

ESMA Consultation on Proxy Advisors

QUESTIONNAIRE FOR ISSUERS

1. Do you believe that proxy advisors influence shareholder voting? If so, do you have any evidence of this influence?

Yes, we consider that proxy advisors play a key role in the shareholders voting process. The direct effect of this influence is that institutional holders turn to them for advice when voting billions of shares at annual meetings.

Proxy advisors influence is deeply increasing every year. Not only proxy advisors give advice on how votes should be cast, but they sometimes cast those votes on behalf of their clients.

When considering the last step in the process of taking a decision it is evident that there is an important influence of the figure of proxy advisors. The consequence is that every year there is a larger amount of people following proxy advisors directions and voting whatever proxy advisors suggest to vote.

2. What is your opinion on proxy voting policies and guidelines? Do you think that proxy advisors should publicly disclose their voting policies and guidelines? Do proxy advisors involve issuers in establishing their voting policies and guidelines?

We believe that there is an urgent need for rules to ensure that advisory firms are basing their research and recommendations on accurate and reliable information. Usually proxy advisory firms remain unregulated and unsupervised. We think there is a public concern related to the lack of transparency with regards to their standards, procedures, methodologies, and conflicts of interest.

Sometimes, proxy advisors encourage a “one-size-fits-all” or a “check the box” methodology, which do not consider the concrete data and circumstances of the public company in which the matters to be voted on depend. It also calls on the firms to maintain a public record of all their voting recommendations and voting decisions.

We do think that proxy advisors should publicly disclose their voting policies and guidelines and they should also maintain a public record of all their voting recommendations and voting decisions .The main problem that

arises is to know if they are disclosing all the information they have or if they are keeping some of this information for themselves.

Proxy advisors involve issuers when establishing their voting policies and guidelines. Usually they send their reports and decisions to the board of the company before giving them to the shareholders and so they have a chance to talk about their recommendations.

3. Do proxy advisors enter into a dialogue with issuers regarding their voting recommendations? What procedures do they follow? Are existing procedures followed by proxy advisory firms sufficient to ensure that their reports are materially accurate and complete? Do you think such a dialogue with issuers is necessary? Why or why not?

As we said before proxy advisors enter into a dialogue with issuers regarding their voting recommendations before they make them public. This is a possibility for issuers to agree or to disagree with the given recommendations.

Currently, there are no procedures to ensure it, but they are obviously necessary. Proxy advisors are not regulated in any way, and this lack of regulation provokes that each of them acts in a different way.

A deep dialogue between proxy advisors and issuers is really necessary because it gives both proxy advisors and issuers an opportunity to make things clear and to solve some errors that they may have when reaching a decision or recommendation.

4. Do issuers modify or change their proposals in order to obtain favourable recommendations by proxy advisors? Do issuers adopt particular governance standards to meet the standards of proxy advisors?

Usually, recommendations of proxy advisors are given after issuers publish their proposals. This means there is no possibility of changing the agenda and issuers are not able to change their proposals in order to obtain a favourable vote.

The influence of proxy advisors is so high, it provokes issuers to think twice their proposals, taking always into account what proxy advisors may say, especially in companies in which proxy advisors have influence on a large amount of votes.

5. What are the potential conflicts of interests that may occur in the proxy advisors' activities? From your opinion, are those conflicts appropriately addressed by proxy advisors? Would specific disclosure

of potential conflicts and conflict of interest policies be necessary? Would a ban for a proxy advisor to provide consulting services to companies whose proxy proposals it advises be an option?

The main conflict of interest is that some firms handle the chore of voting shareholder proxies for institutional investors, and at the same time, they provide stiff appraisals of corporate conduct.

It is also known that some business organizations provide corporate governance and executive compensation consulting services as well as voting recommendations on proposals at shareholder elections. This is a clear area where conflicts of interest may take place.

The lack of regulation makes even more difficult to know if these conflicts are well addressed.

We really think that specific disclosure of potential conflicts and conflict of interest policies are necessary. They should assure that they are providing an adequate disclosure of any conflicts of interest that they may have when providing voting recommendations.

Banning proxy advisors to provide consulting services to companies whose proxy proposals it advises would be an option a bit drastic. It would probably be enough to ensure that there is a complete and clear separation (Chinese walls) between the proxy advisory business from all other business including consulting and research services.

Detailed and complete information about the services they give and the relationships they maintain with the analysed companies the parent companies and the entities of the group should be established.

They should also reflect financial information on what proxy advisors earn giving a certain cash amount or a percentage.

6. Would regulation of proxy advisory firms be useful? Why or why not? If so, what would be your proposals?

More than useful, we believe that a regulation is extremely necessary. We are aware that proxy advisory firms make a necessary and beneficial job helping institutional investors who have the challenge of analyzing proxy statements for hundreds and making their voting decisions. That is why the influence of proxy advisors is growing quickly and their power is becoming more evident than never before.

There is a need for rules to ensure that advisory firms are basing their research and recommendations on accurate and reliable information. Advisory firms should also reflect any conflicts of interest that they may have when providing voting recommendations. It is also important to show and make public their voting guidelines and their analytical methods not changing them depending on the issuer.

When regulating proxy advisors, rules should not create barriers of entry to new firms. Otherwise this would turn into an anticompetitive, oligopolistic cartel and the advisors would give worse quality advices.

The regulation of proxy advisors should be international, the same way their way of acting and their relationships are international. A national regulation would not solve the problem. The best solution would be to legislate proxy advisors basing the rules on a European harmonization. The regulation of the European Union should take into account the one that the American SEC is elaborating.

7. Do you have any other comments or suggestions concerning proxy advisory firms?

It would be advisable to establish some kind of Official Registry of proxy advisors. The necessary requisites and the proper suitability to become a proxy advisor should be accorded and established.

The main problem is that, once the Registry is created, it shall be necessary to create a European supervisory organ in charge of the proxy advisors regulation.

Our principal concerns are that proxy advisors should not have power without responsibility and that they should act in a transparent way. Transparency should be a key word when regulating the proxy advisors.