Addressing Investor Relations Officers: What have you done to assist your board with this year’s annual meeting?

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| If your board thinks it has "escaped" *say on pay* or other shareholder petitions, you can help directors see the opportunity for board-shareholder engagement. In this new era of transparency and disclosure, boards need to understand the quality of shareholder interactions and ensure that the company provides transparent, effective shareholder communication across multiple audiences including investors, brokers, owner research groups, employees, customers, and the community and public at large.  Issue Date: IR Alert May 12, 2010,    What Have You Done to Help Your Board with This Year's Annual Meeting? |
| Karen Kane  *By Karen Kane,*[*Karen Kane Consulting*](http://www.karenkaneconsulting.com)  "Change while you can, not when you have to" is a mantra that boards of directors should have been embracing this proxy and annual meeting season.  In the face of increased shareholder activism and new regulatory changes, your board may have been requesting more information from you about who is buying and selling the company's stock. As the investor relations officer, you may hire a surveillance firm to assist you to bring richer detail to the board—but you will provide greater value by helping the board to improve board-shareholder communication.  If your board thinks it has "escaped" *say on pay* or other shareholder petitions, you can help directors see the opportunity for board-shareholder engagement. In this new era of transparency and disclosure, boards need to understand the quality of shareholder interactions and ensure that the company provides transparent, effective shareholder communication across multiple audiences including investors, brokers, owner research groups, employees, customers, and the community and public at large.  But boards need help. It's a new world for them. As a member of management, you provide intelligence on stock and investment strategies to the board; however, the larger issues of governance communication best practices require the perspective of an outsider. To preserve its oversight function, boards need an independent communication advisor to help them think through their communication practices.  If you see that the tide has turned in favor of empowered shareholders—shareholders who want and expect unfettered access to the board they elect—you recognize the importance of communication expertise for the board. Help them find an independent communications advisor with governance expertise who can facilitate the board's work in this area, bringing a unique skill set as well as an outside perspective. You will continue to play an important role in working together on balancing message consistency with the board's responsibility for oversight.  The IRO who anticipates and meets the board's need for communication help amid cynicism and increased scrutiny brings a valuable resource to the board at a critical time. How would the board handle a corporate governance challenge? Advance planning is the key to avoiding or minimizing negative impact. The board needs to preserve its independence by deciding how it will engage with shareholders and the public—constituencies that have in some cases lost faith in the board's ability to provide oversight. In other words, decisions about board-shareholder communication must emanate from the board.  Board-shareholder communication discussions begin in executive session. How will the work of shareholder communication be handled? Will it be a subcommittee of an existing committee? Is it naturally the role for the lead director or independent chair? Has she or he had media training? Does the rest of the board know how to handle telephone calls and other information requests by referring the inquiry to the designated board member? What kind of standard does the board want to establish in communicating with shareholders?  Say on pay is a communication opportunity for boards. With executive compensation inciting such intense shareholder reaction, some of the best practices that are emerging include using the proxy as a communication vehicle by using plain English in the CD&A and webinars for shareholders on the specifics of executive compensation programs. The chairman of the compensation committee of Occidental Petroleum participated in a meeting with shareholders when executive compensation was a concern. Other ideas include a designated Web page to solicit shareholders' views on specific topics, such as Prudential Financial has done for say on pay.  The annual meeting presents a great opportunity for boards to communicate with shareholders, even if it's largely by listening. But it takes strategy and preparation. Directors are routinely introduced. But wouldn't it convey a stronger picture of oversight if the chairman of the compensation committee was able to respond to a shareholder question about executive compensation?  As shareholders exert greater influence, the best practices of boards will continue to evolve. Each new requirement highlights the importance of having a strategy for creating clear and effective communication. Smart IROs will want help the board use communication to build a base of shareholders who embrace longer-term investing.  *Karen Kane, former board secretary for the Federal Reserve Bank of Chicago, provides strategic boardroom advice and consults with management and boards on effectively engaging with shareholders. She can be contacted at*[*karen@karenkaneconsulting.com*](mailto:karen@karenkaneconsulting.com)*.* |