

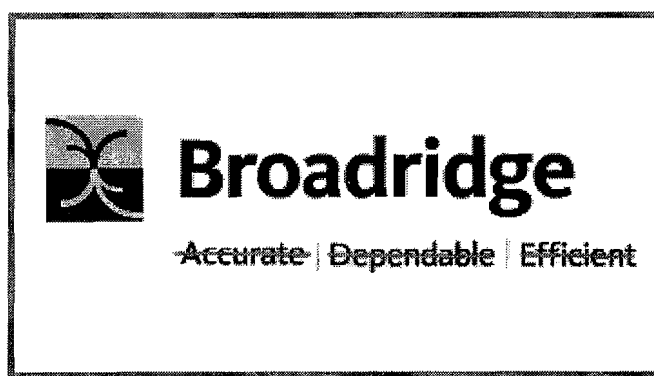
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In proxy voting messes, Broadridge a common denominator

Posted By [Dominic Jones](#) On August 5, 2008 @ 4:47 pm In [Corporate Governance](#), [e-proxy](#) | [2 Comments](#)

AN ADMISSION from Broadridge Financial Solutions Inc. (NYSE:BR) that a basic system glitch caused it to undercount votes against directors in Yahoo! Inc.'s contentious annual meeting is just the latest in a string of recent problems where the company has been implicated.

Questions were raised about the outcome of the Yahoo! meeting — perhaps the highest-profile meeting of the year thus far — when it appeared that the company's directors received unusually high shareholder support considering widespread investor displeasure with the company.



Major shareholder Capital Research & Management asked Broadridge, which last year processed about 70% of all shares voted in US companies (see page 11), to investigate whether its withhold votes against the directors were correctly counted.

On Tuesday, Broadridge told the Wall Street Journal's Kara Swisher that there had indeed been an error in the vote counting. Although this did not change the outcome of the vote, opposition to Yahoo!

CEO Jerry Yang more than doubled after the recount.

Chuck Callan, Senior Vice President Regulatory Affairs at Broadridge, characterized the glitch as "an isolated incident" and said:

"Broadridge has determined that the situation was unique — a truncation error occurred when shares withheld for a specific director in a specific nominee exceeded 8 digits and were reported to the tabulator in paper format. Broadridge has fixed the problem. Further, Broadridge has verified that over the past 18 months there were no other meetings with reports that included this unique combination of factors. The review is ongoing for meetings occurring before then."

Despite assurances from the company that the gaffe was an "isolated incident" or "unique," the fact that Broadridge is so vital to the integrity of the US corporate proxy voting system means that **errors as basic as a system not being able to print numbers with more than 8 digits should not be easily excused.**

Also, it seems clear to me that **Broadridge cannot say for certain that the same or similar problems do not exist at other "nominees,"** by which it means banks or brokerage firms that have outsourced its clients' proxy voting to Broadridge, which about 90% do.

If you read between the lines of "unique combination of factors," Broadridge is saying it has only checked for possible errors at this one brokerage or bank that handled Capital Research's voting, and only looked for

votes higher than 8 digits over the past 18 months. What about the **other 300 or so banks and brokerages** that have outsourced their proxy services to Broadridge? And what about other potential system problems?

I would usually be willing to give a company the benefit of the doubt, but this is not the first indication that all is not well with Broadridge's systems. During the recent proxy season, I reported how their systems hosting companies' proxy statements and annual reports have been slow and unresponsive, and how companies have blamed them for poor retail shareholder turnout at their meetings.

Meanwhile, shareholders have been complaining publicly about difficulties in receiving proxy voting instructions or materials from Broadridge, and their marketing around the SEC's notice-and-access process has left much to be desired. I have also been hearing privately from companies that they have seen **unexplained increases** in the number of shareholder accounts on their voting lists after moving to notice-and-access meetings.

For me, this latest admission about problems with Yahoo!'s meeting is the final straw. **I own shares in Broadridge**, so there's no incentive for me to badmouth the company. But given Broadridge's unique role in the proxy voting system, I believe the company should hire an independent firm to audit its systems and then issue a public report on their soundness.

As a commenter, Eric L., on Kara Swisher's site put it:

Holy crap. I'm surprised Broadridge's stock isn't down more on this. For a company that does this kind of thing for a living, it's pretty amazing they don't have some oversight process that would have caught this error. I know mistakes happen but if it's your business, you make sure they're caught, particularly on what is probably the highest profile directors vote they'll do this year. Not sure why anyone would even think about using their services now...

Update: The comment I referred to on Kara Swisher's post was deleted after I published this post. That is why you cannot find it if you follow the link.

Update 2: BetaNews has the best report on the Yahoo! recount that I've read. See Huge correction: More opposition to Yahoo's Yang than first tabulated

Update 3: The Race to the Bottom Blog says "the role of Broadridge represents a gap in the regulatory system." Some good points.

Disclosure: I own shares in Broadridge.



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