

INTERVIEW WITH BVI PRESIDENT&CEO STEFAN SEIP

"Concerns of Asset Management Industry are taken more seriously"

Investors' corporate-governance interests more
efficiently represented - New BVI AGM Service, a long
term investment. *By Carsten Steevens*

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- Mr. Seip, how do you rate corporate governance
of German companies in 2007?

*Better than ever before; every year brings improvements and
new findings. But it remains a continuous effort for
institutional investors to collect such improvements*

- The asset industry represented by the Federal
Association of Investment and Asset Management (BVI)
is focusing more on good corporate governance of
companies. Why?

*We are supporting good and responsible management for our 15
million fund investors. Fund investors are not in a position
to exercise shareholder rights directly. Consequently,
mutual funds play an important part, as they represent their
interest's vis-à-vis management. It is an obligation of
investor representatives to actively exercise AGM voting
rights. This requirement is part of the good conduct rules
we implemented in early 2003, which are binding for all our
members. Only he who makes an enduring effort to represent
his investors, will earn their continuous trust.*

- Why at this particular point in time?

*As a modern service based association we are looking
permanently for opportunities to expand the range of
services we offer our members. The analysis of AGM agendas
is a basic preparation of decision making, which every asset*

management company has to go through. If these preparations are centralised for all our members, we can provide a useful benefit for them. As a result, we decided to offer centralised AGM Services starting 2007.

- Besides existing internal sources asset management companies have access to information from many different external sources and can use it for their voting decision process. Why is the BVI AGM Service even necessary in addition to the existing information?

Certainly, there are many sources of information our members can access, but they lack the capacity to properly analyse and use that information. The BVI AGM Service offers up-to-date information in a well arranged standard format which can easily be compared. This information includes AGM dates, agendas, and a critical agenda analysis which is designed for the proper representation of fund investors' interests.

- How do you rate the asset managers' demeanour and behaviour on AGMs so far?

Asset managers have different options to support "good" corporate governance of portfolio companies in the interest of fund investors. Exercising their voting rights is definitely one of them. It is obvious that it is a heavy work load given the fact that there are around 1000 AGMs of German public companies a year. Asset managers can exercise their voting rights through proxy voting. Speech contributions on AGMs, analyst meetings, or direct conversations with issuers are free style events rather than the short programme (to use an ice skating metaphor). Our member companies will use these tools in different ways on a case by case basis making cost-benefit comparisons for portfolio companies in particular with regards to "good" corporate governance issues for the benefit of fund investors. Finally, actively managed funds always have a choice of selling the stock.

- Although you state that with your AGM Service you do not make voting recommendations, is there not a danger that you have at least an indirect influence?

The company providing your AGM Service, IVOX, offers an internet platform for proxy voting.

No, this danger does not exist. The BVI AGM Service consists of analyses only as support of independent voting decisions by its members at the AGMs. We do not make any recommendation as part of this service. If a member company decides to contract IVOX's proxy voting service or such a service from another supplier, it can do so on an individual contractual basis. Also in this case, the decision for a Yes- or No-vote or an abstention is the asset management company's decision alone. Proxy voting as we see it is a pure messenger function.

- Your AGM Service's analyses cover 160 DAX index companies, 61 Eurostoxx 50 companies outside Germany, resp. 50 Stoxx companies. What criteria are used as guidelines?

A major criterion for these analyses is the respective national codex for corporate governance. The companies' senior management play an important part in general good conduct, the independence of their boards of directors (or supervisory boards), their accounting practices and audit reporting. A special emphasis is placed on any transaction concerning the stockholders' equity; in particular capital increases are always analysed critically in connection with dilution issues.

- What are the long-term results you expect from your new AGM Service with regards to corporate governance and the role of asset management companies?

The BVI AGM Service will enable our members to represent the fund investors' interests more efficiently. As a result, the part asset management companies play as institutions will be emphasised and supported. This will help a further positive development of corporate governance in general. Listed companies will take asset management companies' concerns more seriously in the future.

- Who will fund this AGM Service? What costs are connected with it for your members?

This service is included in our members' annual fees to the association.

- Is this service a long term offer?

Our intention is to offer this service long term. We will analyse our AGM Service after the first AGM season, survey member reaction and find out if the expected benefits have been achieved. When we know the results we may amend the service package offered, but the AGM Service as such is not a debatable issue.

Questions asked by Carsten Steevens