



BEST PRACTICES WITH REGARDS TO INFORMATION DISCLOSURE

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COMPLYING WITH THE LEGAL OBLIGATIONS FOR INFORMATION DISCLOSURE

The legally regulated volume of information that the public companies are obliged to disclose covers almost all aspects of their activities and management. In this respect it is of vital importance for the investors to receive the information, disclosed by the public companies in the certain time limits, set by the legal framework. It is common practice at the Bulgarian capital market the public companies to disclose the obligatory information in the last days of the legally regulated terms for its disclosure. This is also the time when the attention of the investors is concentrated on the financial media that the public companies most frequently use. Therefore, when the public companies violate these legally regulated terms for information disclosure the investors react quite negatively. Often this is interpreted as an indication of flaw in management's work or even as an attempt to hide poor financial results or other circumstances. The negative effects of publishing delayed regulated information can affect both the stock price increasing its volatility and the overall rating of the company and the confidence of the investment society, creditors and the business partners of the company.

In general, the information disclosure in the last possible moment of the legally regulated term is also accepted as a negative sign by the investors because it obstructs the effective use of the information by them. A best practice for the company is to introduce and maintain a corporate calendar with specified dates for information disclosure. Those companies usually avoid publishing of information in the last moment of the legally regulated terms and thus ensuring optimal conditions for the investors to further process the information.

CLEAR POLICY AND SPECIFIED TERMS FOR PUBLISHING OF FINANCIAL INFORMATION

Publishing of financial information is of great importance for the listed companies which price is related to large extent with their performance. In this respect the company should ensure the timely dissemination of information to the widest possible audience, following a clear policy and preliminary disclosed terms for that. A best practice is the disclosure of additional financial information besides the information required by law.

PUBLISHING OF FINANCIAL FORECASTS AND EXPECTATION

Publishing of well-founded analyses based on management's expectations about the development of the company is extremely beneficial for the investors and shareholders of the company when taking investment decisions. The number of the Bulgarian listed companies disclosing such information grows each year. In this respect the end-year management analysis is vital for the investors because it gives an explanation of the achieved financial results and the differences between the previous forecasts and the actual results if there are any.

CREATING AND MAINTAINING A WELL-STRUCTURED CORPORATE INTERNET SITE

The relatively low costs for creating and maintaining a corporate internet site, as well as the fact that it can be easily accessible by the general public, makes this means of communication with the investors, business clients or partners of the company one of the most effective mechanisms for information disclosure.

The importance of the above-mentioned communication method is recognized by the law and there are specific legal obligations for public companies to publish certain types of information on their corporate websites.

INVESTOR RELATIONS DIRECTOR

The main obligation of the Investor Relations Director is to maintain continuous dialogue with the investors, analysts and the financial media, as well as to coordinate the information flows to the financial society. In this respect it is of utter importance for the company to hire a specialist with an adequate qualification, education and experience in the field of investor relations for that position.

The position of the Investor relation director (IRD) was introduced with the changes in the Law on public offering of securities in 2002. The IRD is responsible for the broadening of the communication between the public companies and the investment society and ensuring the relationship between the company's management and its shareholders, the financial analysts and all other related parties.

The role of the Investor relation director is to maintain a continuous communication with the investors, stock exchange analysts and the financial media and to coordinate the information flows to the financial society. In this respect it is important for the companies to hire specialists with an adequate qualification, education and experience in the field of investor relations for that position. It is also vital for the Investor relation director not to work at another position in the company. It is a common practice in the Bulgarian public companies the financial director or the chief accountant to hold also the position Investor relation director which is explained with the size of the company, the necessity for cost cuts, etc. However, that policy proved to be inefficient and was at the expense of the quality of communication with the investors and shareholders.

Best practices concerning the execution of Investors relation directors obligations:

- Maintaining an active communication with the shareholders and investors;
- Maintaining an "Open-doors" policy. The idea is to allow the shareholders, potential investors and the media meet the Investor relation director or other management representatives in order to discuss different topics related to the company development;
- Creating a special section at the company's internet site that supplies the investors with financial and other necessary information in an easily accessible format. The information should be regularly updated so that the section continuous to be a reliable source for the company's status;
- Choosing an information agency or other media for information disclosure to the public that will ensure the simultaneous dissemination of the information in Bulgaria. The company can use different media as newspapers, information agencies with national and European coverage, specialized news agencies, and financial media including specialized internet sites.

- Ensuring an effective communication between the investors and the company management through processing the questions send by the investors and transferring them to the management representatives. Although it is not regulated by the law, the company can adopt a special policy, allowing each shareholder or potential investor to send his/her questions and comments to the executive director;
- Participation in different professional investor relation associations and sharing experience and good practices.

PERSONAL INFORMATION DISCLOSURE

Many public companies post scanned documents that contain personal information when carrying out their obligations for disclosing information to the regulatory body and the public. Having in mind that after the publishing in various financial media the documents become accessible to the general public and can be an object of unconscientious persons, it is recommended to hide the personal information when scanning them.

However, the legislation regulating the obligations for information disclosure states several cases when personal information has to be disclosed to the regulatory body or other market participants. Usually there is a specific mechanism for the disclosure of this type of information and means that allow the addressee organization to fulfill its obligations as an administrator of personal information. In general, there is no legal obligation for disclosure of personal information to the public. The public companies should revise and correct their information disclosure policy or introduce more strict control on publishing documents containing personal information.

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