

Public Consultation on Best Practice Principles for Governance Research Providers

Amundi participated last year in the ESMA consultation on the proxy advisory industry in Europe and the role of the industry in the shareholder voting process. We were fully satisfied by its conclusions that there were no evidence of market failure and also by the recommendation to develop a code of conduct to answer some transparency issues.

So Amundi welcomes the development of this code of conduct by the The Best Practice Principles for Governance Research Providers Group and thanks the Group for opening a consultation on the issue.

About Amundi

Amundi ranks first in Europe¹ and ninth worldwide¹ in the asset management industry with AUM of more than €750 billion².

Located at the heart of the main investment regions in almost 30 countries, Amundi offers a comprehensive range of products covering all asset classes and major currencies.

Amundi has developed savings solutions to meet the needs of more than 100 million retail clients worldwide and designs innovative, high-performing products for institutional clients which are tailored specifically to their requirements and risk profile.

It contributes to funding the economy by orienting savings toward company development.

Amundi has become a leading European player in asset management, recognised for:

- Product performance and transparency;
- Quality of client relationships based on a long-term advisory approach;
- Efficiency in its organisation and team engagement to serve its clients;
- Commitment to sustainable development and socially responsible investment policies.

1. Source IPE « Top 400 asset managers active in the European marketplace » published in June 2013, based on figures as at December 2012. Interviews of asset management companies on their assets as at end-December 2012 (open-end funds, dedicated funds, mandates).

2. Amundi Group figures as at 30 September 2013.

1. What are your views about the Principles development process?

The process seems to be in line with what was expected from the ESMA. Nevertheless, the inclusion of stakeholders in the development process could have been a positive initiative.

2. Respondents are welcome to express their expectations regarding the review and monitoring of the Principles. As the ongoing governance of the Principles has yet to be determined, the Committee particularly welcomes suggestions by stakeholders as to how a representative feedback mechanism can be implemented.

As the Committee is in charge of monitoring and reviewing the principles, it could be interesting to include representatives of the stakeholders in the Committee .

3. Please share your views on the practicality of a comply-or-explain approach to the Principles.

Considering the differences in services offered by the governance research providers and in the different needs and demands of their clients, it seems that the comply or explain approach was the best way to implement the principles.

4. Could the effectiveness of the Principles be further enhanced? Please elaborate and provide specific examples and/or suggestions.

The quality of the compliance and/or explanations should be carefully monitored and reviewed by the Committee as the success of this code depends on it. We do not consider that the code should be implemented through direct regulation.

5. Do you believe the Principles and/or supporting Guidance conflict with obligations under legislation or other best practice principles? If yes, please elaborate and provide specific examples and/or suggestions.

Principle 1 could conflict with AMF Recommendation 2011-06 as it recommends that “all proxy advisors publish their general voting policy” and does not consider the case where a provider does not have a house voting guideline. Regarding voting guidelines development, the AMF recommends “taking into consideration the opinions of the investors” whereas it is only one suggested approach in this code of conduct. The AMF also recommends that the proxy advisor submit its draft report to the relevant company for review which could be in conflict with Principle 3 that only requires a policy on dialogue with issuers.

6. Please share your views on the procedures for registering as a signatory, describing and disclosing how Principles and related Guidance are being applied, and for disclosing the Statement of Compliance.

Considering the limited number of providers, the Committee should be in charge of registering any providers wanting to be a signatory. The statement of compliance should be available on the provider’s website (and possibly also on the bppgrp/committee website) and should disclose the comply or explain details of each principles and related guidance.

7. What should the regional scope of the Principles be, in terms of signatories and services provided? For example, do you think that the Principles should be global?

Considering the general nature of the principles and guidance as well as the comply or explain mechanism, this code could be global.

8. For additional potential signatories only: Are there factors that generally would keep you from becoming a signatory to the Principles? If yes, please elaborate and provide specific examples and/or suggestions.

N/A

9. For additional potential signatories only: What are your views on the Guidance for subscription, adoption and ongoing compliance from an organisational point of view? Do you think the ongoing management of the Principles could be improved? If yes, please elaborate and provide specific examples and/or suggestions.

N/A

10. Do you agree with the definition of “governance research services”? Is the scope of the definition adequate? If not, please elaborate and provide specific suggestions.

We consider that this definition is potentially too broad as it includes services related to the engagement activities of investors. ESG research services not related to proxy-voting but used in our SRI analyses should not be in the scope of the code. Governance research provided by sell-side firms, as long as they are not directly related to proxy-voting, should not be in the scope either.

11. Are the definitions of “vote agency services” and “engagement and governance overlay services” and their distinction from “governance research services” sufficiently clear and accurate? If not, please elaborate.

Consistently with our previous answer and in order to create a clear distinction with “engagement and governance overlay services”, the definition of “governance research services” should not include a reference to engagement activities.

12. Do you agree that the Principles should not impose standards of conduct on investors? If not, please explain why.

We agree with that view. Standards of conduct for investors, especially on their use of proxy advisors in their exercise of voting rights, are already being developed through stewardship codes.

13. Do you think that Principle One will help the market to better understand the different kinds of services and approaches that participants operate? If not, please explain.

Unfortunately, we are not convinced that the principle 1 alone will be enough for some stakeholders in the market (especially issuers) to understand the services provided and clear the myths around this activity. Nevertheless, the combination of this code of conduct and stewardships code could clarify the situation.

14. Do you see any issues of service quality that are not addressed in this section? If so, please provide examples and specific information on the purpose and merits of any additional disclosures.

No, this section seems to cover any possible issues.

15. Do you think the disclosure of the research policy, voting guidelines and research methodologies will enable stakeholders to determine how signatories consider local market conditions? If not, please provide reasons.

No, unless specific voting guidelines for each country are published.

16. Please express your views on the scope and content of the proposed research-related disclosure under this principle with respect, to: a. research policy, b. voting guidelines, c. research methodologies

The proposed scope and content seems to be sufficient to ensure a proper monitoring of the quality of services by clients and is a good basis for an informed choice when renewing/choosing providers.

17. For additional potential signatories only: Does the Guidance provide you with the information necessary to properly apply Principle One? If not, would you prefer further Guidance? Please explain.

N/A

18. Does Principle Two address the relevant issues or considerations relating to potential conflicts of interest in the provision of governance research? If not, please explain.

Principle Two addresses the relevant conflicts of interests.

19. Do you agree with the proposed conflict management and mitigation procedures? If not, please explain why and what additional measures you would propose.

We agree with the proposed conflict management and mitigation procedures.

20. Do you agree with the proposed approach on disclosure of material conflicts? If not, please explain

We agree with the proposed approach.

21. For potential additional signatories only: Does the Guidance provide you the information necessary to properly apply Principle Two? If not, what additional Guidance do you need?

N/A

22. Please express your views on the scope and content of the proposed policy disclosure under this principle with respect to: a. Issuers b. Media and the public

We fully agree that the choice to engage or not in dialogue with issuers should be left to signatories. A forced communication with issuers could be counterproductive (especially delays in providing reports to clients) and lead to undue pressure. If a mechanism to review reports/data by issuers is implemented, it should not be done prior to publications to clients but at the same time so we do not suffer unnecessary delays and are able to be informed if a material error is detected. Furthermore, clients should be informed in each research report of the instances of dialogue with the issuer and/or shareholder proponent.

The communication of recommendations/conclusions of research to the public/media should be as limited as possible and never occur before the publication to the clients.

23. Are there any other aspects of issuer-related dialogue that should be taken into account? If yes, please elaborate and provide specific examples and/or suggestions.

No.

24. Are there any other aspects of media and the public dialogue that should take into account? If yes, please elaborate and provide specific examples and/or suggestions.

No.

25. For additional potential signatories only: Does the Guidance provide you with the information you need to properly apply Principle Three? If not, where would you prefer further Guidance?

N/A

26. In addition to comments on the specific questions addressed in the remainder of this Consultation Document, views are invited on the general approach taken by the Committee and the general features of the Principles.

No other comments.

27. Do you feel that the Principles meet the policy principles set forth in ESMA's Final Report? If not please explain.

Yes, see question 1.

28. Do you have any other comments that the Committee should take into account when finalising the Principles?

Amundi would welcome opportunities for stakeholders to join the Committee.

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