CORPORATE ISSUER

Unlocking the future of investor relations

Leveraging insights for enhanced shareholder engagement.

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Introduction: The changing picture of investor engagement

The landscape of investor relations is evolving. Corporate issuers have never been under so much pressure to improve transparency, engagement and governance. To meet these demands, issuers will need more than the traditional communication tools they have relied on; today, they require deep insights into investor behaviour, voting patterns and ownership structures, as well as a means to tailor communications with far greater personalisation.

The good news is that innovative technologies make this possible. By focusing on data-driven decision-making and leveraging artificial intelligence, issuers can gain a comprehensive understanding of shareholder preferences, build more constructive relationships with them, and predict meeting outcomes with much greater certainty.

Why is now the moment to explore these solutions? In fact, there are multiple drivers for change.

First, compliance requirements are moving quickly. In the UK, the Financial Reporting Council's latest update to the UK Corporate Governance Code includes much more demanding provisions on reporting: it requires, for example, issuers to focus on outcomes in their disclosures[1]. Other countries are pursuing similar reforms. In Europe, for example, the European Commission's Sustainable Corporate Governance initiative[2] has led to regulation such as the Corporate Sustainability Due Diligence Reporting Directive[3] and the Corporate Sustainability Directive[4]. Further afield, Japan has made changes to its Stewardship Code[5] to promote the transparency of beneficial shareholders.

Similarly, the environmental, social and governance agenda continues to gather pace. Investors are determined to hold corporates to account on a broad range of issues – they want much richer disclosures on ESG performance, requiring issuers to be more transparent and to identify key concerns.

It's also the case that the shareholder base has changed. Many issuers now have more international share registers than ever before. Retail investors are more likely to be pursuing direct relationships with issuers. Institutional investors vary enormously. Effective engagement with different types of investors – and understanding their distinct needs and preferences – is increasingly challenging.

Meanwhile, shareholder activism is also on the increase. In the first half of 2024 alone, activism surged 29% above its average over the past five years, with hundreds of issuers targeted by activist investors[6]. Issuers need much stronger – and better informed – connections with shareholders to avoid these campaigns and to face them down when they do occur.

Cost is also part of the story. As companies step up their investor relations work, technology solutions help them to streamline and simplify their processes, reducing the expense of additional engagement work.

Opportunity knocks. Issuers face challenges on multiple fronts, but a determined focus on shareholder engagement and communication will deliver many benefits. A technology-driven approach to that goal will help issuers unlock much more positive, enduring and supportive relationships with shareholders.

In this white paper, we aim to shed light on the path forward, where dynamic corporate governance and innovative shareholder engagement can combine to drive excellence and sustainability.

Maria Siano
General Manager, Corporate Governance Data and Insights,
Broadridge

Understanding the power of data in investor relations

While positive investor relations rely on human skills, the ability to build constructive working collaborations with key stakeholders, managing shareholder relationships at scale, is demanding. However, investor relations professionals are increasingly harnessing data and data analytics tools to forge stronger connections with their shareholders.

"Leveraging modern data tools and advanced analytics allows issuers to deeply understand shareholder demographics and preferences, enabling personalised communication strategies that enhance transparency and trust," says Maria Siano, General Manager, Corporate Governance Data and Insights, at Broadridge. "This tailored approach strengthens relationships, aligns with shareholder values, and promotes long-term loyalty through innovative solutions and streamlined services."

For example, tools that provide analysis of shareholders' previous voting decisions offer crucial insights into their behaviours. This data can be segmented by shareholder group – retail versus institutional, say, or domestic versus international – as well as by investor strategy or issue. It can also be combined with external data, such as demographic context, to deliver richer insights.

Predictive analytics tools leverage these insights to enable issuers to assess how shareholders will vote on future resolutions, or where particular concerns and issues have the potential to cause problems. Different sets of shareholders may take very different views.

This level of insight puts boards in a powerful position to work more effectively with their shareholders, identifying those groups where more active engagement and tailored communications may be important to win hearts and minds. It is also possible to target the most supportive groups with communications designed to ensure they vote on crucial resolutions.

One particularly valuable data source in this context is proxy voting. Proxy voting data is emerging as a powerful engagement tool and beyond serving as a reflection of shareholder sentiment, proxy voting records now provide issuers with valuable behavioural data that can be analysed to detect shifting investor priorities, governance expectations, and engagement trends over time. Integrating proxy trends into broader analytics frameworks enables companies to forecast support patterns and craft more targeted investor engagement campaigns.

Today's market environment is more complex and nuanced than ever, with investors focusing on different issues, taking different attitudes to confrontation, and often working in concert on common interests. Equally, however, issuers have never previously had so much access to data, including public market data, proprietary data such as web analytics and information about previous investor interactions, and a wide array of other data sources. By combining and interrogating these data points, issuers will be in a far stronger position to hold more meaningful and relevant interactions with their shareholders.

Data visualisation and analytics dashboards provide investor relations teams with a way to look through this data more clearly, making it easier to turn information into actionable insight. This insight will support the issuer with its investor communications strategy – as well as informing behaviours and public statements across the whole organisation.

Moreover, this isn't just a one-off exercise. The constant flow of data provides issuers with a means to assess the effectiveness of their response on an ongoing basis – and to make changes that will optimise their work with shareholders.

Importantly, this should not be seen as an exercise in stage management designed purely to head off a confrontation with investors. Rather, companies that have a deeper understanding of what matters most to their shareholders, and are alive to their concerns and anxieties, will be in a stronger position to manage their organisations in the interests of all stakeholders.

It makes sense to start with the basics. Issuers should ask themselves:

- **What are our objectives?** Investor relations teams need to be clear on why they require more data. Is it about, say, improving understanding of investors, predicting trends in the market, automating communications, or informing broader corporate strategy? Perhaps it is a combination of all of these.
- **What data do we therefore need?** The issuer's objectives should define what data it is relevant to collect (and which data to ignore). This will then determine how and where data is sourced.
- **Can we analyse the data?** Information, in itself, is of little value. Issuers need the right tools with which to analyse data – to turn it into actionable insight.

Enhancing shareholder engagement through AI and analytics

Artificial intelligence (AI) has already begun to have a significant impact in investor relations – and this will accelerate. Issuers are currently using AI tools to power everything from automated reporting to investor sentiment analysis. New applications, such as automated shareholder identification reports, are now under active development.

The potential to quantify and optimise engagement with shareholders is one stand-out opportunity. Tools that enable issuers to monitor user engagement and to analyse how content is being received by shareholders can be immensely powerful. Engagement benchmarking platforms – providing data on the behaviours of shareholders, analysts and other market participants – are evolving quickly. These allow issuers to assess not only their own performance in terms of shareholder perceptions and sentiment, but also how that compares with that of others.

Building on the insight generated by these tools, issuers can create content for shareholders that is much more carefully crafted – with AI tools again doing much of the heavy lifting. Data-driven communication strategies deliver personalised messaging to distinct groups of shareholders, or even individuals, rather than relying on a one-size-fits-all approach to communications. This substantially increases the chances of positive engagement.

Moreover, these tools enable a much more iterative approach to investor relations – each new initiative and campaign can be assessed for its effectiveness, with issuers able to evaluate which messages resonate particularly strongly, as well as which digital channels and delivery methods are securing the greatest traction. This analysis informs the next campaign.

Investor relations teams are also increasingly tapping into external data sources to identify shareholder concerns and assess investor sentiment. It is possible to constantly interrogate multiple sources to explore what shareholders – and the broader market – are saying about the business, how its performance is being judged, and the impact of specific announcements or incidents. It is then possible to make proactive decisions about how to engage.

The increasing activism of retail shareholders adds to the imperative; until recently, retail investors often failed to engage, or to cast their votes, often because their stakes were held via online platforms or through collective funds. However, initiatives in both Europe and the US aim to ensure more power is passed through to retail investors in this position. Technology is evolving fast to give investors more voice on how asset managers vote the proxies on the equities held in their funds.

"AI is transforming shareholder engagement by providing predictive insights, personalised communication and real-time sentiment analysis. This empowers investor relations teams to more effectively anticipate and address shareholders' needs by leveraging diverse external data sources, including social media, financial news, market data, and research."

– Maria Siano

Proxy voting data also plays an increasingly important role in enabling more effective, forward-looking engagement. When integrated into AI-driven analytics platforms, proxy voting patterns can be combined with sentiment analysis, engagement history, and external data sources to identify emerging risks, priority issues, and shareholder groups requiring earlier or more tailored outreach. This enables issuers to move from reactive engagement to proactive campaign design, strengthening alignment with investor expectations and improving support ahead of key resolutions.

Increasingly, market trends require issuers to work harder to engage with their retail shareholder base – to understand their preferences and concerns, which may be very different to those of the institutions with which they are more used to working. Tapping into data on retail investors' demography, their voting habits and their views and beliefs is therefore important. Tools that parse issuers' own data for such insights are useful, but AI can also be used to study external data sources, including social media.

However, it is also important to proceed with caution – and with support from technology specialists. Amid the hype around generative AI, human oversight plays a crucial role.

Simplifying cross-border engagement and governance

Issuers have international shareholder registers. In the UK, for example, 57.7% of shares in publicly listed companies were owned by overseas investors at the end of 2022 (the most recent data available)[7]. Engaging with investors – and ensuring governance structures are fit for purpose in the context of the international shareholder base – can be challenging, but technology has a growing role to play in supporting such work.

Most obviously, digital communications channels now make keeping in touch with overseas shareholders more straight-forward and less costly. Similarly, virtual meetings and online voting can drive increased participation from even those shareholders based in the most far-flung locations.

In addition, however, engagement tools increasingly provide a means through which to navigate the complexities of managing different audiences. For example, they can automatically guide investor relations teams towards approaches that respect the regulatory – and cultural – differences between geographies.

This is important work that currently requires manual intervention. In particular, the different regulatory environments in international jurisdictions require very different approaches to disclosure and corporate governance, as well as to proxy voting. Tools that incorporate these differences as shareholders are served information and content can save time and resources.

Similarly, cultural differences can catch investor relations teams out – communication styles, business practices and investor expectations can vary enormously between countries, putting organisations at risk if they adopt a one-size-fits-all approach. This may even lead to misinterpretations of financial information and other key corporate disclosures.

Market practices also vary enormously. Shareholders in some countries may expect much more frequent updates and reporting than peers in others, for example. Ownership structures may be very different, making it difficult to identify the right investors or proxies to communicate with.

Investor relations tools won't necessarily deal with all these nuances. But they can offer additional support, reducing manual workloads. And where corporates are able to communicate in a way that meets cross-border investors' requirements and expectations, the chance of positive engagement increases.

Moreover, data and analytics tools can be used with this segment of the shareholder base, just as they can with domestic investors. They provide constant feedback on the behaviours and views of these shareholders – and broader perspectives from international markets – enabling the business to tailor its messaging accordingly.

Simplifying shareholder engagement provides all investors, including those in international jurisdictions, with a clear understanding of a company's strategy, enabling them to make informed decisions that align with their financial objectives. This clarity allows them to effectively track investment performance, manage risks, and interact with issuers to impact corporate governance and policy, just like their peers in the issuer's home country.

"Navigating the complexities of international shareholders requires the overcoming of language barriers, adhering to diverse regulations, and respecting cultural nuances," says Broadridge's Maria Siano. "Whether through a bespoke approach or a standardised strategy with local adaptations, striking a balance between efficiency and customisation is key to building lasting relationships and trust."

ESG integration: aligning investor relations with shareholder values

Shareholders' focus on environmental, governance and social (ESG) issues continues to intensify. Research reveals steady growth in the number of ESG-related proposals put forward by investors in recent years[8]. With groups such as Share Action co-ordinating the activities of investors to launch a string of ESG campaigns[9], this growth is set to continue. Meanwhile, there is also a constant stream of requests to deal with from investors for ESG data and insight.

It is, therefore, crucial to be well-equipped to deal with ESG matters in the context of investor relations. That requires issuers to have robust internal systems and processes for monitoring ESG issues and collecting data, as well as tools that enable them to report and disclose that data to third parties, including their investors.

"Technology plays a pivotal role in this process, enabling issuers to efficiently collect, analyse, and report ESG metrics while meeting evolving disclosure requirements," says Broadridge's Maria Siano. "It enables companies to engage shareholders with dynamic, data-driven insights that highlight progress on ESG initiatives."

Areas where new technology has a role to play include:

- **Data collection and analysis.** Tools leveraging machine learning and artificial intelligence enable automated data collection from multiple sources within organisations. This data can then be organised into standardised formats under frameworks such as the Global Reporting Initiative and the Sustainability Accounting Standards Board. The data can also be validated through tools that identify errors and inconsistencies; analytics and visualisation tools make it easier to interrogate the data to assess ESG performance.

Case study: How Microsoft collaborates with stakeholders through technology-enabled engagement[10]

Microsoft, one of the world's leading technology companies, recognises the significance of stakeholder engagement in driving progress toward sustainability objectives. The company uses digital platforms such as the online portal of the Global Reporting Initiative, which enables stakeholders to access and provide feedback on Microsoft's ESG initiatives. This collaborative approach ensures Microsoft's continued accountability for its actions, while enhancing its overall sustainability performance.

- **Reporting accuracy.** Shareholders expect issuers to provide ESG data that is accurate and complete. Tools that create an audit trail through the reporting process are useful here, with help also available from external assurance providers. Integrating ESG metrics with financial reporting systems makes it possible for issuers to align their ESG disclosures with financial reports.

- **Collaboration and engagement.** Tools such as real-time communication software and cloud-based platforms ensure different teams have access to relevant documents. Engagement with shareholders and shareholder groups ensures that reporting meets investors' expectations, in line with the focus on governance in ESG.

Other useful technology developments include benchmarking tools that enable issuers to assess their ESG performance against that of their peers – and therefore to assess the likely perceptions of investors. These tools are able to extract insight from sources such as company ESG reports, corporate websites, proxy statements and regulatory data.

Against this backdrop, issuers need to make sure they don't lose sight of their narrative to shareholders. Building an open and honest story on ESG, backed by data, that aligns with the values of investors, will enable companies to work constructively with stakeholders rather than get bogged down in confrontation.

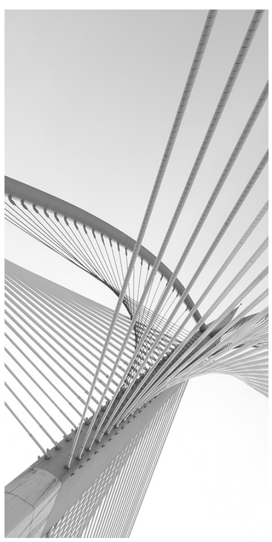
Future-proofing investor relations for long-term success

While a broad range of new tools and technologies provide investor relations teams with exciting new possibilities, people will need to be strategic about investment and implementation. A piecemeal approach based on a series of point solutions may not deliver all the hoped-for benefits. Problems with integration and compatibility – particularly in relation to data – may prove restrictive. It may also prove challenging to update the technology stack as new solutions become available.

The alternative is to take a platform approach, through a unified solution. The aim here is to secure access to a modular set of tools for shareholder management, regulation and compliance, and communications. Such a solution provides a "single source of the truth" when it comes to data, enabling investor relations teams to maximise the actionable insight they generate from analytics tools – and therefore to serve and engage shareholders as effectively as possible.

This approach provides clear future-proofing benefits, with new tools on the platform available as they are developed and launched. This agility is important given the rapid evolution of technologies such as AI.

Moreover, the direction of travel in corporate governance is very clear. Boards are under pressure to improve shareholder engagement as part of a broader trend towards stronger governance standards. The imperative to improve and broaden interactions with shareholders – to understand their perspectives, address concerns and align corporate decisions with shareholder interests – is only going to intensify.



"As the landscape of investor relations continues to evolve, issuers should prepare for a future shaped by advanced tools and technologies designed to enhance transparency, engagement, and efficiency,"

– Maria Siano

There is a payback for acting on that imperative. By using technology to engage more directly with shareholders and to reach more shareholders, companies will secure a much more nuanced understanding of investor expectations, governance preferences and areas of focus. They will also be in a stronger position to make their case – to craft a narrative that secures support from key groups of shareholders on both individual issues and broader strategy.

Building this sort of constructive relationship – leveraging data and insight, communicating effectively, and improving access – will enhance shareholder value and foster long-term shareholder loyalty. By contrast, issuers falling short on engagement are more vulnerable to conflict and dissatisfaction, increasing reputational risk and potentially distracting management and the board.

Indeed, a series of studies suggest positive engagement can help issuers to protect and maintain their long-term value[11]. They make a compelling case for modernising investor relations – the returns on such investments are potentially significant.

"We see an increasing role of AI and machine learning in predictive analytics, helping issuers anticipate investor behaviour and sentiment. Innovative solutions for proxy voting and shareholder engagement are also becoming more prominent, driving trust and accountability," says Broadridge's Maria Siano.

Conclusion: Advancing investor relations

Issuers that build stronger engagement with a broader group of shareholders can look forward to more enduring relationships with their investor base. That is particularly important in the context of the decline in average holding periods in recent years. In the US, the average stock is now held by a typical investor for only five and a half months, down from more than five years in the 1970s[12]; in the UK, one study found average holding periods have fallen to around 10 months, compared with almost 10 years in 1980[13]. Issuers have gone from a situation where a loyal investor base provided dependable long-term funding to one where shareholders trade in and out of their stock.

This matters in more ways than one. Shareholders with one eye on the exit door have less interest in working with companies. Price volatility caused by frequent trading undermines confidence. And there is little incentive for long-term strategic planning: management teams are more likely to focus on short-term quick wins than the work required to support long-term, sustainable earnings improvements.

Against this backdrop, it makes sense for issuers to employ every tool that enables them to connect more positively and personally with shareholders. In particular, data is key – issuers that know more about their shareholders, including how they behave and see the world, will be in a much stronger position to engage with them in a way that delivers the right outcomes.

How to move forward

Investor relations teams are uniquely positioned to leverage technology, data and analytics to revolutionise shareholder engagement, yielding significant benefits for both issuers and investors. By adopting new technology, organisations can significantly enhance their alignment with overall strategic objectives and uncover innovative solutions to existing challenges. Successful long term strategy will therefore require multiple components including:

- Embrace robust digital platforms and implement advanced analytics tools to gain deeper insights into investor preferences and behaviours, facilitating more personalised and targeted communication strategies.

- Integrate comprehensive systems to centralise investor data, track interactions, and accurately measure the success of engagement initiatives.

- Partner with the right vendors and maintain a focus on regular training and skill development to ensure investor relations teams stay proficient in utilising new technologies and remain responsive to industry trends.

- Prioritise greater transparency and trust while empowering investors with the information and access they need to feel confident and valued as they make investment decisions.

With superior data management and analytical capabilities, organisations can elevate data-driven decision-making and maintain compliance with data privacy regulations. Such strategic actions not only optimise shareholder engagement but also drive long-term satisfaction and value creation.

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Broadridge Corporate Issuer

Broadridge Corporate Issuer helps companies optimise their engagement with investors, regulators, and capital markets. Our Investor Relations, Corporate Governance and Sustainability products and services provide a comprehensive solution for companies to execute their proxy voting, shareholder engagement, and corporate reporting strategies. These products and services include:

- Broadridge Investor Insights: an intuitive, data-driven analytics dashboard, powered by AI that provides the granular insights and transparency you need to identify key investor profiles and forecast voting behaviour, to build stronger shareholder engagement strategies all year round.

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- Sustainability data management software, peer benchmarking, and strategic consulting: true end-to-end offering designed to simplify the process of collecting, analysing, auditing and reporting sustainability data.

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Footnotes

1 The UK Corporate Governance Code 2024
https://media.frc.org.uk/documents/UK_Corporate_Governance_Code_2024_Key_Changes.pdf

2 Sustainable corporate governance – Have your say
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