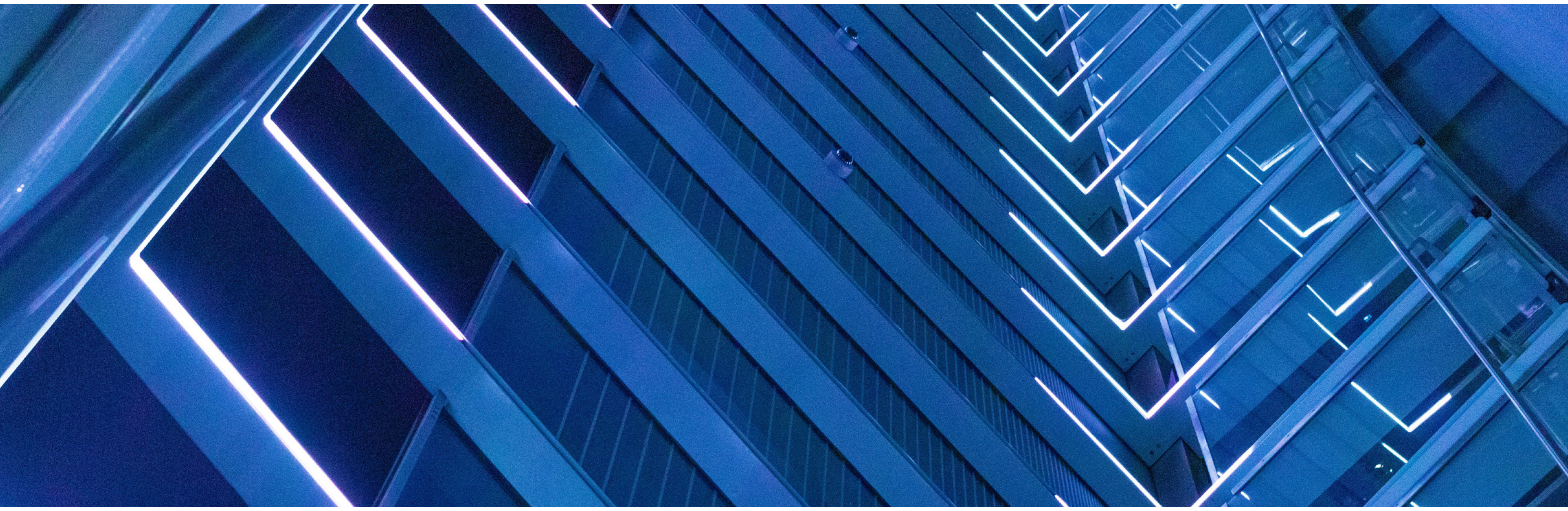


2024 Corporate Issuer Playbook

Cathy Conlon, *General Manager, Disclosure Services*

The corporate issuer landscape is shifting fast. One regulatory ripple can trigger a tidal wave of change. So, what's happening now—and what's on the horizon? This article provides a rundown of the latest trends around SEC disclosure, ESG, and proxy voting that will shape 2024 and beyond. Below you'll find practical insights to help you navigate new regulations—and more effectively engage stakeholders.

Let's jump in.

HOW THREE KEY SEC DISCLOSURE REQUIREMENTS CONTINUE TO EVOLVE

Cyber-incident disclosure

Effective December 2023, the SEC's new cybersecurity incident disclosure requirements mandate public issuers to disclose material cybersecurity incidents within 4 business days of discovery. In addition, companies must now annually disclose information about their cybersecurity risk management, strategy, and governance. The aim is to provide investors with consistent, comparable, and decision-useful information regarding a company's exposure to cybersecurity risks and its management strategy.

iXBRL disclosure

In August 2022, the SEC introduced the Pay Versus Performance (PVP) rule. This requires detailed disclosure of compensation for Principal Executive Officers (PEO) and Named Executive Officers (NEOs). This rule mandates a table showing executive pay against company performance, with emphasis on actual compensation versus key financial metrics, and requires these details to be marked in iXBRL.

In addition, two new disclosure rules are now in effect:

Compensation Clawbacks. Following the Dodd-Frank Act, the SEC's Clawback Rule mandates the recovery of improperly awarded compensation if financial restatements occur. Such adjustments must be disclosed in the Summary Compensation Table, affecting reported figures and requiring iXBRL tagging for clarity and compliance.

Rule 10b5-1 Revisions. Enhancements to Rule 10b5-1 address potential insider trading abuses by demanding more transparent disclosures on insider transactions. These include detailed reports on equity awards and their timing relative to significant non-public information, with all related disclosures in proxy statements tagged in iXBRL for improved transparency.

Climate-related disclosures

Finally, in March 2024, the SEC approved new rules for public companies that aim to standardize reporting on climate-related risks. Key regulations include:

Mandatory GHG emissions reporting. Disclosure of direct (Scope 1) and indirect (Scope 2) emissions are to be "phased-in" and only apply to large accelerated filers and accelerated filers.

Financial impact disclosure. Reporting on how climate risks materially affect the company's financials.

Risk management. Describing the identification, assessment, and management of climate risks.

ESG INSIGHTS: NAVIGATING THE SHIFTING WINDS OF ESG

Given the ongoing dialogue in popular media, some asset managers are rethinking how they talk about ESG because there's currently a lot of confusion. And ESG often conflates several factors that aren't necessarily related—or necessarily material to financial performance.

Michelle Edkins, Managing Director, BlackRock said the asset manager is solely focused on business-relevant factors in its stewardship activities. She highlighted that its stewardship team talks about "material sustainability-related risks and opportunities in a company's business model," when it engages with companies.

The goal is to underscore that sustainability-related analyses always aim to evaluate future financial performance and potential returns—which is consistent with fundamental principles of investment analysis.

One might, for example, assess potential risks that stem from climate-related threats or disruption. Or one might uncover potential long-term opportunity that may stem from, say, sustainable technology or expanding markets. In either case, the goal is to understand financially material risk and opportunity.

For these reasons, issuers should try to be as precise as possible when talking about sustainability.

"It's important to clearly delineate when you're talking specifically about financial materiality versus when you're talking about morally or socially conscientious practices that may be unique to your brand, mission, or company values."

CATHY CONLON
GENERAL MANAGER, DISCLOSURE SERVICES

INVESTOR INSIGHTS: SHAREHOLDER DEMOCRACY STILL MATTERS

Pass-through voting is gaining momentum

Pass-through voting continues to garner interest among asset managers and the financial services industry more broadly. Pass-through voting is a practice that seeks to democratize proxy voting by giving both retail and institutional fund investors a say in the governance of the equities underlying their funds.

"The idea of pass-through voting emerged in response to the growing influence of passively managed funds and the desire among investors to have a greater say in corporate governance."

DANIELLE GURRIERI
VP PRODUCT MANAGEMENT, BANK BROKER-DEALER SOLUTIONS

Asset managers like BlackRock and fintech innovators like Broadridge have been leading the way to experiment with solutions to capture investor voting policy preferences. This way, investors can influence votes without needing to vote every single proxy. The Broadridge pass-through voting tool has been used by asset managers to create competitive differentiation for themselves when going out for client RFP.

We have also seen growing interest in offering policy-based pass-through voting for institutional and retail investors. Some asset managers will continue to take a pilot-based approach, while other large asset managers have chosen to roll this out to a vast majority of their funds.

The journey toward pass-through voting illustrates the financial industry's commitment to empowering investors. And so far investor feedback has been positive. Though work remains to streamline the process for broad adoption.

Virtual Shareholder Meetings (VSMs) are now ubiquitous

Broadridge recently hosted its 10,000th Virtual Shareholder Meeting, marking a significant milestone and cementing a clear trend in the industry.

"VSMs are not just a temporary solution, but a permanent fixture in corporate governance."

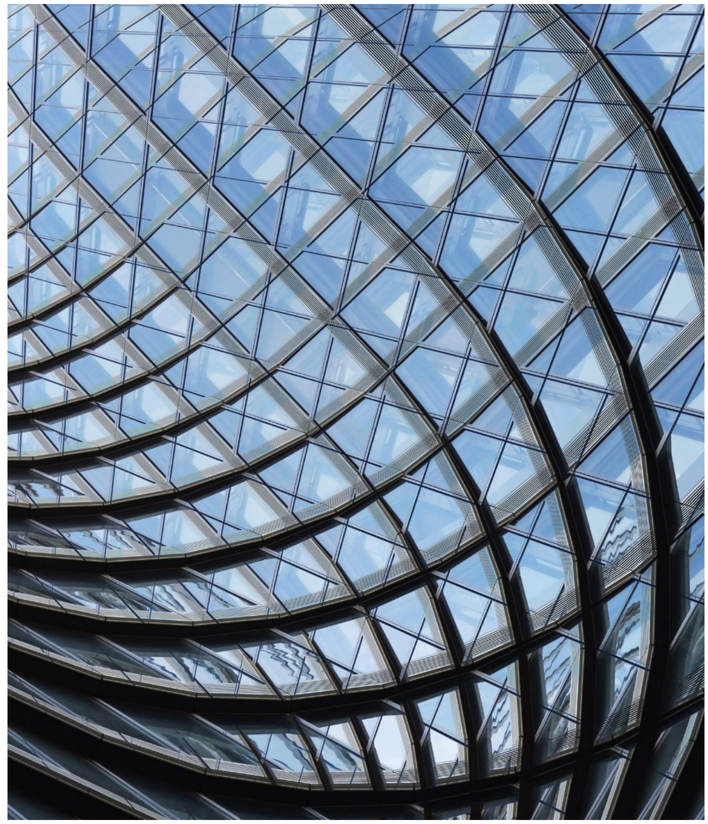
WILLIAM KENNEDY
VP PRODUCT, CORPORATE ISSUER SOLUTIONS

The adoption of VSMs, especially pronounced in the last three years, underscores their growing popularity among issuers and shareholders alike. The COVID-19 pandemic accelerated this transition, showcasing VSMs as not only viable but essential for maintaining corporate governance continuity. Companies now favor VSMs for their efficiency, security, and the convenience they offer shareholders, making participation in the governance process more accessible than ever.

"VSMs have democratized shareholder participation by removing physical barriers," said Kennedy. Shareholders can now join meetings, engage with the board, and vote from anywhere, simplifying the decision-making process for all involved.

This ease of access is crucial for issuers aiming to achieve their proxy voting goals, particularly concerning board approvals. By facilitating broader participation, VSMs help ensure that shareholder voices are heard and included in critical corporate decisions.

Moreover, the shift towards VSMs aligns with the broader trend of increasing scrutiny on corporate governance practices. As shareholders demand more say in the companies they invest in, VSMs serve as a key tool for companies to engage effectively with their investor base. By embracing VSMs, companies not only streamline their governance processes but also reinforce their commitment to transparency, inclusivity, and shareholder rights.



NEW CHALLENGES ARE CREATING NEW OPPORTUNITY

The corporate governance landscape is rapidly evolving, driven by increased investor scrutiny on issues such as climate change, shareholder participation, and corporate transparency. Issuers must prepare to face these challenges by focusing on long-term sustainability and proactively engaging stakeholders.

But adapting to change is not merely about regulatory compliance. It's also about corporate strategy, capitalizing on opportunity, and forging pathways to create value in a rapidly changing environment.

Technology will continue to play a pivotal role. Platforms like the Broadridge VSM have transformed how companies communicate with investors, enhancing transparency and engagement. These technologies aren't just tools, but essential components in building trust and facilitating effective governance.

The emphasis is clear: Companies must adapt proactively to regulatory changes, integrate ESG into their core strategy, leverage technology for improved engagement, and prepare for increased investor scrutiny.

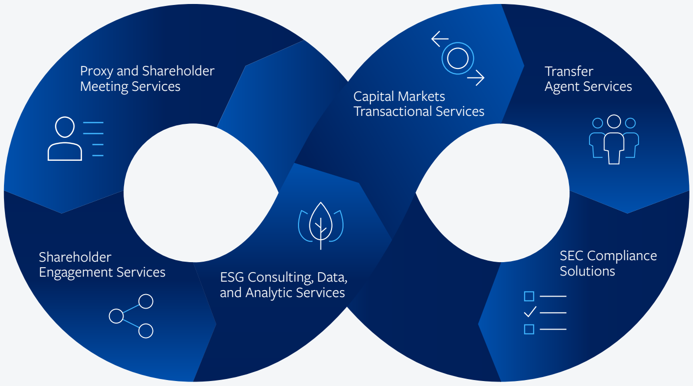
Let's talk

For more than two decades, Broadridge has been an industry leader, bringing innovative solutions to corporate issuers. We're ready with data, technology, and real-world expertise. So, you can proactively engage stakeholders—and stay ahead of the curve. Reach out to your Broadridge representative today.

Count on Broadridge

We drive business transformation with solutions enriching client engagement, navigating risk, optimizing efficiency, and generating revenue growth.

Our end-to-end integrated solutions simplify workflows, provide budget clarity and deliver results. Every day, corporate issuers and law firms rely on us to drive innovation and accountability for their investor and shareholder communications and regulatory disclosures.



Broadridge Financial Solutions (NYSE: BR), a global Fintech leader with over $6 billion in revenues, provides the critical infrastructure that powers investing, corporate governance, and communications to enable better financial lives. We deliver technology-driven solutions that drive business transformation for banks, broker-dealers, asset and wealth managers and public companies.

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