Tips for Navigating the 2019 Proxy Season

By Martha Carter, Matt Filosa and Sean Quinn

1.) Think like an activist. Review board composition and governance structure for potential vulnerabilities, make sure you have a defense plan, and understand any changes in your ownership base. Don't forget corporate culture and purpose. One of the successful activist campaigns last year was the Vote-No Campaign that Elaine Wynn launched at Wynn Resorts after the sexual harassment and management shake-up at the company. Boards are responsible for corporate culture and they need to understand its risk and implications.

2.) Don't ignore retail. Who is more invested in the long-term, sustainable health of the company than employees and former employees? Those with a pensioner's timeline won't necessarily benefit from a quick uptick in the stock that an activist could propose, for example, to deploy capital for share buybacks. They may see the value in not selling a company whose stock is down and may view it as a fire sale.

3.) Engagement and disclosure are key. Most companies now have an institutional investor engagement program – it's good to have one that is off-cycle from the proxy and to include directors. A retail engagement program that touches the retail owner, and not just when times are tough, is a good program to have. And don't use the same engagement program on retail that is used on institutional investors. Here is where the discussion goes from Wall Street to Main Street; recognize and respect the differences. Retail has different needs and time horizons. And it's very important to engage with proxy advisors and watch for new developments.

4.) Be active in the community. Boards, specifically their individual directors, could be active in the governance community and/or in engagement – there are many ways that board members can be active. Engagement isn't just one-on-one, there are conference, speaking opportunities, events, publications, etc., where a board member can be recognized as a positive contributor in the governance community. Building a strong reputation could help in a contested situation.

5.) Communicate long-term strategy. Communication of a company's long-term strategy in a way that resonates with investors is an imperative; a volatile market can create a short-term bubble of fear that needs to be assuaged with a solid and reasoned, and well communicated long-term strategy.

6.) ESG - everyone's favorite acronym. Be mindful of your ESG disclosures and ratings - the ESG ratings and data collections are, as an industry, highly fragmented. Stay on top of it, because they can be influential.

For more information, please reach out to Teneo's Corporate Governance Advisory Team, or visit teneo.com.

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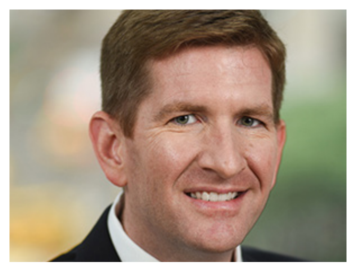

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