



Does your board have an owner relations committee?

The performance of corporate boards has changed over the past ten years - directors spend more time in the boardroom, are more focused on the big picture and are more cognizant of board governance principles. Perhaps it's now time for boards to go one step further on the accountability continuum and establish an "owner relations" committee. Similar to the compensation committee or the audit committee, this would be a separate committee of the board that monitors: (a) the activities and relationships of the company's biggest shareholders; (b) communications to all holders; (c) stock performance relative to company peers; and (d) insider trades. Additionally, the committee would (e) talk with management regarding key shareholder relationship matters, and (f) decide on the best board-investor communication forums.

It is that last bullet point that is the scariest to board members – because it might mean allowing a board member to talk directly with shareholders, a domain that many believe is rightly in the hands of the company's investor relations department. There are no requirements that directors communicate directly with investors and many directors believe that regulatory concerns prohibit such dialogue. That's not the case, assuming the right environment. So, with pressure from shareholders increasing, should your board be proactive and establish an owner relations committee?

Thinking about the board's accountability to shareholders is good board governance. Spark a dialogue about the board's shareholder monitoring activities and its relationship with company owners at your next board meeting by asking these questions.

1. Has your board shifted from a culture of discussing what is right for insiders, to what is right for the shareholders *and* other stakeholders?
2. Does the board regularly review shareholder activities and discuss how to engage with owners, how to share the company's value creation plan, and how to build relationships in the "off season?"
3. Has the board considered establishing regular meetings between the "owner relations" committee and large shareholders to talk about board governance?
4. Does the board put into practice independent and transparent board and director performance reviews, with shareholder input?
5. Has the board discussed the Reg FD issues with the company's general counsel? With an independent advisor?
6. If the board decides an owner relations committee is not appropriate at this time, how should it monitor shareholder matters?

BQs are published monthly. Discuss your answers in the executive session at your next board meeting. It could help your board become more effective.

