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### The Proxy Advisors Receive Their First Annual Report Card!

As we await the SEC's decision whether they will [revisit](#) the proxy advisor rules adopted last summer – which would require proxy advisors to meet new conditions near the end of this year – the [first report card](#) about the performance of the proxy advisors was just issued by the 12-member Independent Oversight Committee led by Stephen Davis. The Committee evaluated the six proxy advisors that had signed onto the "Best Practice Principles Group" against the best practices that were last updated in 2019. Here are 7 things to know about the report card:

1. Not a real report card - It's not a typical report card, weighing in at 61 pages. Technically, it's not even a "report card" – it's just a "report." Reading the report bears out that distinction, it's not a "pass-fail" kind of assessment. Rather, the report provides a bunch of details – but no definitive results. The meat of the discussion about the six proxy advisors begins on page 52.
2. Disclosure of staff diversity lacking - One oddity is that only one proxy advisor provided a staff diversity breakdown by gender (see Section 1.A.3 on page 53).
3. Language capabilities are impressive - Some of the proxy advisors boost the ability for their staff to speak in as many as 25 languages (see Section 1.A.2 on page 53).
4. Need for better internal controls - The Oversight Committee would like to see more robust disclosures on such internal controls over quality, reliability, independence, and accuracy, including data on alerts to clients concerning errors or revisions (see Section 1.A.7 on page 54).
5. Clear explanation of whether companies allowed to review draft reports - On the one hand, the Oversight Committee favors the ability for companies to have a timely opportunity to review and correct draft reports – but on the other hand, the Committee believes that should be weighed against the real risk of cutting into voting windows available to investor clients. The Committee wants each proxy advisor to clearly explain how they approach this issue (see Section 1.A.8 on page 55; also see Section 3.A.2 on page 57).
6. No one complained to the Oversight Committee last year – At the bottom of page 60, there is one sentence noting that that Oversight Committee didn't hear from anyone other than the six proxy advisors that were evaluated over the last year. The Committee also encouraged proxy advisors to provide information to their stakeholders on how to communicate concerns about firm adherence to the Best Practice Principles to the Oversight Committee (see Section 3.A.5 on page 59).
7. Stakeholders can weigh in soon – On page 61, the Oversight Committee notes it will conduct a survey of stakeholders – as well as host a virtual Open Forum - about whether the Best Practice Principles need to be updated.

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