

Hewlett-Packard Directors Win Re-Election Despite Challenging Campaigns

March 21, 2013 | Client Update | 2-minute read

Hewlett-Packard's annual meeting yesterday was preceded by a bustle of activity around the agenda items, with a string of news reports announcing that as many as 5 of its 11 board members were the targets of different "vote no" campaigns, primarily due to questions surrounding the company's acquisition of Autonomy.

Investor groups differed on who they thought should be held responsible. The [New York City Comptroller's Office](#) and [CtW Investment Group](#) filed notices of exempt solicitations to explain why they were voting against two of the company's longest-serving directors, the chair of the finance committee and the chair of the audit committee. In addition, CtW criticized the proposal to ratify the company's auditors, not only over their work on the acquisition but also for the amount of non-audit fees reported. CtW claimed that those fees, at 40% of the total, is twice the average for public companies.

The company responded with a [letter](#) from the lead director defending his two fellow board members, as well the executive chairman of the board, an additional subject of opposition for activists like AFSCME. The lead director himself, and the chair of the technology committee, were later added to the list of directors being attacked by shareholders such as the Florida State Board of Administration, which did not lay blame on the chairman. The proxy advisory firms added to the conflicting perspectives, with ISS and Glass Lewis both recommending against the two longest-serving directors, but diverging otherwise. ISS urged that shareholders also vote against the chairman, while Glass Lewis focused instead on the lead independent director and the head of the technology committee, due to their longer tenure.

The controversy was further aggravated by an open [letter](#) that the founder of Autonomy posted, widely reported by the press, on the day of the meeting. The letter was addressed to HP shareholders and contained a list of questions that they recommend that shareholders ask the board at the meeting, relating to the impairment charge and the acquisition.

Ultimately, all of the directors were re-elected to the board. According to news reports, the votes in favor of the chair of the finance committee, the chair of the audit committee and the chairman of the board ranged from 54% to 59% in favor. The chair of the technology committee received 70% support, while 80% of shareholders voted to re-elect the lead director. The auditor was ratified with 85% of the vote, and the company's say-on-pay vote, which ISS changed its initial recommendation to eventually support, was approved by 75% of the shareholders. Most stories completely overlooked the management's proxy access proposal that we previously discussed [here](#), which was reportedly approved.

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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