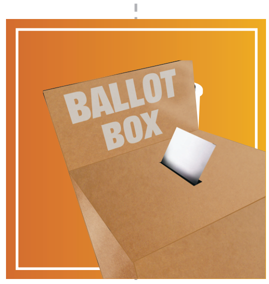
- Communication with investors often treated as an afterthought
- Better use of web technology and social media is a good starting point
- Branded packaging helps proxy materials capture attention
- Pictures say more than words: make use of virtual meetings and video annuals

By Sherry Moreland

Engaging shareholder communications

Recent talk about the 2010 proxy season is fraught with anxiety regarding the impact of the changes to NYSE Rule 452. The election of directors is no longer deemed a routine matter, giving pause to issuers that won't have the comfort of automatic discretionary voting processed by some brokers.

Many recommendations have been made to help issuers prepare for the changes, including a review of shareholder profiles and past voting patterns, preparing voting assessments, educating the board, forming strong relationships with institutional investors, evaluating the need to hire a proxy solicitor, considering adding a routine proposal to the ballot to ensure quorum is met, preparing contingent strategies if a director or other proposal fails to pass, and fostering shareholder communication.



Oddly, this last point is usually added to the list of recommendations as an afterthought – but isn't it possible that, if effectively communicating with shareholders was made a higher priority and a matter of routine, concerns about changes to Rule 452 would be minimal or nonexistent? Perhaps the rule change presents issuers with an opportunity to think about new ways to communicate with shareholders. Often, communicating with retail beneficial shareholders and registered shareholders has not been a high priority. Instead, the focus has been placed on attracting new investors and forging relationships with institutional shareholders.

Times are changing, however, and shareholders are demanding more timely information. It's widely accepted that shareholders don't vote due to apathy, and yet watershed events such as major economic change or war increase voter turnout, as proven by the 2008 presidential election. The same is true for annual meetings. Shareholders are concerned about the economy, and executive compensation and other financial events are causing them to take a hard look at how their investments are managed – and how they are performing.

Using continual communication to engage shareholders is easier and less expensive than trying to engage them when there's a problem, and issuers have more options than ever before for creating engaging communications.

The nature of engaged communication

Many issuers already communicate regularly with shareholders: they have a corporate website, mail proxy packages or notices, and post proxy material electronically. These are all valid methods of reactive communication, but issuers should begin thinking in terms of proactive, two-way communication. For example, what if issuers explained *why* a shareholder vote was important, and this was done prior to the proxy mailing? Many shareholders will tell you they don't vote their proxy because they lack understanding of the proxy statement and don't feel their vote makes an impact.

Posting shareholder education articles about the components of the annual meeting and proxy along with an encouragement to vote is one way to engage shareholders; as the annual meeting approaches, posting updates or new messages about how to vote via paper, internet or telephone is another. Using the corporate website to explain notice and access and inform shareholders of upcoming events would go a long way toward encouraging them to become involved in the annual meeting process. This message could also be spread by inserting information in dividend or other shareholder mailings.

Before the internet and corporate websites, many issuers would reach out to shareholders via print and mail campaigns on corporate policy, compliance and performance. This practice fell by the wayside as a means of reducing expenses, however. Today, with social media tools such as Twitter, Facebook, LinkedIn and blogs, issuers can reinstate or begin new outreach campaigns. These tools may even make shareholder communication more effective.

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Getting social

While effective use of social media in the areas of investor relations and shareholder communications is still being explored, the SEC has stated that these tools can be used alongside other, more traditional methods of disclosing information. Companies like eBay use Twitter to disclose quarterly earnings; last year Johnson & Johnson tweeted minutes from its annual meeting.

Perhaps issuers adopting notice and access could use social media sites to announce their decision and alert shareholders to expect the notice. By using corporate website postings and social media, issuers can begin engaging shareholders way ahead of the annual meeting. Raising the shareholders' awareness throughout the year may mean they will pay more attention when the proxy package or notice of annual meeting arrives.

And why do proxy mailings have to be so boring? It's no wonder shareholders don't pay much attention to the annual proxy package – it usually arrives looking like a piece of junk mail. Proxy mailings are expensive, so why not design them for maximum advantage by branding the cards and envelopes and inserting a letter from the chairman expressing the value of shareholder participation? Placing a message on the outer envelope emphasizing that the package is critical is another effective way to catch shareholders' attention.

All issuers are required to make their documents available electronically. This can become a very valuable area for exposing the issuer's message and branding to both registered and beneficial shareholders. Ensuring documents are more accessible and easier to search and navigate sends a message that you *want* the shareholder engaged. Some sites post video messages from the chairman and/or senior managers; others use video annual reports. It's a proven fact that people remember what they see better than what they hear or read, so a video annual or other video message is a powerful forum for engaging shareholders.

Annual meetings are another way to keep investors engaged. Unfortunately, so much emphasis is placed on minimizing disruptions from activists that many meetings are not very welcoming to investors. Electronic shareholder meetings may be a good option – while there are concerns about whether this format is truly interactive and whether votes that are captured during the meeting can be validated, the technology will continue to evolve and many issuers will likely adopt at least a hybrid approach (a combination of some interactive components and a live meeting).

Shareholders can also be engaged via surveys, which can be completed online or on paper, with their results reported to the board. Last year one very innovative company enclosed a survey regarding say on pay in its proxy statement, providing a way for the shareholder to communicate directly with the company. If the shareholder wanted to have a dialogue with the company, he or she simply needed to check a box and provide the best way to contact him or her via telephone or email. Inviting shareholders into an open dialogue like this sends a strong message.

The bottom line is that issuers today have a wider range of tools for communicating with shareholders than they have ever had before. The more of these tools an issuer chooses to employ, the more engaged its shareholders will become. CS

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