

May 15, 2014

Director General
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Industry Canada
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Email to: cbca-consultations-lcsa@ic.gc.ca

Re: Consultation on the Canadian Business Corporations Act

This letter represents the comments of Broadridge Investor Communications Corporation (Broadridge) in response to Industry Canada's request for public comment on the Canada Business Corporations Act (The Act or CBCA).

Broadridge is an industry leader in the Canadian financial marketplace, facilitating the proxy communication process since 1987. Our services include delivery of shareholder communications and other documents on behalf of corporate issuers, mutual funds and banks, brokers and trust companies, in compliance with industry regulations. We currently support 70 proximate intermediaries (representing 297 financial institutions) holding securities on behalf of investors of approximately 3,600 Canadian public issuers, as well as custodians and institutional investors. Broadridge's global reach also provides U.S. and other foreign investors the opportunity to receive materials from and participate actively in the voting process for Canadian reporting issuers. Unique to Broadridge is our domestic and global reach and our combined industry, regulatory and information technology expertise. Our clients rely on us to help them efficiently and cost-effectively comply with applicable proxy and disclosure laws and regulations through the deployment of technology-based solutions.

Introduction

The stated intent of the consultation is to ensure that the governance framework for CBCA corporations remains effective, fosters competitiveness, supports investment and entrepreneurial activity, and instills investor and business confidence. Insofar as the quality of the shareholder communication/voting process is critical to ensuring investor confidence and participation, we are pleased to provide our comments to Industry Canada.

Today, capital markets in Canada and elsewhere are facing regulatory challenges. Industry Canada has the opportunity to play a leadership role by amending the CBCA to enhance investor and business confidence by:

- Allowing and encouraging the adoption of notice and access by all issuers
- Ensuring the equitable treatment between registered and beneficial shareholders in the proxy process

The Consultation Paper invites comments on several specific aspects of proxy voting. Our insights, experiences and recommendations relevant to these issues have been framed below:

- Shareholder Rights
- Shareholder and Board Communication

In order to provide context for our responses, we have included a brief description of the proxy voting process. Please refer to the diagram illustrating the operation of this process in Canada – Appendix 1.

Shareholder Rights

“Shareholder voting rights are the foundation of corporate democracy, and a transparent, accurate, efficient and accountable shareholder voting process is fundamental to good corporate governance and the maintenance of market confidence.”

Broadridge concurs with the view that good governance of corporations depends on the accurate, efficient and reliable exercise of voting rights by all eligible shareholders. We value and invest significantly in continuous improvement, particularly in technological solutions that support the principles of efficient information access and delivery (**efficiency**), equitable treatment of all shareholders including those who do not wish to disclose their name, address, and shareholdings (**equity**), and high levels of investor participation in the proxy process (**engagement**). We believe that efficiency, equity and engagement are central to the integrity of the capital markets and its processes, and are the cornerstones of investor confidence and participation. The complete proxy process must operate effectively to ensure those goals are met.

- **Mandatory voting by ballot at shareholder meetings and disclosure of results by public companies**

Requiring vote results to be made publicly available by issuers will foster greater transparency and integrity – and hence confidence – in the proxy system.

When we act as scrutineer, we have the capability of recording votes that are cast either by the show of hands or ballot. Given that the vote has to be counted and recorded, whether via ballot results or through the tabulation of solicited proxies, it is reasonable to assume that it would then be reported publicly, especially since the communications infrastructure to do so already exists.

Furthermore, it should be noted that there are rules that impose obligations on certain institutions to provide their proxy voting records to their investors (such as the duties imposed on mutual funds by Part 10 of National Instrument 81-106—Investment Fund Continuous Disclosure) and there are reporting capabilities that support those obligations. It would seem only logical that issuers should be required to provide similar information to their shareholders, including how vote results are tabulated and if any pro-rating or disqualification of votes occurred. Likewise, investors who submitted votes that were pro-rated or disqualified should be so advised as part of the full disclosure.

- **Individual election of directors and “slate” voting; director election by majority vote**

Broadridge has built the system necessary to permit individual director voting by beneficial owners and majority voting for director elections of reporting issuers.”

In February 2014, the Toronto Stock Exchange (TSX) announced that companies listed on the TSX will have to require their directors to tender their resignations if they do not get a majority of votes in annual board elections. The new majority voting rules will take effect this year for companies with fiscal year-ends from June 30th and will apply to all listed companies except those with a majority shareholder.

- **“Overvoting” of voting rights attached to corporate shares**

Provided legal requirements allow, technology can be used to enhance the efficiency of the proxy voting process and encourage greater investor participation, at little or no cost to participants.

It is essential that any amendments to the proxy rules give issuers, shareholders and intermediaries sufficient flexibility to maximize the use of new technologies as they become available, without compromising investor protection or preferences.

Broadridge has made system enhancements that provide issuers with products and services that encourage transparency and inclusiveness, and that support excellence in corporate governance practices. (For more detail on technological innovations that have enhanced the proxy system, please refer to Appendix 2.)

Such enhancements have been made in the area of over-reporting and “overvoting”. By way of explanation, it must be made clear that there is a distinction between over-reporting and over-voting. Over-voting suggests that votes accepted by tabulators were later determined to be invalid as the votes cast exceeded the available voting position. This almost never happens if all participants in the process properly fulfill their responsibilities. As a practical matter, proxy tabulators’ reported vote outcomes for meetings do not exceed the vote-able shares held by intermediaries or an issuer’s total shares outstanding, so overvoting should not occur. However, “over-reporting” can occur before a meeting. When there are discrepancies in vote-able positions, tabulators typically do not accept vote instructions until they are reconciled. (Please see our update on the implementation of end-to-end vote confirmation in Appendix 3.)



Broadridge provides, free of charge, to its custodian bank and broker clients an Over Reporting Prevention Service (ORPS) to assist them in eliminating instances of over-reporting.

ORPS is a tool that was built to provide intermediaries with an early warning of potentially over-reported positions. It works by comparing intermediary reported positions to their depository positions, taking into account adjustments for transactions such as omnibus positions (including Non-Objecting Beneficial Owner (NOBO) omnibus positions). This provides the intermediary with a share position they can monitor through ORPS. However, the effectiveness of ORPS declines materially with the issuance of a NOBO omnibus proxy since the share positions are then split between the transfer agent and the intermediary records. The intermediaries lose the ability to service their NOBO client accounts and further must adjust their own book of record accordingly.

ORPS uses the Clearing and Depository Services Inc. (“CDS”) and The Depository Trust & Clearing Corporation (“DTCC”) position files to ensure voting instructions that would exceed the number of voting shares held by that intermediary are not forwarded to the tabulator. Under this service, if a vote is received by Broadridge that would result in an over-reporting condition, that vote is held in a pending file. The intermediary is alerted to reconcile the position before the vote will be released and reported to the meeting tabulator. Broadridge does not adjust or prorate any votes received from intermediaries. Broadridge has deployed, at no cost to the intermediary, the ORPS to over 80% of our intermediary clients and is working to have every client in ORPS.

Vote Confirmation

In order to support investor confidence Broadridge has built an end-to-end vote confirmation tool to facilitate necessary communication between the tabulator and the intermediary. The end-to-end communication tool allows the tabulator and intermediary to agree on a share entitlement. Once end-to-end vote confirmation is authorized by the tabulator (or issuer) the intermediary is then allowed to view their voting entitlement on the end-to-end communication platform. If the intermediary believes that their entitlement may be understated, it can request additional entitlement from the tabulator. Both the intermediary and tabulator will use the communication tool to request, explain the reason for the request, and then accept or reject the request. The goal is to identify an entitlement discrepancy and have the intermediary and tabulator agree on the number. Once that is done the shareholders who have a position with the intermediary can access Broadridge’s on-line voting platform “www.proxyvote.com” and confirm their voting instructions. If there is a discrepancy in the voting entitlement of an intermediary between the intermediary and the tabulator, none of the voting instructions from beneficial owners voting through the intermediary can be confirmed. By enabling communication between the tabulator and the intermediary regarding vote entitlement early in the process, any discrepancies can be resolved prior to receipt of the voting instructions. Based on our U.S. and international experience, it is clear that for a full vote confirmation process to work, it demands the active participation of all parties involved in the vote process.

Shareholder and Board Communication

“As part of the trend toward facilitating corporate communication through the use of technology, notice and access provisions have been proposed, which would allow corporations to post documents on company websites for shareholders to download. It was suggested to the Committee that the CBCA should facilitate such provisions on the grounds that they may facilitate the proxy voting process, lower costs and improve efficiency.”

- **Electronic meetings for public companies**

Electronic shareholder meetings allow for better communication between boards and shareholders through increased and enhanced participation in the annual meeting process.

Electronic shareholder meeting solutions have been introduced in certain jurisdictions to help facilitate participation at annual meetings. The shareholder meeting is delivered over the Internet and validated shareholders have the ability to watch the proceedings, post questions and cast their votes. Further legal review in Canada should examine if this technology solution satisfies the CBCA requirements that all participants be able to communicate adequately with each other during the meeting.

- **Facilitation of “notice and access” provisions under the CBCA**

Broadridge: “The Act should permit the use of notice and access for all Canadian issuers, thereby increasing the opportunity to realize even greater efficiency and cost savings for participants.”

In February 2013, amendments to Canadian Securities Administrators’ (CSA) National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* (NI 54-101) and NI 51-102 – *Continuous Disclosure Obligations* (NI 51-102) made notice and access available to Canadian public issuers. Under notice and access rules, issuers have the option to send shareholders small, lightweight, proxy notices instead of the traditional full set packages, while preserving the shareholders’ rights to ask for and receive paper copies of these materials if they so desire. In the 2013 proxy season, over 160 issuers implemented Broadridge’s notice and access solution for their proxy communications. In addition, the percentage of retail shares voted increased by 6% when shareholders received the smaller notice and access package as compared to the traditional proxy package.¹ Broadridge invested in excess of 17,000 development hours to make changes to our infrastructure in order to support the implementation of the new delivery method of notice and access in Canada.

The current consent to electronic delivery requirements under the CBCA impedes the use of notice and access by CBCA companies. This means that more than 700 publicly-held companies incorporated under the CBCA, or 43% of all account holders in Canadian companies², are not permitted to use notice and access. In contrast, in the U.S., all public companies may use notice and access, regardless of their incorporating statute.

¹ Based on the average retail vote return across issuers that used Notice and Access during the period March 1 – June 30, 2013

² Account holders refers to beneficial shareholder records

CBCA section 252.3(2) states that a requirement to provide a person with a document is not satisfied by providing an electronic document unless (a) the addressee has consented in writing and designated an information system for receipt and (b) the electronic document is provided to that information system. Under section 7(2) of the regulations under the CBCA, the electronic document may be provided via notice and access instead of to the information system designated in the consent. However, the CBCA regulation does not eliminate the need for the consent in the first instance.

This restriction affects registered shareholders because the CBCA requires that management send to registered shareholders:

- A form of proxy under section 149(1);
- A management proxy circular under section 150(1); and
- Annual audited financial statements under section 155(1).

The CBCA only deals with beneficial shareholders in limited circumstances. However, it does impose duties on intermediaries under section 153. Under that section:

- Shares must not be voted unless the intermediary sends a copy of the proxy materials for use in connection with a shareholder meeting, including the management proxy circular and annual audited financial statements, to beneficial owners without delay after receiving such material.
- Persons soliciting proxies are required to provide, at the request of an intermediary, the number of copies of materials required to be sent to the intermediary to beneficial owners.
- Failure of an intermediary to comply with Section 153 is an offence by the intermediary and any of its directors or officers who knowingly authorized, permitted or acquiesced in the commission of the offence, punishable on summary conviction by a fine not exceeding \$5,000, imprisonment for up to six months, or both.

Under notice and access, the intermediary would receive from the issuer only the proxy notice. Forwarding this notice without having obtained the beneficial owner's prior consent to electronic delivery may not satisfy the requirements under s. 153(1) to forward proxy materials to beneficial shareholders in order to permit the shares to be voted in accordance with any voting instructions received.

Industry Canada has issued a notice stating that CBCA corporations can apply for an exemption under section 151 to use notice and access for distribution of proxy materials to registered shareholders. However, it noted that its authority to grant an exemption does not extend to the requirement under section 159 to send financial statements to shareholders nor to the requirements applicable to intermediaries under section 153.

The CSA's notice and access process makes efficient use of technology in order to enhance the exercise of shareholders' rights. It recognizes that the efficient use of technology can only be achieved by allowing the use of electronic delivery without an express, prior consent from each shareholder. At the same time it maintains the rights of the shareholders to receive proxy-related materials in their preferred form – paper or electronic.

In our view, it is important that the proxy rules that are in place under corporate and securities laws work together harmoniously. We would recommend that Industry Canada look to the process and requirements set out in NI 54-101 and NI 51-102 with respect to notice and access and adjust the relevant provisions in the CBCA and regulations to incorporate or refer to the CSA delivery and consent requirements.

- **Equal treatment of shareholders in proxy process, irrespective of shareholder privacy concerns**

The proxy communication process in Canada is a robust and dynamic one. However, certain changes should be made to the framework to safeguard the rights of all shareholders – rights they purchased when they bought shares. Good corporate governance and the effectiveness of the proxy system depend on informed decision-making and active participation by all shareholders.

Industry Canada has heard comment that “...the rights of beneficial shareholders be further expanded to include access to other rights of registered shareholders, such as the right to vote and the right of dissent.” The purpose of the proxy process is to provide investors with sufficient information to make informed decisions on the matters to be considered at shareholder meetings.

Our data confirms disconcerting trends related to the delivery of proxy communication materials to beneficial shareholders and subsequent vote participation rates. Increasingly, investors are opting to not disclose their account information. The number of investors opting to be Objecting Beneficial Owners (OBOs) has increased from 20%, in 2002 to 51%, in 2014. However, these investors still want to participate in the voting process in the same manner as NOBOs.

Historically, under National Policy 41, all issuers paid for the distribution of proxy materials to all beneficial owners. Since the introduction of NI 54-101 in 2004, issuers are no longer required to pay for the delivery of materials to OBOs. An increasing number of Canadian issuers have opted to move away from the issuer-pay model for distribution of proxy materials to OBOs. As a result, many beneficial owners, particularly retail shareholders, do not receive the proxy material and the opportunity to vote. (See detailed quantitative data in Appendix 4.)

To put this in context, in 2013, investors holding 37.5 billion shares or 16% of all shares in Canadian reporting issuers did not receive proxy materials from issuers in which they had invested. This problem has arisen because of NI 54-101's differential treatment of OBOs. Shareholders should not have to give up their right to privacy in order to receive shareholder materials. The entitlement of all shareholders, both registered shareholders and all beneficial owners (both OBO and NOBO), to receive shareholder materials should be restored. Otherwise, the retail investor continues to be at risk of being excluded from participating in the proxy process.

While technology continues to support efficiency and cost savings imperatives for issuers in particular, our data demonstrates an emerging trend. In 2013, 24% of issuers who used notice and access did not pay for distribution to OBOs despite benefiting from an average cost savings of \$4.13 per package mailed. (The overall per package distribution cost is reduced to \$0.86 from \$4.99). These cost savings should encourage and make affordable the distribution of materials to all shareholders. The trend toward issuers utilizing notice and access and continuing to not pay for OBO distribution has risen to 31% as of the mid-point of the 2014 proxy season.

Like the inequity in treatment of OBOs and NOBOs, disparate treatment of registered versus beneficial investors may deprive beneficial owners of their voting rights. Registered holders are permitted to show up at the meeting and may vote; no prior filing of materials is required. Beneficial shareholders are able to vote at the meeting, but only if they have appointed themselves as proxyholder with discretionary authority to vote and attend the meeting using the process outlined by intermediaries. The appointment process, however, requires the delivery of a proxy or Broadridge voting report to the tabulator in advance of the proxy cut-off date set under s. 148(5) of the Act, which may be up to 48 hours before the meeting takes place. If the appointment has not been filed by this time, the beneficial owner may be refused entry to the meeting and not be allowed to vote. Consideration should be given to removing the application of the proxy cut off to appointments done by beneficial owners. This would facilitate the equal participation by beneficial owners at meetings.

In closing

The CBCA framework can be amended to facilitate the participation of beneficial shareholders and further improve the efficiency and economy of the proxy process. In fact, many of the technological enhancements to do so are already built and are available to be implemented in support of these types of amendments.

We should all be working to ensure that all investors are recognized and that their right to participate in the proxy process is protected. Issuers need to ensure proxy communications reach all of their shareholders. All investors, regardless of how they hold their shares, must be sent materials, given the opportunity to vote their shares and attend the meetings of the companies in which they have invested.

It has been clearly demonstrated that the application of new and enhanced technologies benefits the efficiency and transparency of the proxy system for all participants. The CBCA framework must permit greater use of these types of technological improvements. This is the opportunity for Industry Canada to review the CBCA with a view to making the necessary amendments that will allow the adoption of notice and access for all Canadian public companies.

We note that the legislation governing federal financial institutions includes similar provisions to those under review in the CBCA. We support the usual practices of the federal authorities to ensure any changes made in the CBCA are mirrored in the financial institution legislation so that the full benefits of the modernization are received by all federal companies and their shareholders as soon as possible.

We would be pleased to meet with representatives from Industry Canada to discuss further the proxy communication process and our technology infrastructure that enables it. We are also happy to provide further quantitative data that may be informative and valuable to Industry Canada as it considers refinements to the CBCA framework.

Broadridge remains committed to improving the proxy system for issuers, intermediaries, investors and all other constituents of this critical capital markets infrastructure.

Sincerely,

“Patricia Rosch”

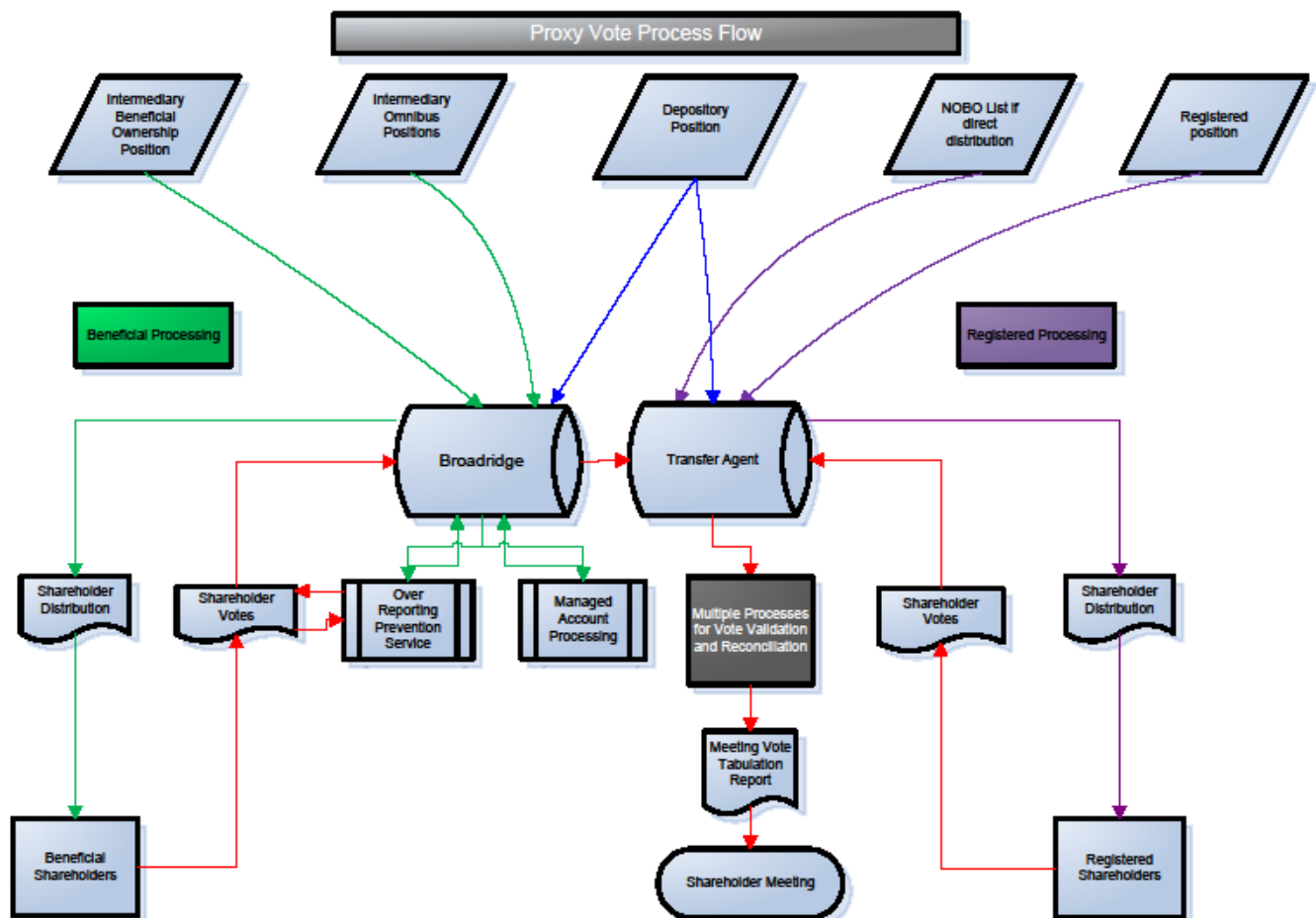
Patricia Rosch
Broadridge
President
Investor Communication Solutions, International

Appendix 1 – The Canadian proxy vote process

The following diagram provides an overview of the proxy voting process and highlights the roles and functions of the various service providers who are responsible for portions of the overall process.

Vote processing consists of multiple channels for shareholders to vote their shares. Each of the various voting methods has a different processing workflow and a different set of controls. These ensure that votes are captured, processed through the system and accurately reported to the issuer or its tabulator.

Broadridge is responsible for collecting and aggregating the voting instructions of beneficial owners who hold shares through an intermediary (70 proximate intermediaries as that term is defined by NI 54-101). On behalf of its intermediary clients, Broadridge distributes proxy materials to beneficial owners and tabulates the underlying votes from them. We provide consolidated voting reports (electronic vote transmission) to tabulators on behalf of proximate intermediaries. The proxy tabulator is responsible for reconciling the beneficial and registered positions.



Appendix 2 – Chronology of technological innovation in proxy and investor communications

Now entering our 27th proxy season, Broadridge continues to deliver innovative solutions that drive efficiency in the proxy communication process. These first-to-market tools include telephone voting in 1998 and Internet voting and Internet delivery of shareholder materials in 2000. The creation of these tools has benefited all constituents. Broadridge’s electronic delivery solutions and data management processes continued to reduce the number of hard copy proxy packages sent to investors by almost 40%. This provided Canadian issuers with cost savings of \$32.9 million in 2013. Further, such innovations address changing demographics and investor behaviour in the Canadian marketplace, increase investor participation and, ultimately, enhanced corporate governance.

Introduced	Service Offerings	Benefits
2014	End-to-end vote confirmation pilot with U.S. tabulators	Industry solution for end-to-end vote confirmations for retail and institutional shareholders using any tabulator
2014	MyService.Broadridge.com for transfer agents pilot	Provides transfer agents with online access to material requirements and voting results.
2013	MyService.Broadridge.com for all issuers	Expansion of service offering to all issuers in support of the issuer delivery preference model
2013	Automated Search Cards – Currently beta testing with a Canadian transfer agent	Automated interface between transfer agents and Broadridge eliminating redundant technologies (e.g. fax, email)
2013	Enhanced Voting Instruction Form (VIF)	Encourages shareholder/vote participation through electronic access while still supporting paper delivery preferences
2013	Quick Response (QR) Codes	Encourages shareholder/vote participation by providing access using mobile devices to “be where the investor is”
2013	Canadian Notice and Access	Improved efficiency; reduces issuer print and postage; 17,000 development hours to build new delivery method
2013	Electronic Omnibus Transmissions – Currently parallel testing with a Canadian transfer agent	Improved efficiency through technology. Automated transmissions to tabulators from Broadridge have streamlined the voting process
2013	Enhancements associated with NI 54-101 amendments	Maintaining and expanding secure interfaces for delivery of data. Improved disclosure; improved efficiency
2012	Enhanced Over Reporting Service (DTCC)	Improved efficiency
2012	Enhanced Vote Reporting	Increased frequency of vote reporting through technology
2011	Quick Vote	Enhanced solicitor service / enhance voter participation
2010	Mobile ProxyVote.com	Encourages shareholder / vote participation; increases vote return
2009	Electronic Shareholder Meeting	Supports shareholder engagement
2009	Shareholder Forum	Supports shareholder engagement
2007	U.S. Notice & Access	Improved efficiency
2007	Over Reporting Prevention Service	Improved vote integrity
2005	Cross-Border Account Management	Improved issuer service
2004	Proxy Disclosure	Enhanced corporate governance
2004	Interactive Securityholder Communications	Reduced issuer costs
2004	Financial Statements Preference Management (NI 51-102)	Integrated two rules to reduce costs, improve shareholder experience
2003	ICS Online (MyService.Broadridge.com)	Improved issuer service

Examples of recent solutions developed by Broadridge that are now being used by companies and their investors in Canada, the U.S. and globally.

Electronic Delivery

Broadridge's electronic delivery solutions and data management processes continued to reduce the number of hard copy proxy packages sent to investors by almost 40%. This provided Canadian issuers with cost savings of \$32.9 million last year.

Electronic Shareholder Meeting

Electronic Shareholder Meetings allow for better engagement with shareholders through increased and enhanced participation in the annual meeting process. The shareholder meeting is delivered over the Internet and validated shareholders have the ability to watch the proceedings, post questions and tender their votes.

Shareholder Forum

Shareholder Forum has been designed to provide an online meeting place where corporate issuers can interact with their institutional and retail shareholders.

Enhanced Broker Internet Platforms

Enhanced Broker Internet Platforms provide access to investor communications, including proxy information, through broker web sites. It also allows shareholders to vote directly from a familiar and secure site. These platforms, including Broadridge's Investor Mailbox, have proved to significantly increase the number of affirmative consents to e-delivery and provides an additional cost-effective channel for notifying shareholders of annual meetings, electronic forums, and other communications activity.

Mobile ProxyVote@.com

We have seen significant adoption of our Mobile ProxyVote.com in Canada. Mobile voted shares increased by 56% in 2013. Mobile ProxyVote.com allows an array of mobile devices to seamlessly integrate with our online voting site, ProxyVote@.com, through a sophisticated graphical and secure interface.

QR Codes

In the 2012 proxy season, Broadridge launched a U.S. pilot program featuring Quick Response (QR codes) on voting forms for six issuers sent to over 1.1 million shareholders. QR codes are incredibly data-rich, and by scanning them with a smart phone or tablet, investors are immediately directed to the voting site. In 2013, VIFs for Canadian issuers included a QR code to encourage voter participation and help reduce costs through the use of electronic communications.

Appendix 3 – Vote confirmation solutions

Vote Confirmation Service

Broadridge has developed a Vote Confirmation system for institutional investors utilizing Broadridge's ProxyEdge® product, a web-based meeting notification and voting platform. Vote Confirmation acknowledges that a vote instruction has been given and the shares corresponding to the instruction have been counted and will be represented at the shareholder meeting. Confirmation of the vote is relayed back through ProxyEdge to the institutional investor as a "flag" indicating that the position is confirmed and accepted. The service is only available when Broadridge is acting as tabulator. Since November 2013, Canadian institutional investors and financial advisors who subscribe to ProxyEdge and where Broadridge is the meeting tabulator acting on behalf of the U.S. issuer have access to the vote confirmation flag on ProxyEdge, enabling them to receive confirmation of votes received, tabulated and accepted at the meeting. It should be noted that Broadridge's Vote Confirmation Service is a precursor to end-to-end vote confirmation. While the service is available only to institutional investors, the end-to-end vote confirmation service currently being piloted in the U.S. extends confirmation to retail shareholder votes as well.

End-to-End Vote Confirmation

In December 2010, the University of Delaware, Alfred Lerner College of Business and Economics, Corporate Governance Center hosted a roundtable to explore an industry-wide solution for end-to-end confirmation for shareholder votes (the Roundtable). With an emphasis on developing practical solutions, the Roundtable invited persons actively engaged in and knowledgeable about all areas of the shareholder voting process. The goal of the Roundtable was to address existing concerns regarding the integrity of the shareholder voting process within the U.S. and to identify and develop realistic and achievable steps to strengthen the integrity of the process, from end-to-end.

The first pilot program was undertaken in 2011. The facility was successfully developed to give all shareholders the opportunity to access a website, either directly or via Broadridge's Internet voting website, proxyvote.com, and by entering a control number to receive confirmation that their votes were recorded as instructed. The system functions for all shareholders whether they are retail or institutional or whether their shares are held in registered form, beneficially in street name, or in employee plans.

Building on the success of the 2011 pilot, the end-to-end vote confirmation program was extended in 2012 to a larger number of issuers. A total of four issuers participated and over 1.5 million institutional and retail shareholders were provided the opportunity to receive confirmation that their votes were recorded as instructed. The interest continued to grow and six issuers offered their retail and institutional investors end-to-end vote confirmation during the 2013 proxy season.

In order to progress the development of an end-to-end vote confirmation solution, the University of Delaware Roundtable Group formed the end-to-end vote confirmation Working Group (the Working Group), comprised of policy and operational representatives from Broadridge, transfer agents, intermediaries, brokers, issuers and DTCC. The Working Group has been meeting monthly to work on industry standardization and testing of technological solutions for end-to-end vote confirmation. Broadridge has built the facility for end-to-end vote confirmation. The solution will be available to all participants, regardless of who acts as the meeting tabulator.

The Working Group has identified the following milestones and target dates for implementation:

- Automation of the omnibus proxy files (Completed February 2012)
 - Electronic transfer of omnibus proxy
- Account adjustment enhancements (Completed November 2013)
 - Create greater flexibility and efficiency for broker account position adjustments (Completed)
- Instant messaging communication tool (Completed January 2014)
 - Provides direct communication between custodian and tabulator
- Custodian enrollment in ORPS (2014)
 - Clients utilizing Broadridge as a proxy service provider will be enrolled in ORPS. Votes will not be issued unless entitlement via DTCC/CDS or omnibus proxy is received
- Omnibus review (2014)
 - Confirm respondent intermediary positions for accurate omnibus reporting
- Exception Processing File (2014)
 - Refine file layout

In October 2013, the Working Group agreed on a tactical solution for end-to-end vote confirmation for the 2014 proxy season.

- Five of the major U.S. tabulators agreed to provide five issuers each to pilot the confirmation process for proxy season 2014
- Broadridge will build a communication tool that will allow the custodians/tabulators to verify and rectify any share differences
- Process will allow for pre- and post-reconciliation by brokers, but will not release any voting to the tabulator that exceeds the vote entitlement

Broadridge is leveraging the investment in research and development and IT infrastructure made in the U.S. and applying it to an end-to-end solution for the Canadian market. Building an omnibus delivery service based on Broadridge's current electronic vote file transmission service is the most logical way to do so. Since this service was introduced in 2013, only one Canadian tabulator is participating in the omnibus transmission service.

Modifications for the Canadian market need to be made in order to accommodate choices provided to issuers, intermediaries and investors under the current proxy rule. The rule provides options related to meeting selection, payment overrides, and delivery method. Despite the best intentions to improve on an already well-functioning proxy system, the concepts of greater vote transparency envisioned through end-to-end vote confirmation and vote reconciliation are diminished in a system that allows proxy meeting material to be delivered to OBO shareholders at the payment discretion of the issuer or an intermediary. This contradicts efforts to build greater transparency in the system through vote reconciliation and end-to-end vote confirmation.

Broadridge is examining opportunities to introduce end-to-end vote confirmation in other local markets globally. A pilot program of end-to-end vote confirmation for institutional investors was conducted in cooperation with a registrar in Spain in 2013, and this initiative was expanded in 2014. As the prominence of vote transparency continues to grow, there is also continuing dialogue with issuers and institutional investors in the U.K., Canada and Taiwan.

Appendix 4 – Growing propensity to not pay for distribution to OBOs

