

# Telling your ESG story

Strategies to engage shareholders, shape perception and create value.



Ready for Next



## EXECUTIVE SUMMARY

# Environmental, social and governance (ESG) investing is here to stay.

Given the increasing interest in ESG factors, it's more important than ever to implement a strategic ESG disclosure and engagement program. Successful companies articulate ways ESG factors impact their long-term strategy. And there's a competitive advantage to doing so. Risks are compounded the longer your company delays.

This report provides insight into shareholder perceptions, expectations and motivations, illuminating strategies to shape public sentiment and maximize investor confidence. In the following pages, you'll discover new technologies and proven best practices that can help you take control of your company's narrative.

**Don't wait. Tell your ESG story today.**

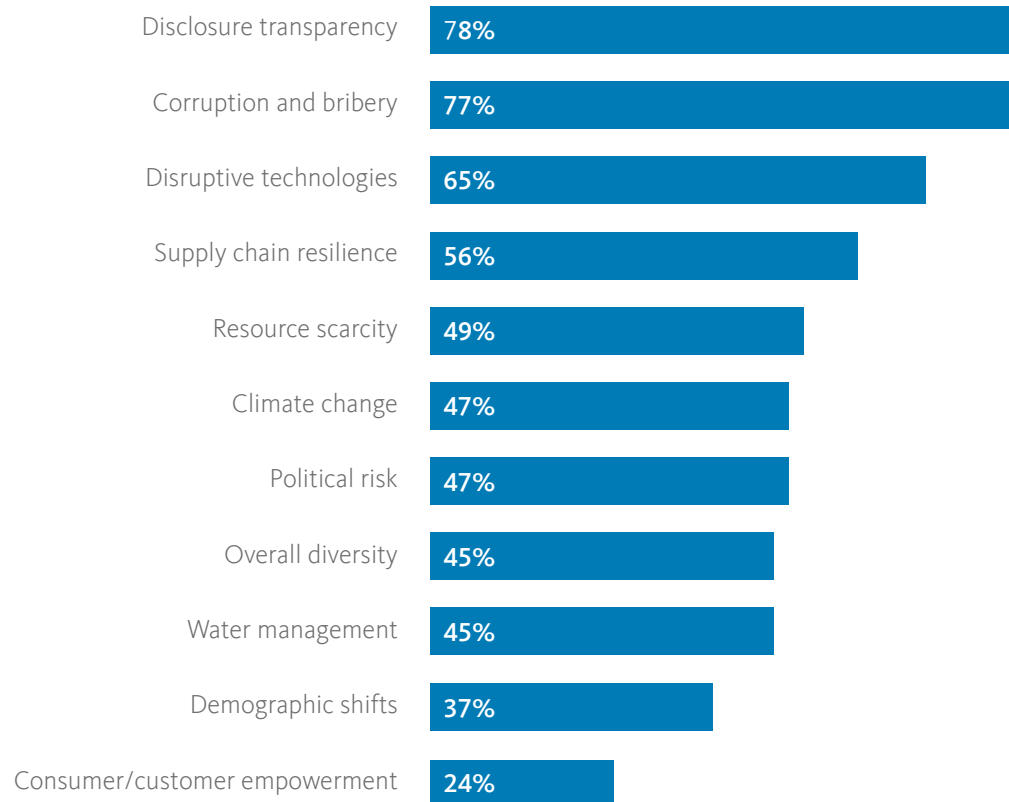
## TABLE OF CONTENTS

<b>Part I:</b>	Why is it important to engage on ESG?	3
<b>Part II:</b>	What information are shareholders looking for?	5
<b>Part III:</b>	How can issuers use technology to effectively engage shareholders?	7
<b>Part IV:</b>	ESG disclosure best practices	11

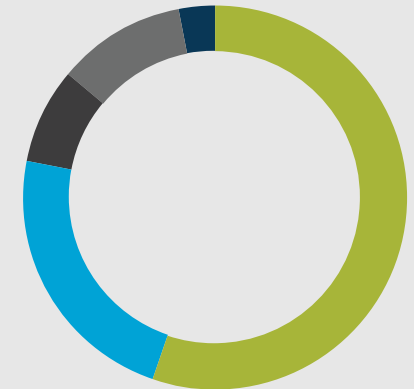
## Why is it important to engage on ESG?

More investors now say climate change and diversity matter.

PERCENT OF RESPONDENTS SELECTING 'IMPORTANT' AND 'EXTREMELY IMPORTANT'



Nearly 80% of investors believe ESG is a material indicator impacting fiduciary responsibility.



PERCENT WHO BELIEVE ESG IS A MATERIAL INDICATOR THAT IMPACTS YOUR FIDUCIARY RESPONSIBILITY TO YOUR CLIENTS.



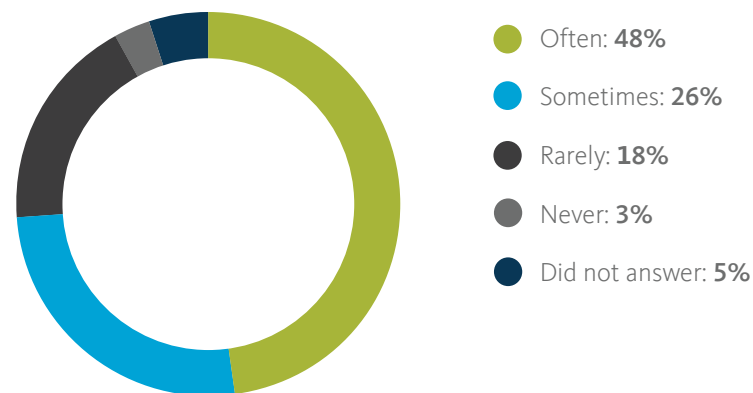


## ESG MAY AFFECT VALUATION.

Given the intensifying focus on ESG-related issues, it's no surprise that recent research shows a strong correlation between ESG scoring and higher multiples from the market. According to the most recent data from MCSI, more than 84% of the S&P 500 valuation is based on intangible assets. Investors may see a strong balance sheet today, but they want assurance that issuers can sustain that performance into tomorrow. ESG analysis and reporting presents an opportunity for risk mitigation and value creation over the long term.

Three out of four investors want information about ESG-related policies.

FREQUENCY OF INTERACTING WITH COMPANIES REGARDING THEIR ESG POLICIES AND RISK MITIGATION



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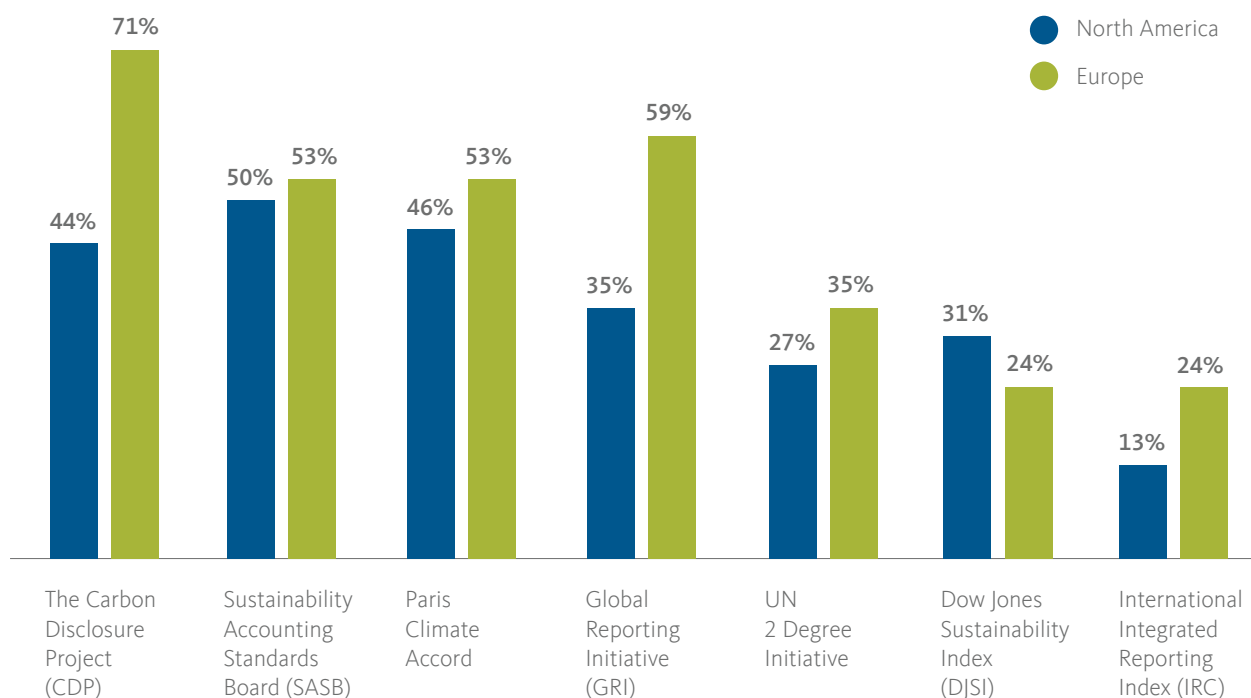


## PART II

# What information are shareholders looking for?

Although traditional governance matters still take priority, ESG issues are consuming a greater focus.

### ESG FRAMEWORK CONSIDERED HIGHLY CREDIBLE AND USEFUL



*“The key is to listen intently to your investors. Take time to develop meaningful feedback loops, so you can craft messaging and interactive experiences directly responsive to the unique concerns and motivations of your shareholders.”*

THERESA MOLLOY, VICE PRESIDENT, GOVERNANCE AND SHAREHOLDER SERVICES, PRUDENTIAL

Shareholders prioritize disclosure around these issues.

Compensation performance metrics

90%

Regulatory compliance

82%

Cyber Security

71%

Board recruitment

69%

Board skills assessment

68%

Overall diversity

56%

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## DON'T BOILERPLATE ESG DISCLOSURE.

Communications around ESG present an opportunity to reflect the unique identity of your company. The most effective disclosures focus on traditional financial materiality, while providing context from a culture and values perspective. Though recognized ESG frameworks are useful guidelines, companies should articulate their commitments without trying to fit into a predetermined framework.



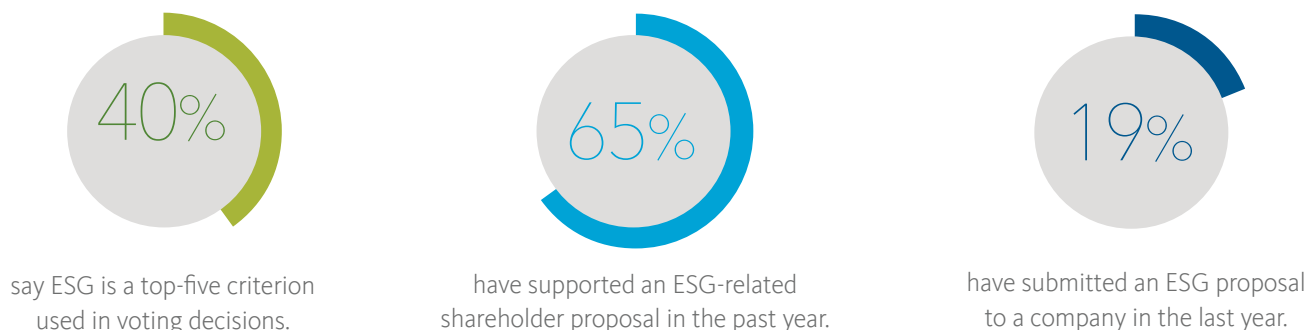
## Most shareholders now demand clear, substantive disclosure reporting.

### BEST WAYS TO DEMONSTRATE COMMITMENT TO SUSTAINABILITY / SOCIALLY RESPONSIBLE BEHAVIOR



Rivel Corporate Governance  
Intelligence Council  
*Governance Disclosure Priorities  
What Matters Most to Institutional  
Investors Who Vote the Proxy?*  
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## The proxy statement is a key means to engage shareholders around ESG.



Rivel Corporate Governance Intelligence Council  
*Corporate Social Responsibility: Where Do Proxy Voters Stand Today?* © 2019 Rivel Research Group

## How can you use technology to effectively engage shareholders?

In our highly connected world, it's harder than ever to drive meaningful engagement. It's incumbent on issuers to strive to strengthen relationships with both retail and institutional investors.

### SOARING GROWTH IN MOBILE USAGE

2.7B

are on their phones<sup>1</sup>

<sup>1</sup> Statista 2018

### SIGNIFICANTLY SHORTER ATTENTION SPANS

8

seconds is all you get<sup>2</sup>

<sup>2</sup> Microsoft, down from 12

### EXTREMELY CHALLENGING TO ENGAGE CUSTOMERS

13

touches to get your message seen<sup>3</sup>

<sup>3</sup> Social Media Today

*"Retail investors today vote more often and tend to be friendly to management. When you have a potential close vote, higher participation from retail investors can make the difference."*

—LYNDON PARK, HEAD OF GOVERNANCE  
ADVISORY SERVICES, ICR

Overlooking retail investors may be a mistake.

30%

of a company's beneficial shares are held (avg.) by retail individual investors.

28%

of those shares held by retail shareholders are voted.

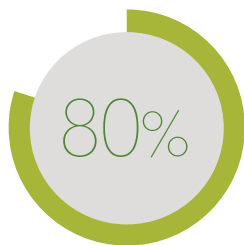
87%

of beneficial retail shareholders voted in favor of "Say on Pay."

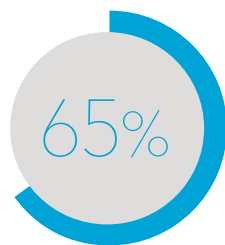
Broadridge Financial



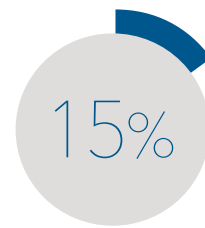
Social media is a powerful tool that can help issuers make a significant impact and drive more meaningful engagement.



of investors are on Facebook.



of investors view proxy ads.



of investors view, click or vote their accounts.

*Social media platform marketing tools enable issuers to target retail shareholders with pinpoint accuracy (thanks to extremely rich user analytics). Some campaigns even include bespoke ads that target specific shareholder segments.*

#### BY THE NUMBERS



Average person spends **1.72 hours per day** on social networks



Average American spends **40 minutes** on Facebook



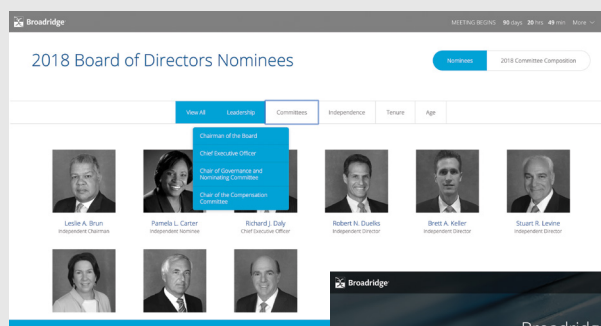
Facebook generates **22 billion ad clicks** per year



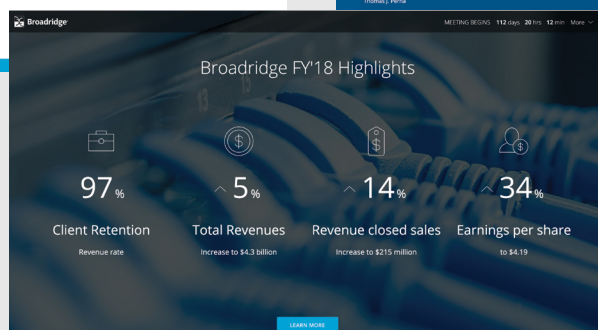
Social media is **less expensive** than all other channels



Digital proxy platforms facilitate interactive experiences that make use of multiple media, including video, clickable text and more.



Name	Fees Earned or Paid in Cash	Stock Awards <sup>(1)</sup>	Option Awards <sup>(1)</sup>	All Other <sup>(1)</sup> Compensation	Total
Leslie A. Brun	\$ 137,500	\$ 135,369	\$ 103,864	—	\$ 376,733
Pamela L. Carter	\$ 65,250	\$ 77,002	\$ 74,337	\$ 10,000	\$ 226,589
Robert N. Dumas	\$ 96,750	\$ 96,051	\$ 74,337	\$ 10,000	\$ 277,138
Richard J. Daly	\$ 109,500	\$ 96,051	\$ 74,337	\$ 10,000	\$ 289,888
Brett A. Keller	\$ 90,000	\$ 80,963	\$ 74,337	\$ 10,000	\$ 255,300
Stuart R. Levine	\$ 109,500	\$ 96,051	\$ 74,337	\$ 11,750	\$ 291,638
Maura A. Markes	\$ 96,750	\$ 87,800	\$ 74,337	\$ 10,000	\$ 268,887
Thomas J. Perna	\$ 94,500	\$ 96,051	\$ 74,337	—	\$ 264,888
	\$ 111,750	\$ 96,051	\$ 74,337	\$ 10,000	\$ 292,138



## GO DIGITAL TO TELL A RICHER STORY AND ELEVATE THE SHAREHOLDER EXPERIENCE.

Interactive proxies enable issuers to highlight key ESG information and proxy detail in an intuitive and easy-to-digest format. Flexible navigation makes it simpler for investors to access the information they need when they need it. Plus, interactive proxies are a cost-effective way to boost engagement because they can facilitate voting directly from the platform.



Humanize your board



Improve readability



Deliver key information



Easy navigation



Engage investors



Customize branding

## REACH A WIDER AUDIENCE.

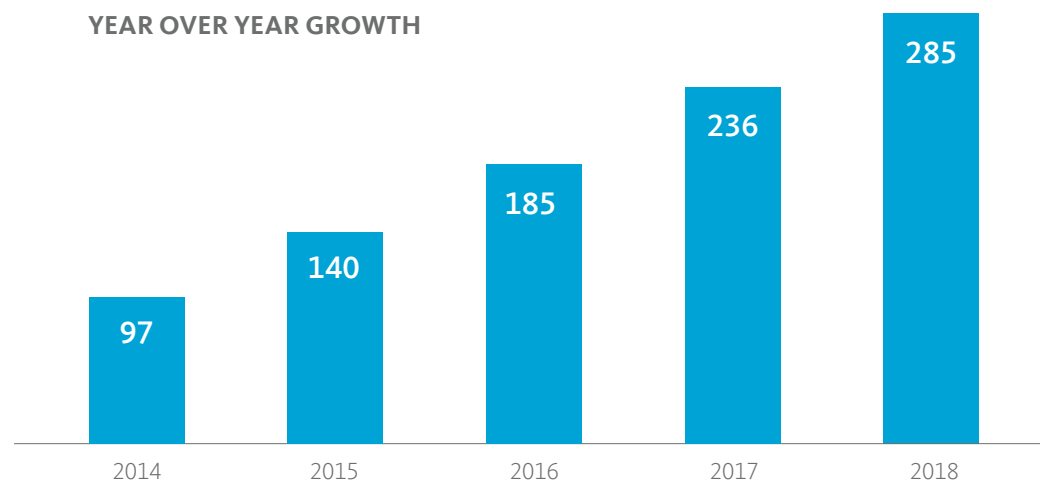
VSMs employ digital technology to enable boards to host annual meetings on web-based platforms. These virtual meetings operate just like traditional shareholder meetings except that boards and executive leadership do not convene in a physical location. Among other things, the virtual format can boost:

- **Access:** Many retail investors prefer the convenience of VSMs, as they alleviate the need to travel and provide more opportunities to interact with the board.
- **Relevance:** Savvier governance executives recognize that VSMs help generate an innovative, tech-forward brand image.
- **Efficiency:** Virtual meetings streamline the proceedings and minimize costs associated with hosting and coordinating a physical event.

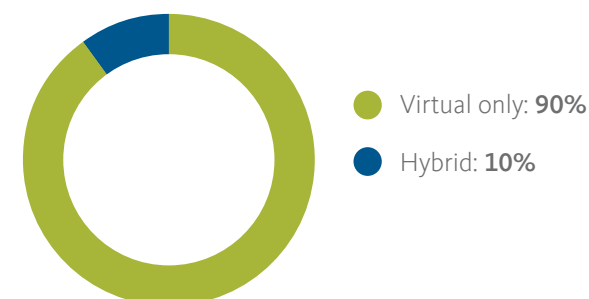
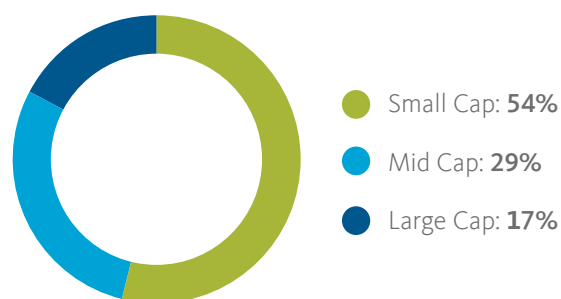
Some state regulations require in-person meetings. In such cases, hybrid meetings may be a good option.

More companies are using the virtual shareholder meeting (VSM) to give shareholders a voice.

YEAR OVER YEAR GROWTH



## 2018 Summary



## ESG disclosure best practices

- ✓ Frame your company's ESG business strategy through the lens of financial opportunities and risks.
- ✓ Prioritize transparency around goals, objectives, initiatives and the KPIs that will measure outcomes.
- ✓ Ensure senior executives (including the board) are informed and conversant regarding the company's approach to ESG.
- ✓ Use technology to maximize engagement with both institutional and retail investors.
- ✓ Leverage data analytics to more effectively reach retail shareholders.

*“Despite the growing number of institutional assets dedicated to ESG and sustainable strategies, there is still a significant lack of awareness as to how investors can use these tools to earn market rates of return and have a positive impact. In this respect, there’s a real opportunity for issuers and other stakeholders to be proactive with educational and informational outreach.”*

—CHAD SPITLER, FOUNDER & CEO,  
THIRD ECONOMY



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