

TK: TK Kerstetter

JM: Jeff Morgan

This Week in the Boardroom brought to you by Corporate Board Member and host NYSE Euronext, along with governance knowledge partner Paul Weiss and contributing partners National Investor Relations Institute and the Society of Corporate Secretaries and Governance Professionals.

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 everybody this week to a special show. We're doing a remote from the National Investor Relations Institute Annual Conference, and it gives us a chance to really have the opportunity to, as you will, be with the people. So it's my pleasure to introduce my special guest for this show, and that is Jeff Morgan, who is the President and CEO of the National Investor Relations Institute, or as you'll see on the signage that is behind us, NIRI. And Jeff, we've got about 1,300 members here. So I would assume that there is no shortage of excitement or topics, particularly as it relates to their relationship with the board.

JM: Absolutely. It is a great show. We have a lot of energy. There are a lot of issues. Our theme this year is leadership in a changing world, and that has permeated the entire conference. What's interesting about those 1300 plus people that you mentioned is they represent all cap sizes, they represent all industries, and what we're seeing is that more and more folks from outside the United States are coming to this conference to understand practices or best practices, as you will, for investor relations and how to deal with that in the boardroom. So about 15% of the folks here are from outside the United States.

TK: Well, just so everybody knows cause it's difficult to tell, we are in sunny Orlando. Again, it's the first time that we have been out of New York City with this show. So this is a first.

JM: Well, we're glad to be the first one.

TK: I know you have topics here this week that are all over the lot, but for this show we're interested in sort of the board relations. What is the buzz? If you had to pinpoint something that would be the buzz at this conference as it relates to their investments relations officer and their relationship with the board, what would you say is the buzz?

JM: Well, the buzz, and understand that while this is NIRI's conference and it's for investor relation professionals, folks speaking run the gamut. We have CEOs here, and we have folks from the board here, and CFOs and all sorts of people in the c-suite. And the buzz for investor relations is that we know our operational and financial internals cold, and that is the core to what we do, but for us to really excel as investor relations professionals

we need to understand and be able to talk about and have that two-way communication on a lot of different levels, governance, corporate structure, CEO compensation, and that is where this transition is happening for the investor relations professionals. And what we're trying to do is equip IR to do that so that we're not just communicators out, but we're really turning more into a trusted advisor for the shareholders as well as for the c-suite.

TK: Is it your take from your duties during the year and at the conference here that the board has to rely on investor relations more these days because of regulation changes? We see proxy advisory firms getting more active with proposals? So is the presence of IR really growing?

JM: I think as it relates to the boardroom what we're seeing is that it runs a spectrum. In some cases, IR already has a great relationship with the boardroom and is probably in the boardroom as that trusted advisory. And we've seen in the last cycle of annual meetings there's been some cases where IR has led the team internally on say-on-pay issues and differences with proxy advisors because they have that relationship, the best relationship, with the investors to make that happen, but that doesn't mean that every single company is going to have IR in the boardroom cause when you get into smaller companies that IR is maybe done by the CFO. So it's more of a competency. And what I think is key for the boardroom is, are we getting that information from the shareholders into the board's hands, and how do we do that? And that is that function of investor relations, however it's done in your company, because I think that information is critical for the board to understand what are the shareholders out there saying, and how do we want to communicate the strategy of the company to those shareholders? So understanding what's in their mind creates better transparency into the boardroom to get that flow going back and forth.

TK: It's got to be a little bit of a challenge for you. We've heard some of the questions that were asked about the IR function getting its seat at the table and its opportunity to be interacting with the board cause it has to go out and communicate with the investing public, but that's got to be a challenge for you because you have all different levels of people on that side.

JM: Yeah. And I think that while that term "seat at the table" is sort of what IR professionals, or many professionals, aspire to, you know, I think it's more of that information and knowledge going back and forth. And I think that one of the themes that I've heard through some of the conversations with the board and c-suite here at the conference is that, you know, IR may be good communicators, but to really be able to move into that advisor position we need to be part of that strategy development and really understand the strategy of the company because we become much more transparent cause we understand what's behind it and not just communicating a message. And that is part of this transition for IR that doesn't happen without having the right people and the right skill set to be that value to the board and the c-suite.

TK: Well, we certainly have seen in the presentations that went on this morning that there's just link after link between IR and the board, no matter what the kinds of issues are. When you sort of collect all that, you know, what's happened in all the presentations, what do you think could be some advice that we could give on this segment out to the board members who will be watching this? What piece of advice might be interesting advice that they can take sort of from this conference even though they aren't here?

JM: I think one of the things, we're focusing on corporate governance and we do that during the annual meeting, and that really isn't just the only time to focus on that. Let's make that part of our messaging and part of our transparency as an organization. And what we're seeing is when we go out and deal with investment hedge funds and other investors, traditionally there's a portfolio manager and somebody who deals with the governance side. And so we've seen a merging there, and we're also seeing a merging of teaming between the corporate secretary and investor relations to make this a year round function. And while they may not be going all the time, they're looking at how can we make sure we get that message out there on corporate governance and what the board is doing and all of that in a more year round time as opposed to just during the annual meeting?

TK: You're called upon a lot for your opinion, your organization's opinion, your own personal opinion. I know others in the organization, other officers are asked as well. My question is we've seen a lot happen and we've seen this governance pendulum swing so far, you know, to where the transparency in the boardroom, we're seeing incidences where, you know, one might argue that it has swung too far. Others say that it's hit its point, whether that's the political change in Washington or whatever, that we may see just slight move back. Sort of where is your organization's position on the pendulum? Where do you think we stand? And you know, is it healthy for companies right now?

JM: Well, while we may be in Orlando, I live and work in Washington, D.C., and that is our home as an organization. When we talk to the investor relations professionals and hear what they have to say, investment decisions are not made on governance; they're made on shareholder return. And politicians, during the past couple years, have heard lots of chatter about one of the ways to resolve some of our problems in the economy is to give shareholders more of a say in the governance of that company. And I think companies are not a democracy, and that seems to be where the politicians have tipped. And what we need to do is deal with those bad actors, and there are certainly bad actors in the corporate world, but not punish companies overall, and allow companies to do what they need to do to create shareholder return because investors vote with the dollars, and if they don't like what the company's going to do they're going to change their investment.

TK: Well, you know, it'll be an interesting time ahead for both of us. So that'll be interesting. I wanted to thank you for letting us come down here and do this first time remote out of the state.

JM: And thank you for being here.

TK: This is part one. We're going to take part two. We're going to ask one of your co-chair, in fact, for this event, Sally Curley, who's with Cardinal Health, to join us in our, what we'll call our part two of doing this remote from the NIRI National Conference. So thank you again for joining us. And that will conclude this edition of This Week in the Boardroom. Again, join us for part two next week, and you'll enjoy hearing from an actual IR person's perspective on this event and what may be helpful to you as a director. So we'll see you then.

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