

Best Practice Principles for Voting Research & Analysis

Leading Global Shareholder Voting Research & Analysis Providers Commit to Comply-or-Explain Principles

Paris; London; Frankfurt – 5 March 2014 — The charter signatories (see below) to [the Best Practice Principles for Shareholder Voting Research & Analysis](#) announced today the official launch of the industry-developed Principles relating to the provision of shareholder voting and governance analytical services.

The high-level Principles cover three main areas:

- Service Quality;
- Conflicts of Interest Management; and,
- Market Communications.

Each Principle is supported by related Guidance and background information that demonstrate how to apply the Principles.

The Principles were developed by the independent Best Practice Principles Group (BPPG), comprised of the charter signatories, in response to the 19 February 2013 European Securities & Markets Authority's (ESMA) Feedback [Statement](#)¹ on the consultation regarding the role of the proxy advisory industry. While ESMA concluded that *"it has not been provided with clear evidence of market failure in relation to how proxy advisors interact with investors and issuers,"* ESMA identified in its Feedback Statement particular areas that it believed would benefit from improved clarity on the part of the industry. It recommended the establishment of a code of conduct that would foster better understanding among all stakeholders of the role of proxy analysts and what can rightfully be expected from them.

The draft Principles were released on 28 October 2013 for a public consultation to which 46 entities responded. (Copies of the consultation responses can be found [here](#).) Based on the consultation feedback, some of the Principles and the monitoring process surrounding them were clarified and strengthened, with three key areas of particular note:

- The scope of the Principles was refined to concentrate on firms or organisations that analyse the corporate disclosures of listed or traded companies with a view to informing investors' voting decisions;
- Principle 1 on service quality was revised to indicate that signatories should disclose whether the scope of their research includes the analysis of corporate transactions and/or environmental and social matters ("ESG" or "Sustainability"); and,

¹ Esma.europa.eu. 2014. *Feedback statement on the consultation regarding the role of the proxy advisory industry* | ESMA [online] Available at: <https://www.esma.europa.eu/content/Feedback-statement-consultation-regarding-role-proxy-advisory-industry> [Accessed: 21 Feb 2014].

- The “Comply-or-Explain” basis on which signatories adhere to the Principles has been clarified and will need to be applied to both the Principles and the accompanying Guidance.

The Principles and associated Guidance, as well as all related documents, can be found on the independent BPPG [website](#). In addition, ESMA will display on its website a list of firms that have advised ESMA of their status as signatories to the Principles together with a link to the BPPG website.

The BPPG is very grateful to its independent Chair, Prof. Dr. Dirk Andreas Zetsche, LL.M. (Toronto), Propter Homines Chair for Banking and Securities Law, University of Liechtenstein (Principality of Liechtenstein), and Director of the Center for Business & Corporate Law, Faculty of Law, University of Duesseldorf (Germany), for his stewardship, dedication and enthusiasm throughout the year-long process of developing these Principles. A report by the Chair on the consultation, as well as a feedback statement on the consultation responses and Principles process will be made available on the BPPG website during March 2014.

As agreed at the beginning of his chairmanship in April 2013, Dr. Zetsche's mandate comes to an end following finalisation of the Principles. The BPPG will perform ongoing monitoring of the implementation of the Principles and will review the Principles and Guidance no later than two years following their launch.

ESMA will perform a separate review of the implementation of the Principles and their monitoring by the BPPG at the beginning of 2016.

Questions, comments and feedback regarding the Principles by all market participants can be directed to: committee@bppgrp.info.

Charter Signatories:

- [Glass, Lewis & Co.](#)
- [Institutional Shareholder Services Inc.](#)
- [IVOX GmbH](#)
- [Manifest Information Services Ltd](#)
- [PIRC Ltd](#)
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