

Article Reprint

Proxy Season 2009

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Proxy Season 2009 – and the IRO



Hank Boerner

The swirl of activity surrounding the annual proxy voting season has long been the province of the legal team and corporate secretary, with the IRO usually not directly involved in those aspects of the corporate governance process. That situation is fast changing, as the nature of the corporate proxy process itself is dramatically changing. The state of the markets as the year 2009 begins is a factor; investors are angry, disappointed, discouraged, and seeking greater accountability from boards and top management. More than ever, this means that in some way the IRO will be swept into the proxy season swirl — and at times, could play a central role in this aspect of investor-corporate communications.

A growing number of investors are looking to directly and indirectly increase pressure on boards and top management to improve financial performance, change certain behaviors, adopt or drop certain practices, be more accountable to shareholders, increase disclosure to create greater transparency, be better corporate citizens ... and more. The issues are as varied now as the advocates that embrace their cause and engage the corporation.


Where once shareholder-sponsored resolutions and voting campaigns on issues were the activities of relatively few shareholders or advocacy groups, over most of this decade the base of shareholder activists has grown to include more mainstream institutional owners, who either create resolutions or generate heat on specific board elections, or join forces with or lend support to the more experienced and skilled activists in their campaigns. For example, more mainstream institutions are now supporting the activities of labor union advocates, coalitions of faith-based investors, climate change investor coalitions and others. In addition, advocates are pressuring mutual fund advisors, foundations, and endowments to support their campaigns.

And so the proxy season agenda is now more and more in the province of the investor relations officer. The issues to be addressed

in proxy campaigns in 2009 are broad and diversified, some more important to mainstream institutions than others. The roaring rivers of change this year could bring real pressures on managements and boards on such issues as shareholder advisory votes on executive compensation (“Say on Pay”), accommodating shareholders on nomination of directors, board election process and outcomes (failure to attract votes = the director leaves the board), climate change, and issues that really, at their base, reflect a lack of confidence in corporate leadership.

We’ve asked experts in corporate governance and social issues to provide you with their take on proxy season 2009, so that you can be prepared for the events to come. Authors in this issue include Patrick McGurn of RiskMetrics/ISS, Bruce Freed of the Center for Political Accountability, and Tim Smith of Walden Asset Management / Boston Trust & Investment.

Behind the Board Door commentator Eleanor Bloxham, with co-author James McRitchie of CorpGov.net focuses on what boards and IROs need to know about the coming proxy season, and the lead article in this issue by Carol Metzger is “Pointing out Dragons: Informing Management and the Board about Risk.”

We hope this line up of outstanding expert commentaries helps to prepare you for the coming proxy campaigns of 2009. IROs play a unique role in the annual drama. As Carol points out in her story, according to findings of an August 2007 NIRI online survey, “IROs are typically the first point of contact between an activist investor and the company, and thus can play a unique role as an ‘early warning’ sentinel and key strategist in helping senior management and the board develop an effective response.” 

Hank Boerner is editor of *NIRI IR Update*, and has been a *NIRI* member for two decades. He’s a member of the Senior Roundtable, and VP-membership and board member of the New York Chapter. E-mail him at hboerner@niri.org.