Proxy and Class actions: Today’s ESG challenge
Key Survey Findings
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Key Survey Findings

How central is shareholder governance to today’s ESG agenda? How are we preparing for industry-wide transformation in shareholder engagement?

Run with the support of FIS, Goal, Proxymity and ISSA, the “Proxy voting and Class Actions: Today’s ESG challenge” survey offers statistical clarity on how and where issuers, intermediaries and their investor clients are seeing the world of shareholder engagement transform today. Leveraging statistical insights from market participants around the world, these results are designed to help you to chart a clear transformation journey in your proxy voting and class action processing.

This document summarises the key statistical findings of our campaign so far. We would love to hear your reactions to these findings and so please reach out if you have any comments or questions (to info@thevalueexchange.co).
Why is shareholder governance important?
Why is shareholder governance important?

63% of investors would incorporate shareholder engagement into their investment management decisions...

...rising to 86% of investors in Europe

If investors could target investments based on a shareholder engagement score for each issuer:

- No impact: 2%
- Some impact: 7%
- Medium Impact: 28%
- Strong Impact: 44%
- Very strong impact: 19%

If investors could target investments based on a shareholder engagement score for each issuer:

- Europe: 29% Very strong impact, 57% Strong impact
- North America: 11% Very strong impact, 42% Strong impact
- Asia Pacific: 13% Very strong impact, 25% Strong impact
Why is shareholder governance important?

71% of investors see ESG as a core driver of their shareholder governance strategies.

80% of issuers see their shareholders as the single biggest driver in improved governance.

What is driving your change in shareholder engagement? (% of issuers)

- Shareholder pressures: Importance
  - 80%
- Transparency pressures (i.e. shareholder engagement will be used to score our company’s ESG profile): Importance
  - 79%
- Regulatory pressures: Importance
  - 78%
- Investor pressures (i.e. disclosures are required by our investors will impact the investibility of my company): Importance
  - 78%
- Internal pressures (i.e. corporate governance and long term strategy): Importance
  - 75%
Key metrics:
How effective is our shareholder engagement today?
What is our shareholder engagement operating model today?

How automated is our operating model
(% of respondents who have >80% STP in their shareholder engagement processes today)

Issuers see strong automation....
...but very little makes its way downstream
How effective is our proxy voting today?

Cost: $12,980 per proxy vote

- **Issuers** pay $5,924
- **Investors** pay $5,206
- **Intermediaries** pay $1,850

Time: 9 or 14 days?

- **Issuers** take 8.7 days
- **Investors** take 13.5 days

Reliability? Only 88%

- **Low confidence 12%**
  - **Issuers**: (3.9/5)
  - **Investors**: (3.5/5)
  - Fully confident, 14%

How much does it cost you to process a proxy vote?

How long does it take you for investors to receive an accurate meeting announcement, post it being published by the issuer?

How sure are you that your proxy vote is counted every time? (% of investors)
# Key metrics: Shareholder engagement today

Shareholders are less content than issuers – and timing is a bigger problem than quality

<table>
<thead>
<tr>
<th></th>
<th>Issuers</th>
<th>Investors</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Timing of notifications</strong> (% of respondents dissatisfied with current levels)</td>
<td>91%</td>
<td>71%</td>
</tr>
<tr>
<td><strong>Quality of notifications</strong> (% of respondents dissatisfied with current levels)</td>
<td>9%</td>
<td>29%</td>
</tr>
</tbody>
</table>
Key metrics: Timing of shareholder communications
Are issuers up to 50% slower in notifying investors than they think?

How long does it take to deliver or receive an accurate meeting announcement post it being published by the issuer? (In Days)

- **North America**
  - Investors' view: 11 Days
  - Issuers' view: 9 Days
- **Europe**
  - Investors' view: 16 Days
  - Issuers' view: 8 Days
- **Apac**
  - Investors' view: 16 Days
  - Issuers' view: 14 Days
## Key metrics: Timing of shareholder communications

Intermediation is at the heart of the timing problem for 84% of investors – and data quality is a challenge for over 50% of investors

### What are the main factors that slow your meeting announcements? (% of investors citing each issue)

<table>
<thead>
<tr>
<th>Factor</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intermediary / Proxy provider's system limitations</td>
<td>84%</td>
</tr>
<tr>
<td>Your own (investor) system Limitations</td>
<td>69%</td>
</tr>
<tr>
<td>Need to clean / scrub meeting announcements</td>
<td>56%</td>
</tr>
<tr>
<td>Lack of formatted announcement by issuer (i.e. a Golden Source Announcement)</td>
<td>53%</td>
</tr>
<tr>
<td>Inability to identify those who should receive the announcement (i.e. omnibus accounts at nominee)</td>
<td>41%</td>
</tr>
<tr>
<td>Management of stocks on loan / corporate actions</td>
<td>16%</td>
</tr>
</tbody>
</table>
Where are we struggling in proxy voting today?

64% of investors see major issues in their shareholder engagement – but issues vary across the chain

How do you rank the following factors in terms of their impact on your organization’s ability to process votes today?

<table>
<thead>
<tr>
<th>% Struggling</th>
<th>#1 issue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investors</td>
<td>64%</td>
</tr>
<tr>
<td>Intermediaries</td>
<td>52%</td>
</tr>
<tr>
<td>Issuers</td>
<td>31%</td>
</tr>
</tbody>
</table>
Where are issuers struggling to scale proxy voting?

31% of respondents face blocking issues as they try to scale their shareholder engagement – largely due to poor visibility along the ownership chain.

**Which issues are blocking issuers from scaling?** (% of respondents citing each issue as blocking future scale)

- Inability to identify beneficial owners: 50%
- Availability of specialist staff during peak periods: 47%
- Lack of voting engagement (by beneficial owners): 44%
- Votes getting lost (from investors): 34%
- Over-voting / incorrect allocations by intermediaries: 31%
- Inability to track votes in a timely way (or in real time): 23%
- Incomplete information being received by investors on votes: 22%
- Manual tabulation of votes received: 16%
- Last-minute voting by investors: 16%

Issuer’s perspective
Investor visibility: do we all agree on the problem? 
50% of issuers can’t or don’t try to see their shareholders – yet 61% of investors are happy to be identified

How able are issuers to keep a clear view of their shareholders/end investors today?

- We are unable to distinguish shareholder types: 3%
- We can not see past custodian/broker omnibus accounts: 24%
- The information is not important to us: 26%
- We are able to see a clear view: 44%

How willing are investors to be identifiable to issuers (and their agents)?

<table>
<thead>
<tr>
<th>Region</th>
<th>Happy to be identifiable</th>
<th>Not at all</th>
<th>Indifferent</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>63%</td>
<td>26%</td>
<td>11%</td>
<td></td>
</tr>
<tr>
<td>APAC</td>
<td>63%</td>
<td>25%</td>
<td>13%</td>
<td></td>
</tr>
<tr>
<td>Europe</td>
<td>57%</td>
<td>36%</td>
<td>7%</td>
<td></td>
</tr>
</tbody>
</table>
Main challenges: where are we struggling in class actions today?
64% of investors see major issues in their class action engagement – due mainly to a lack of expertise and manual dependencies

25 FTE (Average resourcing needed to manage one class action per investor)

**Intermediaries**: 51%
- Incomplete information on class action being received: 67%
- Manual book keeping and processing of events: 60%
- Late receipt of information: 57%
- Lack of market knowledge (Lack of filing information per market, conflicting cases): 51%
- Manual/paper-based communication of information and instructions: 51%
- Availability of subject matter experts to handle class actions: 43%
- Lack of participation (by beneficial owners): 28%

**Investors**: 64%
- Availability of subject matter experts to handle class actions: 63%
- Incomplete information on class action being received: 66%
- Manual book keeping and processing of events: 65%
- Reputational concerns about being identified within a class action: 64%
- Manual/paper-based communication of information and instructions: 60%
- Late receipt of information: 60%
Where do we go from here?
Growing pains: dealing with retail engagement
The volume of retail accounts is set to grow by 3% in the next five years – straining the operating model

<table>
<thead>
<tr>
<th>How many (beneficial owner) shareholders do issuers face today? (Average)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Equities</strong></td>
</tr>
<tr>
<td>547,879</td>
</tr>
<tr>
<td><strong>Bonds (including Convertible bonds)</strong></td>
</tr>
<tr>
<td>474,063</td>
</tr>
</tbody>
</table>

How are shareholders distributed between institutional vs retail / wealth today and in 5 years (averages by # of shareholders)

- Institutional: 46%, 43%
- Wealth/Retail: 57%, 54%
Proxy voting
Are we ready to accelerate?

- 25% growth in last two years
- 540 votes per investor in 2023
- 34% growth in next two years
- 19% of investors expect to see growth rates of >50% in the next two years

- North America 42%
- Europe 36%
- Asia-Pacific 11%
Proxy voting
Are custodians underestimating the future pressures of proxy voting – especially in North America?

Where is the proxy voting growth? (expected growth rates by region and segment)

<table>
<thead>
<tr>
<th>Region</th>
<th>Issuer</th>
<th>Intermediary</th>
<th>Investor</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>37%</td>
<td>27%</td>
<td>42%</td>
</tr>
<tr>
<td>Europe</td>
<td>22%</td>
<td>15%</td>
<td>36%</td>
</tr>
<tr>
<td>APAC</td>
<td>12%</td>
<td>17%</td>
<td>11%</td>
</tr>
</tbody>
</table>
Class actions
Can we keep up our momentum?

34% growth in last two years

54 class actions per investor in 2023

33% growth in next two years

26% of investors expect to see growth rates of >50% in the next two years

Europe 44%
North America 36%
Asia-Pacific 14%
How are we investing in shareholder engagement?

30% of intermediaries are not yet investing – and are lagging their clients.

How much are we spending on shareholder engagement transformation?

(% of respondents by project spend, USD)

Class Actions
- Intermediaries: 40%
- Investors: 38%

Proxy voting
- Intermediaries: 27%
- Investors: 27%

Custodian average:
- $0-100k: 33%
- USD1-USD100k: 18%
- USD101k-USD500k: 8%
- USD501k-USD1m: 10%
- USD2m-USD5m: 3%
- Over USD5m: 3%

Investors average:
- $0-100k: 43%
- USD1-USD100k: 20%
- USD101k-USD500k: 17%
- USD501k-USD1m: 10%
- USD2m-USD5m: 3%
- Over USD5m: 5%

Average spend
- Intermediaries: $0 USD1 USD100k USD101k USD500k USD501k USD2m USD5m Over USD5m
- Investors: $0 USD1 USD100k USD101k USD500k USD501k USD2m USD5m Over USD5m
How are we investing in proxy voting?
Issuers are focusing on end to end automation – starting outside and working inwards

<table>
<thead>
<tr>
<th>Where are we spending?</th>
<th>When are we spending?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automation of external communications</td>
<td>44% 34% 13% 9%</td>
</tr>
<tr>
<td>Outsourcing vote communication, processing and tabulation</td>
<td>31% 41% 22% 6%</td>
</tr>
<tr>
<td>Automation of internal processes</td>
<td>31% 53% 9% 6%</td>
</tr>
<tr>
<td>Appointing a provider to support identification of beneficial owners</td>
<td>31% 28% 31% 9%</td>
</tr>
<tr>
<td>Appointing a provider to support investor engagement</td>
<td>22% 41% 25% 13%</td>
</tr>
</tbody>
</table>

2023 | 2024 | 2025 | After 2025
How are we investing in proxy voting?
Automation before outsourcing – as a urgent priority for 90% of firms

Where are we investing? (% of respondents spending on each area)

- Automation of internal processes: 33%
- Outsourcing end-to-end process management: 27%
- Automation of external communications: 22%
- Sourcing new data feeds to improve / automate event notifications: 23%
- Hiring new, specialist resourcing: 17%
- Changes to client experience / client reporting: 11%
- Changes to client experience / client reporting: 11%
- Automation of external communications: 7%

When are we investing?

- 2023: 43%
- 2024: 48%
- 2025: 5%
- After 2025: 5%

The case for transformation
thevalueexchange.co
How are we investing in class actions?
One third of intermediaries is outsourcing, whilst investors focus on data and talent.

**Where are we investing?** (% of respondents spending on each area)

- **Automation of internal processes**
  - Intermediaries: 14%
  - Investors: 20%

- **Outsourcing end-to-end process management**
  - Intermediaries: 31%
  - Investors: 18%

- **Automation of external communications**
  - Intermediaries: 12%
  - Investors: 17%

- **Sourcing new data feeds to improve / automate event notifications**
  - Intermediaries: 15%
  -投资者: 20%

- **Hiring new, specialist resourcing**
  - Intermediaries: 17%
  - Investors: 20%

**When are we investing?**

- **2023**
  - Intermediaries: 42%

- **2024**
  - Investors: 23%

- **2025**
  - Investors: 8%

- **After 2025**
  - Investors: 27%
Where are we struggling to transform?
More than 50% of issuers and investors are unable to find a suitable answer – whilst custodians and wealth managers can’t make the business case.

<table>
<thead>
<tr>
<th>Blocking Obstacle</th>
<th>Slowing Progress</th>
</tr>
</thead>
</table>

**Issuers**
- Availability of vendor solutions / Service provider dependencies: 56% / 38%
- Availability of subject-matter expertise / talent to undertake the project: 41% / 28%
- Management support and education: 34% / 47%
- Budget sign off / prioritisation: 22% / 53%
- Regulatory change and rule changes: 19% / 72%

**Intermediaries**
- Budget sign off / prioritisation: 40% / 40%
- Management support and education: 28% / 48%
- Regulatory change and rule changes: 16% / 52%
- Availability of vendor solutions / Service provider dependencies: 12% / 56%
- Lack of compelling events / management pressure: 8% / 48%
- Availability of subject-matter expertise / talent to undertake the project: 6% / 76%

**Investors**
- Availability of vendor solutions / Service provider dependencies: 58% / 33%
- Management support and education: 40% / 40%
- Budget sign off / prioritisation: 30% / 49%
- Availability of subject-matter expertise / talent to undertake the project: 28% / 53%
- Regulatory change and rule changes: 26% / 53%
Benchmark your own shareholder governance plans today