What is it?

✓ Reveals corruption, wrongdoing or abuse of power
✓ Product of *original* reporting
✓ Shows pattern of systemic problems, not isolated example
✓ Aims to correct a wrong
What it is not

✓ Reporting on company revelations (e.g., Satyam)

✓ Reporting on government or regulators’ investigations

✓ Examining company practices (accounting, board composition) after the fact
Explanatory or archeological reporting vs. investigative reporting
Corporate governance investigations

• Uncover problems, irregularities before they are made public by others

• CG investigations require
  -- inside sources
  -- careful reading of documents
  -- deep understanding of numbers
  -- thorough knowledge of industry
How this guide can help

☑ Learn what good corporate governance is...how are things supposed to be?
☑ What are characteristics of a good board?
☑ What should shareholders expect?
☑ Understanding regulation
☑ How to read, interpret financial statements
Learn from other scandals, frauds

• Real-life examples of reporters’ stories
• Recognize red flags (e.g., filing late, sudden resignations of independent directors, directors with many ties)
• Learn how to cultivate sources, and which sources to cultivate
Red flags at Satyam

- Board stacked with insiders, had close ties; little experience in industry
- No financial expert on audit committee
- Board chairman, CEO were brothers
- No independent board leadership
- Auditors did not confirm letters on deposit directly with bank
Understand how family-owned enterprises, state-owned enterprises should work

• Transparency an obstacle; find other pathways
• Examine directors’ backgrounds, connections, allegiances
• Dig into the numbers: Do they add up, make sense?
Learn about how to probe companies, what to look for

Read about actual investigations

-- Activist lawyer investigates Transneft, finds $112m in supposed charity contributions (but no dividends paid)

-- Globe & Mail reporters travel to China to walk Sino Forest’s holdings
Use the Story Toolbox in each chapter

• How easy is it for shareholders to participate in annual meetings?
• Do directors of SOEs have expertise? What are government connections?
• Does the board have required committees? (what are those committees? E.g., Tepco and risk)
Guide provides extensive resources for learning about CG, plus reporting tools

**Examples, all Chapter 6**

-- free online course on reading financial statements

-- Investigative Dashboard (website), how to investigate offshore companies

-- Learn to spot red flags in corporate actions (link to tip sheet)
Investigative resources, Chapter 7

Links to organizations throughout world that support investigative reporting

--Center for Investigative Reporting: http://cironline.org/

--International Journalists’ Network (ijnet): http://ijnet.org/
Where to find information

- The human trail -- sources
- The paper trail -- statements, reports
- The electronic trail -- regulatory actions, warnings
Sources need to be varied

- Not only in the company itself
- Shareholders, hedge fund managers (Gazprom), vendors, rivals, NGOs
- Using sources for background only
- Chapters list sources for each topic
How good is your source?

– Credibility
– Reliability
– Accountability
– Familiarity
– Availability
– Accessibility
Ethics of investigative reporting

- Protect sources
- Don’t lie, but you don’t always have to identify yourself
- Treat sources fairly
- Beware of bias, distortion, wanting to prove your point
What about deception?

- Going undercover
- Misrepresentation (false identity)
- Hidden camera (and recorder)
- Entrapment
- Is deception ever justified?
Investigative reporting requires courage

- Pressure from company, PR people
- Advertisers threaten to withdraw
- Sometimes threats of physical harm (journalists have been murdered)
- Lack of support from editors, publishers
- Threats from government
The payoff for a good investigative story?

*It’s the reason most of us became journalists in the first place*

--Exposes wrongdoing

--Leads to reform

--May help the underdog get justice