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Washington, January 22, 2015—As funds prepare to vote proxies for their portfolio securities this spring, the Investment Company Institute (ICI) and the Independent Directors Council (IDC) have released a new resource, *Report on Funds' Use of Proxy Advisory Firms*, to serve as a tool to assist fund advisers and boards in evaluating recent guidance from the Securities and Exchange Commission staff on proxy voting.

In June 2014, the SEC staff issued a staff legal bulletin that provides guidance about advisers' proxy voting responsibilities, particularly as they relate to use of proxy advisory firms. The bulletin recognized that advisers may want to evaluate and change their "current systems and processes" in light of the guidance. ICI established a member working group to develop the report to help fund advisers and boards evaluate their funds' programs and implement any changes.

"Fund advisers and boards take their proxy voting duties seriously. They have long recognized that hiring proxy advisory firms involves ongoing oversight and due diligence responsibilities," said ICI President and CEO Paul Schott Stevens. "The SEC staff's guidance sets forth useful principles that are in line with our members' understanding of their proxy voting responsibilities. This report is intended to complement this guidance by providing practical assistance to fund advisers and boards as they evaluate their funds' proxy voting practices."

In a question-and-answer format, the report focuses on three broad topics:

- use of proxy advisory firm services generally;
- board oversight of proxy advisory firms; and
- fund adviser oversight and due diligence of proxy advisory firms.

Background on Fund Proxy Voting

Registered investment companies are shareholders in many publicly traded companies and therefore vote on "proxy proposals" put forth by a company's management or its shareholders. Fund boards are responsible for voting on the proposals, but typically delegate these responsibilities to fund advisers, subject to the board's continuing oversight. Fund advisers are legally required to cast votes on proxy proposals in the best interests of the funds and their shareholders. Uniquely among institutional investors, registered funds disclose every proxy vote.

"This report complements ICI and IDC's *Oversight of Fund Proxy Voting* paper, which discusses the board's role in overseeing proxy voting more broadly," said Amy Lancellotta, managing director of IDC. "We hope this report's focus on the role of proxy advisory firms is helpful to fund boards as they carry out their oversight responsibilities in this important area."

Fund advisers and boards take seriously their proxy voting responsibilities and invest considerable time and resources in the process. For example, ICI research has found that during a 12-month period, there were more than 20,000 proxy proposals for the 3,000 largest publicly traded U.S. companies. During that same period, the largest registered fund families cast nearly four million separate proxy votes for these particular companies, or an average of nearly 5,000 unique proposals per fund family. Typically, funds and fund advisers do not have the infrastructure and expertise to handle efficiently all functions related to proxy voting, and therefore they often hire proxy advisory firms to assist them in carrying out their proxy voting responsibilities.