



## 2020 Proxy Season Review

This edition of ProxyPulse™ provides insights into key corporate governance and shareholder voting data for the 2020 proxy season and related trends. It covers the results of 3,844 public company annual meetings held between January 1 and June 30, 2020.

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.

# Overview & Key Takeaways



The number of virtual shareholder meetings (VSMs) increased from 248 in 2019 to 1,494 in 2020, and accounted for 39% of all meetings held during the season.<sup>2</sup>

The COVID-19 pandemic had a profound impact on the locations of shareholder meetings during the US 2020 proxy season. Most companies were forced to shift from in-person annual meetings to virtual-only or hybrid meetings. Few meetings, if any, were postponed. Overall voting participation was the highest we've seen in 14 seasons.<sup>1</sup> In addition, we observed the following:

- The number of virtual shareholder meetings (VSMs) increased from 248 in 2019 to 1,494 in 2020, and accounted for 39% of all meetings held during the season.<sup>2</sup> Just over thirteen hundred (1,301) of the VSMs were “routine”; they did not include shareholder proposals. The 193 VSMs that had a shareholder proposal had greater attendance and voting than did the routine meetings and shareholders asked more questions. These meetings also lasted nearly twice as long.
- Institutional investors held 71% of the shares. Retail investors as a group held 29% of the shares—a slight dip from 30% in the prior season.
- Institutions' voting increased to 92% of the shares they held (vs. 90% for the 2019 proxy season).
- Retail investor voting held steady at 28% of the shares they own.
- The number of directors failing to receive majority support (at least 50% of the votes cast in favor) dipped slightly to 453 this season from 478 last season, as fewer directors stood for election.
- The number of shareholder proposals submitted for a vote rose to 440 this season from 420 last season.
- Shareholder support for environmental and social proposals increased by two percentage points to 27% on average this season from 25% last season.
- Shareholder support for corporate political spending proposals increased by five percentage points to 36% on average this season from 31% last season. This is the largest increase since tracking started in 2013.

During the 2020 proxy season, investors engaged with companies on a variety of topics, including environmental, social, and governance (ESG) risks.



### INVESTOR DEVELOPMENTS: ESG

Heading into the 2020 proxy season, many institutional investors reiterated the need for companies to consider ESG risks. This includes a heightened focus on the use of ESG disclosures, and the standardized frameworks companies use to evaluate their risks and practices. Some notable developments include:

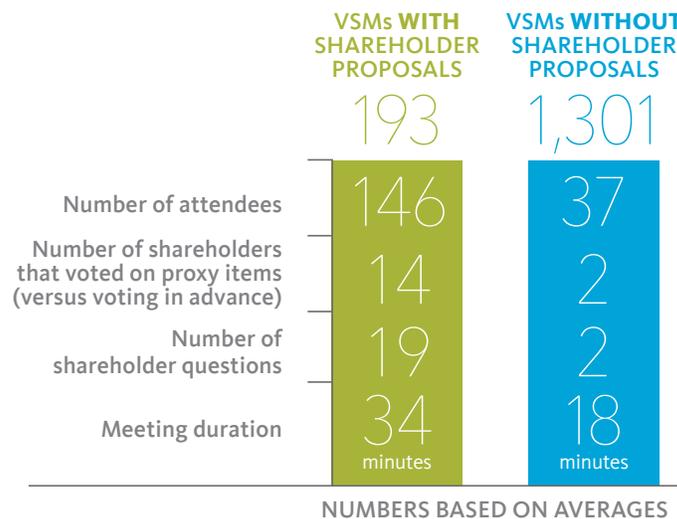
- BlackRock’s engagement priorities related to environmental risks now specifically state that they will “hold members of the relevant committee, or the most senior non-executive director, accountable for inadequate disclosures and the business practices underlying them.”<sup>3</sup>
- In January 2020, CalSTRS approved new ESG guidelines that determine when the pension fund may engage with portfolio companies that do not meet CalSTRS’ policy expectations.<sup>4</sup> The guidelines outline several ESG risk factors that CalSTRS expects investment managers to use in their analysis and decision-making. Among those risk factors are climate change, corporate governance, and respect for human rights and civil liberties.<sup>5</sup>
- In October 2019, the New York City Comptroller’s office launched the Boardroom Accountability Project 3.0, aimed at encouraging diversity at board and executive leadership levels. The office sent letters to 56 large companies, calling on them to adopt a search policy that requires the initial list of director candidates to include female and racially/ethnically diverse candidates.<sup>6</sup>



### COVID-19 AND THE SPIKE IN VIRTUAL SHAREHOLDER MEETINGS

The COVID-19 pandemic became a crisis in the US in the spring of 2020 right around the time companies were gearing up for their annual meetings. With an urgent need to avoid in-person gatherings, state and federal regulators provided relief for companies wishing to hold virtual meetings. Companies, proxy advisors, and institutional and retail investors pivoted accordingly.

Companies and their shareholders used VSMs differently depending on whether their meetings were routine or had shareholder proposals. VSMs with shareholder proposals saw greater attendance and voting, had more questions from shareholders, and spent more time in session. Attendance across all VSMs was greater this season than last season, and greater in almost all cases than companies typically expect at in-person meetings.



### SEC AMENDS SHAREHOLDER PROPOSAL RULES

In September 2020, the SEC adopted amendments to the shareholder proposal rule (14a-8), including changes to the eligibility requirements for submitting proposals.<sup>7</sup>

This may impact the number of shareholder proposals for annual or special meetings to be held on or after January 1, 2022. We will report on aspects of this rule in the years ahead.

#### SHAREHOLDER PROPOSAL RULES

Minimum value of shares held

Minimum period of time shares held

#### PREVIOUS RULE

\$2,000 or 1%

One year

#### NEW THRESHOLDS

#1	#2	#3
\$2,000	\$15,000	\$25,000
Three years	Two years	One year



## Share Ownership

Institutional ownership increased slightly, while retail ownership decreased slightly.

Institutional ownership of public company shares increased slightly from 70% in 2019 to 71% in 2020. Retail ownership of public company shares declined to 29% in 2020 from 30% in 2019.

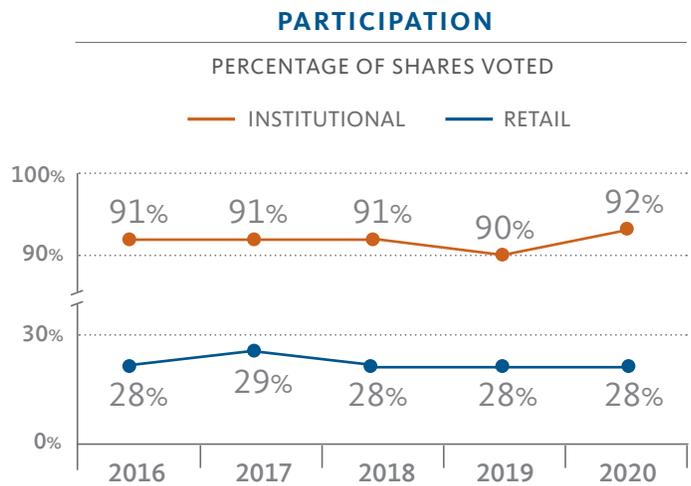
### RETAIL/INSTITUTIONAL SHARE OWNERSHIP COMPOSITION





## Shareholder Voting

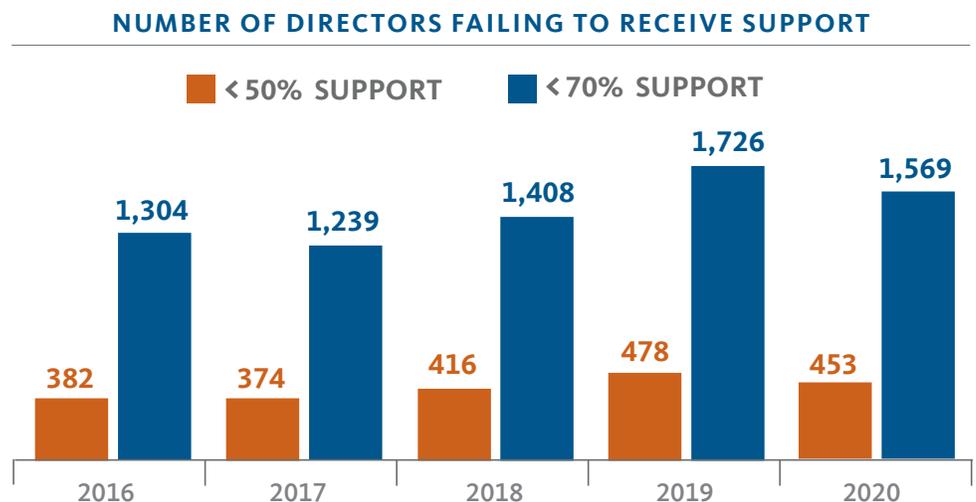
As a group, institutional investors voted 92% of the shares they held during the 2020 season, up from 90% in 2019. Voting by retail shareholders held steady at 28% of the shares they own.



## Director Elections

On average, shareholder support for directors held steady at 95%. However, 453 directors failed to attain majority support. Institutions cast 31% of their voted shares in support of these directors while retail shareholders cast 71% of their voted shares in favor. A total of 1,569 directors failed to surpass 70% support from shareholders—on average institutions cast 51% of their voted shares in support of these directors while retail support was at 81%. Over the past few years, greater percentages of directors standing for election have failed to surpass the 50% and 70% support thresholds.

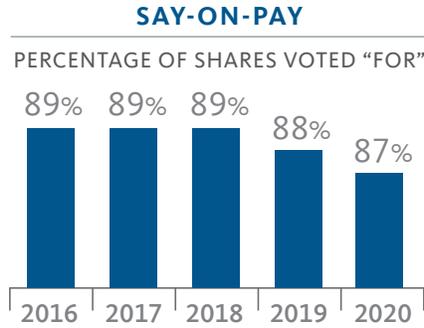
A total of 21,358 directors stood for election this season.





## Say-on-Pay

Average support for say-on-pay proposals this season dropped one percentage point to 87%—the second annual decline in a row. During this season, 107 say-on-pay proposals failed to receive majority shareholder support overall, a decrease from 124 in 2019. A closer look at the data shows that low say-on-pay support correlates to low director support. Thirty-four percent (34%) of issuers who failed to achieve 50% favorability on say-on-pay also had at least one director fail to achieve 50% support. Also, 40% of issuers who failed to achieve 70% favorability on say-on-pay also had at least one director fail to surpass 70% support.



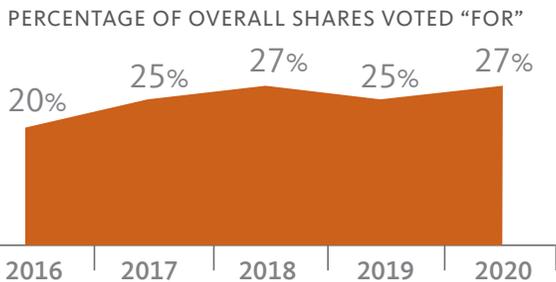
## Shareholder Proposals

Overall average support for the 440 shareholder proposals submitted to a vote in 2020 was up slightly—from 29% of shares voted in favor in 2019 to 30% in 2020. There were changes in the types of shareholder proposals and their support levels varied.

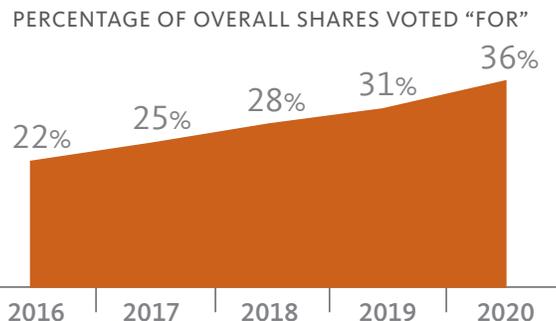
The number of environmental and social proposals was essentially flat at 114 in 2020 (vs. 115 in 2019). Overall shareholder support for social and environmental proposals increased from 25% in 2019 to 27% in 2020. This was a result of an increase in support from institutional owners from 26% in 2019 to 29% in 2020.

Overall support of corporate political spending proposals increased from 31% in 2019 to 36% in 2020—the largest increase in the last five seasons and the largest since we began tracking this information. This was driven largely by an increase in support from institutional owners—from 32% in 2019 to 37% in 2020.

### SOCIAL/ENVIRONMENTAL PROPOSALS



### CORPORATE POLITICAL SPENDING PROPOSALS





## About ProxyPulse™

ProxyPulse is based in part on analysis of company Form 8-K filings from EDGAR and Broadridge's processing of shares held in street name, which accounts for over 80% of all shares outstanding of US publicly-listed companies. Shareholder voting trends during the proxy season represent a snapshot in time and may not be predictive of full-year results.

**Broadridge Financial Solutions** is the leading third-party processor of shareholder communications and proxy voting.

**PwC's Governance Insights Center** is a group within PwC whose mission is to provide insights to directors, executives and investors to help them better understand governance topics and trends.

In the past we reported voting outcomes by aggregating all votes cast across all meetings. In limited instances, reported outcomes could be impacted somewhat by a few companies with unusually large numbers of shares or heavy solicitations. In this report, each proposal is equally weighted, regardless of each issuer's total shares outstanding.

The historical data used in the five-year trend charts has been normalized for a few meetings that included large volumes of penny stock issuers.

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<sup>1</sup> Broadridge, *2020 Proxy Season Key Statistics and Performance Rating*, September 2020.

<sup>2</sup> Number specifies meetings hosted on Broadridge's platform.

<sup>3</sup> BlackRock, *Investment Stewardship: Looking after our clients' assets for the long-term*, August 2020.

<sup>4</sup> Randy Diamond, "CalSTRS Revamps ESG Guidelines," *Chief Investment Officer*, February 10, 2020.

<sup>5</sup> California State Teachers' Retirement System, *Attachment A: Investment Policy for Mitigating Environmental, Social, and Governance Risks (ESG)*, 2020.

<sup>6</sup> Harvard Law School Forum on Corporate Governance, "NYC Comptroller's Boardroom Accountability 3.0 Results," June 24, 2020.

<sup>7</sup> U.S. Securities and Exchange Commission, "SEC Adopts Amendments to Modernize Shareholder Proposal Rule," September 23, 2020.

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# ProxyPulse™

**PRIVACY** The data provided in these reports is anonymous, aggregated data, which is a result of the data processing involved in the voting process. As a result of the automated processing used to quantify and report on proxy voting, data is aggregated and disassociated from individual companies, financial intermediaries and shareholders. We do not provide any data without sufficient voting volume to eliminate association with the voting party.

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