NIRI Virtual Chapter

Program Wrap-Up

Program Title: Board Engagement and Reporting

Program Date: December 12, 2018

An increasingly important function within IR teams is communicating with the board of directors to support the board's oversight function. This role generally takes two forms. First, IROs operate as intermediaries between the investment community and the board in supporting both investors' *investment decision* as well as the *voting decision* function – and providing the board the information it needs to make decisions. Second, over the last several years, IROs have even become involved in facilitating *direct* engagement between board members and investors.

No matter what, communications with the board are among the highest-impact activities that IR teams conduct, meaning that following best practices (and *avoiding* the wrong approach) is exceedingly important in every interaction. NIRI Virtual Chapter excels at creating the connections necessary to help companies share these types of best practices and experiences with one another; hence, for its session *Board Engagement and Reporting – Facilitating a Healthy Exchange*, NIRI Virtual Professional Development Committee member Melanie Hennessey assembled three perspectives from the corporate community:

-Representing the board, *Tony Walsh*, director of NOVAGOLD, Sabina Gold & Silver Corp., Dundee Precious Metals, and until recently the TMX Group Inc.

-Speaking from both the IR and corporate legal perspective, *Sherry Wendt*, director of investor relations for Cenovus Energy (previously associate general counsel and assistant corporate secretary)

-For the macro-level view, *David Bobker* of Rivel Research, who works with a wide range of public companies in both the IR and corporate legal worlds

Here's what we learned from the discussion:

-Most IROs interact directly with the board at board meetings…survey data shows a majority of IROs attend at least one board meeting per year, attending on average three meetings and presenting directly to the board on average twice annually. Further, based on an in-session NIRI Virtual Chapter survey, more than 50% of session attendee IROs present data and commentary directly to the board.

-…**and most boards want IROs to interact with them directly.** Given the rise of activism and the increased focus from investors in making active voting decisions, board members are looking for IR teams to provide them the unbiased views of the investment community, *without* the filter of rose-colored glasses. Panelists suggested reporting ownership activity to boards along with the reasons for the activity

– 47% of session attendee IROs provide comprehensive reporting on *more than* just basic ownership changes, possibly including fund strategies and policies, opportunities that may arise from changes within the investment community, and market dynamics that help the board think about how its investment story fits into portfolios. Providing investor commentary from *both* holders *and* non-holders is also beneficial…each are a valuable constituency for the company over time. Boards are also interested in forward looking information where possible, including consensus metrics.

-**Investors trust companies whose boards are willing to engage with them, both directly as well as through the IR process.** 49% of investors in a 2016 Rivel survey rate the importance of issuers proactively engaging with investors to discuss governance issues as "very important," The inverse is also true – issuers that aren't proactively communicating with investors may be missing an opportunity to build trust.

-**Active shareholder engagement programs are becoming a best practice across the issuer community.** Panelists noted that directors are becoming more comfortable with communicating directly with investors, and if issues arise that would affect the actions of the board, board members may be the best messenger for the company's story. Shareholders cite poor disclosure in some aspects of the company's corporate governance structure and, in particular, lack of clarity on how compensation aligns with shareholder value, as the two primary complaints about companies; these are part and parcel of the efforts of the nom/gov and compensation committees, and having those individual directors involved may make sense in certain cases. However, preparation is critical for any program that has board members involved – steps including outreach to the right individuals, providing an agenda in advance, maintaining the "guardrails" during the conversation, and post-meeting follow-up, are all important aspects of this type of engagement.

-**Engagement around the investment decision naturally benefits the voting decision as well.** Your ongoing investor communication strategy to drive supportive *investment* decisions (knowing your existing shareholders and targeting new shareholders) aligns well with offering communication and transparency to *voting* decision-makers, and can lead to increased voter turnout, a better understanding of investors' expectations, and opportunities to improve the company's overall disclosure. In a world where over 60% of proxies have the PM's / analysts involved in the voting decisions, it's an essential and good use of resources to have IR and management able to tell the story to support both types of decisions.

The NIRI Virtual Chapter produces programs such as this one on a monthly basis throughout the year – this type of interactive session is an excellent example of how Virtual Chapter members can share best practices and learn from experts through a virtual connection.