

NIRI BOARD ELECTS
AHLSTROM AS CHAIR 6

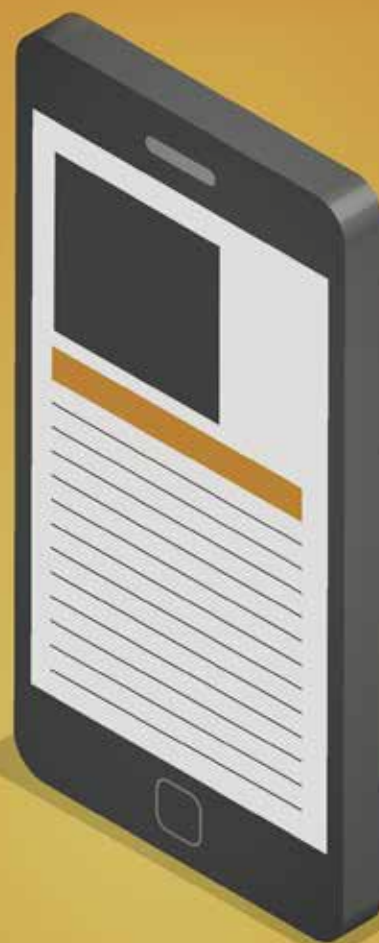
IROS AS STRATEGIC BOARD
PARTNERS 14

REFLECTIONS ON
NIRI LEADERSHIP WEEK 22

IR UPDATE

THE VOICE OF THE INVESTOR RELATIONS PROFESSION | NOVEMBER 2017

MAINTAINING CREDIBILITY AMID FAKE NEWS



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About Niri

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

About IR Update

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"Fake news" business articles cause problems for public companies and the investors they attract. But there are ways to fight back and mitigate their effect.

READ MORE ON PAGE 10.

10 COMMUNICATION

Maintaining Credibility Amid Fake News

As more investors receive news through social media, IR professionals must prepare to react quickly to misleading information about their companies.

BY EVAN PONDEL

14 COLLABORATION

IROs as Strategic Board Partners

Two veteran board members offer advice to IROs on how they can work with boards to deliver reports that leverage their unique knowledge and perspective.

BY AL RICKARD, CAE

18 Niri RECOGNITION

IRC Certification: A Milestone for the IR Profession

The chair and vice chair of the Niri Certification Council talk about the IRC certification program, its success, and what the future holds.

BY AL RICKARD, CAE

4 At the Bell

► Thanks to the Bringers of Light

BY GARY LABRANCHE, FASAE, CAE

6 Niri Now

► Niri Board Elects Ahlstrom as Chair

► Parham Named Niri Chair-Elect

► On the Move

► Professional Development Calendar

9 Spotlight on Advocacy

► Niri Brings IR Concerns to Congress and the SEC

BY TED ALLEN

22 Spotlight on Chapters

► Renewing Faith in Our Government

BY DON ALLEN



Thanks to the Bringers of Light



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The long sun-filled days of summer are giving way to long star-filled winter nights. We go from tossing beach balls to attending “punkin chunkin” contests. Toes in the sand becomes sand under snow tires. But the annual cycle of lightness overcoming darkness is made tolerable because we know that light will conquer once again, in due time.

For millennia, societies have compensated for growing darkness by celebrating light. Thus, we have come to associate light with joy, a connection that we celebrate with candles on birthday cake, lights on trees and candles on our mantelpieces.


This issue of *IR Update* brings light in its own way. For example, on page 14, you’ll learn how IR practitioners can make the journey to become a trusted advisor to boards, bringing light to their strategic conversations.

Illuminating the dark corners of “fake news” is also explored in this issue (on page 10). But perhaps the brightest light is the spotlight (on page 18) on how the Investor Relations Charter (IRC®) examination is created.

As you know, NIRI launched the IRC program in 2016. So far, 133 IR professionals have successfully passed the examination and now append the initials “IRC” after their name. Creating that exam has involved dozens of members and thousands of hours of labor. Part of this process is the creation of each exam question, or “item,” as the questions are called in the world of psychometrics.

As the article describes, creating each exam question is a challenging process that requires item writers to discuss, write, debate, and revise repeatedly. The exam itself then measures the fairness and effectiveness of each question via statistical analysis. Then the cycle repeats.

But the process produces more than a solid, defensible certification exam. The crucible of crafting, re-drafting, testing, and revising helps to elevate and evolve the knowledge and practice of investor relations. It is alchemy, in a way: out of words and ideas comes the light of knowledge and wisdom.

Thanks to all who have helped to bring the light of the IRC to the IR profession. Thanks to all who have contributed light through NIRI education programs and *IR Update* articles. Thanks to all who labor outside of the spotlight in the firm knowledge that light will ultimately vanquish darkness. NIRI shines because of you. 

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NIRI Board Elects Ahlstrom as Chair



Lee M. Ahlstrom, IRC, chief financial officer at Paragon Offshore, has been elected as the NIRI National Board Chair for 2017-2018. He will take office at the NIRI Annual Meeting in late November 2017.

Ahlstrom was named CFO for Paragon in November 2016 and confirmed in the position in August 2017. Prior to this, he served as senior vice president of IR, strategy, and planning at Paragon since its founding in 2014. Previously, he served as senior vice president, strategic development, at Noble Corp. since May 2011. He joined Noble in May 2006 as vice presi-

dent of IR and planning.

Prior to Noble, Ahlstrom served as the director of IR at Burlington Resources, Inc. which was acquired by ConocoPhillips Co. in March 2006. Before joining Burlington, Ahlstrom worked for Unocal Corp. in a variety of roles, including manager of IR. From 1998 to 2002, he was a consultant with McKinsey & Company, serving clients in the petroleum, services, and venture capital industries. Ahlstrom began his career with Exxon where he held a variety of engineering positions. He holds a Bachelor's and a Master's Degree in Mechanical Engineering from the University of Delaware. Ahlstrom holds the NIRI Investor Relations Charter (IRC®) credential and served as co-chair of the 2016 NIRI Annual Conference. He was elected to the NIRI National Board in 2015.

Parham Named NIRI Chair-Elect




The NIRI Board elected **Ronald A. Parham**, senior director, IR and corporate communications, Columbia Sportswear, to a newly created position of Chair-Elect. The Chair-Elect will succeed the Chair and preside at Board meetings in the Chair's absence.

Parham joined Columbia in January 2008 as director of IR and was named senior director of IR and Corporate Communications in October 2008. From 1998 through 2007, he was a managing director of PondelWilkinson Parham, an IR and corporate communications consulting firm in

Portland, Oregon, an affiliate of PondelWilkinson Group in Los Angeles.

From 1983-1998, Parham held various positions with NIKE, Inc., serving as the company's first full-time director of IR from 1987-1995, during which the company's revenues grew from \$900 million to \$6 billion. From 1980-1983, he was an auditor with Coopers & Lybrand in Portland.

Parham has been a member of NIRI since 1988, served as the president of the NIRI Portland chapter from 2001 to 2008, as a board member of the NIRI Virtual chapter since 2011, and was elected to the NIRI National Board in 2016. He served as co-chair of the 1994 NIRI Annual Conference and on the 1993 NIRI Annual Conference Committee. 

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stock trades in a market where fundamentals are often subordinated to robots and computer models. Measuring market behaviors is an essential IR action leading to better decisions about how to spend your time and resources. *You can continue to ignore the passive investment wave, but having no answer when the CEO asks is...awkward.*

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ON THE MOVE



Elena Perron joined Redfin Corporation as head of investor relations. She brings more than 15 years of finance and investor relations experience to this newly created position at Redfin, the technology-powered residential real estate brokerage that went public in July 2017.

She was previously director, investor relations and corporate communications at Expedia, world's largest online travel company. Prior to joining Expedia in 2014, Perron held positions in financial management and investor relations at Agilent Technologies. She began her career at Goldman Sachs in New York City.



Lynn Antipas Tyson joined Ford as executive director, investor relations. Tyson has three decades of finance and strategic communications experience, with senior roles at leading publicly traded companies. Tyson comes to Ford from Atento, where she represented the Latin

America-based company serving as vice president, investor relations, based in New York. Prior to Atento, Tyson was vice president, investor relations at CHC Helicopters, playing a lead role in the company's initial public offering and building the company's investor relations program. She also spent 14 years at PepsiCo where she held senior roles in treasury, capital markets and international corporate finance, ultimately serving as senior vice president, investor relations. Tyson was also responsible for investor relations on behalf of YUM! Brands Inc. during and after its spin-off from PepsiCo. She also spent 10 years at Dell Inc., leading both investor relations and global corporate communications, and served as senior vice president, investor relations, for AECOM. 

CALENDAR

These upcoming events provide excellent professional development opportunities for NIRI members. Learn more at www.niri.org/full-calendar.

NOV-DEC

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2017 NIRI SENIOR ROUNDTABLE ANNUAL MEETING

The NIRI Senior Roundtable addresses leading trends and issues impacting the investor relations profession in a combination of formats featuring expert speakers and member-led discussions, designed with ample time for Roundtable members to participate.

JAN 2018


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FUNDAMENTALS OF INVESTOR RELATIONS SEMINAR

This comprehensive IR seminar offers a structured overview of all aspects of investor relations, including marketing, communication, and finance.

JANUARY 11, 2018 • SANTA MONICA, CA

CREATING COMPELLING INVESTOR PRESENTATIONS SEMINAR

This strategic one-day workshop will appeal to IR professionals of all levels, and includes a new strategic messaging development module. It focuses on the two key forms of communication that help achieve a premium valuation – the non-deal roadshow and the investor day. 

ADVOCACY



Moriah Shilton (left) and Stephanie Wakefield of NIRI Silicon Valley visited Capitol Hill to meet with U.S. House of Representatives staffers during the first-ever NIRI Leadership Week.



A group of NIRI leaders who visited Senators in the Hart Senate Office Building included (left to right) NIRI Board member David Calusdian; David Dragics of NIRI Capital Area; Board members Mark Warren, Ron Parham (in front), and Jason Landkamer; Rob Bradley of NIRI Boston; and David Dixon of NIRI Capital Area.



NIRI Board members and representatives from 13 chapters visited Capitol Hill in Washington, D.C. during NIRI Leadership Week. Among them were: (left to right) NIRI Board member Carol Murray-Negron, NIRI Board Chair Valerie Haertel, Deb Pawlowski of the NIRI Virtual chapter, Rebecca Updegraph and Katie Royce of NIRI New York, K. Darcey Matthews of NIRI Houston, and Frank Molina of NIRI Dallas-Fort Worth.

NIRI Brings IR Concerns to Congress and the SEC

NIRI National Board members and chapter leaders make the case for greater equity ownership transparency and oversight of proxy advisors. BY TED ALLEN

NIRI National Board members, chapter presidents, and advocacy ambassadors gathered in Washington, D.C., in late September for NIRI's first-ever Leadership Week and met with Congressional staffers and regulators and to mobilize grassroots support for NIRI advocacy priorities.

More than three dozen members from around the country attended a legislative briefing on Capitol Hill that featured remarks from Commissioner Michael S. Piwowar of the Securities and Exchange Commission, who shared his views on SEC Chairman Jay Clayton's efforts to promote IPOs and to reduce regulatory burdens on existing public companies.

Marliss McManus, deputy chief of staff for U.S. Representative Bill Huizenga, chairman of the House Subcommittee on Capital Markets, spoke about Huizenga's priorities and the prospects for legislation to regulate proxy advisors and to repeal the CEO pay ratio rule and other Dodd-Frank disclosure mandates.

NIRI members had productive meetings with staffers for nine House lawmakers (Representative Jeb Hensarling (R-TX), Carolyn Maloney (D-NY), Brad Sherman (D-CA), Ed Perlmutter (D-CO), Anna Eshoo (D-CA), Randy Hultgren (R-IL), Keith Ellison (D-MN), Tom Emmer (R-MN), and Ann Wagner (R-MO)) and three Senators (Richard Shelby (R-AL), Tammy Baldwin (D-WI), and Tim Scott (R-SC)).

NIRI members voiced support for Senate Bill 1744 (The Brokaw Act), a bill introduced by Senator Baldwin and Senator David Perdue (R-GA) to modernize the 13D reporting rules for activist positions. NIRI members also urged lawmakers to support Representative Sean Duffy (R-WI)'s bipartisan legislation to direct the SEC to regulate proxy advisors.

NIRI representatives were led by NIRI President and CEO Gary LaBranche, Randall Hopkins of Nasdaq (president, NIRI Seattle), and David Dragics of CACI International (advocacy

ambassador, NIRI Capital Area). Members reported that their meetings were very productive and that the staffers were generally well-informed and receptive to NIRI's ideas. Members also said they learned a great deal and are more energized to work in support of the NIRI regulatory agenda.

The following day, more than 40 NIRI members visited SEC headquarters where they met with Bill Hinman, the new director of the Corporation Finance Division, and senior staffers from the Investment Management and the Trading and Markets Divisions.

The NIRI delegation, led by LaBranche, Board Chair Valerie Haertel, IRC, and Ron Parham, chair of the Board's Advocacy Committee, had a frank dialogue with SEC officials about establishing a mechanism for ongoing issuer engagement with the SEC, modernizing the 13D and 13F disclosure rules, and increasing oversight over proxy advisors. Hinman and the senior SEC staff appeared more receptive to NIRI concerns than during past meetings.

To build on the momentum from these successful meetings in Washington, NIRI plans to work with chapter leaders to encourage members and issuers to submit comment on how to improve equity ownership transparency and oversight of proxy advisors. Importantly, SEC officials and Congressional staffers both said they need specific examples of challenging experiences faced by issuers that regulatory changes could alleviate, improving the outcomes for shareholders. [IR](#)

TED ALLEN is the NIRI vice president for strategic communications; tallen@niri.org. For more information on how you can support NIRI's advocacy priorities, please visit the Advocacy "Call to Action" page at www.niri.org/advocacy/call-to-action.

MAINTAINING CREDIBILITY AMID

FAKE

The headline reads like a story torn from the pages of a tabloid: “Soap Opera Actress Pays Writers to Generate Bullish Articles About Public Companies, SEC Alleges.”

Even though it may sound fictional, the Securities and Exchange Commission (SEC) did, in fact, file a complaint earlier this year against a stock promotion firm owned by an actress who supposedly paid writers to write puff pieces, while concealing from investors that the articles were paid promotions.

At a time when the public is growing more concerned about news laced with half-truths and alternative facts, it comes as no surprise that fallacious business articles cause problems for public companies and the investors they attract. And while the subject of “fake news” has been dominating mainstream media since the 2016 presidential election, the concept is not new.

“Fake news has been around forever,” says Gabriel Kahn, a journalism professor at the University of Southern California who served as the Los Angeles bureau chief of *The Wall Street Journal*. “What’s different now is that social media platforms grease the skids and give it more potency. There is a battle to control the narrative, and from an IR perspective, it comes down to transparency to dope out the fictional narrative.”

The problem is that separating fact from fiction can be difficult for investor audiences. Institutional investors often rely on their own research to debunk the validity of a thesis. Retail investors use multiple sources to formulate opinions about whether an investment makes sense. The onus is often on the investor relations professional to ensure information is spoon-fed in a way that helps all investor constituents understand a company’s business model.

In the SEC complaint, paid writers used several financial news websites with user-generated content to peddle the stories of publicly traded companies. The articles did not disclose if

the subject companies paid for the content. The SEC said the names of authors were made up, as well as their biographies. In one example, a profile claimed the writer had both an MBA in finance and a degree in physics.

“Companies need to be proactive and know what is being said about them on the Internet,” says Melissa Hodgman, associate director in the SEC Division of Enforcement. “And investors should be worried if a company is promoting its stock more than its actual business.”

Hodgman notes the SEC continues to see many complaints related to “pump and dump” content schemes, and “social media and the Internet have increased the ability of people to defraud others.”

Proliferation of Media Outlets

Sixty-two percent of U.S. adults get news on social media; two-thirds of Facebook users get news on Facebook, and nearly six-in-ten Twitter users get news on Twitter, according to a survey last year by Pew Research Center.

To combat fictional narratives, the SEC recommends attempting to identify the underlying source of the content by looking for slight variations or typos in the author’s account name, profile, email address, screen name or handle, and other signs that the writer may be an imposter.

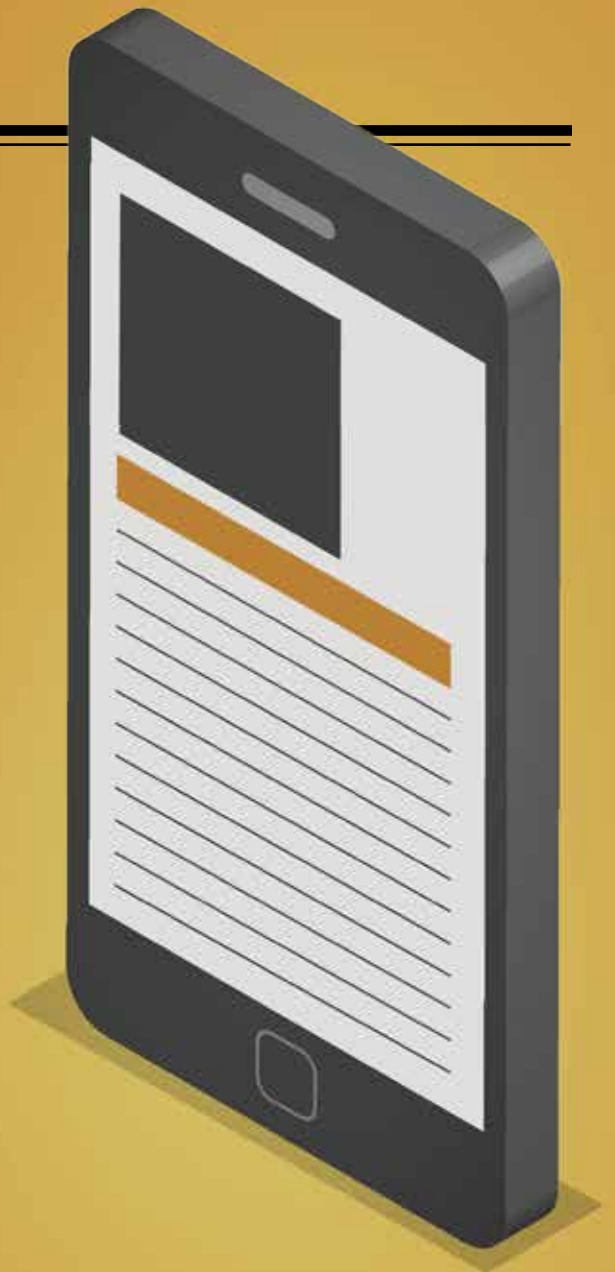
That can be a tall order with such a proliferation of media outlets. Patrolling the hundreds of blogs and investor media channels that may carry false rumors or misinformation is not easy. That also raises the question about who at a company should be responsible for monitoring these channels.

Communications managers tend to take on the role of monitoring publications for company mentions and factual inaccuracies. Investor relations officers are accustomed to staying on top of financial media. It is time-consuming to police

NEWS

As more investors receive news through social media, IR professionals must prepare to react quickly to misleading information about their companies.

BY EVAN PONDEL



social and traditional media channels, particularly for high-profile companies, and most IR teams are already stretched thin on time.

Peter Howe, a strategic communications consultant and former reporter at the *Boston Globe*, notes that executives should be mindful of what sources they consider credible. Not all media outlets carry the same influence. Some executives may be sensitive about a story that runs in an esoteric blog, and yet it is not worth stressing about outlets that carry little influence in swaying public opinion.

Another common argument made today about the prevalence of digital media outlets: There is no accountability in today's press. Media purists decry the day that digital publications began to dominate print outlets. Decades ago, "correction boxes" on page two of a broadsheet newspaper were an effective source of accountability when a journalist misreported a fact. Today, editors and reporters can change a digital story on the fly and republish without anyone knowing there was a factual inaccuracy in a previous version of the story.

"You also have to take into account that there is a lot of instant scrutiny when an outlet publishes a story online," Howe explains. "Reporters are held accountable in comments and tweets that may criticize facts, keeping journalists on their toes."

How and When to Respond?

Then there is the question about when and how to respond to "fake news." Misinformation that elicits damaging consequences, such as stock price fluctuations, personal attacks on executives, or consternation among employees should prompt some form of a response from a company. "Fake news can spread like wildfire," said Katie Creaser, senior vice president with Affect, a public relations and social media agency in New York. "If a house is set on fire, you want to put water on the fire as soon as possible."

Management teams also must decide on the most effective medium to issue the response. Press releases, Tweets, and Facebook posts all have different effects on how messages are received. Creaser said it is important to identify the best

way to communicate with constituents.

A response needs to cover enough ground to ensure it rectifies wayward information and serves as a guidepost that will remain available for public consumption even after a crisis has subsided.

"A lot of digital people say you should respond in the medium with which you were attacked, but that's not necessarily true," says Richard Levick, chairman and CEO of Washington, D.C.-based Levick, a communications consultancy.

Information Revolution

In the 20th century, most U.S.-based companies operated in a "republic model," meaning everything was managed from the top down. Communications executives knew which reporters to contact to break a story or address a crisis, investors knew the top financial analyst to watch for stock tips, and organizations knew which politicians to contact to influence legislation.

"There has been an information revolution," Levick explains. "We now live in a hyper democracy, and everything can come from anywhere at any time."

Even though there has been a significant change in the flow of information, Levick argues that companies have not adapted to the change. Instead, companies continue to react to issues when they surface, as opposed to planning during peacetime. "You can't wait for the plaintiffs' bar, activist investor, or NGO to say something. Preparing for fake news needs to be addressed in enterprise risk management – not during an emergency board meeting," Levick declares.

Breaking down silos at the corporate level is another important tactic to combat fake news. The news cycle is every millisecond of the day. Investor relations officers need to work with marketing executives, and marketing executives need to work with financial executives, "and so on and so forth to ensure everyone can contribute quickly when attempting to detonate a flagrant rumor," Levick advises.

The level of sophistication of those who perpetuate fake news attacks also has evolved. Sponsored stories that are published beneath legitimate news

"Fake news
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- Katie Creaser,
senior vice president,
Affect



"Usually, when someone is trying to falsely pump a security, what they're saying will get refuted almost right away."

- Joe Gits, CEO and Co-Founder, Social Market Analytics

are becoming increasingly difficult to parse. And with more people sharing news on social media channels, the original source of that information becomes increasingly diluted.

"People are trusting their network of friends in some cases more than legitimate news outlets," Creaser said.

That means companies need to essentially, in Creaser's words, "prime the pump." Investor relations websites, press rooms, and Twitter and Facebook accounts are important domains for companies to inform investors, customers, and employees. If a rumor breaks about a company, people will usually look at the company's website or social media channel to deconstruct the rumor.

Creaser also warns against "feeding the Internet trolls," or someone who posts controversial information or falsehoods to simply antagonize a company or an executive. It is easy to get caught up in the emotion of an online fight, so Creaser advises companies to use professional channels of communication to hammer facts if a troll is perpetuating a false rumor. "You should note there is a recovery period after a crisis passes, and companies can utilize that time to refine a message and rebuild a brand's reputation," she observes.

Algorithms and Artificial Intelligence

The propagation of social media and fake news has given rise to a cottage industry of fintech companies that say they can monitor social media chatter and its potential effect on a company's stock price.

Joe Gits is a certified financial analyst who saw an opportunity to analyze social media content and provide intelligence in real time to institutional investors. His company, Social Market Analytics, launched a family of index products last year in partnership with the Chicago Board Options Exchange. These indexes are used in construction of structured products that help make sense of social media and will eventually be tradeable as ETFs.

Gits is tracking what is being said about companies on social media in real time, and selling

predictive information to hedge funds.


However, it's not as simple as tracking what anyone says on social media. Gits' algorithms identify investment professionals on social media who have proven track records of credibility. His team then looks at these accounts to determine sentiment about a given subject.

When it comes to rooting out fake news, Gits' firm looks for abnormalities. "Usually, when someone is trying to falsely pump a security, what they're saying will get refuted almost right away," he said.

Gits' technology also applies to issuers. Understanding the analytics that are shaping investor sentiment via social media can be quite illuminating. "It's important that IROs understand why something trending on social media may be influencing a hedge fund to buy or sell a stock," Gits says.

Indexer is another fintech company that is using artificial intelligence to sniff out investible social media tips. Its founder, Anton Gordon, is a former buy-side analyst who saw an opportunity to turn text or words into numerical representations that detect tone.

"Just like a virus, there is a signature with news that is intentional, and we look at these patterns on a large scale to determine if a source is credible," explains Gordon, who has developed a fake news algorithm to help investors and issuers better understand how information is affecting stock price fluctuations. "The more companies understand how semantics influence trading patterns, the better decisions they will make when communicating with investors."

Taking a scientific approach to detect how social media and words affect stock prices is still in its infancy. In the meantime, the lure of fake news is undeniable in the capital markets. As the SEC noted in its complaint against the soap opera actress, one of her marketing pieces claimed that her firm boosted a small biopharmaceutical company's stock price by 925 percent. 

EVAN PONDEL is president of PonderWilkinson; epondel@pondel.com.

IROS AS STRATEGIC BOARD PARTNERS

Two veteran board members offer advice to IROs on how they can work with boards to deliver reports that leverage their unique knowledge and perspective.

BY AL RICKARD, CAE

Do investor relations officers have a place in the boardroom? The answer is “Yes!,” according to two experienced executives who have served as corporate CEOs and on multiple boards.

“I need an IRO communicating with the board,” declares Michael Pocalyko, CEO of Monticello Capital and chairman of the board of Enterprise Applications. “Especially in a public company and especially where there are institutional shareholders, hedge funds, high degrees of analyst coverage, or a company that in development stage that is trying to get more sell-side analyst coverage.”

Pocalyko has many years of experience serving on a wide range of boards and teaches courses for onboarding new board members for the National Association of Corporate Directors.

He and Kevin Buchi, a board director for IMPAX Laboratories and former president and CEO of Tetralogic Pharmaceuticals for three years and CEO of Cephalon, Inc. for 20 years, spoke at the 2017 NIRI Annual Conference in a session, “Be the Board’s Valued Partner.” Buchi has also served on numerous boards in the biotechnology sector.

The session was moderated by Ruth Cotter, CHRO, senior vice president, human resources, corporate communications and investor relations at Advanced Micro Devices (AMD).

While IROs operate within the confines of their corporate management structures and board access decisions typically flow through the CEO and CFO, these two executives are proponents of



IROs speaking at board meetings to impart high-level insights on how the corporation is viewed by investors and Wall Street.

Buchi and Pocalyko both urge IROs to understand the limited time and attention board members have to learn about the company, and they encourage IROs to deliver succinct reports that capture quantitative highlights and analysis gleaned from their unique roles interacting with the Street and investors.

"I have a very short attention span," Buchi admitted, "and I think most board members probably do as well because many are involved in two or three other boards and may also have a full-time job."

While he advocates an active role for IROs at the board level, he cautioned: "Don't do data dumps. If there is nothing to communicate, don't communicate."

Pocalyko believes in the "noses in, fingers out" approach to board governance, leaving management of the corporation to the executive team. But information on many aspects of the company – including how it is viewed by analysts and investors – is critical to gaining a broad and complete perspective. All board members have different styles and information needs, but he especially values quantitative data, looking for models that give greater depth and meaning to financial variables. For Pocalyko, this helps him fulfill his fiduciary duty to create long-term value for the corporation.

Consistent Messaging

Both emphasized the unity of messaging that must come from the corporation in communicating with all constituencies, and they noted that the board is one of those constituencies.

"I think it's important that corporations speak to the board with a single voice," Buchi advised. "I expect that in most corporations the IRO sends information to the board on a routine basis. This should be coordinated through the CEO or the CFO to make sure you are speaking with one voice. There is nothing that creates confusion or a lack of confidence more than getting disparate messages from different parts of the corporation. This ap-

plies to corporate communications with the board and corporate communications with investors."

Pocalyko often serves on board executive committees, audit committees, and risk committees, and looks to uncover where differing messages are coming from when he sees them. "If your CEO is withholding information from the board and you think the board needs that information while your CEO or CFO think not, then as a director I want to know why that difference of opinion exists and I want that information," he said.

Buchi added, "From a professional perspective, you want to remain visible and remain a known entity. You have information that needs to get to the board." If IROs can't send it directly to the board, he encouraged them to find ways to deliver it through the CEO and/or CFO.

"It is interesting to know what analysts are saying and what investors are saying at conferences," Buchi continued. "What are the issues that they see? But distill down, because we all have short attention spans. Getting too much information is sometimes as bad as getting no information at all."

Pocalyko emphasized there is value in board members having a personal relationship with the IRO. "I want to know the person who is talking to the markets," he commented. "I want to know who you are, something about you, your background, your biases, your strengths, and your weaknesses. I want to know where you came from before you got here and I want to know your communication style. All that leads to getting me more information."

"If you don't have direct contact with the board sometimes you need to use alternate channels of communication and you need to have one-on-one conversations with people who do have direct access to the board."

Cotter offered this advice for IROs: "Make your CEO or CFO the smartest person when it comes to Wall Street and investor relations in terms of what you want communicated to the board. Use them as your vessel of communication. The board is smart and will understand that the CEO is not going to understand every nuance of Wall Street and they will know very astutely that it is being provided by the IR department. I wouldn't be overly concerned

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- Ruth Cotter, CHRO,
senior vice president,
human resources,
corporate
communications
and investor relations,
Advanced Micro
Devices

with lack of direct face time because you will get it indirectly. Often there are board dinners so ask if you can be included in those and shake hands and build some relationships.”

Speaking to Markets

“As IROs you are speaking to different places in the market,” Pocalyko explained. “Your function in the corporation as a whole is very much like the intelligence community within the government – I think that’s a good analogy. You are gathering information that is vital for the board to know, but it’s information that has been digested and synthesized. If there is a stovepipe in the company where information flows through one place on its way to the board, and particularly if there is a heavy ego involved, I really want to know where there exists a difference of opinion, what markets are saying, and what others outside the corporation are saying about the executive team. Usually you are the only person in the corporation who is going to have that information.”

Pocalyko also talked about the importance of shielding the IRO from certain discussions at the board level to ensure that they can deliver information without the risk of exposing ongoing deliberations that might taint the view of the company on the Street.

“There are matters in the boardroom that are messy – you don’t want to watch the sausage being made,” he noted. He cited an instance where he was brought on as the audit chairman for a company facing a crisis.

“In that environment we had to communicate with our IRO – who happened to be the corporate secretary – a lot,” Pocalyko recalled. “But there were a number of times when she was asked to leave the room when the independent (non-executive) members of the board were in discussion with our legal counsel. One of the matters we were talking about was potentially closing a particular plant. We ended up not doing that, but if in her communication with others the IRO had that information in her head, our deliberations could have become known on the Street. Those hedge fund guys and analysts in

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- Kevin Buchi,
board director,
IMPAX Laboratories

investment banks are very good at extracting information, at reading body language, at sensing where the IRO’s messaging may be different from what they are hearing from the chairman and the CEO on the conference calls.

“The hardest part of your profession is being in a place where you may not want to know what is going on in the boardroom. When information is synthesized and then presented in the corporation you’re on the front line. But there’s a time when you definitely belong in the boardroom. My method as an audit chair and chairman of the board is always to have informal communications with the people who are speaking to the markets. As an audit chairman I never talk to markets.”

Cotter and both panelists also sounded cautionary notes about directors communicating directly with investors and the Street, with some exceptions.

“It is almost universally a bad idea for individual directors to interact with individual shareholders unless there are special circumstances,” Pocalyko suggested, adding that if the company is under stress and the chairman is good at communications and can stay on message it could create an opportunity for that person to speak to investors.

“But as your general counsel will tell you,” he warned, “you are taking a huge legal risk letting a chairman loose with any individual investor. Make sure you file the appropriate 8-K and Reg FD disclosures if any of this occurs. In this environment if that conversation takes place you should have legal counsel in the room and notes or a video/audio recording of what’s been said.”

Buchi cited another potential exception, which could be “when you have an activist who demands to meet with the board. But the board needs to be prepared for that. I don’t think it’s appropriate to have board members go out and meet with investors on a routine basis – I think it’s dangerous.”

Cotter noted one successful example of AMD board members communicating with investors regarding a CEO transition that needed significant explaining. She also said that sometimes there is an opportunity to engage board members in speaking about governance issues around compensation and the proxy statement.

Pocalyko added that Institutional Shareholder Services and other proxy advisors often overestimate the amount of knowledge a board member has about a company and the amount of influence that a board member can have.

Onboarding Directors

IROs often have a role in helping to “onboard” new board members.

Pocalyko, who teaches finance and accounting to new board members, believes, “There should be a formal onboarding process and the IRO should be part of that process. It should include some one-on-one time where you are briefing the individual. You need to assess that director as well. If there is a ‘representational’ director who is been placed there by one of your institutional shareholders, it is particularly important that this director understands fiduciary responsibility and that he or she is now representing all shareholders and the corporation. The new director has to get a good look at everything that is happening in the corporation. The process should be done quickly and you want to do it in digest or outline form.”

“Talk to the board about how the company is viewed and the reactions you are getting from shareholders and analysts,” Buchi urged. “Speak about the challenges you face as communicators representing the organization. That information is always valuable.”

Cotter explained, “As an IRO, volunteering to be part of the onboarding process is a very good thing. Help them digest and understand the voices of the shareholders and offer some historical perspective.”

Board Member Views of IROs


Both Buchi and Pocalyko hold IROs in high regard and appreciate the unique role they fill.

“You have the most information about how the company is being viewed by third parties,” Buchi observed. “That information is tremendously valuable to the board and if you can synthesize it, summarize it, and get it to the board I think that’s a great service.”



Pocalyko noted, “Clarity of communication and message is most important. I look to you as a professional and as an individual within the corporation to be the eyes and ears of the board on the Street. As directors we recognize that there is a multiplicity of views among investors. All investors do not have the same motivations, the same timelines, the same harvest horizons for their investments, or even the same view of what the corporate strategy should be. Somebody has to synthesize all that. And it’s not the CEO or the chief operating officer – they are running the company. The only person who exists in a public company for that synthesis is the IRO. That is what I am looking for from each of you.

“You are in a profession that is professionalizing itself. You’re getting better – the IRC is something new and a great development. What I’ve seen here [during the 2017 NIRI Conference] shows me that this role within corporations is something different than the corporate communications function that existed when I got on my first board in 1995. These are different times. You are much more analytical. My advice to you is to get more quantitative. Your profession as a whole is still too humanities-focused rather than quantitatively focused. Be knowledgeable of what the board is seeking in long-term strategy. Get involved in drafting documents for the board. You are always involved in the proxy but what about all the other documents that come out of the corporation that contribute to corporate strategy?”

Finally, Pocalyko offered this advice: “Be more financially sophisticated. If I have any criticism of the IR profession it is the degree of financial sophistication of the information I am receiving from IROs. I get a lot more technically quantitative information from the internal auditors, the retained SEC auditors, the controllers, and my tax people. Be more “quant” because that’s how we tend to absorb information on boards.” 

AL RICKARD, CAE, is president of Association Vision, the company that produces *IR Update* for NIRI.

IRC CERTIFICATION: **A Milestone for the IR Profession**



The chair and vice chair of the NIRI Certification Council talk about the IRC certification program, its success and what the future holds.



BY AL RICKARD, CAE

Investor relations professionals have a high degree of responsibility and can make a significant impact within their organizations. This demands competence across key disciplines including finance, strategy, and communications.

To recognize and demonstrate this competence, NIRI created the Investor Relations Charter (IRC®) certification program in 2015. Since then 133 IR professionals have earned the IRC.

From its inception, the IRC program has relied on the expertise of experienced IR professionals to guide its development. It is governed by the Certification Council, which consists of 10 IR professionals and oversees the schemes used to structure the IRC examination, development of the examination, and other aspects of the program.

A Certification Scheme Committee and Examination Development Committee also provide important volunteer leadership in each of these areas.

To understand more about how the IRC certification program has developed and where it is headed, *IR Update* interviewed Certification Council Chair Robert Burton, managing director, financial communications for Lambert, Edwards & Associates, Inc.; and Vice Chair Maureen Wolff, CEO of Sharon Merrill Associates, Inc.

***IR Update:* Creating and administering the Investor Relations Charter program depends on the expertise, experience, and time of volunteer leaders like you. What are your impressions of the program so far?**

Burton: Through this program, NIRI has established that investor relations is a specialized, independent profession with its own set of skills and knowledge base. The IR community has talked about this for decades, but the ability to create a statistically sound exam that can test for IR skills establishes

an important baseline for anyone who does IR or is considering getting into the field.

Wolff: NIRI has always fostered a collaborative, supportive and knowledge-sharing environment; those values have contributed to a strong IRC program. The volunteers took their jobs very seriously, creating a certification program that raises awareness about the importance of investor relations and strengthens the professional credibility of the profession.

IR Update: What has impressed you the most about the IRC program?

Burton: The enthusiasm of the IRC test takers and credential holders. They accomplished a great deal by establishing their personal credentials in the area and it shows in their pride of achievement.

Wolff: The IRC holders themselves. The shared experience of taking and successfully passing this experienced-based exam creates tremendous camaraderie among IRC members, who are not only advocates for the program but even greater champions of the profession.

IR Update: What was different or unexpected about the development of the program that you may not have anticipated at the beginning?

Burton: It has been a lot of work and a steeper learning curve than I expected. I thought, being in part a professional writer, that creating questions about the skills I had practiced for 30 years would be easy. It was anything but. Coming up with a question that truly tests for a piece of knowledge and offers answers that are clearly correct and incorrect is a remarkably difficult thing to do. The Exam Development Committee deserves everybody's thanks for the time and effort required to do their task.

Wolff: I wasn't sure what to expect at the beginning but, as Bob mentioned, being involved in the exam development was challenging. Creating questions with one correct answer and three plausible but incorrect answers took longer than I expected and tested the mettle of the group. As you can imagine, we all had our own ideas about how to capture – in a multiple-choice format – the broad skills, experiences and situations we deal with every day. Particularly because the profession is so varied in terms of industries, market caps, and key performance metrics.

IR Update: What feedback have you received so far from IRC candidates and IRC holders?

Burton: They have all expressed pride and satisfaction in having the IRC and then they typically go on to say that the

exam was a test of real-world experience. You can't pass it by reading a book.

Wolff: The feedback I have received has been positive. It was harder than most people expected and it was comprehensive. As Bob said, it is based on experience, not just book learning.

IR Update: What tangible benefits do you think IRC holders typically gain from the credential?

Burton: It's early to define that, in my view. We certainly want the credential to be widely recognized within the profession, but more than that, we would like it to be a common denominator with IR search firms and in the C-suites where hiring decisions are made.

Wolff: The goal is for the credential to have a stature on par with the Certified Financial Analyst (CFA). There's value in this important designation, so we want employers to seek out IR professionals who have attained it.

IR Update: What advice do you have for IRC holders on how to maximize the value of the credential?

Burton: Use it. Make a point of having it as you are in the vanguard of the program. Our hope is that the investment in time and money to gain the IRC will produce a terrific return over the holder's career.

Wolff: I would encourage IRC holders to volunteer to mentor new IR professionals. Promote and support the certification program.

IR Update: What have you personally gained from the experience of helping develop this program?

Burton: I have a great deal of satisfaction in seeing the IRC program created. NIRI staff has been instrumental in making this happen and it has been a terrific experience working with them as the challenges come and go.

Wolff: I'm proud to be a member of the NIRI community and to have participated in the launch of this important accreditation. It enabled me to expand my professional network and engage with NIRI staff and other IR executives to advance the profession.

IR Update: What is your vision for how the IRC program will evolve in the future?

Burton: First things first, I think. The program needs to be established and accepted in the United States. But longer term, the intention is to provide a standard and certification that will have international acceptance and clout.

IR COMPETENCIES AND THE BODY OF KNOWLEDGE

Earning the IRC certification demonstrates necessary knowledge and skills in the 10 core competency domains essential to performing the investor relations function. These 10 competencies are the basis of the IR Competency Framework and the NIRI *Body of Knowledge*.

- IR Strategy Formulation
- IR Planning, Implementation, and Measurement
- Corporate Messaging Development
- Investor Marketing and Outreach
- Corporate Financial Reporting and Analysis
- Business Insight
- Strategic Counsel and Collaboration
- Capital Markets and Capital Structure
- Corporate Regulatory Compliance
- Corporate Governance

For more information about these subject areas and their connection to the IRC certification program, visit www.niri.org/certification. The *Body of Knowledge* is available at the NIRI store at <https://tinyurl.com/niribofk>.

IRC 2018 EXAM DATES

For IR professionals who want to attain the IRC certification, NIRI is now accepting IRC exam applications for the March 3-10, 2018 testing window. The application deadline is December 22, 2017. Other testing windows are June 16-23, 2018 and November 13-20, 2018.

To be eligible to take the IRC certification examination, applicants must meet at least one of the following minimum eligibility requirements by the application deadline:

OPTION 1: U.S. Bachelor's degree or equivalent with three or more years of qualifying full-time work experience as an IR corporate practitioner or IR counselor.

OPTION 2: Six years of qualifying full-time work experience as an IR corporate practitioner or IR counselor.

OPTION 3: Hold a current certification relevant to IR practice with three or more years of qualifying full-time work experience as an IR corporate practitioner or IR counselor.

For exam applications, detailed eligibility requirements and more information, visit www.niri.org/certification.

Wolff: Ultimately, I hope it will be the gold standard globally for the IR profession.

IR Update: What advice do you have for potential candidates as they consider whether to sit for the IRC exam?

Burton: The exam tests real-world experience. If your IR qualifications are narrow and deep, you will be faced with questions you have not dealt with. For those folks, the *Investor Relations Body of Knowledge* produced by NIRI is a great place to start to put all the pieces into place.

Wolff: I agree with Bob. Start with the *Body of Knowledge* and read voraciously about practice areas you're not as familiar with. Join NIRI at the chapter or national level. Many NIRI Chapters have mentoring opportunities as well as programs that expand on the practice areas in the *Body of Knowledge*. Participate in conferences and webcasts, and talk to IR professionals who have attained the credential.

Applicants can also refer to the list of References and Bibliography available in the NIRI Certification Resources Library. The list includes a variety of books and website links that may be helpful in preparing for the IRC examination and for knowledge enrichment purposes. [IR](#)

AL RICKARD, CAE, is president of Association Vision, the company that produces *IR Update* magazine for NIRI.

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Renewing Faith in Our Government

A NIRI Kansas City officer shares insights from NIRI's first Leadership Week.

BY DON ALLEN


In recent months the political environment in Washington, D.C. has made me not want to watch the evening news, a habit that's almost ingrained in my DNA. But I was fortunate to be part of a group of NIRI members from 13 chapters who converged on Washington for NIRI Leadership Week 2017 (described in "Spotlight on Advocacy" on page 9), and I have to say that when you dig below the surface you learn that we ordinary citizens should have no fears about our government's purpose and its survival. It's a very different experience at the granular level of actually running our federal government.

In addition to excellent planning sessions regarding the future of NIRI as an organization, we were given the opportunity to meet with selected members of Congress – in both the House and the Senate – and many of their staffers; to discuss issues with Commissioner Michael Piwowar of the Securities and Exchange Commission; and to meet and discuss disclosure regulations with staff members from three SEC divisions: Corporation Finance, Trading and Markets, and Investment Management.

We were divided into four groups for legislative meetings intended to provide specific corporate support to NIRI's advocacy for updating the 13D and 13F disclosure regulations as well as a call for increased oversight of proxy advisory firms. The intent was to encourage representatives or senators to support legislative changes and, in some cases, more importantly, to co-sponsor bills. NIRI members learned firsthand why lobbyists are called lobbyists. In several cases, we literally met with staffers in the hallways outside their offices. It was an impressive and perhaps unexpected experience and said a lot about how hard staffers work to provide support for our elected lawmakers.



During the SEC sessions, Commissioner Piwowar provided very practical commentary and insights on the future of the agency. The following day, we met at SEC headquarters with representatives of three major divisions. NIRI presented its positions on major issues and our members provided specific examples of how some outdated regulations can seriously impact a company in its goal of providing proper disclosure. It was truly a two-way conversation and we learned that NIRI members aren't the only ones who feel certain changes need to be made.

The consensus from our NIRI group was that we got to meet very smart, dedicated people who do their best to ensure that government responds to real world needs and empowers corporate America to function well. It's quite different from the political circus you see on the evening news, and renewed our faith that our government will survive contention at the highest levels. 

Don Allen, Partner with The Allen Group and NIRI Kansas City Program Director, (left) and NIRI Capital Area Chapter President David D. Dixon, vice president at Wells Fargo Shareholder Services, on Capitol Hill during the first-ever NIRI Leadership Week.

DON ALLEN is a NIRI Fellow and a partner with The Allen Group and is program chair for NIRI Kansas City; dallenir@gmail.com.



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A black and white photograph of rowers in a boat, with their oars dipping into the water. The image is used as a background for the top half of the advertisement.

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