



Five Good Reasons to Include IR in the Conversation

By Katie Keita, Director, Global Investor Relations at EMC Corporation, and NIRI Boston Board member



Anyone who practices IR has had to explain what it is IR does. This might be why, every so often, we also have to explain, internally, why it is important to include IR in a conversation with an equity analyst or industry 'advisor'. To IROs, including IR should be as straightforward as including PR in an interview between an employee and a reporter. However, many people don't understand why IR needs to be present for a conversation with an investor or an analyst. After all, maybe it's someone they know from a former role or someone whom they met in their own business dealings. Why is IR sticking its nose in?

This brief piece is for anyone who has had to provide the rationale and business case to company insiders who do not understand why conversations with investors and analysts need to include IR.

1. "IR can amplify the key things you are saying." The employee has been sought out for an interview or appearance at an investor conference for a reason: they have knowledge or a perspective that industry watchers and investors can learn from. Why limit it to one private conversation or conference audience? Including IR allows IR to gather key points and leverage the exchange to make interesting or valuable information part of the investment case.
2. "It's important for messaging to be consistent." A company's credibility ranks pretty high on the list of investment considerations, and if something is said that sounds like it is at odds with what's been communicated previously, a company's credibility

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deteriorates pretty quickly. This is less about censoring facts that might paint the company in an unfavorable light, and more about putting single data points in the context of what's been the broader investment case. An insider may have good information to share on a single product line, technology or customer base that could leave a disproportionate impression if it's presented without the benefit of the rest of the story.

3. "Do you know what they're getting out of the conversation?" Many people do not understand the benefit to an investment bank of providing access to company insiders, nor do they understand that if IR has several analysts covering the company, managing favors equitably among them is important. Additionally, there are dozens of non-traditional research firms that are paid to advise investors on what's really going on in an industry, and these researchers are often informed by conversations with insiders, possibly inside your own company.
4. "It's risky." There's only one reason analysts are calling operational people directly, and that's to get the inside scoop on what's happening in the company or in an industry. What might seem like harmless insight to an insider could very easily be a material data point that changes an investor's position on the stock or on the sector. This is where an IR horror story from the company's past can be a real asset serving as a cautionary tale in what not to do. If you don't have one from your own company, chat with your IR brethren to see if you can't use someone else's.
5. "It's company policy." If it's not, it should be. Best practice for any public company is to ensure all communications with investors and stock analysts are facilitated through the IR team. Work with your Legal department to craft and implement a policy that ensures good investor relations is a company-wide effort.

IR Website Security Tips for the New Year

By Bradley Scott, Associate Director, IR Solutions



It has never been easier for the investment community to do their research online. IR websites, press releases, and document feeds are all just a mouse click away for analysts

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and investors. But while instantaneously available information is great for communication, it also means that premature publications or leaks are all the more visible. That extra visibility has the potential to impact stock prices and company reputation within a matter of seconds, presenting a hefty clean up challenge for the IRO. News organizations and high-frequency traders are always looking for an edge, and gaining access to information before it has been widely disclosed is one of the most valuable edges they can get. IR disclosure systems need to keep up with the pace, and while any company of any size can be a target, that doesn't mean they have to fall victim. Here are some tips to reduce online disclosure risks.

1. Ensure you have a secure content management system (CMS) for website updates. There are a number of key CMS requirements:

- It should provide the ability to review and approve changes in a password-protected staging environment before those changes are published onto the live website.
- Access should be restricted to authorized users, ensuring that only users approved by the IRO can make changes and view staged content. Some CMS also provide the ability to allow different types of access to different users, so that one user can be granted access to publish changes on the site, while another can have access to only review staged updates, not to make updates themselves. It is important to have a process in place that outlines the proper channels for changing users' access as needs change over time as well.
- Uploaded documents should be given a URL that is password-protected during staging and thus cannot be viewed by web crawlers or web-savvy individuals until the document is public on the IR site. Unprotected/easily guessable document URLs were the most probable culprits for several of the earnings leaks that occurred in the past.

2. Maintain strong relationships with the people who support your IR website and consistently review the processes they have in place. Here are some must-haves for anyone who deals with the IR website on a regular basis, whether internal or external through a third party vendor:

- They should have strong industry knowledge, understand the significance of the varied IR communications and disclosures that are posted to the website, and should ensure that embargoed information is kept confidential and postings are made in a scrupulous and timely manner.

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- The team should be staffed in multiple locations so that if a disaster occurs at one office, critical workflow can seamlessly transition to team members at another location.
- Important, recurring processes (like earnings day procedures) should be well documented and reviewed regularly. Preparing important IR site updates at the last minute is naturally going to increase the risk of mistakes. Taking the time to set up a few simple processes can go a long way toward ensuring that disclosures are made correctly and on time.

3. Verify that the hosting environment is secure and regularly audited by a third party. In order to ensure the IR site is protected against the increasing sophistication of hackers and the possibility of cyber attacks, the following security measures must be in place:

- A redundant server infrastructure (multiple servers in multiple geographic locations) should be in place to protect the stored data in the event of server failure. This will ensure maximum availability of the website under any conditions.
- Data centers should have protections in place to prevent loss of the stored data in an environmental disaster like fire or flood.
- Hosting facilities, servers, and content should limit access to authorized personnel. Clear policies for termination of access should also be in place.
- Systems including servers, workstations, and networking equipment should be subject to regular security updates, backups, and up-to-date monitoring to protect against malicious code, vulnerability, and intrusion. The host should also have a tested disaster recovery plan that provides adequate timelines for bringing back website content in the event of a disaster.
- All of these controls independently examined and certified on an annual basis.

With so many traders seeking out even the most minuscule of advantages, there will always be plenty of risks facing IROs around disclosure. But with the proper practices in place, there are simple yet effective ways IROs can make sure their companies are protected. Here's to a happy (and secure) New Year!

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