By Margaret M. (Peggy) Foran

Meeting the Challenges of Tomorrow Today

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At its core, corporate governance is essentially the relationship between a company, its management, its board, and its shareholders. The business fundamentals and drivers may differ across industries, but the philosophy behind good corporate governance—and the underlying processes – is very similar for all companies. It doesn't matter if you are dealing with different businesses or industries; good boards are good boards. They always have to get the job done right, in an effective, efficient, and ethical manner, and with a view toward long-term, sustainable value. Having a passion for corporate governance, and being committed to world-class governance practices, means making sure that shareholders are heard, and that things are done in the right way. Fairness and respect for people is critical.

Successfully navigating the ever-changing landscape of the governance arena will require a constant focus on communication and engagement with shareholders, at all different levels. In addition to focusing on the governance professionals at large institutions, engaging registered and retail shareholders is also a key element that cannot be ignored.

Finding effective and innovative ways to communicate with shareholders will become increasingly vital as companies continue to compete for their attention. In 2010, Prudential focused intently on communicating with registered shareholders. Fully aware of the demand for disclosure in a format all shareholders can understand, we went to great lengths to ensure our proxy materials were written in plain language. In addition, the Governance Committee proposed a "State of the Company" letter in the proxy, signed by each director, detailing the board's work throughout the year on compensation and governance issues. This was recognized throughout the governance arena as a groundbreaking step toward opening the lines of communication between the board and the shareholders.

As critical as it is to ensure that shareholders have sufficient information to make decisions, it is equally important that shareholders feel they have a voice, and that the company is listening. Offering a variety of avenues for shareholders to communicate their thoughts and concerns to the board is essential. In addition to the executive compensation website and the independent directors' email address, Prudential proactively solicited feedback from shareholders on the 2010 proxy card. With over 2,600 shareholder comments received, the board gained valuable insight regarding the issues of most importance to our shareholders.

Coming up with new and effective ways to increase quorum will also continue to be a challenge in the future environment. Recognizing that, historically, registered and smaller shareholders have not participated in the proxy process, Prudential implemented a novel incentive program to encourage these shareholders to submit their vote in 2010 and became engaged in their company. Leveraging our very strong environmental sustainability program enabled us to design a very successful program that resulted in an additional 23 percent of our registered shares being voted in 2010, as compared to 2009.

We live in an exciting world and, while there have been dramatic changes, I believe we have only just begun to see the extent of the impact effective communication and engagement can have. Ongoing regulatory reform in the areas of executive compensation and corporate governance will continue to drive companies to seek better ways to communicate with and engage their shareholders. As governance professionals, we need to ensure that we are being innovative, thoughtful, and respectful, and that we continue to strive for ways to present new information in a way that people understand it, are informed by it, and provide feedback.

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About the Author

Margaret M. (Peggy) Foran is chief governance officer, vice president, and corporate secretary at Prudential Financial. She has held similar roles at Pfizer. Foran recently was appointed a director at Occidental Petroleum after the company averted a proxy fight with Relational Investors and the California State Teachers' Retirement System.