



## Engage and mobilize your retail shareholder base

With the 2023 proxy season shaping up to be an all-time record year for shareholder proposals, corporate issuers are facing a perfect storm of proxy risk:

Retail investors are becoming an increasingly ubiquitous presence in the world of investing. As a group, retail shareholders owned 31% of the “street-name” shares of the “average company in 2022, up from 29% in 2021.

A study by Charles Schwab notes that 15% of all U.S. investors got their start in 2020! It calls them “Generation Investors” because they span every generation – but more than two-thirds of them are Gen-Z (16%) and Millennials (51%.) Especially important to note, we think, Millennial and Gen-Z investors are fast benefitting from the largest transfer of wealth in history. And 94% of all “Generation Investors” in the study say they want access to tools and technologies that will help them do their own research. These investors are informed, engaged and are more likely to respond to issuer communications.

Additionally, more than two-thirds of all new investors are second and third-generation Web users, who literally live their business lives online. They have little or no patience with paper-based communications and many of them actually mark-down companies that are not up-to-speed technologically where corporate communications are concerned.

And suddenly, due to the surge in first-time retail investor ownership (and also in many cases due in part to corporate buy-back programs) some companies are discovering that retail investors now own 30% or more of the outstanding shares. So “Generation Investors” are very much like ‘wild cards’ in the new proxy voting deck. While they are newcomers to the proxy-voting game, a high percentage of them say they are actually eager to “engage” with the companies they own.

Surveys repeatedly show that this new generation of investors place even more importance on ‘good corporate citizenship’ than older investors formerly did - although they too have been paying much more attention to these issues than ever before.

This is evidenced by investors taking a growing interest in ESG (environmental, social, governance) issues. The number of ESG-related shareholder proposals in 2022 increased by 25% in 2021, driven by record numbers of environmental and social proposals. While governance-oriented proposals (such as voting rights issues) represent a plurality of all ESG proposals, the number of environmental and social proposals increased to 142 in 2022 from 133 in 2020.

## **Against this background, it has never been more important to engage and mobilize your retail shareholder base:**

Retail shareholders are more likely to vote with management but, as we know, many of them fail to vote at all. Over the last five years, approximately 70% of retail shares have gone un-voted. This could change, however. Some of the largest fund companies are looking to pass votes to their underlying investors, whereas others are taking retail “sentiment” into account in voting decisions. Legislators are also getting involved. In May 2022, several U.S. Senators introduced the INDEX Act, which would require certain fund companies to vote proxies in accordance with the wishes and instructions of their underlying fund investors.

New technologies are also making it easier for asset managers to implement pass-through-voting. In 2022, BlackRock began providing their investor accounts with voting choice options. Meanwhile Charles Schwab announced in October that it will use a new proxy polling solution to gather additional input on their investors’ voting preferences on key proxy issues.

The bottom line? The big new contingent of retail investors will need convincing arguments -compellingly made - in order to win the increasingly important battle for the retail vote.

**The risks of doing nothing extra to engage with retail investors?** Some companies will fail to advance their own voting agendas... Some may see their own corporate action plans fail to win the required levels of approval. Others, as many companies did in 2022, may fail to even reach quorum. And, of course, if fewer and fewer retail shareholders take the trouble to vote, institutional shareholders and activist investors will continue to consolidate their influence.

**The good news is there are proven strategies that can help create a more compelling narrative and achieve the outcomes you want. Here are four ways Broadridge can empower you to elevate retail investor engagement.**

### **1 Create a consumer-centric proxy experience**

In the past, it was standard practice for corporations to send plain proxy statements that look like dense legal documents. These proxies met basic regulatory requirements but did very little to meaningfully engage shareholders.

Today, however, expectations have changed. Consider that in 2020, 97% of all shares were voted electronically and more than 3 million shares were voted on mobile platforms.

Given evolving behaviors, issuers need to go beyond paper proxies to engage investors across multiple channels and deliver simpler, clearer messaging that inspires participation.

Broadridge helps issuers deliver an engaging proxy experience by executing a print-to-digital journey. First, it starts with our Enhanced Proxies. Your investors receive a professionally designed proxy statement with your branding and colors, photos, key financial information, and a teaser to your ESG story. A QR code then links the shareholder to an optional Broadridge hosted digital proxy microsite. There they’ll find interactive content, including charts, graphs, data and even video messages that help humanize your board. From this digital proxy experience, they can easily access our ProxyVote.com platform to vote their shares.

It’s a seamless, connected experience from start to finish.

### **2 Use shareholder data to engage year-round**

To be sure, proxy season is your best opportunity to engage shareholders, but building investor loyalty requires year-round engagement. You can’t connect with investors once a year and then ignore them the rest of the time. Shareholders are more likely to respond when it counts if you stay in touch all year round.

Broadridge enables meaningful year-round engagement because of our vast data network. We manage over five billion investor and consumer communications each year, and we maintain a comprehensive database of shareholder data. Our clients gain unprecedented insights into their shareholder base, voting habits, demographics, and communication delivery preferences. We also provide visibility into key industry trends along with granular data down to specific shareholder segments.

Taken together, our data network empowers issuers to execute best practices and deliver the right message at the right time—in the right channel.

### **3 HARNESS SOCIAL MEDIA**

Comprehensive shareholder data also enables you to cultivate a strong social media presence, which can strengthen your proxy solicitation strategy.

For example, combining social media ads with paid display ads lets you create a persistent digital presence when it matters most. Ads may feature management-friendly messaging and CTAs that solicit proxy participation.

When shareholders click the ads, it drives directly to the proxy voting site where they can enter their control number and immediately vote their shares. This simplified approach helps maximize conversion by taking friction out of the proxy voting experience and by getting the message in front of shareholders wherever they are.

Social media is often especially effective for non-listed and smaller issuers that can’t rely so heavily on brand recognition or who have a large proportion of retail shareholders.

## 4 LEVERAGE THE TECHNOLOGICAL INNOVATIONS OF VIRTUAL SHAREHOLDER MEETINGS (VSMS)

In the past decade, the use of VSMS has grown exponentially. Consider that in 2009 only four companies in the country held VSMS. But pandemic-related challenges propelled adoption. Nearly 2,000 companies held VSMS on the Broadridge platform. And now 43 states permit the entirely remote VSM format.

Momentum behind VSMS continues to build. Shareholders value the accessible forum to meaningfully engage the board and management. Issuers value the cost savings and the reduced strain on event planning resources. All stakeholders appreciate that VSMS limit carbon impact, as virtual meetings don't require event space or travel.

Broadridge remains committed to VSM innovation. This year we unveiled new platform enhancements that simplify the experience for both issuers and attendees. Each client also enjoys a dedicated Broadridge event consultant who provide hands-on support and helps with strategic planning.

Whether you need to navigate new regulations or drive proxy outcomes, you're expected to do more with less. We understand. That's why our solutions are specifically designed to maximize engagement and your ROI.

For nearly six decades, we've been providing the critical infrastructure that powers corporate governance and empowers issuers to drive the outcomes they want. Our technology, solutions and data help you get ahead of today's challenges while preparing for what's next.

## Go further. With Broadridge

An integrated approach to shareholder communications and regulatory disclosures, driven by innovation and accountability.

Corporate Issuers and law firms rely on us for their investor and shareholder communications and regulatory disclosures. Our end-to-end, integrated solutions simplify their workload, provide budget clarity and deliver results.



Broadridge Financial Solutions (NYSE: BR), a global Fintech leader with \$5 billion in revenues, provides the critical infrastructure that powers investing, corporate governance, and communications to enable better financial lives. We deliver technology-driven solutions that drive business transformation for banks, broker-dealers, asset and wealth managers and public companies. Broadridge's infrastructure serves as a global communications hub enabling corporate governance by linking thousands of public companies and mutual funds to tens of millions of individual and institutional investors around the world. Our technology and operations platforms underpin the daily trading of more than U.S. \$9 trillion of equities, fixed income and other securities globally.

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