The Annual Industry Index of Corporate Issuer Services Providers
An Evaluation and Study of Shareholder & Investor Services Industry Needs

A Research Initiative Sponsored by AST® and CST
January 2017
This document is designed to be navigable. Clicking on the chapter headings of the Contents page will take you directly to the relevant sections of this document. Clicking on the home icon below will take you back to the Contents page. You can also view the document by going from screen to screen. Click on the arrows below to go forward or backward by one screen.
About the Industry Index Study
More than a survey: An ongoing outreach to the industry and its leaders.

• Guided by its Executive Advisory Council of industry experts, AST and CST sponsored a comprehensive Industry Study among professionals who buy or influence the purchase of shareholder and investor services.

• This multi-level research initiative begun in 2014 is designed to discover what investors and corporations need across a broad spectrum of issuer and shareholder services. The goals include:
  • Identify current and anticipated challenges
  • Uncover needs and identify solutions
  • Provide a platform to develop actionable ideas
  • Support ongoing discussion and education forums

• To date, this initiative has had three distinct phases:
  • 2014 – Qualitative and quantitative studies were conducted to get a clear understanding of the challenges industry executives face.
  • 2015 – Based on the 2014 work, an index model and survey were developed and executed.
  • 2016 – 2nd Annual Index was executed in late 2016 and includes a new likelihood to recommend section.

• Using the insights gathered in 2014, coupled with advanced statistical analysis, the researchers identified eight of the most critical ideas for issuers across the industry. These eight ideas or statements form the foundation and statistical model for the Industry Index. The Index eight statement model allows the participant to rate the importance of the model factors annually, keeping each study timely and relevant.

• The first Index study completed in 2015 provided a means to better understand overall service strengths and gaps, proactively monitor trends and gain insights into how the industry can improve.

• Participants in the 2016 Study, the second Index Study, further refined these ideas, providing current knowledge for themselves as participants and insights for the industry.

• The 2016 Industry Index Study also includes a new open-ended feature and scoring on the likelihood to recommend a service or promote it among their peers.

• AST and its research partner, Vincent McCabe, Inc., a specialist in industry research, continue to improve the Study and the Index. Questions and ideas for the project are sincerely invited.

• For more details, visit www.astfinancial.com/knowledge-center/resources/ or visit the EAC site at www.astfinancial.com/about-ast/executive-advisory-council/.
1. Critical Ideas Identified and Updated
   The eight statement model and Index Study online survey were reviewed by AST, CST and AST’s Executive Advisory Council to determine its continued reliability.

2. Review of Industry Needs and Services
   A 2016 online survey allowed respondents to score the overall importance of the model statements and evaluate each primary vendor for the individual services including:
   1. Transfer Agency Services
   2. Proxy Distribution & Tabulation Services
   3. Proxy Solicitation and Advisory Services
   4. Investor Relations Services – Stock Surveillance
   5. Corporate Actions – Mergers, Acquisitions & Reorganization Services
   6. Corporate Governance & Advisory Services
   7. Employee Stock Plan Services

3. Data Collection – Online Data Collection Supported with Telephone and Email Recruitment
   During the period November 3 through December 31, 2016, the online study was available for prospective respondents. Qualified candidates were contacted by email and telephone. AST invited its clients and other industry executives to participate. Vincent McCabe staff handled the majority of the electronic outreach and all the telephone recruiting to a broad cross-section of the industry. Respondents were offered a copy of the Report as an incentive. The Shareholder Services Association also provided discounts for new members who participated in the Index Study.

   More than 317 Individuals from companies working with many providers participated in the study. The 2016 sample size is up from the 221 individuals in 2015.

   The researchers performed various statistical analyses to merge the individual scores into a single, statistically valid score for each type of service included in the study and each statement in the analysis model. Additionally, because respondents only scored providers for which they have a current relationship, results are current and unbiased. The Index has an approximate 95.5% +/- 4% confidence interval. The 2016 Industry Index report was distributed to respondents to the study and is now available to the public at www.astfinancial.com/knowledge-center/resources/ on AST’s website.
Total Sample – 317 Individuals from Diverse Businesses Working With Many Providers. This is up from the 221 individuals in 2015.

Business Type – Concentrated on Corporate Issuers with Other Respondents from Diverse Areas. The majority of the respondents were from corporate issuers. Other respondents work at law firms, fund or asset management firms, wealth management firms, mutual funds, stock exchanges and stock plan administrators.

Job Titles – Diverse High Level with Experience with Many Shareholder Services Providers. From CEO to Assistant Corporate Secretary, the job titles were primarily executive level titles. All respondents indicated experience and involvement with Shareholder Services.

Personal and Business Demographics – Range of Experienced Professionals Concentrated in Peak Career Years. The majority of respondents are between the ages of 36 and 55 and have between 6 and 30 years in the business.

Geographic Scope – International in Scope. 16% of the sample is from Canada and other countries. While the majority of the respondents are primarily in the United States, scores are statistically similar.

Business Demographics – A Broad Range of Market Caps and Shareholder Bases. Respondents represented a range of businesses sized with Market Cap of $300 million and under to those with $10 billion and every size in between. Respondents’ direct shareholders ranged from under 1,000 direct shareholders to those with over 100,000 direct shareholders and included a strong representation of the full range of sizes.

Company Base – Extensive Experience with Wide Range of Services Providers for a True Comprehensive Industry-wide Study. The analysis includes projectable scores for all the primary services providers. These individual scores are confidential. Thanks to the statistical analysis to develop the data merging, this study is a balanced industry-wide analysis. Additionally, the questionnaire design allowed for the respondents to score only services providers for which they have a working relationship, removing possible non-client bias.
The 2016 Industry Index Score

Results
Based on a possible score of 100, the Industry Index Score for 2016 presented in 2017 is 81.8.

The 2016 and 2015 scores are statistically similar.
Industry Index Highlights
Industry Index Insights for 2016

• **Sample** – Robust and Reliable. Seven primary service types were evaluated by 317 professionals actively working in the corporate issuer industry, who provided more than 624 ratings for 35 different provider organizations. The robust response makes the 2016 study the most comprehensive and reliable to date.

• **Industry Priorities** – Work Interface is the highest priority in 2016. Priorities refer to industry focus. Changing focus typically means that the industry has responded to an important area and new ideas take on greater importance.
  - Work Interface (Flexible and knowledgeable performance by a Relationship Manager and staff who can be relied on to act quickly) scored the highest average score with 84% of the respondents rating the importance of this item at the highest level. Verbatim comments point to a desire for RMs to use more electronic communications and modern systems to advance the connections between client and corporation.
  - Data Safety & Security, while still critically important with 68% scoring its importance at the highest levels, has moved to second priority indicating that the industry has made positive changes in this area.
  - Shareholder Satisfaction moved up in priority in 2016. With an average score of 9 out of 10, 71% scored this as an extremely important priority.

• **Overall Index** – The overall index score remains stable in 2016. With a less than 1 point decline to 81.8 from 82.7 the overall Industry Index remains stable. The calculations that develop the index show that some areas improved in performance and others declined slightly. The net result is that for a provider to offer perfect service, work continues to be needed in new areas of importance.

• **Performance by Index Model** – Data Safety & Security Scores improved and now has the highest performance scores.
  - Data Safety & Security performance scores were the highest of any the model areas, reflecting the work that providers have been doing in this area to better meet these needs.
  - Work Interface had slightly higher performance scores. The many positive comments about Relationship Managers and their importance for successful work are reflected in these scores. Combined with the increase in importance, these scores indicate the industry is sending a message that even the work of staff and the tools they use need to be upgraded to an even higher level.
  - Response to Trends and Technology performance scores were down almost 5 points further indicating a need to improve efficiency through electronic technologies and processes that facilitate human communication and connection.
Industry Index Insights for 2016

• Performance by Service Type – Transfer Agency Services Improved in 2016.
  • Transfer Agency Services improved by 1.6 points, which in a mature industry, shows that Transfer Agency Services providers are successfully working to make improvements.
  • Both Proxy Distribution and Tabulation Services and Proxy Solicitation & Advisory Services declined slightly by 3 and 2 points respectively. There are large differences among the providers of these services.
  • Investor Relations Services improved by 6.5 points. Overall service satisfaction drove these results.
  • Corporate Actions – Mergers, Acquisitions & Reorganization Services declined by 7 points. Assessment of the verbatim comments indicate complex projects may have influenced scoring.
  • Corporate Governance – Corporate Governance scores improved. With new providers included in this segment, the researchers see these scores as non-comparable to the prior year and advise a new review in 2017.
  • Employee Stock Plan Services received the lowest Index Scores with the Index dropping to 74.0 from the 76.3 in the prior year. This segment of the industry features many providers with a wide range of variability in the performance of each company’s offerings.

• Recommend Scores by Service – New to 2016 Index.
  • New Recommend Scoring Technique shows the majority of the industry is willing to recommend current providers.
  • Services where the average score on a 1 to 10 scale is in the 8 to 8.5 range include: Transfer Agency Services, Proxy Distribution & Tabulation, Proxy Solicitation, Investor Relations and Corporate Governance.

• Thank you to the Industry – Support Makes Study Possible. The Industry Index is made possible by industry executives who made time to complete the study. AST and the researchers are very grateful for their support.

• For More Information – Details Online. The 2016 Industry Index report was distributed to respondents to the study and is now available to the public online. For more details, visit www.astfinancial.com/knowledge-center/resources or visit the EAC site at www.astfinancial.com/about-ast/executive-advisory-council/.
The Index Model in 2016
Based on the Industry Study results, the researchers statistically identified the most critical ideas for issuers across the industry. From this data, the information was further compressed to reveal eight ideas or statements, which form the study statistical model and questionnaire foundation for the Industry Index. The 2016 results and changes to industry priorities are reviewed on the next screen.

### Eight Statement Model – A Basic Overview

<table>
<thead>
<tr>
<th>Data Safety &amp; Security</th>
<th>Basic Performance</th>
<th>Work Interface</th>
<th>Regulatory Environment Response</th>
<th>Shareholder Satisfaction</th>
<th>Institutional Soundness</th>
<th>Response to Trends and Technology</th>
<th>Powerful Voice</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attentive to data safety and security while making it as user friendly as possible.</td>
<td>Performs predictably, communicating appropriately while always looking for ways to be more efficient.</td>
<td>Flexible and knowledgeable performance by a Relationship Manager and staff who can be relied on to act quickly on our behalf.</td>
<td>Responds well to the complex regulatory environment and changing rules and procedures enacted by regulatory bodies.</td>
<td>Keeps our shareholders happy and understands the impact shareholder satisfaction has on our reputation and work.</td>
<td>Institutionally sound and can handle work complexity offering services that meet our changing needs.</td>
<td>Understands technology and media trends and is alert to ways to save costs and how trends or technology might impact our reputation.</td>
<td>A good reputation with a powerful voice in the industry.</td>
</tr>
</tbody>
</table>
### The Model in 2016

**Eight Statement Model – 2016 Priorities**

**Industry Priorities** – While all of the aspects of the eight-statement model remain critically important, some priorities have changed from the prior year. Changing priorities mean that the industry has responded to an important area and new concepts take on greater importance. In this year’s Industry Index, Work Interface has replaced Data Safety & Security as the number one priority.

<table>
<thead>
<tr>
<th>2015 Priorities</th>
<th>2016 Priorities</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Based on most 9 to 10 scores for importance)</td>
<td>(Based on most 9 to 10 scores for importance)</td>
</tr>
<tr>
<td>1. Data Safety &amp; Security</td>
<td>1. Work Interface*</td>
</tr>
<tr>
<td>2. Basic Performance</td>
<td>2. Data Safety &amp; Security</td>
</tr>
<tr>
<td>3. Work Interface</td>
<td>3. Basic Performance</td>
</tr>
<tr>
<td>4. Regulatory Environment Response</td>
<td>4. Shareholder Satisfaction*</td>
</tr>
<tr>
<td>5. Shareholder Satisfaction</td>
<td>5. Institutional Soundness*</td>
</tr>
<tr>
<td>8. Response to Trends and Technology</td>
<td>8. Response to Trends and Technology</td>
</tr>
</tbody>
</table>

* Change – Ranked Higher in 2016
Scoring Industry Priorities Using Top Two Box Method – The study participants were asked to score the importance of each factor in the model, using a scale of 1 to 10, where 1 is not at all important and 10 is very important. The numbers shown below are known as the Top Two Box scores and represent the combined percentage of respondents who scored this factor a 9 or a 10. The blue bar on the graph below is the current score for importance and the gray bar represents the 2015 scores.
The Model in 2016

Mean Importance Score for Each Model Item

Scoring Industry Priorities Using Mean (Average Score) Method – Using the participants’ importance rating for each factor, the researchers calculate an average importance score. This method tends to flatten the differences between the model items demonstrating that each item continues to be important in the model. This analysis also shows similar priority rankings as the Top Two Box scores methodology.
The 2016 Industry Index Results by Model Statements
2016 Industry Index – Performance by Eight Point Model

- Regulatory Environment Response: Index: 82.7
- Institutional Soundness: Index: 82.7
- Data Safety & Security: Index: 84.7
- Basic Performance: Index: 82.7
- Response to Trends and Technology: Index: 78.1
- Shareholder Satisfaction: Index: 80.2
- Work Interface: Index: 83.6
- Powerful Voice: Index: 79.6

2015 Index Results by Eight Point Model

- Regulatory Environment Response: 82.7, 84.2
- Institutional Soundness: 82.7, 84.1
- Data Safety & Security: 84.7, 83.7
- Basic Performance: 82.7, 83.2
- Response to Trends and Technology: 78.1, 82.7
- Shareholder Satisfaction: 80.2, 81.9
- Work Interface: 83.6, 81.5
- Powerful Voice: 79.6, 81.2

Sponsored by:

AST
2016 Industry Index by Performance by Service Type

- **Industry in Total**: 81.8
- **Transfer Agency Services**: 82.7
- **Proxy Distribution & Tabulation Services**: 82.5
- **Proxy Solicitation & Advisory Services**: 84.3
- **Investor Relations Services – Stock Surveillance**: 79.9
- **Corporate Actions - Mergers, Acquisitions & Reorg. Services**: 78.3
- **Corporate Governance & Advisory Services**: 89.6
- **Employee Stock Plan Services**: 74.0

---

Sponsored by: AST
2016 Index Results by Recommend Scores by Service

- In the 2016 Study, respondents were asked, “How likely are you to recommend [this company] to a friend or colleague in the industry? Use a scale of 1 to 10, where 1 means very unlikely and 10 means very likely.” The results below show the accumulated average “recommend” score for each of the services and their providers.

<table>
<thead>
<tr>
<th>Service</th>
<th>Recommend Average Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry in Total</td>
<td>8.0</td>
</tr>
<tr>
<td>Transfer Agency Services</td>
<td>8.2</td>
</tr>
<tr>
<td>Proxy Distribution &amp; Tabulation Services</td>
<td>8.1</td>
</tr>
<tr>
<td>Proxy Solicitation &amp; Advisory Services</td>
<td>8.2</td>
</tr>
<tr>
<td>Investor Relations Services – Stock Surveillance</td>
<td>8.0</td>
</tr>
<tr>
<td>Corporate Actions - Mergers, Acquis. &amp; Reorg. Services</td>
<td>7.4</td>
</tr>
<tr>
<td>Corporate Governance &amp; Advisory Services</td>
<td>8.5</td>
</tr>
<tr>
<td>Employee Stock Plan Services</td>
<td>7.1</td>
</tr>
</tbody>
</table>

In the 2016 Study, respondents were asked, “How likely are you to recommend [this company] to a friend or colleague in the industry? Use a scale of 1 to 10, where 1 means very unlikely and 10 means very likely.” The results below show the accumulated average “recommend” score for each of the services and their providers.
The Results by Individual Service Area
The study respondents were asked to evaluate providers in each of the following major services areas.

Service Areas Reviewed in the Industry Index

Respondents only scored areas in which they have knowledge and a current working relationship with the providers who offer these services.
How to Read the Comparison Charts

Information to Support Review of the Industry Index Report on Individual Services

The following charts provide a combined view of performance scores and importance scores for each service offering.

- The lines show how the industry rates the importance of each of the factors. The red line shows the 2016 importance ratings and the gray line is the 2015 importance scores.
- The bars represent the performance scores. The green (or color bars) show the 2016 performance scores. The gray bars show performance in 2015.

N=267
Results – Transfer Agency Services

2016 Industry Index Report on Transfer Agency Services:

- Importance Scores: Work Interface, Data Safety & Security and Basic Performance are the top factors of importance.
- Performance Scores: Transfer Agency Services providers' performance scores have improved in every category.
- Gap Analysis: Gaps between importance and performance are seen in the top six factors.
- Comparison to Industry: Transfer Agency Services 2016 Index is higher than the Industry in Total Index.
2016 Industry Index Report on Proxy Distribution & Tabulation Services:

- Importance Scores: Work Interface, Data Safety & Security and Shareholder Satisfaction are the top factors of importance.
- Performance Scores: Proxy Distribution & Tabulation Services providers’ performance scores have declined over 2015.
- Gap Analysis: Gaps between importance and performance are seen in the top six factors.
- Comparison to Industry: Proxy Distribution & Tabulation Services 2016 Index is higher than the Industry in Total Index.
Results – Proxy Solicitation & Advisory Services

2016 Industry Index Report on Proxy Distribution & Advisory Services:

- Importance Scores: Data Safety & Security, Basic Performance and Work Interface are the top factors of importance.
- Performance Scores: Proxy Distribution & Advisory Services providers’ performance scores have remained the same in Data Safety & Security and declined in the other factors.
- Gap Analysis: Gaps between importance and performance are seen in the top six factors.
- Comparison to Industry: Proxy Distribution & Advisory Services 2016 Index is higher than the Industry in Total Index.
2016 Industry Index Report on Investor Relations Services:

- Importance Scores: Shareholder Satisfaction, Data Safety & Security and Regulatory Environment Response are the top factors of importance.
- Performance Scores: Investor Relations Services providers’ performance scores have improved in all factors.
- Gap Analysis: Gaps between importance and performance are seen in the top six factors.
- Comparison to Industry: Investor Relations Services 2016 Index is lower than the Industry in Total Index.
2016 Industry Index Report on Corporate Actions Services:

- Importance Scores: Work Interface, Basic Performance, Regulatory Environment Response and Data Safety & Security are the top factors of importance.
- Performance Scores: Corporate Actions Services providers’ performance scores have declined in all factors.
- Gap Analysis: Gaps between importance and performance are seen in the top six factors.
- Comparison to Industry: Corporate Actions Services 2016 Index is lower than the Industry in Total Index.
Results – Corporate Governance Services

2016 Industry Index Report on Corporate Governance Services:

- Importance Scores: Work Interface, Data Safety & Security and Shareholder Satisfaction are the top factors of importance.
- Performance Scores: Corporate Governance Services providers’ performance scores have improved in all factors.
- Gap Analysis: Gaps between importance and performance are seen in the top four factors.
- Comparison to Industry: Corporate Governance Services 2016 Index is higher than the Industry in Total Index.
Results – Employee Stock Plan Services

2016 Industry Index Report on Employee Stock Plan Services:

- Importance Scores: Work Interface, Data Safety & Security and Basic Performance are the top factors of importance.
- Performance Scores: Employee Stock Plan Services providers’ performance scores are lower than in 2015.
- Gap Analysis: Gaps between importance and performance are seen in all the factors.
- Comparison to Industry: Employee Stock Plan Services 2016 Index is lower than the Industry in Total Index.
In the 2016 Industry Index survey, the following question was asked: "What do you think are some of the biggest challenges facing shareholder services providers and how they service your business?"

The results shown at right reflect an analysis and compilation of the more than 490 comments provided by respondents to the Industry Index Study.
About AST
AST is a tech-enabled, integrated, professional services firm that empowers companies and their stakeholders to achieve their goals through advisory, technology and flawless execution. See more at www.astfinancial.com.

About the Researchers
The independent study administrator for the Industry Index Study is Vincent McCabe, Inc., a specialist in industry index models and voice of the customer research. For more information on the Index research process, contact Jean Vincent at 315.685.7227 or jean@vincentmccabe.com.

About the Industry Index Study

About Future Study Plans
Questions and ideas for the Industry Index project are sincerely invited. To provide feedback on the Index or discuss future plans or study ideas, call AST at 718.921.8200.