



This edition of ProxyPulse provides data and insights on corporate governance developments as well as trends in proxy voting over the past five years. Comparative information covers annual meetings between January 1 and June 30 in each of the past five years.

ProxyPulse™ is based on Broadridge's processing of shares held in street name at the 1,000+ broker-dealers and custodian banks that we service. We classify the accounts we process as either "retail" or "institutional" based upon the delivery channels and voting platforms they utilize. All data is reported in the aggregate.



## 2023 Proxy Season Preview and 2022 Proxy Season Highlights

# What to expect in 2023

## IMPACT OF SEC RULEMAKING COULD LEAD TO MORE SHAREHOLDER PROPOSALS

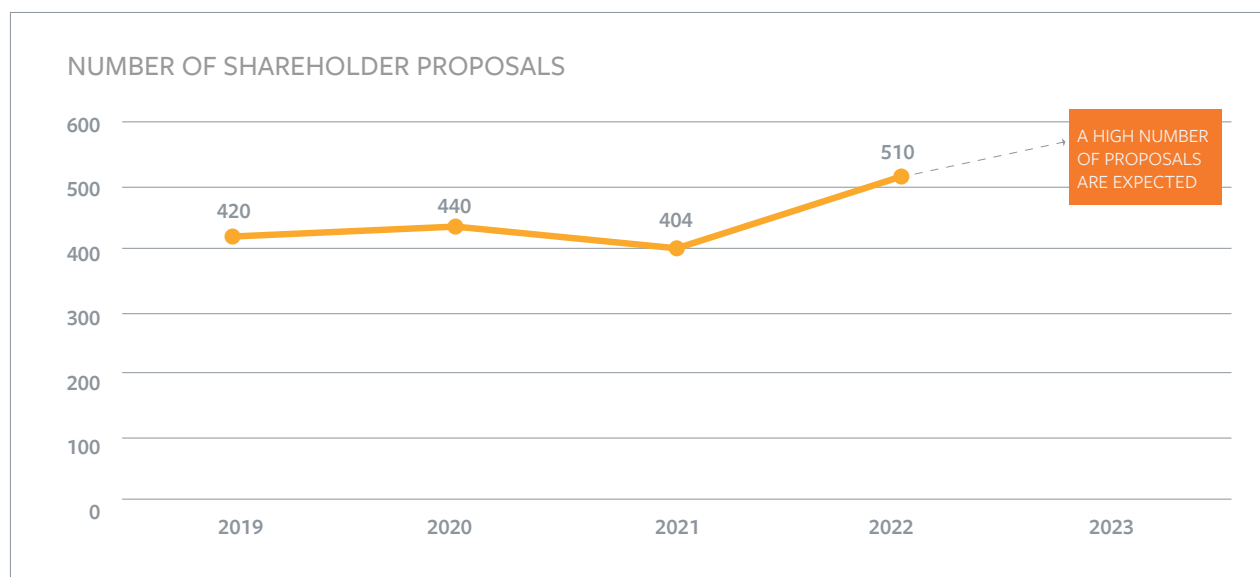
More shareholder proposals came to a vote in 2022 than at any time over the last five years. We expect this to continue given the impact of SEC rulemaking. On top of growing investor interest generally in corporate governance, recent SEC guidance makes it harder for companies to exclude certain shareholder proposals from making it into company proxy statements:

- In November 2021, SEC guidance made it more difficult to exclude certain proposals under the “Ordinary Business” exception for issues with a broad societal impact.<sup>1</sup>
- In July 2022, the SEC proposed rules to further restrict the ability for issuers to exclude shareholder proposals (“Substantial Implementation, Duplication, and Resubmission of Shareholder Proposals Under Exchange Act Rule 14a-8”).

## UNIVERSAL PROXY RULE IS IN EFFECT

The SEC’s Universal Proxy Rule went into effect for meetings held after August 31, 2022. The rule mandates use of “universal” proxy ballots in contested elections, when dissidents solicit at least 67% of the outstanding shares. A universal proxy does not mean that soliciting parties need to agree to use only one voting ballot — but it does mean that management and proponents must include all duly-nominated candidates on their respective ballots.

Some observers expect the new rule to increase the number of contests in 2023. Although we are fielding many inquiries on the mechanics, as of this publication it’s still early days on adoption. In some cases, company by-laws calling for advance notice may inhibit reliance on the new rules.



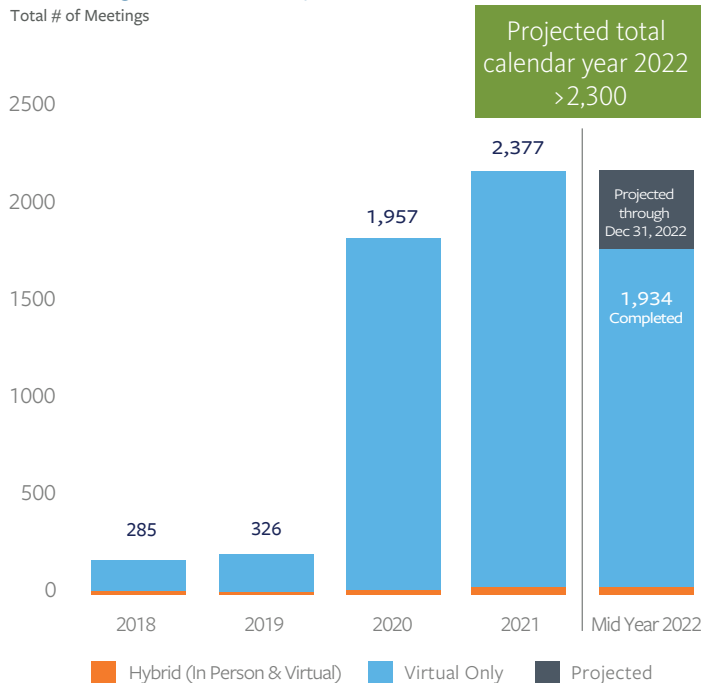
<sup>1</sup>SEC Staff Legal Bulletin No. 14L (CF): [www.sec.gov/corpfin/staff-legal-bulletin-14l-shareholder-proposals](https://www.sec.gov/corpfin/staff-legal-bulletin-14l-shareholder-proposals).

## VIRTUAL SHAREHOLDER MEETINGS (VSMS) ARE HERE TO STAY

Most companies continue to conduct virtual-only meetings, even after the elimination of pandemic restrictions on in-person gatherings. The total number of VSMS is expected to remain high because companies and their shareholders have become accustomed to the conveniences and efficiencies of VSMS. Technology innovations continue to improve the meeting “experience” for shareholders, directors, and management.



### Broadridge VSM Delivery



## CLIMATE CHANGE DISCLOSURE REQUIREMENTS ARE COMING

Public companies are preparing for new disclosure requirements in anticipation of the SEC’s proposed disclosure rules. While many companies are making voluntary disclosures, the rules (if adopted) are sure to expand climate disclosures in the coming years. In September 2022, the SEC’s Investor Advisory Committee **voted** to support the SEC’s proposed rules, but opposed a requirement to disclose directors’ climate expertise. The Committee viewed this aspect of the proposal as “inconsistent with the supervisory nature of the Board’s role.”

## PROXY ADVISOR ADVICE CHANGES

In July 2022, the SEC rescinded rules that obligated proxy advisors to send their recommendations to issuers and inform their clients about any written responses.<sup>2</sup> In addition, the SEC brought an enforcement action against an investment advisor for not taking steps “to determine whether its votes were in the clients’ best interests.”<sup>3</sup> We expect that investment advisors will reexamine their voting policies as a result of these events.

## PASS-THROUGH PROXY VOTING

In 2022, BlackRock announced “Voting Choice” for their institutional investors as a first step to providing more options.<sup>4</sup> Many investment managers are exploring ways to provide pass-through voting to retail investors as well. The “INDEX ACT,” introduced this year by Senate Republicans, would require passive funds owning more than 1% of a company’s shares to “pass-through” the vote to the fund’s underlying investors.<sup>5</sup> With industry innovations underway and the potential for federal legislation, momentum is building for shifting institutional voting to retail investors.

<sup>2</sup>SEC’s Proxy Voting Advice Rule (July 19, 2022): [www.federalregister.gov/documents/2022/07/19/2022-15311/proxy-voting-advice](https://www.federalregister.gov/documents/2022/07/19/2022-15311/proxy-voting-advice).

<sup>3</sup>SEC September 20, 2022 Press Release “SEC Charges Investment Adviser with Violating the Proxy Voting Rule”: [www.sec.gov/enforce/ia-6139-s](https://www.sec.gov/enforce/ia-6139-s).

<sup>4</sup>BlackRock’s June 13, 2022 Press Release “BlackRock Expands Voting Choice to Additional Clients”: [www.blackrock.com/corporate/newsroom/press-releases/article/corporate-one/press-releases/2022-blackrock-voting-choice](https://www.blackrock.com/corporate/newsroom/press-releases/article/corporate-one/press-releases/2022-blackrock-voting-choice).

<sup>5</sup>Investor Democracy is EExpected Act or the INDEX Act, S.4241, 117th Cong. (2021-2022): [www.congress.gov/bill/117th-congress/senate-bill/4241?r=1&s=1](https://www.congress.gov/bill/117th-congress/senate-bill/4241?r=1&s=1).



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# Highlights from the 2022 proxy season

The 2022 proxy season was noteworthy for the overall decline in investor support for directors, say-on-pay, and shareholder proposals:

- 618 directors failed to attain majority support (104 more than in 2021). This was the highest level in over five years.
  - Support levels for say-on-pay proposals dropped to 86% on average, the lowest level in five years.
  - There were more shareholder proposals than at any time over the past five years and the average level of support fell to 34% this past proxy season, down from a record level of support in the prior year at 40%.
- Support for environmental and social proposals decreased to 30%, on average, this past season from 37% the prior season, after climbing steadily over recent years.

◦ Support for corporate political spending proposals decreased by four percentage points to 38%, on average, this past season from 42% the prior season.

In addition, we note the following trends:

- There are greater numbers of retail shareholders, but their voting participation remains relatively low (compared to that of institutional shareholders). As a group, retail investors owned 31% of the shares, but they voted just 29% of the shares they own. By contrast, institutional investors voted 82% of their shares.
- There continues to be a significant gap in voting sentiment between retail investors and institutional investors. For example, when it comes to shareholder proposals, retail investors cast 20% of their votes in favor—by contrast, institutions cast 34% of their votes in favor.



# Five-Year trends

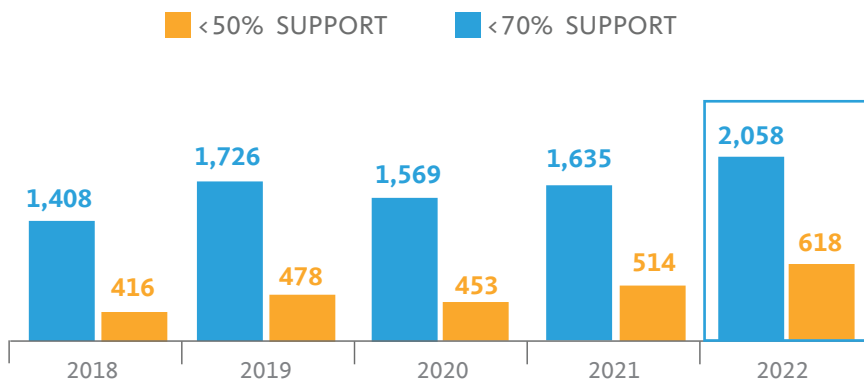


## DIRECTOR ELECTIONS

More directors stood for election this past season (24,102) than at any time over the last five years, and more of them also failed to attain majority support (618). Institutional investors cast 71% of their votes against these directors while retail shareholders cast 75% of their votes in favor.

Moreover, 2,058 directors failed to surpass the 70% support threshold that is closely watched by some governance advocates and proxy advisors. That is 400+ more than the prior year, and a five-year high. The decline in director support may be due in part to investors' displeasure with declining market valuations in 2022 as well as new voting policies at proxy advisory firms.<sup>6</sup>

### DIRECTOR ELECTIONS

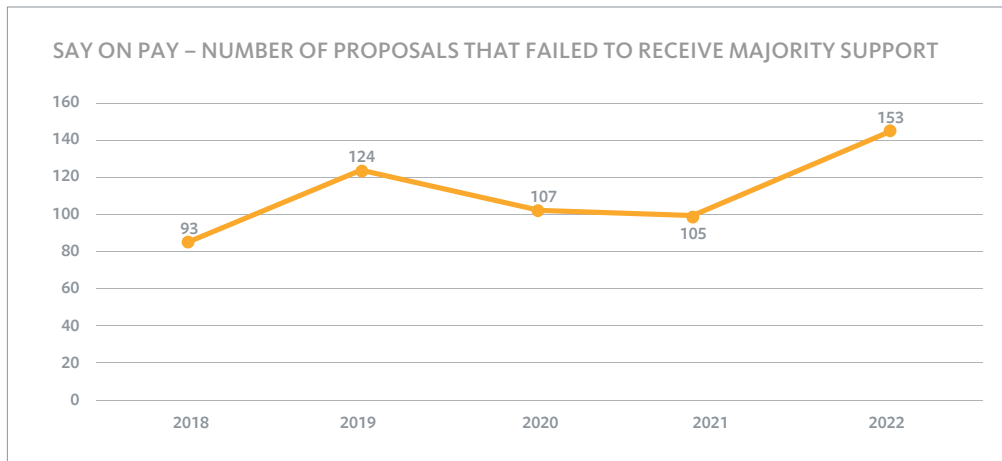


A total of 24,102 directors stood for election this past season. 618 failed to attain majority support.



## SAY-ON-PAY

Average support for say-on-pay proposals this past season dropped to 86%, the lowest level in the last five years. A total of 153 say-on-pay proposals failed to receive majority support, 46% more than the prior year. A closer look at the data shows that low support for say-on-pay correlates to low support for corporate directors. That is, 25% 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. The decline in support may also be due in part to updated proxy voting policies and to investors' displeasure with declining stock market valuations in 2022.



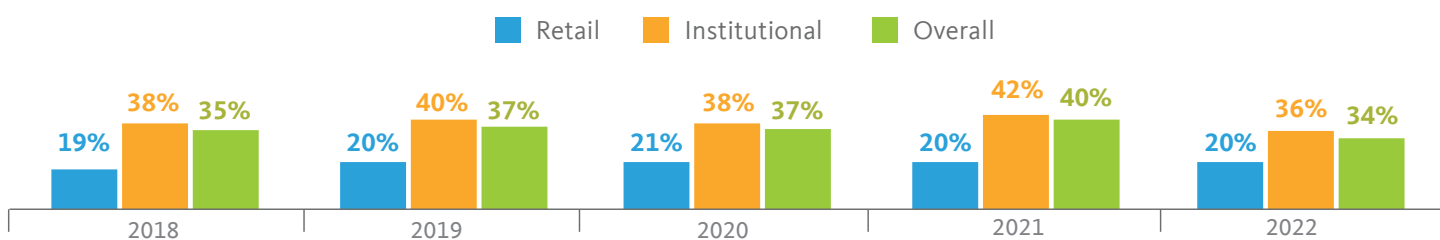
<sup>6</sup>ISS's Americas Proxy Voting Guidelines Updated For 2022": [www.issgovernance.com/file/policy/latest/updates/Americas-Policy-Updates.pdf](https://www.issgovernance.com/file/policy/latest/updates/Americas-Policy-Updates.pdf)  
 "Glass Lewis 2022 Policy Guidelines": [www.glasslewis.com/wp-content/uploads/2021/11/US-Voting-Guidelines-US-GL-2022.pdf](https://www.glasslewis.com/wp-content/uploads/2021/11/US-Voting-Guidelines-US-GL-2022.pdf)



### SHAREHOLDER PROPOSALS

The number of shareholder proposals submitted for a vote increased significantly to 510 this past season from 404 in the prior season. Overall, the average support was down from 40% of votes cast in favor in 2021 to 34% in favor in 2022. Institutional support declined to 36% in 2022 from 42% in 2021, while retail support has remained steady at 20%. The divergence between retail and institutional support levels is a factor in asset managers' interests in providing pass-through voting.

SHAREHOLDER PROPOSALS: PERCENTAGE OF VOTES IN FAVOR

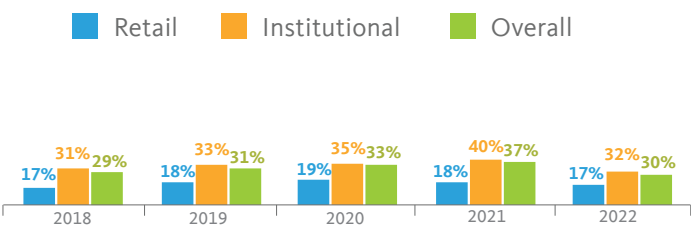


### ENVIRONMENTAL AND SOCIAL PROPOSALS

Overall support decreased

The number of environmental and social proposals increased this past season to 142 from 133 in the prior season. But overall support decreased by seven percentage points to 30% of the votes, on average, from 37% the prior season. This was driven largely by a decline in institutional support from 40% of their votes in favor in the 2021 season to 32% this past proxy season. Retail shareholders were nearly half as likely to support environmental and social proposals, as just 17% of their votes were in favor.

ENVIRONMENTAL & SOCIAL SHAREHOLDER PROPOSALS

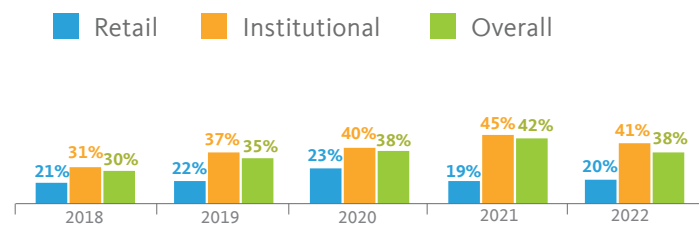


### POLITICAL SPENDING PROPOSALS

Overall support decreased

Overall shareholder support for corporate political spending proposals decreased by four percentage points to 38% on average this past season from 42% in the prior season. Institutional investors, at 41%, were twice as likely as retail investors, at 20%, to vote in support of political spending proposals.

POLITICAL SPENDING SHAREHOLDER PROPOSALS



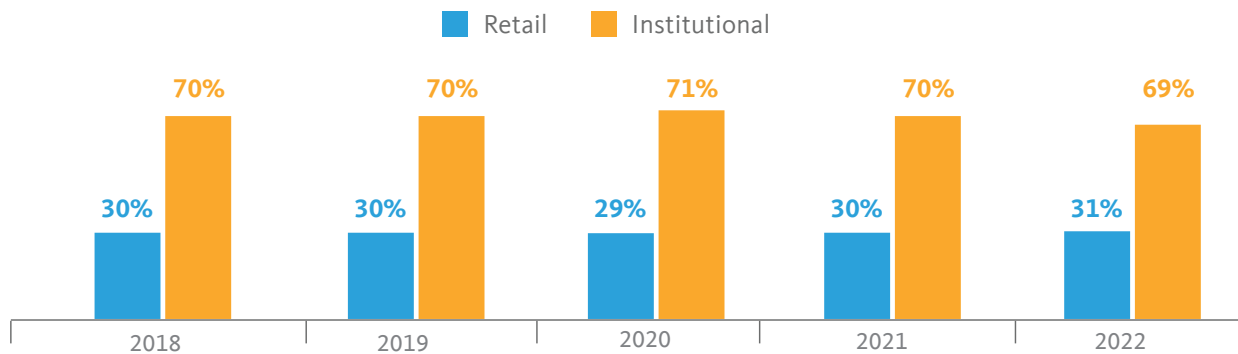
# There is an opportunity to further engage all shareholders

While more individual investors are entering the market, their voting participation has been stubbornly low.

## SHARE OWNERSHIP

More individual investors are entering the market. As a group, their ownership grew from 29% to 31% over the past two years.

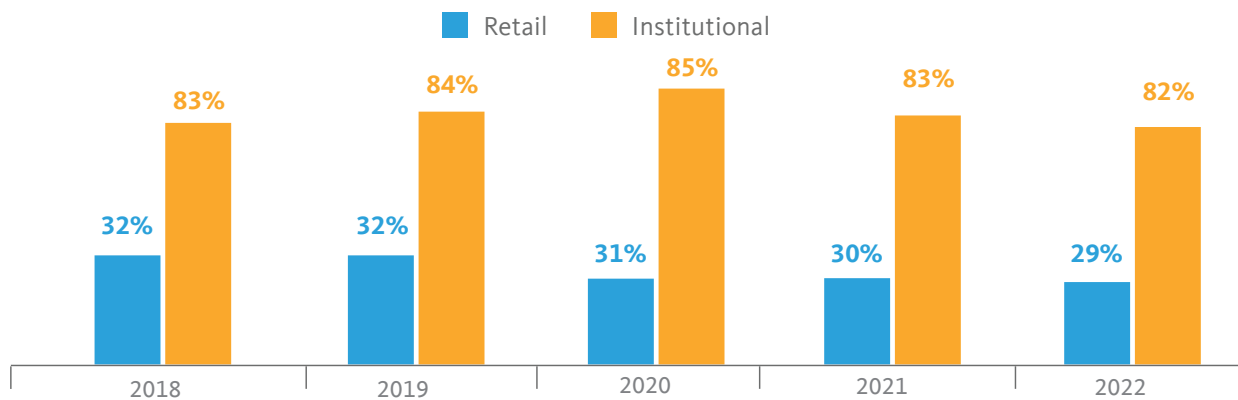
### SHARE OWNERSHIP



## SHAREHOLDER VOTING

As a group, retail investors voted 29% of the shares they owned in 2022, down from 32% in 2019. Voting participation by institutional investors, at 82%, was at its lowest level in five years.

### SHAREHOLDER PARTICIPATION





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.

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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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