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## PROXY ADVISORY INDUSTRY IN INDIA

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Lehar Saini, Symbiosis Law School, Hyderabad

### ABSTRACT

Over the past few years, the framework of corporate governance has developed and transformed significantly in response to the rising participation and contribution of the shareholders in a company. With such evolution, there has also been a revolution in the importance given to shareholders and their voting rights. The invoking of rights of the shareholders, investors also necessitates the need for corporate governance. This has led to the rise in the industry of proxy advisors. The latest reforms in the legislative and statutory framework for regulating the shareholders and their voting rights has simultaneously laid emphasis on the proxy advisory industry and their role in a company. They primarily counsel the shareholders on the manner in which they should preferably vote their shares in the company's shareholder meetings as per the existing scenario and the varying objectives of the company. Across numerous nations the industry of proxy advisors is either free from oversight and regulations or is substantially governed via ordinances and notifications from time to time as required. In the case of India, the industry of proxy advisors has majorly had an autonomous legislative position with bare minimum regulations in place. However, the adoption of proxy advisors has also shed light on numerous red flags, uncovering vulnerabilities in the prevailing framework of corporate governance. In the course of this research paper, the researchers aim at discussing the nature, legislative framework, hurdles encountered and also intend to examine the position of India with respect to the proxy advisory industry.

**Keywords:** Corporate Governance, Legislative Framework, Proxy Advisory Industry, Shareholders, Voting Rights.

## INTRODUCTION

There has been a fundamental shift in the perspective and significance of shareholders and their participation in the functioning of a company in the last few decades. The co-relationship existing between the shareholders and company is beyond that of investing money, holding shares and expecting returns. They are also the backbone of a company and often take decisions for the efficient functioning of a company. The voting rights of shareholders are of paramount significance while shaping the course of action of the company. With the growing importance being given to the role of shareholders, the privileges enjoyed by them like that of voting rights the idea of proxy advisory industry also came into the limelight. When a shareholder is empowered with voting rights there also comes into existence certain responsibilities and duties that they need to fulfil such as that of appointing the directors, financial decisions, compensation framework etc which leads to key decisions being taken at the corporate level. The employment of such privileges and authority also necessitates the need to have certain skills, experience, knowledge which often many shareholders do not possess. It is in the wake of these kinds of scenarios that the essence and function of proxy advisory firms comes into play. Proxy Advisors primarily counsel the shareholders on the manner in which they should preferably vote their shares in the company's shareholder meetings as per the existing scenario and the varying objectives of the company. They conduct several studies, analysis on the corporate governance aspect of a company and advise on the voting for the shareholders meeting. Moreover, the shareholders are also equipped with the power of letting the representatives of these proxy advisory firms to vote in their lieu. Such votes which are put in by proxy advisors in lieu of shareholders are known as 'Proxy Votes'. The proxy advisory industry is of a peculiar character and has a lot of influence on the corporate governance of companies directly as well as indirectly.<sup>1</sup> Considering that they advise the shareholders on the aspect of casting their votes it is very much possible that such advices can be based on some personal gain and motive. Such a situation often becomes more hazardous when the proxy advisory industry services are availed by institutional and big investors who often hold a considerable amount of shares in a company. Thereby, it is very crucial to have a legislation in place which overlooks the functioning of proxy advisory industry in India so as to avoid any undue influence or exercise of powers by any individual or organization. In the course of this research paper the researchers present a brief overview of the Indian scenario, international

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<sup>1</sup> Albert Verdam: *An Exploration of the Role of Proxy Advisors in Proxy Voting* Verdam SSRN(December 2006), available at <https://ssrn.com/abstract=978835>

dimension of the proxy advisory industry, and its emergence globally, it investigates the obstacles and constraints faced by this industry and lastly, offers certain suggestions and recommendations for the efficient and seamless working of proxy advisory Industry in India.

### **RESEARCH OBJECTIVES**

1. To understand the nature and legal position of proxy advisory Industry in India.
2. To analyse the prevailing legislative and statutory framework governing the proxy advisory industry in India.
3. To examine and elucidate the challenges encountered by the Proxy Advisory Industry with respect to the Indian Financial Market.
4. To explore the worldwide emergence and the international standpoint of Proxy Advisory Industry.

### **RESEARCH QUESTIONS**

1. What is the legal stance of Proxy Advisory Industry in India ?
2. How do the existing rules and regulations govern the functioning of proxy advisory industry in India?
3. What are the obstacles and barriers encountered by the Proxy Advisory Industry with respect to the Indian Financial Market and how can they be monitored?
4. How did the proxy advisory industry emerge in the global as well as Indian scenario?

### **RESEARCH METHODOLOGY**

The present research paper requires the use of a doctrinal methodology of research to facilitate a better comprehension of the topic. The doctrinal method of research is primarily concerned with legal propositions and doctrines. It encompasses the interpretation of terms as well as pointing to the precedents applicable to the present topic. In the course of making this research paper while deploying the doctrinal method the researcher has referred to secondary sources such as several research papers, articles, case comments, books , legal precepts etc so as to

provide an in-depth understanding of the topic. Hence, the researcher proposes doctrinal research as it best fits the analysis of the current subject.

## CHAPTER II

### EMERGENCE OF PROXY ADVISORY INDUSTRY IN INDIA AND ABROAD: A BRIEF OVERVIEW

The notion of proxy industry was predominantly observed in United States of America in the 1980s. In the year of 2009, when the infamous Satyam Scam was uncovered and had shuddered the financial market in India, the Proxy Advisory industry came into the limelight. With respect to the global scenario, the primary legislation overlooking the functioning of the proxy advisory industry in the *US* is “The Investment Advisers Act, 1940” through<sup>2</sup> which the “Securities and Exchange Commissions(SEC)” has laid down the primary legislation overlooking the functioning of the proxy advisory industry in the US. The highlight of this legislation is the way it provides for and deals with the aspect of conflict of interests<sup>3</sup>, fraud provisions as well as the accountability and fiduciary responsibility<sup>4</sup> of these proxy advisory firms while rendering their services<sup>5</sup>.

Further, in the *European Union* the legislators have laid emphasis on the relationship of proxy advisors and voting rights, voting procedures and has laid down emphasis on corporate governance and how these firms shall along with the above -mentioned aspects should also be in consonance with the local member state legislations.

The *United Kingdom* follows the “Stewardship Code 2019<sup>6</sup>” which lays down certain measures and principles specially for the proxy advisory firms. In these principles the legislators have put a great emphasis on the disclosure aspect, the moral duty of these firms along with the aspect of safeguarding the rights and interests of the clients of the proxy advisory firms<sup>7</sup>. It has also embedded within itself a unique client feedback system which helps the legislators to have an on-ground understanding about the actual functioning and challenges encountered by the

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<sup>2</sup> Investment Advisor’s Act, 1940, Rule 206(4)-6 (USA).

<sup>3</sup> Commission Interpretation and Guidance Regarding the Applicability of the Proxy Rules, 2019 (USA).

<sup>4</sup> Securities Exchange Act, 1934, § 14(a), Acts of Parliament, 1934 (USA).

<sup>5</sup> Commission Guidance Regarding Proxy Voting Responsibilities of Investment Advisors, 2019 (USA).

<sup>6</sup> Hereafter to be called “the Code”.

<sup>7</sup> The UK Stewardship Code, 2020 (UK).

various parties involved in the activities of proxy advisory firms<sup>8</sup>. In the *Netherlands*, “The Dutch Corporate Governance Code, 2016” has focused on the responsibility of the voters who resort to using the assistance of proxy firms<sup>9</sup>. Lastly, in *Canada*, the Canadian law framers have formulated the “National Policy Guidance for Proxy Advice Business”. It primarily provides the regulations and procedures for proxy advisory firms, deals with the impact and relationship of conflicts, interests of the various parties and the importance of experience and knowledge<sup>10</sup>. The most interesting characteristic of this legislation is that it provides for a uniform framework and working procedure for all kinds of proxy advisory industries functioning in their country. While in *India* initially the industry of proxy advisory was primarily free from strict legislations and restrictions, considering their emerging role and the possible misuse of powers by these industries, the legislature has now enacted laws and statutory provisions so as to govern this industry. In the recent years, India has seen an exponential rise in the opting and emergence of proxy advisory industry. While there exist numerous proxy advisory firms, a handful of them have been dominant in the Indian market such as, “Institutional Investor Advisory Services India Limited (IiAS), Stakeholders Empowerment Services (SES), Institutional Shareholder Services India Private Limited(ISSIPL), Ingovern Research Services Private Ltd (IRSPL)” etc.<sup>11</sup>

### CHAPTER-III

#### INDIAN SCENARIO OF PROXY ADVISORY INDUSTRY

The Indian financial market is very diverse and unique and has its own set of legislations governing the functioning of companies. Unlike other countries like that of United State of America, in the initial stages the shareholders pattern was not widespread and the promoters were considered to be the backbone of a company and had an authoritative edge over others in the company. In the late 1980s the government of India held several institutional investors especially in the field of investment companies, mutual funds etc yet were mainly docile

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<sup>8</sup> Principle 3, The UK Stewardship Code, 2020 (UK).

<sup>9</sup> Dutch Corporate Governance Code, 2016, (Netherlands).

<sup>10</sup> CSA Notice of Publication – National Policy 25-201 Guidance for Proxy Advisory Firms, available at, [https://www.osc.gov.on.ca/en/SecuritiesLaw\\_csa\\_20150430\\_25-201-proxy-advisory.htm](https://www.osc.gov.on.ca/en/SecuritiesLaw_csa_20150430_25-201-proxy-advisory.htm)

<sup>11</sup> Pranjali Aggarwal, : *What are proxy advisory firms and their role in Indian corporate governance*, IBLOG PLEADERS (March 27<sup>th</sup>,20023,11:45am), available at <https://blog.ipleaders.in/what-are-proxy-advisory-firms-and-their-role-in-indian-corporate-governance/#:~:text=The%20proxy%20firms%20act%20as%20the%20shaping%20tool,different%20proposals%20and%20voting%20decisions%20of%20the%20company.>

shareholders in nature and would be in the favour of the promoters in the cases wherein that would be regarding the government. In the 1990s, private institutional investors as well as foreign institutional investors made significant inroads into the industry and influenced the dynamics to considerable magnitude since the foreign investors became increasingly involved in concerns relating to the governance of a company as compared to that of domestic investors who continued to have a passive approach about corporate governance. The Security Exchange Board of India formulated the regulations overseeing the corporate governance aspect in the year 2009 by introducing “Clause 49 of Listing Agreement.” Post the infamous ‘Satyam Scam Case’ the Security Exchange Board of India released several rules and regulations in regards to mutual funds as well as for voting mechanism, transparency and disclosure obligations in companies. Such regulatory frameworks, especially the mandate of disclosure was seen as a budding opportunity in the Indian financial market for the introduction and development of proxy advisory industry in India. Mr. Shriram Subramanian was the first entrepreneur to set the notion of proxy advisory firm into motion and set up the first proxy advisory firm in India which is known as “InGovern Research Services”. This firm in its consultation and press release to one of its institutional investor clients advised that considering the conditions they should preferably not cast their vote in the favour of appointment of independent directors in WIPRO and IDFC. This publication led the companies towards the threshold and nabbed their attention on the proxy advisory industry considering that this was one of the first instances that some third party provided precise advices with regards to casting votes in the annual general meeting of the companies.

Another prominent development in the Indian proxy advisory industry is the foreign proxy advisory firms who render their consultation services in India. There have been contradictory views on these foreign proxy advisory firms. While the supporters state and look at their positive contribution to the Indian financial market such as their role in resolving the conflict between Cyrus Mistry and Ratan Tata. They state that it is necessary to have independent advisory firms as well in the Indian industry . On the contrary, Prominent figures of the Indian financial market such as by the Chief Executive Officer, Managing Director of Kotak Mahindra Bank, Deepak Parekh the Director of HDFC Bank and several others highlighted on the necessity of the applicability of the Indian laws and legislations, SEBI regulations on the foreign advisory firms which render their services in India. This demand was a consequence of the advice provided by two foreign proxy advisory firms which advised their clients to vote against the re-appointment of Deepak Parekh as the director of HDFC Bank. Hence, it can be

inferred that the Proxy Advisory Firms have spurred significantly however, in the light of conflicting views it is of paramount importance that the legislative authorities look into the same and resolve such conflicts by coming up with an amicable solution.<sup>12</sup>

## CHAPTER IV

### LEGISLATIVE FRAMEWORK OF INDIA FOR PROXY ADVISORY INDUSTRY

#### i. “SEBI (Research Analyst) Regulations, 2014”

In India, the “SEBI (Research Analyst) Regulations, 2014<sup>13</sup>” govern the services provided by proxy advisors. The regulations that primarily address research analysts also apply to proxy advisors. A proxy adviser is anyone who gives advice to institutional investors or shareholders of a firm, such as recommendations on public offer or voting recommendations on agenda items. Every proxy advisory company must first get a certificate of registration from SEBI in order to start doing business. The Regulation mandates particular disclosures by proxy advisors in addition to the general requirement of disclosure of corporate policies and the restriction on publishing of research reports and recommendations. According to Regulation 23, proxy advisors must also publish the following information: the degree of research that went into making a recommendation and their policy and method for communicating with issuers.

#### ii. Code of Conduct

Proxy advisors must provide guidance to ensure that shareholders are informed and their interests are taken into account when making decisions. Regulation 24(2)<sup>14</sup> requires a Code of Conduct (CoC) for companies conducting research activities, which requires a proxy advisor to operate truthfully and in good faith<sup>15</sup>. Proxy advisors must be competent and transparent to ensure a full study is done before producing a report, with employees upholding professional standards and preserving confidentiality. The top management has primary accountability for

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<sup>12</sup> N Sundaresha Subramanian and Muhabit ul haq, *How proxy advisory influenced corporate governance and management behaviour in India*, ECONOMIC TIMES, (March 25-2023, 11:50am).  
<https://economictimes.indiatimes.com/prime/corporate-governance/how-proxy-advisory-influenced-corporate-governance-and-management-behaviour-in-india/primearticleshow/90402609.cms>

<sup>13</sup> Securities and Exchange Board of India (Research Analyst) Regulations, 2014 (India).

<sup>14</sup> SEBI (Research Analyst) Regulations, No. 24(2), Acts of Parliament 2014 (India).

<sup>15</sup> ROBYN BEW & RICHARD FIELDS, TAPESTRY NETWORKS, VOTING DECISIONS AT U.S. MUTUAL FUNDS: How INVESTORS REALLY USE PROXY ADVISERS 9 (2012), available at [http://www.irrcinstitute.org/pdf/VotingDecisionsat20US\\_MutualFunds.pdf](http://www.irrcinstitute.org/pdf/VotingDecisionsat20US_MutualFunds.pdf)

regulatory and legal compliance, but conflict of interest information must be revealed to prevent impartiality. The CoC was deemed to be insufficient to control how proxy advisors function.

### iii. Working Group on Proxy Advisors

In 2018, SEBI established a Working Group to examine how the proxy advisors were operating. The Working Group delivered their report in 2019 with several significant changes recommended.<sup>16</sup> Proxy advisors have had a favourable influence on corporate governance, making it easier for domestic investors to cast their votes and for overseas investors to exercise their voting rights in a knowledgeable manner. However, there are some drawbacks to their techniques, such as robo-voting, which gives proxy advisors an overwhelming level of authority and compels businesses to adopt similar practises. The Working Group suggested that no further regulation of proxy advisors is necessary, and suggested SEBI establish a grievance system and a CoC for proxy advisors that operates on a comply or explain basis.

### iv. “SEBI Circulars dated 03rd August 2020 and 04th August 2020”

The SEBI published a circular outlining the Procedure Guidelines for Proxy Advisors on August 3, 2020<sup>17</sup>. According to the circular, proxy advisors must create voting recommendation procedures, notify clients of factual inaccuracies and major revisions, and share their report with both the client and the corporation. Proxy advisory companies must develop a sharing policy that specifies deadlines for corporate comments and clarifications, and incorporate the working group's recommendations to promote responsibility and openness<sup>18</sup>.

Moreover, SEBI provides for a grievance resolution between listed corporations and the registered proxy advisors in its circular from August 4, 2020<sup>19</sup>. Proxy advising firms in India must adhere to Regulation 24(2) and Rule 23(1) of the 2014 Regulations, which allow listed companies to file complaints with SEBI over a proxy advisor's non-compliance with the CoC's

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<sup>16</sup> Security Exchange Board of India, *Report of the Working Group on proxy Advisors*, (Apr 15, 2023 ; 3:52), available at [https://www.sebi.gov.in/reports/reports/jul-2019/report-of-working-group-on-issues-concerning-proxy-advisorsseeking-public-comments\\_43710.html](https://www.sebi.gov.in/reports/reports/jul-2019/report-of-working-group-on-issues-concerning-proxy-advisorsseeking-public-comments_43710.html)

<sup>17</sup>SEBI, Circular No.: SEBI/HO/IMD/DF1/CIR/P/2020/147, (Apr 16, 2023 ; 9:15), available at [https://www.sebi.gov.in/legal/circulars/aug-2020/procedural-guidelines-for-proxy-advisors\\_47250.html](https://www.sebi.gov.in/legal/circulars/aug-2020/procedural-guidelines-for-proxy-advisors_47250.html)

<sup>18</sup> George W. Dent Jr., *A Defense of Proxy Advisors*, 2014 MICH. St. L. REV. 1287 (2014).

<sup>19</sup> SEBI, Circular No.: SEBI/HO/CFD/CMD1/CIR/P/2020/119, (Apr. 10, 2023, 5:00 PM), available at [https://www.sebi.gov.in/legal/circulars/aug-2020/grievance-resolution-between-listed-entities-and-proxyadvisors\\_47252.html](https://www.sebi.gov.in/legal/circulars/aug-2020/grievance-resolution-between-listed-entities-and-proxyadvisors_47252.html)

rules. The SEBI's handling of complaints is seen as a relief by listed businesses, who were previously threatened by the proxy advisers' increasing power. There is a way to approach SEBI through the grievance resolution procedure if proxy advisers violate regulations, but there is no realistic consequences for such a violation.

## **CHAPTER-V**

### **CHALLENGES ENCOUNTERED BY INDIAN PROXY ADVISORY INDUSTRY IN INDIA**

While there exists significant potential for further growth and advancements for proxy advisory industry, it also has its own set of challenges that are encountered by it in the Indian financial market. Some of such challenges have been elucidated below:

#### **1. Aversion from the Corporate Sector and Ignorance and Apathy Towards Corporate Governance Practices**

Proxy advisory firms primarily guide and offer advices to shareholders who might lack the required skill, knowledge or expertise on with respect to carefully casting their vote at the board meeting of a company after considering all the necessary factors into consideration. However, the institutional investors have not realized the true intrinsic worth and utility of the services offered by proxy advisory firms, while the companies had understood it and were reluctant to the notion of the role of their advices in a company's board meeting and regarded the to be as third -party intruders in the functioning of the company.

Further, another hurdle encountered by the proxy advisory industry is the dearth and ignorance on the part of investors about the essence, role of corporate governance and barriers to corporate governance in the firm wherein they have invested their money. Such dearth of knowledge has led to an apathetical and complacent attitude towards corporate governance framework, especially in the domestic financial institutions. Such attitude of proxy advisory industry towards corporate governance, the effectiveness and precession of the advice given by these industries is also indirectly affected as in the practical scenario corporate governance is one of the foundational and essential part of company.

#### **2. Extremely Competitive Market and Limited Coverage**

Irrespective of the reluctance and indifferent attitude of corporations towards proxy advisory

firms, these firms have paved their way and are growing at a fast pace. There are numerous proxy advisory firms which have come up in the past few years in India. Considering, the wide scope of this industry in the Indian financial market several foreign proxy advisory firms have also started offering their services in the Indian market. While in the proxy advisory industry there are several big and established firms like that of “Institutional Investor Advisory Services India Limited, InGovern” there exists a strong competition from the newly emerging firms in the industry as well as from the foreign proxy advisory industry firms offering their services in India. Hence, there exists immense competitiveness among these firms so as to earn more profit and grow further in the long run. However, this industry till date faces a dearth of adequate and extensive exposure as well as penetration throughout the various types of companies in the market since they often end up streamlining on the big players of the market and lose out on the vast market of small and mid-sized companies. This leads them to restricting their possible industry coverage and exposure which further results them to have constrained bearing throughout the industry.

### **3. Lack of Standardisation, Policies and Specific Legislations**

Keeping in mind the indifferent and hostile attitude displayed by the proxy advisory industry towards the corporate governance and its role in a company, the quality and effectiveness of the advice offered by these industries is also indirectly impacted as corporate governance is the fundamental and indispensable element of a company. Moreover, with the issues have also been raised about the strategies that are adopted by proxy advice firms during their analysis and rendering suggestions. A disproportionate level of standardization in the approach taken by the advising business is detrimental. Such variances within the proxy advisory industry leads to ambiguity, lack of clarity for the investors who seek assistance, therefore lowering their trust and reliance on the proxy advisory industry all together. Lastly, the emergence and growth of foreign proxy advisory firms has also raised ambiguity and conflicts with regards to whether these international firms shall be subjected to the general regulatory requirements and norms applicable to the domestic proxy advisory firms or not.

In addition to this, there still exists a gap in the legislative aspect of these industries with them not having any specialized and specific rules and regulations especially formulated for them which leads them to follow various generic laws solely such as SEBI regulations, Companies Act, 2013 etc. Considering the wide and extending scope of these industries with only generic

legislations in place there are several dark areas which are often left out by the legislators thereby increasing the chances of misuse, fraud etc in the corporate industry.

#### **4. Grievance Resolution**

With respect to companies prevailing in India, there are both listed as well as unlisted companies in good numbers in the country. The same is also the case with the proxy advisory industries coming up in India. Often while rendering their services, it is very much probable to have grievances between the proxy advisory firms and companies ,their clients, investors etc. In such a case, it is very essential to have a grievance redressal forum in place. SEBI realising the importance of this aspect came up with a grievance resolution clause in August,2020 however it limited the scope of this clause to that of listed companies to approach SEBI in cases of any grievance arising. While this has covered one part of the industry on one hand , it has also left the unlisted companies and their clients on threshold and in an ambiguous position in cases of any grievance.

#### **5. Lack of Disclosure**

Considering the restricted engagement between the proxy advisory industry and company , lack of disclosure on the part of both there is a constraint on data that can be acquired from public sources leading to an inherent flaw in the functioning paradigm of proxy advisers. The data that is in the public realm could be inaccurate, insufficient, or even devoid of background information. Such lack of disclosure eventually leads to the investors and shareholders being left at an ambiguous position and it simultaneously also leaves a very negative impact on the companies, their functioning as well as on the proxy advisory industry. This may give rise to erroneous inferences and mistakes in voting suggestions.

Therefore, keeping in mind these primary hurdles encountered by the proxy advisory industry in India it is very essential that the legislative body of India as well as the companies and the proxy advisory industries come together for the efficient functioning and growth of the country.

### **CHAPTER VI**

#### **CONCLUSION AND SUGGESTIONS**

Remarkably, India is one of the few nations that has made an effort to regulate proxy advisors,

placing it in the unique position of creating a model for other nations to follow. A company's corporate actions and governance might be significantly impacted by shareholder votes and the work of proxy advisory organizations, which in turn could have an impact on the market and economy. As a result, institutional investors, who represent a significant number of shareholders, have a fiduciary duty to vote in those shareholders' best interests, giving the advice of proxy-voting experts a great deal of weight. While SEBI has demonstrated qualities of a good policymaker by incorporating jurisprudential concepts into business practise in addition to being a proactive regulator. In India, the concept of proxy advisors is still in its infancy and was first formed in 2010 in response to a SEBI circular on mutual funds. By their corporate knowledge and thorough study on the use of voting rights, they have provided shareholders with crucial help throughout the years. Nevertheless, it's impossible to completely rule out the possibility of proxy advisors managing the corporation while assuming the role of shareholders. Even while the existing regulatory structure enables checks and balances on proxy advisors, it fails miserably to assign responsibility for ethical and legal misconduct. It is noteworthy that neither of the circulars specifically address foreign proxy advisory organizations, so it will be fascinating to see how the Working Group's suggested code of behaviour is applied to them. The lack of mandatory disclosures of revenue patterns, major sources of revenue, and clients is another intriguing element.

In the light of the above conducted research , the following are the recommendations proposed by this research paper:

- All proxy advisors, whether they are Indian or foreign must register with SEBI and be required to hold higher qualifications in finance, accounting, business management, commerce, economics, financial services, markets, or law. They must be proscribed from expressing an opinion on issues that require specialised training unless they have the necessary credentials. The report should include information on the qualifications of the people who worked on it.
- Proxy advisory organisations must take on a stewardship role in which they increase wealth for their own investors and promote portfolio company governance. Stewardship codes have been released by a number of security authorities across the world, including those in Asia, as they offer institutional shareholders a framework based on principles that allows them to carry out their responsibilities effectively and more successfully.

- SEBI must adopt the US and EU's norms and hold proxy advisors accountable for any fraudulent or misleading recommendations. The US government targeted proxy advisors for fraudulent guidance, aiming to protect against anti-fraud laws. Similarly, in the EU, a regulatory system based on penalties sets a responsibility regime for any noncompliance by a proxy advisor.
- Broaden the scope of SEBI's grievance resolution process to include all companies, listed or not. This will guarantee that all shareholders have access to a process for resolving their concerns, regardless of the nature of firm they invest in.
- Promote the creation of alternative channels for shareholders to express their grievances and seek redress. These can include tools like online discussion forums and helplines that let shareholders communicate with one other and subject-matter experts.
- There is an urgent need for increased disclosure requirements, the creation of a comprehensive, practice-based code of conduct, and certain legal amendments, including those that would establish a mechanism for resolving disputes between the company and the proxy adviser, revamp certification standards, require continuing education, and create internal working procedures like voting guidelines.
- Proxy advisory firms must distinguish between advisory services offered to limited companies and the voting recommendations they make to shareholders, without acknowledging a conflict of interest.
- Prohibition of proxy advisors from publishing reports regarding businesses that they work with on a different project or that are a member of their corporate family. Moreover, if proxy advisers post recommendations or summaries of their recommendations on their websites, they must disclose any potential conflicts of interest.
- Proxy advisory firms can provide their customers more accurate and fast recommendations by investing in advanced data analytics, machine learning, and automation.

Higher transparency and accountability criteria will undoubtedly improve the quality and reliability of this intermediary. These various elements would necessitate that investors make the final choice based on the proxy advices and the company's responses, resulting in a better-

informed exercise of voting rights while also ensuring that proxy advisors do not 'control' the voting. This industry needs nurturing at the hands of regulators, and this might be a significant step. Yet, only time will tell how effective these regulations are.