



Executive

Updates on issues vital to the practice of investor relations

ALERT

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Senior NIRI Members Offer Their Views on Reg FD's Impact

NIRI conducted a series of 30 executive interviews with senior IR professionals, both corporate IROs and counselors, to understand the impact of Regulation Fair Disclosure (Reg FD) on the practice of investor relations in the eight years since its introduction in 2000. These discussions are synthesized into the core disclosure values identified below.

Transparency is the fundamental responsibility of the investor relations profession. While every fact and figure need not and perhaps ought not be publicly disclosed, the spirit of both FD and of the profession is to encourage a thorough understanding of the company by the investment community and public at large. The more disclosure happens voluntarily, the more two-way communication can be engendered and inadvertent disclosures can be avoided, ultimately leading to a fair valuation of the company's stock and a lower cost of capital.

Consistency was identified by some of the respondents as the primary impact and requirement stemming from Reg FD and is perhaps its key legacy. The discipline that has existed for many IROs but has been codified by FD is one of well-managed, consistent communication to all external constituents in the investment community.

Responsiveness is the understanding that not only do individual requests require some type of response, but also that the overall picture drawn by the IRO must evolve over time to reflect changes in the internal and competitive landscapes, capital market realities and the needs of investors. The extent to which an IRO anticipates and responds to these changing needs is one of the marks of a strong practitioner.

Credibility is both the executives' and the IRO's stock in trade. The values of transparency, consistency and responsiveness ultimately serve to drive and protect the credibility of individual spokespersons and, by extension, that of the company.

Discussion

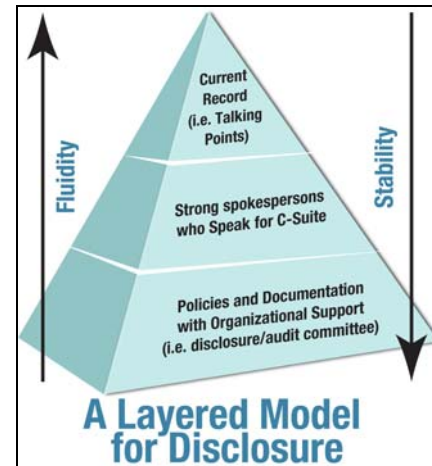
The Choice is Yours

There is no one formula for optimal communication, particularly given the varying abilities of organizations to forecast, their level of analyst coverage, general understanding of the company and industry and a host of other factors. Although a continuum of disclosure philosophies exists and interview respondents clearly expressed differences in disposition and practice, each IRO must wrestle with or at least make conscious decisions about the tradeoffs of more transparency versus the perceived safety of disclosing less information across the board. The graphic to the right shows the "layers" of a company's disclosure model, with the more static elements represented at the base and the more fluid variables layered above.

IR professionals may lament the seeming loss of the art of investor relations (by virtue of the increased scripting of messages). However, the NIRI interview conversations, by demonstrating a diversity of opinions and practices even amongst professionals at the apex of their careers, indicate that there is ample opportunity to apply good planning and forethought to different ends. In other words, the art of IR may be more strategic and behind the scenes than in the past, but it still exists.

Beyond "Fair Disclosure"

The typical feedback regarding the impact of FD



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"Reg FD requires an IRO to have a compartmentalized command of facts and circumstances – which things do I know are "inside" and which are "outside." The importance of that boundary is critical. Reg FD has helped define the importance of that boundary. You have to have command of information and know which bucket it fits into. AND to be able to skillfully redirect or interrupt a conversation that is veering into a dangerous part of disclosure continuum."

-Financial Services IRO



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"Now 'quiet period' is in many ways just an IR convenience. Everything is subject to Reg FD disclosure."

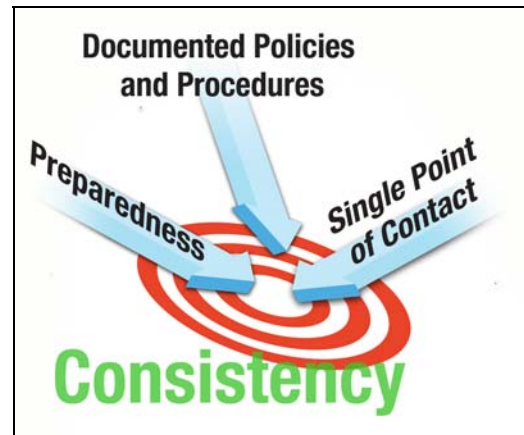
-Diversified IRO

was that it was a generally positive development not only in terms of leveling the field for all investors, but perhaps more importantly in 1) eliminating less-than-fair disclosure and thereby the potential for unfair advantage that it might create, 2) evolving the relationships between management and the Street where necessary, and 3) underscoring for all of a company's employees the importance of consistently speaking with a single public voice. In so doing, Regulation FD actually created significant opportunity for the investor relations team to act as a "sentinel," as one IR counselor put it, protecting the message and the messengers. Investor relations professionals were indeed elevated not only as keepers of the message, but also as significant in their power to craft and advance the message over time.

Next Steps

With eight years of FD "in the can" to quote a telecom IRO, investor relations practitioners are facing nascent opportunities - challenges that require a broader skills set than simply an understanding of finance and communications. One counselor, quoted below, urged investor relations professionals to accept the risk and potential reward of impelling their companies toward the broader qualitative awareness and citizenship that investors are increasingly requiring.

"Besides being the sentinel, the IRO must be the corporate conscience. That public consciousness is now being embodied in proxy proposals. So be the sensor for the organization. In doing that systematically, and feeding it back on a regular basis, IROs can add tremendous value. Be candid and constructive and offer ways to solve issues with perception as well as those issues related to performance. Be part of the execution."



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"Consistency is very important, but as the company changes, [what defines] transparency changes too. You have to be nimble and responsive to legitimate investor concerns and evolve to meet them. We've broken down our business voluntarily to respond to the market's concerns. We're the market leader and we disclose far more than our competitors. We feel it is necessary. It is our duty and it is to our benefit."

-Consumer Goods IRO



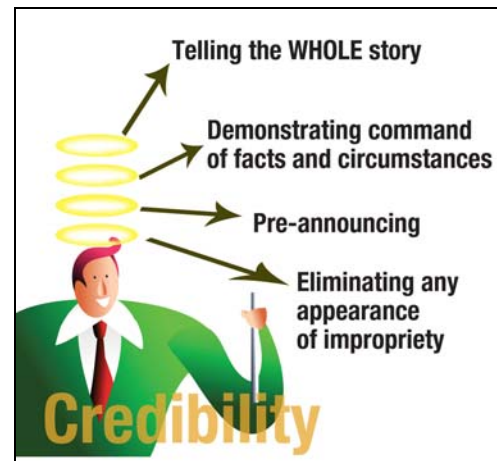
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"If you're in a period of volatility your willingness to take questions should not change even if you can't provide the same degree of information."

-Medical Device IRO

Conclusion

The senior IR professionals interviewed typically did not experience a major sea change following the enactment of Regulation FD. Practicing IROs consistently noted that while they have seen changes to varying degrees in the broader climate of disclosure, they were generally in favor of FD and typically see it as having a positive (though not revolutionary) impact, particularly at the “edges.” IR professionals are in a position to build on a post-FD heightened awareness of the importance of disclosure in synthesizing the message and the value of the company outward and, in turn, driving feedback back into the organization.



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“Bad things happen in every business to every company. The question is will your credibility get shot when those bad things happen?”

-Hospitality IRO.

About the Project

NIRI staff conducted 30 telephone interviews with senior IR professionals in the spring of 2008 using a structured interview guide including mostly open-ended questions. The respondents were all NIRI corporate and counselor members, most of whom are part of the NIRI Senior Roundtable. They represent a wide range of industries and market cap sizes, as well as a range of disclosure profiles. The interview results will be used to inform the upcoming update to NIRI’s Standards of Practice.

NIRI Members can access an addendum of interview highlights at this link

http://www.niri.org/news_media_center/080721AppendixQuotes.pdf.

A PowerPoint version of the graphics used in this Executive Alert can be located at this link

http://www.niri.org/news_media_center/080721RegFDAlertgraphics.ppt.

About NIRI

NIRI is the professional association of corporate officers and investor relations consultants responsible for communications among corporate management, shareholders, securities analysts and other financial publics. NIRI’s 4,400 members represent nearly 2,100 publicly held companies and \$5.4 trillion in stock market capitalization. For more information, please visit www.niri.org.