

Broadridge ProxyPulse[™]

2024 proxy season review

This edition of ProxyPulse highlights proxy voting trends over the past five years and gives an outlook for next season. Our report is unique because it provides actual data on the comparative voting sentiment of institutional and retail shareholders.



Highlights from the 2024 proxy season

Across both retail and institutional segments of shareholders, there was an increase in voting support for corporate directors and Say-on-Pay, along with a continued decrease in support for Environmental and Social proposals. Increased support for directors and pay is consistent with rising market valuations since the 2023 proxy season.

The cooling shareholder support for “E” and “S” proposals continues a downward annual trend since the highwater support mark in the 2021 proxy season. Some governance observers have suggested that the decline is due at least in part to companies providing more disclosure on their environmental policies and social responsibilities as well as the rise in the number of anti-ESG proposals, which have garnered little support to date.

The percentage of shares held by retail investors, at 31.7% of the total, is the highest level in 9 years, underscoring the importance of this segment to directors and managers. As a group, they voted 29.8% of the shares they own, a slight uptick over the prior two proxy seasons.

What to expect in the 2025 proxy season

The SEC’s rules for Universal Proxies were in full swing this proxy season, including in several high-profile meetings. However, we do not believe they will result in more contests per se.

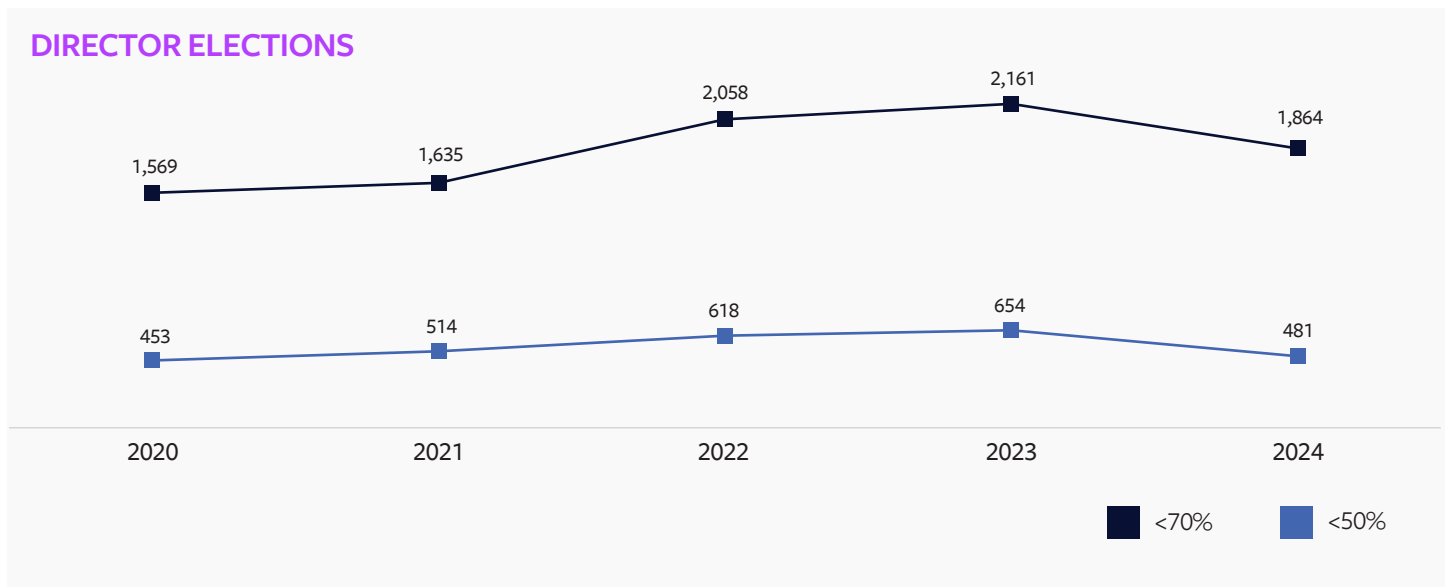
Greater numbers of asset managers are “passing votes through” to their institutional account holders and providing retail investors with voting input from a menu of voting policies. We believe this trend will continue.

In 2024, public companies began reporting material cyber security incidents (on form 8K) along with information on their cyber security risk management and governance practices (in their annual 10k). We expect heightened focus on these disclosures given the prevalence of cyber security attacks. Other SEC disclosure rules are either tied up in court (e.g., Climate Rule), or likely to be required well after the 2025 season (e.g., Human Capital Management and Board Diversity).

Director elections

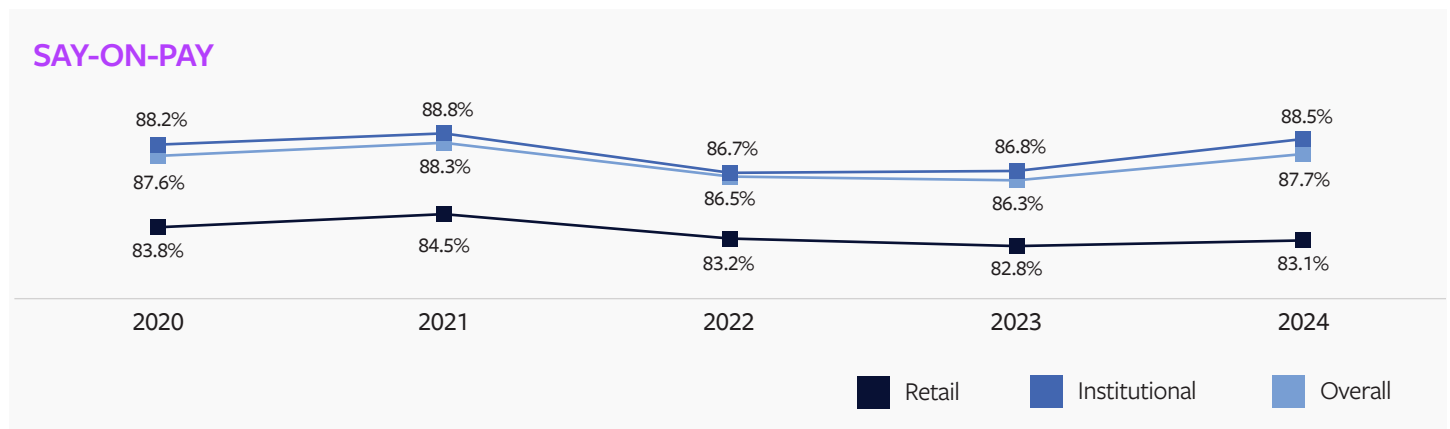
Support for directors was high with 91.2% of the votes cast, on average by both retail (91.7%) and institutional (89.5%) investors. While slightly fewer directors stood for election, the number that failed to attain majority support in the 2024 proxy season (481 out of 23,251) was the lowest in four years.

The number of directors who failed to surpass the 70% support threshold fell to 1,864 or 8% of the total. The increase in support for directors is related in part to higher market valuations generally in comparison to the 2023 proxy season.



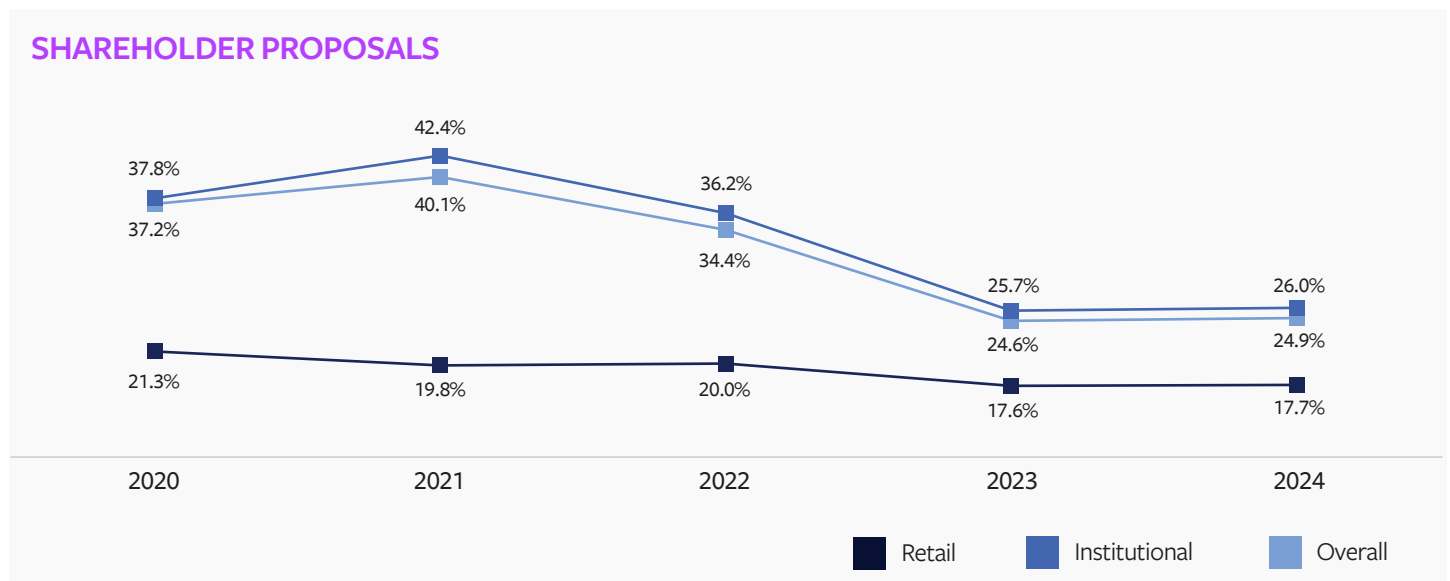
Say-on-Pay

The average level of support for Say-on-Pay proposals this past season was 87.7%, the highest since 2021. Fewer proposals (only 96 out of 2,633) failed to attain majority support. A closer look at the data shows that low support for Say-on-Pay correlates with low support for corporate directors. That is, 21.1% of issuers who failed to achieve at least 50% favorability on their Say-on-Pay proposals also had at least one director fail to achieve majority support.



Shareholder proposals

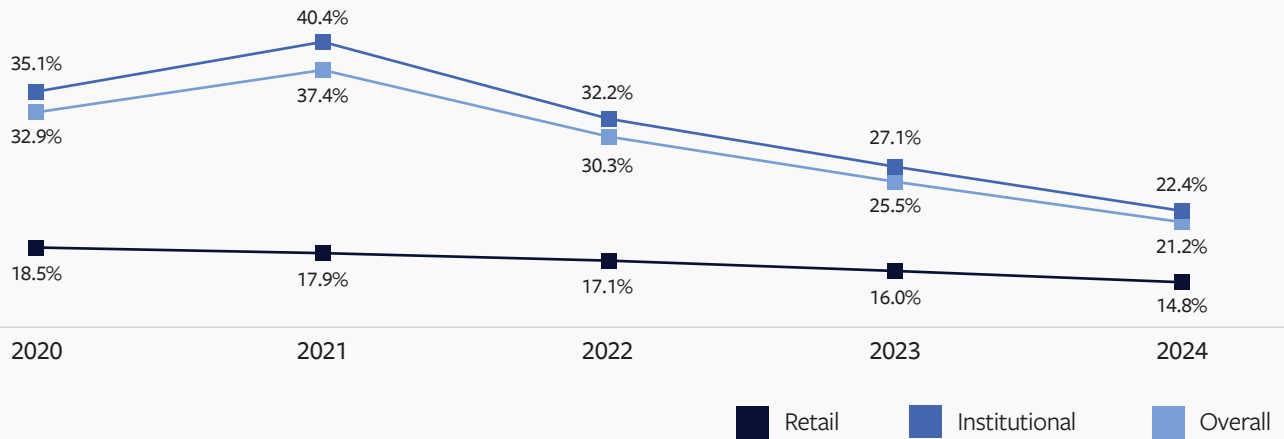
The number of shareholder proposals declined while average support increased. There was a small decline in the number of shareholder proposals to 579 this season from 588 in the prior season. At the same time, there was a slight uptick in shareholder support to 24.9% on average this season, from 24.6% last season. Although institutional support for shareholder proposals is trending more in line with retail shareholder support, there continues to be significant voting divergence between these segments of investors.



Environmental and social

Based on the number of proposals that went to a vote (166), there were more environmental and social proposals this season than last. Overall support decreased to 21.2% of the votes on average this season from 25.5% the prior season, the lowest in at least 8 years. This was due to a decline in both institutional support and retail support, both of which are at historical lows.

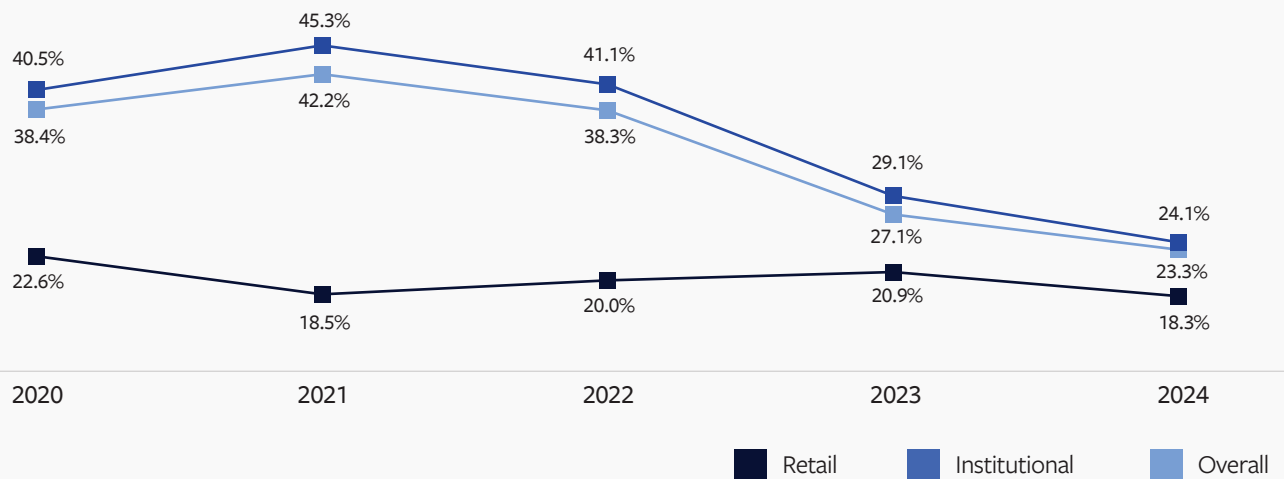
ENVIRONMENTAL & SOCIAL SHAREHOLDER PROPOSALS



Political contributions

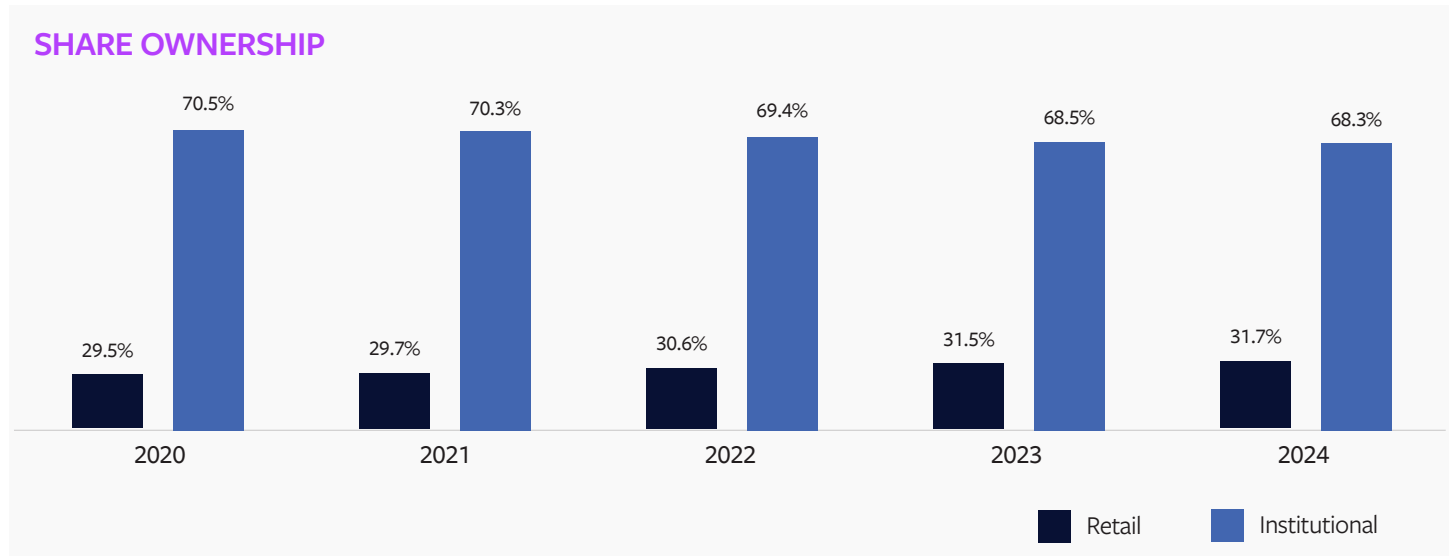
Overall shareholder support for corporate political spending proposals was at its lowest level in at least 8 years, among both retail and institutional segments of shareholders. The divergence in voting sentiment between these segments continues to narrow.

POLITICAL SPENDING SHAREHOLDER PROPOSALS



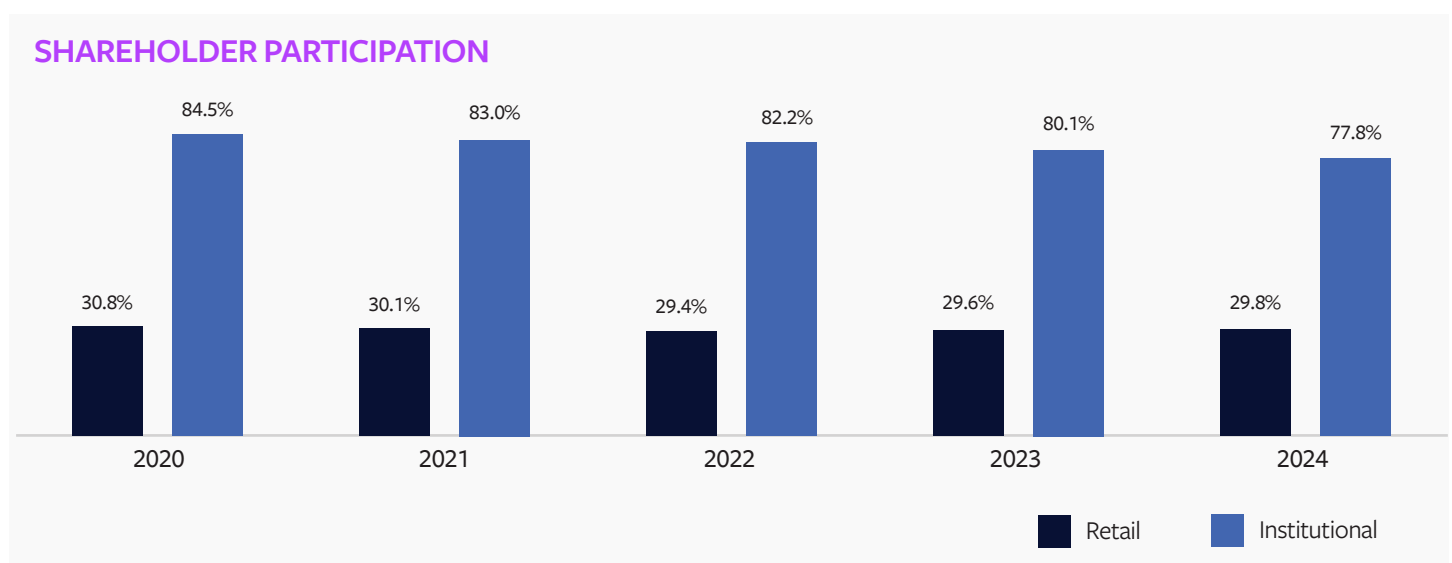
Share ownership

Retail ownership continues to grow. As a group, retail ownership grew to 31.7% from 31.5% of the “beneficial” shares we processed, the highest percentage in the last 10 years. This is due to a number of factors, including the continued growth of managed accounts, as well as younger investors entering the markets.



Shareholder voting

Retail shareholders are speaking up. As a group, retail investors voted 29.8% of the shares they owned in 2024, another incremental increase over the prior year. By contrast, voting participation by institutional investors was at its lowest level in five years. This was primarily driven by a decline in voting by smaller institutional investors (at small and microcap companies).



What to expect in the 2025 proxy season

IMPACT OF UNIVERSAL PROXY ON CONTESTS

Since September 2022, when Universal Proxy rules went into effect, the number of contests has actually been near a 5-year low. There is little to suggest that the rules, by themselves, will lead to a large increase in the 2025 proxy season.

12-months ending June 30	Number of meetings that went to distribution
2024	24
2023	23
2022	45
2021	23
2020	39

September 2022
Universal Proxy Rule went into effect

NEW PUBLIC COMPANY DISCLOSURE REQUIREMENTS?

The SEC's final Climate Disclosure rule may not be in effect in the 2025 proxy season because it has been challenged in court. However, in 2024, public companies began reporting material cyber security incidents (on form 8K) along with information on their cyber security risk management and governance practices (in their annual 10K). We expect heightened focus on these disclosures given the prevalence of cyber attacks. Rulemaking on other disclosure rules listed in the SEC's Regulatory Flexibility Agenda (human capital management, board diversity, and payments by resource extraction Issuers) is pending and not likely to modify disclosure requirements in the 2025 proxy season.

PASS-THROUGH VOTING

Some of the world's biggest fund managers and advisors are launching or expanding pass-through voting programs to give their investors a say on how shares of portfolio companies are voted. Innovations in pass-through voting systems are leveraging the robust systems and networks in use for everyday voting on directors, Say-on-Pay, and shareholder proposals. Asset managers are reaching out to their investors and providing them with multiple voting policies to choose from. We expect the trend to continue as additional asset managers look to adopt a variety of pass-through voting approaches.

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