

IRupdate

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Will
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BE THE YEAR OF
Proxy Access?

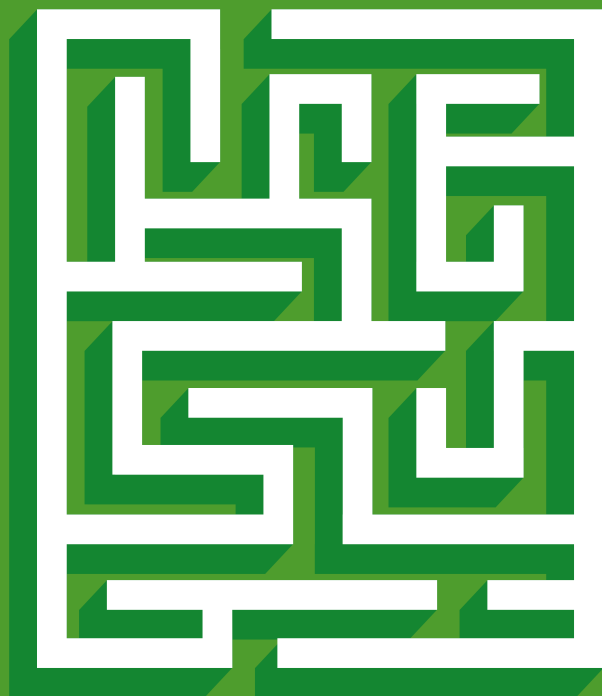
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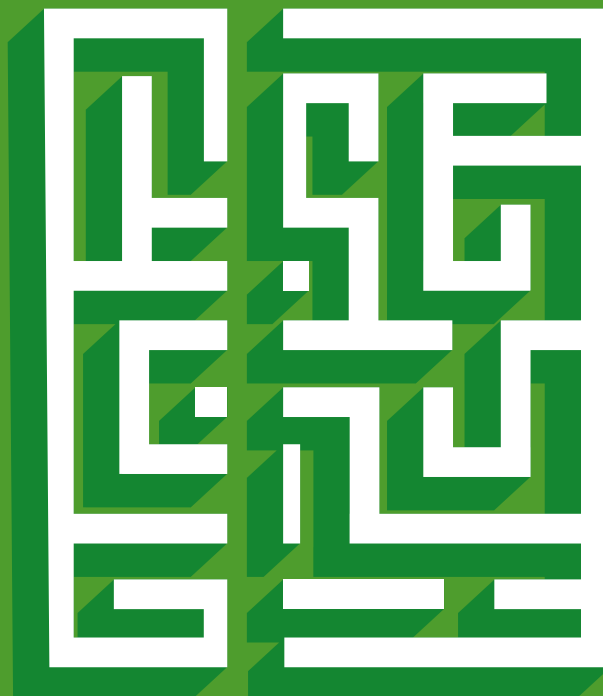
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Founded in 1969, the National Investor Relations Institute (www.niri.org) is the professional association of corporate officers and investor relations consultants responsible for communication among corporate management, shareholders, securities analysts 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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By Muriel Lange

IR and “Deflate-gate”

As I write my first column for *IR Update*, the week leading up to the Super Bowl was overshadowed by allegations that the New England Patriots illegally reduced the pressure of footballs in the AFC championship game to “significantly less” than the minimum requirement of 12.5 pounds per square inch (PSI).

“Deflate-gate” has dominated not just the sports airwaves, but the general news shows as well with retired football stars and general news correspondents alike labeling the team the “Cheatriots.” Just as I (as a bona fide New England “homer”) immediately leapt to the defense of my team, the critics of the Patriots pounced, using every kernel of unsubstantiated fact and rumor to support the narrative they’d already created in their minds – the Patriots have been a dominant franchise for 15 years merely because they cheat.

Why not believe it? It was splashed all over ESPN, every newspaper, and every newscast. It *must* be true. Within a few days of the allegations, the Patriots, its quarterback, and its coach had been tried and convicted by the media.

A few days before the Super Bowl, what appeared to be real facts surfaced. A *New York Times* article cited scientists who suggested that game-time temperatures and atmospheric conditions easily could explain air-pressure drops. Meanwhile, the NFL’s vice president of officiating acknowledged that those responsible for verifying the Patriots’ footballs’ compliance with air-pressure rules did not actually record the balls’ PSI. Neither of these facts were headlines in newspapers, on television, or on the ESPN website. Instead, the original “Cheatriots” narrative continued to repeat ad nauseum while these relevant facts were ignored.

As I embark upon a new chapter in my career at NIRI, I have been thinking about how the news cycle of Deflate-gate parallels what you must go through periodically as IROs. You’re set for an earnings call to focus your investors’ and the public’s attention on a new product or on earnings that have beaten analysts’ expectations. Instead, a blogger or journalist raises the tiniest of non-issues and you have to pull out the crisis communication plan to deal with your own version of Deflate-gate.

I had the privilege of attending the Fundamentals of IR seminar in January to begin immersing myself in your world. I had the opportunity to see how comparable-type issues can upend your lives on a moment’s notice. It’s an education I intend to continue as I take the reins at NIRI. I will reach out to members, to chapters, and to others throughout the IR community to get your perspectives on what NIRI must do to advance the collective interests of the profession.

Between now and then, the Deflate-gate story will die or maybe it will gain new life. In the meantime the Patriots will attempt to do your version of focusing the media and the public on what matters most, which in the Patriots’ case, is that they played in (and won!) the Super Bowl.



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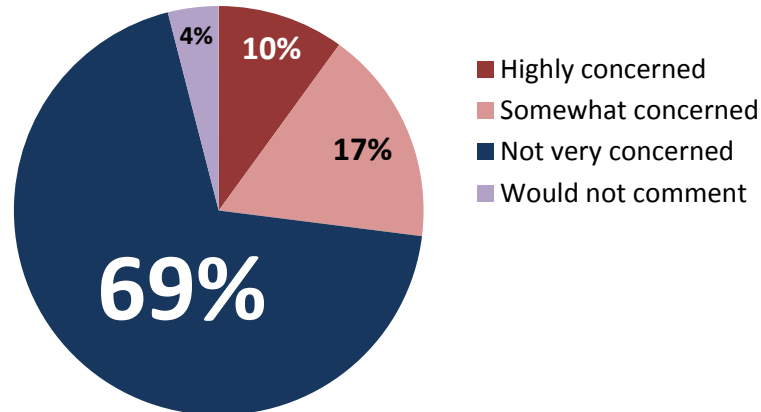
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Will 2015 BE THE YEAR OF **Proxy Access?**

IROs should also expect more investor questions on board diversity and tenure during the 2015 proxy season.

By Ted Allen

2015 may be remembered as the year that proxy access finally arrived.



This year, proxy access is a front-burner issue, along with board composition and perennial issues such as executive compensation, corporate political spending, and independent board chairs, according to Francis Byrd, author of the corporate governance blog “ByrdSpeaks,” who has overseen governance issues for TIAA-CREF and Connecticut’s state pension system. “Proxy access is important for a large proportion of the institutional investor community,” he notes, “not just in the United States, but also Europe.”

Currently, the corporate laws of Delaware and most U.S. states permit shareholders to nominate dissident board slates and distribute their own proxy materials, a costly process that is typically used only by hedge funds and other well-financed activists. However, public pension funds, labor investors, and other governance advocates have argued since the 1980s that investors should have a less expensive way to get alternative board candidates onto corporate ballots.

After years of debate and hundreds of comment letters, the Securities and Exchange Commission adopted a marketwide proxy access rule in 2010 that would have required investor groups to collectively hold at least a 3 percent stake for three years, and capped access nominees at 25 percent of the total board. That mandate (Rule 14a-11) was challenged by corporate groups and struck down by a federal appeals court in 2011.

Corporate advocates did not challenge a separate SEC rule change that permitted shareholders to file company-specific access resolutions. Over the past three proxy seasons, most activists have carefully targeted

their access proposals, selecting only a few high-profile companies each year that had lagging performance, accounting issues, frequent CEO turnover, and/or investor complaints over executive pay. Most of these targeted proposals have done well, often winning a majority of votes cast, and prompting several companies to adopt access bylaws based on Rule 14a-11.

However, New York City Comptroller Scott Stringer amplified the debate over proxy access when he announced in November that the city’s employee pension funds had filed proposals at 75 companies. According to his website, the targets of Stringer’s “Boardroom Accountability Project” include: “33 carbon-intensive coal, oil and gas, and utility companies; 24 companies with few or no women directors, and little or no apparent racial or ethnic diversity; and 25 companies that received significant opposition to their 2014 advisory vote on executive compensation.”

The New York City resolutions ask companies to adopt access bylaws based on the overturned Rule 14a-11. In addition, the California Public Employees’ Retirement System, several other public funds, and individual activists have filed another 15 proposals.

In response, some of the targeted companies filed requests with the SEC that ask the agency staff to agree to take “no action” if the company excludes the resolution from its proxy statement. At least 22 issuers argued for omission under SEC Rule 14a-8(i)(9) on the grounds that the shareholder measure would conflict with a planned management proposal that would impose stricter ownership requirements.

In early December, Whole Foods Market obtained permission from the SEC staff to omit a proxy access resolution filed by retail activist James McRitchie. The staff decision prompted outrage among governance advocates, who complained that Whole Foods’ planned management proposal (which would have required a single investor to hold a 9 percent stake for at least five years) would make access impossible, because there are no current investors who could meet that threshold. Whole Foods later reduced that ownership percentage to 5 percent when it filed its proxy statement. Most other companies have proposed bylaws with five-year and 5 percent requirements and various limits on investor groups.

SEC Reversal

McRitchie appealed the staff ruling, while the Council of Institutional Investors sent letters to the SEC and companies to express concern. In a surprising move in mid-January, Chair Mary Jo White directed the SEC staff to undertake a review of Rule 14a-8(i)(9) and to “express no views” on omission requests under that rule during the 2015 proxy season. Consequently, companies face legal uncertainty because they can no longer rely on the protection of a favorable SEC no-action ruling if they are sued for excluding a shareholder proposal.

The SEC review is not limited to proxy access and would apply to corporate requests under Rule 14a-8(i)(9) to exclude investor resolutions seeking special meeting rights and other governance changes. According to the law firm of Gibson Dunn & Crutcher, 49 companies have filed such requests this season.

Based on memos issued by various law firms after the SEC’s suspension of Rule 14a-8(i)(9), these companies appear to have five options: 1) persuade the SEC staff that the shareholder proposal should be omitted on technical grounds, such as insufficient



proof of ownership; 2) ask a federal judge to rule that the shareholder proposal can be excluded; 3) omit the investor proposal without obtaining a federal court order; 4) put the two competing proposals in the proxy statement, which may confuse investors; or 5) drop the management proposal and put the shareholder measure on the ballot and then oppose it.

"I doubt that companies would want to put both the shareholder resolution and a management resolution on the ballot since that would create confusion," observes Shirley Westcott, a senior vice president at Alliance Advisors, a proxy solicitor. "I suspect that many companies will just leave the shareholder resolution on the ballot and fight it, figuring they'll deal with the issue next year when there is more clarity from the SEC."

Companies that opt to exclude proxy access proposals without the blessing of the SEC or a federal court may face a backlash from activists and proxy advisory firms. According to the *New York Times*, Stringer plans to oppose directors at companies that omit access resolutions. McRitchie has urged proxy advisors and institutions to take a similar stand.

In 2011, the board of San Antonio-based Kinetic Concepts (KCI) received a negative proxy advisor recommendation after omitting a retail activist's board declassification proposal. KCI argued that the investor had provided insufficient evidence of ownership.

Although the SEC denied the company's "no action" request, KCI relied on a federal court order obtained by another Texas company to exclude a proposal from that same investor on the same basis, but did not seek its own court order. KCI later reversed course and said it would declassify its board.

As of the publication deadline for this article, it was not known how most companies would respond to the SEC's action, but it appears likely that IROs will see a record

number of proxy access proposals on corporate ballots this spring.

The SEC's action "really makes proxy access the story of this year," notes Andrew Letts, a partner with CamberView Partners, a corporate governance advisory firm. "It's become the biggest issue out there."

Engaging on Proxy Access

Westcott doesn't expect that the New York City access proposals will fare as well at companies that were targeted simply because of climate change or board diversity concerns. "Most institutional investors want to see proxy access only at companies with serious board accountability problems, a failed Say-on-Pay vote, or poor financial performance," she points out.

"With any proposal, it can be hard to tell whether investors will support it or not," notes Theresa Molloy, director of governance and shareholder services at Prudential Financial. "It depends on the company's history and how responsive the company has been to shareholders' views in the past."

"If a company receives a proposal, it would be a good idea to review the company's overall shareholder base and evaluate the likelihood, in the context of the particular circumstances at the company, that the proposal would prevail if taken to a shareholder vote."

Westcott expects that many shareholders would be receptive to management proxy access proposals that seek stricter ownership rules than the Rule 14a-11 standard (3 percent for three years) requested by activists. "Most institutional investors don't want to see access abused," she says. Westcott also expects that proxy advisors would support management proposals with greater hurdles after concluding that "some access is better than none."

However, Byrd advises companies to be careful and not propose access bylaws with ownership rules (such as 10 percent or a

10-year holding period) that activists would view as excessively onerous. "If you start with an outrageous number, you are waving a red flag in front of a bull," Byrd says, observing that such a move could put the company "under the microscope" of other activists in 2016.

"You should talk to your institutional investors to get their feelings on proxy access," he advises, noting that some large investors may accept a compromise (such as a 5 percent stake for three years).

Board Diversity and Tenure

Another issue that is attracting more attention from investors is board "refreshment," which includes concerns over diversity, tenure, and skills. The California State Teachers' Retirement System and other activists have called on U.S. companies to boost gender diversity.

Currently, 19.2 percent of U.S. board seats are held by women, according to Catalyst, an advocacy group that is seeking more female directors. These activists point to the growing number of European nations, several of which have adopted mandatory gender quotas, such as 30 percent (Germany) or 40 percent (France, Norway, and Spain).

Byrd recalls that many activists expected to see a wave of board retirements after the global financial crisis, but that hasn't really happened. "Companies have moved very slowly, and there is a great deal of frustration among women and people of color who feel they are qualified for board service," he observes.

Investors also are paying closer attention to board tenure. While it appears unlikely that U.S. activists will embrace specific limits for independent directors (such as nine years in the United Kingdom, or 12 years in continental Europe), IROs should expect more questions about board tenure. In 2014, State Street Global Advisors adopted a new voting policy on



long-serving directors. While U.S. proxy advisors have not adopted maximum tenure guidelines, Institutional Shareholder Services (ISS) has added director tenure to its governance ratings and will “scrutinize” boards with an average tenure of more than 15 years. The average tenure at U.S. companies is 8.6 years, according to ISS data.

“Board refreshment is a critical subject that companies need to be able to talk about,” notes Byrd. “It shouldn’t just be the rolodex of the CEO; companies need to be able to tell shareholders they have a goal of greater board refreshment and explain that in their proxy statements.”

At the same time, most governance observers don’t expect that U.S. institutions will start voting against directors solely because of long tenure. “Investors look at a board holistically and will not vote against a director merely because he or she has been on the board for 20 years,” observes Prudential’s Molloy.

Likewise, Letts doesn’t expect a significant increase in votes against directors, but notes that board tenure could be raised by activists during proxy contests or votes on proxy access proposals. “If an investor is on the fence, it could pull them over the edge,” he says.

Letts, who previously was the head of corporate governance at State Street, also expects that more asset managers will revise their voting policies and engage on this issue. Shareholders likely will focus on outliers (e.g., companies with four or five long-tenured directors), while issuers with one or two long-serving board members should be able to address concerns by explaining their board refreshment practices. “It’s well within a company’s control to make this not an issue,” Letts says, explaining that boards could adopt age-limits and other policies to periodically roll off directors.

Molloy believes that many investors are taking a broader look at board composition. “In general, investors want to evaluate how

a board thinks strategically about ‘refreshment,’ including leveraging the expertise of the current directors, and importantly, the type of directors the company needs for the future,” says Molloy. “Do they need directors with industry experience or technology expertise, and what are the trends that will impact the financial and competitive environment five or 10 years out?”

If your company does have long-tenured directors, it should “leverage your proxy to make it easy for investors to realize the value that the director plays by creating a skills matrix box,” Molloy says.

Ronald Schneider, director of corporate governance services at RR Donnelley Financial Services, says he has seen more companies use skills matrices and bullet points, instead of lengthy biographical statements, to highlight their directors’ skills and qualifications and urges companies to be proactive in this area: “Why wait until an activist investor comes calling to tell your best story about the skills and qualifications of your directors?”

Preparing for Another Say-on-Pay Vote

In 2015, most U.S. companies will hold their fifth Say-on-Pay vote, and most IROs are familiar with what they need to do to win investor support for their company’s executive compensation practices. Average support levels have remained above 90 percent over the past four proxy seasons, even after small-cap companies started holding compensation votes in 2013.

While the role of the IRO in this process will vary from company to company, Schneider advises IR professionals to work collaboratively with their company’s corporate secretary, legal, human resources, and corporate communication teams to offer input on the proxy statement, particularly on the compensation discussion and analysis section.

As Schneider observes, many companies now have a year-round Say-on-Pay process

that analyzes annual meeting results, gathers input directly from investors, reviews peer company disclosures, and considers potential changes to their compensation and governance practices, as well as stylistic enhancements to the next proxy statement.

“Engagement with investors continues to be important to identify investor informational needs and preferences, as well as develop relationships that may be important during critical votes,” he says. “This engagement then informs clear proxy messaging, which can help companies try to minimize the impact of negative proxy advisor recommendations.”

Schneider has seen more companies adopt improvements in their voluntary proxy disclosures, such as hyperlinked tables of contents, shorter executive summaries, and new or expanded sections on topics including investor engagement, succession planning, or internal pay equity. “Your objective should be to communicate and convince,” he notes.

Also, as performance and pay decisions may change from year to year, the proxy messaging has to reflect these changing circumstances. “You can’t just set it and forget it,” Schneider adds.

If an IRO’s company expects Say-on-Pay opposition from proxy advisors or investors, he or she needs to be “preemptive,” advises Molloy.

“Reach out to investors and explain your compensation plan and the thought process behind its components. If your investors have recommendations, take them seriously, and to the extent that you can incorporate any of the recommendations, do so,” she says. “When investors have concerns, make sure you share these with your senior management team and the board.” **IRU**


Ted Allen is the NIRI director of practice resources; tallen@niri.org. More information on proxy season trends can be found in NIRI’s Presentation and Report Library at www.niri.org under “resource.”



CREATING A TRADING MOSAIC

DO YOU KNOW WHERE YOUR STOCK IS BEING TRADED?
IT'S A COMPLICATED PICTURE, BUT A TRADING MOSAIC
CAN HELP YOU PAINT A REASONABLE PICTURE.

BY J.T. FARLEY



It happens to every IRO sooner or later. Your stock symbol is flashing red in a sea of green, signifying underperformance and a drop of millions of dollars in market capitalization. This prompts calls, e-mails, or impromptu office visits from concerned shareholders who also happen to be senior executives, all with the same question: *What's going on with our stock?*

It is a straightforward question, but often there is no easy answer.

Years ago, it was simpler: You could just call someone like Jimmy Maguire, a legendary specialist working on the floor of the New York Stock Exchange. Maguire was the market maker for a number of stocks, most famously Warren Buffett's Berkshire Hathaway. After Berkshire went public in 1988, Buffett would call Maguire every few weeks for an update on how the stock was trading, and Maguire was well-positioned to provide insight, as more than 80 percent of all the trades in Berkshire passed through his hands.

A Complicated Market

Things are more complicated today. Thanks to changes in regulation and improvements in technology, there has been an explosion in the number of trading venues in the United States over the past decade. At press time, there were 11 exchanges and more than 40 off-exchange venues (colloquially known as "dark pools") where stocks could be traded.

Designated market makers (DMMs) – the latter-day descendants of Jimmy Maguire and the specialists – generally handle less than one-third of the total volume of the listed stocks for which they are responsible. And there

has been an explosion of high-frequency trading (HFT), which, broadly speaking, involves a range of trading strategies with average holding times measured anywhere from minutes down to tiny fractions of a second. HFT is difficult to measure but most observers believe it now accounts for about 50 percent of overall daily trading volume, although that percentage varies widely on a stock-by-stock basis.

This increase in competition and complexity has not been without some benefits; the average all-in costs (commissions and fees plus market impact) for institutional investors to trade U.S. stocks fell nearly 40 percent between mid-2004 and mid-2014. But as trading has gotten cheaper and faster, it has also created a technological arms race, and serious headaches for IROs who need to provide answers to their management teams about what is going on with the stock.

It is a question that plagues me, as head of investor relations for ITG, a firm that trades about 3 percent of all U.S. shares on any given day for large mutual funds, hedge funds, and other brokers, and which launched POSIT, the first-ever dark pool, in 1987. Even with this ringside seat on U.S. equity market structure, I am often as uncertain about the day-to-day moves in our stock as my IR colleagues at other firms.

Given the lack of information, I have adopted a mosaic approach, similar to the "research mosaic" employed by many institutional investors. It is more art than science, but gathering information from multiple sources and then triangulating this information can provide a more educated guess as to what is happening with your stock.

What's in a Mosaic?

There are many ways to keep tabs on your trading and none of them are perfect. Here are six mosaic pieces that may be helpful to include in a holistic approach to gathering trading intelligence:

Surveillance: The centerpiece of a good trading mosaic is stock surveillance – analysis based on Depository Trust & Clearing Corporation settlement data only available to issuers and to firms they designate. Parsing the settlement data, reconciling it with investors' quarterly 13-F filings, and other sources of information, a surveillance firm can often paint a reasonably accurate portrait of who was trading your stock as recently as last week.

"Stock surveillance firms have the benefit of working on behalf of many companies and across many industries, so they are able to leverage this collective knowledge to support an IRO," says Harvey Hudes, founder of strategic advisory firm Caliber Corporate Advisers. A good stock surveillance analyst also can help you triangulate the information you gather from the other sources in your mosaic.

DMMs: While DMMs no longer see the lion's share of trading in a particular stock, they still can be a valuable resource for IROs who have NYSE-listed stocks. "Communicating with issuers is even more important given the fragmented electronic world we are in and how fast stocks move," notes Ned Zelles, director in the Client Relationship Management Group at Barclays' Market Making Unit, who spent 17 years on the New York Stock Exchange floor.

Zelles notes that DMMs are careful observers of trading activity as they are required to be willing and able to buy

or sell an issuer's stock at every second of the trading day. "DMMs do not want IROs to be caught off guard, to have them get a call from a big stockholder or the corner office demanding to know what's going on," he says. IROs should establish an ongoing dialogue with their DMMs, encouraging them to call if they see unusual trading activity, including heavy volume or block trades by brokers who do not ordinarily traffic in your stock. Such information may be of value to your stock surveillance analyst.

Equity analysts: Equity analysts speak frequently with your investors and they are often happy to share their insights. "We won't identify specific investors, but if multiple investors are giving us feedback, we think that's beneficial for a company

at their firms may be trading your stock in large quantities. Leverage your relationship with the analysts by asking for introductions to their sector traders, desk analysts, or sector sales specialists. These sales and trading professionals are generally focused on a single sector, notes DJ Beil, partner in financial specialist sales at Autonomous Research and a former desk analyst: "Sitting on a trading desk and seeing the action day in and day out makes it easy for them to see how information about a particular stock is being received on a real-time basis."

While these traders and sales specialists cannot share the identities of their clients, they are still able to provide information about what issues different types of investors (e.g., hedge funds, sector mutual funds) are

effort to provide more transparency about this trading. FINRA (Financial Industry Regulatory Authority – the self-regulatory organization for brokers) now requires all dark pools to report their trading on a stock-by-stock basis with a two- to four-week delay. While this information is delayed, it still can offer insight into where your stock is trading most frequently and which brokers you should consider speaking to regularly.

The data includes both the number of shares and the number of trades, so you can see where big blocks of your stock are changing hands. Block trades are generally a clear sign of big institutional buying or selling, as HFT traders typically trade in very small quantities (100 or 200 shares at a time). You can check out the data for free at ats.finra.org.

Ask (nicely): Most investors would rather parade down Wall Street naked than tell you when they are buying or (especially) selling your stock, while a minority are more relaxed about sharing this information. The only reliable way to tell the difference is to ask if an investor typically shares this information with issuers. Even if you find one or two investors who are willing to share, these are real-time insights that your surveillance analysts can use to check their findings.

ASK TO BE INCLUDED ON THEIR DISTRIBUTION LISTS IF POSSIBLE, AS AN INSIGHTFUL MORNING SALES NOTE CAN OFFER A QUICK SNAPSHOT OF TRADING IN YOUR STOCK AND IN THE STOCKS OF YOUR COMPETITORS.

to know," says Rich Repetto, principal in equity research at Sandler O'Neill. "[IROs] should establish relationships with analysts who are influential in the sector, as well as ones whose desks are trading the stock."

Repetto also encourages IROs to share their observations about stock movements and investor interest with their sell-side analysts in turn, noting that such information can help an analyst get a better sense of what is going on.


Desk analysts/sales specialists: While equity analysts are up in their offices or on the phone with investors, the trading desks

focused on, Beil notes, and they are often willing to share their insights with IROs.

Ask to be included on their distribution lists if possible, as an insightful morning sales note can offer a quick snapshot of trading in your stock and in the stocks of your competitors. Note that while brokerages do not charge IROs for providing these insights, you can expect to be pitched for your corporate share buyback business if you engage frequently with sell-side trading desks.

Look in the dark: While dark pools sound nefarious, they handle less than 20 percent of total U.S. stock trading. In an

Realistic Expectations

While all of these mosaic pieces can help you gain insight into what (and who) is moving your stock, no approach to stock surveillance is foolproof. This caveat should be made clear to executives and board members when they are seeking information about trading activity, so there are no unpleasant surprises when your weekly or other intra-quarter reports on share holdings do not dovetail perfectly with the 13-F filings. 

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THE POWER OF INFLUENCE

IROs are well-positioned to grow into new areas of opportunity within their companies if they know how to increase their spheres of influence.

By Al Rickard, CAE



As corporate senior executives, IROs occupy a somewhat unique role as they typically operate with very small staffs and depend on their leadership moxie and powers of persuasion to get things done and form the relationships needed to do their jobs effectively.

This structure also carries implications for career development, since IR does not involve directly supervising a large division with the management metrics that C-suite executives often consider critical credentials for higher-level leadership posts.

Yet smart executives find ways to leverage IRO positions and the skills they require to add value and deliver results in their companies.

At the NIRI Senior Roundtable in December 2014, Smooch Reynolds, a longtime IR executive recruiter who is now executive vice president of DHR International, moderated a panel discussion on “Increasing Your Sphere of Influence” that offered advice and examples of IROs who have met this challenge.

Reynolds was joined by panelists Melissa Plaisance, senior vice president, finance and investor relations, at Safeway, and Jane Okun Bomba, senior vice president and chief sustainability, IR and corporate communications officer, at IHS.

That Extra Step

“Being a leader is not by title but is by behavior,” Reynolds declared. “Stepping outside your boundaries and increasing your sphere of influence are keys to success.”

Plaisance added, “We are in positions that are all about relationships. Always go the extra step so you can surprise people with more, and this can lead to new opportunities.”

“Try to think like the CEO,” Bomba urged. “When that person wakes up in the morning, he or she has a set of things to worry about. If you can solve some of those problems or bring a viewpoint that helps the CEO, this will help your career. You also have to learn how to lead people who don’t report to you. If you can demonstrate an ability to get people across the organization to work with you, that is incredibly powerful.”

To meet this challenge of working laterally across the company, Plaisance believes “you have to have a can-do attitude. If you can’t do it yourself, find someone who can help you get it done. You have to have courage to ask people and gather the resources you need. These are things that leaders do.”

Reynolds often talks about executives who become “corporate athletes,” displaying the critical thinking skills and mental agility needed to succeed in changing environments and situations. These people are also able to see the bigger picture and articulate a vision to lead a company in a positive direction.

She added that leaders need to be open-minded and “find a way to be neutral in addressing issues. You are in the center, and to be a corporate athlete, you don’t have to lose your opinion, but you need to learn to be neutral. This allows you to deal with challenges and find solutions that the corporate management team will support. It is a characteristic that leaders need to embody.”

Bomba encouraged IROs “to be selfless. I am not always selfless, but I have to appear that way. Share information freely. Be transparent. Be a source of knowledge.

“We have small teams, but talent development is so important to the success of companies,” she continued. “I am plugged in to people who have high potential in the company. I offer to serve as a resource to them and mentor them; this helps drive the success of the company.”

Entering the Inner Sanctum

IROs strive to be part of the C-suite to strengthen their ability to communicate strategy more effectively and build relationships for career success.

“If you really want to move up into the C-suite, one of the constant themes is, ‘How do I get invited into the inner sanctum?’” Reynolds observed. “Do things like Melissa and Jane are talking about.”

Plaisance said she has attended the CEO’s staff meetings from her first day on the job. “My boss told me I need to be in those meetings so I know what is going on,” she explained. “That is where courage comes in. You have to ask to be in those meetings.”

Bomba noted, “When I joined the company, I asked to be put in charge of corporate communications and branding so I could shape and control the messages that go out.” This helped her secure a stronger position within the company and expand her influence. Reynolds added, “The answer is always no unless you ask.”

The panelists agreed that raising critical IR issues at the C-suite level and among the board is important.

“Some CEOs may not want difficult messages to go to board members,” Plaisance said. “But they may be doing their boards a disservice. Boards today are more independent, and they want to hear the good and the bad. They can’t help solve problems if they don’t know what they are.”

Bomba mentioned that she enjoys a very open relationship with the board of her company. She encouraged IROs to make the case for board access by explaining to C-suite executives that the IRO has deeper knowledge of investor relations issues and by showing how communicating that knowledge directly to the board will increase its understanding and decision-making ability. This is especially important in this era of increasing investor activism.



BOMBA



PLAISANCE



REYNOLDS

Branching Out

All three panelists told stories about how they were tapped by senior management to take on responsibilities extending beyond their traditional positions.

Reynolds got her first taste of the executive search profession while working at Hill & Knowlton, where she successfully developed and led a North American executive search program for the company, bringing many talented executives to the public relations firm. She then extended her reach to develop and oversee human resources for multiple office locations.

Later, when the CEO embarked on an acquisition strategy to grow the company, he turned to Reynolds to run the program because of her proven ability to manage a program and get things done. Soon, she was identifying acquisition targets and making the case for buying them to senior management and the board.

Bomba explained how one of her opportunities for growth came after her company acquired 75 companies over a 10-year period, putting a strain on an outdated information technology infrastructure.

"The CEO asked me to take on the task of overhauling the system by implementing a global ERP (enterprise resource planning) program and updating our business processes," she recalled. "I thought about it overnight and told him (with some trepidation), 'I am ready to do this.' It gave me an opportunity to be viewed as something other than just an IRO. Much of the project became about the company culture and

how teams worked together. It wasn't easy, but I learned more than I expected."

Bomba also conducts meetings to get to know high-potential women across her company. "We do a great job of bringing women in, but we lose them at a certain stage," she explained. "Having someone on the executive team listen to them about what issues they have and what they need is a good discussion to have. I have been doing this for three years and we have begun to see the needle move with greater retention. It is not part of my job and I am not in human resources, but I am a female on the executive team and it is an opportunity for me to add value outside of my 'normal' job."

Reynolds highlighted the importance of seizing these types of opportunities: "When the boss asks you to do something outside your wheelhouse, you have to do it. If you don't, it is a career killer."

Bomba added, "You have to have a vision for yourself. Understand your passion and what you truly love. A job is awful if you don't love it and have passion around it. That can dictate where you go and what opportunities you look for. It can set you up for success if you know where you want to go. You also need to have a vision for where the company is going."

"At our leadership team level, when we hire for new positions, we want people who know what a \$5-\$7 billion company looks like (we're currently half that size), and have the experience we need. It is a very strong leadership quality to have that vision and drive toward it."

Keeping an eye toward company growth is also critical: "Successful companies want people who have the ability to scale up," Reynolds observed.

An Outside Perspective

The panelists also explained that experience and opportunities don't always come from inside the organization where you work.

"I get plugged in to organizations outside my company," Bomba explained. "For example, I serve on a number of nonprofit boards, which allows me exposure to different viewpoints, connects me with executives outside my company and industry, and keeps me learning as I go through different cycles at my company."

Plaisance serves as president of her university's alumni board and on her homeowners association and finds that this gives her an opportunity to lead a different group of people.

Reynolds added another outside perspective by telling a story about a friend who had a bachelor's degree in English and went to work for Hilton Hotels & Resorts headquarters as an office manager and worked her way up to global head of human resources.

"I asked her how she did it," Reynolds recalled. "She said, 'I never said no to an opportunity and got to know everybody from the janitor up to Barron Hilton. Now I travel the world and make sure that our leaders are the best leaders they can be. I hired the experts who report to me so I could go do what the board and CEO wanted me to do.'"

At the heart of success, all panelists agreed, is to be genuine and be yourself. This provides the grounding and self-confidence to build relationships to expand your influence and take on the next level of challenges. **IRU**

Al Rickard, CAE is president of Association Vision, the communication company that produces IR Update magazine; arickard@associationvision.com.

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INVESTOR RELATIONS – THE RIDE OF YOUR LIFE!

NIRI FELLOW MICKEY FOSTER IS STILL ENJOYING THE RIDE
30 YEARS AFTER BEING RECRUITED TO IR.

By Matt Brusch

Mickey Foster, vice president, investor relations for FedEx Corporation, was honored by his peers who named him in 2013 to the inaugural class of NIRI Fellows. Profiled here, he is a vocal proponent for the professional development, information, and networking opportunities available through NIRI.

Foster currently leads five IR team members at FedEx, where they work with investors from around the globe and more than 30 sell-side analysts. Before joining FedEx in 2006, Foster served as vice president of corporate and investor relations for Hanson Industries/Millennium Chemicals, where he built the company's first IR program and managed corporate communication

and branding. His multifaceted career also includes the position of director of investor relations with Pacific Enterprises, where he developed the first in-house IR program. He began his career at Atlantic Richfield (ARCO, now BP), serving in a variety of corporate planning and IR roles.

Foster has added value to NIRI and its members in a number of ways. His distin-

guished service includes NIRI Board Chair, founding and Steering Committee member of the NIRI Senior Roundtable, and a member of the Senior Advisory Board of the NIRI New York chapter. In 2010, NIRI honored Foster with the National Volunteer of the Year award, and in 2011 *IR Magazine* bestowed him with the Lifetime Achievement Award. He is a popular chapter speaker and winner of numerous industry awards. Foster earned an MBA in finance and a BS in computer science with a minor in chemistry from Texas A&M University. He also holds an MS in petroleum engineering from the University of Southern California.

What inspired you to enter the field of investor relations?

My career began in strategic planning and management science in the petroleum industry. I was asked to interview for a rotational IR position at that company, and I have to say 30 years later, I am happy I interviewed! Entering the investor relations field opened the door for me to do something totally different, and to have an outsider's view of the company. The investor relations function for any company involves a 360-degree view of executives, shareowners, lenders, and other stakeholders. Doing a good job in investor relations means knowing just about everything happening at the company and having a long-term perspective.

What skills does an IRO need?

I would say among the most important skills for an IRO are being totally honest, dependable, and proactive. It's important to do the right thing, which is not always the easiest path. It is much better to listen than to talk. An IRO needs to be flexible and adaptable. Highly developed, interpersonal skills are also important because you are often dealing with tough shareholders and analysts, and large egos. And having a thick skin goes right along with that.

What do you like most about the profession?

In investor relations, every hour of every day is different. You deal with and need to understand the entire company and its operations. You have your finger on the financial and operational pulse of your company and industry. You keep investors and analysts informed, and give constant feedback to management. It is a unique position.

How has NIRI membership helped in your career?

My NIRI membership has been invaluable in positively shaping my career. I joined

NIRI 360 SPOTLIGHTS MEMBERS

NIRI 360, a new Web video series on the NIRI YouTube channel, highlights NIRI Fellows and other members. In these brief interviews, NIRI members share their experiences, tips for success, best practices, and more. NIRI recently launched NIRI 360 with interviews of Mickey Foster, NIRI Fellow and vice president, investor relations, for FedEx Corporation; NIRI Fellow Len Griehs; and Theresa Molloy, director, governance and shareholder services, Prudential Financial. Look for interviews of other NIRI Fellows and members over the coming months.

NIRI and attended a Fundamentals of Investor Relations seminar. Later, I attended many NIRI annual conferences where I explored different IR topics, had the opportunity to network with best-in-class IROs, and discovered cutting-edge technologies that helped me work more effectively and efficiently. The NIRI Senior Roundtable led to deeper networking with other IROs and discussion of topics of a more strategic nature. And being active at both the chapter and national levels helped develop my leadership skills, as well as giving me the opportunity to give back to this organization that was so helpful to my career.

What is the biggest change you have seen in investor relations?

Without a doubt, technology is the biggest change I've seen during my career. For example, when I started in IR, we faxed earnings releases and had separate follow-up phone calls and meetings with investors. Today, we hold real-time earnings calls with hundreds of live participants and thousands

on the webcast, and there is instant feedback through e-mail and social media.

What is the most important professional lesson you've learned?

Never stop learning – always innovate. I like to think I've been successful at building a state-of-the-art, best-in-class IR team that utilizes the best technologies, vendors, and resources. I feel innovation makes our team more efficient and able to deliver more value.

What career advice would you give to someone who is considering entering investor relations?

Get ready for the ride of your life! Finance is the cornerstone of IR, so I recommend earning an MBA or CFA. An understanding of the financial markets is very important. A marketing background can also be helpful. Join your local NIRI chapter and network. There are many NIRI members who would be happy to be a mentor.

Please talk about a challenging IR situation you've faced and how you dealt with it.

Many years ago, the new CEO wanted to meet investors to get direct feedback on what the company should do to improve the stock price. The stock had been relatively flat for a long time. After meeting and listening to major shareowners, the CEO developed a comprehensive six-month game plan with three or four major initiatives. After six months, the stock price had increased more than 30 percent. Listening to long-term, major investors and executing the game plan was good for the company and the shareowners. I was an active participant in the meetings and helped develop and execute the strategy, which was ultimately very successful. 

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

Quick Takes

What key items would we find in your briefcase when you head out on a road trip?



Graham Mattison

Vice President of Investor Relations
Advanced Emissions Solutions

► “A charger, backup battery, and Advil.”



Jonathan Peisner

Treasurer and Vice President, Investor Relations
KAR Auction Services

► “A listing of shareholders sorted by share position, alphabetical by contact name, and alphabetical by firm name.”



Brandon Hodge

Director, Investor Relations
Texas Instruments

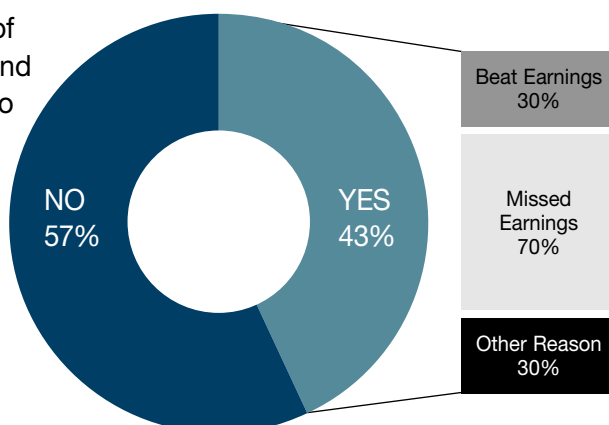
► “Briefcase? If it’s not on the iPad, it stays home!”

“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.

IR Research At-a-Glance

Pre-Announcement of
Earnings Guidance and
Reasons for Doing So

Note: Participants were allowed to choose more than one response for reasons earnings guidance may be pre-announced, totals to >100%.
Source: NIRI Guidance Practices and Preferences Survey – 2014. Number of responses = 280.



On the Move



Dennis Walsh joined Citi’s Depositary Receipts Services IR Advisory team as vice president. He was previously at Sharon

Merrill Associates for 10 years, where he served in roles of increasing responsibility, most recently as vice president. Walsh has also served on the board of directors of the NIRI Boston chapter.

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

Professional Development Calendar

For program information and registration, visit www.niri.org/calendar.

March 2015

24-26 Finance Essentials Intensive for IR and Corporate Communications seminar, New York, NY

June 2015

13 Finance 101 for IR and Corporate Communications seminar, Chicago

14-17 2015 NIRI Annual Conference, Chicago

22-23 Finance 101 for IR and Corporate Communications seminar, New York, NY

24-25 Finance Essentials Intensive for IR and Corporate Communications seminar, New York, NY

26 Managing Shareholder Activism seminar, New York, NY

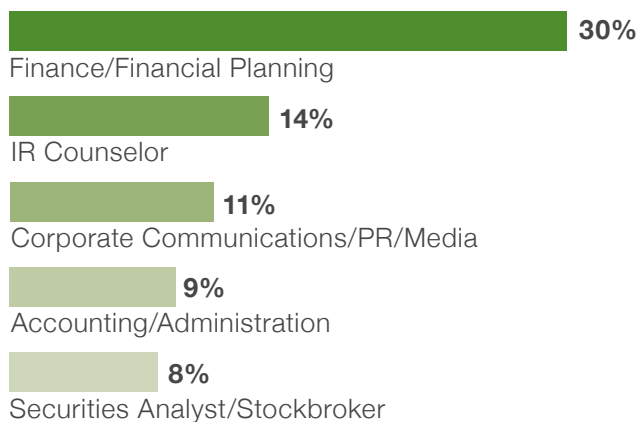
NIRI NUMBERS



19+

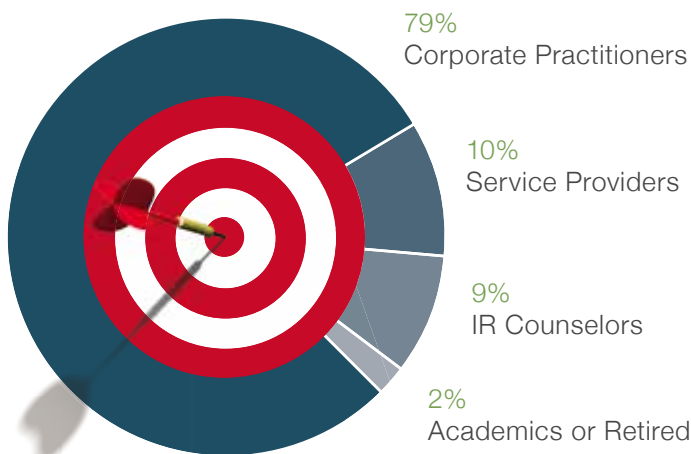
NIRI member distinct
professional backgrounds

Top 5

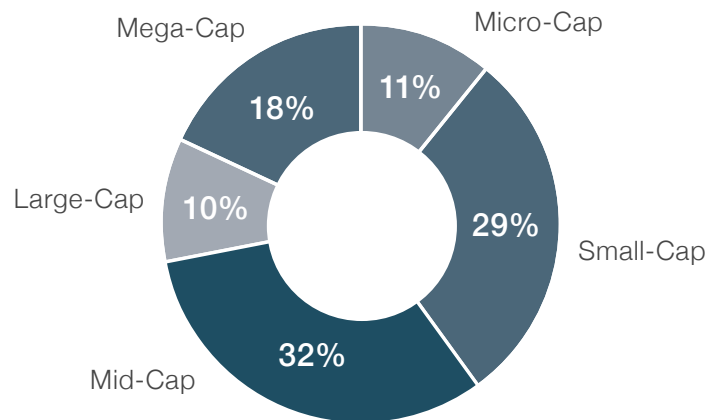


13 years

Average years of IR
experience of **NIRI members**



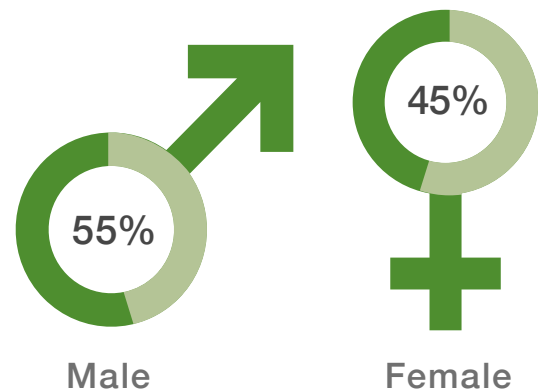
Market Capitalization



Degrees



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BA/BS 35%
MA/MS 9%
Other degree 4%



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The Socially Responsible Investor

How IROs can keep up with the growing sustainability movement.

By Muriel Lange

Institutional investors are increasingly self-identifying as socially responsible, and once an issuing company fits the sustainable criteria, these investors can be loyal, long-term investors. The NIRI Philadelphia chapter recently hosted a panel of professionals actively engaged in different roles focused on the socially responsible investment (SRI) movement.

Mary Jane McQuillen, managing director, head of environmental, social, and governance investment (ESG), and portfolio manager, at ClearBridge Investments, integrates ESG research into the stock-selection process for institutional and high-net-worth client portfolios. McQuillen has worked in the ESG program field since 1996 and has 18 years of investment industry experience. She disclosed the changes ClearBridge analysts have experienced with issuing companies over the last 20 years, which was truly an eye-opener.

About 20 years ago, at the onset of the SRI movement in the mid-1990s, U.S. management generally treated SRI survey requests as an annoyance, with many IROs by and large ignorant of the measurable sustainability metrics that European companies were already beginning to track. U.S. companies were reluctant and reactive in responding to requests, and few devoted resources to the analysis and environmental recording necessary to have meaningful responses. Ten years later, when ClearBridge analysts called on a company's investor relations looking for meaningful SRI data, they found most IROs late to the table as thought leaders in the field.

A Sea Change

Now, happily, the United States is catching up to the rest of the world, and

just in time. IROs should be aware that ClearBridge, now with 10 active ESG strategies and 18 portfolio managers, and other dominant SRI leaders, like Calvert Investment Management, and RobecoSAM are pushing for sustainable investing as the norm for formerly non-sustainable investments. "We believe that social and environmental issues are also sector-relevant business issues," observed McQuillen.

Consequently, for a company to be recommended for any of ClearBridge's funds, it must meet measurable, proprietary standards. However IROs need to know that third-party analysts like Bloomberg, much like proxy rating agencies, are assigning Sustainability Index (SI) ratings to companies without notice.

Companies, unaware they have been assigned a substandard rating, can unknowingly be excluded from portfolios with mandatory SRI standards. IROs owe it to their companies to find out whether a third-party's ratings accurately reflect their companies' sustainability efforts. Sometimes, as in the case of Bloomberg, a low rating may simply reflect a lack of a thorough response from the company.

Eye on Suppliers

Once your company establishes a green rating, an emerging trend is gauging the environmental and social practices of your suppliers, which can impact your overall investment credibility. How great is your risk from the companies that supply your business?

Panel participant Catherine Maxey, vice president/public affairs; sustainability; and environment, health, and safety (EH&S) at Trinseo, a global materials company and

manufacturer of plastics, latex, and rubber, recognizes the importance of selecting suppliers based upon their commitment to sustainability. In 2013, the company began developing a purchasing scorecard that evaluates suppliers on a wide range of criteria including quality, cost, and sustainability. Metrics in the sustainability category include hazard awareness training, ongoing tracking of EH&S performance, and the use of third-party environmental management programs such as the International Organization for Standardization (ISO) or Responsible Care®.

Going Green on Real Estate

According to Marla Thalheimer, director of sustainability for Liberty Property Trust, nearly 40 percent of the nation's CO₂ emissions come from buildings and this company has made green development and management a top business priority for more than a decade, working in close alliance with the National Association of Real Estate Investment Trusts (NAREIT) to broadly communicate the industry's increasingly sustainable portfolios.

Relevant to the meeting topic, NIRI Philadelphia held its sustainability meeting at The Navy Yard, much of which has been developed by Liberty as Philadelphia's newest corporate environment. Members had the opportunity to visit, many for the first time, this redevelopment of a military facility. The Navy Yard now includes some of the nation's most sustainable new properties and some of the most innovative examples of adaptive reuse of historic properties imaginable.

Muriel Lange is principal of Lange Ventures, LLC; lange2@comcast.net.



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