



# THE COVID-19 IMPACT ON RETAIL VOTER TURNOUT

During the 2020 Proxy Season, proxy voting, like many things, was not impervious to the widespread impact the COVID-19 pandemic had, and continues to have, on our everyday lives. COVID-19 seemed to disproportionately affect the retail holder community, who are typically the most difficult shareholder demographic from which to solicit a vote. Based on Morrow Sodali's research regarding companies which had shareholder profiles with historical retail populations above the norm, and in cases where no additional solicitation measures were taken from the previous year, voting on non-discretionary items dropped on average 1-3% of the outstanding shares, with some issuers seeing drops of 4-5%. While this may not seem like an impactful number, these margins could have proven detrimental to the passing of proposals requiring a majority of the outstanding shares (or greater) in favor, or helping combat

negative voting from institutions, due to the tendency of **retail holders** to support management.

While there are likely a number of factors that can be attributed to drops in retail participation, one of the major contributors was the impact COVID-19 had on Broadridge Financial Solutions, which services over 90% of the brokerage community for mailing and voting needs. At no fault of their own and despite remarkable efforts to help issuers maintain their Annual Meeting timelines, with their operations located in Long Island, New York, which during the proxy season was the epicenter of the U.S. outbreak, Broadridge faced a multitude of challenges to their normal course of business. As the apex of infections peaked at the height of proxy season, at least in New York, Broadridge had to abide by state mandated on-site workforce reductions that signifi-

cantly limited the capacity for which proxy material could be delivered to shareholders. In order to adapt, they had to prioritize certain services at the temporary expense of others. As these delays materialized well into Annual Meeting timelines for many issuers, little could be done to change course. Outlined below are additional factors that likely aided in a lower voter turnout among retail shareholders this past proxy season:

- The biggest delays we saw were in the physical mailing of proxy material, which has a propensity to cater more to retail shareholders. Depending on when during the peak of the pandemic material arrived at Broadridge and other intermediaries from the financial printers, hardcopy mailings were often delayed beyond the usual five business days after receipt, causing shorter solicitation timeframes for shareholders to return their votes.
- Due to the prioritizing of Annual Meeting mailings, physical reminder mailings were often delayed and, in some cases denied, limiting issuers to send reminders only to those who receive proxy material electronically.
- For companies that utilized a Notice & Access mail method, the SEC allowed leniency on the typical 40 calendar day rule to mail notices, and the five business day rule for traditional package mailouts, which again, shortened the time holders normally have to respond.
- Additionally, fulfillment requests for Notice & Access mailings from shareholders wanting a physical copy of material were in many cases not being completed without significant delays.
- Some shareholders lived in different locations while in quarantine and did not receive proxy materials shipped to their home address.
- Due to unprecedented circumstances brought on by COVID, people likely were more concerned with physical, emotional and financial stress, and rightfully so, rather than focusing on voting proxies.

While lower vote turnout may have been true for the retail population of many issuers, the same cannot be said of institutional holders. Most institutional shareholders did not experience much of a lag in receiving their proxy material and voting information as they are typically set up to receive this via electronic platforms (email, ProxyEdge, etc.), which did not endure the same level of delays as physical mailouts. Many passive institutional investors have dedicated teams in place that handle all things governance and proxy related. These teams appeared to seamlessly adapt to the new realities COVID-19 swiftly brought upon us, from working remotely to dealing with the displacement of entire workforces. Greater efforts seemed to be made to allow little disruption in engaging with issuers and executing proxy votes in a timely manner. Despite dealing with extreme market volatility, even active investors where portfolio managers and analysts typically weigh in on voting decisions helped ensure their firm's vote was present. Advisory firms were also part of the equation in ensuring no slippage in institutional voting as proxy analyses were being released according to the typical timeframes (usually two weeks in advance of a meeting), as well as the automated voting of institutions who outsource voting implementation to these firms.

Although it is unclear what the future holds as we continue to battle COVID-19, all parties involved in the Annual Meeting process should be in a position to be better prepared moving into 2021. Building in contingencies when constructing your 2021 meeting timelines can help anticipate the unknown and provide flexibility, whether you increase the allotted time between your anticipated mailing and meeting date or consider additional solicitation strategies to ensure more normal participation from retail holders, all can help mitigate the potential COVID-19 impact. Nevertheless, we will continue to monitor how things unfold over the next several months and as we move into the 2021 Proxy Season.