



24 July 2015

European Securities and Markets Authority
103 rue de Grenelle
75345 Paris
France

Via online submission: www.esma.europa.eu

Re: Call for evidence: impact of Best Practice Principles for providers of shareholder voting research and analysis

To the European Securities and Markets Authority:

The International Corporate Governance Network (“ICGN”) welcomes the opportunity to comment on the European Securities and Markets Authority (“ESMA”) Call for evidence relating to the impact of Best Practice Principles (“Principles”) for providers of shareholder voting research and analysis.

ICGN was founded 20 years ago and is an investor-led membership organisation of more than 650 individuals based in over 50 countries from around the world. Our mission is to inspire and promote effective standards of corporate governance to support the sustainable value creation of companies and to advance efficient markets and economies world-wide. Our members represent institutional investors with global assets under management in excess of US\$26 trillion. Accordingly, ICGN's members offer a source of practical knowledge and experience in regard to governance and investment issues. For more information on the ICGN, please visit www.icgn.org.

In addition to investor and corporate members, the ICGN membership base also includes representatives of a number of proxy advisory firms who are signatories to the Principles, and who have contributed positively to ICGN's policy work on corporate governance issues. So we are well-aware of the proxy advisory “industry” and the circumstances that gave rise to the development of the Principles.

As a trade body led by investors, ICGN does not fit neatly into the different groups whose opinions are being solicited in this call for evidence, particularly as ICGN itself is not a client of the proxy advisors, and has no direct operational interface with them. Consequently, we are not well positioned to respond to the specific questions you have outlined. Having said that, as an investor-led body the ICGN would like to confirm that proxy advisors play an important role in supporting voting by institutional investors in fulfilling their fiduciary duties to vote at shareholder meetings on behalf of their beneficiaries.

We are alert to concerns about market failure and the influence of proxy advisory firms, but believe that ESMA was correct in encouraging a code of best practices for the sector, rather than more black letter regulation. Moreover we agree that the proxy advisory sector is making good progress with the implementation of the Principles,

and do not believe more extensive changes in the Principles or regulatory changes are required at this point in time. With regard to the scope of to whom the Principles should apply, we believe this should be consistent with the way this is framed in terms of the revised Shareholder Rights Directive: it should focus specifically on those service providers that provide proxy research and recommendations on a commercial basis, and should not encompass other organisations that might provide occasional commentary on voting matters.

We hope that these comments are useful in your deliberations and the ICGN Policy Director, George Dallas (george.dallas@icgn.org), would be happy to elaborate on any of the points raised in this letter. Thank you for your consideration.

Yours truly,

Erik Breen
Chairman
International Corporate Governance Network
Erik.Breen@triodos.nl

Copy:

Kerrie Waring, Executive Director, ICGN: kerrie.waring@icgn.org
Bram Hendriks, Co-Chair, ICGN Shareholder Rights Committee:
Bram.Hendriks@nnip.com
Eugenia Jackson, Co-Chair, ICGN Shareholder Rights Committee:
Eugenia.Unanyants-Jackson@fandc.com