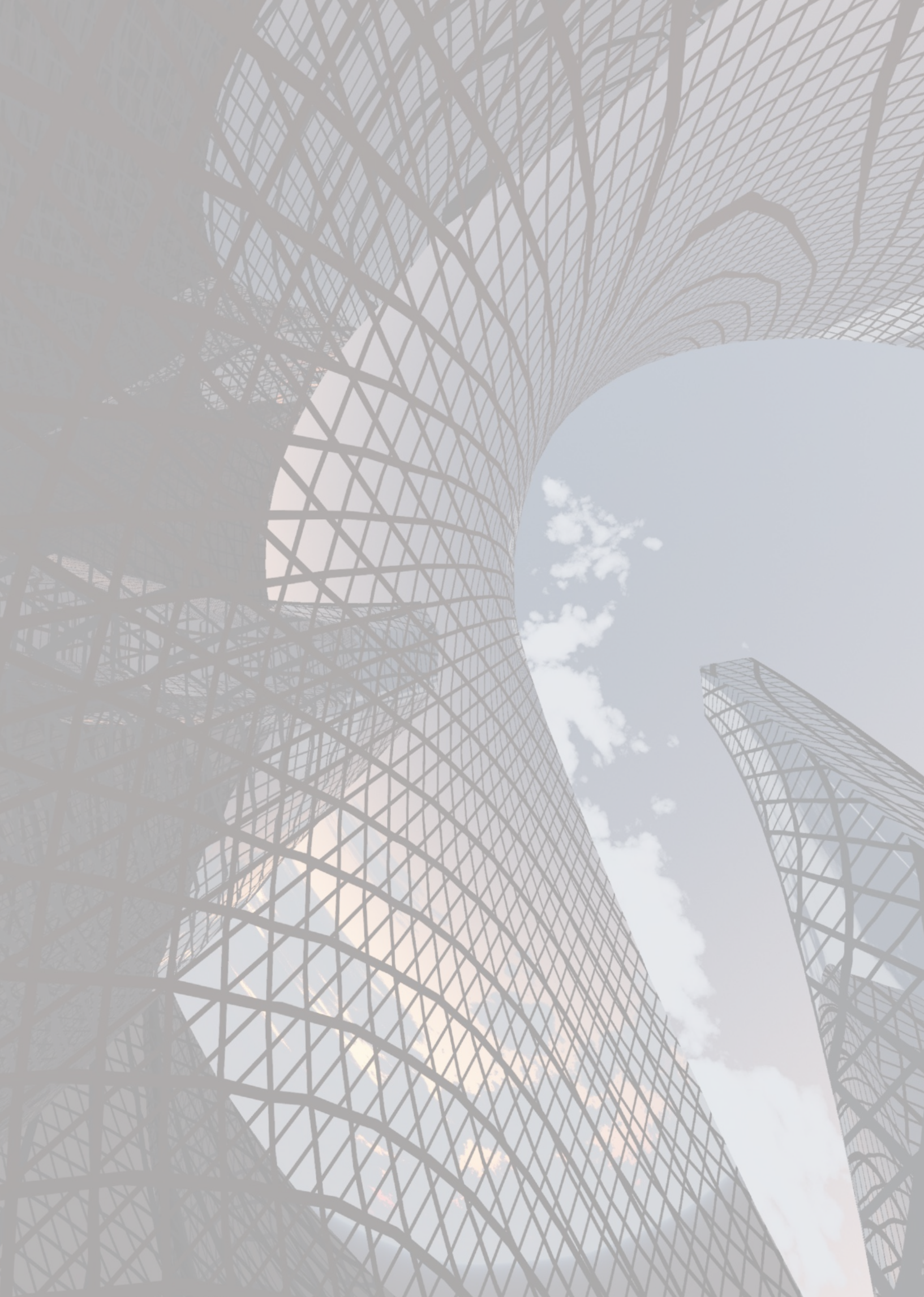


MIDDLE EAST INVESTOR RELATIONS PRACTITIONERS SURVEY 2018



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Welcome to the second edition of the Middle East Investor Relations (IR) Practitioners Survey, produced by the Middle East Investor Relations Association (MEIRA). The first edition, published in September 2017, broke new ground in our region, building a comprehensive picture of the IR community. The 2017 Survey instantly became an important tool to help companies to measure and assess their IR resources and to benchmark the function.

With the promotion of Saudi, Qatar, UAE and Kuwait to Emerging Market status, the structure of the region's equity capital markets is about to be revolutionised. IR is no longer a "nice-to-have" for MENA's listed companies: it is now a pre-requisite to business success. Without it, companies will struggle to remain relevant to local and international investors, and will see nimbler and better-prepared competitors take investment away from them.

This profound change is what makes the 2018 MEIRA IR Practitioners Survey of critical importance to the profession and to the region's capital markets. As the investment landscape – including IR – matures and grows, the measurement of how the function is perceived and managed, and how practitioners are qualified and rewarded, takes on far greater importance.

We would like to thank all the participants for taking part, and to thank our generous sponsors, Hanson Search, for their continued support of the IR Practitioners Survey.

If we take the mean average of answers in the survey, the typical IR practitioner in MENA is an Arabic-speaking man, aged between 35-44, working for a company listed on a regional exchange. He has been in the role for between one and five years, has a Masters or MBA to go with his Bachelor's degree, and manages a team of between one or two people.

But, of course, averages hide a world of diversity and difference. Women make up 40% of practitioners; the market cap of the companies they represent ranges from under \$100 million to more than \$10 billion, and they are listed on fourteen different exchanges or combination of exchanges. The experience they bring to the role ranges from one to more than ten years.

The diversity of the IR community mirrors the diversity of the companies they represent; but in other ways, the range of responses is a function of the growth of IR: as more companies adopt IR, so there will be greater variety in practitioners, compensation, KPIs and structure. We should expect increasing alignment in future years as the industry continues to grow and mature.

In some areas this alignment is becoming apparent in the new survey. The responsibilities of the IR professional, and the KPIs by which they are measured, indicate a sector-wide shift towards the function taking an active and hands-on management role of how the company presents itself and communicates with all the stakeholders of the investment universe.

By contrast, one of the areas with the widest spread of answers was the job titles of our respondents. The 26 different job titles cited reflect the range of seniority of respondents, of course; but perhaps they also reflect a continuing lack of clarity as to the status of the function. This might also explain their range of reporting lines: our respondents report to 13 different managers.

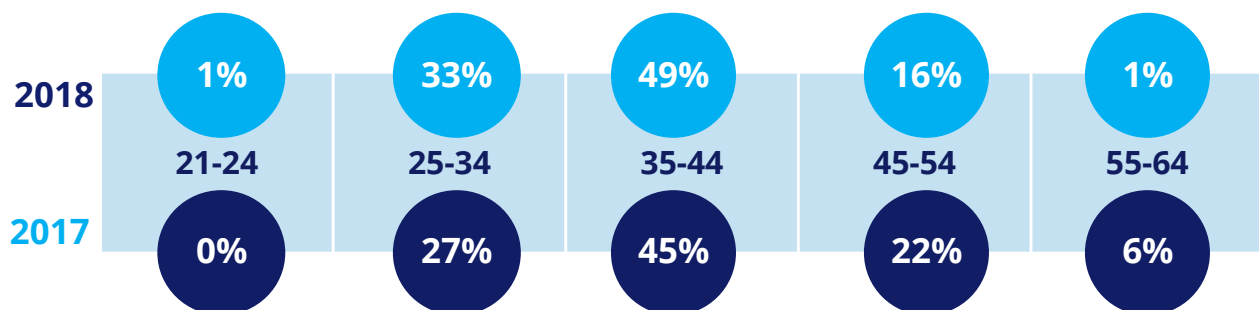
There is less uncertainty when it comes to the value of the IR role. The percentage of respondents saying they play a strategic role in their firm remains high (86%) while the number feeling valued by management has increased from 73% to 81%.

The high-value nature of the function is supported by the fact that firms are investing in IR: 31% of respondents report that they are planning to grow the size of the function (up from 23% in 2017), while 41% saw an increase in budget since 2017.

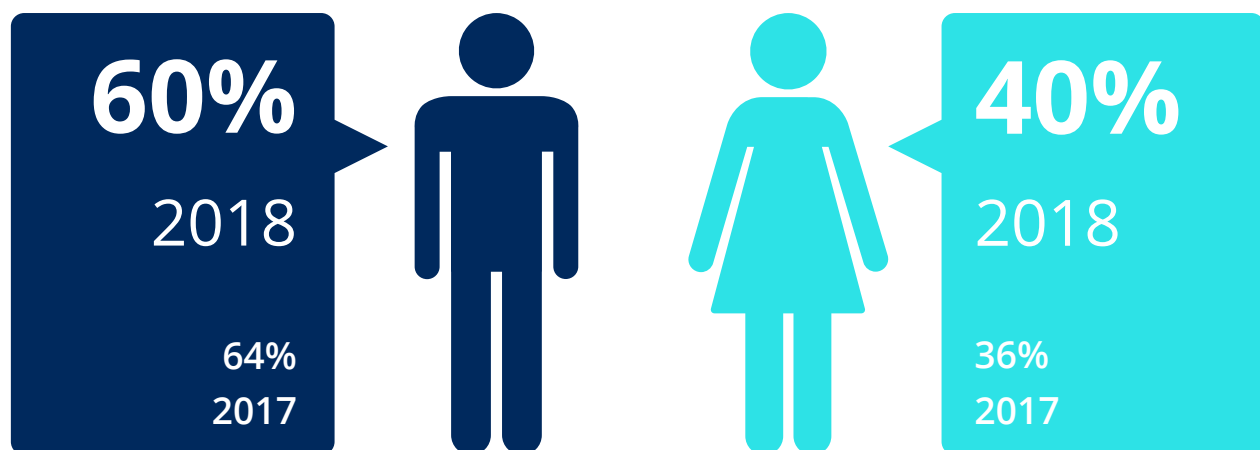
The survey presents a fascinating snapshot of a community that is growing, enjoys the trust and investment of the C-Suite and Board, is responsible for an increasing amount of critical activity, and feels confident about the future. As the MENA region's capital markets continue to grow and mature, the IR community has every reason to look to the future with optimism.

Men still dominate the profession, with the male to female ratio of respondents improving from 2017 at 60:40. The 25-34 years old age group has shown a meaningful increase over last year (27% - 33%), which is a promising sign of investment and growth in the function. This is echoed in the change in experience shown: those with 1-5 years' experience have grown from last year (38% in 2017, 46% in 2018), and by the fact that 11% have only ever worked in IR, as opposed to having moved there from another profession. More companies are investing in training young professionals in IR.

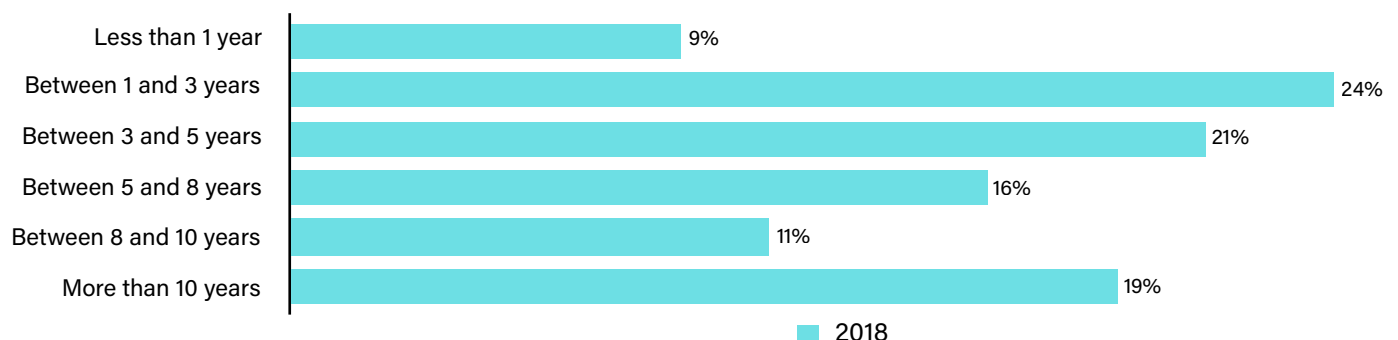
Age Group



Gender

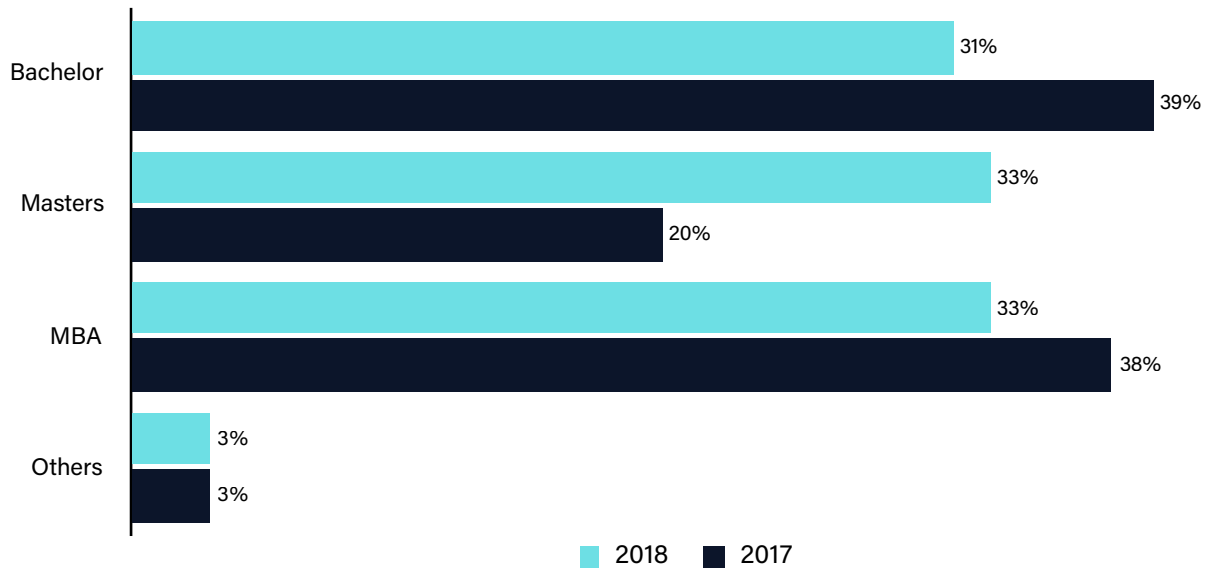


Years of experience in IR

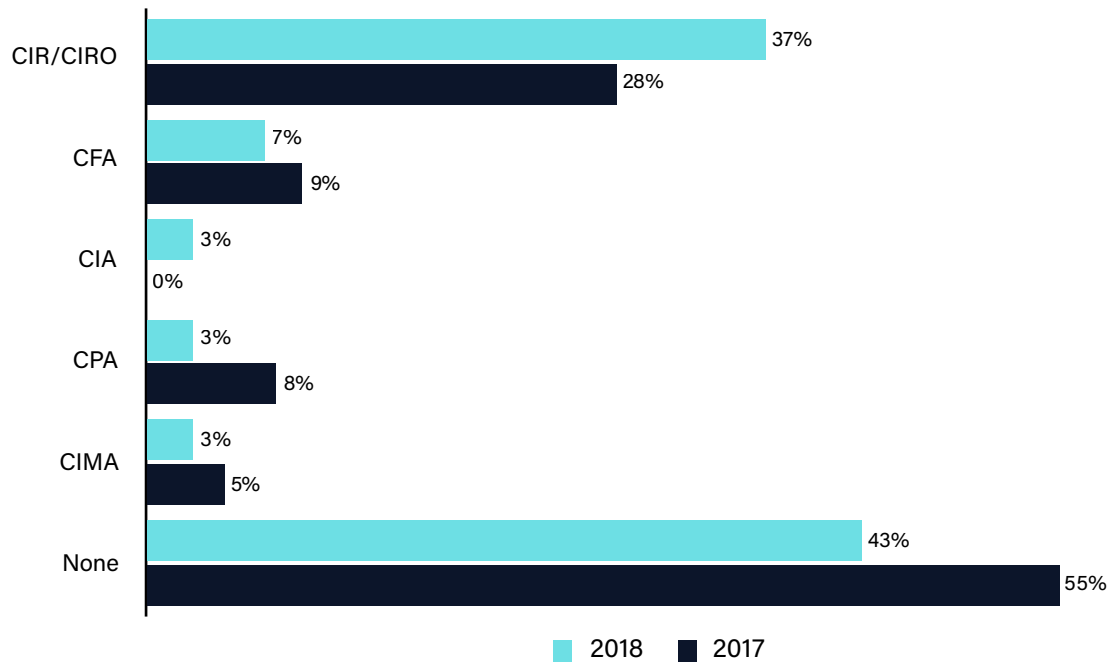


Possession of a formal qualification has risen from 45% to 57%, and while the size of population with no qualification is high (43%), this has decreased from 2017 when 55% had no formal qualification. The most common professional certification is the CIR or CIRO, held by 37% of respondents (28% in 2017). MEIRA membership remains high, with 67% being members of the association this year, compared with 63% in 2017.

Education background



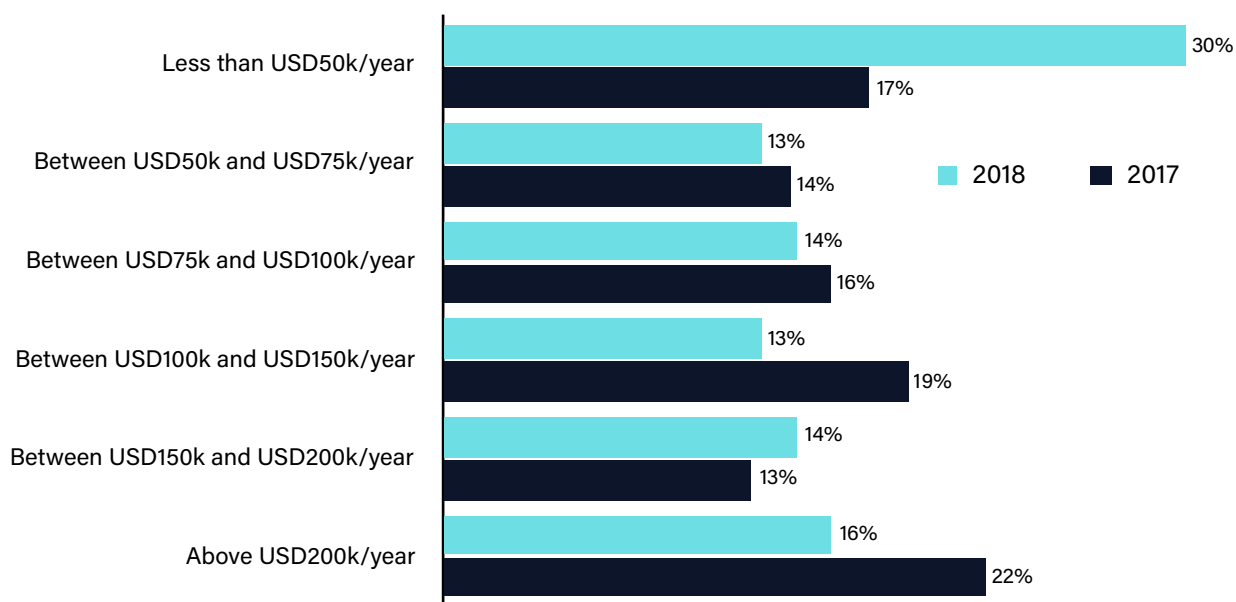
Professional certifications



The compensation structure of our respondents is revealing: the salary range reflects both a growing number of entry-level respondents, along with a greater number of respondents from smaller-cap firms, with the proportion earning under \$50,000 per annum rising from 17% to 30%.

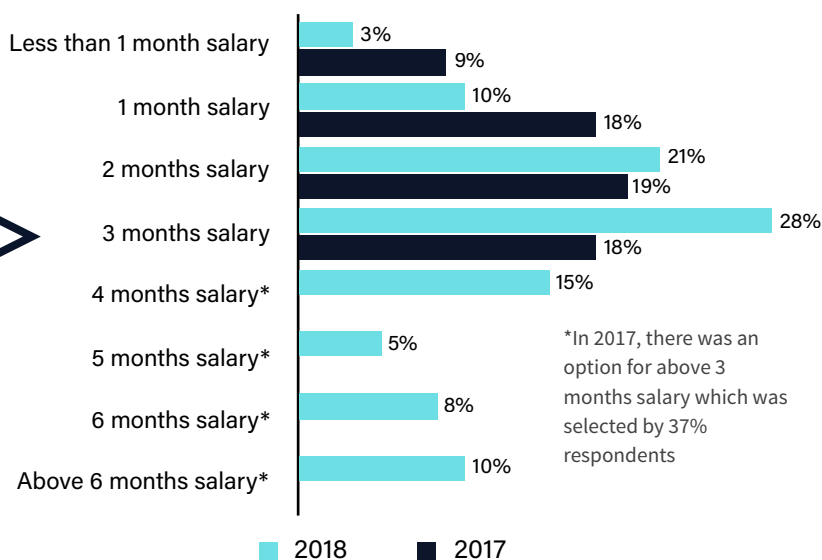
But the value of the function is reflected in the increased bonuses they earned: 66% received a bonus equivalent to three months' salary or more in 2018, rising from 54% in 2017. At the other end of the scale, those receiving one month's salary or less as a bonus decreased from 27% to 13%.

Basic salary



How much was your latest annual bonus?

87% HAVE AN ANNUAL BONUS

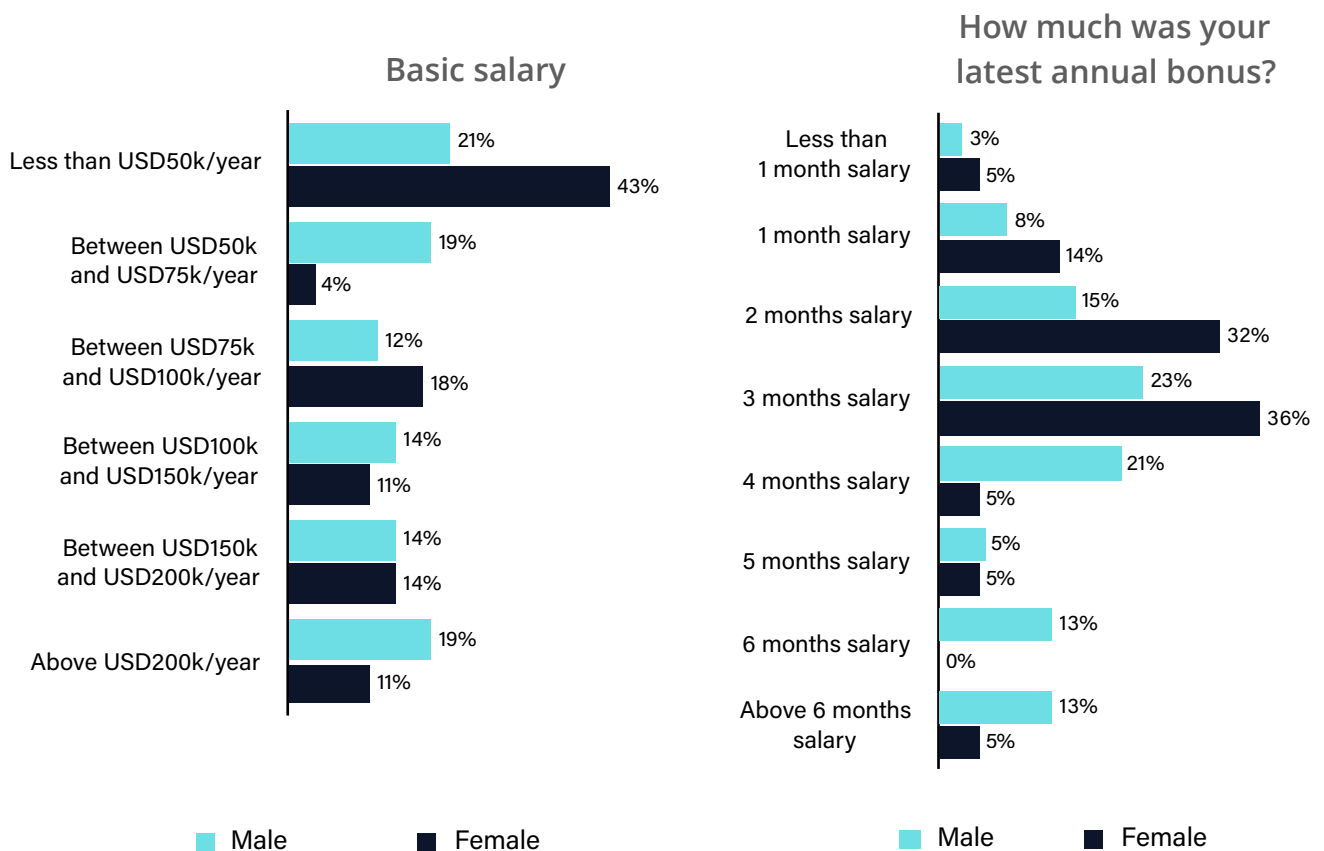


As gender pay has risen to the top of the business and political agenda around the world, the IR community needs to be fully aware of its own ranking in this regard.

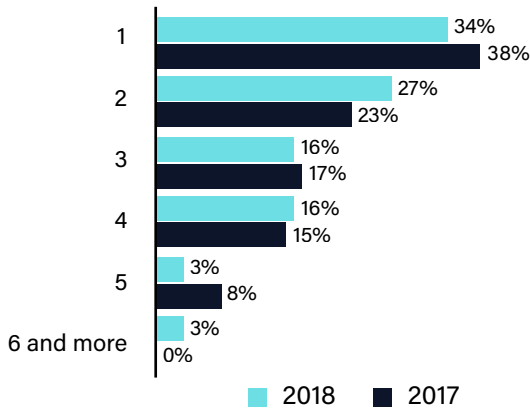
Globally, the profession remains a male-dominated one, according to the latest BNY Mellon Global IR Survey, with 71-29% male-female split globally. The regional split of 60-40% reflects well in this sense. Globally, BNY Mellon reported a gender pay gap of 31%, meaning that men are, on average, paid 31% more than women. While we did not collect this kind of absolute data for MENA, the large majority of women in the region were paid less than \$50,000 per year (43% vs 21% of men in this bracket). By contrast, men significantly outnumbered women earning \$50-75,000 (19% vs 4%). For other salary bands, the difference was minimal.

It was in the annual bonus that the biggest gender pay gap appeared, with far more men being paid four months salary or more as a bonus than woman (52% vs 15%).

In a recent study (“Delivering Through Diversity”, Jan 2018) McKinsey revealed that companies in the top-quartile for gender diversity on executive teams were 21% more likely to outperform on profitability. A continuing gender pay gap could not only deter talented women from entering the profession in future, it could impact the performance of the function, and is an issue for all practitioners to be aware of and to take action on.



How many people are in the IR team?



100% OF SURVEYED IR TEAMS ARE PLANNING TO GROW OR STAY THE SAME IN THE NEXT 12 MONTHS

The majority of teams have one or two people (61% vs 60% in 2017), and those with five or more still are too few to be material (6% vs 8% in 2017).

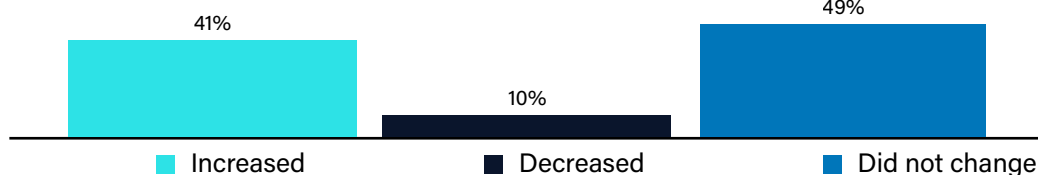
The high-value nature of the function is supported by the fact that firms are investing in IR: 31% of respondents report that they are planning to grow the team (up from 25% in 2017), while 41% saw an increase in budget since 2017.

The spread of budgets remains similar to 2017, with 53% having less than \$50,000 per year compared to 48% last year, and 20% spending more than \$200,000 per annum on IR, compared to 22% in 2017.

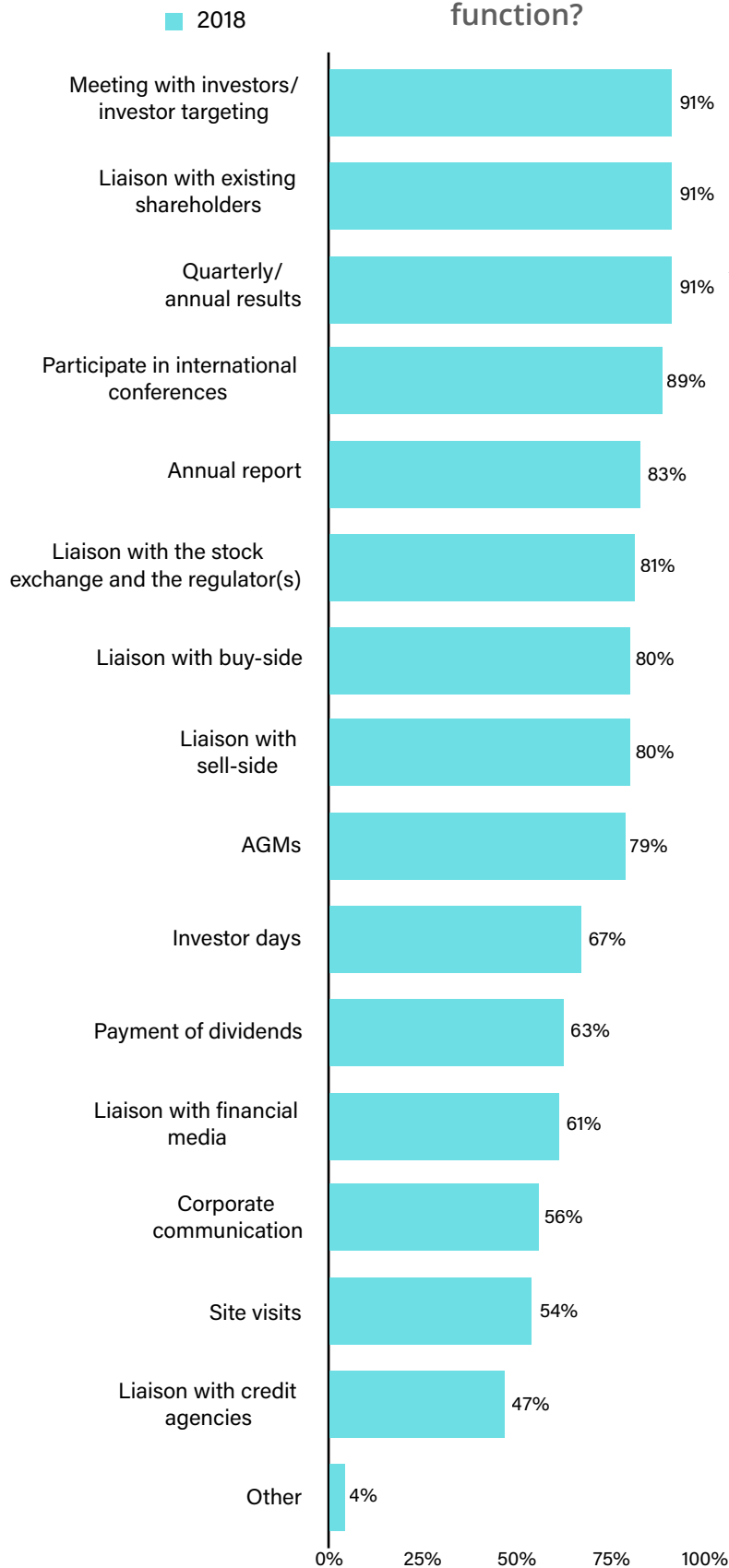
What is your department budget?



Has the budget evolved compared to last year?



What is the scope of responsibility of the IR function?



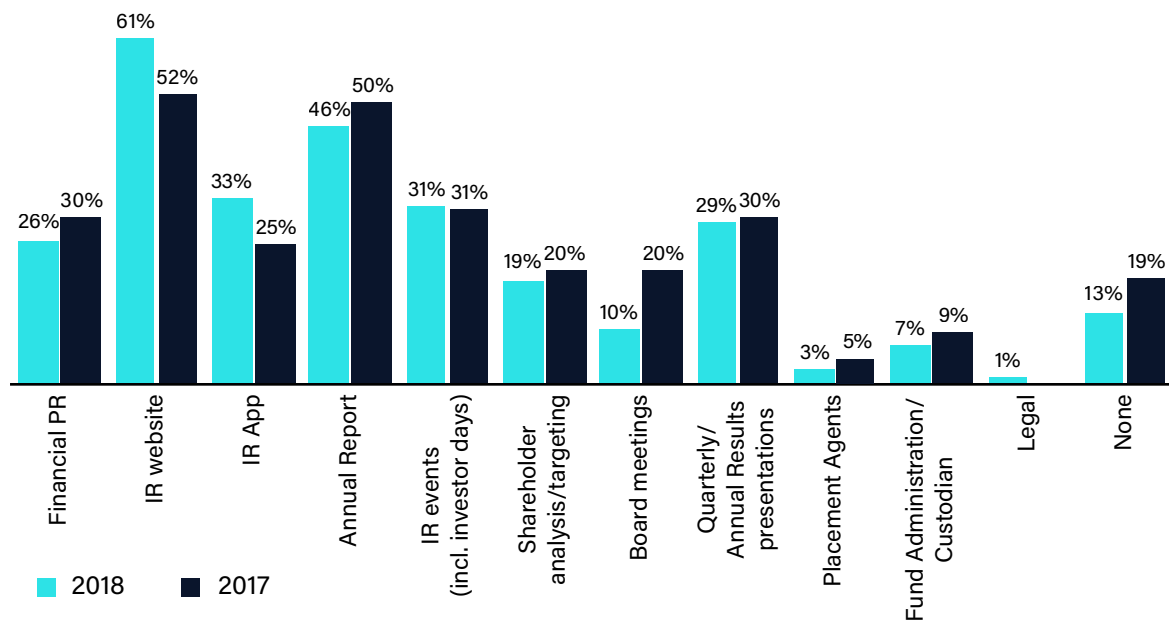
61% OF SURVEYED IR PRACTITIONERS TRAVEL LESS THAN 10% OF THEIR TIME

All respondents report to senior management and/or the Board. Their scope of responsibilities reveals some subtle but important changes on 2017: the number listing “liaison with existing shareholders” rises from 81% to 91%; Liaison with the exchange and regulators rises from 67% to 81%. AGMs are now the responsibility of 79% of respondents, compared to 66% last year, while payment of dividends is now managed by IR for 63% vs 38% in 2017.

This change in responsibility indicates the function taking on more ownership and responsibility for the firm’s relationship with the whole investment infrastructure.

External service providers are an important part of any IR strategy, and the scope of outsourced functions is wide. Tellingly, the number of respondents saying they do not outsource fell from 19% in 2017 to 13% this year. Clearly, outsourcing is on the rise. The two most commonly outsourced tasks are the same as in 2017: the IR website and the annual report, with 61% and 46% respectively outsourcing these (52% and 50% in 2017). The biggest changes came in Board meetings (a fall from 20% to 10%) and the IR App (a rise from 25% to 33%).

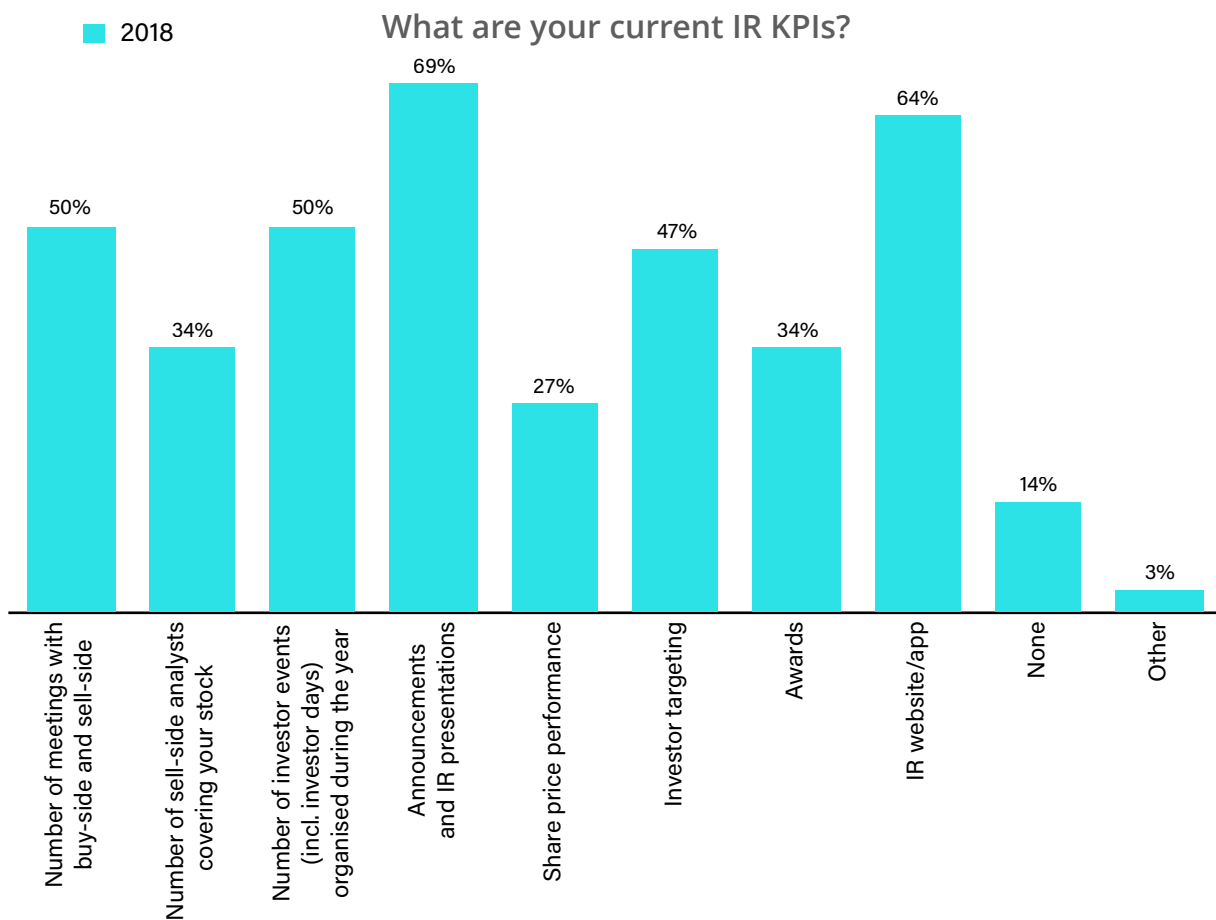
What type of external service providers are you using?



The changing nature of the KPIs by which IR professionals are measured tells a fascinating story. The most common KPI in 2018 is announcements and presentations, cited by 69% as a key performance indicator. This is a fundamental and welcome development: the IR function is now (as it certainly should be) responsible for the way in which the company presents itself to its stakeholders.

Other changing KPIs include:

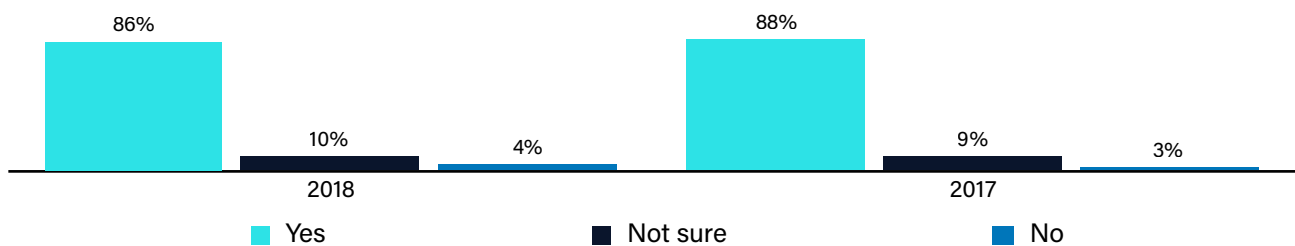
64% are now measured on the IR website and app (55% in 2017); while the proportion assessed on share price performance falls from 38% to 27%. This too is significant, and it shows a deeper understanding and appreciation of what IR can and cannot achieve.



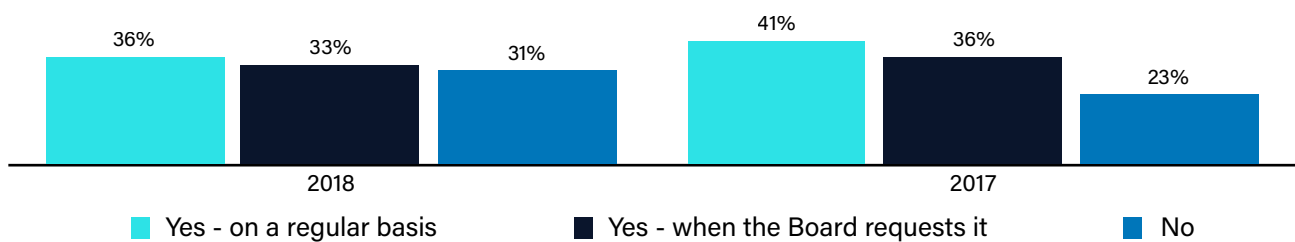
The sense of value and worth of the profession has remained little changed over the past year, with the great majority seeing their role as strategic and management valuing the function highly. It is when asked about the perception of the Board that respondents become less confident: access to the board has fallen, with almost a third now having none; while the value placed by the Board on the function has also dipped slightly (from 61% to 59%).

IN 2018 **81%** FELT THAT THE IR FUNCTION WAS VALUED BY THEIR MANAGEMENT BUT ONLY **59%** BY THE BOARD.

Do you think your role is a strategic role within the company?



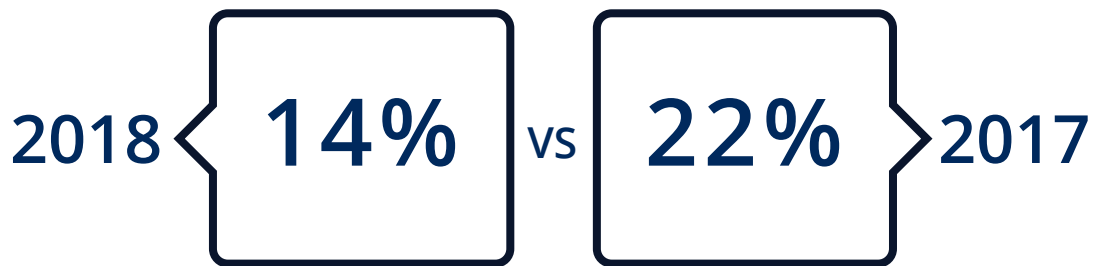
Do you have access to your Board of Directors?



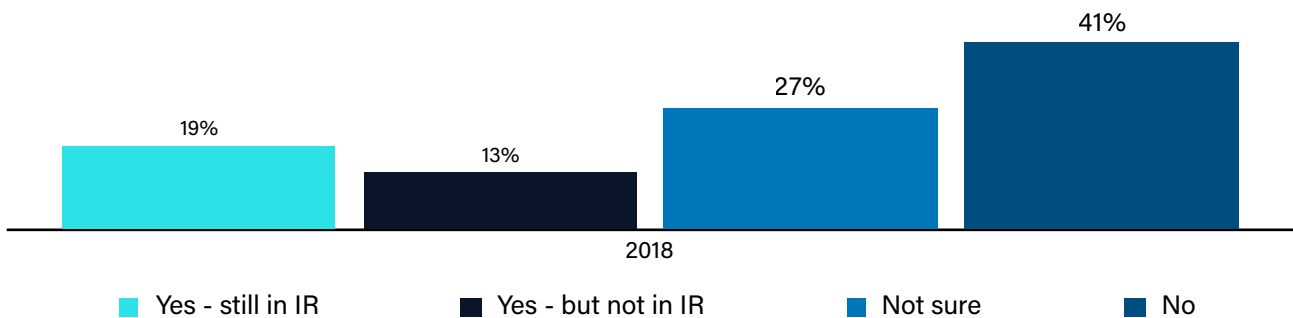
There is a growing sense of security and job satisfaction among our respondents. Just 14% are concerned about job security, compared to 22% in 2017, while more than 30% are looking to change role in the next 12 months.

This sense of confidence has several sources: more companies are undertaking IR programmes and building IR teams; the region's exchanges and governments are being very supportive of the function; and as this survey shows, the function is highly valued and appreciated.

IR practitioners concerned about their job security



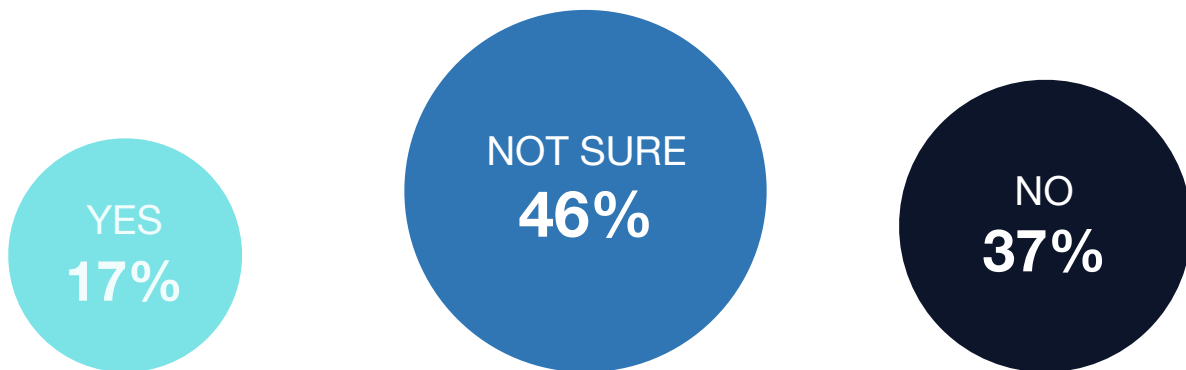
Are you looking to change role in the next 12 months?



MIFID II, the European Union directive covering the investment industry, has caused a major transformation of the industry in the West, whose effects are still being worked through. 17% of respondents said the regulation has impacted their role, but perhaps more telling than this is the fact that 46% are unsure as to the impact.

What is certain is that the ripples from MIFID II will continue to impact the regional IR sector, and practitioners need to familiarise themselves with the fallout that is coming.

Has the new MIFID II regulation impacted your role?



"We see lower corporate access and lower research coverage. Engagement with investors has to be more direct from now on."

"With MIFID II, investor relations has become a more proactive role as opposed to a reactive role when it comes to engaging with existing and potential investors."

Methodology

98 individuals completed an online survey from June 1st to July 20th, 2018. All participants were IR practitioners (i.e. individuals leading on or supporting investor relations within their organisation, such as Head of IR, IR team members, CFO, representatives of the Finance function, etc).

Participants were working for companies from the following countries: Bahrain, Egypt, Jordan, Kuwait, Lebanon, Oman, Palestine, Qatar, Saudi Arabia and United Arab Emirates (UAE).

This report reflects the results from the 98 surveyed practitioners and do not represent the market in general.

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The Middle East Investor Relations Association (MEIRA) is an independent non-profit organisation dedicated to promoting the Investor Relations (IR) profession and industry standards in corporate governance. The mission of MEIRA is to enhance the reputation, efficiency and attractiveness of the Middle East capital markets.

This involves a commitment to fostering increased dialogue among its members and to encourage them to share and adopt best practice techniques within the field of IR. In partnership with stock exchanges, regulators and other market participants, MEIRA supports companies through its professional development and certification programmes as well as its membership community and network of country chapters.

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