

Shareholder Communications

The Practical Implications of Shareholder Analytics

By Sharyn S. Bilenker

Increased shareholder activism and growing expectations for corporate social responsibility have placed a premium on corporations' ability to understand the data and levers that impact their shareholder communications and proxy voting. Many companies are sending more engaging communications to shareholders, and leveraging data and new technologies to do this more effectively.

This is especially true when it comes to director elections. PwC's recent annual corporate directors survey indicated that 58 percent of directors would be concerned about renomination if their support level fell below 75 percent of the votes cast. According to Broadridge's data, in 2016, more than 2,500 directors, or approximately 11

percent of those up for election, failed to attain at least 75 percent support.

In those cases, retail shareholders were demonstrably more supportive than institutional shareholders: retail shareholders cast 79 percent of their votes in favor, while institutional shareholders voted only 52 percent of their shares in favor. At the same time, many of the shares of retail investors were not voted. These shares comprised approximately 20 percent of the total shares outstanding. As a result, many companies want to improve their engagement with all shareholders.

How, then, does a company engage this important segment of the shareholder population? It starts with acquiring data on the makeup of the entire shareholder base,

communicating the importance of their vote, and then making it easy for them to execute their vote.

Many companies are creating annual reports and proxy statements that are user-friendly. By providing shareholders with information in more engaging formats, they are likely to be more motivated to vote. (See sidebar.)

Also, targeting the delivery method can have a significant impact on voter turnout. While it's more cost-effective to mail shareholders a simple notice rather than a full package of proxy materials, full-package recipients are six times more likely to vote. To be cost-effective, some companies are targeting larger retail shareholders who are more likely to vote and sending them targeted communications, especially when a close vote is at stake.

Data tools can also enable companies to better understand the demographics of their shareholder base. For example, in 2016, an analysis of the political affiliation of U.S. shareholders and their propensity to support say on pay showed that shareholders who identified as Republican supported pay plans 89 percent of the time, whereas Democrats were much less supportive of executive pay, supporting pay proposals only 71 percent of the time. The ability to understand the demographic makeup of shareholders, in addition to their voting propensity, can be essential to refining outreach strategies.

Case Study

After failing to get 70 percent support on its say-on-pay vote, a large, multinational technology firm realized it needed better insight into its shareholder base. By analyzing historical shareholder ownership data, they discovered that 37 percent of shares were in the hands of retail investors, yet this segment's participation in voting was lackluster. The company further analyzed this segment based on propensity to vote and concluded that it would be cost-effective to provide targeted communications in advance of sending proxy materials. The company sent customized educational content in order to better engage with this segment of shareholders that had a low propensity to vote.

Additionally, the company monitored

real-time voting and identified shareholders who held significant share positions but had not yet voted. The company designed a more targeted reminder mailing to this small but critical group, thereby maximizing impact while minimizing cost.

As a result, the shareholders who received pre-proxy mailings subsequently voted at 50 percent higher rates than the balance of the retail shareholder population. Shareholders who were targeted with a reminder mailing voted at a 10 percent higher rate.

Using a similar reminder mailing strategy the following year, this time including a "go vote" message on the outside of the envelope, the company further increased the vote participation for this segment.



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