

Response to Shareholder Voting Working Group regarding *Shareholder proxy voting: Discussion paper on potential progress in transparency (July 2015)*

The City of London Law Society (“CLLS”) represents approximately 15,000 City lawyers through individual and corporate membership including some of the largest international law firms in the world. These law firms advise a variety of clients from multinational companies and financial institutions to Government departments, often in relation to complex, multi jurisdictional legal issues.

The CLLS responds to a variety of consultations on issues of importance to its members through its 19 specialist committees. A working party of the CLLS Company Law Committee has reviewed **Shareholder proxy voting: Discussion paper on potential progress in transparency** and has the following comments. However, this response has not been approved by the CLLS Company Law Committee itself.

The working party welcomes the discussion paper and the potential solutions suggested in it. We have the following comments:

1. We support all the proposed solutions put forward in chapter 4 of the discussion paper except the proposal to set the record date 2 or 3 days before the proxy appointment deadline. We do not think it would be desirable for the record date to be any earlier than is currently the case. As the 48 hour maximum deadline for appointing a proxy was set when most shareholders used proxies delivered by post we wonder if there is scope to move the proxy deadline to be 24 hours before the meeting or possibly 18 hours beforehand or the close of business on the business day immediately preceding the meeting.
2. We think it would be worth exploring further whether a provision similar to Section 672 of the Corporations Act, 2001 in Australia could be included in the UK Companies Act.
3. We have some reservations about a legislative requirement, at the moment, for institutional investors to disclose their voting activities as part of an annual report. If this proposal is to be pursued we think that the Group should set out in more detail exactly what institutional investors should be required to disclose and some information about the cost of doing so.

4. We note that the Group says that a separate voting system would be extremely costly and out of date before implementation. We also note that no details were provided as to the cost likely to be involved, how long it would be likely to take to set up a system or why such a system would become out of date before it is implemented. It would be helpful if such information could be provided.
5. We know that the issues addressed by the discussion paper are also matters of concern in other Member States and that the Commission continues to be interested in ways in which technology might be used to improve matters. It would be helpful if any UK initiatives could be part of a wider EU initiative or, at least, that any proposed initiatives would be compatible with the approach likely to be adopted in Europe. If they are not, there is a risk that the EU approach will differ and that further costs will be incurred in meeting EU requirements.

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