



Investigative Reporting

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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