

Global proxy volumes continue to push new highs

Broadridge has processed record volumes through its global proxy service for the second successive year. FSR asks **Patricia Rosch**, President, Investor Communication Solutions (ICS) International at Broadridge Financial Solutions, about some of the key factors that are driving this activity and important developments that are taking place in this industry segment

With share ownership come rights and responsibilities and it is evident that many equity owners around the world are attaching great importance to how they exercise these entitlements and obligations. One indicator of this trend is that, over the past two years, there has been a significant rise in participation rates in shareholder meetings and a sizeable increase in votes cast. During 2012-13, for example, Broadridge witnessed a 13 per cent year-on-year increase in votes processed through its global proxy business (which includes all proxy voting activity processed by Broadridge globally excluding the US and Canada) and this was followed by a 9 per cent rise during 2013-14.

This progressive rise in proxy voting volumes is a reflection of the rising importance that is being attached to strong proxy voting and engagement principles by asset owners with investment interests around the world. Proxy voting

offers an avenue through which asset owners can improve shareholder value and encourage sound governance from companies in which they invest. With this in mind, shareholders are recognising the need for diligent oversight and input into corporate decisions that affect a company's performance. Beyond this, rising proxy volumes may also reflect a growing confidence that asset owners have in the proxy voting infrastructure – an increasingly automated and standardised set of processes designed to ensure that a vote cast is a vote counted.

In the US, work has continued over several years to encourage automation of information flows linked to the proxy voting process – including meeting notifications, circulation of proxy materials, filing and confirmation of votes, and dissemination of meeting results – and this dynamism is now being replicated in other countries around



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the world. In July 2010, the US Securities and Exchange Commission issued a concept release on proxy voting which, inter alia, initiated consultation around the development of electronic mechanisms to confirm to beneficial and registered shareholders that their votes had been recorded and accurately tabulated. Since late 2011, an End-to-End Confirmation Working Group in the US has been meeting on a monthly basis to encourage standardisation and automation across the proxy voting lifecycle. Technologies in use in the well-developed US proxy system have been expanded to support many non-US markets.

This momentum has also been evident across the border in Canada. The US and Canadian markets remain closely linked economically, sustained by sizeable trade and investment flows between the two countries. Currently, 40 per cent of the votable equity positions serviced by Canadian financial intermediaries are held

in US issuers. Given high levels of investment from Canadian asset owners in US companies, and vice versa, there are clear incentives to develop trading, post-trade and investor communication channels that operate on a borderless basis. While an end-to-end vote confirmation pilot project has been ongoing in the US market since 2011, there is strong support from a group of seven large Canadian pension funds and issuers to work with Broadridge and financial intermediaries to identify how comparable efficiency benefits can be delivered across both the US and Canadian markets. Alongside this, a cross-industry Proxy Voting Technical Working Group has been established to encourage more efficient investor communication through the Canadian market for both domestic and cross-border equity investments.

Although the US and Canada have been at the forefront of efforts to promote transparent and efficient proxy voting procedures, we should not see best practice as being a one-way flow from North America to other markets around the world. "Rather, this is very much a multi-way process," comments Patricia Rosch. "In Taiwan, for example, Broadridge has been working with market infrastructure providers, along with sub-custodians and other market participants, to advance proxy voting procedures in the Taiwanese market." This follows advances that have been achieved in Japan, Australia, Singapore and other Asia-Pacific markets (see FSR, April 2013, pp 18-23). "At the heart of this initiative have been efforts to ensure that we have access to full and accurate meetings information at an early stage," explains Rosch. "We have been working with market infrastructure providers in a range of markets to establish a golden source for the voting agenda in order to offer, and deliver, improved information such as director names, thus minimising the need for financial intermediaries to collate, cleanse and reconcile meetings information independently."

In Spain, an end-to-end vote confirmation pilot project has been in motion since 2013 and this is now attracting new market participants. "The pilot end-to-end vote confirmation project is still operating with three

corporate issuers, but the number of participating custodians has increased from six to nine since last year and we have, in liaison with this user community, engaged in some further systems development in order to extend levels of process automation," says Rosch. "Twelve months ago, the project was at a phase where we were providing voting confirmation to the custodian, which would then pass this back to their institutional investor clients. Since this time, we have introduced additional flexibility in how vote confirmations may be communicated, such that the confirmations can now be passed back through the Broadridge platform or through a range of other avenues (including email, mobile or via other vote platforms) to the institutional investor. On balance, we believe this provides an opportunity to

to its own clients with activity in the Indian market. Traditionally, proxy in India has relied heavily on proprietary, non-standard procedures with high levels of manual intervention. In seeking a more automated and standardised process, this custodian client is the first custodian bank in India to outsource automation of the meeting set up, notification and vote collection processes for proxy voting to Broadridge.

In Australia, policy makers have initiated a series of reforms to the country's mandatory superannuation programme. This includes the introduction, from the beginning of 2014, of a package of new, cost-effective superannuation products known as MySuper. All existing superannuation funds may apply to offer MySuper products

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eliminate some of the principal challenges that still confront our industry, including the need to provide final confirmation."

Initial results from this Spanish pilot project have proven highly encouraging. Shareholder participation rates have risen significantly over the past 12 months, climbing from 2 per cent in 2013 to more than 15 per cent during 2014 across the three issuers involved. This rise in participation has corresponded with a substantial rise in validated shares across the three meetings from 4.5 per cent during 2013 to 26.3 per cent during 2014.

As asset owners extend their investment reach around the world, so Broadridge continues to extend the coverage provided by its Global Proxy solution out to new locations. During 2013-14, Broadridge signed its first custodian client in India, facilitating the ability of this custodian bank to deliver automated proxy voting support

and it is expected that, over time, this will gradually replace existing provision. As part of this initiative, the Australian government is also introducing reforms, known as SuperStream, designed to enhance the infrastructure and operations supporting pensions provision, including steps to encourage efficient and automated procedures for proxy voting and end-to-end vote confirmation.

As international investors extend their horizons out to new markets – and they demand efficient mechanisms through which they can exercise their shareholder voting rights – so Broadridge has continued to expand its ICS business to new markets and client segments. Looking ahead, Broadridge's priority is to help its international clients to optimise service levels, increase efficiency and expand into new markets and it is committed to supporting these activities through the continued expansion of its service range. ■