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PROXY VOTING ADVISORY FIRMS CONTINUE TO IMPROVE BEST PRACTICE PRINCIPLE DISCLOSURES

All five of the world's leading proxy voting advisors, forming the Best Practice Principles Group (BPPG), continue to become more transparent about the way they operate, according to an analysis of their third year reporting of compliance against BPPG's Best Practice Principles. The BPP Oversight Committee (BPP OC)—a 12-person international committee representing investors, companies, and researchers—also finds direction of travel for further improvement in the way BPPG signatories communicate some disclosure items related to research capacity, quality assurance, conflicts of interest, and complaint procedures. In its third annual report released today, the BPP OC called on the five industry members to adopt a battery of improvements in service quality, integrity and communications practice and disclosure. Find the BPP OC 2023 annual report at <https://bppgrp.info/best-practice-principles-bpp-oversight-committee/>.

“In this highly politicized context, the BPP OC has both a responsibility and opportunity to continue to promote greater understanding of the corporate governance and proxy research 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 can constructively contribute to communicating the facts and eliciting nuances relevant to policymakers and stakeholders globally,” said Independent BPP OC Chair Konstantinos Sergakis, Professor of Capital Markets Law and Corporate Governance at the University of Glasgow. “The BPP OC welcomes the further advances in openness achieved over the past year from BPPG signatories. 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, and will inspire many similar ones in the future.”

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

The BPP OC's assessment found all five firms met standards established in the three 2019 Best Practice Principles, and it identified proxy advisors which stood out as best in class in different reporting categories. The BPP OC annual report summarizes that it found material improvements in the way the firms describe their own diversity, internal training, and staff length of service, workload and qualifications as well as timeliness, potential conflict instances and verification and compliance

monitoring—data the BPP OC called for last year. But the BPP OC has asked the five service providers to disclose more information on certain aspects of research capacity, quality assurance, conflicts of interest and complaints procedures. The BPP OC has encouraged each industry member to expand sections on these topics in their 2023 statements.

In addition to general findings in the annual report, the BPP OC provided detailed confidential assessments to each proxy advisory firm. BPP OC members plan to review the next cycle of compliance reports to determine if BPP OC recommendations were implemented and if not, why not.

On 18 October 2023, the BPP OC is to host its third Open Stakeholder Forum to hear diverse market perspectives on the proxy voting advisory and research industry. BPPG signatories, regulators, investors and issuers are slated to participate. Find information and registration at https://www.brighttalk.com/webcast/18792/592984?utm_source=Forumparticipants&utm_medium=brighttalk&utm_campaign=592984.

The BPP OC's 2023 annual report includes details of its own governance, including steps to further safeguard its independence, together with a record of actions during its third year of operations as well as 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.