

A dialogue with Gary Retelny, president and CEO of Institutional Shareholder Services

On 7–8 April 2016, members of the European Audit Committee Leadership Network (EACLN) met in London for their 25th stand-alone meeting. In one session, they were joined by Gary Retelny, president and CEO of Institutional Shareholder Services (ISS), to discuss the proxy advisory industry.

This *ViewPoints* synthesizes the key points discussed in the meeting. It also includes background information and perspectives that members shared before the meeting.¹ For further information on the network, see “About this document,” on page 9. For a full list of participants, see Appendix 1, on page 10.

Executive summary

EACLN members discussed the following topics with Mr Retelny:

- **ISS and the proxy advisory industry** (*page 2*)

Investors and other stakeholders rely on ISS and other proxy advisory firms to help fulfill their corporate governance obligations. The core of ISS’s business has traditionally been advisory services to institutional investors: the company provides research, proxy voting guidelines and proxy voting services. However, ISS has broadened its portfolio to provide a range of global services to different constituents. Audit committee chairs and Mr Retelny discussed these services, ISS’s plans for growth, and ways to ensure that investors and proxy advisers make decisions based on accurate information.

- **Proxy advisory firm oversight and practices** (*page 4*)

Responding to pressure from the European Securities and Markets Authority (ESMA), the leading proxy advisory firms, ISS among them, adopted a set of best-practice principles that address three broad areas: service quality, communications with stakeholders and conflicts of interest. ISS has shared its high-level processes for researching governance issues and making voting recommendations, along with methods to ensure high quality. ISS also seeks input from companies and other market participants on its broad policy decisions and its analysis of individual companies. Because it does work for both investors and companies, ISS has a set of practices to avoid conflicts of interest.

- **Specific policies and voting recommendations** (*page 8*)

A number of key corporate governance issues have caught the attention of institutional investors and have therefore become a priority for ISS. In particular, Mr Retelny emphasized that board composition and director tenure are front of mind for investors today. EACLN members were interested in ISS’s positions and voting recommendations on these issues.

For a list of discussion questions for audit committees, see Appendix 2, on page 11.

¹ *ViewPoints* reflects the network’s use of a modified version of the Chatham House Rule whereby names of members and their company affiliations are a matter of public record, but comments are not attributed to individuals or corporations. Italicized quotations reflect comments made in connection with the meeting by network members and other meeting participants.

ISS and the proxy advisory industry

In the past decade, regulatory pressure and investor demand have led proxy advisory firms to play an increasingly meaningful role in corporate governance. EACLN members and Mr Retelny discussed the ongoing demand for proxy advisory services and the expanding scope of ISS's overall business.

The demand for proxy advisory services

Mr. Retelny explained that the core of ISS's business is *"to provide investment advice, as it relates to governance, to institutional investors as to how to vote their shares and to help institutional investors with the execution of their votes."* In a 2013 study, researchers at Stanford University commented on why investors are drawn to proxy advisory services: "Given the size and diversity of [investors'] holdings, it might be impractical for professional investors to have a thorough understanding of all items brought before them."² Mr Retelny called providing proxy advisory services *"a simple business, but a complicated endeavor."* Investors turn to proxy advisory firms for three primary reasons:

- **Volume of proxy proposals.** Mr Retelny said that in a typical year, ISS makes voting recommendations that impact between 36,000 and 40,000 company meetings. Investors rely on ISS and other proxy advisers to help process all of this data and identify areas for additional research. Mr Retelny explained, *"The vast majority of institutional investors own thousands of securities. It is impossible for them to review all of the proxy materials for every single one, so many manage by exception. We highlight concerns, and that helps them identify the ones where they need to focus."*
- **Length and complexity of proxy materials.** According to a 2015 study, 55% of investors believe that proxy statements are too long and 48% believe that they are too difficult to read and understand.³ Mr Retelny explained that ISS's team reviews company proxy materials and formats key information in a way that makes it more uniform and easier for investors to process. Mr Retelny said, *"Our clients tell us that one of the most valuable things we do for them is to provide a concise report. If you talk to large asset owners, they will tell you that they use our services for the research, not the recommendations."*
- **Logistical challenges.** Beyond the volume and density of information in proxy materials, the concentration of annual meetings makes proxy voting a logistical challenge for institutional investors. Proxy advisers help ease this burden by enabling clients to outsource the processing and management aspects of the proxy process. ISS will receive proxy ballots, work with custodian banks, execute votes on clients' behalf and maintain vote records.⁴ Mr Retelny said these services make the voting process much easier for ISS's clients: *"We provide a portal for investors where they can review our research, talk to us and vote their shares."*

ISS's business and competition

Mr Retelny provided members with an overview of ISS's history, business model and priorities, noting that today, the firm has over 900 employees and operates in 17 countries. He emphasized that *"ISS is becoming a global governance company, not just a simple proxy adviser focused on recommendations for annual*

² David F. Larcker, Allan L. McCall and Brian Tayan, *And Then a Miracle Happens!: How Do Proxy Advisory Firms Develop Their Voting Recommendations?* Stanford Closer Look Series (Stanford, CA: Stanford Graduate School of Business, 2013), page 1.

³ David F. Larcker et al., *2015 Investor Survey: Deconstructing Proxy Statements — What Matters to Investors* (Stanford, CA: Stanford Graduate School of Business, 2015).

⁴ *"Proxy Voting Services."* Institutional Shareholder Services, accessed 21 April 2016.

meetings.” ISS provides institutional investors with research and advice on governance issues, guidelines and recommendations on specific proxy items, a proxy voting platform, class-action securities recovery services and guidance on sustainable and responsible investing.⁵ According to a 2013 study, ISS’s investor clients manage a total of \$25 trillion in investment assets.⁶ ISS also maintains a subsidiary, ISS Corporate Solutions, to provide governance advice to companies, with a focus on developing analytical tools that companies use for benchmarking in areas like executive remuneration.⁷

ISS competes with a number of other proxy advisers in different geographies. In the United Kingdom, PIRC, Manifest and IVIS provide competitive services.⁸ US-based Glass Lewis provides global proxy advisory services and recently expanded its reach by acquiring the German proxy adviser IVOX.⁹ Proxinvest (France) and Shareholder Support (the Netherlands) are other examples of ISS’s regional competitors.¹⁰

EACLN members were interested in how ISS distinguishes itself from other proxy advisory firms. Mr Retelny said that ISS is unique in its global scope and deep experience in many regions of the world: *“We do analysis on every single security that a client holds, no matter where it is or how small it is.”* He said that another distinguishing feature is the depth and detail that ISS provides in its reports: *“Some others provide only recommendations. Our reports give more qualitative information and provide the specifics of why we make the recommendations.”*

Audit committee chairs also asked Mr Retelny about ISS’s own governance and ownership. In 2014, Vestar Capital Partners purchased ISS from MSCI, which had in turn acquired the firm as part of its purchase of RiskMetrics, the firm that bought ISS in 2007.¹¹ Mr Retelny explained, *“One of the key items for ISS when we left MSCI was ensuring we had the right ownership to turn our focus to the long term. We have that now. As far as governance, our board and shareholders are hands off when it comes to our policies. It is important for us to provide a tremendous amount of transparency about ISS’s independence, what we say and who we are.”*

EACLN members asked Mr Retelny about ISS’s plans for growth. Mr Retelny emphasized ISS’s data and analytics capabilities. Investors use ISS data derived from companies’ proxy statements and other disclosures to better understand the environmental, social and governance (ESG) practices of the companies in which they invest. *“Interest in governance is increasing globally, and it is moving from the back office to become part of the investment process. Our clients want us to help them create screens that allow them to make investment decisions based on ESG issues,”* he said.

⁵ Institutional Shareholder Services, *“ISS, Ethix Clients to Receive Integrated Environmental, Social, and Governance (ESG) Solutions,”* news release, 15 September 2015.

⁶ David F. Larcker, Allan L. McCall and Brian Tayan, *And Then a Miracle Happens!: How Do Proxy Advisory Firms Develop Their Voting Recommendations?* page 1.

⁷ *“Governance Solutions,”* ISS Corporate Solutions, 2016.

⁸ European Securities and Markets Authority, *An Overview of the Proxy Advisory Industry. Considerations on Possible Policy Options*, Discussion Paper (Paris: European Securities and Markets Authority, 2012), page 11.

⁹ Martin Lion, “Glass Lewis Acquires IVOX, Leading German Proxy Advisor,” *Glass Lewis Blog*, 11 June 2015.

¹⁰ European Securities and Markets Authority, *An Overview of the Proxy Advisory Industry. Considerations on Possible Policy Options*, page 11.

¹¹ *“ISS History,”* Institutional Shareholder Services, accessed 25 January 2016; Cogent Compensation Partners, *Cogent Alert: The Rebranding of ISS* (Houston, TX: Cogent Compensation Partners, 2010).

Proxy advisory firm oversight and practices

EACLN members and Mr Retelny discussed the steps ISS and its competitors are taking to ensure the quality of their research and recommendations, communicate with a wide range of stakeholders and avoid conflicts of interest.

Industry oversight

Beginning in March 2012, ESMA sought stakeholder comments on the proxy advisory industry to determine whether increased oversight was necessary. In a February 2013 report, ESMA concluded that there was no market failure in the industry and therefore no cause for binding measures, but added, “There are several areas, in particular relating to transparency and disclosure, where a coordinated effort of the proxy advisory industry would foster greater understanding and assurance among other stakeholders in terms of what these can rightfully expect from proxy advisors.”¹² ESMA therefore recommended that the industry develop its own code of conduct and provided a set of principles to offer the industry its guidance.¹³

Leading proxy advisory firms, including ISS, Glass Lewis, Manifest, PIRC and Proxinvest, responded by creating the Best Practice Principles Group (BPPG). In March 2014, the BPPG published its *Best Practice Principles for Providers of Shareholder Voting Research & Analysis*.¹⁴ The firms adopted the principles on a comply-or-explain basis, allowing each to determine the applicability of a principle based on the firm’s current circumstances and business model.¹⁵

There are three best-practice principles:¹⁶

- **Service quality.** “Signatories provide services that are delivered in accordance with agreed client specifications. Signatories should have and publicly disclose their research methodology and, if applicable, ‘house’ voting policies.”
- **Communications policy.** “Signatories should have and publicly disclose their policy (or policies) for communication with issuers, shareholder proponents, other stakeholders, media and the public.”
- **Conflicts-of-interest management.** “Signatories should have and publicly disclose a conflicts-of-interest policy that details their procedures for addressing potential or actual conflicts of interest that may arise in connection with the provision of services.”

ESMA then set out to assess these principles and, in December 2015, published a follow-up report, providing generally positive feedback on the best-practice principles.¹⁷ However, ESMA encouraged the industry to establish a more formal governance structure to ensure compliance with the principles.¹⁸

¹² European Securities and Markets Authority, *Final Report – Feedback Statement on the Consultation Regarding the Role of the Proxy Advisory Industry* (Paris: European Securities and Markets Authority, 2013), page 3.

¹³ *Ibid.*

¹⁴ Best Practice Principles Group, *Best Practice Principles for Providers of Shareholder Voting Research & Analysis* (Best Practice Principles Group, 2014).

¹⁵ *Ibid.*, page 3.

¹⁶ *Ibid.*, page 11. The quotations for all three principles can be found here.

¹⁷ European Securities and Markets Authority, *Report – Follow-up on the Development of the Best Practice Principles for Providers of Shareholder Voting Research and Analysis* (Paris: European Securities and Markets Authority, 2015), page 3.

¹⁸ *Ibid.*

Service quality and proxy voting policies

EACLN members raised questions about the quality of the analysis and the qualifications of the staff at ISS and the other proxy advisory firms. One survey of over 150 companies found that only 25% believe that a proxy advisory firm that had made a recommendation involving the company “carefully researched and took into account all relevant aspects of the particular issue on which it provided advice.”¹⁹

Proxy voting guidelines

Mr Retelny discussed how ISS develops and amends its proxy voting guidelines. The company uses input from a broad range of experts and stakeholders. ISS explains its annual review in its proxy voting guideline updates as follows:

The policy review and update process begins with an internal review of emerging issues and notable trends across global markets. Based on data gathered throughout the year (particularly from client and issuer feedback during proxy season), ISS forms policy committees by governance topics and markets. As part of this process, the policy team examines academic literature, other empirical research, and relevant commentary. ISS also conducts surveys, convenes roundtable discussions, and posts draft policies for a review and comment period. Based on this broad input, ISS’s Global Policy Board reviews and approves final drafts and policy updates for the following proxy year.²⁰

In the meeting with EACLN members, Mr Retelny emphasized that this process includes outreach to many stakeholders, not just ISS clients: *“We go out broadly and solicit comments and usually get 600 written comments, plus what we hear at the roundtables and other meetings. We hear from everyone.”* He explained that once the information-gathering process is complete and ISS finalizes its policies, it publicizes its decisions to ensure that all stakeholders are clear on any changes from the previous year.

ISS also works with its institutional investor-clients to develop and implement their own custom policies, which often yield recommendations that differ from those issued under ISS policies. According to ISS, the majority of shares that are voted on its voting platform use custom recommendations.²¹

Individual company voting recommendations

Mr Retelny stressed that ISS’s benchmark policy is just a baseline for ISS’s proxy voting recommendations; individual issues are addressed on a case-by-case basis. Describing how ISS reviews an ordinary proxy, he said, *“We start our process by putting the data through a quantitative screen to compare it against our policy. That process is followed by a qualitative review that leads to a recommendation. If both lead to a negative recommendation, it is reviewed again. So any negative recommendation is reviewed by at least two senior people.”* All told, he said, this process leads to a recommendation against at least part of a company’s proxy less than 11%–12% of the time. *“Companies only lose about 4% of the time, so it shows that investors are making up their own minds,”* he added.

¹⁹ NASDAQ and US Chamber of Commerce Center for Capital Markets Competitiveness, *2015 Proxy Season Survey – Public Company Experience During the Current Proxy Season* (New York and Washington, DC: NASDAQ and US Chamber of Commerce Center for Capital Markets Competitiveness, 2015).

²⁰ Institutional Shareholder Services, *Executive Summary: Proxy Voting Guideline Updates and Process* (Rockville, MD: Institutional Shareholder Services, 2014), page 3.

²¹ *Ibid.*

Some members were concerned that ISS's policy of making recommendations on every proxy issue leads to binary decisions. One said, *"You apply a set of rules to provide a result, even if you have no judgment. This is all very mechanical. The better course would be to make recommendations only when you have a reasoned point of view."* Mr Retelny responded that *"investors want recommendations on everything, so we provide them. We say when it is a tough call. We get accused of being one-size-fits-all. Imagine if we used qualitative judgment all the time. People would be up in arms."*

Audit committee chairs were also concerned about ISS's ability to apply its policies to individual companies' proxy materials. One said, *"The seasonality of your business must be tough. The proxy season is short. The workload must be off the scale."* Another asked, *"How does ISS make sure that the people doing the analysis and making the recommendations on 39,000 companies have the information and governance expertise to assess these things?"*

The best-practice principles lay out ways in which the proxy advisory firms can ensure their research meets quality standards. In its 2014 statement of compliance with the principles, ISS explained that its team of more than 250 research and data experts has experience in a broad range of substantive areas across broad geographic areas.²² ISS also provided details on its "robust systems and controls designed to ensure the quality of our shareholder voting research and analysis, including that it is relevant, accurate and reviewed by appropriate personnel prior to publication."²³ In the meeting with EACLN members, Mr Retelny added, *"Our team has a lot of experience analyzing these companies, and we are always looking to add new talent."*

ISS's relationship with shareholder activists

EACLN members were interested in how ISS views shareholder activism and in ISS's relationship with activist investors. Mr Retelny was clear: *"The perception that ISS is in the pocket of activists is nonsense. We are lobbied by activists all the time. If we talk to an activist, we will invite the other parties to come in and speak with us, too. The company gets the last word. We recommend against activists about 60% of the time."* Mr Retelny said that it is common for ISS to recommend an activist's proposal at one company, then recommend against that same activist at another company. He added that while some activists are ISS clients, they represent only a tiny portion of the firm's revenue.

Mr Retelny highlighted a separate concern for boards: *"Activists are becoming more aggressive, and institutional investors are also becoming more aggressive when it comes to expressing their points of view. In some cases, there is an alignment between the activists and institutional investors, and they tend to move in unison."*

Communication with stakeholders

EACLN members were also interested in how proxy advisory firms communicate with stakeholders about their analysis and recommendations. Mr Retelny said that ISS finds value in engaging directly with companies, particularly outside the crunch of proxy season. For major issues or borderline cases, ISS often reaches out to companies directly to better understand their position. Mr Retelny emphasized, however,

²² Institutional Shareholder Services, *Best Practice Principles for Providers of Shareholder Voting Research & Analysis: ISS Compliance Statement* (Rockville, MD: Institutional Shareholder Services, 2014), page 15.

²³ *Ibid.*, page 5.

that ISS's recommendations are based on public information: *"We cannot rely upon information that is not publicly available to institutional investors."*

Audit chairs have mixed views on how willing proxy advisory firms are to explain their recommendations and adjust them if the recommendations are based on faulty information. One member described a situation in which a proxy advisory firm mistakenly assumed an executive received a substantial pay raise, when the only change was that the compensation was reported in US dollars rather than British pounds. That member said, *"We didn't know that the report would present it as a 56% pay increase. The pound sign is close enough to the dollar sign that this is easy to miss. It should be easier for companies to go to the proxy advisers to discuss a misunderstanding like this."*

Mr Retelny responded that ISS's policy is to have an open dialogue and to correct its mistakes as soon as they are identified: *"In the case of a factual error, we will correct it, issue a new report and upload it to our system immediately. We will then issue an alert to every client who owns your stock to tell them there was an error. If it changes our recommendation, we will highlight that."* He advised EACLN members that if they identify an error in an ISS report, they should contact the ISS analyst whose name is disclosed in the report directly. *"Write an e-mail to your analyst. I assure you those are read and discussed, even if you don't get a response,"* he said. However, Mr Retelny added that many alleged mistakes are really differences of opinion: *"If you have a different opinion, we try to include that in our report as a counterbalance to the recommendation. We don't have an axe to grind. All we are trying to do is highlight issues for our clients, based on our policies."*

Some EACLN members mentioned that independent directors are increasingly called upon to participate in company interactions with proxy advisory firms, a trend that the firms themselves confirm.²⁴ Although these engagements do not usually include audit committee chairs, they may upon occasion, for example when proxy advisers seek input on issues like audit firm rotation and financial disclosures. One member said it is important to engage with proxy advisers and investors: *"We want to understand what they want our firms to do. We acknowledge that boards can't just sit back and do things; we need to get out there and advocate what we are doing and why."* Mr Retelny said that ISS also plays a role in directors' engagement with institutional investors: *"ISS reports allow investors to make those meetings more effective. Before they meet with you, they are likely to look at the ISS report, and they might call us to clarify certain issues. They might not have the report in front of them, but they are likely to raise some of the issues ISS raises."*

Managing conflicts of interest

Another frequent criticism of proxy advisory firms, including ISS, is that they suffer from conflicts of interest due to ownership and the services they provide. ESMA highlighted this concern in its February 2013 report.²⁵ Stakeholders spoke out in comments to ESMA. Norges Bank Investment Management's leadership, for example, said that self-regulation of the proxy advisory industry is insufficient and that the best-practice principles lack "elements of detail in key areas such as conflict of interest. We continue to see clear conflict-of-interest risk when voting advisers sell services to both shareholders and issuers. The practice introduces an unavoidable question about the independence of the resulting analysis and recommendations provided to investors."²⁶ Before the meeting, one EACLN member said of ISS, *"They try to demonstrate*

²⁴ Lindsay Frost, "Boards Boost Efforts to Influence Proxy Firms," *Agenda*, 7 December 2015.

²⁵ European Securities and Markets Authority, *Final Report - Feedback Statement on the Consultation Regarding the Role of the Proxy Advisory Industry* (Paris: European Securities and Markets Authority, 2013), page 9.

²⁶ Adam Brown, "Norges Calls for Regulation of Proxy Advisory Industry," *IR Magazine*, 7 August 2015.

that they have Chinese walls, but the only way is to have two companies. On issues of conflict of interest, I am black and white.”

Proxy advisory firms are sensitive to these concerns. In the *Best Practice Principles*, they state: “The overriding objective of this principle is to ensure, as far as reasonably possible, that research and business conduct are independent, fair, clear, not misleading and free from possible bias or undue influence.”²⁷ As noted earlier, ISS separates its work for corporate issuers from its proxy advisory business by operating a separate business unit, ISS Corporate Solutions, with its own leadership team and offerings. Mr Retelny said, *“Corporate Solutions is a separate company, independently run. Most of its work is providing data and analytics for companies. We acknowledge that there could be a conflict, but we manage it tightly. The US Securities and Exchange Commission regulates us and is aware that this is what we do.”*

Specific policies and voting recommendations

EACLN members and Mr Retelny discussed some of the specific policies and voting recommendations promulgated by ISS. Though ISS formulates policies on a range of issues and makes countless recommendations every year, some issues draw more attention and controversy than others. ISS is likely to review controversial issues and to update its policies on them during the annual policy review process. Members and Mr Retelny focused on the following prominent issues:

- **Overboarding.** In its most recent policy update, ISS addressed director overboarding by setting the maximum number of boards a non-executive director can serve on at five. Non-executive chairs are limited to three other boards, and executive directors are limited to two.²⁸ EACLN members were skeptical about imposing specific limits on the number of board seats a director can hold and pointed out that many other factors contribute to whether a director has sufficient capacity to be effective. Mr Retelny said, *“Directors have a tougher job now, but we want to be reasonable. Many companies set a limit for their own directors at four boards, and investors generally prefer a limit of four. We ended up at five, which is a little off market. We try to incorporate what we think is reasonable.”* He added that investors are especially concerned when directors are so busy that they miss meetings: *“A top issue for investors is director attendance. It really bothers them if directors aren’t there.”*
- **Board refreshment.** EACLN members were also interested in ISS’s position on other board composition issues, which come together under the broader umbrella of board refreshment. Mr Retelny said that director tenure, and the related issue of adding new directors to boards, is becoming a bigger concern for ISS’s clients: *“There is a group of large, vocal investors who argue that you lose your independence after 10 years. ISS isn’t there yet; we believe there is a lot to be said for institutional knowledge, but we are paying close attention to this issue because director independence is key for good governance.”* He added that investors are also focused on diversity, particularly with respect to gender: *“There is tremendous pressure globally to have diversity on boards, women on boards. We have no set rules, but investors want us to know that they are looking at this.”* One member asked, *“Don’t we miss the important issue of director contributions by focusing on things like tenure, gender and age?”* Mr Retelny responded, *“Those contributions are hard to measure when you rely on public information. We*

²⁷ Best Practice Principles Group, *Best Practice Principles for Providers of Shareholder Voting Research & Analysis*, page 16.

²⁸ Institutional Shareholder Services, *Europe, Middle East, and Africa (EMEA) Proxy Voting Guidelines Updates* (Rockville, MD: Institutional Shareholder Services, 2015), page 4.

can only assess the strategic decisions a board makes. That is why we are careful about these topics. We highlight them for shareholders, but they don't lead to an ISS recommendation."

- **Remuneration.** The recommendations of proxy advisory firms on executive pay packages have received a lot of attention. Different firms use different models for assessing the correlation between pay and performance. EACLN members are concerned that these models are by definition blunt instruments to evaluate what are often very careful, complicated and nuanced executive remuneration plans. Mr Retelny described ISS's position in straightforward terms: *"It is a problem if you keep compensating someone at a high level, even when the stock performance and the company performance is not aligned."*
- **Audit-related issues.** ISS recently expanded the number of companies that fall under its policy of opposing the ratification of auditors whose fees for non-audit services are greater than the standard audit-related fees. In its update, ISS explained, "Excessive fees generated from non-audit services may pose a potential conflict of interest for the audit firm and interfere with its independent judgment. The proportion of non-audit fees compared to audit fees receives increasingly high scrutiny both from investors and regulators."²⁹

Conclusion

Faced with the task of voting on many companies' proxies in a short period of time, institutional investors of all sizes continue to rely upon ISS and its competitors for both proxy voting advice and execution. ISS's reach is likely to continue expanding as it grows beyond its proxy advisory services into other areas. EACLN members recognized the usefulness of developing a relationship with ISS, both to ensure that their voices are heard in its policy process and to serve as a check on the accuracy of its work. Mr Retelny, for his part, encouraged board directors to play that role and participate in the process.

About this document

The European Audit Committee Leadership Network is a group of audit committee chairs drawn from leading European companies committed to improving the performance of audit committees and enhancing trust in financial markets. The network is organized and led by Tapestry Networks with the support of EY as part of its continuing commitment to board effectiveness and good governance.

ViewPoints is produced by Tapestry Networks to stimulate timely, substantive board discussions about the choices confronting audit committee members, management and their advisers as they endeavor to fulfill their respective responsibilities to the investing public. The ultimate value of *ViewPoints* lies in its power to help all constituencies develop their own informed points of view on these important issues. Those who receive *ViewPoints* are encouraged to share it with others in their own networks. The more board members, members of management and advisers who become systematically engaged in this dialogue, the more value will be created for all.

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²⁹ Institutional Shareholder Services, *Europe, Middle East, and Africa (EMEA) Proxy Voting Guidelines Updates* (Rockville, MD: Institutional Shareholder Services, 2015), page 15.

Appendix 1: Meeting participants

Members participating in all or parts of the meeting sit on the boards of about 40 public companies:
Mr. Aldo Cardoso, Audit Committee Chair, ENGIE
Ms. Carolyn Dittmeier, Chairman Statutory Audit Committee, Generali
Mr. Ángel Durández, Audit Committee Chair, Mediaset España
Dr. Byron Grote, Audit Committee Chair, Tesco, Akzo Nobel and Anglo American
Ms. Liz Hewitt, Audit Committee Chair, Novo Nordisk
Mr. Phil A. Hodgkinson, Executive Director, BT (alumnus)
Mr. Lou Hughes, Audit Committee Chair, ABB
Ms. Shonaid Jemmett-Page, Audit Committee Chair, GKN
Mr. Nasser Munjee, Audit Committee Chair, Tata Motors
Mr. Pierre Rodocanachi, Vice-Chair and Audit Committee Member, Vivendi
Ms. Guylaine Saucier, Audit Committee Chair, Wendel
Mr. Jack Tai, Audit Committee Chair, Royal Philips Electronics
Mr. Jacques Theurillat, Audit Committee Chair, CNH
Ms. Martine Verluyten, Audit Committee Chair, STMicroelectronics and Thomas Cook
EY was represented in all or parts of the meeting by:
Mr. Hywel Ball, EY United Kingdom and Ireland Managing Partner - Assurance
Mr. Jean-Yves Jégourel, EY EMEIA Assurance Leader
Mr. Felice Persico, EY Global Vice Chair – Assurance
Dr. Allister Wilson, Assurance Partner, Ernst & Young LLP.

Appendix 2: Questions for audit committees

- ? What more would you like to understand about the business models used by ISS and other proxy advisers?
- ? What do you think drives investor demand for proxy advisory firm services?
- ? Do you believe proxy advisory firms have too much influence? Do the BPPG's best-practice principles provide sufficient oversight of the proxy advisory industry?
- ? What questions do you have about the policy formulation process and the development of specific voting recommendations?
- ? What has been your experience regarding the quality of the advice provided by proxy advisory firms?
- ? How open to feedback has your company found proxy advisory firms to be?
- ? Have you engaged directly with a proxy advisory firm as a board member? What was your experience?
- ? What proxy advisory firm policies and recommendations have the most impact on boards? Which issues are especially important in the current environment?
- ? What policies and voting recommendations from proxy advisory firms have you found the most problematic? Where would you like to see changes?