

Facilitation of electronic voting in General Shareholders' Meetings

11 Sep 2014

Summary

Listed companies are recommended to offer the possibility of electronic voting and registration to their shareholders (and their representatives) in the context of general (shareholders') meetings.

Situation

Already in 2004 the European Parliament - in its Resolution of 21 April 2004 - expressed its support for the European Commission's intention to strengthen shareholders' rights, in particular through the extension of the rules on transparency, proxy voting rights, the possibility of participating in general meetings via electronic means and ensuring that cross-border voting rights are able to be exercised.

In 2007 the European Shareholders Rights Directive was decided upon. This Directive includes the provision that voting without attending the general meeting in person, whether by correspondence or by electronic means, should not be subject to constraints other than those necessary for the verification of identity and the security of electronic communications. It also requires national legislators to stimulate a mechanism for casting votes, whether before or during the general meeting, without the need to appoint a proxy holder who is physically present at the meeting.

After 2007 individual countries in the EU started implementing the Shareholders Rights Directive. In the same timeframe electronic voting was rolled out operationally in the various countries, including The Netherlands; we have seen a steep increase in listed companies offering electronic (proxy) voting and registration services to their (ordinary) shareholders and this has turned into market practice. Simultaneously trade associations agreed on the Market Standards General Meetings, also aiming at the use of electronic voting. These Standards have been endorsed by all relevant associations including those representing Issuers.

With this change to electronic proxy voting and registration, the internal processes within the custodian banks ('Intermediaries') transformed from manually handling physical proxy forms to digitally processing proxy votes and registration requests from their clients, ranging from retail shareholders to large institutional investors.

Looking at the retail shareholders, the offering and use of electronic proxy voting and registrations are commonly practised and adopted within the EU General Meeting (GM) landscape. The large institutional investors have embraced electronic voting even more, only a very limited number of institutional investors visit GM's as they all make use of electronic proxy voting as much as possible (by themselves or via large proxy service providers). In the end the market (from Issuer to End Investor) is served in the best practical way if all GMs are set up and processed similarly.

Recommendation

Taking into consideration i) the adoption of electronic voting and registration by retail and institutional shareholders, ii) Intermediaries rebuilding their internal systems into an efficient electronic processing, and iii) the objective of the endorsed Market Standards General Meetings, we strongly recommend listed companies to offer electronic voting to their shareholders (including financial intermediaries).

Reference

Reference is made to the "Shareholders Rights Directive 2007" (2007/36/EC).