



NIRI Seattle **National Investor Relations Institute**

OCTOBER 26, 2017

WELCOME:

MARK HARNETT, STRATEGIC GOVERNANCE ADVISORS

THE WHY AND HOW OF SHAREHOLDER
ENGAGEMENT

Do Vote Results Suggest Need for Engagement?

Say-on-Pay: Significant year-over year change, or opposition among top holders?

- Don't rest comfortably just because you're above the ISS (70%) and Glass Lewis (75%) triggers for increased scrutiny, and potential director Withhold recommendations

Shareholder Proposals: Meaningful support despite Board opposition?

- Majority support is a red flag; so too are trends, and support from significant holders
- Do multiple proposals cohere around a theme?
 - Increasing shareholders' ability to hold directors accountable outside the AGM (special meetings, written consent, etc.)?
 - The quality of board oversight (independent chair, director tenure, etc)?

3 »

Top or Strategic Holders: How solid is their “support” – do you know, or merely guess, (a) how they voted and (b) why?

Do Vote Results Suggest Need for Engagement?

Votes Against Management (Top 10 Holders)

Institution	% O/S Shares	Say on Pay		Shareholder Proposals	
		Last Year	This Year	Sep. Chair, CEO roles (2016)	Written Consent (2016)
Pct of votes cast against management		5.5%	9.5%	34.0%	41.0%
1 Index Fund	7.7%			Supported	Supported
2 Index Fund	5.1%			Supported	
3 Actively Managed Fund	3.5%		Against		
4 Actively Managed Fund	3.2%				Supported
5 Index Fund	3.2%				Supported
6 Pension Fund	2.7%				Supported
7 Broker - Managed Accounts	2.1%				
8 Actively Managed Fund	2.0%		Against		
9 Actively Managed Fund	1.8%				
10 Insurance Firm	1.6%			Supported	Supported
	32.9%	0%	20%	50%	50%

4 »

Key Considerations in the Campaign...

Two Strategic Objectives:

1. Provide the Board an early warning system for potential problems
 - How do issues at other firms affect their view of the Board and governance?
 - How firm is their conviction and commitment on public stances?
 - Are there alternative resolutions to issues that seem more confrontational?
2. Address current or emerging points of shareholder disaffection, to preclude an activist leveraging them
 - Demonstrate sense of accountability
 - Impart first-hand experience of board's credibility
 - Identify and resolve easily-addressed points of friction

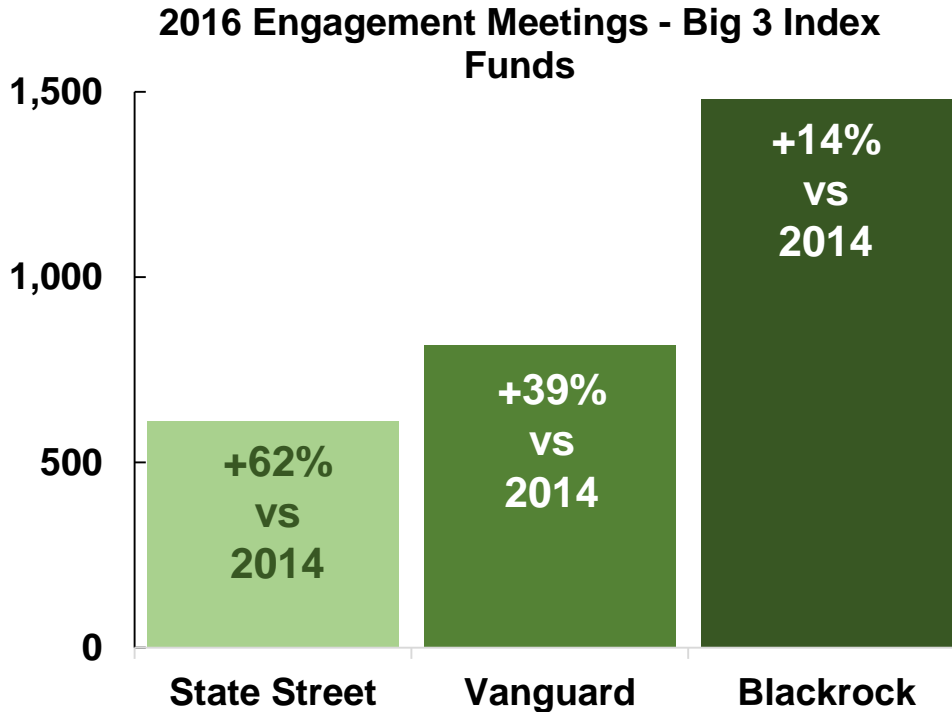
5 »

Target Shareholders with

- Ownership positions potentially significant in an activist campaign
- Existing stewardship groups interested in (or requesting) engagement
- Less strict reliance on proxy advisor recommendations

Plus One Extra Consideration, for Context

The institutions are actively asking for it, and staffing up accordingly



6 »

Illustrative Campaign Timing

week beginning: **October** 10/2 10/9 10/16 10/23 **November** 10/30 11/6 11/13 11/20 **December** 11/27 12/4 12/11 12/18 12/25

Off-Season engagement campaign

Develop targeted shareholder list

Schedule calls

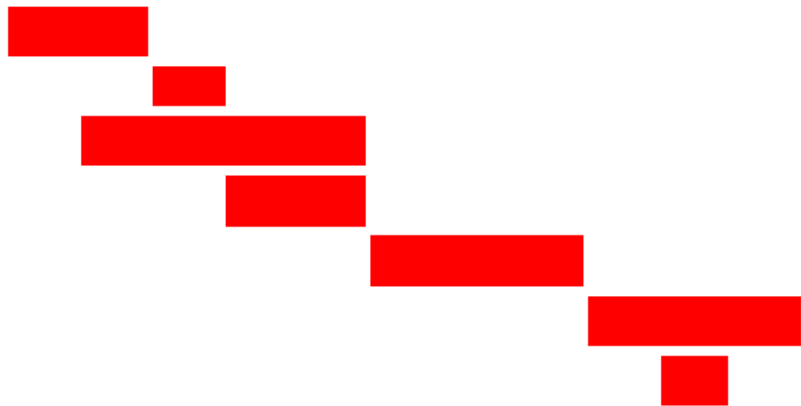
Develop engagement materials

Director/Team prep, rehearsals

Investor calls

Follow-up with shareholders as necessary

Report back to board w/ recommendations



CONTACTS

Chris Cernich

ccernich@stratgovadvisors.com

212.328.6601

Amy Bilbija

abilbija@stratgovadvisors.com

650.804.0332

Mark Harnett

mharnett@stratgovadvisors.com

212.328.6602