



GUEST COLUMN

The Top Five Ways to...



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...Make Your Proxy Circular Reader-Friendly

Why bother to spend time or money to improve your proxy circular when few investors read it?

Trust – Clear communications build trust. Preparing a well-written, engaging annual report, together with a text-heavy, onion-skin paper proxy circular, makes people wonder what might be hidden in all of that hard to understand disclosure. There is likely nothing of concern, but having investors questioning your motives erodes trust.

Voting – While most institutional shareholders do not take governance into account when investing, their proxy groups certainly consider governance when voting and investors look to influence boards through their votes. Don't be the executive explaining that several directors have "vote no" campaigns against them because governance practices are not up to par or, worse, are poorly disclosed.

Internal value – A succinct and comprehensive governance treatise is a useful reference for corporate secretaries and IR professionals. All that great disclosure can also double as the governance disclosure on your website.

Now that you have a few reasons to do it, here are five strategies for creating a governance communications piece.

1. Project Team

Make the proxy circular a cohesive component of your communications to shareholders. The first step is to take a team approach – set up an advisory group with members from:

- the corporate secretary's office (overall production);
- external communications and IR (messaging and design);
- the controller's office (coordination with annual report);
- human resources (executive compensation disclosure);
- legal or outside counsel (technical regulatory review);

- designer, if not handled internally through communications; and
- sustainability or other departments that prepare annual communication pieces.

This team doesn't draft by committee, but ensures consistency in messaging, and the look and feel of related documents. One meeting is all you need to bring the communication strategy through each document.

2. Plain Language

It is not merely about the words, but they are a good place to start. Grand traditions and outside counsel precedents have created legalistic proxy circular disclosure. Language imported directly from the regulations can be read, but several attempts give ironic emphasis to the term 'circular file'. With executive compensation now at the forefront there is a bias toward 'compensation speak' – information provided in terms familiar to human resource professionals, but misunderstood by the rest of us. I like asking: "Would my 82-year-old aunt understand this?"

3. Messaging

Traditional, compliance-style proxy circulars often bury excellent disclosure. A rewrite lets you highlight practices your stakeholders most want to know about. Engage your reader in the first few pages and take every opportunity to make important information more prominent. Make it big, make it bold; get it noticed.

4. Visual Impact

The goal used to be to get as much information into as little visual real estate as possible. Now you need to think about an idea that terrifies many legal professionals – 'white space'. That might mean a longer document at first, but simplifying language and reducing repetition will offset this.

Color is a great tool to create visual interest. Here are five ideas that won't add expense:

- use a larger font size for your headings;



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- use different fonts for headers and text;
- highlight important columns or rows in a table;
- use lots of tables; and
- use other graphic elements, such as a flow chart illustrating the executive compensation approval process.

5. Ease of Use

Here are five ideas to make information easier to find:

- use a table of contents to identify the start of each major section;
- use mini tables of contents at the front of each major section (and the rest of the page to highlight important information or support your overall message);
- put page numbers on the outside edge of each page;
- make page numbers stand out with color or a graphic; and

- use the section name as a 'way finder' at the top of its pages.

Overall, simply work toward making the information useful to the reader. The best success flows from a concerted effort one year to overhaul your format and smaller but continuous improvements in subsequent years.

Now is an opportune time to make an initial push as it will pay off when regulators implement notice and access (mailed notice and website access with published proxies available only on request) for 2011. To get started, watch for the 2009 best practices guide from the Canadian Coalition for Good Governance (expected out shortly) or look at circulars from recent winners of the Canadian Institute of Chartered Accountant's Corporate Reporting Awards. ●

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