INVESTOR RELATIONS AS PART OF THE CORPORATE GOVERNANCE SYSTEM

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Introduction. Investor Relations (IR) is considered as relation governance between a company, current and expected shareholders to help them understand clearly and attract them to invest in the companies. In some companies, investor relations is managed by the public relations or corporate communications departments, and can also be referred to as "financial public relations" or "financial communications." A company's IR department serves as a bridge for providing market intelligence to internal corporate management.

The Need for IR Departments

The Sarbanes-Oxley Act, also known as the Public Company Accounting Reform and Investor Protection Act, was passed in 2002, increasing reporting requirements for publicly traded companies. This expanded the need for public companies to have internal departments dedicated to investor relations, reporting compliance and the accurate dissemination of financial information.

Companies normally start building out their IR departments before going public. IR departments can help establish corporate governance, conduct internal financial audits and start communicating with potential IPO investors. For example, when a company goes on an IPO road show, it is common for some institutional investors to become interested in the company as an investment vehicle. Once interested, institutional investors require detailed information about the company, both qualitative and quantitative. To obtain this information, the company's IR department is called upon to provide a description of its products and services, financial statements, financial statistics and an overview of the company's organizational structure.

Targets of IR:

- Efficient mutual communication between companies and shareholders and attraction of investors;
- True evaluation of company’s value;
- Attraction of finance resources etc.

IR teams are typically tasked with coordinating shareholder meetings and press conferences, releasing financial data, leading financial analyst briefings, publishing reports and handling the public side of any financial crisis.

Conclusion. IR departments have to be aware of the changing regulatory requirements, and advise the company on what can and cannot be done from a PR perspective. For example, IR departments have to lead companies in quiet periods, where it is illegal to discuss certain aspects of a company and its performance.

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