THE CONFERENCE BOARD

DIRECTOR NOTES

Board-Shareholder Engagement Practices

Findings from a Survey of SEC-Registered Companies

by Matteo Tonello and Matteo Gatti

Shareholder engagement is increasingly being added to the job description of the corporate director. The phenomenon is the natural evolution of the changes to the corporate governance landscape that have occurred during the last two decades. First, there is the expansion of the board's oversight responsibilities that resulted from the Sarbanes-Oxley and Dodd-Frank legislations. Second, there is the progress made by the shareholder rights movement, with investors' claim for a more direct involvement in business decision-making.

This *Director Notes* analyzes and documents emerging practices in the role of the board of directors in the corporate-shareholder engagement process. It is based on a 2018 survey of corporate secretaries, general counsel and investor relations officers at SEC-registered public companies conducted by The Conference Board and Rutgers University's Center for Corporate Law and Governance (CCLG).

It has long been customary for public companies to interact with their shareholders, on earnings calls and at annual general meetings (AGMs). These traditional forums of communications are periodically convened to apprise investors of financial results, material organizational decisions, and key strategic choices. However, they seldom actively involve shareholders' main fiduciaries—the members of the board of directors.

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In the last few years, this has started to change. Board members are increasingly taking the stage in the company's relations with its investors, which in turn expect easier and more direct access to the board. Three main factors are responsible for this cultural shift in communication practices:

With say-on-pay, executive compensation is no longer a key subject of shareholder resolutions. Following the introduction of "say on pay," the number of shareholder resolutions on issues of executive compensation has declined significantly. Adjustments to the company's compensation structure, especially when it comes to issues of pay for performance and pay equity, are now being discussed in the period of time that precedes the voting season rather than in the weeks immediately prior to the company's AGM. Boards of directors and management have been proactively pursuing forms of engagement with shareholders, especially the large institutions that can make or break the advisory vote. While some shareholders felt energized by the reform and are innovating the formulation of shareholder proposals on this subject by pushing for new topics (including equity retention, limits to golden parachutes, clawback policies and gender pay gap disclosure), hardly any company can afford to walk into an AGM without having spent the preceding months gaining assurance of the broad consensus on its compensation policy.

Activism has become an asset class of its own. Over the course of the last decade, activist investing has matured into an asset class of its own, widely recognized as the driving force behind several governance developments—from proxy access to corporate political contribution disclosure. A force to reckon with, activists have demanded a level of attention by senior executives and board members that had not been seen since the corporate raids of the 1980s. Over time, activist investors have developed into quite a heterogenous group, with different motives and investment strategies. Among some public-attention seekers and short-term speculators, it also includes public pension funds, passive index funds, and other asset managers moved by the belief that investing in stronger corporate governance and sustainability practices can pay off and translate into long-term competitive advantage. This breed of more forward-looking, consensus-building activists expects to be heard but is open to engagement and compromise. Rather than seeking confrontation, it is often willing to work alongside incumbent executives and directors.

ESG investing has gone mainstream. Once the sole purview of fringe, socially-responsible investors (SRI), issues of sustainability and corporate social responsibility have recently gone mainstream and found the endorsement of large mutual funds such as BlackRock, State Street, and Vanguard. Climate change, corporate social responsibility (CSR) reporting, human rights compliance, and corporate political contributions disclosure are among the topics being brought to the fore during the last few proxy seasons. Adopting a softer style than activist hedge funds, and yet resolute in their demands, these traditionally passive institutional investors have had the clout to command immediate attention by boards of directors. In April 2019 The Conference Board

The Conference Board/Rutgers CCLG Survey

This study is based on a 2018 survey of 145 SEC-registered business corporations that The Conference Board and Rutgers CCLG conducted to investigate when and how corporate directors engage with shareholders. The survey was circulated among corporate secretaries, general counsel and investor relations officers of member companies at The Conference Board and non-member companies. Participants were asked to provide information based on board-shareholder engagement practices conducted either at the time of the survey or in the preceding 12 months.

Survey data findings are categorized and analyzed according to three large business sector groups—manufacturing, financials (including banking, insurance, and real estate companies), and nonfinancial services firms—and the size of participating companies. The size breakdowns include segmentations by revenue groups and asset value groups. The former classification is used to benchmark companies for all business sectors except financials and real estate, which typically use asset valuation for peer bench-marking purposes.

The following Exhibits illustrate the segmentation of the survey data.

Exhibit 1

Sample distribution, by industry

	n=145	Percent of total
Manufacturing	42	29.0
Financial Services	38	26.2
Nonfinancial Services	65	44.8

Source: The Conference Board/Rutgers University, 2019.

Exhibit 2

Sample distribution, by company size

	Annual revenue	
	n=107	Percent of total
Under $100 million	10	9.3
$100-999 million	17	15.9
$1-4.9 billion	41	38.3
$5-9.9 billion	12	11.2
$10-19.9 billion	13	12.1
$20 billion and over	14	13.1

	Asset value	
	n=38	Percent of total
Under $5 billion	11	28.9
$5-99 billion	14	36.8
$100 billion and over	13	34.2

Source: The Conference Board/Rutgers University, 2019.

Unless otherwise specified, data included in the figures of the report refer to median (midpoint) values. Where appropriate, to highlight possible outliers, the report may also include references to the mean (average) of observations. In the figures based on the survey, the letters "n/a" are used for data points for which the number of observations was less than five and ultimately considered insufficient to conduct any statistically meaningful aggregate analysis.

By delving into non-disclosed, often private shareholder engagement practices, this *Director Notes* complements the findings from the research on filed investor resolutions and voting results that The Conference Board, also in collaboration with Rutgers CCLG, conducted on the 2015-2018 proxy seasons. See *Proxy Voting Analytics (2015-2018)*, The Conference Board/Rutgers CCLG, Research Report, R-1674-18-RR, 2018.

announced the rebranding of its Governance Center as the ESG Center, which covers corporate governance, sustainability, corporate citizenship and philanthropy. The decision recognizes the growing importance of a strategic, integrated approach to companies' environmental, social and governance (ESG) practices as well as the role that The Conference Board can perform to foster a productive dialogue between the business community and key stakeholders.

Key Insights

The following are the key insights from the study:

Engagement topics The most common topics of board-shareholder engagement are the choice of equity-based awards for senior executives (whether restricted stock, performance-based stock, stock options, etc.) and issues of board diversity (including gender, ethnical and other minority representation). Sustainability reporting was also indicated as an engagement topic by more than one-third of the manufacturing companies, while almost half of the survey participants in the financial services sector stated that their boards discuss with key investors the design of senior executive incentive plans (specifically, the choice performance measures, targets, thresholds and maximum payouts). While executive compensation is the most frequent topic of board-director engagement across segments of the survey population, the specific types of pay issues vary depending on the size of the companies—for smaller organizations, they are the weight of base salary and annual bonuses in the pay mix, whereas for their larger counterparts the discussion tends to be more in-depth and focus on the design and workings of incentive plans.

Engagement policies Formal, written policies for companies to regulate board-shareholder engagement are more commonly seen among larger firms and have become prevalent in the financial sector. When adopted, these policies most frequently state: how investors can solicit an interaction with corporate directors; the allocation of engagement responsibilities among the board, the investor relations function, and other members of the senior mangagement team; who at the board level is expected to lead the engagement process; and the topics on which the engagement is permitted. Detailed engagement calendars are seldom included.

Frequency of engagement The boards of financial companies are the most prone to shareholder engagement, with more than one-fourth of the survey participants from that sector reporting more than 10 instances of engagagement in the last 12 months (and one-third of that one-fourth experiencing as many as 25 instances in the same time period). The frequency of engagements is directly correlated to the size of the company, as larger companies have more, scalable resources to allocate to the engagement process.

Recent change in frequency The majority of companies reported an increase in the frequency of board-shareholder engagement in the last three years. Financial companies' boards of directors also appear to be more proactive in seeking shareholder engagement, with almost half of respondents from that sector indicating that in 75 to 100 percent of cases their boards that reached out to investors and initiated a dialogue. The larger the organization, the more proactive the board in seeking shareholder engagement.

Duration of engagement Most recent board-shareholder engagements were short, and in many cases they did no go beyond a single exchange of information. The largest share of companies reporting at least one instance of engagement exceeding six months was seen among large financial services companies. Engagements tend to take place in the off-season, when governance professionals at institutional investors are not consumed by the proxy voting process.

Engaged shareholders Large passive asset managers are the type of shareholders with which corporate directors have been engaging the most in the 12 months preceding The Conference Board/Rutgers CCLG's survey, and this is particularly true for larger companies (both by annual revenue and asset value). It is surely a reflection of the rise of this category of institutional investors as vocal proponents of corporate reforms in areas spanning climate change risk, diversity, board refreshment, and sustainable procurement. Hedge funds follow on the list of the most engaged investors across business sector and size groups, whereas public pension funds are the most frequent interlocutor for smaller companies.

Communication methods Engagement takes form through a variety of communication methods, including email and letter exchanges, phone (or video) calls, and individual (in-person) meetings. Emails are more commonly used by smaller companies while "fifth analyst calls" (i.e., a separate conference call with institutional investors dedicated to matters of corporate governance) are seldom deployed. Some companies have been experimenting with shareholder surveys (especially to receive feedback on pay practices) and e-forums (to extend their outreach to retail investors).

Leadership of engagement process At large companies, across business sectors, the board most frequently delegates the leadership of the shareholder engagement process to the lead independent director, whereas in most of the smallest organizations the role is performed directly by either the CEO or the board chairman. Sixty percent or more of the largest companies involve their general counsel in board exchanges with investors.

Engagement outcome A change in a corporate practice (whether the appointment of an independent chair or the introduction of majority voting or the decision to disclose corporate political contributions) is the most cited outcome of board-shareholder engagement across business sectors. An exception is the financial services sector, where half of survey respondents stated that their board engagement with investors served to advance dialogue on a certain issue but did not yet lead to any definitive outcome. Board-shareholder engagement is not often used as an expedient for persuading one or more investors to withdraw a shareholder proposal.

Engagement disclosure When disclosure on board-shareholder engagement is provided, it tends to articulate the company's commitment to dialogue with investors, the frequency of recently held instances of engagement, and the topics addressed in those occasions. Financial organizations had the largest share of companies that included in their disclosure the outcomes of their board-shareholder engagement efforts.

Impediments to engagement Across sectors, the main factor preventing additional board-shareholder engagement is the time constraint by shareholders, which may not have the internal expertise and resources to implement a systematic engagement program across their company portfolio. Larger companies are the group that most frequently cites time availability by their own board members as the number-one impediment to more engagement. Management staffing considerations and regulatory concerns are among the least relevant restraining factors. Many companies explicitly restrict the engagement to discussions about publicly available information, even though the consensus among legal scholars and practitioners is selective discussion of corporate governance and organizational practices does not constitute a violation of Regulation Fair Disclosure (FD).

Frequency of board-shareholder engagement

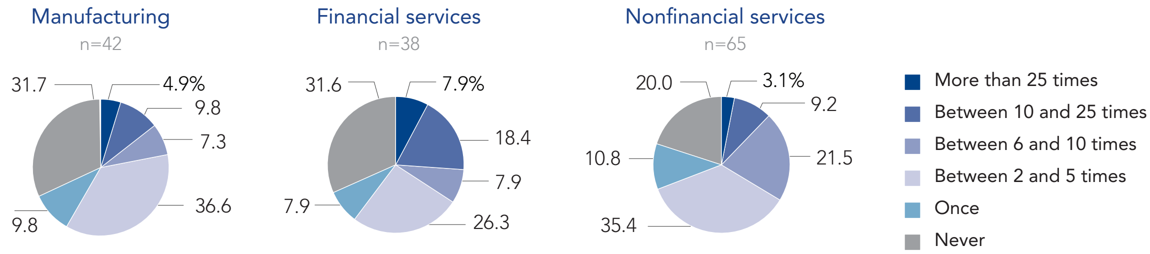
According to the industry analysis, the highest percentage of companies reporting more than 10 instances of board-shareholder engagement in the 12 months preceding The Conference Board/Rutgers CCLG's survey is seen in the financial services sector (26.3 percent, of which about one-third experienced more than 25 engagements).

The company size review offers additional insights: Among the largest companies by revenue, only 10 percent of respondents said that their board never engaged with shareholders in the previous 12 months, compared to about 42 percent of respondents in the smallest revenue group. A similar direct correlation is seen in the asset value analysis for financial services companies, where the percentage of boards of firms with assets valued at under $5 billion that never engaged is more than twice the percentage seen in the largest company group with assets valued at $100 billion and over. Financial services boards report engaging with shareholders more frequently than their counterparts in larger size groups: 36.4 percent of them, more specifically, had between 10 and 25 occurrences of engagement over the course of the previous 12 months. **See Figures 1a and 1b.**

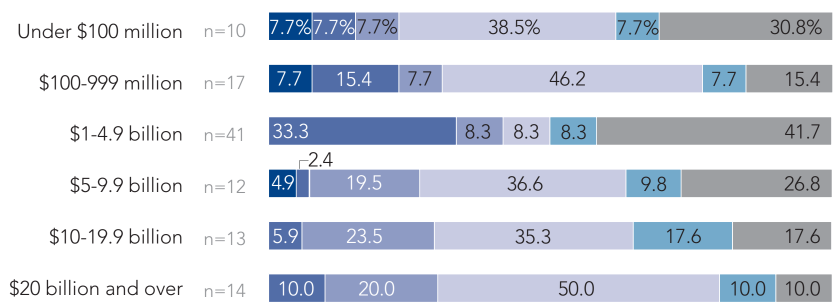
Figures 1a & b

Frequency of board-shareholder engagement

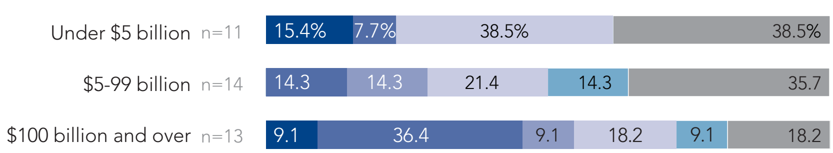
by industry



by annual revenue



by asset value



Source: The Conference Board/Rutgers University, 2019.

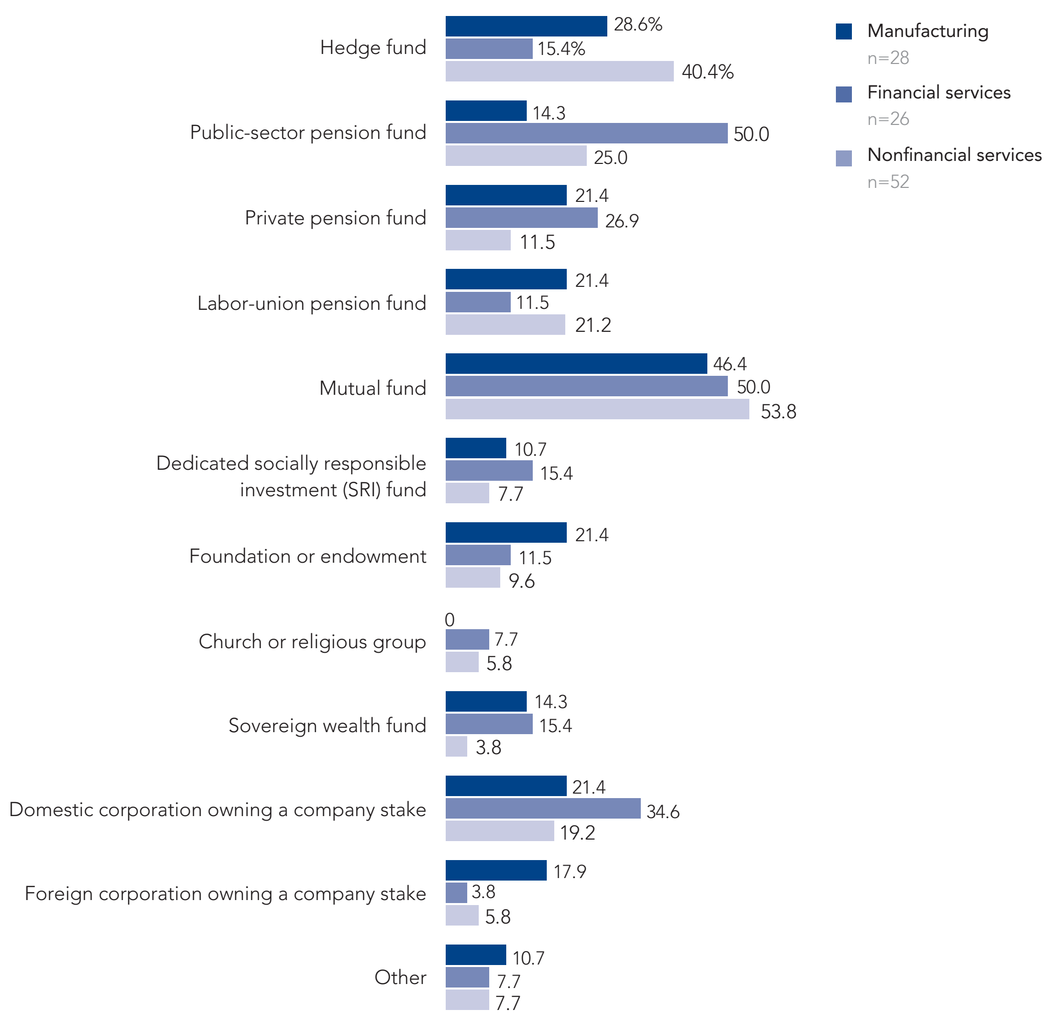
Engaged shareholder types

Across sectors, mutual funds are the type of investor with which boards have been engaging the most in the 12 months preceding the survey: 53.8 percent of respondents from nonfinancial services businesses indicated that their boards engaged with large passive asset managers, compared to only slighly lower shares of financial services (50 percent) and manufacturing firms (46.4 percent). In nonfinancial services, hedge funds were the second most frequent interlocutor (40.4 percent).

Figure 2a

Engaged shareholder types

by industry



Source: The Conference Board/Rutgers University, 2019.

According to the company size segmentation, both by annual revenue and asset value, the larger the company the more likely for it to experience instances of board-mutual fund engagement: virtually all boards in the $20 billion-and-over revenue category disclosed meeting with passive asset managers in their shareholder base in the previous 12 months, compared to none of the companies with annual revenue under $100 million. In the asset value analysis, the discrepancy between the largest and the smallest groups is 62.5 percent versus 11.1 percent. Especially in the financial sector, findings show that smaller companies' boards tend to engage more frequently with more traditional activist investors, such as public and private pension funds, labor union-sponsored pension funds, and other corporations owning a stake in the company. **See Figures 2a and 2b.**

Figure 2b Engaged shareholder types, **by company size**

	Annual revenue					
	Under $100 million n=9	$100- 999 million n=14	$1- 4.9 billion n=30	$5-9.9 billion n=7	$10-19.9 billion n=11	$20 billion and over n=9
Hedge fund	22.2%	28.6%	40.0%	42.9%	54.5%	22.2%
Public-sector pension fund	11.1	7.1	20.0	57.1	18.2	33.3
Private pension fund	11.1	21.4	13.3	28.6	18.2	0.0
Labor-union pension fund	22.2	7.1	20.0	42.9	27.3	22.2
Mutual fund	0.0	28.6	30.0	42.9	63.6	100.0
Dedicated socially responsible investment (SRI) fund	0.0	7.1	10.0	14.3	9.1	11.1
Foundation or endowment	22.2	21.4	10.0	14.3	18.2	0.0
Church or religious group	11.1	0.0	13.0	14.3	0.0	0.0
Sovereign wealth fund	0.0	14.3	13.3	14.3	18.2	0.0
Domestic corporation owning a company stake	11.1	42.9	13.3	14.3	27.3	11.1
Foreign corporation owning a company stake	11.1	7.1	10.0	14.3	18.2	0.0
Other	11.1	0.0	13.3	0.0	18.2	0.0

	Asset value		
	Under $5 billion n=9	$5-99 billion n=9	$100 billion and over n=8
Hedge fund	22.2%	22.2%	0.0%
Public-sector pension fund	33.3	55.6	62.5
Private pension fund	44.4	22.2	12.5
Labor-union pension fund	0.0	11.1	25.0
Mutual fund	11.1	77.8	62.5
Dedicated socially responsible investment (SRI) fund	11.1	11.1	25.0
Foundation or endowment	22.2	11.1	0.0
Church or religious group	0.0	11.1	12.5
Sovereign wealth fund	0.0	11.1	37.5
Domestic corporation owning a company stake	44.4	33.3	25.0
Foreign corporation owning a company stake	0.0	0.0	12.5
Other	11.1	0.0	12.5

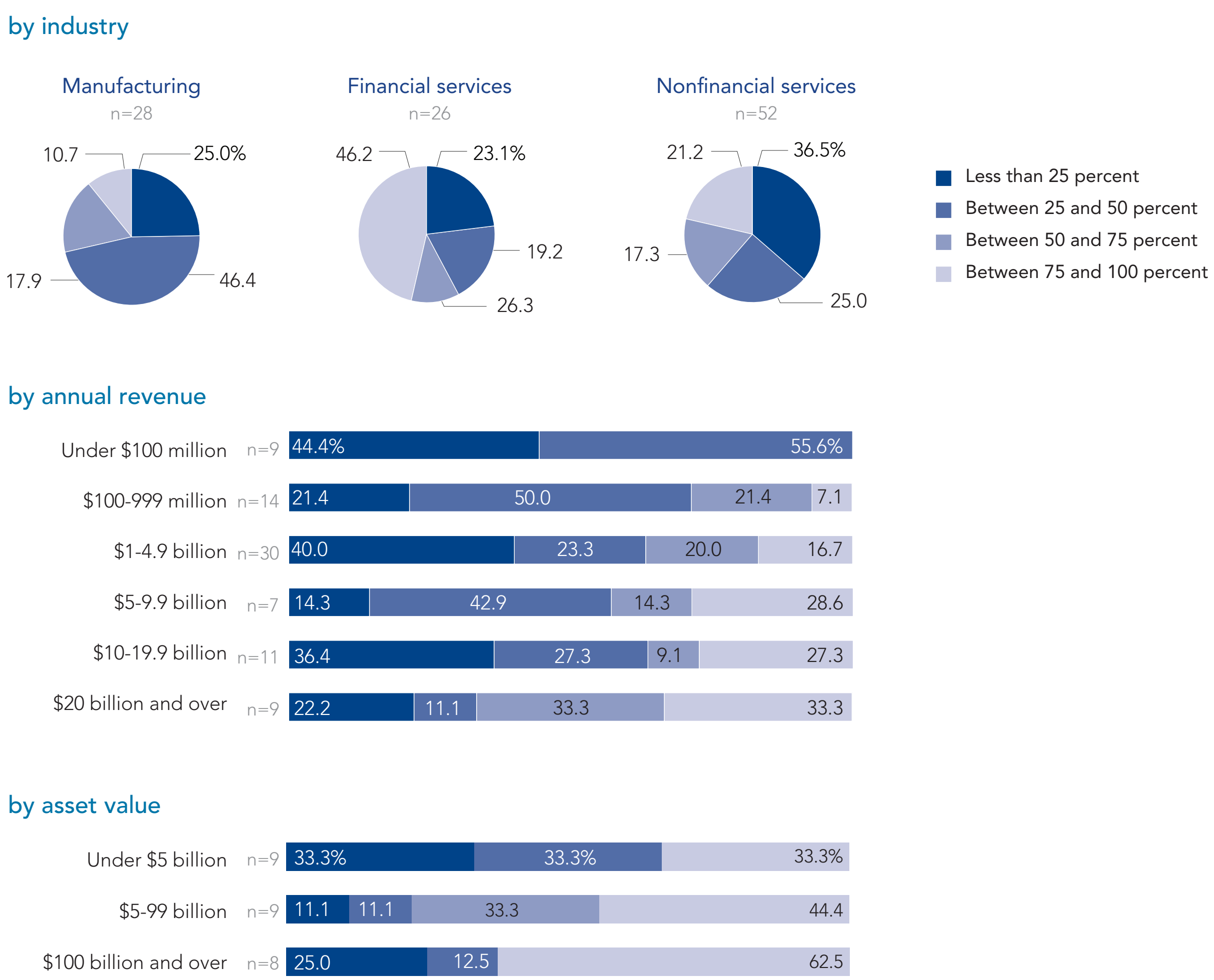
Source: The Conference Board/Rutgers University, 2019.

Board-shareholder engagement initiated by the board of directors or the company

Financial companies' boards of directors appear to be much more proactive in seeking shareholder engagement: 46.2 percent of respondents from this sector indicated that, in 75 to 100 percent of cases, it was their boards that initiated the enagagement, compared to 10.7 percent of those in the manufacturing industry and 21.2 percent of those in nonfinancial services. In contrast, at 46.4 percent of manufacturing companies the board initiated between 25 and 50 percent of shareholder engagements, while the relative majority of nonfinancial services (36.5 percent) said that their board made the first move in less than 25 percent of engagement cases. There is a direct correlation between boards' initiative to engage and company size, both by annual revenue and asset value. The boards of directors of large companies with revenue exceeding $20 billion or asset value exceeding $100 billion are much more proactive in soliciting the engagement of their key shareholders: the share of these groups reporting that their board took the initiative in more than 75 percent of cases is 33.3 and 62.5, respectively. **See Figures 3a and 3b.**

Figures 3a & b

Board-shareholder engagement initiated by the board of directors or the company



Source: The Conference Board/Rutgers University, 2019.

Board engagement with adversarial shareholders

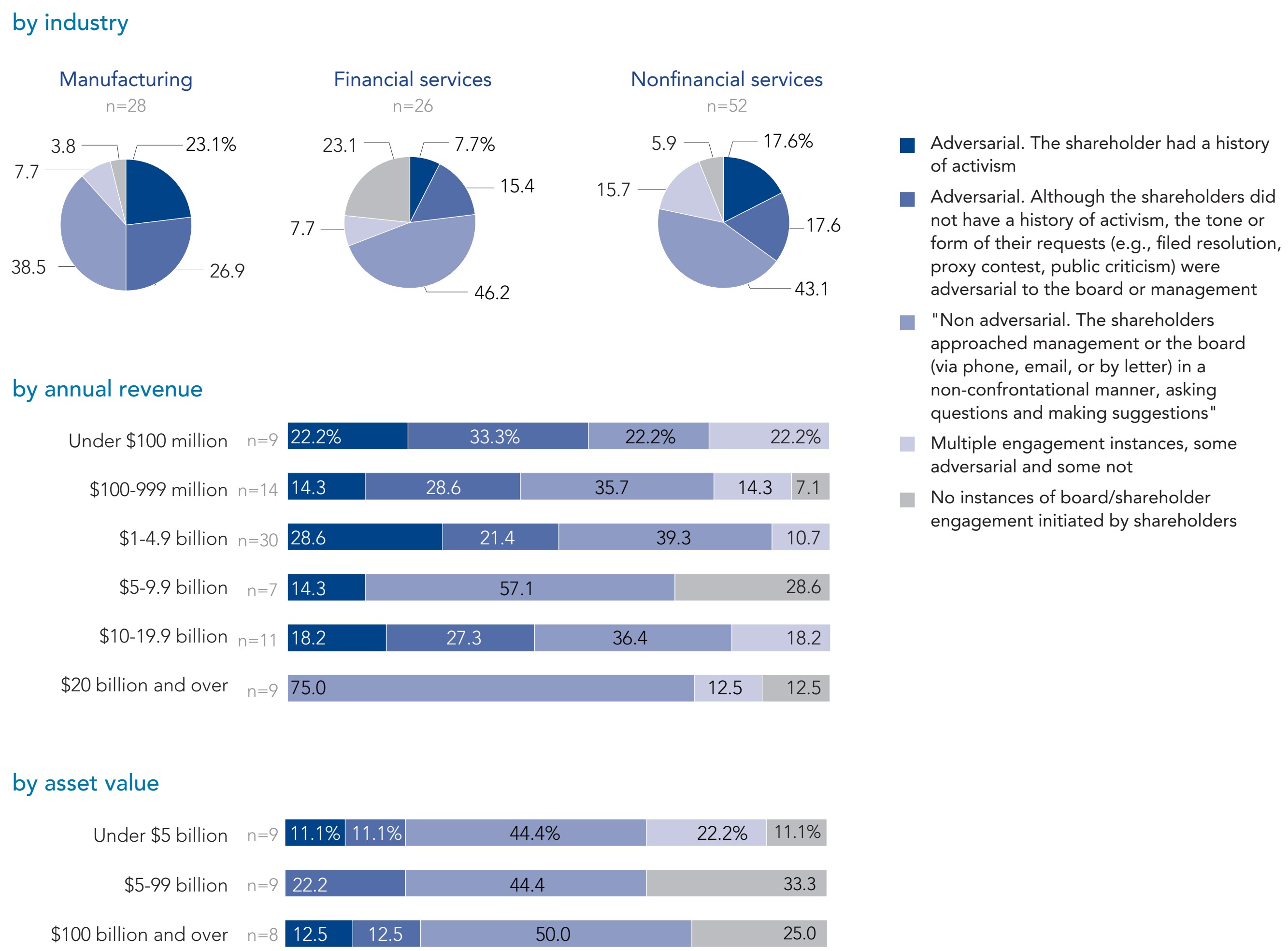
In the manufacturing sector, half of the instances of board-shareholder engagement initiated by shareholders in the previous 12 months were adversarial, either because of the investor's history of activism (23.1 percent) or due to the tone or form of the requests made (e.g., a filed resolution, a proxy contest, a public campaign critical of management: 26.9 percent).

Consistent with the findings illustrated in Figure 4a, the financial sector had the highest percentage of respondents reporting no instances of engagement initiated by shareholders (23.1 percent, compared to 3.8 percent of manufacturing companies and 5.9 percent on nonfinancial services businesses). Interestingly, financial services firms also registered the highest percentage of cases of non-adversarial engagement, where the initiating shareholder approached management or the board (via phone, email, or by letter) in a non-confrontational manner, asking questions and making suggestions (46.2 percent). This finding compares with the 38.5 percent seen among manufacturing firms.

Boards of directors of smaller companies (by revenue) experienced a cadre of shareholder types more evenly distributed between adversarial and non-adversarial, whereas 75 percent of board-shareholder engagements in the largest company size group ($20 billion and over in annual revenue) took place with non-confrontational shareholders. In the financial sector, the prevalence of board-shareholder engagement with non-confrontational shareholders is confirmed by the asset value analysis.
See Figures 4a and 4b.

Figures 4a & b

Board engagement with adversarial shareholder



Source: The Conference Board/Rutgers University, 2019.

Change in the frequency of board-shareholder engagement

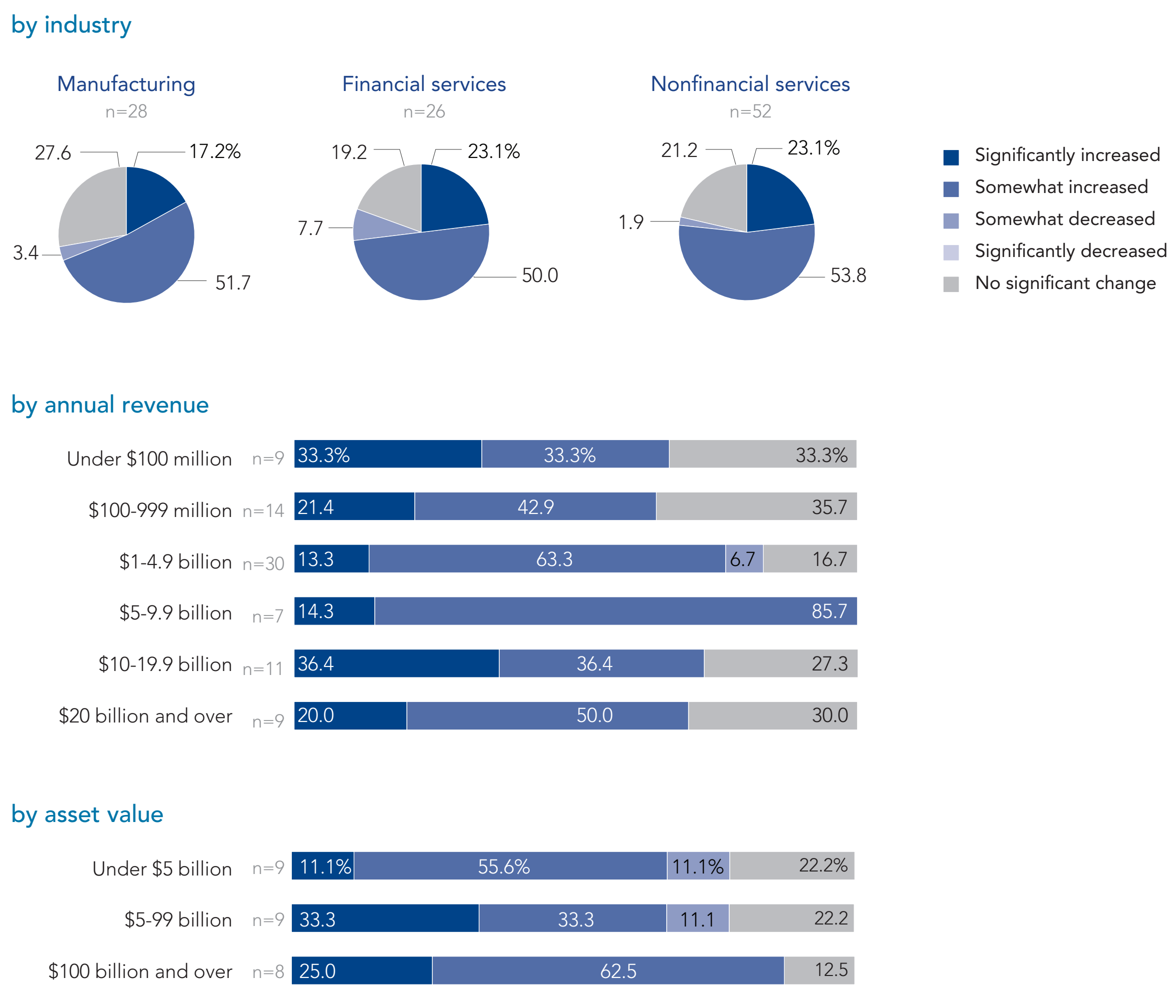
The majority of companies across business industries reported an increase in the frequency of board-shareholder engagement in the last three years, with the increase being somewhat appreciable in at least 50 percent of cases. Of manufacturing companies, 17.2 percent reported a significant increase in frequency, while the number was up to 23.1 percent for financial and nonfinancial services firms.

About 20 percent of financial services companies and 27.6 percent of manufacturing companies said that, over the course of the last three years, they did not notice any material change regarding the annual number of engagements between their boards and investors. Notably, none of the survey respondents indicated a decrease in frequency.

No meaningful correlation appears from the company size analysis.
See Figures 5a and 5b.

Figures 5a & b

Change in the frequency of board-shareholder engagement



Source: The Conference Board/Rutgers University, 2019.

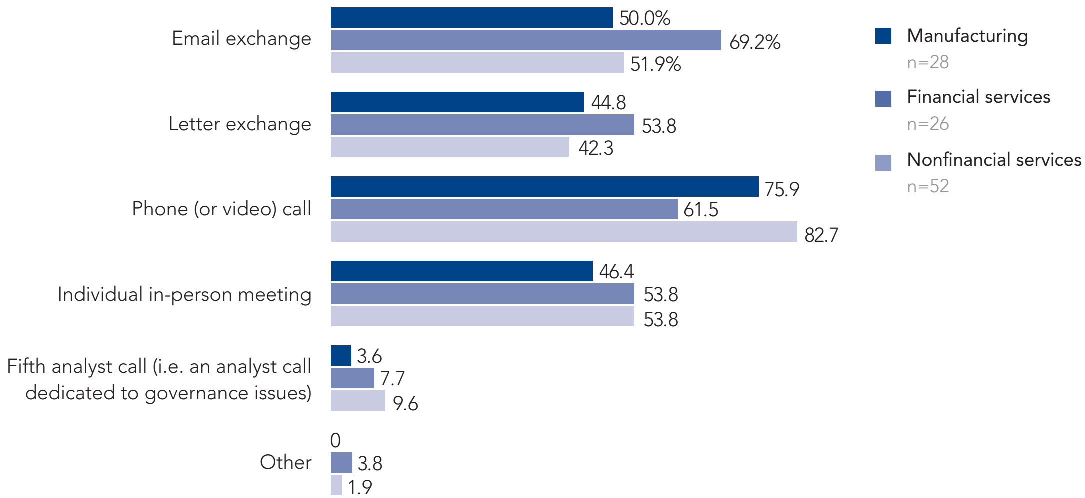
Forms of communications used by board in shareholder engagement

Companies use a variety of communication forms to facilitate the engagement of their boards with shareholders, including email and letter exchanges, phone (or video) calls, and individual (in-person) meetings. Generally, fifth analyst calls are much less frequently deployed for this purpose.

Figure 6a

Forms of communications used by board in shareholder engagement

by industry



Source: The Conference Board/Rutgers University, 2019.

Email exchanges with shareholder representatives are frequently used among small companies, but quite less common among large companies. More specifically, while 77.8 percent of board members at companies with an annual revenue of less than $100 million chose to exchange emails with investors in the 12 months preceding The Conference Board/Rutgers CCLG's survey, less than one-third of large companies with $20 billion or more in annual revenue had directors engaging via email with shareholders. **See Figures 6a and 6b.**

Figure 6b Forms of communications used by board in shareholder engagement, **by company size**

	Annual revenue					
	Under $100 million n=9	$100-999 million n=14	$1-4.9 billion n=30	$5-9.9 billion n=7	$10-19.9 billion n=11	$20 billion and over n=9
Email exchange	77.8%	71.4%	46.7%	57.1%	36.4%	22.2%
Letter exchange	44.4	50.0	40.0	57.1	18.2	60.0
Phone (or video) call	88.9	64.3	70.0	100.0	100.0	90.0
Individual in-person meeting	55.6	28.6	46.7	85.7	54.5	66.7
Fifth analyst call (i.e. an analyst call dedicated to governance issues)	0.0	7.1	10.0	14.3	9.1	0.0
Other	0.0	0.0	3.3	0.0	0.0	0.0

	Asset value		
	Under $5 billion n=9	$5-99 billion n=9	$100 billion and over n=8
Email exchange	77.8%	77.8%	50.0%
Letter exchange	55.6	66.7	37.5
Phone (or video) call	66.7	55.6	62.5
Individual in-person meeting	55.6	55.6	50.0
Fifth analyst call (i.e. an analyst call dedicated to governance issues)	0.0	0.0	25.0
Other	11.1	0.0	0.0

Source: The Conference Board/Rutgers University, 2019.

Leadership of board-shareholder engagement process

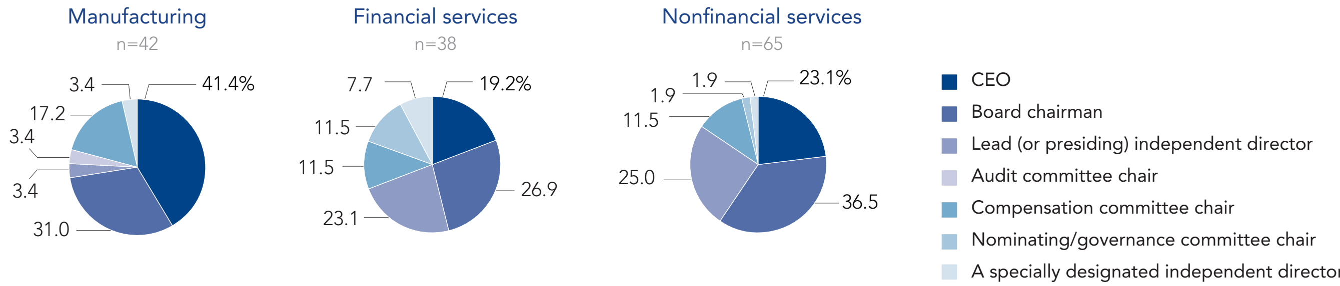
The Conference Board/Rutgers CCLG's survey inquired on how board-shareholder engagement was led by companies. In the manufacturing sector, 41.4 percent of respondents stated that, in those instances of engagement that took place in the previous 12 months, it was the CEO who led the process, while the board chairman did so in 31 percent of cases. Interestingly, none of the manufacturing companies that participated in the study reported cases of board-shareholder engagement led by the chair of the nominating/governance committee of the board, while in 17.2 percent of cases (the highest percentage in the sector analysis) the chair of the compensation committee assumed a leadership role. Of financial services firms, 23.1 percent of cases of board-shareholder engagement were conducted under the guidance of the lead independent directors; the share of manufacturing companies that chose this leadership approach was much lower (3.4 percent).

The company size analysis is also insightful. Among large companies, the responsibility for board-shareholder engagement was most frequently delegated to the lead independent director (50 percent of manufacturing and nonfinancial services companies with annual revenue of $20 billion and over as well as 50 percent of financial companies with asset value of $100 billion and over). The highest percentage of cases where the CEO led the engagement is seen among small financial services firms, with asset value under $5 billion (55.6 percent). **See Figures 7a and 7b.**

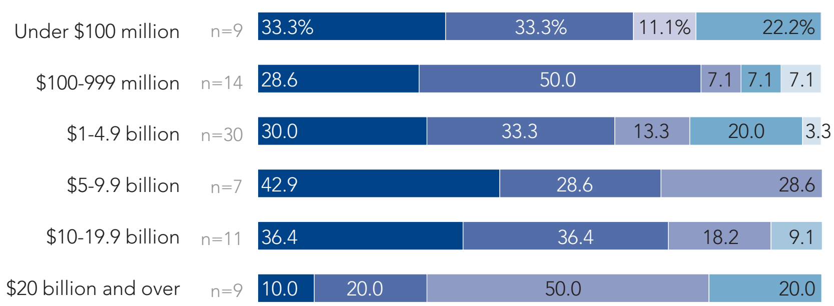
Figures 7a & b

Leadership of board-shareholder engagement process

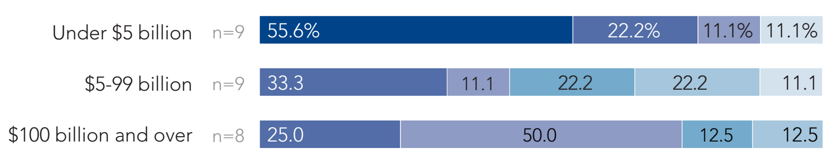
by industry



by annual revenue



by asset value



Source: The Conference Board/Rutgers University, 2019.

Management involvement in board-shareholder engagement

In the manufacturing sector, more than 65 percent of companies disclosed the involvement of their CEO in experienced instances of board-shareholder engagement. Instead, general counsel and investor relations officers are the members of senior management that are most often involved in the board-shareholder engagement process at financial services firms. Of surveyed financial companies, 65.4 percent reported the involvement of their general counsel, while the investor relations officers participated in board-shareholder engagement at 59.6 percent of nonfinancial services organizations.

Figure 8a **Management involvement in board-shareholder engagement, by industry**

	Manufacturing	Financial services	Nonfinancial services
	n=28	n=26	n=52
Chief Executive Officer	65.5%	42.3%	57.7%
Chief Operating Officer	28.6	23.1	17.3
Chief Financial Officer	67.9	42.3	48.1
General Counsel/Chief Legal Officer	41.4	65.4	57.7
Corporate Secretary	37.9	57.7	46.2
Investor Relations Officer	41.4	65.4	59.6
Chief Compliance Officer	17.9	3.8	9.6
Chief Human Resources Officer	14.3	46.2	21.2
Other	3.6	19.2	5.8
No management involvement	3.6	0.0	3.8

Source: The Conference Board/Rutgers University, 2019.

CEO participation is indirectly correlated to company size, whether measured by annual revenue or asset value. Almost 80 percent of companies in the smallest size groups said that their CEO was involved in instances of board-shareholder engagement, compared to 40 percent of manufacturing and nonfinancial services companies with annual revenue exceeding $20 billion and 25 percent of financial services companies with assets valued at $100 billion and over. A similar pattern is seen regarding the participation of the chief financial officer and the chief human resources officer. Instead, there is a remarkable company size correlation with the involvement of the general counsel/chief legal officer, the corporate secretary, and the investor relations officer. For example, the investor relations officer appears to be involved in board-shareholder engagement at 84.6 percent of the largest financial services firms (with assets exceeding $100 billion in value), compared to 55.6 percent of the cases in the smallest size group ($5 billion or less in asset value). **See Figures 8a and 8b.**

Figure 8b Management involvement in board-shareholder engagement, **by company size**

	Annual revenue					
	Under $100 million	$100-999 million	$1-4.9 billion	$5-9.9 billion	$10-19.9 billion	$20 billion and over
	n=9	n=14	n=30	n=7	n=11	n=9
Chief Executive Officer	77.8%	71.4%	60.0%	57.1%	51.8%	40.0%
Chief Operating Officer	22.2	14.3	26.7	42.9	18.2	0.0
Chief Financial Officer	77.8	69.4	58.0	57.1	48.5	44.4
General Counsel/Chief Legal Officer	33.3	42.9	46.7	50.0	72.7	86.2
Corporate Secretary	11.1	23.3	28.6	47.5	69.1	80.0
Investor Relations Officer	33.3	50.0	43.3	71.4	54.5	90.0
Chief Compliance Officer	0.0	14.3	10.0	28.6	27.3	0.0
Chief Human Resources Officer	66.7	53.6	45.2	34.5	27.9	14.4
Other	0.0	0.0	3.3	0.0	9.1	22.2
No management involvement	11.1	7.1	3.3	0.0	0.0	0.0

	Asset value		
	Under $5 billion	$5-99 billion	$100 billion and over
	n=9	n=9	n=8
Chief Executive Officer	77.8%	49.2%	25.0%
Chief Operating Officer	44.4	11.1	12.5
Chief Financial Officer	55.6	41.6	37.5
General Counsel/Chief Legal Officer	33.7	44.4	62.5
Corporate Secretary	46.6	55.6	62.5
Investor Relations Officer	55.6	77.8	84.6
Chief Compliance Officer	11.1	0.0	0.0
Chief Human Resources Officer	77.8	44.4	12.5
Other	0.0	11.1	50.0
No management involvement	0.0	0.0	0.0

Source: The Conference Board/Rutgers University, 2019.

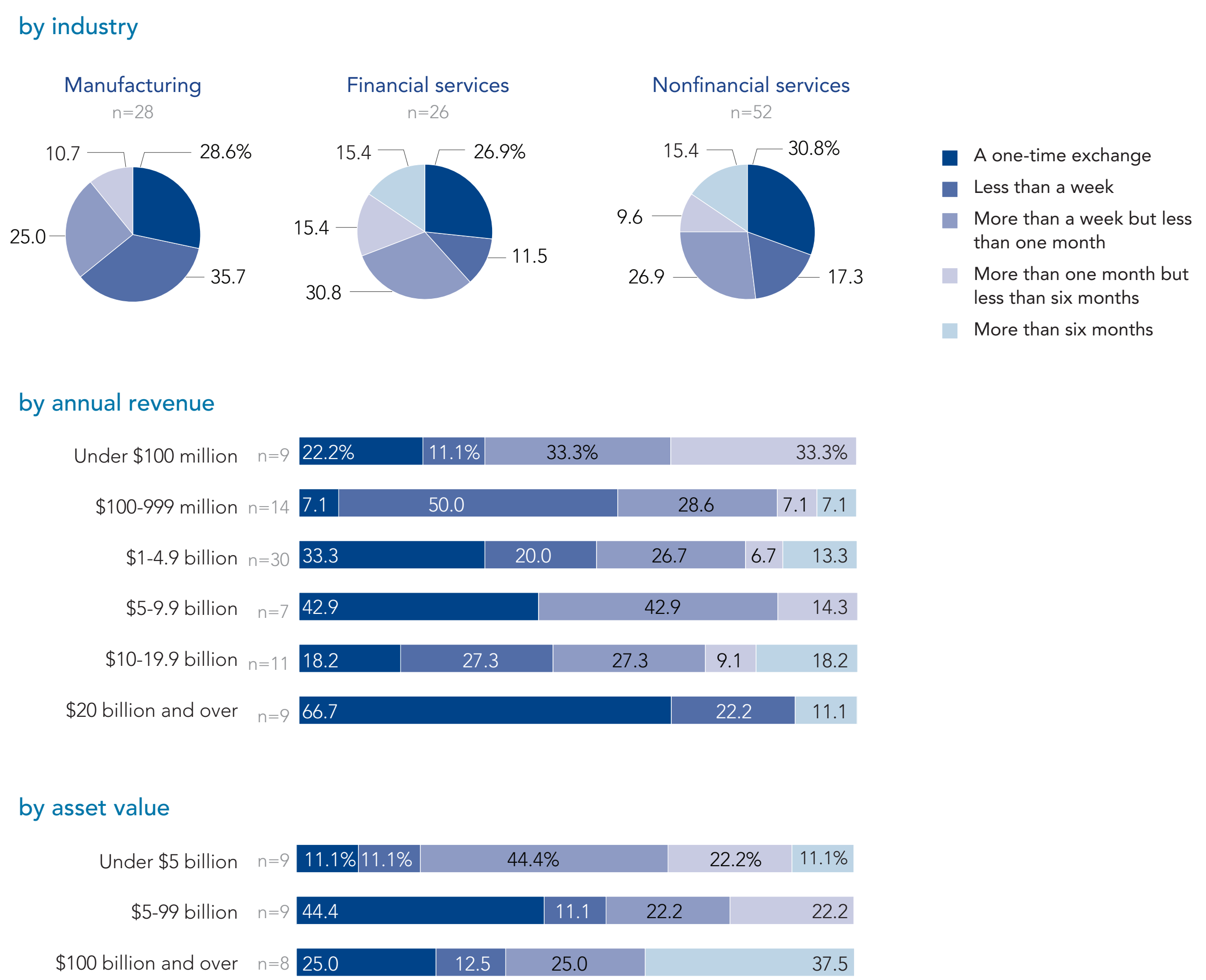
Longest experienced instance of board-shareholder engagement

One-third of the smallest manufacturing and nonfinancial services companies (annual revenue under $100 million) and 44.4 percent of the smallest financial services firm (asset value of $5 billion or lower) reported that the longest instance of board-shareholder engagement they experienced lasted more than a week but did not exceed a month. The largest share of companies stating that their longest board-shareholder engagements lasted more than six months (37.5 percent) is seen in the financial services sector, among the very largest companies with assets valued at least $100 billion.

Instead, large manufacturing and nonfinancial services firms reported that their longest cases of board-shareholder engagement did not exceed one week; more specifically, in 66.7 percent of cases (the highest percentage seen across the company size analysis), the engagement of the board of directors with shareholders of the company did not go beyond a single exchange of information. **See Figures 9a and 9b.**

Figures 9a & b

Longest experienced instance of board-shareholder engagement



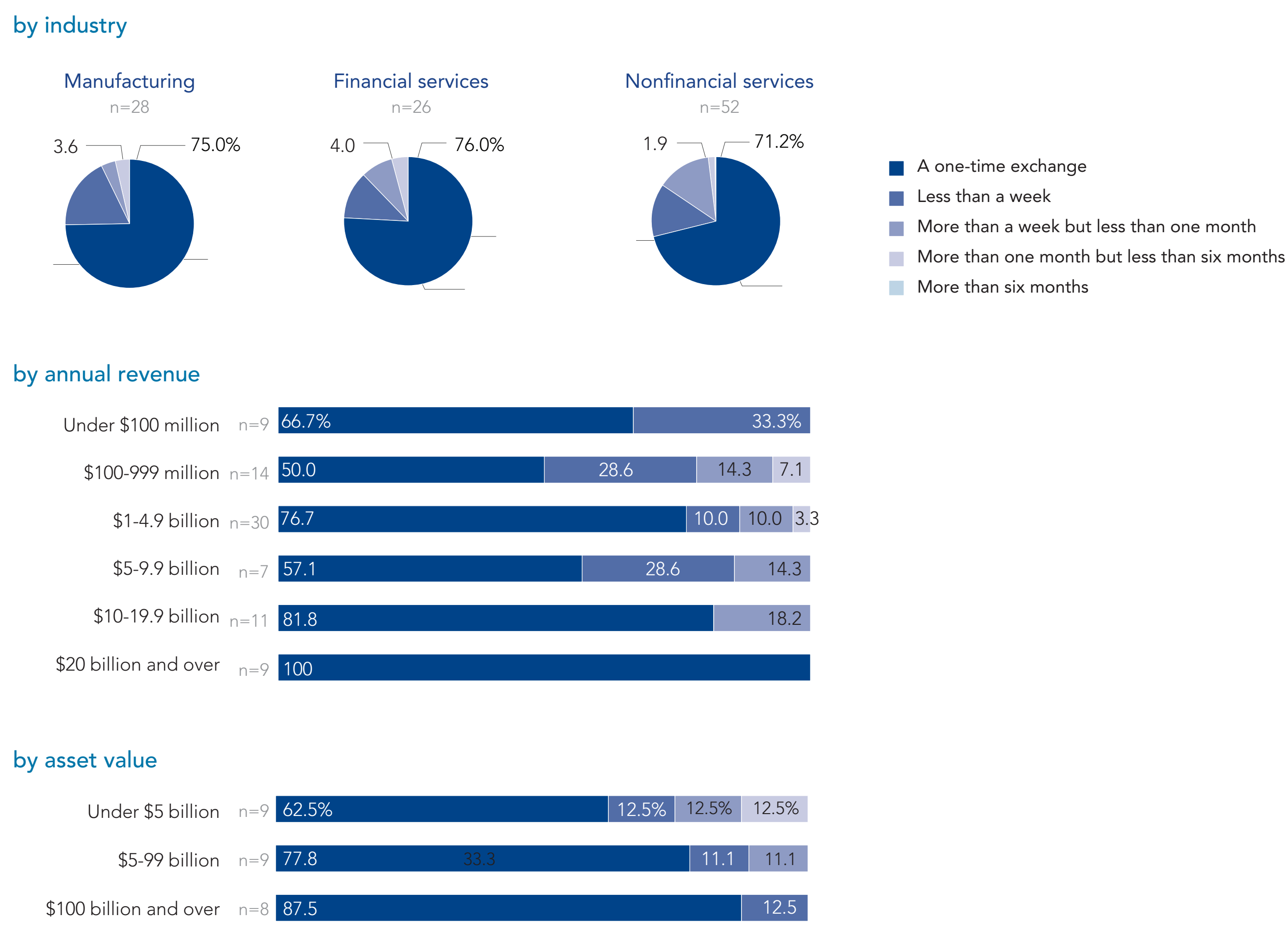
Source: The Conference Board/Rutgers University, 2019.

Shortest experienced instance of board-shareholder engagement

More than two-thirds or more of companies across sectors reported that their shortest experience of board-shareholder engagement consisted of a one-time exchange between directors and investors on a certain issue. Not unlike the findings on the longest engagements, the largest share of companies that said that their shortest experienced board-shareholder engagement lasted more than a month and up to six months is seen in the financial services sector (4 percent).

According to the company size analysis, all survey participants in the group of companies with annual revenue of at least $20 billion stated that their shortest experience of board-shareholder engagement resulted in a one-time exchange. The only category of companies reporting that their shortest engagement went on for more than a month and less than six months was financial services with asset value under $5 billion. None of the size groups, whether by revenue or asset value, said that the duration of their shortest instance of board-shareholder engagement exceeded six months. **See Figures 10a and 10b.**

Figures 10a & b
Shortest experienced instance of board-shareholder engagement



Source: The Conference Board/Rutgers University, 2019.

Board-shareholder engagement topics

The Conference Board/Rutgers CCLG's survey inquired on the topics discussed during the engagement between directors and shareholders. Across sectors, fewer than a handful of topics were chosen by the majority or more than the majority of participating companies: They are the granting of annual bonuses (indicated as a board-engagement topic by 70 percent of financial services companies), the choice of awards offered under equity-based incentive plans (whether stock options, restricted share units, performance share units, etc.: 57.7 percent), and issues of board diversity, including gender, ethnical and other minority representation (60 percent).

Additional frequent discussion topics highlighted by the analysis of survey results by business industry include the design of incentive plans (i.e. the choice of performance measures, targets, thresholds and maximum payouts: 46.2 percent of financial services firms), director qualifications and skills (42.7 percent of nonfinancial services companies), sustainability reporting (37.6 percent of manufacturing companies) and changes in management and control (28.8 percent of nonfinancial services organizations).

The company size analysis also provides a few interesting insights. Even though executive compensation is a popular board-shareholder engagement topic across the spectrum of surveyed organizations, the specific types of issues regarding executive compensation on which the engagement occurs seem to depend on the size of the company. Specifically, while 55.6 percent and 44.4 percent of companies with annual revenue under $100 million said that their directors met with shareholders to discuss the base salary and annual bonus of executives, respectively, each of these issues were cited as engagement topics only by 22.2 percent of companies with annual revenue of $20 billion or higher. Instead, among those larger companies, 44.4 percent stated that the most frequently discussed executive compensation issue pertained to the design of incentive plans, compared to none of the companies in the smallest size group. There is also a clear direct correlation between the size of the company and the frequency with which boards discuss with shareholder issues of board diversity (60 percent in the largest company group by revenue, compared to 33.3 percent of the smallest ones), and director qualifications and skills (60 percent versus 11.1 percent).

Other topics that scored high among large companies include CEO succession planning, climate change strategy, and sustainability reporting. Among companies with annual revenue of $20 billion or higher, those topics were indicated as a frequent board-shareholder engagement topic by 48.1, 33.3, and 49.1 percent, respectively. In comparison, only 12.2 percent of organizations with annual revenue under $100 million said that their boards met with shareholders to talk about CEO succession planning, and none said that the topic of engagement was the company's strategy on climate change and the reporting on sustainability.

Key issues at the center of board-shareholder engagement for smaller companies that appeared to be much less frequently cited by larger firms pertain to the company's control structure as well as opportunities in the market for mergers and acquisitions or other extraordinary transactions (such as asset or stock sales, or the divestiture of divisions). Of smaller companies with annual revenue below $100 million, 42.2 percent stated that their boards met with investors to discuss changes in control or management, and the percentage declines with the growth of the size groups, down to zero for the largest group of companies with annual revenue of $20 billion or higher. A similar pattern can be seen for engagement topics such as entering into M&A or joint venture agreements or selling equity or assets. On the other hand, boards of larger companies engage with shareholders more frequently than small ones on issues of cash distributions (whether by means of dividend payments or stock buybacks) and R&D investing. **See Figures 11a and 11b.**

Figure 11a **Board-shareholder engagement topics, by industry**

	Manufacturing	Financial services	Nonfinancial services
	n=28	n=26	n=52
EXECUTIVE COMPENSATION ISSUES (including CEOs and NEOs)			
Base salary	32.1%	26.9%	26.9%
Annual bonus	39.3	70.0	32.7
Stock awards	42.9	30.8	36.5
Long-term incentive awards (e.g. stock options, restricted share units, performance share units)	25.0	57.7	48.1
Perquisites (e.g. use of corporate aircraft, executive health insurance)	10.7	11.5	11.5
Tax "gross-ups"	10.7	3.8	3.8
Supplemental executive retirement plans ("SERP")	10.7	15.4	7.7
Death benefit payments ("golden coffins")	10.7	3.8	3.8
Severance agreements ("golden parachutes")	10.7	3.8	13.5
A cap to executive compensation	7.1	11.5	7.7
Recoupment of incentive pay ("clawback")	7.1	3.8	11.5
Stock ownership guidelines	17.9	15.4	15.4
Equity retention requirements	14.3	7.7	7.7
Incentive plan design issues (e.g. performance measures, targets, thresholds, maximum payouts)	17.9	46.2	36.5
Other issues on the link between compensation and financial performance ("pay for performance")	10.7	38.5	25.0
Other issues on the link between compensation and sustainability performance	3.6	26.9	3.8
Pay ratio disclosure	10.7	11.5	1.9
Other expansions of executive compensation disclosure	7.1	3.8	1.9
Other executive compensation issues	3.6	11.5	9.6
Diretor compensation-related issues	7.1	3.8	1.9

Source: The Conference Board/Rutgers University, 2019.

Figure 11a **Board-shareholder engagement topics, by industry** (continued)

	Manufacturing	Financial services	Nonfinancial services
	n=28	n=26	n=52
CORPORATE GOVERNANCE ISSUES			
Board size	17.9%	19.2%	9.6%
Board diversity (i.e. representation of female gender and minorities)	27.6	60.0	34.6
Director qualifications and skills	17.2	30.8	42.7
Director independence	14.3	3.8	19.2
Director retirement policy (e.g. based on tenure, term or age limits)	14.3	15.4	13.5
Director election standards (majority v. plurality)	3.6	3.8	9.6
Separation of CEO/Chairman positions	3.6	19.2	13.5
Instituting (or expanding the role of) a lead independent director	3.6	7.7	5.8
Over-boarding policies (i.e. restrictions on number of additional directorships)	3.6	26.9	5.8
Proxy access	10.7	26.9	11.5
Reimbursement of expenses incurred to support a dissident director nominee	0.0	3.8	7.7
Protocol for precatory shareholder proposals receiving majority vote	10.7	7.7	3.8
Reincorporation in another state	0.0	0.0	5.8
Removal of directors	3.6	0.0	7.7
CEO succession planning	17.9	19.2	21.2
Risk oversight	21.4	26.9	19.2
Cumulative voting	10.7	3.8	1.9
Dual class structure (unequal voting)	3.6	0.0	9.6
Action by written consent	0.0	11.5	7.7
Shareholder right to call special meetings	3.6	3.8	13.5
Board declassification	3.6	3.8	5.8
Supermajority vote requirement	7.1	3.8	1.9
Proxy advisory firm voting recommendations	7.1	15.4	7.7
A proxy contest	14.3	7.7	11.5
Poison pills	0.0	0.0	1.9
Other takeover defenses	10.7	3.8	5.8
Other corporate governance issues	3.6	7.7	9.6

Source: The Conference Board/Rutgers University, 2019.

Figure 11a **Board-shareholder engagement topics, by industry** (continued)

	Manufacturing	Financial services	Nonfinancial services
	n=28	n=26	n=52
SOCIAL AND ENVIRONMENTAL POLICY ISSUES			
Climate change policies	14.3%	15.4%	19.2%
Sustainability reporting	37.6	23.1	25.0
Animal rights	10.7	3.8	3.8
Human rights	24.1	0.0	11.5
Labor issues	10.7	19.2	13.5
Health issues	10.7	7.7	7.7
Political contribution and lobbying activity disclosure	7.1	11.5	9.6
Other social issues	10.3	23.1	13.5
Other environmental issues	14.3	11.5	3.8
STRATEGIC AND CAPITAL-RELATED ISSUES			
Changes in management or control	17.9%	11.5%	28.8%
Mergers, acquisitions, or joint venture	25.0	15.4	26.9
Asset sales	7.1	3.8	13.5
Stock sales	17.9	11.5	7.7
Spin-offs, split-offs or other break-up transactions	10.7	3.8	15.4
Investments in new products and services	14.3	3.8	5.8
Other R&D investments	7.1	11.5	9.6
Dividend payments	14.3	19.2	21.2
Share buyback or other repurchase plans	0.0	0.0	3.8
Recapitalizations	17.9	0.0	11.5
Other	7.1	3.8	9.6

Source: The Conference Board/Rutgers University, 2019.

Figure 11b **Board-shareholder engagement topics, by company size**

	Annual revenue					
	Under $100 million	$100-999 million	$1-4.9 billion	$5-9.9 billion	$10-19.9 billion	$20 billion and over
	n=9	n=14	n=30	n=7	n=11	n=9
EXECUTIVE COMPENSATION ISSUES ((including CEOs and NEOs)						
Base salary	44.4%	35.7%	26.7%	24.4%	22.2%	22.2%
Annual bonus	55.6	36.7	29.1	26.4	25.8	22.2
Stock awards	33.3	50.0	30.0	57.1	45.5	33.3
Long-term incentive awards (e.g. stock options, restricted share units, performance share units)	11.1	35.7	50.0	57.1	36.4	33.3
Perquisites (e.g. use of corporate aircraft, executive health insurance)	11.1	0.0	13.3	14.3	27.3	0.0
Tax "gross-ups"	0.0	21.4	3.3	14.3	0.0	0.0
Supplemental executive retirement plans ("SERP")	11.1	7.1	6.7	14.3	18.2	0.0
Death benefit payments ("golden coffins")	0.0	21.4	3.3	14.3	0.0	0.0
Severance agreements ("golden parachutes")	0.0	21.4	10.0	14.3	27.3	0.0
A cap to executive compensation	0.0	7.1	3.3	28.6	9.1	11.1
Recoupment of incentive pay ("clawback")	0.0	7.1	10.0	14.3	18.2	11.1
Stock ownership guidelines	22.2	42.9	10.0	14.3	0.0	11.1
Equity retention requirements	0.0%	21.4%	6.7%	14.3%	9.1%	11.1%
Incentive plan design issues (e.g. performance measures, targets, thresholds, maximum payouts)	0.0	21.4	33.3	37.1	39.3	44.4
Other issues on the link between compensation and financial performance ("pay for performance")	0.0	0.0	26.7	42.9	27.3	22.2
Other issues on the link between compensation and sustainability performance	0.0	0.0	3.3	0.0	0.0	22.2
Pay ratio disclosure	11.1	7.1	0.0	14.3	9.1	0.0
Other expansions of executive compensation disclosure	0.0	0.0	10.0	0.0	0.0	0.0
Other executive compensation issues	0.0	0.0	10.0	14.3	18.2	0.0
Diretor compensation-related issues	0.0	7.1	0.0	14.3	9.1	0.0

Source: The Conference Board/Rutgers University, 2019.

Figure 11b **Board-shareholder engagement topics, by company size** (continued)

	Annual revenue					
	Under $100 million	$100-999 million	$1-4.9 billion	$5-9.9 billion	$10-19.9 billion	$20 billion and over
	n=9	n=14	n=30	n=7	n=11	n=9
CORPORATE GOVERNANCE ISSUES						
Board size	0.0%	14.3%	6.7%	28.6%	27.3%	11.1%
Board diversity (i.e. representation of female gender and minorities)	33.3	38.6	43.3	57.1	58.2	60.0
Director qualifications and skills	11.1	14.3	26.7	38.6	47.3	60.0
Director independence	0.0	21.4	13.3	42.9	36.4	0.0
Director retirement policy (e.g. based on tenure, term or age limits)	22.2	7.1	20.0	0.0	9.1	11.1
Director election standards (majority v. plurality)	11.1	0.0	13.3	0.0	9.1	0.0
Separation of CEO/Chairman positions	0.0	7.1	3.3	14.3	18.2	33.3
Instituting (or expanding the role of) a lead independent director	0.0	0.0	6.7	0.0	18.2	0.0
Over-boarding policies (i.e. restrictions on number of additional directorships)	11.1	0.0	0.0	42.9	0.0	0.0
Proxy access	11.1	21.4	6.7	14.3	18.2	0.0
Reimbursement of expenses incurred to support a dissident director nominee	0.0	0.0	3.3	14.3	18.2	0.0
Protocol for precatory shareholder proposals receiving majority vote	11.1	7.1	0.0	28.6	9.1	0.0
Reincorporation in another state	0.0	0.0	3.3	14.3	9.1	0.0
Removal of directors	0.0	0.0	10.0	0.0	18.2	0.0
CEO succession planning	12.2	14.3	20.0	28.6	37.3	48.1
Risk oversight	11.1	0.0	16.7	42.9	27.3	44.4
Cumulative voting	0.0	14.3	6.7	0.0	0.0	0.0
Dual class structure (unequal voting)	0.0	0.0	10.0	14.3	18.2	0.0
Action by written consent	0.0	7.1	6.7	14.3	0.0	0.0
Shareholder right to call special meetings	0.0	7.1	10.0	14.3	9.1	22.2
Board declassification	0.0%	14.3%	6.7%	0.0%	0.0%	0.0%
Supermajority vote requirement	0.0	14.3	0.0	0.0	9.1	0.0
Proxy advisory firm voting recommendations	11.1	7.1	6.7	0.0	9.1	11.1
A proxy contest	0.0	14.3	16.7	0.0	18.2	11.1
Poison pills	0.0	0.0	3.3	0.0	0.0	0.0
Other takeover defenses	22.2	7.1	6.7	0.0	9.1	0.0
Other corporate governance issues	0.0	0.0	6.7	14.3	0.0	33.3

Source: The Conference Board/Rutgers University, 2019.

Figure 11b **Board-shareholder engagement topics, by company size** (continued)

	Annual revenue					
	Under $100 million	$100-999 million	$1-4.9 billion	$5-9.9 billion	$10-19.9 billion	$20 billion and over
	n=9	n=14	n=30	n=7	n=11	n=9
SOCIAL AND ENVIRONMENTAL POLICY ISSUES						
Climate change policies	0.0%	14.3%	16.7%	28.6%	29.2%	33.3%
Sustainability reporting	0.0	7.1	26.7	42.9	45.5	49.1
Animal rights	11.1	7.1	10.0	0.0	0.0	0.0
Human rights	11.1	14.3	10.0	14.3	27.3	30.0
Labor issues	22.2	14.3	10.0	0.0	18.2	11.1
Health issues	0.0	14.3	10.0	0.0	18.2	0.0
Political contribution and lobbying activity disclosure	0.0	7.1	10.0	0.0	18.2	11.1
Other social issues	0.0	0.0	20.0	14.3	9.1	20.0
Other environmental issues	11.1	0.0	13.3	0.0	0.0	11.1
STRATEGIC AND CAPITAL-RELATED ISSUES						
Changes in management or control	42.2%	31.4%	30.0%	24.3%	15.5%	0.0%
Mergers, acquisitions, or joint venture	38.2	21.4	20.3	16.3	14.3	9.2
Asset sales	31.1	27.1	16.7	12.0	18.2	0.0
Stock sales	32.2	14.3	16.7	11.9	8.5	0.0
Spin-offs, split-offs or other break-up transactions	2.3	7.1	20.0	21.5	21.9	22.2
Investments in new products and services	0.0	7.1	10.0	24.3	28.2	39.0
Other R&D investments	0.0	7.1	10.0	14.3	9.1	27.1
Dividend payments	0.0	7.1	10.0	14.3	27.3	29.1
Share buyback or other repurchase plans	0.0	0.0	3.3	4.7	9.1	25.4
Recapitalizations	11.1	11.4	16.7	21.3	36.4	36.4
Other	11.1	0.0	10.0	0.0	9.1	22.2

Source: The Conference Board/Rutgers University, 2019.

Figure 11b **Board-shareholder engagement topics, by company size** (continued)

	Asset value		
	Under $5 billion n=9	$5-99 billion n=9	$100 billion and over n=8
EXECUTIVE COMPENSATION ISSUES (including CEOs and NEOs)			
Base salary	33.3%	11.1%	37.5%
Annual bonus	42.2	38.7	32.5
Stock awards	33.3	22.2	37.5
Long-term incentive awards (e.g. stock options, restricted share units, performance share units)	44.4	66.7	62.5
Perquisites (e.g. use of corporate aircraft, executive health insurance)	11.1	11.1	12.5
Tax "gross-ups"	11.1	0.0	0.0
Supplemental executive retirement plans ("SERP")	33.3	11.1	0.0
Death benefit payments ("golden coffins")	11.1	0.0	0.0
Severance agreements ("golden parachutes")	11.1	0.0	0.0
A cap to executive compensation	11.1	22.2	0.0
Recoupment of incentive pay ("clawback")	0.0	0.0	12.5
Stock ownership guidelines	11.1	0.0	37.5
Equity retention requirements	0.0	11.1	12.5
Incentive plan design issues (e.g. performance measures, targets, thresholds, maximum payouts)	33.3	44.4	62.5
Other issues on the link between compensation and financial performance ("pay for performance")	22.2	44.4	50.0
Other issues on the link between compensation and sustainability performance	11.1	22.2	50.0
Pay ratio disclosure	0.0	11.1	25.0
Other expansions of executive compensation disclosure	0.0	0.0	12.5
Other executive compensation issues	0.0	11.1	25.0
Diretor compensation-related issues	0.0	11.1	0.0
CORPORATE GOVERNANCE ISSUES			
Board size	11.1%	11.1%	37.5%
Board diversity (i.e. representation of female gender and minorities)	22.2	55.6	75.0
Director qualifications and skills	0.0	44.4	50.0
Director independence	0.0	0.0	12.5
Director retirement policy (e.g. based on tenure, term or age limits)	0.0	11.1	37.5
Director election standards (majority v. plurality)	0.0	11.1	0.0
Separation of CEO/Chairman positions	0.0	22.2	37.5
Instituting (or expanding the role of) a lead independent director	0.0	11.1	12.5
Over-boarding policies (i.e. restrictions on number of additional directorships)	0.0	22.2	62.5
Proxy access	22.2	33.3	25.0
Reimbursement of expenses incurred to support a dissident director nominee	0.0	11.1	0.0
Protocol for precatory shareholder proposals receiving majority vote	11.1	11.1	0.0

Source: The Conference Board/Rutgers University, 2019.

Figure 11b **Board-shareholder engagement topics, by company size** (continued)

	Asset value		
	Under $5 billion n=9	$5-99 billion n=9	$100 billion and over n=8
Reincorporation in another state	0.0%	0.0%	0.0%
Removal of directors	0.0	0.0	0.0
CEO succession planning	11.1	11.1	37.5
Risk oversight	11.1	22.2	50.0
Cumulative voting	11.1	0.0	0.0
Dual class structure (unequal voting)	0.0	0.0	0.0
Action by written consent	11.1	11.1	12.5
Shareholder right to call special meetings	0.0	0.0	12.5
Board declassification	11.1	0.0	0.0
Supermajority vote requirement	0.0	0.0	12.5
Proxy advisory firm voting recommendations	11.1	11.1	25.0
A proxy contest	22.2	0.0	0.0
Poison pills	0.0	0.0	0.0
Other takeover defenses	11.1	0.0	0.0
Other corporate governance issues	0.0	11.1	12.5
SOCIAL AND ENVIRONMENTAL POLICY ISSUES			
Climate change policies	0.0%	11.1%	37.5%
Sustainability reporting	0.0	22.2	50.0
Animal rights	11.1	0.0	0.0
Human rights	0.0	0.0	0.0
Labor issues	33.3	11.1	12.5
Health issues	22.2	0.0	0.0
Political contribution and lobbying activity disclosure	11.1	11.1	12.5
Other social issues	33.3	0.0	37.5
Other environmental issues	11.1	0.0	25.0
STRATEGIC AND CAPITAL-RELATED ISSUES			
Changes in management or control	22.2%	0.0%	12.5%
Mergers, acquisitions, or joint venture	33.3	11.1	0.0
Asset sales	11.1	0.0	0.0
Stock sales	33.3	0.0	0.0
Spin-offs, split-offs or other break-up transactions	11.1	0.0	0.0
Investments in new products and services	11.1	0.0	0.0
Other R&D investments	11.1	11.1	12.5
Dividend payments	33.3	0.0	25.0
Share buyback or other repurchase plans	0.0	0.0	0.0
Recapitalizations	0.0	0.0	0.0
Other	0.0	11.1	0.0

Source: The Conference Board/Rutgers University, 2019.

Outcome of board-shareholder engagement

Among manufacturing and nonfinancial services companies, the most cited outcome of board-shareholder engagement is a change in a corporate practice (53.6 percent and 36.5 percent, respectively). In the financial services sector, 50 percent of companies stated that the engagement served to advance dialogue on a certain issue but did not (yet) lead to any definitive outcome. Also, among financial services companies, 46.2 percent reported the decision by the company to introduce additional (voluntary) public disclosure as a result of the engagement.

The engagement of directors with shareholders is not often used as an expedient for persuading one or more investors to withdraw a shareholder proposal: Only 17.3 percent of nonfinancial services companies said that it led to this outcome, and such a percentage was the highest among business sectors. This finding may be explained if one considers that many investors choosing to engage with directors view such engagement as an alternative to the submission of shareholder resolutions.

Figure 12a **Outcome of board-shareholder engagement, by industry**

	Manufacturing n=28	Financial services n=26	Nonfinancial services n=52
A change in a corporate practice	53.6%	34.6%	36.5%
The introduction of additional public disclosure	14.3	46.2	30.8
The inclusion of a director nominee proposed by the engaged shareholder(s) in the slate supported by management	14.3	11.5	23.1
The withdrawal of a shareholder proposal	10.7	15.4	17.3
A change in the proxy vote previously announced by the engaged shareholder(s)	17.9	7.7	5.8
The advancement of dialogue on a certain issue, but without any definitive outcome	32.1	50.0	28.8
Other	3.6	11.5	3.8
None	14.3	11.5	15.4

Source: The Conference Board/Rutgers University, 2019.

The likelihood that the engagement results in a change to a corporate practice varies based on the size of the company. The smaller the company the most frequent the cases where directors and investors agreed to a certain organizational change. Specifically, this happened in 75.6 percent of companies with annual revenue under $100 million but only in 23.3 percent of the large ones with revenue equal to or exceeding $20 billion. Among smaller companies, board-shareholder engagement following the submission of a shareholder proposal and meant to dissuade the investor from moving forward with it appears more common (33.3 percent of companies with annual revenue of $100 million or less, compared to 7.1 percent of those with $20 billion or more in revenue; and 29.2 percent of companies with asset value under $5 billion versus the 9.5 percent of those with asset valued at $100 billion or more). **See Figures 12a and 12b.**

Figure 12b **Outcome of board-shareholder engagement, by company size**

	Annual revenue					
	Under 100 million n=9	$100-999 million n=14	$1-4.9 billion n=30	$5-9.9 billion n=7	$10-19.9 billion n=11	$20 billion and over n=9
A change in a corporate practice	75.6%	65.7%	43.3%	31.4%	24.5%	23.3%
The introduction of additional public disclosure	11.1	21.4	30.0	28.6	18.2	33.3
The inclusion of a director nominee proposed by the engaged shareholder(s) in the slate supported by management	11.1	21.4	23.3	14.3	18.2	22.2
The withdrawal of a shareholder proposal	33.3	22.1	13.3	14.3	11.2	7.1
A change in the proxy vote previously announced by the engaged shareholder(s)	0.0	21.4	10.0	14.3	9.1	0.0
The advancement of dialogue on a certain issue, but without any definitive outcome	33.3	35.7	23.3	0.0	36.4	55.6
Other	0.0	0.0	6.7	0.0	0.0	11.1
None	22.2	7.1	20.0	28.6	9.1	0.0

	Asset value		
	Under $5 billion n=9	$5-99 billion n=9	$100 billion and over n=8
A change in a corporate practice	44.4%	33.3%	25.0%
The introduction of additional public disclosure	44.4	55.6	37.5
The inclusion of a director nominee proposed by the engaged shareholder(s) in the slate supported by management	11.1	0.0	25.0
The withdrawal of a shareholder proposal	29.2	11.1	9.5
A change in the proxy vote previously announced by the engaged shareholder(s)	0.0	11.1	12.5
The advancement of dialogue on a certain issue, but without any definitive outcome	66.7	44.4	37.5
Other	0.0	0.0	37.5
None	11.1	11.1	12.5

Source: The Conference Board/Rutgers University, 2019.

Factors preventing additional shareholder engagement by the board of directors

Survey participants were asked about the impediments to further engagement between directors and investors. Interestingly, across sectors, companies stated that the main factor preventing additional board-shareholder engagement is the time constraint by shareholders, which may not have the internal expertise and resources that a systematic engagement effort across their company portfolio would require. This finding is in line with those showing that the board of directors is most often being proactive and initiating opportunities for engagement with investors (see Figures 3a and 3b). Staffing considerations are among the least relevant constraint in the industry analysis. Regulatory concerns also fare quite low in the ranking of restraining factors.

As expected, larger companies more frequently cite time availability by their own board members as the number one impediment to additional engagement with investors. This factor ranked first for both groups of the largest companies, those with annual revenue of $20 billion or higher and those with assets valued at $100 billion or more. Among smaller firms in the financial sector, the main limitation is the expectation that management dedicate time and be directly involved in the engagement. **See Figures 13a and 13b.**

Figure 13a **Factors preventing additional shareholder engagement by the board of directors, by industry**

	Manufacturing	Financial services	Nonfinancial services
	n=42	n=38	n=65
Time constraints by the director(s)	2	3	1
Time constraints by the shareholder(s)	1	T1	5
Staffing constraints by the company	8	9	7
Staffing constraints by the shareholder(s)	7	6	6
Regulatory concerns(e.g. Regulation FD violations)	T4	5	4
Lack of interest by shareholders	T4	T1	2
The concern that, by engaging more, directors will exacerbate rather than ease shareholder demands	6	7	8
The expectation that shareholder engagement be conducted by members of senior management (e.g. CFO, investor relations function, legal)	3	4	3
Other	9	8	9

T = Indicates a tie in the ranking.

Source: The Conference Board/Rutgers University, 2019.

Figure 13b **Factors preventing additional shareholder engagement by the board of directors, by company size**

	Annual revenue					
	Under $100 million n=10	$100-999 million n=17	$1-4.9 billion n=41	$5-9.9 billion n=12	$10-19.9 billion n=13	$20 billion and over n=14
Time constraints by the director(s)	2	8	1	3	1	1
Time constraints by the shareholder(s)	T1	1	5	5	2	4
Staffing constraints by the company	3	T2	8	NR	8	NR
Staffing constraints by the shareholder(s)	5	7	7	4	9	5
Regulatory concerns(e.g. Regulation FD violations)	6	T2	4	1	3	NR
Lack of interest by shareholders	T7	4	2	T2	5	2
The concern that, by engaging more, directors will exacerbate rather than ease shareholder demands	T7	6	6	7	T6	NR
The expectation that shareholder engagement be conducted by members of senior management (e.g. CFO, investor relations function, legal)	T1	3	3	T2	4	3
Other	NR	NR	9	8	T6	NR

	Asset value		
	Under $5 billion n=11	$5-99 billion n=14	$100 billion and over n=13
Time constraints by the director(s)	2	5	1
Time constraints by the shareholder(s)	3	4	2
Staffing constraints by the company	NR	NR	T6
Staffing constraints by the shareholder(s)	6	6	5
Regulatory concerns(e.g. Regulation FD violations)	8	T2	T6
Lack of interest by shareholders	4	T2	3
The concern that, by engaging more, directors will exacerbate rather than ease shareholder demands	5	7	NR
The expectation that shareholder engagement be conducted by members of senior management (e.g. CFO, investor relations function, legal)	1	1	4
Other	7	8	8

Source: The Conference Board/Rutgers University, 2019.

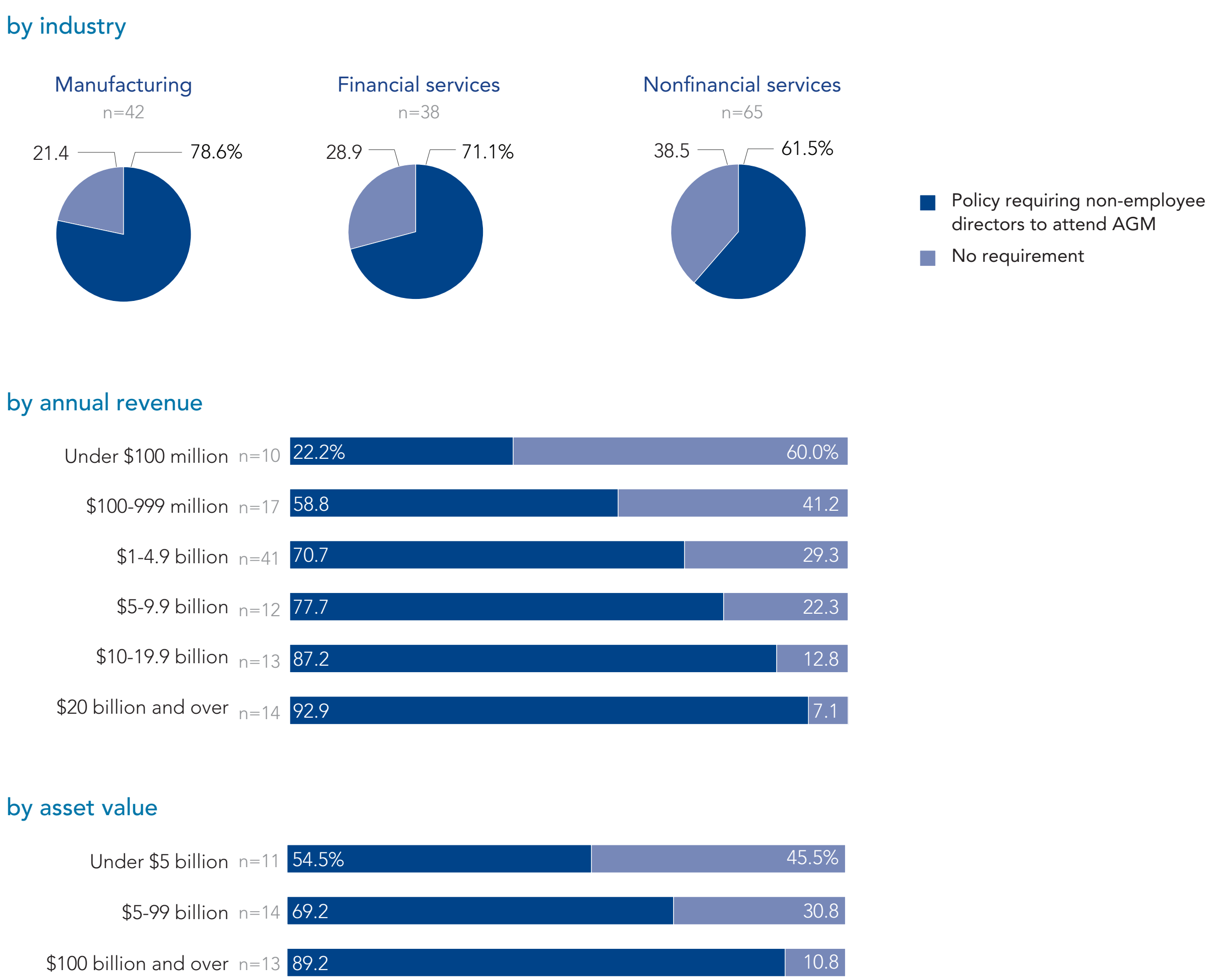
Requirement for non-employee directors to attend AGM

Across sectors, most companies have adopted policies requiring non-employee directors to attend the AGM. The highest percentage of companies that disclosed not having such a policy is seen in the nonfinancial services sector (38.5 percent, compared to 28.9 percent of financial services companies and 21.4 percent of manufacturing companies).

The expectation for board members to attend AGMs is set by almost all of the largest companies (92.9 percent of those with revenue of $20 billion or higher and 89.2 percent of those with asset valued at $100 billion or more), and there is a direct correlation between the size of the company and the adoption of a policy to this effect. **See Figures 14a and 14b.**

Figures 14a & b

Requirement for non-employee directors to attend AGM



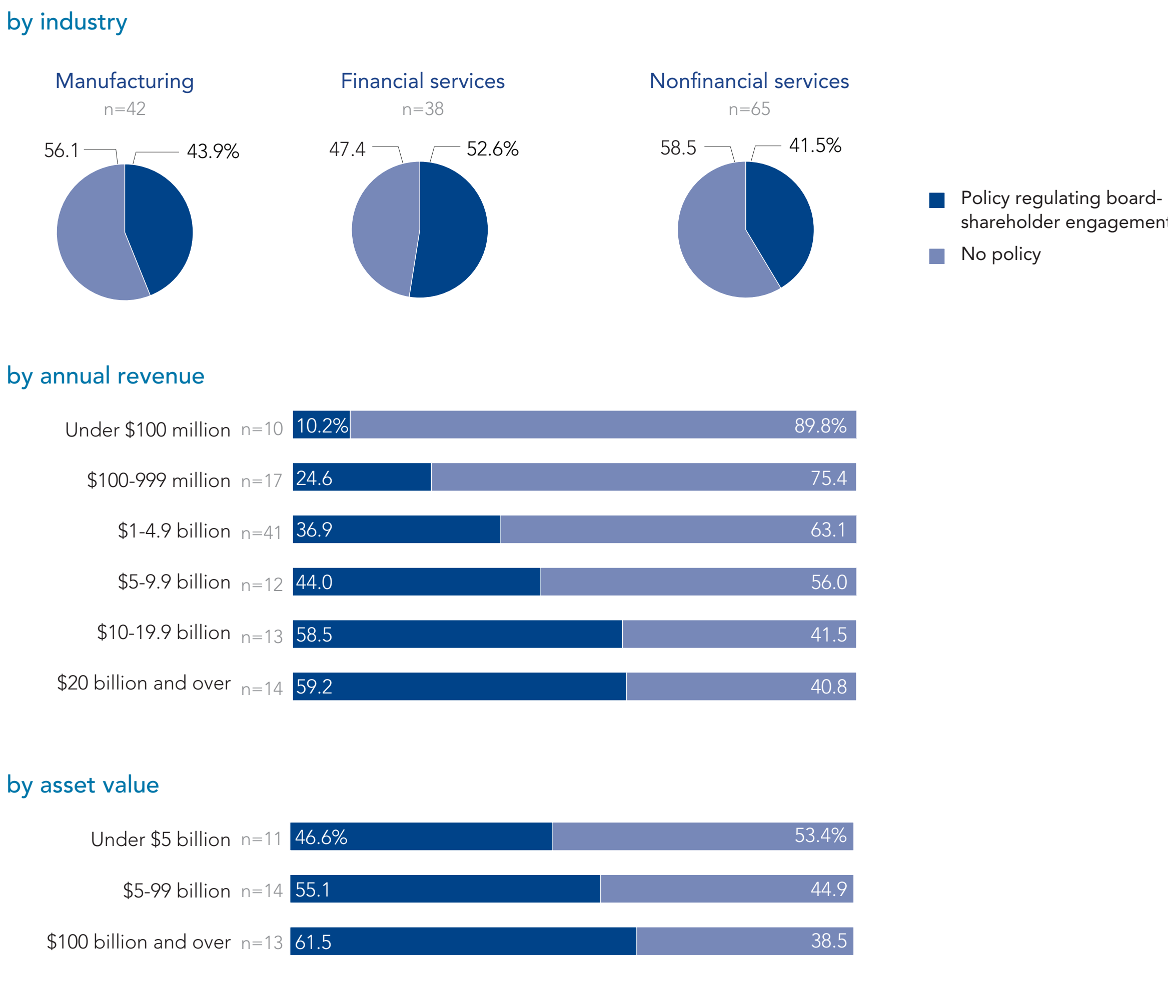
Source: The Conference Board/Rutgers University, 2019.

Formal board-shareholder engagement policy

Survey respondents were almost evenly divided between those who adopted a formal, written policy regulating board-shareholder engagement and those that did not. The highest percentage of companies that did disclose having such a policy is seen in the financial services sector (52.6 percent), while the nonfinancial services industries have the highest number of firms that do not formally regulate board-shareholder engagement (58.5 percent).

There is a direct correlation between the adoption of a board-engagement policy and the size of the company by annual revenue: The highest rate of adoption is seen among the largest companies, with revenue of $20 billion or more (59.2 percent, compared to only 10.2 percent in the group of small companies with less than $100 million in annual turnover). Formal policies have become widespread across the financial services sector—in two of the three size survey participant groups the majority of financial services companies disclosed having instituted a written set of guidelines for their board members to interact with shareholders: Specficially, this is the case for 61.5 percent of financial institutions with asset value over $100 billion and 55.1 percent of the companies with asset value comprised between $5 and $99 billion. **See Figures 15a and 15b.**

Figures 15a & b
Formal board-shareholder engagement policy



Source: The Conference Board/Rutgers University, 2019.

Features of board-shareholder engagement regulated by corporate policy

When adopted, board-shareholder engagement policies most frequently include how investors can solicit an interaction with corporate directors (72.2 percent of manufacturing companies with a formal policy do set a protocol for investors to initiate the engagement) and the topics on which the engagement is permitted (63 percent of nonfinancial services). Across business sectors, these policies frequently address the internal designation of responsibility for the engagement (whether to the lead independent director, the board chaiman, the nominating/corporate governance committee, an investor relations officers or others): the highest percentage of policies with a provision of this type is seen in financial services (65 percent), while the lowest is in the manufacturing sector (44.4 percent). The highest percentage of companies including information on the forums on which the engagement can occur is seen for financial companies (45 percent) and is much lower in the manufacturing (16.7 percent) and nonfinancial services (7.4 percent) sectors.

It is interesting to note that, among manufacturing and nonfinancial services companies, the share of respondents stating that the board-engagement policy formally designates responsibility for the process is one-third in the smallest group by annual revenue, compared to 100 percent of the largest organizations. (In the asset value analysis, the gap is smaller, with 71.4 percent of policies adopted companies valued below $5 billion including a provision on the designation of responsibility). This finding may indicate that smaller firms, less prone to rigid allocation of fewer resources, prefer to define the board-shareholder engagement process on a case-by-case basis, in light of the subject matter being discuss and the available in-house skills. **See Figures 15a-bis and 15b-bis.**

Figure 15a-bis **Features of board-shareholder engagement regulated by corporate policy, by industry**

	Manufacturing	Financial services	Nonfinancial services
	n=18	n=20	n=27
The designation of responsibility for board-shareholder engagement (e.g. Lead Director, Board Chairman, Corporate Governance/ Nominating Committee, Corporate Secretary, Investor Relations Office)	44.4%	65.0%	63.0%
The topics on which board-shareholder engagement is permitted	50.0	40.0	63.0
How shareholders can solicit engagement with the board of directors	72.2	55.0	48.1
The frequency with which the board of directors should seek engagement with shareholders	38.9	35.0	29.6
A detailed board-shareholder engagement calendar	16.7	25.0	14.8
The forums on which board-shareholder engagement can occur	16.7	45.0	7.4
Other	0.0	0.0	3.7

Source: The Conference Board/Rutgers University, 2019.

Figure 15b-bis **Features of board-shareholder engagement regulated by corporate policy, by company size**

	Annual revenue					
	Under $100 million n=3	$100-999 million n=12	$1-4.9 billion n=18	$5-9.9 billion n=6	$10-19.9 billion n=5	$20 billion and over n=1
The designation of responsibility for board-shareholder engagement (e.g. Lead Director, Board Chairman, Corporate Governance/Nominating Committee, Corporate Secretary, Investor Relations Office)	33.3%	41.7%	61.1%	66.7%	60.0%	100.0%
The topics on which board-shareholder engagement is permitted	66.7	50.0	55.6	66.7	60.0	100.0
How shareholders can solicit engagement with the board of directors	100.0	58.3	44.4	66.7	60.0	100.0
The frequency with which the board of directors should seek engagement with shareholders	33.3	41.7	22.2	33.3	40.0	100.0
A detailed board-shareholder engagement calendar	0.0	16.7	16.7	0.0	40.0	0.0
The forums on which board-shareholder engagement can occur	33.3	25.0	0.0	0.0	0.0	100.0
Other	0.0	0.0	5.6	0.0	0.0	0.0

	Asset value		
	Under $5 billion n=7	$5-99 billion n=8	$100 billion and over n=5
The designation of responsibility for board-shareholder engagement (e.g. Lead Director, Board Chairman, Corporate Governance/Nominating Committee, Corporate Secretary, Investor Relations Office)	71.4%	82.5%	100.0%
The topics on which board-shareholder engagement is permitted	57.1	25.0	40.0
How shareholders can solicit engagement with the board of directors	85.7	37.5	40.0
The frequency with which the board of directors should seek engagement with shareholders	71.4	12.5	20.0
A detailed board-shareholder engagement calendar	28.6	37.5	0.0
The forums on which board-shareholder engagement can occur	85.7	12.5	40.0
Other	0.0	0.0	0.0

Source: The Conference Board/Rutgers University, 2019.

Disclosure on board-shareholder engagement

When corporate disclosure on board-shareholder engagement is put forward, it tends to reiterate the company's commitment to seek out and hear the voice of its main investors (55.4 percent of nonfinancial services companies and 52.6 percent of financial firms, compared to 38.1 percent of manufacturing companies), the frequency of recently held instances of engagement (31 percent of disclosures in the manufacturing sector), and the topics addressed in those occasions (42.1 percent of disclosures in the financial services group). The highest share of companies that reported discussing the oucomes of board-shareholder engagement in their public disclosure documents is found in the financial sector (31.6 percent) and is significantly lower in nonfinancial services (23.1 percent) and especially in manufacturing (14.3 percent).

Figure 16a **Disclosure on board-shareholder engagement, by industry**

	Manufacturing n=18	Financial services n=20	Nonfinancial services n=27
The company's commitment to board-shareholder engagement	38.1%	52.6%	55.4%
The designation of responsibility for board-shareholder engagement (e.g. Lead Director, Board Chairman, Corporate Governance/ Nominating Committee, Corporate Secretary, Investor Relations Office)	28.6	26.3	33.8
How the recent instances of board-shareholder engagement were initiated	23.8	26.3	23.1
The topics on which board-shareholder engagement has recently occurred	21.4	42.1	33.8
The frequency of recent board-shareholder engagement	31.0	23.7	27.7
The number of shareholders engaged	21.4	18.4	20.0
The percentage of outstanding shares represented in aggregate by the shareholders engaged	19.0	21.1	32.3
The types of shareholders engaged	9.5	15.8	13.8
The forums recently used for board-shareholder engagement (e.g. in-person meetings, teleconferences, email exchanges)	11.9	21.1	16.9
The outcome of recent instances of board-shareholder engagement	14.3	31.6	23.1
Other	7.1	0.0	3.1
None. Disclosure documents do not include information on board-shareholder engagement	21.4	12.3	15.4

Source: The Conference Board/Rutgers University, 2019.

Disclosure stating the company's commitment to board-shareholder engaement is much more frequent among larger companies (78.6 percent of those with annual revenue of $20 billion or higher and 83.8 percent of those with assets valued at $100 billion or higher do so). Instead, smaller companies tend to be more transparent with respect to factual information, such as the frequency of engagements (50 percent of companies with annual revenue under $100 million and 56.4 percent of those with asset value under $5 billion) and the forums on which the engagement took place (40 percent and 47.3 percent, respectively).

It is quite infrequent for companies to omit any reference to their board-shareholder engagement in their annual reports and proxy statements. This is particularly true in the financial services sectors (where only 12.3 percent of respondents reported that they do not publicly share any information on the matter) and among larger organizations (only 7.1 percent of companies with annual revenue of $20 billion or more and 6.2 percent of those with asset value of $100 billion or more do not provide any disclosure). **See Figures 16a and 16b.**

Figure 16b **Disclosure on board-shareholder engagement, by company size**

	Annual revenue					
	Under $100 million n=10	$100-999 million n=17	$1-4.9 billion n=41	$5-9.9 billion n=12	$10-19.9 billion n=13	$20 billion and over n=14
The company's commitment to board-shareholder engagement	30.0%	35.3%	41.5%	58.3%	61.5%	78.6%
The designation of responsibility for board-shareholder engagement (e.g. Lead Director, Board Chairman, Corporate Governance/ Nominating Committee, Corporate Secretary, Investor Relations Office)	30.0	47.1	26.8	41.7	23.1	28.6
How the recent instances of board-shareholder engagement were initiated	30.0	29.4	26.8	16.7	15.4	14.3
The topics on which board-shareholder engagement has recently occurred	20.0	35.3	24.4	25.0	30.8	42.9
The frequency of recent board-shareholder engagement	50.0	39.4	24.4	22.3	13.8	7.1
The number of shareholders engaged	20.0	29.4	22.0	33.3	0.0	14.3
The percentage of outstanding shares represented in aggregate by the shareholders engaged	10.0	23.5	29.3	25.0	23.1	42.9
The types of shareholders engaged	0.0	11.8	9.8	16.7	15.4	21.4
The forums recently used for board-shareholder engagement (e.g. in-person meetings, teleconferences, email exchanges)	40.0	37.6	29.2	16.7	15.4	0.0
The outcome of recent instances of board-shareholder engagement	30.0	23.5	14.6	25.0	7.7	28.6
Other	10.0	0.0	2.4	0.0	15.4	7.1
None. Disclosure documents do not include information on board-shareholder engagement	30.0	31.8	29.3	35.0	27.7	7.1

Figure 16b **Disclosure on board-shareholder engagement, by company size**
(continued)

	Asset value		
	Under $5 billion n=11	$5-99 billion n=14	$100 billion and over n=13
The company's commitment to board-shareholder engagement	36.4%	64.3%	83.8%
The designation of responsibility for board-shareholder engagement (e.g. Lead Director, Board Chairman, Corporate Governance/Nominating Committee, Corporate Secretary, Investor Relations Office)	27.3	21.4	30.8
How the recent instances of board-shareholder engagement were initiated	27.3	35.7	15.4
The topics on which board-shareholder engagement has recently occurred	36.4	50.0	38.5
The frequency of recent board-shareholder engagement	56.4	34.3	23.1
The number of shareholders engaged	9.1	21.4	23.1
The percentage of outstanding shares represented in aggregate by the shareholders engaged	18.2	14.3	30.8
The types of shareholders engaged	18.2	14.3	15.4
The forums recently used for board-shareholder engagement (e.g. in-person meetings, teleconferences, email exchanges)	47.3	21.4	15.4
The outcome of recent instances of board-shareholder engagement	45.5	31.4	30.8
Other	0.0	0.0	0.0
None. Disclosure documents do not include information on board-shareholder engagement	18.2	14.3	6.2

Source: The Conference Board/Rutgers University, 2019.

Regulation FD liability risk mitigation measures

The measure most frequently introduced by all companies is the one that restricts an engagement agenda to public information to mitigate the Regulation FD liability risk. Of manufacturing and financial services companies, 54.4 and 54.1 percent, respectively, do use a formal restriction of this type, compared to 42.2 percent of nonfinancial services organizations.

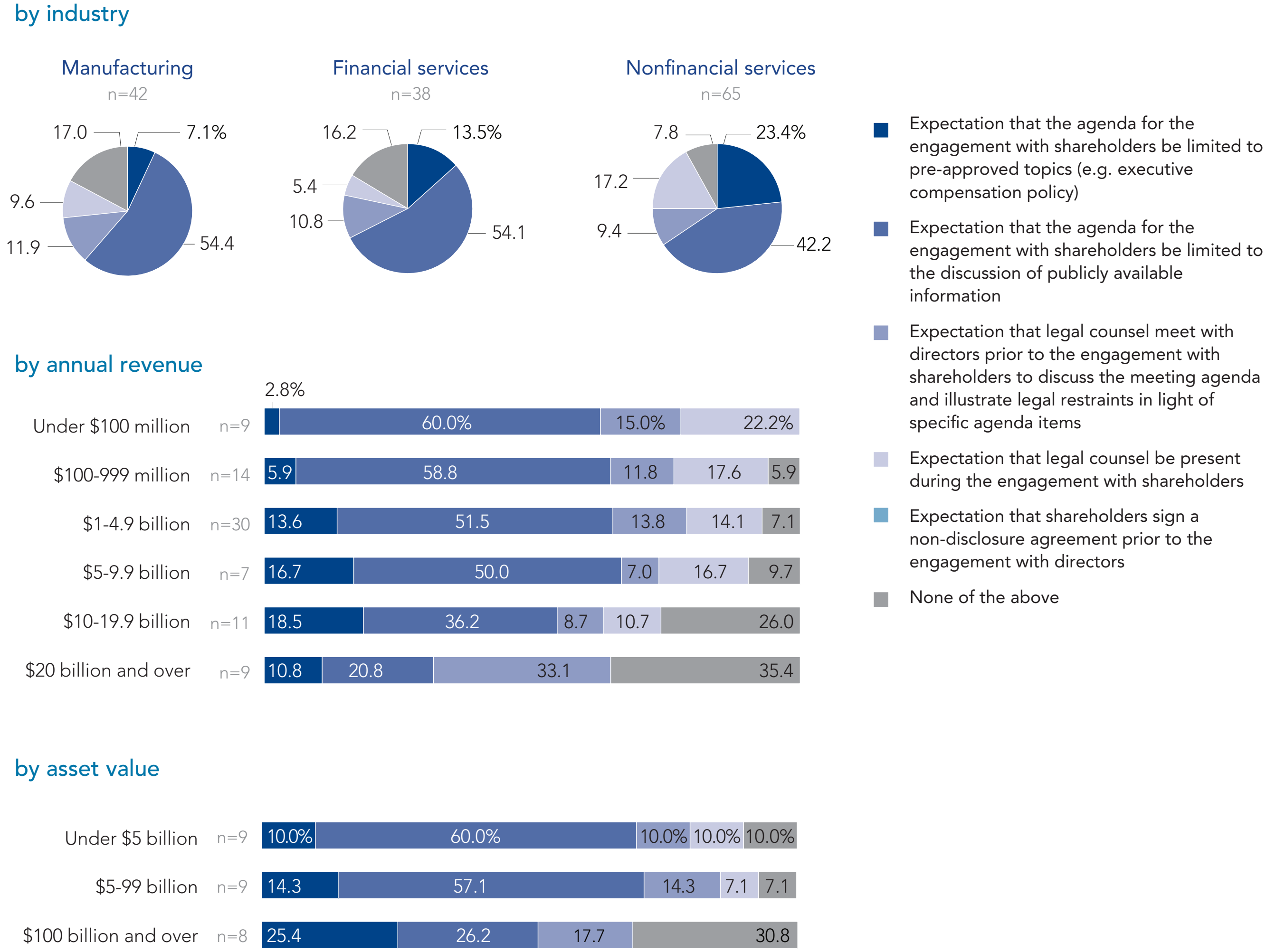
The analysis by company size shows that fewer of the largest firms, compared to their smaller counterparts, adopt Regulation FD liability mitigation measures in the context of their board-shareholder engagement. For example, only 26.2 percent of financial services firms with asset value of $100 billion and over prescribe that engagement should be limited to publicly available information, compared to 60 percent of those with asset value under $5 billion. A similar discrepancy is seen in the comparison of annual revenue groups and may be indicative of the more extensive level of experience that large organizations have with Regulation FD compliance as well as deeper knowledge of the latitude the regulation provides to communicating with shareholders on issues of organizational and governance practices. In general, 35.4 percent of companies with annual revenue of $20 billion or higher and 30.8 percent of companies with assets valued at least $100 billion stated that, aside from their ordinary guidance for executives on fair disclosure, they set no specific restrictions to their board-shareholder engagement meant to avoid Regulation FD violations.

The highest percentage of companies prescribing a pre-approved list of topics for boards to engage with their shareholders is found in the smallest size group by revenue—under $100 million (2.8 percent). The same size group also reports the highest share of companies requiring the legal counsel to be present at all board-shareholder interactions (22.2 percent).

No companies across sectors or size groups expect shareholders to sign a non-disclosure agreement prior to meeting with their corporate directors. **See Figures 17a and 17b.**

Figures 17a & b

Regulation FD liability risk mitigation measures



Source: The Conference Board/Rutgers University, 2019.

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