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Friday, 30 October 2015

Dear Jude

SHAREHOLDER PROXY VOTING: DISCUSSION PAPER ON POTENTIAL PROGRESS IN TRANSPARENCY

Computershare Limited (Computershare) is a global market leader in transfer agency and share registration, employee equity plans, proxy solicitation and stakeholder communications. We have unparalleled experience across global markets in administering shareholder voting and other shareholder entitlements, including dividend payments and operate Issuer Agent services across many European Member States. Computershare is renowned for its expertise in high volume transaction processing and reconciliations, payments and stakeholder engagement. For more information, please visit www.computershare.com.

Computershare appreciates the opportunity to provide feedback to the discussion paper on potential progress in transparency. Overall, we believe it is a substantive piece of analysis which provides a thorough overview of the voting mechanics within the UK market. We also believe that, whilst the UK has one of the most efficient proxy voting systems in the world, it is important to consider how the existing processes can be improved, and to consider potential changes that can improve on the status quo.

Specific Comments

In relation to the detail within the paper we have the following comments: -

Sections 2.1 (Visibility of Voting Data) & 3.2 (Timelines)

With regard to the visibility of voting data to Issuers we are supportive of the principle that Voting Agents should send the voting instructions to the Registrar earlier. As outlined in the 'Structure of Holdings' section the overwhelming majority of shareholder accounts are segregated and the CREST fees are inconsequential when considered against the number of omnibus positions that may require multiple updates in the run up to a meeting. As Omnibus positions will be representative of many underlying investors, we would recommend that a daily update should be sent to the Registrar, at least in the week immediately prior to the General Meeting.

Section 2.2 (Vote Confirmation)

The introduction of Vote Confirmation is one of the key proposals of the paper. Vote confirmation can mean different things to different people and at the time of writing there is no industry-wide consensus as to what any service/product may look like. An undisputable end-to-end Vote Confirmation between the Issuer and End Investor is extremely challenging in view of the prevalence of omnibus accounts and the number of stakeholders involved in the mechanics of voting. Confirmation is also being confused with validation of instructions and there is a need to agree the expectations of all parties as a first step before discussions commence re changes to existing practice.

Computershare participated in the recent UNPRI pilot exercise to assess issues associated with the generation of post-meeting confirmations and we concluded that detailed discussions are necessary to assess definitions, demand and alternative options before taking any further steps. Development of automated systems to perform this task is likely to carry a high cost and a thorough cost/benefit analysis (combined with a discussion as to who will pick up the cost) will be necessary before embarking on any such development. You will also be aware that this topic is addressed in the drafting of the proposed amendments to the Shareholder Rights Directive ('SRD'), and we therefore recommend that the SVWG discussions continue to be mindful of the SRD proposals to prevent any conflict between the pending Directive requirements for the EU.

It is important to recognise that the Issuer (or their Registrar acting as tabulator) is only able to confirm the total number of votes recorded in respect of registered holdings; they do not have visibility to confirm any individual underlying investor's entitlement positions within omnibus accounts maintained by custodian nominees and are therefore unable to confirm votes at the investor level. These aggregate confirmations need to be passed down and / or sub-allocated among all holders in the chain.

In view of the fact that this confirmation reflects the sum of any aggregated votes lodged for omnibus positions, the Issuer is unable to verify or authenticate any of the subsequent reconciliations and confirmations that were applied between the registered holder, voting agent(s), custodians and underlying investors, and is unable to provide any certainty as to whether or not the underlying instructions were correctly reflected within the voted position. It is important that all stakeholders are aware of this limitation (caused by the holding structure chosen by the investor and its custodian), and to clarify that delivery of a system that provides certainty of all underlying votes lodged would necessarily require a completely different approach.

Where the investor's holding is in a segregated account and the investor is visible to the Issuer, the confirmation can however flow directly between the Issuer and the investor since it does not need to be passed on and / or sub-allocated by the intermediary, delivering a more efficient and timely confirmation direct from the issuer. It should also be noted that investors that hold in segregated accounts (where their securities are segregated throughout the holding chain) but who are **not** identified to the issuer/registrar can receive a vote confirmation indirectly through their intermediaries that is traceable and directly reconcilable to the confirmation issued by the registrar to the upper-level registered shareholding.

You have correctly recognised that a CREST acknowledgement is already made available in relation to the first confirmation point (receipt of proxy appointment). We would strongly oppose suggestions that this approach could be extended to provide a confirmation of receipt to all paper/fax lodgements due to the high cost involved. Efforts would be better directed to ensure greater usage of the CREST voting service by both issuers and institutional shareholders.

You have also indicated that no attempt is made to reconcile the number of votes against the number of shares in the account, and whilst this is perhaps unnecessary ahead of the record date (due to changing positions) there is no reason why a reconciliation of the acknowledged instruction cannot be performed by the Intermediary or Voting Agent after the record date has passed. This is the same reconciliation performed by the Registrar and where the number of shares voted is equal to or less than the record date balance, the shareholder can be confident that the instruction will be carried through to the meeting. This was demonstrated via our participation in the UNPRI pilot exercise where all the post-meeting confirmations were reflective of the proxy instructions lodged with us, and our accurate recording of proxy instructions is also evidenced by the results of many independent vote audits commissioned by issuers and conducted by audit firms over the years.

With regard to the second 'confirmation' point (as to whether the vote lodged prior to record date exceeds the current registered position) this does not occur today and investment in infrastructure would be required to deliver it. Voting entitlements are not crystallised until the Record Date and

consequently any earlier confirmation (of either validity or otherwise) could not be relied upon and may not therefore provide any comfort to the lodging agent over and above that which they already should have with information in their possession. Post-record date, we already use reasonable endeavours to secure a revised proxy instruction where the number of shares voted exceeds the entitlement. We are willing to participate in a market dialogue to explore an industry-wide protocol for highlighting potential rejections in the run up to record date if there is consensus regarding demand amongst stakeholders. We note however that the onus is on the custodian and their agent to submit a valid instruction that reconciles investors' intentions with the entitlement position, and that if a protocol to support this reconciliation process is agreed by other stakeholders then appropriate costs and fees should be addressed.

You have identified that changes to the voting intentions of the proxy are possible in the run up to the meeting, or at the meeting itself, but it is also important to understand the impact of these scenarios on the confirmation process. For a revised proxy instruction the Registrar is obliged to record an update and similar to the point above, will use reasonable endeavours to resolve issues relating to such an instruction. Where a position is modified by representation at the meeting, such a change may not be made known to the Voting Agent and this will result in reconciliation issues when passing the confirmation through the chain. Taking into consideration the detail above, we believe that the final confirmation point (at time of poll) will only be a requirement for a small subset of investors and there is therefore a questionable cost/benefit argument for a full scale automated solution. A more practical solution (at least in the short term) would be an on-demand post-meeting confirmation for those requiring it on a reasonable user-pays basis. We would also invite you to read Computershare's Vote Confirmation paper which outlines the key challenges associated with this topic, together with a suggested way forward.

Section 3.1.2 (Voting Decision Data)

The paper suggests that custodians have different policies related to the data feed to the Voting Agencies i.e. settled, contractual or expected positions. These varying practices, in our opinion, have the potential to cause reconciliation problems within the ownership chain and the resultant lodgement of proxy instructions which do not balance to the number of shares held. During the recent vote confirmation pilot we encountered at least one example where the votes were intended to reflect the registered balance but were lodged for a different balance due to the inaccuracy of data feeds within the chain. As an Issuer Agent tabulating the vote we are obliged to reconcile all voting instructions against the record date entitlement in order to ensure integrity. Whilst it is ultimately an issue for investors, custodians and vote service providers to agree the most appropriate structures and mechanisms to ensure that proxy lodgements reflect entitled positions, we are willing to engage in a market discussion as to whether we can assist in any way e.g. the early notification of potential rejections mentioned in section 2.2 above.

Section 3.2.1 (Record Date)

We do not concur with the proposal to bring forward record dates. The high level of voting on UK PLCs is indicative that the relevant stakeholders have overcome the challenges associated with the timeline and we do not view it as a key barrier but we remain happy to continue stakeholder discussions to ensure that the proxy processes appropriately balance the interests of issuers and investors.

While changing record dates may reduce operational pressures, particularly those that arise from the administration of proxy voting for omnibus accounts, and facilitate improved reconciliation of voting instructions against entitlement by market participants, we are concerned that there is a real risk that any changes to accommodate these operational pressures on one side may create unintended consequences. For example, it would also increase the risk of empty voting where holders voting on resolutions may not have an economic interest in the outcome and conversely disenfranchise more investors that make a purchase in the run up to the meeting. From an operational perspective it may require systems developments to crystallise entitlements that are used to validate votes lodged; and further discussion with stakeholders would be required to assess their expectations. A change to record dates would also require legislative support to amend the Companies Act.

We understand that one key driver of the concerns with the current record date structure relates to the disparity between record date and proxy cut-off, whereby for most meetings the proxy cut-off is usually at 11am on the day of the record date with voting entitlements being crystallised at close of business. This difference requires intermediaries to lodge proxies before close of settlement where final positions may be uncertain. In our view, much of the pressure that this generates would be alleviated by standardising proxy cut-off at the same time as record date, being close of business.

It should be noted that if stakeholder agreement is reached on a protocol for reviewing votes lodged prior to the record date, to be communicated to the custodian by the registrar if the votes exceed registered holding at that time, as mooted in Section 2.2, then many of the operational arguments made in favour of a change to the record date are also resolved.

Section 3.3 (Structure of Holdings)

We note that there appears to be an increasing trend towards segregated positions in view of investor concerns with commingling of assets, and this is recognised within the recent CSD Regulation which requires CSD participants to make a segregated option available to clients. From a vote processing perspective, directional instructions can be lodged for segregated accounts, providing absolute certainty that the number of shares voted will reconcile to the record date balance. Votes on omnibus positions will need to reflect an aggregation of underlying client wishes and often therefore need to be split (i.e. For/Against). Our experience suggests this creates issues within the chain in terms of reconciliation and error handling, however we do appreciate that investors see this risk as an acceptable trade-off in certain circumstances. Consequently, in our view the choice of holding structure should continue to be determined by the investor and its commercial relationship with its custodian, weighing the relevant costs and benefits based on the investors' particular concerns.

Section 3.4.2 (Effect of Stock Lending)

With regard to DBVs, for some Corporate Actions Euroclear automates a reversal (i.e. a return of the stock) on Record Date so that the lender can arrange to exercise their rights. It is worth exploring whether a similar arrangement should/could be adopted for General Meetings.

Feedback on Potential Solutions outlined

In the table below, we have provided comments on proposed solutions found in section 4 of the discussion paper.

Proposed solution	Our comments
4.1. Best Practice	
Issuer usage of CREST voting	We are supportive of the suggestion that all Issuers with CREST Shareholders should make CREST proxy appointment available. We have been promoting this for the last few years, but envisage that a change to CREST rules may be required in order to ensure full utilisation.
Inclusion of URL link in CREST announcement message	We also support this suggestion and have been including the link in all our announcements over the last 2 years (with the exception of those extending beyond the 50 character limit).
CREST Participants/Voting Agents to always use CREST	We support this recommendation.
Use the "All Shares" option when voting on a segregated account	We agree with this recommendation in principle, although it is important to clarify whether the relevant Custodians and Voting Agencies necessarily have transparency of this level of detail, as they will be the parties required to enforce the arrangements.

Standard approach to Split/Over-voted instructions	On the assumption that this recommendation relates to a standardised method of dealing with instructions where the lodging agent cannot be contacted, we welcome the opportunity to engage in a market dialogue to explore a harmonised approach. However we do note that integrity of the process should always be paramount in any decisions.
Standard approach regarding provision of Custodian position data	Per our comments on section 3.1.2. we support this recommendation.
Investor behaviour (notification of voting intentions, disclosure of voting records, compliance with ICSA guidelines)	We are supportive of all three recommendations
Immediate transmission of instructions voted for 'All Shares'	We agree with this recommendation.
Immediate lodgement of large votes on Omnibus positions	As you have pointed out there are some challenges in defining 'large'. Per our comment to section 2.1. above, in our view a daily update should be provided irrespective of the size of the instruction.
Separation of voting cut-off dates and dividend record dates by Issuers	Whilst we agree in principle it may be difficult to ensure compliance. Per our comments on Section 3.4.2. above there is merit in engaging with key stakeholders to assess whether alternative options for DBVs are feasible/desirable.
4.2. Technology and new processes	
Increase length of URL field in meeting announcement	This change is already underway (implementation November 2015).
Inclusion of Voting Agent details in the CREST voting instruction	Whilst some system changes will be required by us to accommodate this additional information we are supportive of the proposal.
Reduction/elimination of CREST transactional fees for voting	We disagree that this is a requirement due to the existing tariff and volumes being low. It is important the CREST has financial incentive to maintain/improve the existing infrastructure.
Introduction of a UK online gazette	We question why this is deemed necessary given that the CREST announcement process exists and is well used. Implementation costs would be substantial and doesn't guarantee participation of Issuers. Per our response to the first bullet under section 4.1 we feel it would be preferable to improve Issuer participation within the CREST platform.
Provision of automated vote confirmation	Please see our response to section 2.2 above
Issuer access to custodian and voting agent systems	Please see our response within section 4.1.
4.3 Legislative Changes	
Proposal to change the record date arrangements	Please see our response within section 3.2.1.
Inclusion of voting data under s793 powers	We are happy to participate in discussions regarding the modification of UK law in this area. We again note that any changes would also need to be considered in a cross border context and evaluated against the outcome of the Shareholder Rights Directive, which may prescribe defined formats and message standards for shareholder identification.

We trust that you find our feedback useful and look forward to continuing the dialogue in the forthcoming months. Please contact us at andy.callow@computershare.co.uk or michael.sansom@computershare.co.uk if you require any further information in relation to this response.

Yours sincerely



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