



Vinson & Elkins LLP

Preparing for 2021 Annual Meeting and Proxy Season

WEBINAR – DECEMBER 8, 2020 2:00PM EASTERN TIME

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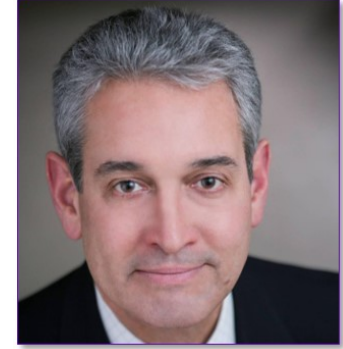
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AGENDA

- Shareholder meeting options (physical, digital, hybrid) and other ways technology can support you and promote engagement
- Integrating ESG as well as COVID impact disclosure into your 2021 proxy
- Reviewing your Executive Compensation, Pay for Performance story
- Enhancing your board oversight and diversity stories
- Preparing to discuss Human Capital management and its many facets (including employee health & safety, diversity & inclusion, pay and opportunity equity)

PROXY SEASON COINCIDED WITH PANDEMIC



SEC Relief Guidance

- Meeting date flexibility



Greater Flexibility For Issuers

- Modified notice
- Virtual Meetings

2020 MEETING TYPES

Physical Meetings



Shareholders register votes and attend the meeting by going to the physical location of the meeting. (For all meeting types, companies also typically offer early voting by mail, phone and internet.)

Webcast Meetings



Shareholders register votes and attend the meeting by going to the physical location of the meeting. Shareholders may also watch the meeting remotely via webcast or listen via audio conference. Remote attendees, however, are not able to participate (by submitting questions or shareholder proposals, for instance) on equal terms with those attending the meeting in person.

Hybrid Meetings



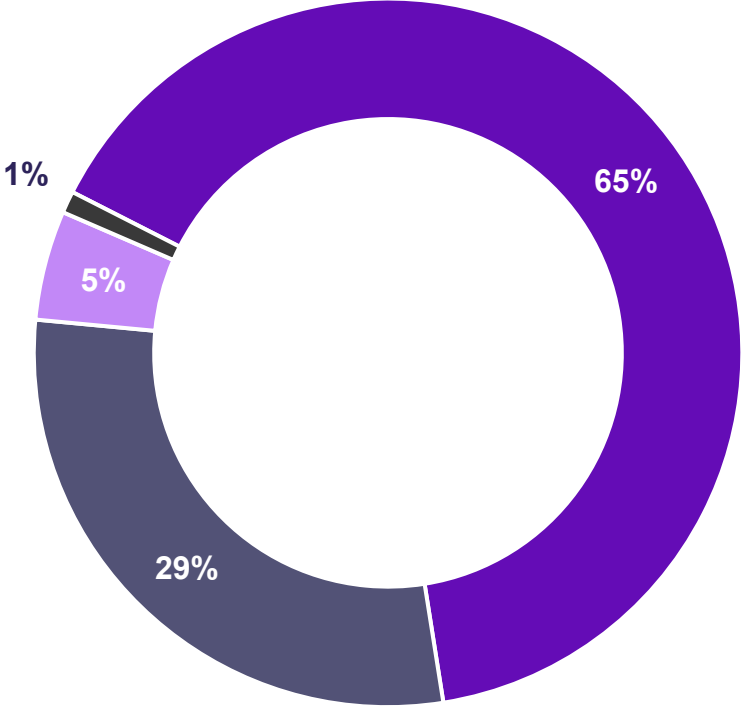
Shareholders can vote and attend the meeting at either a physical or virtual location. Both physical and virtual attendees may participate equally.

Virtual Meetings



Shareholders register votes and attend the meeting online through a virtual meeting platform. In-person attendance is not allowed.

2020 MEETING FORMAT BREAKDOWN



■ % Virtual ■ % Physical ■ % Webcast ■ % Hybrid

*Information derived from "Proof of Concept: An Intelligize Report on Virtual Annual Shareholder Meetings"

2020 EXPERIENCE

- Prior to 2020, few companies had used virtual annual meetings
- Virtual annual meetings offered a way for issuers to move forward with their meeting without expensive delays
- Few had experience with virtual annual meetings
- **Common Concerns:**



Beneficial holder access



Time constraints/bandwidth – limited to one hour only



Audio only



State laws and company bylaws



How to address questions – before, chat, telephone, etc.

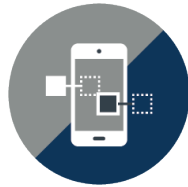
WHAT TO EXPECT NEXT PROXY SEASON

Supportive Provider



Plan what you want and find a provider that can support you.

More Content



More experience and comfort with online platforms will lead to better meetings with more content – audio, video, PowerPoints, etc.

Questions



Understanding options for addressing questions.

Beneficial Access



Industry is working to address the beneficial access issue. Best practices are being discussed and solutions will be in place for next year.

THINGS TO THINK ABOUT

- Virtual meetings are likely to stay. Make the most of them:



Shareholder Engagement, Access and Participation



ESG – Green Option



Reduced Costs to the Company

2021 GUIDANCE – THINGS TO THINK ABOUT

- While Glass Lewis permitted some flexibility for companies holding virtual meetings in 2020, they have clarified that in 2021, their standard policy regarding virtual meetings is in effect
- This means, in summary, that for companies choosing to hold their meeting in a virtual-only format, Glass Lewis expects robust disclosure in the company's proxy statement addressing the ability of shareholders to participate in the meeting. This includes disclosure of shareholders' ability to ask questions at the meeting; procedures, if any, for posting appropriate questions received during the meeting and the company's answers on its public website; as well as logistical details for meeting access and technical support. Where such disclosure is not provided, Glass Lewis will generally hold the governance committee chair responsible

2021 GUIDANCE – THINGS TO THINK ABOUT

- 1 Reserve your date with your virtual meeting provider early
- 2 Understand your annual meeting timeline (i.e., impact of shareholder proposals, delivery options, need for a preliminary proxy statement, solicitation period, board approvals)
- 3 Get all the members of your annual meeting team on board and familiar with each others' roles
- 4 Build in extra time for the crafting and review of new disclosures
- 5 If you are going to try to have an in-person meeting or hybrid meeting, have a back-up plan and know when you have to make a final call based on your timeline
- 6 Have emergency contact information for critical team members

OVERLAPPING TRENDS

- In 2020, two trends overlapped that will drive changes in 2021 disclosure
- The first is the continuing investor interest in Environmental, Social & Governance (ESG), in environmental (and company) sustainability, social responsibility, and in Human Capital Management (HCM), or viewing the workforce as an asset to be nurtured and not just a cost to be managed
- Second, the rapidly growing scope and impact of COVID-19 have created an important story for companies to tell

For these reasons, we view COVID-19 both as an “event” that all must deal with and many will report on, and as a “lens” that is re-focusing investor attention on longer term sustainability issues

Guide to Effective Proxies: www.proxydocs.com/xDFINx

DRIVERS OF PROXY STATEMENT EVOLUTION

- Proxies are evolving from their regulatory basis to also serve as communications documents
- Drivers include:
 - Activism and the desire to tell your best strategy, performance and board/governance stories
 - Say on Pay and the desire to tell your best compensation and pay for performance story
 - Increasing interest in ESG by a range of investors, causing companies to identify and then communicate their ESG and Human Capital Management (HCM) priorities and progress
 - Engagement with investors helping companies identify investor informational needs
 - Peer company proxy evolution and the desire not to be left behind
 - Board refreshment and new directors bringing new perspectives about corporate communications

COVID-19 AS LENS

- Investors have temporarily deprioritized ESG due to COVID-19, but expect to intensify their focus on ESG as we recover
- 79% of respondents said their firms are temporarily deprioritizing ESG as an investment criteria. However, as we recover from COVID-19, 96% said they expect their firms to increase prioritization of ESG

*Edelman Trust Barometer 2020 – Special Report – this data is based on a survey of 600 global institutional investors collectively managing over \$20 trillion in assets.

WHAT IS COVERED BY ESG?

Environmental

- Energy efficiencies
- Carbon footprints
- Greenhouse gas emissions
- Deforestation
- Climate change
- Pollution mitigation

Social

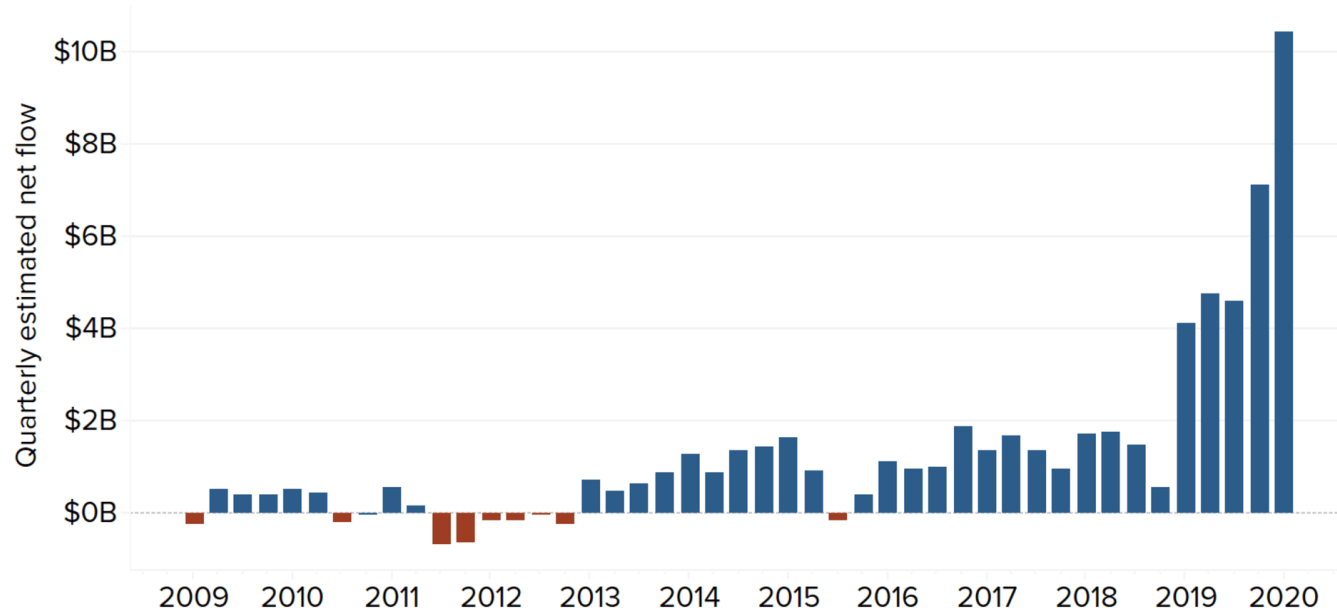
- Employee safety and health
- Human capital
- Diversity
- Political issues
- Pay equity
- Privacy and data protections

Governance

- Board composition
- Proxy access
- Independent chairperson
- Ability to act by written consent
- Board declassification
- Sustainability oversight and compliance
- Executive compensation
- Political contributions
- Lobbying
- Bribery and corruption

THE GROWTH OF ESG INVESTMENT

Sustainable funds see record inflows in first quarter



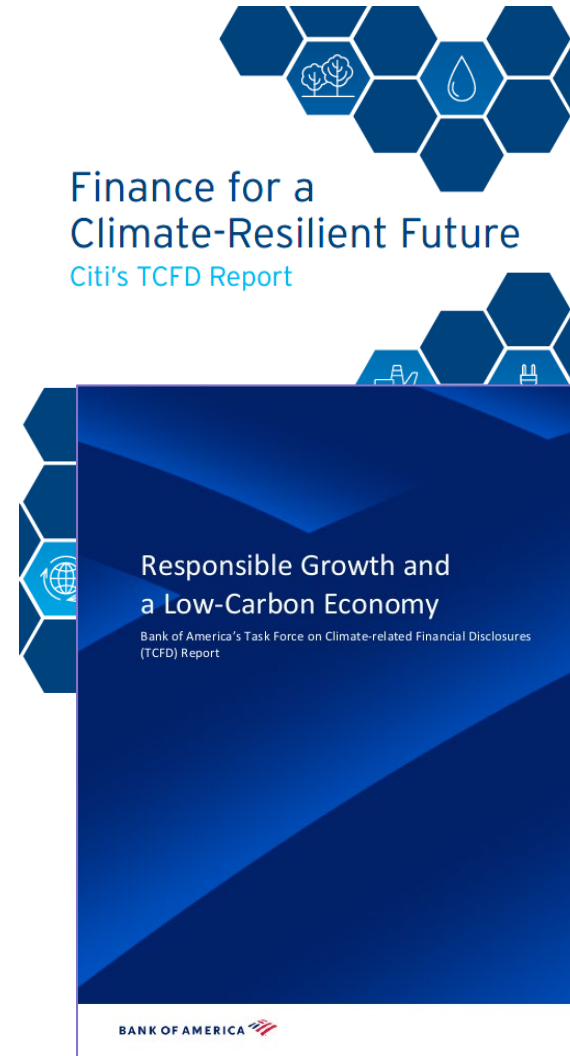
SOURCE: Morningstar Direct, as of 3/31/2020. (ESG Integration, Impact, and Sustainable Sector funds as defined in Sustainable Funds U.S. Landscape Report, 2018. Includes liquidated funds; does not include funds of funds.)



- The COVID-19 pandemic could prove to be a major catalyst for ESG investment
- U.S. sustainable funds attracted significant inflows during the first quarter of 2020, and, globally, sustainable funds pulled in \$45.6 billion in the first quarter
- “Values” aside, these funds are also attracting record levels of resources because they’re proving that they can offer comparable, if not market-beating, returns

CLIMATE CHANGE CONSIDERATIONS

There is a debate about the degree to which the increase in the number and types of regimes will eventually result in **consistent, comparable data across company and industry**, however, the true value of ESG reporting may actually be . . .



. . . the processes boards and management have to implement and the conversations they have that enable their companies to create these complex reports, which create **a deeper internal understanding of the company's ESG risks and opportunities.**

HUMAN CAPITAL MANAGEMENT CONSIDERATIONS

- Increasingly, investors and other stakeholders are expecting companies to speak to the board's oversight of human capital management, talent and diversity and inclusion efforts
- Recently, the SEC adopted a rule that requires companies to disclose, to the extent such disclosure is material to an understanding of the company's business taken as a whole, a description of the company's human capital resources, including any human capital measures or objectives that the company focuses on in managing the business
- It is appropriate for the board, either through the compensation committee or otherwise, to exercise oversight with respect to human capital management, including holding management accountable for:
 - Building and sustaining an inclusive and diverse workforce;
 - Acquiring and retaining critical talent and skills to execute on business strategy;
 - Enhancing overall workforce engagement and productivity; and
 - Developing a strong and healthy corporate culture

INVESTOR AREAS OF INTEREST

- Board diversity (gender and otherwise), mix of skills, refreshment process
- Board oversight of risk, board evaluation and CEO succession processes
- Executive compensation link to business strategy (i.e. “why these metrics?”)
- Board role in ESG/HCM oversight
- Company ESG/HCM priorities and performance. Investors seek use of common materiality and reporting standards. Blackrock pushing for SASB and TCFD utilization, may vote against directors at companies they deem not making sufficient progress
- Want material, quantitative, decision-useful information (for investing and eventually for voting)

PROXY DISCLOSURE “CHECKLIST”

- Include a brief company overview with strategy and performance highlights
- Make it easy to spot year-over-year changes
- Consider the overall flow of the document and navigation to key information
- Where possible take key information out of the main body of text and draw the reader in by use of visual elements, graphs, callouts and similar devices for emphasis

** In doing so, be judicious, however, as investors have found some highly visual proxies to be distracting. That’s why it’s best to reserve visual elements for the most important messages.

FREQUENTLY EXPRESSED CLIENT OBJECTIVES

- Make the document more visual, supplement or replace text with graphs
- Infuse more company branding
- Ensure various documents are harmonized (Proxy, Annual Report, Sustainability)
- Summarize and highlight key information
- Humanize executive and board leadership
- Improve navigation
- Improve flow, reduce redundancy
- Help “move the needle” on ESG raters and rankers
- What are other companies planning to do about COVID impact disclosure
- Role of print versus digital

ACTIONS TO CONSIDER

Update Bylaws



Review and update bylaws to clearly permit virtual or hybrid meetings.

Flexible Format



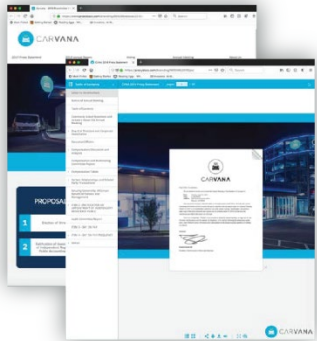
Provide for the possibility for a meeting to be conducted virtually or in a hybrid format in the proxy statement and state law notice

Scheduling in 2021



Hold annual meeting at a later date (such as within 30 days later) in 2021 to increase the likelihood of having an in-person meeting

OMNI CHANNEL SHAREHOLDER ENGAGEMENT



DOCUMENT & VOTING SITES



TEXT & ALEXA VOTING



DIGITAL SHAREHOLDER MEETINGS

ACTIONS TO CONSIDER FOR 2021

- The proxy has increasingly become a team effort. While the proxy is a critical regulatory filing and is typically “owned” by legal, its content has expanded and design has assumed a more critical role. For these reasons, it makes sense to include other departments early in the proxy strategy, messaging and creation process. Most of our clients employ cross-functional teams including:
 - Legal, HR/benefits, finance and investor relations, risk, sustainability, community relations, corporate communications and others, with the proxy receiving regular C Suite and Board review
 - Including IR has another benefit, which is minimizing the chance for mixed messages between the investment story and the governance, compensation, sustainability and overall proxy stories
 - Making sure that the proxy process is collaborative and cross-functional

QUESTIONS?



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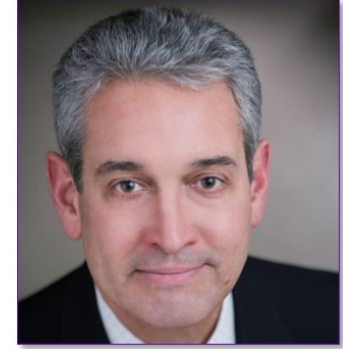
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DFIN ESG – 5 STEP ESG CLIENT ENGAGEMENT

- 1 Begin Your Journey – Initial Discussions, Industry Trends, ESG Research, Data Gathering and Peer Benchmarking
- 2 Focus on What Matters – Material Indicator Selection, Focus on Material Issues (SASB and GRI)
- 3 Build a Map – Fact Check – Engage with company Subject Matter Experts, Define ESG and Sustainability Messaging
- 4 Begin to Walk the Path – Innovative Designs, Proxy, Annual Report, Sustainability Report
- 5 Reaching our Goal – Project management, writing, editing, proofing, composition, production print and web based content

DFIN Mini Guides – ESG:

[DFIN Environmental, Social and Governance](#)
[DFIN Human Capital Management Disclosures](#)
[DFIN Emerging Topics Disclosures](#)



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