

Electronic Proxy Voting is a Reality

It is needless to say that hundreds of thousands of company meetings take place globally every year, in which shareholders are requested to vote on the most varied issues. It is also needless to say that the hassles of such events, such as the manual collection and processing of significant volumes of votes (which can at many times can result in human errors), as well as the mandatory physical presence requested in many countries for shareholders or representatives can sometimes make the corporate voting process somewhat of a burden and discourage minority voting. Not to mention all of the costs involved.

According to the Society of Corporate Secretaries & Governance Professionals, the voting system has generally been a routine event in the past with company proposals receiving a high percentage of votes (often as much as 90%) without the need of special solicitation efforts, and minority stockholder proposals typically received less than 10% of positive votes, most of which have been done through proxy voting. The proxy voting process has tolerated this since there were very few contested votes. Recently, the Shareholders Communications Coalition launched a website to increase general public awareness on the system by which investors vote their shares in corporate events as many individual investors are unaware of what rights they have when owning equity securities. The effort is aimed at drawing attention to the rules and regulations adopted years ago by the U.S. Securities Exchange Commission (SEC) regarding proxy voting and shareholder communications which need reform.

As shareholder activism increases over the years, the voting process is gaining significant importance where all votes must fairly represent the long-term interests of all stockholders and minority shareholders are also increasingly recognizing that voting is not only a responsibility but a powerful tool that can be used to make their opinions count. Thus, ways to make the voting process easier and better are rapidly evolving.

The electronic proxy voting, where shareholders can vote on corporate issues remotely from computer terminals and votes are received directly by the company without being transferred by an appointed proxy, is one of these ways and has been gaining rapid global popularity over the past years, becoming a global standard of best practices for good corporate governance and proactive investor relationship development. In addition to the benefit of providing timely voting outcomes, the increasing costs savings on printed communication is considered to be in the best interest of shareholders, who also benefit from voting at a distance without being physically present at the meetings or bearing with the costs of appointing a representative.

Anticipating what will be a reality in proxy voting in the near future, MZ Consult, a leading investor relations, technology, financial services and integrated communications consulting firm, which is also responsible for IR Global Rankings,



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recently inaugurated an innovative and unique project called Online General Meetings, which allows for the rendering of digital voting by shareholders and stakeholders through a safe and efficient method. Although the main purpose of Online General Meetings is to provide for the valid submission of digital votes at investor meetings at companies and funds that subscribe to the service, the overall goal of the project is much broader in scope and is in tune with corporate governance best practices. Online General Meetings will not only enhance the number of investors that will be able to effectively participate in the decision-making process of the companies and funds in which they invest, but it will also create virtual spaces for debates and discussions amongst all of the parties involved and, thus, promote unprecedented proximity, transparency, and cohesion.

Online General Meetings has been considered a ground-breaking investor voting project in Brazil and aims at reaching other markets worldwide. The project includes the assistance of the global law firm of Thompson & Knight LLP, through its Brazilian affiliate Tauil & Chequer Advogados, with digital voting certification is issued by CertiSign and is approved by the Comissão de Valores Mobiliários (the Brazilian Securities and Exchange Commission). CertiSign is the exclusive Brazilian provider of products and services provided by the American company VeriSign Inc. and the only Brazilian affiliate of the VeriSign Trust Network. Digital certification replaces the notarization and consular ratification of powers of attorney, which is a legal requirement in certain countries.



The new platform also brings other innovations, including the possibility of real-time audio or video webcasts of the meetings, allowing shareholders to accompany the discussions and decisions as they happen. In addition, companies will be able to implement blogs or forums through which shareholders can exchange opinions and discuss the proposals prior to the meeting.



Online General Meetings represents an important step in improving and strengthening the capital markets by allowing shareholders -- especially minority shareholders -- to play a greater role in company decisions (AGMs/EGMs) at no cost. "One of the many advantages of this service is that we can generate a complete and up-to-date database of shareholders, facilitating companies' access to them and helping build a closer relationship," said Vera Abdo, Financial Services Officer at MZ and responsible for the development of Online General Meetings. "Companies seeking to increase market capitalization and maintain it at high levels through excellence in corporate governance and minority shareholder best practices should enable shareholders to effectively participate in corporate decisions," said Abdo. The new platform will generate even higher levels of transparency, facilitate access to information and ensure equitable treatment for investors.

Although leading capital market environments already have active corporate governance entities which analyze and discuss ways to improve voting processes, it can still be difficult to persuade all market participants that voting, especially minority voting, really matters. For many investors, it is an extremely important process as it is their best opportunity to engage and exercising their commitment with a corporation. We strongly believe that everyone in the capital markets environment should be willing to take the necessary steps to make the voting process more efficient and cost-effective and, although a universal standard will certainly take time to evolve, the long-term ambition is that online proxy voting will become an unarguable global reality.

For more information on this topic or on Online General Meetings, please contact the IRGR team at irgr@mz-ir.com.