

Repairing Our Antiquated Proxy Plumbing

► **Paul Torre of AST, which specializes in corporate governance and related services, discusses the future of proxy technology: blockchain-enabled vote tabulation.**

CCBJ: AST has evolved into a robust professional services firm that can work on anything from registry services to corporate governance to ownership data analytics. What's behind that evolution?

Paul Torre: AST has aligned closely with the needs of the business and financial communities. We have evolved to provide an integrated model of ownership data management, advisory services and financial technology that can support issuers throughout their business lifecycle.

AST was founded in the early 1970s at roughly the same time as the Nasdaq Stock Market, and initially focused on servicing many of the Nasdaq-listed companies. We were acquired by our current owners in 2008, during the financial crisis. In the period of market volatility that followed, the firm was strategic about adding products and services to help clients navigate the market instability as well as address their shareholders' concerns. It also gradually built and acquired several adjacent business lines on the principle that integrating and centralizing all of these important services would create efficiencies and add significant value for clients.

We now operate with a straightforward mission: to help companies and shareholders across North America advance their business and financial goals. Services include transfer agent, proxy services, corporate governance and advisory services, ownership intelligence insights, employee plan services, bankruptcy and class action claims administration,

and financial printing. We advise clients on corporate governance, activist activity, proxy advisory and shareholder communications.

In the last several years, we have focused on identifying and using transformative technologies like blockchain to simplify complex processes and generate better analytics. Because of our integrated approach, client-centric mindset and thoughtful application of technology, we have achieved a dominant market position serving thousands of high-growth, highly innovative companies.

Tell us about AST's blockchain solution for the mutual fund proxy space.

Shareholder meetings and proxy voting are essential elements of capital markets. Unfortunately, the "proxy plumbing" infrastructure is antiquated and inefficient, and it lacks transparency to issuers and participants. With most shares held in street name, it can be difficult to identify and ensure the underlying beneficial shareholder positions and votes are accurately represented and confirmed in the current environment.

Blockchain presents a strong opportunity to revolutionize the industry by creating an infrastructure that supports direct participation on the chain, allowing for vote confirmation and issuer transparency while retaining security and anonymity. It allows for more efficiency and transparency while providing a robust and secure platform for direct transaction processing. We're excited to lead the pack with our blockchain-enabled proxy vote tabulation system, which truly represents the future of proxy services technology.

Much of the power of the new platform lies in the data it provides. We are using it to create enhanced

analytics and reporting, supporting more cost-effective campaign management. By measuring historical patterns and leveraging data science, we can optimize proxy communication and solicitation strategies.

The smarter we can be with our communication strategies, the better and more cost-effective a campaign effort will be. We minimize costs and ensure positive shareholder sentiment by assessing parameters like historical voting response, communication vehicle preference, communication frequency and optimal outreach times, in advance of and throughout the proxy solicitation period.

These analytics also help us arrive at more accurate vote projections during the client's planning stage as we are determining whether a proposal stands to be passed. We perform significant analysis of the institutions and the advisory firms, like Institutional Shareholder Services (ISS) and Glass Lewis, on their recent positions on various proposals. Blockchain technology allows us to enhance our data mining and analysis to also include retail shareholder sentiment.

The blockchain-based transactional data, combined with AST's proprietary systems and supported by advanced analytics and data science, really differentiates our offering. AST has the most advanced processes and technology to manage campaigns large and small, simple and complex, successfully.

Talk about AST's new enterprise solution, Issuer Central®, which offers users on-demand access to a single view of their company's street and registered data.

The Issuer Central platform uniquely aligns core functionalities of registry services and ownership

intelligence – and in the future, proxy and other share ownership services – in a single online ownership portal. Issuer Central provides a consolidated view of the issuer's registered and street shareholder positions, which is not available anywhere else.

Blockchain is going to make us much more efficient in large proxy solicitation campaigns.

Issuer Central offers on-demand analysis and intelligence to mobilize C-suite teams, who can all view and leverage a single consolidated interface. Proprietary data analytics and custom reporting tools seamlessly support executive and board presentations.

The Issuer Central platform reflects AST's focus on providing superior solutions to our clients and transforming the industry through innovative technology solutions. A single comprehensive view of ownership data enables our clients to make more informed decisions in shareholder management and communications.

Please share some examples of companies benefiting from working with AST.

We work with most clients in an advisory role to support optimal structuring of proxy proposal language. Besides mutual fund proxy, my business includes D.F. King, which provides corporate governance, proxy and ownership services. Recently, D.F. King did an analysis for a major proxy campaign. Based on past ISS recommendations, it was predicted ISS would likely

come out against the proposal. D.F. King provided guidance on the proposal presentation and position to better represent the management objective and shareholder value, and support a positive position from ISS.

Before and after the campaign, AST Ownership Intelligence monitored shareholder positions. This gave the company a real-time analysis of how the shareholder base was reacting and allowed them to gauge potential support – like a play-by-play of the shareholders and stock price. These analytics enabled the company to make strategic adjustments throughout the campaign.

Another situation engaged several AST services and demonstrates our value as an integrated professional services firm. We were asked to develop a comprehensive solution to convert an open-end mutual fund to closed-end. First, we provided a solicitation strategy to ensure the vote would support the conversion to closed-end. Second, we executed the campaign in a condensed solicitation period of three weeks from record date to mailing date (the customary period is six weeks or more). We got the



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vote within the required time. Third, we converted the fund to AST's transfer agent closed-end platform, including successful conversion of all shareholder records from the prior open-end transfer agent's system.

Also, our Issuer Central platform saves clients significant time and resources through the consolidated view of

registered, street and institutional ownership data, and report templates. One client had access to these data sets previously, but from different sources. Report preparation was entirely manual for her and two to three team members. With Issuer Central, she and one other person now run the data and create ready-to-use reports, including an historical or peer analysis in about 30 seconds.

What are changes you're seeing in the proxy landscape, and how do you address them?

Companies today face more accountability than at any time in the past around all types of management, market and environmental concerns. We work primarily with three types of issuers with executive compensation challenges: closed-end funds, business development companies (BDCs), and corporations. Corporations in particular have seen much more scrutiny around executive compensation and thus more activist movement, whether from traditional activist investors or hedge funds taking a more aggressive approach.

In recent years, we noted an increase in settlement of proposals between corporations and activist investors related to management structures and strategies. We also see increasing pressure to address environmental and social concerns. In these matters, AST, through our D.F. King affiliate, provides corporations with governance, advisory and solicitation services to help ensure our clients' proposals are clearly communicated to the underlying shareholder base. During the proxy campaign period, we execute efficient and effective campaigns to drive shareholder voting, monitored through near-real-time tabulation reports and projections supported by data analytics. ■