

Retail engagement in an evolving digital world

John Dunn, *Vice President, US Corporate Issuer Sales*

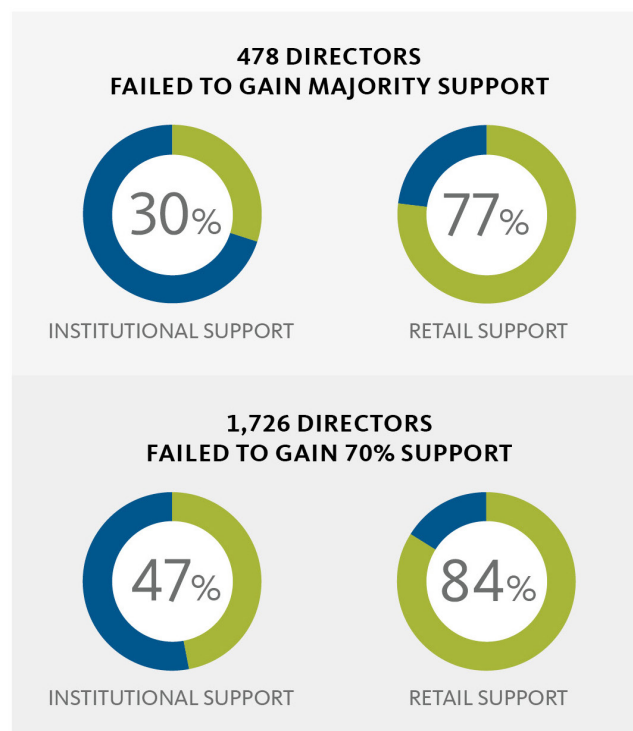
In recent years, the number of directors failing to receive majority support rose by 38%. Institutional owners continue to flex their muscle, prompting many firms to consider how they can increase the retail vote. This chart breaks down the 2019 results and highlights why boosting retail engagement is so critical.

The data splits captured run true across all key proposals, whether Say-on-Pay or Shareholder Proposals. Retail Shareholders will tend to support management positions more than any other shareholders. So, while Retail Shareholders represent only 30% of all votes, their participation can make a big difference on outcomes.

DRIVING RETAIL PARTICIPATION

Corporate issuers have shown they can make significant change to proxy behaviors. For example, ten years ago, issuers made a concerted effort to reduce their reliance on paper. In the 2019 proxy season, 95% of all shares cast were voted electronically. Mailings were sent to only 21% of all accounts, helping issuers, banks and broker dealers save over \$1.7 billion on paper, printing and postage.

Today, the big challenge is driving retail participation. Over the past five years, retail participation has not increased—and an increasing number of corporations are looking to change that.



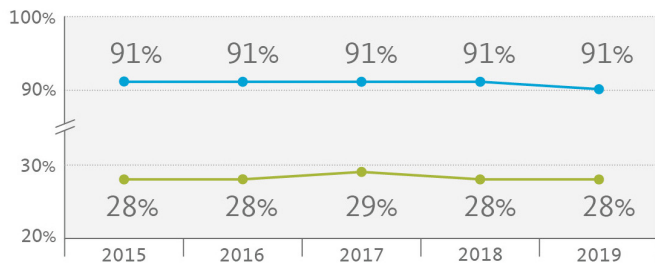
Source: ProxyPulse, a Broadridge and PwC Initiative. Second Edition 2019. Based on Broadridge's 2019 ProxyPulse™ data. It covers the results of 4,059 public company annual meetings held between January 1 and June 30, 2019. ProxyPulse data is based on Broadridge's processing of shares held in street name. The five-year trend data covers the proxy season, which is when the majority of public company meetings occur.

IN TODAY'S DIGITAL WORLD, ISSUERS NEED SMART WAYS TO KEEP UP

Preferences, technologies and demands are changing at a fast pace. Every day the bar is set higher—and issuers need to adapt fast. Corporations need to catch up to yesterday while solving for tomorrow. Here are ways corporate issuers can get the results they need by engaging retail investors.

SHAREHOLDER VOTING

Institutional shareholder voting participation decreased slightly to 90% from 91% during the 2018 season. Retail shareholder participation saw no change from the 2018 season—holding steady at 28%.



PARTICIPATION

PERCENTAGE OF SHARES VOTED: — INSTITUTIONAL — RETAIL

Source: ProxyPulse, a Broadridge and PwC Initiative, Second Edition 2019. Based on Broadridge's 2019 ProxyPulse™ data. It covers the results of 4,059 public company annual meetings held between January 1 and June 30, 2019. ProxyPulse data is based on Broadridge's processing of shares held in street name. The five-year trend data covers the proxy season, which is when the majority of public company meetings occur.

FIVE SHAREHOLDER ENGAGEMENT STRATEGIES TO DRIVE THE VOTE

1. Become the go-to expert.

Retail participation is low in part because investors say they lack the time and knowledge to cast a smart vote. They're overwhelmed by the amount of information, and if they have any questions, they feel their only source of information is Google.

There is an opportunity for issuers to guide retail shareholders and become that trusted source, by presenting the information in a way that's easy to find and easy to consume.

Digital Proxy – a website version of the proxy statement may be the best way to achieve this while showcasing your brand. By creating an interactive experience—where voters can easily search, click, swipe and scan—you can deliver key information about ESG and board diversity in a flexible online environment. Embedded videos and customized web pages create intuitive experiences that give shareholders the information they are looking for and can act upon .

Hear from the CEO!

Videos are a great way to speak to the heart of your retail shareholders



Another smart move: Hold your annual meeting in a virtual, digital environment. In 2019, the use of Virtual Shareholder Meetings rose by 33% as more issuers chose to provide shareholders with the convenience of online participation. Together, these two approaches ensure retail voters meaningfully engage with key messages.

2. Design a mobile-first strategy.

Today, mobile is the fastest growing method, which means more issuers are starting to prioritize the design and execution of an immersive, mobile-first experience.

A well designed mobile app can help shareholders vote more easily and with greater convenience. Leading platforms include the ability to:

- Vote for all investments in a single session
- Enhance security with thumb-print or facial recognition login
- Scan control numbers and pull up ballots in seconds
- View proxy materials, agenda and vote history

3. Create a seamless offline-to-online journey.

Although 95% of votes are cast electronically, paper still plays a critical role. It's important to remember that "preference management" is not always an either/or print or digital matter. Many consumers want both, depending on the situation. Issuers need to step back and imagine the entire journey through the eyes of shareholders.

The key is to make all interactions seamless. Consider the investor who receives an engaging proxy statement, replete with visuals and engaging content. Send a mailing that truly draws attention. Then shareholders can grab their phone, scan a QR code, and execute their vote in seconds. That's what simplicity looks like.

4. Rethink what you know.

DigitalProxy and mobile voting apps involve powerful innovations, but traditional digital channels are still very effective. The key is to blend modern innovation with traditional methods of engagement.

Take email, for example. Issuers are now starting to use enhanced email templates that replace text-heavy content with a more streamlined, visual and therefore readable experience. These new email templates eliminate the friction associated with pin requirements, enabling shareholders to go straight from email to proxyvote.com or the investor mailbox. These emails increased the number of positions voted by 58%.

Likewise, similar gains have been made in social media, where pinpoint targeting and relevant messaging makes it easy for corporations to get important shareholder/investment information in front of shareholders.

5. Put it all together.

There are clear reasons why retail participation is stuck at 28%. Voters feel like they don't have the information they need. They feel like the process is too complex and time consuming. Worst of all, they feel like their vote doesn't matter.

The reality is you can make complex information accessible. The process can be simplified. As the evidence shows, retail voters have tremendous power to sway the vote. You just need to put it all together.

Those responsible for corporate governance have an opportunity to change attitudes and behaviors—just as they have in the past. It starts by thinking like a retail investor, and imagining how different people would like to receive, process and execute the vote.

Broadridge can help. First, we'll help you think big, so you can develop a thoughtful, comprehensive approach that delivers results now. Second, we'll help you start small, so you can move confidently into 2020 in a way that makes sense for you and your company.

When you engage Broadridge early on, we can help navigate the next proxy season so you can successfully engage retail investors in an evolving digital world.



ABOUT THE AUTHOR

John Dunn, Vice President, Broadridge's U.S. Corporate Issuer Sales is an experienced and passionate sales leader with practical experience and solid understanding of a diverse range of business applications. John's strengths including market analysis, sales and marketing, team building, and performance management and coaching. He is a client advocate with a strong track record of identifying and translating customer needs into deliverable solutions that increase brand loyalty and drive customer retention and profitability. John is a driven overall contributor with 20 years of experience in B2B service, sales and marketing.

Broadridge, a global Fintech leader with over \$4 billion in revenues and part of the S&P 500® Index, provides communications, technology, data and analytics. We help drive business transformation for our clients with solutions for enriching client engagement, navigating risk, optimizing efficiency and generating revenue growth.

broadridge.com



© 2020 Broadridge Financial Solutions, Inc., Broadridge and the Broadridge logo are registered trademarks of Broadridge Financial Solutions, Inc.

CP_00067_AR_20



Ready for Next

Communications
Technology
Data and Analytics