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Preparing for Proxy Season 2022

Featuring Commentary From

DFIN

EQUILAR

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Executive Summary

Each year, public companies in the United States are required to file a DEF 14A document with the Securities and Exchange Commission (SEC), commonly known as the proxy statement. This document provides required information about company matters, such as executive compensation, and also includes a ballot for shareholders to vote on board of directors elections and other shareholder proposals.

Given that the breadth of corporate stakeholders has continued to grow in recent years, the proxy statement has evolved from a compliance document to a communications vehicle. The general public has shown greater interest in corporate matters in recent years as public companies have become a centering force in an otherwise polarized social and political environment. Therefore, the proxy, as a publicly available document widely reported on in the media, has become a critical way for companies to share important information to an increasingly broader audience.

In addition to requirements from the SEC and other governing bodies—such as Nasdaq, which recently announced new rules for detailed disclosure on board diversity—stakeholders are increasingly seeking more clearly articulated information about the topics covered in the proxy statement. As a result, these documents are getting longer and longer, and their design must strike a balance between required and voluntary disclosure using both technical and more broadly understandable language.

For example, the average length of the compensation discussion and analysis (CD&A) section of the proxy alone is nearly 10,000 words (approximately 15 pages in a Word document in a 10-point font). And that's just one of several major sections in the proxy, alongside board of directors elections and shareholder proposals, which can also vary widely in length depending on the size of the board and what's on the ballot.

The depth and breadth of proxy statements is a double-edged sword. On the one hand, companies are putting painstaking efforts into providing detailed information that is relevant to an increasingly diverse set of stakeholders. The addition of clarifying information about executive compensation philosophies, diversity metrics, human capital management and more means that investors and others with corporate interests have the information they need at their fingertips. For a reader seeking information about a specific issue, the addition of navigational tools, charts and graphs and other visual elements are immensely helpful in guiding them to the information they need.

Ultimately, however, despite any ancillary information that will benefit greater transparency between a company and its wider set of stakeholders, each proxy statement must consider one main audience as a priority above the rest: The shareholders for the company that will vote on the proposals included therein.

Because these investors must read the whole proxy, they are scanning for key items that inform their investment and voting decisions on a range of issues. The expanded length and detail for the proxy makes this task more and more onerous for a team required to digest and understand information across thousands of companies.

With the rise of artificial intelligence tools, many investors are understandably taking advantage to help identify keywords and topics that they will have to review. One downside of AI that is trained to pick up text cues is that it may not always recognize information in images. Therefore, to balance the needs of any given individual who reads the proxy and their most important investors, who may be employing necessary (and useful) automation tools, companies may also have to explicate information that they had only recently converted to a graphical figure.

Guideposts Help Navigate the Proxy

Though it may sound like a foregone conclusion, wayfinding elements in the DEF 14A to help readers discover the information they need is a somewhat recent phenomenon. In proxy statements reflecting the 2020 fiscal year, approximately 84% of Equilar 100 companies included a summary at the beginning of their DEF 14A, up from 73.2% five years ago.

Meanwhile, more than 40% of Equilar 100 companies included a table of contents specifically for the compensation discussion and analysis (CD&A) section of their proxy statement referencing the most recent fiscal year, up from 27.8% in 2016.

Add to this the wide availability of the proxy in a digital format, companies have also begun to add internal links from these summary statements and tables of contents to various points in the document, in addition to external links to important related sites that readers can access when viewing online.

Charts and Graphs Pave a Path to Better Engagement

Considering the complexity of the information, supplemental graphs to support required disclosures are nearly universal in Equilar 100 proxy statements. Approximately 93% of companies included information in a visual format to help illustrate important topics for various stakeholders.

One of the more popular types of graphical displays in proxy statements includes information that expresses how executive compensation is awarded and ultimately delivered. In statements reflecting the most recent

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www.equilar.com/disclosure-search

fiscal year, nearly 40% of Equilar 100 companies included a graph or table to express executive compensation outside of the methods required by the SEC. Indeed, the largest increase in the inclusion of alternative pay graphs also came in this most recent year, potentially due in part to the desire for companies to illustrate executive payouts during the pandemic.

At the same time, graphs depicting how pay relates to company performance are falling out of fashion. Just 14.1% of Equilar 100 companies included a pay for performance graph in their most recent proxy statements, down from 21.6% five years earlier. This information is likely indicated in other alternative pay graphs that more explicitly tell a given company's specific story. An SEC rule proposed in 2015 around specific pay for performance disclosure has not yet been actualized, which may also partially contribute to the waning inclusion of this specific detail.

ESG Disclosures Are the Top New Trend

Corporate commitments to environmental, social and governance (ESG) practices have become of much greater interest in recent years among voting shareholders as well as the wider company stakeholder set alike. Therefore, companies have resoundingly responded with new, in-depth disclosures about what they are doing to address such issues, and ESG disclosure has become the rule as opposed to the exception. The percentage of Equilar 100 companies including information about ESG practices and policies in their proxy statements skyrocketed from 10.3% to 81.8% over the past five years.

Furthermore, over the course of the study period, companies that disclosed extensive details about their ESG practices have become the majority, in contrast to those that just mention that they have ESG policies but fail to provide further information. The number of companies including detailed disclosure of ESG practices increased the most in proxies referencing the 2020 fiscal year, rising 14.2 percentage points to reach nearly half (47.5%) of all companies in the Equilar 100.

Methodology

Preparing for Proxy Season 2022, an Equilar Publication, analyzes the annual proxy statements and subsequent CD&As of companies in the Equilar 100—the top 100 U.S.-listed companies by revenue—over the last five fiscal years. Samples included a total of 99 companies in 2020 and 2019, 98 companies in 2018, and 97 companies in 2016 and 2017. Fiscal year one was defined as companies with a fiscal year ending from June 1, 2020 and May 31, 2021, with subsequent years following suit.

Disclosure examples were chosen to highlight both the typical and exceptional examples of proxy disclosure. The narrative part of this report highlights proxy design trends and features of Equilar 100 companies. DFIN has provided independent commentary for added context and color regarding specific proxy statement disclosures, as well as insight on how the proxy statement serves as an effective vehicle to communicate to shareholders.

Key Findings

1. **More companies are providing guideposts throughout the proxy.** Approximately 84% of Equilar 100 companies included a proxy summary at the beginning of their DEF 14A, up from 73.2% five years ago, and more than 40% of Equilar 100 companies included a table of contents specifically for the CD&A section of their proxy statement, up from 27.8% at the beginning of the study period.
2. **Supplemental graphs are nearly universal in Equilar 100 proxy statements.** Nearly 93% of companies included information in a visual format to help illustrate important topics for various stakeholders.
3. **Pay for performance graphs are falling out of fashion.** Just 14.1% of Equilar 100 companies included a pay for performance graph in their most recent proxy statements, down from 21.6% five years earlier.
4. **Alternative ways to express pay continue to rise.** Nearly 40% of Equilar 100 companies included a graph or table to express executive compensation outside of the method required by the SEC, and the largest increase in the inclusion of alternative pay graphs came in the most recent fiscal year, potentially due in part to the desire for companies to illustrate executive payouts during the pandemic.
5. **ESG disclosure has become the rule as opposed to the exception.** The percentage of Equilar 100 companies including ESG practices and policies in their proxy statements skyrocketed from 10.3% to 81.8% in the past five years.

Beyond the Numbers | DFIN

A Q&A with Ron Schneider, DFIN

To provide additional perspective on the trends uncovered in *Preparing for Proxy Season 2022*, Equilar sat down with contributor Ron Schneider, Director of Corporate Governance Services at DFIN, to get his thoughts on the value of the proxy statement and what to expect in 2022. A more in-depth discussion featuring Schneider's commentary can be found at the end of this publication.

Equilar: How has the proxy design process evolved in recent years? After nearly two years of the COVID-19 pandemic, what are the lessons learned that companies should keep in mind as they begin drafting next year's proxy strategy?

Ron Schneider: The pandemic experience has had many impacts on companies. These include their strategies, operational and financial performance, executive pay, workforces, customers, supply chains, and the ability of their boards to provide effective oversight of this growing range of risk factors. Some of these impacts are relatively universal, others more specific based on industry. Company responses included experimentation with work from home, increased focus on employee health and safety, and on supply chains and their resilience.

For investors, it has galvanized their resolve that their pre-existing focus on sustainability, including the human capital dimension, was correct. As we (hopefully) emerge from the pandemic's worst impacts and "get back to business," investors expect their portfolio companies to either initiate or resume—with vigor and resolve—progress on their "sustainability journeys," as well as on their reporting. Remember that you may not "get credit" for what you don't disclose.

A related issue we are focusing on with clients is the harmonization between their primary investor communication vehicles, namely the proxy, 10-K/annual report, sustainability report and overall IR messaging. Each of these documents or disclosure channels has its own unique mission and tradition, yet the lines are blurring and there is more overlap in content as well as viewership than previously.

At many companies these documents and communications look very disparate. In part this is because they are prepared by different teams, under different budgets and oversight. Of greater concern, is that as investors review these various documents, they may uncover mixed or contradictory messaging.

As a result, we are focusing with our clients on both a) harmonizing the "look and feel" and overall branding of the documents (which increasingly reside alongside each other at IR websites or proxy micro-sites), and b) harmonization of messaging. Irrespective of the document, channel or audience, there must be "one strategy" and thus "one message." As these previously siloed drafting teams expand and overlap, increasingly they are utilizing our secure, cloud-based collaboration platform, Active Disclosure.

Equilar: What issues will require the most attention from proxy teams moving forward? Have the concerns or expectations of shareholders changed when it comes to communication through the proxy?

Schneider: As mature companies know, investor expectations of proxy disclosure extend well beyond the requirements of SEC Schedule 14-A. This is a lesson that the many newly public companies (whether via traditional IPO, SPAC or direct listing), most of which are emerging growth companies

(EGCs) which for a period can take advantage of "scaled" (i.e., reduced) proxy disclosure, will need to learn in short order.

Consider the large, long-term indexed investors who own an increasingly large percentage of Corporate America. They may not be as attuned to every company's ongoing IR communications as are more actively managed investors, yet they do seek to vote thoughtfully. To assist them in this worthy goal, companies have, for years, been making the proxy more of a "one-stop shop" for at least an overview of important topics, including guidance to where additional disclosure can be found.

Examples of this useful but expanded disclosure include:

- Brief "about the company" overviews of the business, strategy and performance, early in the proxy (in cover letters, proxy summaries or at the start of the CD&A). This typically is a repackaging exercise with content drawn directly from IR, which should be an easy lift.
- "Humanizing" board and executive leadership through robust cover letters with photos and links to videos in the online versions of the proxy.
- Summarizing their ESG, sustainability and human capital stories—and related board oversight—while directing investors to the full reporting typically at their websites. Here, investors are very wary of "green-washing" or simply "talking the talk," and are looking for verifiable, material, quantitative, decision-useful information.

Regarding proxy design, companies are responding by:

- Infusing the company brand, mission statements and taglines
- Replacing dense text with more tabular, bullet point formats, including callouts, graphs and other visual elements
- Reminding restive investors of their longer term, incremental progress via timelines: this can include the evolution of their corporate governance, executive compensation, sustainability and related reporting.
- Depicting rather than describing board processes, through process flow images (think "oversight of risk," "board refreshment/director recruitment," "board evaluation," "management succession," "pay-setting," "engagement" and other processes).
- Infusing imagery of products, customers and the workforce throughout the document
- Enhancing navigation through detailed tables of contents (TOC) including supplemental CD&A TOCs (or "roadmaps"), page headers and footers, tabular navigation systems, and other means
- Creating, filing and webhosting enhanced interactive online proxies in full color (think of digital color as free), often reducing the degree of color in the printed/mailed version.

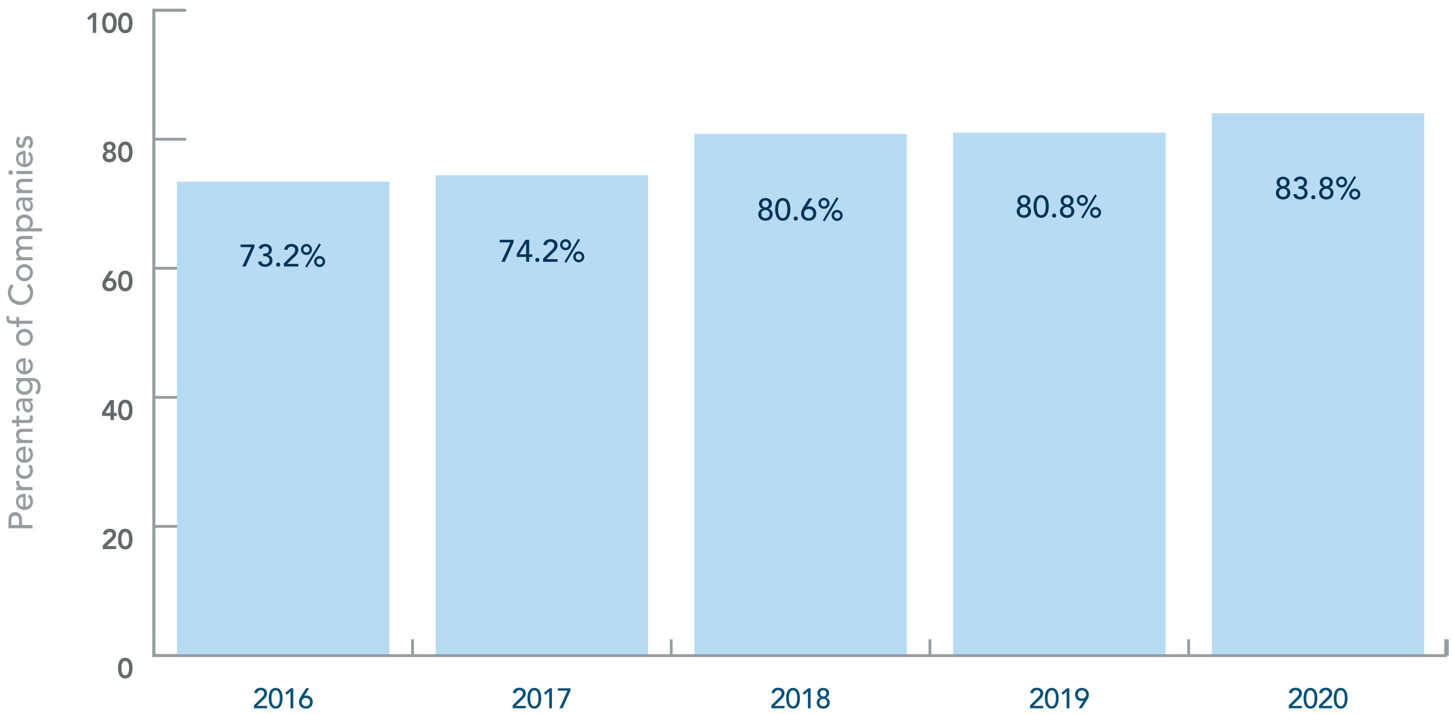
Read More From DFIN

Planning for Proxy Design in 2022 on page 21 of this report.

Data Points and Figures

EQUILAR

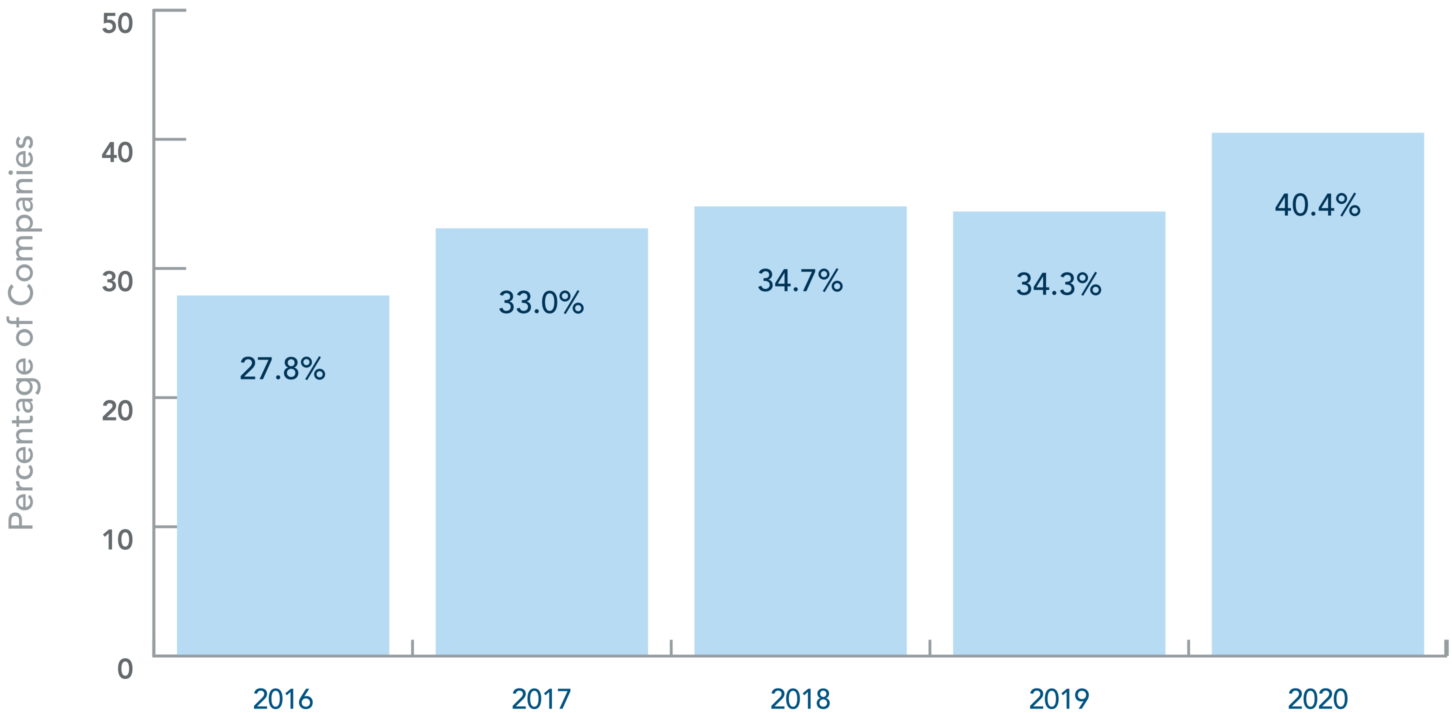
Figure 1 Equilar 100 Companies Including a Proxy Summary



Data Points

1. About five in six Equilar 100 companies (83.8%) included a proxy summary at the beginning of their DEF 14A, up from fewer than three-quarters (73.2%) five years ago *(Fig. 1)*
2. The percentage of Equilar 100 companies including a proxy summary increased 14.5% during the study period *(Fig. 1)*
3. The largest increase in the percentage of companies including a proxy summary was in 2018, when the prevalence increased from 74.2% to 80.6%. *(Fig. 1)*

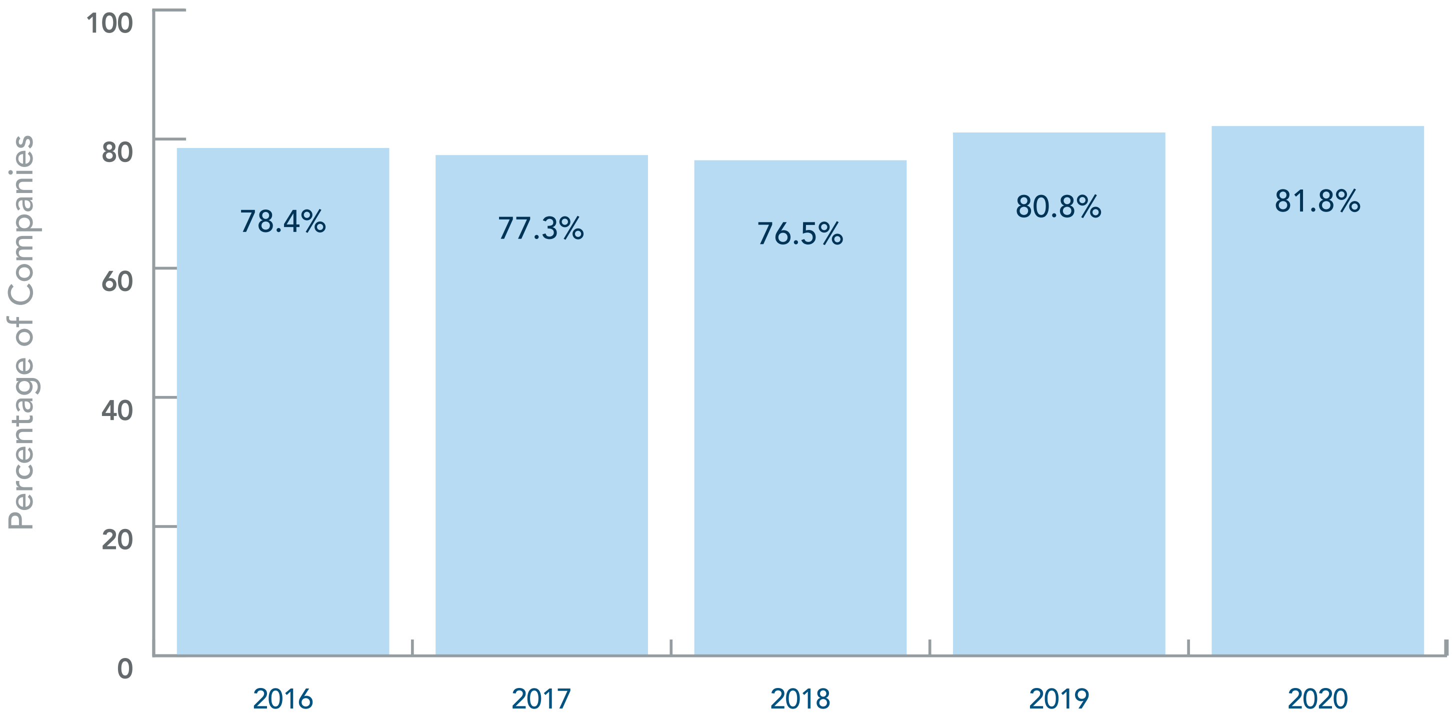
Figure 2 Equilar 100 Companies Including a CD&A Table of Contents



Data Points

1. More than 40% of Equilar 100 companies included a table of contents specifically for the CD&A section of their proxy statement in the most recent fiscal year, up from 27.8% in 2016 *(Fig. 2)*
2. The percentage of companies with a TOC for their CD&A increased 45.3% over the past five years, with the largest gain coming in proxies referencing the 2020 fiscal year *(Fig. 2)*

Figure 3 Equilar 100 Companies Including a Compensation Program Checklist



Data Points

1. Compensation program checklists—a graph or table of "what we do" and "what we don't do" with regard to executive compensation practices—have remained a consistent component of Equilar 100 proxy statements over the past five years *(Fig. 3)*
2. The largest percentage of companies, 81.8%, included a checklist referencing 2020 executive compensation, up from a low of 76.5% in proxies detailing outcomes from the 2018 fiscal year *(Fig. 3)*
3. The number of Equilar companies including a checklist decreased in the first two years of the study period prior to resurging in the most recent two, with the largest gain coming in 2019, when 80.8% of companies included a checklist *(Fig. 3)*

Chevron Corporation (CVX)

DEF 14A | Filed 4/8/21

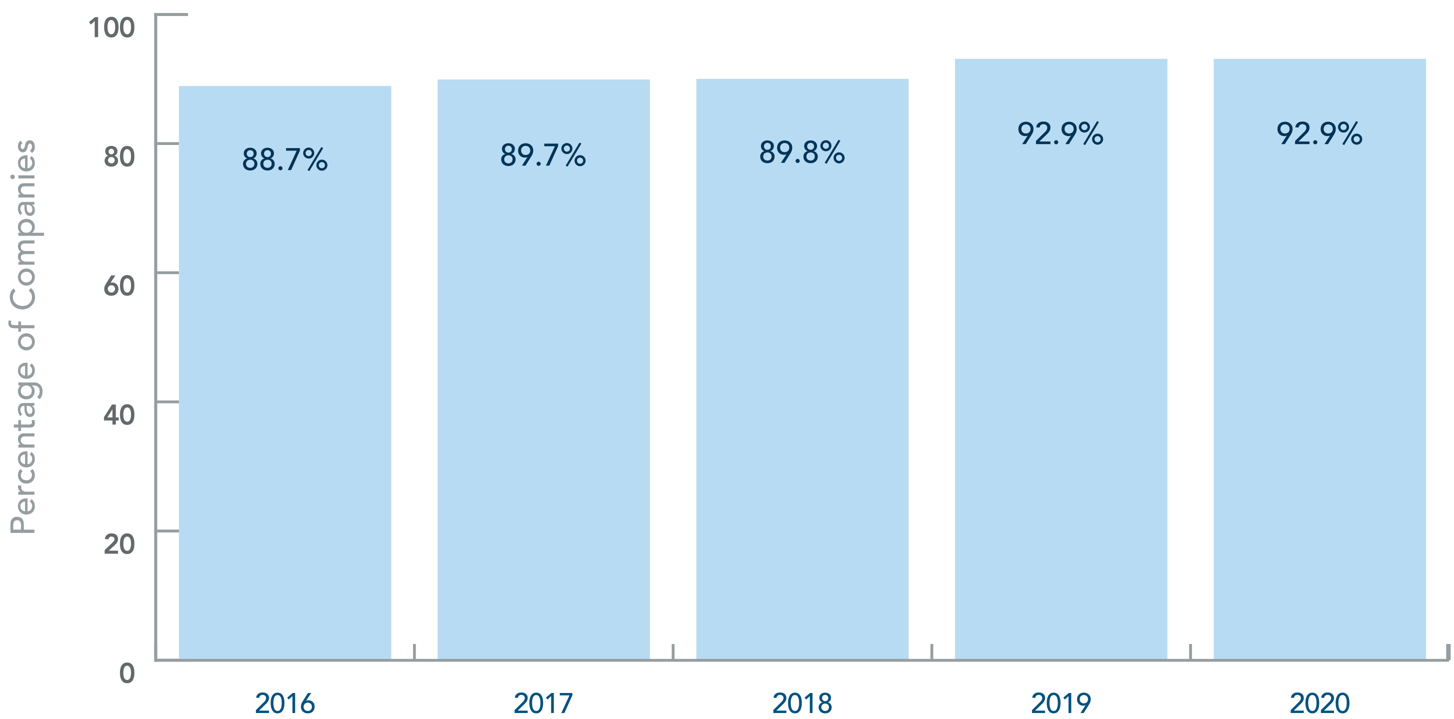
Following a turbulent year, shareholders continue to pay close attention to how companies are paying their top executives. As such, being clear on compensation philosophies is critical in today's governance environment. Chevron's disclosure on the matter is an exceptional example, as the Company clearly communicates its best practices on compensation, indicating "what we do" and "what we do not do" in this checklist.

best practice in compensation governance

To ensure independent oversight, stockholder alignment, and long-term sustainability, our executive compensation program has the following governance elements in place.

What we do	What we do not do
✔ Robust stockholder engagement plan to ensure alignment with stockholder interests	✘ No excessive perquisites; all have a specific business rationale
✔ Stock ownership guidelines for the Chief Executive Officer, six times base salary; for the Executive Vice Presidents and Chief Financial Officer, four times base salary	✘ No individual supplemental executive retirement plans
✔ Deferred accounts inaccessible until a minimum of one year following termination	✘ No stock option repricing, reloads or exchanges without stockholder approval
✔ Clawback provisions included in the CIP, LTIP, DCP, RRP, and ESIP-RP for misconduct	✘ No loans or purchases of Chevron equity securities on margin
✔ Significant CEO pay at risk (92 percent)	✘ No transferability of stock options (except in the case of death or a qualifying court order)
✔ Thorough assessment of Company and individual performance	✘ No stock options granted below fair market value
✔ Robust succession planning process with Board review twice a year	✘ No hedging or pledging of Chevron equity securities
✔ MCC composed entirely of independent Directors	✘ No change-in-control agreements for NEOs
✔ Independent compensation consultant, hired by and reports directly to the MCC	✘ No tax gross-ups for NEOs
✔ MCC has discretion to reduce performance share payouts	✘ No "golden parachutes" or "golden coffins" for NEOs
✔ Annual assessment of incentive compensation risks	

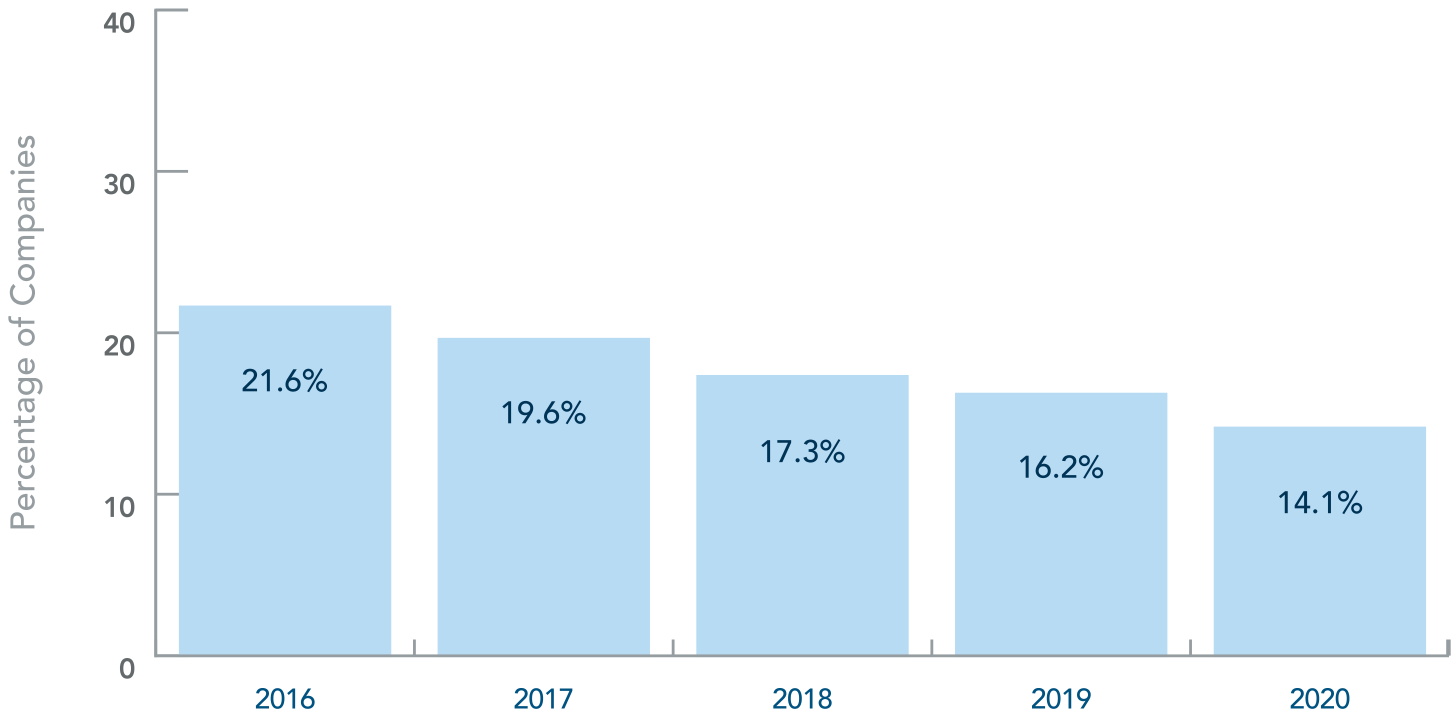
Figure 4 Equilar 100 Companies Including a Supplemental Graph



Data Points

1. Supplemental graphs are nearly universal in Equilar 100 proxy statements, with nearly 93% of companies including information in a visual format to help illustrate important topics for various stakeholders *(Fig. 4)*
2. The percentage of companies including supplemental graphs has increased slightly over the past five years, up from 88.7% in proxies referencing fiscal year 2016 *(Fig. 4)*

Figure 5 Equilar 100 Companies Including a Pay for Performance Graph



Data Points

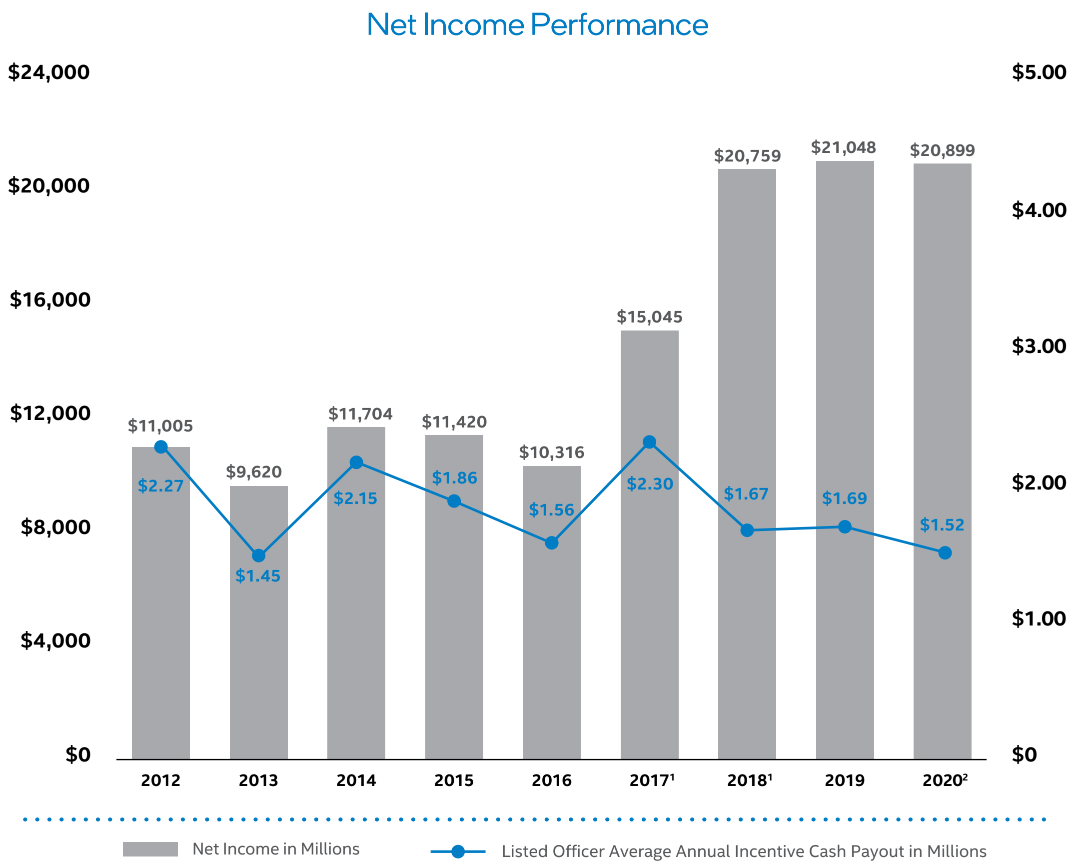
1. Just 14.1% of Equilar 100 companies included a pay for performance graph in their most recent proxy statements, down from 21.6% five years earlier *(Fig. 5)*
2. The percentage of companies including pay for performance graphs decreased in each year of the study period, down a total of 34.7% over the past five years *(Fig. 5)*

Intel Corporation (INTC)

DEF 14A | Filed 3/30/21

In the most recent fiscal year, 14.1% of Equilar 100 companies included a pay for performance graph in their proxies. While the percentage of companies including one is on a steady decline from previous years, pay for performance continues to be a hot-button governance issue. In this example, Intel captures the link between the Company's financial performance and listed officers' annual incentive payouts in an easy-to-read graph.

The link between our financial performance and the listed officers' annual incentive cash payouts under the Annual Cash Bonus Plan is illustrated in the following chart, which shows how the average annual incentive cash payouts have varied compared to Intel's net income over the past nine years.

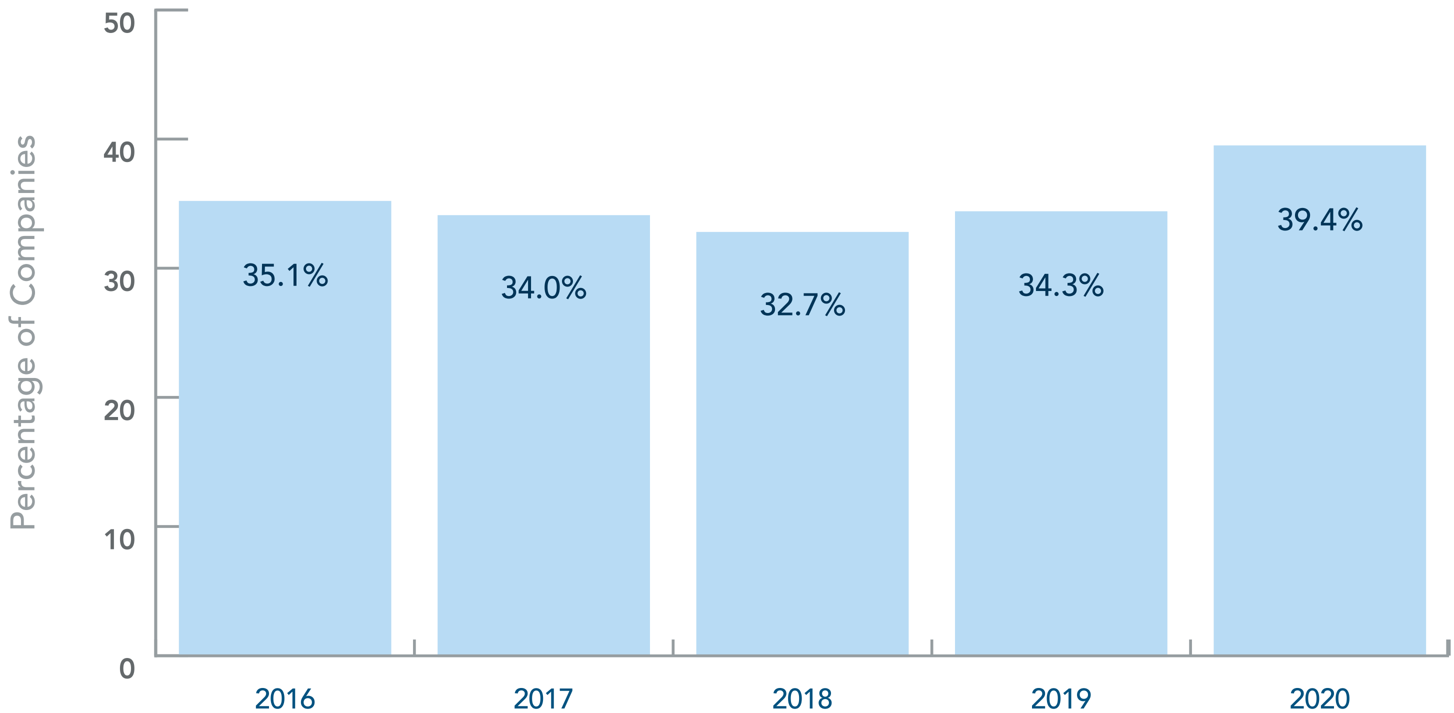


[1] *Adjusted net income was used for 2018 and 2017.*

[2] *2020 average annual incentive cash payout was decreased by Dr. Renduchintala's payout of $0 as a result of his departure from the company on August 3, 2020. If Dr. Renduchintala's payout was excluded, the 2020 average annual incentive cash payout would have been $1.83 million.*

The chart above shows our GAAP net income results for each year, except with respect to fiscal 2018 and 2017 results, which are adjusted net income and exclude the one-time tax impacts from Tax Reform, for purposes of better comparison of our 2018 and 2017 operating performance to that of prior years. See the reconciliation of this non-GAAP financial measure to the comparable GAAP financial measure in Appendix A of this proxy statement.

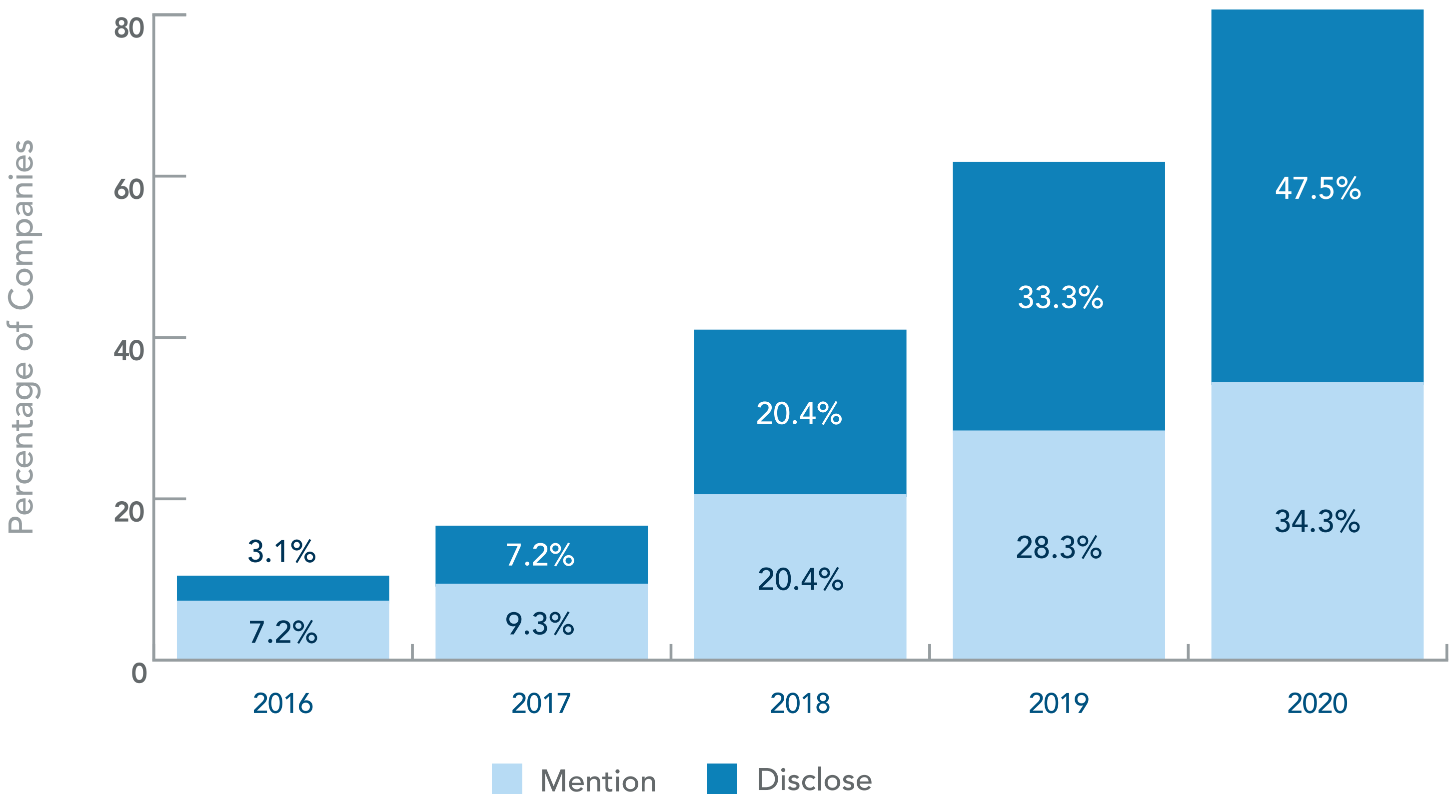
Figure 6 Equilar 100 Companies Including an Alternative Pay Graph or Table



Data Points

1. Nearly 40% of Equilar 100 companies included a graph or table to express executive compensation outside of the method required by the SEC *(Fig. 6)*
2. The percentage of companies including alternative pay graphs decreased in proxies referencing the 2017 and 2018 fiscal years, but then increased sharply, up 20.5% in the most recent two years *(Fig. 6)*
3. The largest increase in the inclusion of alternative pay graphs came in the most recent fiscal year, potentially due in part to the desire for companies to illustrate executive payouts during the pandemic *(Fig. 6)*

Figure 7 Equilar 100 ESG Disclosures



Data Points

1. The percentage of Equilar 100 companies including information in their proxy statements about environmental, social and governance (ESG) practices has skyrocketed in the past five years, increasing from 10.3% to 81.8% *(Fig. 7)*
2. Over the course of the study period, companies that disclosed extensive details about their ESG practices have become the majority, in contrast to those that just mention that they have ESG policies but do not provide much further information *(Fig. 7)*
3. The number of companies including detailed disclosure of ESG practices increased the largest amount in proxies referencing the most recent fiscal year, rising 14.2 percentage points to reach nearly half (47.5%) of all companies in the Equilar 100 *(Fig. 7)*

Lowe's Companies, Inc.

DEF 14A | Filed 4/15/21

ESG issues continue to be at the top of mind for governance leaders, particularly following a year that brought greater attention to employee safety, the climate, social equality and more. Over 80% of Equilar 100 companies included information about their ESG practices in their latest proxies. Among those companies is Lowe's, which details its corporate strategy on this topic around three categories. The Company also explains, with key metrics, what it accomplished in the last year per category.

Corporate Responsibility

Corporate responsibility is a cornerstone of our Company and critical to our success. The Sustainability Committee of the Board oversees Lowe's corporate responsibility strategies and our Sustainability Council, composed of executives and subject matter experts from across the Company, leads the Company's efforts to integrate corporate responsibility into our business. In 2020, we refreshed our materiality assessment and conducted a Task Force on Climate-related Financial Disclosures ("TCFD") analysis to enhance our sustainability strategy and programs. The Sustainability Committee receives regular updates related to corporate responsibility strategy and initiatives.

We have built our corporate responsibility strategy around three key areas: Product Sustainability; Our People and Communities; and Operational Excellence. These key areas align with our mission and overall strategic plan.

PRODUCT SUSTAINABILITY

We strive to put the customer first in everything we do, stocking our shelves with quality items that people can feel good about buying. As we expand our portfolio of responsibly sourced, innovative and efficient eco-products, we endeavor to help customers reduce their impact on the environment.

IN 2020,
we had more than 40,000 ENERGY STAR® products available for sale in-store, saving customers more than $6 billion in lifetime energy costs. Additionally, 62% of our strategic suppliers have sustainability goals in place.

OUR PEOPLE & COMMUNITIES

The Lowe's community begins with more than 300,000 associates and extends to their families and the communities where we live and work. Developing our associates is foundational to ensuring Lowe's success and outstanding customer experiences. Through charitable contributions, associate volunteerism and nonprofit partnerships, we invest in our communities, because when our people and communities are strong, so are we.

IN 2020,
we provided $45.5 million in planned annual giving and $4.6 million in Lowe's Foundation giving. We also contributed over $100 million in pandemic-related relief to our communities, including $55 million in grants to minority-owned, women-owned and rural small businesses.

OPERATIONAL EXCELLENCE

We are focused on creating long-term value for our shareholders while preserving our planet, through sustainable practices and doing the right thing – acting responsibly, ethically and being transparent.

IN 2020,
we were included in the Renewable Energy Buyers Alliance ("REBA") Deal Tracker Top 10 List for large energy buyers as a result of our 250 megawatt solar virtual power purchase agreement ("VPPA") in Illinois. Additionally, our 100 megawatt wind farm VPPA in Texas became operational in 2020.

A Deep Dive | DFIN

Planning for Proxy Design in 2022

Equilar: Have any emerging trends in proxy design surprised you since the start of the pandemic/social justice movements? If so, do you foresee these COVID-era trends persisting as the world returns to some form of normalcy?

Ron Schneider: The focus by investors, employees and other stakeholders on human capital, diversity, and the related "diversity equity and inclusion (DEI)," is intensifying. Companies are under pressure to "disclose more," if only to keep up with their peer companies in these areas (i.e., there's no "standing still").

This includes discussion in the proxy about board diversity, including gender, age, tenure, race, ethnicity, and the all-important skills and qualifications. This pressure to disclose board diversity is buttressed by recent Nasdaq requirements (effective by August 8, 2022), yet investor interest in these topics was there notwithstanding this new requirement.

Recent SEC 10-K amendments are causing more companies to detail material human capital elements in that document. Yet with companies increasingly discussing human capital, employee health and safety, DEI, and related matters in the proxy as well as in their ESG and sustainability reports, some companies are extending their "board diversity" discussion in the proxy to also encapsulate the C-suite and rank-and-file employees. We think that is a gradual trend that will continue.

Equilar: What is the role of visual design in communicating through proxy disclosures? Are there any trade-offs in choosing to convey information through graphs and figures rather than text?

Schneider: At DFIN we believe in and practice "design with a purpose." By this, we mean the appropriate role of design in proxies is to promote the brand, highlight, summarize and draw the reader's eye to key information, and simplify understanding of often complex or multi-layered processes. A visual element should be immediately understood and not require "explanation" of what was being depicted.

As discussed earlier, a related design consideration is to harmonize the brand and messaging across documents and communications channels.

There actually is such a thing as "over-design." We have heard investors, after reviewing highly designed proxies with visual elements, graphs or other features on virtually every page, indicate they were confused about "what exactly is the most important message" when everything seemed to be emphasized via design. We find this good news, in that design should be used judiciously and strategically.

Related to this, while most "proxy readers," including at the proxy advisors and major institutions, are live human beings viewing the proxy online and treating it like a "reference document" (going to just those sections or topics they are most interested in), some of the ESG "raters and rankers" utilize data scraping and AI tools to scan documents. These automated tools can be frustrated by highly designed images with content or data embedded in them. For this reason, we take care that design elements do not overlap or obscure the underlying data.

Equilar: Just 14.1% of companies included a pay for performance graph in 2020, after declining each year of the study. Given the rise of Say on Pay and increased scrutiny on pay for performance, what do you believe accounts for the steady decrease in these specific disclosures?

Schneider: This is an interesting development. Three issues that may account for some of this decline include:

- Some companies have told us they are concerned that by telling their pay for performance (PfP) story in a certain way and supported by metrics sets a precedent and the expectation that they will repeat this practice in the future. Not knowing what "the story" will look like in the future, some companies are reluctant to set this precedent.

- Also, more companies appear to be telling their "pay aligned with strategy" story more effectively—why they pay the way that they do, their rationale for using metrics and the link to the business strategy. They are finding that this is an effective way to lever some investors away from knee-jerk following negative proxy advisor Say on Pay vote recommendations, without the "setting the precedent" concerns listed earlier.
- Increased stock price volatility, some pandemic-related, is causing many companies and investors to rely less on TSR as a reliable measure of (at least short-term) performance. While performance can also be measured against financial and strategic performance, not just stock price, this may be contributing to less reliance on TSR-related PfP graphs.

Equilar: 81.8% of companies included a mention or disclosure of their ESG practices in their 2020 proxy, up from just 10.3% in 2016. Is it inevitable that this figure approaches 100% in the coming years? What are some best practices for communicating ESG strategies to shareholders?

Schneider: We can see this easily surpassing the 90% level among mature companies (excluding most EGCs early in their public lives). Investors want this information. The proxy is the right place to detail board oversight of these issues as well as their competencies to do so effectively. As part of that "one-stop shop" approach for the convenience of indexed and other investors, it is increasingly conspicuous to not also include program highlights as well. This is true even without the anticipated SEC rulemaking in this area, which when (not if) it does occur, will likely further turbo-charge this trend, including how companies manage, validate and oversee material data once it's required to appear in regulatory documents, and not just in website sustainability reports.

Equilar: Given the mounting focus on board diversity (California Bills SB-826 and AB-979, Nasdaq board diversity rule), what do you believe are the most effective forms of disclosure? Will a standardized template for diversity disclosures emerge?

Schneider: Investor interest has been the primary source of pressure for enhanced board diversity. In response, many companies have been detailing aspects of board diversity for years, through describing any diversity policies in the governance section of the proxy, in the board bios, in expanding skills matrices and in a range of board diversity graphics. Inclusion of director photos helps tell this story (but not completely). Examples of these types of voluntary disclosures can be found in our Guide to Effective Proxies, 9th edition.

Other companies lacking the levels of diversity sought by investors and others are working on rectifying this, at which time they likely will publicize this enhanced diversity. New regulations in this area will catalyze other companies into action. That said, the primary drivers of this trend will likely continue to be:

- Investor input and pressure
- Peer company progress in these areas
- Board concerns about serving activists a platform issue on a platter
- And, most importantly, more companies—and boards—realizing that the addition of qualified diverse viewpoints can lead to better decision-making and thus better-performing boards.

Equilar: Any closing thoughts or parting wisdom?

Schneider: Consistent themes and actions we are seeing among our clients include:

- Expanding the collaborative proxy drafting teams to include perspectives from finance and IR, HR/benefits, sustainability, corporate communications, under the supervision of legal, and with appropriate board review and oversight.

- Reviewing other documents and communications channels for consistency in branding and messaging
- As always, proactive engagement with top investors can help you identify emerging areas of interest and concern before they percolate over into negative votes and additional shareholder-sponsored proposals
- Review of peer company disclosures, as well as of the acknowledged "governance leaders," can help you identify where the median of your peers is on the disclosure and design spectra
- Think about both the digital and printed/mailed versions of the proxy to optimize the opportunities each provides

About the Contributor | DFIN

Donnelley Financial Solutions (DFIN) is a leading global risk and compliance solutions company. We provide domain expertise, enterprise software and data analytics for every stage of our clients' business and investment lifecycles. Markets fluctuate, regulations evolve, technology advances, and through it all, DFIN delivers confidence with the right solutions in moments that matter. Learn about DFIN's end-to-end risk and compliance solutions online at DFINsolutions.com or you can also follow us on Twitter @DFINSolutions or on LinkedIn.

Additional proxy disclosure examples, similar to those found in this publication, can be found in DFIN's Guide to Effective Proxies, 9th edition: www.proxydocs.com/xDFINx

Ronald M. Schneider

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Ron joined DFIN as Director of Corporate Governance Services in April 2013. He is responsible for providing thought leadership on emerging corporate governance, proxy and disclosure issues.

Over the past four decades, Ron has advised senior management, the C-suite and boards of public companies of all sizes, industries and stages of growth facing investor activism, as well as challenging and sensitive proxy solicitations involving corporate governance, compensation and control issues.

His primary recent focus has been helping companies conduct engagement programs with their top institutional investors with the objective of identifying and addressing investor concerns through best practices in proxy disclosure.

At DFIN, Ron works closely with clients and our firm's sales and service teams to identify and implement appropriate changes to proxy statement design, content and navigation that fit each client's unique corporate culture and proxy-related objectives.

During his career he has managed more than 1,600 proxy solicitations, 200 tender or exchange offers and 30 proxy contests, with his proxy fight clients succeeding in over 70% of such situations.

Ron earned a B.A. in Economics from Princeton University.

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