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Proxy firms not cowed

Special Correspondent

Mumbai, Sept. 7: Proxy shareholder advisory firms are dismayed by the Rs 1,000-crore defamation suit that cigarette-to-hotels conglomerate ITC has filed against Institutional Investor Advisory Services India Ltd (IIAS) for two voting advisories ahead of the company's annual general meeting in July.

These proxy firms have emerged as corporate governance watchdogs, alerting shareholders especially foreign institutional investors who are required by the US regulator Securities and Exchange Commission to make annual filings that reveal how they vote on resolutions proposed at the AGMs of companies in which they have a stake - to what they perceive as lapses in corporate governance standards.

The ITC defamation suit in the Calcutta high court - arguably the first against a proxy advisory firm - slams IIAS for publishing two reports that were "false, defamatory and malicious" on its website in July. Besides Rs 1,000 crore in damages, it sought an unconditional apology from the firm.

IIAS had advised ITC shareholders to vote against the company's plan to pay a monthly remuneration of Rs 1 crore to its chairperson Y.C. Deveshwar. Shareholders, however, rejected IIAS's suggestion and voted overwhelmingly in favour of the Deveshwar resolution.

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Proxy firms have been stepping up their vigil against boardroom excesses and are not ready to pull their punches.

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On Thursday, the Stakeholders Empowerment Services - another corporate governance research firm - wrote a note in which it accused N.R. Narayana Murthy of driving an undisclosed agenda while staging a two-part coup at Infosys to help promoters, who do not hold more than 12.75 per cent together, to regain control of their company after ousting CEO Vishal Sikka and chairman R. Seshasayee.

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The report went on to argue that there had been a change of control in the company and, under Sebi regulations, there would have to be an open offer. The report was written by J.N. Gupta, a former executive director of Sebi.

Shriram Subramanian, founder and MD of InGovern Research Services, India's first proxy advisory firm, said the role of proxy advisory firms, which are registered and regulated by Sebi, is to make voting recommendations, considering the interests of the company and investors. Subramanian felt that recommendations made by proxy advisory firms are based on data and logic and cannot be termed as either malicious or slanderous.

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"Independent directors of ITC, many of them eminent individuals, should question the company on its current move. This does not reflect well on the company at a time Sebi has been stressing the need to improve corporate governance," he added.

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