

# BEST PRACTICES IN CORPORATE GOVERNANCE OUTREACH

Over the last several years investors have become increasingly focused on issues regarding corporate governance. Given the effectiveness of activist campaigns as well as highly contested proxy votes on topics such as Say on Pay, corporate issuers have become more proactive on the matter. Best practices have started to develop as it pertains to outreach to governance and proxy contacts at institutions, as well as “Corporate Governance Roadshows” where IR, compliance, management, or even a Board member, may travel to an institution to meet specifically on corporate governance. For this edition of Ipreo’s BetterIR, we interviewed several IROs that are at the forefront of best practices involving managing governance/proxy contacts and governance roadshows. See below for a summary of our findings and takeaways:

- The practice of maintaining relationships in the governance/proxy community is typically borne from crisis. However, issuers have found that maintaining the relationships has proven to have a solid ROI. IROs have found it to be useful to stay ahead of any potential proxy issues on the horizon, and have also found it valuable to have a relationship with the governance/proxy community in the event they need to call on the constituents over a future issue.
- The cost and impact to maintain relationships with the corporate governance/proxy community at the most relevant institutions is fairly low. Our interviewees generally dedicated time once a year, visiting Boston and New York, with minimal materials.
- In order to find governance/proxy contacts at the most important institutions, interviewees leveraged their proxy solicitor, their analyst contact at the firm, and Ipreo’s BD Corp Database.
- After an initial meeting, telephonic correspondence can be sufficient, and even preferred by governance/proxy contacts.

## Necessity is the Mother of Invention

Why does IR need to build relationships with the corporate governance/proxy community? Typically, outreach practices are forged out of a proxy fight or a challenging vote on an agenda item at the AGM. Once an issuer or IRO has been through a proxy fight, the value of having the relationships is more apparent, and the inspiration to maintain these relationships is easy to find. Todd Coakwell, Director of Investor Relations at Agrium, commented:

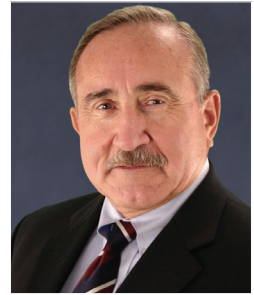


“ I would love to tell you that it was us being totally proactive, but I would say that half of this idea was coming through that proxy fight side of things. The other side of it is that IR and our governance committee was mindful of the need for this outreach. We are all on corporate governance boards and committees elsewhere and certainly were hearing this message of reaching out to shareholders and doing a governance road show or shareholder engagement was best practice and it is something that a few companies out there are starting to do. So the Board members and our CEO challenged us to do that as well. ”

Todd Coakwell, Director of Investor Relations  
Agrium

David Dragics, Senior Vice President, Investor Relations at CACI International, commented:

“ About 5 years ago we had an issue on our proxy with regards to double triggers on stock options. So we are making calls, and asking for the support of the governance/proxy people on this issue. You’re calling them “cold”, meanwhile, they’ve never spoken to you before. It just seemed to be a little disingenuous, in that the only time you talk to the governance/proxy people is when you need their vote. If I were on the other end of the line, I would be thinking, ‘So what have you done for me lately?’ ”



David Dragics, Senior Vice President, Investor Relations  
CACI International

An IRO at a mid-cap public company commented:

“ It started a while ago around 2010 or 2011 when we were getting some specific questions about some of our executive comp. Then, when Say on Pay came into focus, we thought it was prudent to reach out to our contacts and make sure that they understood our philosophy. It has evolved into more of an ongoing strategy to stay close to our governance/proxy contacts in the same way that we do our investing contacts. We were getting lot of questions about executive compensation and we had made changes to our governance policies and we wanted to educate people. Understanding what our shareholders want to see us do differently in order to have a better vote result is key, as is communicating to our Board why the vote is what it is and what the hot button issues are, and being able to make an educated decision about whether we want to change our corporate governance practices based on that feedback. ”

An IRO at a mid-cap public company

An increased focus on outreach to the governance/proxy community is not always borne of crisis directly. Board members, C-suite executives, and IROs that have seen the value of these relationships and have taken the practice to new issuers. Stephanie Wakefield, Vice President, Investor Relations at Informatica, commented:



“ It was really our lead independent director who pushed the agenda several years ago, based on his experience. He suggested developing a relationship with the corporate governance community. It’s becoming important for IR teams in general and it’s just better to be out in front of any issues that could come up. I found it to be very true because this year, when we had a Say on Pay issue, being able to say we’ve had a practice of engaging with our top investors about governance every year for the last 4 years meant a lot to governance teams and portfolio managers alike. They knew we cared about their opinions about governance, and weren’t just coming to them when we needed something. ”

Stephanie Wakefield, Vice President, Investor Relations  
Informatica

### **It’s Not What You Know, It’s Who You Know**

The feedback that our survey participants provided was fairly consistent on this topic. IROs are looking to reach out to approximately their top twenty shareholders, typically representing somewhere between 50%-70% of the voting shares. This list tends to get

whittled down to a much more manageable size as strategic IROs are cognizant to only target institutions that are thinking about corporate governance/proxy relatively independent of firms like ISS and firms that don't outsource their votes. Firms mentioned included State Street, Fidelity, BlackRock, T. Rowe, Vanguard, and Wellington. Similar to equity non-deal roadshows, New York and Boston were highlighted as the cities to go to. Stephanie Wakefield, Vice President, Investor Relations at Informatica, commented:

"We are pretty closely held, so it's probably 8 or 9 investors that we have to reach out to each year that are independent thinkers. So, we try to cover about 60 or 70% of the shareholder base and if you take out all the ones that are pretty automatic Glass Lewis or ISS voters, it leaves you with 8 or 9 investors, so it's not a huge list. When you really start sorting through these lists, it's not nearly as daunting as it could be because there are so many straight-up ISS voters. Our roadshow was definitely focused on the institutions that have dedicated, independent thinking governance/proxy teams, for example State Street, Vanguard, BlackRock, Wellington, etc. What was interesting was that it helped me fundamentally understand how much influence proxy advisory firms have because you can separate the pure ISS/Glass Lewis voters from the rest. And, then there are nuances, like at State Street they have their own criteria, whereas most of the others came out at and said we will look at something more closely when we do care, but we let ISS be the screen. That was interesting to me and I would not have learned that, or a lot of other nuances, without those one on one conversations."

IROs may encounter resistance as governance/proxy contacts may not want to take meetings along with the portfolio managers and analysts on the investment side. Governance/proxy contacts may be cautious as the way they vote may upset an issuer's management team, and the investment side of the house may have fears about getting less management time because of it. David Dragics, Senior Vice President at CACI International, commented:

"Sometimes there may be hesitancy on the part of the governance/proxy side at an institution to talk to the equity side people. If a stock is performing well and the governance/proxy side indicates that they are going to vote against an issue, the equity side may say, 'Don't do that because we may not be able to have the access to management that we've had so far'."

### **When a Plan Comes Together**

In practice, our participants have quite a bit to say about the tactics involved in executing outreach to the corporate governance/proxy community. The prescribed frequency of outreach, annually, was fairly consistent across the board. As such, interviewees felt that the cost of the endeavor was fairly low especially given the reasonable returns such as information, feedback, contacts, and goodwill. Moreover, after the initial roadshow, telephone conversations seem to be adequate and even preferred by the corporate governance/proxy community. In fact, some contacts commented that if you don't hear from them, or they don't want to talk, it can be regarded as good news. Of course, this is in stark contrast to what IROs are used to when targeting investors for the equity.

Stephanie Wakefield, Vice President, Investor Relations at Informatica, commented:

"So what we did (it was probably 3 or 4 years ago) was an actual physical tour and saw a bunch of governance/proxy teams and got to know them and put a name to a face and said 'we are serious about talking to you and getting your opinions.' We took out our lead independent director for those meetings, so that established a baseline and then since then we've done more of the phone type of conversations on a regular basis. So every February we get on the phone with a lot of those same people and just chat with them and ask 'has anything changed since last proxy season?' or 'is there anything we should be thinking about that you're thinking about differently?' Because the feedback we get is that now they are getting so many road shows that they don't necessarily want everyone coming in, but if they already know you they are quite happy to spent that half an hour or so getting an update and sharing their views with you."

As far as figuring out who to reach out to when organizing a governance roadshow, the first places IROs can look are to their proxy solicitors and also to their contacts on the equity investment side. Proxy solicitors will generally have a good sense of the appropriate contact on the proxy side of the largest institutions. In order to fill in the gaps, an IRO can leverage relationships with their shareholders to point them in the direction of the appropriate governance/proxy contact at the firm. Additionally, Ipreo's BD Corporate database includes governance/proxy contact information at institutions. Todd Coakwell, Director of Investor Relations at Agrium, commented:

“Your first contacts are going to be those institutional analysts and PM’s that you know follow the story and are invested, so we certainly reached out to them first because it would be the easiest way to get our foot in the door in order to get to the governance/proxy departments at those institutions. Then, through the recent proxy vote situation, we leveraged some of the governance contacts as well. We came to understand who some of the major governance players were at the big institutions, but we predominantly come in first through the PM or analyst and then ask them to put that invite out to the governance/proxy side of the firm. If the governance side has something important to discuss, they will show up to the meeting”

David Dragics, Senior Vice President at CACI International, commented:

“We go to our proxy solicitor with our shareholder list and say here are our top 20 holders. We need to know who the governance/proxy contacts are at these firms, because they may change from year to year, whether they use a proxy advisor to vote their shares, and how they’ve voted on certain issues. We want to know as much about them as we can when we go meet with them.”

Regarding preparation for the board member, the feedback was that most board members are aware and fairly well versed in the issues surrounding corporate governance and their particular company’s policies. That said, preparing a short slide deck has proven helpful to summarize the hot button issues. Additionally, going over what questions not to be answering, such as the operational details of the company, is a good practice. Management is better suited to address those concerns. This tends to come up in a hybrid meeting, where there may be a member of the governance/proxy team attending, as well as a member of the investment team. David Dragics, Senior Vice President at CACI International, commented:

“Our position is that, if a Director wants to volunteer for a trip with our Corporate Governance Team, we are certainly not going to stand in their way. But we are also going to make it very clear to that Director that these (governance/proxy) are the only questions we want them to answer. We explain to the Director that if the investor starts asking about the performance of the company, they should redirect the question to one of us. Directors, typically, are not as well versed in the operational details as management is. That’s why IR is always along on the trip; to be the buffer, so to speak.”

Todd Coakwell, Director of Investor Relations at Agrium, commented:

“ We would always say right up front in those hybrid meetings, ‘we are here to talk to you about governance, you’ve got the two Board members, at least allow us to give our message on that front and then you can ask questions or move on to the equity story’. So we would always make sure we at least were able to do that in front of every meeting. I would say that at least 80% of the buy side would engage with us in that dialogue and they would have questions, but maybe about 20% of them just listened and then as soon as that was done , it was like ‘so tell me about corn prices’. I found that the majority of the PM’s definitely were up to speed on the governance side of things and they themselves did have questions regardless if the governance group was there or not.”

An IRO at a mid-cap public company, commented:

“What we try to do during proxy season is give the governance/proxy community a snapshot of what’s new on our proxy this year versus the past and what are some of the key things we want them to focus on in the midst of a very dense document. Then we also reach out, typically in the Fall, to solicit feedback to ask them to tell us what they would want us to do differently or what their hot-button issues are. So it is really a give and take and it’s not just us talking to them. Frankly we have not had great results on our Say on Pay in the last 2 years, so we have spent a lot of time soliciting feedback.”

Stephanie Wakefield, Vice President, Investor Relations at Informatica, commented:

“We brought our lead independent Director and he has done a bunch of governance roadshows and he knows a lot of these people too, so that does help. We also had a deck. It was probably 7 or 8 slides of, here is a little background, here’s our board composition, here is the background of those board members, here’s our corporate performance over the past couple of years, so just some really basic stuff. Then we had a slide or 2 on ‘big picture’ and how we think about governance parameters.”

### **ROI and Feedback on Outreach**

Our participants received overwhelming positive feedback from investors. The corporate governance/proxy community is happy to engage in a dialogue in order to get ahead of any potential issues and help issuers become more thoughtful about governance. Additionally, investors are happy to make governance part of their discourse with issuing corporates. Todd Coakwell, Director of Investor Relations at Agrium, commented:

“Everybody that we contacted wanted to meet the Board members. Nobody said no. Once we got there, at least half the meeting would be on governance issues even though we might have liked it to have been more; half of it would then fall back into the fundamentals and our business. At the end of the meeting, we would come right out and say ‘so is this valuable to you, would you like to do this again?’ And I would say every single one of them said ‘yes, this is helpful, I really appreciated this and we would like to do it again in the future.’”

### **Parting Advice**

Participants highlighted the importance of partnering with the corporate secretary in order to execute a well-orchestrated governance outreach, as well as keeping the presentation and slide deck simple in order to leave time in the meetings for questions and discussion.

David Dragics, Senior Vice President at CACI International, commented:

“As a first step, I would be going to the Corporate Secretary. Every IR officer should be bonded at the hip with their General Counsel who most usually is the Corporate Secretary. But if that’s not the case, get to know the Corporate Secretary, and find out from them their view of where things are from a corporate governance standpoint. Start being the catalyst to bring the investor relations side in and working with the Corporate Secretary. When you get right down to it, it’s nothing more than an early warning system to prevent any issues with the proxy. So take the initiative. Don’t wait for the Corporate Secretary to come to you, go to them and say, ‘Corporate governance is getting to be more of a daily issue, especially given all of the regulations that are coming out as a result of Dodd-Frank. We need to go see or talk to the people who vote our shares at least once a year. What can we do together to help establish good corporate relations so that these people know us before we have to go to them and ask for their vote?’

Todd Coakwell, Director of Investor Relations at Agrium, commented:

“For next year’s meetings, I would either shorten the presentation or not bring one at all. We put a lot of effort into building this presentation and we found we used it very little or if at all. I found we maybe went actually to the presentation and flipped through it with these institutions maybe twice as they liked to get right into their governance questions.”

**Author:** Jason Oury

*Jason is a Director in the Global Markets Intelligence Group*

**Guest Contributors:**

**Todd Coakwell, CMA**

Todd Coakwell is the Director of Investor Relations at Agrium, Inc., one of the largest agricultural products and services companies in the world. With extensive knowledge in investor communication and support, Todd also has direct experience in activist shareholder interaction and campaigns.

Prior to his role in Investor Relations at Agrium, he worked for 15 years in the energy sector in Calgary, Alberta, where he managed strategic planning, corporate internal/external reporting departments and controllership positions for publicly traded companies.

Todd obtained his Bachelor of Commerce degree from the University of Calgary and his Certified Management Accountant (CMA) designation in 1998.

**David L. Dragics**

David L. Dragics is Senior Vice President, Investor Relations for CACI International Inc. Mr. Dragics joined CACI in August 1998 to manage the company's overall investor relations program. The experience Mr. Dragics has in the investor relations area and the financial community, before joining CACI, includes directing and managing the investor relations programs for two NYSE-listed companies, where he won awards for annual reports he developed and produced.

Mr. Dragics is a retired colonel in the U.S. Army, having served 26 years of both active and reserve duty in military intelligence. He is a Vietnam veteran, has had two unit command assignments, and was called back to active duty for Operation Desert Storm, where he directed operations for the Defense Intelligence Agency's Desert Storm Task Force. Mr. Dragics holds a Bachelor of Science degree in business administration with a major in finance from The Ohio State University and a Master of Business Administration in finance and marketing from the University of Pittsburgh. A native of Newark, Ohio, Mr. Dragics and his wife, Renee, now live in Annapolis, Maryland.

**Stephanie Wakefield**

Stephanie Wakefield leads Informatica's global Investor Relations team. With a capital markets and marketing background, Stephanie took on the Informatica Investor Relations function in late 2003 and has helped drive recognition for growth to a \$950+ million revenue company with a market cap exceeding \$4 billion. Stephanie started her career on the Debt Capital Markets desk at Deutsche Bank Securities, followed by solutions and product marketing positions at MicroStrategy and Informatica.

Stephanie has been honored by the American Business Awards and the International Business Awards with Stevie Awards as the Communications, PR or IR Executive of the Year 2011. Stephanie has also been recognized two-time Institutional Investor All-America Executive team member (2009, 2011).

Stephanie graduated from Dartmouth College with a B.A. in Economics and in Asian Studies (Chinese). She holds an MSc in Development Finance from the University of London School of Oriental and African Studies. Stephanie is the president-elect of NIRI Silicon Valley.