IR update

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the voice of the investor relations profession

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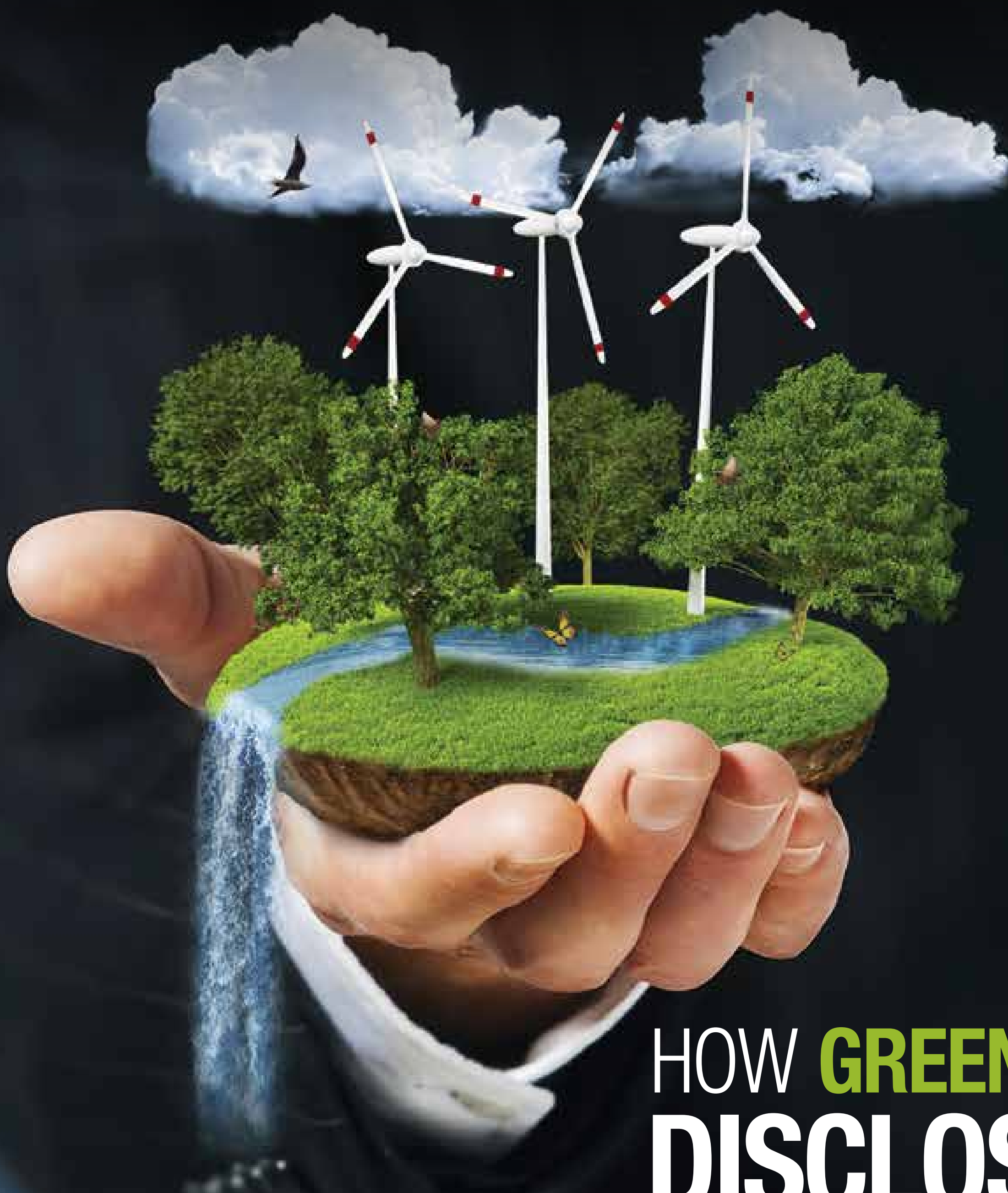

Companies are facing increasing demands from investors, advocacy groups, and research firms for sustainability data.

HOW GREEN ARE YOUR DISCLOSURES?

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About NIRI

Founded in 1969, the National Investor Relations Institute (www.niri.org) is the professional association of corporate officers and investor relations consultants responsible for communication among corporate management, shareholders, securities analysts and other financial community constituents. NIRI is the largest professional investor relations association in the world, with more than 3,300 members representing over 1,600 publicly held companies and $9 trillion in stock market capitalization. NIRI is dedicated to advancing the practice of investor relations and the professional competency and stature of its members.

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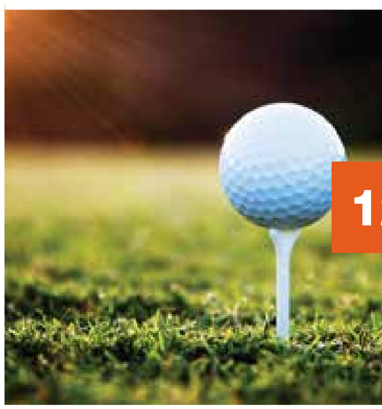

DEPARTMENTS

A Fond Farewell

In mid-October, I will be leaving NIRI to take on the role as CEO for Club Managers Association of America. CMAA is the professional organization for those who manage country clubs, yacht clubs, and city clubs. I look forward to the challenges that await me, but also will miss NIRI and all of you. For many of you who are club members, I will still be serving you, but in a very different way. As I write my last "At the Bell" column, I have been reflecting about the past seven years at NIRI.

Evolution. When I started at NIRI in January 2008, no one knew that we were on a path into the "Great Recession" and the organization and profession was on a path of considerable evolution partially caused by this event. For the profession, the past seven years has seen an elevation of the profession, as more and more IR professionals are involved with strategy and corporate governance matters, and have a higher profile in their company. Evolving capital markets have also forced IR professionals to develop stronger finance and accounting skills. This has caused more entering the IR profession to come from the sell side or internally from treasury and accounting, and fewer and fewer coming into the profession with only communication skills.

Globalization. We have also seen the globalization of IR as your company's investor base is likely even more diversified and spread across the globe. For those organizations that employ a rotational IR professional, more and more companies have moved away from the top IR rotational position and to a number-two position, in order to maintain continuity and consistency of messaging with investors.

Constant contact. As I think about changes within NIRI, I am struck by how the organization's core mission of education, information, community, and advocacy remain the same for its 45-year history, but delivery of those member benefits has changed dramatically. Today, NIRI provides continuous contact through vehicles like eGroups, IR Weekly, dozens of webinars, IR Today programs, and our LinkedIn Group. Social media didn't exist seven years ago and now NIRI makes use of Twitter, Instagram, and Facebook. *IR Update* is no longer just a hard-copy publication, but now available electronically. Speaking of electronic access, we have gone from everything in paper format at the annual conference to making use of apps and other online access to improve your annual conference experience.

Certification journey. I am particularly proud of NIRI's journey into IR certification, which will be launched in 2015. This has been discussed for decades and is finally becoming a reality. I also would be remiss if I didn't mention advocacy. While I wasn't here

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HOW GREEN ARE YOUR DISCLOSURES?

Companies are facing increasing demands from investors, advocacy groups, and research firms for sustainability data.

By Ted Allen

While many large-cap companies have been producing sustainability reports over the past decade, the conventional wisdom within IR circles is that most U.S. mainstream investors don't care much about environmental and social issues.

While sustainability traditionally has ranked low in investor surveys, it appears that these views are slowly changing, in part because of the growth of sustainability-focused funds in Europe and increasing information demands by socially responsible investors, non-governmental organizations (NGOs), and research firms. In addition, some companies are discovering that gathering and disclosing this data can help them better understand risks and appeal to longer-term investors.

"It should be very interesting to an IRO because sustainability sits at the heart of corporate reputation, which affects valuation," notes Jane Okun Bomba, senior vice president and chief sustainability, investor relations, and corporate communications officer at IHS, a Colorado-based provider of economic and market data. "It's a very ripe area for IROs to expand their spheres of influence – it's all about how a company is run and includes strategy, structure, and culture."

As Bomba alludes to, sustainability is not just a company's greenhouse gas emissions, energy consumption, or water use. The term also encompasses a wide range of social concerns, including worker safety, human rights, board diversity, and corporate citizenship issues (such as political contributions and tax avoidance strategies).

Sustainability often is used interchangeably with terms like SRI (socially responsible investing), ESG (environmental, social, and governance), and CSR (corporate social responsibility). While the disclosure of executive compensation and other governance information already is mandated in the United States and Europe, there is growing pressure for companies to provide more environmental and social information.

In April, the European Parliament adopted a mandate to require "large" companies (i.e., those with more than 500 employees) to disclose more information on "environmental matters, social and employee-related aspects, respect for human rights, anti-corruption and bribery issues, and diversity on boards of directors."

Pressure From Activists

In the United States, shareholder activists have been urging the Securities and Exchange Commission to require more disclosure on climate change. The SEC's Corporation Finance Division staff is reviewing its Regulation S-K rules, and activists are hopeful that the SEC will take an expanded view of "materiality," which is the legal trigger for whether disclosure is required in a company's filings.

In February, Ceres, a sustainability advocacy group, criticized the SEC for not following through on commitments outlined in the Commission's 2010 guidance on climate change disclosure. Ceres' Investor Network on Climate Risk, which represents institutions with $8 trillion in assets under management, argues that climate change has become a major concern of the "reasonable investor," and thus should be considered material.

However, SEC observers doubt that the agency will adopt new mandates in the near future, given the Commission's unfinished Dodd-Frank rulemaking and Chair Mary Jo White's publicly stated concerns about using disclosure rules to advance social causes.

"I don't think this is a topic the SEC staff will attempt to address through guidance, and I haven't seen any indications yet that new rules in this area would garner the required support of the commissioners and Chair White," says Brian V. Breheny, a partner with Skadden Arps, who previously worked as deputy director of the Corporation Finance Division.

Nevertheless, ESG activists likely will continue to pressure the SEC, which could respond by holding a roundtable or issuing a concept release. In addition, Ceres is lobbying U.S. and international stock exchanges to revise their listing standards to require more disclosure. At Hong Kong's exchange, ESG reporting already is a recommended best practice.

Sustainability also is getting more attention at annual meetings. During the spring 2014 U.S. proxy season, investors filed a record number (417) of proposals on a wide range of environmental and social issues, according to a report by As You Sow, an activist foundation. While many proposals related to political spending and lobbying, a Ceres-led coalition of investors submitted 142 resolutions on climate change and other environmental issues this year. Among the 35 institutions involved in this effort are the California State Teachers' Retirement System, pension funds from New York State and Connecticut, and Walden Asset Management.

As in past proxy seasons, shareholders withdrew dozens of resolutions this year after issuers agreed to provide more disclosure. However, these settlements won't prevent investors from returning next year.

"I have seen some companies consider, prepare, and issue the most thoughtful and responsive disclosures in their industry and still they receive proposals seeking more information," says Breheny.

Do Investors Care About Sustainability?

Many IROs see a mixed picture when trying to assess investor interest in sustainability. Despite all the noise from SRI activists, the perception remains that most U.S. institutional investors don't really care about sustainability.

However, ESG investors, NGOs, and consultants point to the growing number of institutions around the world that say they look at sustainability issues when making investment decisions or engaging with a company. Almost 1,100 asset owners and investment managers, with more than $32 trillion in total assets under management, have signed the United Nations Principles for Responsible Investment (PRI).

While not all signatories closely follow these principles or allocate a significant portion of their assets to SRI-oriented funds, it appears that they want more information on these issues. In May, PwC, which provides consulting on sustainability issues, reported that 82 percent of investors said they considered climate change or resource scarcity in making investment decisions with the past 12 months. While European issuers received positive marks, 61 percent of investors expressed dissatisfaction with the disclosures by U.S. companies, according to the PwC report, "Sustainability Goes Mainstream: Insights Into Investor Views," which was based on responses from 40 institutions. (To view a copy of the report, visit www.niri.org/sustainability.)

Julie Kegley, director of investor relations at Tyson Foods, says investor interest has definitely increased since her company's first sustainability report in 2005. "It's not a primary focus, but is on their radar screens," she says.

Tyson, which used to produce sustainability reports every two years, has switched to annual reporting and now provides more current content on its website. The meat products company's most recent sustainability report was written in a "more conversational style," accompanied by video clips on the company's website, and promoted by social media, notes Leigh Ann Johnston, Tyson's director of sustainability.

Greater Interest in Europe

Shareholder views on sustainability differ significantly by region. In Europe, interest has increased over the past decade as fund managers have hired ESG analysts and started new SRI funds to compete for "green" investments from pension plan managers, recalls Anne Guimard, president of FINEO Investor Relations, a London- and Paris-based IR consultancy.

Another factor has been the growing list of ESG disclosure mandates by European Union nations. She cites a 2012 HSBC Global Research report, which found that "broad" SRI assets (where fund managers do simple screening) in Europe had grown from almost zero in 2005 to $8 trillion, while "core" SRI assets, which reflect screening for best-in-class companies, had increased to $1.7 trillion.

"If you want to have a European shareholder base, it's become increasingly important," says Alexandra Deignan, vice president for IR at Schnitzer Steel Industries, an Oregon-based metals recycling company. Deignan expects that U.S. investor interest will increase "gradually."

She says her company, which used to produce sustainability reports every few years, has shifted its attention to providing more current and tailored sustainability information on its website.

Guimard believes companies should provide some ESG metrics to their investors, even if they aren't asking for that information. "In 99 percent of road shows, there won't be any questions on ESG issues, but that doesn't mean that you can't proactively put forth metrics that tell your story to investors," says Guimard, noting that global steel company ArcelorMittal starts off its quarterly earnings calls by providing workplace safety data.

Barbara Brown, co-founder of BrownFlynn, a Cleveland-based corporate responsibility and sustainability consulting firm, expresses a similar view. "It absolutely is mainstream; our clients view it as a differentiator," says Brown, who has worked with companies that have been noticed by new investors after increasing their sustainability disclosures.

In addition, a growing number of institutions, such as public pension plans and sovereign wealth funds, are increasingly seeking ESG information, which is creating new ESG research activities and programs at mainstream asset management firms, like BlackRock and Goldman Sachs, notes Brown, adding that an increasing number of private equity firms are also reviewing their own holdings for ESG risks and opportunities.

"While it's still not top-of-mind for many IROs, we see this sort of disclosure as a leading indicator of good corporate governance, which investors and the markets are monitoring more closely," says Brown. "We don't see it as a 'nice' thing to do. We see it as a real reflection of the quality of management."

Bomba expects that more investors will become interested as they realize that sustainability reporting can help them better understand how a company manages a broad range of potential risks. In the PwC survey, 73 percent of investors said they consider sustainability "primarily because they believe doing so will reduce risk."

"It's an educational process," observes Bomba. "I often say to investors, 'If you care about a company's performance over a long period, it's something you may want to look at.' It's all about providing transparency about the issues that investors care about."

An Array of Voluntary Reporting Standards

One challenge for IR professionals is the alphabet-soup array of NGOs that are urging issuers to provide more standardized data that would enable better comparisons among companies. The Amsterdam-based Global Reporting Initiative (GRI) oversees the most widely followed standards; 78 percent of the companies worldwide that report on sustainability or corporate responsibility make reference to GRI guidelines, according to KPMG.

In May 2013, GRI released an updated "G4" set of guidelines that includes additional guidance on "material" issues that should be included in reports. An affiliated organization, the International Integrated Reporting Council, released its own set of guidelines in December 2013. "Integrated" reporting is intended for investors and other providers of capital; sustainability reporting has a broader audience that includes other stakeholders.

In the United States, the Sustainability Accounting Standards Board (SASB) was launched in 2011, but its efforts didn't receive much public attention until this year. The group is analyzing industry-specific sustainability risks that companies would discuss in their Form 10-K filings. SASB, which plans to develop minimum standards for 88 industries, has released guidelines for the financial services, health care, and technology-communication sectors.

SASB has attracted high-profile support, as former New York Mayor Michael Bloomberg and ex-SEC chair Mary Schapiro joined its board earlier this year. In May, SASB launched a pilot program to help companies incorporate sustainability into regulatory filings; Nasdaq OMX was the first company to join this effort.

GRI and SASB have invited companies to participate in the development of guidelines. For instance, Tyson Foods participated in the GRI standards process for food producing companies. Kegley says companies should try to have "a seat at the table" to ensure that they can comply with the guidelines. As she points out, "It's going to happen; do you want to be part of the conversation, or not?"

However, the efforts of SASB and other organizations have sparked concern from SEC Commissioner Daniel Gallagher. "While companies are free to make whatever disclosures they choose on their own time, so to speak, it is important to remember that groups like SASB have no role in the establishment of mandated disclosure requirements," Gallagher said in a speech in March.

In response, SASB Executive Director Jean Rogers emphasized that its standards are voluntary and that it uses the same definition of materiality as the SEC. Noting that 75 percent of sustainability data provided by companies is not material, SASB said it seeks to help issuers identify the other 25 percent of information that is material, and to encourage reporting that is "comparable and easily accessible" to investors," Rogers wrote in a letter to Gallagher.

In a speech in June, Gallagher continued to express alarm about "special interest" groups and their requests for more sustainability information. "I worry that it is only a matter of time before the not-too-subtle 'voluntary' push for such disclosures morphs into an express effort to mandate these disclosures by embedding them as new requirements in our rulebook," he said. "The majority of these disclosures are simply not material to a reasonable investor."

Deluge of Questionnaires

Another challenge for many companies is coping with a flood of surveys, questionnaires, and information requests on ESG issues from advocacy groups, investor advocates, and research firms.

ANOTHER CHALLENGE FOR MANY COMPANIES IS COPING WITH A FLOOD OF SURVEYS, QUESTIONNAIRES, AND INFORMATION REQUESTS ON ESG ISSUES FROM ADVOCACY GROUPS, INVESTOR ADVOCATES, AND RESEARCH FIRMS.

One of the best-known questionnaires is that of the CDP, which was founded as the Carbon Disclosure Project in 2000. London-based CDP produces annual reports on climate change and supply chains based on information submitted from the S&P 500, FTSE 350, and other companies.

In addition, there are numerous advocacy groups and research firms that ask companies for data. Many surveys are very similar, but most companies don't have the resources to respond to all of them, notes Laura Gagnon, vice president for IR at The Mosaic Co., the world's largest producer of phosphate and potash. "Try to find a survey that's broad enough and has a big enough audience and then direct investors to your response where they can find the information they need," she advises.

"Our sustainability report has allowed us to limit the time we spend responding to questionnaires," Kegley says, noting that Tyson often directs information seekers to specific pages in its sustainability report or regulatory filings. Johnston said Tyson sometimes will generate additional data, but doesn't always provide data in the format requested. "We may not give them information exactly as they asked for it, but we try to be responsive," she says. "The biggest thing is not to ignore the request."

Guimard says companies should be careful about the non-public information they provide, given the risk that it could be used by competitors. "You don't have to answer all these questionnaires, except for the most reputable ones," she points out. "You should ask, 'Do your investors care whether you are rated by a specific ESG or sustainability index?' "

IROs also should monitor the sustainability information about their company published by research firms and ESG advocates, advises Johnston. Sometimes, these reports cite information that is no longer current, or rank a company poorly on certain metrics because of an absence of disclosure.

"You have to read everything to see if there are any egregious errors that would merit a response," Deignan says. A company also should be prepared to answer investors' questions about why it didn't answer a particular survey. "The biggest mistake you can make is to ignore it," she notes.

WHILE LARGE-CAP ISSUERS RECEIVE THE MOST REQUESTS FOR INFORMATION, BROWN SAYS THESE REQUESTS ARE "TRICKLING DOWN" TO SMALLER FIRMS, SUCH AS THOSE IN THE HEALTH CARE, IT, OR AUTOMOTIVE SECTORS, WHICH HAVE LARGE AND COMPLEX SUPPLY CHAINS.

Value to Other Stakeholders

Many of the companies that produce sustainability reports do so for audiences beyond investors. Tyson receives the most requests for sustainability data from its customers, followed by NGOs and activists.

Likewise, Gagnon says Mosaic produces annual sustainability reports for a "broad array of constituents" that include state regulators, local communities, and NGOs.

"Sustainability is one of our major corporate values; it's important to us internally and externally," she says, noting that the company has used its reports to highlight its environmental reclamation efforts in Florida, where a top golf resort has been built on former mining land.

While large-cap issuers receive the most requests for information, Brown says these requests are "trickling down" to smaller firms, such as those in the health care, IT, or automotive sectors, which have large and complex supply chains. Brown points out that many companies have ambitious environmental goals and are looking to their suppliers to help them achieve some of these improvements. "A well-managed company has to look at this," says Brown. "If your customers care, your investors will care."

Guimard observes that companies can benefit from producing sustainability data because they have to quantify their impact on the environment and local communities. "The beauty of ESG reporting is that you have to put up numbers and get measured every year," she says. "It's helping companies become more mature and better present their business models through a holistic and comprehensive approach."

IHS recently completed a 150-page sustainability assessment as part of its application for membership in the Dow Jones Sustainability Indices, which include 333 global companies. This assessment, which was prepared by a broad-based team that included human resources, health and wellness, and supply chain management, is viewed by the company's CEO as "required reading" for senior management, says Bomba.

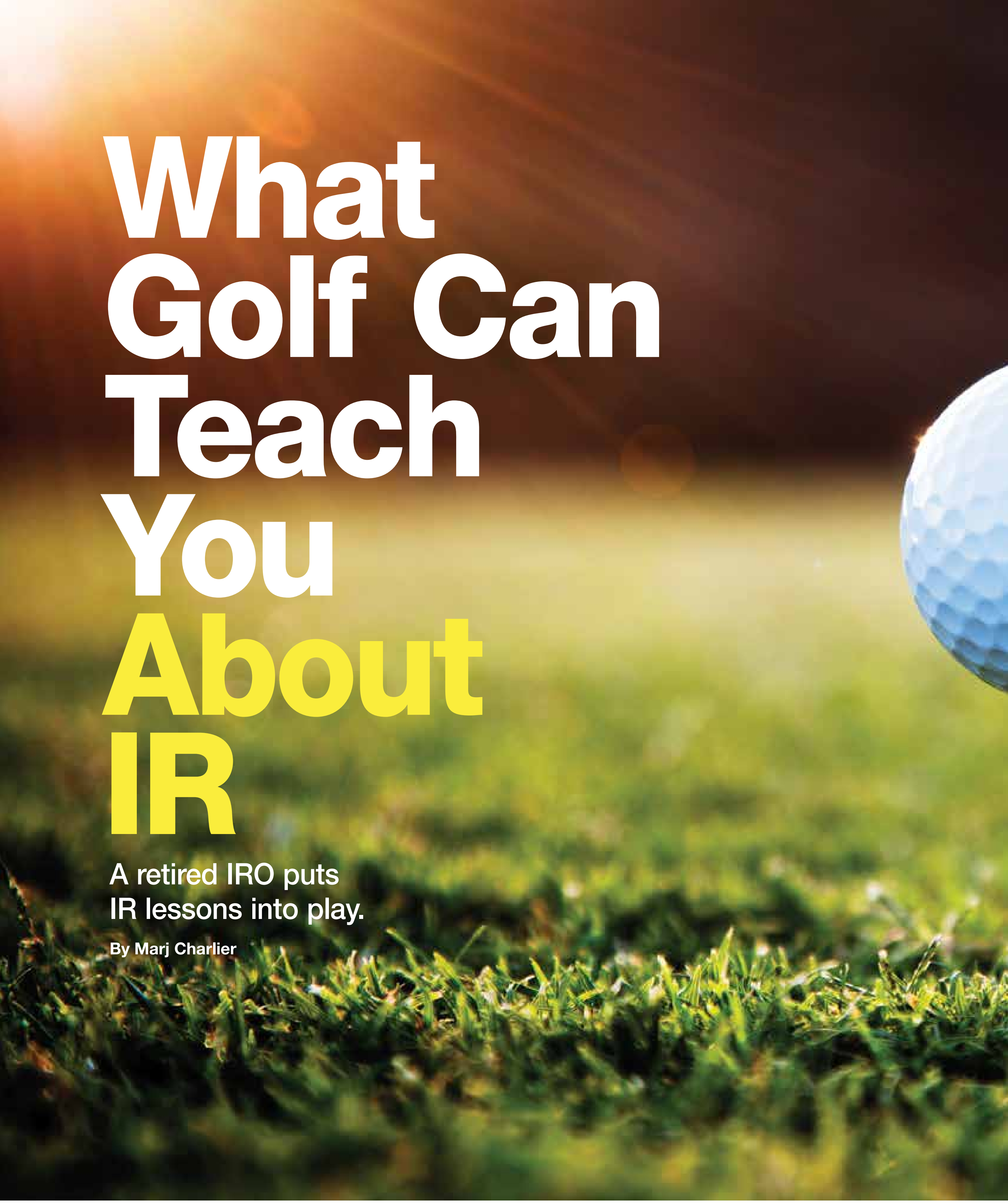
"If an IRO wants a seat at the table and wants to be considered a company leader," notes Bomba, "you have to take a broader view than just the shareholder community." IRU

Ted Allen *is NIRI's director of practice resources; tallen@niri.org. For more information, please visit the Sustainability section of NIRI's Presentation and Report Library at www.niri.org/sustainability.*

71%

Percentage of global buy-siders who believe having command of the strategy is what defines a highly credible IRO.

> *"The IRO should be very knowledgeable, and they should attend all the board meetings possible, and should attend executive committee meetings if it is possible. They should be out of the president's or the CEO's office, and know everything. Otherwise, we have to talk to the CEO. If the CEO doesn't want to talk to us, then they'd better keep their IR informed."*
>
> **Buy-side Analyst/Portfolio Manager**



What Golf Can Teach You About IR

A retired IRO puts IR lessons into play.

By Marj Charlier

If you play golf, you know that the Rules of Golf exist to ensure that by the end of the round – after you record an absolutely honest 134, following every rule, and losing some 14 $5 balls in the process – you will be willing to sign up for the 100-lesson package from your local pro. A pro who, coincidentally, belongs to the same organization that sanctions those very rules. Talk about job security.

But seriously, those Rules of Golf can also teach you a lot about life – and IR.

You've probably already read numerous articles that explain how success in golf and business are alike. An endless stream of consultants may have already sold such clichéd concepts as "balance," "focus," "vision" to your management team. Those concepts may never make a single investor one thin dime, let alone enough to pay for a sleeve of Pro V1 golf balls, but the consultants can afford to go to The Masters and you can't. On the other hand, those consultants are too busy to play golf, so the universe has a way of working things out, right?

Now that I'm retired from IR and starting my golf "career," I'm trying to take lessons from my IR career to my new vocation. I can't help but see analogies everywhere. But they're a bit different from those you've read before.

Of Divots and the Short Game

There's the divot thing. Working day to day with hedge fund managers and short sellers can make you feel like you're always hitting out of a divot, and they're not. Say you and your competitor in the club championship both hit your drives 220 yards, but yours lands in a 6-inch deep divot and his doesn't.

The universe is telling you something pretty obvious, here: We really don't play from a level playing field. Some of us are born with approximately $400 billion to play with and some of us aren't. Those guys not in the divot are your investors, the ones with $400 billion; the ones in the divot are us, the IR guys. It's the rub of the green, you know.

Second, there's the short game: Theirs is a lot better than yours, or at least the score indicates it is, since you never get to see their short shots. Actually, they don't even have to tell you how many strokes they're taking in the "short game" until they've clobbered you, but that shouldn't affect you, should it? You can still be chums! Why wouldn't you take their calls next time they want to tee it up?

Bad Lies and Sand Traps

Third, back to the rules. In both IR and golf, it's clear that the rules aren't there to make your game easier. In golf, if you hit your ball behind a boulder, you have two choices: Take the ball two club lengths back and give yourself a penalty stroke, or move the boulder.

Now, take IR: An investor calls and asks a legitimate question about your latest quarter. You have two choices: You can decline to give out the undisclosed information and incur a credibility penalty. Or, you can issue a press release and give everyone the answer to that new question at the same time.

Given the heavy lifting involved in getting a press release out the door, it's the IR equivalent of calling in the Seattle Seahawks offensive line to move that boulder off of your ball for you. Easier to take the penalty.

Next, sand traps. They're a bit like those Securities and Exchange Commission rules – Regulation FD, Reg G, Safe Harbor. Slice just a little with your message, and now you're in a bunker – also known as a FINRA investigation – 6 feet below the green with a lip hanging over your ball.

No matter how much you've practiced, though, this sand shot isn't yours to execute. The general counsel jumps into the trap to handle things, and immediately grounds his club – a 2-stroke penalty. You could have warned him about that, but that would have been the first time he listened to you since you told him about the birthday cake in the employee lunchroom five years ago.

Even worse than those punitive rules is the guy who doesn't play by them. In golf, you have a buddy who only plays twice a year. He isn't worried about posting a legitimate score, so he just moves his ball out from under that boulder and plays on. That's like competing against the privately held company that doesn't post earnings and doesn't have to follow all of those SEC rules. That's what you get for doing that IPO!

Strategy and Vision

How about strategy and vision? The first thing IR consultants tell you is that you need to clearly communicate a strategy and vision, and then map out the tactics you'll employ to pull them off.

Again, let's use golf as an analogy. You are standing on the tee box, envisioning the strategy for your round: Hit fairways and the center of the greens, it is. No trying to drive the greens on par 4s or shooting at flags when they're wedged behind phalanxes of bunkers. Just good basic golf.

The tactic you've decided to employ on this particular hole is to hit your drive to that flat landing spot between those two bunkers about 200 yards out. From there, you'll hit a 7-iron to the green and 1- or 2-putt for a birdie or par, at worst.

You announce your plans. "Good strategy!" says your PGA instructor, patting you on the back. Now it's time to execute.

In golf, it's up to you to play that hole the way you intended. But in IR, you don't hold the driver. Or the 7-iron. Or the putter. A bunch of people you have no control over play the hole for you, and then you get to report the results.

They didn't follow the strategy? Well, darn. You still get to explain how that 8 or 10 or 12 showed up on your scorecard. That's your job. And, by the way, the CEO never subscribed to that strategy anyway.

The Club Limit

Another tough analogy: the club limit. You can only carry so many clubs in your bag – 14 and no more. That means you invariably have to leave some useful club leaning up against the wall in your garage. A 3-wood, maybe, or a lob wedge?

Now, to IR: Your budget is set at, say, $1 million for the whole year. To do a credible job, you really need something like $2.5 million. So what do you leave out of the bag? Half of the conferences you wanted to attend, or that stock surveillance you've been hoping to buy? Sometimes, it feels like you've been reduced to hitting your putter off the tee.

Some Happy Analogies

But, there are also some happy analogies. At least you're out here playing, right? You aren't sitting in accounting, tallying up 8-cent micropayments. You're out here playing on the tour! Riding in limousines! Jet airplanes!

Everyone knows the pros you're rubbing elbows with from the CEO's sports pages (the business section). They're household names with the big sticks and big bucks. You're playing on the same course that they are. Sure, they have morning tee-times and clubhouse access, and you're playing twilight and buying a turkey sandwich from the beverage cart. But hey! You're not sitting in accounting!

Then there's match play versus stroke play, the equivalent of quarterly results versus long-term gains. CFOs love match play. "Yeah, we lost that hole – conceded it, actually (took a $500 million write-down this quarter), but it doesn't mean anything in the long run. It's just one hole (quarter). We're playing all 18."

Turn it around and it still works: "We're focusing on long-term success (the entire match), not quarterly results (this hole)."

Of course, the most obvious common ground in golf and IR is sandbagging. Your CFO shaves two cents off of his real earnings guidance every quarter so she can blow away estimates, and your nemesis at the country club adds a couple of meaningless putts to her weekday rounds so she can wax you in the club championship.

Here, IR can actually be easier than golf. Investors pretty quickly figure out how to discount your CFO's sandbagging letting you off the hook, but your golf club's handicap chairman never figures out how to keep that cheating hustler from padding her handicap more than you do.

Always Ready to Play

Bottom line: When it comes to golf, regardless of the score, at the end of the day you may have lost a little pride, a dozen balls, and an erector muscle in your back, and that power cart that ended up in the bottom of the lake on the 14th hole. But, so what? You write a check to cover the damage, go home, ice your back, and call for tomorrow's tee time.

Investor relations is a little like that, even if the stakes are higher than your weekly skins game. Even after a humiliating IR defeat, you never lose that basic swing or that incredibly positive attitude that sends you back out, hole after hole – or quarter after quarter.

All it takes is one good drive, one grateful investor, one great birdie, one positive earnings report, one 60-foot putt, one stock option grant that vests in the money, and you're back. IRU

Marj Charlier *is the former IRO at Expedia and RealNetworks, and the author of two golf novels, "Putt for Show," (CreateSpace Independent Publishing Platform, 2013) and "Drive for Dough" (soon to be published on the same platform); mcharlier@dc.rr.com.*

DO THE RIGHT THING

DEDICATED NIRI SUPPORTER SALLY CURLEY FINDS THAT TWO BEDROCK CHARACTER TRAITS – HONESTY AND INTEGRITY – WILL HELP IROS ACHIEVE SUCCESS IN THIS CHALLENGING AND EVER-CHANGING FIELD.

By Matt Brusch

NIRI FELLOWS PROFILE

This third installment of *IR Update* articles profiling NIRI Fellows features Sally Curley, senior vice president, investor relations, Cardinal Health, who was inducted in the inaugural class of NIRI Fellows in 2013.

Curley has led Cardinal Health's global investor relations efforts since February 2008. She is a member of the company's Global Leadership Team, Finance Council, and Disclosure Committee. Curley also works in conjunction with Cardinal Health's senior legal team on matters of corporate governance.

She joined Cardinal Health from Genzyme Corporation, where for nine years she led global IR and advised its board's Nominating and Governance Committee on corporate governance issues. Although Curley has worked for and represented companies in the high tech, software, and retail industries, the vast majority of her corporate and consulting experience has been in health care.

Curley served on NIRI's Board of Directors and has presented to the Securities and Exchange Commission's Corporation Finance Division on shareholder transparency and proxy access reforms.

She created and co-leads a Public Company Earnings Reporting Class at The Ohio State University, as well as co-leads the implementation of OSU's Healthcare Cluster course. Curley has lectured at a number of academic institutions on disclosure, investor relations, crisis communication, and corporate governance.

Curley received her bachelor's degree from Colby College in Waterville, Maine, and her master's degree in business administration from Northeastern University in Boston, Massachusetts.

What inspired you to enter the field of investor relations?

I was lucky enough to start in investor relations in 1987. I had graduated from a liberal arts college the year before, and had taken a position at a Boston law firm because of my interest in becoming an attorney. While I loved law, after the first several months I determined practicing – at that point – was not for me, so I began looking for another position.

In early 1987, I started as a corporate communication coordinator at a small biotechnology company. Because of my affinity for finance, I began dealing with the sell side and their models, eventually becoming their primary contact. From there my role continued to expand, my experience grew, I received my MBA while working, and continued to hone my IR career.

What do you think is the most important skill an IRO needs and why?

There are really two skills that are critically important, and they relate to two attributes – honesty and integrity – that are a must. An IRO needs to have the courage to stand or speak up under intense pressure, and "do the right thing." It can be incredibly difficult, having a strong discussion with the C-suite when you disagree with a particular position or approach, or having to deliver delicate news relative to executives' personal brand.

An IRO also needs to be strategic; it is not enough to just repeat the company line. You won't be doing the company or its shareholders any favors, and you won't achieve great success in your career that way. You have to really understand the industry and your company's strategy for success in order to be most effective as the primary company spokesperson.

What do you like most about your job (or about the IR profession)?

I love being a part of the senior management team at Cardinal Health; having input to the strategy as well as being a mentor to those early in their finance careers. Smooch Reynolds calls it "being a corporate athlete." I love that term and my role as one.

As for IR, I love that the role is ever-changing. Investor relations isn't a typical finance or communication role, as *IR Update* readers know. You can't go to school for it. I love that there are new challenges every single day. I am constantly learning, and that is part of what drives me.

How has your membership in NIRI helped you in your career?

NIRI has been immensely helpful, which is why I never hesitate to volunteer or "pay it forward." This is a really tough career, with significant consequences if you get it wrong. So we are all under extreme stress every day, and I think that creates a bond among NIRI members that you don't see in other fields or professional associations.

Whatever the reason, IROs are supportive, caring, and fun-loving. NIRI has helped nurture that type of individual, while providing as much of the support in terms of information and resources as it can. I know I'm biased, but I truly believe it is the best professional association on the planet!

What is the biggest change you have seen in investor relations since your career began?

Processing the enormous amount of daily information is, by far, the biggest challenge. The Internet is a wonderful thing, and an awful thing, as it changed the way we live, work, and interact with each other. Also shareholder activism, and the various tactics that are now used as a result of social media, is much different than when I started in the mid-1980s. I'm going to sound like a dinosaur, but keep in mind that 30 years ago we still *faxed* our earnings releases to the wires!

What is the most important professional lesson you learned in your career?

It is important to listen to others, even if they don't have experience with IR. Sometimes that external perspective, or questioning, can lead to creative solutions because it makes you think outside the box. It is important not to get stuck in one way of doing things, but to always challenge yourself and to encourage fresh perspectives from your team.

I have a built-in mechanism of achieving this, as my IR manager and director positions are rotational. Therefore, I am constantly training as well as receiving fresh perspectives from my team.

Do you have a funny story about something that happened to you as an IRO or a faux pas that turned out well in the end?

In the 1990s, the banks hosting industry conferences used to put on these amazing evening events. The annual SG Cowen conference in Paris, for example, was notorious for these incredible events. I lived in France and speak fluent French, so when I arrived for the conference each year it was natural for me to slip back into the language.

On one occasion, the event took place in the Paris Opera House and, in addition to the multicourse meal, the champagne was flowing. After a couple of glasses I left the festivities, which were in full swing, to head to sleep as I had meetings early the next morning. My boss phoned me at 2 a.m., about an hour after I had fallen asleep. I answered the phone speaking in French.

He had to yell my name a few times to wake me fully and get me to realize that I should switch to English. Thankfully, my boss got a big kick out of it. I don't remember what I said in French, but I'm really glad he didn't speak the language, just in case!

NIRI, OF COURSE, IS THE BEST WAY TO NETWORK AND LEARN MORE ABOUT IR. GAINING SOME EXPOSURE TO AN INDUSTRY THROUGH INTERNSHIPS OR EARLY WORK EXPERIENCE CAN ALSO BE HELPFUL IN IDENTIFYING WHERE YOU MIGHT LIKE TO WORK.

What would you say to a young person who is considering entering the field of investor relations? What career and professional development advice can you offer?

It can be a very rewarding career, but it is not for everyone. You must be passionate about and intrigued by law, communication, and finance. You have to be energized by a day that is ever-changing, where you may not accomplish what you set out to do because other priorities took over. I would strongly encourage an MBA, as it provides a good base in business and finance.

NIRI, of course, is the best way to network and learn more about IR. Gaining some exposure to an industry through internships or early work experience can also be helpful in identifying where you might like to work.

Please talk about some challenging IR situation you faced in your career and how you dealt with it.

IR is always challenging, but one of the most difficult situations I faced very early on in my career was the suicide of our chief operating officer. It was very tough to deal with that personally, alongside my colleagues, and then have to put on a certain "face" for Wall Street. The cause of death at the time was not disclosed, so it was extremely challenging professionally and personally. IRU

***Matt Brusch** is vice president, communications and practice information & editorial director at NIRI; mbrusch@niri.org.*

Think Outside the IR Box

Hear from experts on unconventional ways to attack problems and obstacles in an extreme environment.

By Tammy K. Dang

"I am a big fan of looking at a solution that works in one part of your life or one part of the world and applying that solution to a completely different problem in another part of your life," said Katie Keita, director of investor relations at EMC Corporation. She, along with moderator Michael McCarthy, vice president of investor relations at Mitel Corporation, and Laura Paugh, senior vice president of investor relations at Marriott International, shared their insights on an April 2014 NIRI-sponsored webinar titled "Think Outside the IR Box."

According to McCarthy, the *box* is a way of approaching or sizing up situations in a very familiar and comfortable way. That approach works in many instances until it doesn't and you have to break the mold, because either the CEO or CFO is looking for a different result to address a challenge or opportunity.

Think Creatively

In terms of looking at the problem, identify patterns in the situation. Look at things from different angles and perspectives. Look at different functions and how they may attack it. "Be the activist or the disruptive analyst by stepping into their shoes and force yourself to go through their thought process in order to try and find a way to bridge what they're looking for and what you're capable of providing," McCarthy said.

According to Keita, working at a technology company like EMC where they spend a lot of time thinking about innovation has been helpful. Understanding hybrid approaches helps to give birth to something brand-new. "If you already do this, and you adopt kind of a style of doing this all the time, it doesn't have to be rocket science when you're presented with a crisis and you need to start to think about something outside the box," Keita said.

To Paugh, IR is at an interesting nexus in that you are a source of information for the Street and company management. Management and the board of directors want to know things such as whether the right dividend policy is in place and if the company is in the right line of businesses. If a company enters a new line of business, management wants to know how to perform competitively. IR can get this information from the Street.

After investors milk her with questions about Marriott, Paugh employs a tactic of ending shareholder conversations with whether they own the stock, possible ways for company improvement, and insight on competitors. "That type of information is very important to management and the board," Paugh said. "Nine times out of ten, I'm finding that information from talking to other people and piecing it together from that mosaic of conversations."

Collaborate

Keita uses internal collaboration as a way to enhance and improve her own skills. She spends time with salespeople to learn how they target and keep in touch with customers to identify better ways of targeting potential shareholders. She leverages her finance team, mergers and acquisitions group, and treasury department to help understand the numbers. She observes how engineers are great collaborators as they have to work closely with one another and be very exact with their shared information.

Keita also looks to internal and executive communication as well as public relations to improve her writing skills. "You can get their trade secrets and at the same time, you're gaining credibility across the company with everybody who you're talking to," she noted, adding that she also recommends asking other IROs at NIRI networking events how they do things.

Paugh agrees. She gives competitive talks to the board and insiders in various departments to broaden her network and gain information. "They're also interested in what does the Street think about us, how is our valuation, how is our competitive position, and all of that kind of stuff, so you can turn yourself into sort of the expert in that data, which then in turn makes you more valuable to insiders."

Paugh gets internal employees to buy into IR by inviting high-potential employees to travel with her and listen to meetings with analysts. She also recommends speaking up and having an opinion. "You're not always right, but if you don't speak up, people won't know that you were right when you were," she said.

According to McCarthy, out-of-the-box thinking is really a frame of mind that you develop and cultivate long before you are put on the spot. "You really need to challenge yourself constantly to push your comfort zone, to redefine it so that the next time you face a challenge that everyone knows how to address, you can have an out-of-the-box solution pretty much readily in hand," he said.

Broaden Your View

IROs should have a broader view than just IR as it will build credibility, not just amongst the CEO and CFO, but other affected parties. "We all have our functions and sometimes you can get mired into thinking about your own constituencies to the exclusion of the others," said Doug Wilburne, vice president of investor relations at Textron. "As you're thinking through circumstances, it is important to take into account how this impacts employees, unions, local regulatory or other applicable regulatory bodies, suppliers, or whatever other audiences are important."

Wilburne made these comments on an April 2014 NIRI-sponsored webinar titled, "Distinguish Yourself as an IRO in an Extreme Environment." He, along with Beate Melten, global head of investor relations counsel for depositary receipt services at Citi Global Markets; Shep Dunlap, vice president of investor relations at Motorola Solutions; and moderator David Olson, senior counselor at The Abernathy MacGregor Group, shared their thought leadership on how IR should react in extreme situations.

The big change for many IROs has centered on the area of increased activism -- once a rare and special circumstance. It has become a significant part of the investing fabric with the Securities and Exchange Commission no longer recognizing activism as such a negative word. "All of us kind of have to have a broader view as we approach our jobs and be thinking about those more diverse points of views and what's best for the shareholder," Wilburne said.

According to Melten, Europe has also experienced an increase in activism. Asia is not seeing much activism yet, probably due to the ownership structure of many companies and the limited amount of free float in the stock. "The focus on underperforming companies that we have seen from activists in the past has changed," she said. "Activism is a new form of investing, and it is here to stay."

The center of attention, however, is still on mid- to mega-cap companies since small companies generally do not offer the financial rewards the big-name activist investors are seeking. She has also observed companies responding to this trend by proactively addressing weaknesses that could attract activists.

Remain Calm

When an activist situation or crisis hits, remaining calm and rational are important traits. "You're there as a trusted advisor and counsel," Dunlap said. IROs have to work to preserve the reputation and brand of both management and the company.

"That's what the investment community is buying – they're buying the stream of cash flows and they're buying the management team, so that's the operating mode that I usually try to employ," observed Dunlap. "To make sure that calmer heads prevail and we get to the right answer and we get to something that's credible in the end."

Of course, this only works when there is open communication between the IR department and top management. Melten has witnessed cases when the IRO knows what should be done, but cannot communicate it to the top.

From a global perspective, particularly in Asian and some Latin American companies, the reporting structure can be so hierarchal that the IRO does not have contact with the CEO, which makes extreme situations more complex to deal with. "Ideal, of course, is that the IRO has such a close relationship with the CEO, either directly or via the CFO, that his or her opinion will be taken into consideration, but unfortunately, sometimes that's not the case," said Melten.

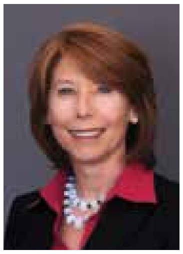
According to Olson, knowing people such as the CEO's rabbi and bringing in external resources such as a board member can help during times of crisis. He once heard great advice from a crisis counselor when a particular management team hit the roof about a press story.

The counselor said, "The *New York Times* isn't going to put you out of business – your employees, vendors, customers are the ones who will put you out of business." Olson also observed: "You can add to that, obviously investors, so that's an important message to get across to management when things are going a little wacky."

For more information about future webinars, please visit www.niri.org/webinars.

Tammy K. Dang *is manager, professional development, NIRI; tdang@niri.org.*

Theresa Molloy Honored as NIRI Volunteer of the Year



THERESA MOLLOY, DIRECTOR OF PRUDENTIAL FINANCIAL, was honored as the 2014 NIRI National Volunteer of the Year at the Volunteer Reception and Dinner at the 2014 NIRI Annual Conference in June.

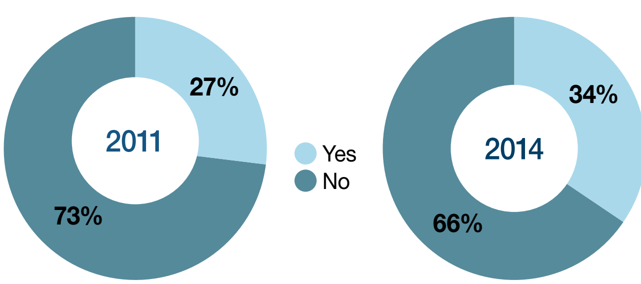
In addition to serving as a speaker for NIRI national webinars and programs, Molloy is a contributor to *IR Update* magazine, has appeared as a guest on "NIRI 360" video programs, and is a member of the IR Certification Subject Matter Expert Committee. She has also served three years on the Annual Conference Committee while continuing to serve as vice president of programs for the NIRI New York chapter.

"Theresa has shown the true spirit of volunteerism during 10-plus years of NIRI membership," said NIRI Chairman John Chevalier. "She has generously given a tremendous amount of time and energy, and anyone who has worked with Theresa has seen and felt her passion for NIRI. On behalf of the entire NIRI leadership, I congratulate her on this award."

Molloy commented, "I was surprised and flattered by the recognition. It was an honor to receive the award in the company of the NIRI national team, and my peers in attendance at the dinner who share my commitment to the advancement of the investor relations profession. I look forward to continuing to support NIRI as it grows and develops its membership."

IR Research at a Glance

After the earnings call, does your company post a call transcript on your website?



Source: NIRI Earnings Call Practices Survey (2011, 2014).
Number of respondents: 517 (2011), 230 (2014).

At the Bell continued from page 4

to see 13D and 13F reform, we did get changes to naked short selling, proxy advisory services, proxy fees, and updated online disclosure guidelines. With all the challenges in Washington over the last seven years, I think this accomplishment is significant.

Strong foundation. I just have a few final things that I must share. I want you to know that NIRI is financially stronger that it was seven years ago despite the recession. I want you to know that the driving force behind all the changes over the past seven years has been your NIRI staff. I want to thank them for their support. You are lucky to have them. They are excellent and always stand ready to help you. While I may be leaving, they will not skip a beat.

My journey ends where it began and that is with you. I have met so many wonderful people over the last seven years and look forward to staying in touch with many of you. I am honored to have been your President & CEO and thank you for all your support, input, and passion during my tenure at NIRI. I wish each of you all the best for success in your personal and professional life!

Professional Development Calendar

September 2014

14-17 Fundamentals of Investor Relations seminar, Boston, MA

15 Senior Roundtable Networking, Boston, MA

18 Keys to Successful Investor Presentations seminar, Boston, MA

19 Writing Workshop for Investor Relations, Boston, MA

22 IR Wisdom Road Show, Beijing, China

24 IR Wisdom Road Show, Taipei, Taiwan

26 IR Wisdom Road Show, Hong Kong, China

30 Crisis Management at the Annual Meeting webinar

October 2014

7 IR as a Career vs. Stepping Stone webinar

November 2014

17-19 Global IR Forum, New York, NY

Attracting High-Quality Investors and Analysts

Effective strategies for IROs working with investment banks on corporate access.

By Sarah Carmody

The NIRI Boston chapter recently hosted a fireside chat focused on the challenge most IROs face today in attracting high-quality investors and analysts while working within their C-suite's time constraints.

Mitch Schacher, executive director and head of corporate access origination in the Americas at UBS, reviewed how investment banks typically get paid from the buy side for corporate access services, stressing that it's still quantity over quality, with institutional investors seeking more access.

Get Maximum Value

Schacher's advice to IROs working with investment banks on corporate access is to make sure you are getting maximum value out of the bank. He stressed the importance of clearly articulating to the bank what you want at the outset of the planning (e.g., meetings with new versus existing shareholders, investor feedback). While the bulk of UBS' corporate access work is done on behalf of companies covered by UBS analysts, the firm also routinely coordinates meetings for companies that are not covered by the firm.

Covidien's Vice President of Investor Relations Cole Lannum, stressed that IROs must own the meetings and road shows that they coordinate with investment banks. Make sure that the bank is working on your behalf.

When planning a road show, Lannum suggested creating a Venn diagram consisting of the company's top targets on one side and the bank's top targets on the other. Those that overlap become the top priorities. If the bank makes a strong case for others on its list, consider these with your other targets.

Lannum introduced a "reverse broker vote" approach in order to allocate corporate access opportunities in an evenhanded way among the company's 25 covering sell-side firms. Lannum and his team plan their IR activity calendar more than a year in advance and distribute these objectives to each covering firm. The firms then "vote their shares" on which activities they would like to coordinate.

Focus on Priorities

Schacher and Lannum emphasized that the IRO should leverage and manage the sell side. Make the company's priorities, needs, and desires known to the investment bank before outreach begins. In addition, both speakers agreed that IROs should thoroughly evaluate the bank's corporate access model and process, and ask about its experience and specific strengths to ensure alignment with IR objectives.

Notable excerpts from the Q&A session:

How difficult is it for banks to get feedback from the buy side?

It can be challenging to get investor feedback in some markets in the United States. However, investor feedback is much more forthcoming outside of the larger markets so consider the Midwest, Toronto, and Europe. If feedback is important to the IRO and/or management, the banks should make this follow-up a priority. Investors outside of the United States are much more forthcoming with feedback.

How do you choose the right bank for a road show?

The quality of the road show is not as highly correlated to the analyst's work as you may think. When choosing your corporate access partner, first consider the sales team, its connections, and its presence in the market you are targeting. Make the bank provide context about these issues. Lannum recommended that IROs turn the process around and have the bank/corporate access team name its top cities.

How often are IROs meeting with investors without a member of the C-suite?

Both speakers noted that IRO-only meetings are taking place more frequently today than in years past and encouraged the audience to leverage these opportunities in order to maximize exposure for the company and further their professional development. In many markets outside of the United States, meetings with investor relations professionals are valued just as highly by the buy side as those with CEOs and CFOs.

Sarah Carmody *is associate director, investor relations at Idera Pharmaceuticals; scarmody@iderapharma.com.*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