

ESMA's Call for Evidence - Impact of the Best Practice Principles for Providers of Shareholder Voting Research and Analysis

Amundi appreciates the opportunity to submit comments to ESMA's Call for Evidence on the Impact of the Best Practice Principles for Providers of Shareholder Voting Research and Analysis.

General questions

Q1: What is the nature of your involvement in the proxy advisory industry (proxy advisor, investor, issuer, proxy solicitor etc.)? To facilitate the comprehensibility of your response to this Call for Evidence, please describe your role in and your interaction with the industry.

Amundi is the European leader and in the Top 10 worldwide in the asset management industry¹ with AUM of more than €950 billion worldwide².

Putting our expertise at the service of sustainable performance, this is our commitment to act as a responsible financial player to serve our clients and as a socially-responsible corporate citizen to serve society. Proxy-voting and engagement are part of that commitment.

In order to efficiently vote at nearly 3000 AGMs every year, we chose to use the services of 3 proxy advisers (PAs) : ISS, Glass Lewis and ECGS/Proxinvest. They are used as a source, amongst others, of accessible information in order to contribute to the definition of Amundi's own views on the different items to be discussed and voted upon at the AGMs. We do not use any customized policies as we are not following voting recommendations but just using the analyses to facilitate our own research coordinated by a dedicated Corporate Governance team.

Furthermore, we use the voting platform of one of our PAs, provided by our main custodian, to transmit our voting instructions. We will not elaborate on that topic which is not the focus of the call for evidence but the "proxy-plumbing" is clearly a source of inefficiencies and an obstacle to effective proxy-voting and engagement.

Q2: Have you previously had concerns with the functioning of any areas of the proxy advisory industry? If yes, please specify.

No.

¹ Largest European asset manager based on total assets under Management (AUM)- Source IPE "Top 400 asset managers" published in June 2014 and based on AUM as at December 2013, all AUM having been re-calculated by Amundi to exclude (i) Wealth Management activities and (ii) asset managers having their parent/holding company outside Europe.

² Amundi Group figures as of 31 March 2015.

Q3: Did you become aware of the BPP at the time of their publication, i.e. March 2014? If yes, how did you become aware of the BPP? If no, when did you become aware of the BPP and how?

We followed the development of the BPP since the final report of the ESMA in February 2013. We contributed to the consultation on the BPP at the end of 2013 : <http://bppgrp.info/wp-content/uploads/2014/01/Amundi-BPP-GRP-Consultation-Response-2013.pdf>

Q4: What is your view on the width and clarity of the scope of entities covered by the BPP (i.e. do you consider that the BPP cover the European proxy advisory market appropriately)? Please explain.

Yes, the scope & definitions of entities/services of the BPP seems to cover the proxy advisory market.

Q5: In your view, are the BPP drafted in a way so that they address the following areas identified in ESMA's 2013 Final Report? Please provide examples to support your response.

- a. Identifying, disclosing and managing conflicts of interest;
- b. Fostering transparency to ensure the accuracy and reliability of the advice;
- c. Disclosing general voting policies and methodologies;
- d. Considering local market conditions;
- e. Providing information on engagement with issuers.

Areas b, c and d are covered by the principle one of the BPP. Area a is covered by the principle two of the BPP and area e by the principle three. So it seems that the BPP was clearly drafted to address the area identified by ESMA.

Q6: What is your overall assessment of the quality of the signatory statements? Please provide examples referring to the areas identified under Q5.

We read all the signatory statements and we are satisfied with their overall quality but also by the diversity of approaches to comply with the principles which is essential for us as a user of multiple PAs.

Q7: In your view, are there proxy advisors which possibly fall within the scope of the BPP and have not signed the BPP? If yes, please:

- a. identify such entities;
- b. explain why you consider them to be within the scope of the BPP; and
- c. indicate their size and the coverage of their operations within the European market.

It seems that only PAs covering European companies joined the BPP. If the definition of European market covers also interactions between European investors and PAs covering non-European companies only, the BPP is probably missing some members.

Q8: How would you describe the impact which the BPP have had on the proxy advisory industry in practice? Please provide examples to support your response.

Some improvement in transparency essentially toward issuers and the public but nearly no impact for investors that are already clients of the PAs.

Q9: Have you observed any changes in signatories' practices in the areas mentioned under Q5 since the publication of the BPP in March 2014 and specifically during the 2015 proxy season? Please provide examples to support your view and specify whether these changes addressed the concerns you mentioned in response to Q2, if any.

We observed some improvements in the accessibility of the disclosure, especially on conflicts of interest (see Q30).

Q10: To what extent do you consider the conduct of BPP non-signatories in relation to the areas identified under Q5 to be different from that of BPP signatories? Please provide examples to support your view.

We do not use BPP non-signatories as PAs.

Q11: Do you consider other measures than the BPP necessary to increase understanding of and confidence in the proxy advisory industry? If yes, please explain why and specify the measures which would in your opinion be suitable.

Yes and now, as ESMA stated in its final report, we must "keep the attention focused where it belongs, namely on how investors and issuers can, from their respective roles foster effective stewardship and robust corporate governance, and ensure efficient markets".

If effective stewardship and robust corporate governance can be achieved, proxy advisors will return to a level of anonymity consistent with their simple role of research providers.

Q12: Do you have any other general comments that ESMA should take into account for the purposes of its review?

No.

Questions for investors

Q27: Please describe the way your institution currently uses services from proxy advisors, in particular as regards:

a. type of services;

b. number of proxy advisors contracted and, if applicable, reasons for choosing several rather than one provider.

At Amundi, we are using the research of 3 different PAs. We do not use any customized policies as we are not following voting recommendations but just using the analyses to facilitate our own research coordinated by our Corporate Governance team.

We are using the research of 3 different PAs in order to be able to receive at least 2 sources of analysis for every AGMs; so, we can benefit from the diversity of the approaches and also avoid being influenced by any factual error in one of them.

Q28: When using services from proxy advisors, how often do you deviate from their research/advice/recommendations in your voting choices? Please differentiate your answer across agenda items (e.g. say on pay, balance sheet approval, appointment of directors).

Once again as we are not following the recommendations of any of our PAs, it is impossible to establish such deviations. We can evaluate the correlation (but not causality) between our votes and the recommendations of the PAs but it will not take into account the significant number of cases where we voted similarly to the PAs recommendations but for different reasons.

In 2014, our votes were different from the recommendations of ISS (only PA whose statistics are available in our platform) in about 11% of the resolutions. This percentage differs amongst agenda items from 31% on remuneration issues, 13% on shareholder proposals, 10% on election of directors and capital issuances to 4% on the other routine items.

If we consider only the resolutions where we voted negatively, only 59% of those votes corresponded to a similar recommendation from ISS.

Q29: When selecting a proxy advisor from whom to purchase services and/or in the course of your contractual relationship with a proxy advisor, do you place any importance on whether the entity is a signatory to the BPP? If no, please explain why. If yes, have you been in dialogue with the proxy advisor(s) you are making use of as regards its (their) application of the BPP?

Currently, our 3 PAs are signatories of the BPP and we are satisfied by the quality of their statements. When we will renew/change PAs, we will take into account their adherence to the BPP and the quality of their statements.

Q30: In your experience, to what extent have the BPP improved proxy advisors' procedures for managing and disclosing conflicts of interest, and specifically the following two types?

- a. The proxy advisor provides services to both the investor and the issuer;**
- b. The proxy advisor is owned by an institutional investor or by a listed company to whom, or about whom, the proxy advisor is providing research, advice and/or recommendations.**

Please provide examples to support your response.

The disclosure of conflicts of interest (and procedures for managing them) existed prior to the BPP, at least for the PAs we are using. Nevertheless, since the BPP, we have experienced an improvement in the accessibility of the information.

ISS is providing on its voting platform for every AGM the existence of relationships with the issuer and the type and value of the products acquired by the issuer (before BPP, we needed to ask for a list of issuers clients).

Glass Lewis and Proxinvest/ECGS provide information on the existence and nature of possible conflicts of interests in their proxy papers.

Q31: In your experience, to what extent have the BPP enhanced clarity as regards proxy advisors' methodologies and the nature of their information sources, thereby making it easier for you as an investor to better assess the accuracy and reliability of their research, advice and/or recommendations? Please provide examples to support your response.

The methodology of the PAs was already, prior to BPP, quite transparent for their clients and most of their evolutions were either discussed or explained.

Q32: In your experience, have the BPP enhanced:

a. proxy advisors' level of awareness of local market, legal and regulatory conditions which the companies you invest in are subject to?

b. proxy advisors' disclosure of the extent to which they take the above conditions into account?

Please provide examples to support your response.

All the PAs we are using take into account local market conditions and best practices. Nevertheless, all local practices cannot be considered to be in the interest of investors: bundled election of directors when they could be elected individually, excessive flexibility for routine capital authorizations, resolutions where the information is only disclosed during the AGM or censors (non-voting directors). So PAs integrate local market conditions as long as they, and their clients, consider that those practices are acceptable and in the interest of shareholders (especially minority and foreign ones).

All the PAs we are using have a dialogue with their clients on the development of their policies either informally or through an open and public process. This dialogue is beneficial to both parties in the improvement of their voting guidelines and their understanding of the evolution of best practices. The result of this process and the choice to take into account (or not) local practices is reflected in the policies published by the PAs.

Q33: In your experience, to what extent have the BPP enhanced clarity as regards the manner in which proxy advisors will disclose their communication with issuers to clients? If you consider there has been a change, has this affected the way you make use of their research, advice and/or recommendations? Please provide examples to support your response.

The clarity on communication with issuers was already good prior to BPP.

ISS has included for years (at least since 2011) in its proxy paper a detailed paragraph on Engagement activities/ISS-Company dialogue.

Glass Lewis policies on that issues were and still are very clear (analysis based solely on publicly available information, no early review of recommendations by issuers ...).

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