

#74

COMPLETE

**Collector:** 2017 BPP CONSU...QUESTIONNAIRE (Web Link)  
**Started:** Friday, December 15, 2017 4:20:34 PM  
**Last Modified:** Friday, December 15, 2017 4:31:22 PM  
**Time Spent:** 00:10:47  
**IP Address:** 69.52.69.38

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Page 2: Information on Respondent

**Q1 Name of Organisation**

BlackRock

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**Q2 Type of organisation [select one]:** **Investor**

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**Q3 Main country / region of operation**

Global

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**Q4 Are you currently a client of a voting research provider? [Yes/ No]** **Yes**

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**Q5 All responses will be posted on the Review website unless requested otherwise. Please indicate below if you wish your comments to be treated as confidential.** **Respondent skipped this question**

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**Q6 If you would like to be informed of the outcome of this consultation please provide a contact email.**

jennifer.law@blackrock.com

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Page 3: General questions on the Principles

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**Q7 Were you previously aware of the Best Practice Principles? [Yes/No]** **Yes**

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**Q8 If yes, how would you rate the positive impact of the Principles since they were introduced in 2014? [Scale of 0-5 where 0 is no impact, 5 is very positive]** **3,**  
Please give a reason for your rating:  
The Principles provide an expectation and assurance of a baseline for consistency of service provided. We conduct our own due diligence with our service providers, but we recognize the Principles could be useful for smaller investors for the reasons mentioned above.

**Q9** If you are a user of voting research services, do you, or will you in future check whether a service provider had signed up to the Principles before appointing them? [Yes/No] **Yes**

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**Q10** Would it be beneficial to have a set of principles that are capable of being applied in all markets? [Yes/No] **Yes**

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#### Page 4: Scope and Structure of the Principles

**Q11** At present the Principles address three areas: service quality (which includes duties to clients, research methodology and voting policy); managing conflicts of interest; and communications with issuers, the media and other stakeholders (see the BPPG website here). Are there other issues or activities that should also be covered by the Principles [tick each that applies]

Other (please specify):

Given the evolution of shareholder activism (i.e., activist shareholders agitating for change, rather than long-term shareholders exercising stewardship), it could be relevant to consider in the Principles how signatories' research processes incorporate, if at all, the views provided by activist shareholders. For example, we understand that some signatories have an open door policy, by which any and all stakeholders can provide information to feed into the analytical process. This includes sell-side analysts who could benefit from giving counsel, as well as activist shareholders and their agents. As clients, we would welcome more clarity on what control processes are in place for the consumption of this information. Related to this is a greater focus on providing transparency on staff training on the application of the voting policy. We are also concerned that some recommendations on business management issues bear costs both for the company and the shareholders. We would be interested to have a cost benefit analysis of the outcome of the recommendation provided by the proxy research firm.

**Q12** Each Principle is accompanied by guidance which sets out practices to be followed and information to be disclosed, on a "comply and explain" basis. Is this structure clear and appropriate? [Yes/No] **Yes**

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**Q13** If no, how might it be improved? **Respondent skipped this question**

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#### Page 5: The Content of the Principles (1: Service quality)

**Q14** If you are a client of one or more signatories, do you consider that this Principle deals adequately with the various service commitments that you expect? [Yes/No] **Yes**

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**Q15** If no, how might it be improved? **Respondent skipped this question**

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**Q16** Depending on the wishes of their individual clients, those signatories that make voting recommendations will follow either bespoke or house voting policies. How satisfied are you with the process used by signatories to develop their house voting policies? [Scale 0 to 5, where 0 is dissatisfied and 5 is very satisfied] **1**

**Q17** How might the process be improved?

For the one signatory in whose policy survey we participate, it would be helpful to provide clients with the results of the survey with more transparency on the data collected. Greater analysis of the survey results would be appreciated so clients can understand how the changes came about, e.g., to say this is how the signatory thinks the market is moving on a particular topic, and therefore the voting policy has evolved.

**Q18** In addition to national law and listing rules, which, if any of these considerations should signatories take into account when deciding whether to adjust their house policies for different markets? [Tick all that apply]

**Standards in national corporate governance codes and equivalent**

**Views and practices of local companies**

**Views of local and international investors**

**Q19** How informative are signatories' descriptions of their research methodologies (see BPPG website here), including how they ensure that the research is reliable? [Scale 0 to 5, where 0 is uninformative and 5 is very informative] **3**

**Q20** While recognising the need for signatories to protect their intellectual property, how might the statements be made more informative?

We reviewed the statements of all signatories and were overall neutral in our assessment, scoring 3/5 as 3, one at 4, and one at 1. Greater disclosure on resources (i.e., full time employees) dedicated to data gathering, research report writing and client support would have been useful. The signatories which scored a 3 provided an acceptable minimum level of detail on information sources used for analysis, the process for raising queries should the public disclosures not be sufficient and/or a statement on the primacy of public disclosures, the process for analytical review. Greater transparency could have been provided on the process by which information is dissected for analysis, e.g., which materials are most relevant, when a company would be contacted, when stakeholders would be contacted and how would information from these discussions be used and weighted for analysis, etc. The signatory scoring a 4 provided comprehensive details of its methodology including certifications and audit processes. The signatory scoring a 1 mentioned using information from its own database, in addition to public disclosures, but did not provide more detail on what information is contained in its own database, how it would/could be used, and how the private information is weighed against the data from public disclosures. The information provided on its research methodology was otherwise limited to listing the sources of materials used.

As a suggestion for all signatories, consideration should be given to the requirements for proxy advisors under Article 3j of the revised EU Shareholder Rights Directive. The article requires greater transparency on precisely the points we highlighted in our response to this question.

**Q21** The Principle does not attempt to eliminate potential conflicts, but to ensure that the signatories disclose the procedures by which they are managed. Is this an adequate approach? [Yes/No] **No**

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**Q22** If no, how might it be strengthened?

The Principle is adequate, but the guidance should be clear that signatories must demonstrate very robust processes for managing any conflicts. Signatories should not approach their statements as a simple compliance exercise, but instead should attempt to meet the spirit of the Principles by providing better, more meaningful disclosure in these statements.

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**Q23** The Principles include the following non-exhaustive list of potential sources of conflict: **Yes**

- A signatory's ownership or shareholder base/structure, such as when a signatory is owned by an investor that owns shares in companies under coverage or when the investor is owned by an issuer under coverage;
- A signatory's employee activities, such as board memberships, stock ownership, etc;
- Investor-client influence on the signatories, such as when an investor who is a client of the service provider is a shareholder proponent or is a dissident shareholder in a proxy contest;
- Issuer-client influence on the signatories, such as when signatories provide consulting services to companies under coverage for research; and
- Influence of other investor clients.

Are there any others that should be included in this list?

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**Q24** If yes, please identify them.

Given the evolution of shareholder activism, it could be relevant to consider in the Principles how signatories' research processes incorporate, if at all, the views provided by activist shareholders and their agents. As clients, we would welcome more clarity on what control processes are in place for how this information is used in the analysis.

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**Q25** If you are a client of a signatory, how satisfied are you with the information you receive on how potential conflicts are being managed? [Scale 0 to 5, where 0 is dissatisfied and 5 is very satisfied] **3**

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**Q26** How might procedures be improved?

Signatories should provide more meaningful disclosure on the processes to manage conflicts, either within their statements or directly to clients, or both. As previously mentioned, given the evolution of shareholder activism, it could be relevant to consider in the Principles how signatories' research processes incorporate, if at all, the views provided by activist shareholders and their agents. As clients, we would welcome more clarity on what control processes are in place for how this information feeds into the analytical process.

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**Q27** How satisfied are companies with their communication with signatories? [Scale 0 to 5, where 0 is completely dissatisfied, 5 is very satisfied]

Respondent skipped this question

**Q28** How might communication be improved?

Respondent skipped this question

**Q29** If you are a company, have you used the procedures set up by one or more signatories to make a complaint or provide feedback on their research on, or engagement with, your company?

Respondent skipped this question

**Q30** If yes, how satisfied were you with how your complaint was handled? [Scale 0-5 where 0 is not at all satisfied, 5 is very satisfied]

Respondent skipped this question

**Q31** Many companies consider they should have the opportunity to comment on the analysis and recommendations in research reports before they are finalised. If you are an investor, which of these statements most closely reflects your view? [Tick one only]

Other (please specify):  
Companies should only be able to fact check based on published information. It should not provide an opportunity to influence the analysis.

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## Page 8: Reporting on the Principles

**Q32** At present, signatories are required to produce a public statement on how they have applied the Principles, which they update as necessary; some have chosen to update the statement every year. Signatories also produce a summary in a standard format for purposes of comparison (see BPPG website here). Do the statements adequately cover all the matters that signatories are supposed to report on under the Principles? [Yes/No]

No

**Q33** If no, please identify which matters are not adequately reported on

All signatories could provide more details on how their staff are trained. One signatory mentions "robust systems and controls" throughout its statement, but does not provide any more details on what this entails. Such disclosure would be helpful. One signatory continually mentions "in-depth knowledge of best practices" and belief that their "global and local market expertise yields the greatest insight into governance practices and allows [them] to offer high-quality analyses and voting recommendations." Another mentions that research analysts "individually, or collectively, have appropriate qualifications, knowledge and skills in researching the jurisdiction in which the company covered is based". More clarity on the training of their research staff, what qualifications and skills are considered appropriate, as well as the continuing education to stay up-to-date on market best practices would be helpful.

**Q34** How informative and useful are the statements? [Scale 0-5 where 0 is uninformative, 5 is very informative]

3

**Q35** How might the statements be made more useful?

See all previous suggestions listed in our responses so far (Q11d, Q20, Q33). Overall, all statements would benefit from more meat on the bones. Statements should also be updated annually to take account of evolutions in best practice, and market developments.

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Page 9: Monitoring the Application of the Principles

**Q36** As part of this review, the BPP Group intends to introduce an independent element into the monitoring arrangements. Which of the following features should be part of the arrangements for monitoring the implementation and impact of the Principles? [tick all that apply]

Other (please specify):

We would need to know the entity/ies funding any such monitoring process in order to answer this question.

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**Q37** If you have specific suggestions for how the Principles should be monitored, please provide details

Self-regulation should be sufficient, however, we would recommend that signatories update their statements at least annually to take into account evolutions in best practices, and market developments.

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**Q38** Have you ever used the complaints procedure to complain about a breach of the Principles (see BPPG website here) [Yes/No]

No

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**Q39** If yes, how satisfied were you with how your complaint was handled? [Scale 0-5 where 0 is not at all satisfied, 5 is very satisfied]

Respondent skipped this question

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Page 10: Signing-Up Process

**Q40** The process of signing up to the Principles is being looked at as part of this review. Other than a commitment to apply and report on the Principles and to be subject to the monitoring arrangements, are there other criteria that service providers should have to meet in order to be accepted as signatories? [Yes/No]

No

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**Q41** If yes, please specify

Respondent skipped this question

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Page 11: Other comments

**Q42** If there are any additional comments you would like to make as part of this consultation, please do so here:

Respondent skipped this question