

Questions & Answers

IR Rules

The Background

Q. Why is Qatar Stock Exchange issuing the IR Rules?

A. The National Investor Relations Institute defines investor relations as “a strategic management responsibility that integrates finance, communication, marketing and regulatory rules and compliance to enable the most effective two-way communication between a company and the financial community, which ultimately contributes to a company’s securities achieving fair valuation”.

QSE believes the IR function is therefore critical to the successful development of our companies and their promotion both domestically and internationally,

However, feedback from local and international investors suggests that Qatari listed companies overall are not doing enough in the area of IR which has knock-on effects in terms of valuation, liquidity and ultimately ‘trust’ in the Qatari market.

Q. Why is Qatar Stock Exchange issuing the IR Rules now?

A. QSE has established a number of initiatives in the area of IR over a period of 8 years. It is not clear that the concepts have been widely adopted on a voluntary basis and as such we are suggesting a set of mandatory rules in the area of IR (similar to those in the UAE).

In addition, Qatar’s inclusion in a number of important indices in the recent years including the EM MSCI, FTSE and S&P Indices are in part dependent on liquidity tests; a poor IR environment which leads to long-term problems with liquidity in Qatar could conceivably put index inclusion at risk and certainly endanger thoughts of promotion to Developed Market status.

Q. The current system is based on best practice; isn’t that sufficient?

A. The (QFMA) disclosure rules are indeed based on regional best practice and Qatari companies clearly meet these regulatory standards. What we are talking about is doing more than the regulatory minimum and in that area investor feedback confirms Qatari companies need to be improving both the depth, breadth and quality of information provided. We know from our IR Excellence Program, from which we receive quantitative results, that although Qatar’s listed companies are improving in the area of IR they are still a long way below best practice.

Q. Isn’t this just an unnecessary additional costs for listed companies?

A. Access to permanent equity capital through the public markets is of course subject to a number of ‘costs’ both in terms of outside shareholders, corporate governance and ongoing disclosure. Having a dedicated IRO and best practice disclosure, as envisaged by the IR Rules, should be seen as part of that essential trade-off but more importantly seen as a recognition of IR’s central role in the strategic direction of a listed company.

Q. Which other countries have a ‘rules-based’ approach?

A. Globally, the real ‘pressure’ on executive management for good IR comes from market discipline. Research confirms investors will pay a premium, in terms of valuation, of up to 15% for good IR and in the more developed

markets achieving a higher valuation is an objective for management teams; hence management teams have a direct interest in ensuring IR is fully integrated into their strategy. This dynamic is rarely evident in the GCC and Qatar where government shareholding and government appointed Boards are much more common.

Q. Will this change the existing disclosure mechanism through 'Company News'?

A. No, the existing disclosure mechanism for regulatory news will remain unchanged.

Given the nature of the IR Rules, it is likely companies will need to publish more information via the Company News mechanism but the procedures will remain the same.

Information that is required for either immediate or periodic disclosure by the QSE Rulebook will still be required to first be released to the Market via Company News under article 6.7.14 of the QSE Rulebook.

Information that is required by the IR Rules to be included on the company website can be released through Company News at the discretion of the company

Q. How do the IR Rules relate to the QFMA Corporate Governance Code?

A. The IR Rules and Corporate Governance Code deal separately with two separate areas of a listed companies' responsibilities. Both the areas under scrutiny and the manner of reporting should not be confused.

The QFMA Corporate Governance Code covers the mechanisms, processes and relations by which corporations are controlled and directed whilst the IR Rules cover a management responsibility that enables effective two-way communication between a company, the financial community, and shareholders which ultimately contributes to a company's securities achieving fair valuation.

Listed companies are required to publish a Governance Report signed by the Chairman alongside the company's Annual Report.

For the purposes of the IR Rules listed companies will be required to sign the Issuer Statement and given to QSE.

Q. How do the IR Rules relate to the QSE ESG Guidance?

A. Similarly, the previously announced ESG Guidance is designed to assist listed companies to communicate ESG factors more effectively to demonstrate the companies' ambitions and objectives in respect of sustainable development. ESG disclosures may form part of your investor relations communication effort but is not part of the mandatory IR Rules.

Again, to emphasise the IR Rules are separate and those items included in the QSE Rulebook and Market Notice are mandatory.

The QFMA Corporate Governance Code does not cover nor impact the voluntary disclosure under the QSE ESG Guidance.

The Rules

Q. What is the difference between the IR Rules, the Market Notice and the Guidelines (to be published)?

A. The IR Rules and the Market Notice carry the same regulatory weight; listed companies are required to adhere to the QSE Rulebook as part of its Listing Agreement and this includes regulations issued by way of Market Notice.

We have chosen to include in the QSE Rulebook the key principles of the IR Rules. The QSE Rulebook tends to be drafted in a manner that seeks to minimize the need for future changes with the Market Notice designed to be the mechanism by which updates are incorporated; we have extended this thinking with regard the IR Rules.

The Guidelines are just that; further clarification for listed companies either to assist in understanding the intent of the IR Rules and Market Notice and/or provide suggestions for how companies might seek to go further.

In summary, the IR Rules including the Market Notice are mandatory whilst the Guidance is not.

Q. The IR Rules specify that “the issuer must appoint a dedicated Investor Relations Officer”; can I appoint an existing employee who meets the criteria?

A. Yes – there is no requirement to necessarily take on a new employee. However, the intention behind Rule 6.8.5 is that a persons’ main job should be investor relations. We use the word “dedicated” deliberately; it would not, for example, be acceptable to take an employee from the Finance Department, give him/her a title of Investor Relations Officer and then have that person continue with their existing job responsibilities with investor relations as an ‘add-on’.

We have not detailed a number in terms of percentage of time but it is the clear intention of the IR Rules that the job description of anyone fulfilling the role of IRO make it clear his/her main responsibility be that of investor relations type duties.

Q. What should I do if the Investor Relations Officer changes?

A. As with other key officers within a QSE-listed company it is incumbent on issuers to keep the Exchange properly informed. As such, QSE should be informed should the Investor Relations Office change (see requirement under 6.8.6).

Q. In terms of experience what might QSE consider an “equivalent field of expertise”?

A. It is not practical to list all the ‘acceptable’ professions and we do not seek to limit a companies’ flexibility by doing so. Listed companies are therefore free to appoint anyone they feel has justifiable claim to an “equivalent field of expertise”. Individuals may, for example, have significant industry expertise that does not fit into the fields’ specifically identified.

Q. The Guidance on the responsibilities and characteristics for an Investor Relations Officer is very detailed; it will not be possible to find an individual with all these skills?

A. The Guidelines are not mandatory. They do however represent what industry participants believe to be best practice both in terms of responsibilities and broad qualifications. We would not expect IROs to necessarily carry out all of those duties or have all of those characteristics. Companies may think of it as aspirational in some respects and that over time IROs acquire such skills through training and experience.

Q. The Market Notice specifies that the dedicated section on the company website includes additional information specified as news, pricing, financial information, company information, investor information, management information and investor relations services; is this additional information mandatory?

A. Yes, all of the information referred to in 6.8.2 and 6.8.3. and detailed in the Market Notice is mandatory.

Q. Specifically with regard to the 'Issuer's Website' it is not clear how the information over and above that subject to immediate and periodical disclosure obligations operates?

A. 6.8.4 makes it clear that a listed companies existing disclosure requirements remains unchanged by the introduction of the IR Rules.

Any information that is currently required under the QSE Rulebook immediate and periodic disclosure regime (in accordance with 6.7.14) should first be submitted to the market via the existing Company News mechanism and then published on the listed companies' website.

Any additional information required by the IR Rules and this Market Notice (i.e. information over and above that required by QSE Rulebook immediate and periodic disclosures) should be published on the listed companies' website without reference to the existing Company New mechanism. Many of the requirements for the listed company website are ongoing and not suitable for announcement via Company News but companies are free to publish such additional information on Company News as well as on the company website.

Q. The Guidance on the additional requirements for the Investor Relations website is very detailed; is this a requirement?

A. The Guidelines are not mandatory. They do however represent what industry participants believe to be best practice both in terms of contents and we encourage listed companies to incorporate them where possible. Over time listed companies may adapt their websites to include an increasing number of the suggestions contained in the Guidelines.

Q. Is it a requirement that listed companies hold a conference call after each quarter and when should it be held?

A. Yes – this quarterly call will be mandatory and is the intent of 6.8.7.

After the publication of the annual, semi-annual or quarterly reports that are part of the periodic disclosure regime each listed company will be required to host a conference call.

The conference call (there must be at least one) must be held within 5 working days of the publication of the annual, semi-annual and quarterly reports.

Q. Who will be responsible for organizing the conference call?

A. The listed company will be responsible for all logistics involved in the quarterly conference call.

The normal procedure is that the company provides in advance directly to investors and on their own company website details of the call including time and dial-in details. There are a large number of investment banks and IR-service providers who can provide assistance in this area.

QSE can provide further details as necessary.

Q. How should I announce the date of my earnings call (and publication of the investor presentation)?

A. The IR Rules stipulate only that earnings calls must take place within 5 days of the publishing of each of a companies' annual, semi-annual or quarterly reports. Under the current QSE Rulebook periodic disclosure is required by 6.7.13 through the dedicated 'Company News' mechanism and we expect companies will publish the date of their forthcoming earnings call via this mechanism. The language and content of such an announcement is left up to the company although we note we have provided suggested language.

Q. Is there a deadline for announcing the timing of the earnings call (or investor presentation) required by 6.8.7 in the IR Rules?

A. No, the IR Rules stipulate only that listed companies shall publish an investor presentation and hold at least one investor conference call within 5 days of the publishing of each of companies' annual, semi-annual or quarterly reports, to discuss the company's earnings, results and other material events. There is currently no set number of days prior to the actual earnings call itself for the announcement.

We would expect that over time and where practical companies will announce the date of their earnings call at the same time as they announce the date for the disclosure of their financials but this is not a requirement.

Q. Is there a requirement to make the call open to the public?

A. The spirit of the IR Rules is one of fair and timely disclosure of information to all parties. However, the IR Rules stipulate only that listed companies shall hold the earnings call within 5 days of the publishing of each of its annual, semi-annual or quarterly reports. The IR Rules do not currently set out how a listed company should conduct the call, the logistics of such a call and the extent of the invitation list.

Earnings calls open to the public are common practice globally. However, we recognise this may not always be practical in Qatar; we would still encourage all listed companies to make every effort to ensure as many stakeholders as possible can access the calls by early and wide distribution of the relevant details, but it is up to each company to manage its responsibilities in this area.

Q. Wouldn't the format of a conference call open to the public be difficult to manage?

A. The earnings' conference calls are structured such that all participants are on 'mute' and in listen mode. When a participant wants to ask a question he/she is required to alert the moderator who organises this off-line including the name of the person asking the question. Should any participants' conduct be unconstructive the moderator has the ability to 'mute' such participant. The forum is meant to allow an opportunity for stakeholders to ask questions but in a manner that can be controlled.

Q. Can a listed company hold the earnings call during trading hours?

A. Yes, whilst it would run counter to normal market practice this is permissible subject to the relevant financial results already having been announced and published under 6.7.13.

Q. Is it a requirement that listed companies publish an investor presentation each quarter and what would normally be included in such an investor presentation?

A. Yes – this investor presentation will be mandatory and is the intent of 6.8.7.

After the publication of the annual, semi-annual or quarterly reports that are part of the periodic disclosure regime each listed company will be required to produce and publish on its company website an investor presentation.

Investor presentations should ideally not merely be historic financials but include an update on corporate strategy.

The Guidelines contain suggestions for the content of an investor presentation; but in any event investor presentations should be designed to assist investors in understanding the investment including the opportunities that exist in a company's markets, how the company is positioned within these markets, and the strategy and assets that are being deployed to exploit those opportunities.

Q. The Guidance on investor presentations is very detailed; is this a requirement?

A. The Guidelines are not mandatory. They do however represent what industry participants believe to be best practice in terms of contents and we encourage listed companies to incorporate them where possible. Over time listed companies may adapt their investor presentations to include an increasing number of the suggestions contained in the Guidelines.

A good investor presentation will explain how company will drive revenue, earnings and cash flow over long term, convey key investment messages and be clear, concise, compelling, and sufficiently comprehensive.

Q. Is the Issuer Statement mandatory and how often must the declaration be made?

A. Yes – the Issuer Statement is mandatory and the declaration should be made once annually.

Q. What is the thinking behind the Issuer Statement?

A. QSE intends that listed companies undertake their responsibilities in the context of IR Rules in the same way they approach regulatory disclosures under the existing immediate and periodic QFMA regime. A key element of this is to have listed companies sign-off on their ongoing compliance and in doing so ensure the necessary systems are in place to enable senior management to take the necessary responsibility in signing such a document.

Implementation

Q. Will there be enough time to put in place the IRO and build the website?

A. From publication of the IR Rules, listed companies will have eight months to put in place the IRO and build the website and eleven months until the first Issuer Statement is required. We feel this is sufficient time.

The IR Rules themselves will come into force on 1st October 2019.

Q. When will listed companies be required to adhere to the IR Rules?

A. The IR Rules will come into force on 1st October 2019.

This means that listed companies will be required to issue their first Issuer Statement by 31st December, 2019 covering a period from 1st October 2019 to 31st December 2019 and therefore incorporating IRO and website requirements during that period as well as the Q3 2019 quarterly conference call and investor presentation.

The first full year Issuer Statement, given by 31st December 2020, will cover 2019 annual results; Q1 2020 results; semi-annual 2020 results and Q3 2020 results in terms of both conference calls and investor presentations.

Further Questions

Q. What will be the mechanism for 'enforcement' and who will be responsible for that?

A. As these IR Rules are incorporated in the QSE Rulebook and by way of Market Notice, QSE will be primarily responsible for the monitoring and enforcement of the IR Rules.

The QSE Rulebook (Chapter 8) sets out the investigative procedures and sanctioning powers of QSE; after a duly constituted investigation committee has delivered a recommendation to the CEO and if penalties are envisaged QSE has the power to issue letters, require re-dress and impose fines.

Q. Will there be an appeals procedure?

A. Yes, Chapter 8 of the QSE Rulebook allows for a listed company to appeal to the QFMA within 21 days of a decision by QSE under the investigative procedures set out in the same chapter.

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