

# Analytical report

The influence of proxy advisors and ESG rating agencies on the actions and reporting of FTSE 350 companies and investor voting

Annex 2: Interview Guides and List of Interviewees

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S O D A L I



## INTRODUCTION

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1. In August 2022 the Financial Reporting Council (FRC) commissioned independent research to better understand the influence and impact of proxy voting advisors and ESG rating agencies on actions and reporting by FTSE 350 companies and on investors (asset managers and asset owners). This report presents the findings of the project carried out for the FRC by a team of researchers from Morrow Sodali (including its subsidiary Nestor Advisors) and Durham University Business School.
2. This study incorporated semi-structured interviews in addition to a survey. These interviews are useful when the researcher wants to comprehend the interviewee's views and beliefs about a particular issue or situation, and when it is necessary to grasp the interviewee's perspective. Semi-structured interviews are considered the most effective method for exploring the participants' values, norms, and experiences. The interview technique used involves a predetermined set of open-ended questions to obtain more personalised and detailed responses.
3. Interviews were conducted with companies, investors, proxy advisors, and ESG rating agencies, and a different set of questions that were used as the basis for interviews with each actor category. Those questions are contained in this Annex.

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Patrick McNamara, Manager – Governance  
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## INTERVIEW GUIDES

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### UK LISTED COMPANIES

*In our interviews, we aim to identify and explore in more depth how recommendations and ratings from proxy advisors and ESG rating agencies impact FTSE350 companies' behaviour and reporting, investor voting decisions, as well as governance policies and practices.*

*We are looking to cover the following bilateral engagements:*

- *Between FTSE 350 companies and proxy voting/ESG ratings agencies on recommendations/ratings given by the latter;*
- *Between investors and proxy voting/ESG ratings agencies on recommendations/ratings given by the latter; and*
- *Between investors and FTSE 350 companies on recommendations/ratings given by proxy voting/ESG ratings agencies.*

*We also aim to identify and explore best practices and barriers to effective engagement between each actor category.*

*Please note that, due to time restrictions, it may not be possible to cover all areas and topics listed. The following below is an indicative list of the topics which may be addressed over the course of the 45- 60 minutes.*

#### 1. INTRODUCTION

- Introduction to the research project and participant's role
  - Recap of interview format:
    - Confidential and anonymous
    - Permission to record
    - Any initial questions
- \*\*\* START RECORDING – IF PERMISSION GRANTED \*\*\***
- Interviewee role, and responsibilities (including: team interviewee works with; reporting lines)

#### 2. EXPERIENCES OF SHAREHOLDER VOTING

- Circumstances around any significant shareholder vote which occurred against the company in 2021/2022 (if relevant)
- Engagement with proxy advisors on the company remuneration policy or report
- How experience of shareholder voting (including "activist" activity) has changed in last two years

### 3. MECHANICS AND PROCEDURES IN PROXY ADVISOR ENGAGEMENTS

- General thoughts regarding the role of proxy advisors and their impact on company
- Internal responsibility for engaging with proxy advisors
- When proxy advisors recommend voting against a resolution and/or make factual errors in their draft report: is the company made aware of this in advance, and process for responding when proxy advisors recommend voting against a resolution
- Cases where different proxy advisors made different recommendations
- Review of draft proxy advisors reports (including needed time)
- Comment on proxy advisor's report: openness of the advisors to consider your comments
- Suggestions for how engagement with proxy advisors could be improved
- Satisfaction with the quality and transparency of proxy methodologies that inform voting recommendations
- Whether proxy recommendations take sufficient account of the company's specific circumstances
- Changes over the last two years

### 4. INTERACTION WITH ESG RATING AGENCIES AND THEIR IMPACT

- General thoughts regarding the role of ESG rating agencies and their impact on company
- Views on transparency and quality of research ESG rating agencies
- Whether ESG rating agencies take sufficient account for company's specific circumstances
- Internal leadership responsibility for engaging with / instructing ESG research agencies
- Engagement with ESG rating agencies or ESG research services acting on behalf of investors
- Changes over the last two years

### 5. DYNAMIC OF RELATIONSHIPS

- Challenges / opportunities in relationships between proxy advisor, ESG research services and ratings agencies, investors, and companies
- Potential role for FRC or other relevant regulators in improving matters

### 6. CONCLUSION

- Additional questions and comments

\*\*\* FINISH RECORDING \*\*\*

## INVESTORS

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### 2. INVESTOR'S APPROACH TO VOTING DECISIONS

- Rationale behind choice of voting policies (i.e., investor's own or the proxy advisors)
- Which proxy advisors are used
- How proxy advisors are instructed
- Where in the organisation voting decisions are taken
- How any internal disagreements on voting decisions are resolved
- (If multiple advisors are used) process used to weight/reconcile advice received
- Other sources of research/ advice used when making voting decisions (if any)
- Whether the same approach is used for all votes or whether it varies depending on priorities
- Changes to the approach to voting over the last two years (if any)

### 3. MONITORING, FOLLOW UP AND REPORTING OF VOTES

- How the investor tracks individual votes and overall voting activity
- Vote processing and confirmation
- Engagement with companies before/ after taking voting decision (if any)
- Information flows between the investor, proxy advisors, and companies
- Reporting to clients and beneficiaries
- Public disclosures

### 4. QUALITY OF PROXY ADVISORS

- Organisational approach to assessing overall quality of service provided
- Satisfaction with quality of research / transparency of proxy methodologies
- Changes in levels of satisfaction/ quality of service over the last two years (if any)

### 5. INTERACTION WITH ESG RATING AGENCIES AND THEIR IMPACT

- How investor ESG ratings inform investment and voting decisions
- Use of ESG research services (and which)
- Satisfaction with quality of research/ transparency of methodologies
- Internal responsibility for engaging with / instructing ESG research providers
- Changes in approach or levels of satisfaction/ quality of service over the last two years (if any)

### 6. DYNAMIC OF RELATIONSHIPS

- Allocation of stewardship responsibilities (if different from voting responsibilities); interaction between teams/departments
- Managing conflicts of interests
- Challenges / opportunities in relationships between investors, companies, proxy advisors and ESG research providers

### 7. CONCLUSION

- Additional questions and comments

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## PROXY ADVISORS

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### 2. DEVISING VOTING POLICIES AND RECOMMENDATIONS

- Rationale behind house voting policies – for example, the extent of client consultation and whether/how market-specific considerations are taken into account
- How house voting policies are operationalised – for example, more detailed criteria, use of scoring systems
- Research undertaken on individual recommendations
- Where relevant: Relationship to / consistency with other services, for example ESG research
- Staff resources and allocation

### 3. CLIENT SUPPORT AND ENGAGEMENT

- How client's own voting policies are operationalised
- How votes are processed and tracked
- Extent of consultation with clients on individual resolutions (for example, watch lists)

- Reporting to clients
- Changes in client requests/ expectations over the last two years

#### 4. ISSUER ENGAGEMENT

- Approach to giving issuers the opportunity to provide feedback on research reports (for example time given to respond; whether fees are required for companies to access to reports before publication; etc.)
- Approach to considering explanations under the UK Corporate Governance Code
- Approach to engagement with issuers outside AGM season
- Handling of complaints (from issuers or clients)
- Where relevant: Managing conflicts of interest when services are provided to issuers

#### 5. DYNAMICS OF RELATIONSHIPS:

- Challenges and opportunities in the relationships between proxy advisors, investors, and issuers
- Views on the effectiveness of the voting chain and any impact on these relationships
- How the FRC, (or other regulators) could help to improve matters

#### 6. CONCLUSION

- Additional questions and comments

**\*\*\* FINISH RECORDING \*\*\***



## ESG RATING AGENCIES

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### 2. METHODOLOGY

- How company disclosures are analysed - which disclosures and what techniques are used (for example, the extent to which AI is used for the initial data gathering)
- Other data sources used and how they are verified
- Client (investor) input to research priorities and methodology design (if relevant)
- Methodology used for ratings, including use of national or sector-specific criteria
- The frequency of and process for updating research and ratings - we have heard a few comments about time lags (not specifically referring to ISS)
- Monitoring accuracy and tracking errors
- Allocation and monitoring of resourcing, staff workload, and training to address local, sectoral, and company-specific issues

### 3. ENGAGEMENT WITH COMPANIES

- Circumstances in which companies are asked to provide additional information (if any) for the research report and rating
- What opportunity companies have to comment on the report and rating
- Any other engagement with companies, including any engagement services offered to investor clients

### 4. ADDITIONAL SERVICES [IF RELEVANT TO INTERVIEWEE]

- The extent to which proxy voting recommendations are provided, the methodology used (if different to that used for ESG research), and the overlap/consistency between the two services
- Bespoke research undertaken on individual companies if requested by investor clients
- Services offered directly to UK listed companies, and how any conflicts between services for investors and companies are managed

### 5. DYNAMICS OF RELATIONSHIPS:

- Have client demand and expectations changed in the last few years? If so, how and why?
- Challenges and opportunities in the relationships between ESG rating agencies, investors, and issuers
- How the FRC, FCA (or other regulators) could help to improve matters – including any views on the proposed Code of Conduct being promoted by the FCA.

### 6. CONCLUSION

- Additional questions and comments

**\*\*\* FINISH RECORDING \*\*\***

## LIST OF INTERVIEWEES

### UK LISTED COMPANIES

SIZE	POSITION	DATE OF INTERVIEW
FTSE 100	Group Company Secretary	10/11/22
FTSE 100	Group Company Secretary	22/11/22
FTSE 100	Group Company Secretary	22/11/22
FTSE 100	Head of Secretariat	23/11/22
FTSE 250	Company Secretary	23/11/22
FTSE 100	Group Company Secretary	28/11/22
FTSE 250	Company Secretary	28/11/22
FTSE 250	Company Secretary	09/12/22
FTSE 100	Company Secretary	09/12/22
FTSE 250	Company Secretary and General Counsel	09/12/22
FTSE 250	Company Secretary and General Counsel	12/12/22
	Group People Director	
	Group Head of ESG	
FTSE 100	Assistant Company Secretary	12/12/22
	Assistant Company Secretary	
	Head of Sustainability Reporting	
FTSE 100	Investor Relations & ESG Senior Manager	13/12/22
	Senior Assistant Company Secretary	

## INVESTORS

ORGANISATION TYPE	SIZE	LOCATION	POSITION	DATE OF INTERVIEW
Asset manager	Small	UK	Head of Governance and Stewardship	08/11/22
Asset owner	Large	UK	Manager, Stewardship	09/11/22
Asset manager	Small	UK	Senior Associate, ESG	23/11/22
			General Counsel	
Asset owner	Large	UK	Analyst, Responsible Investment	28/11/22
Asset manager	Large	Non-UK	Managing Director, EMEA Investment Stewardship	01/12/22
Asset manager	Medium	UK	ESG and Stewardship Analyst – Voting Lead	12/12/22
Asset owner	Large	UK	Head of Stewardship	13/12/22
Asset manager	Large	Non-UK	Investment Stewardship Director, EMEA and APAC	13/12/22
Asset manager	Large	Non-UK	Head of Stewardship	14/12/22
Asset manager	Large	UK	Manger, Responsible Investment	14/12/22
Asset manager	Large	UK	Head of ESG (Equities and Multi-Asset)	15/12/22
Asset manager	Large	UK	Head of Stewardship	15/12/22
			Head of Policy	
Asset manager	Large	Non-UK	Associate Director, Stewardship	19/12/22
Asset manager	Large	Non-UK	Head of Investment Stewardship and Vice President	19/12/22

## PROXY ADVISORS

PROXY ADVISORS	POSITION	DATE OF INTERVIEW
Proxy Advisor 1	Head Analyst	09/01/23
	Director, Stewardship and Corporate Governance	
Proxy Advisor 2	Lead Analyst, UK & Ireland	10/01/23
	Director, UK Research	
	Manager, Client Services Department	
Proxy Advisor 3	Director, Regulatory Affairs and Public Policy	11/01/23
	Global Head of Investment Stewardship Solutions	
	Head of U.K. Research	
Proxy Advisor 4	CEO	24/01/23
Proxy Advisor 5	Head of Research	16/03/23
	Head of Stewardship	

## ESG RATING AGENCIES

COMPANY	POSITION	DATE OF INTERVIEW
ESG Rating Agency 1	Global Head of Investment Stewardship Solutions	11/01/23
	Director, Regulatory Affairs and Public Policy	
ESG Rating Agency 2	Director, ESG Policy Research	16/01/23
ESG Rating Agency 3	Executive Director, ESG & Climate Change Research	09/02/23
	Global Head of Governance and Regulatory Affairs	

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