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Shareholder Advocacy In Corporate Elections: Case Studies In Proxy Voting Websites For Retail Investors

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SHAREHOLDER ADVOCACY IN CORPORATE ELECTIONS:
CASE STUDIES IN PROXY VOTING WEBSITES FOR RETAIL INVESTORS

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ABSTRACT

SHAREHOLDER ADVOCACY IN CORPORATE ELECTIONS:
CASE STUDIES IN PROXY VOTING WEBSITES FOR RETAIL INVESTORS

One of the key rights shareholders retain is the right to vote on issues affecting the companies in which they invest. This voting right is seen as one of the primary means of exercising diligent corporate governance (Cole 2003, Fairfax 2009). Only 28 percent of individual investors vote in corporate elections compared with 91 percent of institutional investors. Informed voting decisions at corporate elections can be very information intensive, and theories of rational apathy and the free rider problem may explain a lack of participation from individual investors.

Many shareholders cannot attend annual corporate meetings, so they can use the proxy voting process. Several proxy voting websites have been launched to increase engagement among individual investors in the voting process, but most have failed. Through case study analysis of Moxy Vote, the United States Proxy Exchange and ProxyDemocracy, this research identified major hurdles in regulatory constraints and funding models and opportunities to engage progressive institutional investors and millennials. This research also explores the link between shareholder voting and corporate disclosure on climate change and sustainability.

ACADEMIC HISTORY

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1. Introduction

1.1. Shareholder Advocacy

Shareholder advocacy, also known as shareholder activism, encompasses a range of activities used to make change in a corporation, often as a reaction to underperforming boards and management (de Tocqueville 2015). There exist a number of triggers that drive shareholder activism including ineffective or misaligned strategy, poor risk management, poor capital management, inadequate board member qualifications, and operational mismanagement. The core goal of shareholder activism is to engage fellow shareholders and the board of directors for the purpose to bringing about necessary changes to improve performance and retain or grown shareholder value. It also tries to solve the fundamental problem of the "divergence between ownership and control" that occurs because shareholders entrust the control of their capital to corporate managers whose interest may be different from shareholders (Cole 2003).

Research from Gillan and Starks (1998, 2007) shows that shareholder activism has been in place since the United States Securities and Exchange Commission (SEC) adopted Rule 14a-8 in 1934. This rule allows shareholders who have held a minimum of $2,000 worth of company shares for at least a year to submit a shareholder proposal. Under this rule, shareholders have the right under certain conditions to propose policies that must be printed in a company proxy statement, distributed to all shareholders and voted on at the annual shareholder meeting (Gilbert 1956). From 1934 to the mid-1980s, Gillan and Starks (2007) found the shareholder proposal process was almost exclusively led by individual shareholders and religious or political groups. When public pension plan activism started in 1985, institutional investors became increasingly more involved and now seem to dominate the shareholder advocacy arena.

1.2 Shareholder Voting Rights

One of the key rights shareholders retain is the right to vote on issues affecting the companies in which they invest. Investors are not required to vote, but voting one's shares is seen as one of the primary sources of power within a corporation and means of exercising diligent corporate governance (Cole 2003, Fairfax 2009). The SEC views corporate governance as key to maintaining a system of accountability among shareholders, managers and the board of directors. The corporate governance process helps determine the leadership, organization and direction of a company (SEC Office of Investor Education and Advocacy 2015). Shareholder voting can also be used to influence company activities related to sustainability and social responsibility (Ceres 2015, As You Sow 2015, Snow and Cook 2011, Newlands 2015).

These voting rights give shareholders the power to elect directors at annual or special meetings and make views known to company management and the board of directors on significant issues that may have an affect on the value of the shares including mergers and acquisitions (SEC Office of Investor Education and Advocacy 2015). Due to the dispersed nature of shareholders, it can be difficult to amass the quorum needed to conduct an election, and shareholders in the current era typically vote through proxy. The proxy technically refers to the "shareholder's grant of authority to a third party to case a vote on the shareholder's behalf" (Fairfax 2009).

Regardless of the voting method, all shareholders who hold shares by a company's set *record date* receive notification of an upcoming election or meeting by one of three ways: a notice either in the mail or electronically that proxy materials are available on the Internet; a package containing a proxy card or voter information form (VIF), annual report, and proxy statement; or a package containing an annual report and information statement but no proxy card.

1.3 Types of Investors and Shareholders

Institutional investors are large organizations including mutual funds, pension funds, labor unions or insurance companies, investment banks, commercial trusts, endowment funds, and hedge funds that invest large amounts of money in the stock exchange, typically on behalf of other people. *Non-institutional investors*, by definition, are all other investors including anyone who buys and sells debt, equity or other investments through a broker, bank, real estate agent or someone in a similar capacity. Within non-institutional investors, there is a class of investors commonly referred to as *retail investors*, who typically individual investors who actively trade stocks, mutual funds, bonds and other securities and manage their own money to plan for retirement, save for large purchases, or to pass on wealth to family members (Brunswick Group 2015). Some firms only designate between institutional and retail investors, but it is important to note that not all non-institutional investors are in reality retail investors. According to a recent report from Broadridge and PwC (2015) recapping the 2015 proxy voting season and seen in figure 1, institutional investors held 68 percent of shares outstanding in U.S. public companies where as retail investors owned 32 percent of shares outstanding (Broadridge 2015).

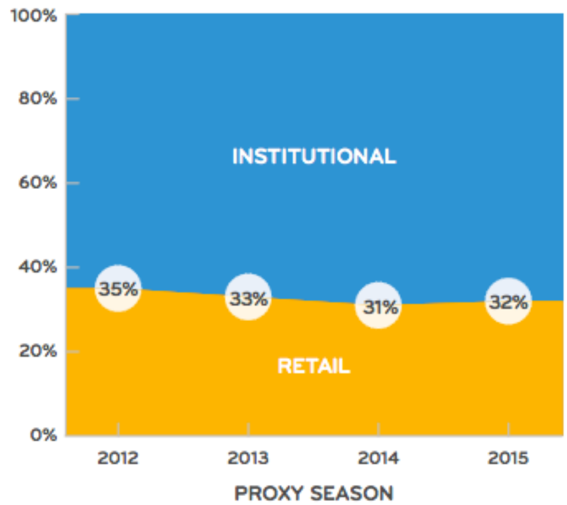


Figure 1. Historical Share Ownership. (Broadridge 2015)

Institutional investors vote at significantly higher rates than retail investors: 91 percent of institutional investors voted their shares in the 2015 season and only 28 percent of retail investors voted their shares (see figure 2). This left more than 97 billion shares unvoted during the 2015 proxy season. This is an important phenomenon in the United States because of the dispersed nature of share ownership. As opposed to investment in other countries, such as Hong Kong where companies are often privately held or public companies have few owners, public companies in the United States are owned by many different individuals and entities. In the case of proxy contests where companies may be facing disputes about board members, shareholder proposals or mergers and acquisitions, votes submitted by retail investors can indeed influence the final outcome.

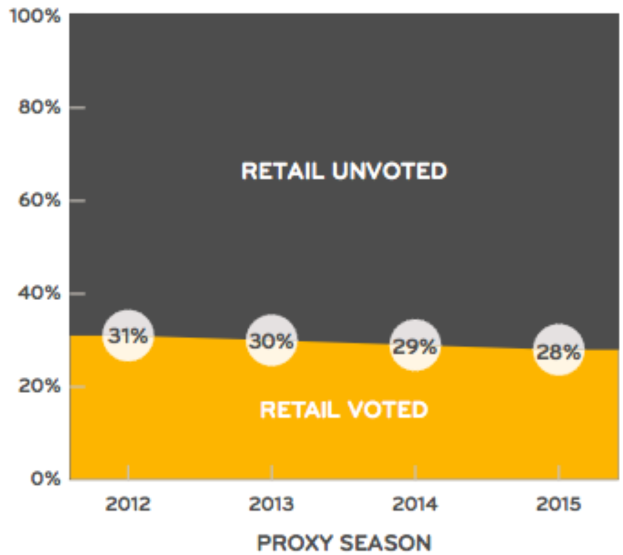


Figure 2. Historical Retail Investor Voting Rates. (Broadridge 2015)

1.4 Proxy Voting Websites

In the years leading up to and immediately following the financial crisis of 2008, a few individuals and groups sought to use the Internet as a means of promoting shareholder[1] participation in the proxy voting process (Bernard 2010). These ideas grew into several different websites devoted to providing shareholders with more information about the issues present on their proxy voting ballots and the ability to transact votes more efficiently. Of the several websites that were created in the United States including Moxy Vote, Sharegate.com, Shareowners.org, United States Proxy Exchange and ProxyDemocracy.org, all but one site have effectively ceased operations.[2] ProxyDemocracy.com, now owned by the Sustainable Endowments Institute (SEI)[3], is the only site that users can still access and

[1] The terms *shareholder* and *shareowner* are used interchangeably throughout this paper, as are the references to

[2] At the time this paper was written, Sharegate.com still has a website presence but its page indicates that the company is "revisioning its product".

[3] Founded in 2005 as a special project of Rockefeller Philanthropy Advisors, Inc, the Sustainable Endowments Institute (SEI) has pioneered research, education and outreach to advance resilient institutional responses to the climate crisis.

where data is current and still actively being populated. Three case studies were completed in this research focusing on two of these sites that failed—Moxy Vote and the United States Proxy Exchange—and the one that still functions—ProxyDemocracy. The purpose of the research is to learn from the failed sites for the strengthening and future viability of ProxyDemocracy; in particular, to focus on the strengths and weaknesses of each operation and how they related to relevant changes in Proxy Democracy. Next is a brief overview of the three sites chosen for case study analysis.

Moxy Vote was a web-based platform founded in 2009 by leaders of TFS Capital, an employee-owned independent advisory firm that provides portfolio management services to investment funds. Moxy Vote's headquarters were in West Chester, Pennsylvania and at its peak the company employed ten staff members. Key to Moxy Vote's mission was providing a simple platform that allowed the free exchange of information among shareholders, advocate groups, and public companies (Change.org 2012). Moxy Vote founders created the site to "give shareholders a voice in the boardrooms of companies they own "(Cheesman 2010). Moxy Vote allowed users, who were predominately retail investors, to create customized voting profiles that aligned with advice from advocate organizations, public companies and fellow shareholders. When an annual shareholder meeting came up, Moxy Vote allowed the option to transact votes on behalf of users according to their specified voting preferences. Moxy Vote essentially provided the same electronic voting platform available to institutional investors through firms such as Broadridge (though its "Proxy Edge" platform), Institutional Shareholder Services and Glass Lewis. Moxy Vote gained a successful following with 197,000 registered users and 56 advocate organizations posting proxy voting advice. Moxy Vote ceased operations in 2012 because of regulatory barriers and funding challenges.

Glyn Holton, a financial risk consultant based in Cambridge, started the United States Proxy Exchange (USPX) in 2004. USPX was a nonprofit organization with a website presence at proxyexchange.org that helped train investors to file shareholder resolutions themselves. Holton worked with lawyers to draft templates of letters and resolutions that users could send to companies in which they invest. USPX ceased operations in 2012 because of time constraints of its volunteer founder and manager.

The idea for ProxyDemocracy.org (ProxyDemocracy) began in 2004 when Andy Eggers, at the time a research assistant at the Harvard Business School, took an interest in the writings of Mark Latham. Latham's ideas focus on technological solutions to the problems of shareholders' collective action (Eggers 2008c). Eggers took inspiration from Latham's vision that shareholders could elect a 'corporate monitor' that would paid with by corporate funds, meaning that shareholders would all be collectively paying for this service. The 'corporate monitor' would investigate the performance of the board and senior management and report back to shareholders with the goal of reducing the free rider problem inherent in proxy voting (Eggers 2008c). Early seeds of the project involved volunteer help from Egger's friends who were familiar with programming. When the project proved concept, Eggers secured a small amount of funding to hire a professional website developer (Eggers 2008b). In 2006, ProxyDemocracy was incorporated as a nonprofit organization with an initial mission to "provide a set of tools to help investors use their voting power to produce positive changes in the companies they own"

(ProxyDemocracy.org 2008). The site gained popularity after its initial launch receiving recognition for its innovative approach to engaging small shareholders. What Eggers thought would be a brief before starting his doctoral studies turned into a website that still functions today. The Sustainable Endowments Institute (SEI) acquired ProxyDemocracy in 2014, and SEI is currently exploring short and long-term options for the site's future developments.

2. Methodology

Research for this paper was completed in two stages: a literature review and the composition of three case studies. To complete the literature review I consulted a body of work in corporate law, shareholder advocacy, proxy voting, effects of the Internet on voting behavior, and recent reports on the integration of environmental, social and governance (ESG) data into investment decisions. This research was done primarily through online research in LexisNexis, relevant journals, leading organizations and thought leaders in the corporate governance field. I also consulted books on corporate governance as well as blogs, newspaper articles and other informal sources.

The three case studies were completed through interviews and secondary research on Moxy Vote, the United States Proxy Exchange and ProxyDemocracy.org. Although there were several websites launched with similar missions of engaging retail investors in the proxy voting process, many of these sites no longer function. The three sites were chosen for cases study analysis because of the availability of information, access to users who could provide relevant details, and the difference in their operational models. Moxy Vote was a for-profit entity, USPX was completely volunteer driven, and ProxyDemocracy was historically its own nonprofit entity. Founders of Moxy Vote and ProxyDemocracy.org were interviewed and consulted throughout the drafting of the case studies which took place between August 2015 and January 2016. The interviews were supplemented by a review of news articles, blog posts, social media and shareholder forums to add to the narrative of the case studies. From these case studies, general conclusions were drawn on the similarities and differences of the websites to develop recommendations for ProxyDemocracy going forward.

Next is the literature review of the following areas: efficient information gathering and proxy advisors, the effect of the Internet on proxy voting, rational apathy and the free rider problem, and the linkages of proxy voting, corporate sustainability and climate change.

3. Literature Review

3.1 Efficient Information Gathering and Proxy Advisors

Making informed voting decisions for corporate elections is an information-intensive activity. There are often many issues for vote on a corporate election ballot including board of directors, CEO compensation, and a myriad of shareholder proposals. The proxy voting process can be quite complex as shown by figure 3, which displays the flow of proxy materials depending on the type of investor.

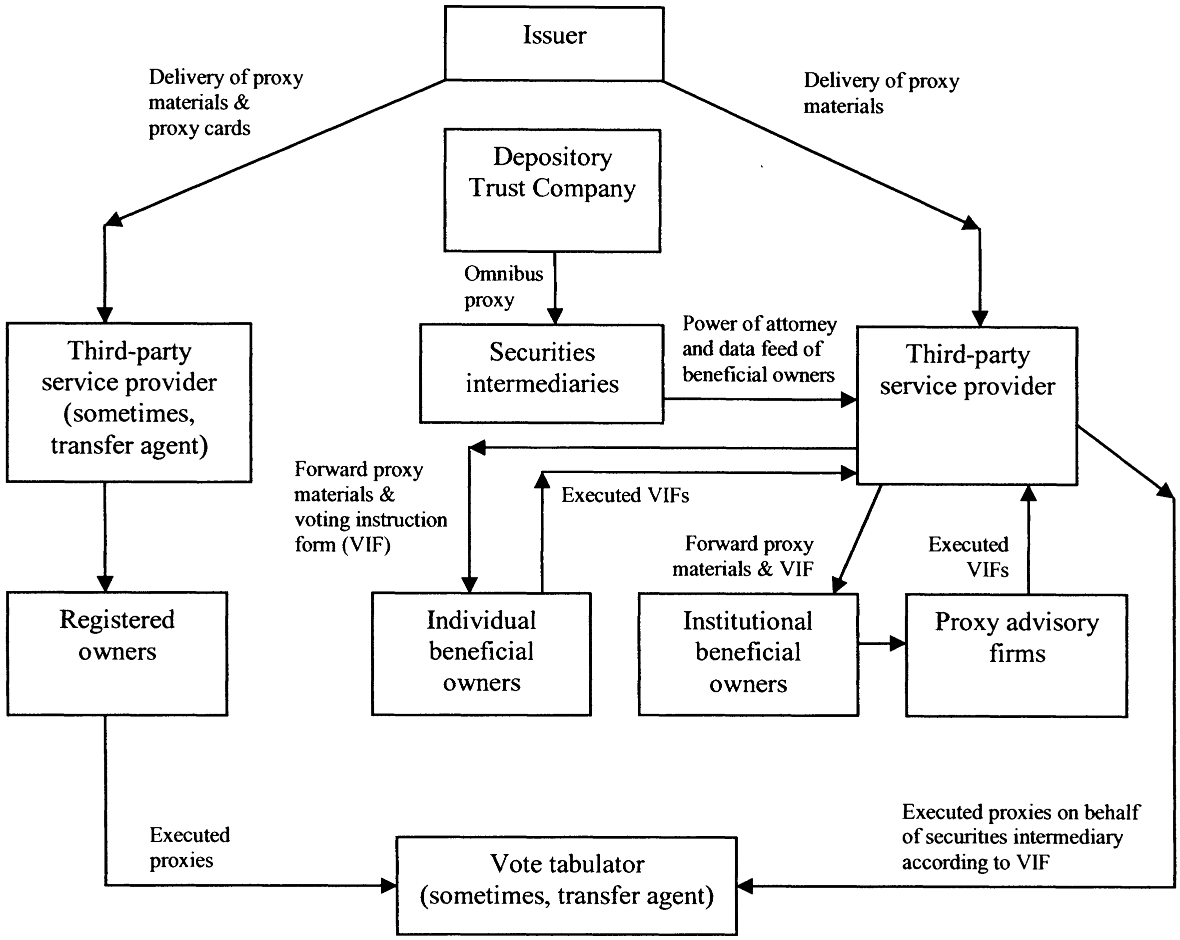


Figure 3. The Flow of Proxy Materials. (Securities and Exchange Commission 2010)

Michael Schouten (2010) wrote about four key mechanisms of voting efficiency including: informed voting, rational voting, independent voting and sincere voting. These mechanisms often guide the ways that shareholders approach the effort they impart in making their decisions. Institutional investors commonly rely on proxy advisory firms including Institutional Shareholder Services (ISS) and Glass Lewis to provide guidance on how to vote on ballot issues. Schouten likens the corporate voting process to stock trading, which also aggregates information on estimated values. Reducing information asymmetry is key to empowering shareholders to engage in corporate voting, but cost and legal constraints can present major barriers (Schouten 2010). This means that there are trade-offs inherent in how shareholders gather information to make decisions about corporate elections.

Proxy advisory firms emerged from the need to solve these issues of information asymmetry. There have been many firms who serve the role as proxy advisors but the two dominant organizations are now ISS and Glass Lewis. Proxy Governance, Inc (PGI) closed in 2010 citing that company responses to shareholder proposals are too often determined by a desire or need to conform to the voting policies of the two main proxy advisors—ISS and Glass Lewis—than to actually addressing the substance of shareholder concerns. Barrall and Nathan (2011) question whether the opinions of these firms are based on a thorough analysis of the facts and circumstances of each company they review in the context of each voting decision. These firms are responsible for providing proxy research and voting recommendations for tens of thousands of companies within a narrow window of the proxy voting season each year (Barrall and Nathan 2011). The authors criticize the opaque tendencies of proxy advisory firms in their methodology and the inability to test for accuracy, consistency and value creation.

There exist proposals to reform disclosure requirements for proxy advisory firms to include conflicts of interest and to disclose the fiduciary duty that these firms have to their clients since they are technically investment advisors under the Advisors Act of 1940 (Edelan 2013). Proxy advisory firms receive compensation for their guidance from companies who wish to provide information to their investors. Given many of these trends, there may be an opportunity for an organization to emerge that better serves the needs of smaller institutional investors and individual investors.

3.2 Rational Apathy and the Free Rider Problem

As mentioned before, investors are not required to vote in corporate elections, but this vote is a right given to investors in order to provide a way for shareholders to have a voice, especially when they sense that the board and management may not be acting in the best interest of shareholders and share value. The 2015 Broadridge proxy season wrap-up shows that although retail investors own 32 percent of U.S. publically traded company shares, they are only voting their shares 28 percent of the time (Broadridge 2015). This section presents theoretical reasons why this rate is much lower than institutional investors who vote their shares 91 percent of the time. The two main concepts are *rational apathy* and the *free rider problem*.

Rational apathy refers to the situation where the cost to shareholders of informing themselves about specific corporate issues and casting a vote in opposition of management's opinions exceeds the expected or actual benefit gained from voting (Fairfax 2009). If a shareholder acts in a rational manner and sees no benefit from this choice, either perceived or actual, the shareholder may exercise apathy and not put the effort into voting (Cole 2003). Similarly, the *free rider problem* stems from the realization that a shareholder can benefit by simply relying on the actions of other shareholders, which in turn, undermines the incentive for shareholders to take action on their own (Fairfax 2009). Cole (2003) give the example of two shareholders with equal percentages of ownership in a company; each shareholder could invest a modest sum, say $25,000 to research the corporate ballot issues and still increase their shareholder value. However, each would prefer that the other make the research expense and gain a free ride on the information produced by the other. Because shareholders benefit collectively, on a per share basis, each individual shareholder has the incentive to let another shareholder undertake the information gathering costs associated with voting. This also relates to the Downsian analysis of shareholder voting (Edelan 2013).

Mark Latham, a financial economist and founder of VoterMedia.org, started writing about issues of rational apathy and the free rider problem within corporate governance in the late 1990s. Latham envisioned that the Internet and innovative technology access would transform the landscape of shareholder engagement and provide vehicles to combat rational apathy and the free rider problem. Latham believes that the hurdles to collective action can be overcome to help shareholders monitor and hold corporate management accountable to shareholders (Latham 1999). Latham's thought leadership was the basis for the development of ProxyDemocracy.org. Many other researchers and practitioners have written about the need to find solutions to overcome the barriers to collective action (Gulinello 2010, Eiben 2009, 2012, Fairfax 2009). The SEC now legally allows the use of *electronic shareholder forums* and virtual participation in shareholder meetings to provide both alternative means to gather information and more effectively participate in corporate elections.

3.3 Effect of the Internet on Proxy Voting

Investors have been able to vote proxies on the Internet since 1998 when ADP, the firm that managed the mailing of hard-copy proxies for most large U.S. corporations, launched www.proxyvote.com (Latham 2000). Broadridge now administers this site, and there exist other means of transmitting proxy votes through the Internet by smaller firms. The SEC's *universal e-proxy rules* approved in 2007 allow companies the additional option to either send the full package of proxy materials to a shareholder or simply just a notice with proxy materials posted on a publically accessible website. Sites like proxyvote.com and the subsequent e-proxy rules allow shareholders to access their proxy materials by entering the control number that they receive on the notice from the pre-meeting disclosure documents. On this site, users can view materials and sign for future electronic delivery of all materials.

Recent advances in technology can certainly play a role in facilitating this engagement, but some argue that the rules and regulations governing corporate elections have not advanced at the pace necessary to facilitate an efficient and effective system. The current system of voting online discourages shareholders from participating because the it's not being used in the ways that most people interact with the Internet – namely to aggregate and customize information in a format most convenient to the shareholder (Eiben 2012). Larry Eiben, a co-founder of Moxy Vote, made a comparison between the current proxy voting process and Netflix by painting this picture: imagine if Netflix did not let its users aggregate information about their preferences for movies but instead required a user to first go online to order an individual movie when desired and then refused to let users maintain lists of saved preferences to refer to when they are thinking about their next selection or to see what others with similar preferences to theirs are watching. This would not be viewed as an efficient system given the type of technology we have today; however, this is essentially how the online proxy voting process works for retail investors.

The main benefits of transitioning to using the Internet are the potential cost reductions from mailing proxy documents to eligible shareholders (Cole 2003). In 2008, the SEC adopted rules that facilitate the use of *electronic shareholder forums* (Fairfax 2009). Proxy rules typically require that solicitation of proxies be accompanied by filing a proxy statement, which means it needs to be distributed to all shareholders, which is costly, expensive and cumbersome for shareholders. These amendments allow communication in electronic forums to be exempt form these proxy rules; this facilitates better communications not only among shareholders, but it also fosters genuine dialogue between corporations and their shareholders that can be more beneficial than just corporate elections. The use of electronic shareholder forums also lowers the cost to collective action so that shareholders can assess other shareholders' opinions on various actions but also enable shareholders to cultivate coalitions around specific issues as they arise. The drawbacks to electronic shareholder forums involve the voluntary nature of hosting or engaging in a forum, the risk that these forums could just turn into chat rooms be infiltrated by spam or unrelated posts if not carefully monitored, both of which reduce the value gained by users (Smith 2008). Also, these forums may actually stifle communication among shareholders and companies since corporations cold avoid interacting with shareholder by ignoring emails; they cannot avoid addressing questions if they are posed in person at a meeting (Fairfax 2009).

Examples of electronic shareholder forums include The Shareholder Forum, Moxy Vote, which allowed shareholders, activists and advocate organizations to share information regarding issues of upcoming corporate elections and the United States Proxy Exchange, which allowed shareholders to voluntarily represent one another at shareholder meetings given geographical constraints.

3.4 Proxy Voting, Corporate Sustainability, and Climate Change

There exists a need for shareholders to have a voice in the boardroom especially in light of the financial crisis in 2008 and now with risks of climate change and fossil fuel volatility starting to have an effect on shareholder value (Covington and Rogers 2015, Gelles 2016). Many organizations including Ceres, As You Sow, the Croatan Institute, the UN Principles for Responsible Investing, and the Forum for Sustainable and Responsible Investment (commonly referred to as US SIF) collect data about what companies are doing to invest in sustainability which will be a guiding force to protecting shareholder value from the risks of climate change (Ceres 2015, Electris et al. 2014, As You Sow 2015, US SIF 2015, Deutsche Bank Group 2012).

Having a voice in the boardroom is important for both institutional and retail investors. Analysis from Proxy Insight of the 2015 proxy season revealed that many of the world’s largest investment management firms including Vanguard, BlackRock, and Goldman Sachs voted with corporate management 90 percent of the time (Havelock 2015). This raises concerns about whether these institutional investors are acting on the best interests of their clients. Additionally, a joint study in 2011 from the Ceres Investor Network on Climate Risk (INCR) found that some of these same funds did not display the type of voting behavior on proposals related to climate change that they committed to (Fleming 2012). This came after the U.S. Securities and Exchange Commission issued formal guidance in 2010 requiring publicly traded companies to disclose material climate risks in their financial filings. From the retail investor perspective, a study in 2015 by the Brunswick Group surveying 801 retail investors[4] found that 77 percent indicate they feel that U.S. companies are holding more cash than ever on their balance sheets and should be doing more to give back to shareholders. Additionally, 74 percent of respondents agreed that shareholder activism adds value to companies by pushing corporate management to make key decisions they might not be willing to make otherwise (Brunswick Group 2015).

Despite inaction by some institutional investors, many progressive institutional investors have been paving the way for the integration of environmental, social and governance (ESG) factors in corporate elections. These investors include investment firms like Walden Asset Management and Boston Common Asset Management; mutual fund companies such as Calvert Investments and Domini Social investments; foundations and faith based investors including members of the Interfaith Center for Corporate Responsibility (ICCR); municipal and state pension funds including CalPERS, CalSTRS, New York State, New York City, the State of Connecticut, and the State of Vermont; and trade unions such as the ALF-CIO and AFSCME (Smith 2016, Ceres 2014). Many of these investors propose shareholder resolutions to bring specific issues onto a company's

[4] Retail investors were defined as individual investors that actively trade stocks, mutual funds, bonds, etc. outside of retirement funds or real estate investments, and who play an active role in decision-making about their investments.

election ballot. Under the environmental category, climate change has taken center stage with proposal related to greenhouse gas (GHG) emissions reduction strategies, energy efficiency and renewable energy goals. For example, Walden Asset Management encourages companies to adopt robust climate policies and science-based GHG goals, consistent with the Intergovernmental Panel on Climate Change (IPCC) reports. Other prominent environmental issues include water risk, hydraulic fracturing, use of toxic materials, recycling and waste management. A few examples of successful engagement with companies include Qualcomm's announcement of a new target of 30 percent absolute reduction in GHG emissions from global operations relative by 2025 relative to 2014 levels; Costco Wholesale committing to keeping GHG emissions growth to less than sales growth over the next 5 years with links to both IPCC standards and reporting to CDP, a leading global repository of corporate responses to climate risk; and PNC Financial Services adopting a more stringent mountain top removal financing policy and an enhanced due diligence process in financing high-risk sectors that includes internal environmental stress tests (Smith 2016). These types of shareholder resolutions are on the rise as seen by figure 4 from a recent report by Ceres and FundVotes, and figure 5 from the Interfaith Center for Corporate Responsibility's member base of resolutions. This means that shareholders, if they choose to vote, will see these resolutions on their ballot and can signal to companies that they indeed want greater disclosure and action towards addressing the risks from climate change.

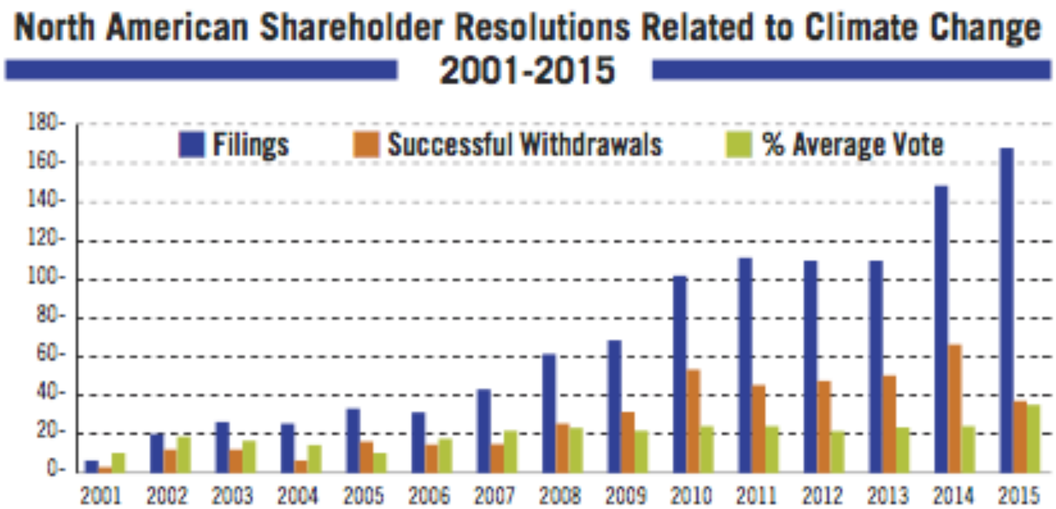


Figure 4. Shareholder Resolutions Related to Climate Change. (Ceres 2015)

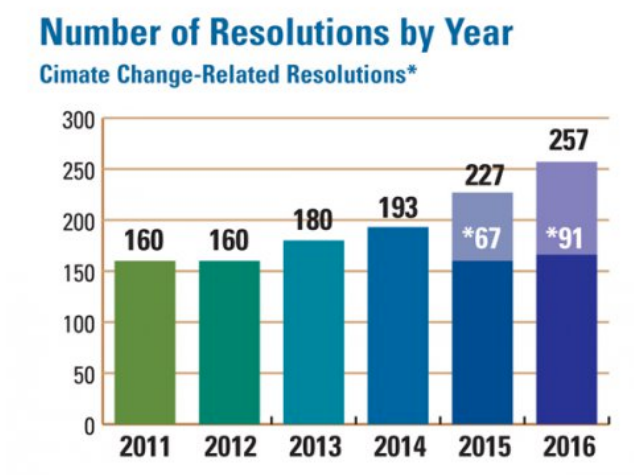


Figure 5. Interfaith Center for Corporate Responsibility Member Resolutions. (ICCR 2016)

Social topics addressed by investors include: fostering best practices with equal employment opportunity policies, human rights risk assessment and management, political spending and lobbying transparency, and labor standards throughout company supply chains. Governance issues addressed by investors include the right to nominate directors (known as proxy access), the separation of the Board Chair and CEO roles, and board composition diversity.

Investors in other countries, most notably Canada and the UK, are also leading the charge on incorporating sustainability and climate change issues onto the corporate ballot. Suncor Energy Inc, a Canadian integrated energy company, actually recommended that voters approve a shareholder resolution that Suncor provide ongoing reporting on how it is assessing and ensuring long-term corporate resilience in a future low-carbon economy (Suncor Energy 2016).[5] This is the result of long-term engagement by shareholders with the company, but it is groundbreaking that the company itself is bringing the issue of resilience in a future low-carbon economy to shareholders.

From this literature review, we have seen that the proxy voting process is information intensive, and that retail investors face issues of *rational apathy* and the *free rider problem* as barriers to voting. The Internet holds promise for improving the way that investors can gather information and more effectively participate in the proxy process. Additionally, investors, especially institutional investors, are starting to make more impact with their investments through shareholder resolutions related to climate change, sustainability and social responsibility. The next section will unpack the case studies of the three websites chosen for analysis in this research.

[5] The full resolution states: Be it resolved that: "Suncor provide ongoing reporting on how it is assessing, and ensuring, long-term corporate resilience in a future low-carbon economy. Specifically, reporting could be stand-alone or integrated into current company reporting mechanisms and could address Suncor's technology pipeline, emission reduction targets and performance, innovation and energy diversification strategies, provide a narrative on any stress-testing done against external low carbon scenarios (e.g. IEA's 450 and 2ºC Scenarios), and other relevant strategies."

4. Case Studies

This section reviews case studies for three different websites originally catered to retail investors to help individual essentially outsource their voting decisions to institutions or activist groups they trust. For each case study, there are subsections detailing the site's primary functions, user base, financing and revenue generation, and a brief discussion of the hurdles each site faced along the way.

4.1 Moxy Vote

Site Functions

1) Research and information exchange

Users could research companies to view upcoming shareholder meetings and online voting duration. Users could input the control number from their proxy ballot or search by individual companies. Company pages displayed how many shareholder and board proposals were on the ballot and which board members were up for reelection. Users could also see opinions from activist shareholders and advocacy organizations to inform their voting decisions (see Appendix A for homepage).

2) Voting preference customization and user directed electronic voting

In addition to providing a platform of information exchange, users of Moxy Vote could create customized voting profiles based on their own opinions and those informed by input from advocate and activist organizations. For example, a user could align with the voting preferences of a particular advocate group or mutual fund and create a hierarchy for voting (i.e. vote as Sierra Club, if Sierra Club has not posted an opinion on a particular issue, vote as the Humane Society). When the annual shareholder meeting approached for a stock in a user's portfolio, users could vote online directly through Moxy Vote or tell their brokerage firm to direct the stocks they own to Moxy Vote's voting platform. The process was relatively straightforward with a one-time set-up. This small investment in time could end up being of long-lasting value to the user. This voting process is a potential solution to rational apathy and the free rider problem by making it easy for a user to transact a vote and taking away a bit of the burden of deciding how to vote in an information-rich world. When Moxy Vote closed in 2012, investors had voted 30,000,000 shares through the site. Shareholder activist, Jim McRitchie, claims that Moxy Vote provided the closest version yet to a system of *client directed voting* (CDV) (Kissane 2007). This term was coined in 2006 by Stephen Norman, former Secretary and Corporate Governance Officer at American Express who worked on the topic with the NYSE's Proxy Working Group; CDV is seen as a method to encourage greater participation from retail investors, but support for CDV has wavered as seen in discussions on Harvard Law School's Forum on Corporate Governance and Financial Regulation (Hirst 2010, Wilcox 2010, McRitchie 2010).

3) Crowdsourcing of shareholder activism

Moxy Vote allowed activist shareholders including hedge funds, unions and nonprofit organizations, to garner support online from individual shareholders by putting their opinions on the site for individual investors to see (Blumenthal 2012). These shareholders could see how activist groups voted on proxy issues such as mergers and acquisitions and board seats. One such example revolved around Google's acquisition of ON2 Technologies (ON2) in 2009. As a Bloomberg BusinessWeek article documents, Google announced the acquisition of the video compression software company before securing approval by shareholders. A group of investors, angered by what they felt was an undervalued offer, started directing investors to Moxy Vote to advocate for a better valuation of ON2's shares. The push seemed successful, given that the merger failed to pass in its initial shareholder meeting, causing Google to add 15 cents per share to its offer. This boosted the valuation from an initial bid of $106 million to $133 million, a total increase of $18 million. It also gave shareholders more time to consider the merger (Bogoslow 2010). Shareholders in this case did not exclusively credit Moxy Vote for the achievement, but John Marcoux, who at the time owned nearly one million shares of ON2 and led the efforts to collaborate with other investors on Moxy Vote, gave praise to the platform that allowed shareholders to "come together and speak our voice". Marcoux said that that Moxy Vote's role in their efforts "got the attention of Google that this [deal] wasn't going to pass unless [Google] did something" (Bogoslow 2010).

User Base

Moxy Vote's initial target user base included both retail investors who would sign up as registered users or subscribers and activist organizations that could register as advocates on the site. Moxy Vote's user base reached a milestone in 2011 with 5,000 registered users and approximately 40 advocates then the user base grew to approximately

200,000 registered users or subscribers and 56 advocates by the time it ceased operations in 2012 (Schlegel 2016).

Moxy Vote had staff members tracking all of these metrics. Mark Schlegel, one of Moxy Vote's co-founders, mentioned that Moxy Vote started with the goal of pooling individual who were passionate about various issues including the environment, animal welfare, labor relations, and providing a platform for them to vote altogether. Founders of Moxy Vote thought that this user base would increase enough so that the site could easily entice activist organizations including Sierra Club, the Humane Society and others to pay to participate on the site as advocates so that they can provide useful information to these passionate votes.

In attempts to boost the user base early on, Moxy Vote partnered with Care2.com and Change.org. Moxy Vote was able to track growth in the user base for letters that were sent out and also noted the organic growth from the promotion, but it ultimately did not gain the following from those partnerships that it projected.

Moxy Vote found out that finding people who own shares in stocks who are also passionate about issues was quite difficult. Moxy Vote started getting users who were not shareholders, but who were passionate about issues to provide information. Of the 197,000 users, only a portion were shareholders; the rest of the users could sign letters to companies around issues they cared about. When Moxy Vote closed in 2012, it had sent 64 letters to management with a collective 275,000 signatures on those letters. Notable in this letter writing campaign was in 2012, when as a result of a letter writing campaign from Moxy Vote users, Johnson and Johnson (J&J) signed an agreement with Moxy Vote that it would compensate Moxy Vote for all the votes, per ballot, that came through the site. This goes against traditional theory that corporations do not encourage shareholders to vote beyond the minimum SEC compliance standards unless there is a contested election. J&J recognized that it would have to deal with adverse shareholders at any rate, and the arrangement that J&J made with Moxy Vote allowed representatives from the company to communicate with users of Moxy Vote who signed letters, improving the overall dialogue between the company and its stakeholders.

Financing and Revenue Generation

The website was initially backed with $2 million of seed funding from the owners of TFS Capital who collectively funded the project. Much of this initial funding was spent to develop the technology to connect to brokerage firms. This amount, however, is miniscule compared the amount of money that proxy advisory firms like ISS and Glass Lewis spend to develop their systems. The Moxy Vote funders invested a total of $4.5 million into the venture. To generate ongoing revenue for the site, Moxy Vote charged fees to institutions with an interest in reaching users of the site. These institutions included public companies, activist hedge funds and pension funds who wanted to lobby for votes from retail investors and individual shareholders (Kerber 2012).

In another attempt to generate revenue, Moxy Vote ran a pilot program with SRI (socially responsible investment) and ESG (environmental, social and governance) wealth managers to vote their proxies for them, essentially providing proxy advisory services outside of ISS and Glass Lewis. The pilot ran its course, but in the end, the wealth managers decided to move in a different direction from working with Moxy Vote.

Regulatory Hurdles: Why Moxy Vote Ceased Operations

Moxy Vote worked closely with SEC staff through the initial start-up and expansion of the site; however, Moxy Vote ended up facing barriers with regulations that prevented the long-term viability of the site. This led to the decision to suspend operations in July 2012. There were two main regulatory considerations: 1) the classification of the company in the context of proxy and financial advisors and 2) the costs related to voting transactions fees.

In the first regulatory consideration, despite efforts to clarify Moxy Vote's role, the company ultimately found that it did not fit any of the classifications of investment advisors recognized by the SEC since it was an aggregator of information and did not receive compensation for its advisory services. Since it did not fit strongly into any of the classifications some brokerage firms were not compelled not pass along shareholder ballots to the site, stating that they would do so when required by an SEC ruling. Individual shareholders have no legal grounds to compel their brokers to deliver ballots electronically to Internet voting platforms. This meant that some users would not be able to vote electronically through Moxy Vote. This discrepancy largely depended on how these firms read the regulations, even though Moxy Vote sent the ballot through the same secure system as the individual voter.

In the second regulatory consideration, Schlegel made an analogy – imagine an institutional investor who owns a company in 1000 different client accounts; brokerages firms charge one flat fee for one ballot for the institutional investor. Contrasting this, Moxy Vote has 1000 users who all own the same company; brokerage firms would not pool the ballots of Moxy Vote users and would charge that same flat fee for each individual ballot for each individual users of the site. Since Moxy Vote wanted to remain a free service to its *registered users* (different from *advocates*), the site paid the fees and hoped that revenue generated from the *advocates* would offset the fees.

As Moxy Vote became more successful in attracting users, the site had to pay a growing amount in transaction fees to brokerage firms that were not reimbursed by public companies. In essence, as Jim McRitchie, shareholder-activist and publisher of Corpgov.net stated, "The more successful Moxy Vote was at getting people to vote on their platform, the more money they lost" (McRitchie 2015). For institutional brokers, these transaction fees are nominal in comparison with the fees they generate from providing proxy voting advice. Moxy Vote founders felt these fees should be reimbursed by the companies, or should not even be charged at all to a site like Moxy Vote, which was claiming to be a neutral aggregator of information.

After Moxy Vote ceased operations, co-founder Larry Eiben filed a petition with the SEC seeking to create a new category of investment advisor called the "neutral Internet voting platform"; this platform category would have helped Moxy Vote and similar sites avoid the transaction fees it owed to proxy broker services in order to transact votes on behalf of its users. Schlegel mentioned that as they dug deeper into the regulations, they found that many of them were put into place over 40 years ago. Being well before the Internet became mainstream, regulators and rule makers at the time had no concept that there would be a more efficient way to submit their proxy vote. Schlegel also acknowledged when Moxy Vote was active, changing rules to make it more efficient for retail investors to transact their votes probably was not high on the priority list of those at the SEC. Moxy Vote's founders previously worked in the finance field and were easily able to secure financial backing to keep pushing for changes in regulations. It inevitably became too challenging to keep supporting this advocacy, however, when the SEC didn't appear to be moving on any action that would benefit Moxy Vote.

No action ever came from Larry Eiben's petition to the SEC in 2012. Schlegel mentioned that there have been multiple roundtable discussions with the SEC, NYSE and other committees that oversee the proxy voting process since Moxy Vote closed down. He lamented, however, that they often involve the same people and same discussions that fail to move forward on any item that would help an electronic shareholder forum like Moxy Vote be successful in the future. The concern of many of these committees and panels is not focused on the individual and retail shareholder, but the institutional investors.

Moxy Vote began as a good business idea that could also do some good; the founders thought they saw a crossroads of being able to make a livelihood while pushing the ball forward on promoting engagement of shareowners in exercising their voting power, their corporate equivalent to democracy. Moxy Vote wanted to bring illumination to the process of rallying the retail vote and to "empower small shareholders to effect change" (Bernard 2010). Until regulatory hurdles are overcome or circumvent, it will be difficult for a website with similar functionality to Moxy Vote to be able to scale to the point needed to sustain revenue.

4.2 United States Proxy Exchange (USPX)

Site Functions

USPX provided users with letter and proposal templates to submit shareholder resolutions to companies. It also provided a way for users to connect with one another and attend annual meetings on behalf of other users of the website to directly cast their vote. In 2006, Holton published a proposal in the Financial Analysts Journal to allow small shareholders to assign their proxy voting rights to anyone they wished (Kerber 2011). This would help address the free rider problem by allowing a means for people to pass their votes on to actual individuals who can share with them the result of their actions, not just a vote through a system where they may not know the outcome of their votes. The site functioned well by providing commentary on certain issues; one example is an attempt of Goldman Sachs Group to sell pre-IPO shares of Facebook to wealthy investors ahead of the anticipated IPO. Companies are supposed to file public disclosure if they have more than 500 shareholders, so this arrangement would be a way around this requirement. Holton wrote in a newsletter to USPX members that the SEC should block this arrangement as a violation of these disclosure rules. Goldman subsequently limited its private placement of these pre-IPO shares citing, “intense media coverage” (Kerber 2011). USPX also worked to send several sets of comments to the SEC including model shareholder proposals for proxy access, shareholder guidelines for say-on-pay voting, and comments to specific corporate cases.

User Base, Financing, Revenue Generation, and Governance

In 2011, USPX had an email list of about 250 people. USPX was completely volunteer run with Holton leading the helm. Holton came from a quantitative background and was seeking to “reverse engineer what Wall Street” was doing (Kerber 2011).

Management Capacity: Why USPX Ceased Operations

In 2012, USPX ceased central operations. The intent was to take a pause for 18-24 months to re-evaluate the direction of the website. The site was always run on a volunteer basis with a volunteer director and volunteer board. Holton ran his own consulting practice on financial risk management, which suffered because of the demands of running USPX (McRitchie 2012). USPX was decentralized in principle, but the site relied on Holton to keep the momentum going. Similar to Moxy Vote, USPX was seeking to put “new power in the hands of retail investors” who have the potential to reshape “the relationship between companies and their shareholders” through the use of online communications (Kerber 2011). "The system has been broken for 100 years," said Holton, "but that's no reason to keep it broken" (Zweig 2012). At the time this case study was written, the USPX webpage does not load, and it appears that the site never came back after its pause in 2012.

4.3 ProxyDemocracy.org

Site Functions

1) General news and information about proxy voting for individual investors

ProxyDemocracy has a section where users can view general news and information about proxy voting. Site moderators posted some articles, and some were linked in through other blogs, news sources and user-created content. The news sections have not been updated since 2013. There is also a section for users to learn about proxy voting in general and a few of the key issues involved in shareholder elections.

2) Individual company ballot information and alerts of upcoming meetings

ProxyDemocracy users can create a profile on the site and sign up to receive alerts of upcoming shareholder meetings. This, in combination with the information about proxy voting, can help combat rational apathy and the free rider problem by reminding the user to vote, and making the information gathering a bit easier. Users can search by individual companies to view the ballot information for a particular meeting including what board members are up for election and key shareholder proposals. ProxyDemocracy tracks meetings for 13,000 individual companies.

3) Mutual fund voting records and activism profiles

Users can learn about mutual fund voting records and see ProxyDemocracy's activism profile, which provides an algorithmic rating system based on a mutual fund's voting record. To create the activism profiles, ProxyDemocracy scrapes NPX filings from the SEC's database of mutual funds proxy voting records, and these filings are run through an algorithm that creates the fund's activism profile seen on the site. This profile provides quantitative percentiles and rankings as well as a graphic display of the activism footprint. The activism profile is based on four key areas related to issues addressed in proxy voting: Directors, Executive Compensation, Corporate Governance, and Corporate Impact. This allows users to see how mutual funds compare to one another in addressing certain corporate governance issues or to see if a particular mutual fund they own aligns with the values of the shareholders. ProxyDemocracy provides information and activism profiles about 60 fund families and 182 mutual funds.

User Base

ProxyDemocracy's initial target audience was retail investors (Eggers 2008a). The site targets information and functionalities for shareholders of individual companies and mutual fund owners. In an interview with Andy Eggers, the founder of the site, he mentioned his target user base as people who care about social issues or who may think that there is a lot of corporate malfeasance, for example, that the levels of corporate compensation are too high. The site was designed for someone who wants to make decisions about their proxy votes, but does not want to do all the work to keep up to date with everything in the shareholder advocacy universe. In a way, ProxyDemocracy could serve like a political party for investors. The hope was that "broader and more informed participation will not only help investors safeguard their own investments, but also bring about economically and socially beneficial change" (Odell 2008).

Financing, Revenue Generation, and Governance

ProxyDemocracy received initial funding from the Panta Rhea Foundation, the Nathan Cummings Foundation, the V. Kann Rasmussen Foundation, the General Service Foundation and the Noyes Foundation (ProxyDemocracy.org 2008). The site worked on a very minimal structure with Eggers leading the strategic direction along with input from the small board of directors. Eggers shared website development responsibilities with Anandaroop Roy, a web developer and designer based in New York City. In total, the site raised less than $200,000, mostly in increments of $10,000-$30,000.

The board of directors was first composed of Mark Orlowski, the Executive Director and Founder of the Sustainable Endowments Institute; Nicco Mele, the co-founder of Echo and Company; and Mark Latham, the director of VoterMedia.org. These board members had the necessary knowledge and connections to help ProxyDemocracy gain initial popularity. ProxyDemocracy still exists but is now under management of the Sustainable Endowments Institute in Boston. ProxyDemocracy began as an idea likened to being a political party for investors – to provide easier access to information in a format that is more user friendly and engaging than what is provided by companies and the proxy advisors they use to solicit votes.

5. Discussion and Conclusions

From these case studies, there are apparent hurdles to implementing an effective website catered to the needs of retail investors, but there exist ample opportunities to overcome these hurdles. Table 1 summarizes the comparison between the three case studies, and next I will unpack some of hurdles of the sites as well as the subsequent opportunities. These two aspects are incorporated into the overall recommendations for ProxyDemocracy in the next section.

Website	Moxy Vote	USPX	ProxyDemocracy
Years Active	2009-2012	2004-2012	2006-Current
Site Functions	Information exchange Proxy voting platform	Shareholder resolution training Social network for corporate meetings	Information exchange Activism profiles for mutual funds
User Base	200,000 users, retail investors 56 advocate organizations	250 users, retail investors	Unclear amount, retail investors
Management	For profit 10 paid staff	Volunteer-run 1 volunteer director	Non profit 2 paid staff
Strengths	Strong user base Connection with Broadridge Expertise of staff in finance	Mission driven Knowledge & expertise of director Connections with legal advisors	Innovative concept Technical expertise of staff Website design & automated algorithm
Hurdles	Regulatory issues Inability to generate revenue Operating expenses	Management capacity Small user base Limited functionality	Grant dependent Unclear target user and website traffic Outdated appearance

Table 1. Comparative Summary of Case Studies. Robin Miller, 2015.

5.1 Hurdles

The major hurdles fall into a few different themes: regulatory concerns, funding and financing, and the fragmented system of websites. Many of these hurdles exist because the rules on proxy voting were developed long before the mainstream adoption of the Internet; it appears that the SEC has failed to adequately keep up with adapting its rules to the changing environment.

Regarding regulatory hurdles, the adoption of a neutral voting platform by the SEC would greatly aid in allowing a website with a customized voting platform to operate a sustainable business model. Requiring greater transparency on the part of the proxy advisors' methodologies and restricting the ability of proxy advisors to provide consulting services to issuers would help the entire proxy system avoid conflicts of interest and promote greater accessibility to and transparency of information (Schouten 2010).

Even though each of the websites had a different management structure and operating model, none of them developed a successful revenue model with diversified revenue streams. Moxy Vote relied on receiving significant seed funding from the founders, but this funding was quickly used in the website development, and the revenue streams from the advocate organizations was not enough to keep up with the transaction costs per ballot. USPX was completely volunteer managed so although its mission was serving a needed purpose, the volunteer nature of the site would probably never have scaled much beyond its user base. ProxyDemocracy has historically been grant funded, but even then, it has not seen any recent attention and remains outdated in design and content.

Having several websites all catered to encouraging the retail investor vote resulted in a fragmented market. This caused a bit of tension among the sites as they were all iterating around the time period. Schlegel mentioned that Moxy Vote had a relationship with the other sites that landed somewhere between collaboration and competition. Moxy Vote founders had conversations with Eggers of ProxyDemocracy, as well as the founders of Shareowners.org and Holton from the United States Proxy Exchange. Schlegel said that there always remained challenges of how to integrate and support one another. Moxy Vote was the only for-profit organization working in the space, which caused skepticism of the site by the other groups, who were largely based on voluntary efforts or organized into nonprofit organizations. Although they were all working to push the ball forward on greater involvement of shareowners in the proxy voting process, the groups approached the task from different angles. Inevitably, it became very challenging to figure out how to bridge the gap for all organizations to mutually benefit. How could these nonprofit and volunteer ventures adequately explain being in the same sandbox as the for-profit Moxy Vote? From Eggers' perspective, he found it difficult to partner with other sites whose missions were not completely aligned with ProxyDemocracy. Upon later reflection, he said the "thought they were going to lose their lunch, but there was no lunch to lose" speaking to the small pool of investors these sites could potentially attract (Eggers 2015). Eggers did not initial realize just how difficult it would be to get investors interested in doing something about proxy voting. He expressed a sense of overenthusiasm about how the Internet would solve issues of engagement and activism. Eggers mentioned that he learned that shareholder advocacy, and especially engaging individual shareholders, involves much more than creating elegant algorithms and using technology. Effective shareholder engagement takes "elbow grease" in to overcome the obstacles of rational apathy and the free rider problem. There is not a lot of natural connection between individual shareholders, which begs the questions, who would want to be on a social network site for shareholders?

5.2 Opportunities

These hurdles can be reframed as opportunities to strengthen and improve the viability or ProxyDemocracy going forward. The major opportunities lie in thinking creatively about revenue streams, aligning more closely with progressive institutional investors, and being aware of the impending wealth transfer to millenials.

One potential solution to diversifying revenue streams that Schlegel proposed was that part of the New York Stock Exchange (NYSE)'s regulation specifies a paper reduction fee remitted to the brokerage firm for shareholders who elect to receive their proxy information electronically. This amount ranges from 6 cents to 25 cents per ballot depending on the account size of the investor (Deutsche Bank 2014). This accounts for electronic delivery being more efficient and requiring less printing and processing of paperwork. If a proxy voting site could prove that it encouraged its users to switch to receiving their proxy notices electronically, what is preventing that site from sharing the reduction fee remission with the brokerage firm? This source of revenue could offset the voting transaction fees and contribute to a more viable business model. Additionally, these sites were operating during the earlier periods of social media and crowd funding and did not take advantage of these opportunities to both spread the message of the site and attract additional investment.

Aligning with progressive institutional investors and other key partners could also support the bottom line and help in the scaling of a proxy voting site for retail investors. Moxy Vote developed working relationships early on with the SEC and brokerage firms in attempts to prove the concept and make Moxy Vote function. Schlegel also acknowledged that Moxy Vote owed much of is success to the relationship it developed with Broadridge to transact votes and gain access to its database. Solidifying a significant brokerage firm partner will be key to success for future endeavors. Eggers suggested that a proxy voting site like ProxyDemocracy might be even more effective as a think tank for socially responsible investment (SRI) firms and asset managers focused on environmental, social and governance (ESG) integration to find out what is material to retail investors voting decisions. This is especially important to think about with the growing number of shareholder resolutions related to climate change and social issues. Eggers kept ProxyDemocracy independent of these funds to avoid a conflict of interest since the site evaluates them through its activism profiles; however, there could be creative ways of thinking through partnerships with these firms towards a shared goal of greater retail voter participation. On a final note related to collaboration with institutional investors, Eggers suggested that having college and university endowment and nonprofit foundation voting records on ProxyDemocracy could be a good way to increase the data and reach of the site.

The last opportunity to glean from these case studies is that the decision-making power of investments will soon transfer to a new generation: millennials. Schlegel (2016) noted that from his experience at TFS Capital, more and more individuals entering the workforce and earning income want match their values with their investments. Millennials, in his view, often do not even think twice about separating their values from the investments they make. As millennials inherit the wealth of their families and the inherent shareholder voting power, there may be an opportunity to engage these investors through ProxyDemocracy.

Now that that the major hurdles and opportunities have been identified from the three case studies, especially focusing on the strengths and weaknesses of each website, the next section will detail specific recommendations for strengthening and increasing the viability of ProxyDemocracy going forward.

6. Recommendations for ProxyDemocracy

In order to move beyond its self-sustaining state, ProxyDemocracy can make strategic improvements to increase its efficacy. In the short-term, ProxyDemocracy should conduct market research to identify a core user base; develop a set of internal materials including a clear vision, stakeholder analysis and financial plan; and modernize the website. It should continue to build its advisory board, which currently consists of several experts in corporate governance and sustainable investing. Maintaining the site under the nonprofit status of the SEI will allow the site to keep providing its educational content.

At the long-term scale, ProxyDemocracy needs to develop a sustainable operating model. An option could be to partner with a similar organization like As You Sow (AYS), a nonprofit organization based in San Francisco, which completes a comprehensive annual report called *Proxy Preview.* There have been initial conversations between SEI and AYS to develop up a proxy voting platform similar to what Moxy Vote offered that would operate as a social enterprise. Revenue could come from companies who wish to use the service to garner votes from retail shareholders. One key idea for this incarnation is to develop a feedback loop so when a user votes through the platform, the user receives a notification after proxy season ends with the results of the elections for the companies they submitted votes for. This would be a crucial piece in addressing rational apathy and the free rider problem with proxy voting and retail investors.

It should also increase the universe of mutual funds featured on the site, and even work to include proxy voting records of other types of institutions like college and university endowments. Table 2 provides a summary of these recommendations.

What	Action Steps	Goal of completion
Market Research	• Develop and implement survey for current/potential PD users • Analyze results	May 2016 June 2016
Internal Materials	• Finish brief visioning document • Stakeholder mapping/analysis • Financial plan/grant writing	May 2016 May 2016 May 2016
Website Development	• Solidify developer • Complete Tier 1 and Tier 2 improvements • Back-end upload feature	May 2016 July 2016 July 2016
Advisory Board	• Follow-up with Johnson & Johnson • Update Advisory Board spreadsheet • Hold conference call with current members	May 2016 Ongoing June 2016
Partnerships and Strategy	• Strategy meeting in NYC • Outreach to endowments/foundations • Explore ProxyDemocracy the voting service • Explore partnerships with ESG/SRI funds	April 2016 June 2016 July 2016 July 2016

Table 2. Summary of Recommendations for ProxyDemocracy. Robin Miller, 2015

7. Opportunities for Future Research

There were a few limitations to this research that can be overcome in future research endeavors. The founder of the United States Proxy Exchange could not be reached for interview, which contributes to the brevity of that case study. Although there are many different organizations that develop proxy voting guidelines and track the results of each proxy voting season, it is difficult to determine the efficacy of an individual investor's vote. The Croatan Institute is looking into the impact of equity engagement, and part of this includes the proxy voting process (Electris et al. 2014). Determining this efficacy and impact will be important to integrate into further iterations of ProxyDemocracy and to the contribution of research on both retail and institutional investors in the future. Schlegel (2016) pointed out that its important to note that people in general are not completely apathetic toward environmental, social and governance issues. For users of Moxy Vote, the folks that were the most passionate about particular issues did not own those stocks and the folks who were shareholders tended to be the least passionate. It is the pooling of these interests that could really draw in synergy. Research into the synergy of shareholders and non-shareholder around corporate environmental, social and governance could be a very interesting topic.

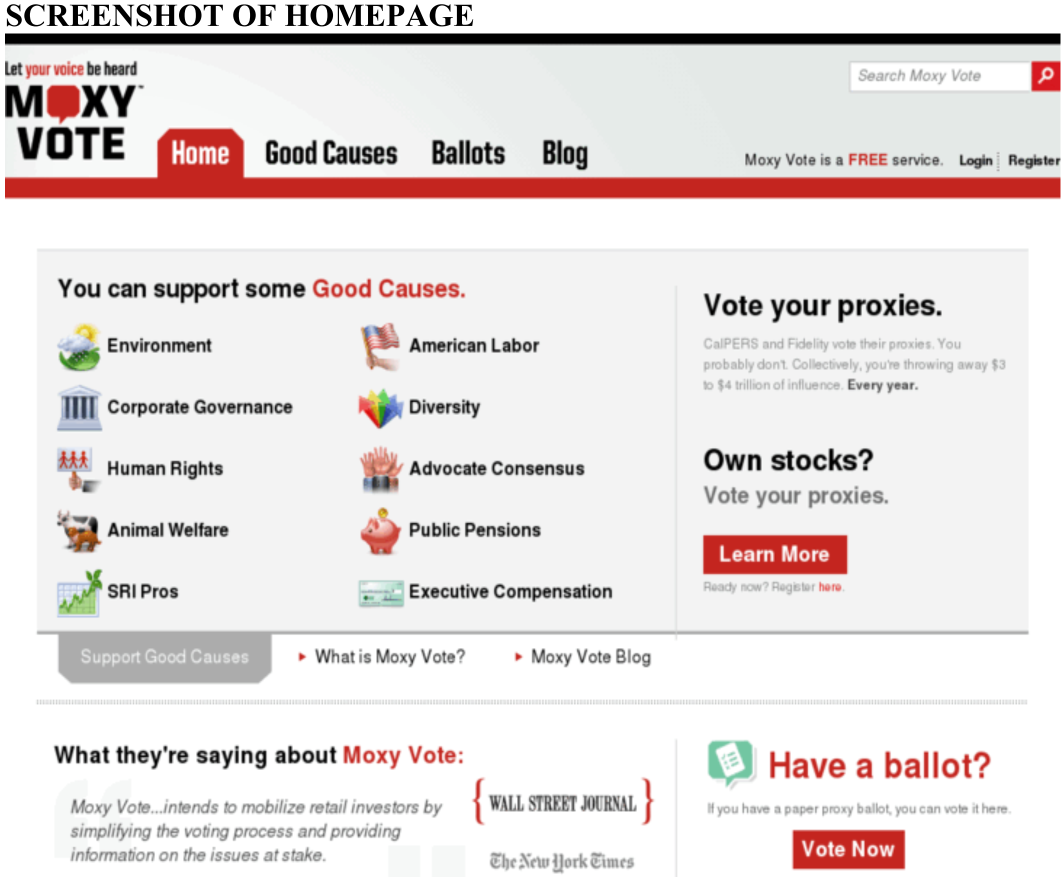
It is important to remember that the shareholder vote is just one piece of shareholder engagement and shareholder advocacy. Effective voting can signal to a company that shareholders desire change or information access, and additionally shareholder votes can often lead to beginning dialogue with a company. This dialogue is what usually leads to material changes that can both improve shareholder value and provide a path forward for action on sustainable and resilient practices.

Appendix A

MOXY VOTE TIMELINE

2009	Moxy Vote launches with $2M seed funding
Nov 2009	Moxy Vote files this letter with the SEC
March 2010	Moxy Vote publishes this video
2011	Moxy Vote reaches 5,000 user milestone
July 2012	Moxy Vote shuts down with 200,000 (197,000) registered users and 56 advocate organizations posting voting advice
Aug 2012	Larry Eiben, initial backer of Moxy Vote, files a petition with the SEC to create a new category of investment advisor called "neutral Internet voting platform"

SCREENSHOT OF HOMEPAGE



Appendix B

PROXY DEMOCRACY TIMELINE

July 2004	Andy Eggers starts ProxyDemocracy wordpress blog
July 2007	Alpha version of mutual fund database launched
2007	Officially founded! (according for FB page)
April 2008	Started blogging about FocusLists
May 2008	Origin of the Activism Rating
June 2009	Mark Latham gets seat on SEC Investor Advisory Committee, press release; first meeting notes
March 2010	ProxyDemocracy featured in the NY Times
2010	ProxyDemocracy gets a facelift
November 2010	SEC Investor Advisory Committee terminated; did pass a resolution about proxy voting transparency in Feb 2010
2012	New SEC Investor Advisory Committee created
2015	Sustainable Endowments Institute acquires ProxyDemocracy

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