



# ANNUAL REPORT 2022

## Independent Oversight Committee

Best Practice Principles for Providers of Shareholder Voting Research & Analysis

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# MESSAGE FROM THE CHAIR

Welcome to the second annual report of the Independent Oversight Committee (IOC), which is released on a later schedule than planned owing to delays in report submissions (see Section VII). The period covered in this review—1 July 2021 through 30 June 2022—featured key developments in the landscape of the proxy voting advisory and research industry and at the IOC itself. Among highlights:

- Regulators in two capital markets (US and Australia) reversed approaches to the industry while a third (EU) kicked off a review of the Best Practice Principles (BPP);
- Proxinvest chose to leave the BPP group owing to its concerns over budget;
- The IOC gained first insights on the impact of its recommendations on practice by Signatories of the BPP;
- The Committee undertook a systematic response to a complaint filed under its protocols by an issuer; and
- The IOC made substantial progress in building out its own governance architecture to safeguard independence.

First, a word on background drawn from our first report for readers new to this subject. Nothing in the capital market is changing quite so fast as the expectations placed on institutional investors to exercise prudent and responsible stewardship of assets they manage in trust for tens of millions of citizen savers. Effective stewardship, in turn, hinges on the information resources investors draw upon to make trading and allocation decisions, shape engagement with portfolio companies, and inform the way they cast votes at annual shareholder meetings around the world.

Once, investor decision-making on what is now known as stewardship focused largely on a handful of governance topics and involved satisfying compliance requirements. Today, however, investors must address in their stewardship programs a wide spectrum of environmental, social, governance (ESG) and other matters. For many, such factors are linked as much to long-term value, risk, and opportunity in portfolios as keeping internal legal advisors content. We can refer to this style of asset management as “360° investing.” To put an even finer point on the change, institutional investors are, more than ever before, under scrutiny by regulators, lawmakers, issuers, nongovernmental organizations (NGOs), media, clients, and individual shareholders for how they handle these stewardship challenges—including for which outside information sources they use and how.

That is where research providers come in. There is a flourishing industry of suppliers of ESG analytics to investors and companies alike. It sometimes seems to be expanding by the day, providing data to clients at unprecedented volumes and sophistication. But at the heart of it is the cluster of firms that offer institutional investors proxy voting research and analysis that help asset owners and asset managers vote shares on board directors, executive remuneration, and a range of other matters on issuer ballots around the world such as climate risk practices.

Regulators such as the US Securities and Exchange Commission (SEC), the European Securities and Markets Authority (ESMA), France's Autorité des marchés financiers (AMF), and the Australian Treasury, prompted largely by issuer concerns, have in different ways considered using regulation to impose practices on proxy advisors. But the advisors themselves took the lead in imposing practices on themselves. Five firms based in multiple markets came together in 2013, following ESMA encouragement, to set aside differences and agree to voluntary best practices in three important areas: quality, integrity, and communication. A sixth service joined the collective in 2021 while Proxinvest, one of the founders, dropped out in early 2022. Together the members of the Best Practice Principles Group (BPPG) developed principles that set high standards for themselves, including by adding a form of stakeholder supervision through the Independent Oversight Committee (IOC).

Meanwhile ESMA, which instigated the Best Practice Principles, continues to keep the program under its spotlight. In May 2022 it kicked off a year-long exercise of reviewing progress for the purpose of framing recommendations to the European Commission. Article 3k of Shareholder Rights Directive (SRD) II states that, "... the Commission shall, in close cooperation with ESMA, submit a report to the European Parliament and to the Council on the implementation of Article 3j, including the appropriateness of its scope of application and its effectiveness and the assessment of the need for establishing regulatory requirements for proxy advisors, taking into account relevant Union and international market developments. The report shall be published by 10 June 2023 and shall be accompanied, if appropriate, by legislative proposals." As a start, I as chair met virtually with ESMA's corporate governance working group to brief members on the IOC's work. ESMA will also participate in the October 2022 Open Stakeholder Forum in Rome.

Regulators in the United States, in 2021, also chose to favor the approach of monitored self-regulation embodied in the BPP initiative. The SEC stepped back from a controversial plan of expansive rule-making for the industry and, as partial justification, cited the IOC's watchdog role.<sup>1</sup>

In a related move, the Australian Treasury had framed a hard-regulation approach to the industry, but this was overturned just three days after it came into force by a parliamentary procedure in the Senate in February of this year. The move left India as the only major market with far-reaching rules in place covering industry practices. This means that now, more than ever, there is a special responsibility on the IOC and the BPPG to make the initiative work.

I have been honored in the past two years to serve as first chair of the IOC, and am especially grateful to the important work undertaken by Prof. Dr. Dirk A. Zetsche, Chris Hodge, and Dr. Danielle A.M. Melis, who each served as chairs of earlier iterations of initiatives that built to the founding of the IOC.

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<sup>1</sup> Release No. 34- 93595; File No. S7-17-21, pgs. 14-19.

It has been a privilege to be able to work alongside an extraordinary, distinguished Independent Oversight Committee of investor, corporate, and academic leaders from multiple jurisdictions who share a determination to drive for best market practices. They are:

- Amy Borrus of the US Council of Institutional Investors
- Mirte Bronsdijk of APG Asset Management
- Jean-Baptiste Duchateau of Veolia Environnement
- Michael Herskovich of BNP Paribas Asset Management
- Massimo Menchini of Assogestioni
- Michael McCauley of the Florida State Board of Administration
- Hope Mehlman of Bank of the West
- Geof Stapledon of BHP
- Prof. Konstantinos Sergakis of the University of Glasgow
- Associate Prof. Nermeen Shehata of the American University in Cairo, and
- Sachi Suzuki of HSBC Asset Management

We have also had the very good fortune of being able to engage Associate Prof. Anna Tilba of Durham University Business School as Independent Researcher to the Committee. Jennifer Thompson, Growth, Marketing, and Communications Manager at Glass Lewis, was seconded by the BPPG to the IOC and has served as an outstanding administrative secretariat. We were also grateful to have Tasneem Rahman of EOS, who served as secretariat to the BPP Group, and therefore a welcome and effective liaison between Signatories and the IOC, until her departure from Federated Hermes. The entire Committee is grateful to both.

The IOC was appreciative, as well, of the constructive approach followed by Signatories. The BPPG showed willingness to respect investor as well as issuer concerns plus differences in various service provider business models, notwithstanding being competitors in their respective markets, in order to ensure that the IOC meets its responsibilities. In a landscape that is increasingly complex, global in nature, and challenging, these are welcome stances. Communication will be strengthened going forward by quarterly calls between Signatories, on the one hand, and the IOC chair, on the other.

The IOC was disappointed that Proxinvest chose to exit the Best Practice Principles process, even though it committed voluntarily to abide by the principles themselves. Whether a firm is in or out of the BPPG is a matter beyond the terms of reference of the IOC, but rather a responsibility of the Signatories. Nevertheless, the IOC believes it best for stakeholder trust of the industry as a whole if the BPP covers the maximum number of constituents, including with adherents producing annual compliance statements reviewed by the IOC.

In this second year, members focused on constructing constitutional and procedural precedents for the future. In particular, the IOC adopted a governance framework that empowers the Committee itself, with consultation among Signatories, to appoint or replace its own members and the chair (see Section III). It also solidified protocols for assessing and responding to Signatory compliance statements as well as complaints from stakeholders (see Sections VI and VII).

We recognize that these are early days of oversight in a global business world swiftly changing. To get its duties right, the Committee is fully aware that its responsibility involves continuous listening to stakeholders, including the Signatories themselves. That is the only way it can best reflect the perspectives of institutional investors, issuers, regulators, civil society organizations, and citizen investors who rely on us and all these agents to safeguard their savings over the long term.

To meet these expectations, the IOC convened its first Open Stakeholder Forum in a virtual format on 6 October 2021. The event drew wide international participation and attention both at the time and through subsequent viewings of the video online.<sup>2</sup> This year, on 11 October 2022, the IOC will be convening its first in-person Open Stakeholder Forum to gather market opinion on the industry and on the efficacy, applicability, and suitability of the Best Practice Principles. This event will take place in Rome thanks to host Assogestioni and its world-class staff. But the IOC warmly invites readers from all corners of the market to let us know their views directly and at any time. To do so, please contact us at [oversightchair@bppgrp.info](mailto:oversightchair@bppgrp.info).

One final note. At the end of 2022 I will complete my three-year term as first chair of the Independent Oversight Committee. In July 2022 the Committee, after consultation with the BPP Signatories, elected Professor Konstantinos Sergakis as successor chair. He has been a founding member of the IOC and chair of its Review Subcommittee and thus will bring, together with his other professional experience, deep knowledge and skills to leadership. The IOC will be in exceptional hands going forward. I am profoundly grateful to him and the other members of the Committee who have devoted their time, expertise, judgement, and collegiality to serve as an independent voice of stakeholders in this vital corner of the capital market.



**Dr. Stephen Davis**  
**Independent Chair, BPP Oversight Committee**

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<sup>2</sup> <https://www.youtube.com/watch?v=Lathijh0uLo>

# MISSION AND BACKGROUND

## Mission

The industry of firms offering shareholder voting analysis and research has drawn rising stakeholder attention to the roles they play in the market. Depending on their business model, services provide institutional investors with research, data, and/or advice they can use to make informed voting decisions at listed companies around the world. Since voting today involves how investors manage risk, value, and opportunity more than routine compliance, their ballot choices—and the research inputs they use to reach them—bear more directly than ever before on the future governance and strategic directions, and the electoral fate of board directors, of publicly-traded companies. With such relevance comes elevated expectations and scrutiny. Issuers, regulators, lawmakers, NGOs, and investors have (in different jurisdictions, at different times, and at different intensities) called on the proxy voting analysis and research industry to step up transparency and accountability. ESMA, the European Securities and Markets Authority, has been especially proactive in encouraging private and public sector solutions, as has regulators such as the Autorité des marchés financiers in France.

Five service providers, despite being competitors, responded to ESMA prompting in 2013 with an ambitious collective initiative to develop guidance for themselves. Founding members of the Best Practice Principles Group (BPPG) were Glass Lewis, Institutional Shareholder Services, Manifest (now Minerva), PIRC, and Proxinvest. In 2020 EOS at Federated Hermes became the sixth firm to join, while in 2022 Proxinvest exited the initiative while asserting that it would abide by the Principles. Over time, through a methodical process, the Group adopted revised Principles and, importantly, agreed a governance architecture for the independent oversight of their performance against those Principles, and against evolving market expectations, through the establishment of the Independent Oversight Committee (IOC).

The purpose of the IOC is to provide the international market with independent assurance that firms which comprise the proxy voting research and advisory industry are meeting agreed best practices in order to serve the interests of their investor customers while treating issuers and other stakeholders with fairness, accuracy, integrity, and responsiveness. The Committee has the further mandate to test whether current principles meet evolving market expectations and to initiate a process of revisions when appropriate.

To accomplish these objectives, the Independent Oversight Committee launched on 1 July 2020 with a complement of 11 distinguished members, six representing the institutional investor community, three representing listed companies, and two academics. It also has an independent chair. Two investor representatives stepped down after one year and reappointments were made under new protocols. Details on this, together with bios on each of the members and a description of the specific terms of reference for the IOC, may be found in Section III.



## Background

The IOC is the product of a process that began in 2012 when ESMA initiated a review into the proxy advisory industry. Background below on the IOC is drawn from the *Report of the Independent Review Chair of the 2019 Best Practice Principles for Providers of Shareholder Voting Research & Analysis* ("Melis Report"), issued by Independent Review Chair Dr. Danielle A.M. Melis.<sup>3</sup>

Following publication of the ESMA *Final Report and Feedback Statement on the Consultation Regarding the Role of the Proxy Advisory Industry* in February 2013, a number of industry members formed a committee under the ESMA-endorsed independent chairship of Prof. Dr. Dirk A. Zetsche, LL.M. (Toronto), to develop an industry code of conduct. "Best Practice Principles for Providers of Shareholder Voting Research & Analysis" was published in April 2014.

In May 2014, the Report of the Chair of the Best Practice Principles Group was further published with the aim of making the Committee's work and discussions transparent, facilitating the application of the provisions, and enhancing understanding of the reasoning behind their adoption. The report also aimed to advance awareness of the functioning of providers of shareholder voting research and analysis and their role in corporate governance in order to assist in creating a more informed discussion.

In December 2015 ESMA produced its *Follow-Up Report on the Development of the Best Practice Principles for Providers of Shareholder Voting Research and Analysis*. In it, ESMA emphasized that, "while the drafting of the BPP met ESMA's governance expectations, the subsequent governance regarding the on-going functioning of the BPP after their publication was viewed less positively and constituted the main area for improvement." The key concluding recommendation of the 2015 ESMA Follow-Up Report was that the BPPG would benefit from a clearer and more robust governance structure.

In April 2017, the BPPG Steering Group announced its intention to launch a formal Review of the operation of the Best Practice Principles for Shareholder Voting Research (the "Principles"). In order to gather the views of stakeholders, it conducted a public consultation at the end of 2017 and established an advisory stakeholder panel to provide input in the preparation of the consultation document and any subsequent revisions to the Principles. The Review was to be overseen by the BPP Review Committee, comprising representatives from the current signatory members to the Principles together with an Independent Review Chair, who was to be appointed following a formal nomination process.

In April 2017, the BPPG appointed Chris Hodge to serve as BPPG Independent Review Chair. He served in the role until June 2018 and completed the first phase of the Review process, which included outreach to key regulatory and market representative bodies and co-ordination of the 2017 Public Consultation process.

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<sup>3</sup> Accessible in full at <https://bppgrp.info/wp-content/uploads/2019/07/Report-of-the-Independent-Review-Chair-of-the-2019-Best-Practice-Principles-for-Providers-of-Shareholder-Voting-Research-Analysis.pdf>.

In October 2018, the BPPG appointed Dr. Danielle A.M. Melis to succeed Chris Hodge as Independent Review Chair of the BPPG. The main task of the new chair was to oversee the BPP Review Committee and coordinate and facilitate the second phase of the Review process as outlined below.

The purpose of the Review was to:

- Assess the implementation and content of the Best Practice Principles;
- Ensure that they achieved the original objectives;
- Identify where there was scope to improve practice and transparency; and
- Ensure that the Principles would be capable of being applied in all markets for which voting research and analysis is provided, and by all providers of such services.

The original objectives of the BPPG in establishing the Principles were to:

- Promote a greater understanding of the role of shareholder voting research providers in the voting decisions made by institutional investors;
- Promote the integrity and efficiency of processes and controls related to the provision of these research services; and
- Foster a robust management of any conflicts of interest.

The Review assessment involved consideration of:

- The structure and content of the Principles;
- The form and frequency of reporting against the Principles;
- The process and criteria for providers to become signatories; and
- The oversight arrangements for monitoring and reviewing the Principles.

The Review was in turn informed by:

- The experience of implementing the Principles since they were introduced in 2014;
- The December 2015 report on the development and implementation of the Principles by the European Securities and Markets Authority;
- The revised EU Shareholder Rights Directive plus regulatory and stewardship code developments in other markets since the Principles were introduced;
- The views of investors, companies, and other stakeholders through the 2017 Public Consultation; and
- Reviews and feedback provided by the 2017 and 2019 Stakeholder Advisory Panels.

The Review Process was completed by June 2019 and resulted in:

1. An updated set of Principles, together with guidance to the Principles;
2. An updated governance structure of BPPG, including establishment of the Independent Oversight Committee; and

### 3. An Independent Review Chair Report by Dr. Melis.

The 2019 Melis Report detailed the structured Review Process, described key discussion items, and provided the final rationale behind each update to the reviewed Principles and Guidance as discussed within the BPP Review Committee. Further, the report referred to the latest updated stewardship codes globally, the requirements of the revised EU Shareholder Rights Directive II (“SRD II”), and the ESMA 2015 Follow-Up Report. It also cited input of investors, issuers, and other stakeholders received by the BPPG through the public consultation exercise completed in December 2017, plus subsequent 2019 Stakeholder Advisory Panel members’ feedback on the draft Review. Finally, the Melis Report introduced a new framework for independent governance, monitoring and reporting—features called for by ESMA in its 2015 Follow-Up Report.

On 22 July 2019, the BPPG and Dr. Melis released the final version of the 2019 Principles, guidance, and framework for independent oversight. She then stepped down, and the Signatories took forward the responsibility of forming the Independent Oversight Committee. After a public search, on 30 January 2020, the BPPG named Dr. Stephen Davis as the first IOC Chair. He then collaborated with the Signatories in developing steps, including a public application process, to meet initial installation rules for the 11-member IOC. Under founding terms of reference, the Signatories were responsible for making first appointments; the Committee had sole authority after that to revise its terms of reference, including nomination procedures. On 16 July 2020, following delays attributed to COVID-19, the BPPG announced the initial members of the IOC. Its first meeting convened on 30 July 2020.

# GOVERNANCE OF THE INDEPENDENT OVERSIGHT COMMITTEE

## IOC terms of reference

The IOC's "charter" equivalent may be located in the terms of reference section in the *Report of the Independent Review Chair of the 2019 Best Practice Principles for Providers of Shareholder Voting Research & Analysis* ("Melis Report"), which was agreed to by the Signatories. It represents founding operating guidance for the IOC. However, the Melis Report was explicit in sections 1.3 and 1.8 in granting authority to the IOC alone to review and develop its self-governing terms of reference once the initial Committee convened. This is a vital provision since it speaks to the question "To whom is the IOC accountable?" The clear intent of the founders was that the Committee be fully independent of the Signatories in its judgments, though candidates would be selected in part based on the presumption that they acknowledge the importance of the industry and its duties to investor clients. While the Signatories themselves made final selections of members to serve on the *founding* Committee, the IOC named a Nominations Subcommittee (later renamed the Nominations and Governance Subcommittee) at its 11 May 2021 meeting to begin reviewing changes to the appointments process. In particular, the Subcommittee, under Chair Hope Mehlman, examined whether, since the IOC is responsible for looking after the interests of a broad set of stakeholders, it would be in greater alignment with independence if future member selections are made by the IOC itself (with invited stakeholder input) or solely by the Signatories the members are meant to oversee. A final protocol reflecting the former stance was adopted by the IOC through an email vote following discussion at its Q1 2022 meeting on 3 February 2022.

The following text on current terms of reference is drawn from the 2019 Report, the IOC's founding instrument.

The BPPG has established the BPP Independent Oversight Committee to provide an annual independent review of the monitoring of the Best Practice Principles and the public reporting of each BPP Signatory. The BPP Independent Oversight Committee's governance aims to provide:

- confidence in the Principles that underpin the services provided by BPP Signatories; and
- guidance and advice to the BPPG with respect to the operation and development of the Principles.

Representatives of the current BPP Signatories and any potential future BPP Signatories are not eligible for membership of the BPP Independent Oversight Committee. BPP Signatories are expected to co-operate with the BPP Independent Oversight Committee, consistent with applicable contractual and legal requirements.

### *BPP Oversight Committee Scope & Responsibilities*

- Conducting independent, annual reviews of each BPP Signatory's Public Statement of Compliance, in order to identify matters considered to require further BPP Signatory action or clarification.
- Ratification of applications by new BPP Signatories that have been approved by BPPG members and sanction of Signatories that are non-compliant, up to the point of ending the BPP Signatory status and BPPG membership.
- Oversight of the complaints-management procedure of the BPPG, including monitoring of outcomes of those procedures.
- Management of an annual open forum for investors, companies and other interested stakeholders for education, questions, and feedback on the Principles.
- Review and administration of suggested minor updates to the Principles outside of the periodic major reviews and updates.
- Monitoring of progress and impact of the Principles.
- Development and publication of an annual report summarizing the activities and findings of the BPP Independent Oversight Committee, which will be published on the website of the Best Practice Principles Group.

### *Individual Signatory Compliance*

- The BPP Independent Oversight Committee will write to an individual BPP Signatory when a need for progress is identified. Initially, this communication will be done on a confidential basis to enable the BPP Signatory to address the issue over a specified period of time that may vary in accordance with the severity of the issue but should generally not exceed one year.
- After the prescribed period, if the BPP Signatory has not addressed the issue in a satisfactory manner, the IOC will discuss appropriate next steps with other BPPG members, up to and including the ultimate sanction of ending the BPP Signatory status and BPPG membership.

### *Monitoring*

- Each BPP Signatory's application and disclosure will be monitored on an annual basis, based on the public Statements of Compliance. Monitoring may be conducted by independent members or third parties assigned by the IOC, and the results of the monitoring will be summarized in an annual report by the IOC to be published on the BPPG website.

## Composition of the Independent Oversight Committee

Arrangements for the appointment of the founding IOC chair and initial members are detailed in the terms of reference section of the 2019 report of the Independent Review Chair.

They call for:

- A chair fully independent of Signatories, with a two-year term.
- A chair fully independent of Signatories, with a two-year term.
- Eleven other members composed of
  - Six from institutional investors or investor representative bodies—four of which have two-year terms, and two of which have one-year terms;
  - Three from listed companies or issuer representative bodies—one of which has a two-year term, and two of which have one-year terms;
  - Two independent academics—one having a two-year term, and one having a one-year term.

The 2019 Stakeholder Advisory Panel highlighted that representation of investors is of primary importance. The BPP Review Committee, based on feedback from both the 2017 Public Consultation and the 2019 Stakeholder Advisory Panel, also agreed on the importance of issuer representation on the BPP Independent Oversight Committee. Further, IOC members were to represent a diverse mix of skills, backgrounds, knowledge, experience, and geographic locations.

### *Nomination and election of the founding IOC*

- Independent Oversight Committee member vacancies, including the independent chair, shall be advertised on the BPPG website and in other appropriate media. Upon inception of the IOC, BPPG members will appoint the BPP Independent Oversight Committee chair in advance of the IOC members. BPPG members shall consider the nominations received and determine a “long list” of suitable candidates from the nominations. The chair and existing IOC members shall then deliberate, taking into account the expertise and other requirements needed, to create a “short list” of candidates for the BPPG members to vote on. For the initial appointments of the BPP Independent Oversight Committee members upon inception of the BPP Independent Oversight Committee, BPPG members will undertake this process, with input from the IOC Chair.
- In the case of the initial appointment of the IOC chair, BPPG members will put forward a “short list” of up to five independent, qualified candidates, with a minimum of two candidates. Candidates will be voted on individually by BPPG members and must receive unanimous support from BPPG members in order to be elected. In the case of the initial appointments to the BPP Independent Oversight Committee (up to eleven member vacancies, excluding the chair), the short list shall be for up to thirty-three short-list candidates. To fill future vacancies, the short list

shall comprise up to three candidates for each role to be filled, with a minimum of two candidates per vacancy. Upon inception of the Independent Oversight Committee, short-list candidates proposed by the Independent Review Chair shall be voted on by BPPG members and must receive unanimous support from BPPG members in order to be elected.

The IOC recognized at its Q2 2021 meeting that the 2019 terms of reference in respect of appointments to the Committee in future years needed to be reviewed to provide further clarity, safeguard IOC independence, and reduce excessive complexity. To that end, the IOC approved formation of a Nomination Subcommittee (later renamed the Nomination and Governance Subcommittee), to develop recommendations to the full IOC both on appointment procedures going forward and additional candidates, if and when needed. Revisions were designed to shift appointment decisions from the Signatories to the IOC itself in order to advance the objective of preserving the independence of the body.

The Nomination and Governance (“N&G”) Subcommittee proposed a new charter covering IOC governance at the IOC’s Q1 2022 meeting on 3 February 2022. Following discussion, this was adopted through an email vote. The charter addressed the role of N&G as well as the process for board composition and chair succession. It reads as follows.

### **I. Purpose**

The Nominating and Governance Subcommittee is appointed by the Independent Oversight Committee Chair (the “Independent Chair”) to identify individuals qualified to become IOC members and to recommend nominees to the Independent Oversight Committee for election.

### **II. Nomination and Governance Subcommittee Membership**

1. The N&G shall consist of a minimum of three (3) members of the Independent Oversight Committee.
2. Members of N&G shall be appointed by, and shall serve at the discretion of, the Independent Chair.
3. The Independent Chair shall designate a N&G Chair, who shall preside at all meetings of the N&G. In the absence of the N&G chair at any meeting of the N&G, the members of the Subcommittee may designate one of its members to serve as the chair of the meeting.

### **III. Nominating and Governance Subcommittee Meetings**

1. The Nomination and Governance Subcommittee shall meet as frequently as the Subcommittee deems necessary, but not less than twice per year, and N&G may take action at meetings or by unanimous written consent as it or the Subcommittee chair deems appropriate. N&G members may participate in a



meeting of the Subcommittee by means of teleconference, video or similar communications equipment that enables all meeting participants to hear or communicate with each other.

2. The N&G also may establish such rules as it determines necessary or appropriate for its business.
3. The majority of the members of the Subcommittee present at a meeting shall constitute a quorum for the transaction of business. The act of a majority of those present at a meeting at which a quorum is present shall be the act of the Subcommittee.
4. The N&G chair shall also act as secretary of the Subcommittee and take minutes of the N&G meetings.

#### **IV. *Nomination and Governance Subcommittee Responsibilities***

The N&G will have the following responsibilities relating to the Independent Oversight Committee, as applicable:

1. Identify, consider, and evaluate individuals believed to be qualified to become Independent Oversight Committee members and recommend such individuals to the Independent Oversight Committee for membership. In recommending candidates to the Independent Oversight Committee, N&G shall seek candidates who have a reputation for integrity, who can make contributions to the Independent Oversight Committee, and who will maintain the appropriate character and composition of the IOC as:
  - a. Diverse with respect to skills, backgrounds, race, ethnicity, national origin, gender, sexual orientation, characteristics, knowledge, experience, and geographic location; and
  - b. Consisting of, not including the independent chair, members from six institutional investor/representative bodies, three companies/representative bodies, and two independent organizations/entities (for example, academics).
2. Recommend nominees to the IOC for election. Before recommending nominees to the Independent Oversight Committee, N&G shall present a list of proposed nominees to the BPP Signatories and allow the BPP Signatories to raise concerns regarding any proposed nominee. The Nomination and Governance Subcommittee shall take under advisement any such concerns; however, N&G will retain final decision-making over nominee recommendations to the Independent Oversight Committee.
3. In the case of a vacancy of an Independent Oversight Committee member, the Nomination and Governance Subcommittee shall recommend to the



Independent Oversight Committee an individual to fill such vacancy. N&G shall seek recommendations of potential such nominees from the BPP Signatories.

4. When filling a vacancy, N&G shall seek replacement candidates that will maintain the balance in terms of diversity in accordance with Section IV(1)(a) above.
5. Through the use of nominations, strive to maintain an Independent Oversight Committee which is approximately equal ratios of new-tenured, mid-tenured, and long-tenured members.
6. N&G shall maintain a "short list" of potential nominees to replace current members of the Independent Oversight Committee.
7. Periodically, the N&G chair shall ask the Independent Oversight Committee and the BPP Signatories for recommendations of potential candidates to place on the "short list." The Nomination and Governance Committee Chair shall also search for candidates by other means, as necessary.

## **V. Protocols**

1. Independent Oversight Committee members are expected to participate actively in IOC meetings.
2. The term of each Independent Oversight Committee member will be three years. IOC members may not consecutively serve more than two such terms, totaling six years.
3. Once per year, the Nomination and Governance Subcommittee shall contact all current IOC members individually and inquire whether they wish to continue as members for the one-year period succeeding such inquiry, or the remainder of their term, if less. If an Independent Oversight Committee member wishes to continue serving on the IOC, the N&G shall review whether that member will maintain their membership. If N&G declines to re-nominate an Independent Oversight Committee member, or if an IOC member would not like to continue serving on the Independent Oversight Committee, that member will be deemed immediately to have resigned.
4. If the affiliation of an Independent Oversight Committee member changes between different entity categories (for instance, from an institutional investor to an independent organization), that member will be deemed immediately to have resigned. If there is a vacancy on the Independent Oversight Committee for the entity category corresponding to the resigned Independent Oversight Committee member's new affiliation, the Nomination and Governance Subcommittee may, but is not required to, nominate that former member to fill the vacancy. If there is no such vacancy, the Nomination Committee cannot create a new Independent Oversight Committee position for the resigned Independent Oversight Committee member, though it may add that former member to its "short list."

5. If the affiliation of an Independent Oversight Committee member changes within the same category (for instance, from one independent organization to another independent organization), that member will continue to serve on the Independent Oversight Committee. However, the preceding clause will not apply if that member's new affiliation is already represented by another Independent Oversight Committee member in the same category; in that event, the Nomination and Governance Subcommittee will decide either (1) to deem the member whose affiliation has changed immediately to have resigned, or (2) to allow that member to continue serving on the Independent Oversight Committee. A change in affiliation within the same category will not alter the current length of an Independent Oversight Committee member's term or the maximum consecutive terms that member may serve.
6. The term of the independent chair will be three years. The Independent Chair may not serve more than one term consecutively.
7. The term of the independent chair will end on December 31.
8. If there is a vacancy of the independent chair position, an Independent Oversight Committee member will serve as acting chair until a replacement chair is approved. The Nomination and Governance Subcommittee will recommend for acting chair an Independent Oversight Committee member, who shall be confirmed by a majority vote of the Independent Oversight Committee, excluding the nominee.
9. If there is a vacancy of the independent chair position, N&G shall recommend a nominee to the Independent Oversight Committee for election. N&G shall seek recommendations of potential such nominees from the BPP Signatories. It is preferable that the affiliation of any potential nominee belongs to the institutional investor/representative bodies or independent organizations/entities category. Before recommending a nominee to the Independent Oversight Committee, N&G must present the proposed nominee to the BPP Signatories to allow the BPP Signatories to raise concerns regarding the proposed nominee. The Nomination and Governance Subcommittee shall take under advisement any such concerns; however, the N&G will retain final decision-making over the nominee recommendation to the Independent Oversight Committee.
10. The work of the N&G shall be summarized in the annual Independent Oversight Committee report.
11. Periodically, there will be an evaluation of the effectiveness of the Independent Oversight Committee, the Independent Oversight Committee members individually, or both. Evaluations may be conducted internally or with the assistance of an external facilitator.

# BPP OVERSIGHT COMMITTEE MEMBERS

## 2021-22

The BPP Oversight Committee is comprised of its independent chair, Dr. Stephen Davis, and six institutional investor representatives, three public company representatives, and two independent academic representatives. The Committee includes members with a diverse mix of skills, backgrounds, knowledge, experience, and geographic locations. The IOC also commissions an Independent Researcher, which in 2021-22 was Associate Professor Anna Tilba.

### Independent Chair



#### DR. STEPHEN DAVIS

ASSOC. DIRECTOR AND SENIOR FELLOW, HARVARD LAW SCHOOL  
PROGRAMS ON CORPORATE GOVERNANCE AND INSTITUTIONAL  
INVESTORS; (UNITED STATES)

Stephen Davis, Ph.D. is a Senior Fellow of the Harvard Law School and served for a decade as Associate Director of its Program on Corporate Governance. He co-chairs the Advisory Board of Hawkamah, the corporate governance institute based in the UAE; is a co-founder of Capital+Constitution, sponsored by the Brookings Institution and States United Democracy Center to address political risk; and is a founding board member of Stewardship Professionals (StePs) e.V. He has been a nonresident senior fellow at Brookings, where he co-led the World Forum on Governance, and was executive director of Yale School of Management's Millstein Center for Corporate Governance and Performance, where he launched the Chairmen's Forum, Council of Fund Leaders, and inquiries into proxy voting and anti-corruption. Davis has been a visiting professor at IAE business school at Aix-Marseille University.

Davis is a founder of the UN Principles for Responsible Investment, the International Corporate Governance Network, GMI Ratings (now part of MSCI), and Global Proxy Watch newsletter, for 25 years the prime industry weekly resource for ESG insights worldwide. He served on the U.S. SEC's Investor Advisory Committee, chairing its Investors as Owners subcommittee. He has been a member of the Advisory Board of Arkadiko; a trustee of ShareAction; outside advisor to the Nissan Special Committee on Improving Governance; an advisory board member of New America's Bretton Woods II; and advisor on governance to institutions including HM Treasury, Euronext, the World Economic Forum, and Alfaisal University College of Business in Riyadh.

For nine years he was chair and a board member of Hermes EOS. Winner of the 2011 ICGN Award, and a prolific writer and speaker, Davis is co-author of *What They Do With Your Money: How the Financial System Fails Us and How to Fix it* (Yale University Press, 2016) and *The New Capitalists: How Citizen Investors and Reshaping the Corporate Agenda* (Harvard Business School Press, 2006). His *Shareholder Rights Abroad* (1989) pioneered study of international comparative corporate governance. Davis holds a Ph.D. from the Fletcher School of Law and Diplomacy, Tufts University, and undergraduate degrees from Tufts and the General Course at the London School of Economics.

## Institutional Investor Representatives



**AMY BORRUS**

EXECUTIVE DIRECTOR, COUNCIL OF INSTITUTIONAL INVESTORS (CII); (UNITED STATES)

Amy Borrus is executive director of the Council of Institutional Investors (CII), a nonprofit, nonpartisan U.S. association of employee benefit funds, state and local entities charged with investing public assets, foundations and endowments, with combined assets in excess of \$4 trillion. CII's associate members include non-U.S. asset owners with more than \$4 trillion in assets and a range of asset managers with more than \$35 trillion in assets under management. CII promotes good corporate governance, strong shareholder rights and sensible regulation that fosters fair and vibrant capital markets.

Amy plays a lead role in developing CII strategy, policies on corporate governance and other issues, and outreach to stakeholders and policymakers. She manages CII communications and speaks frequently on behalf of CII. Amy has key responsibilities for the content of two conferences annually that draw 450+ attendees. She organizes CII's forum for governance professionals, its platform for dialog between investors and companies and programs for pension fund trustees. She also supports CII's board of directors on strategy and audit matters.

Amy serves on the boards of the CII Research and Education Fund and the Sinai Assisted Housing Foundation. Before joining CII in 2006, she was a correspondent for *Businessweek* magazine for more than two decades, including assignments in London, Tokyo and Washington, D.C. She earned an MSc. in International Relations from the London School of Economics and a B.A. from the University of Pennsylvania.



## MIRTE BRONSDIJK

SENIOR RESPONSIBLE INVESTMENT AND GOVERNANCE MANAGER,  
APG ASSET MANAGEMENT; (NETHERLANDS)

Mirte Bronsdijk is a member of the Global Responsible Investment & Governance team at APG Asset Management, based in the Netherlands, since 2009. APG provides investment management, administration, and other services to pension funds and has over 600 billion euros in assets under management (as of January 2022). Mirte mainly focuses on decision-making concerning shareholder meetings and corporate governance dialogue and engagement activities with companies globally, and works on the integration of governance in APG's listed equities. She also researches various topics related to corporate governance, and is involved in corporate governance-related external policy-forming in responses to national and European consultations.

Furthermore, Mirte leads compliance by APG and clients with the reporting requirements stemming from ESG-related European regulation, such as SFDR and the EU Taxonomy. Mirte has a master's degree in law from the University of Amsterdam.

## MASSIMO MENCHINI

DIRECTOR OF INSTITUTIONAL RELATIONS AND CORPORATE  
GOVERNANCE, ASSOGESTIONI; (ITALY)



Born in Rome on May 2, 1973, Massimo graduated in Law from "La Sapienza" University in Rome, discussing a dissertation on business law with prof. Bernardino Libonati. He obtained also a master from ISLE on science and techniques of legislation. In Assogestioni since 2002, today Massimo is Director of Institutional Affairs. Massimo holds the role of Secretary of Assogestioni's Corporate Governance Committee - which elaborated the Italian Stewardship Code in 2013 -, and Secretary of the Investment Managers' Committee. Massimo is part of the Technical Secretariat of the Italian Corporate Governance Committee and serves as board member of the Management Committee of the Italian Compensation Scheme.

During his career, he seated as an expert in the EU Commission Group on Technical Aspects of Corporate Governance Processes, and he served as member of the Italian Accounting Standards Commission (OIC - Organismo Italiano di Contabilità). He was also Chairman of the Stewardship, Market Integrity and ESG Committee of EFAMA - the European Federation of Asset Management Associations - and member of the Market Advisory Council of the CII.



## MICHAEL HERSKOVICH

GLOBAL HEAD OF STEWARDSHIP, BNP PARIBAS ASSET MANAGEMENT; (FRANCE)

Michael is the Global Head of Stewardship within the Sustainability Centre. He is working within BNPP AM since 2008. He is in charge of the elaboration and implementation of the stewardship policy, which includes voting and engagement. He also plays a critical role in the design, development and implementation of BNPP AM's Global Sustainability Strategy and is a key driver for the firm's ESG research and integration, as well as SRI analysis. He is also member of the Board of Governors of the International Corporate Governance Network (ICGN) and is on the "Fifty Most Influential in Sustainable Finance" list published by Financial News in 2022.

His wider industry activity includes being a Chair of the "Corporate Governance" committee at the French Association of Asset Managers (AFG) and Chair of the International Corporate Governance Committee at the Council of Institutional Investors (Cii). He is also member of the "Oversight committee" of the Best Practice Principles (BPP) and member of the "Human capital" committee and the "Global Network of Investor Associations 'GNIA' committee" at the ICGN.

He holds others membership such as the French regulator AMF commission on Sustainable Finance, the Responsible Investment committee at the French Association of Asset Managers (AFG), and the "Grand prix jury of the general meetings" in France.

Michael previously worked as a jurist between 2006 and 2008 and was in charge of proxy voting for the Fonds de Reserve des Retraites (French back-up pension fund) in Paris.

He graduated from the University of Paris XI (France) and has a master degree of Corporate and business law (2008).

## MICHAEL MCCAULEY

SENIOR OFFICER - INVESTMENT PROGRAMS & GOVERNANCE, SBA OF FLORIDA; (UNITED STATES)



Mr. McCauley's primary responsibilities include active strategies within corporate governance as well as investment program management for the Florida PRIME™ investment pool and other non-pension investment mandates totaling over \$14 billion. He also is a member of the SBA's Senior Investment Group, responsible for investment and



operational oversight across all SBA portfolios. He serves as Corporate Secretary for both the Florida Water Pollution Financing Corporation and the Inland Protection Financing Corporation. Prior to these duties, Mr. McCauley oversaw investment communications, managed the administration of defined contribution component of the Florida Retirement System (FRS), and was responsible for investment research across all asset classes within the Chief Investment Officer's unit.

Mr. McCauley is a member of the CFA Institute, the Jacksonville Society of Financial Analysts, the Society of Corporate Secretaries and Governance Professionals, and the International Corporate Governance Network (ICGN). He also sits on the advisory board of the Harvard Law School Institutional Investor Forum (HIIF).

In 2019, Mr. McCauley was appointed to the Independent Steering Committee of Broadridge Financial Services. Members of the International Corporate Governance Network (ICGN) elected Mr. McCauley to the Board of Governors in 2015, serving as Chairman from 2017 to 2019. He also served on the ICGN's Governance and Awards Committees. In 2011, members of the Council of Institutional Investors (CII) elected Mr. McCauley to the Board of Directors, serving as Chair from 2015 through 2016. He is a founding member of the Investor Stewardship Group (ISG), helping to develop the Framework for U.S. Stewardship and Governance in 2017. He served as a member of the Working Group that developed the Shareholder-Director Exchange (SDX) Protocol in 2014. From 2009 until 2011, he served as Co-Chair of CII's International Corporate Governance Issues Committee.

Mr. McCauley served as a subcommittee member of the CFA Institute's Global Corporate Governance Task Force from 2003 to 2005 as well as a member of the 2006 NACD/Council of Institutional Investors Joint Task Force Reviewing the Performance of Boards and Shareowners in the Post-Enron Environment. In 2008, Mr. McCauley was named a 'Rising Star of Corporate Governance' by the Center for Corporate Governance & Performance at the Yale School of Management.

Mr. McCauley earned a Bachelor of Arts degree from the University of Florida (UF) and a Master in Public Administration (MPA) from Florida State University (FSU). He is a Certified Employee Benefits Specialist (CEBS) and a Certified Treasury Professional® (CTP).



## SACHI SUZUKI

SACHI SUZUKI, SENIOR STEWARDSHIP SPECIALIST, HSBC ASSET MANAGEMENT; (UNITED KINGDOM)

Sachi Suzuki joined the stewardship team of HSBC Asset Management in 2021, where she is responsible for engagement and voting at companies across different countries and

sectors. She is also the global lead for stewardship and integration on diversity, equity, and inclusion. Prior to joining HSBC, she led stewardship activities for Japan and a number of other markets at EOS at Federated Hermes and was responsible for corporate engagement and proxy voting as well as engagement with regulators on public policies. She held the position of co-chair of the Asia Investor Group for Climate Change (AIGCC)'s Engagement and Policy Working Group and an advisory committee member for the Principles for Responsible Investment (PRI)'s engagement initiatives. Before joining EOS, she was a senior research analyst at EIRIS where she was responsible for assessing companies' ESG performance. Sachi holds an MSc in Development Studies from SOAS, University of London, and a BA in Economics from Keio University in Tokyo. She holds CFA Institute's Investment Management Certificate (IMC).

## Public Company Representatives



### JEAN-BAPTISTE DUCHATEAU

FORMER VP LEGAL CORPORATE & SECURITIES, VEOLIA ENVIRONNEMENT; (FRANCE)

Jean-Baptiste Duchateau holds a Masters degree in private law with a specialization in international business law. He joined the legal department of Veolia Environnement in 2002 where he was responsible for the corporate governance matters for this company. He retired in July 2021 and is currently advising companies and issuers. Veolia Environnement is listed on the Euronext Paris primary market and was listed until 2014 in the form of ADR on the New York Stock Exchange (NYSE). From 1991 to 2001, he served as Deputy General Counsel and General Counsel of CGG (Oil exploration and Geoscience Company listed on Euronext Paris and on the NYSE until 2018). In his earlier career, he held different legal positions with international industrial groups (Defence and computer terminals). He is a member of European Issuers policy committee and participates in working groups on corporate governance matters of AFEP (French association of private companies) and ANSA (French Association of Joint-stock companies).

### GEOF STAPLEDON

GROUP ESG OFFICER, BHP; (UNITED KINGDOM & AUSTRALIA)



Geof Stapledon is Group ESG Officer for global resources company BHP, based in London, and has been with the company since 2008. He was formerly company secretary of BHP Group Plc and the secretary to BHP's Risk & Audit and Remuneration Committees.



He is also an Executive Committee member of GC100, the association of General Counsel and Company Secretaries working in FTSE 100 companies; and a former non-executive director of the International Corporate Governance Network (ICGN), a global organisation whose investor members are responsible for \$54 trillion of assets.

Geof previously led Asia-Pacific research for ISS / RiskMetrics, having joined ISS when it acquired Proxy Australia, a Melbourne-based governance research firm he co-founded. His roles at ISS and Proxy Australia involved advising institutional investors on ESG issues at S&P/ASX 300 companies, managing analyst teams conducting ESG research on Asia Pacific, ex Japan stocks, and management of the Australian office. Before moving into the governance industry full-time, Geof was a professor of corporate law and corporate governance at the University of Melbourne, prior to which he worked as a lawyer specialising in corporate advisory and transactions. His book *Institutional Shareholders and Corporate Governance* was published by Oxford University Press in 1996. He has degrees in Economics and Law from the University of Adelaide, and a doctorate from the University of Oxford.



## HOPE MEHLMAN

EXECUTIVE VICE PRESIDENT, GENERAL COUNSEL AND CORPORATE SECRETARY, BANK OF THE WEST; CORPORATE SECRETARY, BNP PARIBAS USA; (FRANCE & UNITED STATES)

Hope Mehlman is Executive Vice President, General Counsel and Corporate Secretary for Bank of the West. She joined the Bank in 2020 and is a member of the Bank's Executive Management Committee.

Hope oversees the Bank's legal activities, regulatory relations and government affairs functions. She leads the design and execution of the Bank's legal and regulatory strategy while fostering a culture of risk awareness and accountability. In addition to her responsibilities at Bank of the West, Hope also serves as Corporate Secretary for BNP Paribas USA, Inc., and is a member of the BNPP USA Executive Management Committee.

Before joining Bank of the West, Hope served as Executive Vice President, Corporate Secretary, Chief Governance Officer, and Deputy General Counsel for Regions Financial Corporation, where she advised the Board of Directors and executive management on emerging and leading corporate governance practices, including ESG. Prior to Regions, Hope was a partner in a private practice focused on a full range of corporate governance, regulatory, compliance, and other issues affecting financial institutions' operations.

Hope is the recipient of the Corporate Secretary's 2019 Governance Professional of the Year (Large Cap) Award. Additionally, Global Proxy Watch recognized her in its 2019 Stars list of ten people around the world who have had a breakthrough impact in governance. Hope was formerly Co-Chair of the Board of Directors of the Council of Institutional

Investors, a member of Broadridge's Independent Steering Committee, and President of the Southeastern Chapter of the Society for Corporate Governance.

Hope holds a Bachelor of Arts degree from Cornell University, a Juris Doctor degree from the Seton Hall University School of Law, and a Master of Laws degree in Taxation from the NYU Graduate School of Law.

## Academic Representatives

### KONSTANTINOS SERGAKIS

PROFESSOR OF CAPITAL MARKETS LAW AND CORPORATE GOVERNANCE, UNIVERSITY OF GLASGOW; (UNITED KINGDOM)



Konstantinos Sergakis is Professor of Capital Markets Law and Corporate Governance. He is a Member (Alternate) of the Joint Board of Appeal of the European Supervisory Authorities (EBA, EIOPA, ESMA) and the author of *The Law of Capital Markets in the EU* (Palgrave Macmillan, 2018) and of *The Transparency of Listed Companies in EU Law* (Sorbonne - IRJS Editions, 2013). He has advised public authorities, issuer associations and Ministry organisations on corporate governance and stewardship as well as investment consulting firms in relation to ESG issues and scoring methods. His research has been cited by authorities, associations, and market actors in various countries.

He also serves as Advisor at [Mefop Spa](#), the company created by the Italian Ministry of Economy and Finance for the development of the pension fund market, and of other social security forums, and he undertakes public policy initiatives in the area of stewardship, such as co-authorship of the inaugural 'Comply or Explain' guidelines (2021) and the inaugural Stewardship Guidelines for Italian pension funds (2022).

Sergakis is a Founding Member and serves as a Member of the Board of Directors at the [ESG European Institute](#), the first multistakeholder ESG think tank. He is a Member of the Executive Board of the International Association of Economic Law (AIDE) and an Advisory Board Member at the Singapore Economic Forum.

He regularly delivers keynote speeches at high-level academic and policy-making events (G7 Pensions Summit, Annual Listed Companies day in Belgium and others) and participates in various conferences. His articles have appeared in the *Journal of Corporate Law Studies*, the *European Business Organization Law Review* and the *European Company and Financial Law Review*, among others.

Professor Sergakis has held Visiting Professorships at the University of Aarhus, University of Alcalá, University of Liechtenstein, Sciences-Po Lyon, University of Macerata, University of Trento and Global College of Law at UCLouvain.



## NERMEEN SHEHATA

ASSOCIATE PROFESSOR, THE AMERICAN UNIVERSITY IN CAIRO;  
(EGYPT)

Nermeen Shehata is a tenured associate professor of accounting at The American University in Cairo (AUC). She was an associate at Global Governance Services Ltd, UK and a corporate governance researcher at the Egyptian Institute of Directors (EIoD). She is a fellow of UK Higher Education Academy (HEA) and a Certified Management and Business Educator by UK Chartered Association of Business Schools (CABS). She is a Certified Independent Director by the Egyptian Financial Regulatory Authority (FRA), a Certified SME Governance Trainer, and Certified Women on Boards and in Business Leadership Trainer by the International Finance Corporation (IFC). She holds a PhD in Management (Accounting concentration) from Aston University, UK.

Shehata's main research interest is corporate governance (CG). She was selected by the Association of Chartered Certified Accountants (ACCA) to assess CG status in Egypt contributing to an international report published by ACCA/KPMG. She translated an earlier version of the Egyptian CG code from Arabic to English and contributed to European Corporate Governance Institute (ECGI) codes database. She was a member of the Egyptian Ministry of Public Business Sector committee formed in 2016 to update the CG code for State-owned Enterprises. She was invited by the International Finance Corporation (IFC) to join a high level advisory board to support and guide a project on the influence of female inclusion on boards in Egypt.

She was also invited to present the results of her research assessing transparency and disclosure in Egypt at a "High-Level Roundtable on Investment Attractiveness and Transparency of the Egyptian Capital Market" held in 2017, in an event organized by Govern, IFC, Egypt for Information Dissemination (EGID) and supported by Rockefeller Brothers (RBF) and the Japanese Ministry of Finance. She was lastly invited in 2019 to present a suggested plan for governance monitoring and results measurement at the roundtable on "Governance Indicators and Egypt's Future and Perspectives" organized by the United States Agency for International Development (USAID) Egyptian Economic Governance for Development Project (EGDP), in cooperation with the Ministry of Planning, Monitoring, and Administrative Reform (MOPMAR) and the National Management Institute (NMI).

Shehata presented her research in the most prestigious accounting conferences held by the American Accounting Association (AAA), and the European Accounting Association (EAA). She presented two reports on CG disclosure in Egypt and the Gulf countries at the 30th Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR), United Nations Conference on Trade and Development (UNCTAD) meeting. She has published her research in top-tier academic journals including International Review of Finance, Applied Economics, Journal of Management

and Governance, Corporate Governance and Managerial Auditing Journal. She is a member of the Middle East North Africa/Organisation for Economic Co-operation and Development (MENA-OECD) Working Group on Corporate Governance, and the Accounting Research Network (ARN) of the UNCTAD- ISAR.

Shehata has received several prestigious international awards including: 2014 “Emerald/EFMD MENA Management Research Award”, 2015 Millstein Center “Rising Star of Corporate Governance” Award by Columbia University, 2016 “Adrian Cadbury Memorial Award” presented by the International Corporate Governance Network (ICGN), 2018 Poets & Quants “Top 50 Undergraduate Business Professors”, 2018 Emerald’s inaugural “Real Impact Awards” highly commended entry in the individual commitment category, and 2019 “Study UK Alumni Awards” presented by the British Council where she was a finalist in the professional achievement category. Shehata was lastly recognized by Egypt’s presidency in 2020 on the International Women’s Day in a ceremony entitled “The Egyptian Woman: The Icon of Success” celebrating 15 successful Egyptian women from several disciplines.

## Independent Researcher

In 2021, the IOC voted to commission an independent outside researcher to assist the Committee in (1) analyzing and responding to compliance reports filed by Signatories; and (2) drafting questions and analyzing results of a survey of stakeholders, including institutional investors and issuers. Upon the recommendation of the Review Subcommittee, the IOC selected Dr. Anna Tilba of Durham University Business School to fill that role. She had experience with the proxy voting research industry and with a survey initiative sponsored by a predecessor group to the IOC in addition to her corporate governance expertise outlined in the bio below. The IOC and Professor Tilba agreed to renew the arrangement for 2022.

### DR. ANNA TILBA

ASSOCIATE PROFESSOR IN STRATEGY AND GOVERNANCE  
DURHAM UNIVERSITY BUSINESS SCHOOL



Dr. Anna Tilba is an Associate Professor in Strategy and Governance in Durham University Business School. She joined Durham University in 2018 having previously spent five years in Newcastle University Business School where she was a researcher in Strategy and Corporate Governance and a Director of Corporate Engagement. She holds a PhD in Corporate Governance from the University of Liverpool Management School. She is known for her research in pension fund governance, accountability and transparency within the UK Financial Services and institutional investor compliance with the codes of best practice. Dr. Tilba has a strong record of publications in top tier international academic journals. She also reviews papers for such scholarly journals as *Corporate Governance: An International*

*Review, Organization Studies, European Management Review, Business History* and her papers appear at various international conferences.

Dr. Tilba has years of experience of working and advising the UK policy makers. She has been a member of the Advisory Committee on Fiduciary Duties of Investment Intermediaries for the UK Law Commission. She has also been conducting a research project for the UK Financial Conduct Authority (FCA) into the effectiveness of the investment oversight committees, which is published alongside the FCA's Asset Management Market Study. She has also contributed to the Competition and Markets Authority's Investigation into the investment consultancy and fiduciary management services and The Pension Regulator's trustee guide. She is regularly invited to speak at the financial services industry events and round table discussions dedicated to improving governance and accountability standards within financial services. Most recently she presented her newly published research into pension fund fiduciary duties and intergenerational fairness at the Royal Society.

Dr. Tilba is a Policy Fellow at Cambridge University Centre for Science and Policy.

Dr. Tilba also advises on strategy to UK's largest pension funds and she is an Ambassador for the UK Transparency Taskforce, which is the collaborative, campaigning community, dedicated to driving up the levels of transparency in financial services, around the world.

## Secretariat

Terms of reference state that BPP Signatories are to collectively provide ongoing administrative support to the Independent Oversight Committee. The Committee is grateful for secretariat assistance extended to it by the BPPG in 2021-22 by Jennifer Thompson, seconded for this purpose by Glass Lewis, and Tasneem Rahman, seconded for this purpose by EOS, until she moved on from Federated Hermes.

In 2020, both the Committee and the Signatories agreed that it would be inappropriate for staff affiliated with the Signatories to attend virtual sessions of the Committee or its subcommittees. As a result, the IOC chair (rather than the secretariat) now prepares minutes and materials for all sessions. The secretariat, however, has facilitated communications among Committee members in setting meeting dates and times, in bilateral exchanges between the IOC chair and the BPPG, in processing invoices, and helping with the formatting of this annual report.

## Subcommittees

To carry forward its mandate, the Independent Oversight Committee voted to create three subcommittees.

### *Review Subcommittee*

Members are Subcommittee chair Konstantinos Sergakis, Mirte Bronsdijk, Stephen Davis, Nermeen Shehata, and Geof Stapledon. The mandate of the Subcommittee is to:

- Identify and recommend appointment of an Independent Researcher to the Committee;
- Supervise the Researcher’s analysis of Signatory compliance statements;
- Prepare drafts of IOC letters to Signatories commenting on annual compliance statements; and
- Draft responses to complaints directed to the IOC.

### *Open Forum Subcommittee*

Members are Subcommittee chair Massimo Menchini, Stephen Davis, Jean-Baptiste Duchateau, and Mike McCauley. The mandate of the Subcommittee is to:

- Draft a periodic survey of stakeholders, including institutional investors, issuers, policymakers, NGOs and others, with the help of the Independent Researcher, The Subcommittee chose not to pursue this in 2022; and
- Manage the date, time, content, participation, and format of an annual open forum for stakeholders—with panels of regulators, institutional investors, and issuers—to share perspectives on the Principles and the industry.

### *Nominations and Governance Subcommittee (formerly Nominations Subcommittee)*

Members are Subcommittee chair Hope Mehlman, Stephen Davis, Michael Herskovich, and Sachi Suzuki. The mandate of the Subcommittee is to:

- Set and refresh (where necessary) governance frameworks for the IOC;
- Recommend new appointments to the IOC when appropriate, including liaising with the BPPG; and
- Manage the chair succession process.

## Meeting frequency and format

The full Independent Oversight Committee meets virtually at least on a quarterly basis. In 2021-22 plenary meetings took place on Zoom on the following dates:

- 30 July 2020
- 10 December 2020
- 23 February 2021
- 11 May 2021

Meetings typically run 60-90 minutes. The default quorum is eight members in addition to the chair; this level was met at each of the plenary sessions in 2021-22. However, the quorum level may be changed for any meeting, provided that notice is circulated to all members at least 72 hours in advance.

Sessions are recorded for assistance in minute-taking and for the benefit of any member unable to participate.

Each plenary meeting includes the following seven standard items, plus additional current agenda matters. The agenda and relevant attachments are circulated to members at least four days before the meeting.

1. Welcome by the chair;
2. Consideration of and a vote on the previous plenary meeting minutes;
3. Declarations of member position, affiliation, or conflict changes relevant to the Committee;
4. Matters arising from the previous plenary session;
5. Progress and impact of the Principles: developments in the market and regulation affecting the industry—open discussion;
6. Report of the Nomination & Governance Subcommittee;
7. Report of the Review Subcommittee; and
8. Report of the Open Forum Subcommittee



## Budget

In 2021-22, the only material financial obligations associated with the Independent Oversight Committee involved the chair and Independent Researcher. Future obligations may involve costs associated with the hosting of an in-person or multi-access open forum.

According to founding documents, financial resources available for Committee operations are provided by BPP Signatories according to a formula the BPPG develops based on self-reported staff numbers and the number of Signatories. The formula is to be ratified by the Independent Oversight Committee. The IOC approved a new formula (see below), made necessary when EOS became a Signatory, at its 10 December 2020 meeting. Following the exit by Proxinvest, the BPPG revised the formula in May 2022 and submitted it for IOC ratification.

The following table indicates the bands in which the BPPG members sat in the first six months of this 2021-22 reporting period and the percentage of the total payment for the Independent Oversight Committee to which they were committed.

<b>MEMBER</b>	<b>ALLOCATION</b>
Glass, Lewis & Co., LLC	26.25%
Institutional Shareholder Services Inc.	26.25%
Minerva Analytics Ltd.	12.5%
PIRC Ltd.	12.5%
EOS at Federated Hermes	12.5%
Proxinvest	10%

The following table indicates the bands in which the BPPG members sat in the second six months of this 2021-22 reporting period and the percentage of the total payment for the Independent Oversight Committee to which they were committed.

<b>MEMBER</b>	<b>ALLOCATION</b>
Glass, Lewis & Co., LLC	25%
Institutional Shareholder Services Inc.	25%
EOS at Federated Hermes	25%
Minerva Analytics Ltd.	12.5%
PIRC Ltd.	12.5%

For the fiscal year 2021-22, which closed 30 June 2023, the amount of expenses estimated for the IOC during this period is just under €50,000.



# ACTIONS 2021-22

The Independent Oversight Committee met in plenary session on four occasions between 1 July 2021 and 30 June 2022:

- 15 July 2021
- 17 November 2021
- 3 February 2022
- 19 May 2022

The Nomination and Governance Subcommittee met a total of three times:

- 21 July 2021
- 5 January 2022
- 13 January 2022

The Review Subcommittee met once:

- 20 September 2021

The Open Forum Subcommittee met a total of nine times:

- 28 July 2021
- 25 October 2021
- 30 November 2021
- 9 December 2021
- 20 December 2021
- 14 January 2022
- 24 February 2022
- 24 March 2022
- 7 April 2022

*Below is a summary of principal actions taken by the Independent Oversight Committee during the 2021-22 reporting year:*

- Agreeing on a charter for governance of the IOC, including board composition and chair term and succession. Originated in the N&G Subcommittee. Discussed 3 February 2022 and approved in subsequent email vote.
- Nominating and electing a slate of candidates, including two new investor representatives, for the IOC membership in 2022. Originated in the N&G Subcommittee. Discussed 3 February 2022 and approved in subsequent email vote.
- Conducting and analyzing a quantitative survey of stakeholders concerning the proxy voting advisory and research industry and the BPP. Originated in the Review Subcommittee with key assistance from Independent Researcher Dr. Anna Tilba. See below.
- Undertaking engagement with two Signatories as follow-ups to the IOC reviews of annual compliance statements. Issuing periodic reminders to Signatories regarding their second-year submissions of compliance statements to the IOC.
- Convening a first IOC international open stakeholder forum—held in virtual format only—on 6 October 2021 and issuing media information about the event. See below.
- Planning for the IOC’s first in-person open stakeholder forum, scheduled for 11 October 2022 in Rome. See below.
- Responding to an issuer complaint sent to the IOC in Q1 2022 concerning one Signatory and asking for three remedies. The IOC undertook a thorough, confidential analysis of the case, communicated with all relevant parties, and issued a decision, which was relayed to the parties, according to the protocol for such complaints agreed last year (see Section VI). Complaint referred to the Review Subcommittee on 3 February. Decision released to parties on 22 March 2022. Further communication with parties followed.
- Agreeing on a protocol that the IOC chair and the BPPG will arrange quarterly meetings to share updates.
- Opening engagement with ESMA regarding its commitment to review progress of the BPP and IOC in advance of European Commission action on the matter in May of 2023.
- Sponsoring and planning a first Open Forum, using a virtual platform, on 6 October 2021. The event was designed to (1) release IOC survey results concerning stakeholder perspectives on the proxy voting research and analysis industry; (2) increase market awareness of the Independent Oversight Committee’s role and work; and (3) enable key stakeholder constituencies—including institutional investors, listed companies, and public authority policymakers and regulators—to air views on the industry in a structured format. Further, the Committee endorsed the Open Forum Subcommittee’s recommendation that the IOC host the 2022 Open Forum as an in-person event during the same week and in Rome, hosted by Assogestioni.

## Spotlight on 2021 Stakeholder Survey

The IOC conducted a stakeholder survey in 2021 for the purpose of updating understandings on market opinions about the proxy voting advisory and research industry and its Best Practice Principles. The yield of responses was low, reflecting in part market-wide experience in survey collection. For that reason, the IOC decided not to conduct a similar quantitative exercise in 2022. But the absolute figures may also be misleading, as single responses in some cases may speak for a large number of players within a sector. The analysis was undertaken by IOC Independent Researcher Associate Professor Anna Tilba. The Committee released her findings at the 2021 virtual Open Stakeholder Forum and posted them online.<sup>4</sup> Highlights of the survey results are as follows:

The analysis of the qualitative responses reveals both positive developments in Signatories reporting practices as well as some areas for further improvement. On the positive side, investors who were the majority of respondents, were broadly satisfied with the improvements of BPP and Signatories reporting on their applying the principles. For example, one respondent noted that: “Generally speaking, we are very pleased with the quality of disclosure around issuer engagement and the impact this has had on recommendations.” (Investor)

Furthermore, when it comes to stakeholders’ expectations of the Independent Oversight Committee’s role, respondents seemed to have an overall willingness to recognise the role that the Committee plays in helping to improve service quality, integrity, and communication among proxy advisors and other stakeholders. Expectations ranged from ‘wait and see’ to ‘high’ and ‘very high’, indicating the importance of the Oversight Committee’s role in facilitating and tracking the progress of best practices in shareholder voting research and analysis service provision. However, there were also some areas for further improvement raised primarily by company respondents, whose main concerns were relating to accuracy of the proxy reports, research and methodology and how the proxy providers communicated with companies. Overall, company respondents found that more improvement is still needed in reporting on all principles, whilst investors were more satisfied on reporting on all principles.

Overall, the direction of travel appeared to confirm findings elsewhere that investor clients of Signatories are generally satisfied with services they receive, while some issuers that are regular subjects of Signatory reports have criticisms of some services. The IOC is taking feedback from the survey outcome into account in framing its reviews of Signatory reporting.

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<sup>4</sup> [https://bppgrp.info/wp-content/uploads/2021/10/2021-BPP-Stakeholder-Survey-Analysis-Report\\_FINAL.pdf](https://bppgrp.info/wp-content/uploads/2021/10/2021-BPP-Stakeholder-Survey-Analysis-Report_FINAL.pdf)

## Spotlight on 2021 Open Stakeholder Forum

The IOC convened a virtual Open Stakeholder Forum on 6 October 2021 with the skilled hosting assistance of the Council of Institutional Investors. The Committee is deeply grateful to IOC member Amy Borrus, CII's executive director, for deploying her extraordinary team in this exercise. The agenda and speaker list may be found below. Some 200 participants from around the world joined the event online in real time, while others logged in to watch subsequently. The sessions clearly raised the profile of the IOC and BPP, especially for regulators in Europe and North America. Takeaways are considered by the IOC in its deliberations during reviews of Signatory compliance statements as well as over whether the Principles need revision. The video of the 2021 Open Stakeholder Forum may be seen at [www.youtube.com/watch?v=Lathijh0uLo](https://www.youtube.com/watch?v=Lathijh0uLo).

### 2021 IOC Open Stakeholder Forum Agenda

**16:00** Welcome, introduction of the Independent Oversight Committee: **Stephen Davis**, Senior Fellow, Harvard Law School and Chair, Independent Oversight Committee [10 minutes]

**16:10** Results of stakeholder survey: **Anna Tilba**, Associate Professor in Strategy and Governance, Durham University Business School, and Independent Researcher to the Independent Oversight Committee [15 minutes]

**16:25** Issuer panel: **Hope Mehlman**, Executive Vice President, General Counsel and Corporate Secretary, Bank of the West, and Corporate Secretary, BNP Paribas USA, Inc., moderator [40 minutes]

*Do issuers have concerns about the proxy voting industry? If so, what are they? How much of the concerns are about the industry itself, and how much about certain investor clients who use proxy advisory services? Are the Best Practice Principles, including the Independent Oversight Committee, a constructive means of handling industry issues, or would regulation be better?*

- **Frédérique Barthélemy**, ESG Investor Relations Manager, Total Energies
- **Darla Stuckey**, President and CEO, Society for Corporate Governance (US)
- **Loren Wulfsohn**, Global Head, Policy and Stakeholder Engagement, HSBC

**17:05** Regulator panel: **Jean-Baptiste Duchateau**, Former VP Legal Corporate & Securities Veolia Environnement (France), moderator [40 minutes]

*Are there issues driving regulatory concern for the proxy advisory industry? If so, what are they? Do regulators hear a difference between investors and issuers in how they regard proxy advisors? If so, how do regulators balance those perspectives? Are the Best Practice Principles, including the Independent Oversight Committee, a constructive means of*

*handling industry issues, or would regulation be better? What are tests that would help you decide?*

- **Marine Corrieras**, Division doctrine émetteurs, Autorité des marchés financiers (AMF)
- **Nicolas Grabar**, Partner, Cleary Gottlieb (US)
- **Valerio Novembre**, Senior Police Officer-Corporate Finance and Reporting, European Securities and Markets Authority (ESMA)

**17:45** Investor panel: **Amy Borrus**, Executive Director, Council of Institutional Investors (US), moderator [40 minutes]

*How do investors address service quality among proxy advisors? Do they have concerns about independence or conflicts of interests among providers and, if so, what do they do about it? Are investors satisfied or dissatisfied with the way proxy advisors communicate with them or with issuers? Are the Best Practice Principles, including the Independent Oversight Committee, a constructive means of handling industry issues, or would regulation be better?*

- **Caroline Escott**, Senior Investment Manager, Railways Pension Trustee Co. (Railpen)
- **Mike Garland**, Assistant Comptroller for Corporate Governance and Responsible Investment, New York City Office of the Comptroller
- **David Shammai**, ESG Analyst, Allianz Global Investors

**18:25** Proxy advisor panel: **Konstantinos Sergakis**, Professor of Capital Markets Law and Corporate Governance, University of Glasgow School of Law, moderator [20 minutes]

- **Nichol Garzon-Mitchell**, Senior Vice President, General Counsel & Corporate Secretary, Glass Lewis
- **Lorraine Kelly**, Head of Governance Solutions, ISS
- **Sarah Wilson**, CEO, Minerva Analytics Ltd., The Manifest Voting Agency Ltd.

**18:45** Concluding comments: **Stephen Davis** [5 minutes]

## Spotlight on 2022 Open Stakeholder Forum

The IOC elected to convene its 2022 Open Stakeholder Forum in person, with a hybrid option, with Assogestioni hosting in Rome. The Committee is deeply grateful to IOC member and Forum Subcommittee chair Massimo Menchini, together with his expert team at Assogestioni, for taking on this charge.

The IOC further decided to reformat proceedings to focus on the three principles of the BPP. As of this writing the agenda is as follows:

**IOC OPEN STAKEHOLDER FORUM  
ROME, 11 OCTOBER 2022 - AUDITORIUM HALL OF ARA PACIS MUSEUM**

**14.30**      **Welcome address** [TBD]

**14.40**      **Introduction**

[Stephen Davis](#), Senior Fellow, Harvard Law School and Chair, IOC

**14.50**      **Results of the annual review of the BPPG Signatories compliance statements**

[Konstantinos Sergakis](#), Professor of Capital Markets Law and Corporate Governance, University of Glasgow School of Law

**15.00**      **I - BPP PRINCIPLE ONE: SERVICE QUALITY**

- [Gabriel Alsina](#), Head of Americas, Continental Europe and Global Custom Research, ISS
- [Henri Giraud](#), Head of Corporate Legal Affairs, Atos
- [Peter Reali](#), Managing Director, Responsible Investing, Nuveen
- [Valerio Novembre](#), Senior Policy Officer, ESMA

Moderator: [Amy Borrus](#), Executive Director, CII

**16.00**      *Coffee break*

**16.15**      **II–BPP PRINCIPLE TWO: CONFLICTS OF INTEREST AVOIDANCE OR MANAGEMENT**

- [Nichol Garzon-Mitchell](#), Chief Legal Officer, SVP Corporate Development, Glass Lewis
- [Margaret Foran](#), Chief Governance Officer, Senior Vice President and Corporate Secretary, Prudential Financial
- [Emilio Franco](#), CEO, Mediobanca SGR
- [Paolo Ciocca](#), Consob Commissioner

Moderator: [Mirte Bronsdijk](#), Senior Responsible Investment & Governance Specialist, APG

**17.15**      **III–BPP PRINCIPLE THREE: COMMUNICATIONS POLICY**

- [Sarah Wilson](#), CEO, Minerva Analytics Ltd, The Manifest Voting Agency
- [Michele Crisostomo](#), Chair, ENEL
- [Lisa Harlow](#), Head of Investment Stewardship, Vanguard
- [Valian Afshar](#), Special Counsel, Office of Mergers and Acquisitions, U.S. Securities and Exchange Commission

Moderator: [Michael Herskovich](#), Global Head of Stewardship, BNP Paribas Asset Management

# BEST PRACTICE PRINCIPLES AND GUIDANCE

As was the case last year, this section of the annual report is drawn directly from the 2019 principles and guidance, available at <https://bppgrp.info/the-2019-bpp-principles/>, and is provided for ease of reference so that readers may here review best practices agreed for themselves by Signatory members of the proxy voting research and analysis industry. These principles remain in force today and have not been revised.

## The 2019 Principles

The Principles for Providers of Shareholder Voting Research & Analysis were updated in 2019. The Principles are supported by Guidance that also was updated in 2019. Detailed in Appendix 1, the Guidance explains the background, relevance and application of the Principles. The apply-and-explain framework applies to both the Principles and the Guidance. All relevant policies should be clearly disclosed on a Signatory's company website and updated annually. The updated Principles and Guidance are the result of a thorough review process by the BPPG, which refers to the latest updated stewardship codes globally, the requirements of the revised SRD II and the ESMA 2015 Follow-Up Report. The updated Principles and Guidance also reflect the input of investors, issuers and other stakeholders received through a Public Consultation (completed in December 2017); the results of a review by the BPPG Review Committee, a process overseen by an independent review chair; and discussions and feedback from a global, diverse Stakeholder Advisory Panel.

These Principles are based on the understanding that the ultimate responsibility to monitor investments and make voting decisions lies with investors. Use of third-party services such as those provided by BPP Signatories which deliver high-quality voting research and analysis, does not shift this responsibility or relieve investors from any fiduciary duty owed to their clients. Stakeholders wishing to understand how an institutional investor discharges its stewardship or ownership responsibilities should consult relevant disclosures of the investor to understand its approach. This includes how the investor views global standards of corporate governance and investor stewardship frameworks and the extent to which national market, legal, regulatory and company-specific conditions are considered.

## Principle One: Service Quality

BPP Signatories provide services that are delivered in accordance with agreed-upon investor client specifications. BPP Signatories should have and publicly disclose their research methodology and, if applicable, "house" voting policies. BPP Signatories' disclosure will include:

- the essential features of the methodologies and models they apply; the main information sources they use;
- procedures put in place to ensure the quality of the research, advice and voting;
- experience and qualifications of the staff involved;
- whether and, if so, how, BPP Signatories take national market, legal, regulatory and company-specific conditions into account; how this relates to global standards of corporate governance and investor stewardship frameworks;
- the essential features of any house voting policies BPP Signatories apply for each market (client-specific custom policies will not be disclosed);
- how BPP Signatories alert clients to any material factual errors or revisions to research, analysis or voting recommendations after research publication.

## **Principle Two: Conflicts-of-Interest Avoidance or Management**

BPP Signatories' primary mission is to serve investors. BPP Signatories should have and publicly disclose a conflicts-of-interest policy that details their procedures for avoiding or addressing potential or actual conflicts of interest that may arise in connection with the provision of services.

In addition to disclosing their general policy, BPP Signatories should also have a process in place to identify and disclose without delay to their clients, on a case-by-case basis, actual or potential conflicts of interest or business relationships that may influence the preparation of their research, advice and voting recommendations and the actions they have undertaken to eliminate, mitigate and manage actual or potential conflicts of interest.

## **Principle Three: Communications Policy**

BPP Signatories' primary mission is to serve investors. BPP Signatories should provide high-quality research that enables investor clients to review the research and/or analysis sufficiently in advance of the vote deadline ahead of a general meeting. This primary accountability to investors should remain the key priority for BPP Signatories when applying Principle Three.

With regard to the delivery of services, BPP Signatories should explain their approach to communication with issuers, shareholder proponents, other stakeholders, media and the public. BPP Signatories should disclose a policy (or policies) for dialogue with issuers, shareholder proponents and other stakeholders. BPP Signatories should inform clients about the nature of any dialogue with relevant parties in their research reports, which may also include informing clients of the outcome of that dialogue.



# GUIDANCE

## Guidance on Principle One: Service Quality

### 1. Introduction

- a. BPP Signatories should explain how they organize their activities to ensure that research is developed in accordance with a stated research methodology and voting policies.
- b. BPP Signatories should describe what reasonable efforts they make to ensure their research and analysis are independent and free from inappropriate bias or undue influence.

### 2. Responsibilities to Clients

- a. A BPP Signatory's primary responsibility is to provide services to investor clients in accordance with agreed specifications. Clients are the ultimate and legitimate 'judges' of the quality of shareholder voting research and analysis and other services they subscribe to from BPP Signatories and pay for.

### 3. Quality of Research

- a. Shareholder voting research and analysis should be relevant, based on accurate information and reviewed by appropriate personnel prior to publication.
- b. BPP Signatories should be able to demonstrate to their clients that their reports, analyses, guidance and/or recommendations are prepared to a standard that can be substantiated as reasonable and adequate.
- c. BPP Signatories should have systems and controls in place to reasonably ensure the reliability of the information used in the research process. BPP Signatories should disclose to what extent issuers have the opportunity to verify, review or comment on the information used in research reports, analysis or guidance.
- d. BPP Signatories cannot be responsible for disclosures published by issuers or shareholder resolution proponents that are the subject of their research.
- e. BPP Signatories should maintain records of the sources of data used for the provision of services to clients (to the extent legally or contractually possible).
- f. BPP Signatories' disclosure should include procedures to reasonably ensure the quality of the research, advice and voting recommendations. BPP Signatories should implement proportionate organisational features to achieve adequate verification or double-checking of the quality of research that is provided. These may include:
  - Issuer fact-checking;
  - IT-based consistency check;
  - Four-eyes principle (i.e., reports reviewed by an appropriate second person);
  - Review by senior analyst;

- Review by governance committee;
  - Review by senior management and/or executives
- g. BPP Signatories should be transparent regarding the sources used and content included in the research information they provide to their clients, including, when applicable, notations about any dialogue with issuers, shareholder proponents, dissidents or their advisors that may have taken place in accordance with their specific policies and procedures (see Principle 3). To that end, BPP Signatories should ensure that use, inclusion or reproduction of external private information be duly referenced, so clients can assess to what degree third-party input plays a role in the services they use.
- h. BPP Signatories should alert clients to any verified factual errors or material revisions to published research or analysis without delay. Alerts should explain the reasons for any revision in a transparent and understandable way.

#### 4. Research Methodology

- a. BPP Signatories' disclosure will include the essential features of the methodologies and models they apply and the main information sources they use. This will include whether and, if so, how they take national market, legal and regulatory and company-specific conditions into account.

BPP Signatories should have and disclose a written research methodology that comprises the following essential features:

- The general approach that leads to the generation of research;
  - The information sources used;
  - The extent to which local conditions and customs are taken into account;
  - The extent to which custom or house voting policies or guidelines may be applied;
  - The systems and controls deployed to reasonably ensure the reliability of the use of information in the research process, and the limitations thereof.
- b. In making such disclosure, BPP Signatories do not need to provide information that could harm the BPP Signatory's legitimate business interests, including, but not limited to, its intellectual property and trade secrets, as well as the intellectual property of any of its clients or third-party content providers.

#### 5. Voting Policies or Guidelines

- a. Shareholder Policies
- i. Shareholders may assess investee companies' governance arrangements and make voting decisions based on their own view or "custom" voting policy. In this case, a shareholder may contract with a BPP Signatory to receive services based on the shareholder's own voting policies.
  - ii. Shareholders may subscribe to shareholder voting research and analysis services based on a BPP Signatory's proprietary or "house" voting policies and

subsequently decide on the extent to which they incorporate that research and analysis into their own assessment and decision-making process.

Whether shareholders adopt a policy that is consistent with a BPP Signatory's "house" voting policy or vote according to a "custom" voting policy that differs from the policy of the BPP Signatory, shareholders are always responsible for and entitled to exercising their own judgement when determining their final voting decisions.

b. BPP Signatory Policies

- i. BPP Signatories may provide shareholder voting research and analysis services based on "house" voting policies or guidelines. These voting policies typically consist of corporate governance principles against which the governance arrangements and general meeting resolutions of listed companies are assessed.
- ii. BPP Signatories should disclose whether they have developed "house voting policies. If so, they should disclose these policies, including, but not limited to, the extent to which local standards, guidelines and market practices are taken into account, the extent to which issuer explanations on deviations from comply-or-explain corporate governance codes are taken into account and the extent to which peer comparisons are used in formulating analysis and recommendations. BPP Signatories should specify the scope of their research.
- iii. Each BPP Signatory will have its own approach to voting policy development and review, which may include one or more of the following approaches
  - Client review
  - Academic literature review
  - Public consultations
  - Guideline exposure drafts
  - One-on-one/face-to-face discussions
  - Group discussions/webinars
  - Expert/regulatory body reports
  - Discussion at industry conferences
- iv. BPP Signatories should explain how their voting policies are developed and updated. They should explain whether and how they incorporate feedback into the development of voting policies. They should disclose the timing of their policy updates and policies should be reviewed at least annually.
- v. BPP Signatories should explain how and to what extent clients may customize their voting policies using the Signatories' services, without disclosing proprietary information. BPP Signatories are not responsible for disclosing client corporate governance policies or voting guidelines and may have contractual obligations that preclude them from discussing any aspect of their client relationships, voting guidelines or intentions.

A BPP Signatory's voting guidelines do not need to include information that could harm the BPP Signatory's legitimate business interests, including, but not limited to, intellectual property and trade secrets of the BPP Signatory, as well as the intellectual property of any of its clients or third-party content providers.

Whether services are provided on a "custom" or "house" voting policy basis, clients expect BPP Signatories to exercise their independent professional judgment when delivering shareholder voting research and analysis.

## 6. Employee Qualification & Training

BPP Signatories should disclose the procedures they have in place to ensure staff members are qualified to perform their respective jobs, including:

- a. The procedures they have in place to ensure staff members have the appropriate education, skills, competence and experience.
- b. BPP Signatories should make reasonable efforts to ensure their staff is trained on the relevance and importance of their activities and on how they contribute to service delivery.
- c. Where a BPP Signatory outsources any process that could affect service quality, the BPP Signatory should exercise control over such processes. The type and extent of control applied to these outsourced processes should be clearly explained.
- d. BPP Signatories should disclose their operational arrangements for the provision of services, including, for example, qualifications of staff and organization of production processes, etc.

## 7. Timeliness

- a. BPP Signatories have a responsibility to provide clients with adequate and timely services, subject to the availability of source information from issuers and shareholder resolution proponents, as well as intermediary constraints (for example, vote deadlines and intermediary cut-offs).
- b. BPP Signatories should make reasonable efforts to use the most up-to-date publicly available information when delivering their services. BPP Signatories should disclose how and to what extent relevant stakeholders can submit supplementary information for consideration in their research or analysis, taking into consideration relevant deadlines.

## 8. Complaints & Feedback Management

- a. BPP Signatories should have and disclose their policies for managing and responding to complaints, comments or feedback about their services.

## 9. Client & Supplier Understanding

- a. The operational aspects of service delivery will generally form the basis of the service agreement between BPP Signatories and their clients.
- b. BPP Signatories should notify clients of the scope of the services provided, as well as any known or potential limitations or conditions that should be taken into account in the use of signatory services. Limitations may include:
  - Data availability issues, as not all markets require the same level of detail in disclosure;
  - Missing, inaccurate or incomplete documents or disclosures, such as from issuers or shareholder proponents;
  - Reliance on third parties that are beyond the control of the signatory;
  - Inconsistencies and irregularities of information provided by intermediaries in the ownership chain, such as agenda information, vote deadlines and blocking procedures, etc.
- c. BPP Signatories should provide clients with a framework that enables them to fulfil their due- diligence requirements. The framework could include the following:
  - Site visits;
  - Interaction with research teams;
  - Information on quality controls that govern the research development process;
  - Information on the qualifications and experience of the BPP Signatory's staff;
  - Information on how the research framework has been or will be applied and on which assumptions the research output has been based.

## 10. Client Disclosure Facilitation

- a. BPP Signatories recognise that institutional investors may be subject to disclosure requirements regarding the investors' use, if any, of shareholder voting research and analysis services.
- b. BPP Signatories should assist clients, upon reasonable request, with disclosure relating to the clients' discharge of stewardship responsibilities. This disclosure could include information on how an institutional investor client uses a BPP Signatory's services; the public identification of a BPP Signatory; conflict avoidance and management by the BPP Signatory; and information on the scope of services offered by a BPP Signatory, among other relevant issues.

## Guidance on Principle 2: Conflicts-of-Interest Avoidance or Management

### 1. Introduction

- a. The possibility for conflicts of interest can arise in all businesses. While conflicts cannot always be eliminated, they can be managed and mitigated.
- b. The overriding objective of this Principle is to ensure, as far as reasonably possible, that research and business conduct are independent, fair, clear, not misleading and free from possible bias or undue influence.
- c. With this in mind, BPP Signatories should make full and timely disclosure of potential conflicts that could reasonably be expected to impair their independence or interfere with their duty to clients.

### 2. Conflicts of Interest Policy

BPP Signatories should publicly disclose their policy regarding the prevention and management of potential conflicts of interest.

- a. A BPP Signatory's conflicts-of-interest policy should explain:
  - The existence of potential material conflicts;
  - How and when potential material conflicts will be disclosed to clients (for example on a website, within the applicable research report and in email bulletins, etc.);
  - How BPP Signatories communicate their conflicts-of-interest policy and train their employees in the operation of that policy;
  - How conflicts will be managed.

### 3. Possible Conflicts for Consideration

- a. BPP Signatories should consider how the following non-exhaustive list of potential conflicts may materially impact their operations and how these potential conflicts may be addressed:
  - A BPP Signatory's ownership or shareholder base/structure, such as when a BPP 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 BPP Signatory's employee activities, such as board memberships and stock ownership, etc.;
  - Investor-client influence on the BPP 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 BPP Signatories, such as when BPP Signatories provide consulting services to companies under coverage for research;
  - Influence of other investor clients.

## 4. Conflict Management & Mitigation

- a. Conflict management and mitigation procedures should include the following approaches to the extent that they are relevant to potential conflicts faced by the Signatory:
- Transparent policies and procedures
  - Code of ethics
  - Division of labour
  - Employee recusal
  - Fire walls/IT systems and controls
  - Information barriers and ring-fencing
  - Independent oversight committees
  - Physical employee separation
  - Separate reporting streams

## 5. Conflict Disclosure

In addition to disclosing their general policy, in line with SRD II, BPP Signatories also should have a process in place to identify and disclose without delay to their clients, on a case-by-case basis, actual or potential conflicts of interest or business relationships that may influence the preparation of their research, advice and voting recommendations, as well as the actions they have undertaken to eliminate, mitigate or manage the actual or potential conflict of interest.

If a BPP Signatory becomes aware of a material conflict of interest, that is not otherwise addressed in its general policies, the BPP Signatory should:

- disclose the conflict to the relevant client(s) without undue delay before or at the same time the service is delivered, subject to contractual arrangements;
- provide the relevant client(s) with research from an unconflicted proxy advisor for the relevant meeting; or
- manage the conflict as further detailed in the BPP Signatory's conflicts-of-interest policy.



## Guidance on Principle Three: Communications Policy

### 1. Introduction

Shareholders are always responsible for and entitled to exercising their own judgment when determining their final voting decisions, according to their own investment and governance philosophy and company engagement activities in any particular situation.

- a. BPP Signatories should explain their approach to communication with issuers, shareholder proponents, other stakeholders, media and the public.
- b. It is up to BPP Signatories to choose whether or not to engage in dialogue and in what format. If a BPP Signatory chooses to have such a dialogue, it is up to the Signatory to determine the objectives, timing, frequency and format of this dialogue.
- c. Comments and statements in the press or public forums may have a significant impact and, as such, should be properly managed.

### 2. Dialogue with Issuers, Shareholder Proponents & Other Stakeholders

- a. BPP Signatories should have a policy (or policies) for dialogue with issuers, shareholder proponents and other stakeholders.
- b. BPP Signatories should communicate to clients in their research reports the nature of any dialogue with relevant parties, which may also include informing clients of any changes made to their research or analysis as a result of that dialogue.
- c. The policy on dialogue should cover issues including, but not limited to:
  - The circumstances under which such dialogue could occur;
  - Details of any year-round mechanisms for dialogue with relevant parties
  - Whether BPP Signatories provide engagement services to investors and how these relate to shareholder voting research provision;
  - How BPP Signatories verify the information used in their analysis;
  - Whether and how issuers are provided with a mechanism to review research reports or data used to develop research reports prior to publication to clients;
  - Procedures for avoiding receipt of privileged, non-public information and, in cases where such information is received, procedures for managing such information;
  - If/how BPP Signatories communicate during the voting period (defined as the period from release of the agenda until the general meeting);
  - What steps are taken to protect BPP Signatories and their employees from undue pressure or retaliatory actions arising from the delivery of services.

### 3. Dialogue with Media & the Public

- a. BPP Signatories reserve the right to respond to general media enquiries about the nature of their services and about the companies or issues they cover. However, BPP Signatories should have and disclose a policy (or policies) for communication with the media and the public. This policy should include, at minimum, the following considerations:
  - Which of the BPP Signatory's employees are permitted to make comments to the media;
  - The BPP Signatory's policy toward the publication of house recommendations (if made) on any particular resolution prior to the publication of their reports to clients. Exceptions to this policy should be explained.
- b. It should be noted that BPP Signatories cannot be held responsible for the unauthorized use or re-use of their materials.
- c. At all times, BPP Signatories should observe applicable laws or regulations regarding libel, slander, market abuse, insider trading and distribution of confidential or material non-public information, etc.

## Complaints Procedures

The IOC's terms of reference make plain that one of the Committee's prime duties is "oversight of the complaints-management procedure of the BPPG, including monitoring of outcomes of those procedures." Complaints by individuals, investors, groups, or enterprises may be directed at (1) a Signatory; (2) the Best Practice Principles Group of Signatories; or (3) the Independent Oversight Committee. The IOC addressed one formal complaint by an issuer during the past year; a summary of this case may be found below.

### *Complaints directed to a Signatory*

Each of the five Signatories has language in its compliance statement providing information on how it addresses complaints that may be directed to it from any party. In its reviews of 2020 Signatory compliance statements, the IOC found that such disclosures were relatively thin in discussing complaints procedures. Further, none of the five referenced the option to stakeholders of escalating complaints to the IOC. Following recommendations put by the IOC, however, Signatory statements provided fuller explanations in their 2021 reports and at least one (EOS) made reference to the IOC as an option for escalating complaints.

The Committee holds that each Signatory has an explicit obligation under the Principles to feature effective procedures for handling complaints from issuers or others. Such procedures must demonstrate responsiveness and timeliness. In the IOC's view, stakeholders can be expected to have enhanced confidence if a Signatory makes clear (1) whether it offers one or more channels for complaints and whether they differ by complainant or market; (2) how it manages complaints; (3) by when it commits to respond to complaints; and (4) whether and how it offers an appeal process. In its first annual letter to Signatories reviewing their compliance statements, the IOC continues to encourage each firm to expand sections on this topic in their compliance statements, including with as much quantitative and qualitative analysis as possible.

### *Complaints directed to the BPPG*

On 7 May 2021, at the IOC's prompting, the BPPG adopted a revised policy on complaints escalated to the industry group; that text is reproduced here below. This process is distinct from complaints escalated to the Independent Oversight Committee, for which a separate protocol is included further below. Note that there is no fee associated with the filing of any complaint.

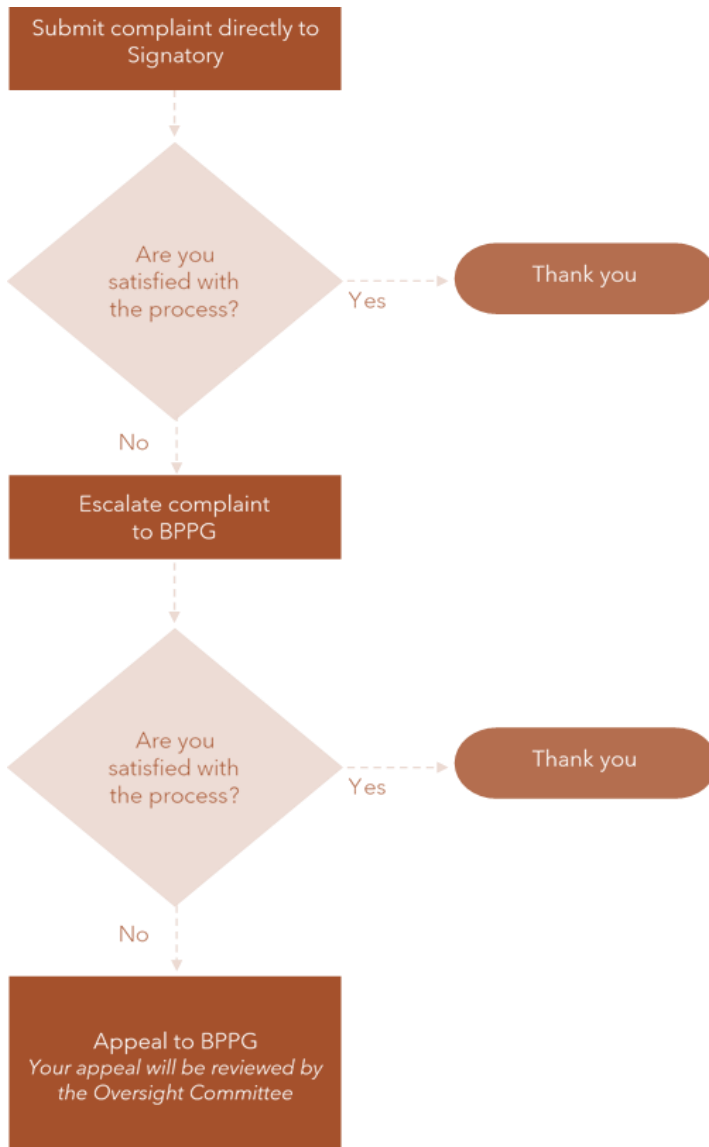
## BPPG complaints procedures: introduction

The BPPG complaints procedure is designed to ensure that complaints about the application of the Best Practice Principles (“Principles”) are properly investigated and are given careful consideration.

All signatories to the Principles (each a “BPP Signatory” or “Signatory” and together the “BPP Signatories” or “Signatories”) are committed to ensuring that they:

- Comply with the principles
- Remain accountable
- Act fairly and proportionately

Please read this Procedure in its entirety to understand the process for filing a complaint.



## Who can complain?

Any organisation or individual that alleges a ratified BPP Signatory is failing to comply with the Principles can file a complaint.

## When should I file a complaint?

Complaints can usually be resolved more easily and effectively by those with a direct influence on the situation and at an early stage. All complaints should be filed directly to the Signatory within six months of the Signatory's alleged non-compliance with the Principles.

## Where should I file a complaint?

All complaints must be first submitted directly to the Signatory and NOT to the BPPG.

Please refer to the complaints procedure for the Signatory in question, which should be available on the Signatory's public website.

## Escalating a complaint to the BPPG

If a complaint has been filed within six months of the Signatory's alleged non-compliance with the Principles, and one of the below has occurred, a follow-up complaint may be submitted to the BPPG Committee for review:

1. The relevant Signatory has not responded within 30 days of submission of a complaint;  
or
2. The Signatory's response to the complaint does not comply in all material respects with the Principles.

Prior to filing a complaint to the BPPG, please review the [list of BPP Signatories](#) to ensure the organisation in question has been approved by the BPPG and ratified by the BPPG Oversight Committee.

The BPPG Committee is comprised of a representative of each BPP Signatory and all complaints alleging that a Signatory has materially breached the Principles will be reviewed by the BPPG Committee in the first instance. Oversight of the BPPG is provided by the Independent Oversight Committee.

To make a complaint about the application of the Best Practice Principles for Shareholder Voting Research & Analysis, please use the web form on the BPP web page.

## What should be submitted with a complaint to the BPPG?

The following is required when escalating a complaint to the BPPG Committee:

- A clear and detailed description of what your complaint is about
- Copies of all the correspondence with the Signatory related to the complaint
- Confirmation of the complaint submitted to the Signatory, including the date of submission
- A concise explanation of why you feel the complaint was not adequately addressed by the relevant Signatory
- Any other information related to the complaint which may be useful to the BPPG Committee and Oversight Committee in their consideration of such
- Your contact information, including email address of the person and/or organisation submitting the complaint

Neither the BPPG Committee nor the BPP Oversight Committee can be responsible for determining or adjudicating points of individual report accuracy or differences of opinion over what constitutes “good governance” or an “accurate voting recommendation”. The BPPG Committee can only respond to complaints alleging material non-compliance with the Principles.

## What happens once a complaint is received?

All complaints submitted to the BPPG will be circulated to all members of the BPPG Committee.

Upon receipt of the complaint the BPPG Committee will:

- Acknowledge receipt of the complaint by email
- Investigate your complaint, including seeking information from the Signatory that is the subject of the complaint
- Respond to you within the timeframe indicated
- Report your complaint, the BPPG Committee’s decision and the outcome to the independent BPP Oversight Committee in accordance with the oversight procedure prescribed by Part Four of the Principles
- Confidentially report the outcome to you using the contact details provided

While all BPPG Committee members will receive all follow-up complaints and the BPPG Committee may seek a response or other relevant information from the Signatory that is the subject of the complaint, that Signatory’s representative to the BPPG Committee shall be recused from, and shall not participate in, the BPPG Committee’s decision on the complaint other than being afforded an opportunity to present their case.

The BPPG Committee aims to acknowledge receipt of your complaint within 5 working days and to respond within 25 working days to confirm whether the complaint has been upheld.

## List of potential remedies

If, after a comprehensive review of the circumstances, the complaint is upheld, the BPPG Committee will report the complaint without delay to the independent BPP Oversight Committee, along with its decision, which may include:

1. Encouraging the Signatory at stake to issue a correction, along with an explanation of the circumstances, if appropriate.
2. Encouraging the Signatory at Stake to take remedial measures as necessary in order to come into compliance with the Principles.
3. In extreme situations, in which the BPP Signatory is unwilling or unable to carry out appropriate remedial action, refer to the Oversight Committee to consider additional sanctions in accordance with the Oversight Committee's terms of reference.

The BPPG will also consider the results of its complaints review procedure as part of its periodic reviews of whether any changes to the Principles or supplemental guidance on their application is necessary.

If a complaint has not been upheld, the complainant will have a further 25 working days to appeal the decision to the BPPG Committee. An appeal should be submitted [committee@bppgrp.info](mailto:committee@bppgrp.info) which will be forwarded to the Oversight Committee for review.

## Courtesy & respect

All complainants can expect to be treated with courtesy, respect and fairness at all times. We expect that all complainants will also treat BPPG Committee members dealing with your complaint with the same courtesy, respect and fairness.

The BPPG Committee will not tolerate threatening, abusive or unreasonable behaviour by any complainant. In the unlikely event such events should happen, the BPPG Committee reserves the right to cease communication with the complainant and dismiss the complaint as it sees fit.

## Data protection

Complaint details, outcomes and actions taken are recorded by the BPPG and used for service improvement. The BPPG records all complaints we receive and collate data from them to help us understand what types of problems are most prevalent, and how well the BPPG is doing to resolve them.



## Role of the Independent Oversight Committee in complaints

The IOC's role is to provide guidance and advice to the BPPG with respect to the operation and development of the Principles. This includes providing an annual independent review of the monitoring of the BPPG, as well as an annual independent review of the public reporting of each BPP Signatory. In addition, the IOC oversees each Signatory's reporting against its internal complaints procedures, as well as those of the BPPG Committee, and provides oversight of any material complaints escalated by the BPPG.

The BPPG Committee will report any complaints upheld to the Independent Oversight Committee immediately. The BPPG Committee also reports at least annually to the IOC on its complaints procedure, including outcomes of all complaints submitted. The IOC may recommend additional sanctions for Signatory non-compliance with the BPP in accordance with Part 4 of the BPP.

Finally, the Independent Oversight Committee invites feedback concerning Signatories or the BPPG after a complainant has followed the processes outlined in this policy, including the appeals process. While the IOC is not in a position to judge the merits of complaints, it does seek to ensure that Signatories are accountable for adhering to their own complaints procedures, consistent with the Principles and for overseeing the BPPG's Complaints Procedure. Any communication can be directed to the Independent Oversight Committee at [oversightchair@bppgrp.info](mailto:oversightchair@bppgrp.info).

## Complaints directed to the Independent Oversight Committee

The IOC approved protocols governing complaints directed to the Committee itself at its meeting on 23 February 2021. These are as follows:

1. Complaints (along with any other communications) are invited through the IOC email channel, which goes to the chair.
2. The chair will share any bona fide communications with the full Committee and will include an agenda item on outside communications in all subsequent quarterly IOC meetings.
3. If the communication involves the Committee itself, members will consider the matter and respond in a timely manner to the author(s).
4. If the communication involves escalation of a complaint against a Signatory—especially in the case of an alleged lack of response by a Signatory to a complaint—the Committee will in the first instance engage on a confidential basis with the Signatory in question to determine whether the Signatory's own best practice procedures in addressing complaints were followed. It should be understood by all parties that the IOC is not positioned to act as a judge on the merits of complaints, but rather as a body with a duty to ensure that Signatories are accountable for following their own procedures for handling complaints according to the Principles. The IOC would in such a case expect the Signatory to respond to the IOC and the

complainant in a prescribed time period. In the event the Committee determines that a Signatory has failed to meet its own procedures for handling complaints according to the Principles, the IOC would consider further steps, including forms of sanctions, envisioned under its terms of reference. The IOC in any case would inform the complainant of steps it is taking in response to the communication.

5. The IOC will include in its annual report a quantitative and descriptive disclosure of any such communications to itself, while respecting the confidential nature of exchanges with Signatories.

Further, any member who declares a conflict of interest in a case before the Committee is expected to recuse herself or himself from involvement in decision making.

## Case filed with the IOC in 2022

The IOC received a formal complaint from an issuer on 31 January 2022. Under the terms of the complaints protocol above, the matter was handled in confidence. Therefore, while this report summarizes circumstances and procedures, it may not identify either the source or the target of the complaint.

The complainant leveled charges against one Signatory, alleging several breaches of the Principles: in quality of reporting, policies of issuer access to analyses, responsiveness to complaints, and communications to stakeholders. The complainant in effect petitioned the IOC for three remedies: a) a change in the Principles asking for a company's right of reply to a proxy voting advisory and research firm's report; b) the IOC's consideration of a failure in service quality when it next reviews the Signatory's latest report and compliance with the BPP; and c) a determination as to whether the Signatory met or failed its own complaint response commitments. The Signatory in question, which was copied into correspondence by the complainant, made its responses available to the IOC.

The IOC conducted an initial discussion of the complaint and the Signatory response at its Q1 2022 meeting and voted to refer the matter to its Review Subcommittee. The Subcommittee, in turn, undertook research into the case and reported a draft response to the full IOC by email. This prompted further discussion and revision before a final response was delivered on 21 March 2022 both to the complainant and the Signatory.

The IOC concluded in this instance that the Signatory in question abided by the Best Practice Principles. It found no breach of the BPP or the Signatory's own stated complaint procedures. However, the IOC did find reason to recommend that the Signatory substantially clarify its policies around issuer access to its issuer reports. The IOC communicated the recommendation in its judgement released to the two parties and incorporated it into the review letter addressing the Signatory's latest BPP compliance statement. Further, the IOC said in the judgement that it will consider recommending amendments to the BPP, when that update process next commences, that address matters arising in this complaint.

# SIGNATORY COMPLIANCE REPORTS

Signatories of the BPP did not include in their original agreement a uniform timetable for reporting against the Principles. Last year, the five firms published their reports according to different schedules ranging from May 2020 through January 2021. All were completed and then uploaded onto a single online platform on the BPP website on 12 February 2021. The IOC subsequently encouraged all Signatories to submit their 2021 reports in Q1 2022. This year, however, compliance statements were submitted to the IOC in a range between 18 February and 10 May 2022, with all uploaded onto the BPP website on 10 May, nearly three months later than in 2021.

## Compliance Report Submission Timelines<sup>5</sup>

Signatory	2021 submission date	2022 submission date
<b>Glass Lewis</b>	June 2020	5 April
<b>Hermes EOS</b>	18 January	10 May
<b>ISS</b>	11 January	18 February
<b>Minerva</b>	21 January	10 May
<b>PIRC</b>	15 January	10 May

The BPP platform with all statements is accessible here: <https://bppgrp.info/signatory-statements/>. The statements are also each accessible through the firms' own individual websites.

<sup>5</sup> Dates reflect submission of each report to the Independent Oversight Committee. These may differ from the dates a report was made available online or to other parties.

# IOC ASSESSMENTS OF 2021 COMPLIANCE REPORTS

Below are the IOC's overall findings on 2022 compliance statements issued publicly by the five Signatories addressing their operations in 2021, including a spotlighting of best-in-class reporting. All compliance statements were available together on the BPPG web page on 10 May 2022, though individual firms had posted their statements earlier. The IOC provided the assessment below, together with confidential, Signatory-specific comments and recommendations, as per the IOC's terms of reference, by letter to each of the five firms on 29 July 2022.

## *Methodology*

The IOC undertook the review process through a Review Subcommittee composed of Chair Konstantinos Sergakis, Mirte Bronsdijk, Nermeen Shehata, Geof Stapledon, and Stephen Davis, and with the assistance of Independent Reviewer Associate Professor Anna Tilba. Tilba first composed a comparative analysis of the statements and circulated it to the IOC chair and Subcommittee chair, and revised versions were then distributed to the full Subcommittee. Second, Tilba also drafted IOC response letters to each Signatory. Third, the Subcommittee revised and approved each letter before sending them to the full Committee for consideration and approval. Lastly, at the Q3 2022 meeting on 19 July 2022, IOC members unanimously approved the final letters subject to additional revisions.

## **Principle 1: Service Quality**

### **1.A Overall good reporting practices and direction of travel for improvements**

Below are examples the IOC gleaned from all five Signatory compliance reports which, in its opinion, represent best-in-class reporting on Principle 1, taking into account guidance embedded in the 2019 Principles-Appendix 1. The IOC encouraged each Signatory to review stand-out peer disclosures to determine how they might adapt similar-caliber reporting practices in the next cycle of compliance statements. Further, this IOC commentary was designed to convey its view on the direction in which Principle 1 reporting by all Signatories should be heading to meet stakeholder expectations.

**1.A.1 Timeliness:** The IOC believes that each Signatory should disclose robust data showing the timeliness of Signatory company reports, and explanations for how timelines are conceived, managed, and executed. Compliance statements indicate that EOS at Federated Hermes recommendations are available to investor clients 10 days prior to the cut-off for voting; ISS employed a minimum 2-week target delivery date.

- 1.A.2 Research capacity:** Service quality hinges on a wide variety of factors, including internal ability to converse and understand the language, culture, legal context, and ESG frameworks prevalent in each covered market. The IOC feels it important for Signatories to further explain how they equip themselves so that their research output matches such needs. Principle 1 states, in particular, that Signatories should explain “whether, and if so how...they take national market, legal, regulatory, and company-specific conditions into account”. Guidance further states that Signatories should “have and disclose a written research methodology that comprises...the extent to which local conditions and customs are taken into account”. Some signatories disclosed in their reports that professionals on staff cover more than 25 languages. The IOC believes that it would be beneficial for stakeholders to gain a deeper understanding of how a Signatory structures its staff resources for research to address local, sectoral, or company-specific issues. For instance, the following points may be taken into account when drafting compliance statements: is the team organized into country or regional experts? Or by industry sector? If not, how does it apply expertise so as to produce informed reports? Does it employ external research providers? If so, how does it monitor for quality, accuracy, independence, reliability, and potential conflicts of interest?
- 1.A.3 Staff diversity:** In the wake of last year’s IOC recommendation, all Signatories now provide at least gender diversity data on their workforces. The IOC encourages Signatories to provide diversity data on staff—broken down by permanent professionals as well as temporary, seasonal employees—so that stakeholders can better assess the teams conducting proxy voting research. These metrics, the IOC expects, will increasingly contribute to stakeholder assessments of Signatory service quality, especially as more Signatory clients request similar information from portfolio companies covered by proxy voting research firms.
- 1.A.4 Staff qualifications:** The IOC believes that a critical factor in optimizing stakeholder confidence in the industry’s ability to meet Principle 1 is information on staff experience and training. Guidance in Appendix 1.6 provides suggested detail. The IOC strongly encourages Signatories to explain in more detail about how they manage professional development for full-time professionals, if they have such programs, and about induction/orientation and content training for temporary or part-time employees. Descriptions on content, duration, instruction methods, mentoring opportunities, and other factors would be welcome. It would be of further value to stakeholders for Signatories to explain hiring practices—that is, what qualifications are sought for different tasks.
- 1.A.5 Staff length of service:** In the wake of last year’s IOC recommendation, more Signatories provided information on the average length of service for research staff as well as the management team. All Signatories should consider including this information—for full-time professional staff—as an indicator of service quality.
- 1.A.6 Staff numbers and workload:** Another key indicator of service quality, in the view of the IOC, is data showing the average count of permanent professional staff during the year, together with the number of temporary/seasonal employees during high-volume periods. Signatories should then quantify staff workload—

especially the average number of reports per analyst and similar data—and describe how they calculate this ratio and its meaning. Further, Signatories should explain how they see the reports-per-analyst or equivalent figures as achieving best output quality. Indeed, in the wake of last year’s IOC recommendation, all Signatories now arrive at different disclosure levels on this topic based on different methods of research and different business models. Each Signatory, in the IOC’s view, should disclose those levels coupled with explanations.

**1.A.7 Quality assurance:** The IOC encourages Signatories to disclose robust data and explanations on fact-checking and error-tracking together with remediation practices on both corrections and how lessons may be applied to avert similar errors in the future. Guidance for Principle 1 urges Signatories to have and describe internal controls that “reasonably ensure the reliability of the use of information in the research process, and the limitations thereof.” It further [in 1.3(h)] states that Signatories “should alert clients to any verified factual errors or material revisions to published research or analysis without delay”. The IOC would like to see more robust disclosures on such internal controls over quality, reliability, independence, and accuracy, including data on alerts to clients concerning errors or revisions. The IOC also sees the need for more expansive reporting on Guidance 1.3(e), which suggests assurance that each Signatory maintains “records of the sources of data used for the provision of services to clients”, and Guidance 1.3(g), which urges Signatories to be “transparent regarding the sources used and content included in the research information they provide to clients”. As a start, Glass Lewis stated that it tracks exchanges with corporate issuers, including error/correction rates, and provides such information to clients upon request. Additionally, this year, Glass Lewis for the first time also engaged an external auditor to perform an SSAE 18 SOC 2 audit focused on security, including Glass Lewis’ controls related to cybersecurity. ISS also implemented steps ahead of the 2022 annual meeting season described as a way to reduce error, at least in respect of US corporations. It launched a new data verification (DV) portal for US issuers, a major expansion of ISS’s DV program. While noting these positive developments, based on its recommendations, the IOC continues to advocate for further transparency on fact-checking, error-tracking, and remediation practices among all Signatories.

**1.A.8 Company feedback.** PIRC reported that it sends a copy of its draft proxy report, including voting recommendations, to each company it covers, and EOS materially improved this section of the reporting by significantly revising its section on feedback management and complaints. The IOC is aware of competing time pressures, especially in markets with challenging ballot timelines, and different business models that give rise to divergent Signatory approaches to this matter. In general, the IOC favors a scenario in which companies have a timely opportunity to review and correct (where appropriate) Signatory factual descriptions and data, since this scenario could improve product accuracy. But at the same time the IOC believes this quality improvement must be weighed against the real risk of cutting into voting windows available to investor clients and the need to safeguard

Signatory independence. The IOC believes a clear explanation is warranted of how each Signatory approaches the question.

- 1.A.9 Corporate governance issues:** EOS at Federated Hermes offered a detailed list of corporate governance issues it covers. Minerva and PIRC also provided this overview.

## Principle 2: Conflicts of Interest Avoidance and Management

### 2.A Overall good reporting practices and direction of travel for improvements

Below are examples the IOC gleaned from all five Signatory compliance reports which in its opinion represent best-in-class reporting on Principle 2 together with Guidance supplied in Appendix 1 of the BPP. The IOC encouraged each Signatory to review stand-out peer disclosures to determine how they might adapt such reporting practices in the next cycle of compliance statements. Further, the IOC commentary here illustrates its opinion on the direction in which Principle 2 reporting by all Signatories should be heading.

- 2.A.1. Revenue sources:** The IOC believes that an important metric in enabling stakeholders to assess risks of conflicts of interest at each Signatory is clarity and knowledge of the comparative size and nature of revenue sources. The IOC encourages Signatories to provide as much such data as possible. Signatories have for the most part not met this recommendation, though ISS did add this year that it “will view a relationship with an institutional client as significant if the annual revenues from that client are in excess of five percent of ISS’ total, consolidated revenues for the most recently completed fiscal year.” In 2021, Glass Lewis began offering an equity plan advisory service to companies based in the United States and Canada, which it says has the potential to pose conflicts of interest.
- 2.A.2. Compliance monitoring:** The IOC believes that Signatories can enhance stakeholder confidence in their application of Principle 2 by explaining in detail how compliance with own rules and practices regarding conflicts of interest is monitored and policed. Glass Lewis, in a best-in-class example of such tools, disclosed that it has a dedicated internal team monitoring compliance, while adding this year that it had enhanced mechanisms to monitor compliance with its Code of Ethics. Specifically, Glass Lewis retained a third-party service to electronically monitor employee personal trading accounts. ISS includes, for a second year, a significant section on compliance monitoring. Other Signatories provided some general information on this topic. The IOC continues to recommend that Signatories disclose measures in place to guard against conflicts of interest.
- 2.A.3. Potential conflict instances and notifications:** The IOC believes that an effective way of helping stakeholders gauge conflicts of interest management is for each Signatory to (1) spell out the risks of specific conflicts and, conversely, what conflicts



they do not have; (2) provide quantitative information on how often potential conflicts are flagged to clients and others; (3) detail descriptions of how potential conflicts are managed including, for those who provide overlay services, by explaining safeguards against potential conflicts; and (4) offer examples of risk mitigation practices. The IOC encourages each Signatory to incorporate improved reporting on this in their 2022 compliance statements. In best-in-class examples, this year ISS and Glass Lewis added material changes to its potential conflicts of interest disclosures, including those that reflect new business lines and ownership. EOS and PIRC also added a new sub-section on Employee Share Trading to their potential conflicts of interest page.

- 2.A.4. Employee conduct and ethics training:** The IOC believes that Signatories should provide fulsome descriptions of the internal protocols they use to ensure all employees adhere to compliance rules and high ethical standards, especially in regard to board memberships and share trading, not just upon hiring but throughout their employment. This is underscored in Guidance 2.3(a) of the BPP. In 2021 best-in-class reporting examples, ISS indicated that employees are trained on the content of the General Code of Conduct and are required to certify their adherence on an annual basis. At PIRC, staff underwent conflict of interest identification training as part of their overall induction upon appointment. In 2021, Glass Lewis enhanced its mechanisms to monitor compliance with the Code of Ethics by retaining a third-party service to electronically monitor employee personal trading accounts. EOS also added a new section about the EOS Code of Ethics. Other Signatories still disclose no information about internal codes of ethics.
- 2.A.5. Recording and escalation:** The IOC encourages Signatories to explain how each would track any staff breaches in compliance and ethics guidelines and how it would escalate such a case. EOS and PIRC continue to disclose a useful section that does this. Glass Lewis's new tracking system (see 2.A.4) helps achieve the aim of policing against breaches in ethics policies.
- 2.A.6. Employee share trading:** The IOC notes that Signatories have varied ways of reporting on rules and time windows around employee share trading. For instance, Glass Lewis had a 30-day embargo on staff trading around AGMs and a process whereby employees must file a Personal Trading Report; ISS doesn't allow staff share trading at all; and PIRC this year specified that employees periodically must report shareholdings to the compliance officer. The IOC encourages each Signatory to report in detail on its policies around employee share trading and to indicate whether and how they apply to different categories of staff (for example, executives, full-time permanent professionals, seasonal employees).
- 2.A.7. Impact of Best Practice Principles:** The IOC suggests that Signatories might wish to enhance stakeholder confidence in the BPP by illustrating what changes they have made in response to the Principles. PIRC is alone among the Signatories this year in spelling out in a table how it addressed IOC recommendations from last year's letter. Other Signatories may wish to adopt this approach to highlight to

regulators, client investors, issuers, and other stakeholders that the BPP process can be a means to deliver change.

## Principle 3: Communications Policy

### 3.A Overall good reporting practices and direction of travel for improvements

Below are examples the IOC gleaned from all five Signatory compliance reports which in its opinion represent best-in-class reporting on Principle 3 together with Guidance in Appendix 1 of the BPP. The IOC encouraged each Signatory to review stand-out peer disclosures to determine how they might adapt such reporting practices in the next cycle of compliance statements. Further, the IOC's commentary here illustrates its opinion on the direction in which Principle 3 reporting by all Signatories should be heading.

**3.A.1 Engagement practices and reporting:** The IOC is aware that different Signatory business models compel different approaches to engagement with listed companies and other parties. It believes that, as a matter of best reporting on Principle 3, and in accord with Guidance 3.1 and 3.2, each Signatory should fully explain its approach to engagement. Those that do not engage, or feature only limited engagement, should explain why and how. Those that do engage should report information that can help stakeholders assess the quality, intensity, scope, and purpose of such work. This could involve disclosing (1) how they define engagement, including whether it is directed only at companies (and if so, which parties) or also with other stakeholders; (2) quantitative, qualitative, and timeline metrics that illustrate the scope of such activity; (3) geographic and sectoral breakdowns of engagement; and (4) track outcomes, where relevant to the Signatory's business model. In best-in-class examples, Glass Lewis has included a link to its engagement policy together with a description of its engagement activities, services, disclosures, and tracking. ISS's compliance statement describes the purpose and parameters of ISS engagement activities. EOS explained how it actively seeks stewardship dialogues with issuers with the aim of influencing a company's behaviour, how it tracks progress, and how it reports on such activity to clients. PIRC also provided an explanation on this topic and Minerva has provided additional information on engagement in the latest report as it addresses principles in the UK Stewardship Code.

**3.A.2 Communication with issuers:** The IOC believes that timely issuer feedback can be a material contributor to research accuracy. As noted earlier, however, the IOC understands that different business models apply here, and the feedback process must be balanced against the need to 1) deliver ballot analyses to investor clients in sufficient time for them to undertake meaningful stewardship and informed voting; and 2) ensure appropriate independence of proxy research and vote recommendations. The IOC strongly encourages Signatories to explain in its Principle 3 compliance statement (1) if they have a process for corporate feedback and, if not why not, or if so, whether it varies by market, company size, or other factors; (2) the extent of research information it provides to issuers for their feedback—for instance, does the Signatory send research plus recommendations?

Does it send all research that will go into the final report, or only part?; (3) whether the Signatory provides companies with any advance notice as to when to expect a report to review; (4) how much time a Signatory generally gives companies to respond; (5) whether any fees are required for companies to have access to reports on them before they are published; and (6) practices a Signatory has governing reactions to issuer feedback, including whether and how it responds to the company and to what extent it incorporates feedback into final reports to investor clients or notifies investor clients of issues raised. Glass Lewis made improvements to its explanation of issuer communication policies, and added illustrative data and examples. PIRC provides a clear explanation of company feedback policies. Other Signatories disclosures on this metric remained substantially the same as the year before.

- 3.A.3 Complaints procedures:** The IOC holds that each Signatory has an explicit obligation under the Principles to feature effective procedures for handling complaints from issuers or others. Such procedures must demonstrate responsiveness and timeliness. Stakeholders can be expected to have enhanced confidence if a Signatory makes clear (1) whether it offers one or more channels for complaints and whether they differ by complainant or market; (2) how it manages complaints; (3) by when it commits to respond to complaints; and (4) whether and how it offers an appeal process. The IOC observed last year that Signatory compliance reports were thinnest in discussing complaints procedures and we encouraged each to expand sections on this topic in their next statements, including with as much quantitative and qualitative analysis as possible. As a result, Glass Lewis has further described and provided data around its Report Feedback Statement program; EOS made significant improvements in this area in its latest report; PIRC also added a statement on complaints.
- 3.A.4 Media communication policies:** The IOC believes that part of a Signatory's compliance with Principle 3, and Guidance 3.3, involves reporting on how it handles media and, optimally, whether its practices differ by market, region, culture, language, or type of media channel. EOS at Federated Hermes was, in the IOC's observation, best in class last year, as it explained its media policy, noting that designated engagement professionals receive training to manage media contacts, including risks related to defamation, market abuse, and use of material non-public information. ISS includes a general section on this topic and Glass Lewis provides an explanation of its media policies. Minerva also added a 'Client and Market Communication' section. Lastly, PIRC added a section this year identifying which personnel may address media.
- 3.A.5 Independent Oversight Committee communication channel:** The IOC noted last year that none of the Signatories included information about how stakeholders unsatisfied with a firm's adherence to the Principles have a fallback option of communicating concerns or feedback to the IOC. We encouraged each Signatory to incorporate such information, including IOC communication protocols and its email address, in 2022 compliance reports. Glass Lewis has provided information on escalating an issue to the IOC, though without including an email address. EOS

has materially improved its disclosures on complaint channels, and has provided information on escalating an issue to the IOC.

# COMMUNICATION WITH THE IOC

The Independent Oversight Committee invites stakeholders of all types to communicate with it on, for instance:

- Signatory compliance with the Best Practice Principles;
- Performance of the IOC itself;
- Aspects of the proxy advisory vote research industry; and
- Complaints

In 2021 the IOC established an independent channel for such communication through the chair. Emails may be sent to: [oversightchair@bppgrp.info](mailto:oversightchair@bppgrp.info).

Further, the IOC agreed a protocol at its 10 December 2020 meeting which was subsequently shared with the Signatories:

1. The chair is expected to share any *bona fide* communications with the full Committee and to include an agenda item on outside communications in all subsequent quarterly IOC meetings.
2. If the communication involves the Committee itself, members will consider the matter and respond in a timely manner to the author(s).
3. If the communication involves escalation of a complaint against a Signatory—especially in the case of an alleged lack of response by a Signatory to a complaint—the Committee will in the first instance engage on a confidential basis with the Signatory in question to determine whether the Signatory’s own best practice procedures in addressing complaints were followed. It should be understood by all parties that the IOC is not positioned to act as a judge on the merits of complaints, but rather as a body with a duty to ensure that Signatories are accountable for following their own procedures for handling complaints according to the Principles. The IOC would in such a case expect the Signatory to respond to the IOC and the complainant in a prescribed time period. In the event the Committee determines that a Signatory has failed to meet its own procedures for handling complaints according to the Principles, the IOC would consider further steps envisioned under its terms of reference. The IOC’s terms of reference state in respect of an area in need of improvement that “if the BPP Signatory has not addressed the issue in a satisfactory manner, the Oversight Committee will discuss appropriate next steps with other BPPG members, up to and including the ultimate sanction of ending the BPP Signatory status and BPPG membership.” The IOC in any case would inform the complainant of steps it is taking in response to the communication.
4. The IOC will include a quantitative and descriptive disclosure of any such communications to itself, while respecting the confidential nature of exchanges with Signatories, in the OC’s annual report

In the year 1 July 2021 to 30 June 2022, the Independent Oversight Committee received one formal complaint filed by an issuer (see Section VI above). All other communications were about logistics, procedures, or ongoing discussions with the BPPG over matters such as budget, Signatory membership, and governance protocols.

# THE ROAD AHEAD

Four areas are likely to draw IOC attention and action over the coming year.

First, in addition to undertaking its third year of compliance statement reviews, in 2022-23, the Independent Oversight Committee intends to convene its first in-person/hybrid Open Stakeholder Forum to gather opinion on the industry. Insights from the event in Rome (see Section IV) are expected to inform IOC perspectives on whether there is a need for revisions to the 2019 Principles, and on how the Committee shapes its reviews of 2022 Signatory compliance statements. Findings may also be helpful to each Signatory as it develops best practices and disclosures.

Second, market practices, especially in respect of investor stewardship, have evolved at a rapid pace since agreement on the Best Practice Principles was last reached in 2019. For instance, there is considerably more attention paid to climate and human capital factors and more sophisticated analytics available for those purposes. At the same time, more regulators are keeping a watchful eye on how institutional investors utilize the services of the proxy voting advisory and research industry. Moreover, a new cadre of advisory and NGO players are seeking to raise citizen investor awareness of and participation in the way financial agents cast proxy ballots.

Alongside these macro shifts, and in the wake of two rounds of compliance reviews and exposure to periodic suggestions from stakeholders, the IOC regularly finds operational areas of the Principles that could be considered for improvement. Given this overall context, the IOC is likely to find it timely in the coming year to discuss opening an inquiry into a refreshment of the Principles. This activity would, of course, need to proceed in collaboration with the Signatories and would constitute another test of the independence and effectiveness of the monitored self-regulation process.

Third, the IOC is aware that the European Commission has kicked off a year-long review of the industry's independent oversight structure, which it helped spur. Article 3k of Shareholder Rights Directive (SRD) II states that, "... the Commission shall, in close cooperation with ESMA, submit a report to the European Parliament and to the Council on the implementation of Article 3j, including the appropriateness of its scope of application and its effectiveness and the assessment of the need for establishing regulatory requirements for proxy advisors, taking into account relevant Union and international market developments. The report shall be published by 10 June 2023 and shall be accompanied, if appropriate, by legislative proposals."

The IOC has begun the process of assisting ESMA in its review (see Section I) and expects an ESMA official to participate in the October 2022 Open Stakeholder Forum in Rome. The Committee will stand by to communicate with ESMA as it undertakes its review of the

overall effectiveness of the Best Practice Principles structure ahead of the Commission's June 2023 deadline.

The IOC will also consider the question of whether to raise its public profile as a way of providing the market with further assurance that it is an effective channel for addressing stakeholder needs.

Finally, the IOC will in Q3 2022 manage the process of its first chair succession and transition according to new governance protocols. Stephen Davis will be completing his three-year term as chair on 31 December 2022. The Nomination and Governance Subcommittee developed candidates with the help of the full Committee and in consultation with the BPPG with a view to submitting a successor to the IOC for a vote. This occurred in July 2022, resulting in the unanimous election of Prof. Konstantinos Sergakis as the next chair. This successful outcome, which will be accompanied by transition steps, is important in assuring the durability of the Independent Oversight Committee.