Results from the 2014 Survey in the EAC Industry Study Initiative

The Voice of Needed Change for the Industry
Before we begin, a “Thank You” to the study participants and our sponsors, AST!

Thanks to the insights provided by participants, the EAC Industry Study can offer its robust findings to the industry at large. The members of the Executive Advisory Council and AST sponsors are deeply grateful for the participants’ thoughtful contribution of time and energy.

In appreciation of the participants’ involvement, AST made a charitable donation on behalf of the EAC Industry Study to LaGuardia Community College in New York. This donation is being used to help low-income students, who struggle to find the financial resources to stay in school.
Welcome to the New Voice of the Industry!

We are proud to introduce the Executive Advisory Council's in-depth Industry Study of leading issuer executives and industry experts across North America. This forward-looking Study seeks to provide meaningful insights into what investors and corporations need across the broad spectrum of issuer and shareholder services.

Our innovative approach aims to provide a holistic view of the events and trends that impact what we do and how we do it. The Study looks at how to address those trends and how to navigate the complex regulatory world in which we operate.

More than ever, it's critical that we all stay ahead of the curve, making sure that we are shaping the industry that we all thrive in. With insights from industry leaders, we are creating a powerful collective voice that can influence lobbying efforts for key regulatory issues and become a driving force for needed change.

We invite you to explore the findings of our leading-edge research and find out for yourself what members of our industry are saying.

We hope you find this Study as interesting as we do. We look forward to next year!
About the Study

Introduction
Methodology
About the Sample
Executive Summary
Industry Review
Trends and Challenges
Service Needs and Wants
Individual Services
What's Next?
Introduction

The 2014 EAC Industry Study is a multi-stage research initiative, led by industry thought-leaders and sponsored by AST. Designed to develop meaningful insights into what investors and corporations need across a broad spectrum of issuer and shareholder services, this Study includes the most comprehensive array of insights available in the industry today. More than 300 executives provided ideas on several different platforms of study.

The specific objectives of the Study include:
- Identify current and anticipated challenges
- Uncover needs and identify solutions
- Provide a platform to develop actionable ideas
- Support ongoing discussion and education forums

The results point to the desire for greater flexibility, a more integrated approach to service, a stronger voice in regulatory matters and a cohesive approach to industry standards and education. Industry leaders are demanding trust, accuracy and security from providers who can offer flexible services.

The results are being used to develop AST forums for education and further study, as well as a performance index for the future.

STUDY ADMINISTRATORS

The EAC Industry Study was administered by Vincent McCabe, Inc., an independent research firm that specializes in “Voice of the Industry” studies. The firm, established by Jean Vincent in 2000, is known for the use of advanced statistical analysis in Voice of the Industry studies. The firm has extensive experience in the financial sector. To contact Jean Vincent, call (315) 685-7227 or e-mail jeanc@vincentmccabe.com.
Methodology

THE EAC INDUSTRY STUDY: A NEW WAY TO LISTEN TO THE VOICE OF THE INDUSTRY

Our study is the most comprehensive of its kind undertaken for our industry to date.

- Designed to be the most wide-ranging and comprehensive research program in our field
- Over 300 expert contributors from many areas of issuer corporations
- More than 2,000 hours of researchers’ time for investigation, discovery and analysis
- Four different, in-depth survey designs covering 12 different aspects of the industry
- Collected large amounts of data and insights for ongoing discovery, analysis and discussion

This comprehensive study encompasses qualitative as well as quantitative research methods, as well as ongoing study groups designed to explore the findings of the study in greater depth with the survey respondents.

**BRAINSTORMING**  
September to December 2013  
EAC (12-member committee) and 20 executives contributed ideas and insights

**INDUSTRY INTERVIEWS**  
January to March 2014  
In-depth interviews with 35 leaders (22 AST clients and 13 others not associated with AST)

**QUANTITATIVE RESEARCH**  
April to August 2014  
218 completed surveys representing a broad cross-section of industry executives

**STUDY GROUPS**  
September 2014 and beyond  
Groups and educational forums in place now with much more to come
HOW THE STUDY WAS STRUCTURED

The analysis of the interviewees’ comments points to a four-level architecture.

1. External Influences
2. Internal Influences
3. Overarching needs
4. Individual services

EXTERNAL INFLUENCES
- Globalization
- Socioeconomic trends
- Technology
- Regulatory environment
- Vendor complexity
- Economic environment
- Cost control
- Safety and security

INTERNAL FACTORS
- Importance of shareholders
- Brand and reputation importance
- Tolerance for change
- Knowledge base
- Career lifecycle
- Need for service
- Financials and size of firm
- Wild cards

OVERARCHING NEEDS
- Transparency
- Relationship (access to experts)
- Control mutuality/power balance
- Competence (accuracy, timeliness)
- Reputation (association, identification)
- Expertise (higher-level knowledge)
- Reliability and predictability
- Trust and commitment
Methodology

MORE DETAIL ON OUR QUALITATIVE METHODOLOGY

Personal Interviews

Personal Interviews were conducted by Vincent McCabe, Inc. staff from October 16, 2013, to November 27, 2013. 35 interviewees contributed approximately 30 minutes each in open-ended discussion centered around the core questions included in the Study. Interviewees’ backgrounds ranged widely as follows:

- A wide spread of Fortune 100 companies to small-cap issuers are represented.
- US-based and Canadian-based companies are included.
- Of the 35 completed interviews, 22 respondents were from AST clients and 13 respondents were from respondents who use other services. Five respondents were from firms where the practice of law is their primary service.

The core questions in the Study included:

- What are current or future trends or challenges that are influencing your organization and/or your shareholders?
- What do executives such as yourself want to know more about?
- What do you value about your service providers?
- Other thoughts? Interviewees were encouraged to offer their own suggestions.

BRAINSTORMING
September to December 2013
EAC (12-member committee) and 20 executives contributed ideas and insights

INDUSTRY INTERVIEWS
January to March 2014
In-depth interviews with 35 leaders (22 AST clients and 13 others not associated with AST)
Methodology

MORE DETAIL ON OUR QUANTITATIVE METHODOLOGY

Survey Research

- Online survey with both closed and open-ended questions.
- Respondents were also allowed to do the survey either by telephone or in a mail-in form.
- An initial, comprehensive survey was developed and made available online.
- When the comprehensive study began to trend, the researchers developed a short-form version of the Study. A special, additional format was developed for attorneys.

Recruitment Offers

- An executive report on the findings sent to participants.
- Gift to charity – A significant donation was made to LaGuardia College in New York City in honor of the survey participants.

Recruitment Methods

- During the period April 22, 2014, to July 1, 2014, 218 respondents contributed their ideas and completed one of the EAC Industry Study surveys. A combination of telephone recruitment, email invitation, personal invitation and social media engagement were employed to reach the final sample.

Final Sample

- A total of 218 respondents provided input to the surveys. The confidence interval is approximately 95% +/- 4.3% and varies depending on the survey section and number of responses to the section.

A BIT MORE ABOUT THE STUDY GROUPS

The study groups and educational forums seek to probe in more depth the findings of the quantitative survey.

The forums will explore what respondents specifically would like to see change in the industry and how to achieve the desired objectives.
About the Sample

This section provides more detail on the profile of the survey respondents.

Industry participants responsible for shareholder services vary widely. The survey sample represents an unusually large range of job titles, company businesses, organizational structures and ages. While the participants are dealing with many issues that pertain to issuer services, they are also dealing with their own industry and its issues.

Respondents have complex responsibilities and often work within multiple areas in their organizations. The intensity of each responsibility varies. Most respondents and survey invitees reported being extremely busy with time-sensitive materials and deadlines.

### % Has Responsibility

- **Transfer Agency Services**: 78.07%
- **Annual Meetings**: 79.89%
- **Proxy Services**: 75.13%
- **IR Registered**: 71.43%
- **IR Institutional**: 43.92%
- **Employee Stock Plans**: 66.14%
- **Corp. Act’s - M / A / Reorg’s**: 59.26%
- **Corporate Governance**: 71.43%
- **Asset or Fund Mgmt.**: 17.99%

### Industry Type - % of Respondents

- **Corporation (issuer of stock)**: 77%
- **Other type industry companies***: 23%
Experience Diversity

The respondents represent executives who have extensive experience with more than 21 different service providers. Many have multiple relationships even among firms that would be considered competitive. Clients and non-clients of AST are well-represented.

Business Diversity

The various individual industries represented are very widespread, encompassing finance, insurance, manufacturing, electronics, utilities, energy, real estate and many more.

The market cap for respondent organizations also represent a broad cross-section of company sizes from under $100 million to $10 billion or more. Organizations with hundreds of thousands of shareholders to those with much smaller counts and those in between are all represented. No one category dominated the organization demographics.

The percentage of shares held by registered shareholders ranged widely from a small percentage to nearly a majority.
From CEO and Corporate Secretary to Assistant Corporate Secretary and Finance Manager, the respondents’ job title diversity is very widespread. 34% hold executive titles and 32% management titles. All respondents were qualified experts on the questions they answered for the survey.

- **Ages** — Respondents skew slightly to higher ages, with the majority (57%) being over 46.

- **Years in Position** — Respondents are present in all lengths of service in current positions.
REGIONAL DIVERSITY

While the majority of respondents (86%) are from the United States, 12% are from Canadian domiciled companies and 2% are from companies domiciled internationally. It should be noted that responses were statistically similar regardless of location. 56% of the respondents’ organizations have employees who are based internationally, and 81% indicated they have shareholders who are internationally-based.
Executive Summary
Executive Summary

OBJECTIVES OF THE STUDY

With this study, the EAC set out to:
- Identify current and anticipated challenges
- Uncover needs and identify solutions
- Provide a platform to develop actionable ideas
- Support on-going discussion and education forums

For more information about the methodology used, as well the structure of this study, please click here.

KEY FINDINGS

Our findings can be classified into 4 categories:
- A review of the industry
- Key trends and challenges
- Service provider needs
- Individual services

INDUSTRY REVIEW

The Industry Calls for Greater Flexibility, a Strong Regulatory Voice and an Integrated Approach.

Industry Desired Organization

The vast majority of respondents want five key organizational aspects from services providers: Flexible systems that meet our specifications, flexible response to changing needs, strong brand reputation, a broad breadth of offerings and a powerful voice in the industry.

Expected Industry Changes

More focus on:
- Shareholder analysis and identification programs
- Corporate actions
- Regulatory consulting

Desired Provider Profile

“Providers must be able to address all the needs of corporations that issue stock” …

For more detail, click here.

KEY TRENDS AND CHALLENGES

The study identified the following top 10 trends and challenges facing the industry today:

1. Data safety and security
2. Controlling costs
3. Regulatory demands
4. Economic challenges
5. Technology
6. Talent retention
7. Industry advocacy needs
8. Shareholder activism
9. Work complexity
10. Media trends

When studied more closely, it was found that these could be grouped into the following three overarching issues:
- Macro-trends: shareholder environments
- Technology trends
- Regulatory challenges

For more detail, click here.
Executive Summary

SERVICE PROVIDER NEEDS

What corporate issuers want from providers:

- **Essential**
  - Trustworthy
  - Knowledgeable
  - Secure
  - Accurate
  - Experience
  - Communicates well

- **Important for best service attributes**
  - Good access
  - Stability overall
  - Relationships
  - Commitment
  - Transparency
  - Reputation
  - Robust disaster recovery
  - Systems meet needs
  - Adaptable performance
  - Reputation
  - Predictable performance
  - Good value

- **Differentiating**
  - Evaluates their work
  - Advisor capability
  - Range of services
  - Familiarity with our business

For personal service needs, these are important:

- Communications
- Cost controls
- Reassurances on accuracy

These needs can serve as the foundation for a new evaluation index for service providers in the industry.

For more detail, click [here](#).

INDIVIDUAL SERVICES

**Transfer Agency Services**

Top 10 trends facing transfer agency business include the following:

1. Increasing concern for data security and practices
2. Auditing for unclaimed property
3. Increasing concern for transfer agent longevity and availability for the long term
4. Unclaimed property
5. Concern that even if a transfer agent supplier is hired, the issuer is still liable for its actions
6. State/Provincial regulations concerning escheatment
7. Difficulty moving to T+1 trading window
8. IRS tax regulations for international employees and shareholders
9. Brokerage account-style online services sets the bar for services
10. Reducing risk involved in bringing on a new services provider

**Proxy Services**

Top 5 trends facing the proxy services business:

1. Need for measurement tools
2. Need to do more than just count the votes
3. Need for benchmarks
4. Complex proxy service billing
5. Need for additional consulting services
Executive Summary

Employee Plan Services
Top 6 trends and challenges facing employee plan management:
1. Better understanding about the programs employees need
2. Provide employees with ability to download history to spreadsheets or databases
3. Employee education about the plan
4. Record-keeping excellence (staying current on shares issued, outstanding and in Treasury when options are exercised)
5. Wealth management services to help employees maximize value
6. Greater use of plans in retention and reward

Investor Relations
Top 7 trends and challenges facing investor relations:
1. Growing importance of IR to corporation’s reputation
2. Better understanding of shareholder behavior by mapping historical trends
3. Understanding my shareholders is more important than ever
4. Growing role for communications in investor relations
5. Knowledge about investor activity to determine why stock is trading as it is
6. Trading patterns can be erratic and there is need to be alerted to these changes
7. Surveillance of shareholder activity

Other Individual Services
Limited data points for charting, but informative responses...

- Corporate Governance
  “Executive compensation and corporate governance have been areas on which we have spent a great deal of time. More and more emphasis is being placed in these areas and we find the proxy season seems to be year-round versus several months out of the year.”

- Corporate Actions
  “There is great complexity and the need to design solutions by experienced executives who understand these challenges. This is an area that can’t be treated like a commodity.”

- Fund Management
  “Needed are fund management service providers who provide cost-effective and complete solutions. Wrap around other services to further differentiate offerings and support (in the area of access distribution and asset-raising).”

For more detail, click here.
Executive Summary

**WHAT’S NEXT?**

We’ve listened and we believe there are great opportunities for the EAC and its members to act as the voice of the industry. Action items for 2014-2015 include a series of master forums focusing on:

- Industry advocacy for Regulatory Change
- Communications
- Efficiency
- Industry Index Foundation
- Shareholder activity
- Service-specific issues

For more detail, click [here](#).
Part of the industry survey focused on identifying how corporate issuers and other thought-leaders in the field believe that the industry’s service providers should organize their businesses in order to better serve their clients.

The researchers used the following description in the questionnaires:

*Important Note:* In the questions that follow, we refer to the “industry.” For the purposes of this survey, the researchers define the “industry” as the comprehensive industry of services needed by corporate issuers and provided by services providers. This would include, but not be limited to Fund Management, Corporate Governance, Corporate Actions (such as mergers & acquisitions), Employee Stock/Equity Plans, Investor Relations, Proxy Services, Annual Meetings Services and Transfer Agency Services, for example.
Service Types

CHANGE DYNAMICS

When scoring growth prospects for 17 different types of shareholder services, the top three areas expected to increase and/or increase dramatically are:

- Shareholder analysis and identification programs (33%)
- Corporate actions – mergers/acquisitions and reorganizations (29%)
- Regulatory consulting services (28%)

The majority of service needs are expected to remain the same.

While some services were projected to decline, the decline projected was small with the largest decline projected of 7% for services for registered shareholders.
RESPONDENTS WERE ASKED: Do you expect your corporation’s or clients’ need for services in the categories listed below to change?

- **4 & 5 Increase or increase dramatically**
- **1 & 2 Decrease or decrease dramatically**
RESPONDENTS WERE ASKED: Rate your agreement or disagreement with each of the following statements.

- It's important that suppliers have flexible systems that meet my specific needs: 93.6%
- Services providers will need to be flexible to respond to complex and changing needs: 92.1%
- The brand reputation of the suppliers I select is an important consideration for me: 70.1%
- A services provider with a broad breadth of offerings is optimal for me: 65.4%
- It is important that the services providers I select to work with have a powerful voice in the industry: 64.1%
- I am in favor of corporate issuer services providers diversification into other related services: 49.4%
- Outsourcing corporate issuer services tasks will increase in the future: 42.3%
- I think it is important to work with vendors who are growing their businesses: 37.2%
- Because I want to retain the talent that is important to my business, I like to work with people I know: 35.9%
- I don't always know where to get the services needed to take care of all our corporate issuer services: 25.6%
- Using different services providers for each of the different corporate issuer needs is optimal: 13.0%
Provider Selection

RESPONDENTS WERE ASKED: Considering the trends and challenges you think are important, how do these trends or challenges influence your selection of a services provider?

Sample comments concerning services provider organizations include:

• “When selecting a new service provider, we try to anticipate what challenges could arise and then address those issues with the service provider prior to signing a contract.”
• “We want to be certain that we have service providers that have the resources to continually remain at the forefront of compliance, technology, and technology security.”
• “Challenges greatly influence the selection of service providers depending on the services needed.”
• “Honestly, most of the ‘big’ transfer agents can all perform the work, I am most interested in the people who are within an organization, how they respond to me and my concerns, and of course, a good value for the services they offer. It is important to me that the leaders of the service providers we select to work with are up-to-date in industry activities and have a ‘voice’ and a strong network within the industry.”

OVERVIEW

Based on the results to the in-depth interviews in the qualitative phase of the EAC Industry Study, the researchers added a separate, comprehensive section on the services provider environment and trends in that space. The researchers wanted to look more closely into comments made in the qualitative research concerning the many changes and the reduction in numbers of providers.

The following items were scored as important or very important by the vast majority of respondents to these questions.

• **Institutional Soundness** – Need to determine if a provider is sound and will have longevity. (65%)
• **Work Complexity** – Increasing need for different types of services in order to address all the needs of corporations that issue stock. (67%)
RESPONDENTS WERE ASKED: The following is a list of ideas that some executives indicated were trends or challenges that the issuer or shareholder services providers should be watching. For each trend noted below, please score how important this trend is to your organization or its clients.

1 - Not at all important
2 - Unimportant
3 - Neutral
4 - Important
5 - Very important

1.3% 2.5% 31.6% 44.3% 20.3%  Institutional Soundness - Need to determine if a provider is sound and will have longevity
3.8% 3.8% 43.6% 32.1% 16.7%  Talent Retention - As the “industry” compresses, talented people with skills we need are leaving the “industry”
2.6% 7.8% 42.9% 32.5% 14.3%  Provider Changes - Monopoly situations create difficulties for issuers
5.1% 12.8% 48.7% 21.8% 11.5%  Provider Changes - Possible reduction in new talent joining the industry in the next five years
1.3% 32.1% 56.4% 10.3%  Provider Changes - Work Complexity - Increasing need for different types of services in order to address all the needs of corporations that issue stock
2.5% 7.6% 48.1% 31.6% 10.1%  Conflicts - Concern for possible conflict of interests between suppliers and issuers
15.2% 8.9% 53.2% 19.0% 3.8%  Engagement of Newcomers - Difficulty in recruiting newcomers to the "industry"
2.6% 6.4% 50.0% 32.1% 9.0%  Provider Changes - Reduction in number of shareholder services providers
If you can use one vendor to do a lot of things, you can achieve economies of scale.

Knowing what is taxable and what is not is huge for us. It is such a huge liability.

We make estimates that may not work out exactly.

Escheatment: A new level of expertise is needed for these tightening controls. We need to look into this more. Another issue.. The industry is fluid in terms of talent but it’s a dying industry. People leave and take knowledge capital with them.

(Note: Much more is covered in the Transfer Agency section of this report.)

Recent changes in regulations have been very significant to our business. Additionally, rumors on this activity have drastically impacted our stock price and investor activity.

The regulatory environment is ever changing, presenting hurdles for us as an issuer. Having our TA inform us of, and guide us through changing regulations.

Creating more advocacy groups to lobby for regulatory changes, or encouraging more participation in existing groups.

Engaged with both the industry, industry groups and trade associations and regulators in open discussion to arrive at workable solutions.
Trends and Challenges

Continuing to develop talent and ensure career employees. As well as creating many avenues for issuers to remain engaged. Networking, industry groups etc.

Issuers should be listening to their shareholder base regarding trends that are present, taking shareholder feedback and passing it onto Issuers.

Issuers should provide solutions for these trends, whenever possible.

Providers assisting their Issuers understand regulatory changes is a win-win situation for all parties involved, and much appreciated.

Education is the key. Make information easily accessible.

Issuers need to jointly lobby for issuer selection of street distribution agent. Today the brokerage firms requiring the selection of a vendor, have no financial incentive to hold down cost or bid out work.
Overview

The following pages go into detail on what the top trends and challenges are, as perceived by the respondents. The initial trends section looks at trends for the industry as a whole. We have then grouped findings from the survey into three broad categories:

1. Regulatory changes
2. Macro-trends (shareholder environments)
3. Technology trends

According to the respondents, the top 10 trends and challenges influencing their organizations include:

1. Data safety and security
2. Controlling costs
3. Regulatory demands
4. Economic challenges
5. Technology trends
6. Talent retention
7. Industry advocacy needs
8. Shareholder trends – activism
9. Work complexity – need for many services
10. Media trends – social media

The researchers note that the top five items are inter-connected. Economic challenges create the need to control costs. Problems with data safety and security create increasing costs as does addressing ways to meet regulatory demands. Technology trends can both increase and decrease costs depending on its application.
RESPONDENTS WERE ASKED: What are some of the current or future industry trends, challenges or opportunities that are influencing your organization or its clients and its work as an issuer? The researchers combined scores from the long and short form surveys to develop the following combined analysis. The results are shown in order of combined scores for important and very important.

<table>
<thead>
<tr>
<th>Essential to Address</th>
<th>Not at all important</th>
<th>Unimportant</th>
<th>Neutral</th>
<th>Important</th>
<th>Very Important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Data safety and security</td>
<td>38.6%</td>
<td>36.8%</td>
<td>16.1%</td>
<td>6.6%</td>
<td>0.3%</td>
</tr>
<tr>
<td>Controlling costs</td>
<td>47.3%</td>
<td>39.9%</td>
<td>7.4%</td>
<td>6.0%</td>
<td>0.6%</td>
</tr>
<tr>
<td>Regulatory demands</td>
<td>47.1%</td>
<td>39.7%</td>
<td>7.7%</td>
<td>6.3%</td>
<td>0.4%</td>
</tr>
<tr>
<td>Technology trends</td>
<td>38.4%</td>
<td>33.6%</td>
<td>19.7%</td>
<td>6.5%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Economic challenges</td>
<td>23.0%</td>
<td>25.0%</td>
<td>24.5%</td>
<td>25.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Talent retention</td>
<td>40.1%</td>
<td>40.1%</td>
<td>16.7%</td>
<td>3.1%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Industry advocacy</td>
<td>44.9%</td>
<td>45.4%</td>
<td>15.3%</td>
<td>10.7%</td>
<td>1.1%</td>
</tr>
<tr>
<td>Shareholder trends – activist shareholders</td>
<td>43.2%</td>
<td>42.9%</td>
<td>21.0%</td>
<td>12.1%</td>
<td>2.6%</td>
</tr>
<tr>
<td>Work complexity – need for many services</td>
<td>40.7%</td>
<td>43.8%</td>
<td>24.1%</td>
<td>10.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Media trends</td>
<td>44.6%</td>
<td>41.6%</td>
<td>20.7%</td>
<td>10.9%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Provider longevity issues</td>
<td>54.8%</td>
<td>46.4%</td>
<td>26.9%</td>
<td>10.1%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Socioeconomic trends</td>
<td>23.3%</td>
<td>23.3%</td>
<td>23.3%</td>
<td>19.9%</td>
<td>1.1%</td>
</tr>
<tr>
<td>Change in services providers available</td>
<td>36.3%</td>
<td>33.9%</td>
<td>26.9%</td>
<td>12.6%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Newcomer recruitment</td>
<td>20.0%</td>
<td>25.3%</td>
<td>21.3%</td>
<td>23.6%</td>
<td>9.3%</td>
</tr>
<tr>
<td>Globalization</td>
<td>26.3%</td>
<td>21.3%</td>
<td>25.3%</td>
<td>17.6%</td>
<td>7.0%</td>
</tr>
<tr>
<td>Conflicts supplier &amp; issuer needs</td>
<td>25.1%</td>
<td>25.1%</td>
<td>25.1%</td>
<td>25.1%</td>
<td>7.0%</td>
</tr>
</tbody>
</table>

BASE 187
### Overview

**RESPONDENTS WERE ASKED:** How well is the “industry” responding to trends and challenges?

<table>
<thead>
<tr>
<th>Category</th>
<th>1 - Poor response</th>
<th>2 - Fair response</th>
<th>3 - Average response</th>
<th>4 - Good response</th>
<th>5 - Excellent response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Data safety and security</td>
<td>4.1%</td>
<td>43.2%</td>
<td>37.3%</td>
<td>4.4%</td>
<td>5.4%</td>
</tr>
<tr>
<td>Technology trends</td>
<td>1.4%</td>
<td>5.4%</td>
<td>40.9%</td>
<td>47.3%</td>
<td>5.4%</td>
</tr>
<tr>
<td>Regulatory demands</td>
<td>2.7%</td>
<td>41.3%</td>
<td>34.2%</td>
<td>4.1%</td>
<td>4.1%</td>
</tr>
<tr>
<td>Speaking up for the needs of the “industry”</td>
<td>2.7%</td>
<td>47.9%</td>
<td>32.8%</td>
<td>30.6%</td>
<td>5.6%</td>
</tr>
<tr>
<td>Provider longevity issues</td>
<td>5.4%</td>
<td>51.4%</td>
<td>44.6%</td>
<td>2.2%</td>
<td>2.2%</td>
</tr>
<tr>
<td>Being a strong voice for the “industry”</td>
<td>1.4%</td>
<td>51.4%</td>
<td>30.6%</td>
<td>5.6%</td>
<td>5.6%</td>
</tr>
<tr>
<td>Media trends</td>
<td>1.4%</td>
<td>6.8%</td>
<td>52.8%</td>
<td>33.3%</td>
<td>2.2%</td>
</tr>
<tr>
<td>Work complexity – need for many services</td>
<td>6.8%</td>
<td>45.9%</td>
<td>29.7%</td>
<td>5.4%</td>
<td>5.4%</td>
</tr>
<tr>
<td>Controlling costs</td>
<td>6.8%</td>
<td>12.2%</td>
<td>49.5%</td>
<td>29.7%</td>
<td>5.4%</td>
</tr>
<tr>
<td>Globalization</td>
<td>9.7%</td>
<td>56.9%</td>
<td>31.5%</td>
<td>31.5%</td>
<td>1.4%</td>
</tr>
<tr>
<td>Shareholder trends – activist shareholders</td>
<td>1.4%</td>
<td>11.3%</td>
<td>56.9%</td>
<td>29.6%</td>
<td>1.4%</td>
</tr>
<tr>
<td>Economic challenges</td>
<td>2.7%</td>
<td>8.2%</td>
<td>56.9%</td>
<td>28.8%</td>
<td>1.4%</td>
</tr>
<tr>
<td>Conflicts between supplier and issuer needs</td>
<td>2.8%</td>
<td>5.6%</td>
<td>62.5%</td>
<td>28.8%</td>
<td>2.8%</td>
</tr>
<tr>
<td>Talent retention</td>
<td>2.8%</td>
<td>12.5%</td>
<td>56.9%</td>
<td>23.6%</td>
<td>2.2%</td>
</tr>
<tr>
<td>Socioeconomic trends</td>
<td>1.4%</td>
<td>10.1%</td>
<td>66.7%</td>
<td>20.3%</td>
<td>1.4%</td>
</tr>
<tr>
<td>Changes in services providers available</td>
<td>9.7%</td>
<td>8.2%</td>
<td>62.5%</td>
<td>18.1%</td>
<td>1.4%</td>
</tr>
<tr>
<td>Lack of choice in vendors available</td>
<td>12.5%</td>
<td>12.5%</td>
<td>58.3%</td>
<td>12.5%</td>
<td>2.8%</td>
</tr>
<tr>
<td>Newcomer recruitment</td>
<td>2.8%</td>
<td>9.9%</td>
<td>74.6%</td>
<td>12.5%</td>
<td>2.8%</td>
</tr>
</tbody>
</table>
RESPONDENTS WERE ASKED: Consider the following components of the “industry” and rate each on their overall response to trends and challenges. Please consider your personal experiences when rating each area. Respondents had the option to score “not enough information to rate.” The researchers removed these scores and re-calculated the response rates. The chart below reflects only those who were knowledgeable in the category. While the majority have rated the segments as good or excellent, only a small percentage were willing to score providers as excellent.

<table>
<thead>
<tr>
<th>Individual Services</th>
<th>1 - Poor response</th>
<th>2 - Fair response</th>
<th>3 - Average response</th>
<th>4 - Good response</th>
<th>5 - Excellent response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transfer Agency Services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>13.04%</td>
</tr>
<tr>
<td>Annual Meetings</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>7.98%</td>
</tr>
<tr>
<td>Proxy Services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>10.45%</td>
</tr>
<tr>
<td>Investor Relations – Direct</td>
<td>3.23%</td>
<td>14.52%</td>
<td>38.71%</td>
<td>35.48%</td>
<td>8.06%</td>
</tr>
<tr>
<td>Investor Relations – Institutional</td>
<td>3.92%</td>
<td>15.69%</td>
<td>45.10%</td>
<td>33.33%</td>
<td>1.96%</td>
</tr>
<tr>
<td>Employee Stock Plans</td>
<td>6.66%</td>
<td>14.76%</td>
<td>40.98%</td>
<td>37.70%</td>
<td></td>
</tr>
<tr>
<td>Corporate Actions – M&amp;A, etc.</td>
<td>14.81%</td>
<td>35.09%</td>
<td>40.74%</td>
<td>42.58%</td>
<td>1.86%</td>
</tr>
<tr>
<td>Corporate Governance</td>
<td>12.26%</td>
<td>35.09%</td>
<td>40.74%</td>
<td>42.58%</td>
<td>1.86%</td>
</tr>
<tr>
<td>Asset or Fund Management</td>
<td>7.14%</td>
<td>25.00%</td>
<td>28.57%</td>
<td>35.71%</td>
<td>3.57%</td>
</tr>
</tbody>
</table>

STOCK Q12

The researchers conducted a comprehensive study to evaluate the industry's response to trends and challenges. The chart above reflects the distribution of responses for various services, indicating a generally positive response with a small percentage of excellent ratings.
The researchers compared the combined important and very important scores to the combined good and excellent industry response. The chart below shows the comparison and the difference between what is desired and how the industry rates the overall performance.

### Areas with Greatest Difference and Need for Improvement

<table>
<thead>
<tr>
<th>Area / Change</th>
<th>Shortfall - Delta Importance vs. Response</th>
<th>4 &amp; 5 Industry Response</th>
<th>4 &amp; 5 Importance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Controlling costs</td>
<td>53.94%</td>
<td>35.14%</td>
<td>91.4%</td>
</tr>
<tr>
<td>Industry Advocacy</td>
<td>42.03%</td>
<td>48.67%</td>
<td>89.1%</td>
</tr>
<tr>
<td>Economic challenges</td>
<td>41.91%</td>
<td>52.70%</td>
<td>87.7%</td>
</tr>
<tr>
<td>Regulatory demands</td>
<td>39.05%</td>
<td>30.74%</td>
<td>72.0%</td>
</tr>
<tr>
<td>Data safety and security</td>
<td>38.74%</td>
<td>27.74%</td>
<td>72.0%</td>
</tr>
<tr>
<td>Talent retention</td>
<td>32.44%</td>
<td>18.54%</td>
<td>60.2%</td>
</tr>
<tr>
<td>Newcomer recruitment</td>
<td>26.76%</td>
<td>14.49%</td>
<td>57.5%</td>
</tr>
<tr>
<td>Shareholder Trends - Activists</td>
<td>25.54%</td>
<td>19.44%</td>
<td>56.5%</td>
</tr>
<tr>
<td>Socioeconomic trends</td>
<td>22.28%</td>
<td>19.44%</td>
<td>54.1%</td>
</tr>
<tr>
<td>Technology trends</td>
<td>20.95%</td>
<td>21.74%</td>
<td>52.2%</td>
</tr>
<tr>
<td>Change in providers available</td>
<td>20.45%</td>
<td>33.33%</td>
<td>52.70%</td>
</tr>
<tr>
<td>Conflicts supplier &amp; issuer needs</td>
<td>0.00%</td>
<td>32.1%</td>
<td>29.17%</td>
</tr>
</tbody>
</table>

The chart shows the comparison and the difference between what is desired and how the industry rates the overall performance.
The chart below shows the comparison and the difference between what is important and how the industry rates the overall performance. The “brown” line represents the interest level and the blue bars represent the response.
ATTITUDES TOWARD TRENDS

Research is a means to reduce information into smaller, more usable groupings. To add nuance and deeper insights into the data, the researchers use advanced statistical analysis to identify subconscious attitudes and concerns. To do this, respondents’ scores to the trends were further analyzed using factor analysis and cluster analysis to determine if there are sub-segments within the dataset.

The analysis demonstrated that there are five sub-sets or groupings of respondents. While this analysis does not negate the general rankings of importance, it shows another deeper look into how the respondents think about trends beyond their first reactions. Based on this analysis, there are four segments each with different issuers that are essential to them.

1. Practical Concerns – Smaller Scope (32%)
   — Regulatory demands
   — Economic challenges
   — Newcomer and talent retention

2. Cost Concerns (35%)
   — Controlling costs
   — Technology trends

3. Shareholder Activist Concerns (21%)
   — Activist – impact and activity

4. Major Concerns – Big Scope (12%)
   — Regulatory demands, economic challenges
   — Controlling costs technology
   — Globalization and socioeconomics
FACTOR/CLUSTER ANALYSIS

The clusters reflect an organization of the respondents into segments that represent their subconscious perceptions about trends.

Cluster 1
Practical Concerns
Most concerned about:
- Regulatory demands
- Economic challenges
- Newcomer and talent retention
- Security – moderate
Less concerned about:
- Globalization
- Socioeconomic trends

Cluster 2
Cost/Tech Concerns
Most concerned about:
- Controlling costs
- Technology Trends
Less concerned about:
- Regulatory demands
- Economic challenges

Cluster 3
Activists Concerns
Most concerned about:
- Activist Shareholders
Less concerned about:
- Newcomer or talent retention
- Technology
- Work complexity

Cluster 4
Major Concerns
Most concerned about:
- Regulatory demands
- Economic challenges
- Controlling costs
- Globalization
- Technology
- Socioeconomics
Less concerned about:
- Newcomer and talent retention
- Data security

BASE 187
Based on the results to the in-depth interviews in the qualitative phase of the EAC Industry Study, the researchers added a separate section on the regulatory environment to capture nuances in the needs. “Regulatory demands” and “Industry advocacy” were in the top ten most important trends impacting the industry with rankings of 3rd and 5th, respectively.

When asked to comment on a trend, “regulations-oriented” statements were most often mentioned. It is very top of mind.

The following items were scored as important or very important by the vast majority of respondents to these questions.

- New and more stringent rules and auditing procedures enacted by regulatory bodies. (91%)
- Numerous and frequent changes to rules and regulations creates uncertainty as to their correct interpretation and implementation. (84%)
- Some regulations promulgated recently may be difficult or even impossible to comply with. (79%)
RESPONDENTS WERE ASKED: The following is a list of ideas that some executives indicated were trends or challenges that the issuer or shareholder services providers should be watching. For each trend noted below, please score how important this trend is to your organization or its clients.

**Regulatory Environment**

- **New and more stringent rules and auditing procedures enacted by regulatory bodies**: 8.9% - Not at all important, 57.0% - Neutral, 34.2% - Very important
- **Overall increased scrutiny by the government regulatory bodies (SEC)**: 2.6% - Not at all important, 17.1% - Neutral, 51.3% - Important, 28.9% - Very important
- **Some regulations promulgated recently may be difficult or even impossible to comply with**: 20.8% - Not at all important, 51.9% - Neutral, 27.3% - Important
- **Numerous and frequent changes to rules and regulations creates uncertainty as to their correct interpretation and implementation**: 25.0% - Not at all important, 25.0% - Neutral, 57.0% - Important, 26.6% - Very important
- **Need for more engagement concerning new or more onerous regulations**: 1.3% - Not at all important, 5.1% - Neutral, 24.4% - Important, 55.1% - Very important
Based on the results to the in-depth interviews in the qualitative phase of the EAC Industry Study, the researchers added a separate section on macro-trends or socioeconomic changes to capture insights that pertain to the industry.

Macro-trends such as economic changes and media trends were in the top ten most important trends.

The following items were scored as important or very important by the vast majority of respondents to these questions.

- **Economic Challenges** – Economic uncertainty creates challenges for issuers, shareholders and providers. (67%)

- **Media Trends** – Increased shareholder ability to impact an issuer’s brand or reputation through the use of social media. (57%)

- **Media Trends** – Social media that can heighten awareness of issuers’ situations and magnify perceptions of shortcomings. (55%)
RESPONDENTS WERE ASKED: The following is a list of ideas that some executives indicated were trends or challenges that the issuer or shareholder services providers should be watching. For each trend noted below, please score how important this trend is to your organization or its clients.

- **Shareholder Environment**
  - Media Trends – Increased shareholder ability to impact an issuer’s brand or reputation through use of social media
  - Globalization – Complex and/or difficult to implement international regulations for internationally-based shareholders and employees
  - Economic Challenges – Economic uncertainty creates challenges for issuers, shareholders and providers
  - Socioeconomic Trends – Younger shareholders with expectations for more technology and online brokerage-style services
  - Socioeconomic Trends – Older direct shareholders with special service or technology needs such as hearing assistance
  - Shareholder Trends – Activist shareholders who use an issuer’s event for their initiatives regardless of the issuer’s desires
  - Media Trends – Social media that can heighten awareness of issuers’ situations and magnify perception of shortcomings

### Shareholder Environment

Macro-trends impact corporate issuers – media trends and economic challenges

<table>
<thead>
<tr>
<th>Media Trends</th>
<th>1 - Not at all important</th>
<th>2 - Unimportant</th>
<th>3 - Neutral</th>
<th>4 - Important</th>
<th>5 - Very important</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.3%</td>
<td>7.6%</td>
<td>29.1%</td>
<td>44.3%</td>
<td>12.7%</td>
<td></td>
</tr>
<tr>
<td>Globalization</td>
<td>24.1%</td>
<td>11.4%</td>
<td>26.6%</td>
<td>26.6%</td>
<td>11.4%</td>
</tr>
<tr>
<td>Economic Challenges</td>
<td>2.6%</td>
<td>2.6%</td>
<td>28.2%</td>
<td>56.4%</td>
<td>10.3%</td>
</tr>
<tr>
<td>Socioeconomic Trends – Younger</td>
<td>7.7%</td>
<td>10.3%</td>
<td>33.3%</td>
<td>38.5%</td>
<td>10.3%</td>
</tr>
<tr>
<td>Socioeconomic Trends – Older</td>
<td>12.8%</td>
<td>15.4%</td>
<td>37.2%</td>
<td>24.4%</td>
<td>10.3%</td>
</tr>
<tr>
<td>Shareholder Trends – Activist</td>
<td>9.1%</td>
<td>9.1%</td>
<td>31.2%</td>
<td>41.6%</td>
<td>9.1%</td>
</tr>
<tr>
<td>Media Trends</td>
<td>6.5%</td>
<td>9.1%</td>
<td>29.9%</td>
<td>45.5%</td>
<td>9.1%</td>
</tr>
</tbody>
</table>
The survey included questions that asked the respondents to state what they think industry providers should be focusing on. The top five comments mentioned most often include:

1. **Industry-Wide Approach** – the respondents wanted the industry to focus on solutions that would be workable industry-wide.

2. **Regulations** – the respondents want the service providers to work on efficient responses to regulatory requirements as well as to work on advocacy.

3. **Technology** – The respondents want providers to be knowledgeable about new technology and its impact on their shareholders.

4. **Up-to-Date** – Correspondingly, staying up-to-date on regulations and technology.

5. **Security** – Respondents want continued work and emphasis on security.

Based on the results to the in-depth interviews in the qualitative phase of the EAC Industry Study, the researchers added a separate section on technology trends in order to capture insights on how technology is impacting the industry. Data safety and cost controls are linked to costs and service delivery.

The following items were scored as important or very important by the vast majority of respondents to these questions.

- **Going Green** – transitioning to a paperless environment (certificates and processing) creates positive as well as negative situations for issuers. (73%)
- **Mobile Technologies** – prevalence of smart phones and tablets create the expectation for 24/7 service – everywhere and on-the-go. (72%)
- **Data Security** – concern for possible hacking is increasing. (92%)
- **Cost Controls** – Cost pressure continues requiring alertness to new ways of doing things that may reduce costs. (90%)
RESPONDENTS WERE ASKED: The following is a list of ideas that some executives indicated were trends or challenges that the issuer or shareholder services providers should be watching. For each trend noted below, please score how important this trend is to your organization or its clients.

Data Safety – Concern for possible hacking is increasing

1.3% 6.3% 43.0% 49.4%

Cost Controls – Costs pressure continues requiring alertness to new ways of doing things that may reduce costs

1.3% 2.6% 46.2% 43.6%

Technology Trends – Prevalence of smart phone, tablet and mobile technologies create expectation for 24/7 service everywhere and on-the-go

5.1% 5.1% 17.7% 50.6% 21.5%

Technology Trends – Heightened computer literacy creates the desire for full access to data so it can be accumulated or manipulated in the users own programs or spreadsheets

5.1% 7.6% 22.8% 48.1% 16.5%

Technology Trends – Transitioning to paperless environment (certificates and processing) creates positive as well as negative situations for issuers

5.1% 6.3% 15.2% 59.5% 13.9%
**Technology Trends**

**RESPONDENTS WERE ASKED:** Considering the trends or challenges you think are important, what do you think the shareholder services providers and the corporate issuer industry as a whole should be doing to deal with the most important situations?

<table>
<thead>
<tr>
<th>Issue</th>
<th>% of all cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry-wide approach</td>
<td>11.36%</td>
</tr>
<tr>
<td>Regulation</td>
<td>7.95%</td>
</tr>
<tr>
<td>Technology</td>
<td>6.82%</td>
</tr>
<tr>
<td>Up to Date</td>
<td>4.55%</td>
</tr>
<tr>
<td>Security</td>
<td>4.55%</td>
</tr>
<tr>
<td>Talent (workers)</td>
<td>4.55%</td>
</tr>
<tr>
<td>Education</td>
<td>4.55%</td>
</tr>
<tr>
<td>Control Costs</td>
<td>3.41%</td>
</tr>
<tr>
<td>Enhance Services</td>
<td>2.27%</td>
</tr>
<tr>
<td>Transparency</td>
<td>2.27%</td>
</tr>
<tr>
<td>Broadridge monopoly</td>
<td>2.27%</td>
</tr>
<tr>
<td>Shareholder Activism</td>
<td>2.27%</td>
</tr>
<tr>
<td>Consolidation</td>
<td>2.27%</td>
</tr>
<tr>
<td>Choosing right provider</td>
<td>2.27%</td>
</tr>
<tr>
<td>Lobbying</td>
<td>2.27%</td>
</tr>
<tr>
<td>Escheatment</td>
<td>2.27%</td>
</tr>
<tr>
<td>Need for traditional service</td>
<td>1.14%</td>
</tr>
<tr>
<td>No Comment</td>
<td>4.55%</td>
</tr>
</tbody>
</table>

**STOCK Q8**
Service Needs and Wants
Service Needs and Wants

RESPONDENTS WERE ASKED: When you think of the services providers you use for your issuer, shareholder or client needs, what is most important to you in terms of their service to you?

Our shareholders are my main focus. They should be treated professionally and in a timely manner by knowledgeable people - they deserve it. I should never receive complaints from shareholders about the type of service they receive from a transfer agent.

Predictable issuer support by a known team that has in depth knowledge of our account. Transparency between the issuer and the service provider. Flexible systems. Excellent, warm, friendly service for shareholders, the service provider should make shareholders feel they have the information and support they need to work through what needs to be done. Access to user friendly, intuitive online services.

Having an eye to the future is most important to me. Leveraging “group” knowledge and experience helps move the business forward. I’d love to have a group of closed end funds/ asset management advisory meeting to share “best/common” practices.

Accuracy, responsiveness, competitive pricing. Reliability.

Keeping our shareholders “happy” is the most important thing (accuracy, timeliness, responsiveness, polite, courteous, and knowledge service reps). Beyond that, keeping me informed as to what is going on (technology enhancements, industry news), ensuring the security of the data, and always looking for ways to leverage efficiencies leading to cost control.
Internal Factors

In this section, we look at internal factors and how they are perceived as impacting the industry. These include:

- Importance of shareholders
- Brand and reputation importance
- Tolerance for change
- Knowledge base
- Career lifecycle
- Need for service
- Financials and size of firm
- Wild cards

The researchers added a separate section dedicated to the respondents’ personal wishes as it pertains to services providers. Agreement was strong in several key areas.

The following items were scored as agree or agree strongly by the vast majority of respondents to these questions.

**Communications**
- Good communication with a services provider is the key to a good relationship. (91%)
- I expect executives and technicians at my issuer and shareholder providers to talk to me whenever I need them. (82%)

**Cost Controls**
- We must be constantly seeking ways to reduce costs. (82%)

**Reassurances on Accuracy**
- I want reassurances that the issuer or shareholder services provides have done the job correctly. (90%)
- Care of our shareholders is a direct reflection on our company’s mission and brand. (88%)
### Internal Factors

**RESPONDENTS WERE ASKED:** Rate your agreement or disagreement with each of the following statements.

<table>
<thead>
<tr>
<th>Statement</th>
<th>1 - Disagree strongly</th>
<th>2 - Disagree</th>
<th>3 - Neither agree nor disagree</th>
<th>4 - Agree</th>
<th>5 - Agree strongly</th>
</tr>
</thead>
<tbody>
<tr>
<td>Good communication with a services provider is the key to a good relationship</td>
<td>1.3% 1.3% 6.3%</td>
<td>53.2%</td>
<td>38.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>I want reassurances that the issuer or shareholder services providers have done the job correctly</td>
<td>1.3% 8.9% 10.5%</td>
<td>46.8%</td>
<td>43.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Care of our shareholders is a direct reflection on our company's mission and brand</td>
<td>1.3% 5.1% 16.5%</td>
<td>35.5%</td>
<td>52.6%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>When a services provider does more than the minimum, that's what I mean by good service</td>
<td>1.3% 10.5% 23.1%</td>
<td>29.1%</td>
<td>40.5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>We must be constantly seeking ways to reduce costs</td>
<td>6.4% 23.1% 42.3%</td>
<td>25.6%</td>
<td>53.2%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Keeping our shareholders happy is a passion for me</td>
<td>1.3% 16.5% 6.4%</td>
<td>21.8%</td>
<td>51.3%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>I'm loyal to the issuer and shareholder services providers I use now</td>
<td>1.3% 10.5% 23.1%</td>
<td>21.8%</td>
<td>42.3%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Respondents were asked: Rate your agreement or disagreement with each of the following statements.

- 1 - Disagree strongly
- 2 - Disagree
- 3 - Neither agree nor disagree
- 4 - Agree
- 5 - Agree strongly

Good communication with a services provider is the key to a good relationship

- 17% - 1.3%
- 10% - 2.9%
- 16% - 4.5%
- 24% - 9.1%
- 5% - 15.6%
- 35% - 35%
- 43% - 43%
- 46% - 46%
- 72% - 72%
- 95% - 95%

I want reassurances that the issuer or shareholder services providers have done the job correctly

- 1% - 1%
- 3% - 3%
- 13% - 13%
- 17% - 17%
- 17% - 17%
- 23% - 23%
- 24% - 24%
- 37% - 37%
- 52% - 52%
- 61% - 61%

Care of our shareholders is a direct reflection on our company's mission and brand

- 5% - 5%
- 6% - 6%
- 8% - 8%
- 10% - 10%
- 21% - 21%
- 18% - 18%
- 17% - 17%
- 21% - 21%
- 27% - 27%
- 32% - 32%

When a services provider does more than the minimum, that's what I mean by good service

- 3% - 3%
- 9% - 9%
- 15% - 15%
- 26% - 26%
- 27% - 27%
- 34% - 34%
- 35% - 35%
- 42% - 42%
- 45% - 45%
- 59% - 59%

We must be constantly seeking ways to reduce costs

- 4% - 4%
- 12% - 12%
- 17% - 17%
- 23% - 23%
- 36% - 36%
- 52% - 52%
- 63% - 63%
- 70% - 70%
- 80% - 80%
- 95% - 95%

Keeping our shareholders happy is a passion for me

- 0% - 0%
- 10% - 10%
- 20% - 20%
- 30% - 30%
- 40% - 40%
- 50% - 50%
- 60% - 60%
- 70% - 70%
- 80% - 80%
- 95% - 95%

I'm loyal to the issuer and shareholder services providers I use now

- 4% - 4%
- 12% - 12%
- 17% - 17%
- 23% - 23%
- 36% - 36%
- 52% - 52%
- 63% - 63%
- 70% - 70%
- 80% - 80%
- 95% - 95%

I am always looking for new and better solutions

- 4% - 4%
- 12% - 12%
- 17% - 17%
- 23% - 23%
- 36% - 36%
- 52% - 52%
- 63% - 63%
- 70% - 70%
- 80% - 80%
- 95% - 95%

I expect executives and technicians at my issuer and shareholder providers to talk to me whenever I need them

- 4% - 4%
- 12% - 12%
- 17% - 17%
- 23% - 23%
- 36% - 36%
- 52% - 52%
- 63% - 63%
- 70% - 70%
- 80% - 80%
- 95% - 95%

While my RM is important, technicians and other experts I can talk to directly are also extremely important to me

- 4% - 4%
- 12% - 12%
- 17% - 17%
- 23% - 23%
- 36% - 36%
- 52% - 52%
- 63% - 63%
- 70% - 70%
- 80% - 80%
- 95% - 95%

With the many changes in rules and regulations, I find keeping up is challenging

- 4% - 4%
- 12% - 12%
- 17% - 17%
- 23% - 23%
- 36% - 36%
- 52% - 52%
- 63% - 63%
- 70% - 70%
- 80% - 80%
- 95% - 95%

The RM at my issuer and shareholder servicing providers are my personal friends

- 4% - 4%
- 12% - 12%
- 17% - 17%
- 23% - 23%
- 36% - 36%
- 52% - 52%
- 63% - 63%
- 70% - 70%
- 80% - 80%
- 95% - 95%

I rely totally on my issuer and shareholder services providers to keep me up to date on changing rules and regulations

- 4% - 4%
- 12% - 12%
- 17% - 17%
- 23% - 23%
- 36% - 36%
- 52% - 52%
- 63% - 63%
- 70% - 70%
- 80% - 80%
- 95% - 95%

We usually select the lowest price provider

- 4% - 4%
- 12% - 12%
- 17% - 17%
- 23% - 23%
- 36% - 36%
- 52% - 52%
- 63% - 63%
- 70% - 70%
- 80% - 80%
- 95% - 95%

- Q14 BASE 79
RESPONDENTS WERE ASKED: Rate your agreement or disagreement with each of the following statements.

- Keeping our shareholders happy is a passion for me
  - 23.1% Disagree strongly
  - 51.3% Neither agree nor disagree
  - 25.6% Agree strongly

- Care of our shareholders is a direct reflection on our company's mission and brand
  - 1.3% Disagree strongly
  - 10.5% Disagree
  - 52.6% Neither agree nor disagree
  - 35.5% Agree strongly
RESPONDENTS WERE ASKED: Rate your agreement or disagreement with each of the following statements.

I rely totally on my issuer and shareholder services providers to keep me up to date on changing rules and regulations

6.4% 29.5% 30.8% 26.9% 6.4%

With the many changes in rules and regulations, I find keeping up is challenging

1.3% 11.4% 21.5% 55.7% 10.1%

I want reassurances that the issuer or shareholder services providers have done the job correctly

1.3% 8.9% 43.0% 46.8%
INTERNAL FACTORS

RESPONDENTS WERE ASKED: Rate your agreement or disagreement with each of the following statements.

1. While my RM is important, technicians and other experts I can talk to directly are also extremely important to me.
   - 1 - Disagree strongly: 3.9%
   - 2 - Disagree: 20.8%
   - 3 - Neither agree nor disagree: 59.7%
   - 4 - Agree: 15.6%
   - 5 - Agree strongly: 1.3%

2. I expect executives and technicians at my issuer and shareholder providers to talk to me whenever I need them.
   - 1 - Disagree strongly: 17.7%
   - 2 - Disagree: 62.0%
   - 3 - Neither agree nor disagree: 20.3%

3. When a servicers provider does more than the minimum, that’s what I mean by good service.
   - 1 - Disagree strongly: 1.3%
   - 2 - Disagree: 5.1%
   - 3 - Neither agree nor disagree: 24.1%
   - 4 - Agree: 40.5%
   - 5 - Agree strongly: 29.1%

4. Good communication with a servicers provider is the key to a good relationship.
   - 1 - Disagree strongly: 1.3%
   - 2 - Disagree: 6.3%
   - 3 - Neither agree nor disagree: 38.0%
   - 4 - Agree: 53.2%
RESPONDENTS WERE ASKED: Rate your agreement or disagreement with each of the following statements.

- We usually select the lowest price provider
  - 1 - Disagree strongly: 5.1%
  - 2 - Disagree: 43.0%
  - 3 - Neither agree nor disagree: 40.5%
  - 4 - Agree: 10.1%
  - 5 - Agree strongly: 1.3%

- I am always looking for new and better solutions
  - 1 - Disagree strongly: 3.9%
  - 2 - Disagree: 26.3%
  - 3 - Neither agree nor disagree: 48.7%
  - 4 - Agree: 21.1%

- We must be constantly seeking ways to reduce costs
  - 1 - Disagree strongly: 1.3%
  - 2 - Disagree: 16.5%
  - 3 - Neither agree nor disagree: 53.2%
  - 4 - Agree: 29.1%
Over-Arching Service Needs

The researchers included an in-depth exploration of a variety of service needs as follows:

- **Cost and Value:** “Value – offers good value for the service provided” received (90% important or must have) compared to only 46% scoring “Offers the lowest costs” as important or must have.

- **Organization:** The following items were scored important or must have by the majority of respondents:
  - Stability – robust disaster recovery systems and procedures (88%)
  - Committed to making investments in technology and systems (87%)
  - Stability – strong corporate governance (84%)
  - Reputation – has a good reputation in the field (84%)
  - Longevity – strong organization that is expected to be available for the long term (81%)

- **People and Communications:** Every category concerning people and communications was rated by the vast majority as important or must have.

- **Performance:** Every category concerning performance, such as accuracy, trust, knowledge and transparency was rated by the vast majority as important or must have.

- **Security:** The highest scores for “Absolutely must have” were noted under the in-depth questions on security.

The respondents voted on the importance of their many needs and how a provider can better serve them. *The charts in this section provide additional ideas as to industry needs.*

The researchers also included sections on how providers might solve these problems.

Sections on the following are also available:

- **Cost of Regulations** – Comments center around providers bearing the costs or a sharing of costs. It’s important to note that their recommendations center around transparency. If a cost needs to be incurred, the provider should explain those costs.

- **Security Regulations/Possible Enhancement** – Many respondents believe enhancement to security is needed and security should be continuously improved. Concerns for costs of tightening security were also noted.

- **Regulations Compliance** – Many respondents believe lobbying, education, help from providers and industry-wide solutions will be useful in the development of effective regulation that can be complied with without undue problems.

- **Industry Workers** – Need to retain and/or find new people. Many respondents felt good compensation would be helpful. Many others also noted that the industry needs to create more awareness of the field/industry in general and the interesting jobs available.
RESPONDENTS WERE ASKED: For each item below, please score how important this attribute is to your corporation. The researchers combined scores from the long and short form surveys to develop the following combined analysis. The results are shown in order of “absolutely must have” scores.
The researchers compared the combined important to have and must have scores to the combined good and excellent industry responses. The chart below shows the comparison and the difference between what is desired and how the industry rates the overall performance.

Areas with Greatest Difference and Need for Improvement
The chart below shows the comparison and the difference between what is desired and how the industry rates the overall performance. The “red” line represents the desired performance, and the blue bars represent the response.
RESPONDENTS WERE ASKED: The following is a list of attributes that some executives have told us are important for an issuer or shareholder services provider to have. For each item below, please score how important this attribute is to your corporation.

- Value - Offers good value for the services provided
- Costs - Looks for ways to find cost savings
- Costs - Uses invoicing practices that make sense
- Costs - Offers the lowest costs

1 - Not at all important to have
2 - Less important to have
3 - Nice to have but not necessary
4 - Important to have
5 - Absolutely must have
RESPONDENTS WERE ASKED: The following is a list of attributes that some executives have told us are important for an issuer or shareholder services provider to have. For each item below, please score how important this attribute is to your corporation.

1. Stability – Robust disaster recovery systems and procedures
2. Investment Commitment – Committed to making investments in technology and systems to keep pace with needs
3. Stability – Strong corporate governance
4. Reputation – Has a good reputation in its field
5. Longevity – Strong organization that is expected to be available and viable for the long term
6. Range of Services – Offers broad base of services to help us with many or all of our needs for our shareholders or clients
7. Other Clients – People I respect also use these services

1 - Not at all important to have
2 - Less important to have
3 - Nice to have but not necessary
4 - Important to have
5 - Absolutely must have
RESPONDENTS WERE ASKED: The following is a list of attributes that some executives have told us are important for an issuer or shareholder services provider to have. For each item below, please score how important this attribute is to your corporation.

1 - Not at all important to have
2 - Less important to have
3 - Nice to have but not necessary
4 - Important to have
5 - Absolutely must have

- Relationships – The RM is responsive and can be relied on to act on our behalf
- Responsive – Listens well and responds appropriately to the level of need
- Relationships – The RM is personable and easy to work with
- Communications – Uses appropriate communications to match the need
- Access – Upper level management is available when and where I want to communicate with them
- Communications – Communicates in language that is understandable without jargon
- Proactive – The RM is a conduit for new information about services regulations
- Communications – Supports interaction between its clients to support an exchange of information on various ideas important to the corporate issuer industry
RESPONDENTS WERE ASKED: The following is a list of attributes that some executives have told us are important for an issuer or shareholder services provider to have. For each item below, please score how important this attribute is to your corporation.

1. Accuracy – Doing the work correctly the first time
2. Trust – Can be relied upon to provide quality service
3. Transparency – Openness – owning up to errors immediately and candidly
4. Knowledge – Has a high level of knowledge in their field
5. Transparency – Accepts questions well, listens and responds with complete information
6. Experience – Offers solid experience in the services I need
7. Satisfactory Execution – Matches systems and responds to our specific needs
8. Predictable Performance – Performs well regardless of which employees work on the tasks year after year
9. Evaluation – Uses audits and other methods to ensure the quality of their work
10. Advisor – Can advise me on how to comply with regulations
11. Familiarity – Understands our business and knows us well
12. Adaptable Performance – Can change rapidly to fit new requirements
RESPONDENTS WERE ASKED: The following is a list of attributes that some executives have told us are important for an issuer or shareholder services provider to have. For each item below, please score how important this attribute is to your corporation.

- Security – Takes special precautions against hacking or other invasive activities:
  - 1.3%: Not at all important to have
  - 10.5%: Less important to have
  - 22.4%: Not necessary
  - 65.8%: Absolutely must have

- Security – Offers a strong set of security measures and methods:
  - 1.3%: Not at all important to have
  - 9.2%: Less important to have
  - 32.9%: Nice to have but not necessary
  - 56.6%: Absolutely must have

- Security – Uses top level security and tries to make it as user friendly as possible:
  - 1.3%: Not at all important to have
  - 9.2%: Less important to have
  - 30.3%: Important to have
  - 59.2%: Absolutely must have
**RESPONDENTS WERE ASKED:** With the many new regulations being enacted by various governmental and other regulatory bodies, what recommendations do you have concerning how a provider should handle the costs that are incurred to provide this information to users?

Absorb these costs as part of the normal business.

Regulatory costs should not be passed through to clients.

Find ways to make existing cost structure more efficient.

Try to absorb as much as possible without raising costs for the issuers.

Spread it out over issuers.

Do not place a markup on these costs.

Explain the costs they incur and strive to pass on to the customers only what is necessary to maintain a high level of service. Excessive lobbying is not a cost that I think should be incurred and passed along with no regard to the increase in fees.

Detailed billing statements and similar granularity in the contracted fee schedule.

Tough to answer. Should communicate via email and promptly when there is a new development.
RESPONDENTS WERE ASKED: With the many new regulations being promulgated by various governmental and other regulatory bodies, what recommendations do you have concerning costs that are incurred to provide this information to users?

- **Cost of regs is cost to business**: 79.5%
- **User will inevitably bear some costs**: 68.2%
- **Explain costs**: 56.8%
- **Proactive information**: 45.5%
- **All costs can’t be passed thru**: 34.1%
- **Can’t work for free**: 34.1%
- **Distribute costs by account**: 22.7%
- **Provider only issue**: 22.7%
- **Costs must be detailed in contract**: 22.7%
- **Depends who reg impacts**: 22.7%
- **Flexible systems needed**: 1.14%
- **Lobbying is not billable**: 1.14%
- **Offset costs with efficiency**: 1.14%
- **Markup on reg costs unacceptable**: 1.14%
- **No service reductions**: 1.14%
- **No comment**: 2.27%
RESPONDENTS WERE ASKED: In the light of recent media reports concerning theft of customer information, there have been discussions that various regulators are looking at data security and corporate soundness as new or more stringent areas for regulation. How do you feel about regulations that will impact data security and corporate soundness?

- Overly onerous regulations do not create a better environment for data security. Reputational risk is the greatest threat to not having a good security environment.
- I am in favor of anything that protects the customer.
- I feel that it’s necessary but that it creates additional work and expenses.
- It think our shareholders need to know that their personal information is safe — they need to trust us.
- I agree with stringent data security and corporate soundness.
- Security is key to maintaining trust in system and vendors.
- Security is very important. We work with our vendors to provide the security we need.
- These systems do not interact with our corporate systems — hence, this is of little or no concern.
- My only security concern is a hacker altering the content on the publicly available pages.
- We don’t sell to consumers, we are more concerned with internal data.
- The tighter the security due to regulations, the safer the data which equals corporate soundness.
RESPONDENTS WERE ASKED: In the light of recent media reports concerning theft of customer information, there have been discussions that various regulators are looking at data security and corporate soundness as new or more stringent areas for regulation. How do you feel about regulations that will impact data security and corporate soundness?
RESPONDENTS WERE ASKED: Some executives have commented that regulations may be becoming more onerous and sometimes even impossible to comply with. What do you think the “industry” should be doing to help with these difficulties? How can the industry become more engaged? Should lobbying or education play a role?

Yes. Lobbying and education are both important. Regulators need to hear from those performing the work.

The time and involvement needed to lobby a cause is very time-consuming and exhaustive. However, the industry does a fair job in attempts to effect changes.

Education is key. Providers become more educated to have the ability to develop ways to comply with new regulations. Issuers become more educated in order to possess knowledge and have the ability needed to work with the Providers to reach the goal of total compliance.

Nothing is impossible to comply with — it might be expensive to build the system but they can’t write something you can’t comply with.

Big Government is not the way to go. If the government wants information, they should be the ones that have to pay for it.

Development of common solutions to exceptions should be outlined as best practices.

Issuers and the Industry must lobby hard to enact sensible regulation with ability to comply with.

Sometime regulators don’t understand the implications of their rulings on the industry. Help them understand these issues.
RESPONDENTS WERE ASKED: Some executives have commented that regulations may be becoming more onerous and sometimes even impossible to comply with. What do you think the “industry” should be doing to help with these difficulties? How can the industry become more engaged? Should lobbying or education play a role?
RESPONDENTS WERE ASKED: Some executives have commented that regulations may be becoming more onerous and sometimes even impossible to comply with. What do you think the “industry” should be doing to help with these difficulties? How can the industry become more engaged? Should lobbying or education play a role?

Good salaries attract good people – bottom line. Make it worth their while. A well compensated worker will stay in place for the long term.

Exactly what AST is doing – internships and actively seeking talent for the industry.

Investing in technology is the best long term solution for reducing costs. Assuming that technology reduces the number of resources required in operations, better compensation can then be offered to client facing representatives. Courses to prepare client facing representatives should be mandatory.

Don’t force older workers into retirement. Keep the experienced workers on staff.

Automate as much as possible to eliminate the need for as many workers as possible. Pay to attract top talent where it is needed, but have good transition planning for those positions where it is not as critical.

I don’t see this as being a problem considering the number of people who are unemployed.

Recruitment and retention are going to be key. Ensure that employees are treated fairly, that they are offered a decent wage and respectable “work-life” balance, and that they are otherwise motivated to stay in the field. Recruitment at the college level is a good start. Also, look to the employees already employed, even if they are not directly associated with a particular genre within the industry, a little knowledge about something is often valuable.

They should retain the knowledge capital. Develop procedures that others can employ. When bringing in new people, make sure they understand what has been done before.
RESPONDENTS WERE ASKED: Some executives have commented that regulations may be becoming more onerous and sometimes even impossible to comply with. What do you think the “industry” should be doing to help with these difficulties? How can the industry become more engaged? Should lobbying or education play a role?
The EAC Industry Study researchers paid particular attention to determining what corporate issuers want from industry providers. Both open-ended and close-ended questions were explored. While all the items studied had some level of interest, the scoring points to a categorization of needs into three sections: 1) attributes that are **absolutely essential** to do the work 2) attributes that are **important** in order to provide the best service level and 3) those that are less important but can provide a **differentiator** for the provider.

The following items were scored as important to have and absolutely must have by the vast majority of respondents to these questions.

1. **Essential – Starter Attributes**
   - Trustworthy, accurate, secure, knowledgeable, communicates well, experience.

2. **Important for Best Service**
   - Access, good relationships, transparency, systems meet needs, predictable performance, good value, stability overall, commitment, robust disaster recovery, reputation and adaptable performance.

3. **Differentiating Aspects of Extra Service**
   - Evaluates their work, advisor capability, range of services and familiarity with our business.
The researchers combined scores from the long and short form surveys to develop the following combined analysis. The results are shown in order of combined scores for “important to have” and “absolutely must have.”
**External Factors**

**RESPONDENTS WERE ASKED:** For each item below, please score how important this attribute is to your corporation. When shown in order of “absolutely most have” some minor changes in ranking is seen.

<table>
<thead>
<tr>
<th>Attribute</th>
<th>0%</th>
<th>10%</th>
<th>20%</th>
<th>30%</th>
<th>40%</th>
<th>50%</th>
<th>60%</th>
<th>70%</th>
<th>80%</th>
<th>90%</th>
<th>100%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accuracy</td>
<td>1.0%</td>
<td>2.0%</td>
<td>3.0%</td>
<td>4.0%</td>
<td>5.0%</td>
<td>6.0%</td>
<td>7.0%</td>
<td>8.0%</td>
<td>9.0%</td>
<td>10.0%</td>
<td></td>
</tr>
<tr>
<td>Security</td>
<td>1.0%</td>
<td>2.0%</td>
<td>3.0%</td>
<td>4.0%</td>
<td>5.0%</td>
<td>6.0%</td>
<td>7.0%</td>
<td>8.0%</td>
<td>9.0%</td>
<td>10.0%</td>
<td></td>
</tr>
<tr>
<td>Trustworthy</td>
<td>1.0%</td>
<td>2.0%</td>
<td>3.0%</td>
<td>4.0%</td>
<td>5.0%</td>
<td>6.0%</td>
<td>7.0%</td>
<td>8.0%</td>
<td>9.0%</td>
<td>10.0%</td>
<td></td>
</tr>
<tr>
<td>Knowledge</td>
<td>1.0%</td>
<td>2.0%</td>
<td>3.0%</td>
<td>4.0%</td>
<td>5.0%</td>
<td>6.0%</td>
<td>7.0%</td>
<td>8.0%</td>
<td>9.0%</td>
<td>10.0%</td>
<td></td>
</tr>
<tr>
<td>Access</td>
<td>1.0%</td>
<td>2.0%</td>
<td>3.0%</td>
<td>4.0%</td>
<td>5.0%</td>
<td>6.0%</td>
<td>7.0%</td>
<td>8.0%</td>
<td>9.0%</td>
<td>10.0%</td>
<td></td>
</tr>
<tr>
<td>Transparency</td>
<td>1.0%</td>
<td>2.0%</td>
<td>3.0%</td>
<td>4.0%</td>
<td>5.0%</td>
<td>6.0%</td>
<td>7.0%</td>
<td>8.0%</td>
<td>9.0%</td>
<td>10.0%</td>
<td></td>
</tr>
<tr>
<td>Systems to Meet Needs</td>
<td>1.0%</td>
<td>2.0%</td>
<td>3.0%</td>
<td>4.0%</td>
<td>5.0%</td>
<td>6.0%</td>
<td>7.0%</td>
<td>8.0%</td>
<td>9.0%</td>
<td>10.0%</td>
<td></td>
</tr>
<tr>
<td>Robust Disaster Recovery</td>
<td>1.0%</td>
<td>2.0%</td>
<td>3.0%</td>
<td>4.0%</td>
<td>5.0%</td>
<td>6.0%</td>
<td>7.0%</td>
<td>8.0%</td>
<td>9.0%</td>
<td>10.0%</td>
<td></td>
</tr>
<tr>
<td>Communicates Well</td>
<td>1.0%</td>
<td>2.0%</td>
<td>3.0%</td>
<td>4.0%</td>
<td>5.0%</td>
<td>6.0%</td>
<td>7.0%</td>
<td>8.0%</td>
<td>9.0%</td>
<td>10.0%</td>
<td></td>
</tr>
<tr>
<td>Experience</td>
<td>1.0%</td>
<td>2.0%</td>
<td>3.0%</td>
<td>4.0%</td>
<td>5.0%</td>
<td>6.0%</td>
<td>7.0%</td>
<td>8.0%</td>
<td>9.0%</td>
<td>10.0%</td>
<td></td>
</tr>
<tr>
<td>Commitment</td>
<td>1.0%</td>
<td>2.0%</td>
<td>3.0%</td>
<td>4.0%</td>
<td>5.0%</td>
<td>6.0%</td>
<td>7.0%</td>
<td>8.0%</td>
<td>9.0%</td>
<td>10.0%</td>
<td></td>
</tr>
<tr>
<td>Predictable Performance</td>
<td>1.0%</td>
<td>2.0%</td>
<td>3.0%</td>
<td>4.0%</td>
<td>5.0%</td>
<td>6.0%</td>
<td>7.0%</td>
<td>8.0%</td>
<td>9.0%</td>
<td>10.0%</td>
<td></td>
</tr>
<tr>
<td>Stability Overall</td>
<td>1.0%</td>
<td>2.0%</td>
<td>3.0%</td>
<td>4.0%</td>
<td>5.0%</td>
<td>6.0%</td>
<td>7.0%</td>
<td>8.0%</td>
<td>9.0%</td>
<td>10.0%</td>
<td></td>
</tr>
<tr>
<td>Good Relationships</td>
<td>1.0%</td>
<td>2.0%</td>
<td>3.0%</td>
<td>4.0%</td>
<td>5.0%</td>
<td>6.0%</td>
<td>7.0%</td>
<td>8.0%</td>
<td>9.0%</td>
<td>10.0%</td>
<td></td>
</tr>
<tr>
<td>Reputation</td>
<td>1.0%</td>
<td>2.0%</td>
<td>3.0%</td>
<td>4.0%</td>
<td>5.0%</td>
<td>6.0%</td>
<td>7.0%</td>
<td>8.0%</td>
<td>9.0%</td>
<td>10.0%</td>
<td></td>
</tr>
<tr>
<td>Good Value</td>
<td>1.0%</td>
<td>2.0%</td>
<td>3.0%</td>
<td>4.0%</td>
<td>5.0%</td>
<td>6.0%</td>
<td>7.0%</td>
<td>8.0%</td>
<td>9.0%</td>
<td>10.0%</td>
<td></td>
</tr>
<tr>
<td>Advisor to me</td>
<td>1.0%</td>
<td>2.0%</td>
<td>3.0%</td>
<td>4.0%</td>
<td>5.0%</td>
<td>6.0%</td>
<td>7.0%</td>
<td>8.0%</td>
<td>9.0%</td>
<td>10.0%</td>
<td></td>
</tr>
<tr>
<td>Familiarity with Our Business</td>
<td>1.0%</td>
<td>2.0%</td>
<td>3.0%</td>
<td>4.0%</td>
<td>5.0%</td>
<td>6.0%</td>
<td>7.0%</td>
<td>8.0%</td>
<td>9.0%</td>
<td>10.0%</td>
<td></td>
</tr>
<tr>
<td>Evaluates their Work</td>
<td>1.0%</td>
<td>2.0%</td>
<td>3.0%</td>
<td>4.0%</td>
<td>5.0%</td>
<td>6.0%</td>
<td>7.0%</td>
<td>8.0%</td>
<td>9.0%</td>
<td>10.0%</td>
<td></td>
</tr>
<tr>
<td>Adaptable Performance</td>
<td>1.0%</td>
<td>2.0%</td>
<td>3.0%</td>
<td>4.0%</td>
<td>5.0%</td>
<td>6.0%</td>
<td>7.0%</td>
<td>8.0%</td>
<td>9.0%</td>
<td>10.0%</td>
<td></td>
</tr>
<tr>
<td>Range of Services</td>
<td>1.0%</td>
<td>2.0%</td>
<td>3.0%</td>
<td>4.0%</td>
<td>5.0%</td>
<td>6.0%</td>
<td>7.0%</td>
<td>8.0%</td>
<td>9.0%</td>
<td>10.0%</td>
<td></td>
</tr>
<tr>
<td>Respected Client List</td>
<td>1.0%</td>
<td>2.0%</td>
<td>3.0%</td>
<td>4.0%</td>
<td>5.0%</td>
<td>6.0%</td>
<td>7.0%</td>
<td>8.0%</td>
<td>9.0%</td>
<td>10.0%</td>
<td></td>
</tr>
</tbody>
</table>

**Sponsored by:**

- AST
- CST
Individual Services
Transfer Agency Services

RESPONDENTS WERE ASKED: You just rated some of the trends and challenges Transfer Agents may be facing. Please elaborate on the most important areas, noting why or how they are important to you, your organization or your clients.

Escheatment of Shares — Shareholders appear to think the issuer is behind this when it is really done according to the rules of the state. Also, the letters being sent to shareholders by the outsourced companies prior to escheatment are not done in the best taste. They are off-putting and shareholders usually suspect a scam and then end up calling us directly to verify.

Escheatment. The transfer agent wants to get a cut of locating the lost shareowner.

Increasing regulatory areas that hamper ability to make other meaningful business changes.

Solutions to reduce paper, making the shareholder experience as easy and fast as possible.

Consider online chat feature for working through transfer/estate documents.

Speech recognition would add value to the services provided and the satisfaction of our elderly shareholder base.

States are becoming overly aggressive on escheatment and these efforts should be thwarted. However TAs should be doing more to find lost shareholders.

Unclaimed property regulations — helping shareholders retain their holdings.

Data security — avoiding data breaches.

We are simplistic. Take care of our stock transfer needs. And do it efficiently.

Proxy mailing are important and helping with the annual meeting is also important.
RESPONDENTS WERE ASKED: Considering the trends or challenges you think are important, what do you think Transfer Agency services providers should be doing to deal with the most important situations? There was a limited number of responses, thus data was not charted. Sample comments include:

- Continue to lobby effectively on changes to regulations.
- Lobby to industry groups and clients to stay involved.
- Hiring good people and make sure they are trained. You are in a people business and that I think is the key, hire them and train them.
- Creating solutions and offering those solutions to their clients, in a time effective manner.
- We want input on the wording of the letters sent out in an attempt to locate shareholders prior to escheatment of their shares.
- Invest in technology while maintaining the right amount of personal service.
- The ability to transact globally without relying on original signatures to be in hand domestically. Rather having counterparties in various global locations who can assist in verifying or authenticating deliverables (medallion guarantees, paper certificates etc.) so that transactions can be processed in less time rather than several days.
- Develop ways to combine the TA account with the open end fund investments at another TA so shareholders can see a combined picture of their holdings.
Transfer Agency Services

According to the respondents to the Transfer Agency Services section of the EAC Industry Study, the top 10 trends and challenges facing transfer agency business aspects include the following:

(The percentage of respondents scoring this item important or very important is included in the brackets after each statement.)

1. Increasing concern for data security and practices that eliminate hacking or other activity from bad actors (88%)
2. Auditing for unclaimed property (80%)
3. Increasing concern for transfer agent longevity and availability for the long term (79%)
4. Unclaimed property (74%)
5. Concern that even if a transfer agent supplier is hired, the issuer is still liable for its actions (73%)
6. State/Provincial regulations concerning escheatment (71%)
7. Difficulty moving to T+1 trading window (61%)
8. IRS tax regulations for international employees and shareholders - Foreign Account Tax Compliance Act (FATCA) (53%)
9. Brokerage account-style online services sets the bar for services (53%)
10. Reducing risk involved in bringing on a new services provider (52%)

Unclaimed property and auditing for unclaimed property are specific areas that are causing respondents who work with transfer agency services concerns.

The EAC Industry Study researchers paid particular attention to determining what corporate issuers want from industry providers. Both open-ended and close-ended questions were explored. While all the items studies had some level of interest, the scoring points to a categorization of needs into three sections – attributes that are absolutely essential to do the work, attributes that are important in order to provide the best service level and those that are less important but can provide a differentiator for the provider.

The following items were scored as important to have and absolutely must have by the vast majority of respondents to these questions.

- **Essential – Starter Attributes**
  - Trustworthy, accurate, secure, knowledgeable, communicates well, experience.

- **Important for Best Service**
  - Access, good relationships, transparency, systems meet needs, predictable performance, good value, stability overall, commitment, robust disaster recovery, reputation and adaptable performance.

- **Differentiating Aspects of Extra service**
  - Evaluates their work, advisor capability, range of services and familiarity with our business.
## Transfer Agency Services

**RESPONDENTS WERE ASKED:** For each item noted below, please score how important this trend is to your organization or its clients.

<table>
<thead>
<tr>
<th>%</th>
<th>1 - Very unimportant</th>
<th>2 - Unimportant</th>
<th>3 - Neutral</th>
<th>4 - Important</th>
<th>5 - Very important</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.0%</td>
<td>3.0%</td>
<td>6.1%</td>
<td>33.3%</td>
<td>54.5%</td>
<td>Increasing concern for data security and practices that eliminate hacking or other activity from bad actors</td>
</tr>
<tr>
<td>5.7%</td>
<td>5.7%</td>
<td>14.3%</td>
<td>22.9%</td>
<td>44.6%</td>
<td>Auditing for unclaimed property</td>
</tr>
<tr>
<td>5.7%</td>
<td>5.7%</td>
<td>22.9%</td>
<td>44.6%</td>
<td>59.9%</td>
<td>State/Provincial regulations concerning escheatment</td>
</tr>
<tr>
<td>2.9%</td>
<td>2.9%</td>
<td>17.8%</td>
<td>22.9%</td>
<td>28.6%</td>
<td>Increasing concern for Transfer Agent longevity and availability for the long term</td>
</tr>
<tr>
<td>2.9%</td>
<td>2.9%</td>
<td>17.8%</td>
<td>22.9%</td>
<td>28.6%</td>
<td>Brokerage account-style online services sets the bar for services</td>
</tr>
<tr>
<td>9.4%</td>
<td>9.4%</td>
<td>6.3%</td>
<td>22.9%</td>
<td>44.6%</td>
<td>IRS Tax Regulations for international employees and shareholders – Foreign Account Tax Compliance Act (FACTA)</td>
</tr>
<tr>
<td>3.0%</td>
<td>3.0%</td>
<td>21.2%</td>
<td>31.3%</td>
<td>44.6%</td>
<td>Concern that even if a Transfer Agent supplier is hired, the issuer is still liable for its actions</td>
</tr>
<tr>
<td>9.1%</td>
<td>9.1%</td>
<td>6.3%</td>
<td>22.9%</td>
<td>44.6%</td>
<td>Difficulty moving to T + 1 trading window</td>
</tr>
<tr>
<td>6.1%</td>
<td>6.1%</td>
<td>3.0%</td>
<td>15.2%</td>
<td>24.2%</td>
<td>DRIP (Dividend Reinvestment Plans) are more complex because of new tax regulations</td>
</tr>
<tr>
<td>3.1%</td>
<td>3.1%</td>
<td>20.6%</td>
<td>30.3%</td>
<td>40.0%</td>
<td>Aging shareholders move into brokerage accounts</td>
</tr>
<tr>
<td>9.9%</td>
<td>9.9%</td>
<td>6.3%</td>
<td>22.9%</td>
<td>44.6%</td>
<td>With consolidations, employees leave taking the knowledge with them</td>
</tr>
<tr>
<td>2.9%</td>
<td>2.9%</td>
<td>17.8%</td>
<td>22.9%</td>
<td>28.6%</td>
<td>Notice and access rules</td>
</tr>
<tr>
<td>2.9%</td>
<td>2.9%</td>
<td>17.8%</td>
<td>22.9%</td>
<td>28.6%</td>
<td>Reducing risk involved in bringing on new services provider</td>
</tr>
<tr>
<td>3.0%</td>
<td>3.0%</td>
<td>15.2%</td>
<td>30.3%</td>
<td>44.6%</td>
<td>Fewer vendors available</td>
</tr>
<tr>
<td>9.9%</td>
<td>9.9%</td>
<td>6.3%</td>
<td>22.9%</td>
<td>44.6%</td>
<td>Increased scarcity of Transfer Agents by SEC and other regulatory bodies</td>
</tr>
<tr>
<td>8.1%</td>
<td>8.1%</td>
<td>6.3%</td>
<td>22.9%</td>
<td>44.6%</td>
<td>Need for suppliers to offer integrated services that can assist with many different issuer needs</td>
</tr>
<tr>
<td>2.9%</td>
<td>2.9%</td>
<td>17.8%</td>
<td>22.9%</td>
<td>28.6%</td>
<td>Need for speech recognition technology</td>
</tr>
<tr>
<td>9.9%</td>
<td>9.9%</td>
<td>6.3%</td>
<td>22.9%</td>
<td>44.6%</td>
<td>Concern that TAs may need to register as broker dealers if they offer more services</td>
</tr>
<tr>
<td>5.9%</td>
<td>5.9%</td>
<td>11.8%</td>
<td>20.6%</td>
<td>30.3%</td>
<td>Need for a commemorative certificate to replace electronic shares for older shareholders</td>
</tr>
<tr>
<td>2.9%</td>
<td>2.9%</td>
<td>8.8%</td>
<td>17.6%</td>
<td>36.4%</td>
<td>Movement to paperless will create stress for some of our shareholders</td>
</tr>
<tr>
<td>2.9%</td>
<td>2.9%</td>
<td>8.8%</td>
<td>17.6%</td>
<td>36.4%</td>
<td>Potential inability to hire new talent because of industry compression</td>
</tr>
<tr>
<td>9.4%</td>
<td>9.4%</td>
<td>31.3%</td>
<td>50.0%</td>
<td>64.7%</td>
<td>Need for Transfer Agents to offer banking function</td>
</tr>
</tbody>
</table>
RESPONDENTS WERE ASKED: The following is a list of ideas that some executives mentioned were trends or challenges specifically concerning Transfer Agency services that the providers of these services should be watching. For each item noted below, please score how important this trend is to your organization or its clients.

- Increasing concern for data security and practices that eliminate hacking or other activity from bad actors
- Auditing for unclaimed property
- Increasing concern for Transfer Agent longevity and availability for the long term
- Unclaimed property
- Concern that even if a Transfer Agent supplier is hired, the issuer is still liable for its actions
- State/Provincial regulations concerning escheatment
- Difficulty moving to T+1 trading window
- IRS Tax Regulations for international employees and shareholders - Foreign Account Tax Compliance Act (FATCA)
- Brokerage account-style online services sets the bar for services
- Reducing risk involved in bringing on a new services provider
- With consolidations, employees leave taking the knowledge with them
- Notice and access rules
- Increased scrutiny of Transfer Agents by SEC and other regulatory bodies
- Movement to paperless will create stress for some of our shareholders
- DRIP (Dividend Reinvestment Plans) are more complex because of new tax regulations
- Need for suppliers to offer integrated services that can assist with many different issuer needs
- Potential inability to hire new talent because of industry compression
- Loss of direct shareholders and potential loss of personal relationship with shareholder
- Fewer vendors available
- Aging shareholders move into brokerage accounts
- Need for speech recognition technology
- Need for a commemorative certificate to replace electronic shares for older shareholders
- Concern that TAs may need to register as broker dealers if they offer more services
- Need for Transfer Agents to offer a banking function
RESPONDENTS WERE ASKED: For each item noted below, please score how important this trend is to your organization or its clients.

Top Rated Trends of Importance

1. Increasing concern for data security and practices that eliminate hacking or other activity from bad actors
2. Unclaimed property
3. Auditing for unclaimed property
4. State/Provincial regulations concerning escheatment
5. Increasing concern for Transfer Agent longevity and availability for the long term
6. Brokerage account-style online services sets the bar for services
7. IRS Tax Regulations for international employees and shareholders – Foreign Account Tax Compliance Act
8. Concern that even if a Transfer Agent supplier is hired, the issuer is still liable for its actions
9. Difficulty moving to T + 1 trading window
10. Loss of direct shareholders and potential loss of personal relationship with shareholder
RESPONDENTS WERE ASKED: For each item noted below, please score how important this trend is to your organization or its clients.

<table>
<thead>
<tr>
<th>Unclaimed property regulations and auditing are most important TA trends</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Unclaimed property</strong></td>
</tr>
<tr>
<td>1 - Very unimportant</td>
</tr>
<tr>
<td>5.7%</td>
</tr>
<tr>
<td><strong>Auditing for unclaimed property</strong></td>
</tr>
<tr>
<td>5.7%</td>
</tr>
<tr>
<td><strong>State/Provincial regulations concerning escheatment</strong></td>
</tr>
<tr>
<td>5.7%</td>
</tr>
<tr>
<td><strong>IRS Tax Regulations for international employees and shareholders – Foreign Account Tax Compliance Act</strong></td>
</tr>
<tr>
<td>9.4%</td>
</tr>
<tr>
<td><strong>DRIP (Dividend Reinvestment Plans) are more complex because of new tax regulations</strong></td>
</tr>
<tr>
<td>3.1%</td>
</tr>
<tr>
<td><strong>Notice and access rules</strong></td>
</tr>
<tr>
<td>2.9%</td>
</tr>
<tr>
<td><strong>Increased scrutiny of Transfer Agents by SEC and other regulatory bodies</strong></td>
</tr>
<tr>
<td>6.1%</td>
</tr>
</tbody>
</table>

### Regulatory Issues

1. Unclaimed property regulations and auditing are most important TA trends.
RESPONDENTS WERE ASKED: For each item noted below, please score how important this trend is to your organization or its clients.

- **Increasing concern for data security and practices that eliminate hacking or other activity from bad actors**
  - 1 - Very unimportant: 3.0%
  - 2 - Unimportant: 3.0%
  - 3 - Neutral: 6.1%
  - 4 - Important: 33.3%
  - 5 - Very important: 54.5%

- **Concern that even if a Transfer Agent supplier is hired, the issuer is still liable for its actions**
  - 1 - Very unimportant: 3.0%
  - 2 - Unimportant: 3.0%
  - 3 - Neutral: 21.2%
  - 4 - Important: 57.6%
  - 5 - Very important: 15.2%

- **Reducing risk involved in bringing on a new services provider**
  - 1 - Very unimportant: 3.0%
  - 2 - Unimportant: 15.2%
  - 3 - Neutral: 30.3%
  - 4 - Important: 42.4%
  - 5 - Very important: 9.1%
RESPONDENTS WERE ASKED: For each item noted below, please score how important this trend is to your organization or its clients.

**Shareholder Interaction**
Dynamic shareholder requirements means system changes

1. Brokerage account-style online services sets the bar for services
   - 1 - Very unimportant
   - 2 - Unimportant
   - 3 - Neutral
   - 4 - Important
   - 5 - Very important
   - 2.9% 2.9% 41.2% 35.3% 17.8%

2. Loss of direct shareholders and potential loss of personal relationship with shareholder
   - 6.1% 3.0% 54.5% 21.2% 15.2%

3. Aging shareholders move into brokerage accounts
   - 5.9% 5.9% 58.8% 17.6% 11.8%

4. Need for a commemorative certificate to replace electronic shares for older shareholders
   - 14.7% 20.6% 44.1% 14.7% 5.9%

5. Movement to paperless will create stress for some of our shareholders
   - 2.9% 8.8% 47.1% 35.3% 5.9%
Respondents were asked: For each item noted below, please score how important this trend is to your organization or its clients.

**Technology**

New demands will require new technology

<table>
<thead>
<tr>
<th>Difficulty moving to T + 1 trading window</th>
<th>1 - Very unimportant</th>
<th>2 - Unimportant</th>
<th>3 - Neutral</th>
<th>4 - Important</th>
<th>5 - Very important</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>9.1%</td>
<td>6.1%</td>
<td>24.2%</td>
<td>45.5%</td>
<td>15.2%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Need for speech recognition technology</th>
<th>1 - Very unimportant</th>
<th>2 - Unimportant</th>
<th>3 - Neutral</th>
<th>4 - Important</th>
<th>5 - Very important</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>5.9%</td>
<td>23.5%</td>
<td>44.1%</td>
<td>20.6%</td>
<td>5.9%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Concern that TAs may need to register as broker dealers if they offer more services</th>
<th>1 - Very unimportant</th>
<th>2 - Unimportant</th>
<th>3 - Neutral</th>
<th>4 - Important</th>
<th>5 - Very important</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>5.9%</td>
<td>11.8%</td>
<td>64.7%</td>
<td>11.8%</td>
<td>5.9%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Brokerage account-style online services sets the bar for services</th>
<th>1 - Very unimportant</th>
<th>2 - Unimportant</th>
<th>3 - Neutral</th>
<th>4 - Important</th>
<th>5 - Very important</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2.9%</td>
<td>2.9%</td>
<td>41.2%</td>
<td>35.3%</td>
<td>17.6%</td>
</tr>
</tbody>
</table>
RESPONDENTS WERE ASKED: For each item noted below, please score how important this trend is to your organization or its clients.

**Shareholder Services Providers**
Concern for TA longevity and availability for the long-term

- **Increasing concern for Transfer Agent longevity and availability for the long term**
  - 2.9% Very unimportant
  - 17.6% Unimportant
  - 58.8% Neutral
  - 38.2% Important
  - 20.6% Very important

- **With consolidations, employees leave taking the knowledge with them**
  - 2.9% Very unimportant
  - 47.1% Unimportant
  - 38.2% Neutral
  - 11.8% Important
  - 8.8% Very important

- **Fewer vendors available**
  - 5.9% Very unimportant
  - 47.1% Unimportant
  - 32.4% Neutral
  - 23.5% Important
  - 8.8% Very important

- **Need for suppliers to offer integrated services that can assist with many different issuer needs**
  - 2.9% Very unimportant
  - 14.7% Unimportant
  - 44.1% Neutral
  - 32.4% Important
  - 5.9% Very important

- **Potential inability to hire new talent because of industry compression**
  - 2.9% Very unimportant
  - 58.8% Unimportant
  - 32.4% Neutral
  - 5.9% Important
  - 6.3% Very important

- **Need for Transfer Agents to offer a banking function**
  - 9.4% Very unimportant
  - 31.3% Unimportant
  - 50.0% Neutral
  - 6.3% Important
  - 3.1% Very important
**RESPONDENTS WERE ASKED:** You just rated some of the trends and challenges Transfer Agents may be facing. Please elaborate on the most important areas, noting why or how they are important to you, your organization or your clients.

<table>
<thead>
<tr>
<th>% of all cases</th>
<th>Transfer Agency Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Escheatment</td>
<td>5.68%</td>
</tr>
<tr>
<td>Shareholder satisfaction</td>
<td>4.55%</td>
</tr>
<tr>
<td>Regulations</td>
<td>4.55%</td>
</tr>
<tr>
<td>Proactive shareholder location</td>
<td>3.41%</td>
</tr>
<tr>
<td>Keeping up</td>
<td>3.41%</td>
</tr>
<tr>
<td>Shareholders retention</td>
<td>2.27%</td>
</tr>
<tr>
<td>Security</td>
<td>2.27%</td>
</tr>
<tr>
<td>Costs</td>
<td>2.27%</td>
</tr>
<tr>
<td>Paper reductions</td>
<td>1.14%</td>
</tr>
<tr>
<td>Speech recognition</td>
<td>1.14%</td>
</tr>
<tr>
<td>Chat / text</td>
<td>1.14%</td>
</tr>
<tr>
<td>Online access</td>
<td>1.14%</td>
</tr>
<tr>
<td>Annual meeting success</td>
<td>1.14%</td>
</tr>
<tr>
<td>Proxy services</td>
<td>1.14%</td>
</tr>
<tr>
<td>Basic needs</td>
<td>1.14%</td>
</tr>
<tr>
<td>No Comment</td>
<td>1.14%</td>
</tr>
</tbody>
</table>
RESPONDENTS WERE ASKED: You just rated some of the trends and challenges transfer agents may be facing. Please elaborate on the most important areas, noting why or how they are important to you, your organization or your clients.

Enhanced proxy solicitation services are something we think we may need more of in the future, especially with some of the corporate governance issues that are emerging. The cost and “production” of the “physical” annual meeting is also an emerging issue for us. There is a desire to simplify the meeting and make it less of a “show.” While I stated it was important to monitor the voting to see how certain items are faring, our current service provides these services.

Getting proxy materials mailed out on time and trusting the affidavit received is correct.

Proxy services are very important in dealing with proxy advisory services and soliciting the vote.

We have multiple classes of stock. It is more difficult to manage this process. I should be able to pick who my proxy service company is for both my registered shareowners and beneficial shareowners.

Broadridge’s monopoly on proxy services is concerning.

Additional service providers to perform beneficial shareholder mailing and proxy tabulation would provide competition for Broadridge. The cost of Broadridge’s services and mark up on out of pocket expenses is really getting out of hand and almost seems sneaky.

Issuers need to have the final say on whom does the street mailing. Today we just pay the bills and no one is held accountable on the street side.
Proxy Services

RESPONDENTS WERE ASKED: Considering the trends or challenges you think are important, what do you think Proxy Services providers should be doing to deal with the most important situations?

Lobby for competition. Others can now handle the registered holder mailing if the issuer wishes, the same should apply to the street mailing.

One proxy company for all of my shareowners.

Provide sound explanations about all charges. For example, a 300% mark up on envelopes is not acceptable. Also, issuers can’t realize optimal cost savings since they can’t use their own Canada Post account.

Keeping up with industry trends and practices, and keeping us informed as new issues emerge.

RESPONDENTS WERE ASKED: If yes, what other Proxy Services would you like to see offered?

Limited number of responses, data not charted. Sample comments include:

Open and fair competition
According to the respondents to the proxy services section of the EAC Industry Study, the top five trends and challenges facing transfer agency business aspects include the following: (The percentage of respondents scoring this item important or very important is included in the brackets after each statement.)

1. Need for measurement tools to determine if we are hitting the marks necessary to achieve vote passage (73%)
2. Need for the proxy service to do more than just count the votes (72%)
3. Benchmarks to alert us if the shareholders are not voting with management (64%)
4. Complex proxy service billing (59%)
5. Annual meetings are becoming increasingly complex, requiring additional consulting services (55%)

The majority of respondents want proxy services providers to do more than count votes and include services to measure proxy consensus and shareholder voting. As can be seen in earlier sections of the research, concern for shareholder activists, translates into concerns and/or the need to be aware of such activity.
RESPONDENTS WERE ASKED: The following is a list of ideas that some executives mentioned were trends or challenges specifically concerning Proxy Services that the providers of these services should be watching. For each item noted below, please score how important this trend is to your organization or its clients.

- Recent increases in fees for brokerage proxy work
- Complex proxy service billing
- Need for the proxy service to do more than just count the votes
- Need for measurement tools to determine if we are hitting the marks necessary to achieve vote passage
- Seeking ways to make it easier to use more than one services provider
- Benchmarks to alert us if the shareholders are not voting with management
- The physical annual meeting is being scrutinized for cost effectiveness and value for shareholders
- Annual meetings are becoming increasingly complex requiring additional consulting services
- Shareholder activists make annual meetings more complex

**0%** | **10%** | **20%** | **30%** | **40%** | **50%** | **60%** | **70%** | **80%** | **90%** | **100%**
---|---|---|---|---|---|---|---|---|---|---
**1 - Very unimportant** | **2 - Important** | **3 - Neutral** | **4 - Important** | **5 - Very important**
---|---|---|---|---
Recent increases in fees for brokerage proxy work | 50.0% | 27.3% | 22.7% | | | | | | | |
Complex proxy service billing | 9.1% | 31.8% | 36.4% | 22.7% | | | | | | |
Need for the proxy service to do more than just count the votes | 4.6% | 23.8% | 57.1% | | | | | | | |
Need for measurement tools to determine if we are hitting the marks necessary to achieve vote passage | 4.5% | 22.7% | 59.1% | | | | | | | |
Seeking ways to make it easier to use more than one services provider | 4.5% | 4.5% | 45.5% | 36.4% | 9.1% | | | | | |
Benchmarks to alert us if the shareholders are not voting with management | 9.1% | 27.3% | 54.5% | | | | | | | |
The physical annual meeting is being scrutinized for cost effectiveness and value for shareholders | 13.6% | 45.5% | 31.8% | 9.1% | | | | | | |
Annual meetings are becoming increasingly complex requiring additional consulting services | 9.1% | 36.4% | 45.5% | 9.1% | | | | | | |
Shareholder activists make annual meetings more complex | 4.5% | 45.5% | 45.5% | 45.5% | 4.5% | | | | | |
The researchers combined the 4 (important) and 5 (very important) scores and ranked the items in terms of the combined scores.
RESPONDENTS WERE ASKED: Rate your agreement or disagreement with each of the following statements.

1. If we have more choice in proxy services providers, competition would bring prices down.
   - 4.5% Disagree strongly
   - 40.9% Disagree
   - 36.4% Neither
   - 18.2% Agree
   - 18.2% Agree strongly

2. If we have more choice in proxy service providers, services would improve.
   - 4.5% Disagree strongly
   - 4.5% Disagree
   - 45.5% Neither
   - 31.8% Agree
   - 13.6% Agree strongly

3. We need more choice in the vendors that are available to handle all of our proxy needs.
   - 13.6% Disagree strongly
   - 45.5% Disagree
   - 27.3% Neither
   - 13.6% Agree
   - 13.6% Agree strongly

4. If we could make the proxy process easier, we would be willing to pay more for the services.
   - 18.2% Disagree strongly
   - 54.5% Disagree
   - 18.2% Neither
   - 9.1% Agree
   - 9.1% Agree strongly

5. I think there is insufficient provider choice in proxy services.
   - 4.5% Disagree strongly
   - 18.2% Disagree
   - 40.9% Neither
   - 27.3% Agree
   - 9.1% Agree strongly
Employee Stock Plans

**RESPONDENTS WERE ASKED:** Please note any other ideas relating to Employee Stock/Equity Plan Services providers you would like to include in the Study. *There was a limited number of responses, thus data was not charted.* Sample comments include:

- Not all plans need cash for purchases.

**RESPONDENTS WERE ASKED:** You just rated some of the trends and challenges employee stock/equity plans may be facing. Please elaborate on the most important areas, noting why or how they are important to you, your organization or your clients. *There was a limited number of responses, thus data was not charted.* Sample comments include:

- Good balance between technology and customer service.
- Accurate recordkeeping.
- Our current response from EPS is sad at times. More attention is needed to record keeping and posting shares in a timely fashion, without a nudge from us.

**RESPONDENTS WERE ASKED:** Considering the trends or challenges you think are important, what do you think employee stock/equity plan providers should be doing to deal with the most important situations? *There was a limited number of responses, thus data was not charted.* Sample comments include:

- Focus on both.
Employee Stock Plans

According to the respondents to the employee stock plan services section of the EAC Industry Study, the top six trends and challenges facing ESP business aspects include the following: (The percentage of respondents scoring this item important or very important is included in the brackets after each statement.)

1. Better communications about the stock plan needed for employees (73%)
2. Employees want the ability to download their history to spreadsheets or a database program such as Excel (69%)
3. Training needed to guide employees in what to do with their stock plan information (69%)
4. Need for excellent record keeping to keep current on shares issued, outstanding and in treasury when options are exercised (69%)
5. Wealth management services needed to help employees maximize the value of their options (56%)
6. Greater use of Employee Stock Plans in employee retention and reward (53%)

The majority of respondents want ESP services providers better communications and training for their employees concerning their ESPs.

The majority of respondents to this section are also calling for the ability to give the employees more control over their plans.
Employee Stock Plans

**RESPONDENTS WERE ASKED:** The following is a list of ideas that some executives mentioned were trends or challenges specifically concerning Employee Stock/Equity Plans that the providers of these services should be watching. For each item noted below, please score how important this trend is to your organization or its clients.

![Image of bar chart with ratings for each trend]
The researchers combined the 4 important and 5 very important scores and ranked the items in terms of the combined scores.

- Better communications about the stock plan needed for employees: 73.3%
- Need for excellent record keeping to keep current on shares issued, outstanding and in treasury when options are exercised: 68.8%
- Training needed to guide employees in what to do with their stock plan information: 68.8%
- Employees want the ability to download their history to spreadsheets or a database program such as Excel: 68.8%
- Wealth management services needed to help employees maximize the value of their options: 56.3%
- Greater use of Employee Stock Plans in employee retention and reward: 53.3%
- Lack of understanding of current escheatment rules by employees that move frequently or are internationally-based: 46.7%
- Need to explain to employees how options actually work so they can provide for cash needed for purchase: 37.5%
- Complex tax rules for employee stock dividend programs: 31.3%
- Brokerage accounts don’t always provide employees with the investment information they need: 28.6%
- Regulators want us to disclose more information than is readily available: 25.0%
RESPONDENTS WERE ASKED: Rate your agreement or disagreement with each of the following questions.

The provider for my employee stock plan services must have an optimum combination of good service and technology

- 13.3% Disagree strongly
- 40.0% Disagree
- 46.7% Neither agree nor disagree
- 6.3% Agree
- 56.7% Agree strongly

The latest technology is fundamental to strong customer service

- 6.3% Disagree strongly
- 25.0% Disagree
- 56.3% Neither agree nor disagree
- 12.5% Agree
- 12.5% Agree strongly

When considering an employee stock plan services provider, I prefer to work with one with strong customer service, even if they don't have the very latest technology

- 18.8% Disagree strongly
- 62.5% Disagree
- 6.3% Neither agree nor disagree
- 12.5% Agree
- 12.5% Agree strongly

If I had to choose between a company with the best technology and the one with the best customer service, I would choose the one with the best customer service

- 6.3% Disagree strongly
- 50.0% Disagree
- 43.8% Neither agree nor disagree
- 25.0% Agree
- 25.0% Agree strongly

If I had to choose between a company with the best technology and the one with the best customer service, I would choose the one with the best technology

- 18.8% Disagree strongly
- 56.3% Disagree
- 25.0% Neither agree nor disagree
- 6.3% Agree
- 12.5% Agree strongly
RESPONDENTS WERE ASKED: You just rated some of the trends and challenges Investor Relations Services providers may be facing. Please elaborate on the most important areas, noting why or how they are important to you, your organization or your clients. There was a limited number of responses, thus data was not charted. Sample comments include:

Past investment behavior, most notably activist behavior, is an important understanding that IR needs to have when initially targeting new investors for the stock. Maintaining such understanding across time, as changes occur in the institutional ownership base, is the most critical skill needed for an IRO, in my opinion.

Maintaining a dialog with each investor and communicating investors’ expectations to management and the board helps ensure that.

RESPONDENTS WERE ASKED: Considering the trends or challenges you think are important, what do you think Investor Relations Services providers should be doing to deal with the most important situations? There was a limited number of responses, thus data was not charted. Sample comments include:

Target investors that are like-minded with the leadership team. Long-term oriented investors, for example, or “turnaround” investors, or “value-oriented” investors, or “growth-oriented investors” helps ensure that mutual regard for management’s focus and investors’ interests/expectations.
According to the respondents to the investor relations section of the EAC Industry Study, the top trends and challenges facing Investor Relations include the following: (The percentage of respondents scoring this item important or very important is included in the brackets after each statement.)

1. Importance of Investor Relations to a corporation’s reputation continues to grow (83%)
2. Mapping historical trends would allow for better understanding of shareholder behavior (75%)
3. Understanding my shareholders is more important than ever (67%)
4. The role for communications in investor relations is growing (67%)
5. Knowledge about investor activity is needed to determine why stock is trading as it is (67%)
6. Trading patterns can be erratic and there is need to be alerted to these changes (58%)
7. Surveillance of shareholder activity has become more important (58%)

Consistent with other findings, knowing shareholder sentiment is more critical than ever to corporate issuers.
RESPONDENTS WERE ASKED: The following is a list of ideas that some executives mentioned were trends or challenges specifically concerning Investor Relations that the providers of these services should be watching. For each item noted below, please score how important this trend is to your organization or its clients.

- Importance of Investor Relations to a corporation's reputation continues to grow
- Surveillance of shareholder activity has become more important
- Knowledge about investor activity is needed to determine why stock is trading as it is
- Knowledge about investor sentiment towards voting is needed
- The role for communications in investor relations is growing
- Mapping historical trends would allow for better understanding of shareholder behavior
- New methods to communicate with shareholders need development
- Understanding my shareholders is more important than ever
- Need to know who is buying our stock and why
- Ready access to a database showing shareholder behavior going back many years is needed
- Conversions can indicate situations where I need advance warning
- Trading patterns can be erratic and there is need to be alerted to these changes
- Reduction in number of direct shareholders can mean less willingness to vote with management

Scores: 1 - Very unimportant, 2 - Unimportant, 3 - Neutral, 4 - Important, 5 - Very important
The researchers combined the 4 (important) and 5 (very important) scores and ranked the items in terms of the combined scores.

- Importance of Investor Relations to a corporation’s reputation continues to grow: 83.3%
- Mapping historical trends would allow for better understanding of shareholder behavior: 75.0%
- Knowledge about investor activity is needed to determine why stock is trading as it is: 66.7%
- The role for communications in investor relations is growing: 66.7%
- Understanding my shareholders is more important than ever: 66.7%
- Surveillance of shareholder activity has become more important: 66.7%
- Trading patterns can be erratic and there is need to be alerted to these changes: 58.3%
- Knowledge about investor sentiment towards voting is needed: 58.3%
- New methods to communicate with shareholders need development: 50.0%
- Need to know who is buying our stock and why: 50.0%
- Reduction in number of direct shareholders can mean less willingness to vote with management: 50.0%
- Ready access to a database showing shareholder behavior going back many years is needed: 50.0%
- Conversions can indicate situations where I need advance warning: 33.3%
RESPONDENTS WERE ASKED: You just rated some of the trends and challenges corporate governance services providers may be facing. Please elaborate on the most important areas, noting why or how they are important to you, your organization or your clients. There was a limited number of responses, thus data was not charted. Sample comments include:

"I personally think that governance has gone too far in many ways. But as long as they are there, one has to comply with them. The biggest challenge is taking care of all the regulatory issues and still having time to conduct business."

"Trends finance and strategic management in competitive sector."

"Executive compensation and corporate governance in general have been areas that we have spent a great deal of time on in the recent past. More and more emphasis is being placed in these areas and we find that the “proxy season” seems to be a year-round event as opposed to just several months out of the year."
RESPONDENTS WERE ASKED: Considering the trends or challenges you think are important, what do you think corporate governance services providers should be doing to deal with the most important situations? There was a limited number of responses, thus data was not charted. Sample comments include:

"Basically, be aware of our internal needs."

Keeping up with industry trends and practices, maintaining strong and open relationships with the institutional investors, and keeping the issuers informed on all fronts!

According to a majority of the respondents to the corporate governance section of the EAC Industry Study, there is concern about the greater importance of regulations concerning corporate governance.
RESPONDENTS WERE ASKED: The following is a list of ideas that some executives mentioned were trends or challenges specifically concerning Corporate Governance that the providers of these services should be watching. For each item noted below, please score how important this trend is to your organization or its clients.

- Corporate governance is taking greater prominence at my organization
- Closer scrutiny on executive compensation
- Activist shareholders are looking more closely at corporate governance
- Greater importance for regulations concerning corporate governance

[Bar charts with percentages for each trend]
RESPONDENTS WERE ASKED: You just rated some of the trends and challenges corporate actions (mergers, acquisitions or reorganizations, for example) services providers may be facing. Please elaborate on the most important areas, noting why or how they are important to you, your organization or your clients. There was a limited number of responses, thus data was not charted. Sample comments include:

“This is an area where it shouldn’t be looked at like a commodity.”

RESPONDENTS WERE ASKED: Considering the trends or challenges you think are important, what do you think Corporate Actions Services providers should be doing to deal with the most important situations? There was a limited number of responses, thus data was not charted. Sample comments include:

“Continually invest in training and work closely with law firms and clients.”
Corporate Actions/Mergers & Acquisitions

While only a few respondents completed this section, it is further supported by a separate survey the researchers made available to attorneys.

The key message concerns complexity and the need to design solutions by experienced executives who understand these challenges.

Attorneys will have many questions that they will need to have answered in order to respond to their clients’ needs. As one respondent noted, this is an area that can’t be treated like a commodity.
RESPONDENTS WERE ASKED: The following is a list of ideas that some executives mentioned were trends or challenges specifically concerning Corporate Actions that the providers of these services should be watching. For each item noted below, please score how important this trend is to your organization or its clients.

- Shareholders have higher expectations for a successful corporate action
- Complex corporate actions need knowledgeable partners to make sure everything is done correctly
- Mergers or acquisitions are difficult and require special handling by skilled executives, lawyers and accountants
- A successful corporate action requires a team of people with different skills and talents
- Communicating with shareholders during a merger or acquisition is increasingly important

Scores:
- 1 - Very unimportant
- 2 - Unimportant
- 3 - Neutral
- 4 - Important
- 5 - Very important

Scores for each item are 50.0% for each category.
RESPONDENTS WERE ASKED: Considering fund management services only, what are some of the current or future trends, challenges or opportunities that are influencing your organization or its clients in this area? There was a limited number of responses, thus data was not charted. Sample comments include:

"Liquid Alts and the use of series trust products for ease of access for independent investment advisers to launch funds."

"Revenue sharing with Broker Dealer Distributors is becoming too great. There should be a limitation on the amount that such organizations can grab."

"There have been price increases and changes in how proxy fees are handled. How they are handling. Our goal is to achieve the vote that is needed. We have to understand the shareholder."
RESPONDENTS WERE ASKED: Considering the trends or challenges you think are important, what do you think Fund Management Services providers should be doing to deal with the most important situations? There was a limited number of responses, thus data was not charted. Sample comments include:

- Creating cost-effective and complete solutions in that regard.
- Wrap around other services to further differentiate offerings and support (in the area of access distribution and asset-raising).
- Resisting the trend by denying the funds be offered through greedy Broker dealers.
- Measurement tools. Are you hitting the marks for the timeframe.

RESPONDENTS WERE ASKED: If yes, what other Fund Management Services would you like to see offered? There was a limited number of responses, thus data was not charted. Sample comments include:

- Asset-raising capabilities.
Respondents to the Funds Management section were individuals primarily involved in this aspect of the industry.

This area is highly complex with many different types of funds and management structures that influence the needs of this group.

However, like their counterparts in other areas of the industry, they, too, are interested in creating cost-effective and complete solutions to their needs. The top recommendations included:

- Wrapping other services around main services to help support the overall need was recommended.
- Measuring tools were also recommended as an area for further study.
What's Next
What’s Next?

This study marks the beginning of an on-going effort to be the collective voice of the industry. And so we have a lot of exciting actions planned for the next year. This section provides highlights of what is planned.

FORUM ON INDUSTRY ADVOCACY FOR REGULATORY CHANGE
Build a coalition of issuer corporations, services providers, consultants, shareholders, thought-leaders and associations to build a united front on issues and regulations to support the industry, shareholders and the public. Support the associations that are working continuously in these areas.

FORUM ON EFFICIENCY
Build a multi-disciplinary task force to discuss operations and efficient task accomplishment. Consider use of both old and new technology to provide solutions that can be used across the spectrum of services.

SHAREHOLDER ACTIVITY FORUM
Establish a task force to study shareholder satisfaction and activity and its influences.

COMMUNICATIONS FORUM
Develop study group with issuer support to determine best methods to communicate with issuers and shareholders.

INDUSTRY INDEX FOUNDATION
Using the material developed from the issuers’ point-of-view as a foundation, develop an industry index to evaluate services provider performance and issuer satisfaction.

SERVICE FORUMS ON SPECIFIC SERVICES ISSUES
OVERVIEW

In 2011, AST acknowledged the demand for a neutral industry group that could exchange ideas, explore relevant topics and bring to light the challenges issuers face from various perspectives.

The Executive Advisory Council (EAC) is comprised of executives from leading organizations in North America who actively interact with issuer and shareholder service providers.

With the sponsorship of AST, the EAC was formed in 2011 and purposefully includes an array of industry experts, clients and non-clients of AST, ensuring an objective representation and diverse group of industry executives.

The EAC convenes throughout the year to share best practices, attend educational sessions, and connect with industry and regulatory organizations and explore opportunities to shape the future.

While the EAC is sponsored by AST, it works independently for the good of the industry at large.

EAC members noted that while much research existed, none was available that had been developed by issuers from the point-of-view of the issuer companies. It is from this discussion that the EAC Industry Study was launched in October 2013.

OUR PURPOSE

The EAC aims to be the independent voice of change for the issuer and shareholder industry. Through our work, our goal is to:

- Share best practices within our rapidly changing environment;
- Attend educational sessions offered by AST and industry thought leaders;
- Connect with industry and regulatory organizations; and
- Push convention and explore opportunities to shape the future of the issuer and shareholder services industry.
**EAC MEMBERS**

**Frank D'Amadeo**, Director, Treasury Operations & Remittance Processing, Consolidated Edison Company

**Joan DiBlasi**, Senior Manager, Shareholder Services, Aflac

**Gay Kaylor**, Stockholder Relations Manager, The Hershey Company

**Dennie Kimbrough**, IR Manager, Microsoft Corporation

**Mindy McKen**, AVP & Assistant Corporate Secretary, Sun Life Financial, Inc.

**Belinda Massafra**, President, Shareholder Services Consulting LLC

**Terri Neville**, Assistant Vice President, Shareholder Services, Manulife Financial Corporation

**Abby Spriggs**, Senior Analyst, Investor Relations, Total System Services, Inc.

**Janice Stetler**, Manager-Operations, Corporate Secretary Department, PG&E Corporation

**Cothee Stonebraker**, Industry Consultant
Contact the EAC

AST sponsors the EAC and will provide funding and regulatory guidance to the EAC Industry Study developers and thought leaders.

For more information on the Executive Advisory Council (EAC), contact Beth Grudzinski, AST’s Vice President of Business Development, at 718-921-8200, extension 6552, or bgrudzinski@amstock.com.

For more information on the EAC Industry Study, contact Jean Vincent of Vincent McCabe, Inc., the independent study administrator, at 315-685-7227, or jeant@vincentmccabe.com.