

## Understanding The Need For Proxy Voting

A proxy is an agent legally authorized to act on behalf of someone else. When shareholders are unable to attend corporate meetings they can still cast their votes by using a proxy, who votes on their behalf. In order to do this the proxy needs to produce a power of attorney document.

Generally the company sends a letter to shareholders, prior to any meeting. This letter contains several documents providing information about the company's growth, performance, its management, information about changes in the share structure, notices about any mergers or acquisitions and anything else pertaining to the functioning of the company, which may interest the shareholders. In short this letter would contain all the matters that shareholders might vote on during the meeting. Along with these documents, there is a form, which allows shareholders to vote by a proxy if they cannot attend the meetings in person.

### Importance of Proxy Voting

Shareholders must carefully study all the documents provided and cast their votes. This is the primary method by which a shareholder can influence a company's operations, its corporate governance, and other important issues. Therefore voting and making their decisions clear is very essential for a shareholder. Hence, when voting in person is not possible, proxy voting becomes essential for a shareholder. Usually a shareholder has the right to cast one vote per share he owns, so it is important that the shareholder casts his vote at least by a proxy. Proxy voting enables a shareholder to own shares of companies registered all over the world and influence every one of those companies' decisions.

### The Role of Institutional Investors

Thanks to the Internet, several large institutional investors can post their decisions online explaining their stance and making small time investors aware of why they have made their choice. They use proxy voting guidelines, helping proxy voters to know their views about the matters to be decided on at the meeting. These institutional investors can urge the company to alter or at times even withdraw some of the proposals making the institutional investors' proxy voting guidelines fairly important.

### Proxy Voting - Service Providers

The Internet has made it very easy for shareholders to cast their proxy votes online. Proxy service providers, such as EquiServe, Automatic Data Processing and other such companies deliver the documents in an automated electronic format and the shareholders merely have to fill out the form and cast their votes. They log in using a personal number or a code number assigned to them and cast a vote for or against the corporate resolution proposed.

### Nominating Board of Directors

Companies also allow shareholders to nominate members to the board of directors. It is a refreshing change to get to nominate directors, for the shareholders can elect an appropriate person who will guide the company to better, above-average growth and ensure good corporate governance in the company. However the wrong choice can lead to someone with no experience or direction causing a lot of harm to the company. Shareholders can vote on such matters as election of directors and auditors as well as the choice of acquisitions and mergers.

### The Role of Internet

Owing to the excellent choice of software available to enable the process of proxy voting it is simple and easy for a shareholder, within a matter of a few minutes, to cast his vote by a proxy through the Internet or by a simple phone call. The Internet has made it possible for an investor to own shares of companies across the globe and cast votes for every one of them in a fairly simple manner, allowing the investor to influence the companies' decisions regarding corporate governance and other important issues.

Source: <http://www.articlecircle.com>

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