



USING TECHNOLOGY FOR BETTER SHAREHOLDER ENGAGEMENT

Amid growing pressure from activists, technology is changing issuers' communications strategies – particularly with respect to retail shareholders, notes *Sherri McLoughlin*

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Recent proxy contests are painful reminders to board members and investor relations (IR) professionals of the importance of effective shareholder engagement. With activists managing more than \$200 billion in assets, the stakes for effective communication are greater than ever. These days, some IR professionals are taking proactive steps to better engage with shareholders ahead of their company's shareholder meetings. This makes sense considering that in shareholder meetings in the first half of this year, 416 directors failed to receive at least 70 percent support and 50 failed to receive majority backing, according to Broadridge's Proxy Policy and Insights.

Technology is changing how communications strategies are being developed and executed, particularly with respect to the one third of shares, on average, that are owned by retail shareholders. So-called big data enables better analysis of shareholders' information needs and voting habits, so that IR professionals and directors can better tailor communications and ensure they are cost-effective at the same time. The challenge is that turnout among retail investors is typically low: so far this year, only 29 percent of their shares overall were voted, compared with 91 percent of institutional shares. Increasing the level of retail engagement can make a big difference when it comes to overall shareholder satisfaction.

For example, more companies are using videos from CEOs to get their message out. Many are also using social media. Some companies aiming to use best practices are distilling their message into attractive

and easily digestible formats and are providing shareholders with summary proxy information, in addition to the full document – even when meetings are not controversial. Summaries often include engaging charts and graphs, and are written in plain English with an eye toward non-professional investors.

Three-dimensional picture

New technology and software, underpinned by data analytics, can create a three-dimensional picture of a firm's shareholders. New tools provide insight into the voting behavior of a company's shareholders, in the aggregate, for both institutional and retail shareholders. These tools and programs comb through historical data from SEC filings to measure the effectiveness of past communications strategies and to model new strategies. Analytics and visualization tools can project how voting might turn out, giving companies advance warning of potential deficiencies in their communications.

Using these tools to gain a better understanding of likely outcomes is essential for companies to be capable of evaluating whether communications should be sent in advance of the proxy season, even if just to remind shareholders of the importance of their participation.

When it comes to cost-effectiveness, the medium matters as much as the message. As of June 30, 2017, more than half of all retail shares can now be reached electronically through broker-dealer communications platforms and digital channels such as Google Drive, Amazon Cloud, iCloud and Evernote. Virtually all institutional investors



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and financial advisers can be reached electronically through processing and platforms made available by their custodian bank or broker-dealer.

Many companies are also increasing the frequency of their online interactions with shareholders to remain in contact with them throughout the year. Connecting with them can further support marketing and branding efforts and customer loyalty, because shareholders are typically fans of their companies' products and services.



BIOGRAPHY
 Sherri McLoughlin
 Broadridge Financial

Ms. McLoughlin is the Director and Product Manager of Shareholder Data Services (SDS) as well as other products and services designed to assist with increasing shareholder engagement. With 15 years in the financial services industry, Sherri has worked with hundreds of Issuers to maximize their efforts in proxy campaigns and achieve their goals in corporate governance. She has experience acting as the Master Tabulator for over 10,000 proxy campaigns and has worked with both Issuers and Activists on contested proxy elections. In her current role, she works closely with Corporate Issuers to understand their shareholder base, strategically target their investors using a data-driven approach, and measure the effectiveness of their proxy strategies.

