

Successful Practices

Xilinx Inc.'s Maria Quillard, senior director of investor relations, said that when leading companies display good corporate governance practices, other companies follow. "Some practices are mandated; some are best practices. Best practices will eventually raise the bar," she said. Two NIRI members shared their successful practices with *Update*.

A Bonus

Consider three news articles that appeared in the same week in April — *Fortune* magazine's portrayal of the CEO as a pig at the compensation trough (including a cover with a pig in a business suit); an Associated Press blurb on the Internet with news of Skandia's CEO leaving the company and board after losing the confidence of shareholders, in part due to concern over level of compensation and bonuses handed to executives; and a *Wall Street Journal* article highlighting Planar Systems' unique "bottoms up" bonus plan that rewards the shareholder first and the CEO last.

Stewart Clark, investor relations director at the small-cap technology company, likened Planar's bonus plan to a banquet in which the CEO, as host, is responsible for ensuring there is enough food for all: "Shareholders have little control over the food, so they need to go to the table first. Our CEO has the most control over how much food is available, so he is last in line to eat." When the company has met its financial goals, monetary bonuses are handed first to shareholders, then employees, then management and, lastly, the CEO.

And investors and the media seem to be eating it up. Clark said that at a spring roadshow in New York, he and investors spent more time talking about a graph that explained Planar's compensation than any other slide — even revenue history. "Half of the questions in the breakout sessions after the presentation were about our compensation and bonus plan," he said. "We're get-

ting tremendous mileage with investors for having a progressive compensation system, and the *Wall Street Journal* article is taking that to a new level."

Does the high visibility of its compensation and bonus policy mean more scrutiny for Planar's board of directors or other governance issues? "Although I haven't seen it, we would welcome the same scrutiny for other parts of our business and corporate governance issues as we've received for our bonus plan," Clark said. "We'd stand out."

In Plain View

According to Gene Spencer, vice president of investor relations at Fannie Mae, his company has always worked hard at transparency and good governance practices. But realizing the power of the Internet to reach out to investors and make the public aware of this work,

Fannie Mae decided to reorganize its Web site. In January, the company unveiled a separate corporate governance section on its Web site (www.fanniemae.com). This section holds its governance guidelines; Code of Business Conduct and Ethics; board of director and committee information; and speeches by CEO

Franklin Raines, who sets a tone of high standards for Fannie Mae, according to Spencer. The site also links to a 19-page S&P Corporate Governance Score report.

After the company announced its new Web section, a few investors called to praise the site's organization. Hits to the corporate governance section are now averaging 2,000 per week, Spencer said.

Does corporate governance really impact business results? According to a 2001 study of 1,500 companies by Paul Gompers and two other Harvard Business School researchers, companies that were responsive to shareholders showed 8.5% higher annual returns and were more highly valued than companies with weaker shareholder rights. **IRU**

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