

**MEDIA RELEASE 1 SEPTEMBER 2022**  
**PROXY VOTING ADVISORY FIRMS IMPROVE DISCLOSURES AGAINST BEST PRACTICES**

All five of the world's leading proxy voting advisors have become more transparent about the way they operate, according to an analysis of their second year reporting of compliance against industry Best Practice Principles. However, the Independent Oversight Committee (IOC)—a 12-person international group representing investors, companies, and researchers—finds gaps among certain providers in the way they communicate conflicts of interest risk, policies around issuer feedback on proxy reports, and complaint channels. In its second annual report released today, the IOC called on the five industry members to adopt a battery of improvements in service quality, integrity, and communications practice and disclosure. Find the IOC 2022 annual report at <https://bppgrp.info/best-practice-principles-bpp-oversight-committee/>.

“Proxy voting advisors and research providers 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. “There is no room for black boxes in this space, so the IOC welcomes the advances in openness achieved over the past year. Investors, companies, and regulators will want this trend to accelerate to further the cause of more responsive capital markets.”

The five proxy voting advisors are EOS at Federated Hermes, Glass Lewis, Institutional Shareholder Services (ISS), Minerva, and PIRC. A sixth advisor, Proxinvest, opted to exit the Best Practice Principles Group in January and did not submit a compliance report to the IOC this year. The five 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 five 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. The IOC annual report summarizes that it found material improvements in the way the firms describe their own diversity, internal training, and staff qualifications as well as channels for complaints—data the IOC called for last year. But the IOC has asked the five service providers to disclose more information on 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. The IOC has encouraged each industry member to expand sections on these topics in their 2022 statements.

In addition to general findings in the annual report, the Committee provided detailed confidential assessments to each proxy advisory firm. IOC 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. On 11 October it is to host a first live/hybrid Open Stakeholder Forum in Rome to hear diverse market perspectives on the proxy voting advisory and

research industry. Regulators such as the US Securities and Exchange Commission and the European Securities and Markets Authority are slated to participate. Find information and registration at <https://iocforum.org>.

The IOC's 2022 annual report includes details of its own governance, including steps to safeguard its independence, together with a record of actions during its second year of operations. IOC chair Stephen Davis will be stepping down at the end of his three-year term on 31 December. The Committee has elected Professor Konstantinos Sergakis of the University of Glasgow as successor.

## 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 2021-2022:

- Stephen Davis, Ph.D., chair; Senior Fellow at Harvard Law School; (United States)
- Amy Borrus, Executive Director, Council of Institutional Investors (CII); (United States)
- Mirte Bronsdijk, Senior Responsible Investment and Governance Manager, APG Asset Management
- Jean-Baptiste Duchateau, VP Legal Corporate & Securities, Veolia Environnement (France)
- Michael Herskovich, Head of Corporate Governance, BNP Paribas Asset Management; (France)
- Michael McCauley, Senior Officer – Investment Programs & Governance, SBA of Florida (United States)
- Hope Mehlman, Executive Vice President, General Counsel and Corporate Secretary, Bank of the West (United States)
- Massimo Menchini, Director of Institutional Relations and Corporate Governance, Assogestioni; (Italy)
- 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)
- Geof Stapledon, Group ESG Officer, BHP (United Kingdom & Australia)
- Sachi Suzuki, Senior Stewardship Specialist, HSBC Asset Management

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/>.

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