IRupdate

National Investor Relations Institute
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OCTOBER 2015

the voice of the investor relations profession

MAXIMIZING COMPETITIVE INTELLIGENCE

Analysis of peer companies should be a day-to-day thread throughout all IR tasks.

IR update

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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.

About *IR Update*

IR Update is published monthly by the National Investor Relations Institute as a service to its members.
ISSN 1098-5220

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DEPARTMENTS

Global Market Gyrations

Given the cadence of magazine production, we end up writing columns and stories well in advance of when the edition ultimately reaches our readers. However, as I write this column, it is difficult to ignore the gyrations that have rocked the global capital markets in late August.

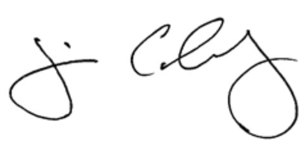
With job reports, housing starts, and consumer confidence indexes all indicating that the U.S. economy is holding its own, a panic of 2008 does not appear to be on the horizon. (Please refer to my first paragraph if I am wrong about that). Why then did I turn on CNBC two mornings ago to see that the Dow Jones Industrial Average (DJIA) had dropped almost 1,100 points in the first minute of trading?

It's part cliché and part understatement to say that today's economy is connected on a global basis. Earlier this year, we saw austerity measures and a possible debt default in Greece send tremors across the global economy. As Greece threatened to leave the European Union (EU), pundits in the United States searched for analogies to put the Greece situation into context, suggesting that it would be like the United States losing Wisconsin. I thought this was a silly analogy for two reasons. First, in attempting to analyze the impact of Greece's departure from the euro zone, it used only the fact that Greece represented an insignificant 2 percent of the EU's collective GDP rather than the precedent of one of the EU's member nations exiting the union when it became convenient to do so. Second, how can anyone suggest that with a culture that reveres and rests its fame on two of life's finest "delicacies" – beer and cheese – that losing Wisconsin would be anything but a cataclysm for the United States?

More recently, the situation in China has caught everyone's attention. We were not talking about a small nation that represents 2 percent of the EU; we were talking about China, the second largest economy on the planet. Though capital markets still remain way too subject to emotion and conjecture, and rumblings from China could lead to a 1,000-plus point drop in the DJIA on a single day of trading, these should demonstrate the interconnectedness of our global economy.

Thus, as NIRI pursues the elements within its strategic portfolio, it's beyond time for the organization to think about its global footprint – about how the standards we represent must be considered on a global basis. We don't have all the answers, of course, but as we prepare to launch our new certification program in the first half of 2016, we know that it will force our hand to some degree in coming up with some of those answers.

We will need to determine how, not whether, we will work with IR professionals, companies, and partner organizations on a local and regional basis to make our efforts relevant and impactful on a global basis. We welcome your suggestions on how NIRI should proceed.



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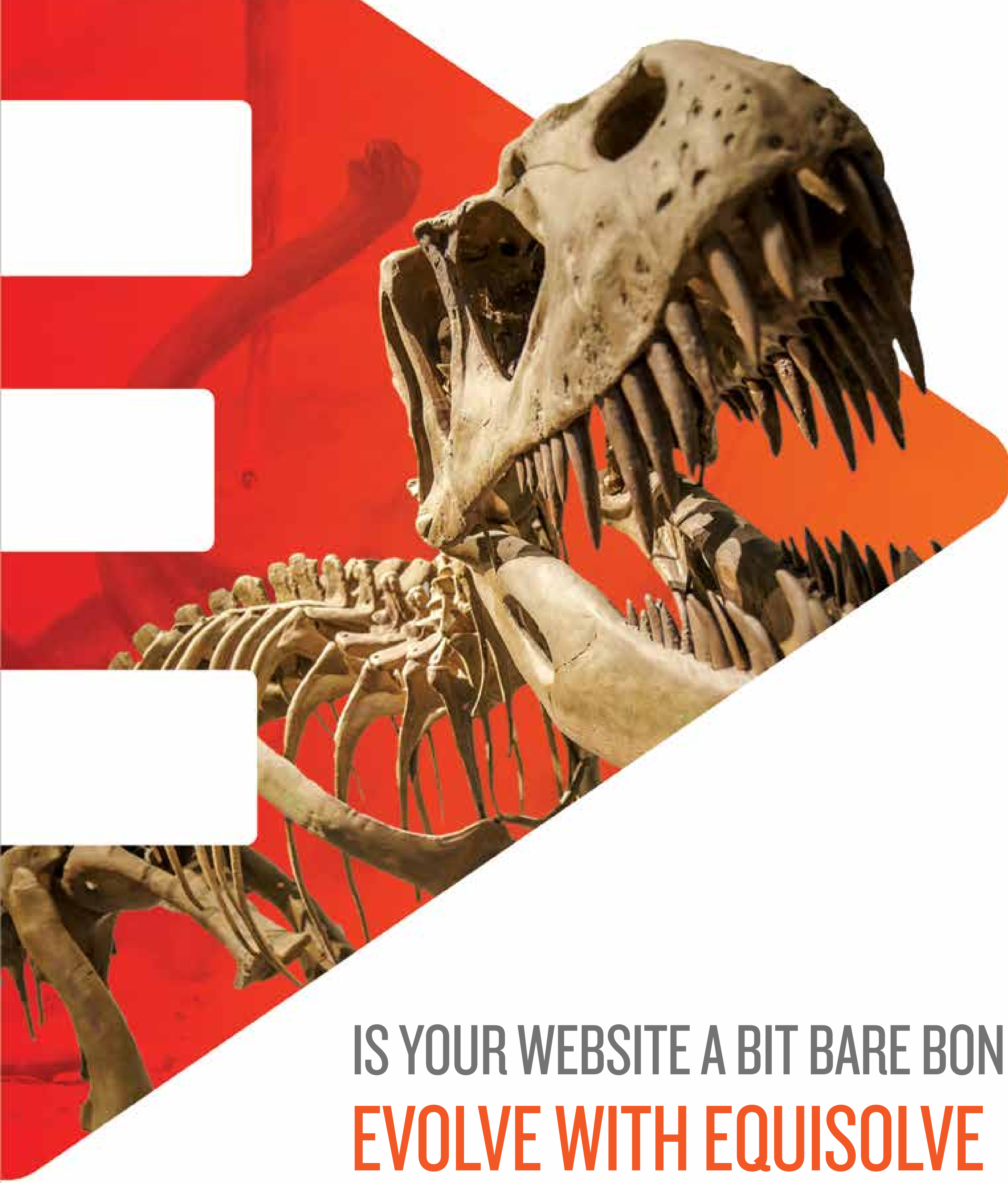
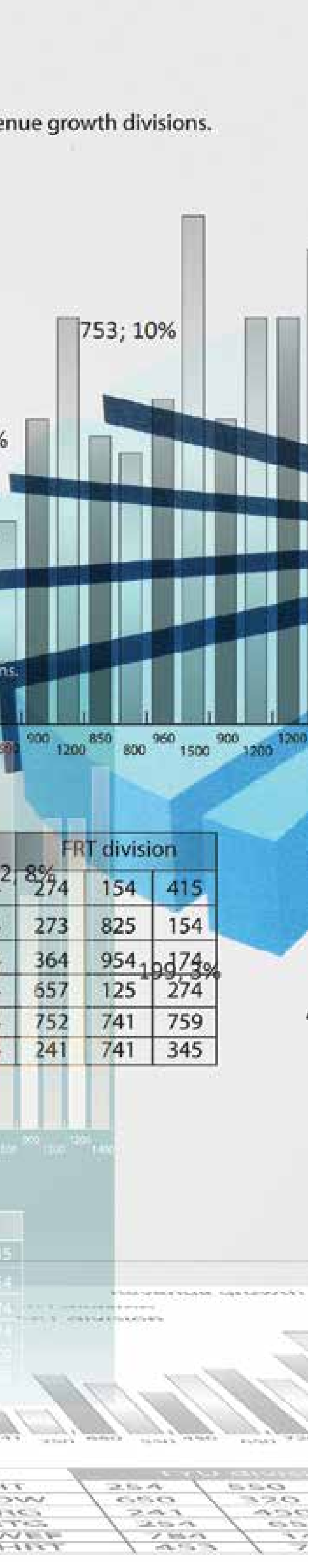


MAXIMIZING COMPETITIVE INTELLIGENCE

Analysis of peer companies should be a day-to-day thread throughout all IR tasks.

By Alexandra Walsh



What is competitive intelligence? Why do you gather it? How and what do you gather? And what do you do with it once you have it?

These questions are explored in a forthcoming NIRI book, the “Investor Relations Body of Knowledge.” This book will be a resource for IR professionals who plan to take NIRI’s certification examination.

The authors of the book’s section on competitive analysis suggest that four primary tasks are required. First, regularly track and compare pertinent financial and valuation metrics of competitors and peers. Second, conduct comparative analyses of peer company results to assess relative company performance. Third, measure the company’s valuation metrics against its closest peers and sector to assess relative valuation and shareholder value. And fourth, regularly track, analyze, and communicate to senior management the financial performance and trends of competitors and peer firms to assess competitive position in the industry.

One of the authors, Remy Bernarda, senior vice president, investor relations and corporate communications at Galena Biopharma, sums up the practice of competitive intelligence as: “Knowing what your competitors are doing in your field and where you sit in that field. To me, it’s all about how we communicate our position relevant to our peers and competitors.”

Knowing the Competition

Who do you track?

An effective IR professional will have a thorough understanding of the company’s key competitors, including competitive products and/or divisions, along with financial peer companies that may not necessarily be competitors. The universe of a competitive analysis may include:

- general industry sectors such as healthcare, technology, or retail;
- sub-industry groups such as biotechnology, software, or men’s apparel;
- specific competitive products;
- financial competitors that may have similar market capitalization, growth rates, dividend yield, or risk profile; and
- sell-side coverage -- which analysts cover you and your peers.

“It’s critical to know your competition, and that means you have to continuously assess and determine whether you still have the right set of competitors or whether changes in your company’s strategy might mean dropping certain companies from your list,” says Kristy Bias, director, investor relations, at Dell. While her company is no longer publically traded, she says its IR program is still in place and is used exactly as when the company was private. This includes giving earnings reports, but to debtholders instead of Wall Street.

“I also have to define the criteria that designates a competitor as top tier or second tier,” explains Bias. “That designation is determined by how relevant the competitive company is in the different segments of the market we play in, and the more we have in common with the company, the more likely they are to be designated top tier.” Bias clarifies that a competitive company’s designation determines how quickly she will turn around information on that company. For example, for a tier one company, she will immediately send a summary email of the company’s earnings press release to her executive team, followed up within four to 12 hours with a deeper dive after she has had a chance to listen to the earnings call and to review the analysts’ research notes. For a tier two company, she skips the first step and puts all the information in a single email to her executive team.

Kate Scolnick, vice president of investor relations at Seagate Technology and an additional author of the competitive intelligence chapter, suggests that IROs should not only be looking at the obvious companies that matter from a competitive standpoint — but also at the five companies that no one else is thinking about.

"Step back and look at all the competition and ask yourself, 'what other industry do we look like?' You need to not only care about what your investors and analysts care about from a competitive standpoint, but be able to pivot to what else your company should look like," suggests Scolnick. "For example, if we were in a dividend fund, we would look this way rather than a risk technology company." She acknowledges that this is not something that all IROs have time to do, but her takeaway is: "Don't get comfortable and don't stand still."

Once you have identified where your company sits within your particular industry, there are specific metrics that should be continuously tracked between your company and your competition. The best sources of information for tracking the competition, according to the authors, are press releases, webcast presentations, analyst reports, sell-side reports, investor day materials, and earnings call transcripts. Key information can be gathered from these sources about revenue, expense, and income trends broken down on a corporate, segment, and product level, as well as quarterly or annual guidance and events and milestones.

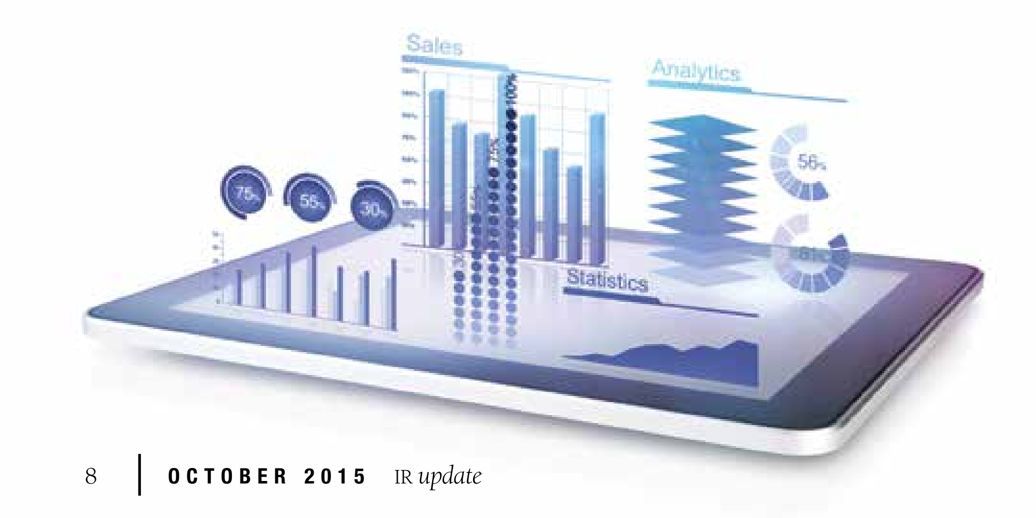
"Twitter is another way of learning and information gathering to better understand your industry," adds Bernarda. "Following influential writers and other thought leaders in my industry is a quick and easy way to stay on top of developments and trends – fund managers often post interesting perspectives as well as information about the industry as a whole."

"Asking analysts to put you on their distribution list can be a blessing and a curse," admits Bernarda. "You get a boatload of information you don't need, but if you do need information, it's a great way to get it. It's free and you'll understand their writing and how they think about your space. I've never had an analyst say no, although some may limit you to just receiving your own company reports."

Gathering External Insights

External relationships are important to understand the industry, overall market trends, as well as the key players. There are multiple ways to gain competitive intelligence through networking at industry and sell-side conferences and events, trade shows and interacting with analysts, institutional and retail investors, bankers, and key opinion leaders.

"One of the most valuable ways I know to gather intelligence is to attend business development conferences," confides Bernarda. "You sit through many panels with industry experts talking about your space and you learn what their philosophies are and what they're focused on from a business development perspective. It teaches me how we fit in with our competition, and how to differentiate ourselves when I tell our story."



Leveraging Internal Relationships

Strong internal relationships with management, division heads, and other employees are essential to fully understand the strengths, weaknesses, opportunities, and threats that will impact company performance.

"We have relationships with the technology and engineering experts, CFOs, and sales leaders across all of our business units," says Bias. "If the competition acquires a partner, I depend on my internal network to tell me how our products are differentiated and relatively positioned. To me, our product may seem similar, but as I understand the technology and use by the end customer, I'll understand the differentiation and value add to the customer. It's also very important to have this input for when we announce our own new products."

Scolnick concurs that because of where IROs sit in the company, it is very important to have an internal network. "Sometimes we're collaborating with public relations, in other cases it may be our financial or legal team, crisis communications, or technical resources. These are the people who can provide you with the information or context so you can effectively function as your company spokesperson – plus, as IRO, you want to be the information hub."

"Get in the mix and be a fly on the wall," recommends Bernarda. "Go to sales dinners, division meetings, and clinical meetings to get the knowledge experts' ideas about developments. Don't be afraid to ask questions or to run your story line by them."

Bernarda says that even if you just sit in the room, you learn. "Information is a two-way street – maybe your CEO and CFO can't be at every meeting, but maybe you can. You'll get a strong understanding of where the

company is going and increase your value by keeping your CEO and CFO informed."

Communicating Findings

Once the IRO has collected and analyzed the industry and overall market trends, he or she should establish a reporting routine to communicate the findings to senior management.

"It's a combination of a quantitative dashboard and a qualitative summary that covers broader economic and capital market news, as well as industry trends impacting our business," says Alexandra Deignan, vice president, investor relations at Schnitzer Steel, of the weekly IR dashboard she uses to disseminate competitive intelligence to management. "We try to encapsulate what occurred over the week, including our stock price performance versus the broad markets and select peers, recent news, global commodity market trends, and noteworthy research reports of our analysts and those of other sectors."

Deignan also includes a mini-calendar with upcoming conferences and a list of any IR outreach that week. She recounts how the dashboard expanded over time. "It started as a stock price and volume weekly snapshot, but the data didn't tell the whole story. As our stock price moves a lot on macro news, we gradually began providing color on broader capital markets trends that impact our sector. As we expanded the commentary, it became a weekly digest of everything in the public realm relevant to our market – great one-stop shopping!"

At Schnitzer Steel, the dashboard goes to the CEO, CFO, and a group of select senior management. "We limit the circulation, but we include members of the management team who often provide us with key industry insight or participate in our IR outreach, such as facility tours." Deignan adds that it's sent out early Saturday, so come Monday morning, the recipients have a jump start on what's going on in the markets and can cascade relevant news to their teams.

Scolnick provides a daily and weekly IR update, but sometimes she conveys information the old fashioned way with just an email.

"If I'm recently back from a conference, I might provide a summary of questions or pass on something I heard and I'll send that by email to a core group of executives," says Scolnick. "Sometimes it's even more casual – a hallway conversation with one of my executives about a recent investor interaction, maybe a funny one I can share."

Scolnick adds that this approach also reinforces the fact that when the executive team doesn't see you, they know you're out there, in the mix, doing your job.

Desired Outcomes

IROs have unique access to a variety of experts and information sources that can be utilized to add greater business insight and improve their effectiveness. This includes internal and external sources.

Taking advantage of opportunities to interface directly with executives and key managers, as well as financial analysts, institutional investors, and business experts, can significantly improve an IRO's ability to assess the company's competitive position. IROs can add significant value to senior management by tracking, analyzing, and communicating the financial performance and trends of competitors and peers and by assessing competitive position in the industry.

"The most important skill for an IRO is to always know your company's internal strategy, how your business is structured (financially and operationally), the direction it plans to go, and how external trends will impact your overall goal," says Bias. "Use competitive intelligence to always be aware of, and sometimes a step ahead of, the competition as emerging or changing trends occur, and make adjustments accordingly to meet the overall objective of growing faster than the market."

Then, Bias says, remain consistent and collect and provide competitive intelligence on a regular basis. "You can't do it one week and not again until a month later. You need to know what changed from the prior week and take the time to discuss those changes regarding your competitive peer set, and then make your own changes accordingly."

Bernarda's advice about competitive intelligence is to not get too caught up in dayto-day IR tasks at the expense of being aware of where your company fits in its space. "Spend time over the next month or two to be very aware of the landscape and how quickly it can change, and use competitive intelligence to help with that," she says. "Your peers or competitors might be changing, you might not be hitting the sweet spot for targeting, and perhaps you should be tracking different segments."

Bernarda, who confesses to being a big sports fan, points out how in tennis, every match requires assessing your performance against your opponent, and IROs should do the same thing. "Take a step back, analyze yourself, analyze your peers, and make the adjustments needed to be the better person on your side of the net."

As Scolnick points out, "competitive intelligence should be a day-to-day thread throughout everything you do – not, this is my competitive intelligence day. When you're doing it right, it's the flow of all conversations, external and internal, and it will become second nature."

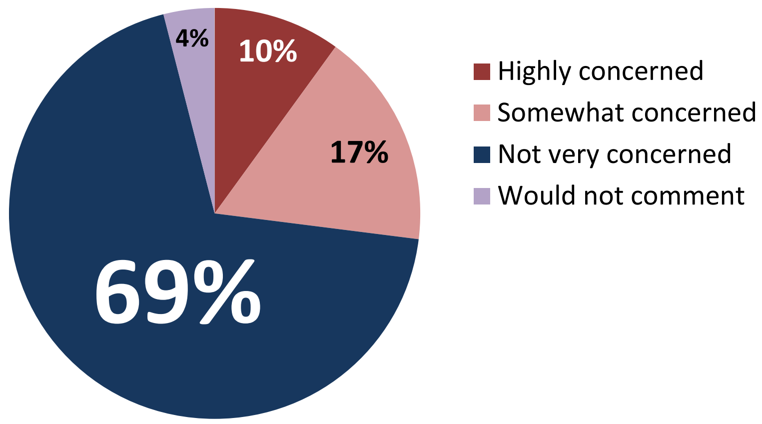
Scolnick suggests having fun with competitive intelligence. "Style matters. I can offer an opinion and be a little cheeky sometimes, maybe make a controversial comment or observation. Competitive intelligence offers you more creative bandwidth than many IR tasks." IRU

Alexandra Walsh *is vice president of Association Vision, the company that produces IR Update; awalsh@associationvision.com.*

Companies are not concerned about being targeted by activists:

Senior Management's Level of Concern about Being Targeted by Activist Shareholders

(156 CEOs and CFOs; December 2014)

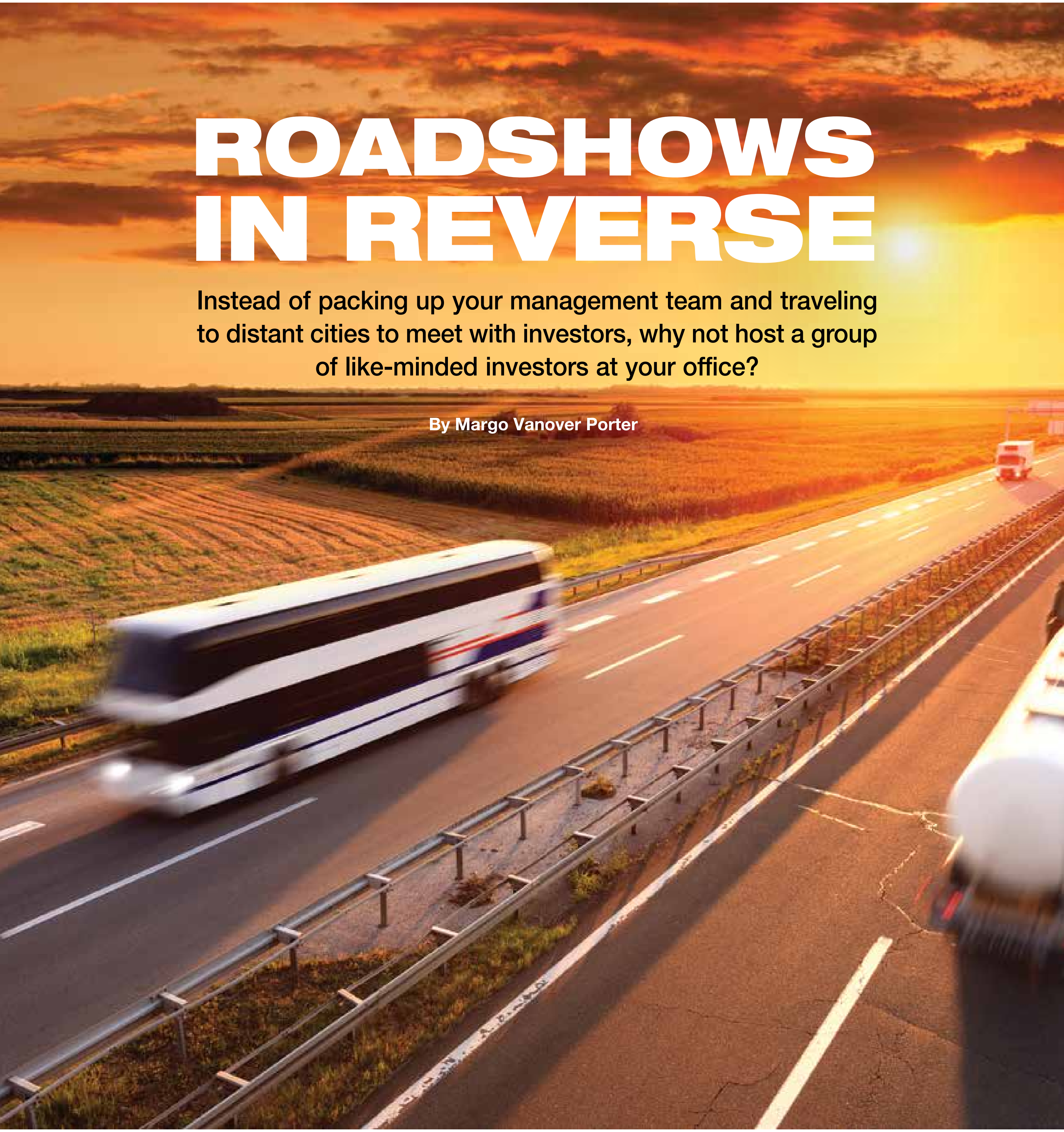


ARE YOU PREPARED?

ROADSHOWS IN REVERSE

Instead of packing up your management team and traveling to distant cities to meet with investors, why not host a group of like-minded investors at your office?

By Margo Vanover Porter



Shawn Roberts knows exactly why reverse non-deal road shows (NDRs) seem to be picking up steam.

"The absolute most obvious reason is the convenience factor," says Roberts, the senior director of investor relations at Total System Services. "You have a large group of investors brought around to you by a sell-side analyst, and you don't have to leave your city or office," he observes. "In 90 minutes to two hours, you can meet with the same number of investors that you would see in Chicago and spend a day and a half."

Jeanie Herbert, senior director, investor relations at Revance Therapeutics, agrees. "The upside of a reverse non-deal road show is it only takes an hour or so of the CEO's or CFO's time. Plus, we [stay] in California so it means no travel investment."

Like the IROs of these two companies, 57 percent of the respondents in a recent NIRI survey indicated they participate in reverse non-deal road show/investor bus tours. Among those who do, 77 percent described these events as positive.

"I don't think I've ever had one that wasn't a quality group of investors," Roberts says. "Usually the type of sell-side analyst putting a reverse NDR together is thinking outside the box. It's not exactly something that's been around a long time."

How These Tours Work

According to Herbert, an analyst – covering or noncovering – typically initiates the non-deal road show among a group of sector-specific investors who then travel to a group of companies in the same general vicinity, often by bus. The tours may include five to 25 prospective investors.

"We typically get an invitation to be on the visitation list several months in advance so we can plan ahead and ensure our management team is around," she says. "I get the actual list a week in advance to review and to get our backgrounders together about who's visiting so we can target anyone we would like to get to know better."

Herbert believes reverse non-deal road shows can be a great way to get to know noncovering analysts and get them up to speed about your story. Because she represents a biopharmaceutical company, she may ask the vice president of research and development to talk about current clinical trials or a potential new product during the presentation. "It's a wonderful opportunity to bring out a lower level of senior management to meet with investors," she says.

Usually agreeing to annually participate in one or two reverse non-deal road shows, Herbert likes to schedule a site tour of facilities, if time permits. "We did a bus tour last December with UBS and had a site tour," she recalls. "We don't have a lot of people coming out to the lower part of the Bay area so it was a good opportunity to show them our new commercial manufacturing operations."

Before a reverse NDR, Herbert takes time to prep the C-suite with information about the sponsoring sell-side analyst. "I also give them background on the specific investors who are coming on the bus tour, how knowledgeable they are about the company, and whether they have previously met with us or are new to the story. We then make a decision on how far we have to go in terms of a full presentation about the company or just a quick update with a Q&A."

One of the company's last bus tours, which she describes as "highly worthwhile," included top names such as Franklin, Oppenheimer, and UBS Global Asset, as well as a number of hedge funds. "I must admit that the downside I have often seen is a high percentage of hedge fund participants," she says. "I would prefer to see a higher percentage of the top-tier institutional investors on these tours."

The Hedge Fund Advantage

Roberts, who has been in investor relations for 22 years, professes a different attitude. "One of the criticisms of reverse NDRs is many hedge funds," he says. "In my opinion, one of the advantages is many hedge funds. I have a few hedge funds that are large shareholders, and we have a great relationship. From an investor relations perspective, I view hedge funds in the same light as any other potential investor."

In fact, his only complaint about reverse NDRs is to squeezing them into an already tight IR schedule. "When you think about a given calendar year, you really don't have as much time to meet with investors as many people from the outside think you do because of quiet periods and other events you're already committed to. Our policy is that we are quiet and don't meetwith investors on the first day of the month that we report earnings to the night we report earnings. So in January, April, July, and October, we're not meeting with anybody," Roberts says. "You're almost out of the market and in a quiet period for four months."

That's one reason why he keeps a whiteboard in his office that lists every event scheduled the last year and every one coming up, along with the analyst involved. "Not only do I show that on February 10 I went to the KBW conference in New York, but I have KBW marked off my list," he explains. "Every year, I come up with a list of sell-side analysts that I would like to do something with, in a particular order, usually based on who I did something with last year. If last month I did something with KBW, they then go to the bottom. Number two on the list moves to number one."

Roberts thinks it's a mistake to pass up reverse NDRs without a good reason. "Participating in more reverse non-deal road shows is a way to get in front of more investors using less money and less time," he emphasizes. "It doesn't cost you a dime to have a sell-side analyst bring 12-plus people to your headquarters and sit down with two or three business-line executives, [the] CEO, or CFO."

Southeast Tour Shines Light on Regulation

This month, TECO Energy Inc. is participating in its first reverse non-deal road show in quite a while, reports Mark Kane, director of investor relations. This regulatory road show will hit Atlanta, Miami, and Tampa and bring a group of 15 to 18 investors to multiple companies and regulators in the energy sector.

"The focus will be on the current state of utility regulation in the southeast," Kane says. "We're a regulated utility, and they are meeting with a Florida regulatory body the day before they meet with us. Maybe we can gain some intelligence about the meetings with the commissions. We can't control those conversations, but we can get feedback from those conversations."

During the two-hour session, Kane will assume the role of facilitator, coordinator, and possibly speaker. For European road shows, he and the CEO trade off who's talking, but for this event, the CEO, CFO, and one of the company's senior regulatory executives will probably take the podium.

"The biggest advantage for us as an issuer is the road show is exceptionally efficient with management time," he says. "We get to see an awful lot of investors. If we were making the rounds in New York to visit 18 investors for one-on-one meetings, it would take several days. Here we do it in two hours."

The downside, he points out, is having little control over the guest list. "I will know in advance who is attending, but we have no control over attendance."

Located in sunny Florida, he has learned to be cautious about potential visits in March and April. "We always used to get requests for these types of meetings during spring training for baseball," Kane explains. "We used to joke, 'Well, you can tell it's spring training. People are requesting meetings in Florida.' "

Strategic Advice

If possible, IROs should use reverse non-deal road shows to display their company's tangible assets and the way their company is set apart from peers, advises Muriel Lange, principal, Lange Ventures, LLC, an IR consulting firm.

"Many investors only hear the financial orientation and never quite understand the fundamentals of the company," she says. "A nontraditional non-deal road show lets the investor actually understand what the company does from a practical point of view, as opposed to the balance sheet and credit ratings."

Show your investors what they are investing in, she concludes. "A real product gives a better picture than just telling investors about your assets or asking them to read the annual report." IRU

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For more information about non-deal road shows, see "NIRI Non-Deal Roadshow Survey - 2015 Report," June 2015, which can be found at www.niri.org/analytics.

ADVICE ON REVERSE NDRS

IR professionals share their advice on reverse non-deal road shows.

Understand your group. "If the group of investors already knows our company, we don't have to go A to Z explaining what we do," said Shawn Roberts, senior director of investor relations at Total System Services. "We might jump right into Q & A because these people understand us, they attend our events, and they are on our earnings calls."

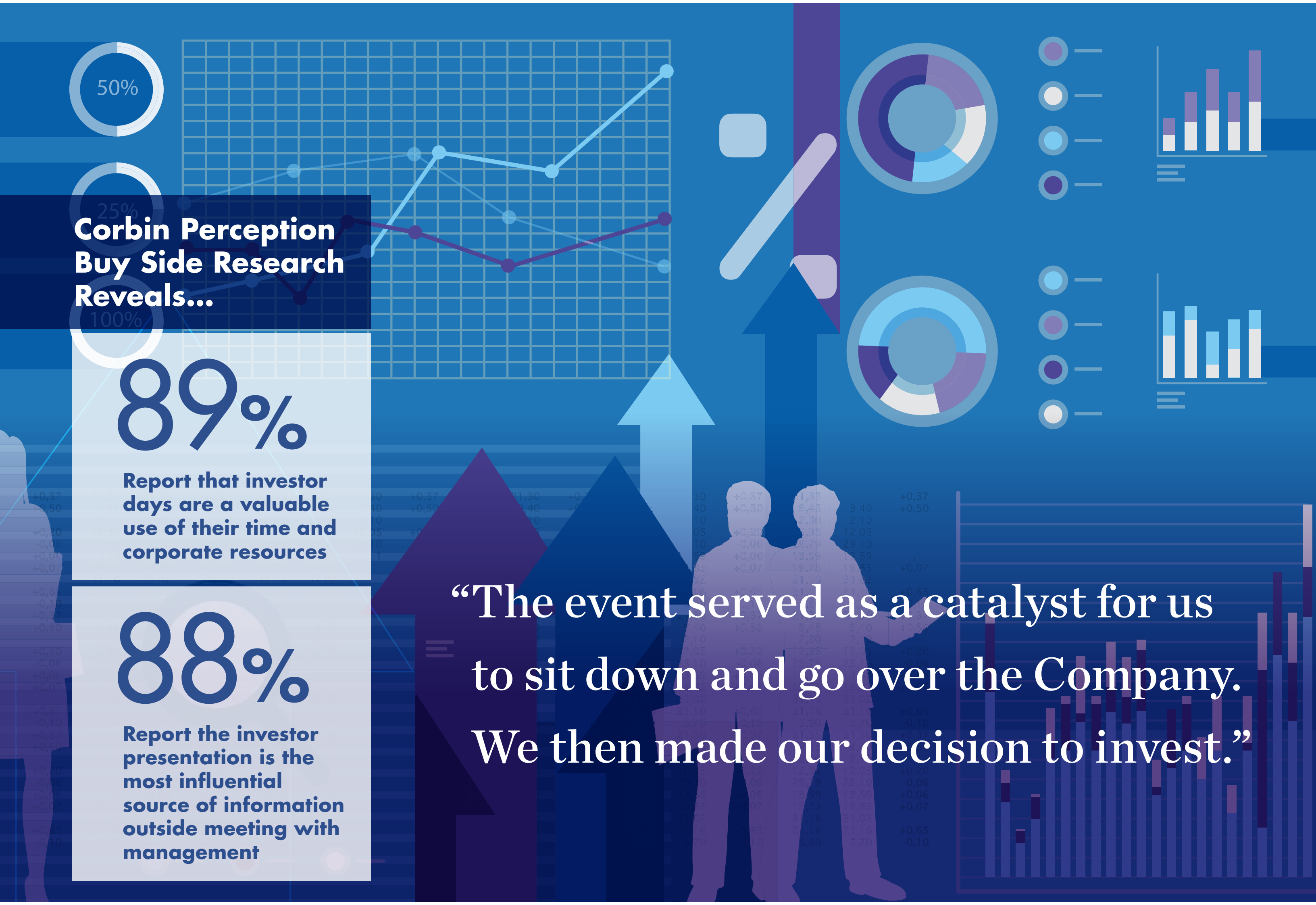
Reserve appropriate meeting space. Roberts thinks it's a good idea to schedule the meet and greet in a spacious room that has a nearby bathroom, coffee machine, refrigerator with soft drinks, and separate quiet area for people to take phone calls.

Put out feelers. When communicating back and forth with a sell-side analyst about an upcoming reverse NDR, Roberts makes it a habit to ask, "Do you plan on having any of our top 10 shareholders?" Then, once he knows the sell side has sent an invitation to one of his company's top 10 shareholders, he calls and says, "Listen, I'm going to have my CEO at this event. It would be a good use of your time to attend our meeting."

Prepare handouts. "When you have an investor coming to your facility, you should always have a handout," says Jeanie Herbert, senior director, investor relations at Revance Therapeutics, Inc. "If it's a presentation, you should have copies available. If it's a Q&A, have a fact sheet. If you have a group of presenters, provide their bios."

Follow up. After the road show, reach out to every investor with a personal thank you and then add each name to your contact list for press releases, email alerts, and conference calls. "They took time to come to your site and visit your company," says Muriel Lange, principal, Lange Ventures, LLC. "You want to keep those names. They are a gold mine."

MAXIMIZE INVESTOR DAY RESULTS



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89%

Report that investor days are a valuable use of their time and corporate resources

88%

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Telling Your Company's Executive Pay Story

PREPARING CLEAR AND CONCISE PROXY DISCLOSURES IS A KEY STEP TO WIN INVESTOR SUPPORT REGARDING EXECUTIVE COMPENSATION.

By Matt Orsagh

Much has happened in the past few years in the executive compensation landscape, most notably an increase in engagement. Investors and issuers have noted the increase – a trend both sides expect to continue.

Companies have seen that engaging to address investors' concerns has paid dividends. For example, a record number of shareholder proposals were withdrawn in recent years as companies and investors talk and find a compromise on a number of issues, including compensation. Formal engagement guidelines have been proposed in a number of markets to help improve and codify the engagement process between investors and issuers. Preparing clear and concise proxy statement disclosures is often the first – and if done well – the only step needed in the engagement process concerning executive pay.

CFA Institute recently published a second edition of its "Compensation Discussion & Analysis (CD&A) Template" to highlight best practices that have developed over the past few years. In updating the template, we formed a working group of investors, issuers, proxy advisors, lawyers, compensation consultants, and professional associations (including NIRI) to assess what works and what doesn't in crafting an effective CD&A.

Our objective was to provide practical advice to those involved in the CD&A production process and in communicating a company's compensation story. We focused on how best to explain a company's pay practices in a clear and concise manner through the main compensation engagement document used by investors — the CD&A. When the CD&A is done well, it tells the company's story in a manner that gives investors answers to key questions they have when evaluating a company's pay practices and when casting their Say-on-Pay vote.

Develop an Engagement Process

It is in the best interest of companies to put in place a formal engagement process that is well understood by the board, the corporate secretary's office, IR professionals, and investors so that when engagement is desired or necessary, it is fruitful for all parties involved.

Companies should ensure that investors know who to contact with comments or concerns they may have — the IR officer, the corporate secretary, a chief governance officer, or some other individual. Investors need to know that their legitimate questions and concerns reach the proper individual or group, whether management or the board.

When needed, companies should designate an appropriate board member to meet with shareowners and to be clear on what they can and cannot discuss. Regarding compensation matters, this person would often be the chair of the compensation committee.

Keep It Simple

Companies should understand that few investors will read the entire proxy statement or the CD&A. Investors generally know what they are looking for and will look to find it quickly. A hyperlinked table of contents has become a must for the proxy statement. Companies also need to understand that most people who read the proxy and CD&A will do so only on a computer, tablet, or mobile device. Therefore, companies need to make sure graphics and layouts work well in printed and online formats.

Our advice to companies is: keep it simple. Your compensation story should be as clear and concise as possible while still telling investors what is unique about your company's pay practices. One of the main innovations that our working group suggested was a graphics-based executive summary to introduce the CD&A. These executive summaries have become a standard best practice in CD&A disclosure in recent years. The new, graphics-based version gives investors the information most of them are looking for in a concise, one- to two-page format, with tables and graphs, where appropriate, to make information more accessible and digestible to investors reading the document. This graphics-based executive summary focuses on:

- what has changed in the past year (strategy, leadership, pay philosophy, pay practices);
- Say-on-Pay results and engagement activities;
- pay governance practices;
- elements of compensation;
- CEO pay breakdown;
- link between pay and strategy; and
- annual performance metrics and actual performance / long-term metrics and performance.

We also encourage those involved in the CD&A production process to plan ahead. Our working group encouraged issuers to set a schedule for CD&A production far in advance to ensure that everyone involved in the process knows their roles. Companies should also engage with investors before the process starts to gauge any concerns investors may have. Engagement builds discipline of understanding your company's compensation structure, builds trust with investors, and helps a board mitigate surprises from investor concerns over pay. We encourage companies to report on engagement activities with investors, whether they be brief phone calls or extensive in-person meetings. Investors want to understand that there is a process in place that allows them to be heard.

The CD&A drafting process should also include input from a variety of internal constituents (e.g., legal, IR, the corporate secretary, corporate communications), to ensure that the CD&A effectively tells the company's compensation story.

Although the people who work on the CD&A through the years will invariably change, our working group believed that it is important to maintain some continuity in the team that writes this section. Have the person who is ultimately responsible for the CD&A be someone who has previously taken part in the process and knows any issues or concerns investors have raised in recent years. It may also help to share early drafts of the CD&A with someone outside the CD&A drafting group to make sure that the company's story is well communicated to the average investor.

Pay for Performance — What Investors Look at Most

When mentioning performance measures, it helps to tell investors why those metrics are seen as value drivers for the company's performance and how they link to strategic objectives, since this information may not be intuitive to those outside the company. Also consider whether the CD&A clearly communicates how the company uses compensation to motivate performance over the short and long term. This is a question at the top of many investors' minds these days, so a compensation committee should be sure to include a clear explanation of the link between pay and performance in the CD&A.

Our working group felt that those who draft the CD&A should adopt the rule to "never leave the question of why unanswered." A compensation committee should always clearly explain why it made the compensation decisions it did. Compensation committees can and will use discretion of course, and when discretion is used, it is the responsibility of the committee to explain the business reasons behind why discretion was necessary and how the use of discretion served investors' interests.

Bends in the road happen, and no company grows in a straight line forever. If a company has had a compensation issue or an anomaly in the past year, it is best to acknowledge it fully, explain what steps have been taken to address the issue, and move forward. Investors will give a compensation committee credit for being forthright. Investors are likely to be wary of companies that ignore a compensation issue, or try to hide it.

Finally, our working group thought it is important for the compensation committee to take responsibility for the CD&A, and to publicly say that it does. Some companies include a brief introductory statement that is signed by or attributed to committee members to indicate this ownership.

Our working group helped us produce a document that we believe will be helpful to IR professionals, boards, and investors by promoting best practices in the creation of the CD&A. By making sure the CD&A is first and foremost a communications document and an engagement tool, companies can best tell a compelling story to investors concerning executive pay. IRU

Matt Orsagh, *CFA, CIPM, is director of capital markets policy at CFA Institute; matt.orsagh@cfainstitute.org. The revised CD&A template is available at: http://www.cfapubs.org/doi/pdf/10.2469/ccb.v2015.n4.1.*

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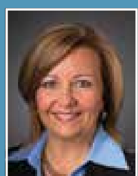
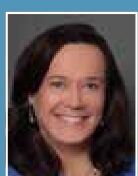
Quick Takes

What is the first thing you do when an IR crisis hits your desk?



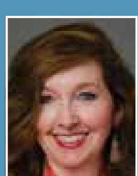
Ann Scott
Director, Investor Relations
Ball Corporation

▶ "I take a deep breath and get organized. I categorize the crisis, inform our disclosure team, develop talking points, and then we follow our disclosure guidelines."



Natalie Hairston
Senior Vice President
Dennard - Lascar Associates

▶ "Assuming the crisis/continuity plan is in place and in process, I first develop a list of anticipated questions from investors, the board, management, and employees – and proposed responses. The responses to the same question might vary for each stakeholder. The internal audiences need the answer to the question: "How does this impact me?," whereas the external audiences will require detailed facts and company expectations."



Julie Johnson Bull
Director of Investor Relations
Dillard's

▶ "Pray hard."

"Quick Takes" features brief comments from IR professionals in response to a question. If you would like to be featured in this column, contact *IR Update* Editor-in-Chief Al Rickard at arickard@associationvision.com.

On the Move

Daniel Brailer is the new chief operating officer at BOSS Controls, a startup company that designs and sells cloud-based Wi-Fi-enabled product solutions and software. He was previously vice president of investor relations and corporate affairs at WESCO International, where he built the investor relations program starting with a 1999 initial public offering.

Please send "On the Move" announcements to *IR Update* Editor-in-Chief Al Rickard at arickard@associationvision.com.

Professional Development Calendar

For more information, visit www.niri.org/calendar.

November 2015

2-3 Finance 101 for IR – New York, NY

4-5 Finance Essentials for IR – New York, NY

16-18 Global IR Forum – New York, NY

19 Energy, Oil and Gas Symposium – Houston, TX

December 2015

2-4 NIRI Senior Roundtable – New Orleans, LA

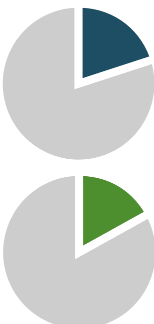
January 2016

10-13 Fundamentals of Investor Relations – Santa Monica, CA niri SENIOR Roundtable©

Ritz-Carlton, New Orleans, LA

NIRI NUMBERS

NIRI 2015 Survey: Global IR Considerations



20% of U.S. based IROs and **17% of non-U.S. based IROs** change their company roadshow presentation/story when presenting in other countries

43% of U.S. based IROs and **89% of non-U.S. based IROs** check the quality of professionally translated information

22%

employ practices to ensure management is aware of cultural norms to avoid offending visitors

3% of U.S. based IROs **AND** **27%** of non-U.S. based IROs

Have company materials professionally translated for their roadshow

Spanish and German: most frequent for U.S. based

English and French: most frequent for non-U.S. based

79%

of IROs who have site visits invite analysts and/or investors from outside their home country

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