

# IRupdate



JUNE/JULY 2016

the voice of the investor relations profession

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## An Active Challenge

Learn what activists are thinking and how you can prepare for them

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#### About NIRI

Founded in 1969, the National Investor Relations Institute ([www.niri.org](http://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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*At a NIRI Boston event, a former CIA security specialist shared her insights about detecting deception.*

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# This Year's Political Theatre

Earlier this year, I suggested that NIRI analyze the platforms of U.S. presidential candidates to determine how their policies might impact the IR profession. As I write this column, it has become clear that we are headed for a Clinton vs. Trump showdown in November.

In an *IR Weekly Pulse Poll* in April, we asked NIRI members, "How would you characterize your views on the U.S. presidential election?" Fifty percent of respondents indicated they would vote with their party. Twenty-four percent said they hadn't made up their minds; and 26 percent said that if a certain candidate wins, they will cross over and vote for the other party. That last figure seems to reflect the unorthodox nature of 2016 and suggests we can take nothing for granted.

As always, presidential elections boil down to sound bites. From an issue standpoint, there has been much discussion about the merits of free-trade agreements and U.S. companies' movement of assets to other nations to avoid taxes. We have also seen a steady drumbeat of negativity toward Wall Street generally and hedge funds in particular. Against that backdrop, it's an interesting time to focus an edition of *IR Update* on shareholder activism.

Trump and Clinton are unlikely to utter the words "investor relations" over the next five months. However, the policies of the next administration will play a role in setting the regulatory agenda and influencing the economic climate, which, in turn, could inspire or deter shareholder activism.

If a movement against Wall Street gains traction during the election cycle, it is possible that some frustration could spill over to issuers. If these populist sentiments take hold, there may be public sympathy for the views of activists like Mark Mobius, who suggests: "When we invest in a company, we own part of that company and we are partly responsible for how that company progresses. If we believe there is something going wrong with the company, then we, as shareholders, must become active and vocal."

On the other hand, should the discord toward hedge fund managers pick up some steam and carry past this year, it might undermine activists' maneuverability.

Sadly, given the tenor of the discussion so far, my one prediction is that the political debate rarely will rise above the absurd. In any case, we'll have a front-row seat for this political theatre during the NIRI Annual Conference in San Diego as the California primary will take place during our stay.



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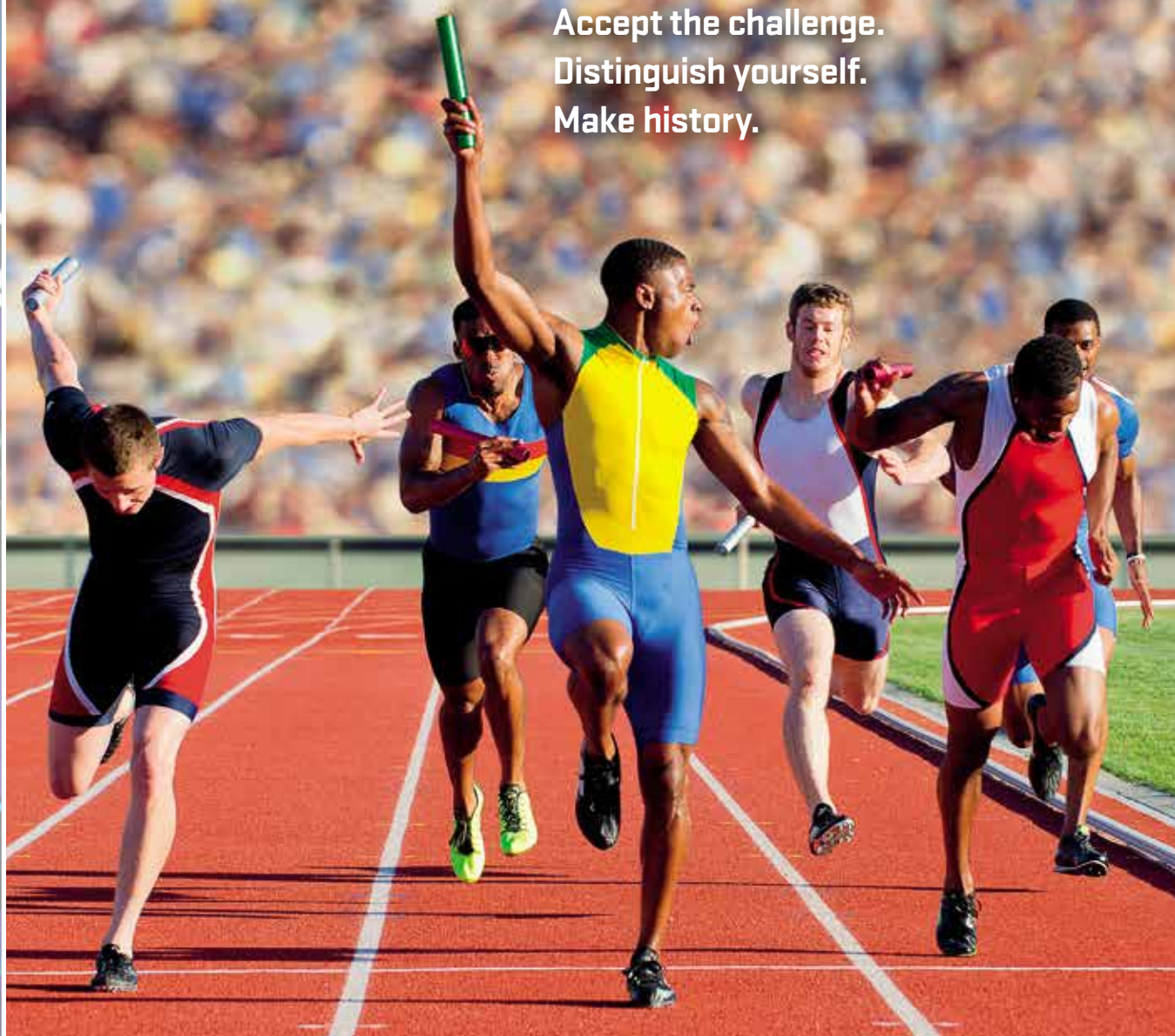
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# THE ACTIVIST PERSPECTIVE

**Two fund managers share their thoughts  
on how they target companies.**

By Nicole Noutsios



If you take a quick look through recent business headlines, it becomes strikingly clear that shareholder activism is achieving greater levels of influence across a broader range of companies than ever before. Once considered a tool used almost exclusively by niche funds focusing on smaller companies and event-driven themes, shareholder activism has evolved into a strategy employed by a more diverse

group of investment managers who are casting a wider net across the investment universe. Even high-performing, blue-chip mega-caps have come under pressure from activists.

We spoke to two activists to get their perspectives on investor activism as an investment strategy and on recent trends in the industry.

J. Daniel Plants is founder and chief investment officer of Voce Capital Management

LLC, an investment adviser based in San Francisco. According to Plants, Voce is a fundamental, research-driven investor that takes a long-term, value-oriented approach to investing. Voce also selectively uses public activism to enhance the firm's returns and mitigate its risks. Plants currently serves as a director of Destination Maternity Corporation and Cutera.

Glenn W. Welling is founder and chief investment officer of Engaged Capital,



based in Newport Beach, California. Welling explains that Engaged Capital brings an owner's point of view to the governance and decision-making processes and believes that, by working constructively with company management teams and boards, they can be a catalyst for positive change. Taking a long-term perspective, the firm focuses on strong small- to mid-cap companies with undervalued, premium assets that offer multiple paths to value creation. Welling is a director at Jamba, ROVI Corporation, and Medifast.

## **Growth in Shareholder Activism**

During the past few years, there has been considerable growth in shareholder activism as an asset class. Research by HFR reported that assets managed by activist hedge funds have increased to more than \$129 billion, more than double what they managed three years ago, and significantly more than the \$29 billion activists managed 10 years ago. As more capital flows into activism as an asset class, many high-profile activists are amassing hefty war chests, allowing them to pursue larger, high profile campaigns. For example, there were multiple cases in 2015 in which an activist made billion-dollar bets with larger well-known companies, including Yum Brands, American Express, and General Electric, to name a few.

Welling explains, "The vast majority of the capital inflows into the space have been concentrated among the largest managers, giving them more power to launch campaigns at larger companies. This has also resulted in crowding in the large-cap space with multiple activists in the same investment. Many of the best activist managers have moved upstream to the large-cap world and left a void in the small- and mid-cap space."

Despite news reports that 2015 and early 2016 have been challenging for hedge

fund returns, many experts speculate that activism will remain a viable tactic for many of these funds. The two fund managers we spoke with agree that driving a return through an activist strategy can be successful across market cycles.

Plants observes, "2015 was a challenging year, although by sticking to our knitting our holdings appreciated more than 5 percent and marked our fifth consecutive year of gains. We've heard anecdotally that some funds are pursuing fewer contests this year, or perhaps turning to arbitrage or other strategies. We are not changing our strategy.

"Some people think activism is a 'bull market strategy,' but we don't agree. Perhaps it is for purely 'event-driven' activists, but for long-term investors who are active in every one of our investments, there are strategies to create shareholder value at all points in the cycle. For example, refocusing operations or eliminating unproductive investments can make a lot of sense during uncertain economic times. That may not lead to a quick stock price pop, but that's never been our objective. We focus on creating long-term value for all shareholders."

## **Activists Working With Mainstream Investors**

A number of industry trends have supported the rise of investor activism. Institutional investors -- from actively managed to index funds -- have become more willing to support activist campaigns and, in some cases, have provided suggestions to activists. Some traditional funds are putting out RFAs, or requests for activism, if they believe that their feedback is not well-received by management teams. Activists are also capitalizing on this rising trend to engage and often get support from mainstream institutional investors.

In February 2016, BlackRock's CEO, Larry Fink, sent a letter to 1,300 company CEOs across the globe, saying, "Those activ-

ists who focus on long-term value creation sometimes do offer better strategies than management. In those cases, BlackRock's corporate governance team will support activist plans. During the 2015 proxy season, in the 18 largest U.S. proxy contests (as measured by market cap), BlackRock voted with activists 39 percent of the time."

According to Michelle Edkins, managing director at BlackRock and global head of its investment stewardship team, "Our observation is that, on the whole, most activist campaigns have some merit. If the issue comes to a vote, such as for a contested slate of directors, we will vote in the way that reflects what we believe would be the best long-term outcome for our clients."

Other asset managers are also jumping on the bandwagon and taking an active stance toward underperforming companies as compared to their peer group. In a *Reuters* article from September 25, 2015, Rakhi Kumar, head of corporate governance at State Street Global Advisors (SSGA), explained, "We engage with activists. It's part of our policy to talk to both sides. We recognize that activists have been successful for a reason, but it is time for us to say we are here for you provided you take us seriously too." As an example, SSGA supported Starboard Value when the company wanted to replace the entire board of Darden Restaurants, Olive Garden's parent company.

"As activism has become more mainstream, as shareholder bases have become more fragmented, and as the misalignment between shareholders and management continues to grow at many companies, traditional funds have turned to activists to help," Welling notes.

Plants sees a natural fit between large traditional investors and smaller activists, but also a limit to what a traditional firm can do. "There are a growing number of institutional investors that want to take on the mantle of activism these days," he says.

“While we believe that large institutional investors have not only the right, but also the obligation, to be heard on issues of importance at their portfolio companies, we also think that effective public activism is a distinct skill set that requires a tremendous amount of experience and a willingness to go ‘all in’ if necessary. Very few institutions are able to do that and we think that places a ceiling on their ability to effectuate fundamental change by themselves.”

## Vulnerability to Activism

A number of factors make companies vulnerable to shareholder activism. These can include a depressed stock price compared to a company’s peer group, underperforming business units, a corporate strategy that shareholders disagree with, deficiencies in corporate governance or in board composition and structure, excessive management compensation, an unattractive balance sheet, overall negative shareholder sentiment and frustration with the company, among others.

If companies meet any of these criteria, they should consider conducting a vulnerability assessment and monitoring the ecosystem. Some key areas to focus on include monitoring the landscape for activist activity, identifying changes in the shareholder base or signs of investors buying and selling in

tandem, understanding negative investor sentiment and frustration, and addressing possible corporate governance inefficiencies. Companies need to be prepared to clearly articulate a strategic plan to key stakeholders about how they will fix any deficiencies.

While Welling starts with the key metric all investors care about, he also points out other concerns companies should take into account. “Number one is share price underperformance,” Welling advises. “If you have a history of lagging returns, you are vulnerable. Material deficiencies in margins and/or asset utilization are red flags and areas for activist involvement, as are business units that are perennial underperformers that take capital away from the good businesses in the portfolio.”

Plants continued on this theme by digging a little deeper into how he finds and evaluates companies as potential targets: “We are a value-oriented investor, but we do not invest in distressed or broken companies. We invest in fundamentally good companies with sound business models and balance sheets. Yet all of them have issues of some kind impacting their current valuation because, if they didn’t, they would be priced to reflect that perfection and therefore unable to clear our demanding return hurdles. Nonetheless, we invest around ‘fixable issues’ such as capital structure,

capital allocation, business mix and/or corporate governance. We seek asymmetric outcomes where our downside is protected (by the business’s fundamental strength and balance sheet), but the upside from remedying the issues can be significant.”

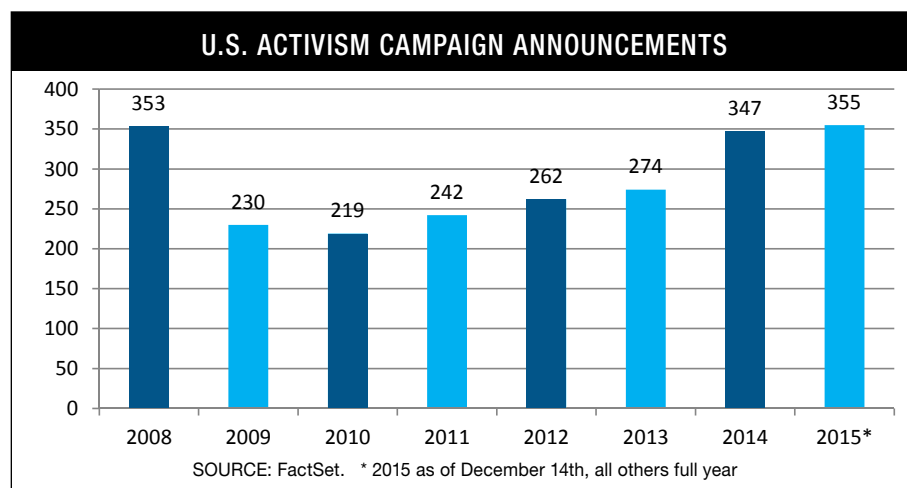
## Tactics to Produce Shareholder Returns

Activists employ a number of strategies to drive a company to greater shareholder returns and operational efficiency. As our interviews showed, an investor can utilize several techniques depending on what is needed at the target company. Options to improve financial performance can include boosting operational efficiencies, such as by selling off underperforming divisions; optimizing capital allocation through dividends and share repurchases; or fixing corporate governance deficiencies, such as board reform. In many sectors that have experienced M&A consolidation, such as technology, pushing to sell the “target” company or orchestrating a merger with another company have also become prevailing tactics.

“We focus on all those types of issues and have been successful multiple times with each,” Plants notes. “For example, our actions have resulted in substantial returns of capital to shareholders through share repurchases, tender offers, and dividends; the reduction of wasteful spending on frivolous pet projects; and the outright sale of three companies.”

One tactic frequently used by activists is winning board seats for themselves or hand-picked candidates who are aligned with the activists’ visions. Many activists who employ this strategy believe that being involved in the company at this level will enable them to unlock value by being more directly involved with the company’s strategy, as well as corporate governance processes.

“Lax governance is typically the culprit that allows issues to arise in the first place,”





***“We depend on anecdotal data  
to make decisions.”***

**Said no management team...EVER**

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Plants explains. “Corporate governance and performance are not separate issues; they are tightly interrelated. Along the way we have fought for and secured many corporate governance reforms, such as adoption of majority voting at two companies, the defeat of a shareholder vote to ratify a poison pill, successful opposition of a shareholder vote to approve a dilutive share issuance, enhanced transparency and disclosures and the termination of related party transactions, and significant board reform, such as the appointment of shareholder representatives and the departure of entrenched leaders, including several long-tenured board members, three chairmen, and three CEOs.”

Change does not happen overnight, and Plants’ comments highlight this point: “We are a long-term investor that uses public activism selectively and usually as a last resort. We focus on strategic and financial issues that we believe will unlock substantial value. We are fine if that takes quarters or even years, as long as the rewards are commensurate with the time and the risks involved in realizing them. For example, we recently resolved a pending proxy contest with Air Methods Corporation. But we have been shareholders there for almost five years, the vast majority of which involved no public activism whatsoever and, with the open issues resolved for now, we remain shareholders going forward.

“I’ll give you another example. Last year we settled a proxy contest with Investment Technology Group and soon thereafter the company disclosed that it was the subject of an SEC investigation (for which it subsequently paid a \$20.3 million fine). Not only did we remain invested following the settlement with the board, but we owned more shares than we had prior to the settlement. We then ramped up our involvement and recently entered a second settlement. We remain heavily invested in the company because we believe it has many avenues

to create shareholder value going forward. There cannot be any doubt that we are a committed, long-term investor in ITG as proven by our actions.”

## Quicker Settlements

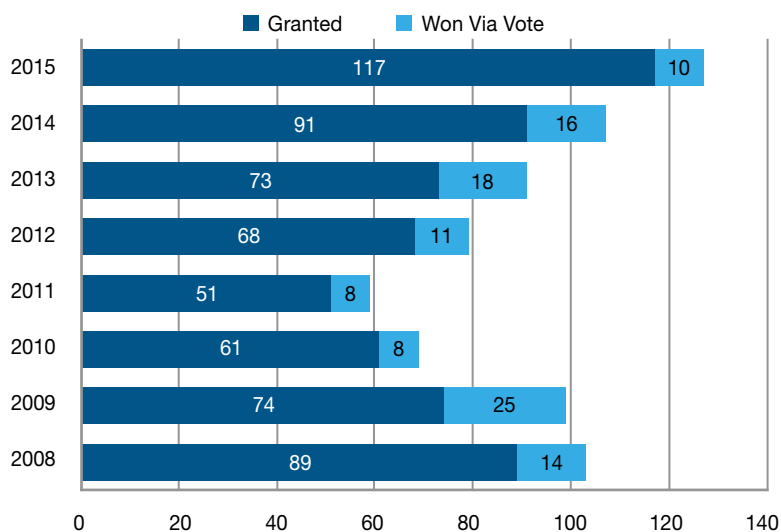
Many companies targeted by activists are deciding to settle quickly in an attempt to lessen the business distraction of a public activist campaign. According to Activist Insight, the average number of days it takes companies to reach a settlement with activists threatening a proxy contest from the time of disclosure is 56, which is down from 83 days in 2010. Some of the common settlements reached between activists and companies include board seats, management changes, corporate governance improvements, and operational changes, such as divestiture of underperforming lines of businesses. According to Shark Repellent, based on 2015 data, activist campaigns that resulted in board seats is at an all-time high.

## When Activists Become Engaged

Once an activist is engaged, chances are they are not going away. It is important to keep in mind that the activist has typically completed a lot of research and most likely has spoken with many of your top investors and analysts before reaching out to the company. Further, many activists have become highly sophisticated and often work in tandem with other activists, sometimes called a “wolf pack;” it is not uncommon to see two or more activists working together on an activist campaign to build a position in a stock.

With these considerations in mind, if an activist reaches out to your company, you should be professional and timely in your responses. In addition, investor relations, senior management, and board members need to be open and willing to objectively listen to the activist’s perspective and possible demands. The company will have enhanced credibility

### CAMPAIGNS RESULTING IN BOARD SEATS



SOURCE: FactSet. Based on seat won/granted date

“Settlements have definitely been the case the last few years, as activism has become more mainstream,” Welling says. “However, I am seeing more companies start to ‘dig in their heels’ this year. So, not sure what the future holds, but most of the time, we are better off with private negotiations that avoid distracting and costly contests.”



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in the market if the activist's requests or proposals are handled in a proactive and professional manner. It will also help minimize the PR chatter that can come with an activist campaign.

"I always suggest that companies listen and approach activists with an open mind. We took the position in the company because we believed the company was undervalued and there were multiple opportunities to fix the undervaluation," Welling explains. "Executives and directors should want to hear those ideas. If the activist that owns the stock is credible and has a good track record, you should hear them out and engage strongly in a dialogue. In our investments, when we begin to transmit our ideas to the management team or board, it is only after we have discussed them with the other large shareholders and know that there is broad support for the changes we are recommending. So, you ignore these ideas at your peril."

Plants voiced a similar view: "I would advise boards and management teams to remember a few things. First, if everything were hunky-dory, an activist would be unlikely to show up in the first place. So the mere arrival of an activist should suggest to you that change is likely in some form, whether you embrace it or have it imposed upon you. Second, a few companies try to hide from investors that they believe don't drink the company Kool-Aid, whether that be short-sellers or investors perceived to be activist. This is badly mistaken in our view, because refusing to engage misses an opportunity to communicate the company's message in its preferred manner. It almost never deters the investor, even if he has a different agenda, and, in fact, evasive behavior often feeds the narrative of entrenchment or, worse, suggests that perhaps the company has something to hide. We think open communication, effective messaging, and trans-

parency are essential elements in building shareholder value."

Once you have begun an open dialogue with an activist investor, it is important to be thoughtful in your course of action. Rushing to make quick changes to try to appease the activist will not necessarily make them go away. It is important that the company carefully evaluate the substantive issues that are at the core of the activist's thesis. Also, actively engaging advisors, from proxy firms to lawyers with strong expertise on how to professionally address an activism campaign, can add tremendous value. However, be wary of making a quick move to try to show engagement without a lot of thoughtful planning and internal discussion.


"We have had several experiences where, in the middle of our discussions with a company about how to increase value, the company makes a tactical decision to rush out an announcement of changes, such as a new hand-picked board member or the institution of a capital return policy," Plants comments. "Often they are attempting to make it appear they acted on their own rather than in response to an investor's suggestion – as if that would be such a bad thing. Unfortunately, in the haste to get ahead of us they usually end up adopting a half-measure or, worse, something unwise that only compounds their predicament and strains the relationship. It rarely deflects us."

## How IROs Can Add Value

As activism becomes more prevalent, it is more important than ever for boards to be continually informed of Wall Street's perspective on the company. It does not serve the company well to have a board surprised by negative shareholder sentiment and perception of the company, especially as an activist is mounting a public attack. Many boards are requesting annual independent perception studies to clearly understand the

sentiment of Wall Street; third-party and confidential perception studies help companies gain a clear and unbiased understanding of key issues that may impact perception and valuation.. Also, conducting corporate governance roadshows with both management and select members of the board, not just during proxy season, is a good way to have board members and key members of management communicate proactively with shareholders before a problem arises.

"The IRO can play a very important role in educating the board and management about the concerns of the shareholder base," Plants explains. "Company leaders will often be in the dark about investor concerns, either because they don't meet regularly with shareholders or, when they do, they hear only what they want to hear. We have had experiences where the IRO was instrumental in convincing management that our concerns were broadly shared within the investment community, which then led to constructive engagement."

Over the past few years, shareholder activism has been one of the fastest growing, and often, best-performing asset classes. Therefore it is unlikely we will see any reduction in activism as a strategy. There is a strong need for companies to be proactive and anticipate the changing environment that may bring an activist to their doorstep. With activism becoming more commonplace, companies will benefit from IROs being more involved with communicating with boards on an ongoing basis. IROs can bring a Wall Street perspective and empathy on important issues that face the company and industry, as well as provide valuable feedback on potential corporate governance vulnerabilities. 

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**The new NIRI Activist Investor Report shows an uptick in activism and reveals some preemptive strategies that IROs are using.**

# PREPARING FOR

**S**ince 2007, investor relations professionals have seen a 70 percent increase in the number of activist investors who own their company's stock, according to a new NIRI Activist Investor Report.

The good news, apparently, is that despite increased activity and the greater media coverage of activist investors and campaigns, most IR professionals continue to have neutral and/or positive interactions with the activists who own their stock. A majority of the IROs surveyed said these investors never engage with their company, do not launch a campaign, and either remain a shareholder or move out of the stock with no additional actions taken.

The bad news, of course, is that there will always be those activist investors who initiate hostile actions, launch campaigns, or otherwise attempt to influence decision making within a company.

Here are some insights from IR professionals on preparing for and responding to activist actions.

## **Preemptive Audits**

Twenty-five percent of IR professionals surveyed indicate they have worked at a company that has engaged in a proactive or preemptive activist audit. In this type of audit, an outside service provider or advisor is hired to conduct a comprehensive audit to evaluate a company's vulnerabilities relative to its peers, as well as the likelihood that the company will be a target for activist investors. This is typically done before an activist campaign is launched.

"In a preemptive activist audit, you look at your company through the lens of an activist and attempt to see what they would see as your company's vulnerabilities," suggests Matthew Stroud, a counselor with Arbor Advisory Group, and who was a

member of the defense team that attempted to prevent a hedge fund from seizing control of Darden Restaurants. "You start with performance and performance relative to peers, and move on to executive pay, board makeup, anything that's out of line that activists could target. Then you review the business side of things – lines of business, brands, and assets on the balance sheet that activists could say are not being used to the full benefit of shareholders."

"I think the real merit of a preemptive audit is stepping back and gaining an outside-in view of your company's protocols and policies and general governance profile, and not necessarily how they are constructed, but how they are perceived," advises Robert Berick, managing director of investor relations and corporate communications, Falls Communications. "When there is a perception gap, you have to consider that you might not be doing enough to educate investors."



A man with a beard and short hair, wearing a white shirt and dark trousers, stands in a dimly lit, industrial-style space with a concrete wall and floor. He is holding a large, dark metal shield with a curved top and a border of brass rivets. The shield is positioned in front of him, partially obscuring his body. The word "ACTIVISM" is overlaid in large, bold, red capital letters across the center of the image.

# ACTIVISM

By Alexandra Walsh

Berick suggests that activism defense, mitigation, or prevention ties back to the educational imperative of investor relations.

"It's not just what we disclose, but more to the point, what the market or the investment community doesn't understand about the rationale and intent of a particular corporate policy or practice," he says. "The audit is a hidden opportunity to not just look at a specific governance practice, but also for the company to take a clear-eyed view of how that practice is being communicated and to uncover new ways and strategies to educate the community and base."

"That's where activists have the leg up," Berick contends. "They tend to be much savvier communicators. They leave no stone unturned -- whether it's using social platforms, the media, white papers, or presentations -- to educate the investor base about their point of view."

Berick adds that part of an audit can also examine how forward-thinking companies in your same space treat disclosure. "An audit gives companies the opportunity to step back and evaluate what they can do better and who they can learn from," he says. "And as an added benefit, the easiest way to convince legal counsel to agree to a different communications strategy is to show other companies that treat disclosure in a similar fashion and have set a precedent."

## Management Response

For the 67 percent of IR professionals that report in the NIRI survey that their companies took steps to discourage activists, the adoption of governance changes (such as majority voting or proxy access) was the most common change (29 percent). This is followed by revising executive compensation policies to eliminate perks and/or strengthen pay-for-performance alignment (15 percent); regularly conducting preemptive activist audits (10 percent); and adding a new director after

consulting with the company's institutional investors (8 percent).

Of the IROs who have engaged in a preemptive activist audit, 58 percent indicated that the company initiated no changes as a result of the audit's findings.

"Depending on what the preemptive audit finds, enlightened management teams will reason that it's better to deal with company vulnerabilities on their own terms rather than having their hand forced by activist investors," Stroud points out. "But other management teams will put their collective heads in the sand and do nothing and eventually activists will get around to finding the vulnerabilities and the company will be forced to react while under attack."

## Putting the A-Team Together

Sixty-five percent of NIRI survey respondents said they already have an activism defense plan in place or intend to create one within the next calendar year. However, 56 percent indicated their company does not have an activism defense team, or a team that crafts collaborative responses to activist proposals.

For companies that do have activist defense teams, the senior executives typically included are the IRO (96 percent), general counsel (96 percent), CFO (91 percent), CEO (80 percent), outside counsel (76 percent), the corporate secretary (40 percent), and the board chair (28 percent).

The types of consultants typically engaged to assist with an activist campaign include law firms/securities counsel (74 percent), IR counseling/crisis/financial communications firms (69 percent), proxy solicitors (52 percent), investment banks (52 percent), and corporate governance/board advisors (16 percent).

"We engaged outside consultants including a strategic advisor for communications messaging, a proxy solicitor, legal counsel, and an investment banker -- all

with expertise in activism," recalls Moriah Shilton, former senior director, corporate communications and investor relations at Tessera Technologies, which faced a proxy contest in 2013. Shilton adds that the resulting plan was a great group effort between the company's CEO, CFO, general counsel and his department and herself along with the outside consultants.

"Part of the benefit of having outside consultants, the proxy solicitor in particular, is that they can quickly get the company up to speed on where the trends are going from a voting standpoint -- where the thresholds are going to be or how your specific investors have voted in similar situations," Berick says. "I don't think you can overestimate the value a good proxy solicitor can bring to an activist defense team."

"In general," Berick adds, "if you're bringing in outside expertise, you will want them as specialized as possible to complement your internal resources."

As an example, Berick points out that when it comes to communications, a corporate team may have experience in crisis communications because of the nature of the work they do, and the in-house folks may have also been involved in an issue with the activist shareholder in the past. "However, that might also leave you feeling exposed and in need of outside communications experts who have navigated these waters before from an investor relations perspective, dealing with activists while engaging other investors, and are involved in multiple fights a year," suggests Berick.

Berick also contends that if a defense plan does nothing else, it should force and foster a closer daily dynamic between the IRO and the corporate secretary. "Don't treat these as two distinct channels that only come together to shake hands at board meetings. These two functions could be working strategically throughout the year on complementary initiatives

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and including the corporate secretary in defense planning forces a seat at the table and that can't be a bad thing."

Having reviewed more than a hundred proxy fights when he managed the proxy contest research team at ISS, Waheed Hassan, CFA, senior managing director at Alliance Advisors LLC, has a different take on activism prep. "The 70 percent win-rate for activist investors suggests that companies need to fundamentally reevaluate how they prepare for activist threat," Hassan says. "The annual activist audit is no longer sufficient and leaves significant gaps. There is very limited, if any, visibility on the level of vulnerability after the activist audit."

"Moreover, we see a lot of management bias in the advice given to the board/management team," Hassan adds. "This is primarily due to limited understanding of how activists think – often the advisor performing the activist audit has never worked with an activist. Additionally, most advisors do not have a good handle on how ISS is likely to recommend in a contest – which can have a significant impact on defense strategy."

Hassan compares this to having a heart problem, but only consulting your family physician and not a cardiologist as well. Both are doctors, but only one has the required experience and expertise. "Most importantly, if you have a heart condition, you monitor your cholesterol regularly," Hassan asserts. "Likewise, companies need an ongoing activist audit to assess their vulnerability throughout the year."

"Campaigns where activists push for board change or a strategic review process are performance-driven. The activist is primarily interested in generating a positive return on investment. Typically, activists argue that the target company is either underperforming or not up to its potential," Hassan says. "Not surprisingly, our activism defense practice spends a lot of time helping clients evaluate their perfor-

## SIXTY-FIVE PERCENT OF NIRI SURVEY RESPONDENTS SAID **THEY ALREADY HAVE AN ACTIVIST DEFENSE PLAN IN PLACE OR INTEND TO CREATE ONE.**

mance from the perspective of the activist investor. By highlighting key vulnerabilities, we are able to help formulate a management response plan."

In addition, Hassan strongly recommends an effective stock watch program. "A good market surveillance program allows a company to constantly monitor its shareholder base and proactively see if any activist(s) is accumulating shares," he says.

### The Time for Engagement

According to the NIRI survey, 82 percent of IR professionals reported responding after engagement by the activist investor, either directly, or indirectly.

Seventy-two percent initiated a one-on-one discussion with the investor, 65 percent reported making a phone call, 24 percent sent an email, 16 percent utilized an investor conference meeting, and 13 percent filed an 8-K.

"My attitude is it's important to engage with all your investors so you know what they are thinking, including activist investors," recommends Shilton. "However, how you engage with activists can be different than other investors, and while you want as many open lines of communication as possible, you're also working within additional disclosure rules – especially if you're engaged in a proxy contest."

"In dealing with activist investors, timing is everything," contends Berick. "The majority of activist events start long before there's any mudslinging. Initially, there is a benign period and I would recommend that the IRO and management team use that time as a real discovery process to understand what the activist sees as value creating

opportunities within your organization and to also ascertain how good a job you are doing educating your investors."

In general, Berick believes that the starting point for all IROs to try to forestall activist investors is to continue to push ways to improve their company's ability to hear and listen. "As an example, I would encourage an IRO to take their organization's head of marketing out to lunch to pick their brain about how they're listening to the market, what kind of social media monitoring they have in place, and how IR could piggyback on that. It could turn out that marketing has excellent tools an IRO could use as an early warning sonar signal that conversations about the company's value creation are starting to turn."

"Based on my experiences with activist investors, I advise striving for mutual understanding and a mutual meeting ground," Stroud advises. "While not everything an activist suggests might be in the long-term interests of the company and the majority of its investors, I think it is usually a better use of shareholder money to settle differences early and find common ground. If you end up going all the way down the road to a proxy contest with the activist and battling it out in the press, it can be very expensive to the company and very frustrating for the IRO when they find themselves taking a backseat and ceding control to outside advisors." **IRU**

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**Alexandra Walsh** is vice president of Association Vision, the company that produces IR Update; [awalsh@associationvision.com](mailto:awalsh@associationvision.com). The NIRI Activist Investor Report can be found at: [www.niri.org/analytics](http://www.niri.org/analytics).



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A black and white photograph showing the silhouettes of three people—two men and one woman—standing in a hallway with large columns. They appear to be in conversation, with one man holding a folder or document. The lighting is dramatic, with strong shadows.

There is a growing consensus among companies that the SEC should mandate the public disclosure of short positions.

# The Long & Short of It

By Eileen Gannon

**B**etting that a company's stock price will decline by selling stock "short" is a trading strategy popular since the early 17th century. Short sellers have been implicated in nearly every bear market since then. But that doesn't make them all bad. In fact, short selling is essential to keeping public markets running today. Market makers (including specialists) and block positioners can use short interest to offset temporary

imbalances in the bid and ask for securities, thereby providing essential market liquidity and price efficiency.

The critical role that short selling plays in public markets is also why NIRI, the NYSE Group, Nasdaq, and a growing number of companies want short interests to start publicly disclosing their investment positions.

In 1975, the Securities Exchange Act of 1934 was amended to include Section 13(f), which mandated that long equity

ownership must be reported within 45 days after the close of the calendar quarter. The statutory provision remains intact after all these years, although the Dodd-Frank Act amended it slightly in 2010. However, short-selling investors who endeavor to sell high and buy low (in that order) do not have to follow the same disclosure rules as long-position holders.

"Shorting can add to efficient markets, but short sellers should have the same reporting requirements as long investors,"



says Derek Cole, president of Investor Relations Advisory Solutions, and a former chairman of NIRI's Board of Directors.

It's important to clarify the difference. Short selling occurs when a trader sells shares that he or she does not own. A trader executes a short sale by borrowing shares from a broker for a small fee with the intent to buy the stock back sometime in the future. Short selling requires minimal capital upfront and can be an easy hedge. Opposite of long investing, short selling is profitable if the stock price falls between the time it's sold and is purchased.

Short selling has recently attracted more scrutiny due to the increasing size of trades and number of companies affected. Hedge funds making billion-dollar bets draw a lot of attention. But small companies can feel the heat too. Thinly traded companies, who can benefit the most from the liquidity that short selling offers, can also suffer the most from wholesale selling when the shorts decide to exit en masse.

Companies in industry sectors (such as technology, pharmaceutical, and biotechnology), with lengthy product development cycles before becoming profitable, are particularly vulnerable to short-selling abuses. For instance, the lack of transparency has allowed some hedge funds to short a company's stock, file a specious challenge to a company's patent, and then profit when the company's shares fall when the patent dispute becomes public, according to the Biotechnology Innovation Organization, which represents 1,100 biotech companies and research organizations. In some cases, investors with short positions have deliberately released misleading information or even tried to interfere with a company's operations to drive down its share price. When that happens, the

opacity of short sellers can undermine investor confidence.

## **NIRI-NYSE Rulemaking Petition**

In October 2015, NIRI and NYSE filed a joint rulemaking petition that asked the U.S. Securities and Exchange Commission (SEC) to implement provisions of the Dodd-Frank Act "to require the periodic public disclosure of short-sale activities by institutional investment managers." That petition seeks disclosure on at least a quarterly basis and with no more than a two-week delay before positions are made public. NIRI and NYSE call for broadly defining "short positions" to include not only short sales, but also derivative and similar transactions having the same economic impact.

The petition follows another NIRI-NYSE petition submitted to the SEC in February 2013 that asks for more timely disclosure of long positions under Section 13(f). Their goal is to "improve public disclosure standards and broaden the accessibility of relevant data to the investors and listed companies." That petition, which was joined by the Society of Corporate Secretaries and Governance Professionals, asks the SEC to reduce the 13(f) reporting period from 45 days to two business days after the end of a quarter.

"With the advances in technology, I also think the time period for both reporting requirements should be shortened," added Cole.

## **Additional Support for Reform**

Since NIRI and NYSE filed their short-disclosure petition, other industry organizations have voiced similar views. In December, Nasdaq submitted its own rulemaking petition with the SEC that asks for public disclosure of short positions.

"As Congress recognized, it is incongruous that certain investors who accumu-

late long positions are required to publicly disclose their holdings, but there is no corresponding obligation for short sellers to do so, including synthetic or derivative instruments that allow an investor to profit from a loss in value of the underlying security," Nasdaq stated in its petition. "This asymmetry has several deleterious effects: it deprives companies of insights into trading activity and limits their ability to engage with investors, the market of information to ensure it functions efficiently and fairly, and investors of information to use to make meaningful investment decisions."

Nasdaq points out in its petition that other global markets, including the United Kingdom, France, Spain, and the European Union, have adopted rules that require individual institutions to report net short positions to regulators and to the public.

A diverse group of companies, such as Freeport McMoRan, BOK Financial, GoPro, Primoris Services Corp., and PRA Group, have submitted comment letters in support of short-position reporting. In its letter, the Biotechnology Innovation Organization argues that "the current lack of transparency around short positions is enabling trading behaviors that unfairly harm growing companies and their investors."

Cole, like his former IR colleagues in the biotechnology and pharmaceutical industries, has faced tough battles with short sellers. He knows first-hand how companies can suffer from a lack of investor transparency.

"Part of the problem in the current system is that real-time, short-selling information is available, but only to a select group of people," explained Cole. These can include traders, back-office employees, the third party executing the trades, and people involved in block trades.

"If an investor is accessing public capital, then public disclosures should simply be part of the process," said Cole.

## Benefits for Companies and Investors

For the most part, investors who engage in short selling do not want to report their investment activity because they want to protect proprietary trading strategies. While that's understandable, disclosure advocates point out that investors would not have to report their positions until after the close of the calendar quarter. It's not uncommon for hedge funds to hold short positions for just a few weeks.

As the NIRI-NYSE petition states, concerns about trading strategies could be addressed with appropriately designed rules that could include the use of reporting thresholds, either as a percentage of existing market capitalization, a percentage of the investor's portfolio, or as a flat value threshold. Short investors also could file confidential treatment requests with the SEC to delay their reporting, as many fund managers already do to shield their long positions.

In a June 2014 report, the staff of the SEC's Division of Corporation Finance found that real-time reporting was not feasible, but the staff conceded the benefits of increased transparency and disclosure around short-selling activity, noting that "more precise and timely information about short selling could help the market adjust to new information faster, promoting price efficiency and hence capital formation." The staff noted that "many market participants indicate an interest in more public short selling data."

Today's available data on short selling is inconsistent and can be misleading. Many companies currently utilize the aggregate short-sale data provided by the exchanges to evaluate the market and anticipate developments with respect to their securities (including potentially malicious rumors and false news). However, IROs don't know who is shorting their compa-

ny's shares and thus are unable to engage in a dialogue with short sellers unless they choose to publicly surface.

This lack of transparency can be costly, even to the short sellers themselves. For example, a large short interest in a company could be misunderstood to mean that broad

**"It's one thing to have proprietary trading information, it's another thing to act unethically."**

**— Derek Cole, President, Investor Relations Advisory Solutions**

investor sentiment is negative, when in fact that short interest may be in place to hedge an even larger long position.

Additional risks of cloaked information can include illegal manipulations, alleged over-voting of borrowed shares, and failure to cover "naked" or unsupported short positions. Unfortunately, the damage to companies and other investors often has been done by the time the SEC learns of suspected abuses and pursues an enforcement action.

"It's one thing to have proprietary trading information; it's another thing to act unethically," Cole says.

More data, based on actual trades, can help short sellers better understand the companies they are investing in and help explain price movements and daily volume. Also, the public opinion that short sellers have an unfair advantage would go away.

"The NYSE-NIRI rulemaking petition is a good thing for both investors and issuers," said Troy Calkins, general counsel of Workiva Inc. "Increasing the transparency around short sales would improve the ability of investors and issuers to evaluate the market in general, as well as movements in a particular stock."

As IROs well know, executives and directors are required by SEC rules to report

stock sales within two business days, while companies are obligated by Form 8-K rules to disclose a long list of corporate developments within four days. Companies also are required to report in their quarterly filings that they intend to undertake a share repurchase program (with details such as the

estimated time period when the purchases will be made, the maximum number of shares to be acquired, and the purpose for acquiring those shares). However, the short sellers and other investors who benefit from all these disclosures do not share in this transparency.

"We need a level playing field for everyone. The benefits of closer alignment of short and long positions would offset any additional compliance burden," said Cole.

"Additional disclosure does not have to be burdensome," added Calkins.

"Advances in software technology can automate that reporting, and ultimately benefit all investors." 

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**Eileen Gannon** is vice president of corporate communication and investor relations at Workiva; [eileen.gannon@workiva.com](mailto:eileen.gannon@workiva.com).

For more information about short selling disclosure, including links to the NIRI-NYSE and Nasdaq rulemaking petitions, please visit the "Short Selling" page on NIRI's website at: <https://www.niri.org/advocacy/niri-regulatory-positions/short-selling>. If your company is interested in submitting a comment letter in support of short position disclosure and would like NIRI's assistance, please contact Ted Allen, NIRI's director of regulatory affairs and practice resources, at [tallen@niri.org](mailto:tallen@niri.org).

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## NIRI Names Four New Fellows

**NIRI HAS SELECTED FOUR NEW NIRI FELLOWS** and will honor them at the 2016 NIRI Annual Conference in San Diego on June 5-8, 2016.

The NIRI Fellows Recognition Program honors members who have distinguished themselves through their leadership within NIRI as well as the professional standards to which they have abided and their involvement and contributions to the IR profession throughout their careers.

Those selected as “NIRI Fellows” are highly engaged individuals whose commitment has led to continued service as subject-matter experts and leaders in education, selection-committee participants, authors, and thought leaders within the institute and the field of investor relations.

The 2016 class of Fellows includes:



**John T. Chevalier**, vice president, global investor relations, The Procter & Gamble Company



**Nancy Hobor**, a retired IR professional who now serves as a senior lecturer at Northwestern University's School of Journalism, Media, and Integrated Marketing Communications



**Jenny R. Kobin**, partner, Investor Relations Advisory Solutions



The late **Louis Thompson Jr.**, who served as NIRI's CEO from 1982 to 2006.

## Sixty-One IR Professionals Earn IRC Credential

**NIRI CONGRATULATES THE 61 INVESTOR RELATIONS PROFESSIONALS** who have earned the new Investor Relations Charter (IRC™) credential.

Representing the inaugural class of IRC credential holders, these IR professionals successfully completed the first IRC examination offered worldwide in March. They will be honored during the 2016 NIRI Annual Conference.

The new IRC Program establishes a common framework to define the profession of investor relations and provides IR professionals with the opportunity to demonstrate their knowledge, expertise, and commitment to the profession. The IRC is NIRI's first professional credential, and the program is dedicated to



advancing the practice of investor relations and the professional competency and stature of IR professionals.

“Congratulations are in order for the inaugural group of investor relations professionals who passed the first IRC exam, and also for the many dedicated volunteers who worked over the years to develop this program,” said NIRI President and CEO Jim Cudahy. “This is the first step in establishing the IRC credential as a mark of distinction that demonstrates an investor relations professional's commitment to the IR profession.”

### The successful IRC candidates include:

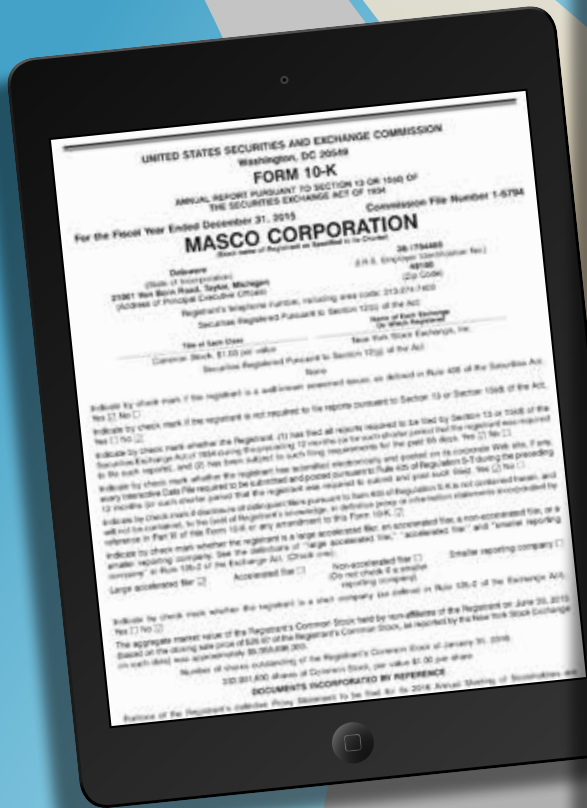
Matthew C. Abenante, IRC  
Karli S. Anderson, IRC  
Darin Arita, IRC  
Remy S. Bernarda, IRC  
Adam E. Berry, IRC  
Clayton W. Bilby, IRC  
Robert H. Bradley, IRC  
Shea N. Burden, IRC  
Robert G. Burrows, IRC  
Michael P. Dickerson, IRC  
Mark J. Donohue, IRC  
Jennifer K. Driscoll, IRC  
James W. Dues, IRC  
Paul R. Finan, IRC  
Gary Flaharty, IRC  
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Lawrence Goldberg, IRC  
James M. Grant, IRC  
Valerie C. Haertel, IRC  
Lynn M. Harrison, IRC  
Mitchell J. Haws, IRC

Brandon Hodge, IRC  
Cynthia M. Holt, IRC  
Charles S. Ives, IRC  
Todd R. James, IRC  
William I. Kent, IRC  
Karla J. Kimrey, IRC  
Christina L. Kmetko, IRC  
Mark P. Kobal, IRC  
Heather A. Kos, IRC  
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Lisa A. Rose, IRC  
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Christopher L. Symanoskie, IRC  
Kathleen Till Stange, IRC  
Julie D. Tracy, IRC  
Paul M. Vincent, IRC  
Stephanie C. Wakefield, IRC  
Joan L. Walter, IRC  
Heather J. Wietzel, IRC  
Jean M. Young, IRC  
Joshua E. Zable, IRC  
Jonathan Zax, IRC

The next IRC examination testing window will be September 10-17, 2016. The initial application deadline is June 30, 2016. Program information and applications are available on the NIRI website at [www.niri.org/certification](http://www.niri.org/certification).

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# EGROUPS BUZZ

## More IROs Pre-Record Earnings Calls

The number of IROs who are recording earnings calls is increasing, according to data in the NIRI Earnings Process Survey, which will be released in summer 2016.

Among the 97 percent of respondents who hold earnings calls, 15 percent said they pre-record their formal comments and then hold a live question-and-answer session. This reflects almost a doubling during the last five years of the number of compa-

nies that do this.

Of the companies that pre-record their executives' comments for these calls, only 10 percent disclose to those listening on the call that it is a recording.

Excerpts from a recent NIRI eGroups discussion on pre-recorded earnings calls (in response to the question below) shows how IROs think about this practice and some of the steps they are taking.

**Question:** I've heard that pre-recorded earnings remarks are becoming more common for earnings calls, followed by a live Q&A. I am wondering if any members of the group use this approach. If so, I am curious about pros/cons to doing it pre-recorded? – *Vice President, Investor Relations*

**"WE HAD TO PRE-RECORD** out of necessity one quarter, and it added so much value we never went back.

Pros:

- Predictability of quality of production
- You can review pre-notes (if your analysts publish them) and prep for the questions analysts publish there
- You get a chance to hear and think about what your audience is hearing

Cons:

- It may sound a bit different than the live part, either because of changes in the speaker's voice or the quality of the recording. – *Director, Investor Relations*

**"I TOO EVALUATED THIS** and obtained buy-in from our management team based on all the benefits listed above. However, when I reviewed the costs, the value proposition became less clear. The proposals were between \$4k and \$6k per quarter." – *Vice President, Investor Relations*

**"WE HAVE ALWAYS** pre-recorded. I will say the quality of our call sound has been great. One caveat is that you have to have your audio mixed and submitted at least 24 hours in advance of your call, so if your management team is a last-minute kind of team, that might be challenging." – *Director, Investor Relations*

The NIRI members-only eGroups discussion forum is popular with IROs eager to seek input from peers about current topics. Members value eGroups for the ability to interact candidly and in real time. Check out this member benefit by clicking the eGroups icon at the top of the [www.niri.org](http://www.niri.org) home page.

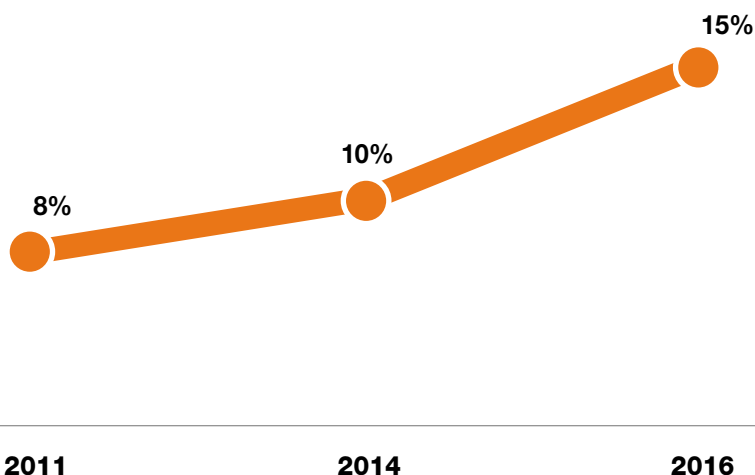
**WE RECORD OUR OWN**, but your current conference call vendor should have some suggestions. Would highly recommend it." – *Director, Investor Relations*

**"AGREE THAT IT IS FULLY** worthwhile. I've used pre-recorded remarks at three different companies. CEOs/CFOs always find that it allows them to focus on meaningful prep for Q&A. From a process standpoint, it also is a forcing function to end the script editing phase. Once it is locked down and recorded, they can listen during the playback portion of the call, and be more focused on the upcoming Q&A. Additionally, there is less pressure to read the script perfectly. During recording, you can stop, re-record, and edit out anything that didn't sound right." – *Senior Director, Investor Relations*

**"I'M A BIG FAN** of pre-recording – a lot of value for better Q&A prep." – *Director of Investor Relations*

## IR Research At-A-Glance

### COMPANIES PRE-RECORDING PREPARED COMMENTS FOR EARNINGS CALLS



• Source: NIRI Earnings Call Practices Survey (various years)



# NIRI NUMBERS

## 2015 NIRI Annual Conference Stats

88%

Attendees who  
were investor  
relations  
practitioners

26

Different **countries** represented



20

Number of different **industries** represented



3 to 5

Average **number of years**  
**IR experience** of attendees

4%

Micro-cap

12%

Large-cap

27%  
Small-cap

45%  
Mid-cap

12%

Mega-cap

### 2016 NIRI Annual Conference Session Topics and Tracks Include:

- ✓ Economics & Markets
- ✓ Marketing Outreach & Stakeholder Communications
- ✓ Professional Development
- ✓ Corporate Governance & Regulatory Issues
- ✓ Industry Roundtables (Open Forum Discussions)
- ✓ The World's Preeminent Services Showcase

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# 2016

[www.niri.org/conference](http://www.niri.org/conference)

## IR IDEAS @ WORK

IROs everywhere have success stories to share about ideas and unique innovations on best practices that make a difference in their companies. This column highlights these examples.

**To submit your own idea or innovation, send it to *IR Update* Editor Al Rickard at [arickard@assocvision.com](mailto:arickard@assocvision.com).**

## MONITOR ENGAGEMENT THROUGH QUARTERLY BOARD REPORTS

By Melanie Hennessey

**EFFECTIVELY DEMONSTRATING** the impact of shareholder and stakeholder engagement to the executive team and board of directors can be a challenging endeavor, but doing so is essential. Company outreach in this area deeply influences the execution and outcome of business strategies.

During the last decade and through several market cycles, I learned that a company's destiny can be changed with open and transparent communication. Since the tone is set from the top, buy-in at the executive (and board) level is needed to have an effective marketing and outreach program. An effective tool to gain more traction and buy-in from leadership is a quarterly report shared with the board of directors.

Our executive team prepares a board report that includes a detailed communications update. With quantitative and qualitative information, the aim is to present our progress in a way that is clear, concise, and measurable.

Quantitative data includes share price performance and key drivers, peer comparisons and any noteworthy

news/events, recent shareholder activity and how these may be linked to marketing efforts, and a research summary (target, recommendations, and assumptions) in comparison to our peers.

The qualitative portion highlights the outcome of webcasts and conferences, upcoming events and news releases, market perception, social media reach, various meaningful reports, and commentary. Occasionally, a new topic of interest such as short selling or expiration of options contracts is included.

These reports give us greater market insight gleaned from our network of traders, brokers, market surveillance contacts, market makers, research analysts, fund managers, sector-specific experts, and economists. All these data points provide credible and insightful information on our performance.



**Melanie Hennessey** is vice president, corporate communications, at Novagold Resources; [Melanie.hennessey@novagold.com](mailto:Melanie.hennessey@novagold.com).

## On the Move



**Dennis Walsh** has joined Zillow Group as senior manager, investor relations. He was previously vice president, IR advisory at Citi. Walsh also spent

10 years at Sharon Merrill Associates where he rose to the position of vice president. He has also served on the NIRI Annual Conference Committee and as a director on the NIRI Boston chapter board.



**Elizabeth Higashi** was appointed vice president, investor relations at Hertz Equipment Rental Corporation as part of preparations for the

planned separation of that business as a stand-alone, publicly traded company later this year. Higashi has more than 30 years of experience in financial communications and investor relations. She was most recently president of Higashi Advisors.

## Professional Development Calendar

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**4** Finance 101 for IR and Corporate Communications

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### September 2016

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# Can You Spy the Lie?

At a NIRI Boston event, a former CIA security specialist shared her insights about detecting deception.

By Josh Brodsky

As any IRO knows, senior management needs to be credible when speaking to investors. According to research, the average person lies 10 times a day. Sure, some of these are little white lies (like those times that someone asks how you are doing and you say “great” when you are really not in the most jovial of moods). The reality is that people are going to lie if it’s in their best interest. These points – and more specifically, how to detect deception – were the subject of the NIRI Boston chapter’s March event.

Susan Carnicero, founding partner at QVerity and a former CIA security specialist, provided a training session about how to distinguish between deception and truth. The methods she presented were developed by CIA experts who went through thousands of interview files spanning multiple cultures. How does one

**Key #1: Analyze vs. speculate.** Disregard global behaviors (e.g., toe-tapping or sitting with one’s arms crossed). Make sure to focus on behaviors that are a direct result of a question and keep track of the timing of those behaviors. More specifically, Carnicero says an interviewer will look for the first deceptive behavior within the first five seconds of the question and will then look for two or more deceptive behaviors in close proximity.

**Key #2: Manage bias.** We want people to like us, and we look for behaviors that make us like them. Therefore, we’re inclined to look for truthful behavior. To detect deception, one must completely avoid this tendency.

**Key #3: Recognize evasiveness.** Prime examples of evasiveness are when someone

**To recognize evasiveness, one must be in “L-square mode” – in other words, look and listen as hard as you can.**

discern the difference between nervousness and deception? (Hint: Eye contact has nothing to do with it.) In a world in which communication often is very imprecise (e.g., saying “I wouldn’t do that” is not the same as saying “I didn’t do that”), it is important to know the following keys to detect deception.

fails to provide the information asked for (by asking the interviewer to repeat the question or asking what was meant by the question, for example), exhibits selective memory (e.g., “not that I recall,” “not to my knowledge”), or refuses to answer. To recognize evasiveness, one must be in “L-square mode” – in other words, look and listen as


hard as you can. Being in L-square mode for extended periods can be exhausting, but it can also provide a lot of useful information.

**Key #4: Beware of aggression.**

Attacking the questioner (e.g., “how dare you ask me that?”) is often a tactic to get people to back off, and can be an indicator of deceptive behavior.

**Key #5: Differentiate between “convince” and “convey.”** Keep your ears attuned to “convincing” statements, things people say or do to try to convince others they didn’t do something, Carnicero says. These statements are among the strongest tools in the deception toolbox because they can sound so honest and heartfelt. Similarly, listen for “referral” statements, words people say over and over again (e.g., “as I said before,” or “as we said on our last earnings call”). While it is fine for these words to be scripted on earnings calls, the frequent use of these types of statements in everyday conversations can be a deception tip-off.

**Key #6: Know non-verbal cues.** Behavioral pauses, verbal/non-verbal disconnect (like saying “yes” when shaking your head “no”), moving body parts that are normally still or anchored when responding to a question, and grooming gestures are all examples of non-verbal cues to watch for.

Carnicero recommended that in our positions as IROs, it is always helpful in meetings to have someone watching the behavior of whoever is answering questions. Knowing how to spot these deceptive behaviors can be an effective skill in any IRO’s toolkit. 

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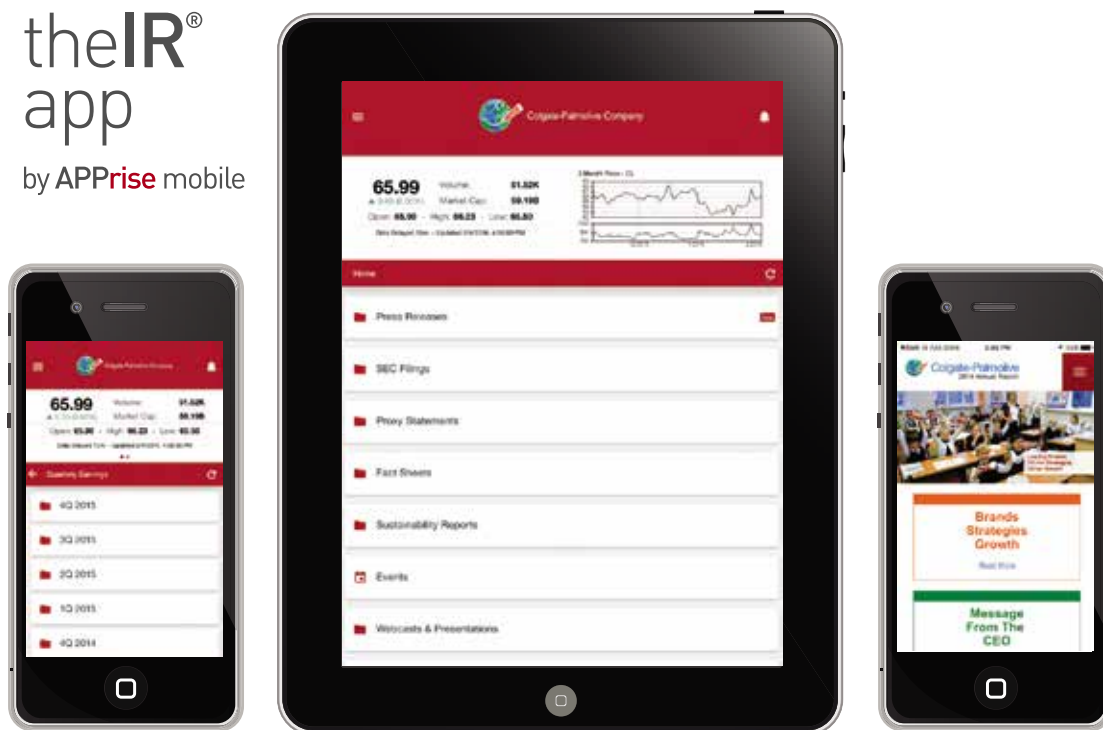


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