersonal as well as written communication
- Talent for organization
- In Switzerland: multilingual skills or good command of English

A job description for an IR officer of a medium-sized company will generally include the following points:

- Regular communication with investors and analysts
- Market monitoring: Market performance in relation to the financial environment, questions of reputation, and general trends, reporting to the management
- Benchmarking against peer groups
- Ensuring compliance with all statutory regulations and stock exchange directives
- Management of the IR presentation
- Management of the IR website
- Management of the media releases for financial results
- Updating of the list of contacts for analysts/investors (for meetings) and the distribution list (for distributing press releases)
- Organization of investor roadshows and presentations
- Development or acquisition of new investor groups
- Cooperation with SIX Swiss Exchange and other regulatory authorities
- Measuring and checking success

Specific Projects

- Development and implementation of an IR/communication strategy for issues related to the capital market or finance in close cooperation with the communications team
- Organization of annual/semi-annual results
- Media/analyst/investor conferences (or conference calls/web casts)
- Drafting and management of annual report/interim reports as well as any special reports (for example on the topic of sustainability) in cooperation with the communications team
- Organization of investor days

Korn Ferry publishes a biennial study on job profiles and salaries of IROs in the US, see

→ www.niri.org/niri/media/protected-documents/2022-niri_kf-iro-study-results.pdf

9.3 External Support

The majority of companies employ their own resources to perform the most important IR activity, the direct interaction with the institutional investors and analysts.

Nevertheless, there are good reasons for involving external support:

- For smaller companies that do not have or want to hire a permanent employee for IR, as an “extended workbench”, for example for the management of media releases, annual and interim reports, or the IR website
- For the procurement of expertise in specific projects, for smaller and also for larger companies, for example in capital market transactions (M&As, spin-offs/listing), in crisis situations, for perception studies, or – increasingly important on account of MiFID – the organization of roadshows
- For a regular or occasional check from an outside perspective
- For foreign companies listed on SIX as a kind of steward in Switzerland, also for regulatory concerns

Successful IR Consultancy Requires:

- Independence and objectivity
- Long-term approach (when not related to a specific project, e.g. M&A)
- Good networking on the financial and capital market and in the industry in question
- Competence in the professional field
- Competence in the human field

What distinguishes good from not so good IR consultants is that IR objectives are defined and tied down before various IR measures are planned and implemented. And additionally, as with any management consultant, a high degree of efficiency in the cooperation.

In addition to IR consultants, companies resort to the services of external specialists for all kinds of factual questions – here’s a non-exhaustive list:

- Attorneys, especially in capital market transactions or sensitive cases of Ad hoc Publicity or financial reporting
- Specialized consultancy firms in order to thoroughly investigate the shareholder structure, shareholder identification in the technical jargon (see → **Chapter 4.4**)
- Specialist service providers for managing the share register

9.4 Tips

1.

There is no universally valid or correct design of the IR function. Companies are free to find the solution that is right for them.

4.

Here's a piece of management wisdom taken from Toyota that is also apt for the IR function: "Be strict with the process but soft with the employees."

If a company is considering to change their IR function, it is advisable to get support from outside experts, investors, and similar companies.



2.

IR is a synonym for communication with the capital market and in this respect a production factor to help a company secure and procure the resource that is capital as cost-effectively as possible. This premise helps in the budgeting process.

3.

belled to use
consultant, it
uggestions
from market
analysts, and

10.0

Closing Word: What Is Investor Relations For?



Perhaps you are asking yourself if you have got this far: What's the point of it all? Why put so much work and money into an activity that is peripheral to a company's performance? Because communication and Investor Relations, as explained in → **Chapter 2**, ultimately do not form any of the drivers of the share price. These drivers are rather the strategy and its implementation, which are based on the performance of the management and are reflected in hard figures.

How the answer turns out will depend on the situation of the individual company. A company that can finance its strategy from the operating cash flow and that has one core shareholder who provides protection against takeovers, for example, can definitely ask itself whether the costs of an additional investment in Investor Relations will generate many benefits or whether these funds would be better invested in research or in the sales market.

The situation is different for a company on a steep growth trajectory that will sooner or later require fresh capital, for example for the purposes of acquisitions. Or for a company with a fragmented shareholder base. Or for a firm in a deep slumber that could be roused by an activist investor. All these companies have a strategic interest in an appropriate valuation, meaning one that is as high as possible, and, as a means to an end, in a good reputation on the capital market. Professional Investor Relations can, as presented in this handbook, make a contribution to this, even if its effects account "only" for a couple of percentage points in the market valuation. Added to that is the fact that good Investor Relations will also raise a company's profile, which can have a positive impact on business partners and customers or on the recruitment of talented staff.

Naive Fallacy About the Value of Investor Relations

Assume that a company is planning a major acquisition and would have a capital requirement of CHF 100 million in no more than five years, which has to be financed by a capital increase. Also assume that a valuation premium of 5 percent would result from using professional Investor Relations – studies suggest this value as a minimum. The permanent recruitment of two experienced IR employees (say approximately 500,000 p.a.) would pay off in this case. If the capital increase were successful, the company would still have more than CHF 2 million extra in the cash register. And it would additionally be better positioned if it should face a crisis.

Investor Relations, understood as part of strategic corporate management and as a focal point of corporate strategy, corporate governance, corporate finance, and corporate communications, manages investors' expectations. The crucial factor for its success is primarily the attitude of the board of directors and the management. The instruments of IR play only a secondary role. A person who knows what makes investors tick and recognizes their role will take their views into appropriate consideration in central issues of the corporate management, for example in the determination of strategy and capital allocation, and manage the communication in a manner tailored to their needs.

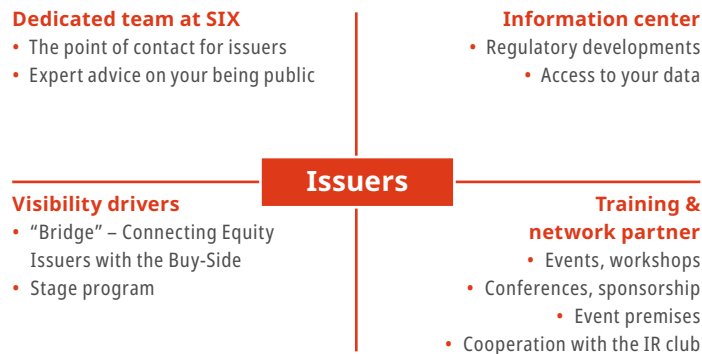
11.0

Contacts and Addresses



11.1 SIX Issuer Relations Team, Primary Markets

The Issuer Relations Team at the Swiss Stock Exchange supports companies with advice on questions relating to their listing. We offer you individual, expert support and customized services. Together, we work for your success.



For more information, see: → six-group.com/en/products-services/the-swiss-stock-exchange/listing/equities/services-for-issuers.html

If you have any suggestions that should be taken into consideration in the next revision of the Investor Relations Handbook, you are very welcome to send them to: → iir@six-group.com or contact us at the phone number +41 58 399 2245.

11.2 SIX Exchange Regulation AG

Listing & Admission
listing@six-group.com

Ad hoc Publicity
adhoc@six-group.com

Regular Reporting
reporting-obligations@six-group.com

Corporate Reporting
reporting@six-group.com

Management Transactions
management-transactions@six-group.com

Disclosure of Shareholdings
disclosure-office@six-group.com

Prospectus Submission
prospectus-office@six-group.com

Surveillance and Enforcement
→ **ser-ag.com/en/contacts/contact-enc.html**

For additional information please see:
→ **ser-ag.com/en/contacts.html**

11.3 IR club Schweiz

IR club Schweiz was founded in 1992 under the name Schweizerische Investor Relations Vereinigung (SIRV – Swiss Investor Relations Association) with the aim of acting as an advocate for the concerns of the Investor Relations profession as a voluntary special interest group formed by listed companies. The membership comprises companies listed on the Swiss Stock Exchange, where IR club Schweiz is open to all Investor Relations employees of these member firms.

The IR club Schweiz is an (inter)active forum today. Members share experience, tackle and discuss important IR issues to find transparent solutions. Best practice is the path to the goal, accompanied by good contacts enjoyed by the members with investors, asset managers and analysts in Switzerland and abroad.

More information can be found at → irclub.ch

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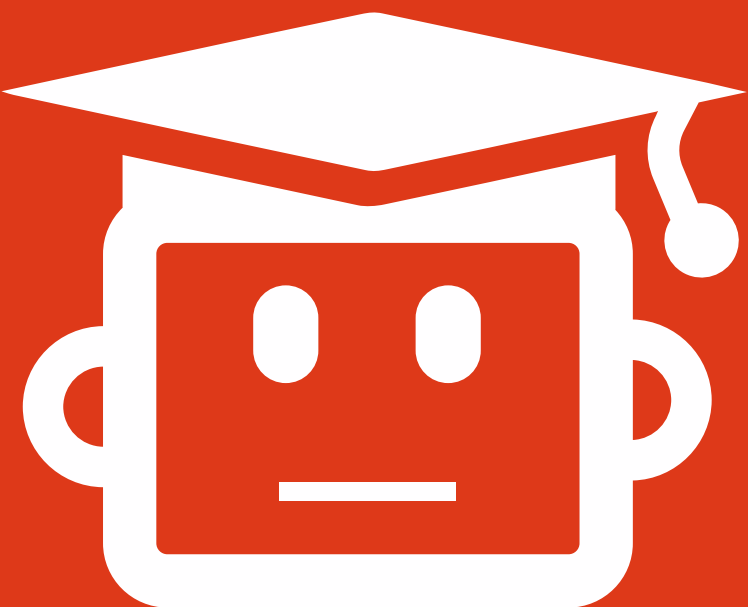
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Imprint

Text editing: IRF Reputation AG

Layout: zusatz Polygrafie

Publisher:

SIX

SIX Swiss Exchange AG

Pfingstweidstrasse 110

P.O. Box

CH-8021 Zurich

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→ six-group.com/en/products-services/the-swiss-stock-exchange/listing/equities/services-for-issuers.html

Sixth edition: November 2023

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