



San Francisco  
New York  
Washington, D.C.  
Australia  
Ireland

June 1, 2015

Securities and Futures Commission  
35/F, Cheung Kong Center  
2 Queen's Road Central  
Hong Kong

Re: Consultation Paper on the Principles of Responsible Ownership

Glass, Lewis & Co. ("Glass Lewis") appreciates the opportunity to comment on the Consultation Paper on the Principles of Responsible Ownership ("Principles") issued by the Securities and Futures Commission ("SFC").

Founded in 2003, Glass Lewis is the leading, independent provider of global governance services that help institutional investors understand and connect with the companies in which they invest. Glass Lewis provides proxy research, engagement and vote management services to more than 1,000 clients throughout the world. While, for the most part, institutional investor clients use Glass Lewis research to help them make proxy voting decisions, they also use Glass Lewis research when engaging with companies before and after shareholder meetings. From its offices in North America, Europe and Australia, Glass Lewis' 300+ person team provides research and voting services to institutional investors that collectively manage more than US \$30 trillion.

In addition to research and policy implementation services, Glass Lewis – through its web-based ViewPoint vote management system – also provides investor clients with the means to receive, reconcile and vote ballots according to custom voting guidelines and record-keep, audit, report and disclose their proxy votes.

Glass Lewis is a portfolio company of the Ontario Teachers' Pension Plan Board ("OTPP") and Alberta Investment Management Corp. ("AIMCo"). Glass Lewis operates as an independent company separate from OTPP and AIMCo. Neither OTPP nor AIMCO is involved in the day-to-day management of Glass

Lewis' business. Moreover, Glass Lewis excludes OTPP and AIMCo from any involvement in the formulation and implementation of its proxy voting policies and guidelines, and in the determination of voting recommendations for specific shareholder meetings.

Glass Lewis believes the Principles would serve as an effective guide for investors and associated stakeholders to fulfill their ownership responsibilities, including engagement with investee companies. Glass Lewis supports clients in their compliance with similar principles and codes in other countries, including the UK and Japan, and itself conforms to the relevant aspects of both the UK Stewardship Code and Japan's Principles for Responsible Investors. Ultimately, Glass Lewis believes the establishment and implementation of such investor codes and principles benefit investors and companies alike by providing a useful, reasonable framework of the responsibilities and duties associated with investing in companies. Further, Glass Lewis recognizes the success of comply-or-explain regimes in other markets. While the firm is not commenting on whether that should necessarily be the favored approach, Glass Lewis does encourage the SFC to examine the effectiveness of comply-or-explain approaches in other countries.

Most Glass Lewis' clients make their voting decisions based on their own custom voting policies, not based on the Glass Lewis' recommendations. Therefore, Glass Lewis does not believe it would be constructive for the Principles to be influenced by or responsive to unsupported views of some commentators that the outcomes of issues put to shareholder vote are dominated by the views of two proxy advisors.

Glass Lewis researches and analyzes public companies in a manner consistent with the main provisions of the Principles, including public disclosure of its voting policies; avoidance and management of conflicts; and engagement with companies. Glass Lewis believes advisors can similarly demonstrate commitment to the Principles through such actions.

Not each of the Principles is relevant to Glass Lewis, given its role as a proxy advisor, and is not an investor. However, Glass Lewis below addresses how it could commit to the Principles as they pertain to the relevant activities of the firm and how it could help clients comply with them in detail:

#### **Principle 1**

##### **Investors should establish and report to their stakeholders their policies for discharging their ownership responsibilities**

Glass Lewis recognizes many investors have found it useful to establish detailed policies for managing their ownership responsibilities and, in particular, outlining their approach to making voting decisions and engaging with the companies in which they are invested. In general, the voting policies developed by investors are designed to, among other things, promote board accountability and independence;



ensure remuneration is closely linked to performance relative to peers; and preserve and protect shareholder rights.

Glass Lewis analyzes companies and issues on a case-by-case basis through balancing global corporate governance standards and promoting shareholder rights in consideration of local market and supranational practices, regulations and codes (such as the Corporate Governance Code). Just like most of its clients, Glass Lewis analyzes issues in the context of a set of guidelines designed in consideration of each country's regulations and market-practices. Glass Lewis monitors market-wide corporate governance trends as well as company-specific developments continuously throughout the year and frequently engages with companies regarding its policies. Glass Lewis conducts yearly, formal reviews of its various guidelines, a process that involves consultations with our clients, as well as with our independent Research Advisory Council.

Glass Lewis has posted on its website many of its country-specific voting guidelines for analyzing and making voting recommendations at general shareholder meetings as well as information regarding its approach to engaging with companies. The firm has found stakeholders have greatly benefited from such disclosure as enhanced transparency has led to a greater understanding of Glass Lewis' views and approach. The guidelines may be viewed at <http://www.glasslewis.com/resource/guidelines/>.

It should be noted, however, that the majority of Glass Lewis' clients vote according to their own custom policies, which may or may not align with Glass Lewis' guidelines. As part of its annual review process, Glass Lewis assists clients with the drafting, refining and updating of their custom voting policies, which the clients often display on their websites.

## **Principle 2**

### **Investors should monitor and engage with their investee companies**

Glass Lewis believes investors benefit from monitoring corporate governance developments at public companies in which they have invested as this can help them ensure these companies have sound corporate governance structures and practices, are well-managed and are responsive to shareholder concerns. Glass Lewis believes investors and companies benefit from engagement as both groups can learn about broad governance developments and issues relevant to the companies and investors. Engagement also fosters a mutual level of trust and understanding between investors and company boards and executives that can prove valuable not just for general shareholder meetings purposes but can also serve to avoid distracting misperceptions while aligning goals and interests.

The Glass Lewis research team — which consists of seasoned professionals with advanced degrees in various disciplines, including investment analysis, law, finance, accounting and international affairs — monitors corporate governance developments at public companies continuously to ensure our research reflects pertinent items not consistently disclosed in shareholder meeting filings.



Glass Lewis recognizes the benefit of frequent engagement with companies to learn about both general governance trends and issues unique to those companies. Glass Lewis engages with companies in several ways, including through individual meetings and discussions. Glass Lewis is also active within many global investor and issuer organizations, including frequently speaking at various industry conferences, to facilitate both the firm's understanding of developing trends and regulations, and to share Glass Lewis' approach with public companies. During such dialogue with companies, Glass Lewis does not prescribe certain practices or standards but encourages comprehensive disclosure and rationale that is made available to all shareholders.

### **Principle 3**

#### **Investors should consider and establish clear policies on when they will escalate their engagement activities**

In cases where engagement with companies is not successful, Glass Lewis has found investors can also successfully employ alternate means to intervene with companies. The extent of such escalation will necessarily depend on the severity of the issue and the level of responsiveness of the board. Therefore, it could prove helpful for investors to develop clear and transparent escalation policies so companies are aware of what could trigger such escalation and what methods the investor may employ.

As a proxy advisor, Glass Lewis is not authorized to intervene with companies or escalate certain issues within such organizations. However, Glass Lewis provides the means for clients to identify when such escalation may be necessary, based on the client's guidelines. The trigger for such intervention can be done as part of the policy formulation process or via alerts; the Glass Lewis team of analysts is also available for consultation with clients on subject companies.

### **Principle 4**

#### **Investors should have clear policies on voting guidance**

Glass Lewis believes investors benefit from developing and disclosing detailed proxy voting policies outlining their approach to analyzing companies and making voting decisions as this provides a sound framework on which to base decisions while informing companies about the issues important to investors. The most effective policies are reviewed, and revised as necessary, at least annually in response to corporate governance developments and in consultation with clients and companies. In addition, having nuanced guidelines promotes a case-by-case approach, allowing investors to take into account relevant governance codes and regulations as well as the specific aspects of each company such as size, performance, industry, maturity, etc.

Glass Lewis maintains detailed proxy voting policies regarding how the firm analyzes companies and makes voting recommendations. These policies, updated annually in response to corporate governance



developments and in consultation with an independent Research Advisory Council, are tailored to the unique characteristics of each country. The Research Advisory Council is comprised of prominent practitioners in finance, investments, accounting and law and the members are otherwise unrelated to Glass Lewis.

#### **Principle 5**

##### **Investors should be willing to act collectively with other investors where appropriate**

Just as escalation may be necessary if initial engagements are unsuccessful, Glass Lewis recognizes that investors can work effectively with other like-minded shareholders to effect change, such as when dealing with particularly intransigent boards. Working with a group of shareholders may be more effective than acting solely and may help ameliorate the free rider concern of one shareholder bearing all the burdens while all shareholders reap the benefits of the engaging shareholder's efforts.

Since Glass Lewis is not a shareholder, Glass Lewis is not in a position to work collectively with shareholders. However, in addition to identifying and highlighting areas of concern for all clients, Glass Lewis further facilitates the opportunity for clients to act collectively by hosting periodic Proxy Talk conference calls in which clients can participate in discussions with boards and management. Glass Lewis moderates Proxy Talks with both company representatives and shareholder proponents seeking shareholder support for their proposals or initiatives. The recordings of these calls are available to the public via the Glass Lewis website.

#### **Principle 6**

##### **Investors should report to their stakeholders on how they have discharged their ownership responsibilities**

Glass Lewis believes investors and other stakeholders can benefit from investors reporting on their voting and engagement efforts. In this way, all stakeholders will understand the extent to which investors are fulfilling their responsibilities and companies will in particular gain further understanding of investors' perspectives and of the issues driving their voting decisions and engagement efforts.

Glass Lewis would not be in a position to report on its ownership activities including voting activity because, as a proxy advisor and not an investor, it is not an owner of shares and therefore does not have any votes to cast. However, Glass Lewis recognizes the value to all stakeholders of the increased transparency provided by disclosure of investors' voting decisions both to clients and even publicly. Therefore, Glass Lewis offers reporting and disclosure services to investor clients including the Web-based disclosure of investors' voting activity either before or after general shareholder meetings.



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## Principle 7

### **When investing on behalf of clients, investors should have policies on managing conflicts of interests**

Glass Lewis believes that by developing robust policies on conflict avoidance and disclosure, investors can provide assurance to their clients and all stakeholders that they are acting in their clients' best interests.

Glass Lewis was founded on the principles of eliminating, avoiding and disclosing conflicts of interest to the maximum extent possible. Glass Lewis recognizes that, like any research provider, its conflicts may be imputed to clients. As such, Glass Lewis strives to eliminate the most deleterious conflicts by avoiding certain practices, such as providing consulting services to the same public companies that are being covered in its research reports. However, some conflicts are unavoidable, such as when investment manager divisions of public companies subscribe to Glass Lewis' research reports. To mitigate the effects of these and other conflicts, Glass Lewis has detailed policies and procedures requiring robust reporting coupled with prominent, specific disclosure in its reports. The Glass Lewis conflict of interest policy details these procedures and is publicly available at <http://www.glasslewis.com/about-glass-lewis/disclosure-of-conflict/>.

Glass Lewis welcomes this opportunity to comment on the Principles and is available to answer any questions the SFC may have regarding the comments provided above.

Respectfully submitted,