

February 2, 2021

Report of the End-to End Vote  
Confirmation Working Group  
Operations Subcommittee

Admission of Beneficial Owners to Virtual Shareholder Meetings

**Introduction**

In 2020, some beneficial owners voiced concerns about their ability to seamlessly access virtual shareholder meetings (VSM) hosted by providers other than Broadridge. These concerns have been discussed by the End-to-End Vote Confirmation Working Group Operations Subcommittee.<sup>1</sup>

**Background**

The significant increase in the use of virtual shareholder meetings (VSMs) in 2020 demonstrated that improvements must be made to the process of admitting beneficial shareholders to the virtual meeting. In 2020, in some instances, beneficial owners faced extra steps to enter VSMs not hosted by Broadridge by obtaining a legal proxy in advance and providing that legal proxy to the VSM provider. Subcommittee members and the co-chairs believe the proxy voting industry owes all participants - especially shareholders – a VSM experience that is effortless and meaningful. The industry supports the use of Application Program Interfaces (“APIs”) to enable beneficial shareholders to easily and securely participate in any VSM.s

The Subcommittee has been working for the past nine months on a solution and this statement explains the new processes and procedures. We are issuing this statement now because the 2021 proxy season is approaching, the ongoing pandemic will again require most meetings to be virtual-only and issuers need to describe in their proxy statements the requirements to allow a shareholder to attend a VSM. In addition, brokers have a responsibility to provide to the issuer and its agent, the meeting host, the information necessary to verify that a person who has requested to attend is in fact a beneficial holder of the issuer’s shares.

At an in-person shareholder meeting, beneficial owner access is done via a legal proxy or other documentation, such as a brokerage statement. The Subcommittee has created a suitable

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<sup>1</sup> The broader Working Group was originally convened with the aid of the SEC by industry participants following the SEC’s Roundtable on the Proxy Processing November 2018. The Subcommittee, formed in Q4 2019, consists of VSM providers, PSPs, tabulators, and representatives from issuers, investors, brokers and banks.

process for brokers and their agents to provide what issuers require in a safe and secure way when the shareholder meeting is virtual only.

### **Goal**

It is the goal of the Subcommittee to replicate in a VSM what is available traditionally at an in-person meeting. Historically, at an in-person meeting, a beneficial owner wishing to attend in person and vote would obtain a legal proxy from his or her broker (likely, through the broker's proxy agent, e.g., Broadridge or Mediant). A beneficial owner wishing to attend an in-person meeting but not vote would have the alternative (where permitted by the issuer) to present his/her brokerage statement or other attendance document and be admitted to the meeting. Note that as a technical matter such an individual would not be attending as a shareowner, since s/he would not have a legal proxy from the actual owner, the broker. In either of these circumstances, the issuer would be provided with the identity of the beneficial holder, number of shares owned, and the broker.

The majority of service providers in the Subcommittee were of the view that issuers should receive the name of the beneficial owner, together with the owner's voting entitlement, through any automated validation process. As Co-Chairs, we agree this goal represents the best experience for issuers and owners at a VSM. While Broadridge has developed a solution for beneficial holders to easily and securely participate in meetings hosted by other VSM providers for this proxy season, it believes that more discussion is needed to determine what is the best path forward to ensure the stated goals.

### **Validating a Beneficial Owner**

Subcommittee members propose to implement technology that will enable VSM providers to validate that a beneficial owner is in fact entitled to attend a meeting. This will be done electronically through APIs.

Each VSM platform provider will provide on its platform a place where beneficial owners wishing to attend can input the control number they received from their brokers. Through an API, that control number will be automatically sent by the issuer's agent to the appropriate broker's proxy agent, and validation or denial will automatically be returned to the VSM platform provider. Currently, Broadridge, Computershare, Equiniti and Mediant are developing and integrating this technology. Some Subcommittee members expect other issuer agents (and potentially other broker proxy agents) who process shareholder / beneficial owner records may develop and support APIs to allow shareholders into virtual meetings by whichever entity is hosting them.

Subcommittee discussions resulted in two approaches, as outlined below.

### **Mediant API<sup>2</sup>**

The API designed by Mediant for use by VSM providers will convey the information required by a legal proxy, namely:

Beneficial holder's name, address and/or email address

Number of shares

DTC Participant Number

In addition, to assist the vote tabulation process, information will be included on whether and how the beneficial owner has already voted. This is:

Vote Indicator

Voting String

### **Voting by Beneficial Owners at the VSM**

If a beneficial owner obtained a legal proxy to attend and vote at an in-person meeting, the broker's entitlement is reduced by the amount of shares in the legal proxy, and any vote previously made by the beneficial owner (or by the broker as a "broker vote") would be cancelled. The API designed by Mediant aims to provide a way to admit the beneficial owner to the meeting but cancel any previous vote only if the beneficial owner actually casts a vote at the VSM. Note that this provides greater flexibility than has been available for an in-person meeting.

In a VSM using the Mediant API, if the beneficial owner casts a vote at the meeting, and only if s/he votes at the meeting, any previous vote will be cancelled and the broker's vote will be reduced automatically. This will be enabled by including in the digital legal proxy information on whether the beneficial owner has already voted, and if so, how the beneficial owner voted on each item on the meeting agenda. Any verified beneficial owner attending will be allowed to vote at the VSM on the meeting provider's platform. The meeting provider will reconcile with Mediant after the meeting to cancel any prior vote and ensure that no over-vote has occurred.

Unlike in the physical legal proxy process, if a beneficial owner does not cast a vote at the meeting there will be no need to cancel any previous vote or to reconcile after the VSM.

### **Broadridge API**

Broadridge is providing APIs that create a substantially similar process to meeting attendance and voting that happens currently at Broadridge-hosted virtual meetings. Use of these APIs does not provide to the issuer or its agent the account name of the beneficial

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<sup>2</sup> Mediant is willing to allow other PSPs to use its API, should they desire.

owner, the number of shares held, or an indicator of whether the owner has voted (and if so how). Voting will occur in the normal course through ProxyVote.com.

The stated goal of the Subcommittee this year was to ensure beneficial owner access to virtual meetings in a seamless manner. In the interest of getting to a solution in time for the 2021 proxy season, and to get the necessary technology built to ensure this happens, the Subcommittee deferred discussion on two issues: the release of broker information by Broadridge and the issuance of digital legal proxies. Broadridge maintains that further discussion is needed on these two points. We have to continue these discussions after the 2021 proxy season.

Beneficial owners with a Broadridge control number seeking to enter a VSM hosted by another provider will be validated to the provider. The VSM provider may request the beneficial owner to self-identify in order to be allowed into the meeting. Any vote cast by the beneficial owner at the VSM will be cast via Broadridge's platform rather than on the platform of the tabulator (VSM provider). Broadridge will then transmit the updated file back to the tabulator. VSM providers and tabulators have asked Broadridge to move the transmission of this file to no later than 6 PM EST. Broadridge is reviewing the impact of this change on its clients and will adjust if there is not significant impact.

### **Implementation Dates**

API Effective Date: Mediant, Broadridge, Computershare and Equiniti have committed to the group that the APIs will be effective for meetings on or after March 1, 2021. We believe this is a firm date, subject to completion of final testing and execution of contracts by the parties.

Subcommittee members intend to use both the Broadridge and Mediant APIs as applicable. We expect other VSM providers to follow suit and may connect their platforms to each using these specifications. This report is intended to provide information and certainty to those parties not included in the Subcommittee.

### **Contracts**

Several of the parties are working on a model agreement to operate on a bilateral basis between each VSM provider and Mediant or other broker proxy agent (not including Broadridge). The model agreement is expected to be available by mid-February, and in place before March 1, 2021.

Broadridge has created a separate form of agreement which it will provide to any party that wants to use its API.

February 2, 2021

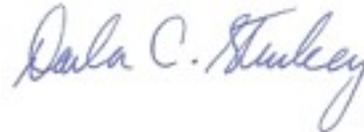
**Conclusion**

We are grateful to all the members of the Subcommittee for their dedication to creating a solution for the 2021 proxy season to allow beneficial owners to electronically access VSMs with ease, regardless of provider. We look forward to seeing how Mediant's API -- a digital legal proxy -- works in practice and reviewing after proxy season. If successful, we hope the digital legal proxy approach will be in place for all shareholders and all providers for the 2022 proxy season.

Sincerely,



Amy Borrus  
Executive Director  
Council of Institutional Investors



Darla C. Stuckey  
President & CEO  
Society for Corporate Governance