Proxy Vote

REVIEWED BY WILL KENTON | Updated Jun 27, 2018

What is a Proxy Vote

A proxy vote is a ballot cast by one person or firm on behalf of a shareholder of a corporation who may not be able or have the desire to attend a shareholder meeting, or who otherwise desires not to vote on an issue. Shareholders receive a proxy ballot in the mail along with an information booklet called a proxy statement describing the issues to be voted on, such as electing directors to the board, approving a merger or acquisition, and approving a stock compensation plan.

BREAKING DOWN Proxy Vote

Registered investment management companies may also cast proxy votes for the securities in their portfolios, such as on behalf of mutual fund shareholders or high net worth investors in separately managed accounts.

One way that publicly traded companies report their activities to shareholders is through annual meetings. Before those meetings, shareholders receive information on topics to be voted on at the meeting, such as share ownership, the structure of the board of directors (BOD) and executive salary and benefits. Investors who own applicable voting shares as of the company's record date may vote on these issues. The company or the investor's broker or bank sends each shareholder information stating whether proxy materials are available online, which typically includes an annual report, proxy statement and a proxy card with voting instructions. Alternatively, investors receive a package containing only an annual report and information sheet.

Voting by Proxy

Rather than physically attending the shareholder meeting, most investors vote by proxy, or elect a professional to vote in their place. These investors designate someone else, such as a member of the company's management team, to vote in line with the shareholder's directions as written on the proxy card. The proxy statement may request that shareholders approve the auditor report, chief executive officer pay, the election of directors, or more complex issues such as stock option plans, mergers and acquisitions, or other resolutions. Proxy votes may be cast by mail, phone or internet before the cutoff time, typically 24 hours before the shareholder meeting. Responses may include "For," "Against," "Abstain" or "Not Voted," and may be changed before the deadline.

Plurality Vote and Majority Vote

When a plurality vote applies, the winning candidate simply needs more votes than a competitor. Therefore, an unopposed director needs only one vote to be elected. If shareholders are opposed to the candidate, they may withhold their voting rights. Having enough votes withheld may influence the BOD's choices for nominating future directors.

When a majority vote applies, directors receiving a majority of the votes are elected. Because abstaining from voting may or may not affect whether a director is elected, the company's proxy statement must detail how abstained or withheld votes affect the voting results.

For issues involving topics other than electing directors, such as voting on shareholder proposals, a majority of the votes typically leads to approval of the issue. As with majority vote, the result of abstaining from voting is disclosed in the company's proxy statement.

Related Terms

Voting Right