



The European Securities and Market Authority (ESMA)
103 Rue de Grenelle
75007 Paris
France

Date: 17.07.2015
Your ref.:
Our ref.: PJO/GGR

Call for Evidence: Impact of the Best Practice Principles for Providers of Shareholder Voting Research and Analysis

Dear Sir or Madam,

Norges Bank Investment Management (**NBIM**) is the investment management division of the Norwegian Central Bank (Norges Bank) and is responsible for investing the Norwegian Government Pension Fund Global. At 31 December 2014, the fund was invested in assets of NOK 6,431 billion (EUR 709 billion) of which approximately EUR 252 billion was invested in European listed equities and euro-denominated bonds.

For your reference, NBIM made a submission to ESMA on 25 June 2012 (Ref: "An Overview of the Proxy Advisory Industry. Considerations on Possible Policy Options"), where we set out our positions on Providers of Shareholder Voting Research and Analysis.

We welcome this opportunity to provide NBIM's perception of the most recent voting seasons after the publication of the Best Practice Principles (**BP**). We will set our reflections only in this letter but will reference key questions set out in Sections 3.2 and 5.2 of the Call for Evidence notice.

NBIM as procurer of voting advisory services

[3.2:Q1] [5.2:Q27]: In our capacity as a globally diversified investor, NBIM contracts the services of a range of voting advisory services in the course of our active ownership work. We:

- Purchase company research from three voting research firms,
- Commission bespoke company research,
- Purchase supporting data for voting research purposes,
- Use a voting platform to transmit all voting decisions,
- Use a bespoke back-end platform for the publication of our voting decisions,
- Contract three voting advisors to deliver vote recommendations and analysis,
- Supplement procured voting advisory research and analysis with a range of other procured sets of data, research and analysis, for our voting purposes,
- Convey our knowledge and judgement as input into the voting policy processes of the voting advisory providers

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Additionally, with the products and services procured from voting advisory services, we:

- Communicate directly with issuers, other shareholders and local market standard setters on matters of relevance for voting,
- Conduct internal research and analysis of voting issues before reaching voting conclusions.

We utilise more than one voting research and analysis provider to extend the depth of independent expert analysis we can access and benchmark key corporate governance views as applied to the same company or market. We consider individual voting advisors to have differentiated strengths such as specific local market knowledge, breadth of coverage, bespoke analytical capacity and procedural fit with the NBIM proxy voting chain.

NBIM consideration on the well-functioning of the voting advisory industry

[3.2:Q1] [5.2:Q28]: In our 2012 submission we set out our broad support for the advisory industry. It is a widely-used and commercial service popular with clients. We concur with the opinion of ESMA that there is no evidence of market failure.

[3.2:Q2]: In the areas of conflict of interest-reporting and the provision of services to corporate clients, NBIM concluded that greater disclosure was necessary. Additionally, we sought clearer segmentation of service provision by proxy voting advisers as a means to differentiate the products and services purchased or commissioned by clients.

NBIM consideration of impact of the BPP

[3.2:Q3] [3.2:Q6] [3.2:Q6]: The Best Practice Principles for Providers of Shareholder Voting Research and Analysis was published March 2014. We have been aware of the BPP during its drafting and at the time of publication have been broadly supportive of the initiative.

[3.2:Q4] [3.2:Q8]: The lack of immediate and demonstrable impact may be a consequence of the scope of BPP being too narrowly defined. For example, proxy solicitation agents do not fall under the scope of the BPP; yet we continue to see many examples where such agents selectively communicate favourable voting research recommendations to a wide body of investors, irrespective of whether the investor is a voting research client. We consider it prudent that any entity that transmits or communicates vote research opinions should fall under the scope of the BPP.

[3.2:Q6]: The BPP lacks elements of detail in key areas such as conflict of interest. Specifically, we continue to see clear risk of conflict of interest when voting advisors sell services to both shareholders and issuers. The practice introduces an unavoidable question about the independence and integrity of the resulting analysis and recommendations provided to investors. The BPP does not require the necessary detailed disclosure of all relationships.



Given the lack of adequate self-regulation set out in the BPP, voting advisory services is an area where regulation is warranted. The nature of regulation may be binding if it then falls into the realm of E.U. or nationally-supervised activities.

With this caveat, we are satisfied by the first signatory statements. At this time however, we believe it is too early to determine any real impact of the BPP and whether it will meet the needs of the wider proxy voting chain.

[3.2:Q12]: The apparent influence of voting advisers most often results from the confluence of the interests of diversified shareholders. Voting advisers enable investors to act on their interests as shareholders. The advisers' voting policies can be seen as the embodiment of the co-ordination that takes place among shareholders. These policies evolve over time as a result of both competition among advisers, and the explicit policy contributions by investor clients.

[3.2:Q11]: We have stated that the adviser's voting recommendations are a legitimate reflection of the opinions of the investor clients. Nevertheless, we encourage all voting research providers to strengthen the process by which new clients are 'on-boarded'. Principle 1 of the BPP (Signatory Policies) states "Signatories may provide shareholder voting research and analysis services based on house policies or guidelines." It is imperative for the legitimacy of the voting research process that that the final voting responsibility lies - and is understood to lie - with the shareholder. The BPP should mandate a robust on-boarding process where shareholders must make active decisions in formulating the guidelines that drive voting decisions. The outcome of an enhanced and mandatory on-boarding process will be the welcome diminution of voting adviser influence on blind application of a single voting recommendation by voting adviser clients.

We reiterate our support for the efforts taken by ESMA in the area of voting research.

Yours sincerely,


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