

Analytical report

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

Annex 1: Online Survey Questions

M O R R O W
S O D A L I



INTRODUCTION

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. As part of the research, we prepared and distributed a tailored online survey to each of the four actor categories within the project scope: Companies, Investors, Proxy Advisors, and ESG Rating Agencies. Content was based on initial themes identified by our research, additional areas flagged by the FRC, and the specific activities of the actor in question. The questions asked in each survey are contained in this Annex.

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SURVEY QUESTIONS FOR UK LISTED COMPANIES

SECTION	QUESTION	RESPONSE FORMAT
INTRODUCTION	1. What is the name of the UK listed company you are representing?	Free text box
	2. What is your position within the UK listed company you are representing?	Free text box
	3. Is the UK listed company you're representing a FTSE100 or FTSE250 company FTSE100 or FTSE250 company?	Boxes: FTSE 100; FTSE250 (select one)
A. RELATIONSHIP WITH PROXY ADVISORS	4. In the last two years has your company been approached by any proxy advisors and invited to comment on their assessment of the company before it is sent to investors?	Boxes: Yes; No (select one) If yes, link to 4.1
	4.1. If yes, which proxy advisors? If "other," please identify which one.	Boxes (select all that are applicable): Federated Hermes (EOS); Glass Lewis; ISS; IVIS; Minerva Analytics; PIRC; Other
	5. In the last two years has the company itself approached any proxy advisors asking for the opportunity to comment on their assessment, either before or after it has been sent to investors?	Boxes: Yes; No (select one) If yes, link to 5.1 – 5.3
	5.1. Which proxy advisors? (If Other, please identify)	Boxes (select all that are applicable): Federated Hermes (EOS); Glass Lewis; ISS; IVIS; Minerva Analytics; PIRC; Other
	5.2. Was this before or after it had been sent to investors?	Boxes: Before; After; Some before, Some after (select one)
	5.3. Did the proxy advisor give you an opportunity to comment?	Boxes: Yes in all cases; Yes in some cases; No; (select one) If no, link to 5.4

	5.4. Which proxy advisors did not give you an opportunity to comment and what reasons were given?	Free text box
B. COMMENTING	6. If you have commented on a proxy advisors' report, either because they offered or you asked, how long were you given to comment?	Boxes (select one): Less than 24 hours; 24-48 hours; More than 48 hours; Different deadlines – shortest less than 24 hours; Different deadlines – shortest between 24-48; Different deadlines – all more than 48 hours; Not applicable) If not applicable selected, move to Q7; all other answer options link to 6.1
	6.1. Did you make any comments?	Boxes: Yes in all cases; Yes in some cases No (select one) If yes in all or some cases, link to 6.2
	6.2. Were your comments reflected in their report?	Boxes: Yes in all cases; Yes in some cases; No; Don't Know (select one) If yes in all or some cases, link to 6.3; if no link to 6.4
	6.3. Did the proxy advisor change their recommendation?	Boxes: Yes in all cases; Yes in some cases; No; Don't Know (select one)
	6.4. Which proxy advisors did not reflect your comments and what reasons were given?	Free text box
	7. Do you believe that proxy advisors should be required to give companies an opportunity to comment on their draft reports?	Boxes: Yes; No (select one) If yes, link to 7.1
	7.1. How long should companies be given to comment	Boxes: Less than 24 hours; 24-48 hours; More than 48 hours (Select one)
	8. Are you (or someone at your company) able to access proxy advisors' reports on your company free of charge?	Boxes: Yes; For some proxy advisors only; No (select one) If "For some proxy advisors only" or "No," link to 8.1

	8.1. Which proxy advisors do not provide access free of charge?	Boxes (select all that are applicable): Federated Hermes (EOS); Glass Lewis; ISS; IVIS; Minerva Analytics; PIRC; Other If Other, please identify
C. PROXY ADVISOR ENGAGEMENT	9. In the last two years has your company engaged with any proxy advisors in their capacity as advisors to investors outside the AGM season?	Boxes: Yes; No (Select one) If yes, link to 9.1 – 9.5
	9.1. Which proxy advisor?	Boxes (select one): Federated Hermes (EOS); Glass Lewis; ISS; IVIS; Minerva Analytics; PIRC; Other If Other, please identify
	9.2. Who initiated the engagement?	Boxes: Company; Proxy Advisor (select one)
	9.3. What topic was discussed?	Boxes (select all that are applicable): environmental or social issues; remuneration; board composition or succession planning; other (please specify in box)
	9.4. Were you satisfied with the outcome of the engagement?	Boxes: Very satisfied; Slightly satisfied; Neither satisfied nor dissatisfied; Slightly dissatisfied; Very dissatisfied (Select one)
	9.5. Did you also engage with your main shareholders on the same topic?	Boxes: Yes; No (select one)
	9.6. Were there any other engagements between the company and proxy advisors outside the AGM season?	Boxes: Yes; No (select one) <i>If yes then repeat 9.1 to 9.5; then repeat 9.6; if yes to repeated 9.6, repeat 9.1 to 9.5 one additional time</i>
	10. Who in your company takes the lead when engaging with proxy advisors?	Boxes: Company secretary; Investor relations; Senior management; Other (select one) If other, please specify (Text box)

D. OVERALL COMMENT	11. In the last two years has the company used the procedures set up by proxy advisors to make a formal complaint?	Boxes: Yes; No (select one) If yes, link to next question
	11.1. What was the outcome?	Boxes: the complaint was upheld, the complaint was withdrawn, the complaint was rejected, other If other, please specify (Text box)
	12. Overall, how satisfied are you with the accuracy and quality of research undertaken by proxy advisors?	Boxes: Very satisfied; Slightly satisfied; Neither satisfied nor dissatisfied; Slightly dissatisfied; Very dissatisfied (Select one)
	13. Overall, how satisfied are you with transparency and openness of proxy advisors?	Boxes: Very satisfied; Slightly satisfied; Neither satisfied nor dissatisfied; Slightly dissatisfied; Very dissatisfied (Select one)
	14. In the last two years, has your company been a client of organisations whose range of services include proxy advisory work for investors?	Boxes (select one): Yes; No If yes, please specify what services were provided (Text box)
E. RELATIONSHIP WITH ESG RATING AGENCIES	15. In the last two years has your company been approached by any ESG rating agencies and invited to comment on their assessment of the company?	Boxes: Yes; No (select one) If yes, link to 15.1
	15.1. Which ESG rating agencies? If Other, please identify.	Boxes (select all that are applicable): ISS; MSCI; Moody's; Refinitiv; S&P; Sustainalytics; Other If Other, please identify (text box)
	16. In the last two years has the company itself approached any ESG rating agencies asking for the opportunity to comment on their assessment?	Boxes: Yes; No (select one) If yes, link to 16.1 and 16.2
	16.1. Which ESG rating agencies? If Other, please identify.	Boxes (select all that are applicable): ISS; MSCI; Moody's; Refinitiv; S&P; Sustainalytics; Other If Other, please identify (text box)

	16.2. Were you provided with an opportunity to comment?	Boxes: Yes in all cases; Yes in some cases; No (select one) If no, link to 16.3
	16.3. If not in some or all cases, which ESG rating agencies did not give you an opportunity to comment and what reasons were given?	Free text box
F. COMMENTING	17. If you have commented on a ESG rating agencies assessment, either because they offered or you asked, were your comments reflected in their assessment?	Boxes: Yes in all cases; Yes in some cases; No (select one) If yes in all or some cases, link to 17.1. If no, link to 17.2
	17.1. If yes in some or all cases, did the ESG rating agency change their rating?	Boxes: Yes in all cases; Yes in some cases; No Don't Know (select one)

17.2. If no in some or all cases, which ESG rating agencies did not reflect your comments and what reasons were given?	Free text box
18. Do you believe that ESG rating agencies should be required to give companies an opportunity to comment on their draft ratings?	Boxes: Yes; No (select one) If yes, link to next question
19. Are you (or someone at your company) able to access ESG rating agencies' reports on your company free of charge?	Boxes: Yes; For some ESG rating agencies only; No (select one) If "for some ESG rating agencies only", link to 19.1
19.1. Which agencies do not provide access free of charge?	Boxes (select all that are applicable): ISS; MSCI; Moody's; Refinitiv; S&P; Sustainalytics; Other If Other, please identify (text box)
20. Overall, how satisfied are you with the accuracy and quality of research undertaken by ESG rating agencies?	Boxes: Very satisfied; Slightly satisfied; Neither satisfied nor dissatisfied; Slightly dissatisfied; Very dissatisfied (Select one)
21. Overall, how satisfied are you with transparency and openness of ESG rating agencies?	Boxes: Very satisfied; Slightly satisfied; Neither satisfied nor dissatisfied; Slightly dissatisfied; Very dissatisfied (Select one)
22. In the last two years, has your company been a client of organisations whose range of services include providing ESG company ratings to investors?	Boxes (select one): Yes; No If yes, please specify what services were provided (Text box)

**G. INTERVIEWS
AND
ADDITIONAL
COMMENT**

Two final questions: one a text box so respondents can add further comments if they wish; one asking them to indicate if they want to be involved in interviews or round tables

SURVEY QUESTIONS FOR INVESTORS

SECTION	QUESTION	RESPONSE FORMAT
INTRODUCTION	1. What is the name of the investor you are representing?	Free text box
	2. What is your position within the investor you are representing?	Free text box
	3. Is your institution primarily an asset manager or an asset owner?	Boxes: Asset manager; asset owner (select one) Asset managers link to 3.2; Asset owners to 3.3.
	3.2. What is the value of your global assets under management?	Boxes: Over £250bn; £50-250bn; Under £50bn (select one)
	3.3. What is the value of your global portfolio?	Boxes: Over £15bn; £5-15bn; Under £5bn (select one)
	4. Is your engagement and voting relating to your UK investments primarily undertaken by teams based in the UK?	Boxes: Yes; No (select one)
A. PROXY ADVISORS	5. Which proxy advisor(s) does the investor use to provide voting research?	Boxes (select all that are applicable): Federated Hermes (EOS); Glass Lewis; ISS; IVIS; Minerva Analytics; PIRC; Other If Other, please identify in the text box.
	6. Who has the lead responsibility for instructing and monitoring the service provided by the proxy advisor?	Boxes: Corporate governance and stewardship team; Portfolio or fund manager; Other (Select one) If other, please identify in the text box.
	7. For UK investments, is the proxy advisor instructed to apply your voting policy or their own standard policy? (If you receive voting research from more than one proxy advisor please answer by reference to the advisor you primarily use.)	Boxes: Our policy; Proxy advisor's policy (Select one)

	8. For non-UK investments, is the proxy advisor instructed to apply your voting policy or their own standard policy?	Boxes: Our policy; Proxy advisor's policy; Mixed – it depends on the market (Select one)
	9. What other resources does the investor use to inform their voting decisions?	Boxes (select all that apply): In house analysis; Investee company disclosures; ESG research or ratings; Other If other, please specify: (text box)
	10. Who has the lead responsibility for taking voting decisions?	Boxes: Corporate governance and stewardship team; Portfolio or fund manager; Other (Select one) If other, please identify (text box)
	11. How satisfied is the investor that the proxy advisors you use have the knowledge and resources to deliver accurate and useful information across all the markets they cover?	Boxes: Very satisfied; Slightly satisfied; Neither satisfied nor dissatisfied; Slightly dissatisfied; Very dissatisfied (Select one)
B. RESEARCH REPORTS	12. How far in advance of the voting deadline do you typically receive research reports?	Boxes: 1-2 working days; 3-5 working days; More than 5 working days (select one)
	13. Does this give you enough time to inform your voting decision and/or engage with the company if you wish to do so?	Boxes: Yes, No (select one)
	14. Would it be helpful if companies had the opportunity to comment on the accuracy of research reports they are the subject of prior to finalisation?	Boxes: Yes; No (select one) If No, link to 13.1; If Yes, link to 13.2
	14.1. What are your primary concerns?	Boxes (select all that apply): Impact on objectivity and independence; Will reduce the time we have to consider the report; Increased cost to us as clients; Increased cost to the clients; Other If other, please specify: (text box)
	14.2. What do you think are the main benefits?	Boxes: Increased reliability of factual information; Reduction in the overall level of complaints from companies; Other

C. VOTE PROCESSING AND OTHER SERVICES	15. Do you use the same proxy advisor to undertake vote processing?	Boxes: Yes; No (select one) If Yes, link to 15.1
	15.1. If the proxy advisor undertakes vote processing, do they also provide vote confirmation?	Boxes: Yes, No (select one)
	16. Do proxy advisors provide you with any other services not already mentioned?	Boxes: Yes; No (select one) If Yes please identify (text box)
D. ESG RESEARCH	17. Do you use external ESG research or ratings when assessing existing and potential investee companies?	Boxes: Yes; No (select one) If Yes, link to 17.1
	17.1. If yes, which ESG research services and rating agencies do you use?	Boxes (select all that are applicable): ISS; MSCI; Moody's; Refinitiv; S&P; Sustainalytics; Other If Other, please identify (text box)
	17. Who has the lead responsibility for instructing and monitoring the service provided by the ESG research services and/or rating agencies?	Boxes: Corporate governance and stewardship team; Portfolio or fund manager; Other (Select one) If other, please identify (text box)
	18. How satisfied are you that the ESG research services and rating agencies you use have the knowledge and resources to deliver accurate and useful information across all the markets they cover?	Boxes: Very satisfied; Slightly satisfied; Neither satisfied nor dissatisfied; Slightly dissatisfied; Very dissatisfied (Select one)
E. INTERVIEWS AND ADDITIONAL COMMENT	<i>Two final questions: one a text box so respondents can add further comments if they wish; one asking them to indicate if they want to be involved in interviews or round tables</i>	

SURVEY QUESTIONS FOR PROXY ADVISORS

SECTION	QUESTION	RESPONSE FORMAT
INTRODUCTION	1. What is the name of the proxy advisor you are representing?	Free text box
	2. What is your position within the firm you are representing?	Free text box
A.POLICIES	3. Do you have a house voting policy that clients with UK investments can choose to apply?	Boxes: Yes; No (Select one) If yes, link to 3.1
	3.1. Is this a UK specific policy?	Boxes: UK only; Regional; Global (Select one) If "UK only", link to 3.2 and 3.3
	3.2. What sources did you draw on when developing the policy?	Boxes (select all that apply): UK Corporate Governance Code; UK laws and regulation; Views of investor clients; Views of other UK stakeholders; Other If other, please specify (Text box)
	3.3. Where there are areas of overlap, how closely aligned is your policy to the UK Corporate Governance Code?	Boxes: They are fully aligned; Largely aligned but there are differences on a small number of issues; There are significant differences (Select one)
	4. What is the approximate split between clients that use your house policy and those that ask you to use their own custom policy (by percentage of clients)?	Boxes: All custom policy; 75% - 99% custom policy; 50-74% custom policy; 25-49% custom policy; 1-24% custom policy; all house policy (Select one)
	5. How has the percentage of clients using custom policies changed over the last two years?	Boxes: Increased; No change; Decreased (select one)
B.RESEARCH REPORT FEEDBACK AND AMENDMENTS	6. What sources of information do you use to assess UK companies when providing voting research?	Boxes (select all that apply): Company disclosures; Proprietary data and models; Third party research and information; Other If other, please specify (Text box)
	7. Where companies give explanations rather than comply with the UK Corporate Governance Code, what criteria do you use to assess whether the explanation is acceptable?	Free text box

8. Do you give UK companies the opportunity to comment on your research report before it is finalised?	Boxes: Yes; No (Select one) If yes, link to 8.1 – 8.3
8.1. How long do you usually give companies to respond (all other things being equal)?	Boxes: Less than 24 hours; 24-48 hours; More than 48 hours (Select one)
8.2. In the last two years approximately what percentage of UK companies requested changes?	Boxes: All asked for changes; 75% - 99% asked for changes; 50-74% asked for changes; 25-49% asked for changes; 1-24% asked for changes; none asked for changes (Select one)
8.3. What percentage of cases where changes were requested did you amend your report?	Boxes: All changes made; 75% - 99% changes made; 50-74% changes made; 25-49% changes made; 1-24% changes made; no changes (Select one)
9. In what circumstances might you be willing to amend your report?	Boxes (select all that apply): Correct any factual errors; Company provides previously unavailable information; New developments since the initial analysis was undertaken; Other If other, please specify (Text box)
10. Are you willing to engage with companies about the contents of your research report after it has been sent to clients?	Boxes (select one): Yes; No If yes, link to 10.1
10.1. Under what circumstances?	Boxes (select all that apply): Correct and factual errors; Company provides previously unavailable information; New developments since the initial analysis; Other If other, please specify (Text box)
11. Do you charge companies to access your final voting research report?	Boxes (select one): Yes; No
12. In the last two years have any companies made use of your formal complaints procedures?	Boxes (select one): Yes; No If yes, link to 12.1 and 12.2
12.1. How many complaints were received?	Free text box: Number required
12.2. And how many were upheld?	Free text box: Number required
C. OTHER ENGAGEMENT	13. Do you engage with UK listed companies outside the AGM season? Boxes (select one): Yes; No If yes, link to 13.1 and 13.2

	13.1. Approximately what percentage of your total annual engagement with UK companies does this account for?	Boxes: 0-25%; 26%-50%, 51%-75%; 76% - 100% (Select one)
	13.2. What topics were discussed?	Boxes (select all that are applicable):: environmental or social issues; remuneration; board composition or succession planning; other (please specify in box)
D.OTHER SERVICES	14. Do you provide vote execution services to clients?	Boxes (select one): Yes; No If yes, link to 14.1
	14.1. If so, what is the approximate split between clients that use those services and those that do not?	Boxes: All vote execution; 75% - 99% vote execution; 50-74% vote execution; 25-49% vote execution; 1-24% vote execution (Select one)
	15. Do you provide other services to investor clients that involve engagement with companies?	Boxes (select one): Yes; No If yes, please specify (Text box)
	16. Does your company currently offer services to UK listed companies or intend to do so in the future?	Boxes (select one): Yes; No If yes, please specify (Text box)
E. INTERVIEWS AND ADDITIONAL COMMENT	<i>Two final questions: one a text box so respondents can add further comments if they wish; one asking them to indicate if they want to be involved in interviews or round tables</i>	

SURVEY QUESTIONS FOR ESG RATING AGENCIES

SECTION	QUESTION	RESPONSE FORMAT
INTRODUCTION	1. What is the name of the rating agency you are representing?	Free text box
	2. What is your position within the rating agency you are representing?	Free text box
A. METHODOLOGY	3. What factors or criteria are considered when undertaking ESG ratings of UK companies?	Boxes (select all that apply): business model; industry sector; company size; countries of operation; financial performance; performance against recognised ESG standards and metrics; assessment of actual or potential risks; ESG track record (including controversies); Other If other, please specify (Text box)
	4. What sources of information do you use when rating UK listed companies?	Boxes (select all that apply): Company disclosures; Proprietary data and models; Third party research and information; Media reports; Other If other, please specify (Text box)
	5. What criteria do you use when constructing peer groups for benchmarking purposes?	Boxes (select all that apply): business model; industry sector; company size; countries of operation;
B. COMMENTING	6. Do you give UK companies the opportunity to comment on your ESG rating reports?	Boxes: Yes; No (Select one) If yes, link to 6.1 - 6.5
	6.1. At what point in the process?	Boxes (select all): Before the report is made available to clients; After the report is made available to clients; Both If yes to before or both, link to next question (6.3 – 6.5 apply to all yes answers in 6)

	6.2. When inviting companies to comment before making the ESG rating report available to clients, how long do you usually give them to respond?	Box – Number of days [Free text]
	6.3. In the last two years, approximately how many UK listed companies have requested changes to be made to your ESG rating report?	Box – Number of companies [Free text]
	6.4. In approximately what percentage of these cases were the requests made before the report had been made available to clients?	Boxes: All before; 75% - 99% before; 50-74% before; 25-49% before; 1-24% before; all after (Select one)
	6.5. And in approximately what percentage of all cases where changes were requested did you amend your ESG rating report?	Boxes: All changes made; 75% - 99% changes made; 50-74% changes made; 25-49% changes made; 1-24% changes made; no changes (Select one)
	7. In what circumstances might you be willing to amend your ESG rating report?	Boxes (select all that apply): Correct any factual errors; Company provides previously unavailable information; New developments since the initial analysis was undertaken; Other If other, please specify (Text box)
	8. Do you charge companies to access your ESG rating report on them?	Boxes (select one): Yes; No
C. ADDITIONAL SERVICES	9. Do you undertake bespoke research on individual companies if requested by investor clients?	Boxes (select one): Yes; No
	10. Do you offer any other services to investor clients that might involve engagement with companies?	Boxes (select one): Yes; No If yes, please specify (Text box)
	11. Does your company currently offer services directly to UK listed companies or intend to do so in the future?	Boxes (select one): Yes; No If yes, please specify (Text box)

D. INTERVIEWS AND
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Two final questions: one a text box so respondents can add further comments if they wish; one asking them to indicate if they want to be involved in interviews or round tables

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