

MEDIA RELEASE 1 JULY 2021
FIRST INDEPENDENT REPORT ON PROXY VOTING ADVISORY FIRM BEST PRACTICES

All six of the world's leading proxy voting advisors have met best practice industry standards for service quality, integrity, and communications, according to a first-ever assessment by an impartial international panel composed of investors, company executives, and academics. In its debut annual report released today, the Independent Oversight Committee (IOC) also called on the six to adopt a battery of improvements in practice and disclosure. Find the annual report at <https://bppgrp.info/best-practice-principles-bpp-oversight-committee/>.

“With environmental, social, and governance (ESG) issues front and center as never before, proxy advisors are a vital information resource for shareholders who decide the fate of director elections and corporate strategies worldwide,” said Independent Oversight Committee Chair Dr. Stephen Davis, Senior Fellow in corporate governance at Harvard Law School. “This first independent evaluation of their compliance with best practices aims to support and advance standards of accuracy and responsiveness that investors, companies, and regulators expect.”

The six proxy voting advisors are EOS at Federated Hermes, Glass Lewis, Institutional Shareholder Services (ISS), Minerva, PIRC, and Proxinvest. They represent an industry that supplies institutional investors with corporate annual meeting voting research and analysis. Investors commonly use such information to help inform decisions on how to cast ballots at tens of thousands of shareholder meetings taking place each year for publicly-traded corporations worldwide. Each proxy advisor released reports showing how they comply with the latest industry Best Practice Principles, adopted in 2019. The compliance statements may be found here: <https://bppgrp.info/signatory-statements/>.

The IOC's assessment found all six firms met standards established in the three 2019 Best Practice Principles, and it identified proxy advisors which stood out as best in class in different reporting categories. But it also asked the service providers to disclose more information on staff analyst qualifications; resources firms deploy to cover each individual market; error tracking procedures; safeguards against conflicts of interest; and whether and how companies have opportunities to offer feedback on proxy reports. Further, the IOC found 2020 compliance reports thinnest in discussing procedures for handling complaints, and encouraged each industry member to expand sections on this topic in their 2021 statements. In addition to general findings in the annual report, the Committee provided detailed confidential assessments to each proxy advisory firm. Members plan to review the next cycle of compliance reports to determine if IOC recommendations were implemented and if not, why not.

The 12-person IOC was installed in July 2020 with international representatives of public companies, investors, and the academic community. It is shortly to conduct a survey on stakeholder views on the proxy voting research and advisory industry. Findings will be released at the start of a virtual Open Forum to be convened on 6 October at 1600 CEST, in which stakeholders are invited to share perspectives on the industry. The IOC will consider outcomes in deciding whether to advocate an update of the Principles.

The IOC's 2021 annual report includes details of its own governance together with a record of actions during its first year of operations.

FURTHER INFORMATION

The Best Practice Principles for Providers of Shareholder Voting Research & Analysis were first developed and adopted voluntarily by the industry in 2014 following recommendations of the European Securities and Markets Authority (ESMA), the securities market regulator of the European Union. The current version of the Principles was adopted in July 2019, with firms committing to first reports covering 2020. Under the Principles, Signatories are to disclose information in annual compliance reports in three main areas:

- Service Quality, including staff resources, research methodologies, and voting policies;
- Conflict of Interest Avoidance or Management; and
- Communications Policy, including descriptions of how they communicate with client investors as well as public companies and other stakeholders.

The Independent Oversight Committee's purpose is to provide independent assessments of industry compliance reports, invite market views on proxy advisors' performance against the Principles, and produce an annual report on whether the Principles and independent oversight are advancing stakeholder confidence in the proxy voting and research advisory industry. The IOC was composed of the following members in 2020-2021:

- Stephen Davis, Ph.D., chair; Senior Fellow at Harvard Law School; (United States)
- Amy Borrus, Executive Director, Council of Institutional Investors (CII); (United States)
- Clare Payn, Senior Global ESG & Diversity Manager, Legal & General Investment Management (LGIM); (United Kingdom)
- Margriet Stavast, Senior Advisor Responsible Investment, PGGM; (Netherlands)
- Massimo Menchini, Director of Institutional Relations and Corporate Governance, Assogestioni; (Italy)
- Michael Herskovich, Head of Corporate Governance, BNP Paribas Asset Management; (France)
- Michael McCauley, Senior Officer – Investment Programs & Governance, SBA of Florida (United States)
- Jean-Baptiste Duchateau, VP Legal Corporate & Securities, Veolia Environnement (France)
- Geof Stapledon, Group ESG Officer, BHP (United Kingdom & Australia)
- Hope Mehlman, Executive Vice President, General Counsel and Corporate Secretary, Bank of the West (United States)
- Konstantinos Sergakis, Professor of Capital Markets Law and Corporate Governance, University of Glasgow (United Kingdom)
- Nermeen Shehata, Associate Professor, The American University in Cairo (Egypt)

The Committee was assisted by Independent Researcher Anna Tilba, Associate Professor, Durham University Business School. The home page of the Independent Oversight Committee may be found here: <https://bppgrp.info/best-practice-principles-bpp-oversight-committee/>.

Contact Independent Oversight Committee Chair Stephen Davis at stdavis@law.harvard.edu or at oversightchair@bppgrp.info.

--END--