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A Look at Retail Shareholders and Other Results from the 2016 Proxy Season

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73% of the shareholders at large-cap companies and 77% of those at mid-cap companies are institutional investors, according to the latest edition of *ProxyPulse*, a joint publication by Broadridge and PwC that examined 4,200 annual meetings held between January 1 and June 30, 2016. But retail investors play an important role in contested issues, and they tend to side with the company. During the 2016 proxy season, only 15% of retail shareholders supported proxy access shareholder proposals compared to 60% of the institutions that voted.

An analysis of retail shareholders found some interesting differences relative to the U.S. population. Only 20% are less than 40 years of age compared to 31% of the overall population, and 22% have graduate degrees, 11% more than U.S. residents as a whole. Not surprisingly, retail shareholders are better off economically, with 8% having income greater than $250,000 and 91% being homeowners, compared to 3% and 75% of the general public, respectively. Notably, given the election year, retail shareholders are more likely to be registered as independents than the U.S. population (18% compared to 12%). About 14% are not registered, compared to 32% of the public; 38% of retail shareholders are registered as Republicans vs. 31% as registered Democrats.

The report also studied the results of director elections this past season. One reason that directors have come to expect high marks is because 82% of directors obtain more than 90% of favorable votes. As is always the case, very few directors receive less than majority support, with only 1.7% of the more than 22,000 directors being voted on, which equates to 382 individual directors at 173 different companies. However, an additional 8% saw low support levels of between 50% and 70%.

As 2017 approaches the six-year anniversary of the say-on-pay vote, large-cap and mid-cap companies continue to average about 90% of votes in favor, although 11% of companies did not meet 70% approval thresholds. Say-on-pay challenges may strike repeatedly, as 42% of the companies with less than 70% support last season had the same results this year.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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