

Investors Weigh in on Proxy Disclosure

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Even with the intense focus on improving proxy disclosure, a [recent survey](#) of investors from RR Donnelley indicates that few read all the details. 60% responded that they skip directly to specific sections, usually the CD&A executive summary. That, along with the proxy statement summary if one is available, and the CD&A, are considered the key sections. 12% reported they don't read proxies at all, and only 6% review the entire document.

Disclosure that received high marks includes director nominee information, director independence, corporate governance profiles and company opposition statements to shareholder proposals. While investors also generally liked the discussion of compensation philosophy, they were lukewarm about the clarity of specific compensation disclosure surrounding pay-for-performance alignment and performance measures, which is unfortunate given investors' sentiments that these areas are two of the most important considerations affecting voting decisions. Director-related disclosure that received poor marks includes succession planning and board evaluations. We note that neither discussion is required by regulation, but has become more common due to investor interest.

While providing graphic presentations for executive compensation is a trend that is clearly favored by investors, respondents complained about graphs that were "over-engineered", complex and poorly-labeled or simply difficult to follow. Companies should be aware that some investors believe they were being deliberately misled in certain cases.

In terms of presentation, an overwhelming number of investors reported that they view proxies through online platforms rather than reading hard copies. Their own voting policies and analysis, along with direct engagement with the company and a review of proxy statements, are the biggest influences in how they vote. Not surprisingly, investors wish proxies were shorter, preferably under 60 pages.

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.

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