



MINERVA

ANALYTICS

Stewardship Report 2021
October 2021



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FOREWORD

As the 30th anniversary of the Cadbury Code approaches, the financial community is moving from a culture of compliance-driven governance to a more fully integrated approach to sustainable stewardship. The bar has been raised, not only because of an evolving understanding of fiduciary duty and regulatory demand, but more importantly because our clients and society expect the finance sector to be ever more socially conscious.

Stewardship is rapidly evolving to embrace new concepts of risk. Conversations around ESG have expanded to include sustainability factors and climate change. While there is always room for debate around what constitutes good, better, or best practice stewardship, there is no current debate that informed stewardship decisions depend on high quality, trustworthy data, and systems.

Data, information, and expert knowledge have always been at the heart of sound financial decision making. We believe that the same applies to stewardship, which is why, since 1995 the Minerva team has maintained a laser-steady focus on three issues:

- I. **Data quality:** ensuring that the data we curate for our clients is of the highest quality.
- II. **Customisation:** we have never believed that one size fits all, so we offer clients a fully bespoke approach to policies which ensures that voting is aligned with their values.
- III. **Continuous improvement:** the Minerva team has maintained its commitment to excellence and innovation with new tools and data to support our clients and their stewardship programs.

Over the past year we have launched four major new stewardship modules:

- Pooled fund split voting;
- Sustainable securities lending;
- UN SDGs portfolio analytics; and
- Bespoke ESG index data feeds.

Minerva's goal is to ensure that our clients can be informed and engaged stewards, underpinned by the best sustainable research data and software tools, and supported by an expert team.

Since its original launch in 2010, the UK's Stewardship Code has become a global "Gold Standard" for principles-based responsible investment. Minerva fully supports the values and vision embedded in the Code, which is why Minerva chooses to recommit its support the 2020 Stewardship Code.

This stewardship statement has been produced to fulfil the reporting requirements of the 2020 Stewardship Code. It also acts as Minerva's compliance statement for the Best Practice Principles for Shareholder Voting Research. We have cross-referenced the relevant requirements on page 24.



Sarah Wilson
Chief Executive

PRINCIPLE 1: PURPOSE, STRATEGY & CULTURE

Signatories' purpose, strategy and culture enable them to promote effective stewardship

Minerva's business model and strategy

Minerva is an independent Europe provider of global research and proxy voting solutions. Since our original founding in 1995 as The Manifest Voting Agency, Minerva has provided institutional investors with independent, impartial, and innovative research and voting services on shares they own or manage. Minerva's mission statement is "Better Data: Better Stewardship".

Since 2019, Minerva has worked closely with its strategic shareholder, [Solactive](#) to extend our reach to provide complementary services to our mutual client base.

Our vision is to support and enable institutional investors to fulfil their own unique vision of responsible investment through the provision of high-quality, impactful, and material stewardship support services. Minerva therefore focuses on supporting institutional investors rather than also advising the corporate or issuer community.

Beyond simply achieving compliance, we recognise that making sustainable stewardship a concrete reality depends on high quality, actionable data and informed insights. Minerva therefore blends deep knowledge and understanding of our clients' investing context but advanced skills and capabilities in the field of data science and knowledge management.

High quality data and systems are the key ingredients for ESG integration and stewardship today. As a natural extension of the investment management process, we believe that these essential features have often been overlooked. This can be detrimental to the accuracy and reliability of financial transactions. It also leads to inconsistencies in sustainability and governance disclosures.

Whether it is ESG ratings or more hygienic vote plumbing, Minerva strives to improve client stewardship activities through a commitment to excellence in data collection, consolidation, and distribution.

With a comprehensive policy framework based on three pillars of Governance, Remuneration and Sustainability factors (including climate change), our unique blend of technology, knowledge and data management expertise delivers a truly customised approach to help clients meet the needs of long-term sustainable investment.

Minerva offers a suite of sustainability support services covering the following competencies and deliverables:



Our goals and cultural values

Minerva's business culture is professional yet personal. We are a small and friendly team, who strive to consistently provide a customised service to each of our clients. When we look to the future, we think it is best to have goals and cultural values that play to our strengths. These in turn, provide a pathway and guidance that allow us to deliver our services and promote stewardship to an exceptional standard.

Continue to be the best partner for our clients

Our number one focus will remain to ensure our clients receive the best possible proxy voting service that we can deliver, and that Minerva continues to be an organisation in which they can have complete confidence.

Committed to quality

By quality, we mean "fit for purpose" and for proxy services that means accurate, relevant and consistent research which meets our clients' needs for trustworthy information, together with best execution administrative support.

Equip and develop our team to meet the opportunities ahead

We believe that our team associates are critical to the company's development and growth. Therefore, we are investing in their training and development, for example through advanced apprenticeships in new technology and techniques such as NLP and AI tools. But overall, we believe that managing the business in an ethical and responsible way is the best route to our clients' success.

Committed to objectivity

Minerva's research philosophy is underpinned by a commitment to independent and objective research which supports the needs of investors as providers of risk capital.

Minerva is not a regulator, trade association, shareholder body, NGO, or lobby group, therefore we do not have a narrow focus on partisan issues and our funding model is completely transparent.

As a commercial financial information business, we provide a comprehensive data, analytics, and research service on either an ad hoc or straightforward subscription basis to any organisation with an interest in governance or ESG. We are proud of our ability to contribute to the development of standards through independent, objective and evidence-based data analysis.

Promoting effective stewardship

Minerva plays an active part in the stewardship community contributing to the ongoing development of better standards to support our clients' objectives.

Engaging with public policy leaders to achieve better stewardship and voting access for shareholders on a global scale is a significant part of our business development strategy. To that end, we work closely with governmental bodies such as the UK's Department of Business Enterprise & Industrial Strategy, the Financial Reporting Council and the US Security and Exchange Commission.

Minerva is at the heart of the governance debate in Europe and North America, particularly in respect of proxy research regulation and reform of proxy plumbing. In this way, we help to shape the agenda to protect and enhance shareholder rights.

Specifically, we are breaking down the barriers to shareholder participation in the AGM process by developing open standards for electronic voting and working against the vested interests that have for so long made voting an unnecessarily complex process.

Providing investors with comprehensive stewardship support

Minerva offers many value-added features as standard to reduce clients' total cost of ownership. The result is a holistic solution which works seamlessly with clients' existing operations, offering peace of mind that clients are not only operationally effective but fully compliant.

Objective and independent research framework

Minerva aims to ensure that investors' rights are fully protected. This is achieved with superior research and best execution voting operations. As a starting point we use the OECD Principles of Corporate Governance, supplemented by local market standards. In turn, this is supported by academic research and insights from local market experts. Our objective is not to have a dogmatic "one size fits all" policy, but to provide comprehensive and thoughtful analysis, which is responsive to, and evolves with, market practices.

G20/OECD
Principles of
Corporate
Governance



Good, better or best practice?

While Minerva's clients all agree that good governance and good stewardship matter, not everyone shares the same perspective or prioritises the same issues. Therefore, the Minerva research framework has been specifically designed to capture the broadest range of issues spans global regulatory standards from bodies such as the OECD or UN Global Compact, together with local market laws and regulations and our clients' own policies.

Furthermore, our analysts' research brings wider perspectives which can very quickly surface new and important issues which might otherwise be overlooked. This is an advantage of our commitment to "custom as standard" as opposed to being focussed on a singular view constrained by a "house voting policy".

Sustainable stewardship decisions based on high quality data

In addition to data disclosure by issuers, Minerva uses a range of sources to inform voting and research including regulatory websites, supra-national bodies and NGOs. Data is subject to stringent quality control procedures and, despite the highly variable nature of data from market to market, we normalise and standardise our data to ensure it can be easily understood by our clients.

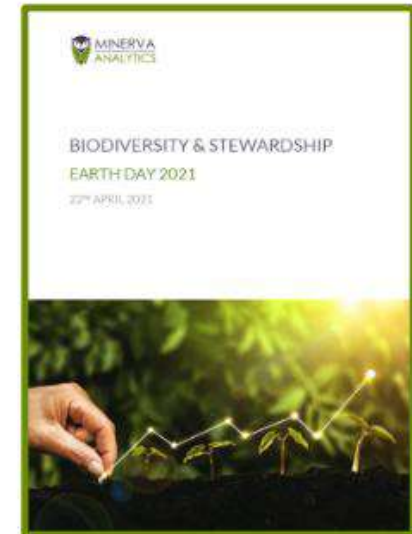
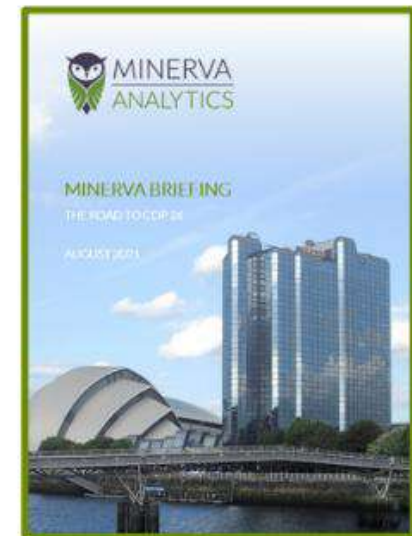
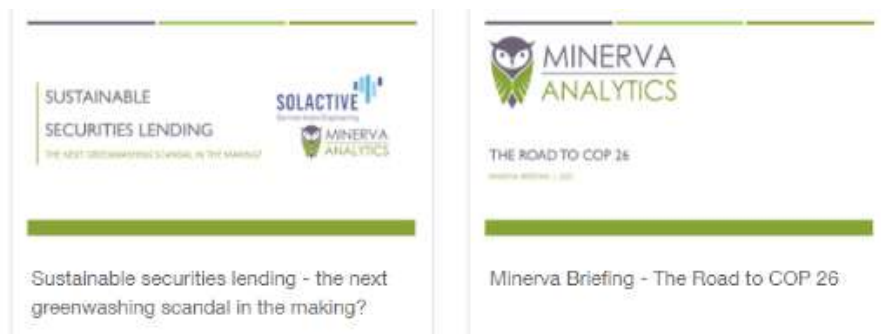
Client and Market Communication

The evolution of stewardship brings complexity; we are therefore focussed on finding new ways to bridge the gap between policy and practice. During 2021 we have extended our range of client and market communications with webinars, topical briefings and blogs posts across a range of media.

As an example, one of our most recent webinars focused on sustainable securities lending, bringing together several speakers from across the financial sector to discuss how investors can be responsible for their lending.

We provide clients with policy ‘Briefing’ notes on a range of topics which are evidence-based. These notes summarise key issues or developments that we believe are of interest and relevance to our clients and contain our views and comments on such developments. As experts in this area, these avenues provide us with the opportunity to share our knowledge and analysis of important topics with our clients. Many of these briefings can be downloaded free of charge from our [website](#).

Examples of the Minerva Briefings and their on-demand webinar counterparts can be found below. This content is also available on Minerva’s [BrightTalk Channel](#).



Outcomes

Stewardship is changing rapidly, and Minerva has responded promptly and positively to ensure that our clients can stay on top of their fiduciary duties. During 2020-21 Minerva has:

- Grown its client base and achieved a greater than 95% client retention rate.
- Launched new stewardship solutions including SDG portfolio alignment, implementation statements, ESG taxonomy services, TCFD reporting and pooled fund split voting
- Entered new market segments including ESG index data provision in partnership with Solactive.

In combination, these achievements give our clients a secure base from which to manage their stewardship programmes, confident that the services we develop are fine-tuned to meet the needs of institutional investors.

Our compliance with the UK Stewardship Code Principle 1 has meant we have also aligned ourselves to 'Article 3j Transparency of Proxy Advisors' from the [Shareholders Rights Directive 2](#) and 'Principle 1 Service Quality' from the [Best Practice Principles for Shareholder Voting Research](#).

Minerva's leadership and innovation is increasingly recognised in the wider investment community and in the past 12 months Minerva has achieved a number of [prestigious awards](#) for innovation and market leadership.

Recognition of Minerva's Stewardship Achievements



Winner
Best Sustainable & ESG Investment Initiative
 September 2021



Runner-up
ESG Data Provider of the Year
 September 2021



Winner
ESG Initiative of the Year
 June 2021

PRINCIPLE 2: GOVERNANCE, WORKFORCE, RESOURCES & INCENTIVES

Signatories' governance, workforce, resources, and incentives enable them to promote effective stewardship.

Structure and governance

Minerva's ownership and governance structure reflects its business objective. There are three shareholders, each with equal stakes: the executive directors, Sarah Wilson (CEO) and Tim Clarke (IT Director), and [Solactive](#) AG represented by CEO Steffen Scheuble and COO Roger-Marc Noirot.

Solactive is a German FinTech business providing bespoke index and benchmarking services, including bespoke ESG indexes. The Solactive team brings many years' financial services experience which provides complementary insights into the regulated funds industry. From their headquarters in Frankfurt and their offices in Dresden, Berlin, Toronto, and Hong Kong, Solactive services over 350 fund clients. Solactive is a registered benchmark administrator under the European Benchmarks Regulation ([BMR](#)) with the German Federal Financial Supervisory Authority ([BaFin](#)), the European Securities and Markets Authority ([ESMA](#)) and complies with the IOSCO Principles for Financial Benchmarks ([IOSCO](#)).

Minerva provides Solactive with ESG data for numerous bespoke index strategies which are negotiated on a fully arms-length basis. While general governance themes and trends are discussed at board level, Solactive plays no part in setting, or approving Minerva's research methodology.

In terms of financial services regulation, disappointingly there remains, considerable confusion and misunderstanding about the role of proxy voting and the term "proxy advisor" is highly contested. Minerva has always used the term "proxy voting agency" to reflect the fact that we are executing clients' transactions rather than soliciting proxies to use on our own behalf.

As a UK-domiciled company providing what regulators have identified as proxy "advisory" services, Minerva's supervisor is the [Financial Conduct Authority](#) and the code of conduct required by the Shareholders Rights Directive (SRD) is the [Best Practice Principles for Shareholder Voting Research](#). We anticipate that regulators will bring both ESG research and investment advice into their regulatory boundary in due course, in which case, due to the integrated nature of our services, we expect that we will be subject to further reporting requirements.

There is considerable overlap and alignment between the Stewardship Code, the Shareholders Rights Directive and the BPP Principles. To help stakeholders better understand how Minerva addresses the needs of each individual framework, as well as our overall approach to stewardship, in future years, Minerva will provide a single fully integrated stewardship and regulatory report. In the meantime, a comparison of the current principles and requirements is provided at the [end of this report](#).

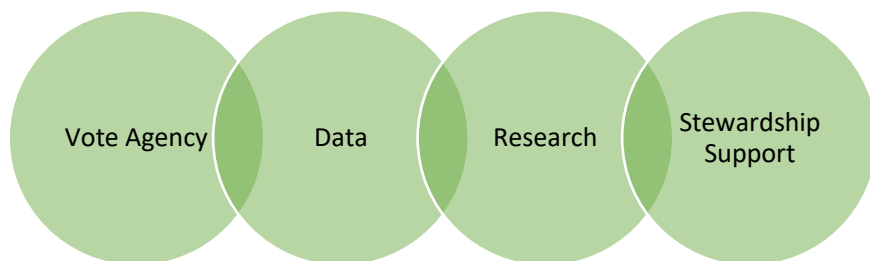
Managed service delivery

Minerva’s services are delivered through a carefully managed and controlled process which includes effective policies, procedures processes that enable our team to deliver focussed stewardship services to clients. Ongoing monitoring and review of our approach, effectiveness testing and feedback is core to our management systems.

Expert team

Minerva’s people have real market knowledge and consult primary sources for their information. They verify disclosures for inconsistencies and accuracy and strive to meet demanding quality standards to ensure our products and services have unrivalled accuracy and speed.

Our team is arranged in four primary groups:



These are in turn supported by an infrastructure comprising:



Minerva’s research, analysis and guidance is developed by analysts who individually, or collectively, have appropriate qualifications, knowledge, and skills in researching the jurisdiction in which the company covered is based. The Minerva team is highly capable with longstanding experience of ESG research and proxy voting operations.

Corporate governance and ESG knowledge are a particularly niche area of financial services. It is therefore very rare to find graduates with the requisite knowledge and experience of the industry. Our staff typically have at least one degree, with many possessing higher degrees e.g., MA, MSc or MBA. Several of our team are either currently taking or have recently completed advanced apprenticeship programmes with Anglia Ruskin University to develop new technical skills, notably in data science achieving distinction and first-class honours outcomes.

All our analysts undertake rigorous technical training supplemented by ongoing continuous professional development, including, but not limited to external examinations such as the [CFA Certificate in ESG Investing](#) and the University of Cambridge Institute for Sustainability Leadership (CISL) [Sustainable Finance Certificate](#).

We are also a highly diverse, multi-ethnic, multi-nationality organisation with language skills including Bulgarian, French, German, Italian, Mandarin, Portuguese, Russian, Shona and Spanish. At the height of peak season our headcount of 85 full and part time staff is comprised of 48% staff who identify as female. The organisation is also very stable with an average tenure of the senior leadership team of over 15 years.

Service quality

Minerva is committed to providing the highest quality corporate governance, sustainability disclosure and shareholder voting research and analysis services. Minerva recognises that, individually and collectively, the directors, managers and staff are ultimately responsible for our research and protecting the integrity of our services.

The Shareholders Rights Directive regulations require that proxy advisors, attest to the “accuracy and reliability of advice”¹. Given the diversity, subjectivity of opinions and lack of agreement around voting or ESG, we do not believe that voting guidance can be said to be “accurate” or indeed “reliable”. What we can say, however, is that our research reports and associated voting guidance are prepared with strict quality control criteria and that data accuracy and reliable service delivery are our utmost priority. Our advice, is, we believe, as accurate as it reasonably can be given the significantly varying standards of data provided by companies or procedures operated by 3rd party intermediaries over whom we have no influence or control.

Rigorous research methodologies

Minerva uses methodologies that are rigorous, systematic, and, where possible, result in shareholder voting research, analysis, and guidance that can be subjected to some form of objective validation based on historical experience, empirical proof or client request.

Well-founded research framework

Minerva’s research policy framework has been continuously developed over 27 years and considers:

- a. Client requests;
- b. National and supra-national best practice principles e.g. the G20/OECD Principles of Corporate Governance;
- c. Binding rules, regulations and laws of each jurisdiction e.g. company law, listing rules etc;
- d. Investor bodies, including, for example the PLSA Voting Guidelines or the Council of Institutional Investors Corporate Governance Policies;
- e. Academic literature review;
- f. Desk-based research by Minerva analysts; and
- g. Market research with a variety of stakeholders including NGOs, trustee associations, professional bodies etc.

Our research process takes account of local market specificities as well as global standards, however, as these can vary, our clients may choose to apply more stringent criteria where the objective is to raise standards

Regular review process

Policy guidelines are reviewed annually or following the publication of new or updated regulations and guidance. All research policy guidelines used in the research process require the unanimous approval of both the team leaders and the executive directors prior to implementation.

Proxy voting agendas

Minerva’s long-standing “Golden Ballot” methodology for agenda procurement means that one single original agenda is used to create all client voting positions based on their legal ownership. This process is not only faster, more efficient, and more accurate, but it uses less computing power overall making it a more environmentally friendly approach to data processing.

¹ Para 4 (1) [The Proxy Advisors \(Shareholders’ Rights\) Regulations 2019 \(legislation.gov.uk\)](https://legislation.gov.uk)

Consistent, repeatable voting templates

In respect of shareholder meetings, all meeting resolutions are allocated a category of meeting business, e.g., Director Election or Appointment of Auditors. The underlying policy issues are also organised into a logical hierarchy which forms the basis of a “Voting Template”.

The Minerva Voting Template is comprised of eight Macro Policy Pillars:



We use two categories of issues and resolutions because there is not always a direct connection between a policy concern and a voteable resolution. For example, there are rarely stand-alone votes for workforce disclosure standards, therefore clients can choose to vote, for example, on the financial statements or the chair of the risk committee.

Minerva’s granular analysis of issues therefore provides clients with immense flexibility of policy application added to which the architecture of our template system means that multiple bespoke voting policies can be applied to clients’ portfolios thereby supporting split voting.

Research quality assurance

Through its Quality Management System, Minerva undertakes thorough project and resource planning for the research process to ensure that we can perform quality research on all the companies that we analyse.

Regularly reviewed methodology

Minerva has written procedures, methodologies, and detailed working instructions to ensure that the research it provides is based on a thorough analysis of all relevant information that it typically reviews. These procedures are subject to internal audit by relevant line managers.

A tough stance on misleading information

Minerva and its analysts take all reasonable steps to avoid issuing any research, analysis or guidance that contain misstatements, misrepresentations or is otherwise misleading or sensationalist. Minerva’s service agreements and reports contain appropriate disclosures and disclaimers to that effect.

Robust monitoring procedures

Prior to publication, each subsequent participant in the analytical process, and finally an editor, reviews draft research reports and underlying data. Each stage of the research process is monitored with a detailed audit trail consisting of the analyst’s name and a time stamp.

Detailed record keeping

The provenance of every data point that we collect is noted, including the precise location in the relevant disclosure. We also log feedback from clients, whether this is queries about data or interpretation or indeed opportunities to develop new services.

Tools and resources

Minerva has a technology infrastructure designed to meet the demands of a highly complex financial operations environment. Our technology is closely monitored and controlled with a strong focus on cyber-security and operational resilience.

Minerva continuously assesses its strategy, policies procedures and processes to ensure that our services remain relevant and aligned with our clients' needs. The provision of the best tools and solutions for our team is integral to that.

Whereas financial data is increasingly structured and "tagged" to supported automated data management, the same is not true of voting, governance or sustainability data. Even for items such as agendas or voting results, the disclosures are highly inconsistent and idiosyncratic. Over the past 24 months we have invested significantly in new computing and data science tools resources which will enable us to increase our research and coverage.

Incentives

Stewardship support is Minerva's sole line of business; as such, Minerva's success is closely aligned to its clients' success.

While the AGM season is highly demanding, we aim to create a working environment which supports our colleagues, and which gives them opportunities for growth and advancement. In terms of employee remuneration, our objective is to set pay at levels which reflect the value that our clients place on stewardship services and the fee income that stewardship services can maintain.

We promote a strong learning culture and many of our team are currently taking further and higher qualifications in a range of skills which the company supports through sponsorship and study leave, including the senior managers and directors.

We believe that it is a testimony to the company's culture that a number of leavers have returned to Minerva after roles in other organisations.

Outcomes

Supporting the oversight of capital and helping to create sustainable long-term value for our clients and their beneficiaries is at the heart of our business purpose.

The directors believe that the planning, resourcing, and execution of the company's strategy leads to material value-added benefits for our clients. We believe that the recognition from our clients and wider stakeholders is evidence that the Minerva approach to stewardship meets the expectations and requirements of the Stewardship Code principles.

Further to this, our compliance with Principle 2 of the Stewardship Code, has also ensured we remain compliant with Article 3d 'Non-discrimination, proportionality and transparency of costs' from the [Shareholders Rights Directive 2](#) and Principle 1 'Service Quality' from the [Best Practice Principles for Shareholder Voting Research](#).

PRINCIPLE 3: CONFLICTS OF INTEREST

Signatories identify and manage conflicts of interest and put the best interests of clients first.

Conflicts of interest

Minerva's primary goal is to avoid conflicts of interest; however, we recognise that potential conflicts will inevitably arise. What matters, therefore is how they are managed. We have therefore put in place several controls to minimise any potential or actual harm and protect service integrity.

In the first instance Minerva's business model is designed to minimise conflicts.

No consulting services provided to the issuer community

Client identity is kept confidential from Individual research analysts

Independent research reports prevent commercial influence

Physical separation between research analysts and vote agency staff

Our primary client base is comprised of institutional investors, both asset owners and asset management firms that invest on behalf of asset owners. Although some issuers do buy our research reports or use our data, we do not sell issuer advisory services to issuers. We believe that direct issuer relationships of this nature would be in direct opposition to our conflict-of-interest policy.

Research integrity

Confidence in our research policy is of utmost importance to our clients and indeed the wider market. We therefore manage our research process to avoid conflicts. For example, our research analysts and vote agency teams are firewalled from sales activities and strict confidentiality procedures are in place to protect voting transactions from disclosure to unauthorised parties.

Independent methodology

The determination of any analytical outcome is influenced only by factors relevant to the research process, irrespective of client or other personal or professional relationships.

Conflict disclosure processes

Minerva has written internal procedures and mechanisms to identify, and eliminate, or manage and disclose, as appropriate, any actual or potential conflicts of interest that may, or conceivably could, influence the research the Company makes or the judgment and analyses of the individuals the Company employs who have an influence on the research process. Minerva will disclose to clients such conflict avoidance and management measures.

Immediate disclosure if/when conflicts occur

Minerva's disclosures of actual and potential conflicts of interest are intended to be complete, timely, clear, concise, specific (considering the need to protect proprietary information) and prominent.

Case studies

During 2021 Minerva has participated in one industry initiative and one client project which may be considered a conflict of interest. These were:

TPSVI

Minerva's CEO, Sarah Wilson was invited by the Minister for Pensions, Guy Opperman, to be Vice-Chair of the Taskforce for Pension Scheme Voting Implementation. TPSVI's remit was to understand the barriers to wider stewardship participation by pension schemes.

During the course of the Taskforce Minerva announced the development of a pooled fund split voting project in partnership with [The AMX and DWS](#).

During the formation of the Taskforce, potential conflicts were discussed with the DWP and the Taskforce chair, Simon Howard. Minerva has a longstanding commitment to "Open Access and Open Standards" and this should be evident from the [final report of the Taskforce](#).

Other than the CEO and her executive assistant, no Minerva staff participated in the research or meetings of the Taskforce.

FRC Stewardship Research Project

For a number of years Minerva has provided research and data services to the Financial Reporting Council to inform their understanding of market practices. All arrangements operate on a normal commercial basis.

In 2021 Minerva, together with Drs Anna Tilba of Durham Business School and Dionysia Katelouzou of Kings College, University of London submitted a joint bid to provide [stewardship research services to the FRC](#). All aspects of the contract are on normal commercial terms, and

the Minerva team is restricted to the CEO, plus a research assistant who is firewalled from the sales and marketing activities of the company.

Outcomes

We recognised that conflicts of interest are **unavoidable, but through the case studies shown above, we aim to show that our "do no harm" culture aims to protect the integrity and trust in our services.**

Minerva's compliance with this principle of the Stewardship Code has also allowed us to remain compliant with Article 3j 'Transparency of Proxy Advisors' from the [Shareholders Rights Directive 2](#) and Principle 2 'Conflicts of Interest Management' from the [Best Practice Principles for Shareholder Voting Research](#).

PRINCIPLE 4: SYSTEMIC RISKS

Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

Market-wide and systemic risks

As an agile and responsive organisation, Minerva is structured to be sensitive and responsive to market and systemic uncertainty. In the past year alone, we have witnessed unprecedented impacts on global markets from external events.

Minerva responded quickly and effectively to the COVID-19 pandemic to ensure the safety of our team and uninterrupted support for our clients. Despite lockdown constraints, Minerva continued to develop new solutions to support institutional investors as they seek to take an integrated approach to sustainable stewardship, especially in supporting investors as they face up to the very real investment challenges of climate risk management.

Sustainable stewardship horizon scanning

In 2015 Minerva launched its sustainability governance research service to provide insights into the disclosures, processes and assurances of the world's largest 1,000 listed companies. Over time we have grown our coverage so that every client has an opportunity to have their "Say on Sustainability" at all the companies they own. In the past two years we have undertaken four major steps to ensure that our services will continue to support sustainable stewardship in the years to come:

- I. Grown our sustainability team to map emerging risks and policy developments beyond traditionally understood concepts of ESG and controversial products.
- II. Developed new data storage and analytics tools.

- III. Extended ESG and sustainability training to all research analysts.
- IV. Enhanced our market communications on ESG and sustainability topics.

Minerva Nexus

Sustainability, especially Climate Change and the integration of ESG considerations into investment decision-making, is the most significant evolution in the financial system for decades. One of the challenges about the change process is that it is unsettled – there is not yet full agreement as to what is or should be the right way to measure and manage ESG risks and opportunities. Competing frameworks are emerging not only from asset owner membership bodies but also national regulators. To address this challenge, Minerva has been comprehensively mapping the most investment relevant frameworks to create Minerva Nexus, a power database model which allows clients to create fully customised models of the ESG risks their portfolios face.

Minerva Nexus is comprised of a number of modules:

Regulatory data mapping

- Global frameworks have been consistently categorised and key data points mapped to create a "framework of frameworks".
- Company and industry mapping and codification to match NACE/NAIC standards.
- ESG norms and controversial product screening.

UN Sustainable Development Goals

ESG and sustainability-centric investment are predicated on understanding a wider range of systemic risks than the investment research process of have traditionally considered. The UN Sustainable Development Goals are an overarching framework which aims to show the interconnectedness of ESG and sustainability risks. And while they are not all necessarily immediately investable, it is possible to identify the positive and negative contributions of global corporations in the achievement of the Goals.

Enhancing voting and engagement

In addition to Nexus, we have continued to enhance the thematic scope of our voting and engagement support to include a range of climate risk related frameworks including TCFD, TPI and Just Transition, thereby supporting our clients in adapting their voting and voting-related engagement work to include systemic risk issues.

Partners for sustainability

Our partners, [Engagement International](#) (EI) can support our clients with bespoke ESG and Climate Change specific outreach and engagement across a range of issues. The EI team is based in Copenhagen and led by CEO Erik Alhøj. Erik has over 20 years' experience of responsible investment. As one of the pioneers of responsible investment in Denmark Erik has been a board member of Dansif and CSR and has led hundreds of face-to-face engagement meetings with listed companies all over the world.

SUSTAINABLE DEVELOPMENT GOALS



Supporting well-functioning financial markets

Developing the reform agenda to support sustainable stewardship and voting on a global scale is a significant part of Minerva’s business development strategy. Minerva takes both an “inside-out” and “outside-in” approach to understanding market dynamics. This means we not only look at what companies and investors are saying from the inside of the financial system, but also what wider stakeholders and regulators are saying from the outside.

Over the past year Minerva has taken a hands-on leadership approach to a range of relevant industry initiatives with a view to ensuring a well-functioning and climate friendly operating environment for all industry providers. These have focused on the twin issues of better

sustainability disclosures and more hygienic vote plumbing. Specifically, we seek to break down the barriers to shareholder participation in the AGM process by developing open standards for electronic voting eliminating unnecessary complexity and uncertainty about the shareholder vote.

To that end, Minerva is closely involved with several key organisations and initiatives at the heart of the governance debate. We are either corporate or individual members or supporters of the following organisations and initiatives:

ECGI	European Corporate Governance Institute
ICGN	The International Corporate Governance Network
PLSA	Pension & Lifetime Savings Association
UKSIF	The UK Social Investment Forum
TCFD	Financial Stability Board Taskforce for Climate-related Financial Disclosures
TPI	Transition Pathway Initiative

During 2020-21 Minerva has participated in several important initiatives, including:

Implementation Statements

The Department for Work and Pensions (DWP) asks trustees to publicly disclose their Statement of Investment Principles and to state how these principles have been implemented². Minerva provided support in the development of a guide for trustees in the production of the Implementation Statements in partnership with the [Pension and Lifetime Savings Association](#).

² Source: [Reporting on stewardship and other topics through the Statement of Investment Principles and the Implementation Statement: statutory and non-statutory guidance - GOV.UK \(www.gov.uk\)](#)

Task Force on Pension Scheme Voting Implementation

The Taskforce on Pension Scheme Voting Implementation (“TPSVI” or “the taskforce”) was set up by Guy Opperman MP, the Minister for Pensions and Financial Inclusion (“MfPFI”) in December 2020 to address problems in the voting of equity shares by pension schemes. It reflects the importance of voting in broader stewardship. The taskforce has focused on how to facilitate more voting and better quality voting by occupational pension schemes by encouraging them to set voting policies and by making recommendations that will support the changes in behaviours needed from service providers to meet this objective.

LGPS Responsible Investment Advisory Group

Minerva provides support and insights in respect of stewardship and ESG issues to the UK’s Local Government Pension Scheme (LGPS) Responsible Investment Advisory Group ([RIAG](#)).

Best Practice Principles for Shareholder Voting Research Group

The Best Practice Principles Group ([BPPG](#)) was formed to address a recommendation from the European Securities & Markets Authority ([ESMA](#)) that the shareholder voting research industry should seek to improve their transparency and institutional investors’ understanding of the role and services they provide.

The BPPG also seeks to strengthen the market for stewardship services by promoting sound business practices and advocating the highest level of ethics and integrity. Minerva was a founding signatory to the BPP Group and has been actively involved in the development of the Best Practice Principles for Shareholder Voting Research since February 2013. Our CEO Sarah Wilson currently sits on the BPPG Committee.

The Committee is responsible for handling comments and feedback on the Principles, undertaking regular reviews of the Principles and issuing and analysing any consultations developed by the Committee. Our statement affirming our commitment to the Principles can be found [here](#).

Net-Zero Financial Service Providers Alliance (NZFSPA)

In 2021, Minerva and its strategic shareholder, Solactive became founding members of the Net Zero Financial Service Provider Alliance (NZFSPA). This new alliance, formed under the auspices of GFANZ, the Glasgow Financial Alliance for Net Zero, brings financial service providers together to act on the transition to net zero greenhouse gas emissions by 2050. As a founding member of the NZFSPA, Minerva has committed to achieving the Paris goals and ensuring the maximum average global temperature rise of 1.5°C.

Minerva has been closely involved with the development and launch of the Alliance from the outset, not only to demonstrate our own commitment to reducing our own carbon footprint, but also to ensure that our services will support our clients as they transition to investing in a net zero economy.

Net Zero Finance Service Providers Alliance (NZFSPA) at a Glance

- NZFSPA supports the UN's **Race to Zero**
- NZFSPA is comprised of 18 organisations providing services to investors and the wider financial market
- Signatories include stock exchanges, credit rating agencies (CRAs); auditors; investment consultants; index and benchmark providers; together with ESG and stewardship service providers. Minerva and Solactive's commitment to the NZFSPA can be found [here](#).

- Participants are aligned with a [science-based](#) net zero transition path



Speaking at the launch of NZFSPA, Mark Carney, the UK Prime Minister's Finance Adviser for COP26, said:

"The new Net Zero Financial Service Providers Alliance will be critical to helping the financial sector achieve net

zero. By joining the alliance and GFANZ, these firms are committing to ensuring their products and services support a high ambition, credible net zero transition that we need to achieve our 1.5 degree goal."

Outcomes

Minerva participates and contributes where we believe that we can add value with evidence-based insights. The outcome of our most recent initiatives has resulted in:

- Non-statutory guidance for implementation statements;
- Support and guidance on responsible investment for local government pension scheme savers;
- Net zero voting commitments;
- Clarity around pooled fund split voting.

Our demonstrated response to market-wide and systematic risks exhibits our compliance with Principle 4 of the Stewardship Code. As a result of this, we are also aligned to Article 3j 'Transparency of Proxy Advisors' from the [Shareholders Rights Directive 2](#) and both Principle 1 'Service Quality' and Principle 2 'Communications Policy' from the [Best Practice Principles for Shareholder Voting Research](#).

PRINCIPLE 5: INTEGRATION AND COMMUNICATION

Signatories support clients' integration of stewardship and investment, taking into account, material environmental, social and governance issues, and communicating what activities they have undertaken.

Supporting client stewardship

Decisions to vote or engage, like decisions to invest or not, are all driven by data and expert insights. Throughout the full stewardship value chain, Minerva's services are designed to enable institutional investors to achieve their sustainable stewardship goals.

Material ESG and Sustainability

Our starting point is to understand what is material to our clients in the context of what is possible, or indeed possibly constrained by lack of available information or data. All clients go through an onboarding process which explores the key issues so that we understand how to implement the clients' policy preferences. Concepts of materiality are informed not only by regulatory standards or agreed frameworks, but also our own analysis of issues with reference to academic research. Everything we do, therefore is grounded in a solid evidence base which is clearly articulated to our clients.

Custom Voting Policies

Annual voting policy reviews are undertaken through a mixture of client outreach, desk-based research and academic research. All clients have the opportunity to have a one-to-one meeting with our stewardship team to evaluate their individual concerns or preferences. In October 2021, Minerva launched a public survey around market preferences associated with the Say on Climate initiative. This research is ongoing and will inform our voting policy development for Net Zero voting policies.

Vote Agency

Minerva manages the logistics of the AGM season by streamlining and automating the highly complex processes associated with shareholder voting. Our unique "golden ballot" manages over 8,000 company meeting notification each year. All agendas are checked for legal validity, resolutions are classified, and research categories allocated to them. Daily portfolio holdings checks are performance with automated reconciliations across a number of custodians.

At the end of the cycle voting results are obtained to enable clients to understand the impact of their votes. All this information is fully transparent to clients through our user-friendly web platform, manifest.info. Additionally, our client-facing team are in regular contact with clients to support them with the administrative tasks or issues associated with voting.

Pooled Fund Split Voting

The unique architecture of our voting platform enables asset owners and managers to jointly steward their assets through the application of bespoke templates and advanced algorithms for asset ownership reconciliation.

Bespoke Voting Guidance

All of Minerva's clients have custom voting policies which reflect each client's individual preferences. Therefore, while our clients outsource the administrative, research and analytical functions, our role as a

facilitator of stewardship means that clients are always in the driving seat.

Voting guidance is advisory and based on each client’s predetermined concerns. Moreover, the integrated engagement letter module means that when voting instructions are passed down the chain, or in some cases directly to the meeting, it is clear that our client is the “fiduciary steward”. We maintain a comprehensive series of audit trails to demonstrate the key stages from agendas through to lodgement have been transacted as per client specifications.

Sustainable Securities Lending

Minerva supports clients who have expressed a desire to adopt a nuanced approach to stock lending by providing tools and data which enable them not only to take ESG and voting considerations into account with regard to lending and recall decisions, but to execute their decisions in line with their stewardship commitments.

Research Reports

Voting guidance is supported by comprehensive and in-depth governance, remuneration and sustainability profiles based on leading good practice indicators. Granular audit trails of data sources are provided, down to the relevant page reference.

Stewardship Support

Clients value the support we can give them in developing their stewardship policies and processes in line with new regulatory and best practice developments. Through our Stewardship Support team we provide a range of policy consultancy services to investors, including climate risk stewardship, implementation statements and also Stewardship Code statement support.

Stewardship Monitoring and Benchmarking

Not all clients vote their shares themselves. Therefore, to help asset owners we provide a comprehensive stewardship benchmarking service which consolidates their managers’ voting policies and activities to identify potential gaps or inconsistencies.

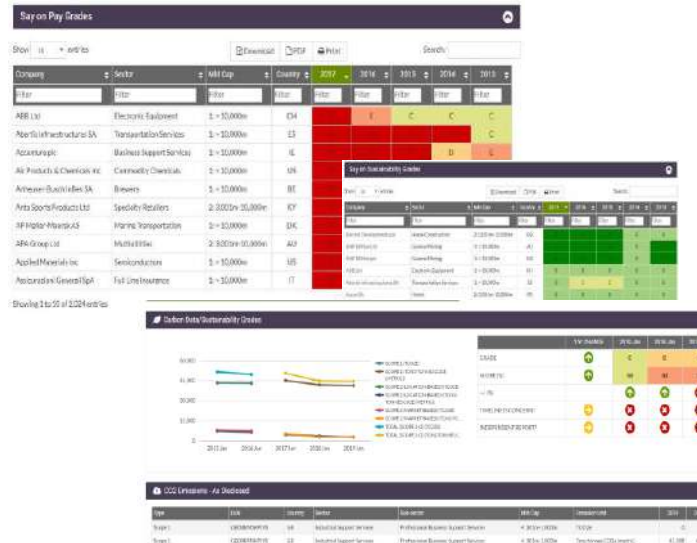
Engagement

Minerva’s clients have strongly expressed preferences for undertaking their own engagement directly with issuers. Our role, therefore, is to facilitate that process with expert insight, high quality data and appropriate software systems to make the engagement process as successful as possible.

The screenshot displays the Minerva Analytics interface for AMBU International AS. It is divided into three main sections: Governance, Sustainability, and Remuneration. Each section includes a 'Score' (e.g., 'E' for Sustainability and Remuneration) and a 'Company Secretary' field. The Sustainability section shows a 'Key Disclosure Quality' table with columns for 'Section', 'Actual Score', and 'Max. Possible Score'. The Remuneration section includes a 'Key Disclosure Quality' table and a 'COVID-19 Adjustments' section. The interface also features a 'Tax secrecy' indicator and a 'Company Secretary' field.

Web Platform

Our user-friendly web platform provides clients with comprehensive historic time series to monitor the progress of investee companies, sectors, indexes and portfolios.



MINERVA ANALYTICS		Minerva ESG: Theme		Governance			Business Conduct					
		Pillar		Minerva Ratings			ESG & Climate					
		Sub-Pillar		Common Governance	Sustainability	Say on Pay	Human & Corruption	Env'tal Damage	Human Rights			
		Pass Minerva Screen?		Rating: C	Rating: C	Rating: C	Direct Controversy	Severe Physical Damage	Risk OI	Nuclear Violations	Human Rights Violations	Indigenous Peoples Rights
SLIM	SEEDCL	Ticker	Company Name	Index Weight	Screen?							
CF02722324	BMAN208	700 HK Equity	TENCENT HOLDINGS LTD	35.42%	NO	NO	NO	YES	YES	YES	YES	YES
PH00233008	688206	2339 FT Equity	TAIWAN SEMICONDUCTOR MANUFAC	22.22%	YES	YES	N/A	YES	YES	YES	YES	YES
EP00389208	671120	065901 AP Equity	SAMSUNG ELECTRONICS CO LTD	20.54%	NO	YES	N/A	NO	YES	YES	YES	YES
PH00233008	BAT181	1294 HK Equity	ALIA GROUP LTD	1.83%	NO	YES	YES	NO	YES	YES	YES	YES
PH00233008	ROBART01	939 HK Equity	CHINA COSMETICS GROUP CO-H	1.72%	NO	NO	N/A	YES	YES	YES	YES	YES
PH00233008	BAUFIAT	2318 HK Equity	FINBANK INSURANCE GROUP CO-H	1.94%	NO	YES	NO	YES	YES	YES	YES	YES
PH00233008	626755	388 HK Equity	HONG KONG EXCHANGES & CLEARING	2.80%	YES	YES	N/A	YES	YES	YES	YES	YES

Custom ESG indexes

To support the allocation of capital towards more sustainable outcomes, Minerva works closely with Solactive's product development team and provides bespoke ESG data screens covering a range of taxonomy aligned data points.



Third-party integration

While stewardship can sometimes only be considered as a “post trade” activity, Minerva is working closely with partners [Ryedale](#) and [Integrum](#) to support the integration of ESG and stewardship factors in the portfolio construction process.

Outcomes

In terms of key statistics, Minerva has achieved:

Data Point	2020-21
Meetings logged	9,097
Resolutions analysed	92,190
Companies in coverage	6,344
Research reports written	8,048

Since December 1995, our team has logged 97,000 meetings, close to 1.2 million shareholder resolutions, analysed the biographies of 210,644 directors, captured voting results for almost 87,000 meetings. The Minerva database represents the world’s most comprehensive independent archive of objective governance data and we are extremely proud of our close links with scholars who use our data in the creation of world-class high impact academic research.

As a result of our reporting on the Stewardship Code Principle 5, we can also be confidently aligned to Article 3j 'Transparency of Proxy Advisors' from the [Shareholders Rights Directive 2](#) and both Principle 1 'Service Quality' and Principle 2 'Communications Policy' from the [Best Practice Principles for Shareholder Voting Research](#).

PRINCIPLE 6: REVIEW AND ASSURANCE

Signatories review their policies and assure their processes.

Policy review and assurance

Minerva's management system is based on [ISO9001 quality management principles](#) which covers seven key areas:

- Customer focus
- Leadership
- Engagement of people
- Process approach
- Improvement
- Evidence-based decision making
- Relationship management

All aspects of our workflows are comprehensively documented, and our central knowledge management system is supplemented by continuing professional development.

We undertake systematic reviews of all aspects of our business on a range of timescales from daily monitoring agenda availability through to annual voting policy reviews.

Service quality is a standing item at board level meetings and in addition to weekly team meetings between the directors and department heads, each team has a comprehensive assurance framework for monitoring quality standards to ensure any service gaps are addressed.

Some of our controls and checks include:

- Agenda procurement
- Annual report publication
- Sustainability report publication
- Data quality controls – automated and manual oversight
- Pre-publication research report checking.

Outcomes

During 2020-2021 we:

- undertook a comprehensive review of the impact of COVID-19 on our workflows and identified opportunities for further application of machine learning technologies to support our team in the monitoring of updated or changed corporate disclosures;
- conducted an annual review of our voting policy management system to integrate more sustainability-oriented voting guidelines;
- reviewed our overall production statistics to identify ways we could further integrate sustainability factors across all our outputs, including, for example, say on pay analysis.

Our compliance with the UK Stewardship Code Principle 6 is backed-up by Minerva's alignment to 'Article 3c 'Facilitation of the exercise of shareholder rights' from the [Shareholders Rights Directive 2](#) and Principle 1 'Service Quality' and Principle 3 'Communications Policy' from the [Best Practice Principles for Shareholder Voting Research](#).

CONCLUSION

While Minerva's Stewardship Report has been written with the FRC Stewardship Code in mind, we recognise that there is an intersection between the Code principles and the Shareholders Rights Directive II, together with a number of voluntary or regulatory principles in the broader ESG space. Where possible we have synthesised our response to meet the needs of these frameworks.

To help readers of this document we have provided a summary table which shows the relationship between the three principal frameworks that apply to Minerva: the Stewardship Code, the Shareholder Rights Directive and the Best Practice Principles for Shareholder Voting Research

Code alignment

Stewardship Code 2020	Shareholders Rights Directive 2	Best Practice Principles for Shareholder Voting Research
Principle 1: Purpose, strategy and culture	Art 3j: Transparency of proxy advisors	Principle 1: Service Quality
Principle 2: Governance, resources, and incentives	Art 3d: Non-discrimination, proportionality, and transparency of costs Art 3j: Transparency of proxy advisors	Principle 1: Service Quality
Principle 3: Conflicts of interest	Art 3j: Transparency of proxy advisors	Principle 2: Conflicts of interest management
Principle 4: Promoting well-functioning markets	Art 3j: Transparency of proxy advisors	
Principle 5: Supporting client's stewardship	Art 3j: Transparency of proxy advisors	Principle 1: Service Quality Principle 3: Communications Policy
Principle 6: Review and assurance	Art 3c: Facilitation of the exercise of shareholder rights	Principle 1: Service Quality Principle 3: Communications Policy

Better Stewardship, More Sustainable Outcomes

We recognise that our clients are the providers of risk capital to the financial system and wider economy. Their goal is to deliver long-term sustainable returns for their underlying clients, beneficiaries and indeed, society at large. We believe that effective stewardship supports those objectives, and we welcome the opportunity to support those goals with data, software, informed insight and attentive client support.

The shareholders, directors, managers and staff of Minerva therefore remain fully committed to offering our clients a best-in-class stewardship support service.

Minerva Analytics Ltd
October 2021

For more information about Minerva's approach to sustainable stewardship, please get in touch by either email or telephone.

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