

Best Practice Principles for Shareholder Voting Research Structured Questionnaire

July 2021

Information on respondent

1. Name of organisation: The Quoted Companies Alliance
2. Type of organisation [select one]:
 - Investor
 - Public Company
 - Governance advisory/voting research service (investor advisors)
 - Public company advisor
 - Representative body
 - Other (please specify):
3. Main country/region of operation: United Kingdom
4. Are you currently a client of a voting research provider? Yes No
5. All responses will be posted on the Review website unless requested otherwise. Please tick this box if you wish your comments to be treated as confidential:
6. If you would like to be informed of the outcome of this consultation, please provide a contact email:
Lorence.nye@theqca.com

General questions on the Principles

1. Were you previously aware that proxy advisors had adopted voluntary Best Practice Principles for themselves? Yes No

Don't Know	0	1	2	3	4	5
<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

2. If yes, how would you rate the positive impact of the Principles since they were updated in 2019? *[Scale: Don't Know; 0-5 where 0 is no impact, 5 is very positive]*

Please give a reason for your rating:

Anecdotally, issuers consistently report difficulties with proxy advisors. This does not seem to be significantly improved since 2019. The updated Principles did indeed increase the emphasis on communication with issuers with a welcome inclusion of the importance of dialogue with issuers. Signatories are also guided to include the extent to which issuers had been given an opportunity to "verify, review or comment on the information used in research reports, analysis or guidance" in

their reports. These reforms are a step in the right direction but do not seem to be having a great impact yet.

3. If you are a customer of one or more voting research services, do you, or will you in future, check whether a service provider has signed up to the Principles as part of due diligence before appointing them or as part of ongoing monitoring of their performance? Yes No N/A

Scope and structure of the Principles

1. At present the proxy advisory industry's voluntary [Best Practice Principles address three areas](#): service quality (which includes duties to clients; research methodology and voting policy); managing conflicts of interest; and communications with issuers, the media and other stakeholders.

Are there other issues or activities that should also be covered by the Principles?
[tick each that applies]

Intermediary vote processing and confirmation
 ESG advisory services and indices
 Governance engagement services
 Other (please specify):

Click or tap here to enter text.

The content of the Principles

1. Do you appreciate the transition from 'comply or explain' to 'apply and explain' in reporting on the Best Practice Principles? Yes No Don't Know

Principle 1: Service quality

Don't Know	0	1	2	3	4	5
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

1. How satisfied are you that proxy advisors are equipped with sufficient knowledge and resources to deliver accurate and useful information? [Scale: Don't Know; 0-5 where 0 is not at all satisfied, 5 is very satisfied]
2. In your experience, how satisfied are you with the competence of staff analysts at proxy advisors? [Scale: Don't Know; 0-5 where 0 is not at all satisfied, 5 is very satisfied]

Don't Know	0	1	2	3	4	5
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

3. In your experience, do proxy advisors have sufficient knowledge and resources to understand each market they cover? Yes No Don't Know

4. If you are a client of one or more proxy advisory firms that are signatories to the Best Practice Principles, do you consider that their reporting on compliance with this Principle deals adequately with the various service commitments that you expect? Yes No Don't Know

If no, how might it be improved?

Click or tap here to enter text.

5. Depending on the wishes of their individual clients, those signatories that make voting recommendations will follow either bespoke or house voting policies. How satisfied are you with reporting on the process used by signatories to develop their house voting policies? *[Scale: Don't Know; 0-5 where 0 is not at all satisfied, 5 is very satisfied]*

Don't Know	0	1	2	3	4	5
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

6. How might the reporting process be improved?

The key issue with voting policies for issuers is that there appears to be very little external consultation for policies that end up being very influential. At the minimum issuers believe there should be some dialogue with regulators to ensure signatories voting policies are not in conflict with aims of government or the regulators, do not have a negative impact on the health of our markets and are proportionally applied so that smaller issuers are not unintentionally and unfairly impeded.

7. How informative are signatories' descriptions of their research methodologies, including how they ensure that the research is reliable? *[Scale: Don't Know; 0-5 where 0 is very uninformative, 5 is very informative]*

Don't Know	0	1	2	3	4	5
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

8. While recognising the need for signatories to protect their intellectual property, how might reporting on compliance with the principles in the statements be made more informative? Signatories describe their methodologies to some degree but that is not where the problem arises for issuers. Essentially, regardless of how robust a methodology is, misinterpretation of information is still possible. It is therefore difficult to ensure research is reliable if there is little input from the issuers who are subjects of the research. Another missing element for reporting/oversight is measures of how often companies are given the opportunity to comment on reports, how much time they are given, and the consequences of such engagement (e.g. voting recommendations changed or not, company comments incorporated or not).

Principle 2: Conflicts of interest management

1. The Principle does not attempt to eliminate potential conflicts, but to ensure that the signatories disclose the procedures by which they are managed. Has reporting on this been carried out adequately? Yes No Don't Know

If no, how might reporting on this be strengthened?

Click or tap here to enter text.

2. The Principle identifies a number of potential conflicts, including:

- 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.

Are there others that should be included in this list? Yes No Don't Know

If yes, please identify them:

Click or tap here to enter text.

3. If you are a client of a signatory, how satisfied are you with the timeliness and appropriateness of the information you receive on specific potential conflicts and how they are being managed? How satisfied are you with reporting on this? *[Scale: Don't Know; 0-5 where 0 is not at all satisfied, 5 is very satisfied]*

Don't Know	0	1	2	3	4	5
<input type="checkbox"/>						

4. How might the procedures be improved?

N/A

Principle 3: Communications policy

1. If you are a company, how satisfied are you with communication with proxy advisors? [Scale: Don't Know; 0-5 where 0 is not at all satisfied, 5 is very satisfied]

Don't Know	0	1	2	3	4	5
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>				

2. How satisfied are you with reporting on this Principle? [Scale: Don't Know; 0-5 where 0 is not at all satisfied, 5 is very satisfied]

Don't Know	0	1	2	3	4	5
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

3. How might the procedures be improved?

There is a need for more meaningful communication. Companies and investors are under governance obligations to engage in a meaningful manner. It is therefore logical that the proxy advisors are also subject to the same obligation, as they play a key role in the functioning of the markets. It is often that the company does not see a copy of the report, so cannot attempt to clarify circumstances or correct inaccuracies directly with its shareholders.

Usually the company is not given an opportunity to comment on a draft report before the final report is published, nor is it given insufficient time to comment, so at no stage do they have a window for meaningful communication. Finally it is the norm for the company to not know which shareholders will be receiving the report. It therefore cannot approach those shareholders directly to clarify circumstances or correct inaccuracies. This impacts the obligation for companies and investors to communicate meaningfully also.

To remedy this more time is needed. The company should be provided with a draft report before the proxy advisers circulation date and given the opportunity to comment on the draft and share their comments with shareholders. The ideal time period for issuers would be 5 days but at least a full working day (24hrs) would be an improvement. If the company does not receive a draft report before the circulation date, they should receive a copy of the final report and a list of shareholders being provided with this report, so that they can then approach those shareholders directly to clarify circumstances or correct inaccuracies.

Finally it is important to ensure that all issuers, regardless of market, are capable of receiving their report, for free. Signatories should be obligated to provide the reports to the respective upon request immediately. Effective dialogue between issuers and shareholders may be impaired by an information asymmetry if the shareholder has access to a report that the issuer is unable to see.

4. If you are a company, have you used the procedures set up by one or more signatories to

make a complaint or provide feedback on their research on, or engagement with, your company? Yes No Don't Know

5. If yes, how satisfied were you with how your complaint or feedback was handled? [Scale: Don't Know; 0-5 where 0 is not at all satisfied, 5 is very satisfied]

Don't Know	0	1	2	3	4	5
<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

6. How satisfied are you with reporting on this in the Compliance Statements? [Scale: Don't Know; 0-5 where 0 is not at all satisfied, 5 is very satisfied]

Don't Know	0	1	2	3	4	5
<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please give a reason for your rating

It appears signatories explain their complaints procedures fairly clearly without describing the outcomes at all. There is no quantitative measure of the number of complaints, the results of a complaint or satisfaction with the outcome from complainants. This seems to be a glaring missing element of the reporting.

7. Many companies consider they should have the opportunity to comment on the analysis and recommendations in research reports before they are finalised. If you are an investor, which of these statements most closely reflects your view? [tick one only]

- I find it helpful to know the company's views on the research report before deciding how to vote.
- I have no objection in principle to this practice, as long as it does not reduce the amount of time I have to make voting decisions or impact on costs.
- Companies already have opportunities to explain their case in their annual and compliance reports, the papers for the general meeting and direct engagement with their shareholders. They do not need another one.
- It is not appropriate for companies to have a right to review or comment on draft research reports of which they are the subject.
- Other (please specify): Click or tap here to enter text.

8. If you are a company, what length of time would you need to review drafts of proxy advisors' reports? [tick one only]

- Don't need or expect to provide comments
- 24 Hours before proxy advisor publication
- 48 Hours before proxy advisor publication
- 3 Days before proxy advisor publication

- 5 Days before proxy advisor publication

Reporting on the Principles

- At present, signatories are required to produce a public statement on how they have applied the Principles, which they update as necessary; some have chosen to update the statement every year. [Signatories also produce a summary](#) in a standard format for purposes of comparison.

Do the statements adequately cover all the matters that signatories are supposed to report on under the Principles? Yes No Don't Know

If no, please identify which matters you consider are not adequately reported on:
Click or tap here to enter text.

- How informative and useful are the statements? *[Scale: Don't Know; 0-5 where 0 is very uninformative, 5 is very informative]*

Don't Know	0	1	2	3	4	5
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- How might the statements be made more useful?

Greater detail regarding complaints and how policies are developed should be included in future reports.

- What are the examples of best reporting practice?

Monitoring the application of the Principles

- An Oversight Committee composed of independent investor, issuer, and academic representatives is empowered to determine whether proxy advisor Signatories comply with Best Practice Principles. The Oversight Committee's first annual report, issued 1 July 2021, is accessible on its web page: <https://bppgrp.info/best-practice-principles-bpp-oversight-committee/>. What would be your level of expectation for the Independent Oversight Committee to improve service quality, integrity, and communication among proxy advisors?

- Don't know/wait and see
- high expectation
- medium expectation
- low expectation
- the Independent Oversight Committee can have no impact

2. If you have additional suggestions for how the Principles should be monitored, please provide details:

3. If there are any additional comments you would like to make as part of this consultation, please do so here:

Greater consideration of communication and interaction with issuers should be included in the principles. Ultimately this will foster a more accurate service for investors but will also create a healthier ecosystem for businesses to access growth capital.