

OPTIMIZER

PROVIDING STRATEGIC AND PRACTICAL ADVICE - AND MONEY-SAVING TIPS...SINCE 1994

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Through a combination of savvy strategic acquisitions and a continued focus on internal personnel growth and technological innovation, Morrow Sodali has been at the center of the most urgent and critical issues impacting corporations and the capital markets around the globe for the past 50 years.

And with the recent majority investment in March of 2022 from well-known private equity firm TPG Growth, Morrow Sodali is positioned better than ever to provide strategic advice and shareholder engagement services to clients around the globe and through all phases of the "Annual Corporate Cycle".

The *OPTIMIZER* interviews Adam Frederick, Global President to discuss 50 years of Morrow Sodali, the recent TPG Growth investment, what it means for clients, and where he sees the firm going from here.

Q: Morrow Sodali is celebrating its 50th Anniversary in 2022; what is that you want clients to know most about the firm and the services you provide?

Adam Frederick: I joined Morrow Sodali in July 2021 as Global President with the mandate to globalize the company and to provide our clients with the highest level of global expertise, but with a continued focus on local execution.

Our client roster has grown to over 1,000 corporate customers who look to Morrow Sodali as their holistic, trusted advisor for complex shareholder engagement issues. While proxy solicitation and annual meeting advisory

Adam Frederick
GLOBAL PRESIDENT



CONT'D →

within the local markets remain core to what we do, we are seeing a growing number of global mandates from our corporate clients as well, particularly around issues like ESG consulting and activism preparedness.

With 14 offices around the world and active business in 83 countries, Morrow Sodali is ideally positioned to service clients on both a global and local level. Our goal is to be known as the leading “Tech-Enabled Global Advisory Firm for Shareholder Engagement”and not just another data provider. We’re well on our way here and we continue to increase our market share, including being named number one in activism advisory in Refinitiv’s Activism Scorecard for 2021. Morrow Sodali is also ranked the number one global M&A advisor for 2021 and 2020 by Mergermarket and the number one U.S. M&A proxy solicitor for 2021 and 2020 by The Deal.

Q: Please elaborate on the 50 year anniversary theme of “Building Together”

Frederick: Our motto ‘Building Together’ carries two messages. First, it embodies a commitment to invest in the people, technology and services that will continue to promote innovative thinking and world-class advisory solutions. Second, it is a message to clients that Morrow Sodali provides a comprehensive, holistic solution for all the challenges companies face with respect to ESG (Environmental, Social and Governance), sustainability, corporate purpose and stakeholder engagement; and that our commitment to them is to enable a better understanding of the issues and trends most important to their stakeholders, in an effort to maximize value.”

Q: What does the recent TPG Growth private equity investment mean for Morrow Sodali and its clients?

Frederick: Morrow Sodali was already known as an industry leader in providing strategic advice and shareholder engagement services, but the recent investment from TPG Growth is a real “game changer” for our firm and our clients: Thanks to the breadth and depth of the TPG investment platform and their impressive roster of portfolio companies, Morrow Sodali is perfectly positioned to provide clients with a “bespoke” and holistic approach to their individual needs throughout the ongoing Annual Corporate Cycle. With the financial banking and support of a global leader like TPG, the sky’s the limit for what we can help our clients accomplish together.

Q: Can you elaborate on the “Annual Corporate Cycle”?

Frederick: For every publicly traded company, the Annual Corporate Cycle sets in motion a series of obligations that center on financial reporting, regulatory disclosures, shareholder communications, corporate governance, sustainability and board assessment. All of this prep work leads up to quarterly financial reporting and ultimately the annual shareholder meeting. But even further to that, there’s a never-ceasing narrative companies must work to communicate with their stakeholders throughout the entire year that goes above and beyond the compulsory financial reporting and board governance. We collaborate with our clients and advise them on these on-going issues, which is where we truly differentiate ourselves from others in the space.

The Annual Corporate Cycle resets the moment the annual meeting is over, so we stress the importance of “proactive preparedness” with our clients. We start preparing early to ensure a smooth and successful outcome to the following year’s annual meeting and take a 360 degree / 365 day a year holistic approach to be sure all bases are covered.



Bill Ultan, Managing Director
CORPORATE GOVERNANCE

Bill Ultan, Managing Director - Corporate Governance and Greg Reppucci, Senior Director - Sustainability and Corporate Governance, recap the 2022 annual meeting season and offer advice on how companies can best prepare for 2023 and beyond:

Q: Bill, it’s clear that managing relations with shareholders and the capital markets is a year-round job. What exactly are the services Morrow Sodali provides to clients?

Ultan: Morrow Sodali has been advising its clients using the holistic 360 degree/365 day a year approach that Adam referenced for well over 20 years. To navigate the Annual Corporate Cycle successfully, Morrow Sodali has assembled a comprehensive set of integrated services that cover corporate governance, sustainability, shareholder communication and engagement.

We stress the importance of managing the process on a continuum versus as a crisis and spend activity. We work closely with our corporate clients to plan and prep in the “off-season” to ensure a smooth “in-season” which culminates with the annual shareholder meeting.

Our services complement and work in tandem with our clients’ financial communications, investor relations and board evaluation programs. We ensure that (1) our clients are connecting with the right contacts at key institutions, (2) proxy, governance, and sustainability disclosures are addressing specific concerns, and (3) boards are making the most informed decisions possible.

Q: Bill, we saw well over 900 shareholder proposals in 2022, which is a huge number. What are your thoughts here, and any advice and expectations for companies as they prepare for the 2023 season?

Ultan: 2022 certainly saw a major uptick in the volume of shareholder proposals, mainly as a result of the SEC’s far less restrictive stance on the types of proposals that are appropriate for annual meeting agendas as well as a more emboldened group of proponents, but I stress that it is the results that matter for companies and not the number of proposals. Despite the increase in submissions, average support for many resolutions declined from last year due to many more prescriptive proposals, and we saw improved stability and predictability in institutional voting on several shareholder proposals. In 2021, we observed that many companies were blindsided by votes in opposition to board recommendations from large institutions with whom they had recently spoken. We believe many of these votes were motivated by the reputational risks investors tied to voting with boards on sensitive environmental and social resolutions, instead of basing their votes on the actual merits of the particular proposals. I also note that many companies with good outcomes did a better job of effective disclosure and early shareholder engagement.

Q: Greg, can you touch on some of the significant proposal trends you saw from the 2022 season?

Reppucci: The Election of Directors and Say on Pay continued to be used as vehicles for shareholders to express concerns with specific board decisions. Concerns with director time commitments (i.e., overboarding) led to material opposition for several nominees, and one-time retention grants and changes to existing performance grants triggered opposition to several Say on Pay proposals.

Back to the theme of a more stable 2022 season, we saw that asset managers were more pragmatic in their voting decisions versus in 2021, and companies seemed better prepared on the whole with more robust disclosures and more quality engagement with key investors earlier in the season.

Going forward, we expect climate and human-capital management proposals to continue to be prevalent, especially if pending disclosures are mandated by the SEC as expected.

Q: Activism seems to be on the uptick and contested situations are growing as well. Any advice here for companies as they prep for 2023?

Reppucci: A volatile stock market, coupled with areas of global unrest, make for a ripe environment for increased activist activity. Despite the lower levels of support on many shareholder proposals, activism was strong in 2022 and we expect similar levels, if not even more activism, next year - so proactive engagement with key shareholders is more important than ever.

Also, monitoring global current events has never been more important as many companies faced questions from investors during the 2022 annual meeting cycle concerning the war in Ukraine, foreign business activities, gun rights and other human rights issues. Many of these topics could turn into shareholder proposals for companies that do not address these issues head-on.

Q: Any final advice for companies as they prep for 2023?

Ultan: Develop a long-term strategy to connect with key voting decision-makers and ensure that public disclosures accurately and effectively present board thinking and decision-making as well as corporate practices and culture. We at Morrow Sodali are committed to “Building Together” - and we are widely recognized as the industry leader in providing outstanding strategic advice and highly successful shareholder engagement services for over 50 years.



Greg Reppucci, Senior Director
SUSTAINABILITY & CORPORATE GOVERNANCE