

PRESS RELEASE

Proxy advisors take steps towards increased transparency

The European Securities and Markets Authority (ESMA) today published its *Follow-up Report on the development of the 'Best Practice Principles for Providers of Shareholder Voting Research and Analysis'* (Principles) which looks at the proxy advisory industry's progress in establishing and following a self-regulatory code of conduct.

Overall, ESMA finds that the industry is moving in the right direction but sees room for improvement in some areas. This assessment is necessarily preliminary given that ESMA reviewed the 2015 proxy season only, the first following the adoption of the Principles by signatories. ESMA's key findings are:

- the Principles generally meet ESMA's expectations;
- as a result, there is more transparency, so issuers and investors can better understand how proxy advisors operate; and
- the industry group behind the Principles would benefit from better governance and further clarity over what monitoring it performs.

The Principles were published by a group of proxy advisors in March 2014 in response to ESMA's 2013 recommendation to develop a code of conduct to improve investors' and issuers' understanding of what they can expect from proxy advisors. ESMA's recommendation was based on its finding that while there was no clear evidence of market failure in relation to proxy advisors' interaction with investors and issuers, stakeholders raised a number of concerns regarding the independence of proxy advisors and the accuracy and reliability of their advice.

Next steps

ESMA encourages the industry group to address in the coming months the areas it has identified for improvement in its Report.



Notes for editors

1. ESMA is an independent EU Authority established in 2010. It forms part of the European Supervisory Authorities, which also include the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA), and the European Systemic Risk Board (ESRB).
2. ESMA contributes to the regulation of financial services firms with a pan-European reach, both through direct supervision and through the active co-ordination of national supervisory activity. ESMA's mission is to enhance the protection of investors and promote stable and well-functioning financial markets in the European Union (EU). ESMA achieves this aim by building a single rule book for EU financial markets and ensuring its consistent application across the EU.
3. ESMA published its Final Report in February 2013 "Final Report – Feedback statement on the consultation regarding the role of the proxy advisory industry", available at: <https://www.esma.europa.eu/sites/default/files/library/2015/11/2013-84.pdf> in which it encouraged the proxy advisory industry to develop its own code of conduct.
4. The Principles were published in their final version on 5 March 2014 under the name Best Practice Principles for Providers of Shareholder Voting Research and Analysis: BPPG (2014), available at: <http://bppgrp.info/wp-content/uploads/2014/03/BPP-ShareholderVoting-Research-2014.pdf>.
5. At the time of ESMA's review, six entities had signed up to the Principles: Glass, Lewis & Co., ISS, IVOX, Manifest, PIRC and Proxinvest.

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