

Appendix C

Reviews of Proxy Voting in the U.S., U.K., Australia and France

Institutional investors, custodians and regulators in other jurisdictions have also engaged in reviews of the proxy voting infrastructure and the accuracy of proxy votes. Below is a non-exhaustive list of these initiatives.

- **United States.** The Securities and Exchange Commission published a concept release on July 14, 2010 (the **SEC Concept Release**) seeking public comment on a wide range of topics related to the U.S. proxy system. The SEC Concept Release sought input on three general areas: (1) ensuring the accuracy, transparency, and efficiency of the voting process, (2) enhancing shareholder communication and participation, and (3) addressing the relationship between voting power and economic interest. The SEC Concept Release described the concerns related to these three areas that have been expressed by market participants and presented several possible regulatory responses to such concerns.⁸⁰ The SEC received nearly 250 comment letters in response and, as of this time, has not engaged in any rulemaking with respect to the topics addressed by the SEC Concept Release.
- **United Kingdom.** Institutional shareholders, custodians and regulators formed a Shareholder Voting Working Group in 1999 to review impediments to voting shares in U.K. companies and prepared a series of reports between 2001 and 2007. The 2007 report noted the continued problem of “lost” votes and the difficulties in tracing the vote from the investor to the issuer/registrar. The report described a vote tracing exercise conducted by Georgeson Shareholder Ltd. which found that of the votes cast by 25 institutional investors at an annual meeting, 4.97% were “lost”, with the most common reason (49.6%) being that too many votes were submitted on the record date, resulting in the votes being rejected. The 2007 report recommend that the participants involved in the voting process should undertake steps to make the process more efficient and transparent, establish a clear audit trail and urged more companies to undertake tracing exercises to determine whether any votes have been lost.⁸¹ On April 26, 2012, the Institute of Chartered Secretaries and Administrators Registrars Group published a guidance note on the practical issues around voting at general meetings; which among other things, sets out views and guidance on how certain reconciliation issues should be addressed.⁸²

⁸⁰ U.S., *Concept Release on the U.S. Proxy System*, U.S. Securities and Exchange Commission, Release No. 34-62495, (July 14, 2010) at 7, online: <<http://www.sec.gov/rules/concept/2010/34-62495.pdf>>.

⁸¹ Paul Myners, “Review of the Impediments to Voting UK Shares: Report by Paul Myners to the Shareholder Voting Working Group – An Update on Progress Three Years On” July 2007 at 1-2, online: <<http://www.investmentfunds.org.uk/press-centre/2007/20070730/>>.

⁸² Institute of Company Secretaries and Administrators Registrars Group, Practical issues around voting at general meetings (April 2012), online: <<https://www.icsaglobal.com/assets/files/pdfs/guidance/Guidance%20notes%202012/ICSA%20Registrars%20Group%20Best%20Practice%20Note%20-%20Practical%20issues%20around%20voting%20at%20general%20meetings%20-%20April%202012.pdf>>.

- Australia.** In September 2007, the Investment and Financial Services Association (now the Financial Services Council) made submissions to a Parliamentary Joint Committee on Corporations and Financial Services inquiry into shareholder engagement and participation. The submissions noted concerns regarding the integrity of the proxy voting system and recommended legislative and industry based reforms to improve the system. The Parliamentary Joint Committee on Corporations and Financial Services issued its final report on shareholder engagement and participation in June 2008, which included high-level recommendations aimed at improving the integrity of the proxy voting system.⁸³ The Australian government is continuing to consider the recommendations in this report. In September 2011, the Australian Institute of Company Directors published a report that noted continued concern over “lost”, miscounted and discarded votes, and the lack of an audit trail to establish that investor votes have been voted as instructed.⁸⁴
- France.** AMF France established in 2001 a working group on improving the exercise of shareholder voting rights at general meetings, and in 2012 presented a report for public consultation. The working group noted that non-resident institutional investors faced a risk of not having their votes counted at meetings due to the complexity of the long chain of service providers used by these investors and their custodians. The working group also noted that a number of improvements had been made to the voting system in France; however, shareholders who wished to receive relevant meeting information and have their votes counted should consider being registered directly on the issuer’s books or hold shares in bearer form with a French custodian.⁸⁵

⁸³ Parliamentary Joint Committee on Corporations and Financial Services, *Better Shareholders – Better Company: Shareholder engagement and participation in Australia (June 2008)*, online: <http://www.aph.gov.au/Parliamentary_Business/Committees/Senate_Committees?url=corporations_ctte/completed_inquiries/2008-10/sharehold/report/index.htm>.

⁸⁴ Australian Institute of Company Directors, *Institutional Share Voting and Engagement: Exploring the Links Between Directors, Institutional Shareholders and Proxy Advisers (September 2011)* at 8, online: <http://www.companydirectors.com.au/Director-Resource-Centre/Research-reports/~media/Resources/Director%20Resource%20Centre/Research/AICD%20%20ISVotingWeb_FINAL.ashx>.

⁸⁵ Olivier Poupart Lafarge, “Final Report of the Working Group on General Meetings of Shareholders of Listed Companies”, (July 2, 2012) at 23 and 27, online: <http://www.amf-france.org/en_US/Publications/Rapports-des-groupes-de-travail/Archives.html?docId=workspace%3A%2F%2FSpacesStore%2Fa985cfe0-4354-4fca-aba4-234cdf408d74>.