

GE Talks to Us About Shareholder Outreach

July 9, 2012 | Client Update | 3-minute read

The importance of shareholder engagement is increasingly clear, as annual meetings become more than simply routine events. For a discussion on how to execute that mandate, and do it well, we turn to GE's Christoph Pereira, Chief Corporate, Securities & Finance Counsel, and Lori Zykowski, Executive Counsel, Corporate, Securities & Finance for their insights.

Davis Polk: What does shareholder engagement mean at GE, and how do you carry it out?

GE: Over the last few years, we have stepped up our shareholder outreach, and we now have a dedicated team that includes those of us in the corporate and securities legal group as well as our investor relations team. The effort has evolved into a nearly year-round process, which starts in the fall, when we reach out to our top 50 shareholders and, in many cases, make personal visits. During these visits, we discuss GE's governance practices, our Board of Directors, our executive compensation program and current trends. We share the investor feedback with senior management and the GE Board, and these discussions often lead to recommendations for governance enhancements. We conduct follow-up solicitations in March, and review and analyze key insights from the proxy season over the summer.

Davis Polk: What are the reactions of shareholders when you reach out to them? How do you think these efforts, which can be quite time-consuming, benefit companies?

GE: Our shareholders are generally receptive, and, in many cases, stress the importance of this dialogue. The quality of our discussions has improved over the last few years as we have made a concerted effort to understand each individual investor. To this end, we have created detailed investor profiles, which allow us to focus on specific concerns and positions, thereby minimizing generic and repetitive governance discussions. While this is quite time-consuming, we derive a lot of value from our outreach, as it helps us synthesize real-world investor concerns with the academic governance discussion, which tends to be driven by well-intentioned ideas, rather than hard evidence. Most importantly, it helps us avoid any surprises. There's also the added benefit that once we've met an investor in person (or by telephone), it's easier to reach out to them during the height of the proxy season when we may have a hard issue and a short timeframe to resolve it.

Davis Polk: Why do you think shareholder engagement has become so instrumental to companies, even at those companies without any significant governance issues of contention?

GE: Governance failures dominate headlines these days and have significant reputational ramifications. The say-on-pay vote has raised the stakes in this respect because it can also be interpreted as a vote on performance. Interestingly, say-on-pay votes tend to exhibit binary voting patterns and don't necessarily follow a smooth predictable trend. For example, it is not uncommon to see 90% plus approval levels at a company on say-on-pay in one year and then a sharp drop in support the following year. This phenomenon underscores the danger of being too complacent: it's easy to get caught off guard if you are not in tune with your shareholders. Finally, we have experienced an emergence of ESG-focused investor inquiries, and the governance outreach helps round out our IR strategy.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

Ning Chiu

+1 212 450 4908

ning.chiu@davispolk.com

This communication, which we believe may be of interest to our clients and friends of the firm, is for general information only. It is not a full analysis of the matters presented and should not be relied upon as legal advice. This may be considered attorney advertising in some jurisdictions. Please refer to the firm's privacy notice for further details.