

Standards for Fair Conduct of Shareholder Meetings Using Electronic Communications

Note: This report was prepared by the Shareholder Forum's chairman with the concurrence of its "E-Meetings" [Program Panel](#), members of which may append individual comments.

The stated purpose of the Shareholder Forum's "E-Meetings" program was "to develop marketplace standards for the fair and orderly conduct of shareholder meetings that allow electronic participation."¹ During the past six months Forum participants have observed communications practices during the 2010 corporate annual meeting season, considered issues raised by representatives of all interested corporate and investor constituencies, directly tested communication technologies and processes, exchanged views in an open meeting, and offered comments on various practices as well as proposed standards.²

This effort resulted in a broad consensus of Forum participants as well as [Program Panel](#) members that investors could judge the fairness of a company's shareholder meeting communications – including pre-meeting communications, and whether conducted by electronic or any other means – based on three essential conditions.

A company should provide all shareholders a reasonable opportunity, before voting, to

- (1) ask management questions relating to director elections and other matters to be decided at a shareholder meeting,**
- (2) present questions or views to management publicly for consideration by other shareholders, and**
- (3) observe any management or director candidate responses to the questions other shareholders have chosen to present publicly.**

It should be emphasized that these standards are intended for individual investor application to specific company practices, and that differences in investor views should be expected in these as well as all other analyses. The Forum also deliberately avoided prescriptive classifications of any practices or processes such as "pure virtual" or "hybrid"

¹ See the [April 6, 2010 Forum Summary](#).

² See the [July 16, 2010 Forum Report: Results of July 13, 2010 Open Forum Meeting](#) and the [August 24, 2010 Forum Report: Inviting Comments on Simplified Definition of Standards](#).

meetings, partly because of concerns that categorical fairness labels could provide excuses for abusive conduct but also because negative labels could discourage well-intentioned experiments.

Finally, the establishment of standards for judging essential fairness must be viewed in the context of the extraordinary opportunities presented by modern communications technologies to improve investor access to the information needed for both voting and capital commitment decisions. It has been widely observed that the traditional function of an annual meeting to convene shareholders for exchanges of information and decision-making has been lost in an age of “proxy plumbing” that requires voting decisions before the meeting. What may have been the most significant result of the E-Meetings program was a universal appreciation of the more natural “continuum communications” that are enabled by current technologies to engage in truly useful pre-meeting information exchanges.³ Shareholders can now seek information from a company’s management before voting rather than in a post-vote Q&A ritual, and management can now find out what interests shareholders in time to respond.

Members of the E-Meetings Program Panel may be appending their individual comments to this report, and those statements will be distributed as they become available. All Forum participants are of course invited to offer their views relating to the standards, and to suggest examples of their application.

GL – September 30, 2010

Gary Lutin, Chairman

Program Panel:

Hye-Won Choi, TIAA-CREF

Margaret M. Foran, Prudential Financial, Inc.

Mary Beth Kissane, Walek & Associates and National Investor Relations Institute (NIRI)

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Timothy Smith, Walden Asset Management

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³ See the [July 30, 2010 E-Meetings Review Focus Report: “Corporate Competition for Investor Support.”](#)