Building Better Relationships with Passive Investors



NIRI Virtual Chapter Professional Development Series

Wednesday
December 11, 2019
Noon – 1pm EST

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- NIRI Virtual offers Continuing Professional Education (CPE) credit for attending and participating in our monthly programs.

- For CPE Credit, you must answer all three (3) of the polling questions AND you must complete the program survey that is provided at the end of this presentation.

Q&A

- If you are participating via the live webinar, you can type your question in the “chat box” at the bottom of your computer screen

Professional Development Unit (PDU)

- Holders of the NIRI IRC® credential can earn 1 professional development unit (PDU) per meeting/webinar. IRC-credentialed speakers may also earn PDUs. More information is available at www.niri.org/certification.

Agenda

Learning Objectives

- Explore the trend toward passive investing
- Understand the need to include passive holders in your IR strategy
- Learn how to target effective communications for passive holders
- Review best timing, approach and company participants to maximize engagement
- Examine lessons learned from a company's successful engagement strategy

Moderator and Panelists



Moderator

Barbara Doyle
VP – Investor Relations, H.B. Fuller
Formerly served in IRO and finance senior roles at Itron, Inc., Lawson Software and IBM Corporation

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Panelist

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Panelist

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Panelist

Shannon Votava
Legal advisor to global technology companies.
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Polling Question #1



Approximately what percent of your shares are held by passive investors?

A. Less than 25%
B. 25 – 35%
C. 35 – 45%
D. More than 45%
E. Not sure

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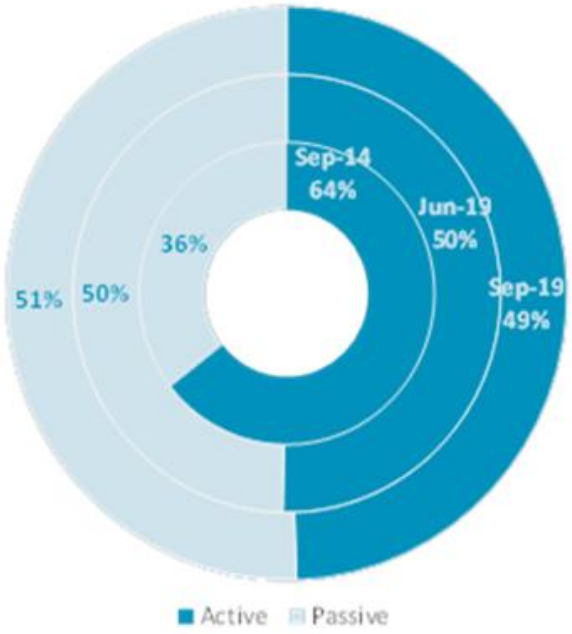
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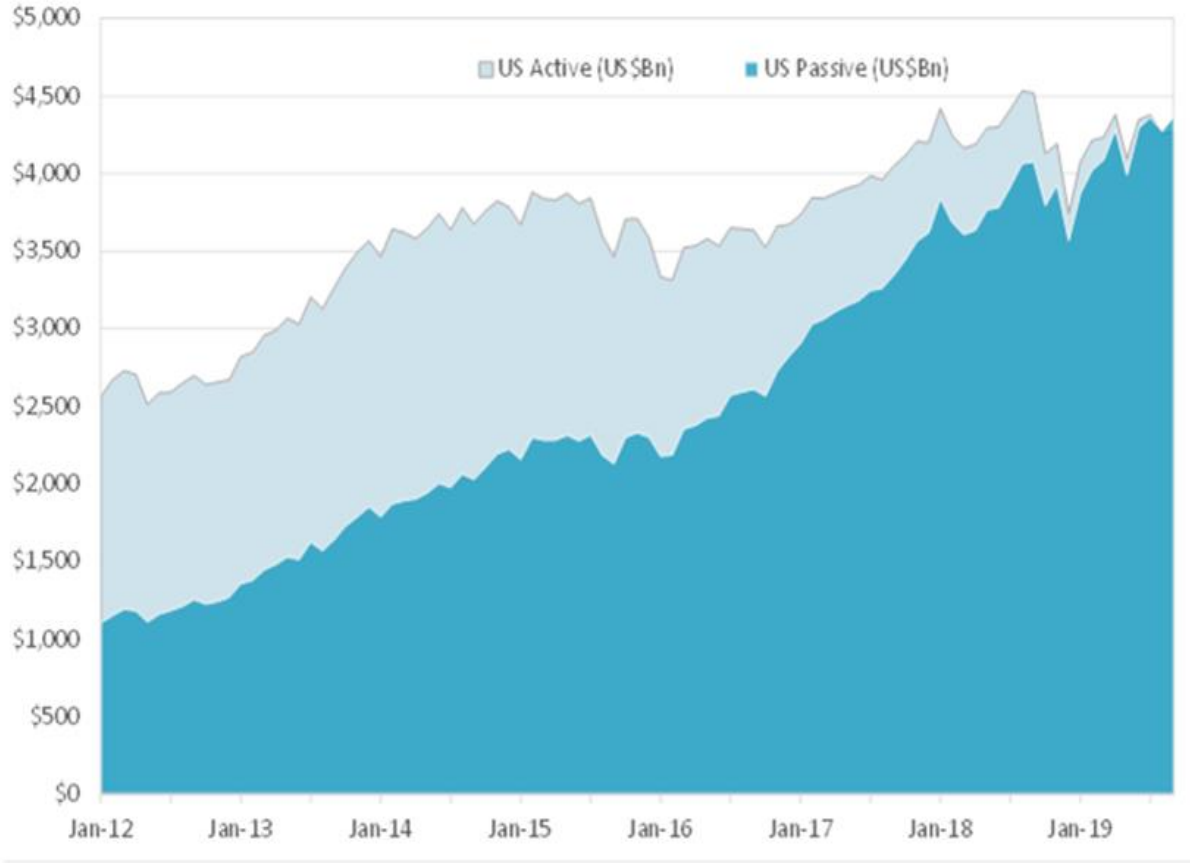
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Current landscape of investment management – U.S.

United States







Source: Morningstar

Polling Question #2



How would you characterize your efforts to proactively reach out to your passive shareholders?

A. I’ve had this as a goal and have had some success
B. I’ve had this as a goal and have not yet been successful
C. I’ve not had this as a goal up to this point
D. I don’t think this is a necessary goal
E. I generally wait until there is a proxy vote issue

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Governance / E&S Engagement Overview

- Investors most interested in engaging on Governance / E&S matters are the large Passive / Index investors (i.e., Vanguard, BlackRock, State Street) and actively-managed funds with influential stewardship teams (i.e., T Rowe Price, CapRe, Fidelity)
- These constituencies care deeply about engaging with companies on ESG matters, as they view it as a risk management tool to ensure that portfolio companies and Boards are exercising sufficient risk oversight and being good stewards of investors' capital
- While different Stewardship Teams will have slight variations on policies, there is general consensus among the investor community that "good governance" generally consists of (1) independent, diverse and committed directors with relevant and complete skill sets, (2) appropriate Board oversight of strategy and risk, (3) Executive Compensation that is aligned with long-term performance, and (4) no excessive limitations to shareholders having a voice or vote on governance matters
- In addition, Environmental and Social matters are increasingly topics of engagements conducted with Stewardship teams
- Proactive Governance engagement should be timed with the goal of securing a meeting and minimizing disruption to the investor, so the primary window for engagement is between late-August and early-December, the "off-season" to proxy-related voting work
- Topics to cover during governance engagement can include: (1) Overview of business strategy and financials, (2) Board Composition, (3) Risk Oversight, (4) Executive Compensation, (5) Shareholder Rights, and (6) Environmental & Socials ("E&S") / Sustainability
- Companies should target to have Governance engagement with the "Big-3" passive investors (Vanguard, BlackRock and State Street) and large, actively-managed institutions such as Capital Group, T Rowe and Fidelity
- Secondary targets are company-specific and will depend size of investor positions and historical engagement
- For normal course, annual Governance engagement, it is typical for Investor Relations and the General Counsel / Corporate Secretary to attend, but there are scenarios where it would be more appropriate for either the CEO / CFO or the Independent Chairman / Lead Independent Director to attend the meeting
- It is common for companies to come with a short presentation (8-12 slides), outlining topics to be discussed, which will help guide the conversation and can be left behind with the investor

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Company Case Study - Lessons Learned

- Encourage independent Director participation
- Prepare early
- Expect a different kind of discussion and focus
- Meetings will require a great deal of prep
- Utilize the same Directors each year for relationship continuity
- Feedback and Follow-up are key
- The view is worth the climb

Polling Question #3



Do you expect independent directors from your company's board to participate in outreach meetings with your top investors?

A. Yes, and this occurs already

B. Yes, we are planning this for the future

C. No, not at this time

D. Don't know

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2019 – 2020 Virtual Chapter Program Calendar

Date	TOPIC
December 11, 2019	Building Relationships with Passive Investors
January 8, 2020	Market Sentiment/Investor Attitudes
February 19, 2020	Election Year Forecasting
March 20, 2020	Targeting
April 15, 2020	ESG
May 6, 2020	Award Winning Investor Relations
June 2020	NIRI National Event – Miami

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