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## **LISTED ENTITIES NEED TO REVAMP THEIR ENGAGEMENT STRATEGIES AS INSTITUTIONAL INVESTORS TOUGHEN OVERSIGHT, WARNS AIRA'S NEW WHITE PAPER**

Extensive structural changes sweeping capital markets in Australia and offshore make it critical for listed entities to engage more effectively with shareholders, many of which are adopting tougher stewardship roles on environmental, social and governance (ESG) standards, the chief executive of the Australasian Investor Relations Association (AIRA) Mr Ian Matheson warned today.

The call for ASX and NZX listed entities to embrace greater levels of scrutiny comes as AIRA released a White Paper titled *The Future of Investor Relations: Challenges into 2020 and Beyond*.

Mr Matheson says many listed entities are responding already by boosting their investor relations commitments and reviewing practices. AIRA itself is launching a new initiative to support member's investor relations activities, raising the bar by introducing a Certification process for members as the next level above its existing Investor Relations Diploma course. The Certification would recognise the practical experience and knowledge of senior practitioners which is particularly sort after by the Board and senior management.

"The extensive engagement process we followed when developing the White Paper has been invaluable in charting this new course. It will set new standards for the next decade and beyond," Mr Matheson said.

"We held round tables with investor relations practitioners in Sydney, Melbourne and Auckland, and personal interviews with senior experts in the field. We also conducted an in-depth survey with asset managers and owners, and examined important trends emerging offshore."

"It is very important to do this. New regulations around who pays for research and corporate access in Europe, known as MiFID II, are impacting listed entities. So too is the rise of index funds, passive investment styles and industry superannuation funds. The collision of these forces has dramatically impacted the role of stockbrokers as intermediators and researchers."

"We are also seeing a surge in new technologies. According to feedback received during the White Paper process, artificial intelligence, machine learning and blockchain are and will have major impacts on investor relations. The insights of big data are permeating the markets, and that impacts investor relations teams and markets more broadly."

Issues raised prominently in the White Paper include the demise of the sell-side, and the related rise in scrutiny by asset owners and managers as they shift functions in house, including research, executive and board engagement. It also reflects a rise in new types of asset owners, including industry funds, quantitative and index funds and shareholder activists. This has led to increased focus on environmental, social and governance (ESG) scrutiny, bringing more boards into direct contact with investors.

These challenges mean investor relations officers are experiencing more queries from investors and analysts about ESG issues. More than 70% of respondents to AIRA's recent Benchmarking Survey said that an entity's ESG record could influence investment decisions. An increased understanding of ESG and integrated reporting and future developments in that area was now a priority for investor relations officers.

The rise of activist investors is bringing a fundamental change to engagement, because their demands differ from more conventional requirements of other active and passive managers. Asset owners also impose additional engagement demands on listed entities. This commonly involves direct discussions with portfolio managers and responsible investment teams on financial results and ESG management.

The White Paper also draws attention to engagement challenges that are emerging from the adoption of new technologies. For instance, the use of artificial intelligence by investors to interpret financial results is growing. That means companies need to understand how that impacts investment decisions, and how their own engagement practices may need to change.

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## About AIRA

The Australasian Investor Relations Association (AIRA) was established in 2001 to advance the awareness of and best practice in investor relations in Australia and New Zealand and thereby improve the relationship between listed entities and the investment community. The Association's 160 corporate members now represent over **A\$1.2 trillion** of market capitalisation, over 80% of the total market capitalisation of companies listed on ASX.