



# LIGHTHOUSE

APAC EDITION  
JANUARY 2021

**DEEPER INSIGHTS INTO  
STAKEHOLDER BEHAVIOUR**

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**BUILDING STRONG  
INVESTOR BRANDS**

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**INVESTOR ENGAGEMENT  
IS A TWO-WAY PROCESS**

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## A year in review

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## About Lighthouse

Welcome to Morrow Sodali's Lighthouse, our quarterly publication providing insights on shareholder and investor trends in the APAC market.

This Quarter's edition focuses on shareholder engagement and key trends emerging post-COVID-19 ●



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# A year in review

Message from the CEO

Reflecting on what has been an extraordinary year, I am incredibly proud of what our APAC business has achieved over the last 12 months.

2020 has been an interesting journey for everyone, at times feeling like the only constants were continual change and adaptation. Fortunately, as the end of the year draws near, it seems like we are entering a period of relative stability in our region which I am hopeful will set the stage for a return to a year of growth and innovation in 2021. >

500+

Proxy and M&A Clients

200+

Advisory Clients

50+

ASX300 AGM clients





Despite the uncertainty this year, it is pleasing to see our advice to clients regarding ESG, shareholder intelligence and engagement, and transaction support proving more relevant than ever before.

Amidst major disruption, investors globally refrained from giving companies with insufficient disclosure or failures to meet societal expectations with any ‘free passes’. If anything, the expectations of individual investors and asset owners continue to heighten as they look to the future.

In response, issuers have increasingly come to realise the benefits of taking a considered, all-year-round approach to investor engagement in order to better understand and ultimately gain sustainable support from their shareholders over time. The shift to proactive engagement is evident in Australia as well as other regional markets where we have a presence including South Korea, Japan and Hong Kong.

It has been a privilege helping our clients across the APAC region navigate issues of engagement, stewardship and corporate culture throughout 2020. We thank them for putting their trust in us, and continue to invest in our service offering to ensure our advice and support remains as impactful as possible.

To this end, in November we were pleased to announce a strategic partnership with Designate, a leading corporate brand and investor communications agency, which will enhance our clients’ ability to create more meaningful engagement with existing and prospective investors. We have also bolstered our research capabilities to provide clients with deeper insights informing their corporate strategy.

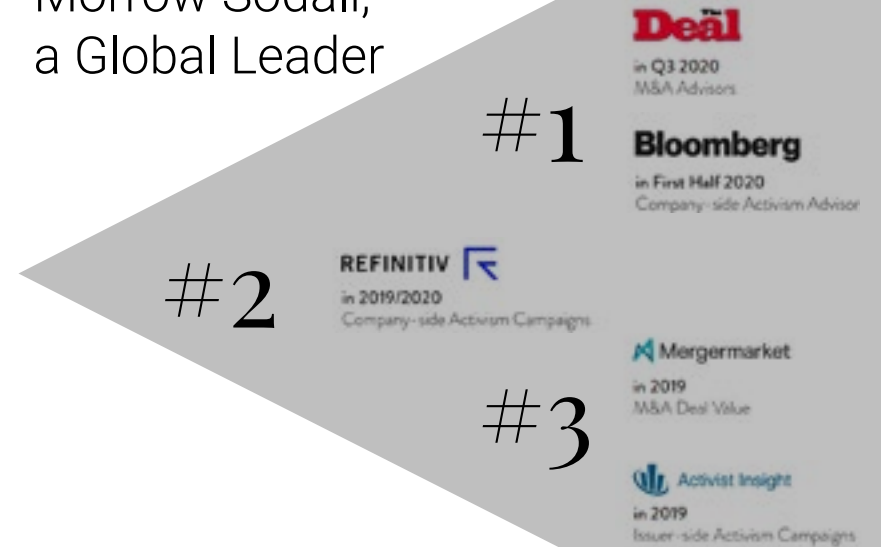
Having supported a record number of Australian clients with their AGMs in 2020, we are now turning our attention to the annual meeting cycle in other markets including South Korea, and continue to prepare for what is expected to be an active global M&A cycle for 2021.

On behalf of our broader Morrow Sodali team, I hope you and your families had a restful time over the holidays and look forward to a bright and positive year ahead ●



**Christian Sealey**  
Chief Executive Officer, APAC

## M&A Transactions – Morrow Sodali, a Global Leader





# Our selected APAC clients



## M&A Transactions

	ACQUISITION OF	
	MERGER WITH	
	ACQUISITION OF	
	MERGER WITH	
	ACQUISITION OF	
	ACQUISITION BY	

## Proxy Contests & Activism Response

W|A|M Active

## Corporate Governance Advisory



# Deeper Insights into Stakeholder Behavior

**Morrow Sodali APAC is pleased to announce a partnership with Melissa Gilson, a leading expert in market research, insights and communication planning.**

This move is a response to an increasing requirement from our clients for a deeper understanding of how key investors and other groups think and behave, and how this is impacted by the current contextual environment.

Angus Booth, Managing Director APAC of Morrow Sodali, says evaluating companies' responses to the COVID-19 pandemic from an ESG perspective was a strong focus of the Australian proxy and AGM season, and the importance that institutional investors and other stakeholders clearly attach to corporate reputations will be a key driver of their relationships with boards and management in the year ahead.

"We are seeing demand from clients wanting to know: 'What do our investors, clients, customers and people think of us, and how should we engage with them?'" says Angus.

"For example, they want to understand the employee experience in greater detail. Has the company met the expectations of our employees or failed drastically, and if so in what areas? How do our employees feel about returning to the workplace, and how has remote working impacted on our culture?"

Melissa brings over 20 years' experience creating brand and consumer marketing strategies for global and ASX200 companies and is one of Australia's most respected insight and research and communications planning consultants.

Morrow Sodali is Australia's leading shareholder engagement, corporate governance and stakeholder research firm. By partnering with Melissa, we are enhancing our capability to evaluate the cultural context in which companies operate as well as understand how stakeholders respond to messaging, and how messages can influence thinking and behaviour.

Together we will undertake discrete, confidential research to establish stakeholders' views on topics such as corporate strategy and performance, ESG initiatives and disclosures, corporate activity including M&A, board structure and independence, and capital management initiatives. >







With over 50 years of combined experience in gathering and analysing intelligence we are able to get close to shareholders and other stakeholders to understand how they are feeling, what they desire, and to collect observations, unlocking key emotional triggers to inform effective communication and engagement strategies.

The result is powerful, actionable insights delivering measurable benefits for our clients.

As we have always done for clients dealing with an issue or a large transaction, Morrow Sodali can test intent from investors, gather intelligence and feedback, present it to a company and its advisors and assist them to structure transactions accordingly and develop their key messages for shareholder engagement.

“Melissa is highly adept at assessing how consumers and other groups are responding to organizations and brands,” says Angus. “Having collaborated with her on several successful projects in the past, we are now delighted to formalise this partnership so we can apply our joint years of experience to broaden our service and provide a richer experience for our clients.”

As is the case with other industries, market research has needed to adapt to a society affected by COVID. Restrictions around face to face interactions has meant that most qualitative research is now conducted online. “The industry has responded brilliantly”, says Melissa, implementing new ways to collect data and interacting without losing the intimacy that is important when talking to people.

“Although video conferencing isn’t new, we’ve been hesitant to use it in the past, fearing that it would negatively impact our ability to understand and connect. We can now more easily reach once difficult to recruit targets, conducting focus groups and interviews across even the most remote locations. We can set up virtual viewing rooms for client viewing, and even set interactive pre-tasks for respondents using online discussion boards and platforms.”

“Recent research we’ve done during, and post COVID indicates that society has truly been divided. While some people were certainly impacted negatively, we are seeing others emerge in a more positive financial position, having changed the way they are saving and spending money. Many are looking to invest, often for the first time, and we need to understand how they are making decisions. What’s influencing them, and where are they going for guidance and advice. These kinds of insights are in demand.”

Innovation is also reshaping the suite of research methodologies, she says.

“For example digital discussion boards have been a game changer. We can now conduct focus groups across regional Australia from an office in Sydney with virtual viewing rooms for observers, and with simultaneous translation.

“We can set respondents information-gathering tasks where they report back on a daily basis by uploading responses including video and photos, for example to demonstrate the tools they use in terms of investing. This builds up a really comprehensive picture of people’s behavior as opposed to just sitting around talking to them.”

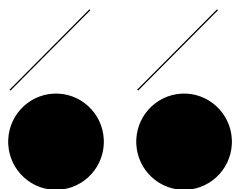
Melissa has previously collaborated with Morrow Sodali on projects for large ASX listed clients and our partnership with her further enhances our offering for organisations looking to improve their communication and engagement ●



Contributed by  
**Melissa Gilson**



and  
**Angus Booth**



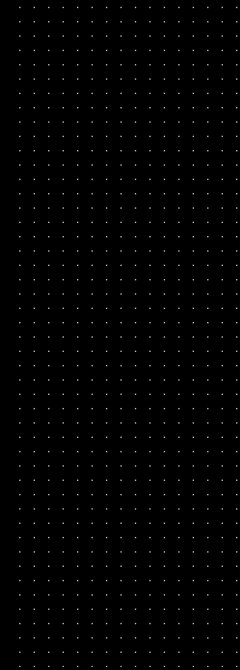
The result is powerful,  
actionable insights  
delivering measurable  
benefits for our clients.



# Building strong investor brands



Listed companies are under increased scrutiny, not only from retail and institutional investors, but also from advisors, rating agencies, employees, communities and regulators. When it comes to **winning hearts and minds** – and the engagement that follows – a **strong investor brand and proactive communication** are two sides of the same (priceless) coin.



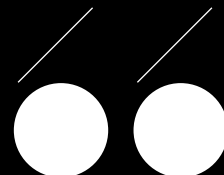
At Designate we have been at the forefront of investor communications for almost 30 years. In this time we have seen trends come and go, shaping our approach and our relationship with clients along the way. However, a recent shift is among the most remarkable, because it has the potential to transform an organisation's ability to communicate with all key stakeholders.

In essence, this shift has to do with the enhanced importance of investor communications: more people watching, more often and more critically. Gone are the days when listed companies relied on a two-pole communication tent: annual report and AGM. Today, that's only the tip of the iceberg. Great opportunity lies on all the other touchpoints that make up an organisation's communication platform.

At the heart of this proactive effort must be a strong, recognisable Investor Brand. Like any brand, Investor Brand is essentially a promise of value. It is built over time as a result of multiple factors such as reputation, past performance, market perception, leadership expertise and communication strategy.

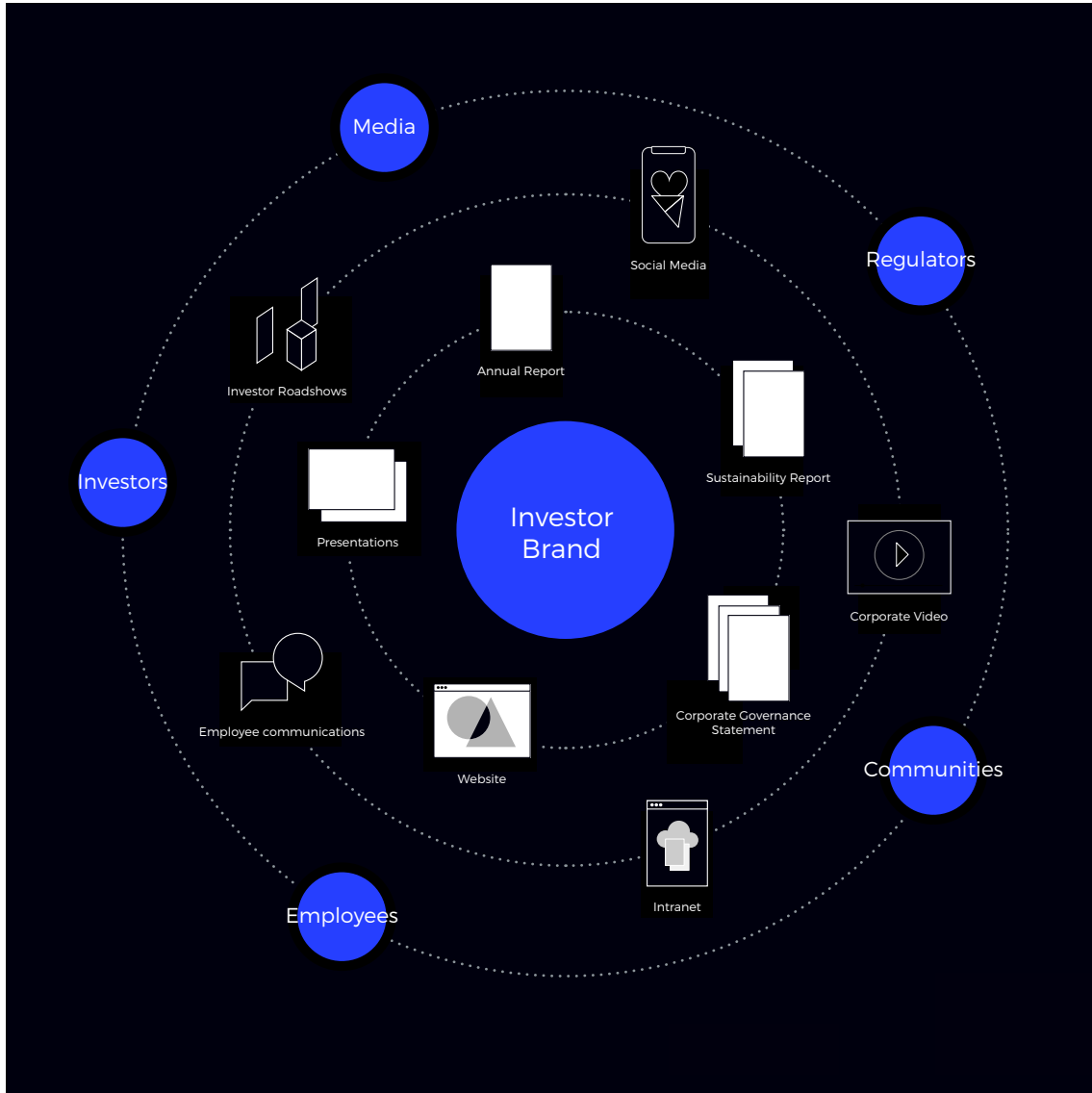
A strong investor brand empowers a company to take control of its narrative and define itself. It builds trust with investors, media, analysts and other stakeholders by painting a picture of the future and defining a clear path to get there. Ultimately, it serves as a shortcut for investor decision-making: is this a company they are willing to back?

When properly harnessed, the combination of a strong Investor Brand and proactive communications is the perfect platform to create, cultivate and capitalise on long-term engagement with the market. It brings clarity to an often noisy environment. >



A strong investor brand and proactive communications is the perfect platform to create, cultivate and capitalise on long-term engagement with the market





Three overlapping trends are behind this shift in investor communications.

## 1 | Everyone is watching:

Despite its name, Investor Brand speaks to an audience beyond actual investors. It matters to the analysts who assess the value potential of a certain stock. It is relevant to regulators who often define the boundaries and rules of any given competitive space.

It must also speak to the communities where these companies operate and where their impact is more visible. And finally, Investor Brand needs to accurately represent the employees who are often the face of the organisation and drivers of its purpose.

## 2 | Everyone is watching, all the time

Not only are there more stakeholders paying attention, there are also more windows for them to look through. Some of these are platforms that organisations can control, such as the annual report, investor website or social media presence.

Other platforms are shaped by external actors, including analysts, specialised media, proxy advisors, current and potential investors. They all have a voice and a stage they are willing to use to influence, disrupt or challenge the ongoing narrative. Activist investors are taking full advantage of this context. >



### 3 Everyone is watching, all the time, and their interest is shifting

What the investment community values about an organisation — what they pay attention to, question and reward — has also seen a transformation in the past few years.

For a while it was slow burn but then, early in 2020, Blackrock's CEO Larry Flink put it front and centre in his annual letter to investors. It confirmed that Blackrock will incorporate ESG metrics in its investment strategies; will expect companies to report on ESG measures; and will increase its positions in sustainable investments and start divesting from companies that generate more than 25% of their revenue from thermal coal.

The fact is, it is not just about the numbers. Financial performance is no longer enough to assess the value of a stock or the potential for an organisation to remain relevant and enjoy sustained growth. Companies are increasingly seen as corporate citizens, with the responsibilities and expectations this carries.

This changing landscape means investor communications play a pivotal role in shaping perceptions, ensuring alignment and influencing behaviour, particularly when it comes to contentious votes and capital allocation.

This heightened demand for clarity presents unique opportunities to shift the focus from traditional compliance-driven communication to a new proactive and multi-channel approach. By maximising all available communication opportunities such as print and digital corporate reports, roadshow and investor presentations, company websites, newsletters and social media, this strategy has the power to inspire engagement, nurture stakeholder relationships, and influence investment decisions. In doing so, companies can control a consistent narrative ●



Contributed by  
**Pablo Ostolaza**

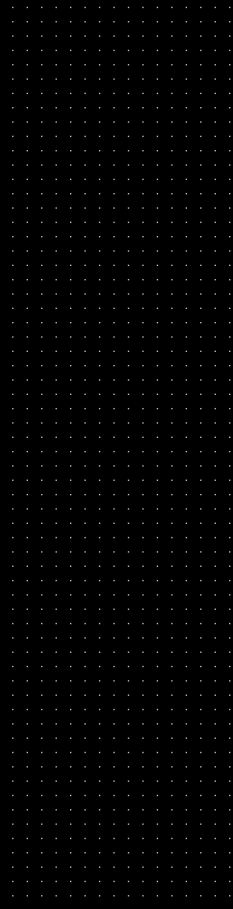




# Investor engagement is a two-way process



Recent trends in 2020 highlight the increasing importance of ongoing board participation in investor engagement on governance matters, separate to the investor engagement undertaken by management.

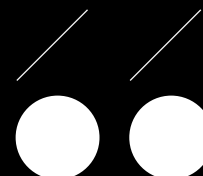


COVID-19 has likely up-ended the traditional model of investor engagement permanently. With virtual communication now the norm, corporates should proactively use the increased flexibility afforded by technology to efficiently engage with shareholders – at both board and management level – on a year-round basis.

The benefits of engaging with shareholders are numerous and communication with a register’s constituencies should always be a two-way interaction. Corporates should both communicate and listen to investors to understand their concerns, with the focus being to develop trusted relationships, underpinned by empathy for shareholder views. Building these relationships and collating investor feedback for consideration by the board and management is critical. It can reduce the risk of dissident

activist shareholder campaigns, curtail negative votes on director elections and the remuneration report, and increase support for management’s corporate strategy. Morrow Sodali supports its clients with investor engagement, drawing upon its extensive network of investment managers and asset owners across the globe to ensure companies are meeting with the right investment or voting decision makers. This includes briefing companies pre-emptively about the likely concerns and voting patterns of institutions on the register to ensure executives are well-prepared and across likely questions and topics of discussion.

The 2020 AGM season highlighted that investors are continuing to increase their focus on several non-financial factors that guide voting decisions at shareholder meetings. >



Building these relationships and collating investor feedback for consideration by the board.



# What does this all mean for corporates?

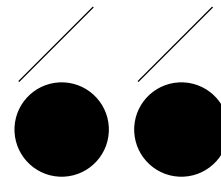
Environmental and social activism has continued to emerge as key issues in 2020. Investor focus on the management and disclosure of environmental, social, and governance (ESG) issues has seen several “strikes” recorded on remuneration reports across the ASX200.

It means that 2020 has presented new opportunities for enhancing investor engagement. The importance of investor engagement at a board level has continued to grow and should be separate from the investor engagement and roadshows that are undertaken by management.

At a board level, the increased focus on non-financial matters by investors highlights the importance of board directors conducting regular “governance roadshows” and meeting shareholders on an ongoing basis. Utilising virtual technology to increase efficiency, these meetings can include the Chairman and Chair of the Remuneration Committee and focus on governance and non-financial factors. Shareholders across the globe are increasingly demanding access to the board to discuss non-financial issues, expecting that directors are well-versed on ESG topics, corporate culture, and stewardship.

With the COVID-19 crisis impacting a broad-cross section of society, investors are also focused on human capital practices and a company’s treatment of all stakeholders across the community.

At a management level, corporates should use the shift towards virtual engagement to enhance relationships with the various constituencies on the register. CEOs and CFOs are increasingly expected to regularly engage with top shareholders throughout the year and not just in the traditional post-results roadshow season. With the acceptance of virtual conferencing technology making meetings more efficient, management should seize the opportunity to communicate the company’s investment thesis and strategy. With COVID-19 compelling many companies to suspend guidance, investors are specifically demanding greater access to management to understand company strategy. Additionally, due to the crisis, investors are currently less concerned with traditional financial metrics such as return on capital and are focused on leadership, supply chain resilience, and human capital management.



**Investor Engagement at a management and board level is the most effective way to understand how the market values your company.**

Investor engagement at a management and board level is the most effective way to understand how the market values your company, or which factors will trigger against votes on director elections or the remuneration report. Morrow Sodali supports its clients to collate, synthesise, and execute on the feedback gathered from investor engagements. Understanding these concerns is critical for retaining the ongoing support of shareholders for your corporate strategy and to reduce the risk of dissident campaigns or negative votes at shareholder meetings.

With technology making engagement with investors easier, Morrow Sodali has been supporting its clients with regular shareholder engagement, at both board and management levels, to build trusted relationships with the various constituencies on the register ●



Contributed by  
**Marc Stanghieri**



# Who is Morrow Sodali

Morrow Sodali is the leading independent global consultancy specialising in M&A advisory, annual meeting services, shareholder and bondholder services, corporate governance, proxy solicitation and capital markets transactions.

From our headquarters in New York and London, and offices in major APAC capital markets, including Sydney, Seoul and Hong Kong, we serve more than 700 corporate clients in 40 countries, including many of the world's largest multinational corporations. Our clients include public and private companies, mutual funds, shareholders, ETFs, stock exchange and membership associations.

## Our Purpose:

We bring together all the expertise, information, technology and resources companies need to effectively engage with their shareholders and other important stakeholders to maximise support for strategic events and business as usual initiatives.



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## Our Services

- Corporate Governance Advisory Services
- ESG Advisory Services
- Proxy Solicitation and Shareholder Meeting Services
- Capital Market Intelligence Services
- M&A Shareholder Engagement Services
- Proxy Contests, Hostile Takeovers, Shareholder Activism and Special Situations
- Retail Services and Additional Capabilities
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