

Comparative Analysis of Investor Communication Practices in Listed Companies

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Abstract

Financial communication is essential for any organization, regardless of its field of activity or size. This complex process involves the transmission of relevant financial information to various stakeholders, including investors, shareholders, financial analysts and regulators. To ensure effective communication, economic entities and financial specialists use a diverse range of indicators and tools. One such indicator is Vektor, which plays a crucial role in evaluating and interpreting the financial performance of an organization.

In this article, we aim to study two economic entities in the field of production and supply of electricity and thermal energy, gas, hot water and air conditioning. The choice of the two entities is due to the importance and significant impact these companies have on society and the economy as a whole. These types of companies are essential for providing the energy and services required in various sectors such as industry, residential and commerce, playing a vital role in the development and functioning of modern society.

Key words: financial communication, indicators, financial performance, impact

J.E.L. classification: A11, F64, Q56

1. Introduction

Within any economic entity, financial communication and the structure of financial-accounting information play an important role in ensuring transparency, understanding and evaluation of their financial performance and has the role of " increasing the notoriety and credibility of the company, in order to attract investors " (Avram, A. et al., 2017). Salvioni DM (2002) believes that financial communication "can be an intangible asset of primary importance for corporate development". Because these companies have complex operations, involving the management of resources, infrastructure and supply, financial communication aims to "support and, above all, strengthen the market value and prospects of the company, but also its credibility with shareholders and investors" (Avram, 2017).

By analyzing the structure of financial-accounting information within these entities, we can identify how they report their financial performance, including aspects such as revenues, expenses, investments and operational efficiency. Thus, we can assess to what extent the current financial communication is effective and understood by the various stakeholders, such as owners or employees of other entities, on the one hand, and, on the other hand, the financial institutions that provide the necessary capital for the entity (Avram, 2005) and we can identify the possible improvements needed to optimize the financial communication process.

Through this approach, our study aims to bring practical solutions to increase the efficiency of financial communication within companies in the production and supply of electricity and thermal energy, gas, hot water and air conditioning. Our approach can also help increase transparency, trust and support from investors and other stakeholders, thus strengthening the financial performance and competitive positioning of these companies in the market.

2. Theoretical background

Effective communication with investors is a crucial aspect in the business and financial markets environment. Companies, especially listed ones, need to be transparent, provide relevant information and establish strong relationships with investors to gain trust and support in their continued development. In this context, the VEKTOR indicator is a valuable tool that facilitates the evaluation and improvement of companies' communication performance.

The VEKTOR indicator is a tool developed by the Romanian Investor Relations Association (ARIR) in collaboration with the Bucharest Stock Exchange. It assesses the quality of companies' communication with investors and provides an objective framework for analyzing and comparing their communication performance. The VEKTOR indicator is based on several criteria, including transparency, information accessibility, financial communication, sustainability reporting and interaction with investors. By evaluating these key aspects, the VEKTOR indicator provides a comprehensive insight into the communication performance of companies and identifies strengths and possible areas for improvement.

The Vektor 2021 indicator analyzes 15 indicators grouped into 6 categories as follows: investor relations, corporate governance, proactive approach in investor relations, interactive tools, coverage by financial analysts and sustainability.

3. Research methodology

To carry out this study, we selected two companies in the field of production and supply of electricity and thermal energy, gas, hot water and air conditioning, to analyze their financial performance and communication with investors. We have chosen to focus on the period 2019-2022, in order to obtain a relevant picture of the evolution of these companies over a significant period of time.

To obtain the necessary data, we took into account the VEKTOR reports available for these two companies, during the mentioned period, which we analyzed in order to identify the relevant indicators for the financial communication and performance of the companies. We examined criteria such as transparency, information accessibility, financial communication, sustainability reporting and interaction with investors.

In order to gain a deeper understanding of the results, we interpreted the data and performed comparative analyzes between the two studied societies. We highlighted the strengths and weaknesses of financial communication and identified possible improvements needed to increase the effectiveness of communication and financial performance of these companies.

Brief history of the National Company SN NUCLEARELECTRICA SA

Founded in 1998, Societatea Națională SN NUCLEARELECTRICA SA (SNN) is a reference company in the energy industry, specialized in the production of nuclear energy and the supply of fuel for CANDU 6 technology. In October 2013, SNN became listed on the Bucharest Stock Exchange, by offering a share package representing 10% of the company's share capital. This strategic move strengthened SNN's position and brought significant benefits to the financial market. The company is headquartered in Bucharest and has two key branches in Romania. The Cernavodă Nuclear Power Plant represents one of SNN's most important assets, operating Units 1 and 2 and generating both electricity and thermal energy. Both units have a capacity of 700 MWe and use natural uranium and heavy water as fuel and moderator, respectively coolant, all produced in Romania. The Pitesti Nuclear Fuel Factory, the second branch, is a qualified producer of CANDU 6 nuclear fuel and ensures the operating needs of Units 1 and 2 at CNE Cernavodă. Through the two units in operation, SNN contributes approximately 20% to Romania's total energy production from nuclear sources. The operational performances of these units have been recognized internationally, and together with the capacity factor of Units 1 and 2 from CNE Cernavodă, they are in the top 20 nuclear units out of the 436 existing globally.

Brief history of CNTEE Transelectrica SA

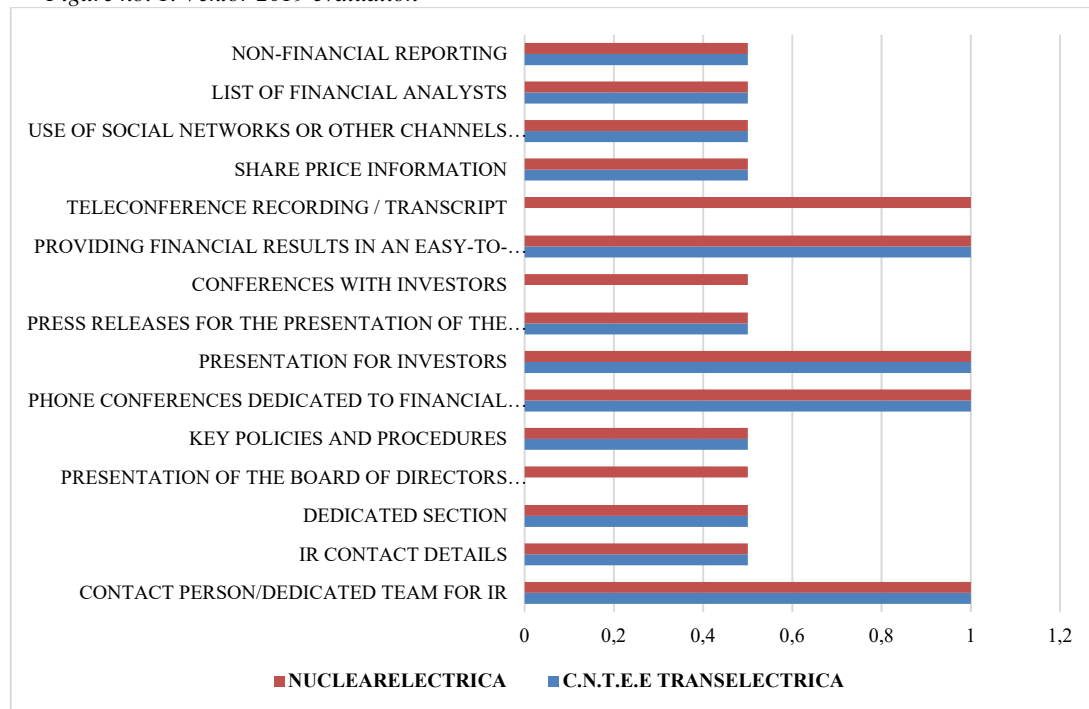
CNTEE Transelectrica SA is a strong company recognized nationally and internationally, having a strategic role on the electricity market in Romania and an important presence on the regional market. Transelectrica plays an active role in the national security strategy by providing the necessary infrastructure for the operation and development of the electricity market in the country. As a Transport and System Operator, Transelectrica has the responsibility to ensure the safety of the national electric power system (SEN) and to constantly improve the technological performance and adequacy of the electric transmission network (RET), respecting quality standards and guaranteeing non-discriminatory access and equidistant to the electricity transmission network for all market participants.

Transelectrica holds the position of natural monopoly on the Romanian electricity market and was the first company with majority state capital listed on the Bucharest Stock Exchange under the program "A strong market - Development of the capital market". Since its listing in August 2006, Transelectrica's shareholding structure has undergone changes, and currently, the Romanian state owns 58.69% of the shares, while other shareholders own 41.31% of the share capital. As a first for a company with majority state capital, Transelectrica issued corporate bonds in December 2013, worth 200 million lei, which were traded on the domestic capital market at the beginning of the current year. Regarding the relationship with investors, Transelectrica's strategy aims to increase the added value for shareholders by increasing the share and dividend values, as well as maximizing the invested capital. The company's efforts were recognized by the rating agency Moody's Investors Service, which maintained Transelectrica's rating at the Ba2 level and upgraded the outlook from "negative" to "stable".

4. Findings

In Figure no. 1, we presented the evaluation of the Vektor indicator related to the year 2019. Each criterion addressed can have the value of 0 points, 0.5 points or a maximum of 1 point.

Figure no. 1. Vektor 2019 evaluation



Source: own processing

In terms of investor relations (IR), both companies score highly for having a dedicated investor relations contact person or team, reflecting the importance they place on interacting with investors. Both companies also score 0.5 for providing IR contact details, indicating that they provide information needed to contact the IR department.

Regarding corporate governance, both CNTEE TRANSELECTRICA and SN NUCLEARELECTRICA SA score 0.5 for having a section dedicated to corporate governance in their financial reports. This indicates both companies' commitment to transparency and informing investors about the management structure and key policies.

When it comes to the proactive approach in investor relations (IR), both CNTEE TRANSELECTRICA and SN NUCLEARELECTRICA SA achieve maximum scores in indicators such as telephone conferences dedicated to financial results and the presentation of these results to investors. This communication indicates the companies' efforts to ensure that investors receive up-to-date and relevant information about financial performance.

In terms of interactive IR tools, both companies score highly in providing financial results in an easy-to-process format, reflecting their commitment to providing accessible and understandable financial information to investors. SN NUCLEARELECTRICA SA obtains maximum score in the recording of teleconferences or their transcripts, indicating the availability to access these resources. At the same time, both companies score 0.5 for providing stock price information and using social media or other channels for IR news.

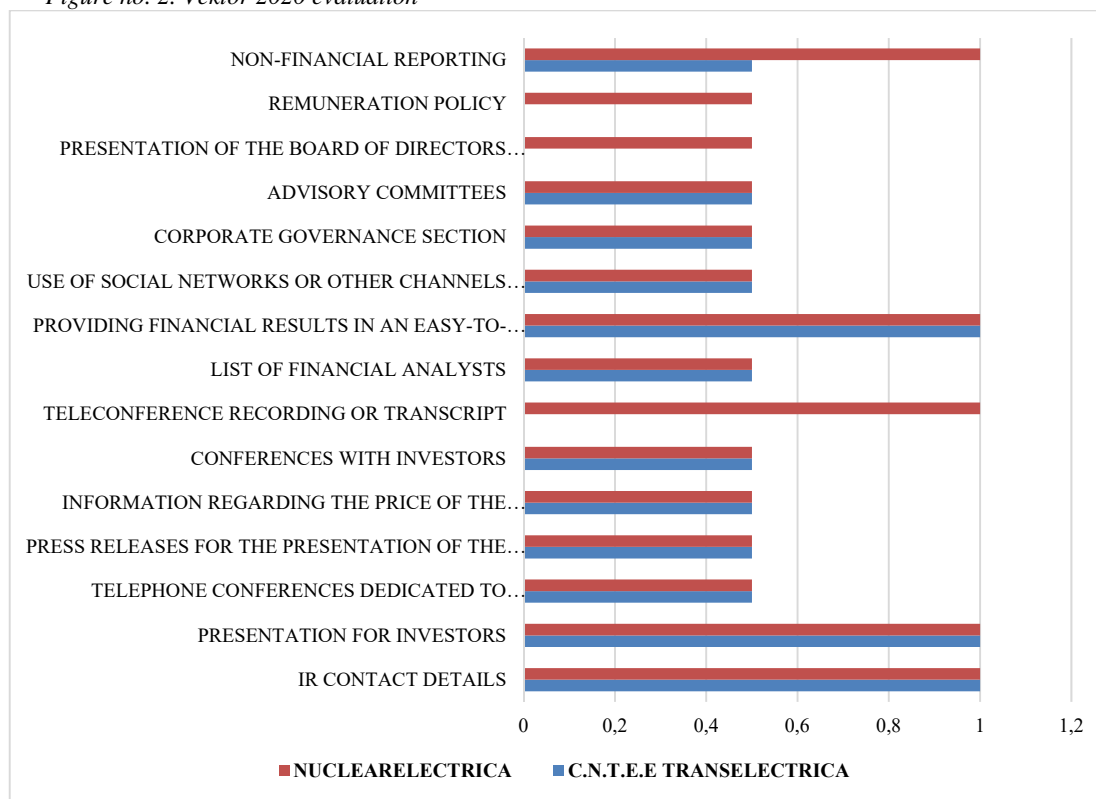
Regarding the provision of information by financial analysts, both companies score 0.5 for having a list of financial analysts. This aspect indicates that the two companies are aware of the importance of providing information, by financial analysts, relevant to them.

Regarding sustainability, both CNTEE TRANSELECTRICA and SN NUCLEARELECTRICA SA score 0.5 for non-financial reporting. This indicates the commitment of both companies to provide information about the impact of their activity on social and environmental aspects.

In conclusion, the analysis of the relevant indicators in 2019 for CNTEE TRANSELECTRICA and SN NUCLEARELECTRICA SA shows that both companies have solid approaches in terms of investor relations, corporate governance and proactive approach in IR. There are, however, aspects where there is room for improvement, such as the presentation of relevant information, both financial and non-financial, to the board of directors and executive management for SN NUCLEARELECTRICA SA or the organization of investor conferences for CNTEE TRANSELECTRICA. By developing these aspects and strengthening financial communication practices, companies can strengthen investor confidence and provide clearer and more relevant information for evaluating their financial performance.

Figure no. 2 presents the Vektor 2020 indicator which analyzes 15 indicators grouped into 5 categories as follows: investor relations, proactive approach in IR, interactive IR tools, corporate governance, sustainability.

Figure no. 2. Vektor 2020 evaluation



Source: own processing

Regarding investor relations, both companies (CNTEE TRANSELECTRICA and SN NUCLEARELECTRICA SASA) have maintained consistency in providing IR contact details, investor presentations, press releases for financial results and share price information. This indicates a continued focus on investors and a desire to ensure easy access to relevant information. Compared to previous years, this stability in the presentation of indicators suggests a consistent and consolidated approach in the relationship with investors.

Regarding the proactive approach in IR, both companies (CNTEE TRANSELECTRICA and SN NUCLEARELECTRICA SA) have maintained the level of investor conferences, recording of conference calls or transcripts and the list of financial analysts. This suggests a sustained effort to engage with investors and facilitate access to financial information and analysis. Compared to previous years, there is a continuity in the adoption of these practices, which may indicate a stable strategy in the proactive approach to investor relations.

Regarding interactive IR tools, both companies (CNTEE TRANSELECTRICA and SN NUCLEARELECTRICA SA) maintained the provision of financial results in an easy-to-process format and the use of social networks or other channels for IR news. This suggests a continued focus on adapting to investor demands and using modern technologies to ensure efficient and accessible communication. Compared to previous years, a stability is observed in the presentation of these indicators, which indicates a consolidation of these practices and an adaptation to changes in the business environment.

Regarding corporate governance, both companies (CNTEE TRANSELECTRICA and SN NUCLEARELECTRICA SA) maintained a section dedicated to corporate governance and advisory committees. However, there is a significant difference in the presentation of information to the board of directors and executive management, where SN NUCLEARELECTRICA SA scores higher. This may indicate an increased effort by SN NUCLEARELECTRICA SA to highlight the role and contribution of management in the decision-making process. Regarding the remuneration policy, SN

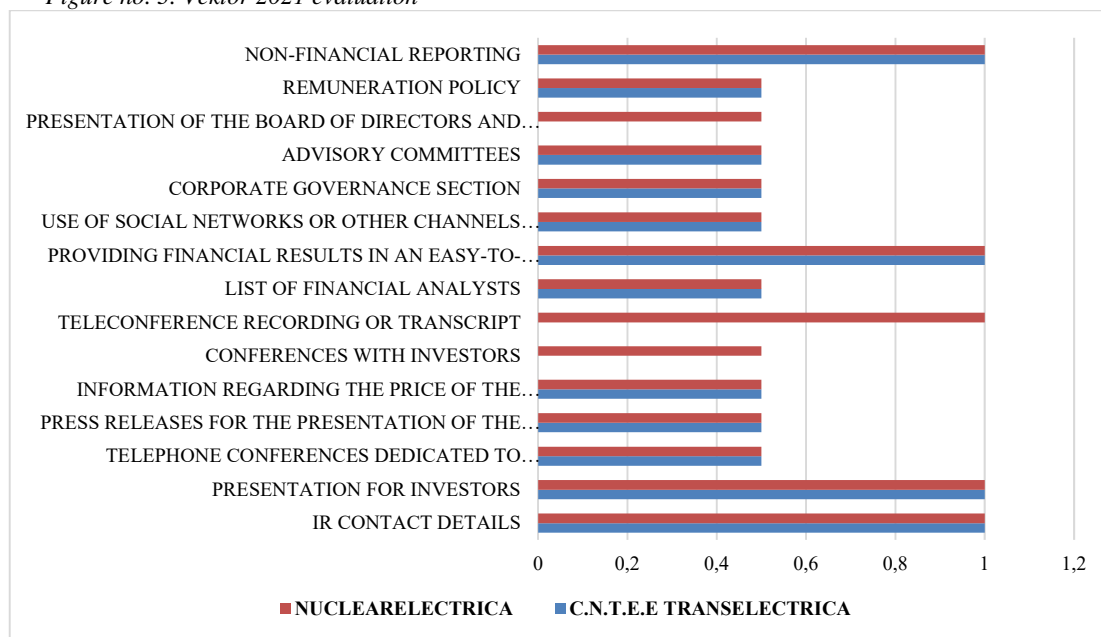
NUCLEARELECTRICA SA obtains a higher score, suggesting greater transparency and concern regarding the remuneration policy of employees and management.

Regarding sustainability, SN NUCLEARELECTRICA SA obtains a higher score for non-financial reporting compared to CNTEE TRANSELECTRICA. This suggests a more pronounced concern of SN NUCLEARELECTRICA SA for non-financial aspects and integrated reporting such as environmental impact and commitment to sustainable development. Compared to previous years, SN NUCLEARELECTRICA SA demonstrated an increase in this indicator, giving increased interest in the responsible management of its impact on the environment and the communities in which it operates.

The analysis of the relevant indicators in 2020 for CNTEE TRANSELECTRICA and SN NUCLEARELECTRICA SA in terms of investor relations, proactive approach in IR, interactive IR tools, corporate governance and sustainability shows an evolution and consolidation of these companies in their financial communication and transparency. Although there are some differences between the two companies in certain aspects, both show an increased interest in improving the relationship with investors and providing relevant and accessible information. By comparing the current results with those of previous years, we can observe a continuity and an adaptation to the changes in the business environment, indicating a stable approach and a consolidated strategy in financial communication. These developments suggest that both companies have understood the importance of effective and transparent communication with investors and are committed to constantly improving their financial communication and corporate governance practices to ensure the trust and satisfaction of investors and other stakeholders.

As in 2020, the Vektor 2021 indicator analyzes 15 parameters grouped into 5 categories as follows: investor relations, proactive approach in IR, interactive IR tools, corporate governance, sustainability, presented in Figure no. 3.

Figure no. 3. Vektor 2021 evaluation



Source: own processing

In terms of IR contact details and investor presentation, both companies get maximum scores, 1 point, indicating the existence of a well-structured communication channel and investor presentations. This is an essential practice in financial communication and demonstrates the companies' commitment to transparency and accessibility.

Conference calls dedicated to financial results and press releases to present financial results are important assessments in financial communication. Both companies score 0.5 points, reflecting the existence of such events and information materials. These practices allow investors to be informed

in a timely manner about the financial evolution of companies and to better understand the context in which they operate.

For share price information, both companies score 0.5 points. This shows that the two companies provide relevant and up-to-date information on share price developments, which is essential for investors in their decision-making process.

Investor conferences are an important aspect of taking a proactive approach to investor relations. CNTEE TRANSELECTRICA obtains 0 points, indicating an absence in the organization of these conferences. In contrast, SN NUCLEARELECTRICA SA gets 0.5 points, suggesting that it involves its investors in such events. This aspect represents an opportunity for CNTEE TRANSELECTRICA to improve its financial communication and create a more direct interaction environment with its investors.

Recording or transcribing conference calls is a valuable practice in financial communication, allowing investors to access the information discussed in the conference calls. SN NUCLEARELECTRICA SA gets 1 point, indicating the existence of these records, while CNTEE TRANSELECTRICA gets 0 points, suggesting that it does not provide such resources.

The list of financial analysts is important to investors because it provides a picture of the company's external recognition and specialist opinions. Both companies score 0.5 points, indicating the existence of such a list and recognition of the importance of communication with financial analysts.

Providing financial results in an easy-to-process format is essential for investors. Both CNTEE TRANSELECTRICA and SN NUCLEARELECTRICA SA score 1 point, reflecting that both provide financial reports that are easy to understand and analyze.

Using social media or other channels for IR news is an increasingly common practice in financial communication. Both companies score 0.5 points, indicating that they use such channels to inform investors of relevant news.

CNTEE TRANSELECTRICA and SN NUCLEARELECTRICA SA obtain 0.5 points for the corporate governance section, indicating the presence of such a section in the financial reports. This highlights the companies' commitment to transparency and the adoption of high standards in corporate governance.

Advisory committees are an important practice in corporate governance. Both companies score 0.5 points, suggesting the existence of these committees and their involvement in the decision-making process.

Presenting information to the board of directors and executive management is a valuable practice in financial communication. SN NUCLEARELECTRICA SA obtains 0.5 points, indicating their presentation in the financial reports, while CNTEE TRANSELECTRICA obtains 0 points, suggesting the absence of this information.

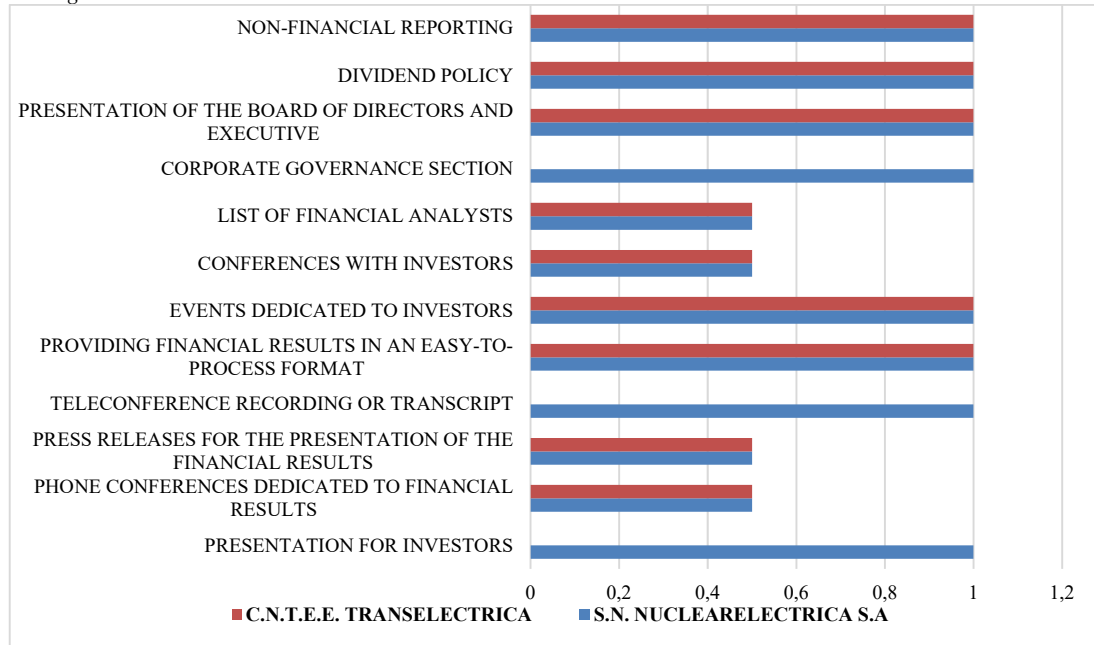
The remuneration policy is an important component of corporate governance and financial transparency. Both companies score 0.5 points, reflecting the existence of a concern regarding the remuneration policy.

Non-financial reporting is a key practice in responsible and transparent financial communication. Both CNTEE TRANSELECTRICA and SN NUCLEARELECTRICA SA obtain 1 point, indicating that they provide relevant and up-to-date information about the impact of their activity on the environment and social aspects.

The analysis of the relevant indicators from the relationship with investors for CNTEE TRANSELECTRICA and SN NUCLEARELECTRICA SA for the year 2021 highlights both their strong points and aspects for which there is room for improvement. Both companies score well in most indicators, but there are opportunities for development, such as holding investor conferences for CNTEE TRANSELECTRICA or presenting information to the executive management for SN NUCLEARELECTRICA SA. By improving financial communication and adopting proactive practices, companies can strengthen trust investors and can provide clearer and more relevant information for evaluating their financial performance.

Figure no. 4 presents the evaluation of the Vektor indicator for the year 2022.

Figure no. 4. Vektor 2022 evaluation



Source: own processing

SN Nuclearelectrica SA attaches great importance to the presentation for investors, highlighted by the score of 1 for this indicator. The company recognizes the need to provide relevant and up-to-date information to investors, thereby providing them with a comprehensive view of the company's performance and strategic direction. On the other hand, CNTEE Transelectrica does not pay the same attention to the presentation for investors, obtaining a score of 0 for this indicator. The company could benefit from a proactive approach in communicating with investors by developing a comprehensive presentation that provides clear and relevant information.

Both companies, SN Nuclearelectrica SA and CNTEE Transelectrica, recognized the importance of conference calls dedicated to financial results, obtaining a score of 0.5 for this indicator. This demonstrates their commitment to communicating directly with investors and providing up-to-date information on companies' financial performance.

Both SN Nuclearelectrica SA and CNTEE Transelectrica use press releases to convey relevant information regarding the presentation of financial results, obtaining a score of 0.5 for this indicator. This practice allows companies to reach a wider audience and inform investors and other interested parties about their financial performance.

SN Nuclearelectrica SA gets a score of 1 on this indicator, indicating that it provides recordings or transcripts of teleconferences. This approach provides investors with access to relevant information and allows them to gain insight into key discussions and decisions on conference calls. CNTEE Transelectrica, on the other hand, does not provide recordings or transcripts of conference calls, obtaining a score of 0. The company could evaluate the possibility of providing this facility to increase the accessibility of information and to ensure that investors have access to the same information.

Both SN Nuclearelectrica SA and CNTEE Transelectrica pay particular attention to providing financial results in an easy-to-process format, achieving a score of 1 in this indicator. This practice facilitates the understanding and analysis of financial information by investors, contributing to the transparency and efficiency of financial communication.

Both SN Nuclearelectrica SA and CNTEE Transelectrica recognize the importance of organizing events dedicated to investors, obtaining a score of 1 for this indicator. These events provide valuable opportunities for direct interaction between investors and company representatives, allowing investors to obtain additional information and clarify questions or concerns.

Both companies, SN Nuclearelectrica SA and CNTEE Transelectrica, attach importance to the organization of conferences with investors, obtaining a score of 0.5 for this indicator. These conferences provide a platform to communicate directly with investors, presenting them with detailed information on financial performance and development strategies.

Both SN Nuclearelectrica SA and CNTEE Transelectrica recognize the importance of the list of financial analysts, obtaining a score of 0.5 for this indicator. This indicates that both companies monitor and identify relevant financial analysts in the field and involve them in their investor communication process.

SN Nuclearelectrica SA pays special attention to the corporate governance section, obtaining a score of 1 for this indicator. The company highlights the importance of transparency and good governance in communication with investors, providing them with relevant information about the management structure and control mechanisms.

CNTEE Transelectrica, on the other hand, gets a score of 0 for this indicator. The company could improve its communication practices by paying more attention to corporate governance and by providing detailed information about the management structure and control mechanisms.

Both SN Nuclearelectrica SA and CNTEE Transelectrica attach importance to the presentation of information to the board of directors and executive management, obtaining a score of 1 for this indicator, which demonstrates their commitment to providing relevant and transparent information about the management team and their experience in energy field.

Both SN Nuclearelectrica SA and CNTEE Transelectrica attach importance to the dividend policy, achieving a score of 1 for this indicator, which highlights their commitment to rewarding shareholders by distributing dividends in a transparent and predictable manner, contributing to stability and investor confidence.

Both companies, SN Nuclearelectrica SA and CNTEE Transelectrica, attach importance to non-financial reporting, obtaining a score of 1 for this indicator. This emphasizes their responsibility for integrated reporting, sustainability and their social and environmental impact, providing detailed and transparent information on this.

5. Conclusions

After analyzing this data, there is a trend of growth and improvement in the financial communication and corporate governance practices of both companies over the years under review, which is a positive aspect, as it demonstrates the companies' commitment to being transparent and provide relevant and accessible information to investors and other interested parties.

Companies have been able to improve their relationship with investors, including by taking a proactive approach in their relationship. Entities have made efforts to strengthen corporate governance and provide clear information about the board of directors and executive management, considered essential to ensure investor confidence and demonstrate transparency and accountability in business decision-making. Both companies have also paid increased attention to sustainability and non-financial reporting, a significant aspect in a context where environmental and social responsibility concerns have become increasingly important for investors and society in general.

However, there are also practices by which companies can continue to improve financial communication. For example, holding investor conferences may be more efficient and better structured in some cases. Also, CNTEE TRANSELECTRICA could develop practices for recording teleconferences or making their transcripts to facilitate investors' access to important and relevant information.

In conclusion, the analysis of financial communication and corporate governance practices of CNTEE TRANSELECTRICA and SN NUCLEARELECTRICA SA shows significant progress towards more transparent and effective communication with investors and other interested parties. However, there is always room for improvement and strengthening of these practices in order to ensure robust financial communication and build the confidence of investors and other stakeholders in the companies' work.

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