The Best Practice Principles for Governance Research Providers Group

<u>Submitted by e-mail</u>

Draft Public Consultation Paper
Best Practice Principles for Governance Research Providers

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General remarks submitted by:

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Response by the Dutch Investors' Association (Vereniging VEB NCVB, hereafter, VEB) to the draft public consultation paper "*Best Practice Principles for Governance Research Providers" (hereafter Draft Code).*

Introduction

Beleggersvereniging VEB (the Dutch Investors' Association) was founded in 1924 with the objective of representing the interests of retail and institutional investors. Today, VEB is the largest investors' association in the Benelux with 50,000 members. VEB was also a founding member of EuroInvestors (now EuroFinuse) and EuroShareholders, both pan-European organisations representing retail investors and shareholders.

General remarks

VEB appreciates the opportunity to comment on the Draft Code Principles for Governance Research Providers ('Draft Code'). VEB fully supports the response of Eumedion to the Draft Code dated 16 December 2013 with references B2013.54, taken into account their position as not for profit representative of institutional investors.

VEB believes that proxy advisors provide a useful service to investors in the context of the functioning of the voting system as a whole. They provide important services to those who intend to vote on items on the agenda of the listed companies' general meetings. At the same time, their influence should not be overstated. The ultimate decision and the voting responsibility lie with the investor. The use of a proxy voting advisor's or other third party's services is no substitute for the institutional investor's own responsibility to vote in an informed and responsible manner. This is also indicated in the Dutch Corporate Governance Code.

VEB underlines the concerns of Eumedion that the scope is defined too broad. Setting the scope too wide and defining terms such as 'governance research services' too broadly, risk applying the Draft Code of conduct to asset managers and not-for-profit investor representatives or information providers which carry out activities which are totally different from those of (profit maximizing) proxy advisory firms and which have completely different positions in the listed companies' governance framework.

Partly as a result of the wide scope, the Draft Code seems not to be fully comprehensive and lacks precision in areas such as 'avoiding conflicts of interests 'and 'ensuring the accuracy and reliability of the advices'. This is a missed opportunity from a retail investors perspective. The Draft Code could be a new start to a better understanding of the role and functioning of proxy advisors. Our members and other retail investors should have full confidence that the proxy advisors have adequate systems and controls in place to ensure that their advices are rigorous, free from conflicts of interest and timely. Optimal functioning of proxy advisors and responsible shareholdership by institutional investors together will strengthen shareholder democracy and will lead to better informed decision making at general meetings of listed companies.

For the response to the questions VEB initially refers to the letter of Eumedion's response to the Draft Code.

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