

Proxy transformation

in Australia and New Zealand

Proxymity

Computershare

ACSA
ASX Clearing and Settlement Authority

AIRA
ASX Information Reporting Authority

 the ValueExchange

benchmarks
Impact
community
thevalueexchange.co



Proxy transformation in Australia and New Zealand

Key Findings overview

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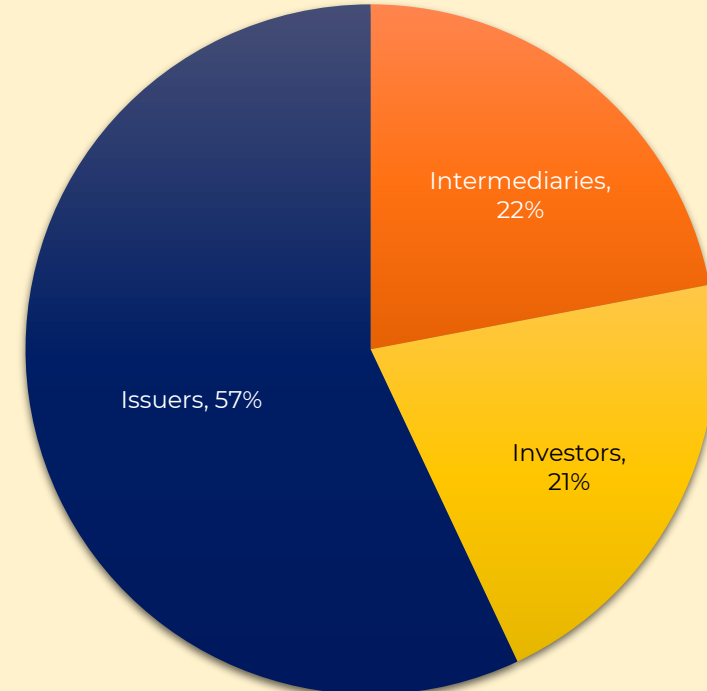


Proxy voting is an increasingly central pillar in each of our ESG and investor engagement strategies? But as this hitherto niche activity moves into the centre stage, how ready are our platforms and processes to scale? Are we ready for industry-wide engagement on proxy voting? If not, why not – and what is the case for improvement?

This document summarises the key statistical findings of our industry-wide survey campaign, run with Proximity, Computershare, AIRA and ACSA. 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)

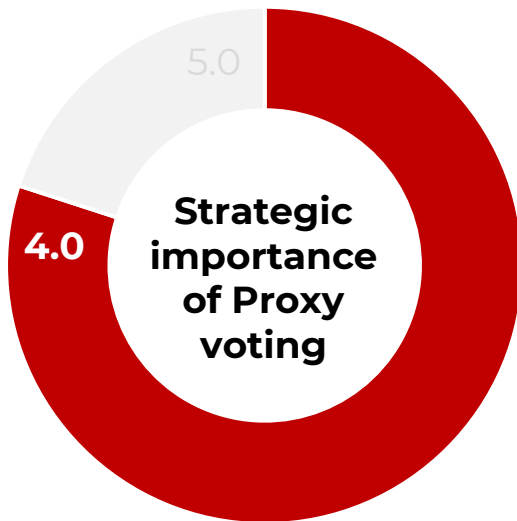
Who participated in our campaign?

As a truly industry-wide survey, we have benefited from the insights of over **89 organisations across the Australian investment-cycle**. These respondents are broken down as follows:



Proxy voting matters – more and more

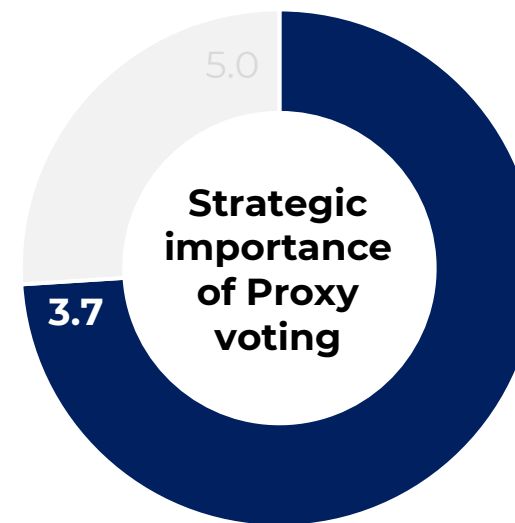
Investors



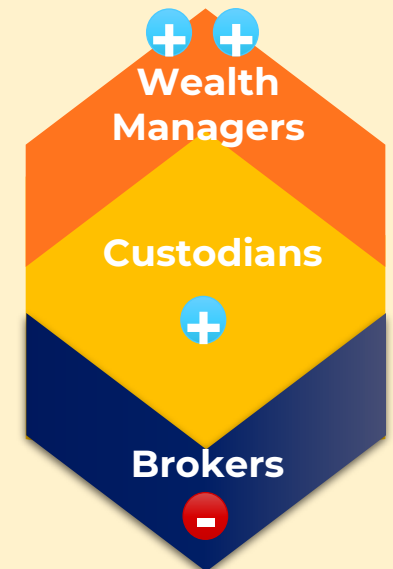
How much is voting good stewardship?

5 / 5

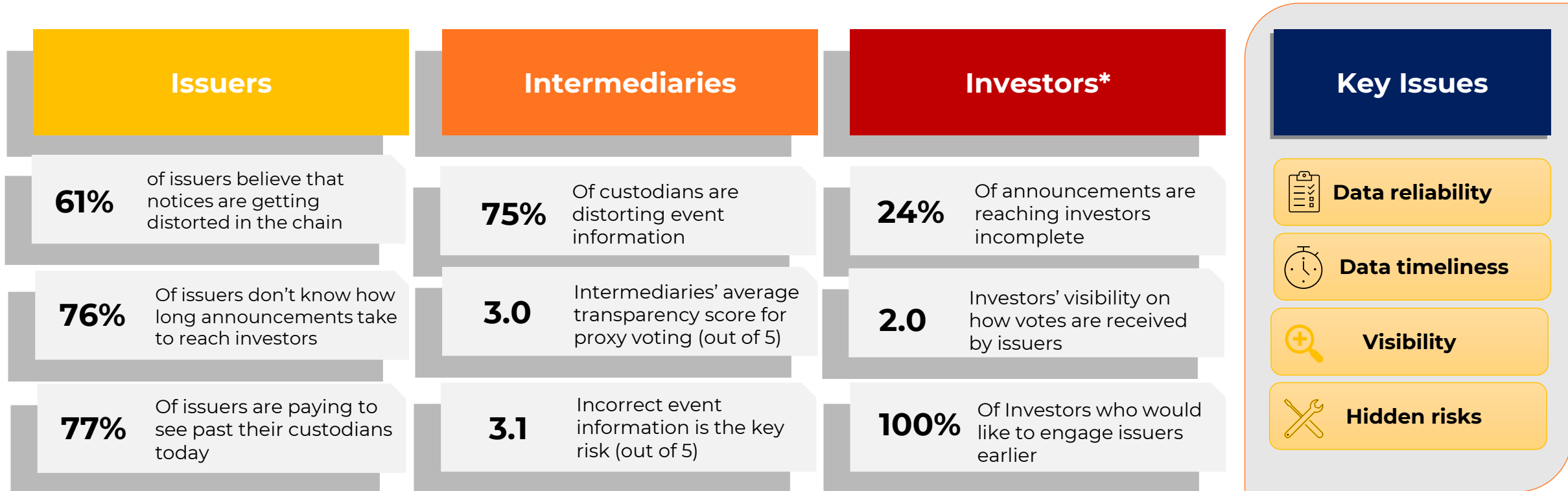
Intermediaries



Compared with CHES Replacement?



...but our Proxy voting processes need to improve



*Institutional investors who manage proxy voting through the traditional operating model (intermediated by custodian nominee accounts)



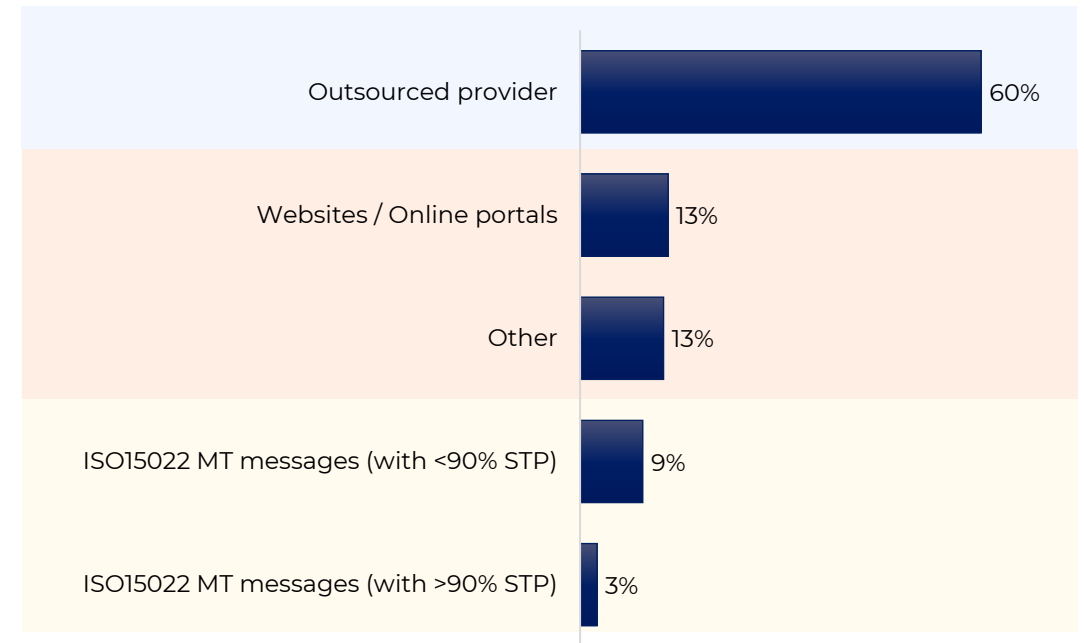
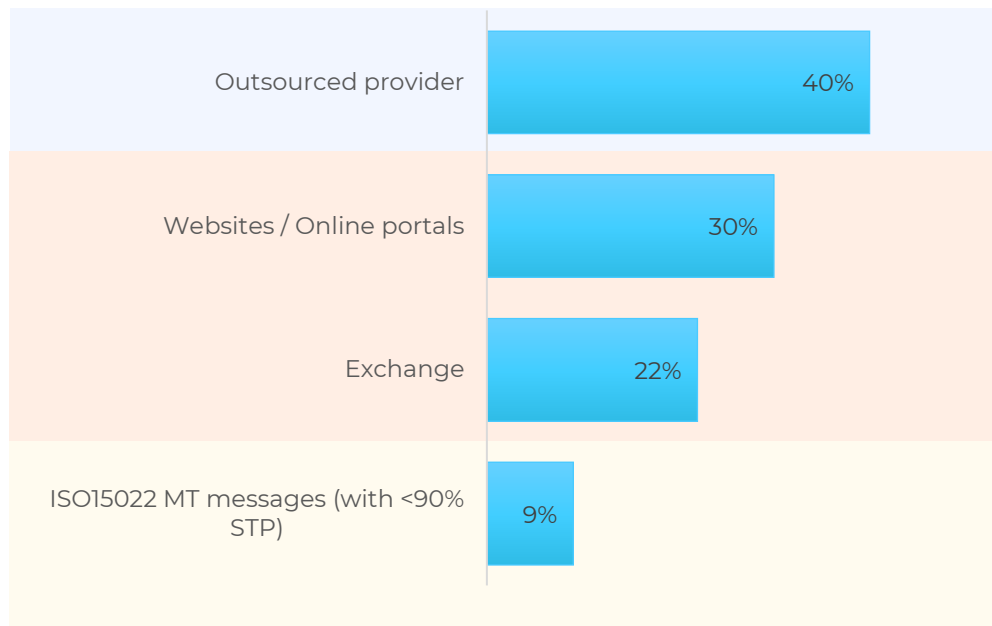
Proxy Voting Today

Key Issues



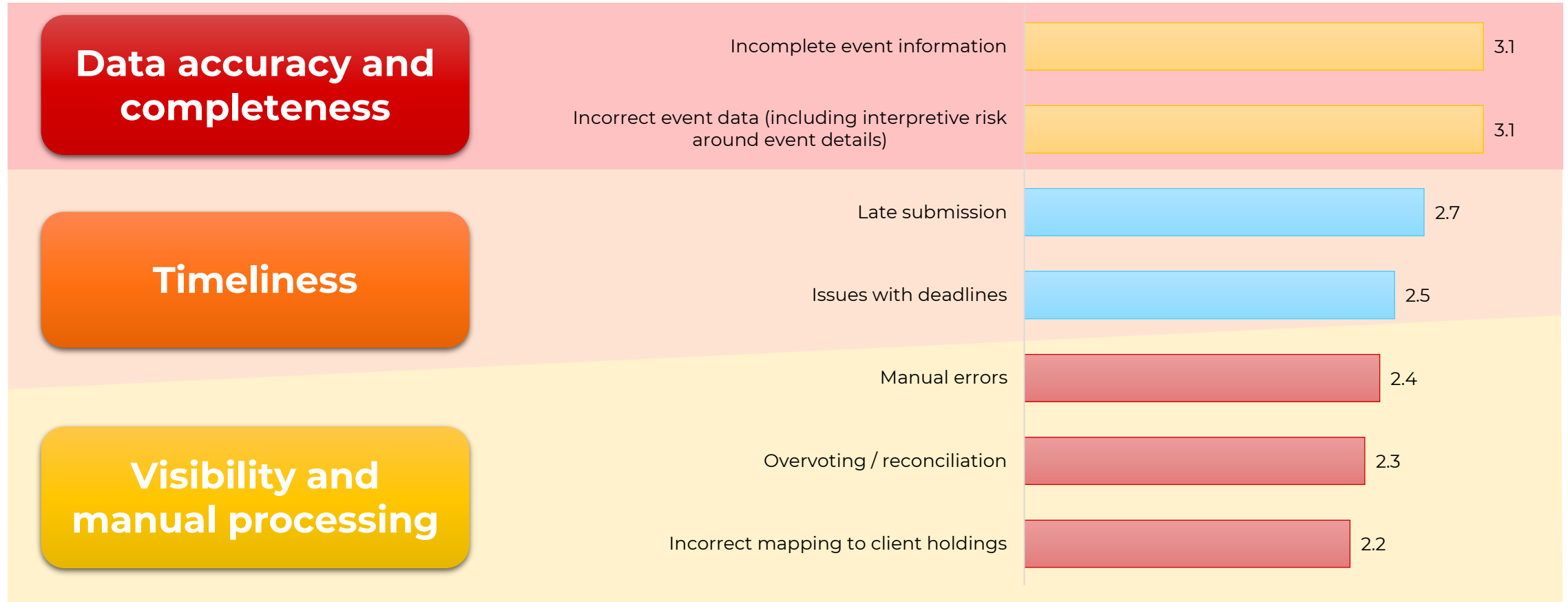
Today's operating model

Heavily outsourced, fragmented and strongly manual



Key issues in proxy voting

Where are the risks?



Average scale of issues (out of 5)

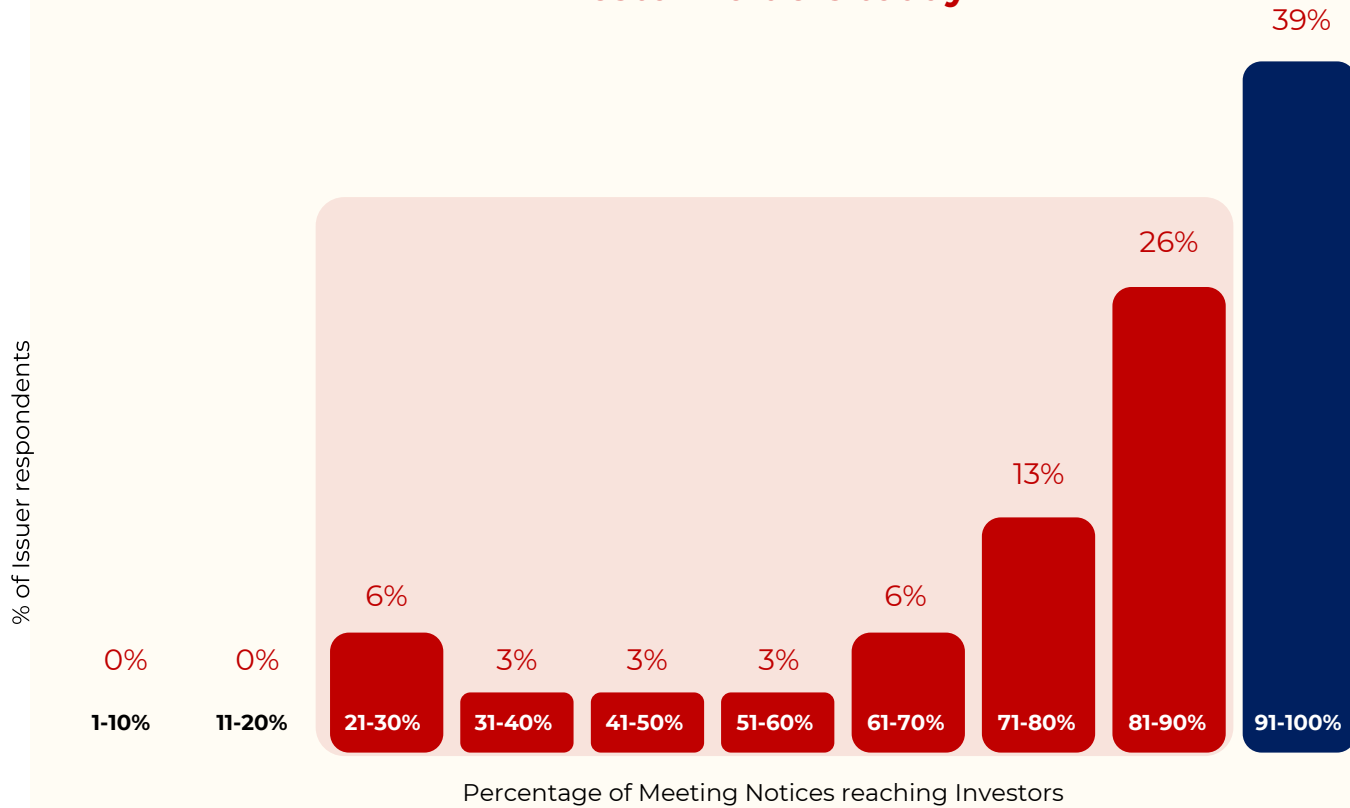


1. Data accuracy and completeness

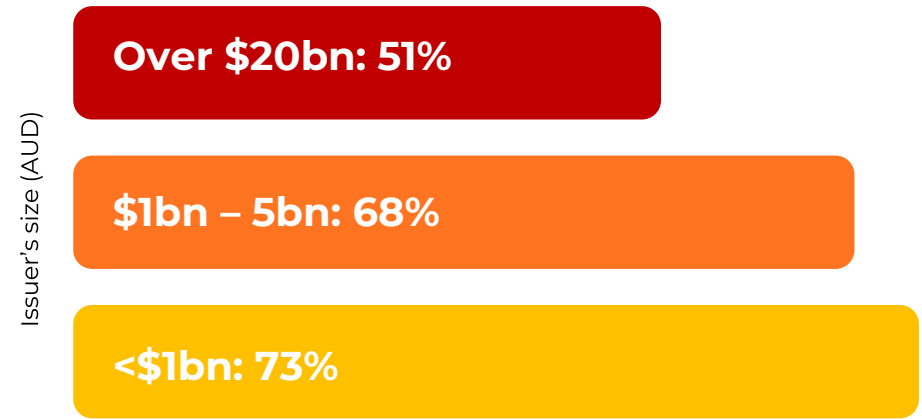
61% of issuers believe that notices are getting distorted in the chain



Percentage of Notices of Meeting reaching institutional investor holders today



Confidence declines with the size of issuance



Average % of notices that reach investors

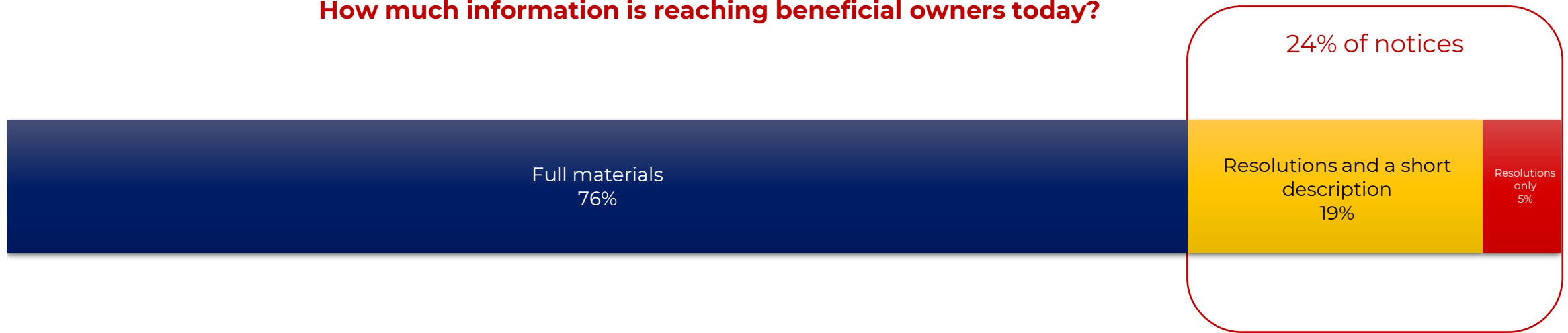


1. Data accuracy and completeness

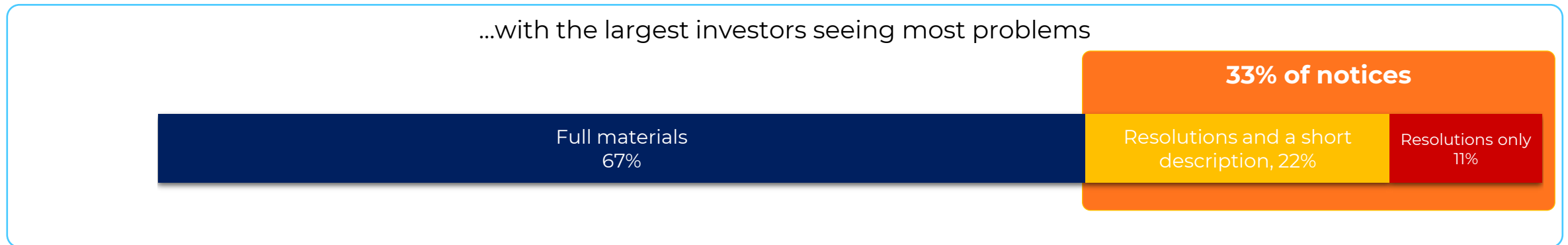
One in four notices is arriving incomplete



How much information is reaching beneficial owners today?



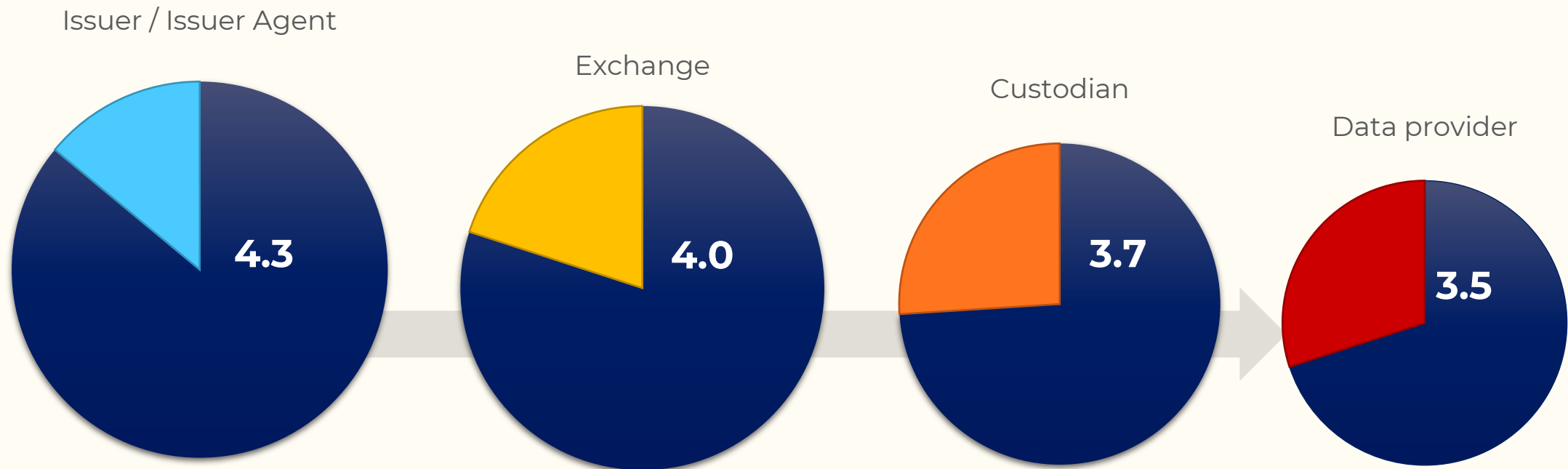
...with the largest investors seeing most problems



1. Data accuracy and completeness

Data quality diminishes along the investment cycle

Whose announcements do we believe to be most actionable? (Out of 5)

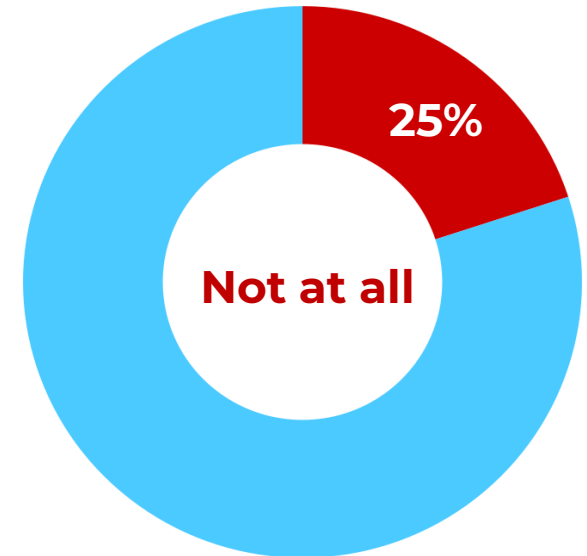
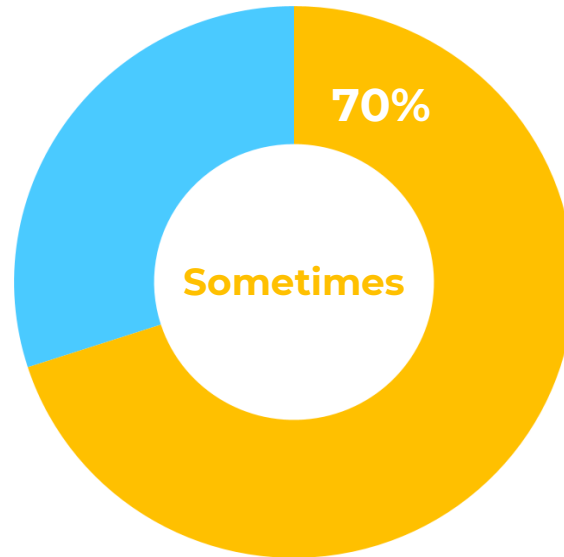
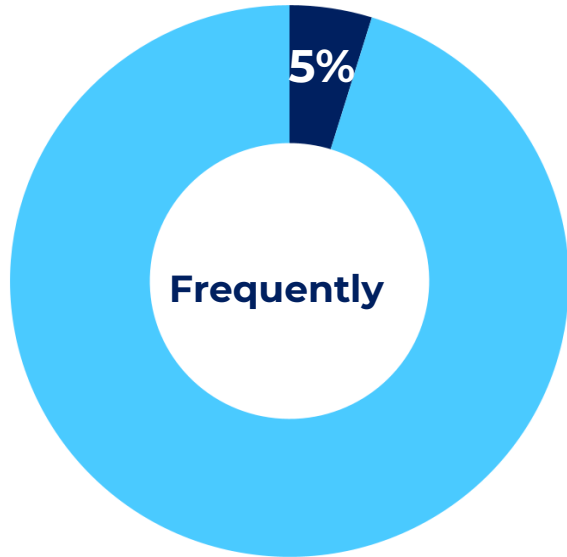


1. Data accuracy and completeness

75% of issuers are seeing information get lost

Issuers' perspective

How often do you experience votes getting caught or lost in the custody chain, or lost altogether?



Most impacted are smaller firms (<1bn), 14% of whom see it happen frequently

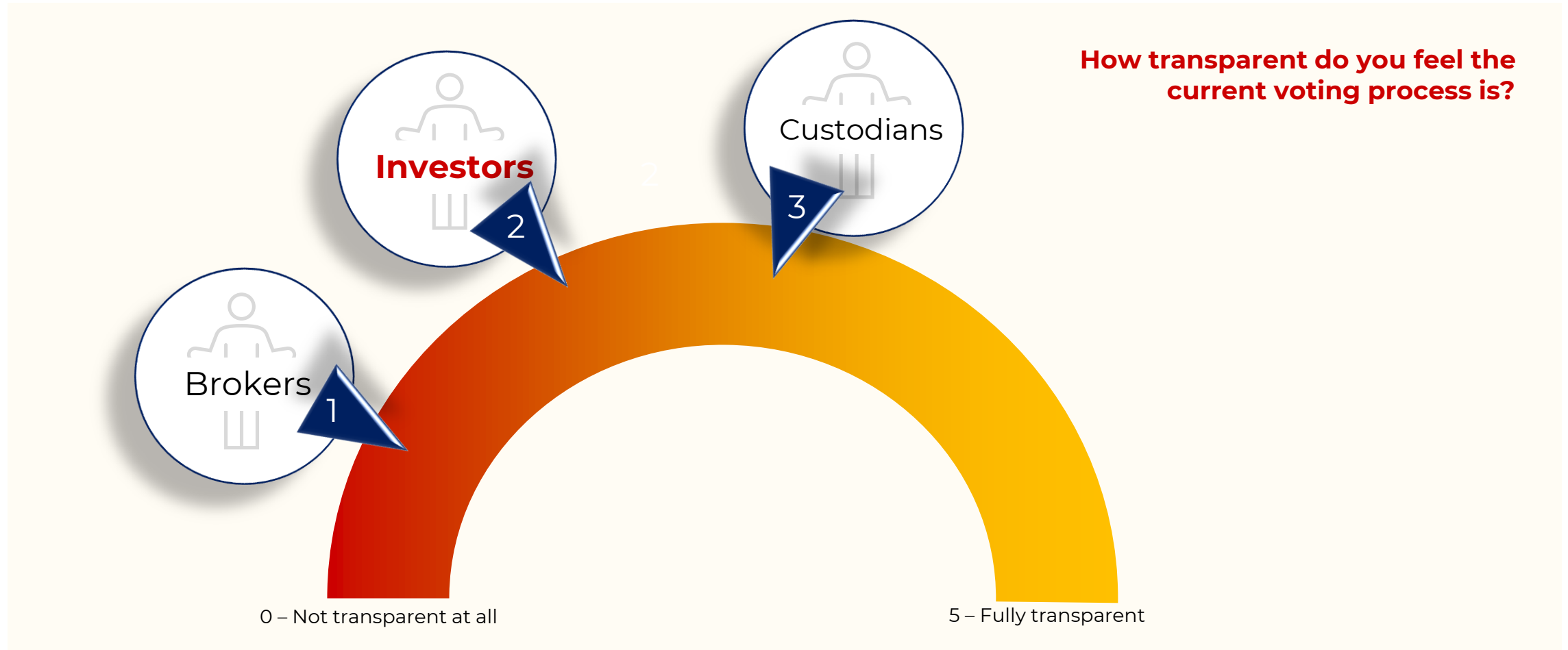


How often do you experience votes getting caught or lost in the custody chain, or lost all together due to overvotes (i.e. where the Chair/IRO/CoSec engages with the institutional investors only to be told the vote has been cast by the investor, or an advisor, but it has not been received by the custodian and/or the registrar)?



1. Data accuracy and completeness

...and investors are struggling



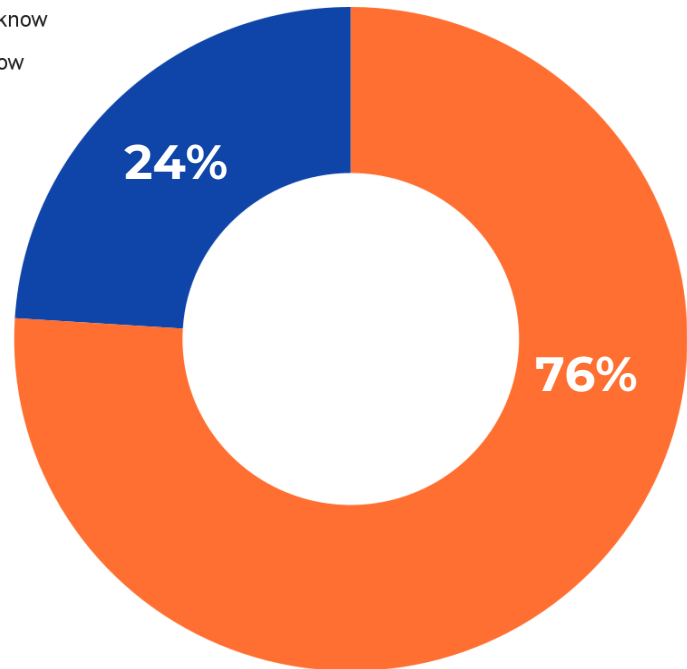
2. Data timeliness

76% of issuers don't know how long notices are taking

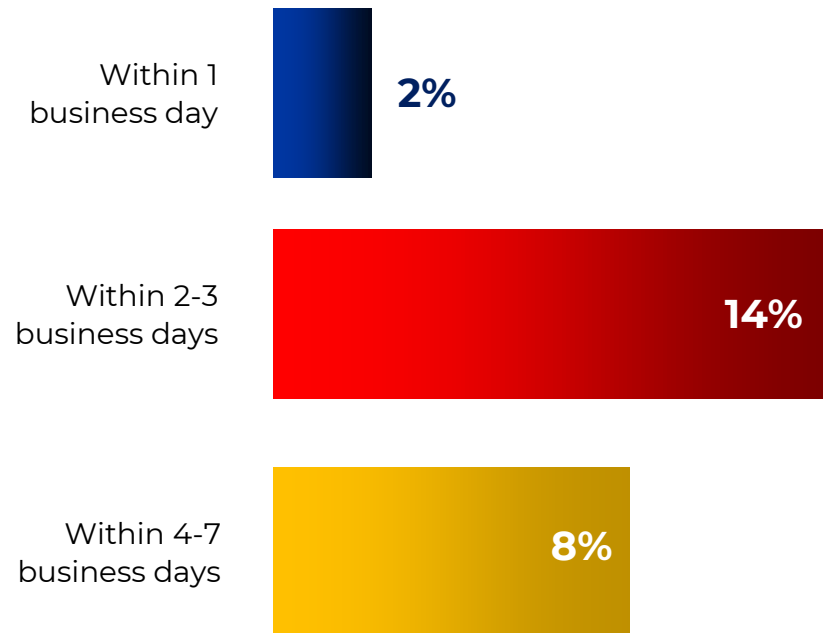
Issuers' perspective

Do you know how long notices take to reach investors?

- Don't know
- Do know



...but notices are taking at least 2-7 days

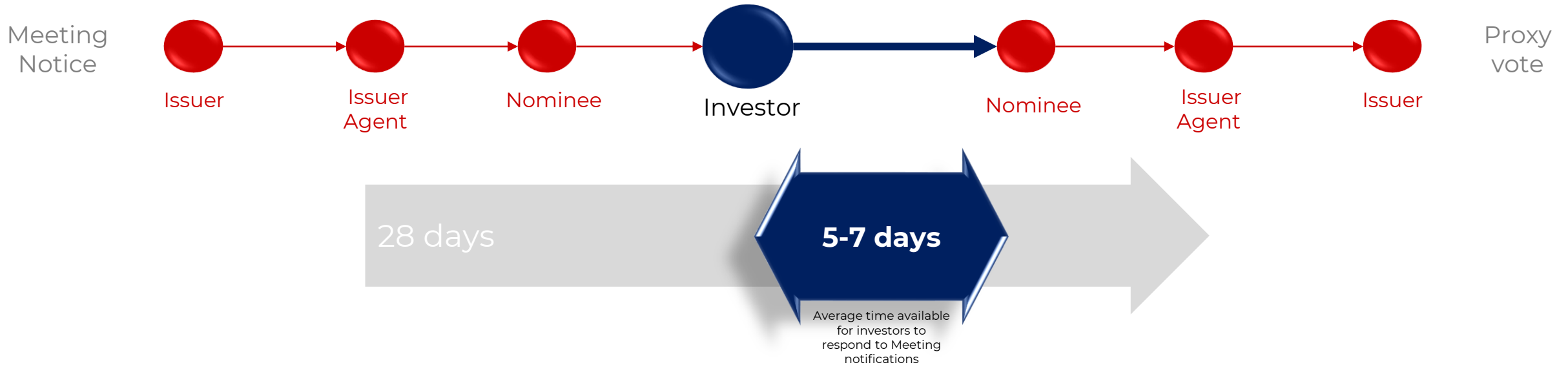


Based on your experience, how long do you believe it takes for formal shareholder communications and meeting information to be passed through to institutional owners (onshore and international), where their holdings are registered via custodians?



2. Data timeliness

Investors are losing critical time in the voting process



21-23 days are being lost through the current notification and instruction process



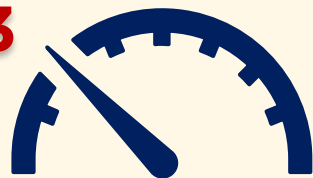
2. Data timeliness

...but do issuers understand the importance of time?

Issuers

By how much does the **timing of the receipt your meeting notifications to institutional owners prevent early engagement** by management?

3



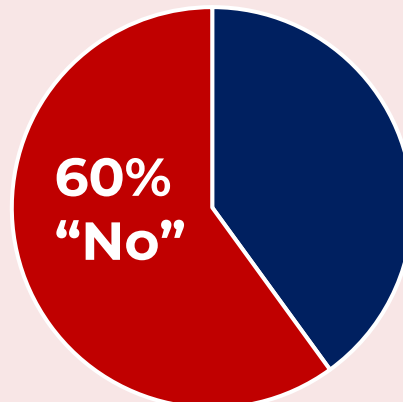
Not a
problem (0)

Major
problem (10)

Investors

Does the current communications process **give you sufficient time to research and engage issuers** on the company agenda?

60%
"No"



Investors

Do you want to **engage issuers with your voting intention earlier** in the process to improve engagement?

100%
Yes



3. Visibility

Issuers clearly want more transparency on institutional investors

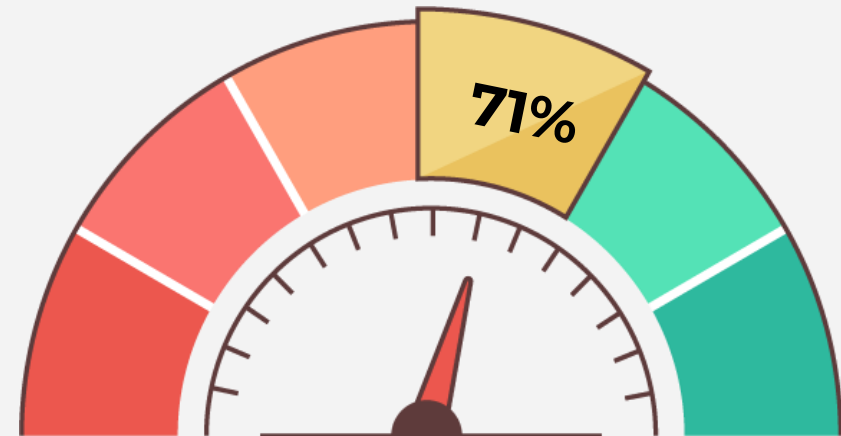


How valuable would it be for the vote cast by the custodian on the register to also contain the identity of the institutional investor voting the shares at the point of lodgement?



Strategically significant resolutions

Routine resolutions



Proxy Voting Today

Key Costs and Consequences

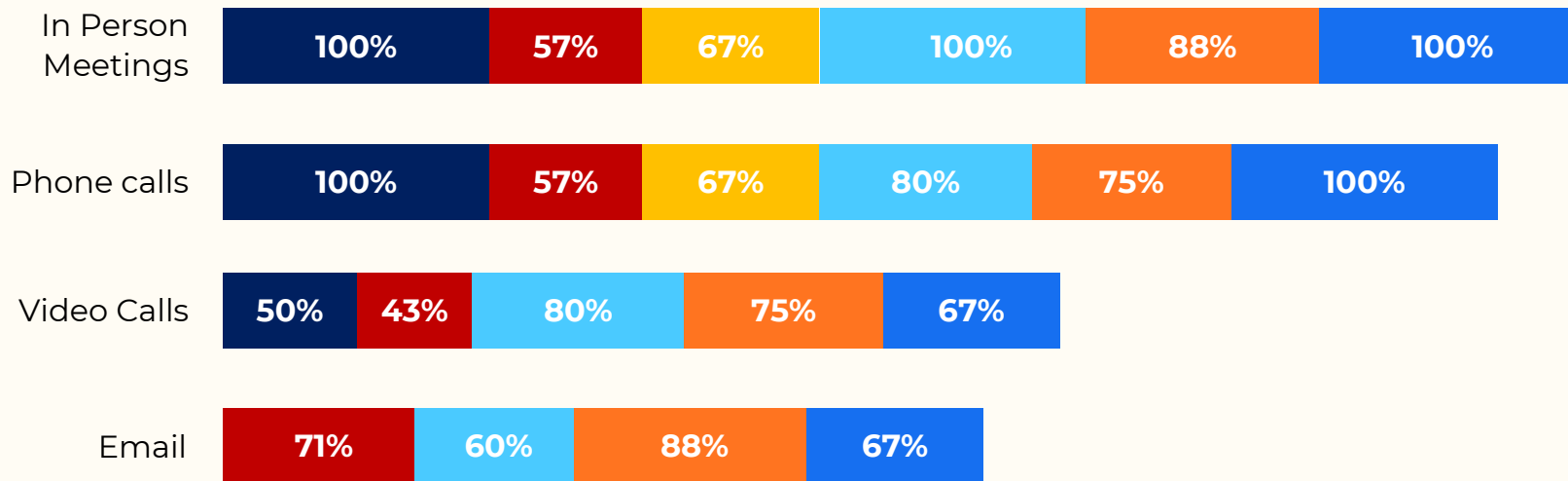


Hidden costs

100% of issuers are taking extra steps today to reach their shareholders



Extra steps being taken by issuers to reach their shareholders
(% of respondents in each group)



Issued Cap ● <\$100M ● \$100M - \$500M ● \$500M - \$1Bn ● \$1Bn - \$5Bn ● \$5Bn - \$20Bn ● AUD Over \$20Bn

Average firm takes **3.5** actions to supplement regulatory disclosures – triggering a huge manual effort and duplication

What additional steps do you take to disseminate information to institutional shareholders, beyond regulatory disclosure (i.e. Notice to ASX, publication of details on the IR section of your website and direct publication to registered holders)?

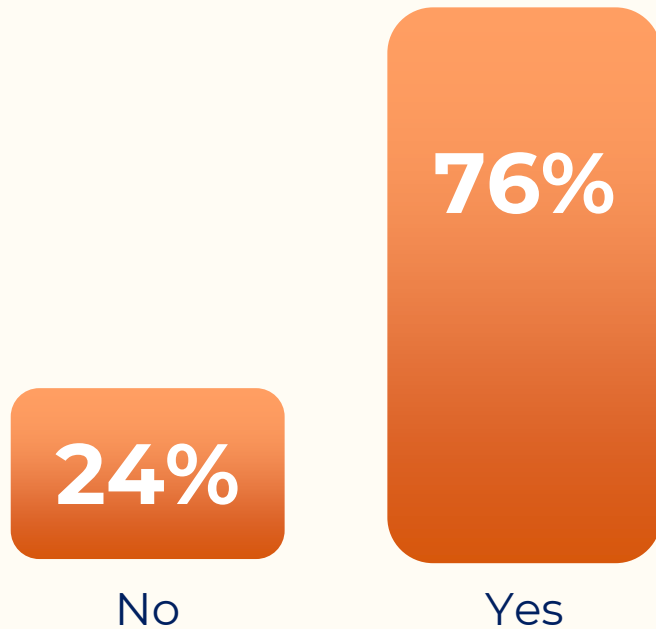
Unproductive spend

Investor visibility is a luxury that shareholders are paying for – to limited effect

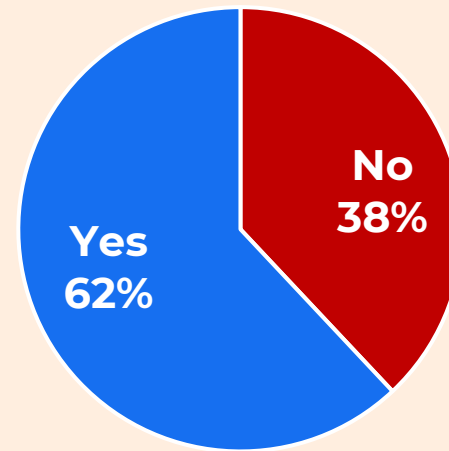
Issuers' perspective

Do you use a third party to analyse votes by custodians and to identify the underlying investor?

Large cap issuers (>\$1bn)



Yet 38% still don't see how beneficial owners have voted



Does this party separately conduct a post meeting review to request how individual investors sitting within a custodian voted on particular matters?

Do you use a third party (e.g. analytics, IR or proxy solicitor) to analyse votes by custodians and to identify the underlying investor, as they are received by your registrar?

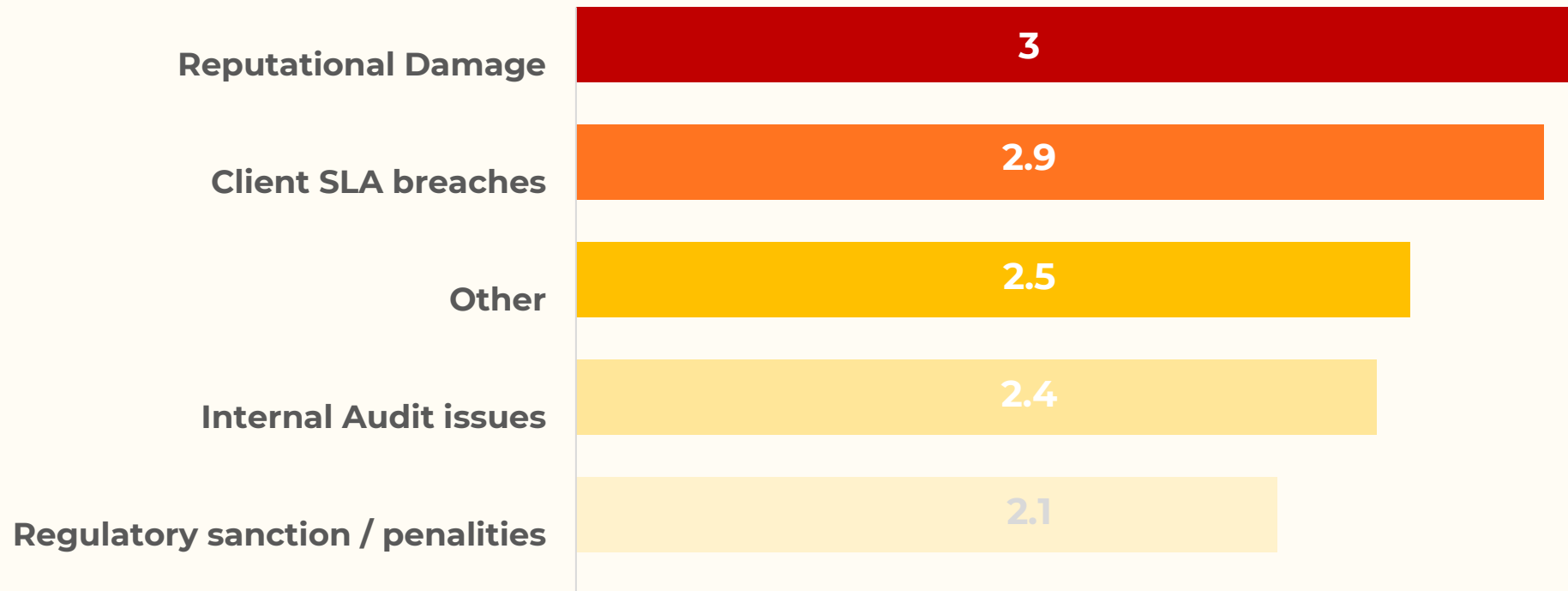


Business risks

Issues with proxy voting are more impactful than we think



What are the key risks for investors in each meeting?



Corporate Action Transformation

An unclear case for change



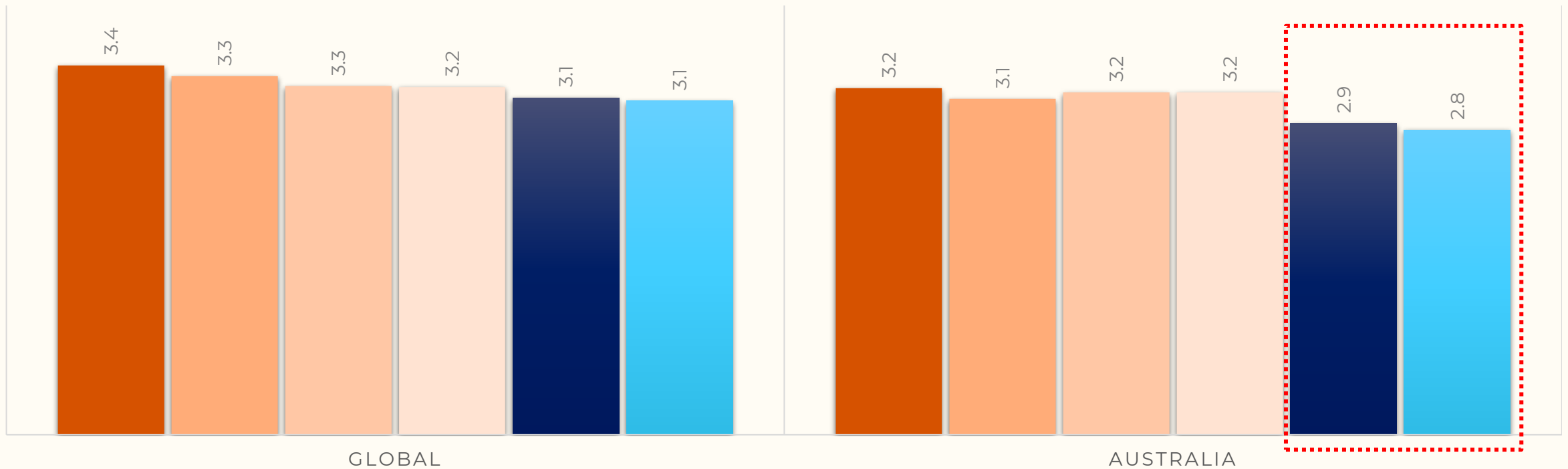
Corporate action transformation

Australian investors struggle more than their global peers



How do Australian market participants view their ability to process events today (vs the World)?

■ Data accuracy ■ Data relevance ■ Data timeliness ■ Data completeness ■ Manual handling required (BAU) ■ Exception handling

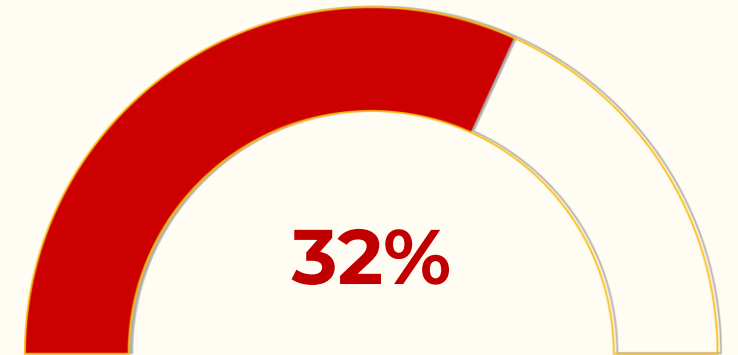
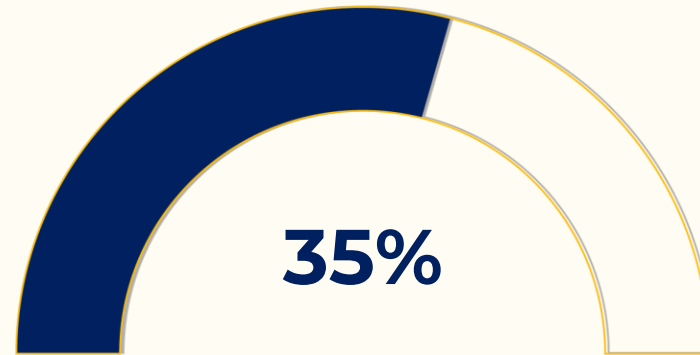


Corporate action transformation

100% of issuers are struggling with their non-proxy corporate events



Key Challenges with Corporate Actions today (by % of respondents)



For [elective] corporate actions, other than voting, what other challenges have you experienced when you engage with your beneficial institutional shareholder base, either directly or via their nominated custodian?

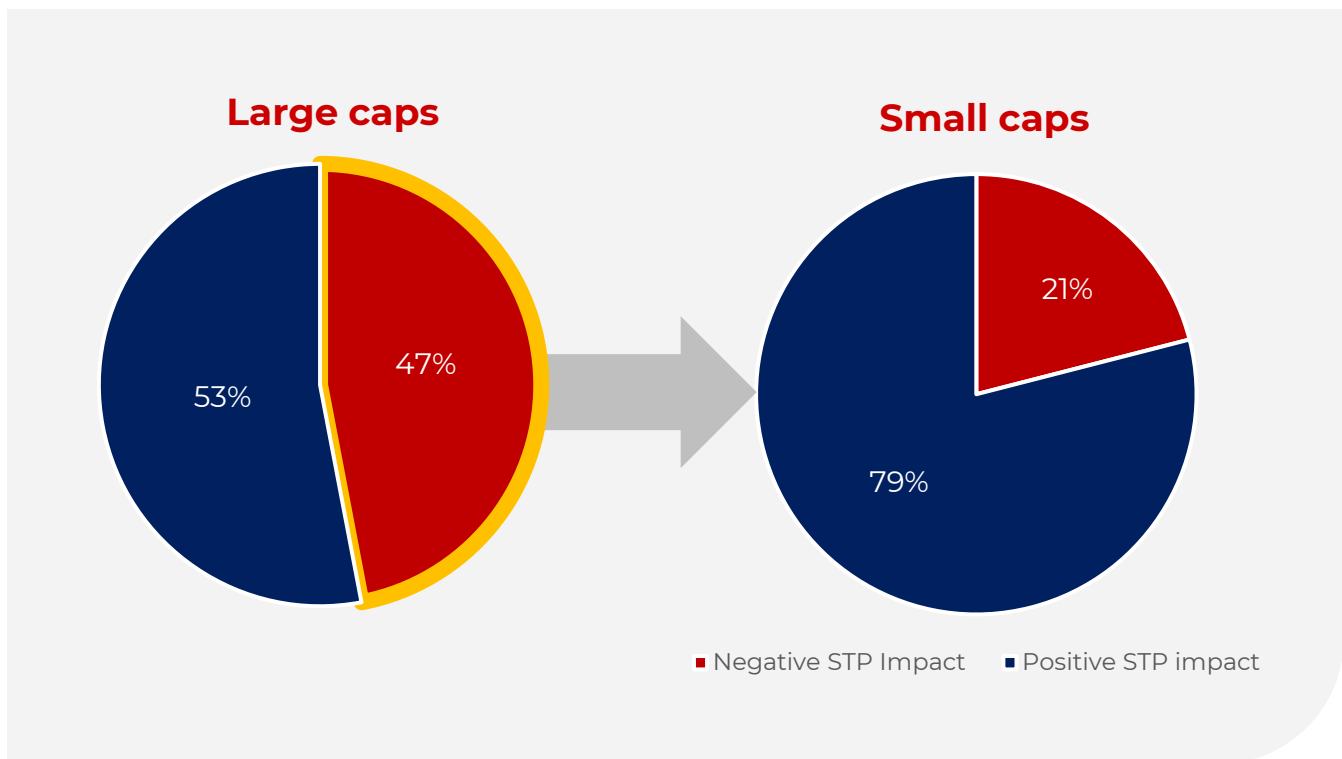
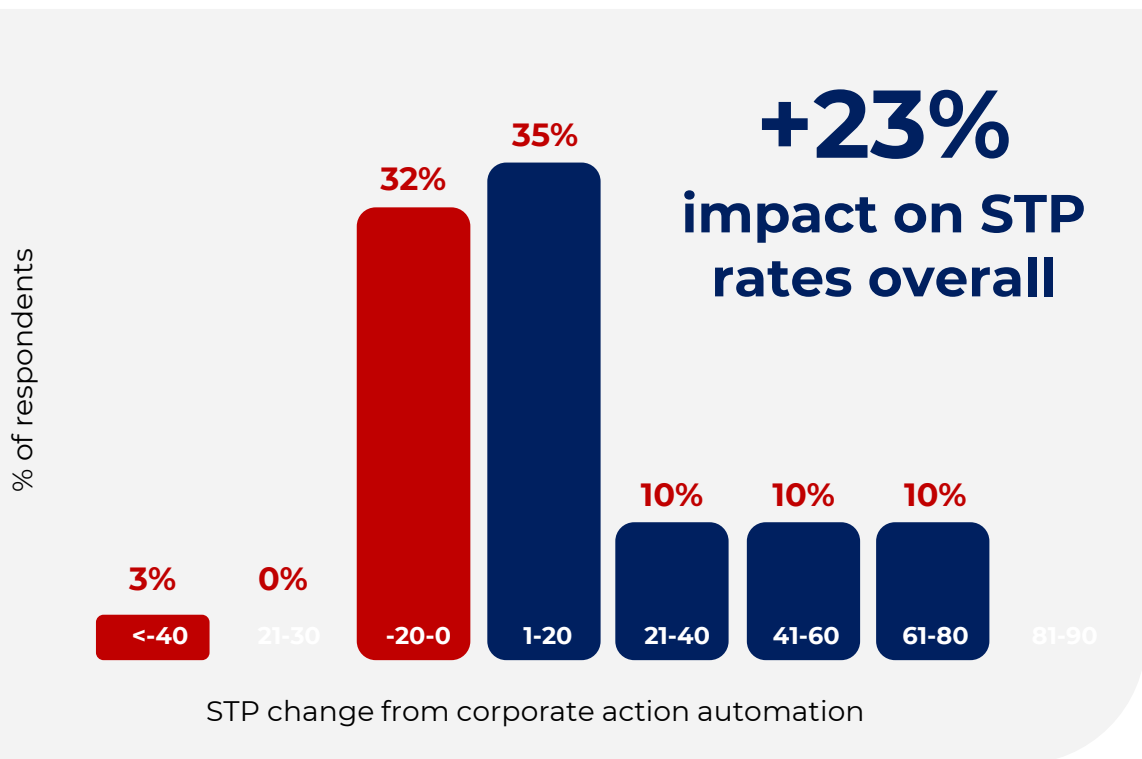


Corporate Action Automation

But the P&L returns on corporate action automation are not clear to 47% of large cap issuers



What would the automation / STP benefits be from inputting your corporate action information in a logicised format, for digital dissemination?



Proxy Transformation: What next?



[Click here to visit our full resource page for Proxy Transformation](#)

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