Kepler Cheuvreux

Everything You Always wanted to Know About Corporate Access*
*But Were Afraid to Ask

An international benchmark of Corporate Access practice changes
What investors and companies think about the regulation changes

About Kepler Cheuvreux

Kepler Cheuvreux is a leading independent European financial services company specialised in advisory services and intermediation. The company has four business lines: Equities, Debt & Credit, Investment Solutions, and Corporate Finance. Headquartered in Paris, the group has a staff of around 500. This multi-local company is also present in Amsterdam, Boston, Frankfurt, Geneva, London, Madrid, Milan, New York, San Francisco, Stockholm, Vienna, and Zurich. www.keplercheuvreux.com

About SmartConnect

Following the new FCA regulation on Corporate Access that has been live since 2 June, we have adapted our Corporate Access services (conferences, non-deal roadshows, field-trips, bespoke field trips) to these new constraints and launched SmartConnect.

Our ambition is to help our corporate and investor clients to navigate and conform with FCA policy.

Thank you

We would like to thank the following people for their contribution to the study:

- All of the 205 Coporates and the 120 Investors who took the time to answer the survey!
- **Romain Boscher**, Global Head of Equity, Amundi
- **Robert Buller**, Global Head of Account Management, Kepler Cheuvreux
- **Ben Burnside**, Founder & CEO, CorporateAccess.net
- **Elisabetta Cugnasca**, Head of Investor Relations, Autogrill
- **Michel Gerber**, Holcim Investor Relations and President of the Swiss Society of Investor Relations (IR club Schweiz)
- **Andreas Fruschki,** Vice President & Portfolio Manager, Allianz Global Investors
- **Chris Hollis,** Head of Financial Communications, LVMH, CLIFF President
- **Steve Kelly,** Head Of Europe, Extel WeConvene
- **Patrick Kiss,** Head of Investor & Public Relations, Deutsche EuroShop AG, Founder of IR Club
- **Christian Krohn,** Managing Director, AFME
- **Geoffroy Reiss**, Chief Operating Officer, Axa Investment Managers
- **Caroline Weber,** General Manager, MiddleNext, Chair of the smaller issuers committee of European Issuers
- The three investors (UK and Continental Europe) who contributed with some anonymous quotes

About the author

The survey was carried out by **Bénédicte Thibord**, Global Head of SmartConnect Services, with the help of **Loïc Beaumont**.

Bénédicte Thibord has been Global Head of SmartConnect services at Kepler Cheuvreux since 2013 and Head of Corporate Access and Marketing at CA Cheuvreux since 2008. Previously, she worked for ten years at PricewaterhouseCoopers as a banks/insurance auditor, then as a capital markets consultant. She holds a master's in banking, finance and insurance from University of Paris Dauphine, as well as a Certified European Financial Analyst diploma from the French Society of Financial Analysts (SFAF). She has been teaching a course in financial communication at the French business school HEC for 12 years.
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Executive summary

Corporate Access has received a great deal of media coverage for nearly two years. In its Policy Statement published last May, FCA ended the suspense by setting the final rules governing the use of dealing commissions, effective June 2, 2014.

> "At the FCA's Asset Management Conference in October 2013, we set out our intention to review the use of dealing commissions by investment managers. We want to ensure investment managers seek to control costs passed onto their customers with as much rigour as they pursue investment returns […] One example was the service provided by brokers or other third parties of arranging or bringing about contact between an investment manager and an issuer or potential issuer ('Corporate Access'). None of the investment managers we visited could justify to us how Corporate Access met the evidential criteria for research under our rules to allow them to pay for it with dealing commissions."
>
> **FCA Policy statement "Changes to the use of dealing commission rules: feedback to CP13/17 and final rules – PS14/7, May 2014 (extract)**

Though the new rules were primarily aimed at UK Investors, they have resulted in a lot of head-scratching in other countries and certain non-UK investors have already altered their practices, especially those with branch office in London.

The purpose of our survey was to gather opinions from listed companies and from institutional investors on the effects of regulatory changes in corporate access practices. 120 institutional investors and 205 corporates took part in the survey. We would like to share their thoughts on the regulatory developments and the operational impacts they foresee.

The survey has pointed up some common trends between institutional investors and listed companies:

- Less than 5% of the respondents considered that the changes in the rules governing Corporate Access will have a beneficial impact on market efficiency ;
- The vast majority of investors in the sample stated that they had no intention of reducing the number of corporate contacts and that they considered Corporate Access sell-side services as either important or very important;
- Only a minority of respondents stated they were considering insourcing Corporate Access functions or using other service providers. They also stated they wished to develop direct contacts without any intermediaries.

Regarding UK investors' changes in Corporate Access policies:

- Nearly half of the UK managers/analysts surveyed have sent letters to their brokers confirming that they would no longer pay for Corporate Access and/or they have changed their broker scorecards.
- Yet only one third have set up research budgets with a view to fully unbundling and 8% said they intended to do so.
- Nearly 40% stated they were not considering using fewer brokers for Corporate Access.

- As far as broker reviews were concerned, conferences and meetings with experts remained factored into research-related votes by half of the UK investors surveyed. 30% of the respondents also take non-deal roadshows and field trips into account. Oddly enough, only a small minority of UK investors have requested their brokers to supply additional research services in the field of Corporate Access.
- 30% of the UK investors surveyed said they would set up an unbundled billing system for the administrative expenses of Corporate Access services.
- Lastly, the regulatory changes have not resulted in budget constraints for UK PM/analysts travel to date.

Non-UK investors gave a completely different picture:

- Nearly half of the non-UK investors surveyed were not aware of the changes in the rules governing Corporate Access.
- Over 80% of non-UK investors take into account conferences and non-deal roadshows in their research-related votes. Three out of four also factor in meetings with experts (esp. US investors) and two thirds factor in field trips.
- The majority of them have not altered their Corporate Access policies, one third is undecided and a minority intends to.
- Nearly two out of three non-UK investors have yet to make decisions about unbundled billing systems for the administrative expenses of Corporate Access services.
- Some new practices are emerging - such as making direct company contacts, changing broker scorecards and setting up research budgets - but they are still restricted.
- Only 5% of non-UK investors reported new budget constraints on their travel.

As far as listed companies were concerned:

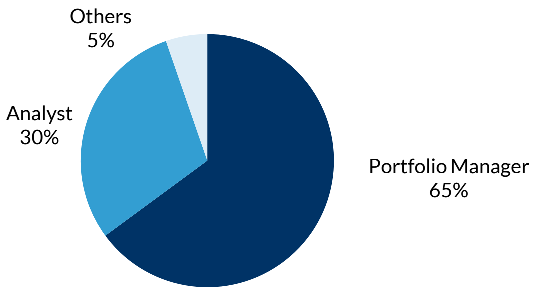
- The vast majority of the Investor Relation Officers (IROs) surveyed considered that the new standards have not impacted their day-to-day work and they did not see any major changes in sell-side practices resulting from the changes in the rules: brokers are still considered as very active as far as pitches are concerned, especially when it comes to roadshows in London.
- Just as investors, the vast majority of IROs have no intention of changing their ways of working in the next 12 months. But certain trends are cropping up, not least of which the desire to insource Corporate Access: nearly 30% of the IROs said they were considering establishing direct contacts with investors and nearly 20% claimed they could organize their roadshows themselves without the help of a broker. Yet a very small minority of them intend to increase their budgets or their staff (7% and 2%, respectively). Only 5% are also considering making greater use of financial communications firms.
- Nor did the survey show much change in the rebilling of the administrative cost of roadshows: only 1% of the companies surveyed saw changes in sell-side practices in that regard. But most IROs said they could handle them.

Survey sample

Kepler Cheuvreux used two samples for its survey: 120 institutional investors and 205 listed companies.

Investors

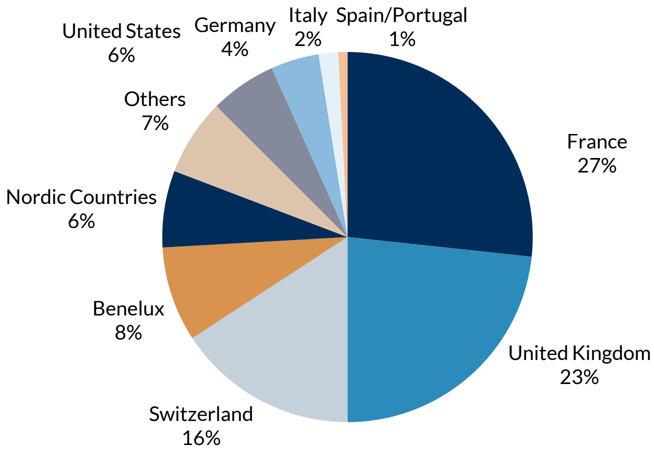
Chart 1: Breakdown of the survey investor respondents by job function



Source: Kepler Cheuvreux

Two thirds of the 120 investors surveyed were fund managers, 30% were analysts and the remaining ones were broker liaison and compliance officers.

Chart 2: Breakdown of the survey investor respondents by country



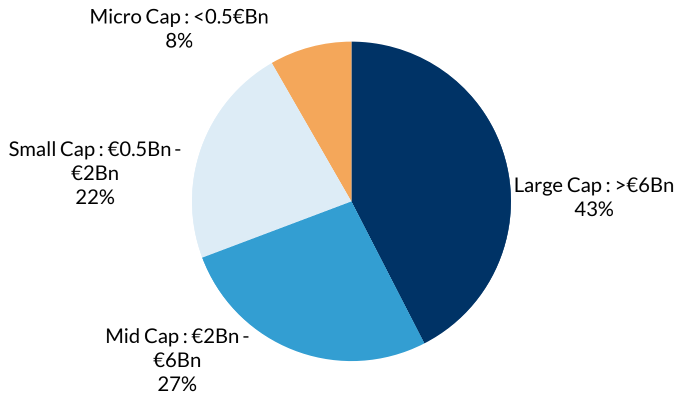
Source: Kepler Cheuvreux

From a geographic standpoint, the top two countries in the sample were France (27%) and the United Kingdom (23%). Other countries/areas included Switzerland (16%), Benelux (8%), the Nordic countries (7%), the United States (6%) and Germany (4%). There were a few Italian and Spanish respondents as well.

The findings are featured in two sub-samples: « UK investors » and « non-UK investors ».

Companies

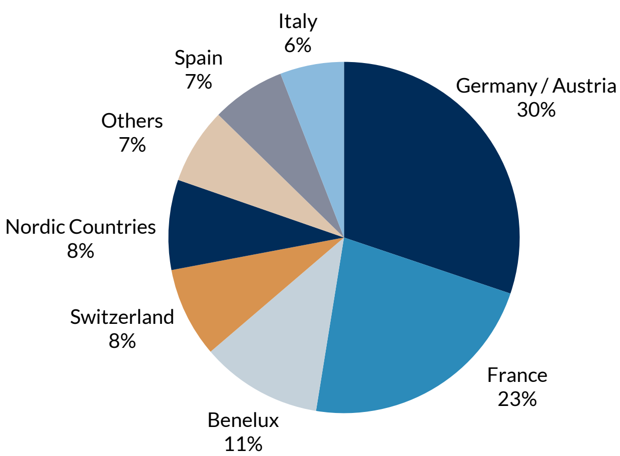
Chart 3: Breakdown of the survey corporate respondents by market cap



Source: Kepler Cheuvreux

The size of the 205 listed companies in the sample varied widely: 43% were large large caps with over 6 bn euros in market capitalization, 27% were mid-caps (market cap from 2 to 6bn euros), 22% were small caps (market cap from 0.5 to 2bn euros) and 8% were micro-caps (market cap below 0.5bn euros). The companies surveyed were investor relations officer (IRO).

Chart 4 : Breakdown of the survey corporate respondents by country



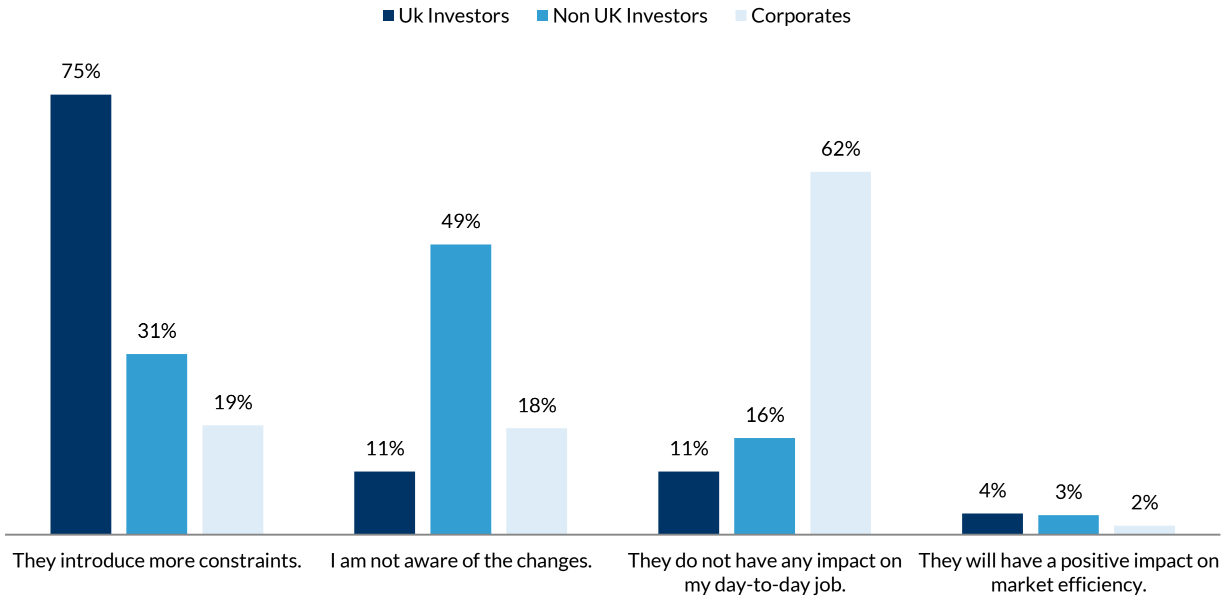
Source: Kepler Cheuvreux

Geographically, the main countries/areas were Germany/Austria (30%), France (23%), Benelux (11%), Switzerland (8%), the Nordic countries (8%). A few Italian and Spanish IROs responded as well.

Regulation story

To what extent do you feel impacted by the regulatory changes?

Chart 5: Breakdown of the survey respondents by job function



Source: Kepler Cheuvreux

Unsurprisingly, the impact of the regulatory changes resulted in major discrepancies between UK and non-UK investors.

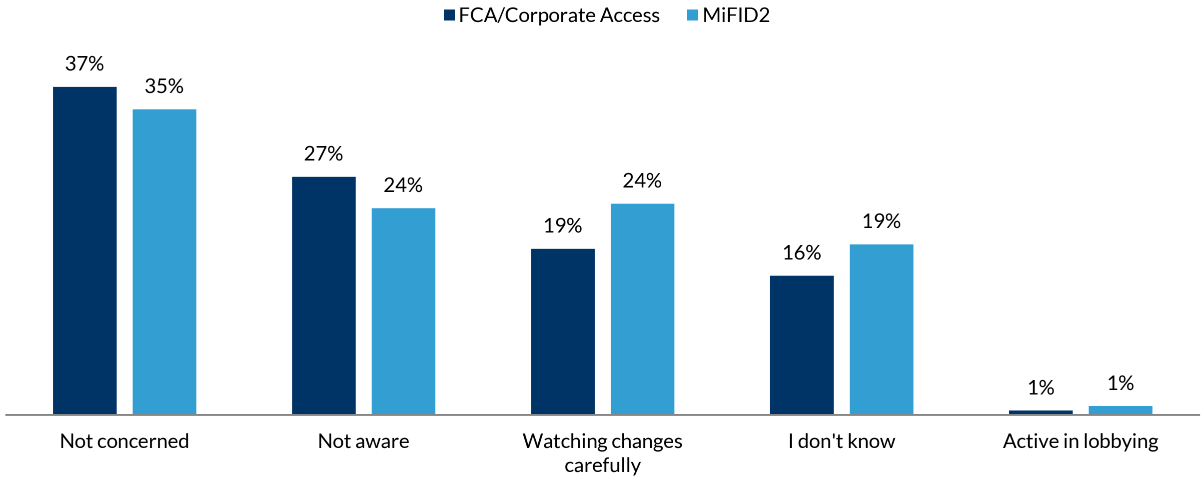
- Three out of four UK investors felt that the regulations entailed harsher constraints, whereas a mere 31% of non-UK investors shared that view.
- Nearly half of the non-UK investors surveyed were not even aware of the changes in the rules governing Corporate Access.
- As far as listed companies were concerned, most of the respondents (62%) said that the new standards did not have any impact on their day-to-day operations.
- Under 4% of investors and listed companies alike believe that the regulatory changes will have a positive impact on market efficiency.

"AFME is concerned about the FCA's overly broad definition of corporate access given the position that this service cannot be paid for out of dealing commissions. Such a policy is at odds with other jurisdictions worldwide and will place the UK investment management industry at a material competitive disadvantage."

Christian Krohn, Managing Director, AFME

Is your management aware of the regulatory changes?

Chart 6: Breakdown of the survey corporate respondents



Source: Kepler Cheuvreux

- According to the IROs surveyed, the current regulatory changes – whether FCA's position on Corporate Access or MiFID2 – do not rank very high on their management's list of concerns: two thirds do not feel affected by or are not aware of the developments. But MiFID2 is tracked more closely that FCA's Policy on Corporate Access: one quarter of the IROs surveyed stated that their management was following the discussions in progress about MiFID2.
- Only 1% of the companies stated they were actively involved in lobbying.

"The financing of financial analysis is critical, especially for small and mid cap companies, which belong to a group of their own. Any law that prevents or hinders meetings between CEOs and asset managers could keep these companies, who create jobs and power the European economy, from securing the financing they need to continue to expand. Thus, we are facing a paradox, as the laws being discussed run contrary to the European Commission's top priority – growth and financing the real economy."

Caroline Weber, General Manager, MiddleNext, Chair of the smaller issuers committee of European Issuers

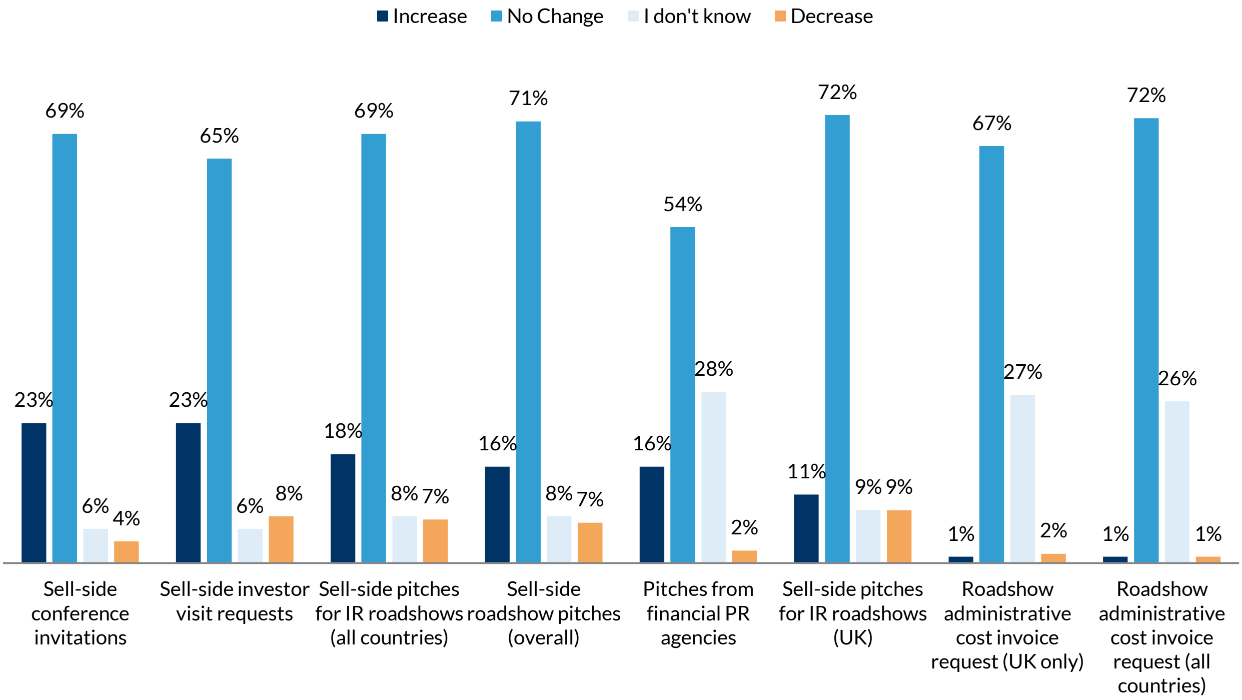
"Investors want to see companies and companies want to see investors, but ultimately the interest will have to be mutual. Brokers facilitate this access, usually as a part of their research (coverage, ideas, local knowledge, expertise....). The "value added" for the investor of this corporate access will vary on different occasions and bear little relation to the cost of providing it. It seems therefore that any attempt to clarify by legislation a non-financial benefit, especially in one geographic area of a global market, will not lead to significant changes in behaviour nor to an optimisation in the allocation of capital."

Chris Hollis, Head of Financial Communications, LVMH, President, CLIFF

Who's afraid of practice changes?

Have you noticed any changes in Corporate Access practices?

Chart 7: Breakdown of the survey corporate respondents

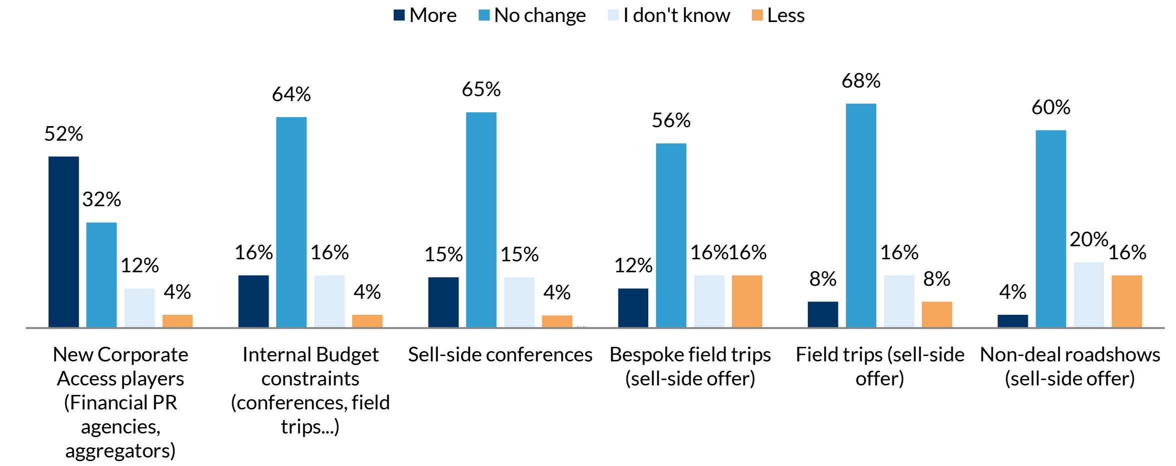


Source: Kepler Cheuvreux

- Six months after the rules on Corporate Access were changed in the UK, the vast majority of the listed companies surveyed did not see any major change in sell-side practices or any decline in the offers for conferences, roadshows and investors visits.
- On the contrary, nearly one quarter of them have experienced an increase in sell-side conferences and offers for investor visits.
- Brokers are still considered as being very active as far as pitches are concerned, especially when it comes to roadshows in London. 70% of the IROs said they are pitched at least as actively as in the past. Also worth noting was the rise of financial communications firms.
- Lastly, the survey pointed up the fact that there wasn't much change in the rebilling of the administrative cost of roadshows: only 1% of the companies surveyed saw changes in sell-side practices in that regard.

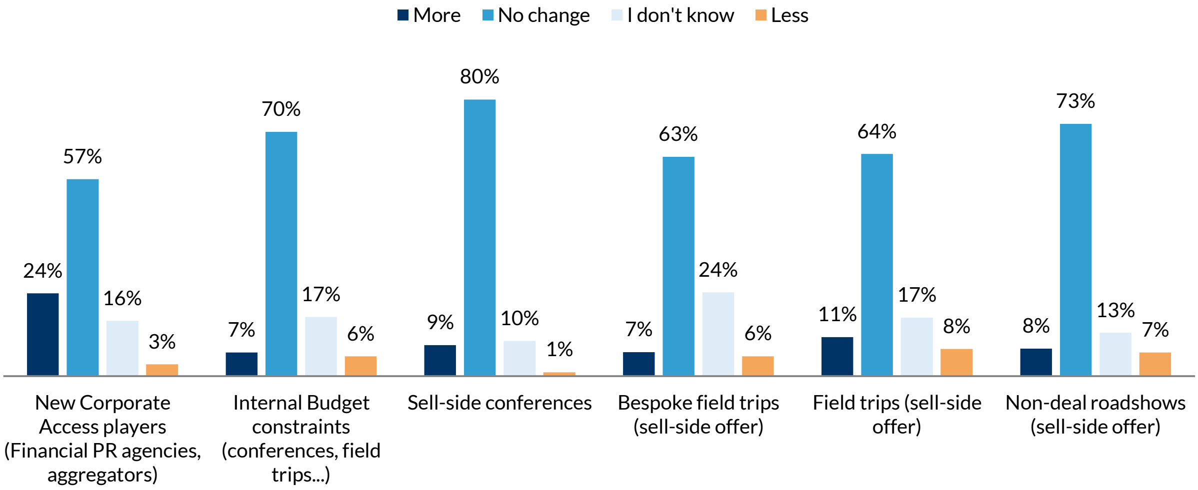
The vast majority of the investors surveyed did not see any dramatic change in Corporate Access sell-side offers. But UK and non-UK investors had different views:

Chart 8: Breakdown of the survey UK investor respondents



Source: Kepler Cheuvreux

Chart 9: Breakdown of the survey Non-UK investor respondents



Source: Kepler Cheuvreux

- Over half of the UK investors pointed out the emergence of new types of players in the field of Corporate Access (vs 24% for non-UK investors).
- 16% of UK investors cited new budget constraints on travel to conferences and field trips (vs 7% for non-UK)
- 16% of UK investors also noted a decline in sell-side offers to attend non-deal roadshows and bespoke field trips (vs 6% for non-UK investors). Conversely, according to 15% of the UK investors surveyed, there has been an increase on sell-side conference offers (vs 9% for non-UK investors). The experience of UK investors regarding Corporate Access sell-side offers is hardly surprising, as non-deal roadshows and bespoke field trips are considered as "plain vanilla" formats that cannot be integrated into the voting processes.

"We think this regulation is favouring Largest institutions and increasing dramatically the need for critical mass. In the long run, this will result in transforming this industry into an oligopoly where distribution and marketing will be the main assets. No doubt , the final customer will be the ultimate looser. If anybody reading these quotes has any doubts, we would suggest looking at the historical performance of the Institutional players like insurers or large asset managers vs small ones."

CEO, Asset Manager, UK (anonymous)

"No matter what comes out of the discussion, it will not be the case that the companies and the investors cannot meet. It should also be same for us, as meetings with companies represent:
1) the first step before more in-depth analysis or
2) a usual update, as we have meetings with more than 500 companies each year."

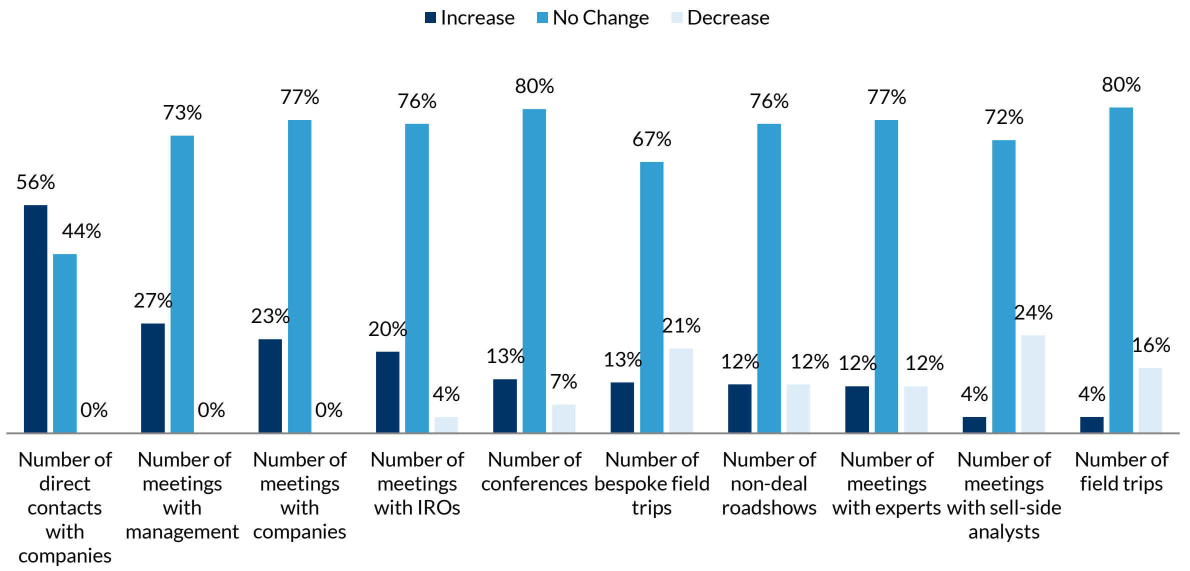
Head of European Equities, Continental Europe (anonymous)

"The original ESMA consultation paper on Mifid II was published in May. Among many other things, the paper seeks to unbundle payment for research services, which were defined as not qualifying as minor non-monetary benefits, from dealing commissions. This also would affect Corporate Access, as investor field trips and '"services linked to research such as corporate access" are defined by the ESMA as not qualifying as minor non-monetary benefits. On the other hand, investor participation at a Conference is defined as a minor non-monetary benefit. The ESMA paper was met with howls of protest from stakeholders from within both the brokerage and investment management communities. ESMA has admitted that it recognises the stakeholder opposition and that the technical advice will be "revised". However, at this point in time we do not know to what extent the arguments and proposals of the stakeholders will be accepted. If the original timetable is respected, then we should know more details at the end of December."

Robert Buller, Global Head of Account Management, Kepler Cheuvreux

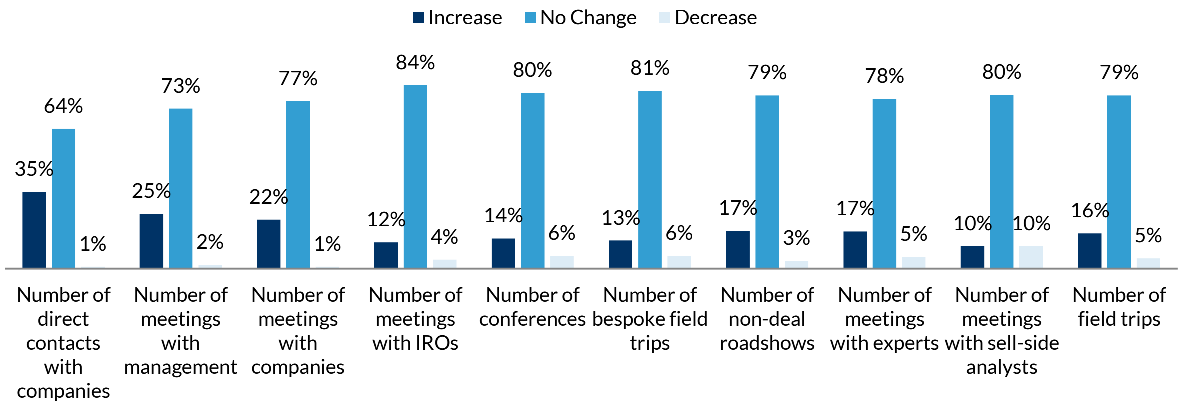
Do you plan to change your Corporate Access practices in the next 12 months?

Chart 10: Breakdown of the survey UK investor respondents



Source: Kepler Cheuvreux

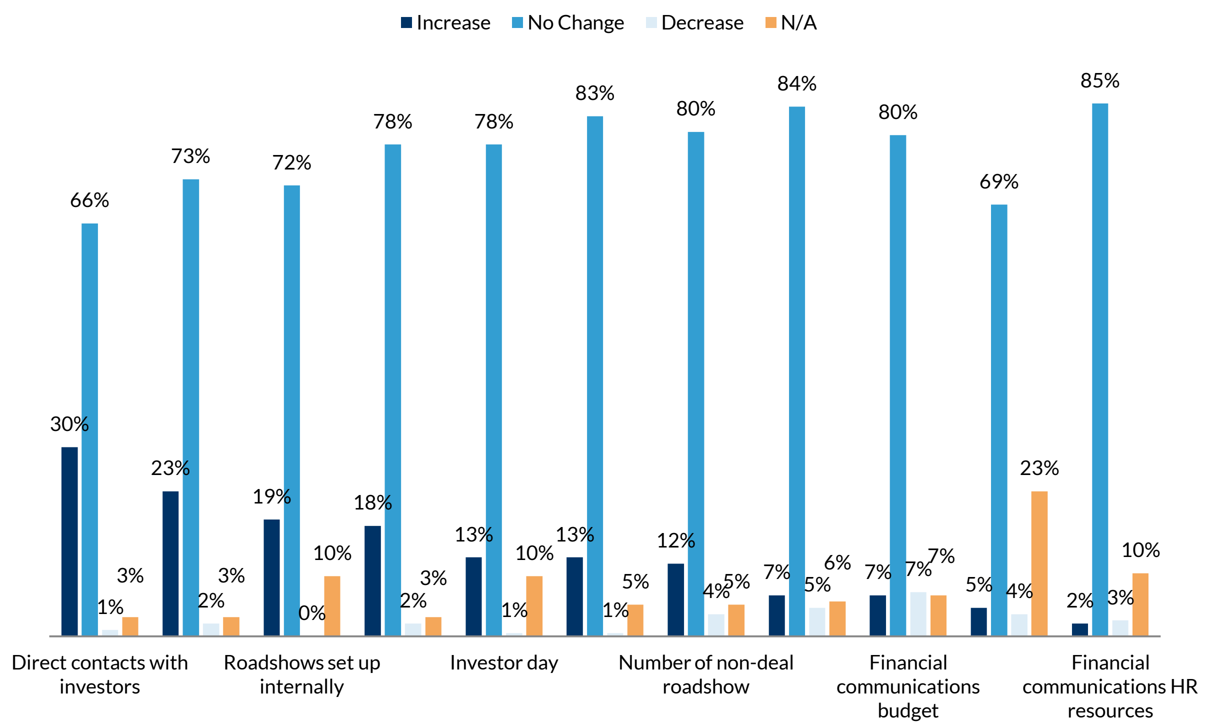
Chart 11: Breakdown of the survey Non- UK investor respondents



Source: Kepler Cheuvreux

- Six months into the new rules, nearly 60% of UK investors wish to establish a larger number of direct contacts with corporates (vs 35% for non-UK investors). This is the most salient change in Corporate Access practices anticipated by buy-side players.
- Apart from that, the vast majority of UK and non-UK investors have no intention of changing or reducing the number of contacts with corporates.
- On the contrary, nearly one third of UK investors wish to step up the number of meetings with CEOs/CFOs (the trend is similar for non-UK investors) and one fifth wish to have more meetings with IROs (moreso than in the case of non-UK investors).
- But UK investors expressed some new preferences regarding the format of Corporate Access: those who intend to soft pedal their participation in field trips slightly outnumbered those who wished to raise it (16% vs 4%). This held true for bespoke field trips (21% vs 13%).
- This was altogether different as far as non-UK investors were concerned. They stated they intended to maintain or even increase the number of meetings with corporates, regardless of the format.
- Lastly, nearly one quarter of UK investors intended to cut down on the number of contacts with sell-side analysts in the next 12 months. This can be construed as the first concrete impact of the current MiFID2 discussions that could lead to a wide implementation of research budgets and to pressure exerted on them.

Chart12: Breakdown of the survey Corporate respondents



Source: Kepler Cheuvreux

- Just as investors, the vast majority of IROs have no intention of changing their ways of working in the next 12 months. But certain trends are cropping up, not least of which the desire to insource Corporate Access: 30% of the IROs said they were considering establishing direct contacts with investors and nearly 20% claimed they could organize their roadshows themselves without the help of a broker. Yet very small minorities of them intend to increase their budgets or their staff (7% and 2%, respectively). Only 5% are also considering making greater use of financial communications firms.
- Nearly 20% of the IROs wish to increase their participation in the conferences organized by sell-side players and to host more investor visits.
- Virtually none of the IROs surveyed intended to change the number of roadshows, including those in the UK.

"As a leading Asset Manager, Amundi is an inevitable frontrunner in communication with listed corporates. Our issue over the last couple of years has not been overly related to the corporate access that we have as a significant if not major shareholder, but rather it has been more a question of how we streamline these numerous meetings, organised at the initiative of various stakeholders. Our goal is, on the one hand, to be sure that contacts are established at a relevant level and, on the other hand, to organise internally the emergence of a "GRM" role i.e. Global Relationship Managers for main corporates. As such, we can optimize and leverage our contacts with issuers wherever the entry point is: financial or credit analyst, portfolio manager, SRI team including regular dialogue about corporate governance/proxy vote issues, etc. Doing so, we are much more in the driver's seat instead of being a corporate road show addict."

Romain Boscher, Global Head of Equity, Amundi

"Unbundling research payments from trading commissions has been a great exercise: it has increased transparency and fairness for both our research counterparties and the shareholders of our fund. However, the picture is less clear for corporate access: it is a very important part of our investment process and our clients do benefit from it. Clearly, banks should not offer meetings necessarily to their best clients, but rather to the appropriate (potential) shareholders for the companies that they are roadshowing. In that sense, eliminating conflicts of interest is a very legitimate initiative. Nonetheless, banks are in a fantastic position to match companies and funds on a fair basis, and when done fairly, the process increases efficiency of capital allocation to the benefits of all parties involved. Prohibiting CSA payments for corporate access is therefore a suboptimal approach, in our view. The regulator should rather change the rule and implement a transparent compensation framework so that all parties involved are aware of any payments taking place. Funds could then be allowed to use CSA to pay for a service that is valuable to their shareholders."

Head of Research, Asset Manager, UK (anonymous)

"The targets the FCA aims to achieve through its new Corporate Access Policy Statement are clear or reasonable. Its effects on our day-by-day IRO activities could be positive, or worrisome as well, e.g. medium-small cap corporates would not have enough IR budget to cover new marketing services (financial PR agencies or aggregators) or costs previously sustained by brokers, and while financial PR services could represent typical corporate services in UK, in other European countries they are something completely new. Moreover I'm wondering if new Corporate Access instruments would provide the same quality feedback and suggestions as a broker covering the stock."

Elisabetta Cugnasca, Head of Investor Relations, Autogrill

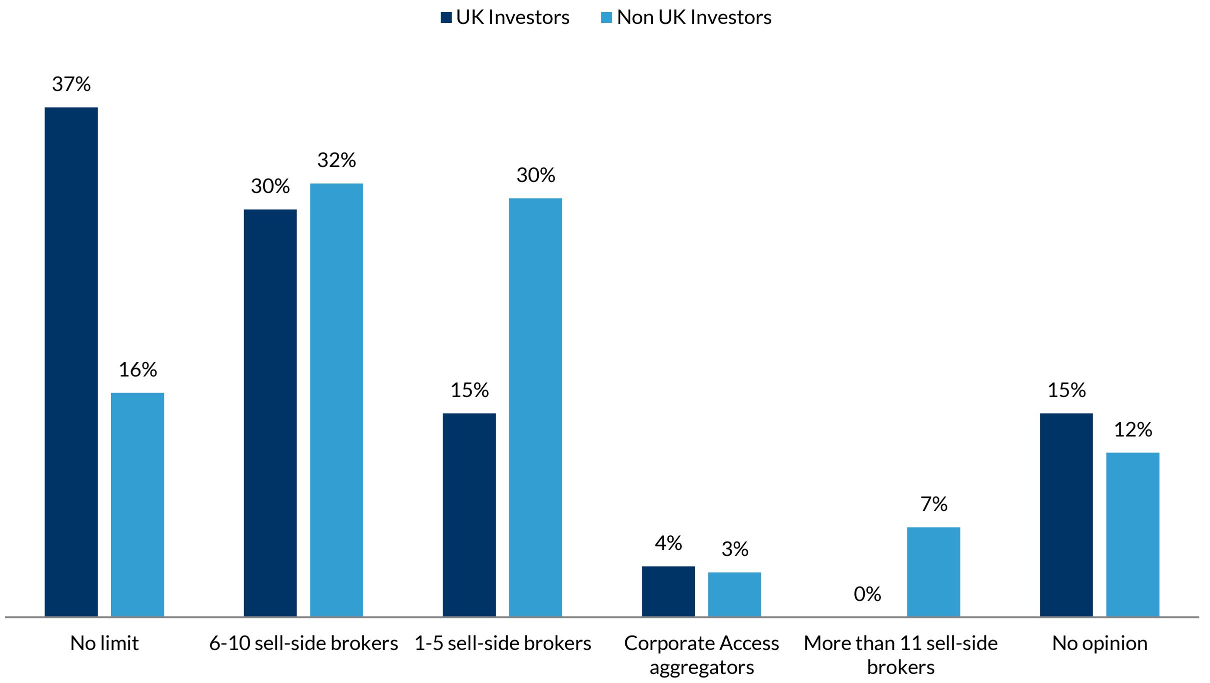
"The new regulation regarding corporate access was obviously necessary in the UK, but that doesn't mean, that the same system is in place in every European country. I hope that regulators will have a closer look on the differences between the markets. Anyhow, for investor relations there are plenty solutions available. The one which suggests itself is a proactive and direct engagement with the investors."

Patrick Kiss, Head of Investor & Public Relations, Deutsche EuroShop AG, Founder of IR Club

All about corporate access

How many counterparts are you willing to work with on Corporate Access in Europe?

Chart 13: Breakdown of the survey Investor respondents



Source: Kepler Cheuvreux

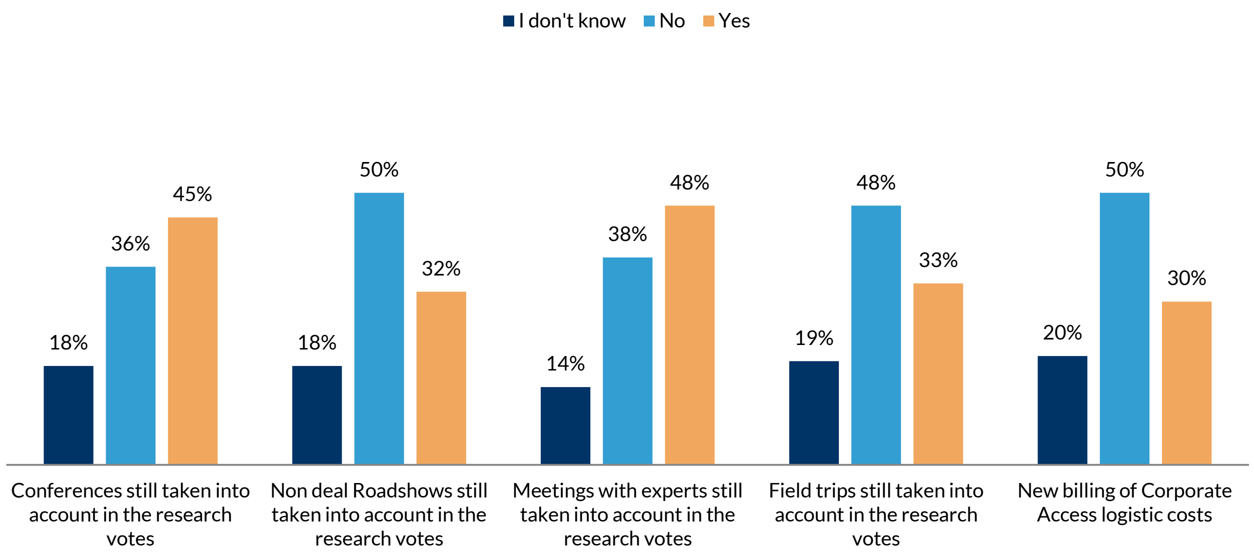
- The findings varied widely between UK and non-UK investors:
- Only 45% of UK investors wished to limit the number of sell-side parties to 10 brokers for Corporate Access (vs over 60% in the case of non-UK investors) and 15% wished to have only 5 brokers (vs 30% for non-UK investors).
- Nearly 40% did not consider reducing the number of brokers for Corporate Access (vs 16% for non-UK investors).
- One converging view was the lack of interest in using Corporate Access aggregators, which were mentioned by only 4% of the investors surveyed.

"When deciding with which sell side broker we work on corporate access we have a structured approach. The selection criteria comprises a variety of areas such as depth of analyst coverage of our company, ability to organize meetings with decision makers, overall quality of services, particular knowledge of certain markets. Applying these criteria naturally leads to the result that we not only cater to one broker but normally rotate among about 10 firms. I don't think, that the new rules will change our approach substantially."

Michel Gerber, Investor Relations, Holcim and President of the Swiss Society of Investor Relations (IR club Schweiz)

How do you appraise Corporate Access services?

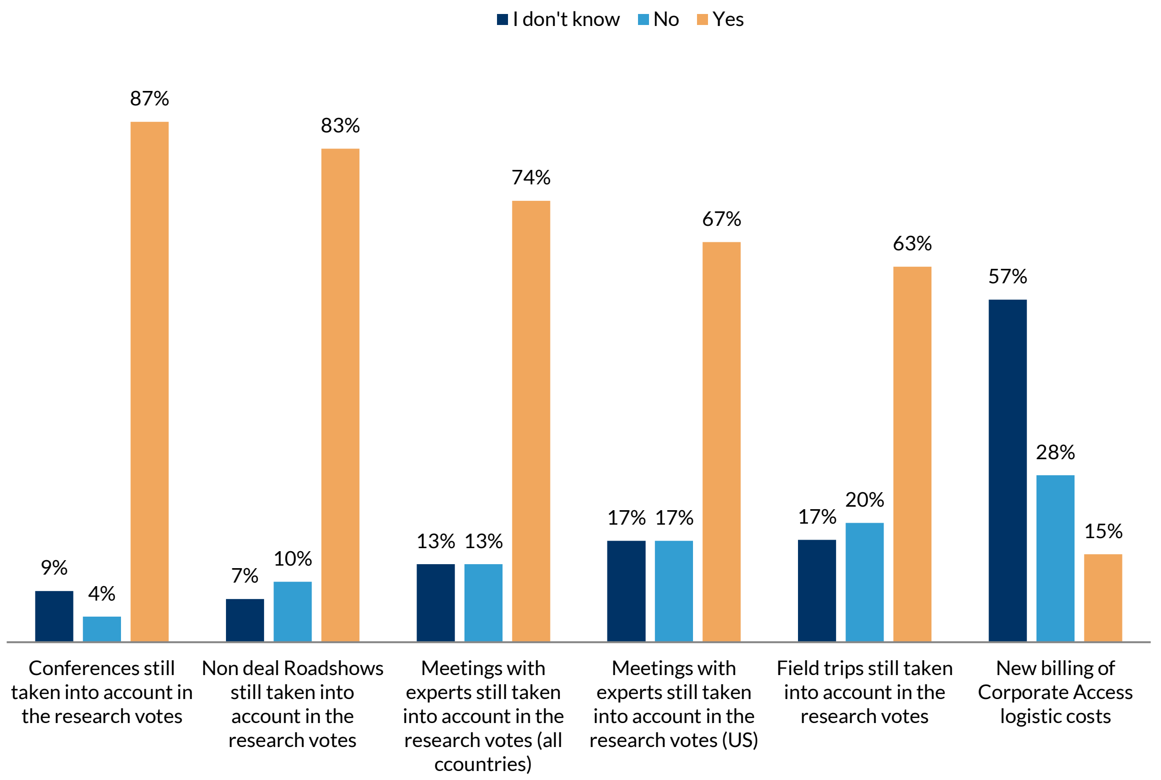
Chart 14: Breakdown of the survey UK Investor respondents



Source: Kepler Cheuvreux

- Unsurprisingly, Corporate Access assessment practices varied widely between UK and non-UK investors.
- As far as UK investors were concerned, practices remained rather discrepant overall. Roughly one investor in five was unable to respond to the questions.
- Half of the UK investors take conferences and meetings with experts into account in research-related votes but one third of them do not.
- The opposite is true for non-deal roadshows and field trips: 50% of UK investors do not factor them in the votes whereas 30% still do.
- 30% of UK investors said they would set up an unbundled billing system for the administrative expenses of Corporate Access services.

Chart 15: Breakdown of the survey non-UK Investor respondents



Source: Kepler Cheuvreux

- In the case of non-UK investors, Corporate Access assessment practices are more uniform:
- Over 80% of the non-UK investors surveyed take conferences and non-deal roadshows into account in their research-related votes. Three out of four also factor in meetings with experts (esp. US investors) and two thirds factor in field trips.
- Nearly two out of three non-UK investors have not yet made any decisions about unbundled billing systems for the administrative expenses of Corporate Access services.

"Meeting corporates is pivotal to our investment process! As long-term investors, the analysts and fund managers of AXA Investment Managers need to look in the eyes of CEOs/CFOs to develop trust in their capacity to grow/transform the company we are about to invest in. Meeting corporates is therefore a key component of our investment process, and we believe that any deterioration of this activity would have negative impact on the investments of our clients.

However, the UK regulator has considered that the situation should evolve and issued a new policy in June, which is setting principles but no precise rules. In this context, as your survey shows, asset managers have evolved in different directions, some of them are not even considering changing their current practices.

This situation is even more complex for global / pan-European asset managers like us, having offices in the UK as well in the rest of Europe, since there has been no harmonisation at the European or global level, leaving asset managers in a tricky situation when it comes to having a harmonised approach across their offices.

I am therefore urging European regulators to find a common position on this topic in the context of MIFID II and in the meantime, after having sent a letter to all our brokers to clearly state that the dealing commissions of our clients should not be used to pay for Corporate Access, we are considering paying brokers in the UK for the administrative services around Corporate Access, but we are not considering reducing the volumes of meetings/conferences we participate in."

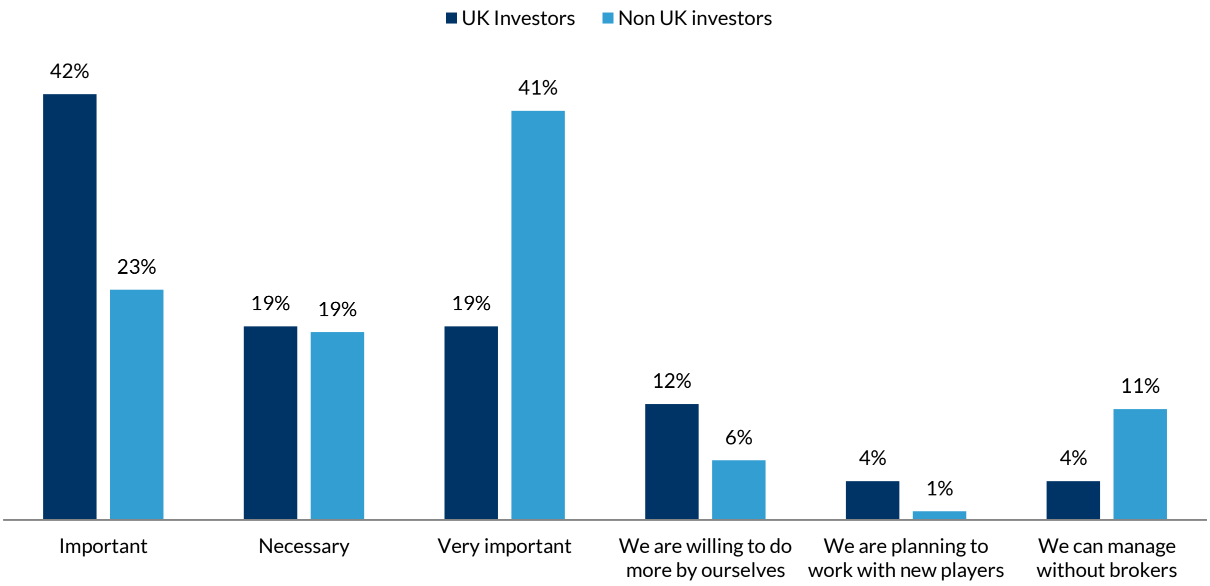
Geoffroy Reiss, Chief Operating Officer, AXA Investment Managers

" We are aware that an investment manager may commonly attend investor conferences arranged by a broker, which involve both a number of sessions with corporate issuers (which would constitute Corporate Access), but also, as assessed by the investment manager, the presentation of some substantive research by a broker's analyst or an industry expert. Likewise, during an investor field trip, the investment manager may receive a report or verbal briefing from the arranging broker or third party that constitutes substantive research. In each case, the investment manager should take steps to identify and disaggregate the discrete element of substantive research within this bundled service, from any non-eligible elements such as Corporate Access, and make a fair assessment of the charge it should pass on to their customers through dealing commissions for the acceptable part.[...] An investment manager can still choose to pay for other, non-eligible elements of a conference or field trip, such as Corporate Access, other than through dealing commission. This will be a commercial decision for the firm. For example, to facilitate Corporate Access outside the UK, a broker may draw on the knowledge of their analysts to arrange a meeting. Since this is part of the Corporate Access service, the investment manager should not pay for this with dealing commissions. However, if the broker and investment manager agree that a form of arrangement or introducer fee is appropriate to compensate the broker, an investment manager may decide to pay this fee from their own resources.

FCA Policy statement "Changes to the use of dealing commission rules: feedback to CP13/17 and final rules – PS14/7, May 2014 (extract)

How important are sell-side corporate access services to you?

Chart 16: Breakdown of the survey Investor respondents



Source: Kepler Cheuvreux

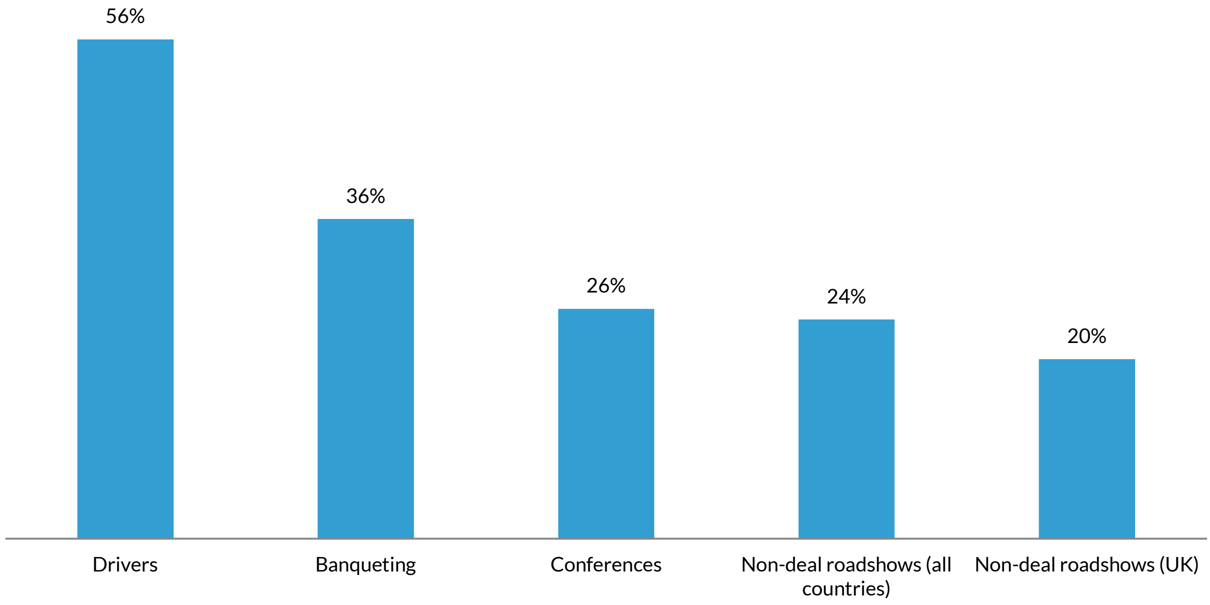
- More than 60% of UK and non-UK investors said they considered Corporate Access sell-side services as either important or very important. This view is shared by over four out of five listed companies.
- But the detailed findings showed certain discrepancies between UK and non-UK investors:
- Non-UK investors outnumbered UK investors as far as considering Corporate Access sell-side services as very important was concerned (41% vs 19%).
- Only one UK investor in six considered insourcing Corporate Access services and a very small minority (4%) considered they could do without a broker or could use new service providers. The picture was similar in the case of the listed companies surveyed: 11% said they would access investors without any brokers and 5% said they would use new entrants.

"This survey emphasises the importance of corporate access to the buy-side when making prudent investment decisions, and finds that despite significant regulatory overhaul in key markets, the appetite for corporate access events from brokers is as strong as ever. It is our view that brokers are best-placed to create the forum between companies and investors; having long-established relationships and expertise in this area, and that in fact, regulation provides an opportunity for all stakeholders to maximise the value of the corporate access product. Greater transparency around events gives investors clearer choices around events available to them, brokers benefit by distributing their events to a wider audience, and companies are able to optimise the value of management's time with the investment community."

Ben Burnside, Founder & CEO, CoporateAccess.net

Would you agree to pay for Corporate Access services?

Chart 17: Breakdown of the survey Corporate respondents



Source: Kepler Cheuvreux

- Most companies surveyed said they were prepared to handle the cost of drivers and one third said they could settle the cost of lunches/banqueting.
- But only one quarter of them said they were prepared to do so in conferences, roadshows in and outside the UK.
- These diverging views showed that the companies did not have clear-cut positions on the topic.

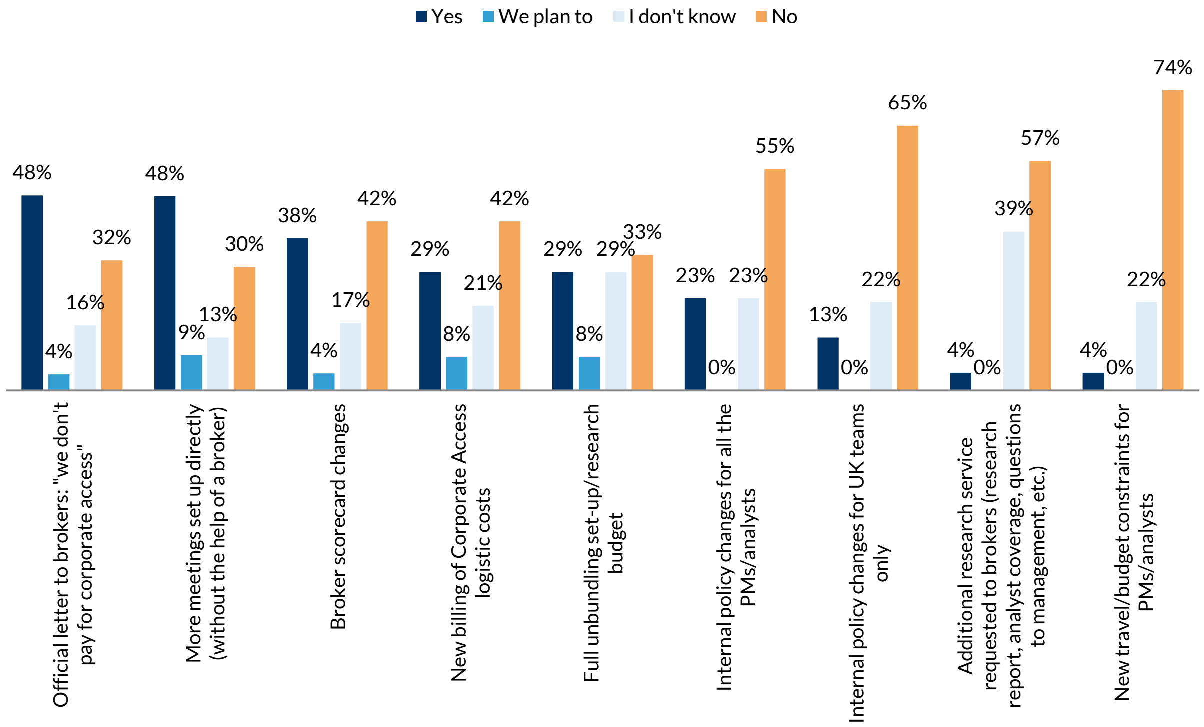
"Our experience suggests that management continues to be highly responsive to our meeting requests and that the recent regulatory discussions around corporate access has had no negative impact on the number of meetings we are offered. We attribute this in part to our relatively large market share in the industry and our longer-term investment horizon, which makes us a preferred shareholder and discussion partner for many companies. Smaller asset managers might find it more difficult to continue to get corporate access, should intermediaries stop facilitating these meetings."

Andreas Fruschki, Vice President & Portfolio Manager, Allianz Global Investors

Has your company recently adapted its internal policy on Corporate Access?

As anticipated, there was a gap between UK and non-UK investors in terms how they have adjusted their Corporate Access policies.

Chart 18: Breakdown of the survey UK Investor respondents

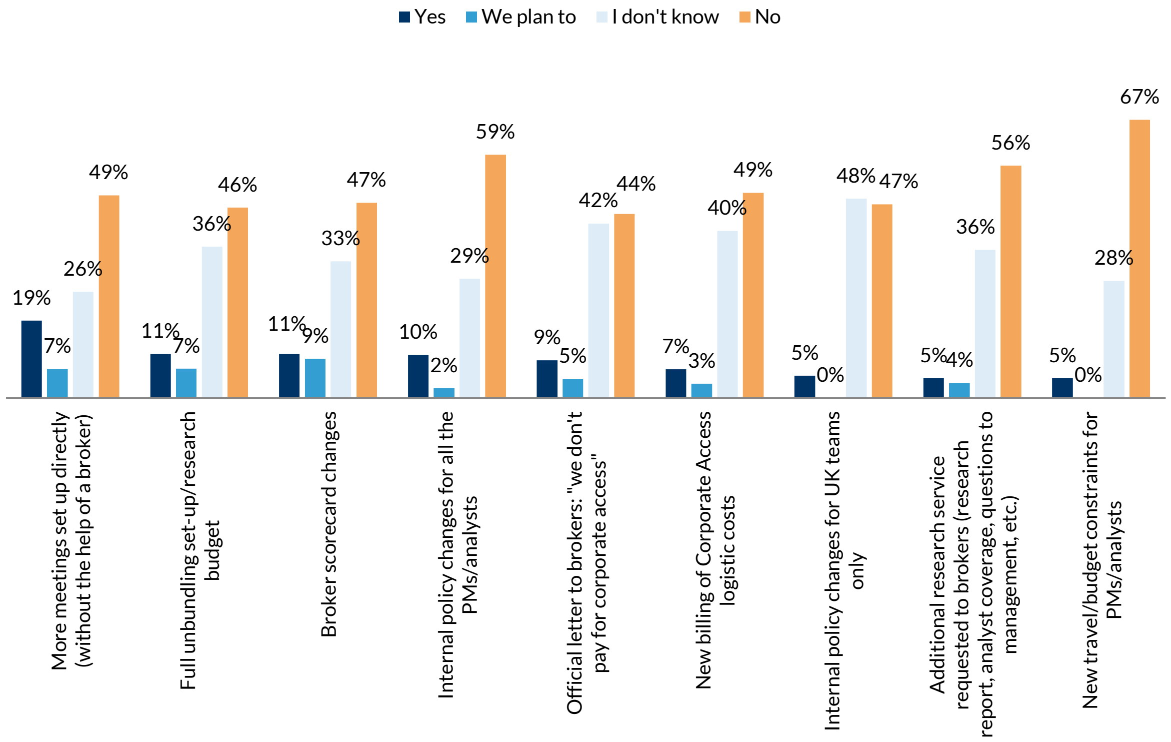


Source: Kepler Cheuvreux

UK investors:

- Certain practices have already emerged but many uncertainties remain. Nearly half the investors surveyed sent letters to their brokers confirming they would no longer pay for Corporate Access and/or they have changed their broker scorecards.
- Yet only one third have set up research budgets by fully unbundling and 8% intend to do so. The situation is identical when it comes to setting up an unbundled billing system for the administrative expenses of Corporate Access services: only one third of the investors surveyed have already done it.
- Only a very small minority of UK investors have requested their brokers to supply additional research services in the field of Corporate Access: access to the research, suggested questions to management, preparatory meeting with the analyst, etc.. Nearly 40% were still undecided.
- Lastly, the regulatory changes have not resulted in budget constraints for UK PM/analysts travel to date.

Chart 19: Breakdown of the survey Non-UK Investor respondents



Source: Kepler Cheuvreux

Non-UK investors:

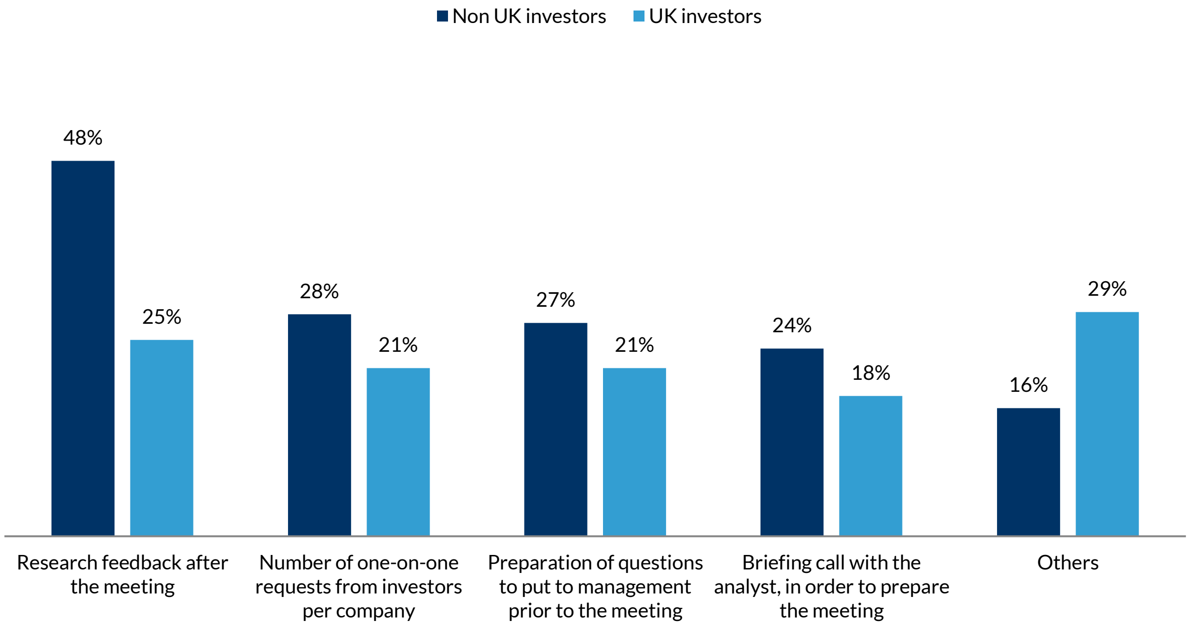
- Most of them have not changed their Corporate Access policies, one third were undecided and a minority of them intended to change them.
- Some new practices are emerging - such as making direct company contacts (one quarter of the investors surveyed said they had either started or intended to), changing broker scorecards (20%) and setting up research budgets with a view to fully unbundling (18%).
- Only 5% of non-UK investors reported new budget constraints on their travel.

"There is no doubt that the equity community will face real challenges in the ways corporate access can be paid for by the UK buy-side. At the heart of those challenges, and we have seen this for several years in our Extel findings, is the high level of importance asset managers attach to meeting with C suite at companies. The pivotal role such direct interaction plays in the investment decision process is both undeniable and a simple fact of life."

Steve Kelly, Head of Europe, Extel WeConvene

What's the most useful research service related to Corporate Access?

Chart 20: Breakdown of the survey Non-UK Investor respondents



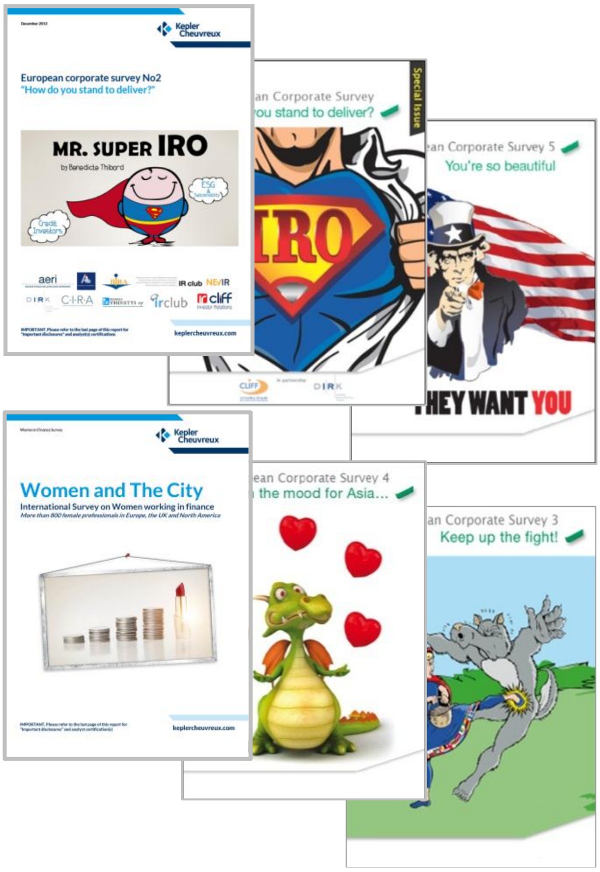
Source: Kepler Cheuvreux

- As already mentioned, only a minority of UK investors already request additional Corporate Access research services from their brokers. In decreasing order of importance, the research services deemed most useful were: research feedback after corporate interviews (25%), the number of o-o-o requests per company (21%), suggested questions to management (21%) and a call with the analyst before a corporate interview (18%).
- Regarding this topic, there was not much of a gap in the practices between UK and non-UK investors, except as far as their views on research feedback were concerned: nearly half of the non-UK investors considered it was useful, versus 25% in the case of UK investors.

"In our internal "broker ranking" the feedback collected by our roadshow partner or the conference organizer is one of five factors to evaluate the corporate access service they provide. We inform every broker and every analyst that we are keen on the feedback of the investors we met, but many still don't provide it (especially for conferences) or send us fake feedback with empty phrases (which we are able to detect). They miss the chance to position themselves better for the selection of our coporate access partners for the following year.
What we like is also feedback of investors who denied to meet us. The reasons are often very simple and can show us, in which way the (investor) relation may needs some "maintenance"."

Patrick Kiss, Head of Investor & Public Relations, Deutsche EuroShop AG, Founder of IR Club

Our SmartConnect surveys



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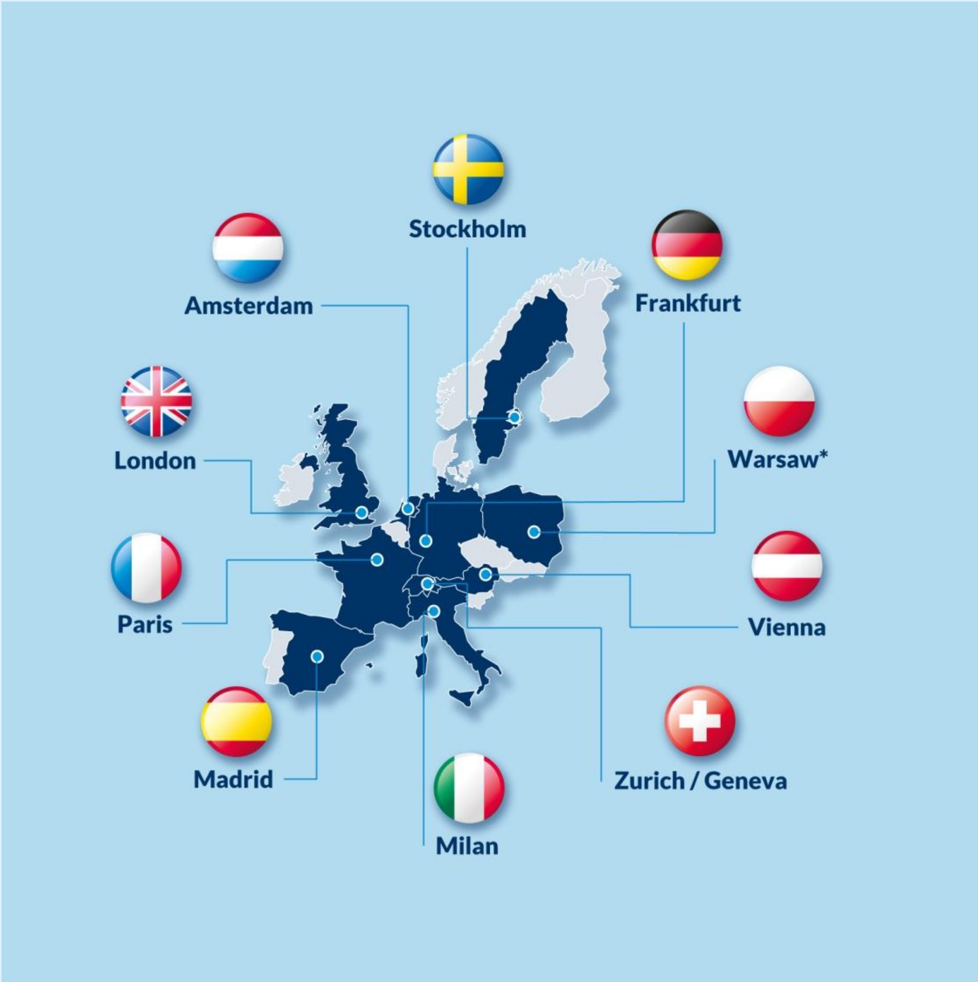

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