

ARTICLE



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Focus on the shareholder experience

How business development companies can go beyond standard proxy solicitation to maximize shareholder engagement.

When it comes to proxy voting, business development companies (BDCs) face unique challenges. Because of the ownership structure, BDCs tend to rely more heavily on retail shareholder participation. In the past year, the average retail ownership for BDCs was 72% compared to institutional ownership of 28%. These figures represent a mirror image of the average shareholder base for the 5,000+ listed corporate issuers: Institutional ownership was 72% compared to 28% retail.

Clearly, BDCs must rely on mom-and-pop retail investors to pass non-routine items. So, your proxy strategy must reflect and respond to this reality. The challenge is that retail shareholders are generally less likely to participate; some retail investors may not even know they hold shares in your company, and many have potentially never voted before.

BDCS FACE AN UPHILL CLIMB

The vast majority of corporate issuers can rely almost exclusively on institutional shareholders to achieve their proxy participation goals. Institutional shareholders not only hold a larger percentage of outstanding shares (typically over 70%), but they also vote at much higher rates. Broadridge internal analysis shows that 91% of institutional shares were voted last year. A critical mass of institutional shareholders makes it much easier to drive participation.

Most BDC shares, by contrast, are held in retail accounts (72%). Retail shareholders vote at dramatically lower rates and it requires more work to garner participation. In fact, last year only 8% of retail accounts voted their shares. Such low participation rates pose a distinctive risk for BDCs.

ABOUT THE AUTHOR

Scot Crichton is a Senior Director of the Non-Listed Issuer business and has been at the forefront of Broadridge's strategy to increase retail shareholder engagement and drive voter participation for over 10 years.

Scot's focus on a marketing based approach to drive retail voting has created meaningful advances for current and new delivery channels including: branded proxy packaging, custom HTML e-mails, vote "thank you" programs and social media campaigns.

GO BEYOND TRADITIONAL PROXY SOLICITATION TACTICS

In an era with shorter attention spans, caller ID and tossed-in-the-recycling mail, it takes a different approach to engage retail shareholders. To maximize participation, think beyond standard proxy solicitation to build shareholder awareness and loyalty. Below are four ways to create an impactful shareholder experience.

#1 Plan for success

A powerful shareholder experience begins with precise targeting. You can't connect with shareholders unless you understand them.

Broadridge can help you tap into historical voting statistics drawn from longitudinal data sets. You can identify who has voted in the past and who is likely to vote in the future. Shareholder segmentations and propensity-to-vote analyses can help you more accurately forecast vote projections, target communications and prioritize spend toward the most effective channels.

#2 Give shareholders a reason to participate

Too often investors are bombarded during proxy season with a slew of phone calls and mailings that create headaches instead of engagement. You must help shareholders understand the unique identity of your company—and the reasons why they should get involved. In other words, you shouldn't merely solicit votes, you should motivate and inspire action.

Some tools available to you include:

- Enhanced packaging: Distinguish your proxy communications from bills and letters (which are often tossed into recycling). Transparent envelopes, bright colors, customized branding and a compelling call to action are proven to boost open rates and generate higher responses.
- CEO recorded messages: Nothing is more powerful than a personal touch. Let your CEO take your message directly to shareholders.
- Interactive proxy: Enable shareholders to explore your company and values through an intuitive, easy-to-use platform. Tell a richer story with multiple media, including video, clickable text, charts, graphics and more.

For more insights into how you can prepare for your next proxy, visit us at broadridge.com.

Broadridge, a global fintech leader with over \$4 billion in annual revenue listed on 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.

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#3 Meet shareholders on their terms, via the channels they prefer

Investors check their email inbox far more often than they check their mailbox. So, it's a good idea to send customized emails that clearly and plainly convey your message. We can help maximize engagement with eye-catching subject lines and emails sent at just the right cadence and time of day.

Social media also represents a powerful tool you can use to transform the shareholder experience. Platforms like Facebook contain a vast reservoir of potential shareholders you can target with pinpoint accuracy (thanks to extremely rich user analytics). We'll help you craft social media campaigns with rotating ads and friendly reminders proven to elevate interest and engagement. The biggest advantage: Social media is a cost-effective way to engage on a long-term basis—not just during proxy season.

By the numbers

- 80% of investors are on Facebook
- 65% of investors view proxy ads
- 15% of investors view, click or vote their accounts

#4 Make it easier to vote

Consumer expectations are changing as fast as technology itself. Everything must be quicker, easier, more intuitive. Shareholders want the same kind of experience they're getting everywhere else. That's why Broadridge recently unveiled the proxy vote mobile app—an industry first. The app facilitates easy access to personalized and relevant content. Shareholders can view agendas, review proxy information and vote their shares all in a single session. Plus, push notifications remind shareholders to get involved.

INNOVATE TODAY. TRANSFORM TOMORROW

For more than 50 years, Broadridge's industry-leading innovation has transformed proxy voting for thousands of clients. Broadridge manages the end-to-end proxy voting process across all distribution channels — from project planning and management, mailing and solicitation to voting tabulation. Our access to more than 800 banks and brokers, as well as historical voting data, enables our clients to provide targeted, cost-effective campaigns that maximize engagement and long-term loyalty.

Ready for Next

Communications
Technology
Data and Analytics

