

**Proxy voting
& Class actions:**
Today's ESG challenge

the ValueExchange 

 ISSA International Securities
Services Association

 FIS

 goal
Solutions. Reconnects. Results.

 Proximity

the case for transformation
thevalueexchange.co



Proxy and Class actions: Today's ESG challenge

Key Survey Findings

Proxy and Class actions: Today's ESG challenge

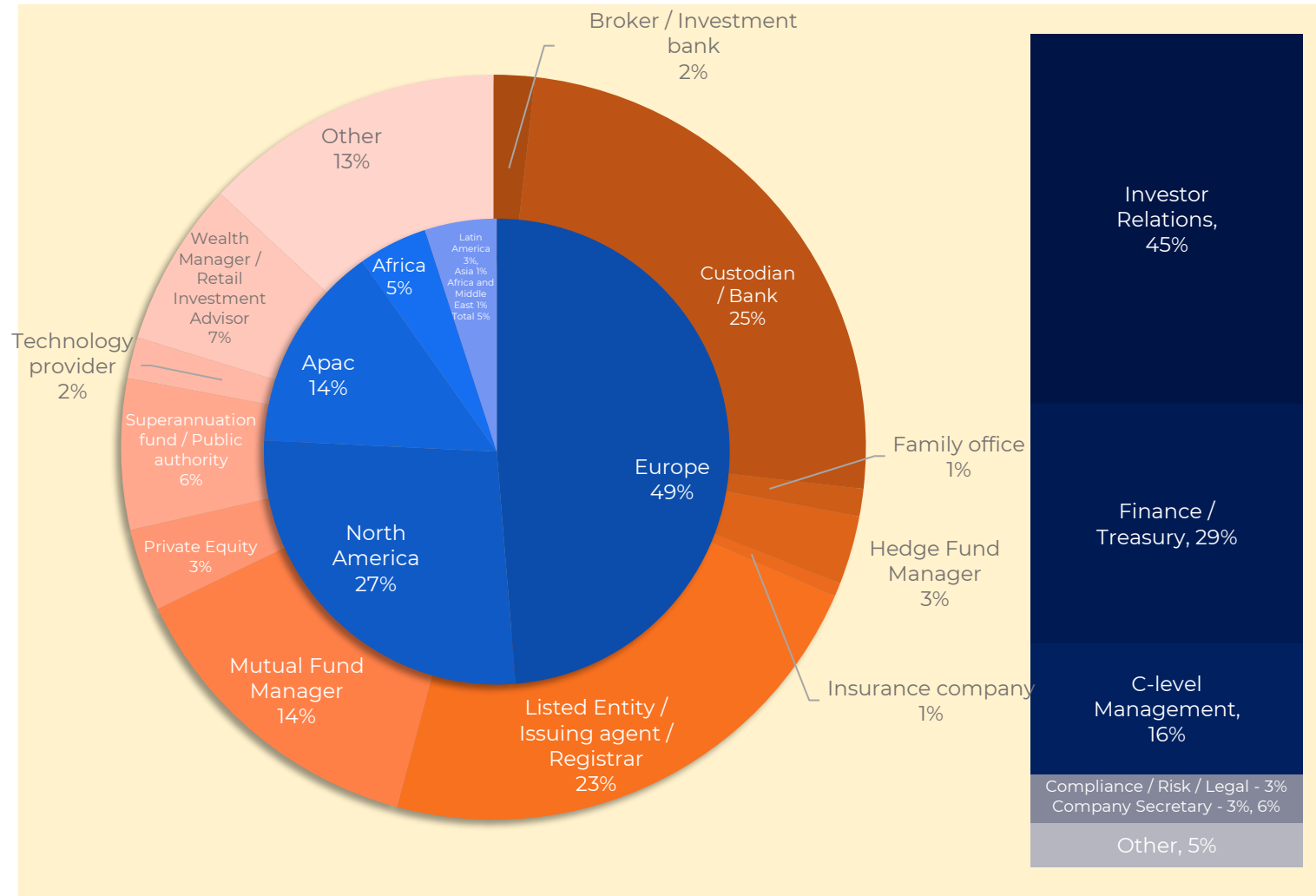
Key Survey Findings



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, Proximity** 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).

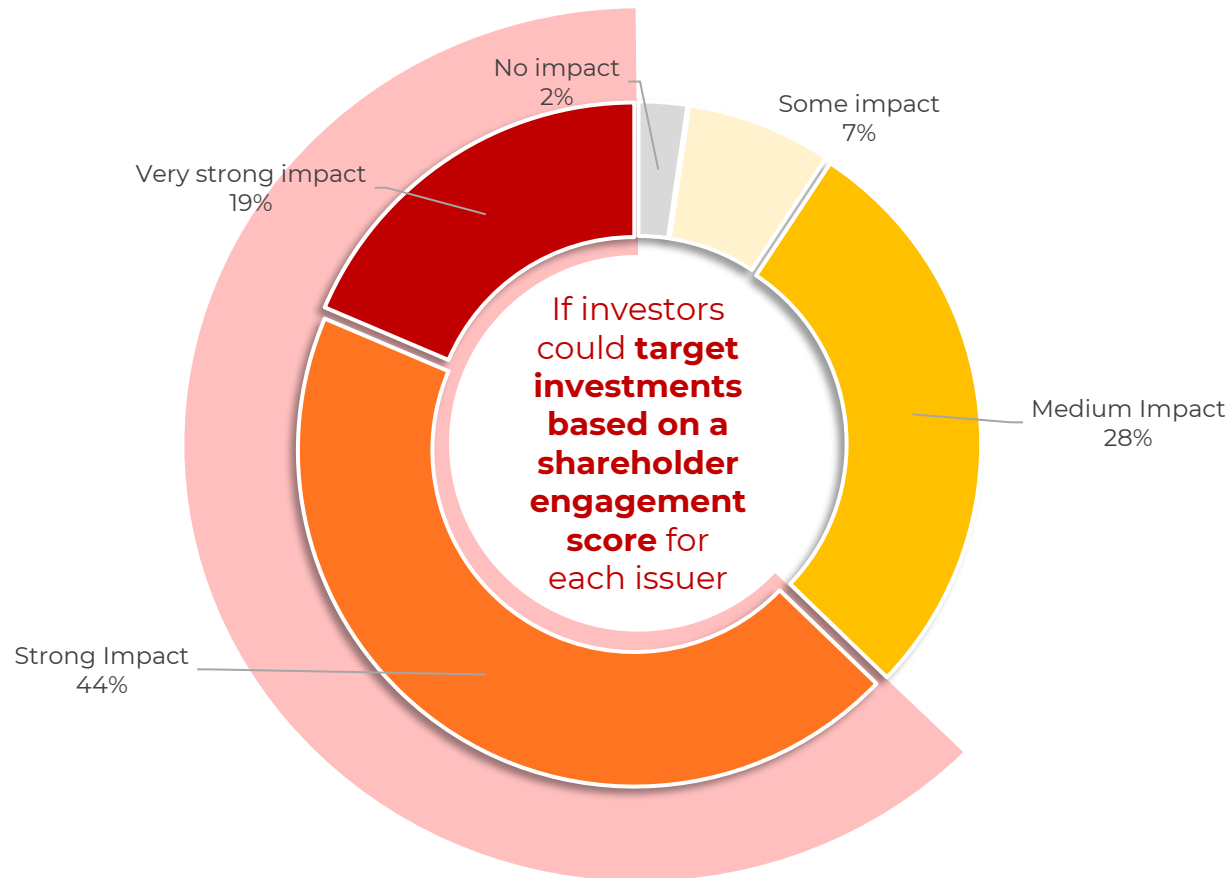


Why is shareholder governance important?

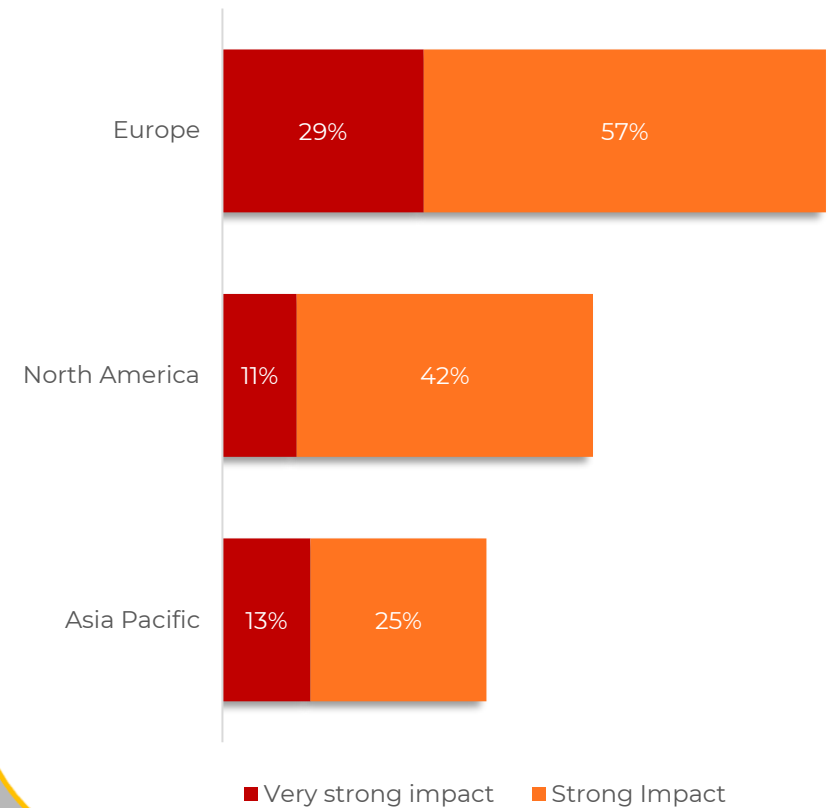


Why is shareholder governance important?

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



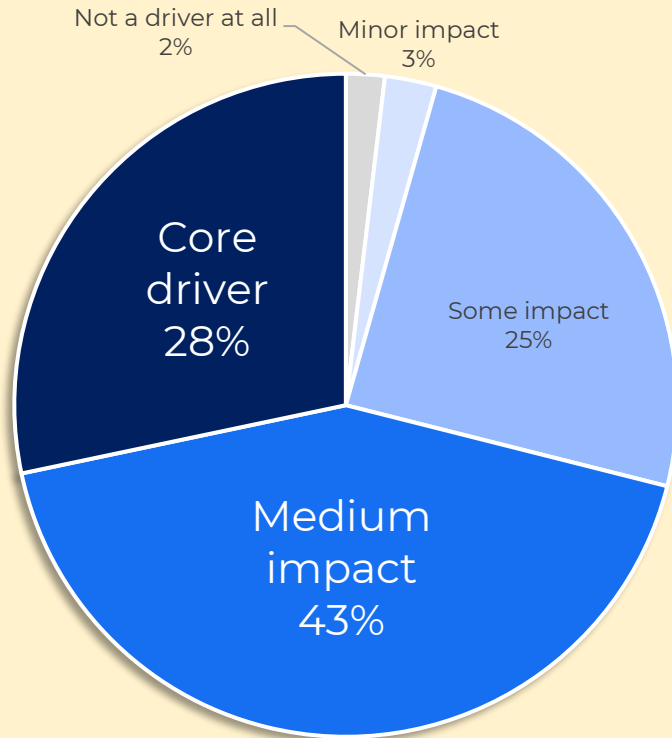
...rising to 86% of investors in Europe



Why is shareholder governance important?

Investors are looking for change....

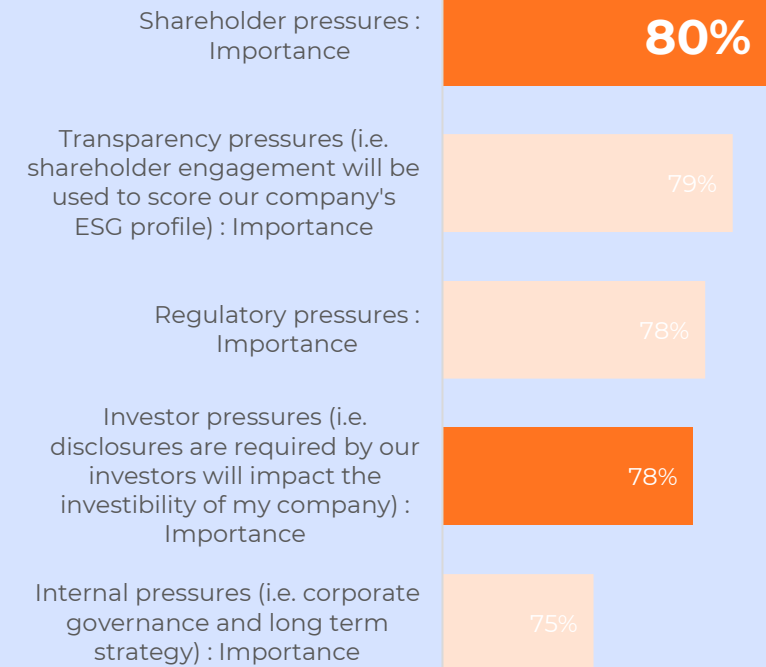
...and issuers are fully aware



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

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

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



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



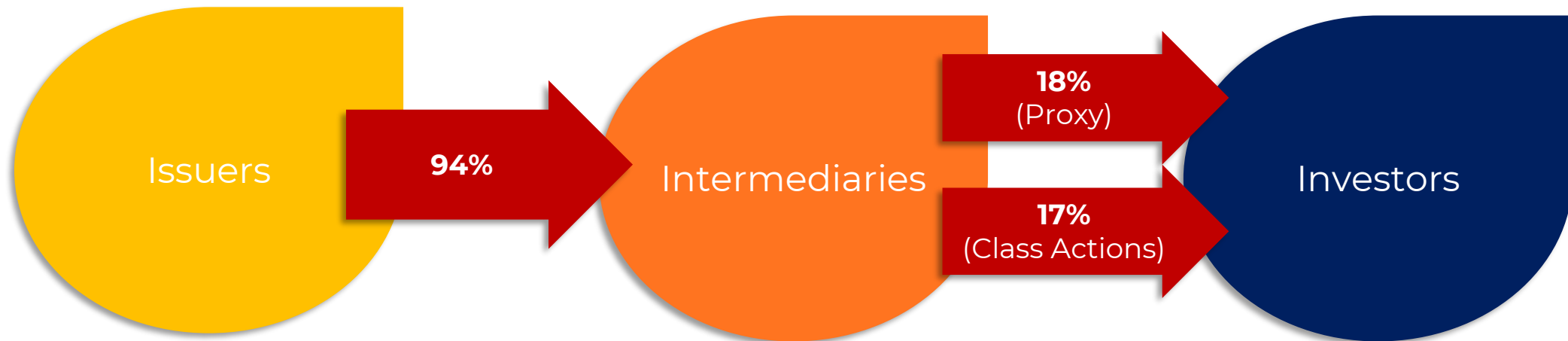
Key metrics: How effective is our shareholder engagement today?



What is our shareholder engagement operating model today?

How automated is our operating model

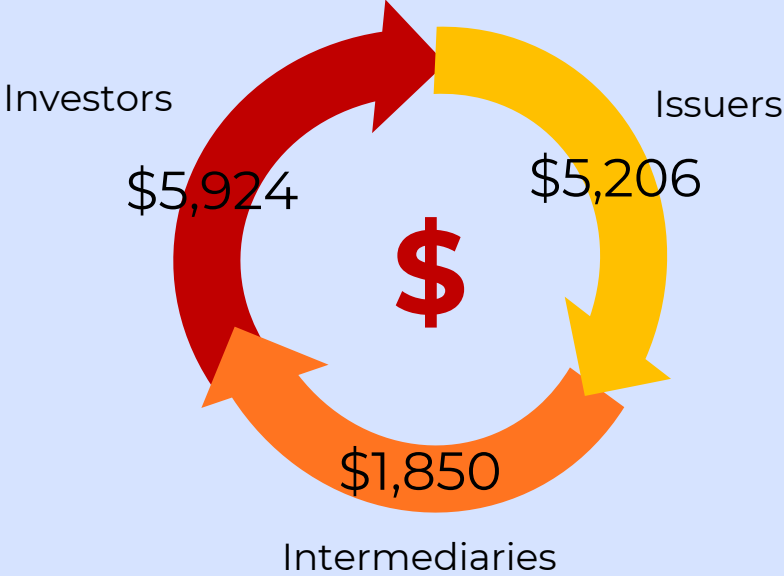
(% of respondents who have >80% STP in their shareholder engagement processes today)



Issuers see strong automation... ..but very little makes its way downstream

How effective is our proxy voting today?

Cost: \$12,980 per proxy vote



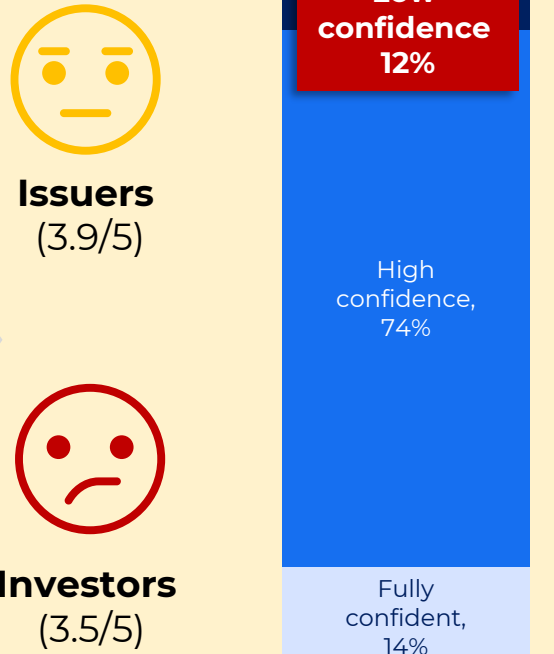
How much does it cost you to process a proxy vote?

Time: 9 or 14 days?



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

Reliability? Only 88%



How sure are you that your proxy vote is counted every time? (% of investors)

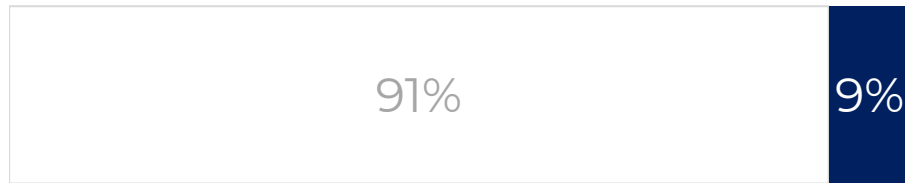


Key metrics: Shareholder engagement today

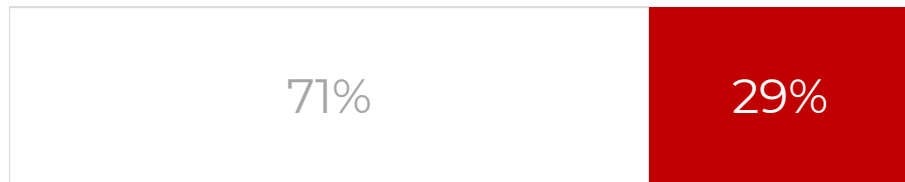
Shareholders are less content than issuers – and timing is a bigger problem than quality



Timing of notifications (% of respondents dissatisfied with current levels)

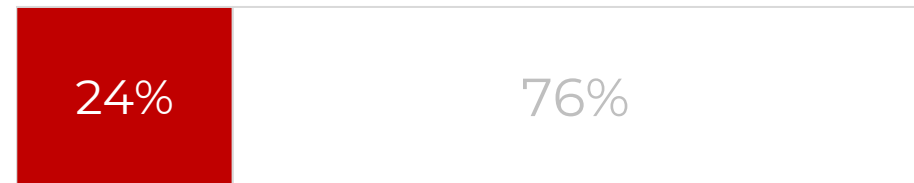
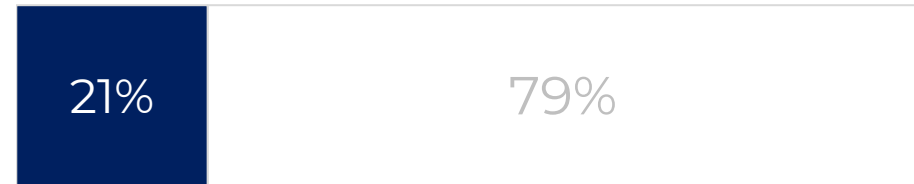


Issuers



Investors

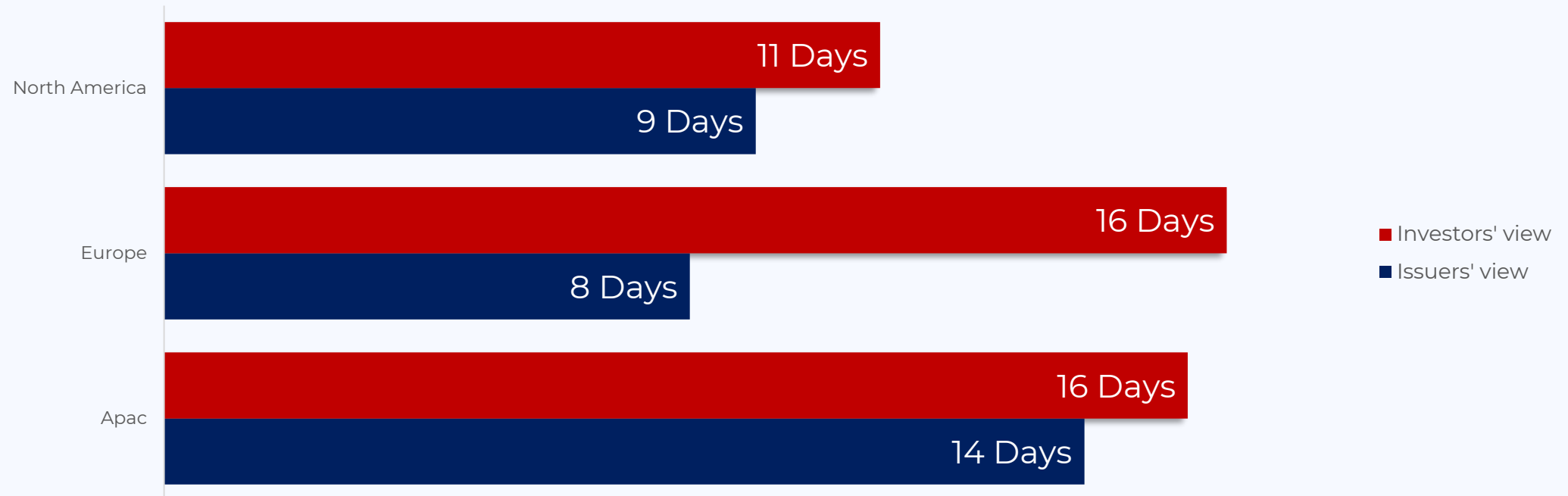
Quality of notifications (% of respondents dissatisfied with current levels)



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)

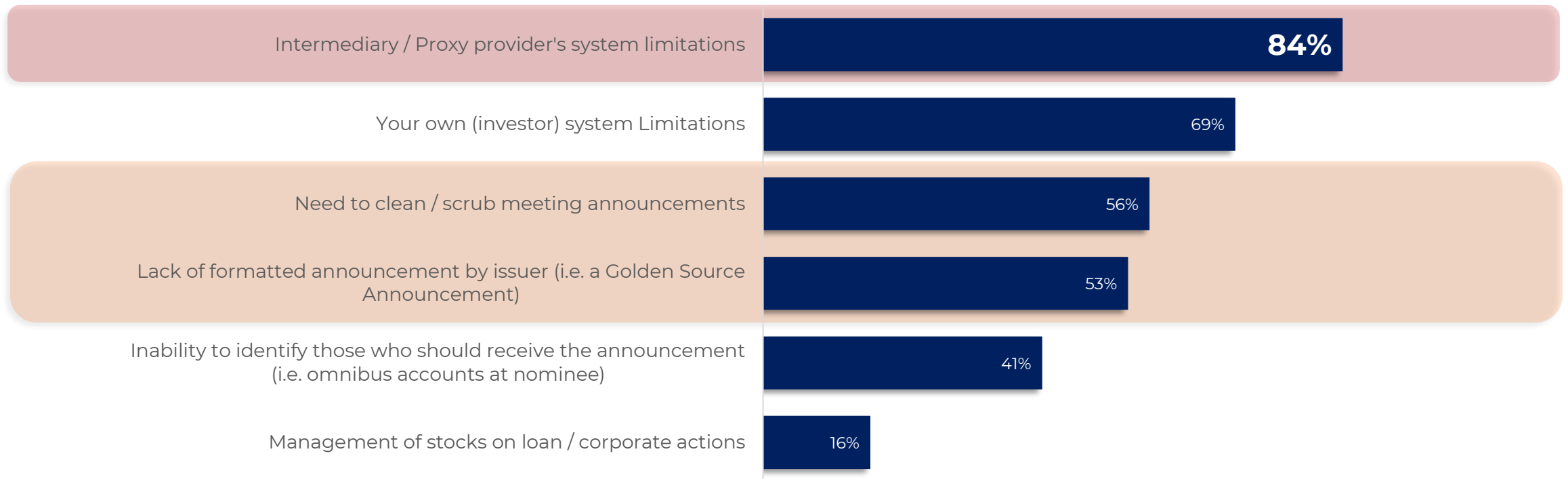


Key metrics: Timing of shareholder communications

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

Investor's perspective

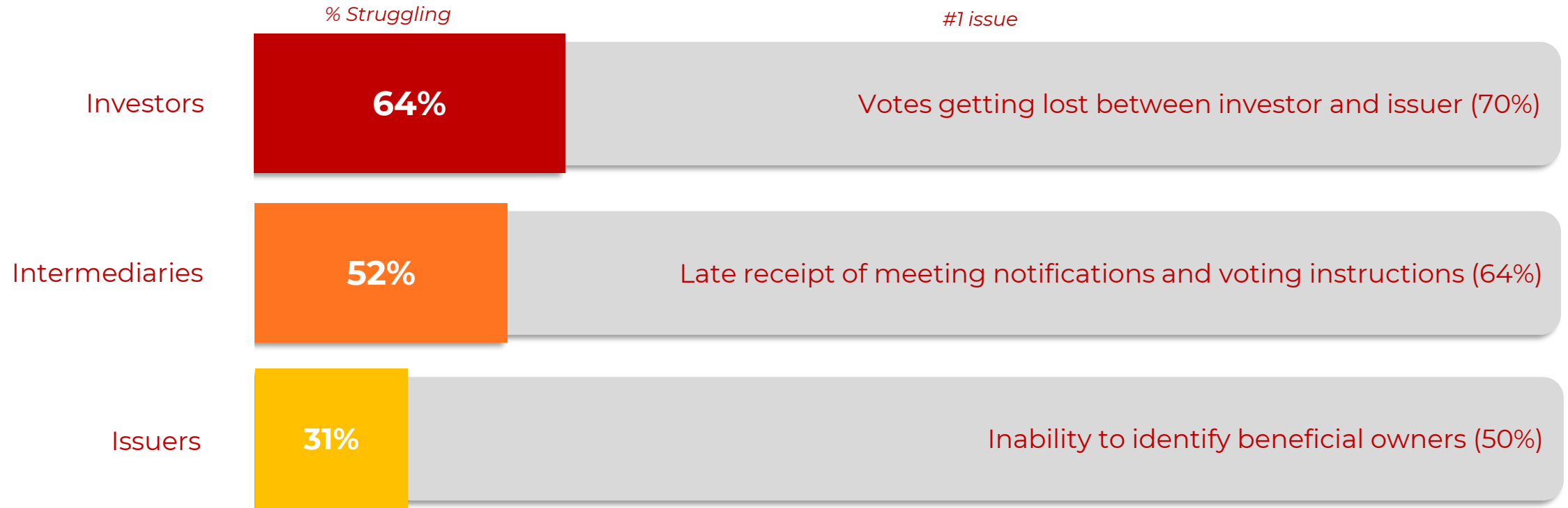
What are the main factors that slow your meeting announcements? (% of investors citing each issue)



Where are we struggling in proxy voting today?

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

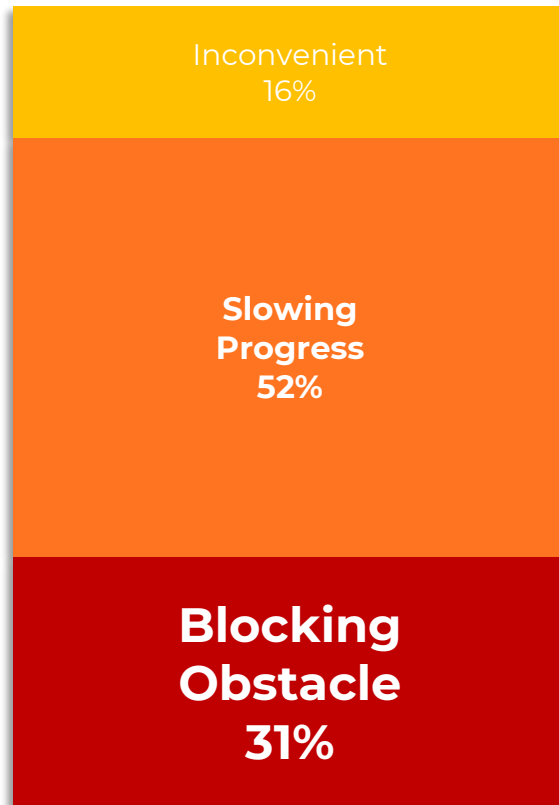
How do you rank the following factors in terms of their impact on your organization's ability to process votes today?



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

Issuer's perspective



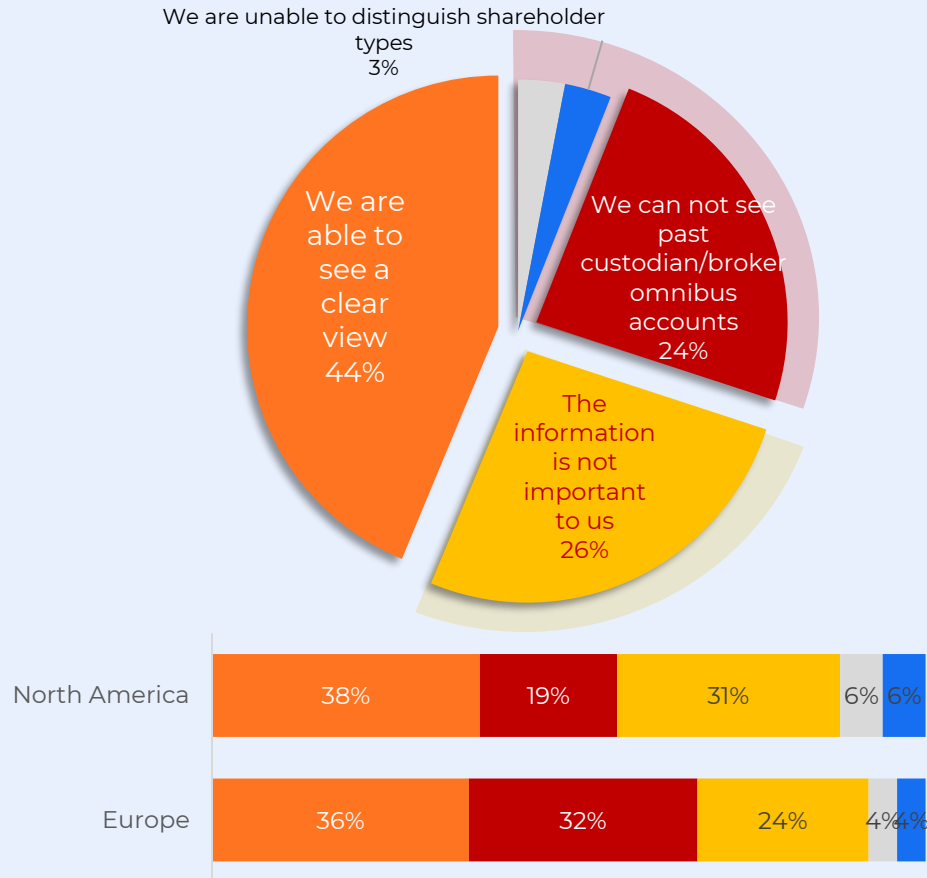
Which issues are blocking issuers from scaling? (% of respondents citing each issue as blocking future scale)



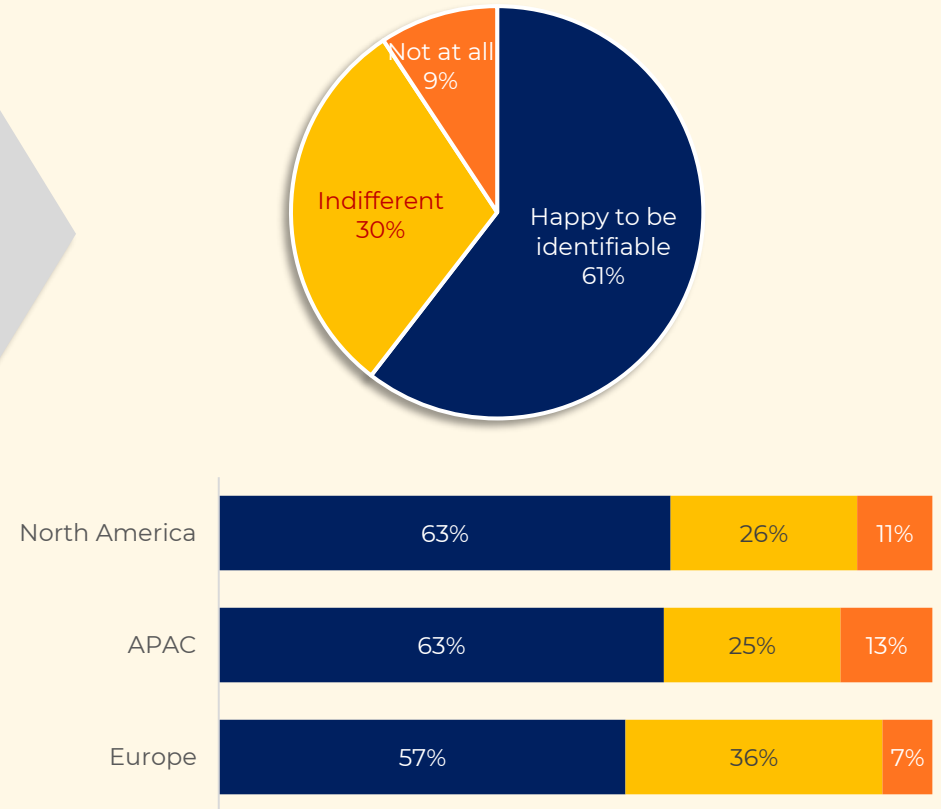
Investor visibility: do we all agree on the problem?

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?



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



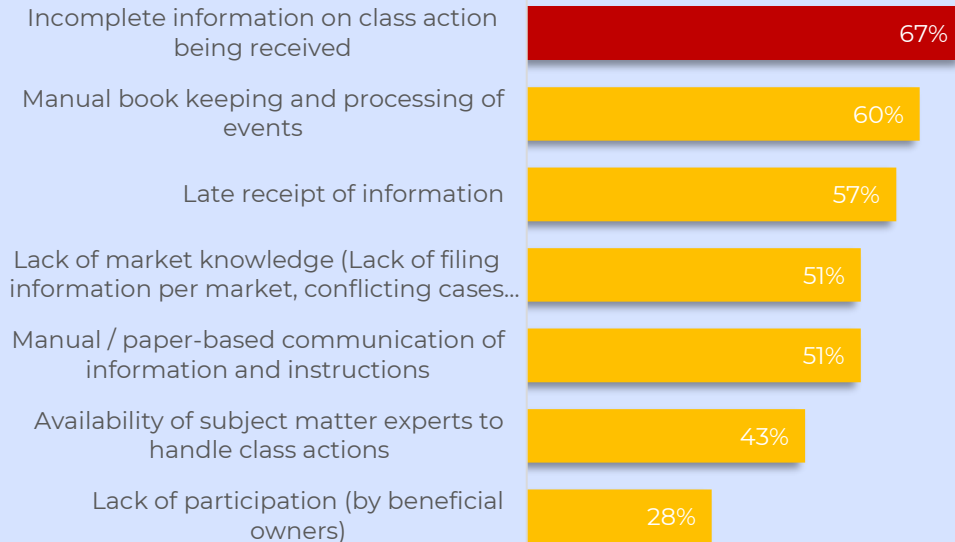
Main challenges: where are we struggling in class actions today?

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)

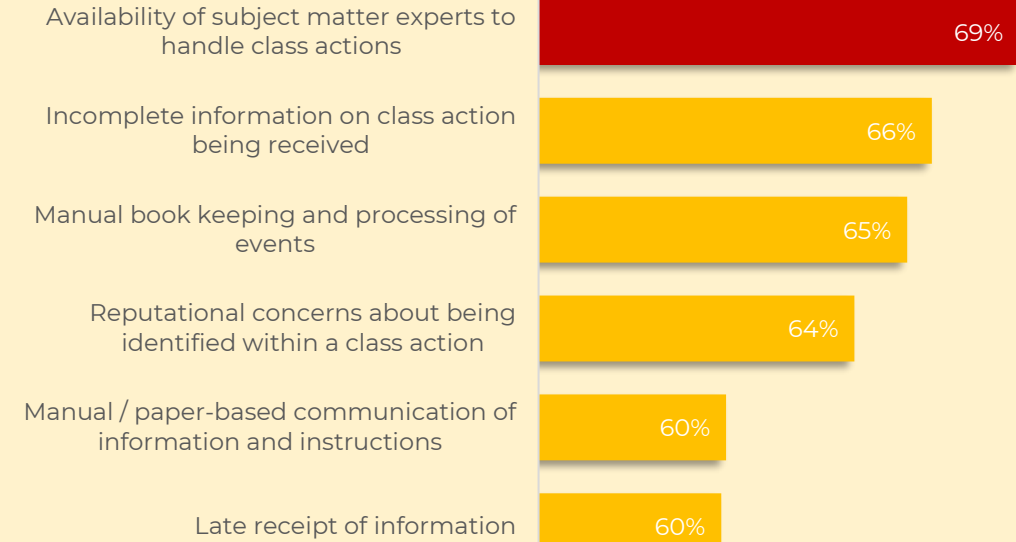
Intermediaries

51%



Investors

64%



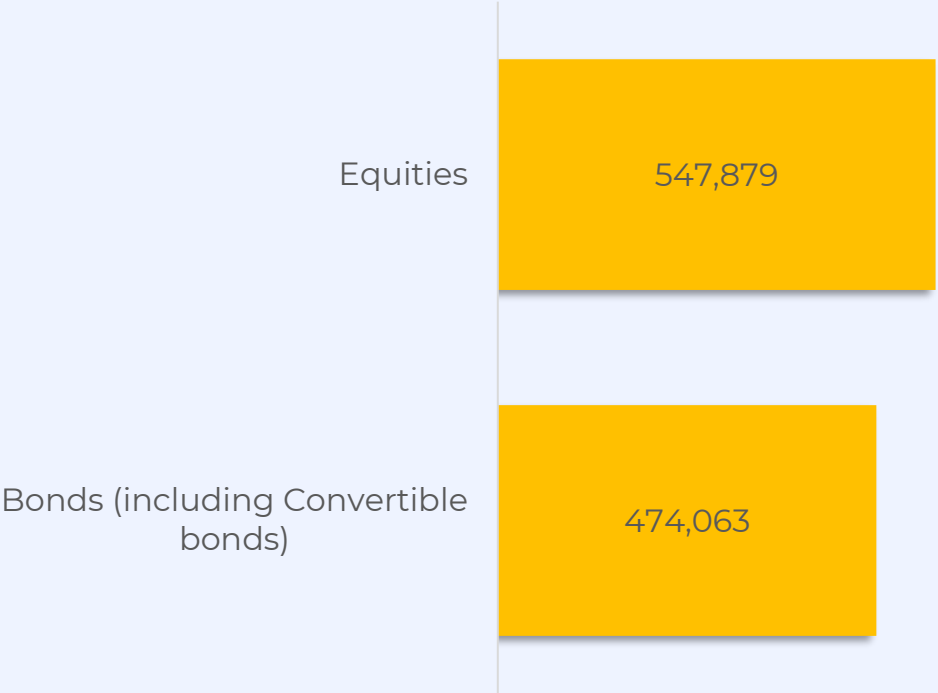
**Where do we go
from here?**



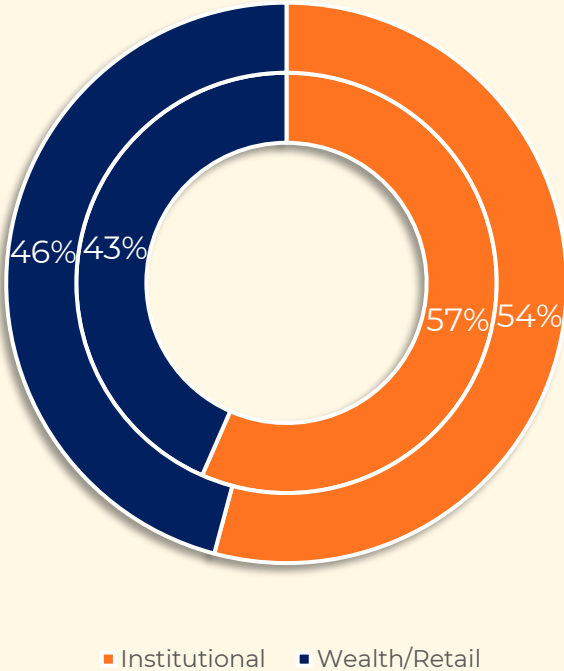
Growing pains: dealing with retail engagement

The volume of retail accounts is set to grow by 3% in the next five years – straining the operating model

How many (beneficial owner) shareholders do issuers face today? (Average)



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



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%**



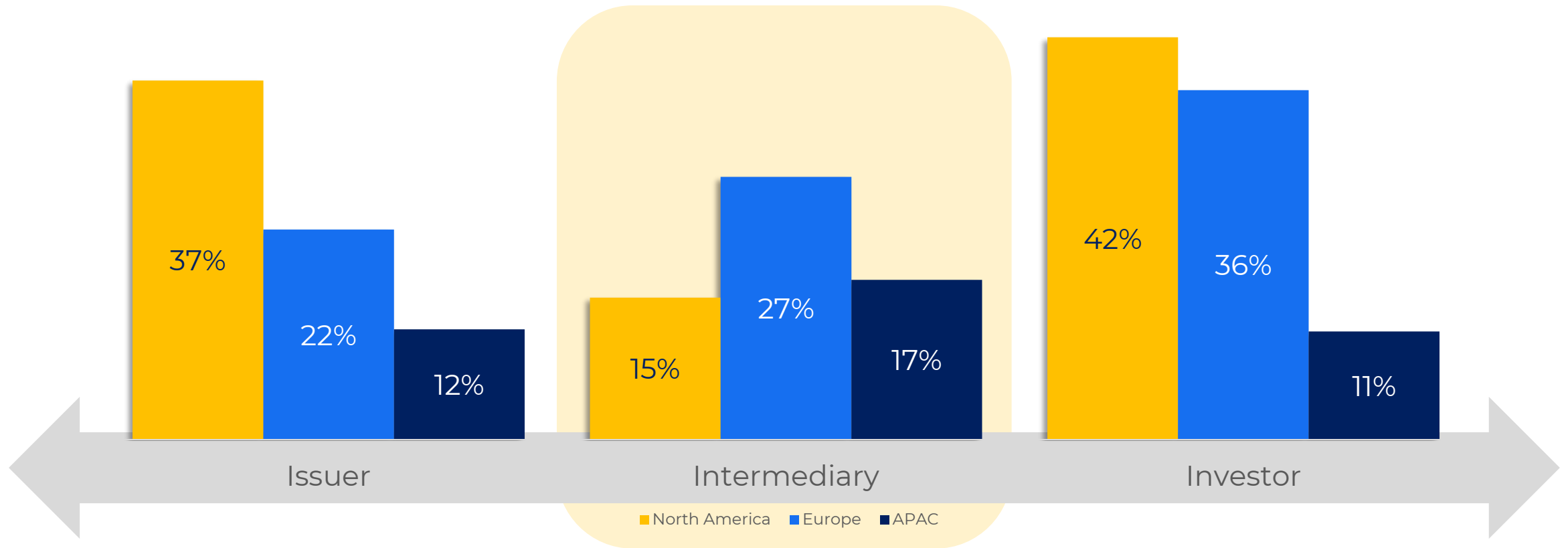
Asia-
Pacific **11%**



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)



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%**

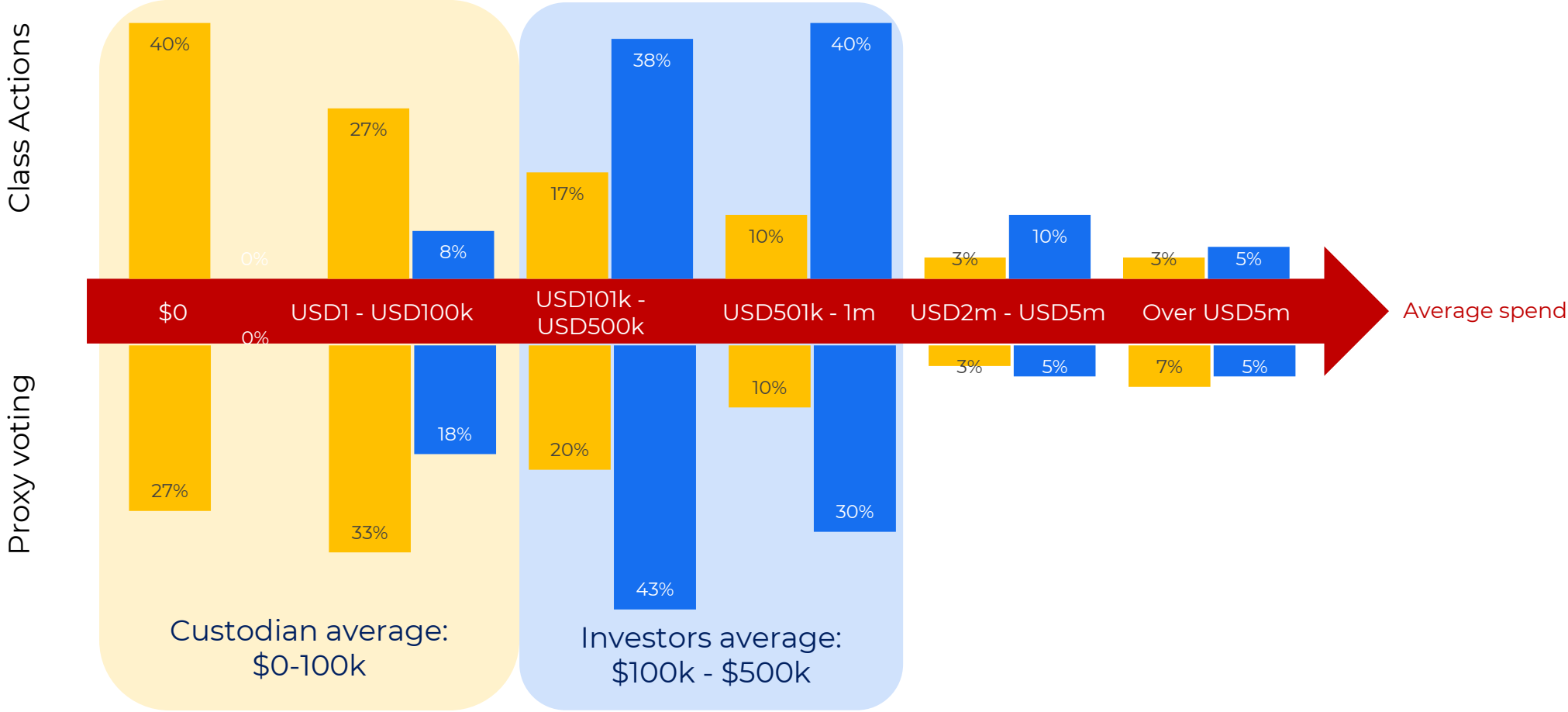


Asia-
Pacific **14%**

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)



Intermediaries

Investors

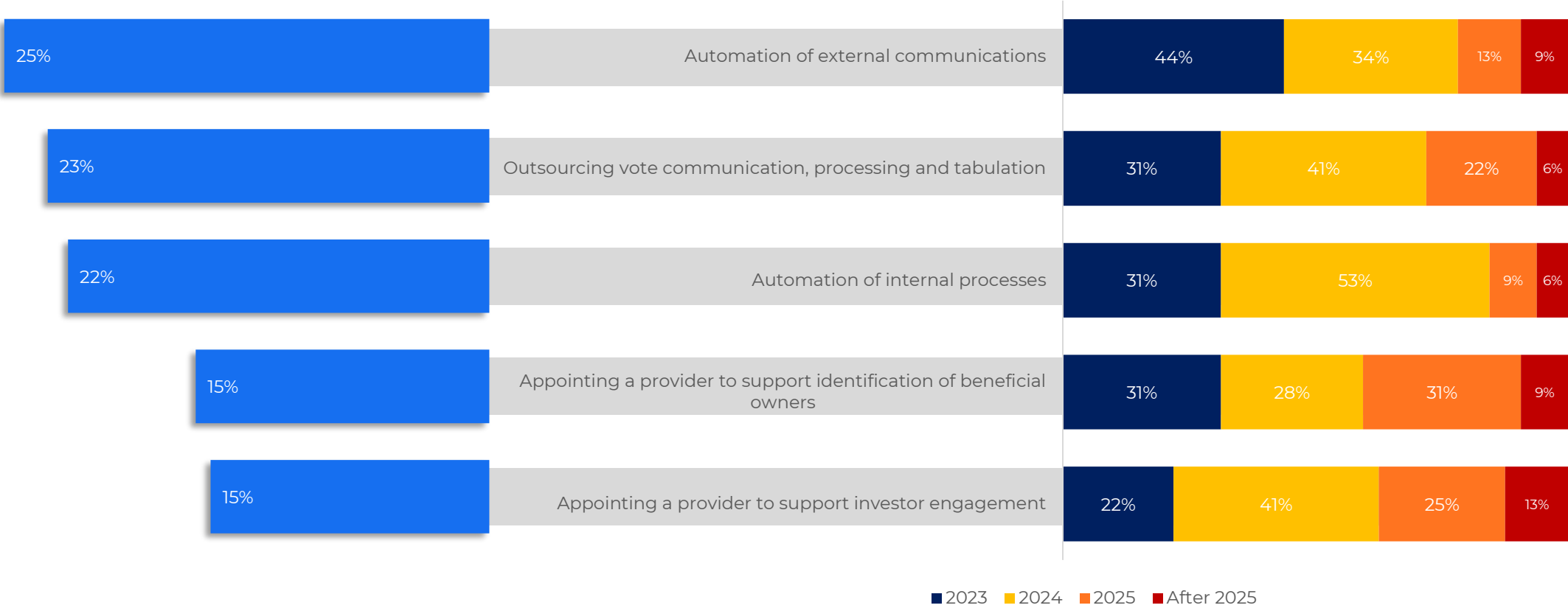


How are we investing in proxy voting?

Issuers are focusing on end to end automation – starting outside and working inwards

Where are we spending?

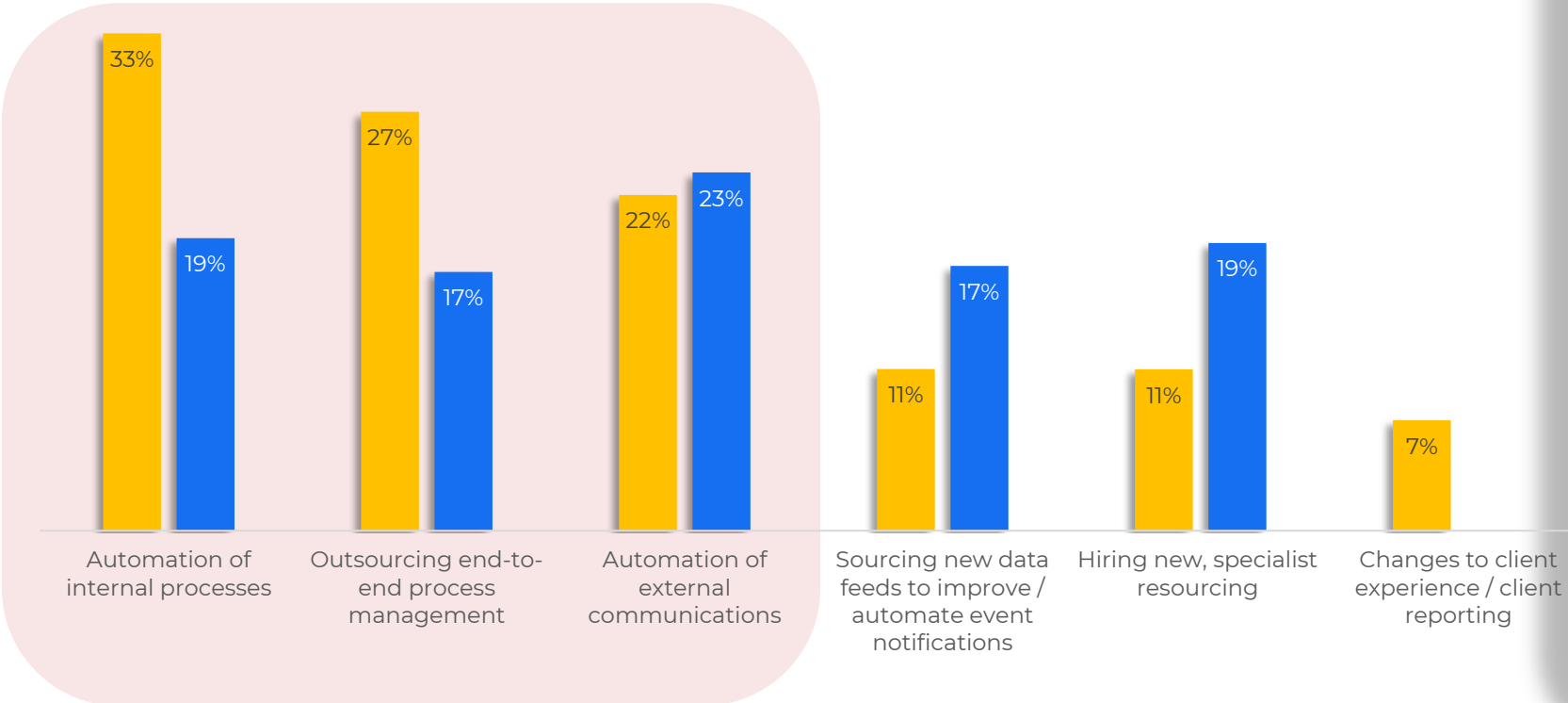
When are we spending?



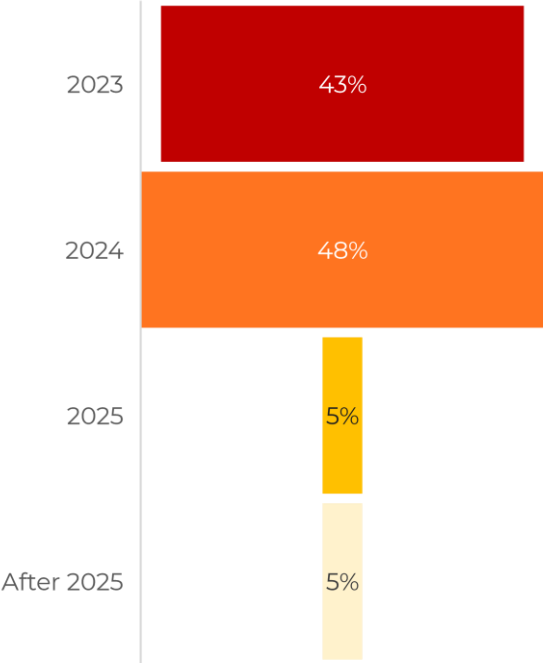
How are we investing in proxy voting?

Automation before outsourcing – as a urgent priority for 90% of firms

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



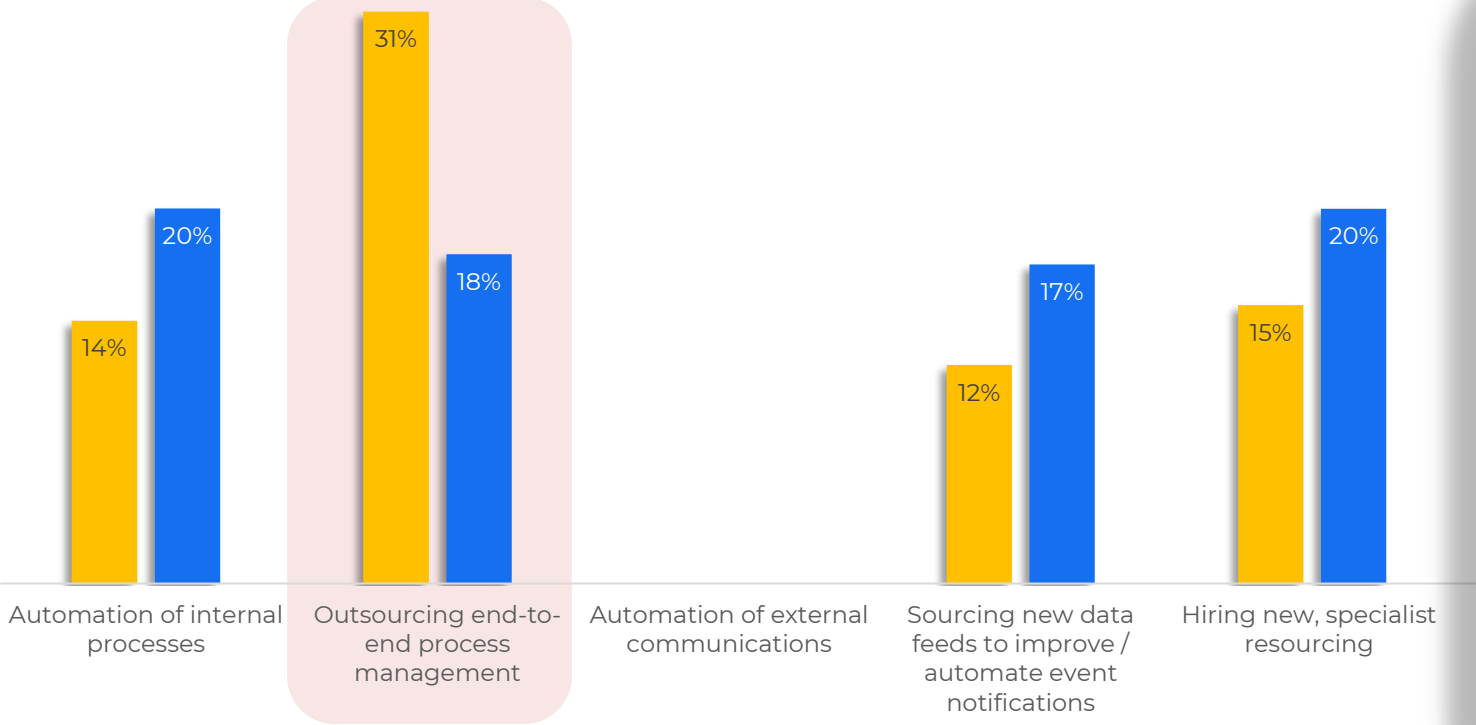
When are we investing?



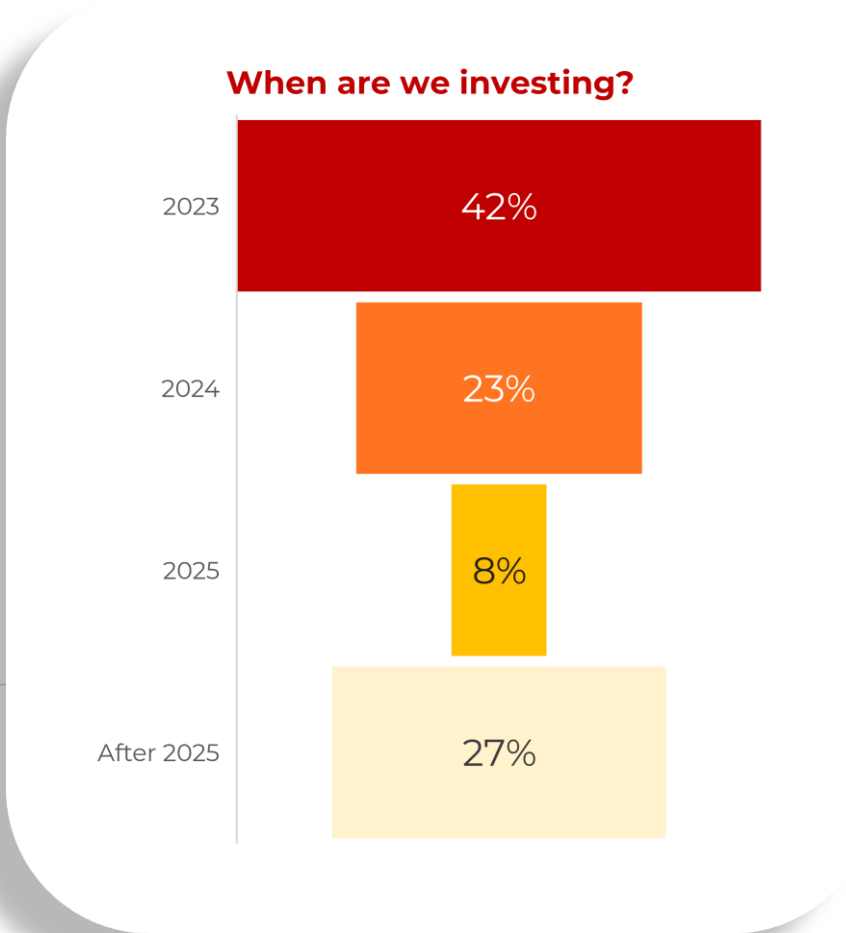
How are we investing in class actions?

One third of intermediaries is outsourcing, whilst investors focus on data and talent

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



When are we investing?



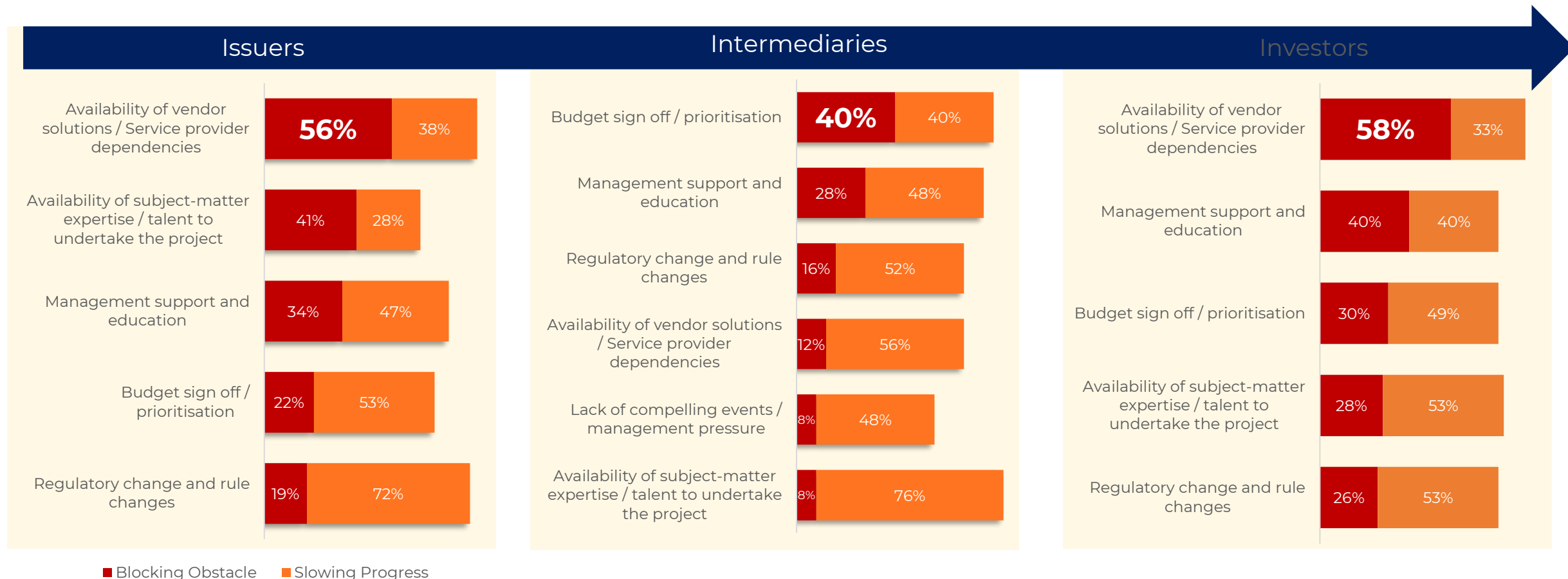
Intermediaries

Investors



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



the case for transformation
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