

## MEDIA RELEASE – OCTOBER 11, 2022

### The second edition of the report on proxy voting advisory firm best practices presented at the very first in-person IOC Annual Forum in Rome

*During an event hosted by Assogestioni, the Italian investment management association, the main findings of the 2022 Annual Report of the IOC, were discussed and commented by a first-class experts panel*

The global corporate governance community took the stage in Italy on the occasion of the very first in-person Annual Forum of the Independent Oversight Committee. The event gathered in Rome many of the world's leading experts and practitioners for a day of discussions hosted by Assogestioni, the Italian investment management association.

*“The development of best practices for the relationship between institutional investors and issuers is a topic of great tradition in our country, and the fact that Italy has been chosen for the first in-person edition of the IOC Annual Forum is certainly a reason for pride”, said **Fabio Galli, Director General at Assogestioni**, opening the event. “Contributing to the success of this meeting is Assogestioni’s testimony of our commitment to governance and its crucial role for the health of financial markets and the economy as a whole”.*

During the forum, were presented and commented on the results of the 2022 Annual Report released by the committee of international experts appointed by leading global proxy advisors to assess compliance with specific standards of quality, integrity and transparency. In its second edition, the Report analyses in detail the compliance to international best practices of the leading players in the global shareholder voting analysis and research industry.

**Stephen Davis, IOC Chair and Senior Fellow, Harvard Law School**, explained: *“This forum in Rome began the test to see if self regulation monitored by an independent body can keep the global proxy voting advisory and research industry fit for purpose”.*

#### The IOC Annual Report: methodology and results

The shareholder voting analysis and research industry supplies advisory services to institutional investors commonly used to help informed decisions at the thousands of shareholder meetings held by global listed companies each year. In order to promote transparency and a continuous improvement of the sector, the signatories of the Best Practice Principles (BPP) for Shareholder Voting Research Providers (currently EOS, Federated Hermes, Glass Lewis, ISS, Minerva and PIRC), which overall represents nearly the whole industry, have committed to submit every year their statements to the review of an independent committee, tasked to produce a document that analyses their behavior with regards to the shared best practice principles they signed upon<sup>1</sup>.

The independent committee, composed of leading representatives from the economic-financial and academic worlds, has the purpose to provide independent assessments of these industry compliance reports, which focus on three main areas: service quality, conflicts of interest avoidance or management, and communications policy.

**Konstantinos Sergakis, Professor of Capital Markets Law and Corporate Governance, University of Glasgow School of Law**, summarized the main findings that emerged this year as follows: *“The IOC found material improvements in the way the firms describe their own diversity, internal training, and staff qualifications as well as channels for complaints—data the IOC called for last year. But the IOC has asked the five service providers to disclose more information on resources firms deploy to cover each individual market; error*

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<sup>1</sup> Compliance statement available here: <https://bpggrp.info/signatory-statements/>

*tracking procedures; safeguards against conflicts of interest; and whether and how companies have opportunities to offer feedback on proxy reports. The IOC has encouraged each industry member to expand sections on these topics in their 2022 statements”.*

As a matter of fact, the IOC's assessment for the period from July 2021 to June 2022 found overall good reporting practices relative to the principles. The 2022 Report also identified the best-in-class in different reporting categories, as well as some areas for improvements. In detail: it would be beneficial for stakeholders to gain a deeper understanding of how a BPP Signatory structures its staff resources for research to address local, sectoral, or company-specific issues and to have more data on gender diversity. The IOC also encourages Signatories to provide as much such data as possible on nature of revenue sources to enable stakeholders to assess risks of conflicts of interest. On transparency and, more generally, interaction with issuers, media and public opinion, the IOC urges all BPP Signatories to keep great attention on the timing of the release of their analyses, to ensure interaction with stakeholders, if necessary.

*“The more the IOC hears from the market, and the more productively it interacts with proxy advisory and research firms, the greater the prospects that we can efficiently get issues addressed”,* concluded **Stephen Davis**.

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#### **BEST PRACTICE PRINCIPLES GROUP - BPPG**

The purpose of the BPPG is to promote greater understanding of the proxy research industry by developing and regularly updating a set of Best Practice Principles for Providers of Shareholder Voting Research & Analysis that signatories to the Principles should adopt on a comply-or-explain basis. BPPG launched the first edition of the Principles in 2014, with the current version issued in 2019. The current BPPG Members are Federated Hermes (EOS), Glass Lewis, ISS, Minerva Analytics and PIRC.

#### **INDEPENDENT OVERSIGHT COMMITTEE - IOC**

In 2019 the BPPG appointed the IOC to provide an annual review of the Best Practice Principles and the public compliance statements of each BPP Signatory. The IOC's purpose is to independently assure international markets that firms in the proxy voting research and advisory industry are meeting agreed best practices and serving the interests of their investor customers while treating issuers and other stakeholders fairly, with accuracy, integrity, and responsiveness. The IOC is comprised of its Independent Chair, Dr. Stephen Davis, and six institutional investor representatives, three public company representatives, and two independent academic representatives.