

The matters discussed in this newsletter were addressed during a meeting of the members of the Independent Steering Committee of Broadridge held on March 28, 2018.

#### **ABOUT THE INDEPENDENT STEERING COMMITTEE:**

The Independent Steering Committee of Broadridge (Committee) was formed in 1993 to serve as an independent oversight body charged with monitoring the performance, voting accuracy and readiness of Broadridge and its predecessor firm in conducting the U.S. street name proxy system on behalf of the nation's banks and brokers.

The Committee, organized from within the securities industry with the encouragement of the SEC, consists exclusively of persons who are neither current nor former employees of Broadridge. The members represent the four industry groups involved in the proxy process: issuers, institutional investors, brokers and custodian banks.

The purpose of this newsletter is to share with a wider audience the developments that are shaping the U.S. proxy system and to encourage broad participation in promoting the efficiency and integrity of that system.

Comments or suggestions may be sent to:  
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## REGULATORY UPDATE

The Committee received a report from the law firm of Covington & Burling reviewing the Commission's regulatory agenda and likely areas of focus for the coming year. Priorities for FY2018 include enhanced cybersecurity and risk management oversight, facilitating capital formation for small businesses and protecting retail investors and orderly markets. The report stated that the pay ratio disclosures that had appeared so far in early proxy statements reflected a wide variety of pay ratios, although no enforcement action is anticipated against the higher-end ratios if the assumptions, samples and estimates appeared reasonable.

The report also noted an increase in board-level engagement with institutional investors. It emphasized that 48% of boards had met with institutional investors during the past 12 months, up from 41% a year earlier. Investor priorities for 2018 include increasing board diversity, encouraging board-level expertise that is more aligned with business goals and increased attention to climate risk and the environment.

A review of recent trends in Virtual Shareholder Meetings (VSMs) was provided. Currently 300 VSMs are anticipated to be held in 2018, up from 236 in 2017. Broadridge informed the Committee that the Virtual Annual Shareowner Meetings Industry Committee had completed its Report on Best Practices for conducting VSMs. The report was released on April 11, 2018. The press release and report can be viewed at:

Press release: [Here](#)

Principles and Best Practices for Virtual Annual Shareowner Meetings: [Here](#)

## TECHNOLOGY UPDATE

Broadridge outlined the initiatives, series of load tests and enhancements performed to assure Broadridge's readiness for the 2018 proxy season. Broadridge also described the additional measures taken to further strengthen the cybersecurity, resiliency and disaster recoverability of the proxy process. The bank and broker members, who rely on Broadridge for the processing of their clients' voting processes, expressed their continued desire to be involved in the development and rollout of Broadridge's risk mitigation efforts.

## BLOCKCHAIN VOTING REPORT

Broadridge described an ongoing pilot program involving a small number of issuers and a number of brokers whereby Broadridge will transfer shareholder voting data that is collected in the current proxy-based way onto a parallel distributed ledger. The goal of the pilot is to test the viability of using distributed ledger technology as a basis for future shareholder voting. Broadridge noted that in a future two-party blockchain transaction between a shareholder and an issuer or a shareholder and a broker, Broadridge would be disintermediated. However, given the expense, complexity and expertise needed by issuers and brokers to set up separate and secure shareholder voting Blockchains, Broadridge expects that it will be hired as a "Smart Contractor" by a number of individual firms to design and administer such voting blockchains.

## VOTER INSTRUCTION FORMS: ABBREVIATION GUIDELINES

Mr. Norman referred to previous discussions held with the SEC staff on the nature and use of abbreviations when faced with proxy language that is too voluminous to fit within the standard voter instruction form (VIF). He stated that in his recent discussions with the staff, the staff had expressed the view that the VIF should be revised so that it could allow the same language that appears on the proxy card, rendering the need for abbreviations obsolete.

Members of Broadridge management stated in response they were working on a redesign of an expanded VIF designed to permit full use of proxy card language on the VIF. A prototype of the proposed VIF has been drafted and is being submitted for quality assurance testing, with the goal that the new VIF form will be ready for use in September, the beginning of the 2018 fall "mini" proxy season.

## ANNUAL REVIEW OF MEASUREMENT CRITERIA

Mr. Norman presented a list of the proxy-related functions performed by Broadridge and the turn-around times that the Committee had previously established to assure that those functions were performed more promptly than required by regulation or industry expectation. He noted that members are informed on a weekly basis of compliance with those standards. No changes to the measurement criteria were recommended for the coming year.

## 2017 PROCTOR & GAMBLE PROXY CONTEST DISCUSSION

Broadridge reported on the 2017 hotly contested short-slate proxy contest involving Proctor & Gamble (P&G). Broadridge stated that the preliminary vote count reported by management showed the management slate winning by 6.2 million shares, but the subsequent report by the Inspector of Elections showed the dissident candidate winning by 43,000 shares. Management then challenged the result and started the intensive, vote-by-vote review process. A short while later, management rendered the review process moot by inviting the dissident candidate to join its board. A noteworthy finding of the P&G voting review process was that the uncertainty in the validity of the votes occurred entirely within the registered shares and plan shares, while the votes of all of the street name shares were accepted as accurate and not contested.

## US PROXY PRODUCT DEVELOPMENT HIGHLIGHTS

Broadridge outlined a series of proposed new Broadridge products and services designed for issuers, banks and brokers and institutions. For issuers, these products included an expanded on-line portal, enhanced packaging, distributing proxy material via social media and “keep-in-touch” mailings. For the bank and broker segment, the new products included an enhanced bank/broker portal to permit tracking, search, report generation and secure file transfers, and enhanced corporate action distributions. For institutions, the new services included ProxyEdge account set-up. Members of the Committee from the industry segments targeted by the new products expressed interest in participating in the review of the products affecting their businesses.

## TELEPHONE VOTING

The Committee discussed the matter of continuing to offer telephone voting to shareholders, by far the least used voting option. The greatly diminished levels of use make telephone voting the relatively most expensive voting option to maintain, although it was noted that the telephone option continued to be relied upon by a small but important segment of the retail shareholder base and that regulatory sentiment favored its continuation. Accordingly, no recommendation was made for its discontinuance at this time.

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## Steering Committee Members

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Thomas Broderick – State Street Corporation, *Custodial Bank*

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Lawrence Conover – National Financial Services LLC, *Broker-Dealer*

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Steven Dapcic – Pershing, LLC, *Broker-Dealer*

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Michelle Edkins – BlackRock, *Institutional Investor*

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Michael Garland – The New York City Comptrollers' Office, *Institutional Investor*

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Stacey K. Geer – Primerica Inc., *Corporate Issuer*

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Rick E. Hansen – General Motors Company, *Corporate Issuer*

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Philip Larrieu – California State Teachers' Retirement System, *Institutional Investor*

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Gloria Lio – Bank of New York Mellon, *Custodial Bank*

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Mark S. Lyon – Synchrony Financial, *Corporate Issuer*

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Michael Marino – Credit Suisse, *Custodial Bank*

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James Monahan – Morgan Stanley & Co Inc., *Broker-Dealer*

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Stephen Norman – S.P. Norman & Company LLC, *Committee Chair*

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William J. O'Shaughnessy – Quest Diagnostics, Inc., *Corporate Issuer*

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Valiere Simpson – TD Ameritrade, *Broker-Dealer*

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Chad Spittler – CamberView Partners, *Corporate Issuer*

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Joseph C. Swanson – The Northern Trust Corporation, *Custodial Bank*

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