

16 August 2019

## **Securities and Exchange Board of India**

SEBI Bhavan Plot no. C4-A, "G' Block Bandra Kurla Complex  
Bandra (East), Mumbai – 400 051  
India.

Submitted via email to: [naveens@sebi.gov.in](mailto:naveens@sebi.gov.in) and [taruns@sebi.gov.in](mailto:taruns@sebi.gov.in)

### **RE: Working group's report on issues related to Proxy Advisers**

Dear Sir/Madam,

BlackRock<sup>1</sup> is pleased to have the opportunity to respond to the "Working Group's report on issues concerning Proxy Advisers", as available on the Securities and Exchange Board of India (SEBI) website for public comment.

BlackRock is of the view that Proxy Advisers play an important role in assessing proposals of issuers for investors to vote on at Annual General Meetings as well as Special Meetings. With over 5,400 companies listed on the stock exchanges in India, these advisers provide a useful service in summarizing the agenda items and providing reasoned voting recommendations on the agenda items for these meetings.

We note, in particular, that the proposals call for greater transparency in the business model and processes of the Proxy Advisers. We support these proposals including a Code of Conduct to be drafted by the SEBI for Proxy Advisers which, among other items, would require:

- Proxy Advisers to disclose potential conflicts of interest and how they are managed, including ancillary businesses e.g. consultancy services;
- Voting guidelines and policies of Proxy Advisers be made public;
- Proxy Advisers to have an articulated policy of when they will not provide voting recommendations;
- Proxy Advisers to have a board that is independent of their shareholders where ownership of proxy advisers might create an actual or perceived conflict of interest;
- Proxy Advisers each year to disclose on their website any change in their shareholders or board of directors, litigation they are involved in as well as their financial report for the previous year;
- A code of conduct for foreign proxy advisers that is principles-based, on broad principles of fairness, disclosure and management of conflicts of interest, on a comply-or-explain basis without requiring registration or chaperoning of foreign advisers.

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<sup>1</sup> BlackRock is one of the world's leading asset management firms. We manage assets on behalf of institutional and individual clients worldwide, across equity, fixed income, liquidity, real estate, alternatives, and multi-asset strategies. Our client base includes pension plans, endowments, foundations, charities, official institutions, insurers and other financial institutions, as well as individuals around the world.

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We believe these proposals are eminently sensible and reflect careful consideration by the respected members of the Working Group. In the spirit of full consultation, we suggest that both local and international Proxy Adviser firms be allowed to comment on the final draft of the Code before it is issued.

We also note item 1 (iv) of the report proposes that institutional investors including Foreign Portfolio Investors may be mandated to ensure that proxy advisory firms employed by them have appropriate capacity and capability to issue proxy advice and that such firms comply with the code of conduct for these advisers to be specified by SEBI. Again, we are in agreement with the recommendation. This is clearly part of the appropriate due diligence and on-boarding that an asset manager should be expected to undertake before entering into any contractual agreement with proxy advisers and to review periodically as these contracts are renewed. We understand by this proposal that such records of due diligence need only be kept by the asset manager and not required to be submitted in advance, or periodically, to SEBI as that would entail unnecessary documentation to confirm that such steps have been undertaken without providing any substantive information.

We reiterate our appreciation for giving investors the opportunity to provide comment and feedback. We welcome further discussion on the points raised, or on any other relevant matter.

Yours faithfully,

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