

# THE SHAREHOLDER-DIRECTOR EXCHANGE PROTOCOL



The 10-point SDX Protocol offers guidance to public company boards and shareholders on when shareholder-director engagement is appropriate, and how to make such engagements valuable and effective.

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## SCOPE OF THE PROTOCOL:

- Focuses on real-time, two-way interactions between non-executive directors and long-term institutional investors.
- Supplements management's investor relations efforts.



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## ADOPT AN ENGAGEMENT POLICY:

- Each company and investor develops a clear policy for how it will approach engagement.
- Decisions on making or accepting an engagement request will be made on a case-by-case basis.



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## IDENTIFY TOPICS:

- Topics should be agreed upon in advance.
- The most appropriate topics are those for which the board is directly responsible.
- The decision to engage should be made in consultation with or at management's request.

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## REQUEST ENGAGEMENT:

- Companies and investors establish and publicize a primary contact for engagement requests.
- Requests should identify topics proposed for discussion and time-sensitivity of request.

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## SELECT PARTICIPANTS:

- Generally, two or more individuals from each party should participate.
- Involving 3<sup>rd</sup> parties (e.g. outside advisors) in engagement should be minimized.
- Selection of participants should take topics into account.



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## DETERMINE HOW TO ENGAGE:

- Most prefer one-on-one engagements, but group meetings may also be successful and are sometimes favored.
- "Listen-only" engagements are still productive.



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## PREPARE FOR ENGAGEMENTS:

- Directors and investors should prepare by reviewing relevant materials, receiving training as needed, and agreeing on topics to be discussed, as well as format and desired outcomes.



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## PARTICIPATE IN ENGAGEMENTS:

- Parties will agree on specific next steps and to communicate information to colleagues who were not present.
- Changing policy or practice is not essential for a successful engagement, but careful listening is.

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## REVIEW AND REVISE APPROACHES:

- Investors and companies should review their approaches to engagement annually and revise as necessary.



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## CUSTOMIZE THE SDX PROTOCOL:

- The specific terms of mutually beneficial engagement will be influenced by company-specific or investor-specific contexts.
- Parties should use their judgment and modify engagement practices as needed.

Connecting shareholders and directors