

**E-Meetings Review**  
a project of  
**THE SHAREHOLDER FORUM**  
in support of its program for  
**ELECTRONIC PARTICIPATION IN SHAREHOLDER MEETINGS**

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**FOCUS REPORT**

**Web Attraction: American Water Uses Electronic Communications to Draw Shareholders to its Annual Meeting**

American Water Works may be a 124-years-old company, but when it comes to its upcoming 2010 annual meeting it is on the forefront of using technology to maximize shareholder participation.

The May 7 meeting, to be broadcast live from the company's "traditional" meeting at its Voorhees, NJ headquarters, will allow shareholders to vote and submit questions electronically during the live meeting.

For non-shareholding Forum participants who want to observe the meeting, see the instructions in the main briefing section, [above](#).

The company's objective is to give access to a greater number of stockholders as well as encourage and maximize shareholder participation in the annual meeting. Recent rule changes that restrict broker votes on behalf of clients make it more important than ever to encourage retail investor participation, says Muriel Lange, manager of investor relations at American Water. In addition, American Water views the annual meeting as another opportunity to extend its commitment as a tech-savvy and investor-friendly company.

"Technology allows us to take our annual meeting to a level beyond regulatory compliance and obligations as a public company and to give our shareholders even greater access to executive management and the board," says Lange.

This is the first time that American Water, which trades on the NYSE under the symbol "AWK," will run an annual meeting in this manner. The company, which was spun off from German parent RWE, broadcast its first annual meeting, in 2009, but did not enable electronic participation at that time.

It so happens that soon after the \$1.25 billion IPO the annual meeting landscape began to change. In 2009 the SEC came out with Notice & Access rules for electronic distribution of proxy materials, and in 2010 the NYSE issued Rule 452 to restrict broker voting for clients. For the largest investor-owned U.S. water and wastewater utility company, with customers in more than 30 states and in Canada, it meant working even harder to re-establish a solid retail base, and that meant making the most of technology.

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"The new rule (452) has the potential to impact voting levels at the meetings," Lange says. "What participation in virtual meeting has enabled us to do is to reach out without soliciting and saying 'you are welcome to participate, you don't have to leave your desk.' We think it is important this year more than ever to open that door."

The company's shareholder communications extend to before, during and after the annual meeting. First, the company sent out a pre-proxy mailing, educating and notifying shareholders of record of ways to participate in the meeting. It then established the American Water Investor Forum – a web platform to provide shareholders with direct access to investor relations to ask questions and share their thoughts regarding the company and its strategic initiatives. The questions will be answered during the meeting, which includes a video as well as an online "exhibit booth" with interactive screens displaying the company's latest technologies and sustainability efforts.

During the meeting, remote participants will be able to log in and listen and then push a button to view the video. They will hear the CEO's presentation, the Q and A and a preliminary vote tally. They will also be able to vote and ask questions during the live meeting. The company's management will answer as many of the questions as time allows, both those from the pre-meeting forum and from the meeting itself, Lange says. After the meeting, the company's investor relations representatives will answer all remaining questions within 24-48 hours.

In 2009, about 120 people observed the meeting webcast, including analysts. Lange is not making any number predictions for this year's more active form of participation, saying the company is more interested in the quality of engagement with its investors. "What's important is the access," she says.

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## [FOCUS REPORT](#)

### **Berkshire Hootenanny Goes Electric with Q&A**



*Rick Wilking/Reuters*

Berkshire Hathaway presented the ultimate example of an annual meeting designed to maximize shareholder participation, attracting a record crowd of 37,000 to an extravaganza of shopping and entertainment that some say challenges the Christmas season. But while the company still did not webcast this 30-year-old annual ritual, it made clever use of modern electronic participation, harnessing the efficiency of email and the experience of three journalists to manage and prioritize shareholder questions.

Shareholders (and non-shareholding investors) were directed to email questions to one of three Berkshire-designated financial journalists – Carol Loomis of *Fortune*, Becky Quick of CNBC, and Andrew Ross Sorkin of the *New York Times* – who would then select questions to be presented in the live meeting. The process is described in the “Procedure for Q&A Period” section on page 9 of the company’s [“2010 Annual Meeting Visitor’s Guide.”](#) CEO Warren Buffett and Vice Chairman Charles Munger then answered the questions during the meeting’s two sessions of two-and-a-half hours each, or a total of five hours.

The process, used the first time in 2009, replaced the earlier conventional format, when shareholders would line up in one of several zones of a giant convention center and take turns asking questions, the company said. But the first-come-first-served process was inefficient according to observers, and so the company replaced it with the current method using email and journalistic judgment to bring forth the most interesting and important questions.

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Besides the innovative Q-and-A, Berkshire continues to demonstrate its unique approach to shareholders. While many public companies accept meager attendance as a given, Berkshire views and nurtures its shareholders as an affinity group of investors – and customers. It not only benefits by developing loyalty, but also from the millions in sales the event generates for its own businesses and for Omaha. An Omaha Chamber of Commerce spokeswoman did not have an estimate as to the sales the event generates for the city – "that's one of the age-old questions," she said – but some estimate the impact at around \$50 million.

Offering discounts to its own retailers which include Borsheim's Jewelry, See's Candies and Nebraska Furniture Mart, Berkshire makes little secret that it loves when its shareholders spend money, even opening the doors to the giant Qwest Center as early as 7 a.m. for an extra dose of pre-breakfast shopping. It displayed everything from two black Coachman Recreational Vehicles and a replica of Burlington Northern Santa Fe engine to Kirby vacuum cleaners and Ginsu knives.

Drawing 37,000 attendees did not happen overnight. Berkshire has been nurturing attendance since 1981, when the annual meeting drew 12 participants. Berkshire recently made stock ownership easier by issuing a lower priced Class B retail alternative to its famously expensive, never-split common stock, and then added more shareholders with its Burlington acquisition. The combination of practices that encouraged participation and a greatly expanded shareholder base did their magic – boosting attendance to what's assumed to be the world record.

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## [FOCUS REPORT](#)

### **Intel's New Moore's Law for Shareholder Communications**

Intel's annual meeting may be scheduled for a couple of hours on May 19, but for all intents and purposes it had already begun on April 2. The company, which has enhanced its annual meeting electronic platform with added features has also expanded its duration to nearly two months of continuous interaction with shareholders leading up to and including live online participation in the meeting itself.

By taking these steps, Intel demonstrates that electronic participation can dramatically increase shareholders' access to management beyond what can be achieved at traditional meetings. They also demonstrate how electronic communications, with such processes as posting all questions and comments for everyone to see, can assure more open and fair access than what had been possible at purely physical meetings.



[Intel Corporation. Investor Relations](#)

#### **Expanded shareholder questions – and answers**

In its 2010 communications before and during the meeting, Intel is offering a record number of ways for shareholder participation. The pre-meeting message board uses technology that requires shareholders to enter a control number in order to vote and ask questions. Once ownership is verified, the technology assures that questions remain anonymous. At the same time, the platform displays all questions and answers for everyone to see.

Indeed, shareholder action on the pre-meeting message board has been strong. The company already had received 160 questions a week before the meeting – many times the number of questions that are typically answered at traditional meetings, including Berkshire Hathaway's five-hour Q-and-A marathon ([reviewed last week](#)). That's also roughly double the number of all in-person attendees Intel had in its meeting last year. And while the number of questions pouring in has exceeded the chipmaker's expectations, Intel said it would answer all questions – those asked on the message board as well as those posed in-person or electronically at the meeting.

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"We made a commitment to answering all the questions that come in," says Peter Schuman, Intel's manager of investor relations. "We had a lot more questions than we anticipated," he added, noting that the company will answer all of them and is not filtering any. Of the 160 questions posted, Intel has already answered more than 25.

Many shareholders ask the same or similar questions on subjects like dividend and executive compensation, indicating broad interest. Therefore, says Schuman, the company will select several broad-interest inquiries and present them at the meeting. "We don't try to duck some of the answers. We are upfront and center," Schuman says.

## **Surveys of shareholder interests and priorities**

In addition, Intel is using surveys that give shareholders additional opportunities to express their views. The results, which are posted online, also enable Intel's management to learn which issues shareholders care about the most so it can address them in the annual meeting.

In one survey question, for example, preliminary results from more than 500 responding shareholders showed a significant majority favoring or more likely to participate in meetings electronically rather than in person. In another, the company asked shareholders what was the number one topic they wanted the company's management to address, and an overwhelming majority of 71 percent named growth of new products and markets.

## **Access to business and financial information**

The pre-meeting message board works hand-in-hand with another feature: shareholders' ability to access a webcast of Intel's investor day, held a week before the annual meeting. The webcast, of a full day's dialogue between management and a probing audience of professional analysts and fund managers, provides shareholders with an efficient way to access an entire range of substantive financial information. Shareholders can watch any or all the segments and ask questions either on the message board or during the meeting.

## **Increased participation in more effective communications**

Like many other companies, Intel is employing new technologies to expand and improve

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shareholder communication at a time when in-person attendance in annual meetings is shrinking and web participation is rising. This is happening as part of the broader trend of more personal and business activities migrating online.

Development of the communication processes demonstrated by Intel has been taking place for many years, but applications have been accelerating recently. Intel has been webcasting its annual meetings for a decade, at first enabling shareholders to simply observe the meeting. In 2008, when Intel provided a message board for investor questions, about 100 attended the in-person meeting while 100-150 listened to the webcast. And in 2009, when the company pioneered electronic online voting during the annual meeting, 85 attended in person and 216 observed online.

These increases in online participation, along with the early indications of a strong web participation in 2010, suggest that investors believe they are getting something that they were not getting from traditional meetings. Or, as Intel's Schuman says: "We want to feel we are giving shareholders something, not taking away."

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**Note:** Intel Corporation is an invited leadership supporter of the Shareholder Forum's program for [Electronic Participation in Shareholder Meetings](#), according to the Forum's policies applicable to public interest programs as stated in its [Conditions of Participation](#).

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**FOCUS REPORT**

**When Basics Suffice:  
No Bells, Whistles or Questions at Warner Music's Meeting**

It is no secret that companies with small retail ownership and low annual meeting attendance find value in running an annual meeting that is low-cost and efficient. Now, as virtual annual meetings become more prevalent, some companies like **Warner Music Group** (NYSE: WMG, \$900 million), are finding that a basic, no-frills virtual shareholder meeting can offer just that.

For the archived webcast of Warner Music's "pure virtual" annual meeting, [click here](#).

Warner Music Group, which went public in 2005 in a \$554 million IPO, is headed by the perennially charitable Edgar Bronfman, Jr., and its ownership consists of more than 95% institutions and management. The company held a basic audio-only webcast in February that lasted a total of about eight minutes and fetched not one shareholder question. Still, the meeting demonstrates how a bare-bones electronic participation platform can be an effective way to lower costs while protecting shareholders' right to participate.

The meeting satisfied basic requirements with its audio webcast and provisions allowing shareholders to cast votes as well as to ask questions live online during the meeting.

After announcements and readings of the formal statements, participants were informed that the company's CFO and two auditors were ready to answer shareholder questions. But after a brief pause to check for questions, it turned out that none were asked. A disappointed but optimistic-sounding Bronfman reported, "it appears we did not receive any questions from stockholders." Not one to dwell on the absence of questions, Bronfman concluded the meeting with a nod to the future. "We look to the potential this format offers to increase stockholder participation."

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**FOCUS REPORT**

**NVIDIA's Careful Steps into New World  
of Investor Communications**



NVIDIA Corporation

NVIDIA Corporation (Nasdaq: NVDA, \$7 billion), recognized for its world-class applications of computer graphics to deliver megahits like Avatar and Harry Potter, focused on two things in its pioneering use of new technologies for its annual meeting last week: a carefully stepped approach to adopting new processes, and the actual content of the meeting.

An archived replay of NVIDIA's meeting, with slides, can be observed [here](#).

Last year, the company webcast its meeting, but did not have a slide presentation or the ability to vote or ask questions. This year, it took the step of offering shareholders the ability to vote as well as ask questions online. It added a slide show to its webcast, which the company says enabled its CEO to better present the company and its products. But when it came to video streaming, NVIDIA was not yet ready to commit. "We wanted to test the waters", says Robert Sherbin, NVIDIA spokesman. "One day we may do all virtual. But we need to grow a little more comfortable with the technology, see more participation externally, and see what other companies are doing."

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Even this modest tech step forward helped NVIDIA achieve its goal of expanding shareholder participation. The company attracted about 50% more shareholders than last year, totaling 145.

“Our objective was primarily to broaden the potential base of participation in the meeting,” says Rebecca Peters, the company’s director of corporate affairs, adding that the technology enabled NVIDIA investors in far-flung places to take part in the meeting.

The company’s Co-founder and CEO Jen-Sun (“Jensen”) Huang was reported to have spent considerable time personally developing the shareholder address, which this year included showing how the company’s software enabled rendering fire in Harry Potter, as well as the latest computer-game graphics and the company’s 3-D Vision glasses. Lee Hirsch, NVIDIA’s global brand manager, who also owns shares in the company and attended the May 19 meeting, thought his boss’ presentation was an important element of the meeting experience. “Being the founder of the company, he has a lot of passion that’s engaging and that comes through when he speaks.”

In the Q-and-A that followed Huang’s presentation, shareholders asked about a half-dozen questions, of which one came from an online participant. Online voting during the meeting was not significant, the company said.

Huang’s skilled presentations have helped NVIDIA draw a fairly steady attendance of about 75-100 shareholders to its Santa Clara, California headquarters over the past few years, bucking the trend of declining in-person attendance. In last week’s meeting, the company attracted about 100 in-person shareholders and expanded its reach to an additional 45 validated shareholders who participated online. To that end, the company accomplished what it set out to do.

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**FOCUS REPORT**

**What We Can Learn  
from  
Real Marketplace-Tested Practices**

Conference calls for analysts covering quarterly earnings reports, which have evolved over the past decade after the enactment of Reg. FD in an atmosphere that emphasized fairness, have become a well-tested communications process from which there is much to be learned for the conduct of annual meetings.

Both quarterly calls and annual meetings have a lot in common. In both, management provides decision makers with pertinent investment information. In both, investors have an opportunity to ask questions and observe management's responses. And both commonly use a similar format of a presentation followed by a Q-and-A session.

Because of the large volume of conference calls – they are held by thousands of companies four times a year – they have become a well-tested form of the processes for providing fair access to investment information. Importantly, for our purposes, the testing has emphasized fairness. “The current practices of open analyst conference calls were developed deliberately to avoid the disclosure abuses that contributed to the corruption of securities markets we saw in the dot-com era ten years ago, and are now widely accepted as fair to everyone concerned,” says Peter Brennan, managing partner of Damel Investors LLC, whose [actions](#) helped establish marketplace reforms and Reg FD.

So what can conference calls teach us about what works, which practices are commonly used, and which cutting-edge technologies are emerging on the investor communications horizon?

**Widely accepted practices**

First, let us identify the main elements that most calls include and which have become common enough to be considered conventional for quarterly calls:

- ▶ The scheduling and access information for the open conference call is publicly announced, usually on the company's web site as well as by press release. Timing is typically less than an hour after the planned reporting of financial results for the completed quarterly period, but some companies have been scheduling up to a day

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between reporting and the call to allow more thorough investor consideration of the reports and preparation of questions.

- ▶ Telephone and/or internet access is open to all, allowing all investors and analysts to observe, usually with audio, with or without slides, and in some cases with video.
- ▶ Nearly all calls start with recitations of legal statements, followed by scripted management presentations about performance in the recently completed period.
- ▶ A Q-and-A session that provides for investor and analyst questions, usually through a limited number of call-in lines. Variations include submission via internet, with varying visibility of submissions.
- ▶ Archived calls that are available for replay for defined periods. Companies store their archived calls either with a service provider or on their own site.

## **Tools companies use**

For providing open access, the dominant technology is webcasting, which means the event is broadcast over the internet, enabling anyone throughout the world to observe the meeting. Both audio and video presentations can be webcast, with audio alone being less expensive and prevalent in the US market.

To add a visual element, companies can accompany audio webcasts with slides, which participants can watch by clicking using a mouse. A more advanced visual presentation involves encoded slides, which enable the presenter to control the order in which the slides are shown. Newer technologies allow companies to insert pre-recorded segments into a live presentation, or webcast a pre-recorded presentation as part of the conference call.

The next level of communication involves various forms of video streaming, which, like plain audio, can be webcast for participants to view in real time or in archived form by clicking a play button. With the cost of videostreaming having steadily decreased in recent years, more and more companies are using the technology. Depending on the configuration, costs of video can now run as little as a couple of thousand dollars more than an audio webcast. More advanced levels of videostreaming include high definition video or video transmitted via satellite. Video may well become standard practice in coming years. Use of video has soared by 75% in Thomson Reuters' webcasting business from 2008 to 2009, the company says, and Shareholder.com, another conference call service provider, expects companies that are trying to set themselves apart to start using webcasts for all their events.

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Both in audio and video webcasts, companies can incorporate additional technologies required for Q-and-A sessions, as well as for other two-way communications such as surveys and polling. They can also use an expanding array of tools to collect and analyze data on access activity.

Q-and-A sessions are considered by far the most important element of conference calls, as they enable participants to ask management questions and observe its responses. Most webcast conference calls provide a public one-way communication accessible in listen-only or view-only mode to all online observers. The questions are usually communicated separately through phone lines, with the sound plugged into the webcast, requiring a number of phone lines to accommodate the anticipated volume of calls. Costs can be significant for a large number of open phone lines. Internet alternatives to phone lines for voice communication are possible, but not in common use. Written submissions by internet are becoming more practical, and some companies testing of processes to present submissions on live chat sections of webcast screens.

With regulations and investor interests encouraging companies to archive their presentations, most companies store their webcasts or arrange for the webcast service provider to make archived replays available. There is a growing appreciation of the value of allowing continuing investor replays. "They elongate the life of the event," says Michael Cotter, global head of corporate communications at Thomson Reuters. For every visitor on the live event, two or three visit the archived presentation, he says.

## **Emerging Trends**

According to several leading service providers, more and more companies are experimenting with interactive capabilities such as opening discussion boards before a meeting, or including polling during or after the call.

And as technology continues to advance, some are entering social webcasting in full force, something that ON24, a service provider that emphasizes leading edge virtual event technologies, and Thomson Reuters have begun offering. In addition, companies are paying more attention to accessibility through mobile devices such as smart phones and tablets that are increasingly popular with the investors and professionals they need to reach. And of course, at a time that use of technology is an important part of a corporate image, there is always a need to keep up with rivals.

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**FOCUS REPORT**

**Best Buy Connects the Worlds of Investors and Customers**



Getty Images

In its upcoming annual meeting, Best Buy is planning to leverage the power of modern technology to establish direct and informal communication with shareholders participating from the comfort of their homes or offices.

Best Buy's senior corporate counsel, Lisa Lentini, used the terms "town hall" and "fireside chat" to describe the atmosphere the retailer is seeking to create in the June 24 meeting as it webcasts from Richfield, Minnesota. Fireside chats, of course, evoke the direct, personal style used by Franklin D. Roosevelt in his famous 1930's radio addresses that took his message directly to people's living rooms.



**Fireside Chat #4,  
October 23, 1933**  
[<see video>](#)

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"The presentation style will be a lot more direct and informal compared to previous years," says Lentini. Viewing the meeting as more than just a formality, she explained that, "we really want to take this opportunity for investors and customers to understand what Best Buy is both culturally as a company and for its consumer brand promise."

Using technology and direct, informal style Best Buy wants to highlight its brand message of a "Connected World," where people can stay in close touch with their families, friends and colleagues anytime, anywhere. This vision of a connected world was emphasized in the company's CEO's letter to shareholders as part of Best Buy's proxy filing.

The branding message of a dynamic, connected company that directly communicates with shareholders and customers has, of course, another point--Best Buy happens to be in the business of selling the communications technologies that enable people to create a connected world.

To keep the focus on the direct connection and the technology supporting it, meeting plans call for fewer speakers, shorter presentations, and changes in the presenters' seating arrangements, the company says.

One of the company's directors will join and greet the audience via video satellite. Those attending in person will be able to see the director on a screen at the meeting hall, while online participants will view him as part of the video stream webcast. The company will be using satellite video transmission to link him, the same way TV news broadcasts do it with reporters in distant locations. The application of sophisticated but familiar technology to the corporate event further highlights the theme of a digitally "Connected World," Lentini says.

This is the first time Best Buy provides for electronic shareholder participation during the meeting. While last year the company webcast the event, it did not provide for online voting or the ability to ask questions. In addition to provisions for participation, the company has opened a message board before the meeting, which enables online participants to ask questions and answer surveys as well as vote in advance. Best Buy also created short videos of employee testimonials. These are attached to the message board, which was launched on May 14 and will stay open until a few days after the meeting.

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The company says it will attempt to answer as many questions as possible at the meeting. Should some remain unanswered, the company will address them by replying to shareholders individually after the meeting, or, if appropriate, it may group related questions and post an all-inclusive answer.

As it enables existing and potential shareholders, customers, and other members of their connected world to sit in the comfort of home on June 24 and take part in the meeting via video stream, Best Buy is, in effect, reaching out to various audiences in disparate geographies in a kind of personal touch that – perhaps ironically – can only be done using remote communications technology.

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**FOCUS REPORT**

**Why Wait for the Annual Meeting?**



For decades, annual meetings have been criticized as vestiges of ancient rituals designed to serve the interests of shareholders – in another era. Back then – and the “then” may be 100 years ago – shareholders would make their way, sometimes by horse-drawn carriage, to a certain location on a certain date, time and hour, to vote as well as learn about the company in which they invested. The meeting was a major information-exchange event, and one that couldn’t have been done any other way.

Fast forward to 2010. As companies blog, twitter, conference call and web cast, communication with investors is becoming more frequent, more easily available, and less clustered around an event. Some companies are delivering quarterly reports a day or two ahead of conference calls. And some have begun experimenting with their annual meetings by taking elements typically confined to a traditional meeting, such as shareholder Q-and-A, and delivering them before or after the meeting.

**Timing the delivery of information**

Instead of concentrating high-cost communication in a convening event such as an annual meeting, today’s lower-cost communication technologies have enabled companies to more closely align the release of information with availability as well as

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with its role in decision-making. This has meant more frequent communication, and a pattern that is beginning to resemble a continuum. And as elements of the information exchange that were once clustered together begin to become liberated from the confines of an event, companies also have the opportunity to reexamine their communication practices to better suit shareholder interests as well as choose better timing for the information's delivery.

It is important, however, to remember that the idea of segmenting communication to increase effectiveness is not new. The foundations of continuum communication were set about 75 years ago when the Securities and Exchange Commission established the rules requiring companies to send information to shareholders prior to the meeting. Subsequent developments in securities record administration have resulted in virtually all the voting occurring before the meeting. So, we are already dealing with a system in which all the important communications take place in advance of the meeting.

Yet most companies still hold annual meetings in a way that resembles the days of the buggy. Now, instead of a large and interested audience, attendance is meager. It's no wonder! Instead of fate-changing debates and decisions, voting is virtually completed before the meeting even starts. And, ironically, it has become conventional practice for the vestigial Q-and-A to take place not before voting, when it might influence a decision, but after the voting has been completed, and even after the formal part of the meeting has closed.

## **A fresh look at the old Q-and-A**

Timothy Smith, SVP at Walden Asset Management and a veteran shareholder activist, would like to see companies improve two practices regarding Q-and-A. One, to have the Q-and-A held before the vote, not after. "What if the CEO said something outrageous during the meeting and you did not want to vote for that board?" he says. Second, Smith says, include the Q-and-A in the formal part of the meeting. Holding the Q-and-A after the official part of the meeting has been adjourned, as most companies do, implies a status of an "informal, unofficial informational session" that "sends the wrong signal," he says. "It sends the message that Q-and-A is a conversational rather than an integral part that relates to the votes."

Overall, Smith wants to see companies treat Q-and-As as an important element of their shareholder communication, and not, as in some cases, an obligation that is greeted with defensiveness or even hostility. He has been favorably impressed by efforts of companies like Intel that have actually expanded Q-and-As to both before and after the

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meeting. And he wants to see it extend beyond the meeting event, suggesting that companies take the answers from the Q-and-A and append them to the annual meeting. "Compilation of major questions appended to the annual meeting report would be the closing of the loop."

## **Testing more effective communications**

Recent examples point to many companies beginning to look at expanded timing of annual meetings. Nearly all of the companies on our [meetings observation list](#), for example, have begun liberating elements of their Q-and-A sessions from the confines of the meeting and delivering them before as well as after the meeting.

Berkshire Hathaway, which did not even web cast its meeting, broadened the opportunity for investors to ask questions by asking them to email questions to three financial journalists prior to the meeting. The journalists, who served as objective moderators, chose the most important questions for the chief executives to answer in a five-hour answer marathon during the meeting. This gave shareholders more time to prepare their questions, allowed third parties to organize and prioritize the questions, and provided management with an opportunity to focus on issues of broad interest.

Best Buy has opened a message board about five weeks before its meeting on which validated shareholders can ask questions. The company says it will answer as many as time allows during the meeting. For the remaining questions it will either post answers on the message board, which it will keep open for a few days after the meeting, or reply directly to the individuals.

Intel, which also opened a message board more than a month prior to its meeting, collected some 160 questions from the Internet, and answered more than two dozens before the meeting. It answered some more during the meeting, and has committed to answering all that remain after the meeting. "I like what Intel did," says Smith. "It shows respect for the dialogue."

Dell has taken an extra step in the continuum approach. Its "Dell Shares" project is actively managed on a continuous, year-round basis as a pioneering corporate blog on which shareholders can ask questions and on which the company replies.

Best Buy, Charles Schwab, Dell and Intel also enabled shareholders to take surveys on the message boards. The information collected helps the companies better prepare for the meeting.

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## **Trends of progress**

Quarterly conference calls for earnings reports, [previously reported](#) as a leading example of adaptive communications, are also evidencing the trend toward a continuum approach. It had been standard practice for companies to release earnings shortly before the meeting, giving analysts the opportunity to quickly look over the document before joining the conference call. But lately, observes Michael Cotter, SVP of corporate communication services at Thomson Reuters, some companies have released earnings several days before the meeting and even collected analyst questions before the meeting, enabling the company to cluster the questions and answer them in batches. Other companies have scheduled calls dedicated to only Q-and-A, skipping the traditional summary of previously information, Cotter says.

“Companies are beginning to think about how they can leverage technology to make content accessible to the world,” says Cotter, “and are also thinking how investors are using the information and what sequencing would make it user friendly.”

Smith, as a vigorous advocate of investor rights, says he applauds efforts such as Intel’s to open more access for shareholders. Nevertheless, with many companies still treating shareholders with disrespect, much work is still ahead. One thing is certain, he says. “With votes coming in at a 40-50-80-% majority on corporate governance issues, and at 20-40% on social and environmental issues – companies need to pay more serious attention to their shareholders’ input and the messages they are sending.”

Can we all agree on that?

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**FOCUS REPORT**

**Dell's Application of Tested Communications Strategies**



Dell, noted for pioneering electronic communication to reach customers, is planning to increase the use of electronic participation to reach investors in its upcoming annual meeting on July 16.

The company will be offering its shareholders the ability to participate in person at the meeting's Round Rock, Texas, location, or electronically, by voting and asking questions online both during and before the meeting. The company will be video streaming and webcasting the meeting.

**Emerging standard for meeting-related communications**

Dell's choice of technology validates an emerging practice among several large companies, including Best Buy, Intel and Schwab, which have been testing the use of a video webcast with electronic participation. Several other companies have conducted similar meetings with audio and slide webcast instead of video.

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Dell is also supporting another trend among large companies – a move towards a continuum rather than event-focused communication. Known in investor-relations circles for pioneering an investor blog in 2007 called Dell Shares, Dell has opened a separate, meeting-related message board where shareholders can vote, ask questions and answer surveys prior to the meeting. The message board helps create ongoing communication with investors, an important objective of many companies. But, because most companies keep the message board open for only about six weeks and close it after the meeting, the connection is severed unless another forum takes the place of the message board. An exception to the post-meeting wind-up has been Intel, which is keeping its board open year-round.

Dell is following the more typical pattern in opening its message board about six weeks before the meeting and closing it soon after. In Dell's case, though, the company provides an option for continuing communication by having Dell Shares open. Shareholders or anyone else who so wishes can continue to participate on the blog. The pre-meeting message board and Dell Shares, however, are run separately with no integration and almost no cross-reference other than a post on Dell Shares alerting readers to the annual meeting's new electronic participation features.

## **Defining the issues for investor decisions**

The blog, essentially a corporate-management controlled publishing activity that allows the company to define the issues to be discussed, is used by Dell in an effort to offer investors additional access to information and discussion of the company's strategy and financial performance. Postings include such timely items as the guidance the company posted earlier this week. Dell had issued the guidance press release prior to the blog entry, and posted the blog item on June 23, a day ahead of the company's analyst day.

The company is considering the use of other social media for its investor communications, which would be consistent with the company's 21st Century investor relations message. It has used Twitter successfully as a commercial venue to sell refurbished PCs, but has not yet applied this experience to investor communications. The company says it is considering using Face Book, however, for communications related to the upcoming meeting.

The message, delivered by Lynn Tyson, head of investor relations at Dell on Nov. 1, 2007, when the Dell Shares blog was launched, wrote in her opening post entitled "Welcome to 21st-Century IR" that the blog is an evolution of the company's effort to

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use web-based tools to foster more interaction:

“While we speak to thousands of current and potential investors every year using traditional communications tools, this is an evolution to communicate using some of the web-based tools that foster more interaction,” Tyson wrote. “To keep growing and enhance our relationships with investors and others who might be considering our stock, we see that markets, information sources and how people want to interact are changing. Credible and relevant organizations today are taking advantage of technology and the Web to share information and connect directly with customers, suppliers, employees and other stakeholders.”

Dell, and others, are taking up the challenge.

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**FOCUS REPORT**

**When It's Really Important to Understand and Respond  
to Investor Interests**



Much can be learned from the way companies communicate when the stakes are high enough to justify whatever cost is required to win a vote. In such high-value decisions, as when management tries to get investors to support a merger, for example, companies pull all the stops. We have all seen how they hire lawyers, investment bankers, investor relations firms, proxy advisers, and even crisis managers. Then they start suing, going on road shows, meeting investors, and taking out newspaper ads.

This is a world apart from the communications associated with the routine annual meetings on the E-Meetings [observation list](#). With no high-stakes voting decisions, there was no need for high-value communications, at least in relation to voting decisions. And that made us wonder what we might be missing.

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## Stop, Wait and Listen

One of the best examples of a high-value communication is what professionals call a "Stop, Wait and Listen" letter. Used as an immediate response to a tender offer, it gives shareholders a quick explanation of why they should defer their decisions until management has a chance to thoroughly consider and address investor interests.

So, the all-out contest starts with a promise to do everything possible to understand and respond to the information requirements of the company's decision-making investors. And that's exactly what follows.

## Lots of old and new tools

The methods companies use to collect insights and send their messages out are more varied than ever. Most significantly, the new electronic tools provide much faster and lower cost means of communications, allowing increased quantity as well as quality.

"Teleconferences are huge," says Mary Beth Kissane\* of Walek & Associates and a board member of the National Investor Relations Institute (NIRI). "They are used a lot, and are a quick and inexpensive way to get the message out." In addition, some companies use web-based "deal rooms" or "crisis spots" that can be updated continually in response to developments. They may also use social media tools, such as Face Book and Twitter, to alert investors to a new posting on their web site.

## A Professional's Ten Tools

David Drake, CEO of proxy solicitation firm Georgeson, summarized the general steps his firm advises clients to consider as the importance of a proposal increases.

1. Identify decision-makers at all the institutional investors with voting authority.
2. Plan direct, face-to-face meetings or conference calls for the CEO, CFO and, in some cases, a board member to discuss issues with the investor decision-makers.
3. Develop a professionally articulated explanation of why the proposal should be supported.
4. Respond to any investor questions and reactions.
5. Prioritize shareholders based on the amount of influence over voting result.
6. Develop plans for lower cost communications with investors that don't justify direct management communication.
7. Meet with ISS and possibly other proxy advisory firms whose voting recommendations will influence some of the target company's shareholders.
8. Reach out to investors who may not vote out of apathy because, as Drake puts it, "they simply don't pay attention to the material sent to them."
9. Use newspaper ads if needed to clarify voting issues.
10. Conduct a forum if it can be controlled to present the issues without confusion.

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There are still good reasons to use the old tools, though. The traditional road show, for example, continues to be a commonly used and effective tool for medium and large companies, according to Kissane. "Investors still like to see management get on their hind legs," she says.

## **More people to reach**

High value decisions also involve more people. One reason is that decision-makers are more likely to consider what others have to say, which also makes it more likely that professionals – including analysts, proxy advisors, reporters, etc. – will want to say something. Another reason is that the escalated volume and frequency of communications in a high-value situation, especially with modern electronic tools, just draws more attention.

Dealing with this expanded audience requires work to understand what needs to be communicated, and then to put it in simple terms, says Kissane. "You need to persuade reporters, the ratings agencies, investors, and the influential financial press of the benefits of your case." She emphasizes that these are professionals, and that what you tell them needs to be based on solid foundations rather than spin. And that means solid research.

So, dealing with the wide range of professionals and other influencers requires engaging your own professionals. Some people think this multi-layer filtering improves the quality of the information and assures broad access to it. Whether it does or not, it seems to be a necessary part of high-value communications.

## **Learning from crisis experience**

What many professionals consider the most important thing they learn from their experience with high-value communication is to reduce the need for it.

Ronald Schneider of proxy solicitor Laurel Hill Advisory Group observes that communication during a high-stakes contest can be a lot more effective and less expensive if the company has established relationships with investors before the crisis. "Building a relationship can be critical in just plain getting through," he says. "I have heard many investors say, if the phone rings and three companies are calling, I am more likely to pick up the phone from the one I know."

Walek's Kissane similarly thinks companies would be wise to hone their central message to

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investors on a continuous basis. Because electronic communication is fast-moving, a company can hardly afford to wait for a high-stakes situation to begin formulating its message.

## **Applying the observations**

The first thing that an alert observer of high-value communications is likely to think about is the possibility that the significant cost efficiencies of electronic communications could make it practical some time soon, and maybe even now, to use some of those effective tools for routine applications.

Could it be justifiable to deliver some kind of electronic “Stop, Look and Listen” message that directs investor attention to key sections of a company’s 100-page proxy statement for an easily understood explanation of management’s proposed compensation plan? Or provide a video conference with managers to answer questions about it?

For many companies, these communication tools will prove to be more practical than teaching their CEO to [play the ukulele](#).

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\* Ms. Kissane is a member of the Forum’s [Program Panel](#) for E-Meetings.

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**FOCUS REPORT**

**Testing the Communication Tools**



At this week's open meeting of the Shareholder Forum to address standards for electronic communications, we tested what we were discussing. And then we asked what might make it better.

The Forum meeting was conducted with the same kind of chaired discussion common to shareholder meetings, with about 30 people convening in a room and about the same number joining by webcast, so it provided a perfect opportunity to see what could be done with readily available communication tools. We started with what Thomson Reuters<sup>[1]</sup> considered a conventional format

To make your own judgment from the archived copy of the Forum meeting's webcast, [click here](#).

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for the quarterly analyst webcasts that have evolved to satisfy the information requirements of professional investors – something that every company can afford, and that every investor considers accepted practice. Then they suggested some additional features to adapt the webcast to our open discussion. For the three panel members who wanted to demonstrate “remote” participation, they added open phone lines so each of them could talk “live” rather than on 30-second webcast or satellite delay. (Now you know why even the most technologically sophisticated network news programs have to use earphones for conversations between correspondents and anchors.) And for the webcast participants, they added features allowing them to present comments online and respond to voting proposals. Finally, we were inspired by the [Berkshire Hathaway example](#) to add two reporters who could act as delegates of the webcast participants and present online comments orally, providing a more natural flow of discussion.

Most of the participants who contributed their views to this article expressed a generally positive views of the resulting experience, which Mark Latham, founding director of Proxy Democracy and a representative of individual investors on the SEC Investor Advisory Committee, called “well designed and executed.” And they also had a lot of suggestions about doing more.

## **More video**

If there is one technology-related item that everyone seems to like it is video. One participant with an activist pension fund perspective expressed so much support for video that he now considers audio-only to be appropriate only for “small-cap companies looking to save money.”

On the corporate side, Cary Klafter, [2] vice president of legal and corporate affairs at Intel and perhaps corporate America’s biggest proponent of “virtual” meetings, has used video for his company’s annual meeting and prefers video to audio-only. The advantage of a video webcast is “you can see people’s faces,” Klafter says, and he also likes the way webcast video screens provide primary and secondary screens that can show both slides and video together. The disadvantage, he says, is that video gets to be “more complicated in production and expense.” However, he adds, “many companies now use video for internal meetings, marketing and other purposes, and so this is a known technology.”

Audio-only, on the other hand, can be “relatively austere” and the sound quality is not always good in the absence of sufficient microphones, Klafter says. The situation was

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satisfactory in the Forum meeting, though, as the audio quality was good and one could easily hear the proceedings, says Klafter, who participated via one of the open phone lines. (Note: We used one high quality microphone for every two seats.) "In the absence of upgrading to video it seems that you have got everything, the entire suite of [features]."

Latham of Proxy Democracy also prefers video but says he realizes the cost is high. He says he was impressed with the way the Forum used the all-audio package, though, and pleased with the resulting ability to participate remotely. "The simple level at which [the meeting] was done was quite effective," he says.

## **Slides for everyone**

Several participants, including publisher James McRitchie of CorpGov.net, would like to see the Forum include more visual elements like slides. McRitchie, who participated via webcast, says that when he got distracted during the meeting and tried to return and follow the agenda, he found it difficult. Having slides of the questions and other matters being discussed would have made it easier to rejoin, he says. "At least it would show what subject we're on right now."

Dean Starkman,<sup>[3]</sup> editor of *Columbia Journalism Review's* business reporting section, The Audit, suggested from his observations as an in-person participant that people sitting in the room would have benefited from the use of projection screens so they could see the same presentation that the webcast participants were seeing on their computer screens. "Two projection screens would be nice so everyone could see," says Starkman.

## **Polls with instructions**

The polling tested during the meeting received a combination of praise for what it could do and concern about how the Forum did it.

Nearly everyone found the process confusing. The polls were displayed on the webcast screen close to the end of the meeting, when the meeting's chairman, Gary Lutin, asked participants to vote on several proposals without telling them how to do it. There was also confusion about matching proposals to the polling proposal numbers, and some participants lost count and were unsure as to which proposal they were voting on.

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Among the several meeting participants recommending improved chairman performance was the chairman, himself, who had observed immediately after the meeting's adjournment that he should have taken the time to learn how the polling process worked before using it. Lutin expressed a belief that it could be managed without confusion by anyone who spends a few minutes before the meeting to understand the process and the need to provide instructions for participants, and that under those circumstances it should be a very valuable communication tool.

Tracey Rembert, an analyst and governance advocate at Pax World Management who attends many shareholder meetings, said in spite of the somewhat bumpy Forum experience she was impressed with the value of instantaneous polling. "I have never seen a company do that."

## **Credible moderation**

To make the process of question submission as fair as possible, the Forum asked two journalists, Avital Louria Hahn, editor of *E-Meeting Review*, and Neil Stewart, editor-at-large of *IR Magazine*, to moderate the comments and questions received from online participants.

In a similar way to Berkshire Hathaway's recent journalist-moderated Q-and-A, the Forum journalists selected the comments to be presented, raising their hands to signal incoming questions. But since the Forum meeting was an open discussion instead of a Q-and-A, participants spoke throughout the meeting and the journalists had to choose the right moment to present the questions, just like everyone else sitting around the table with something to say.

Most participants interviewed for this article indicated that they felt the journalist-moderated process was fair. "It seemed like a good system to have two people on the receiving end processing and injecting the comments," says Proxy Democracy's Latham. "It is always tricky to figure out how to conduct an Internet forum, and that seemed like a smart system."

But getting companies to use independent, third-party moderators may be a long shot, says Mark Schlegel of Moxxy Vote, a website that supports activist and individual investor proxy voting. Companies usually act as their own Q-and-A moderators and as such they can easily ignore inconvenient questions received online that no one else can see, he says.

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Stewart, one of the two journalists, says that even a moderated Q-and-A does not necessarily assure transparency. With few exceptions most companies have not made their online questions visible to all, he says, suggesting that the area may be one in which investor relations teams may want to get involved. "There is nothing forcing companies to make the process transparent."

And there was one webcast participant who saw the process as simply not fair, saying he was dissatisfied that only two of his nine comments and questions had been presented.

## **Post all questions and comments!**

Numerous participants suggested that one of the surest ways to increase transparency, even by the Forum, would be for questions and comments submitted online to be visible to all participants.

These preferences emerged even as participants expressed confidence that the journalist-moderated process was fair. They nevertheless indicated that given a choice they would prefer to see the Forum questions and comments posted, either during or after the meeting. "I would like to see people's questions even if they don't get answered," says Rembert of Pax World.

Seeing other shareholders' questions has emerged as a key issue for many investors. Some, including Rembert as well as McRitchie and Schlegel, suggested that companies always be required to post questions online as a way to hold them accountable.

Rembert says that in a traditional shareholder meeting, one knows who spoke even if the person did not give a name. In a question that comes over the internet and is only seen by the company, there is no way to know who commented and on what subject. "We need to know what is being skipped and what is being addressed," says Rembert. "What is the elephant in the room that all these shareholders care about?"

Some raised the question of how to post questions for all to see if the company uses a moderator who does not approve all the questions at once. Schlegel suggested that if questions and comments cannot be posted in real time for flow and logistics reasons, then they should be posted immediately after the meeting.

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Even if a company agrees to post questions online, issues arise concerning the volume of questions and the timeframe for posting them, participants pointed out. In another scenario, others discussed how to manage the posting if a large number of questions came in all at once, creating a potentially confusing situation. Rembert suggested as an example that if a large company expects a large number questions to come in, it can create headings so that people can select categories for their questions and keep them organized for others to read. "We need those accountability metrics," says Rembert.

## **Finding the right way**

Asked about the post-everything controversy, the Forum's chairman reports that he remains undecided about how electronically transmitted questions should be treated, by companies and also by the Forum. As both an advocate of investor access and someone responsible for maintaining the kind of orderly exchange required for all views to be considered, he says that every time someone has suggested a seemingly sensible solution he has eventually realized that the process may be complicated by concerns about confusion, information reliability, privacy issues, publishing responsibility, etc. But he is confident that real-world testing of alternatives will soon lead to a solution at least as effective as a chairman's looking around a room to decide which waving arm gets to speak.

In the end, as Moxy Vote's Schlegel sees it, the discussions about how to use electronic processes are really all about how to improve shareholder communications. Attributing his observation to a comment made by Forum chairman Lutin, Schlegel concludes that "the point of the Forum was not whether you should or shouldn't do a virtual meeting. It was that if you do a virtual meeting, here are some things that you really need to consider that investors think are important."

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[1] [Thomson Reuters](#) provided the webcast and related communications services to the Forum.

[2] Mr. Klafter is a member of the Forum's Program Panel for E-Meetings, and Intel is one of the program's leadership supporters.

[3] Mr. Starkman is a member of the Shareholder Forum's Policy Review Board, and is also providing informal guidance to the *E-Meetings Review*.

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**FOCUS REPORT**

**Investor Information Requirements**



Looking at shareholder meeting communications from the investor side, the big challenge will be getting the information needed for making a growing number of significant voting decisions. The sheer number of non-routine voting matters requiring consideration is expected to dramatically increase as a result of the new Financial Reform Act's provisions for "Say on Pay" and proxy access, and even routine voting matters will continue to require more attention as investors demand improved risk control and accountability.

And investors want to get this information directly from a company's management. A [December 2009 Shareholder Forum survey](#) of professional investors' voting criteria showed a more than double preference for direct management sources compared with proxy advisors and other governance research sources.

**How leading investors do it**

For a view of how the challenge can be managed if you have the resources to do it right, we asked Hye-Won Choi,\* senior VP of corporate governance at TIAA-CREF and co-chair of the [SEC Investor Advisory Committee](#), to tell us how things are done at her firm. TIAA-CREF, known for its leadership in governance policies and constructive communications practices, generally has quarterly meetings or calls with several of its

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large portfolio companies, and speaks frequently to a number of executive functions including the investor relations executive, the corporate secretary, the CFO, or the head of governance. Sometimes it is the companies that initiate communications, to find out such things as what the fund thinks of various issues, Choi says. "We are not picky about the structure or the mode or the type of communication, as long as communications occur in some form," she says. "We do it all year and in all sort of ways, whatever is more convenient – they can be structured conversations, unstructured conversations, formal, informal, over the phone or in person."

We also asked how they do things at Blue Harbour Group, an investment firm that concentrates its portfolio in a small number of long term positions that justify their full attention. David Silverman,\* managing director of Blue Harbour and chairman of the New York Society of Security Analysts corporate governance committee, described practices of continuous communication with multiple management representatives that were similar to what was reported at TIAA-CREF. Silverman explained that his firm's significant commitment to each of its portfolio companies' long-term success makes it especially important for them to be able to talk to management representatives who can discuss more than just the quarterly and yearly view. "As a long term, lead shareholder, we find it is helpful to speak both with management and the board about the company's long-term horizon," he says.

## **The rest of us**

Mark Latham, founding director of Proxy Democracy and a representative of individual investors on the SEC Investor Advisory Committee, has been concerned for some time with how shareholders that lack the resources of large institutional investors can make informed voting decisions. A staunch believer in the power of the Internet to transform shareholder dynamics, Latham proposes making greater use of electronic communications technologies to give small investors easy, inexpensive access to the views of professionals who do have the resources to perform research and ask questions.

Others see the use of electronic technologies as a means of expanding the access of all investors to direct management sources of information, as well as to the views of other investors. A variety of processes, such as webcast meetings and question-and-answer sessions, open the communications to anyone with access to the internet – not just those with access to the resources of a TIAA-CREF or Blue Harbour.

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## **What works for all of us**

Indeed, modern technology can be used in a variety of ways that improve communications for everyone – from large to small shareholders. A high value example is the use of conference calls and webcasts to enable greater access to both executive and board level managers.

TIAA-CREF's Choi considers direct board communications especially important in relation to executive compensation issues. "Executive compensation is one area where there is greater scrutiny and where if there are any serious issues or problems we would ask for a meeting directly with the compensation committee," she says. "There needs to be a better understanding by shareholders of what directors think and by directors of what shareholders care about."

Silverman at Blue Harbour also considers director participation in communication important to build sound investor relationships. "Companies that want to attract long term holders should consider how they can get investors comfortable with both management and the board," says Silverman. "When a company chooses to host an analyst day, it is a positive sign if board members are present to hear what investors are asking about and what they are saying."

Another example for an area where technology can improve communications is "pre-meeting meetings." An idea that has been getting a lot of interest, many investors favor a communication process that allows discussion of important voting issues before decisions have to be made. But many of them also caution that such meetings should only be held on an as-needed basis when the voting decision justifies the attention, and not routinely. Making the "pre-meeting meetings" a routine practice could mean adding hundreds more meetings to attend. But most importantly, if they are held when there is nothing important to discuss, as TIAA-CREF's Choi says, they "will become routine and no longer have impact."

And impactful communication, after all, is what investors are looking for.

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\* Ms. Choi and Mr. Silverman are members of the Forum's Program Panel for E-Meetings.

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**FOCUS REPORT**

**Corporate Competition for Investor Support**



**E PLURIBUS UNUM**

Looking at shareholder meeting communications from a corporate manager's perspective, the big challenge is competing for capital and voting support from investors who need significantly more information. As reported in [last week's Review](#), investors will be making decisions about a greatly increased number of non-routine voting issues, including proposals generated by the Dodd-Frank Act's provisions for "Say on Pay" and proxy access, and will also be considering all voting and capital allocation decisions more carefully in the context of heightened concerns about risk control and accountability.

What we learned from investors has been consistent: [\[1\]](#)

- They want to get the additional information they need from direct

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communications with a company's management, not from proxy advisors or other research services and not from more detailed disclosure filings.

- They want to be able to communicate with different types of executives and board members so they can get different perspectives on various subjects, such as a company's long-term strategy rather than just short-term quarterly performance.
- They want the communications to be timed for developing comfortable understanding in advance of decision requirements.

Now, what we've learned from corporate managers is that many of them want exactly the same things. And with current communications technologies, they can actually deliver what everyone wants.

## **More direct communications**

Many leading companies have been developing processes for more direct communications with their investors, as seen in nearly all of our reviews of this year's annual meetings, and every corporate manager that we asked reported that they expect to do more. "We surely support the idea of disintermediation between companies and investors when it comes to useful discussion and sharing of information," says Cary Klafter,[\[2\]](#) vice president of legal and corporate affairs at Intel.

Direct communication can take many forms, from meetings to letters to conference calls, and can also involve various executives as well as board members. Just as the past decade has seen increased use of analyst days, quarterly calls, road shows, management meetings and similar direct communications in the competition for capital, similar processes are evolving in the competition for voting support. Investors are clearly receptive to these initiatives. Hye-Won Choi,[\[3\]](#) senior vice president of corporate governance at TIAA-CREF and co-chair of the [SEC Investor Advisory Committee](#), says "I think there will be increased dialogues. Most of the conversations will occur between shareholders and management but there are issues that are appropriate for direct communication between directors and shareholders." She adds, "Shareholders and companies need to work together to establish practices to facilitate such conversations and overcome any potential obstacles."

Some leading companies are making efforts to establish direct communication before any high-impact voting issues emerge. To engage its 2 million shareholders, Prudential Financial took a number of steps including offering voting incentives – a choice between

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a “green” bag or a tree planted in the shareholder’s honor. The result: 23% more shares were voted in 2010 than in 2009. “We were able to engage our shareholders,” says Peggy Foran, [\[4\]](#) Prudential’s vice president, secretary and corporate governance officer. “People who would not have looked at the material did in order to vote.” This is important, says Foran. “We are competing for people’s time.”

Using current technology, companies can reach a significantly larger number of investors than ever by lowering the costs for both host and participant – important equally to “retail” and professional investors who can’t justify travel time. The widespread use of webcasts for quarterly performance conferences, for example, has shown how improved access can expand direct investor participation. Not only have webcasts become standard practice for quarterly conferences, but they are also being used now for shareholder meetings by about a third of respondents to [two recent surveys](#) of investor relations officers and corporate secretaries.

And service providers are starting to offer “virtual” annual meeting technologies that enable companies to reach more shareholders. Broadridge Financial’s vice president responsible for “virtual” meeting services, Cathy Conlon, [\[5\]](#) says the company offers two products that can help companies expand their reach electronically: a platform for running an annual meeting with live electronic voting participation, and a web site message board enabling shareholders to vote, ask questions and take surveys before and after the meeting. “Those are our two solutions to what we look at as the shifting need to take advantage of technology to enhance shareholder communication,” says Conlon.

Computershare, too, has recently announced the initiation of “virtual meeting” services that allow its transfer agent clients to offer shareholders live participation with voting, polls, and asking questions online. “In this day and age companies need to engage with their owners much more,” says Simon Bryan, the managing director responsible for Computershare’s North American meeting technology division.

## **Better timing**

Corporate managers and investors alike want information delivered when it matters – before the investors have to vote. The question-and-answer session that is conventionally conducted after the conclusion of the official part of an annual meeting, for example, would be a lot more useful if it took place at a time when both managers and investors could make good use of it – managers could better understand the investors’ decision-making criteria so they can effectively respond to them, and investors

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would be able to consider those more focused responses in their voting decisions.

The idea of “pre-meeting meetings,” for example, [suggested](#) during the Forum’s open meeting by an activist investor, Tracey Rembert of Pax World Management, has generated positive interest from corporate managers as well as from a wide range of investors. An old, established practice for do-or-die voting issues such as control contests, a Rembert pre-meeting conducted with electronic communications could become a cost-justified process for a wider range of high-impact voting issues such as stock plan approvals.

The availability of electronic tools can actually make it practical for companies to engage a broad range of shareholders in pre-meeting communications even for routine issues, as well as for subjects that have not yet become voting issues. Several of the companies observed in past *Review* articles used web-based message boards that allow shareholders to ask questions or take surveys so that managers could learn about their investors’ interests before the meeting. The Forum’s independent investor surveys have also been used by companies seeking quantitative research to develop early understandings of investor interests and decision-making criteria.

Many corporate managers favor engaging in communications throughout the year, not only before an annual meeting, for the same reason that many investors favor it: to avoid more pressured, time-sensitive proxy season communications and, perhaps more importantly, to build sound relationships with long-term investors. Best Buy, a company that advocates a “Connected World” for its investors and for users of its communications products alike, has been among the leaders in developing policies and practices for continuous communication with investors. “I think there will be more communication,” says Lisa Lentini, the company’s senior corporate counsel, “but communication need not be limited to proxy season. It needs to be a year-round, open-door policy.”

## **Listening**

Listening to investors, a/k/a intelligence, is becoming an increasing focus of corporate managers, especially as board members become more involved in the communication process.

(Just ask any corporate director if she would rather be briefed on what interests shareholders before attending the annual meeting, or just wait and see what they ask her at the meeting.)

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So important is careful listening, it should be considered a top priority of investor relations, says Jeff Morgan, CEO of the National Investor Relations Institute (“NIRI”). “We often think of IR as the communicators outward of the company,” he says. “They are also listeners. They should be taking that back to the company and spreading the information that ultimately helps the company understand what are the issues and how do we handle them.”

Morgan also emphasizes the importance of briefing directors. “A good practice for IR is to have a report in the board packet, and at least once a year have a meeting and discussion with the board,” he says.”

Directors are increasingly interested in learning about investor views and are often taking the initiative themselves to listen, according to Prudential’s Foran. “I think boards are realizing there will be more engagement and are figuring out what is appropriate for what group,” she says, emphasizing that there are different ways to engage and communicate with different shareholders. “I don’t think there is one size that fits all. Not all shareholders think alike.”

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[1] See the [Forum’s December 2009 investor survey](#) and last week’s [Focus Report: “Investor Information Requirements.”](#)

[2] Mr. Klafter is a member of the Forum’s Program Panel for E-Meetings, and Intel is one of the program’s leadership supporters.

[3] Ms. Choi is a member of the Forum’s Program Panel for E-Meetings.

[4] Ms. Foran is a member of the Forum’s Program Panel for E-Meetings, and also of the Shareholder Forum’s Policy Review Board.

[5] Ms. Conlon was an invited expert at the Forum’s July 13, 2010 open meeting, and Broadridge is one of the E-Meetings program’s leadership supporters.