



Institutional Shareholders' Voice in the Boardroom - More Than Just a Whisper

By



Just as board members take the stewardship of shareholder interests seriously in their activities, investors acting on behalf of their beneficial owners also have a stewardship duty and obligation. Scrutinizing current and potential investments under a lens of effective governance is one component of stewardship. Some investors take this duty to the level of operational engagement, such as publicly seeking to change governance practices at a company or filing shareholder proposals; a much larger contingent of the investment community simply seeks to speak its mind once per year through the proxy voting process.

Investors' most direct voice in the boardroom is effected through the vote on director elections, and it's incumbent on every management team and board to listen to these aforementioned whispers, particularly before they turn into shouts. Knowing the composition of the shareholder base and the voting decision-makers from each major institutional investor is a first step in the process, but listening to what investors are expressing through their votes is even more important. The statement at the annual meeting may be

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June 23 - NIRI Boston's June Social at Harpoon Brewery - Save the Date

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"director X received only 70% support from investors," but the message may be more specific and identifiable: "Investor Y and Z own 13% of the stock and believe our compensation practices aren't aligned with shareholder value."

This thought process is valid globally, but the US market offers us the ability to read investors' minds through voting data that is released annually, albeit on a delayed basis. US mutual funds are required to disclose all of their votes cast in both annual and special meetings during the period from July 1 through June 30 via SEC Form N-PX, which is made available by August 31. Additionally, most large investors disclose their voting guidelines publicly, and the guidelines for proxy advisory firms may also serve as a way to view the broad "standard" for making director election voting decisions.

Ipreo analyzes these disclosures to identify specific investors' voting tendencies with respect to director elections. Please [click here](#) to view the full whitepaper.

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NIRI Boston March Event Recap: Can You Spy the Lie?

At NIRI Boston's March event, former CIA security specialist Susan Carnicero aimed to turn our perceptions about lying on their head.

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 former CIA security specialist, treated the NIRI Boston chapter to a training session on how to distinguish between deception and truth. The methods she presented were developed at the CIA by experts who went through thousands of files spanning multiple cultures. How does one discern the difference between nervousness and deception? (Hint: Eye contact has nothing to do with it.) In a world in which communication 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

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following keys to successfully detecting deception.

Key #1: Analyze vs. speculate. Disregard global behaviors (e.g., toe-tapping or sitting with one's arms crossed). Make sure to focus only on those behaviors that are a direct result of your question or stimulus. To do this, most importantly, one needs to rely on timing and the presence of what Susan calls "clusters." More specifically, Susan says an investigator will look for the first deceptive behavior within the first five seconds of the stimulus/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 features and 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 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 example 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. They are among the strongest tools in the deception toolbox because the statements can sound so honest and heartfelt. Similarly, listen for referral statements, words people say over and over again (e.g., "as I said before," "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 if they appear in a cluster.

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.

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Volunteers Needed

We are looking for volunteers to help with various tasks, including writing summaries of our monthly events. If you are interested in getting involved with the Chapter, email info@niriboston.org.

New to NIRI Boston?

New to IR or the Boston area? Try out one of our monthly meetings. The first one is on us! Use promo code NEWBOSTON when registering.

Job Bank

We currently have several open positions posted.

Susan 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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Member News

NIRI Boston is delighted to welcome its new members:

Sherrie'e Bakshi, American Technology Services
Teresa Dahlman, Tetrphase Pharmaceuticals, Inc.
Jason Howard, PTC
Eric Laub, Access Capital Advisors
Kate LeClair, RA Capital Management LLC
Kate Rausch, Tesaro, Inc.
Candice Ellis, Ironwood Pharmaceuticals
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NIRI Webinars

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