



Code of Conduct for Proxy Advisors

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Recently, the **Securities and Exchange Board of India** has proposed a **code of conduct for proxy advisory firms**.

- The code of conduct will involve a **'comply or explain'** approach wherein listed companies aggrieved by the view of **proxy advisors** can approach the SEBI for redressal.
 - **Comply or explain** is a regulatory approach in which listed companies may either comply with or if they do not comply, explain publicly why they do not.
 - **The proxy advisor** is a person/ firm who provides advice to institutional investors or shareholder of a company to exercise their rights in the company including recommendations on public offer or voting recommendation on agenda items.
- According to SEBI, the proxy advisor should take appropriate steps to disclose any potential conflicts of interest resulting from ancillary business activities.

Also, the board of proxy advisors should be independent of its shareholders, **as such a position creates a serious conflict of interest.**
- Besides this, SEBI has also suggested that institutional investors like foreign portfolio investors, portfolio managers, alternative investment funds and infrastructure investment trusts etc., should ensure that proxy advisory firms employed by them have appropriate capacity and capability to issue proxy advice.

Source: IE