



Board-Shareholder Engagement Survey

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Study Objective

NMN Advisors conducted telephone interviews with ten senior investor relations officers (IROs) on the topic of engagement between a company's board of directors and their shareholders. The study gathered feedback on the following areas:

- Communication protocols between shareholders and the board
- Value of the IRO to the board
- Type of information provided to the board
- Building a relationship between the board and IRO

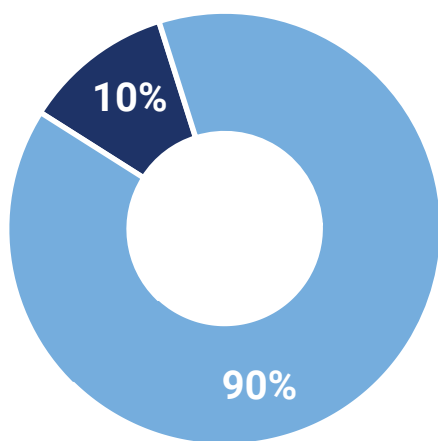
Demographics

The aggregated participants of the study group are below:

| **90%** had **20** or more years of experience

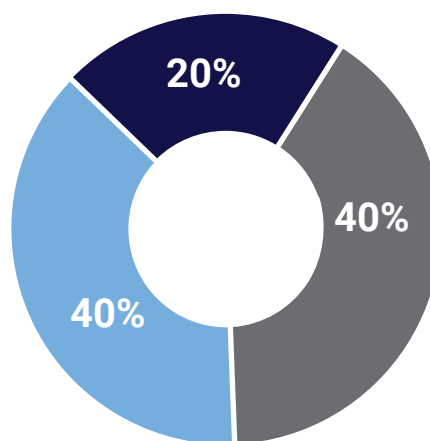
| **40%** work for large-cap, **40%** for mid-cap, and **20%** for small-cap companies

Average Years of Experience



■ 20+ ■ Under 20

Market Cap



■ Small-Cap ■ Mid-Cap
■ Large-Cap



Key Findings

- Building credibility and trust with the board involves acting proactively to keep the board well-informed of investor sentiment and key issues, ensuring that the board is not surprised. Most IROs believe that the board should be aware of shareholder concerns and requests, even when they may conflict with management's perspective.
- The most common time when boards interact with shareholders is during proxy season and activist situations.
- IROs typically analyze every shareholder request prior to any board interaction and, if the request needs to be escalated, it typically involves other pre-determined members of the executive team - including legal and/or a senior executive.
- IRO interaction and the materials that IROs provide to the board are at the discretion of the CEO and/or CFO.
- Many companies provide investor relations materials to the board on a quarterly basis, around the earnings cycle.
- To educate the board on issues and concerns, many companies provide a basic overview of the company's shareholder base and key concerns and many IROs send quarterly background materials, such as shareholder reports, analyst notes, and a summary of current Wall Street feedback. If a perception study was recently completed, a high-level summary overview is also often included to provide a broad third-party perspective.
- In preparation for proxy season, many companies are providing to the board customized reports on possible key issues and action plans as early as nine months prior to the shareholder meeting.
- In addition to written materials, many IROs are also presenting to the board on an ongoing basis and share Wall Street's perspective and sentiment on important issues that face the company and industry.



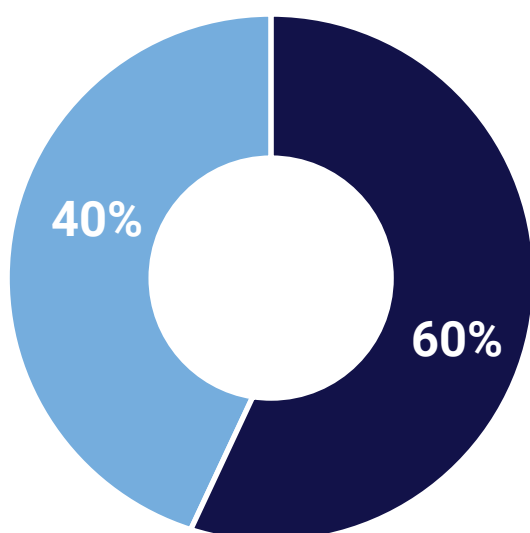
Board-Shareholder Interactions

When and How Should Boards Communicate with Shareholders?

The most common times when boards interact with shareholders are during proxy season and centered on governance policies, including executive compensation and director nominations. Activist situations are becoming more commonplace and public.

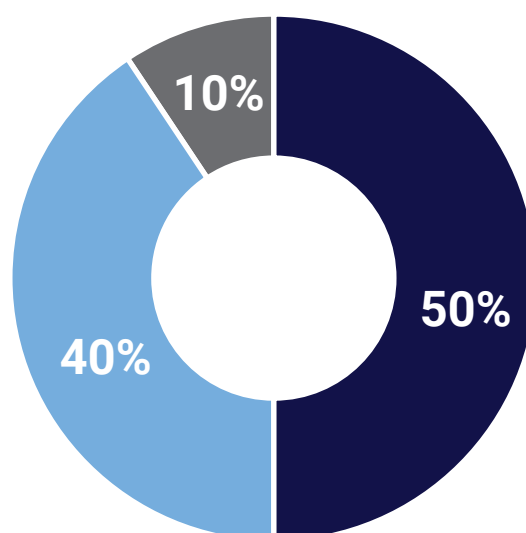
IROs typically analyze every shareholder request for time with a board member prior to any board interaction and, if the request needs to be escalated, it typically involves other pre-determined members of the executive team - including legal and/or a senior executive. Oftentimes it is more appropriate for management, legal or investor relations to try to address the reason for the request first before involving a board member.

Do you facilitate direct or indirect communication?



- Direct
- Indirect

How often have you allowed this in the past 2 years?



- Once
- Few times
- None



"I filter and then set up the meetings between board members and shareholders when I feel that the topic is appropriate, but I always involve other members of my team by running requests through my management team and legal. When the request primarily deals with governance concerns, the call is handled by IR and a lead independent director. When we were impacted by activism, our lead independent director was the primary board member speaking with the investor, along with the involvement of our external advisors and members of management."

-IRO, Mid-Cap

"When a shareholder asks for time with my board, I always engage legal and my management team – the CEO and CFO. I feel that governance and long-term strategy are the most appropriate topics, but those calls are primarily handled by corporate management prior to board engagement. We also will consider topics that are transformative and could offer perspective to other board members."

-IRO, Small-Cap

"We limit direct requests to our board and handle the majority of the shareholder questions internally, without the involvement of our directors. We only address topics that are focused on governance issues. However, if we had an activist issue, I would advise that we have a member(s) of the board involved."

-IRO, Mid-Cap

"When I get a request that I feel is appropriate to forward to the board, I contact the chairman and alert the CFO and CEO. The chairman is very involved now because we have a CEO transition. Some of the appropriate topics we address include a CEO transition, proxy voting, corporate governance, and CEO compensation."

-IRO, Mid-Cap

"I typically filter all the requests before we involve the board. Some of the topics that we feel are appropriate for board-shareholder involvement include activism, proxy season, company performance, and/or ways the company can execute better."

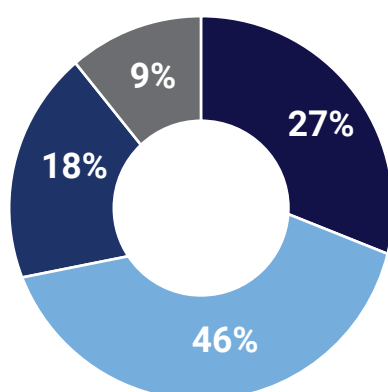
-IRO, Small-Cap



The Role of IROs in Facilitating Positive Board-Shareholder Engagement

As board-shareholder engagement becomes more prevalent, boards have developed an increasing need to be continually informed of Wall Street's perspective and the drivers of the company's valuation. The board should never be surprised by negative shareholder sentiment or a negative perception of the company. IROs are in a unique position to provide their boards with strategic perspective and counsel on the most pressing investor issues facing the company and industry, as well as the interplay between executive compensation, board compensation and corporate governance issues and trends. When armed with the most relevant company issues, concerns, and changes in the governance landscape, boards can be more sympathetic to shareholder perspective and be more proactive and strategic if needed for shareholder engagement.

How do you build credibility and trust with the board?



- Give transparent feedback on shareholder concerns
- Present topical and relevant updates
- Acting proactively to ensure the board is not surprised
- Engage your management team

"I provide salient and timely updates to the board on relevant IR topics such as investor sentiment, reasons for stock price movement, and key developments for peer companies. If possible, I push to present to the board on specific meaty topics, such as how investor sentiment has evolved or the results of an investor survey."

-IRO, Mid-Cap

"I build trust with the CEO and it is an extension of the board, so you need to build it with your executive team first. Once they feel comfortable with your capabilities, they will allow you greater access to members of the board. I have been with the company for a few years and the chairman and I have a very good relationship. In fact, he sometimes comes to me directly for information."

-IRO, Mid-Cap



"Do a good job and be proactive when you see potential issues that could impact the board. Don't let your board get surprised. If you see something that is not good news, don't let it take them by surprise. You never want to get behind a potential activist or proxy issue."

-IRO, Mid-Cap

"I think by being able to give the board information on what shareholders are currently asking so they are plugged in to the top concerns. The reality is that sometimes CFOs and CEOs like to buffer and filter the information, so I am not sure what ends up ultimately going to the board. I am not confident they are always getting the most relevant feedback from Wall Street."

-IRO, Mid-Cap

"The reality is that sometimes you need to tell them some things the CEO may not like, so that is the balance you need to strike. It is best to make sure your CEO knows what you are providing to board members, so there are times it may get filtered. I do believe that the board should have shareholder concerns and requests, even when they may conflict with management's perspective."

-IRO, Small-Cap

"I think it is around being accurate in what you communicate and being level headed - not reactionary but proactive. It is easier to be on the mark and have credibility. You need to feed them accurate and timely information. Shareholder interaction with your board is so infrequent it really comes down to keeping them informed, but not done in a way that is pointed. As governance becomes a larger topic, boards will want to hear more from us."

-IRO, Mid-Cap

"You build trust by being on point, understanding what the need is, and presenting information that shows you get it. Give them what they need and make it readable."

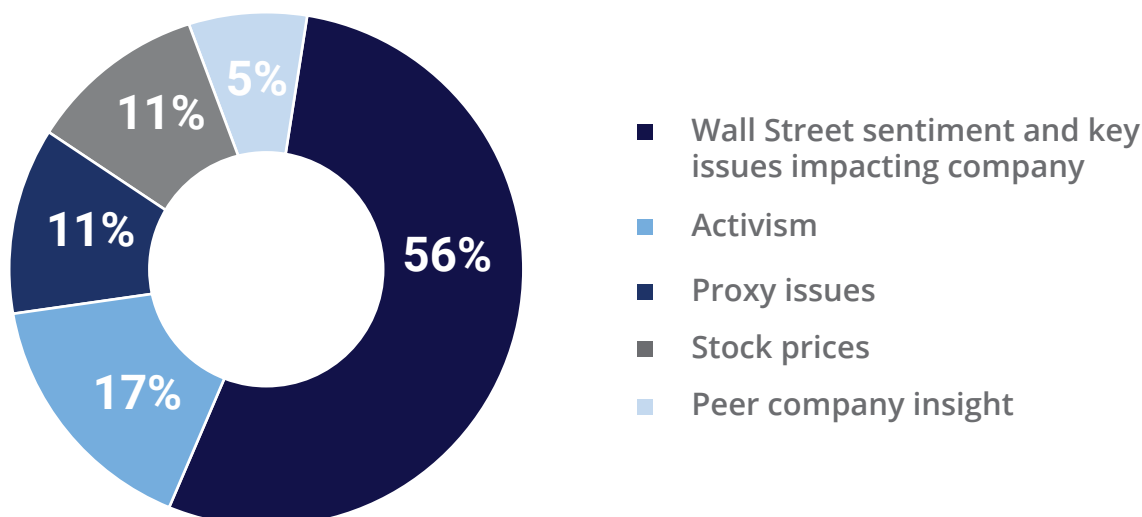
-IRO, Large-Cap

"I like to provide accurate investment community feedback and not be afraid to share the bad with the good."

-IRO, Small-Cap



How do you feel IROs can add value for the board?



"I think IROs can add value to the board with the right focus on issues that impact them and the company. IR gave a few topical presentations on broad IR issues and how we are perceived externally, as well as valuation concerns. For example, we presented the results of the perception study and slightly altered the company's messaging based on that investor feedback. I also provided insight regarding how the stock was trading – not just charts, but qualitative feedback. Investor feedback was also provided on whether we should go from giving quarterly guidance to just annual guidance instead."

-IRO, Mid-Cap

"The most useful IROs know their company, the role of a director, and can anticipate what their board should be concerned about in regards to the markets and shareholders in general. In addition, they are constantly aware of the company's specific shareholders, and their concerns. The ability to spot and separate these concerns out for your board in a timely, concise and insightful manner is extremely helpful. Knowing how your shareholder base is likely to react to specific corporate actions and changes in strategy is also invaluable."

-IRO, Large-Cap

"I think first and foremost, IR is the conduit for shareholder perception and gauging reactions to corporate strategies. IR can prepare the board on what key issues investors think about, while also keeping the board educated on types of important issues so they are not surprised. It is important to stay in front of the issues and use investor perception to draw attention to those key concerns."

-IRO, Small-Cap



"In the case of our chairman, I keep him apprised when he is engaged with the issue of shareholder sentiment and certain sell-side or investor reports that he may find interesting. I had a special circumstance with a CEO change, so the chairman has been very active and has been requesting information from me directly. I always filter material through my CFO before I pass the information to any board member. We provide written communication to the board, but there are times that my chairman gets daily information that is of the same level as management."

-IRO, Mid-Cap

"Key ways that IROs can add value are to keep the board abreast of investor and analyst sentiment, reasons for stock price swings or volatility, and any major developments affecting peer companies."

-IRO, Mid-Cap

"In addition to the customary IR background materials, providing the board perspective on the key issues facing the company and industry can add value, as well as a perspective on proxy issues well in advance of proxy season. I provide proxy trends and possible shareholder concerns, up to 6 to 9 months in advance."

-IRO, Small-Cap

"It can be as basic as providing insight into changes in our shareholder base to providing feedback on investor sentiment. What adds a lot of value is to spot something that could be a potential issue and bring the issue to the board before it occurs. This is particularly true in the case of activism, such as if you start to see some changes in your shareholder ownership and/or the "wolf pack" is forming. An IRO can also have a large positive impact in proxy season by getting involved early in the planning and outreach."

-IRO, Small-Cap

"Some of the important topics that I address with my board involve current Wall Street sentiment, while bringing up governance issues with the compensation committee. For proxy season, you need to be proactive and identify the big issues like executive compensation months in advance so you don't encounter problems later."

-IRO, Mid-Cap

"It is valuable if you can be short and sweet and give information in a high-level format so they can process it easily."

-IRO, Mid-Cap

"It is important to be proactive if you think you may have a potential issue. IROs can summarize issues shareholders may have so the board is not blindsided. The last thing you want is to surprise your board, especially if you think you may have an activism issue."

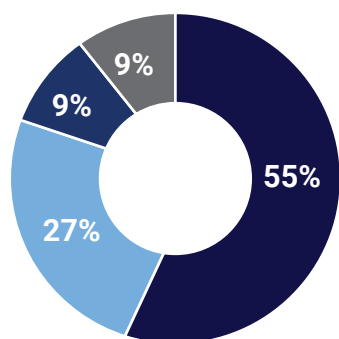
-IRO, Large-Cap



How often do you provide materials to your board and what is included in your package?

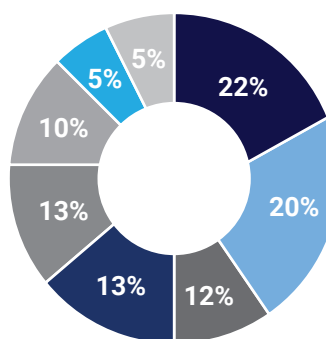
To provide a basic overview of the company's shareholder base and key concerns, many IROs send quarterly background materials, such as shareholder reports, analyst notes, and a summary of current Wall Street feedback and key concerns. If a perception study was recently completed, a high-level summary overview is also often included to provide a broad third-party perspective. In preparation for proxy season, many IROs are providing customized reports on possible key issues and action plans as early as nine months prior to the shareholder meeting. In addition to written materials, many IROs are also presenting to the board on an ongoing basis and bring a Wall Street perspective and sentiment on important issues that face the company and industry.

How often do you provide materials to your board?



- Quarterly at board meetings
- Monthly and under
- Yearly
- As needed

Areas covered in board reporting



- Wall Street feedback/sentiment
- Shareholder changes
- Valuation and trading summary
- Analyst estimates & research notes
- IR objectives and activities
- Key news updates
- Peer developments/benchmarking
- Proxy & corporate governance information

"I provide the board with investor perception on an ongoing basis and when I hear something unusual that reflects a change in sentiment on the company or industry. Your duty is to the team and you need to float these things with your internal management team first. The information you provide needs to be compelling and timely. For example, a good time to raise awareness is when you see activism in a competitor. It is important to know your board well and know the issues that are interesting and impactful for them. There is also the larger issue of activism, so it is important to notify the board when they see changes in the shareholder base and analyst base."

-IRO, Large-Cap



"I would produce specific IR slides for the finance section of the quarterly board deck, such as stock price movement, top shareholder movement, key investor and analyst questions/concerns. I also provided a weekly IR email for senior management and the board. This contained things such as weekly stock price movement, valuation, key news updates and relevant research notes."

-IRO, Mid-Cap

"I provide the customary reports, such as current shareholders, targeting, attracting new investors, IR calendar of events, IR objectives, and sell-side reports. What is also helpful is having a few of the strategic issues that face the company and industry and feedback from investors. Also, more transparency and information around proxy season always adds a lot of value."

-IRO, Large-Cap

"The board would receive a quarterly update with earnings materials and ad hoc email updates are sent to the senior team and board as needed, on topics such as significant peer developments, investor feedback on capital raising or M&A activities. If there is recent activist activity in the sector I also highlight any new developments."

-IRO, Mid-Cap

"I provide a package for board meetings that includes shareholder changes, analyst recommendations, analysts' estimates, different valuation scenarios, peer benchmarking, and other miscellaneous requests."

-IRO, Mid-Cap

"I would do a 15 page slide comprehensive deck every six months that includes a shareholder analysis, what IR is trying to accomplish and why, and what have we accomplished."

-IRO, Mid-Cap

"The audit committee sees our earnings press release, slide deck, and set of prepared remarks. I also include list of top questions that are being asked by Wall Street every quarter. That way they have a good perspective on sentiment."

-IRO, Large-Cap

"I prepare quarterly reports on investor activity, special projects on stock price – these are all done in PowerPoint. Plus, I am also the source of investment community sentiment and share the bad with the good."

-IRO, Small-Cap

"You can help your board understand how the investment community is likely to respond to corporate actions and changes in strategy and help them to stay abreast of changes. I present to the board so I typically provide high-level materials, as well as my perspective on key issues in the board meeting."

-IRO, Small-Cap



About NMN Advisors

Founded in 2001, NMN Advisors is a strategic Investor Relations firm based in the Bay Area with broad experience working with public and private companies. We offer expert counsel to our clients, ensuring credible and consistent communications to Wall Street. Our client experience ranges from private high-growth companies to Fortune 500 companies.

Our firm is comprised of senior-level professionals with in-depth expertise in all facets of financial communications, including pre-IPO programs, transaction communications and crisis communications. Within the NMN team, we work together to leverage our varied backgrounds in Wall Street, finance and communications to create IR programs that are customized to our clients' needs.

From tactical deliverables to high-level strategic counsel, we have the skills and experience needed to navigate any IR challenge our clients may face.

Our services include:

- Investor Relations Services
- IPO Programs
- Crisis Communications
- Temporary IR staffing
- IR Projects
- Analyst Days
- Perception Studies
- Investor Targeting Plans and Investor Outreach



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