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## Turkey moves first on e-voting

E-voting option via  
'e-GEM' compulsory

Better transparency  
of Istanbul listings

By Ellen Kelleher

Turkey has broken fresh ground by becoming the first country to require companies listed on its stock exchange to allow shareholders to vote via an electronic platform.

From this month, the 888 companies listed on the Istanbul exchange must let shareholders, custodians and intermediaries vote for directors and proxy issues via "e-GEM" - a single electronic platform overseen by the Central Shares Depository known as MKK, a

division of the exchange. Annual general meetings will be broadcast in real time via streaming video. Shareholders can log in and register votes prior to meetings and change them while the meeting takes place. The platform will also allow shareholders to communicate with each other.

"Investors can watch the general meeting and...ask questions and vote online on the e-GEM system," said Melsa Ararat, director of the corporate governance forum with the Sabanci University School of Management in Istanbul.

The move is seen as a coup for institutional investors with Turkish holdings as it ratchets up the transparency of Istanbul-listed groups and empowers them to embrace an activist

approach. Institutional shareholders hold more than half of the shares traded on the Istanbul exchange, according to the Sabanci University forum. Bruce Babcock, president of Investor Communications Solutions (ICS) International at Broadridge, a UK-based e-voting specialist, applauded Turkey's move as "a great development" for both institutional shareholders and the corporate governance community.

"Investors can watch the general meeting and...express opinions, and vote on e-GEM"

"We now get information from Turkish banks about an AGM in Turkey and enter all the information into our system," Mr Babcock said. "They are creating a central electronic portal from which you can obtain information about meetings."

While electronic voting is common practice across Europe and the US, it is not compulsory and paper filings remain acceptable currency. Outside Turkey custodial banks usually bear responsibility for orchestrating e-voting for institutional shareholders, rather than the company itself.

The development will force Istanbul-based companies to scramble to get records entered into the system in time for the AGM season in March.

## Pensions pessimistic over target returns

By Ruth Sullivan

Pension funds are gloomy about achieving the target returns they need to cover their liabilities over the next five years, with Europeans the most downbeat, according to research by Pyramis Global Advisors.

Some 86 per cent of the 600 public and private defined benefit pension schemes polled did not expect to meet their targets. The number rising to 51 per cent in Europe, against 40 per cent in Canada and 29 per cent in the US.

Such low expectations are driving more than half of global investors to rethink their asset allocation with 38 per cent planning to increase their use of illiquid asset classes such as real estate and infrastructure. "This is the biggest surprise. Pension funds are driven by the need for higher returns so are taking more risk," said Young Chin, chief investment officer at Pyramis.

## Pension deficits shrink by a third

By Robert Cookson

FTSE 350 pension schemes

Britain's biggest companies saw their pension scheme

Deficit (£bn) ■■

— Funding level (%)

market measures of implied long-term inflation fell sharply last month. Implied inflation, which

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## **Istanbul Stock Exchange Moves First on Mandatory Electronic Voting**

Posted by Noam Noked, co-editor, HLS Forum on Corporate Governance and Financial Regulation, on Tuesday November 6, 2012 at 10:04 am

**Editor's Note:** The following post comes to us from Melsa Ararat and Muzaffer Eroğlu, faculty at Sabancı University School of Management and University of Kocaeli Law School, respectively.

### **Abstract**

Turkey's New Company Law paved the way for its national stock exchange to be the first in the world to require the issuers change their company statutes in order to allow electronic participation and voting at their general assemblies. A recent regulation mandated all listed companies to use a single electronic portal to allow shareholders to participate and vote electronically in general assemblies with immediate effect. The move is one in a series of reforms in support of Istanbul International Financial Center Project. The Financial Times refers to the new regulation as a coup for international institutional investors with Turkish holdings as it increases the transparency of ISE listed companies and empowers them to embrace an activist approach. This commentary discusses the possible consequences of the new regulation.

### **1. Introduction**

"Regulation Regarding Participation to General Meetings of Joint Stock Companies on Electronic Medium" (EGMS Regulation) issued by the Turkish Republic Ministry of Customs and Trade on the 28th August 2012 (no: 28395) and associated procedural rules [1] marked Turkey as the first country to require companies listed on its stock exchange (Istanbul Stock Exchange, ISE) to allow shareholders, custodians and intermediaries to participate and vote at general shareholders meetings (GMs) via an electronic platform. Article 1527 of the New Commercial Law [2] (NCL) established the legal basis that electronic participation and voting have the same legal consequences as physical participation and voting for all joint stock companies, while providing electronic GMs compulsory for listed companies. The electronic platform for GMs has been introduced to remove barriers to effective cross-border voting whilst also complying with developing international standards. [3] The new regulations also provide the procedures for unlisted joint stock companies to offer electronic GMs on an optional basis. [4]

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## Corporate Governance Roundup: New Rules in Canada, Switzerland, U.K., and U.S.; Proxy Voting Innovation in Turkey

Paul Cough, CFA, CFP® (@paulcough)

2 November 2012

Asia-Pacific, Boards of  
Directors, Corporate  
Governance, EMER,  
ESG, ASB, Proxy,  
Standards, Ethics &  
Regulations (SER)



Updating Canadian rules for  
director elections, Indonesia's  
Bumi drama, Turkey's electronic  
proxy voting system, and ISS'  
proposed policy changes

### Canada

In October the Toronto Stock Exchange (TSX) strengthened corporate governance rules for listed companies, requiring updated rules for director elections after consultation with the Ontario Securities Commission (OSC). The changes will end the use of slate elections and require directors to be elected both individually and on an annual basis. The changes also require companies to publicly disclose the vote results of board elections. In a slate election, shareholders can only vote on the board as a whole, which can get in the way of board accountability.

TSX has also adopted a 'comply-or-explain' approach that will require companies to disclose

whether they have adopted a majority voting policy for uncontested director elections, and to disclose whether a director received a majority of 'withhold' votes in cases where majority voting has not been adopted.

### Indonesia

As you may have already read in the excellent summary of the corporate governance drama at Bumi PLC, corporate governance standards in the Asian archipelago took a hit in October. Nathaniel Rothschild resigned from the company's board after he helped launch an investigation into alleged irregularities at the company's Indonesian operations.

The catalyst for the troubles is one we have seen before — a margin call of company shares owned by a large company owner that were pledged as collateral for loans. Rothschild and many investors are now gone, but an investigation into the company is ongoing.

### Latin America

The Latin American Companies Circle, sponsored by the International Finance Corporation (IFC) and Global Corporate Governance Forum (GCGF), issued a report in October stating that boards should undertake regular independent evaluations and share information on board elections and management pay. The report recommendations follow on a 2010 report of corporate governance in Latin America that found such evaluations and pay transparency rare. Let's hope the 2014 update includes increased disclosure.

### Turkey

Look to Turkey for corporate governance innovation. In October, Turkey became the first country to require issuers to offer electronic proxy voting with the 1 October inauguration of a voting platform called e-GEM. The system will stream annual general meetings (AGMs) real time and let shareholders communicate with each other, vote before the meeting, and even change their vote as an annual meeting occurs. Other markets have e-voting but do

not require it of all listed companies. Expect other markets to keep an eye on this development, especially if investors like it.

### Switzerland

Say-on-pay votes are here to stay. Most recently the Swiss fund adviser Ethos voiced support (report in French) of a government proposal concerning a nationwide Swiss referendum calling for binding shareholder votes on executive remuneration. The government proposal calls for advisory shareholder votes that can be made binding if a separate shareholder ballot to change the firm's articles of association passes. The proposal would also allow advisory votes on severance payment bans, annual director elections, and election of the board chair at the AGM. In a competing plan, such votes would all be mandatory. The government proposal will automatically take effect if the referendum fails in the 3 March 2013 ballot.

### U.K.

Draft regulation in the U.K. proposes that issuers publish a stand-alone report on business strategy, executive pay, and ESG issues simplifying the annual report burden and making pertinent information more accessible to investors. The draft rules result from proposals first made last year by British Business Secretary Vince Cable. Not coincidentally, a new paper by the Financial Reporting Council (FRC) recommends that the International Accounting Standards Board (IASB) develop guidance on materiality in order to engender more comprehensive disclosure.

### U.S.

Besides Halloween and freak storms in the Northeast, October brings the Institutional Shareowner Service (ISS) draft policy changes. The updated policy changes cover:

- Board response to majority-supported shareholder proposals (U.S.)
- Director over-boarding (Hong Kong and Singapore)
- Board tenure exceeding nine years (Hong Kong)

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## Turkey's e-GEM Beats Broadridge at Shareowner Communication

James McRitchie, NOVEMBER 8, 2012



Turkey became the first country to require issuers to offer electronic proxy voting with the 1 October inauguration of a voting platform from MKK called e-GEM. The system will stream annual general meetings (AGMs) real time and let shareowners communicate with each other, vote before the meeting, and even change their vote as an annual meeting occurs. Other markets have e-voting but do not require it of all listed companies. Expect other markets to keep an eye on this development. (Corporate

Governance Roundup: New Rules in Canada, Switzerland, U.K., and U.S.; Proxy Voting Innovation in Turkey, Matt Orsagh, CFA, CIPM (@mattorsagh), CFA Institute) (Istanbul Stock Exchange Moves First on Mandatory Electronic Voting, Harvard Law School Forum on Corporate Governance, 11/6/2012)

I like the fact that their system allows partial and split voting, whereas in the US one often has to actually attend the meeting to split votes. One of the more exciting elements of e-GEM is the ability of shareowners to communicate with each other. However, it appears such communications may only be during the 21 day period in advance of and during the AGM. Here is an October 8th article from FT in pdf (download e-GEM-FT). Slightly more helpful is this PowerPoint-like presentation. I'd love to get a report from anyone who has first-hand experience with the system.



Broadridge

Broadridge facilitates virtual meetings and hosts a shareowner's forum here in the U.S. While most of us like hybrid meetings, which allow shareowners to join annual meetings virtually, we oppose virtual-only or lockout meetings.

See Virtual Lockout at Corporate Meetings: Occupy Some Other Space. While Broadridge facilitates both hybrid and lockout meetings, e-GEM facilitates only hybrid meetings. Broadridge could learn something from the Turks.

Broadridge used to have a shareowner's forum that allowed validated shareowners to communicate with each other. Unfortunately, Broadridge and the companies discussed in the forum did little to monitor and facilitate the conversations, so the forum degraded into the usual focus on pumping and dumping one sees on other forums that focus on day trading. It was rare to find any meaningful or intelligent conversation.

Broadridge revamped their Shareholder Forum but it no longer lets shareowners communicate with each other. Instead, issuers can post messages to shareowners and shareowners can submit questions to their companies prior to the annual meeting.

As I checked on November 7th there were only three companies listed on the forum. Broadridge, Microsoft and Intel. I logged on as a Broadridge owner and saw they had a survey on what shareowners liked about the company and on future directions. Users could see at least some evidence of how 39 other participants answered. (I'd guess most of the participants on the Broadridge company site work for Broadridge.)

While these tools are somewhat useful, they are a far cry from encouraging real meaningful input into corporate governance, which at a minimum requires the ability of shareowners to communicate with each other. Let's hope the e-GEM forums in Turkey fare better.



Aside from Broadridge's Shareholder Forum, those of us in the U.S. several other shareowner forums including StockTwits, SeekingAlpha, The Motley Fool, STOCKR and others but most are primarily focused stock-picking and market-timing. Although stock-picking is an important element of equity investing, too many participants are engaged in hype... hoping to pump and dump stocks to obtain short-term gains. With the United States Proxy Exchange centralized activities now suspended for a year or two, we will need to wait for Sharegate.com for a much more robust system with tools that actually facilitate the ability of shareholders to act like shareowners.

"Corporations determine far more than any other institution the air we breathe, the quality of the water we drink, even where we live. Yet they are not accountable to anyone." (Power & Accountability) Participate to ensure accountability! Research fund votes: Proxy Democracy and FundVotes. Find voting guidelines and meeting dates: FundVotes. Rate coverage: VoterMedia.org. Network, Lobby, file proposals US Proxy Exchange (USPX). Follow Corporate Governance on Twitter. Visit our corporate governance bookstore.

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## AGM reform should focus on technology

15 November, 2012 Leanne Mezrani 0 comments

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Australian AGMs need to catch up with technology, according to the convener of the Corporations and Markets Advisory Committee (CAMAC), who believes the Federal Government should take cues from Turkey, which has forced listed companies to allow shareholders to vote electronically.

Joanne Rees (pictured) told in-house lawyers at the ACLA National Conference last week (8 November) that CAMAC is advising the Government on AGM reform, which includes the option of making the mainstay of the corporate calendar optional.

She claimed that there is a steady decline in shareholders attending AGMs, with only around five per cent of the top 200 companies drawing more than 500 shareholders to the meeting.

More significant, according to Rees, are improvements in technology and continuous disclosure requirements that have resulted in the regular dissemination of company information via briefings, teleconferences and webcasts.

"Some say [the AGM] is a 19<sup>th</sup> century activity that's no longer relevant in a technological world," she said.

Last month, Turkey became the first country to require listed companies on the Istanbul Exchange to offer electronic voting at AGMs. The digital platform, called e-GEM, which was launched under the new Turkish Commercial Code, will stream the AGM in real time and allow shareowners to vote before the meeting or even change their vote while the AGM is in progress.

In response to a Government request for advice on AGMs, CAMAC presented the following options: limit the AGM to deliberative and decision-making functions; separate the decision-making function; make adjustments depending on the characteristics of the company (eg listed versus unlisted), or abolish the requirement for an AGM.

Rees admitted that the latter is unlikely: "I'd be astonished if this happens now ... it would be a world first."

While she doesn't believe that companies should be allowed to scrap their AGM, Rees would like to see the AGM modernise.

"I would be loathe to see the abolition of the AGM, for no other reason than I think it does focus company attention on the need to actually engage with their shareholders, but I do query whether there are better ways to do that," she said.

The view of CAMAC is to limit the AGM to deliberative and decision-making functions only, she added.



## **Shortlist**

### **8. Best Use of Online Services**

Bank of America Merrill Lynch  
Barclaycard EPDQ with Powa  
Deutsche Bank  
Lloyds Banking Group  
MKK Central Securities Depository of Turkey  
National Australia Group (Europe)  
RBS

<http://www.fstech.co.uk/awards/shortlist.php>