

TK: TK Kerstetter  
SC: Scott Cutler  
JM: Jeff Morgan

*This Week in the Boardroom brought to you by Corporate Board Member magazine and the NYSE Euronext, along with governance knowledge partner Paul Weiss.*

**TK: Welcome to this edition of This Week in the Boardroom. I'm TK Kerstetter with Corporate Board Member, and it's my pleasure to welcome Scott Cutler with NYSE Euronext joining me as my co-host. And our guest today is Jeff Morgan, who's the President and CEO of the National Investor Relations Institute. Jeff, it's a pleasure to have you with us.**

JM: It's great to be here. Thanks.

**TK: Well, this is very timely. You know, we had the Corporate Secretaries on a couple weeks ago, and that was an interesting session because of their increased interaction with the board, and the same is true for the investor relations officer. But before we touch on sort of that relationship for our viewing audience give us a little background on NIRI just so that everybody knows more about the organization.**

JM: Sure, TK. Well, it's great to be here. Thanks. NIRI, which is the National Investor Relations Institute, is the professional association for the investor relations officer. So whether that individual is within the public company or a counselor to those public companies, we are the professional group for that profession. And as such we provide education, we provide information, we do a lot of research on best practices and how things are developing, and then we also do advocacy. And then finally, we have a great community. One of the things in IR that you see very often is IR is a somewhat lonely profession in that there's not a lot of staff associated with it, so they like to be with each other, they like to learn from each other. And we have chapters all over the U.S., and actually there's a virtual chapter for our international members where they can share and have community with each other.

**SC: Jeff, as we talked about topics throughout the course of the year it's been obviously an interesting year for governance. And it's been interesting in the sense that the viewership of this show is really focused on how is it we can bring it to a next level, which is opening up communications between board and shareholders. And typically the investor relations individual or role has been the primary conduit by which information is shared to investors. And now we see sort of this new role where governance is increasingly important for shareholders. It's part of the Dodd-Frank Bill. We talked about things like shareholder access, proxy access. How is it that that role of the investor relations has changed, particularly as it relates to its relationship with the board and then shareholders?**

JM: Sure. I mean we typically think of Investor Relations Officer as the financial communicator. And when we think of communication, we really look at disclosure items

and talking to the analysts and really having that dialogue with shareholders. But with communication it's two ways. So in this environment where the federal government and investors are pushing the board and management and investors into a closer relationship, the Investor Relations Officer really sits in a key function and has key insight into what's on investors' minds. And I think that what you're going to see is that that insight is shared within the organization, and really now the board is going to be very interested in knowing what's on the shareholder mind to another degree.

**TK: I'll ask this of both of you. Can you give some sort of specific examples of what some of the bigger issues are now that you're wrestling with? One that comes to mind is the surprise no-vote where all of a sudden now, because of majority voting and proxy 452, a no-vote starts to have a big effect. So that requires the board to know about their shareholder audience. And doesn't that fall on the shoulders of investment relations officer?**

JM: Yeah. I mean I would say that what we see is, I mean that's a great example. Say-on-pay, which is very relevant cause we're going to see that come up next year, the last thing we want to have happen as a board or as a company is where we start to get into where say-on-pay becomes a questionable item where you get a 50% vote or a 45% vote. So you know, if you're in that situation you want to be out there to make sure that doesn't happen, and the investor relations officer and the corporate secretary should be really teaming together to work with the investment community to talk to them, find out what their issues are. Does it make sense to put out information in advance and tweak our disclosure to make sure that we're getting the right messages out there? So there's all types of things like that that are very important.

SC: I think historically when you talk about that role it's been typically the communication with many shareholders has been simply on the financials and disclosure of what are the trends there, what's happening in the quarter. And now you start to have to look more longer term and understand where is it that your shareholders have a position on compensation? Where do they have an issue on directors, role of directors? And often in cases now, today, more and more representatives from the board, whether that's the chair of the nominating and governance or chair of the audit and compensation, can actually go out on non-deal road shows with investor relations officers to talk to the governance expert at the various institutions and not necessarily just the portfolio manager. So that's something that is new and sort of encroaches the board in terms of hey we need to talk to investors, but probably typically focused on governance rather than financial matters.

JM: I think we're going to see more of that going forward. And I think that from a board standpoint you really need to be equipped and really need to understand what's on the shareholder's mind. I mean one of the challenges we have as companies is knowing who our shareholders are, but we certainly know, generally speaking, who those big investors are. And therefore, that dialogue now that may happen between IR and that investor comes back around to how do we engage the board in that dialogue, too?

**TK: Jeff, what are you seeing in the way of trends as far as investment relations officers being invited to board meetings, or how is that part of the relationship occurring?**

JM: Yeah. Traditionally, boards get a regular report that has IR as part of it, and it may come in the CFO's report. And that will include what analysts are saying. It may include what communications are happening and those types of things. When we look and do surveys, about 20% of IR Officers sit in board meetings or have regular interaction with the board, and that may be on an annual basis, where there's a dialogue going back and forth. And to some degree, IR, as opposed to other positions like a CFO position, IR sits in different parts of the company. It may sit in finance. It may sit in communications. And while there's a core piece of what they do, they have other things associated with it. So it's not a standardized function within a company. And sometimes they are very senior people and it makes sense to have them in boardrooms, and other times they're not. But ultimately, I think, as boards need to be equipped and as boards need to understand what's going on, that dialogue needs to be expanded. And I certainly would suggest from a board's standpoint that at least annually you're having a conversation with your investor relations officer to understand what's going on in the street and what's going on to understand your investors.

**TK: One of the challenges in the boardroom is when you look at the compliance officer, or the IR Officer, the corporate secretary, you know, everybody wants a piece of the boardroom agenda, and there almost just isn't enough time. And I think that's one of the big challenges. And it's interesting to see who gets the time. I guess it's whatever issue is really the hottest that gets the time on the agenda.**

JM: Yeah. I think in the past many boards, and it makes sense to have a disclosure committee when you're working on financial disclosure to work with board and senior management to get that out, whether that be your earnings release, your annual report, those types of things. And I think that that creates a natural entrance in to have discussions that are broader just on that disclosure, but really have the board listen to what's going on in the investor's mind.

**TK: Well, I'm going to ask you both to sort of pull out your crystal balls now. You know, we've seen so much change recently. And just thinking about it from the IR position on, you know Scott, that proxy access was delayed or we think it was delayed with the U.S. Chamber and the roundtable lawsuit. But when you look at the probability still that some form of that follows, what changes do you both see in the way that sort of the IR position in the board relationship might change in the immediate future?**

JM: From my standpoint, I think there is a movement towards a lot more disclosure. So we've seen that in board qualifications. We've seen that in now compensation committees and that type of thing. So this movement of disclosure also creates the ability for dialogue, and that's where I think we're going to see the change. It's not just a one-way, but it's a two-way going back and forth.

SC: I'd take a little different angle in the sense that I think it's about transparency beyond just disclosure. And when you look at transparency, both from a board and investor relations perspective, it's really about giving more insight to the stakeholders in terms of what's driving the strategy and what's important. And I think governance as a particular topic is something that now Investor Relations professionals have to be able to take and focus on and pay attention to, and I think therefore the relationship between board and the IR function is going to be a very strategic one. In many other countries what's interesting is that the head of IR can report directly to the CEO. When I travel to other countries, that position is typically one of the most senior positions cause it's truly the face to the company, or the face of the company to its shareholders. And so it's not something that gets tucked away into two or three layers underneath, and so it really depends on how important that is to have that level of transparency, I think, with shareholders.

**TK: How about the talent pool? Is this a position that when somebody needs an IR person that there's a good supply. It sounds like a pretty good specialty when you think of human capital.**

JM: Yeah. Generally, you don't get a degree in investor relations. And while there are some colleges now that have started to do that, you come in either from the communications side or you come in from the finance side, or an ex-analyst might come into investor relations. So you come in with one of the competencies and you learn the other two of the competencies. And NIRI is a great organization to help you through that with all the education and other things that we provide, but it's a great entrée for people that have communication skills and also have an interest in finance.

**TK: Scott, one of the things that we try and do on this show, and I'm going to ask both you and Jeff this question, and that is partly because Scott, I think you're very familiar with the IR function as well. And that is what are the IR people saying or thinking that they would like the directors to either be more skillful at or be willing to do? If you had to be an IR person, what would you be reaching out to the board and saying I wish the board would do X?**

SC: I think, again, the position is so strategic that it requires engagement, and it requires, from a management point of view, the type of access to investors that the board needs, and that has to be facilitated through IR. And so if I think of anything, it's really that engagement. And so having access to the board and having board members that are engaged in sort of this level of communications on governance matters is probably the biggest shift and the biggest need in this area.

**TK: Jeff?**

JM: Yeah. I'll take a little bit different tact. I mean Scott, you used the term transparency before, and I think that it's easy for boards and others to communicate with earnings releases and to communicate as a board from a paper standpoint. But now as we move into an environment where it becomes transparent in the form of a discussion, for a lot of board members that's pretty scary stuff to sit down and be engaged with the investor.

You want to make sure that you're not disclosing something or saying something that you shouldn't, but you want to as well be sure that you're transparent. So I think that that training and that insight to help the board get through that and become a very transparent company is where it's going to be a challenge for the board and it's going to be a challenge for IR and other folks on staff equipping the board to have that dialogue.

**TK: Well, I'm almost surprised that we hadn't dealt with this topic with all the shows that we did, but then again there's been no shortage of topics for us to cover on this show. Jeff, I wanted to thank you for taking time out of your busy schedule. We appreciate this. This is something that's good information that needs to be passed along, and we'll look forward to having you back again.**

JM: Well, thanks for having me. It's been great to be here with you.

**TK: That concludes this week's show. And we hope that you'll join us again next week where we'll take another look at issues that affect you as a board member to be a better both director and committee member. Thanks for joining us.**

*Join us again next week for This Week in the Boardroom brought to you by Corporate Board Member magazine and host the NYSE Euronext along with governance knowledge partner Paul Weiss.*