

TK: TK Kerstetter

RD: Rich Daly

*This Week in the Boardroom brought to you by Corporate Board Member and host NYSE Euronext, along with governance knowledge partner the Center for Audit Quality and contributing partners National Investor Relations Institute and the Society of Corporate Secretaries and Governance Professionals.*

TK: Welcome to this edition of This Week in the Boardroom. I'm TK Kerstetter with Corporate Board Member, and we have an interesting show today. We're going to be talking about virtual shareholder meetings, and we'll explain that in a minute, but it's something that certainly is going to affect everyone, if not today, certainly tomorrow. And joining me is one of the experts in this business, who's going to explain it to us. So please welcome Rich Daly, who is the CEO of Broadridge Financial Solutions. Welcome, Rich.

RD: TK, thank you.

TK: So maybe before we start in on the virtual board meeting, we need to bring our audience up to speed about Broadridge Financial Solutions, because it's probably the largest and most involved company in their business that they may not have heard of. So why don't you take just a minute or two and discuss what Broadridge is all about?

RD: One of my favorite topics. Thanks. Broadridge is a behind-the-scenes technology services company, solely focused on financial services. We have two key segments. In our securities processing segment, we support the clearance and settlement across about a hundred firms between \$4 trillion and \$5 trillion a day in settlements. Believe it or not, that's not our largest business. Our largest business is our communications segment. Across everything between a firm and their investor, we support the communications, the largest segment of which ties to annual meetings and the proxy process, and that's about \$1.6 billion. Literally, in North America, we represent the majority of outstanding shares across all the annual meetings, and then across the globe, we participate in tens of thousands of additional meetings.

TK: So you end up being a technology company in the end, and we know that everything these days is going virtual. So that's a great segue into me asking the question about virtual shareholder meetings. Could you explain to our viewing audience the deal with virtual shareholder meetings, and what you've seen implemented so far?

RD: Perfect. Everyone in our industry, whether you be a corporate issuer, a regulator, or an SRO in a leader like the New York Stock Exchange, is looking to do two things consistently. We're looking to make our markets more transparent, and we're looking to increase the ease of participation with a more level playing field. The answer to this is technology. In terms of annual meetings, you hear the stories about maybe this meeting or that meeting where there was controversy, but for the majority of meetings in North

America, there's very little participation. It's inconvenient, okay? It's costly to go there. And companies go through great expense to do this with very little participation. The answer, like everything else, is technology, and the answer to participation is technology. So at Broadridge, what we uniquely do as an agent behind the scenes for the majority of brokers and bank trust areas is we represent them, and so we know who the actual shareholders are. So the difference between this and another virtual activity is we can validate every investor before they actually get to that virtual meeting. So when you participate, we can represent to management that you are not only an actual shareholder, but you're an actual shareholder through this firm, with this number of shares. By doing that, we're now enabling--we've done it for about a hundred meetings up to date--companies to increase the number of participants by a multiple of anything they've ever done before. In the case of Broadridge, it went up 20 times, the number of participants we previously had. And so through technology, investors can participate in their pajamas from anywhere in the world, regardless of where the meeting is.

TK: So is there a hybrid model to this? Is there a way that if a shareholder wanted to participate somehow--let's just assume that there's an activist shareholder who wants to participate or address management--is there a hybrid version of this where some people can do virtual and some attend live? How might that work?

RD: Sure. Well, and there are two types of meetings that people do. In the case of Broadridge, we've done a virtual, and what we've found is that people can participate at any level they want. They can ask tough questions. They can direct them to me. They can direct them to any one of my board members. They can do that virtually. And we've found that they can do that as effectively in a virtual world as they can in a physical world. We just enable far more shareholders to have the ability to have access. A number of companies have gone with a hybrid method. So they're still holding their physical meeting, but that physical meeting is available virtually as well. So it's still the company's choice to decide whether they want to have a virtual hybrid or a virtual-only meeting. Therefore, with doing only 100 meetings in total to date, we see that a number of companies have not adopted the technology yet, but we're very encouraged by the trends.

TK: Well, Rich, I must say that when I look at this and look at the practicality of it, it reminds me of board portals and other technology steps where it's not a case of *if* a company will adopt it, but more of a case of *when* a company will adopt it. So, I have the feeling that eventually everybody will have this virtual shareholder meeting in some form. True?

RD: Not only couldn't I agree more, but let me give you some data on technology that we've previously implemented. When we rolled out internet delivery of proxy materials and when we rolled out internet voting at the same time of proxy materials, a number of people said, you know, it's nice if you're a geek, but it's going to be a fad. Today we deliver 100% more through the internet than we do via paper. So even though people are very familiar with those blue poly envelopes that we use for the ballots and the annual report materials that go to millions of homes across the country, the reality is that today we have double the number of participants in the virtual world than in the paper world,

and that world continues to grow in the number of investors. We expect the same thing to happen in terms of the success of virtual-only meetings.

- TK: No surprise to me, especially once these things get some momentum and legs. Obviously, with the board of directors, people sit on multiple boards, and when they see how it runs at one company, they have much more confidence to recommend it to other companies. So I suspect that this will grow. So I will be anxious to watch each year, and we'll have to have you back to give an update on how it's grown. But there's a question that we like to ask here on this show of people that have exposure to boards, and you have exposure, not only as a CEO of a public company, but you also have interaction with tons of boards out there. So the question we like to ask our guests is this: In your observations in watching the trends, just in general in the boardroom, what encourages you about what you're seeing in the fact of boardrooms being more effective and helping American businesses, and what concerns you about the trends that you see? So let's start with what encourages you.
- RD: Well, given what I've been doing for three-plus decades, I go back to the time when the term corporate governance didn't exist. I go back to the early days of Calpers and some of the activities that took place there and the activities that took place through proxies. So, one of the things that I'm delighted that you do is that you're one of the rare people out there who's making the public aware that there is real progress in these activities, and even with the fine job you do, I still think it's understated. I've never seen in my career in business, across the various aspects, something that there's been more positive movement on, particularly over the last decade, than there is around the corporate governance activities. I went from when there were the terms of general counsel and corporate secretary, and now there's a standard term called chief governance officer. These are the people that actually Broadridge interfaces with on a daily basis, and there is not a meeting, there is not a conference we go to, there is not a product that we have that's not out there where we need to represent to them how do they do a better job for their company and for their directors who are insisting upon it in the areas of corporate governance. So I actually wish that more of the media would share with the investing public that there is real progress that's been made, and it's extraordinarily positive, and it's to their benefit. But that doesn't seem to sell as well as negativity.
- TK: It doesn't sell newspaper and TV shows unfortunately, but it is the facts, and I think it is a part of our responsibility to make sure that everyone understands what's happening. So let me ask you the counter side of that question, which is about what concerns you when you look and you see what's happening in today's boardrooms? Is there anything that particularly concerns you?
- RD: I think the overall tone concerns me in that when you have an environment that looks for the negativity and doesn't recognize that we became the greatest nation in the history of the world by responsible risk taking, by recognizing that capitalism works, and although it's not perfect, it is the best process in the history of the world, and it enabled the greatest success in the history of the world and the greatest benefit to the most number of participants in the history of the world. And so what concerns me is that I think that there

needs to be a celebration of the success of responsible risk taking that works, versus constantly looking to say this went wrong or that went wrong. That tone has to filter its way into boardrooms as well.

TK: It's a yeoman's task right now. Because of all the incidents that have happened, the general public just doesn't have a very good perception about what's happening in the boardroom, but it's up to each individual company, and to exchanges and people like yourself, to just keep communicating the message, and good performance will earn that respect back. So let's hope that your concern is something that can be overcome.

RD: I believe in the boardrooms, TK, that companies recognize that if they don't put capital to work, they're ultimately not going to meet the needs that they have for their shareholders, and we need more folks like you to celebrate success, as well as point out things that need to be improved. Not just paint a picture that it's a place that won't give investors the ability to save for a kid's education or for retirement, because heaven help anybody who's going to try to do that in a money fund today.

TK: Yeah. Well, Rich Daly, thanks for joining us today, and we'll look forward to making sure that you increase the shareholder voting out there so that we can be as transparent as possible in this process. So, we wish you luck and thank you for coming and joining us today.

RD: Thank you.

TK: That will conclude this edition of This Week in the Boardroom, and we hope that you'll join us next week when we'll take another look at a key topic that will help you be a better board member or committee member. We'll see you then.

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