

## Working together :

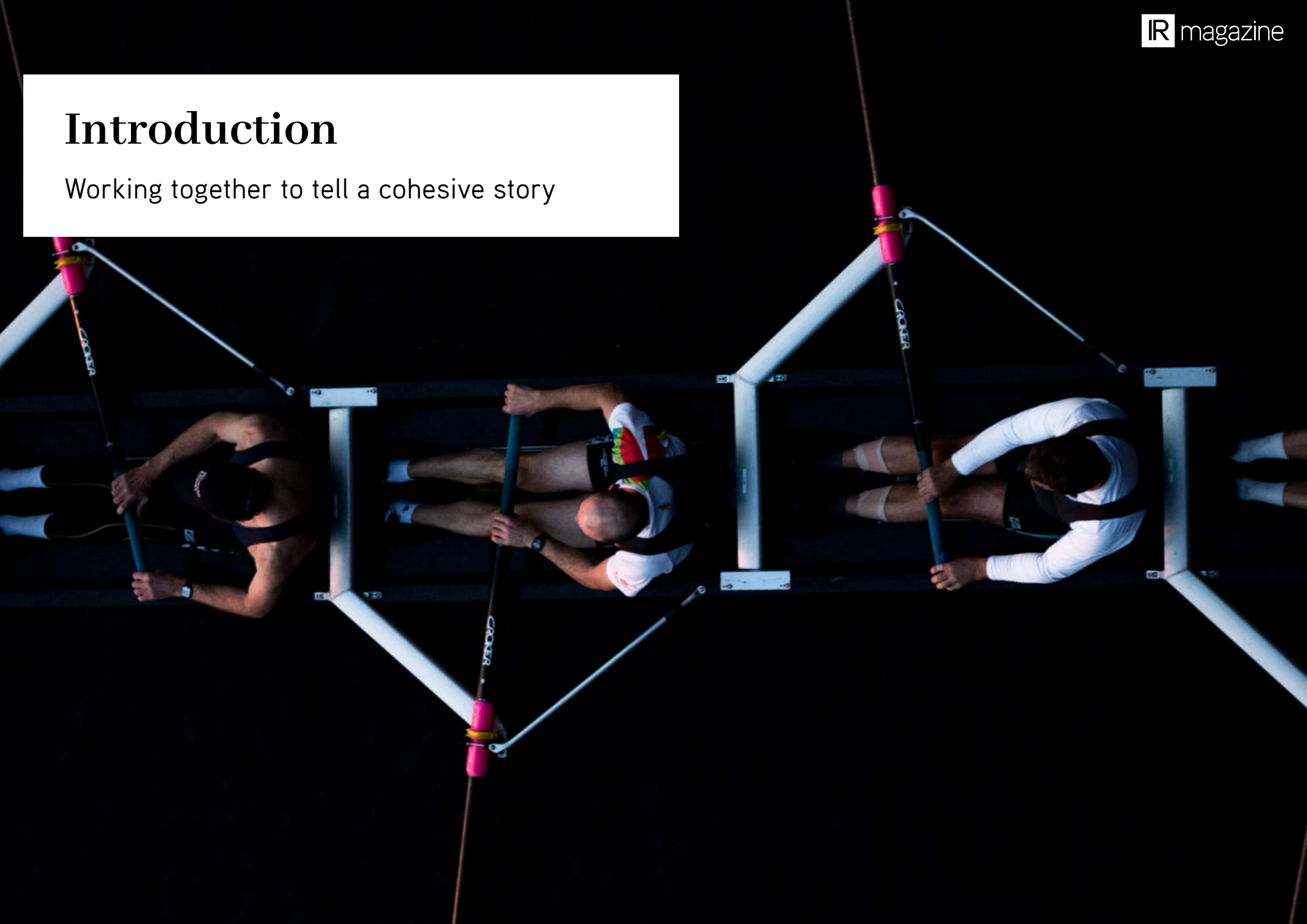
How governance and IR teams tackle key challenges

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# Introduction

Working together to tell a cohesive story





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# Introduction

## Working together to tell a cohesive story

A growing number of professionals are recognizing the benefits of governance/legal and investor relations teams collaborating in areas where they can share expertise and bring different perspectives to tasks that are changing as investors' expectations evolve.

Not every part of their respective workloads is suitable for cross-pollination, but many of the key items on each of their annual to-do lists are proving to be fertile ground for co-operation. Overall, professionals say that perhaps the greatest benefit of IR and governance team collaborations in these areas is the creation of a coherent and effective narrative for the company across its most important interactions with investors.

In preparing this special report, Corporate Secretary and *IR Magazine* spoke with IR and governance/legal professionals at Hewlett Packard Enterprise (HPE), Regions Financial Corporation and Salesforce.com about how they deal with three of the most important challenges they face each year: the proxy statement and AGM, shareholder engagement and ESG reporting.

Each has his or her own way of approaching the hurdles they face. But they all strongly value working alongside their colleagues in IR or governance. We also spoke with external experts at Georgeson and Computershare for their industry-wide perspective on best practices.

## Proxy season

From venue selection to drafting the CD&A

# Proxy season

## From venue selection to drafting the CD&A

For investor relations and governance teams, each proxy season means creating a proxy statement and preparing for an AGM. These tasks involve a range of both traditional and new challenges as investor expectations change and the regulatory landscape evolves.

‘The proxy statement has evolved as a marketing and communications document [in addition to its traditional role], and so it is increasingly important for IR and communications teams to have a seat at the table,’ says Hannah Orowitz, a managing director on Georgeson’s corporate governance advisory team.

Jennifer Warren, CEO of issuer services for North America with Computershare, says areas where IR and governance teams can collaborate in preparing the proxy statement include diversity disclosures, human capital management, succession planning, climate change, compensation practices and board matters such as refreshment and tenure.

At San Jose, California-based HPE, the governance/legal team takes the lead in drafting the company’s proxy statement – as is the case at most, if not all, companies. But Derek Windham, vice

“ The proxy statement has evolved as a marketing and communications document ”

president and associate general counsel for corporate, securities and finance, notes that HPE also tries to take advantage of the document as a tool

for communicating with shareholders rather than just a regulatory requirement.

Windham says that while his legal team ‘holds the pen’, it works with IR on the messaging to shareholders. His colleague Andrew Simanek, vice president and head of IR at HPE, explains that his team takes note of the shareholder feedback it receives during the year, from both passive and active investors. Although some investors give high-level feedback, others are very specific.

In terms of process, Windham says the legal and IR teams work closely together throughout the year, so there is less of a need for formal arrangements between the two when it comes to preparing the proxy statement. The teams begin to look at the document around November. Although there was more of a governance focus a few years ago, the content of the proxy statement has evolved and the investor relations team also discusses how information is presented, Simanek adds.

### Broad benefits

In Birmingham, Alabama, Regions Financial Corporation's Hope Mehlman, executive vice president and chief governance officer, and Dana Nolan, executive vice president and head of IR, have a similarly close working relationship. This involves, among other things, a weekly 11.00 am Monday call – which also includes corporate communications and SEC reporting colleagues – and a quarterly deep-dive meeting for IR and governance. 'We feel we have a unique relationship,' Mehlman says. 'It's a partnership, not a silo. That benefits *all* our stakeholders.'

For Regions, the proxy statement process also begins in November and the following month there is a kick-off meeting for all those within the company who are taking part, with governance doing the drafting and heavy lifting, according to Mehlman. During the drafting period, those involved can access the document on an online platform to ask questions and leave comments without the need for multiple separate copies.

Toward the end of the process, all the teams involved hole up in what Mehlman calls a 'Hotel

“ When you work as a team you get a better end-product ”

California' session to make sure the proxy statement is accurate and complete before it is sent to senior executives and the board. Those in this session include members of the SEC reporting, compensation and benefits, corporate communications, IR and governance groups. 'When you work as a team you get a better end-product,' Mehlman comments.

The AGM is another essential aspect of every company's proxy season. At Salesforce.com in San Francisco, investor relations under senior vice president John Cummings takes the lead in preparing for the event. But there is also hefty involvement from legal, explains Scott Siamas, vice president and associate general counsel for corporate, securities and global governance, such that he and Cummings end up talking almost every day in the run-up to the meeting.

Important areas of co-operation between the teams include selecting the venue and its size, physical security, the layout of the room and decisions over the use of colored lanyards to identify individuals with different roles. The level of co-ordination has increased as the teams have switched to using a 'living document' based on the company's own technology.

On the flip side, the legal team under Siamas takes the lead on preparing the proxy statement then sends it for IR to review. The main area of focus for IR is the CD&A section, though it looks at the entire document. IR may be involved in responding if there is a shareholder proposal – for example, one that relates to compensation – but most proposals largely call for a legal response, Siamas notes.



## Shareholder engagement

Understanding the perspectives of portfolio managers, analysts and stewardship teams

# Shareholder engagement

## Understanding the perspectives of portfolio managers, analysts and stewardship teams

Many investors have come to expect far greater engagement with companies than has traditionally been the case. They are also increasingly looking for that engagement to take place year-round, involve ESG issues and – in some cases – include directors. As a result, governance teams are increasingly part of engagement programs that have in the past been part of the IR team's remit.

At Regions, it is Nolan's IR team that meets with portfolio managers and financial analysts. But she notes that the IR and governance groups collaborate by helping each other understand the perspectives of the different people involved on the investor side and what they are interested in. They will also sometimes participate on the same investor calls.

On the governance side, Mehlman undertakes extensive engagement work that includes face-to-face meetings with shareholders at industry conferences. She is one of only two corporate

“ The advent of say-on-pay votes in the US led IR and corporate secretary teams to work together to engage with shareholders ”

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members of the Council of Institutional Investors' board, where she sits on the policy committee, and she is vice president of the Society for Corporate Governance's southeastern chapter.

Mehlman is also an advocate for director involvement in the engagement program. For example, she organized – and both she and Nolan attended – a dinner for investors to meet with the

chair and three committee chairs from the Regions board. Her team has also invited investors to come to board meetings, meet with committees and share their views on corporate governance.

'Shareholder engagement was traditionally very much a function of the IR group. But the advent of say-on-pay votes in the US led IR and corporate secretary teams to work together to engage with

shareholders on a range of governance issues that historically were beyond the scope of investor days and analyst calls,' says Warren.

That has been the case at Salesforce.com. Siamas notes that a few years ago the company had a low say-on-pay vote it was determined to improve. The result was a great deal of shareholder engagement and a lot of work involving both his team and IR. Now the company has a healthy say-on-pay vote it continues to make extensive outreach efforts but fewer investors want to talk because they no longer have concerns, Siamas says.

If the company plans to make changes to its compensation scheme it first conducts comprehensive engagement involving the IR, legal and executive compensation teams. They hear investor feedback on the planned changes and adjust their plans accordingly, with the revised changes then reflected in the proxy statement, Siamas explains.

Orowitz says the decision on which team takes the lead in engagement will depend on the company and the investor at issue, such as whether it is driven by

stewardship teams or portfolio managers, and whether it is passive or active. For example, the corporate secretary/legal group may be the most suitable to meet with stewardship teams, she adds.

# ESG reporting

Owning the ESG story

# ESG reporting

## Owning the ESG story

One of the toughest emerging challenges faced by governance and IR teams is deciding how to meet the growing investor demand for ESG-related information. Among other things, they need to determine what information to report, how they should present it, which metrics and standards to follow and which platforms work best for delivering the information.

As an indicator of these developments, the Sustainability Accounting Standards Board stated in December 2019 that 120 companies are now using its 77 industry-specific reporting standards, but many more are yet to take that step. Similarly, a recent EY study finds that some major US companies are beginning to add information about human capital management to their proxy statements, but that those disclosures are often lacking in important details.

The nature of ESG issues mean that, increasingly, a broader range of teams within companies need to

co-operate on reporting that information. For example, although legal takes the lead on reporting through the proxy statement, Simanek says HPE's sustainability group takes the lead on ESG disclosures not included in the proxy statement. But that remains a collaborative process that also involves working with others such as the enterprise risk-management group.

The SEC's current plans to update corporate reporting by amending Regulation S-K would, if approved, include human capital management as a topic for disclosure. Such a change would underline the need to involve human resources in ESG-related reporting.

At Regions, Mehlman explains that she takes the lead on ESG reporting but that she consults with IR

before moving ahead with changes. For example, her team is talking about working on a Task Force on Climate-related Financial Disclosures (TCFD) report, but she says IR's input will be key to a final decision. In addition to a potential TCFD report, the company is planning to create a consolidated online platform where all relevant ESG information will be housed and available to all stakeholders, including employees and investors.

Salesforce.com is moving ESG data from separate reports into its filings, Siamas says. He adds that reporting ESG information is increasingly part of the firm's shareholder engagement, and that his team goes to investor meetings prepared to talk about ESG issues. At the same time, he adds: 'IR has to speak this language now.'

“ IR has to speak this language now ”

# Conclusion

Different approaches; positive results



# Conclusion

## Different approaches; positive results

Governance and IR professionals report finding many benefits from working together on the proxy statement, engagement and ESG reporting. These can include a more collegiate environment and new insights into how to communicate and engage with investors. 'We each bring a different lens' that helps the company develop a more comprehensive response to shareholder feedback, Simanek says. He notes that each team has areas where it is stronger than other teams, adding: 'We couldn't do this without them, and vice versa.'

A key theme, however, is the value of collaboration in improving the company's relationship with investors by telling its story effectively. 'Companies today face varied, complex

issues that require diverse subject matter expertise and insights to effectively communicate to shareholders and other stakeholders on these topics. The bottom line is working to have coherent communications and a consistent narrative,' Orowitz says.

She welcomes the use of shared editing tools for preparing the proxy statement, noting that different people can be given different levels of access and editing authority for different parts of the document. In terms of co-operation between IR and governance teams overall, Orowitz notes that some companies take an ad hoc approach while others adopt a more structured plan with assigned roles.

Ultimately, it is important for IR and governance teams to keep an open mind, she advises: 'Don't feel limited in how you approach these tasks. It's a fast-evolving area and companies have different levels of resources. Companies should do what works for them and not necessarily be confined by traditional roles.'

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