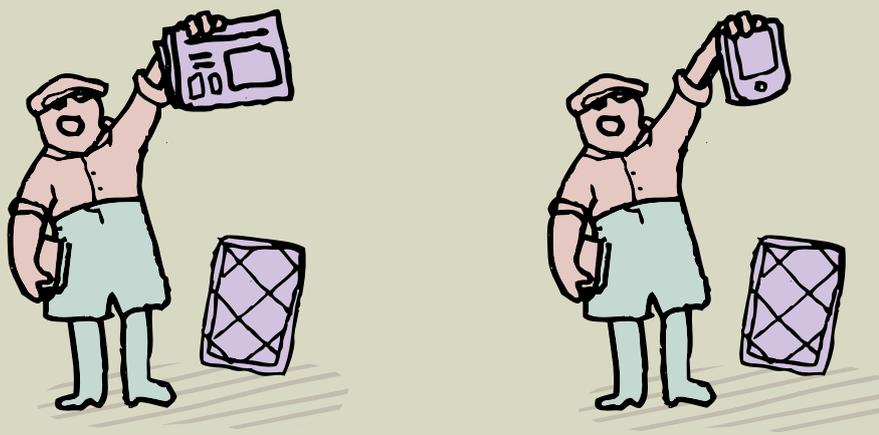


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Retail investors are the new black

While markets have been consumed by new regulations and rules, real opportunities for better investor communication lie elsewhere.



Recently I was part of a discussion with some senior investor relations officers about potential additions to the best practice guidelines published by the Australasian Investor Relations Association (AIRA). The guidelines are something of a blueprint for doing IR the right way in Australia – and keeping them up to date is one of the main activities into which AIRA's board has input.

It was therefore interesting when the heads of investor relations of three of Australia's top 50 companies had completely different views about what good practice looked like on a particular issue relating to disclosure. All three abided strictly to the ASX listing rules on continuous disclosure – but these are a minimum compliance requirement, not a code for effective IR.

Of course, there is more than one way of giving shareholders and analysts access to good information. But it highlighted that while the level of professionalism in IR is always advancing (as it is in all aspects of the financial markets) – IR remains a relatively immature field. After a decade working in the area (six as an AIRA director), it still surprises me how divergent views can be – even among large-cap Australian companies – of just what the job constitutes.

At present the implications of MiFID II – and anything that affects the world of sell-side equities upon which issuers of capital remain greatly reliant – continue to feature strongly in discussions of how IR is evolving. That's not unreasonable when the institutional investors those sell-side equities businesses serve are so essential to, and influential on, the efficient functioning of our capital markets.

But over the last few years, one thing that interests me more – and which I think will have a greater influence on what's expected of IR departments over coming years than many realise – is the potential for significant change on the retail shareholder side. Technological developments have the potential to deliver a level of disintermediation that will enable a much more direct relationship between issuers of capital and the people who own them – and put IR people more squarely on the front line and under scrutiny.

The application of the principles of distributed ledger technology evident in ASX's plans to replace the CHES system is just one example of how it will become easier and simpler for companies to identify and interact with their shareholders in real time. That should excite anyone who works in investor relations as it raises the prospect



“INVESTOR RELATIONS OFFICERS NEED TO HAVE THE HIGHEST LEVELS OF PROFESSIONALISM AND ETHICAL CONDUCT IN THEIR DEALINGS WITH THE INVESTMENT COMMUNITY AND OTHER STAKEHOLDERS.”

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of a more direct and effective relationship with the people who own our companies – but it also means more exposure.

This is likely to result in investor relations functions continuing to become bigger and more people seeking to enter the field, not least because shareholders will expect more information to be more available more of the time. We are also seeing an increasing number of investor relations officers progress to C-suite roles, including CFO. That higher profile is great news, which also brings with it a greater level of responsibility and potential scrutiny of what an IR function does and of the individuals working in it.

As has been widely reported, we live in an era in which trust in institutions is at a low ebb. And while my personal view (perhaps grounded in my background in journalism) is that this has more to do with the wealth of information available to the average person today breeding healthy scepticism than anything else, it places pressure on companies to respond.

Amid this environment, ASX’s issuance of a revised version of its Corporate Governance Principles and Recommendations is, in my opinion, a welcome development. The response will no doubt create more work for investor relations functions and our close colleagues in company secretariat functions. It also should result in higher quality disclosures, better protected boards and, most importantly, more informed shareholders.

In this environment of high scrutiny, low trust and increasing legal actions aimed at companies for alleged poor practice in relation to disclosure, and given the level of exposure investor relations people have to the market on a day-to-day basis, it’s a little odd to think it is not obligatory to have a particular qualification or experience level to do the role.

It should go without saying investor relations officers need to have the highest levels of professionalism and ethical conduct in their dealings with the investment community and other stakeholders. You can’t do the job without a broad range of skills and knowledge, from a deep understanding of continuous disclosure to changing investor expectations and the structure of global markets.

That’s why, to build on the success of the diploma course, AIRA is proposing to introduce over the next few years, a Certified Investor Relations Officer (CIR) designation that will require a minimum level of relevant experience (either corporate IR experience and/or financial markets experience) of say, 10 years coupled with passing a more advanced exam than our current diploma exam. All serving and aspiring investor relations officers would be encouraged to become a CIR and ASX 300 companies would be encouraged to have at least one CIR on staff – not least to protect themselves from the risk that can arise from having the wrong person fronting the market.

It’s important for anyone working in the field, whether they are a former stockbroking analyst, internal company executive or, like me, someone who started out in media, to understand the full body of knowledge about IR and to keep up-to-date with regulatory and practice trends. It’s for these reasons the role AIRA plays as a networking, professional development and advocacy organisation is so important. One of the achievements I am proud of through my involvement with AIRA, including the past six years as a director and two as chairman, is the way the association raises the bar on IR education and minimum levels of professional development. Issuers of capital are oddly under-represented in the public sphere when it comes to debate about capital markets issues – but I believe AIRA punches above its weight.