

Investor Relations Best Practices

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Investor Relations Programs Provide Added Value During Market Turbulence

- Emerging market countries with IRP's in place, weathered the financial crisis of 2008-09 better than other countries.
- Investor Relations Programs provide a framework for open communication and transparency, particularly useful during times of market turbulence.
 - Open communication bolsters investor confidence.
 - Through IRPs investors become acquainted with and trust the policymakers.
- IRP's facilitate uninterrupted access to capital markets, when it is needed most, as well as, reasonable spreads.

Environment for Emerging Markets Countries

Today Emerging Market countries...

- Face decreased revenues and budget shortfalls and bond issuance on upward trend.
- May not be competing with developed countries for capital, but still competing within their asset class.

Environment for Emerging Markets Countries (cont.)

- Strong demand for emerging markets bonds as interest rates are low in developed countries.
- Emerging markets have the opportunity to expand their investor base.
 - Investor base has widened to include more institutional investors, especially from Japan.
 - China and Korea investing in other emerging markets

Challenges Facing Emerging Market Countries

- Emerging markets countries face higher financing needs.
- Investor flight to developed countries as conditions improve.
- Countries will face increased financing risk.

The IIF and Investor Relations

- Since 1995, The Institute of International Finance (IIF) has worked with emerging market economies to strengthen their investor relations (IR) programs.
- The IIF has developed an index to rank countries in terms of their performance in the areas of investor relations and data transparency.

The IIF Investor Relations and Data Transparency Index

- Designed in consultation with the market
- Based on minimum guidelines and best practice standards
- Constitute the blueprint for any sovereign issuers seeking to enhance communication and dialogue with market participants
- Includes 20 investor relations best practice criteria
- Includes 24 data transparency criteria

Investor Relations: an Approach to Effective Communication and Enhanced Transparency

This report, published annually since December 2005, and since 2009 in conjunction with the *Principles for Stable Capital Flows and Fair Debt Restructuring Report on Implementation* by the Principles Consultative Group:

- Currently covers 37 emerging market borrowers
- Provides detailed analysis of sovereign investor relations and data transparency practices
- Covers data standards beyond those of the International Monetary Fund's Special Data Dissemination Standard (SDDS), established in 1996

Advances in Investor Relations

- The number of emerging markets with formal IR programs has increased from 5 in 2004 to 12 in 2010
- Increasingly sophisticated communication between sovereigns, creditors and the broader investing community

Active IR Offices

Country	IR Score	DT Score
Brazil	38	39
Turkey	38	37
Chile	36	41
Indonesia	36	39
Peru	35	38
Poland	35	37
Korea	34	30
Mexico	34	37
The Philippines	34	28
Dominican Republic	30	35
Colombia	29	32

IIF Consultancy Services

Countries that have benefitted from IIF consultancy services:

- Indonesia, 2005
- South Africa, 2008
- Colombia, 2009
- Greece, 2010

Three Key Pillars of IR Best Practice

1. Institutionalized/official IR Office
2. Dissemination of Macroeconomic Data and Policy Information
3. Feedback and Communication Channels

Three Key Pillars of IR Best Practice cont.

Institutionalized/official IR Office

- Designated IR Officer and dedicated investor relations staff
- IR staff responds to all inquiries in 36 hours or less
- Active website
 - Data and policy information are consistently updated
 - Provides mechanisms for investors to contact IR Office

Three Key Pillars of IR Best Practice cont.

Dissemination of Macroeconomic Data and Policy Information:

- Effective data transparency of market relevant data
- Market-friendly format
- Information on policy and structural issues

Three Key Pillars of IR Best Practice cont.

Feedback and Communication Channels:

- Non-Deal Roadshows
- Web-based communication with investors
 - Responses to investor questions
 - Provision of feedback by investors
- Investor Conference Calls
 - Open to all investors, not a select few
 - Recommended frequency is quarterly
 - Involvement of key senior policymakers

Leaders in Investor Relations Best Practices

Regional Leaders in Latin America, Europe and Asia:

- Brazil: Central Bank and Treasury, since 1999 and 2001, respectively
- Turkey: Treasury, since 2005
- Indonesia: Bank Indonesia, since 2006

Objectives of Investor Relations

- Enhance the understanding of a country's economic policy objectives by the investor community
- Set the agenda for the discussion among investors and analysts on a country's economic performance through the provision of timely, appropriate and accurate information
- Ultimately lower the cost of accessing global capital markets, as a part of a country's overall debt management strategy

Conditions for a Successful Sovereign Investor Relations Program

- Broad political support
- Support of all official government agencies
- Independent (i.e. non-politicized) IR office
- Commitment by key senior officials and policymakers
- Solid economic performance

Benefits of Investor Relations

Benefits to the sovereign:

- Supports borrower access to international credit markets
- Open dialogue between issuers and creditors help avoid possible policy missteps
- Successful IR distinguishes sovereign issuers from their peers
- Coordination among various government agencies helps ensure consistent policy message
- IR office directs feedback from investing community to policy makers

Benefits of Investor Relations

Benefits to the external creditors and investor community:

- More realistic assessment of creditor risk
- Convenient access to information, IR website serves as one-stop-shop for data and policy information
- Dissemination of data and policy information via a contact list delivers latest news to investor's inbox
- Investors able to develop relationship with IR officer i.e. face of the country

New Directions for Investor Relations

Rapidly changing circumstances for emerging markets and the global financial system warrant consideration for:

- Potential inclusion of financial soundness indicators as a part of IR monitoring
- Increasing interest among developing countries in accessing capital markets

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