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Briefings

Conflicting Advice Proxy advisors should be prohibited from offering consulting services to companies covering topics such as executive pay on which they also provide vote recommendations to investors. So says a surprising statement published July 14 by Swiss pension fund group **Ethos** in response to a June consultation by **SIX Swiss Exchange**. The consultation itself takes a novel approach in the long-standing debate over advisor regulation. Rather than applying rules to advisors, it would require Swiss issuers to disclose the name of advisors they hire and the amount paid to them. **Ethos calls on SIX to go further by requiring issuers to state the nature of the consulting an advisor performs for them. It also wants SIX to ban outright any issuer consulting on topics about which the advisor also offers investor advice.** That's a sharp escalation of long-standing concerns about conflicts of interest by **ISS**, the only major advisor to sell services to issuers as well as investors. Such complaints have come mostly from US business groups alleging that issuers feel compelled to hire ISS to ward off negative recommendations (**GPW** XX-41). While some investors have expressed concern about the potential for conflicts, most have seen such attacks as corporates trying to delegitimize recommendations against management. Ethos has upped the ante, arguing that "such a conflict of interest might possibly impair the objectivity in judgement of the proxy advisor when formulating proxy voting advice." ISS did not respond directly to Ethos. But comments sent to SIX Wednesday point out that its investor clients already can receive the information the exchange and Ethos address. However, this is a confidential process designed to prevent ISS researchers from knowing which issuers are clients. Making it public would undercut the very conflicts of interest policy SIX and Ethos seek to enhance.