



CIRCULAR

SEBI/HO/IMD/DF1/CIR/P/2020/147

August 3, 2020

All SEBI registered Proxy Advisors

Sir / Madam

Subject: Procedural Guidelines for Proxy Advisors

1. Regulation 24(2) read with 23(1) of SEBI (Research Analyst) Regulations, 2014 mandates proxy advisors to abide by Code of Conduct specified therein. It is decided that proxy advisors shall also comply with the following procedural guidelines:
 - (a) Proxy Advisors shall formulate the voting recommendation policies and disclose the updated voting recommendation policies to its clients. Proxy Advisors shall ensure that the policies should be reviewed at least once annually. The voting recommendation policies shall also disclose the circumstances when not to provide a voting recommendation.
 - (b) Proxy Advisors shall disclose the methodologies and processes followed in the development of their research and corresponding recommendations to its clients.
 - (c) Proxy Advisors shall alert clients, within 24 hours of receipt of information, about any factual errors or material revisions to the report.
 - (d) Proxy Advisors shall have a stated process to communicate with its clients and the company.
 - (e) Proxy Advisors shall share their report with its clients and the company at the same time. This sharing policy should be disclosed by proxy advisors on their website. Timeline to receive comments from company may be defined by proxy advisors and all comments/clarifications received from the company, within timeline, shall be included as an addendum to the report. If the company has a different viewpoint on the recommendations stated in the report of the proxy advisors, then proxy advisors, after taking into account the said viewpoint, may either revise the recommendation in the addendum report or issue an addendum to the report with its remarks, as considered appropriate.
 - (f) Proxy Advisors shall clearly disclose in their recommendations the legal requirement vis-a-vis higher standard they are suggesting if any, and the rationale behind the recommendation of higher standards.



- (g) Proxy Advisors shall disclose conflict of interest on every specific document where they are giving their advice. Further, the disclosures should especially address possible areas of potential conflict and the safeguards that have been put in place to mitigate possible conflicts of interest.
- (h) Proxy Advisors shall establish clear procedures to disclose, manage and/or mitigate any potential conflicts of interest resulting from other business activities including consulting services, if any, undertaken by them and disclose the same to clients.
2. The provisions of this Circular shall be applicable with effect from September 1, 2020.
3. This circular is issued in exercise of powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.
4. The circular is available on SEBI website at www.sebi.gov.in under the categories "Legal framework - Circulars" and "Info for – Research Analyst."

Yours faithfully,

Naveen Sharma
General Manager
022-26449709

Email: naveens@sebi.gov.in