



# 2023

## ANNUAL REPORT

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### **OVERSIGHT COMMITTEE**

Best Practice Principles for Providers of  
Shareholder Voting Research & Analysis

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# MESSAGE FROM THE CHAIR

Welcome to the third annual report of the Best Practice Principles Oversight Committee (BPP OC). The period covered in this review—1 July 2022 through 30 June 2023—featured key developments in the landscape of the proxy voting advisory and research industry and at the BPP OC itself. Among highlights:

- Regulators in Europe and in the US provided a positive assessment of BPP OC's work and confirmed the robustness of its 'monitored self-regulation' process;
- The BPP OC gained further insights on the impact of its recommendations on practice by Signatories of the BPP during the second annual forum;
- The BPP OC made substantial progress in building out its own governance architecture to safeguard independence and communication with stakeholders with the appointment of the successor chair, the appointment of three new BPP OC members as well as the adoption of a communications protocol.

## General background

First, a word on background drawn from our previous reports 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 risk factors. For many, such factors are linked as much to long-term value and opportunity in portfolios. 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 their beneficiaries, regulators, lawmakers, issuers, nongovernmental organizations (NGOs), media, and individual shareholders for how they handle these stewardship challenges, particularly as it relates to shareholder voting research and analysis and

how they use information provided by independent service providers such as proxy advisory firms.

That is where independent 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 there is a very small 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 management.

## Current regulatory trends

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 standards on proxy advisors. But the advisors themselves took the lead in implementing their own standards. Five firms based in multiple markets came together in 2013 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 and was then acquired by Glass Lewis in December 2022.<sup>1</sup> Together the members of the Best Practice Principles Group (BPPG) developed principles that set high standards for themselves, including by adding a form of oversight through the Best Practice Principles Oversight Committee (BPP OC).

In 2022, ESMA initiated a year-long exercise of reviewing progress for the purpose of framing recommendations to the European Commission.<sup>2</sup> As a start, I attended, on behalf of the BPP OC's former chair, Dr. Stephen Davis, ESMA's Roundtable on proxy advisors in November 2022 to brief members and other stakeholders (issuers,

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<sup>1</sup> Glass Lewis acquired Proxinvest at the end of 2022 and has confirmed that it will include Proxinvest in its 2023 Statement of Compliance. Further, Glass Lewis has indicated that, where applicable, Glass Lewis will highlight any differences that may exist between Glass Lewis and Proxinvest's policies and procedures.

<sup>2</sup> 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."



institutional investors and NCA representatives) on the BPP OC's work. Dr. Stephen Davis and I also participated in ESMA's Call for Evidence on the implementation of the Shareholder Rights Directive (SRD) II. On 27 July 2023, ESMA released its input for the SRD II review to the European Commission.<sup>3</sup> ESMA observed that: *"the design of the current regulatory framework is considered overall robust, and its application is seen to be gradually improving. Therefore, the present approach of 'monitored self-regulation' should be maintained"*.<sup>4</sup> ESMA also noted that *"the current framework, mainly based on self-regulation and inherent disclosures, has contributed to reducing the risk of further raising barriers to entry in an industry that is already highly concentrated"*.<sup>5</sup> ESMA also put forward a series of further improvements that it considered would reinforce the monitored self-regulation's credibility. The BPP OC also notes with appreciation the overall positive appraisal of its work by ESMA.

Regulators in the United States, in 2021/2022, also chose to favor the approach of monitored self-regulation embodied in the BPPG's initiative. The SEC stepped back from a controversial plan of expansive rule-making for the industry and cited the BPP OC's monitoring role and the industry-wide standards established through the BPPG.<sup>6</sup> Furthermore, at the BPP OC's 2022 Open Stakeholder Forum in Rome, Valian Afshar, US SEC special counsel, Office of the Director, Division of Corporation Finance, delivered remarks on monitored self-regulation of the proxy advisory and research industry. *"The BPP OC,"* Afshar said, *"is uniquely positioned to enforce Signatory compliance with the Best Practice Principles."* He added that the BPPG's monitored self-regulation process can work better than *"market-based incentives to hold proxy advisors accountable."*<sup>7</sup>

There are therefore some clear signs of a regulatory international convergence on monitored self-regulation. India is currently the only major market with far-reaching rules in place covering industry practices.

In this context, the BPP OC also has both a responsibility and opportunity to continue to promote greater understanding of the corporate governance and proxy research

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<sup>3</sup> ESMA, "Report, Implementation of SRD2 provisions on proxy advisors and the investment chain", Thursday 27 July 2023, ESMA32-380-267, EBA/Rep/2023/26.

<sup>4</sup> Ibid, p. 24.

<sup>5</sup> Ibid, p. 33.

<sup>6</sup> Release No. 34- 93595; File No. S7-17-21, pgs. 14-19.

<sup>7</sup> <https://vision.focusrisparmio.com/einf/?i=ioc-annual-forum-2022>.

and support services provided to professional investors by the shareholder voting research and voting advice industry. It is important to recognize the value of the services proxy advisory firms provide to their clients, the providers of investment capital, and the respective roles and responsibilities of financial market participants in the process. The BPP OC and its Chair can constructively contribute to communicating the facts and eliciting nuances relevant to policymakers and stakeholders globally.

## BPP Oversight Committee's work in 2022-2023

I am honoured to serve as second chair of the BPP OC since January 2023, and am especially grateful to the important work undertaken by BPP OC's first chair, Dr. Stephen Davis for his guidance and ongoing support during my initial appointment at the OC in 2020, which have proven indispensable in succeeding him in the BPP OC chair role. A word of appreciation is also due to Prof. Dr. Dirk A. Zetsche, Chris Hodge, and Dr. Danielle A.M. Melis, who each served as independent chairs of earlier iterations of initiatives that built to the founding of the BPP OC.

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

- Fabio Bonomo of Enel
- Amy Borrus of the US Council of Institutional Investors
- Mirte Bronsdijk of APG Asset Management
- Prof. Evan Epstein of the UC Law SF
- Michael Herskovich of BNP Paribas Asset Management
- Massimo Menchini of Assogestioni
- Michael McCauley of the Florida State Board of Administration
- Hope Mehlman of Discover
- Geof Stapledon formerly of BHP
- Sachi Suzuki of HSBC Asset Management
- Prof. Anna Tilba of Durham University

A special thanks to former BPP OC members, who completed their mandate in December 2022, for their work and contribution: Associate Professor Nermeen Shehata (academic representative) and Jean-Baptiste Duchateau (issuer representative).

We also have the very good fortune of being able to continue relying upon the outstanding administrative secretariat of Jennifer Thompson, Director, EMEA Corporate Business & Global Engagement at Glass Lewis, who has been seconded by the BPPG to the BPP OC since its first year of operation.

The BPP OC 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 BPP OC meets its responsibilities. In a landscape that is increasingly complex, global in nature, and challenging, these are welcome stances. Communication has been strengthened by quarterly calls between Signatories, on the one hand, and the BPP OC chair, on the other as well as regular email communication throughout the year when necessary. Moreover, BPP OC Chair included in 2023 a formal discussion item in all BPP OC quarterly meetings to keep regularly updated BPP OC members of the meetings' content with Signatories.

The BPP OC continues to believe 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 BPP OC. As such, the BPP OC looks forward to fulfilling its mission in an ever-changing landscape, also in terms of firms choosing to join the BPPG.

In this third year, members focused on further strengthening constitutional and procedural precedents for the future. In particular, the BPP OC enriched its protocols with a communication charter, designing the responsibilities of the BPP OC chair and OC members when interacting with stakeholders.

We recognize that these are still early days of oversight in a global business world swiftly changing. To get its duties right, the BPP OC 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, and in continuance with the open consultation and stakeholder meetings that have been held since the initiation of the BPPG, the BPP OC 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>8</sup> Last year, on 11 October 2022, the BPP OC convened 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 took place in Rome thanks to host Assogestioni and its world-class staff.<sup>9</sup> This year, the third Open Stakeholder Forum will be held in a virtual format on 18 October 2023. But the BPP OC warmly invites stakeholders 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).

I am confident that the monitored self-regulation model, as operated by the BPPG and the BPP OC, will stand out as a credible and long-lasting testimony to soft law initiatives, such as the Best Practice Principles Group, and will inspire many similar ones in the future.

### **Professor Konstantinos Sergakis**

Independent Chair, BPP Oversight Committee

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<sup>8</sup> <https://www.youtube.com/watch?v=Lathijh0uLo>.

<sup>9</sup> <https://vision.focusrisparmio.com/einf/?i=ioc-annual-forum-2022>.



## 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 increase their transparency to promote better understanding. ESMA, the European Securities and Markets Authority, has been especially proactive in encouraging private and public sector solutions, as have regulators such as the Autorité des marchés financiers in France.

Six service providers, despite being competitors, responded 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, IVOX (acquired by Glass Lewis in 2015), 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 affirming that it would abide by the Principles. In December 2022, Proxinvest was acquired by Glass Lewis. Over time, through a transparent and public process, the Group consulted on and adopted revised Principles and, importantly, formulated an additional governance component for the independent oversight of their adherence to the Principles, through the establishment of the BPP OC.

The purpose of the BPP OC is to provide 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 advise and guide the BPPG on a process of revisions when appropriate.

To accomplish these objectives, BPPG members approached a number of potential candidates and invited them to form the first Oversight Committee. The BPP OC 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 biographies of each of the members and a description of the specific terms of reference for the BPP OC, may be found in this report.

# GOVERNANCE OF THE BPP OVERSIGHT COMMITTEE

## BPP Oversight Committee terms of reference

The BPP OC'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 BPP OC. However, the Melis Report was explicit in sections 1.3 and 1.8 in granting authority to the BPP OC 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 BPP OC 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 BPP OC 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 BPP OC 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 BPP OC 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 BPP OC 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 BPP OC's founding instrument.

The BPPG has established the BPP 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 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 Oversight Committee. BPP Signatories are expected to co-operate with the BPP 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 Oversight Committee, which will be published on the website of the Best Practice Principles Group.

## Individual Signatory Compliance

- The BPP 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 BPP OC 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 BPP OC, and the results of the monitoring will be summarized in an annual report by the BPP OC to be published on the BPPG website.

## Composition of the BPP Oversight Committee

Arrangements for the appointment of the founding BPP OC 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.
- 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 Oversight Committee. Further, BPP OC members were to represent a diverse mix of skills, backgrounds, knowledge, experience, and geographic locations.

## Nomination and election of the founding BPP OC

- Oversight Committee member vacancies, including the independent chair, shall be advertised on the BPPG website and in other appropriate media. Upon inception of the BPP OC, BPPG members will appoint the BPP Oversight Committee chair in advance of the BPP OC members. BPPG members shall consider the nominations received and determine a “long list” of suitable candidates from the nominations. The chair and existing BPP OC 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 Oversight Committee members upon inception of the BPP Oversight Committee, BPPG members will undertake this process, with input from the BPP OC Chair.
- In the case of the initial appointment of the BPP OC 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 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 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 BPP OC 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 BPP OC independence, and reduce excessive complexity. To that end, the BPP OC approved formation of a Nomination Subcommittee (later renamed the Nomination and Governance Subcommittee), to develop recommendations to the full BPP OC 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 BPP OC 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 BPP OC governance at the BPP OC’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 BPP OC Chair (the “Independent Chair”) to identify individuals qualified to become BPP OC members and to recommend nominees to the BPP OC for election.

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

1. The N&G shall consist of a minimum of three (3) members of the BPP OC.
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 BPP OC, as applicable:

1. Identify, consider, and evaluate individuals believed to be qualified to become BPP OC members and recommend such individuals to the BPP OC for membership. In recommending candidates to the BPP OC, N&G shall seek candidates who have a reputation for integrity, who can make contributions to the BPP OC, and who will maintain the appropriate character and composition of the BPP OC as:
  - Diverse with respect to skills, backgrounds, race, ethnicity, national origin, gender, sexual orientation, characteristics, knowledge, experience, and geographic location; and
  - 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).
1. Recommend nominees to the BPP OC for election. Before recommending nominees to the BPP OC, 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 BPP OC.
2. In the case of a vacancy of an BPP OC member, the Nomination and Governance Subcommittee shall recommend to the BPP OC an individual to fill such vacancy. N&G shall seek recommendations of potential such nominees from the BPP Signatories.
3. 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.
4. Through the use of nominations, strive to maintain an BPP OC which is approximately equal ratios of new-tenured, mid-tenured, and long-tenured members.



5. N&G shall maintain a “short list” of potential nominees to replace current members of the BPP OC.
6. Periodically, the N&G chair shall ask the BPP OC 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. BPP OC members are expected to participate actively in BPP OC meetings.
2. The term of each BPP OC member will be three years. BPP OC 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 BPP OC 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 a BPP OC member wishes to continue serving on the BPP OC, the N&G shall review whether that member will maintain their membership. If N&G declines to re-nominate a BPP OC member, or if a BPP OC member would not like to continue serving on the BPP OC, that member will be deemed immediately to have resigned.
4. If the affiliation of a BPP OC 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 BPP OC for the entity category corresponding to the resigned BPP OC 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 BPP OC position for the resigned BPP OC member, though it may add that former member to its “short list.”
5. If the affiliation of a BPP OC member changes within the same category (for instance, from one independent organization to another independent organization), that member will continue to serve on the BPP OC. However, the preceding clause will not apply if that member’s new affiliation is already represented by another BPP OC 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 BPP OC. A change in affiliation within the same category will not alter the current length of a BPP OC 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, a BPP OC member will serve as acting chair until a replacement chair is approved. The Nomination and Governance Subcommittee will recommend for acting chair a BPP OC member, who shall be confirmed by a majority vote of the BPP OC, excluding the nominee.
9. If there is a vacancy of the Independent Chair position, N&G shall recommend a nominee to the BPP OC 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 BPP OC, 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 BPP OC.
10. The work of the N&G shall be summarized in the annual BPP OC report.
11. Periodically, there will be an evaluation of the effectiveness of the BPP OC, the BPP OC members individually, or both. Evaluations may be conducted internally or with the assistance of an external facilitator.

## Communication Protocol of the BPP Oversight Committee

The BPP OC enhanced further its governance structure via the adoption of a communication protocol. The BPP OC Chair proposed this new charter at the BPP OC's Q1 2023 meeting on 24 January 2023. Following discussion and exchange with BPPG signatories, this was adopted by the BPP OC at its Q2 2023 meeting on 31 May 2023. The Communication Charter is designed by the BPP OC to designate representation and communication duties to the BPP OC Independent Chair (the "Independent Chair") as well as to other BPP OC members on an ad hoc basis.

### *I. Scope of Application*

The Communication Charter delineates the lines of authority and responsibility for any communication activity in consideration of the BPP OC's responsibilities to its stakeholders.

As provided in the BPP OC Terms of Reference and except as provided in Sections III and IV below, BPP OC members are subject to confidentiality obligations. Confidentiality must be ensured in all circumstances between BPP OC members, as well as between BPP OC members and the BPPG.

### *VI. Independent Chair's Communication Responsibilities*

1. The Independent Chair has an exclusive responsibility for representing and communicating on behalf of the BPP OC with any stakeholder for any matter related to the BPP OC. This ensures a consistent representation of the BPP OC. Subject to Paragraphs III.6-8. below, such communication may take place in any form (electronic, face to face) or within any context (media engagement, private/public meetings, conference attendance/invitation, engagement with regulators or any interested parties in the BPP OC's activities etc.).
2. Subject to this Paragraph III, while representing the BPP OC and in relation to any communication with stakeholders, the Independent Chair may establish such rules as he/she determines necessary or appropriate for his/her business.
3. The Independent Chair is expected to represent the BPP OC and communicate with stakeholders while demonstrating high standards of

probity, ethics and consistency with the BPP OC's mission.<sup>10</sup> When engaging with stakeholders or representing the BPP OC in any capacity, the Independent Chair is deemed to express the views of the BPP OC, as collectively shaped with other BPP OC members. If the Independent Chair wants to indicate her/his personal opinions, she/he must make clear that her/his comments are her/his own, and do not necessarily represent the positions of the BPP OC or her/his fellow members of the BPP OC.

4. The Independent Chair shall take minutes of any meetings with stakeholders and inform the BPP OC members during the BPP OC quarterly meetings of the undertaken activity.
5. The Independent Chair is expected to participate actively in promoting the BPP OC's visibility and engagement with stakeholders. Communication with stakeholders is expected to be two-way and it may include receiving feedback from stakeholders on the BPP OC's modus operandi as well as seeking opportunities to promote the BPP OC's mission to any audience.
6. The Independent Chair will not initiate dialogue with regulators, standard setting bodies, or other associations (e.g., OECD, IOSCO) without consulting with the BPPG. The Independent Chair will inform as soon as practicable, and consult with, BPPG members regarding incoming inquiries related to BPPG, regulation of BPPG members or other such inquiries.
7. Prior to speaking and/or providing any quotes to the press, the Independent Chair will request the approval of the BPPG. For purposes of this paragraph (but for no other purposes), approval is defined as agreement (or lack of any objection) from all members of the BPPG within a 48-hour period.
8. The Independent Chair will promptly inform the BPP OC and BPPG members in writing of any anticipated speaking engagements, with a summary of planned remarks.
9. The BPPG and the Independent Chair convene quarterly meetings on matters arising in relation to the BPP OC's ongoing agenda. The Independent Chair and the BPPG maintain an ongoing communication on any matter of common interest during the year. If approached by any

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<sup>10</sup> The BPP OC's mission can be accessed at <https://bppgrp.info/best-practice-principles-bpp-oversight-committee/>.



stakeholder (as per III.1 or any other inquiry) for a matter related to the BPPG's remit, the Independent Chair is deemed to forward by email any communication to the BPPG to ensure an appropriate response.

## **VII. *BPP OC Members' Communication Responsibilities***

The BPP OC members will have the following communication responsibilities relating to the BPP Oversight Committee, as applicable:

1. If approached by any stakeholder (as per III.1 or any other inquiry) for a matter related to the BPP OC's remit, BPP OC members are deemed to forward by email any communication to the Independent Chair to ensure an appropriate response. BPP OC members can share publicly available information with any stakeholder in relation to the BPP OC's mission and activities.
2. In the case of the Independent Chair's lack of availability or at her/his discretion, BPP OC members shall be exceptionally appointed by, and shall serve at the discretion of, the Independent Chair to engage in any communication activity as the Independent Chair sees fit. In addition to their responsibilities under Paragraph IV.5. below, the designated BPP OC members shall need to agree the discussion items and the line of arguments that will be communicated to stakeholders with the Independent Chair who has responsibility for approval prior to any communication activity. In such a case, the designated BPP OC members shall take minutes of any meetings with stakeholders and inform the Independent Chair shortly thereafter. The Independent Chair shall then inform the BPP OC members during the BPP OC quarterly meetings of the undertaken activity.
3. When undertaking any exceptional communication duties, BPP OC members are expected to represent the BPP OC and communicate with stakeholders while demonstrating high standards of probity, ethics and consistency with the BPP OC's mission. When engaging with stakeholders or representing the BPP OC in any capacity, BPP OC members are deemed to express the views of the BPP OC, as agreed with the Independent Chair – prior to any communication activity – and collectively shaped with other BPP OC members. If BPP OC members want to indicate their personal opinions, they must make clear that their comments are their own, and do not

necessarily represent the positions of the BPP OC or their fellow members of the BPP OC.

4. BPP OC members are expected to participate actively in promoting the BPP OC's visibility and engagement with stakeholders. To this effect, BPP OC members are expected to inform the Independent Chair of any opportunity it may arise so as to represent the BPP OC and promote its visibility.
5. BPP OC Members speaking pursuant to this Section IV shall do so subject to the same terms and conditions as apply to the Independent Chair under Paragraph III.6 through 8.

## **VIII. *Revision***

Periodically, there will be an evaluation of the effectiveness of the Communication Charter. Evaluations may be conducted internally or with the assistance of an external facilitator.

# BPP OVERSIGHT COMMITTEE MEMBERS 2023

The BPP Oversight Committee is comprised of its independent chair, Professor Konstantinos Sergakis, 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.



## KONSTANTINOS SERGAKIS

Professor of Capital Markets Law and Corporate Governance, University of Glasgow; (United Kingdom)

Konstantinos Sergakis is a Professor of Capital Markets Law and Corporate Governance at the University of Glasgow. He specialises in Corporate Law, Corporate Governance and Capital Markets.

He is a Member of the Board of Appeal of the European Supervisory Authorities (EBA, EIOPA, ESMA). He has also served as Advisor at Mefop Spa in the area of stewardship.

He is the author of 'The Law of Capital Markets in the EU' (Palgrave Macmillan, 2018) and of 'The Transparency of Listed Companies in EU Law' (Bibliothèque de l'Institut de Recherche Juridique de la Sorbonne – IRJS Editions, 2013). His articles have appeared in the Journal of Corporate Law Studies, the European Business Organisation 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, LUISS, Sciences-Po Lyon, University of Macerata, University of Trento and Global College of Law at UCLouvain.





## AMY BORRUS

Executive Director, Council of Institutional Investors (CII); (United States)

Amy Borrus became executive director of the Council of Institutional Investors (CII) in July 2020. She joined CII in 2006 as deputy director and was interim executive director in 2015-2016. She serves on the boards of the CII Research and Education Fund and the Sinai Assisted Housing Foundation. She also serves on the BPP Oversight Committee, the governing body that reviews and monitors the Best Practice Principles and public reporting by proxy advisory firm signatories to the principles.

Prior to CII, she was a correspondent for Businessweek magazine for more than 20 years. Her journalism career included multi-year 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. in History and English from the University of Pennsylvania.





## MIRTE BRONSDIJK

Global Responsible Investment & Governance,  
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. Berardino 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)

Michael is responsible for active strategies within corporate governance and investment program management for the Florida PRIME™ investment pool as well as other non-pension investment mandates totaling over \$14 billion. He 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 the Florida Water Pollution Financing Corporation and the Inland Protection Financing Corporation. Previously, Michael oversaw investment communications, managed the administration of defined contribution component of the Florida Retirement System, and managed investment research across all asset classes within the Chief Investment Officer's unit. Michael 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.

In 2019, Michael was appointed to the Independent Steering Committee of Broadridge Financial Services. He was elected by members to ICGN Board of Governors in 2015, serving as Chairperson from 2017-2019. In 2011, he was elected by members to the CII Board of Directors serving as Chair from 2015-2016. He is a founding member of the Investor Stewardship Group and helped develop the Framework for U.S. Stewardship and Governance in 2017. In 2014, he was a member of the Working Group that developed the Shareholder-Director Exchange Protocol. From 2009-2011, he served as Co-Chair of CII's International Corporate Governance Issues Committee. Michael served as a subcommittee member of the CFA Institute's Global Corporate Governance Task Force from 2003-2005, and a member of the 2006 NACD/CII's joint taskforce reviewing the performance of boards and shareowners in the post-Enron environment. In 2008, Michael was named a 'Rising Star of Corporate Governance' by the Center for Corporate Governance & Performance at the Yale School of Management. Michael has a BA from the University of Florida and a MPA from Florida State University. He is a Certified Employee Benefits Specialist and a Certified Treasury Professional®.





## SACHI SUZUKI

Senior Manager, Investment Stewardship,  
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 responsible for the global proxy voting guidelines and their implementation.

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).



## **FABIO BONOMO**

Head of Corporate Affairs, Enel; (Italy)

Graduating summa cum laude in law at the University of Rome “La Sapienza”, Fabio joined the utility Enel, based in Rome, in 1996. Since September 2000 Fabio has held different managerial positions within Enel’s Department of Corporate Affairs and has served as head of the Department since October 2014. Within his duties, he takes part regularly in engagement activities with proxy advisors and institutional investors on corporate governance topics.

From 2005 until 2006 Fabio was a member of the working group set up to assist the Italian Corporate Governance Committee in updating the Italian Corporate Governance Code of listed companies. From July 2017 until December 2020 he assisted the Chairperson of the aforesaid Committee in drafting, together with the members of the technical secretariat and the experts, the 2020 edition of the Italian Corporate Governance Code and the first collection of Q&A aimed at facilitating its application.

Member of the corporate governance committee of Business at OECD (BIAC) since 2018, Fabio has also been a member of the European Issuers policy committee since 2013, the monitoring centre of corporate governance promoted by the European House – Ambrosetti since 2011 and the scientific committee of the Italian Corporate Governance Institute (IGS) since 2010. From 2018 until 2021 he was also a member of the user committee of the Italian central securities depository Monte Titoli.

From 2014 until 2016 Fabio was a lecturer of comparative corporate governance in the course of advanced business law at the University of Rome “La Sapienza”. He is the author of articles regarding company law, corporate governance and capital markets published in professional journals and newspapers, and acts as a speaker at conferences and roundtables on the same topics.





## GEOF STAPLEDON

Strategic Advisor – ESG & Corporate Governance, GPS Global Advisors, Former Group ESG Officer, BHP; (United Kingdom)

Geof Stapledon provides strategic advice on corporate governance and ESG through his firm GPS Global Advisors. He was until recently Group ESG Officer for global resources company BHP, having worked in a number of roles with the company since 2008. He is also a former member of the Executive Committee 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. He 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

Chief Legal Officer and General Counsel,  
Discover Financial Services; (United States)

Hope Mehlman is Chief Legal Officer and General Counsel at Discover Financial Services.

Before joining Discover Financial Services, Hope oversaw legal activities, regulatory relations and government affairs at the Bank of the West. She led 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, she also served as Corporate Secretary for BNP Paribas USA, Inc.

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 was 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 holds a Bachelor of Arts degree from Cornell University, a Juris Doctor degree from Seton Hall University Law School and a LL. M. from NYU Graduate School of Law.





## **DR. ANNA TILBA**

Professor in Strategy and Governance,  
Durham University Business School; (United  
Kingdom)

Dr Anna Tilba is a Professor in Strategy and Governance at Durham University Business School. She is internationally known for her research into the governance and accountability of UK financial service providers and institutional investor compliance with the codes of best practice.

Dr Tilba has extensive experience of working and advising UK policymakers and regulators such as the UK Financial Conduct Authority, the Competitions and Markets Authority, the UK Law Commission and the Financial Reporting Council.

She is co-leading a Diversity and Inclusion sub-group on Data and Research within the UK Pensions Regulator. She is also an Independent Reviewer of Best Practice Principles for Providers of Shareholder Voting Research & Analysis.

Dr Tilba is a member of the Advisory Board for the Pension Investment Academy and she is also a Policy Fellow at Cambridge University Centre for Science and Policy.



## EVAN EPSTEIN

Director, Center for Business Law,  
University of California College of the Law;  
(United States)

Evan Epstein is the Executive Director of the Center for Business Law, and Adjunct Professor, at the University of California College of the Law, San Francisco. He is a corporate governance expert and has advised founders, executives, directors and investors for over 17 years in Silicon Valley and internationally. He has been retained as an expert in corporate governance litigation both in the U.S. and abroad, particularly involving fiduciary duties of corporate directors.

Evan is also the founder and managing partner of Pacifica Global, a corporate governance advisory firm based in San Francisco, California. Prior, Evan was the Executive Director of the Arthur and Toni Rembe Rock Center for Corporate Governance, a joint initiative between Stanford Law School and the Stanford Graduate School of Business. Evan also serves as a Professor at Pontificia Universidad Católica de Chile Law School, Faculty for the Latino Corporate Director Association (LCDA)'s BoardReady Institute and is a Board Member of the Chile California Council.

In addition, Evan is the creator and host of the Boardroom Governance Podcast and the Boardroom Governance Newsletter. He holds a JD (equivalent) from Pontificia Universidad Católica de Chile and an LL.M. (Master of Laws) in Corporate Governance and Practice from Stanford Law School. In addition, he was part of the exchange program "Cycle du Diplôme" at Sciences-Po in Paris, France.



## Independent Researcher

In 2021, the BPP OC 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 BPP OC selected Professor 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 BPP OC in addition to her corporate governance expertise outlined in the bio above. The BPP OC and Professor Tilba agreed to renew the arrangement for 2022. In January 2023, the BPP OC appointed Professors Tilba and Epstein to the two BPP OC vacant academic positions and it was agreed that Professor Tilba would continue fulfilling her former Independent Researcher duties within the BPP OC as academic member.

## Secretariat

Terms of reference state that BPP Signatories are to collectively provide ongoing administrative support to the BPP OC. The BPP OC is grateful for secretariat assistance extended to it by the BPPG in 2022-23 by Jennifer Thompson, seconded for this purpose by Glass Lewis.

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 BPP OC 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 BPP OC chair and the BPPG, in processing invoices, and helping with the formatting of this annual report.

## Subcommittees

To carry forward its mandate, the Oversight Committee voted to create three subcommittees. During the reporting year, the composition of the three subcommittees has been as follows:

### Review Subcommittee

Subcommittee chair Anna Tilba, Mirte Bronsdijk, Evan Epstein, Konstantinos Sergakis, 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 BPP OC letters to Signatories commenting on annual compliance statements; and
- Draft responses to complaints directed to the BPP OC.

The Review Subcommittee engages with signatories throughout the year and welcomes an ongoing interaction, after having submitted the BPP OC confidential letters. It may be contacted by a signatory after receipt of the letter or decide to contact the signatory for further clarification on a specific matter. Online meetings or email exchanges have been the preferred ways of communication in this respect.

### Open Forum Subcommittee

Subcommittee chair Massimo Menchini, Fabio Bonomo, Mike McCauley, and Konstantinos Sergakis. 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 but will reexamine this possibility when the ground is fertile for a new survey; 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.

The Subcommittee welcomes contact from potentially interested speakers at its annual open forum from regulators, institutional investors and issuers. It examines every year the best possible way to organize the forum and consults the signatories on its organizational aspects.



## Nominations and Governance Subcommittee (formerly Nominations Subcommittee)

Subcommittee chair Hope Mehlman, Michael Herskovich, Konstantinos Sergakis and Sachi Suzuki. The mandate of the Subcommittee is to:

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

The N&G subcommittee invites applications throughout the year for any future vacancies at the BPP OC. It can maintain a short list for all categories and contact potentially interested parties when a vacancy arises.

### Meeting frequency and format

The full BPP OC meets virtually at least on a quarterly basis. In 2022-23 plenary meetings took place on Zoom on the following dates:

- 19 July 2022
- 11 October 2022 [hybrid]
- 24 January 2023
- 31 May 2023

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 2022-23. 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 standard items, plus additional current agenda matters. The agenda and relevant attachments are circulated to members at least four days before the meeting.

In 2022–2023, the BPP OC renewed the agenda items by adding the below elements on BPP OC’s modus operandi and on communication activities:

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. BPP OC assessment and next steps [NEW]
  - How are we doing?
  - Time for a review of the Principles?
  - Are procedures of the BPP OC fit for purpose?
5. Matters arising from the previous plenary session;
6. BPP OC Chair communications with signatory parties [NEW]
7. Outside communications to the BPP OC [NEW]
8. Progress and impact of the Principles: developments in the market and regulation affecting the industry—open discussion;
9. Report of the Nomination & Governance Subcommittee;
10. Report of the Review Subcommittee; and
11. Report of the Open Forum Subcommittee

## Budget

In 2022-23, the only material financial obligations associated with the BPP and the Independent Researcher work, that continued to be carried by Professor Tilba following her appointment to the BPP OC. 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 BPP OC. The BPP OC approved a new formula (see below), made necessary when EOS became a Signatory, OC involved the chair at its 10 December 2020 meeting. Following the exit by Proxinvest, the BPPG revised the formula in May 2022 and submitted it for BPP OC 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 BPP OC to which they were committed.

MEMBER	ALLOCATION
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 BPP OC to which they were committed.

MEMBER	ALLOCATION
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 2022-23, which closed 30 June 2023, the amount of expenses estimated for the BPP OC during this period is just under €50,000.

## ACTIONS 2022-23

The BPP OC met in plenary session on four occasions between 1 July 2022 and 30 June 2023:

- 19 July 2022
- 11 October 2022 [hybrid]
- 24 January 2023
- 31 May 2023

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

- 15 July 2022
- 25 November 2022
- 16 December 2022
- 20 December 2022

The Review Subcommittee met once:

- 4 July 2022

The Open Forum Subcommittee met a total of four times:

- 20 September 2022
- 30 November 2022
- 7 December 2022
- 25 May 2023

All subcommittees have also discussed relevant items and approved decisions by email during the reporting year upon several occasions.

Below is a summary of principal actions taken by the BPP OC during the 2022-23 reporting year:

- Conducting the signatory statements annual review and sharing confidential letters on 24 July 2022.



- Managing as a Committee the process of its first chair succession and transition according to new governance protocols. Stephen Davis completed his three-year term as chair on 31 December 2022. The N&G 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 BPP OC for a vote. This occurred in July 2022, resulting in the unanimous election of Konstantinos Sergakis as the next chair.
- Nominating and electing a slate of candidates, including two new academic representatives, Professors Evan Epstein and Anna Tilba, and one issuer representative, Fabio Bonomo, for the BPP OC membership in January 2023. Originated in the N&G Subcommittee in July 2022. Discussed 16 December 2022 and approved in subsequent email vote.
- Agreeing on a communication charter for the BPP OC Chair and members. Originated by the BPP OC Chair at the BPP OC Q4 meeting on 11 October 2022. Protocol draft submitted and discussed on 24 January 2023 and approved on 31 May 2023.
- Undertaking engagement with one Signatory as follow-ups to the BPP OC reviews of annual compliance statements. Issuing periodic reminders to Signatories regarding their third-year submissions of compliance statements to the BPP OC.
- Convening the second BPP OC international open stakeholder forum—held in hybrid format in Rome—on 11 October 2022 and issuing media information about the event. The event was designed to (1) release BPP OC survey results concerning stakeholder perspectives on the proxy voting research and analysis industry; (2) increase market awareness of the BPP OC'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. See below.
- Planning for the BPP OC's third open stakeholder forum—held in virtual format only— scheduled for 18 October 2023. Further, the BPP OC endorsed the BPPG recommendation that the BPP OC host the 2023 Open Forum as a virtual event. See below.
- Implementing the protocol that the BPP OC chair and the BPPG will arrange quarterly meetings to share updates. Introducing a new item in each BPP OC quarterly meeting for the BPP OC Chair to update BPP OC members on the content of quarterly meetings with BPPG members so as to strengthen communication between the BPPG and the BPP OC.

- Continuing engagement with ESMA (participation at the ESMA roundtable on proxy advisors in November 2023) regarding its commitment to review progress of the BPP and BPP OC in advance of European Commission action on the matter, which led to the publication of ESMA's report on 27 July 2023.
- BPP OC Chair represented the BPP OC in various fora in Europe and in the US so as to increase stakeholder awareness of the BPP OC's *modus operandi*.
- BPP OC engaged in a series of one-to-one meetings with various national, regional and international organizations so as to promote the 'monitored self-regulation' model in light of stakeholder requests for its adoption in similar initiatives.

## Spotlight on 2023 Open Stakeholder Forum

The BPP OC elected to convene its 2023 Open Stakeholder Forum virtually. The BPP OC is grateful to the Open Forum Subcommittee members for their ongoing contribution to the organization of the BPP OC Open Stakeholder Forum as well as to Maria Barata (Minerva) and Tian Arojogun and Siobhan Collinson (EOS) for providing administrative support as well as to Minerva Analytics for generously providing its BrightTalk online platform for the event.

As of this writing the agenda is as follows:

### BPP OC OPEN STAKEHOLDER FORUM 18 OCTOBER 2023

**16.00** Welcome address **Konstantinos Sergakis**, Professor of Capital Markets Law and Corporate Governance, University of Glasgow School of Law and BPP OC Chair

**16.05** Results of the annual review of the BPPG Signatories compliance statements **Anna Tilba**, Professor in Strategy and Governance, Durham University

### 16.15 I – BPP PRINCIPLE ONE: SERVICE QUALITY

- **Bruce Duguid**, Head of Stewardship, EOS
- **Maria Larsson**, Senior legal advisor, Confederation of Swedish Enterprise
- **Georgina Marshall**, Global Head of Research, ISS
- **Valerio Novembre**, Senior Policy Officer, ESMA

- **Luz Rodriguez**, Director of Corporate Governance and Legal Services, Colorado PERA

Moderator: **Michael Herskovich**, Global Head of Stewardship & Proxy Voting, BNP Paribas AM

#### 16.55 Q&As

### 17.00 II—BPP PRINCIPLE TWO: CONFLICTS OF INTEREST AVOIDANCE OR MANAGEMENT

- **Jared Brandman**, Senior Vice President, National Vision
- **Nichol Garzon-Mitchell**, Chief Legal Officer, SVP Corporate Development, Glass Lewis
- **Rob Hardy**, Corporate Governance Director, Capital Group

Moderator: **Amy Borrus**, Executive Director, Council of Institutional Investors

#### 17.45 Q&As

#### 17.50 Break

### 18.00 III—BPP PRINCIPLE THREE: COMMUNICATIONS POLICY

- **Alan MacDougall**, Founder & Managing Director, PIRC
- **Marine Corrieras**, Division doctrine émetteurs, Autorité des marchés financiers (AMF)
- **Mary Francis**, Corporate Secretary and Chief Governance Officer, Chevron Corporation
- **Andy Mason**, Head of Active Ownership, Aberdeen Standard Investments
- **Sarah Wilson**, Founder & CEO, Minerva Analytics

Moderator: **Hope Mehlman**, Chief Legal Officer and General Counsel, Discover

#### 18.45 Q&As

#### 18.50 Concluding comments: **Konstantinos Sergakis**



# 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:
- d. 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 BPP OC'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 BPP OC. The BPP OC 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

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 BPP OC'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.

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. Below is a description of gradual improvements since the BPP OC's inception as well as a roadmap for future developments:

**2020-2021:** In its reviews of 2020 Signatory compliance statements, the BPP OC 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 BPP OC.

**2021-2022:** Following recommendations put by the BPP OC, however, Signatory statements provided fuller explanations in their 2021 reports and at least one (EOS) made reference to the BPP OC as an option for escalating complaints.

**2022-2023:** Following recommendations put by the BPP OC, further improvements were made: Signatory statements provided fuller explanations in their 2022 reports and at least two (EOS and Glass Lewis) made reference to the BPP OC as an option for escalating complaints.



In its third annual letter to Signatories reviewing their compliance statements, the BPP OC 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. The BPP OC further reminded Signatories to integrate in their annual statements the three stage BPPG complaints procedure, as described in the next section.

## Complaints directed to the BPPG

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

## BPPG complaints procedure

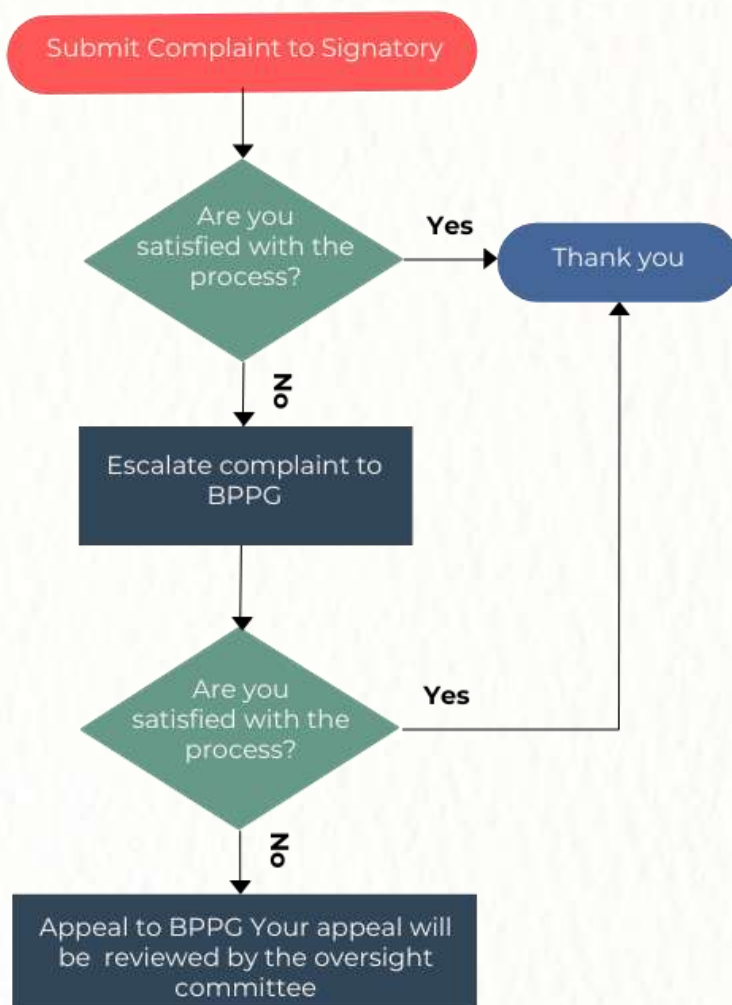
### I. Introduction

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.



## **II. *Who can complain?***

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

## **III. *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. Accordingly, complainants should ensure that they have first used the complaints procedure of the relevant organisation and allowed the procedure to complete before raising the matter with the BPPG Committee.

All complaints should be filed directly to the Signatory within six months of the Signatory's alleged material non-compliance with the Principles.

## **IV. *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.

## **V. *Escalating a complaint to the BPPG***

If a complaint has been filed within six months of the Signatory's alleged material non-compliance with the Principles, and one of the below has occurred, such complaints may be escalated 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 comprises one or more representatives of each BPP Signatory and all escalated complaints alleging that a Signatory has either failed to respond to the initial complaint, or has materially breached the Principles will be reviewed by the



BPPG Committee, in accordance with Section 7 below. Oversight of the BPPG is provided by the BPP OC and the role of the OC is explained further in Section 10 below.

To escalate your complaint to the BPPG Committee, please [click here](#) to send an email directly to the BPPG Committee or use the web form found here:

<https://bppgrp.info/the-best-practice-principles-for-shareholder-voting/complaints-feedback>

## **VI. 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, to the extent not privileged or confidential
- Confirmation of the submission of the complaint to the Signatory, including the date of submission
- A concise explanation of why you feel the complaint was not adequately addressed by the Signatory
- Any other information related to the complaint which may be useful to the BPPG Committee (and the Oversight Committee, if applicable) in their consideration of the complaint
- Your contact information, including email address of the person and/or organisation submitting the complaint

Neither the BPPG Committee nor the BPP Oversight Committee, if applicable, 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.

## **VII. What happens once a complaint is received?**

All complaints submitted to the BPPG will be circulated to all members of the BPPG Committee. This ensures that the Signatory that is the subject of the complaint is aware that the complaint has been escalated to the BPPG Committee.

However, in order to preserve a fair process for all parties involved and to avoid any perceived conflicts of interest, the representative of the Signatory who has allegedly failed to comply with the Principles will be recused from, and will not participate in, the

BPPG Committee's deliberations regarding and ultimate decision on the complaint, other than being afforded an opportunity to present its case. In addition, the BPPG Committee may reach out to the Signatory for additional relevant information, if necessary.

Upon receipt of the escalated complaint, the BPPG Committee will:

- Acknowledge receipt of the complaint by email, within 5 working days
- Investigate your complaint, including seeking additional information from the complainant and/or the Signatory that is the subject of the complaint

The BPPG Committee aims to report the outcome of its investigation to the complainant within 25 working days from the date in which it acknowledged receipt of the escalated complaint. All communications related to the investigation will be confidential and will be sent by the BPPG Committee to the email provided by you.

All escalated complaints, including the investigation and final decision made by the BPPG Committee are shared with the Oversight Committee, in accordance with the oversight procedure prescribed by Part Four of the Principles.

### **VIII. *List of potential remedies***

If, after a comprehensive review of the circumstances, the complaint is upheld, the BPPG Committee may recommend the following as potential remedies:

1. Encourage the Signatory to issue a correction, along with an explanation of the circumstances, if appropriate.
2. Encourage the Signatory to take remedial measures as necessary in order to be in compliance with the Principles.
3. In extreme situations, in which the BPP Signatory disagrees and is unwilling or unable to carry out appropriate remedial action, refer the Signatory 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 review of whether any changes to the Principles or supplemental guidance on their application is necessary.

## **IX. Appeals Process**

If a complaint has not been upheld, the complainant will have a further 25 working days from delivery of the final decision to appeal the outcome 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.

## **X. Role of the Oversight Committee**

The Oversight Committee's role is to provide guidance and advice to the BPPG with respect to the operation and development of the Principles, including an annual independent review of the BPPG, as well as an annual independent review of the public reporting of each BPP Signatory. In addition, the Oversight Committee oversees each Signatory's reporting against its respective complaints procedures, as well as the BPPG Complaints Procedure, and provides oversight of any material complaints escalated by the BPPG Committee.

All escalated complaints, including the investigation and final decision made by the BPPG Committee, regardless of outcome, are shared with the Oversight Committee. The Oversight Committee may recommend additional actions or sanctions for a Signatory's non-compliance with the Principles in accordance with Part 4 thereof. In addition, the BPPG Committee reports any updates to the BPPG Complaints Procedure to the Oversight Committee at least annually.

Finally, the Oversight Committee invites feedback concerning Signatories or the BPPG after a complainant has followed the processes outlined in the BPPG Complaints Procedure, including the appeals process. While the Oversight Committee is not in a position to judge the merits of individual complaints, it does seek to ensure that Signatories are accountable for adhering to their respective complaints procedures, consistent with the Principles, and for overseeing the BPPG Complaints Procedure. Any communication can be directed to the Oversight Committee at [oversightchair@bppgrp.info](mailto:oversightchair@bppgrp.info). Please see <https://bppgrp.info/the-best-practice-principles-for-shareholder-voting/complaints-feedback/> for further information on the Oversight Committee protocol for managing complaints.

## **XI. 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 their 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 occur, the BPPG Committee reserves the right to cease communication with the complainant and resolve the complaint as it sees fit.

## **XII. Data processing**

All information shared with, and/or collected by the BPPG Committee, as part of the BPPG Complaints Procedure, including but not limited to, all information, including personal information, disclosed by you as part of your complaint and/or the BPPG Committee's investigation of such complaint, as well as any subsequent decisions or actions taken by the BPPG Committee as a result of the same, are processed, stored, and used by the BPPG Committee as described in the BPPG Complaints Procedure, to track the effectiveness of the BPPG Complaints Procedure, and to help the BPPG Committee improve the policies and processes it utilizes to resolve and/or escalate all complaints.

## **Complaints directed to the BPP Oversight Committee**

The BPP OC 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 BPP OC 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 BPP OC 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 BPP OC 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 BPP OC would in such a case expect the Signatory to respond to the BPP OC 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 BPP OC would consider further steps, including forms of sanctions, envisioned under its terms of reference. The BPP OC in any case would inform the complainant of steps it is taking in response to the communication.

5. The BPP OC 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.

## Cases filed with the BPP Oversight Committee in 2022

The BPP OC 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 BPP OC 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 BPP OC'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 BPP OC.

The BPP OC 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 BPP OC 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 BPP OC 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 BPP OC did find reason to recommend that the Signatory substantially clarify its policies around issuer access to its issuer reports. The BPP OC 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 BPP OC 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.

## Cases filed with the BPP Oversight Committee in 2023

During the reporting year, the BPPG and BPP OC received no complaints.



# SIGNATORY COMPLIANCE REPORTS

Signatories of the BPP did not include in their original agreement a uniform timetable for reporting against the Principles. Last year, compliance statements were submitted to the BPP OC 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. In order to improve consistency across submission periods, in accordance with the BPP OC chair and with the BPP OC's approval in January 2023, a new timetable was agreed for April-May every year. Following this agreement, all signatories complied with the new timetable, except one as shown below.

## Compliance Report Submission Timelines<sup>11</sup>

Signatory	2022 submission date	2023 submission date
<b>Glass Lewis</b>	5 April	1 April
<b>Hermes EOS</b>	10 May	30 May
<b>ISS</b>	18 February	26 April
<b>Minerva</b>	10 May	18 May
<b>PIRC</b>	10 May	3 July

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>11</sup> Dates reflect submission of each report to the BPP OC. These may differ from the dates a report was made available online or to other parties.

# BPP OVERSIGHT COMMITTEE

## ASSESSMENTS OF 2022 COMPLIANCE REPORTS

Below are the BPP OC's overall findings on 2023 compliance statements issued publicly by the five Signatories addressing their operations in 2022, including a spotlighting of best-in-class reporting. All compliance statements were available together on the BPPG web page on 3 July 2023, though individual firms had posted their statements earlier. The BPP OC provided the assessment below, together with confidential, Signatory-specific comments and recommendations, as per the OC's terms of reference, by letter to each of the five firms on 28 July 2023.

### Methodology

The BPP OC undertook the review process through a Review Subcommittee composed of its Chair, Professor Anna Tilba, who also acted as Independent Reviewer in previous reporting cycles, Mirte Bronsdijk, Konstantinos Sergakis and Geof Stapledon. Professor Tilba first composed a comparative analysis of the statements as well as drafts of response letters and circulated it to the BPP OC Chair. The revised versions were then distributed to the full Subcommittee. Second, the Subcommittee revised and approved each letter before sending them to the full BPP OC for consideration and approval. Third, at the Q3 2023 meeting on 24th of July 2023, BPP OC members unanimously approved the final letters subject to additional revisions.

The following table summarizes four key and non-exhaustive areas of good reporting practices and of direction of travel for further disclosure. In some areas where our recommendations have not been addressed, we have encouraged Signatories to address the issues raised or at a minimum provide the BPP OC with an explanation for why no action has been taken. The BPP OC will give further consideration to this overarching issue of how to proceed when recommendations are not addressed.

Good reporting practices	Direction of travel for further disclosure
Timeliness: Principle 1	Research capacity: Principle 1
Staff (diversity, length of service, workload, training): Principle 1	Quality assurance: Principle 1
Potential conflict instances and verification: Principle 2	Conflicts of interest revenue sources: Principle 2
Compliance monitoring: Principle 2	Complaints procedure and BPP OC communication channel: Principle 3

## Principle 1: Service Quality

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

Below are examples the BPP OC 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 BPP OC 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 BPP OC 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.

- a. Timeliness:** The BPP OC 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. All Signatories continue to provide explanations for how timelines of their reports are conceived, managed, and executed. For example, ISS aims for a minimum 2-week target delivery date for governance research and vote recommendations prior to the meeting date. In 2022, ISS delivered research reports on average 18 days prior to the meeting date. EOS review ISS' timeliness, platform availability and other key indicators against their Service Level Agreement. Glass Lewis delivered research reports on the average at least 19 days prior to the meeting date in 2022.
- b. 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 BPP OC 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”. The BPP OC notes that Signatories further explained how they equip themselves so that their research output matches 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 BPP OC recognizes that Signatories may arrive at different levels based on



different methods of research and different business models. However, each Signatory, in our view, should disclose those levels coupled with explanations.

The BPP OC notes that Glass Lewis continue to update information on volume. It reported increasing number of markets covered: 103 (in 2022) compared to 84 in 2021. Glass Lewis also increased staff from 265+ last year to 301 professionals in 2022. ISS also increased language coverage from 25 last year to 30 languages this year. The BPP OC 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, 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? How does the Signatory match its staff resources with the peaks of the shareholder season?

- c. Staff diversity:** In the wake of last year's BPP OC recommendation, all Signatories now provide at least gender diversity data on their workforces. The BPP OC 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 BPP OC 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.

The BPP OC notes that all Signatories also now include diversity reports as well as information on staff qualifications and training. For example, EOS, Minerva, ISS and Glass Lewis provided helpful staff diversity and demographics breakdown figures. The BPP OC recommends that Signatories continue to disclose such information alongside other diversity characteristics as well as share any public policies on staff diversity and inclusion that they have.

- d. Staff qualifications:** The BPP OC 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 BPP OC 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.

The BPP OC gleaned from reviewing this year's statements that overall, executives, senior managers, and senior analysts have advanced degrees and/or professional experience in relevant disciplines such as investment banking, law, remuneration, corporate governance, mergers and acquisitions, regulatory compliance, public policy, finance, and accounting. Helpful demonstration of the training process and staff incentives were also given. Minerva also provided helpful examples of the various professional development opportunities sought out by Minerva staff in 2022.

- e. **Staff length of service:** In the wake of last year's BPP OC 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. EOS, Glass Lewis, ISS and PIRC provide information on full-time staff.
- f. **Staff numbers and workload:** Another key indicator of service quality, in the view of the BPP OC, 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 BPP OC 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 BPP OC's view, should disclose those levels coupled with explanations.
- g. **Quality assurance:** The BPP OC 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 BPP OC 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 BPP OC 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”.

The BPP OC continues to advocate for further transparency on fact-checking, error-tracking, and remediation practices among all Signatories. For example, Minerva provided helpful examples of what it considers a Major and Minor inaccuracy (however, we also note that the error tracking report that was submitted in the first year of reporting has not been reinstated in the new integrated reporting this and last year). ISS also provided general information about Factual Errors and on how this is dealt with. It would be helpful to have a broad overview of error tracking in a figure. EOS also reported that they regularly track ISS errors.

- h. Company feedback:** The BPP OC 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 BPP OC 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 BPP OC believes this quality improvement must be weighed against the real risk of cutting into voting and engagement windows available to investor clients. The BPP OC notes that Signatories publish guidance for companies on how to raise alleged errors and spell out a period by which a complainant might expect a response.
- i. Corporate governance issues:** The BPP OC notes that Signatories continue to provide information on this. Glass Lewis now also includes a list of ESG issues it covers.



## Principle 2: Conflicts of Interest Avoidance and Management

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

Below are examples the BPP OC 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 BPP OC 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 BPP OC commentary here illustrates its opinion on the direction in which Principle 2 reporting by all Signatories should be heading.

- a. Revenue sources:** The BPP OC 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 BPP OC notes that Signatories did not disclose any fresh information on revenue sources in their reports this year and encourages Signatories to provide as much such data as possible.
- b. Compliance monitoring:** The BPP OC 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 continues to stand out as best-in-class in having a dedicated team that is monitoring compliance as well as having a Personal Trading Report. The BPP OC considered this to be an especially good idea, which can be used as a tool for managing conflicts of interest. Glass Lewis further demonstrates good practice by having an Employee Code of Ethics. ISS maintains a similar policy. The BPP OC continues to recommend that Signatories disclose measures in place to guard against conflicts of interest.
- c. Potential conflict instances and notifications:** The BPP OC 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 BPP OC notes that Signatories disclose this information. For example, ISS includes a detailed Section on Conflicts Management and Mitigation and Potential Conflicts of Interest are stated. The BPP OC encourages each Signatory to incorporate improved reporting on this in their compliance statements.

- d. Employee conduct and ethics training:** The BPP OC 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. The BPP OC notes that ISS, EOS and Glass Lewis carry out employee code of ethics training.
- e. Recording and escalation:** The BPP OC encourages Signatories to explain how each would track any staff breaches in compliance and ethics guidelines and how it would escalate such a case. The BPP OC notes that EOS discloses such information.
- f. Employee share trading:** The BPP OC 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 maintains a personal trading policy, including “limitations on personal security trading”; and PIRC this year specified that employees periodically must report shareholdings to the compliance officer. The BPP OC 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). EOS reports on their policies on employee share trading. Glass Lewis and ISS also have Codes of Ethics and Conduct that explain policies around employee share and securities trading.
- g. Impact of Best Practice Principles:** The BPP OC suggests that Signatories might wish to enhance stakeholder confidence in the BPP by illustrating what changes they have made in response to the Principles. We note that EOS, Glass Lewis and Minerva included a section detailing the impact of BPP compliance, listing changes that they have made. 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. Overall good reporting practices and direction of travel for improvements

Below are examples the BPP OC 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 BPP OC 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 OC's commentary here illustrates its opinion on the direction in which Principle 3 reporting by all Signatories should be heading.

- a. Engagement practices and reporting:** The BPP OC 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. The BPP OC notes that Signatories' overall reporting continue to apply and explain how they address BPP guidance in this area.
- b. Communication with issuers:** The BPP OC believes that timely issuer feedback can be a material contributor to research accuracy. As noted earlier, however, the BPP OC understands that different business models apply here, and the feedback process must be balanced against the need to deliver ballot analyses to investor clients in sufficient time for them to undertake meaningful stewardship and informed voting. The BPP OC 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.

In general, the BPP OC 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 BPP OC believes this quality improvement must be weighed against the real risk of cutting into voting and engagement windows available to investor clients. Glass Lewis continues to provide explanations of issuer communication policies, accompanying that with illustrative data and examples. ISS and PIRC also provide explanations of their company feedback policies.

- c. Complaints procedures:** The BPP OC 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 BPP OC notes that all Signatories now provide information on how they handle complaints. Nevertheless, the BPP OC observes that some Signatories' compliance reports are thin in discussing complaints procedures. It would be thus preferable to either specify the BPPG 3-step complaints procedure (complaints raised with the signatory, then with the BPPG and, lastly, the OC, as explained in the BPP OC Annual Report) or provide a shorter note on the process so as to avoid confusion.
- d. Media communication policies:** The BPP OC 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. The BPP OC notes that Signatories'

overall reporting continue to apply and explain how they address BPP guidance in this area.

- e. **Oversight BPP OC communication channel:** The BPP OC encouraged last year that 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 OC. We encourage each Signatory to incorporate such information, including BPP OC communication protocols and its email address, in next year's compliance reports.

# COMMUNICATION WITH THE BPP OVERSIGHT COMMITTEE

The BPP OC invites stakeholders of all types to communicate with it on, for instance:

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

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

Further, the BPP OC 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 BPP OC 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 BPP OC 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 BPP OC would in such a case expect the Signatory to respond to the BPP OC 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 BPP OC would consider further steps envisioned under its terms of



reference. The BPP OC'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 BPP OC in any case would inform the complainant of steps it is taking in response to the communication.

4. The BPP OC 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 BPP OC received one formal complaint filed by an issuer (see above). In the year 1 July 2022 to 30 June 2023, the BPP OC received no complaints. 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 key areas are likely to draw BPP OC attention and action over the coming year: regulatory trends, signatory compliance, stakeholder feedback and enforcement aspects.

- First, the BPP OC is aware that the European Commission has kicked off a year-long review of the industry's independent oversight structure, with the most recent development being the publication of the ESMA report on 27 July 2023. The BPP OC assisted ESMA in its review and will have –once again– an ESMA official amongst its participants in the 2023 Open Stakeholder Forum. The Committee stood by to communicate with ESMA as it undertook its review of the overall effectiveness of the BPP structure ahead of the Commission's 2023 deadline. In addition to an overall positive assessment of BPP OC's monitored self-regulation process, the ESMA report contains a series of recommendations that relate to the BPPG, the BPP OC as well as to SRD II provisions in the area of proxy advisors.
- The BPP OC has held several meetings with national, regional and international organizations operating in various areas so as to inform similar policy initiatives and further promote the monitored self-regulation model as a credible and robust mechanism. The BPP OC will be thus watching closely, in collaboration with Signatories, all regulatory assessments and proposals pertaining to areas of common interest so as to continue improving the way it delivers its mission and inform its activities, within the scope of authority acknowledged in the BPP OC terms of reference.
- 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 three rounds of compliance reviews and exposure to periodic suggestions from stakeholders, the BPP OC is

pleased to note that in its review of SRD II as it applies to the proxy advisory industry, ESMA concluded that *“the design of the current regulatory framework is considered overall robust, and its application is seen to be gradually improving”*. The BPP OC regularly finds operational areas of the Principles that work well and those that could be considered for improvement. Given this overall context, the BPP OC will continue to reflect on the providers’ compliance statements and the Principles, within the scope of authority acknowledged in the BPP OC terms of reference.

- Third, in addition to undertaking its fourth year of compliance statement reviews, in 2023-24, the BPP OC intends to convene its third Open Stakeholder Forum to gather opinion on the industry and the market. Insights from the 2023 virtual event are expected to inform BPP OC perspectives, including how the Committee shapes its reviews of 2023 Signatory compliance statements. Findings may also be helpful to each Signatory as it develops best practices and disclosures.
- Continuing to receive stakeholder feedback is key, also in light of the fundamentally different debate taking place between the US and the EU in the area of ESG investment and, more specifically, in relation to proxy advisory firms’ role in the proxy process chain that seems to be understood in a variable fashion by (public or private) stakeholders. Moving away from the politicization of this debate, the BPP OC’s role will be crucial in fulfilling a credible oversight function and providing an effective accountability mechanism for proxy advisors. Equally critically, recognizing the value of the services proxy advisory firm provide and the prevalence of misconceptions, or misinformation, about their role in the proxy process, the BPP OC should continue to promote greater understanding of the corporate governance and proxy research and support services provided to professional investors.
- Fourth, having enhanced its governance structure via the adoption of a communication protocol this year, the BPP OC is likely to find it timely in the coming year to develop new protocols that will further safeguard its independence and effectiveness. For example, according to the Report of the Independent Review Chair of the 2019 Best Practice Principles for Providers of Shareholder Voting Research & Analysis, and in line with the BPP OC terms of reference, the BPP OC is



expected to develop in further detail “the precise criteria and process [...] to ratify or sanction a signatory, ending BPP Signatory status and BPPG membership”.<sup>12</sup>

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<sup>12</sup> <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>, p. 22.

# APPENDIX

## Background

The BPP OC is the product of a process that began in 2012 when ESMA initiated a review into the proxy advisory industry. Background below on the BPP OC 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>13</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

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<sup>13</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>.

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.

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:

- An updated set of Principles, together with guidance to the Principles;
- An updated governance structure of BPPG, including establishment of the BPP Oversight Committee; and
- 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 BPP OC. After a public search, on 30 January 2020, the BPPG named Dr. Stephen Davis as the first BPP OC Chair. He then collaborated with the Signatories in developing steps, including a public

application process, to meet initial installation rules for the 11-member BPP OC. 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 BPP OC. Its first meeting convened on 30 July 2020.

# ACTIONS 2021/2022

## Spotlight on 2021 Stakeholder Survey

The BPP OC 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 BPP OC 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 BPP OC Independent Researcher Associate Professor Anna Tilba. The Committee released her findings at the 2021 virtual Open Stakeholder Forum and posted them online.<sup>14</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 BPP OC’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 BPP OC’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*

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<sup>14</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)



*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 BPP OC is taking feedback from the survey outcome into account in framing its reviews of Signatory reporting.

## Spotlight on 2021 Open Stakeholder Forum

The BPP OC 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 BPP OC 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 BPP OC and BPP, especially for regulators in Europe and North America. Takeaways were considered by the BPP OC 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 BPP OC Open Stakeholder Forum Agenda

**16:00** Welcome, introduction of the BPP OC: **Stephen Davis**, Senior Fellow, Harvard Law School and Chair, BPP OC

**16:10** Results of stakeholder survey: **Anna Tilba**, Associate Professor in Strategy and Governance, Durham University Business School, and Independent Researcher to the BPP OC

**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

*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 BPP OC, 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

*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 BPP OC, 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

*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 BPP OC, 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

- **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**

## Spotlight on 2022 Open Stakeholder Forum

### BPP OC OPEN STAKEHOLDER FORUM

#### ROME, 11 OCTOBER 2022 – AUDITORIUM HALL OF ARA PACIS MUSEUM

The BPP OC 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 BPP OC member and Forum Subcommittee chair Massimo Menchini, together with his expert team at Assogestioni, for taking on this charge.

The BPP OC further decided to reformat proceedings to focus on the three principles of the BPP. The agenda was as follows:

**14.30** Welcome address **Fabio Galli**, Director General, Assogestioni

**14.40** Introduction **Stephen Davis**, Senior Fellow, Harvard Law School and Chair, BPP OC

**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, Council of Institutional Investors

**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

Takeaways were considered by the BPP OC in its deliberations during reviews of Signatory compliance statements as well as over whether the Principles need revision.