

The IR Puzzle: PIECING IT TOGETHER

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Navigating the Corporate Governance Maze: Mitigating Risk in the Modern World

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Panelists:

Francis Byrd, Former Director, Corporate Governance, TIAA-CREFF

TerriJo Saarela, Corporate Governance Officer, State of Wisconsin Investment Board (SWIB)

Joel H. Trotter, Partner, Latham & Watkins, LLP

Moderator: Steven Balet, Managing Director, FTI Consulting

Key Takeaways

Shareholder activism is driving a new level of engagement between publicly listed corporations and institutional investor proxy voting teams. Our panelists pulled back the curtain on the proxy voting process and suggested steps IROs can take to prepare for their meetings.

Institutional proxy voting is a team sport. The corporate governance teams at both TIAA-CREFF and SWIB are responsible for proxy voting in their firms. They use a set of voting guidelines that are available to the public. Panelists pierced the myth that all institutional investors vote in line with Institutional Shareholder Services recommendations. In reality, corporate governance officers draw from multiple sources to inform their voting decisions, including proxy advisory services, asset management staff and input from companies they meet with during the year.

Relationship-building relies on dialogue and planning. Panelists advised IROs to arrange meetings with the investment firm's corporate governance officer as early as the third quarter. Use these meetings to preview your proposals, particularly compensation plans and corporate governance issues, and to get investor feedback about potential issues. Work from an agenda, stay focused and be sure your management is coached and well-prepared for these meetings.

All shareholder proposals are carefully considered. As a best practice, the panelists review all shareholder proposals. They said they are open to discovering issues that they may have overlooked or to considering an issue from a different perspective.

Diversity: the next big trend. Some European regulatory bodies now require diversity on publicly company boards. In the U.S., influential investors are beginning to make similar demands, both publicly and in private conversations.

Convince your general counsel to communicate, not just comply. The proxy statement has to be more than a compliance document. For several years, the trend has been toward proxy statements that engage, educate and persuade their most important audience: the proxy voter and analysts at the proxy advisory firms who are trying to understand management and shareholder proposals. Progressive companies – panelists mentioned **Coca-Cola** and **General Electric** – use sophisticated visual design and interactive graphics to illustrate board composition, diversity and skill sets, executive compensation, social responsibility and political contribution disclosures.

- By Bess Gallanis