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COMPLETE

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Page 2: Information on Respondent

**Q1** Name of Organisation

LAbrador

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**Q2** Type of organisation [select one]:

Company advisor

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**Q3** Main country / region of operation

FRANCE + USA

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**Q4** Are you currently a client of a voting research provider? [Yes/ No]

No

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**Q5** All responses will be posted on the Review website unless requested otherwise. Please indicate below if you wish your comments to be treated as confidential.

Respondent skipped this question

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**Q6** If you would like to be informed of the outcome of this consultation please provide a contact email.

rouyres.l@labrador-company.com  
bautz.c@labrador-company.com

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Page 3: General questions on the Principles

**Q7** Were you previously aware of the Best Practice Principles? [Yes/No]

Yes

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**Q8** If yes, how would you rate the positive impact of the Principles since they were introduced in 2014? [Scale of 0-5 where 0 is no impact, 5 is very positive]

**0 no impact,**

Please give a reason for your rating:

There is not enough competition between proxies. Proxy advisors don't respect elementary transparency rules such as sending their report to the issuers at least 2 days before publication (which is already very short notice), and don't take into account factual comments/corrections from issuers. No supporting evidence of the mitigation of the conflict of interest (nothing more than virtuous intentions) due to unclear mix of tasks: governance rating advice proposed to issuers in parallel of voting recommendations to investors. Proxy collection and automatic vote under a threshold...

**Q9** If you are a user of voting research services, do you, or will you in future check whether a service provider had signed up to the Principles before appointing them? [Yes/No]

**Yes**

**Q10** Would it be beneficial to have a set of principles that are capable of being applied in all markets? [Yes/No]

**No**

#### Page 4: Scope and Structure of the Principles

**Q11** At present the Principles address three areas: service quality (which includes duties to clients, research methodology and voting policy); managing conflicts of interest; and communications with issuers, the media and other stakeholders (see the BPPG website here). Are there other issues or activities that should also be covered by the Principles [tick each that applies]

Other (please specify):

ESG advisory services should be banned as a potential source of conflict of interest (as well as governance rating services). The main issues not addressed by the questionnaire is the concentration of the "proxy market" with only 4 big players and the lack of means to provide quality.

**Q12** Each Principle is accompanied by guidance which sets out practices to be followed and information to be disclosed, on a "comply and explain" basis. Is this structure clear and appropriate? [Yes/No]

**No**

**Q13** If no, how might it be improved?

Market regulators (including the European one) should play an active role and check compliance with the "principles" and also the "explain" to guarantee that no major conflict of interest weakens the opinions/recommendations published about draft resolutions.

#### Page 5: The Content of the Principles (1: Service quality)

**Q14** If you are a client of one or more signatories, do you consider that this Principle deals adequately with the various service commitments that you expect? [Yes/No] **No**

**Q15** If no, how might it be improved?

Signatories should take into account standards in national governance and views and practices of local companies as well as their peers, as companies' size and sectors.

**Q16** Depending on the wishes of their individual clients, those signatories that make voting recommendations will follow either bespoke or house voting policies. How satisfied are you with the process used by signatories to develop their house voting policies? [Scale 0 to 5, where 0 is dissatisfied and 5 is very satisfied] **1**

**Q17** How might the process be improved?

Proxy advisors should respect elementary transparency rules such as sending their report to the issuers at least 15 days before publication to give times to take into account factual comments/corrections from issuers.

**Q18** In addition to national law and listing rules, which, if any of these considerations should signatories take into account when deciding whether to adjust their house policies for different markets? [Tick all that apply]

**Standards in national corporate governance codes and equivalent**

**Views and practices of local companies**

Other (please specify):

Signatories should take into account practices of local companies as well as their peers, as companies' size and sectors

**Q19** How informative are signatories' descriptions of their research methodologies (see BPPG website here), including how they ensure that the research is reliable? [Scale 0 to 5, where 0 is uninformative and 5 is very informative] **0 uninformative**

**Q20** While recognising the need for signatories to protect their intellectual property, how might the statements be made more informative?

Description of "research" methodologies are uninformative... and not always respected How can we believe in original "research" when some proxies use the results of ratings paid by issuers?

**Q21** The Principle does not attempt to eliminate potential conflicts, but to ensure that the signatories disclose the procedures by which they are managed. Is this an adequate approach? [Yes/No] **No**

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**Q22** If no, how might it be strengthened?

- 1) their clients do not look at such disclosures
  - 2) Conflicts of interest are not properly managed. The solution cannot be reached by strengthening the procedures but by a clear separation of duties: a proxy cannot be a governance advisor or a governance rating agency, nor can it be a proxy collector. Other players such as BroadRidge do a separate job with no conflict of interest.
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**Q23** The Principles include the following non-exhaustive list of potential sources of conflict: **Yes**  
· A signatory's ownership or shareholder base/structure, such as when a signatory is owned by an investor that owns shares in companies under coverage or when the investor is owned by an issuer under coverage; **A**  
· A signatory's employee activities, such as board memberships, stock ownership, etc.; **A**  
· Investor-client influence on the signatories, such as when an investor who is a client of the service provider is a shareholder proponent or is a dissident shareholder in a proxy contest; **A**  
· Issuer-client influence on the signatories, such as when signatories provide consulting services to companies under coverage for research; and **A**  
· Influence of other investor clients. Are there any others that should be included in this list?

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**Q24** If yes, please identify them.

Mix of services provided to investors (advisory + voting collection) that lead to the "automatic" use of voting recommendations when the stakes are below a certain threshold.

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**Q25** If you are a client of a signatory, how satisfied are you with the information you receive on how potential conflicts are being managed? [Scale 0 to 5, where 0 is dissatisfied and 5 is very satisfied] **1**

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**Q26** How might procedures be improved?

As long as the different kinds of activities are mixed in the same proxy advisor, issuers who subscribe to governance rating services, it would obviously be dissatisfying

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Page 7: The Content of the Principles (3: Communications policy)

**Q27** How satisfied are companies with their communication with signatories? [Scale 0 to 5, where 0 is completely dissatisfied, 5 is very satisfied] **1**

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**Q28** How might communication be improved?

Before improving communication, we should be sure about the use of communication and let's communicate first. Feedback of the proxy's "research" is not transparent. For example, the choice of the basis of comparison: the "panel of peers" for P4P remuneration assessment is very often irrelevant. Assessment of governance is not clear, especially when the proxy has different rules from one company to the next. In addition, with one of the proxys which has a different and negative approach for companies with a reference or family shareholder

**Q29** If you are a company, have you used the procedures set up by one or more signatories to make a complaint or provide feedback on their research on, or engagement with, your company?

**No**

**Q30** If yes, how satisfied were you with how your complaint was handled? [Scale 0-5 where 0 is not at all satisfied, 5 is very satisfied]

**Respondent skipped this question**

**Q31** Many companies consider they should have the opportunity to comment on the analysis and recommendations in research reports before they are finalised. If you are an investor, which of these statements most closely reflects your view? [Tick one only]

**I find it helpful to know the company's views on the research report before deciding how to vote, ahead of the custodian cut-off**

Page 8: Reporting on the Principles

**Q32** At present, signatories are required to produce a public statement on how they have applied the Principles, which they update as necessary; some have chosen to update the statement every year. Signatories also produce a summary in a standard format for purposes of comparison (see BPPG website here). Do the statements adequately cover all the matters that signatories are supposed to report on under the Principles? [Yes/No]

**No**

**Q33** If no, please identify which matters are not adequately reported on

We do not get any information about the "annual report" on the principles

**Q34** How informative and useful are the statements? [Scale 0-5 where 0 is uninformative, 5 is very informative]

**0 uninformative**

**Q35** How might the statements be made more useful?

More useful : In an approach of elementary transparency, this statement should be published and sent to all the actors of the AGMs.

Page 9: Monitoring the Application of the Principles

**Q36** As part of this review, the BPP Group intends to introduce an independent element into the monitoring arrangements. Which of the following features should be part of the arrangements for monitoring the implementation and impact of the Principles? [tick all that apply]

**Surveys of market participants**

**Third party certification of how the Principles have been implemented by signatories**

Other (please specify):

An oversight body (including issuers) and a survey of market participants (especially issuers).

**Q37** If you have specific suggestions for how the Principles should be monitored, please provide details

Have they been monitored in the past? Market regulators (including the European one) should play an active role in their monitoring.

**Q38** Have you ever used the complaints procedure to complain about a breach of the Principles (see BPPG website here) [Yes/No]

**No**

**Q39** If yes, how satisfied were you with how your complaint was handled? [Scale 0-5 where 0 is not at all satisfied, 5 is very satisfied]

Please give a reason for your rating:

we can an issuer complain when it does not receive the report? Issuers are in the weakest position to complain except if an oversight body is in charge of regulation.

## Page 10: Signing-Up Process

**Q40** The process of signing up to the Principles is being looked at as part of this review. Other than a commitment to apply and report on the Principles and to be subject to the monitoring arrangements, are there other criteria that service providers should have to meet in order to be accepted as signatories? [Yes/No]

**Yes**

**Q41** If yes, please specify

Biggest issues are 1) conflicts of interest. The solution is to separate the conflicted activities, which must not be provided by the same firm, 2) proxies cover too many companies with small team and a big part of the job is done by trainees, who often make mistakes when they search for information or determine peer groups 3) proxies do not take enough into account the specificity of issuers (country, sector of activity, temporary issues, etc.), 4) issuers should be able to correct factual mistakes, the composition of peer groups and certain other aspects. And 2 days are not long enough to react.

## Page 11: Other comments

**Q42** If there are any additional comments you would like to make as part of this consultation, please do so here:

"Labrador has always encouraged its customers issuers to develop an transparent financial communication. What "proxy" should also do, while they are very few. We could expect more transparency on the proxy's "research", for example, the choice of the basis of comparison on "panel of peers". Proxy advisors should respect elementary transparency rules such as sending their report to the issuers at least 15 days before publication to give times to take into account factual comments/corrections from issuers. Finally, the next "Best practice principles" from proxy should be promoted and communicated and the market regulators (including the European one) should also consider an active role and check compliance with the "principles" and also the "explain" to be sure that no major conflict of interest will be considered"

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