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Prepping for shareholder meeting season: key steps companies should take before launching their shareholder meeting

BY PETER CASEY

With the 2025 shareholder meeting season rapidly approaching, it is important for companies to be aware of the shifts in corporate governance trends. To that end, companies need to know not only which institutional investors own their stock but also how they behave. For example, do they outsource their voting decisions or are decisions made internally? And if decisions are made in-house, which teams own or participate in the voting decision – the investment team or the stewardship team?

Also, to muddy the waters even more, which institutions have loaned their stock out, thereby reducing their votable share position on record date? The effects of institutional investors loaning stock to short sellers is an often-overlooked analysis, especially for companies with large short positions in their stock.

To provide an accurate roadmap, there are key considerations, as outlined below, a company must undertake before finalising its proxy statement.

Analyse the shareholder base to determine who holds shares and how vote decisions are made
All companies should conduct a regular analysis of their shareholder profile to better understand the institutional and retail shareholders holding the company's stock. In today's business environment, companies need to know who owns their stock. Understanding the voting policies and trends of their investors and how best to engage directly with each of those shareholder constituencies is critical. A shareholder profile analysis is the key to accurately understanding who owns a company's stock.

Once a company knows the true institutional shareholders are, its proxy solicitor will help it understand the level of influence the proxy advisory firms, ISS and Glass Lewis, have on the company's shareholder base and alongside those investors that maintain their own, independent voting policies. This knowledge allows the company to determine where to focus its efforts, i.e., if someone strictly adheres to ISS, the company may decide it is not worth trying to engage with that investor.

A company can also determine if the voting decisions are made by the investment team, the stewardship team, or a combination of the two. In the event of a negative voting recommendation or vote, knowing the right group to target to try and override that voting opposition is critical. In many cases, the company's ongoing investor relations relationship can be invaluable, particularly around compensation or corporate action-related proposals.

Conduct a stock loan analysis
In today's market of diminishing management fees and intensifying competition, asset managers are placing greater emphasis on identifying alternative sources of revenue. Securities lending has emerged as a key driver, enhancing overall investment advisory and administrative fee income.

Every company, and especially those with a large, short interest in their stock, should conduct a stock loan analysis to identify the top institutions lending out shares and assess how this impacts the votable share positions ahead of its annual stockholder meeting. This analysis helps ensure accurate understanding of voting dynamics and highlights any potential reductions in voting power caused by this practice. For example, a large institution like Vanguard or Blackrock might report a significant stake in a company's stock. However, since they both actively engage in securities lending, a portion of those shares could be out on loan and are not eligible to vote. This effectively reduces the voting power of that institution on its reported position. This can negatively affect a proxy solicitation campaign, as the anticipated number of votes may be significantly reduced, requiring efforts to secure additional votes from other investors. To be effective, this type of analysis should be done on a regular basis and well in advance of a meeting's record date.

Check whether a director may be vulnerable to a negative vote
Companies should conduct a review of their institutional investor's voting guidelines to determine if a director nominee will run afoul of issues such as gender diversity, being over-boarded or lacking sufficient disclosure. Doing so helps mitigate potential surprises well before the voting starts. It also gives the opportunity to inform the company's board about any potential concerns. In addition to proxy policy votes against directors, many shareholders are increasingly using an against vote on directors to effect change.

Communication is key. Companies that regularly engage with their investors are ultimately the most successful at preventing or navigating voting opposition to their directors and other important ballot items.

If presenting a new equity plan or amending an existing plan, do the homework well in advance of filing the proxy statement
In addition to shareholder analysis, companies should review the factors that shareholders and the proxy advisory firms use to evaluate

equity plans, such as burn rate and overall voting power dilution. It is important to compare these factors to the voting policies of the company's top investors and the proxy advisory firms. In addition to more quantitative metrics, investors also look at a plan's qualitative features. For example, is the plan broad-based or does it have an evergreen provision? Companies should provide a narrative around why its compensation programmes are effective and work well to enhance shareholder value. In addition, they should include context around the business strategy and how compensation programmes drive the company forward. This will help maximise the chances of a successful voting outcome.

Do not forget retail investors

Even if retail investors do not represent a sizeable percentage of a company's shareholder base, they can be a source of voting support when the company is faced with a challenging vote. In a close vote, retail shareholders who have been solicited by a proxy solicitor are likely to be the difference maker that pushes a proposal over the finish line.

It is not unusual to see a 10 percent against vote on a controversial proposal. To overcome that 10 percent, a company would need about 30 percent (a three to one ratio) of the outstanding shares represented in registered and non-objecting beneficial owner shares to bridge the gap. When solicited by a proxy solicitation agent, retail votes generally come in supporting management at a nine to one ratio.

Preparation is key

Shareholder meetings are no longer a routine, three-month event. Companies need to prepare well in advance with their proxy solicitor to ensure proper shareholder engagement and shareowner analysis campaigns have been conducted.

With the help of a proxy solicitor, it is possible for companies to know who their shareholders are, understand their voting patterns and correctly forecast the voting outcome before the proxy statement is even released. ■

Peter Casey is the chief operating officer, US at Alliance Advisors. He can be contacted on +1 (732) 737 5738 or by email: pcasey@allianceadvisors.com.