

PIRC

**COMPLIANCE
STATEMENT**

**BEST
PRACTICE
PRINCIPLES**

For providers of shareholder
voting research & analysis

2022

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SUMMARY

PIRC compliance statement: 'Best Practice Principles for Providers of Shareholder Voting Research & Analysis'

1 We recognise that PIRC is in a position of trust and should act at all times in the best long terms interests of its clients.

2 We seek to avoid any conflicts of interest and if they arise, openly declare them.

3 We operate within a culture of open dialogue with our clients, the companies we evaluate and other relevant third parties.

4 We are clear what is factual analysis, interpretation of analysis and what is PIRC's opinion.

5 We provide information and services that are clear, timely, usable and relevant to our clients and relevant third parties.

6 We have a clear and transparent charging policy for the range of services we provide and we are open about where the sources of income that sustain the business derive from.

7 We maintain a viable operational and financially sustainable business model free from any conflicts.

8 We seek to build an open and conflict-free relationship with the companies we research and analyse.

9 We are prepared to act collectively with others who have similar objectives to protect the interests of shareholders and relevant third parties.

10 We seek to produce governance analysis that reflects the long term interests of shareholders and relevant third parties taking into account generally accepted best practice in company

governance, recognising operating best practices of leading companies and monitoring risks of poor governance to our clients, shareholders and relevant third parties.

11 We are proactive in highlighting poor governance arrangements and comparative corporate governance best practice so those receiving our research and analysis are well informed.

12 We seek to ensure all outputs are based on quality research and analysis with the integrity of our database is securely maintained and refreshed over time.

13 We facilitate engagement with company senior management on governance issues with the objective of improving governance or addressing significant risks that could damage shareholder value.

“there are several areas, in particular relating to transparency and disclosure, where a coordinated effort of the proxy advisory industry would foster greater understanding and assurance among other stakeholders in terms of what these can rightfully expect from proxy advisors.”

ESMA

In 2012 the European Securities and Markets Authority issued a discussion document for consultation that reviewed the role and practices of the small industry of corporate governance and proxy voting services firms operating in Europe. Its review focused on the development of the proxy advisory industry in Europe, and its principal services to the institutional investor community such as asset managers, mutual funds and pension funds.

Following its fact finding work in 2011, ESMA said that it recognised that the proxy advisory industry within Europe was expected to grow in prominence and that investors are, or are expected to be, increasingly using proxy advisor services. In its paper ESMA identified several key issues related to the proxy advisory market which it surmised may have an impact on the proper functioning of the voting process.¹

In February 2013 ESMA published a final report as a Feedback Statement on the consultation regarding the role of the proxy advisory industry that “it has not been provided with clear evidence of market failure in relation to how proxy advisors interact with investors and issuers”.²

PIRC felt that the concerns that had been raised by various consultation responses needed to be addressed. These concerns were set out in the ESMA final report, stating “there are several areas, in particular relating to transparency and disclosure, where a coordinated effort of the proxy advisory industry would foster greater understanding and assurance among other stakeholders in terms of what these can rightfully expect from proxy advisors.”

PIRC was pleased therefore to agree to participate in an initiative with fellow proxy voting advisory firms to establish a set of best practice principles that would form the basis of a guide to the market about what standards of behaviour it should expect to see in relation to a firm’s clients, the issuer community and the capital market as a whole in its role and operations.

This proxy research industry initiative led to the establishment of the ‘Best Practice Principles for Providers of Shareholder Voting Research & Analysis’, published March 2014 (hereinafter ‘Best Practice Principles’ or BPP). PIRC is a signatory to these Principles and this statement constitutes PIRC’s compliance with these Principles as at January 2021.

¹ Discussion Paper: An Overview of the Proxy Advisory Industry. Considerations on Possible Policy Options, ESMA, March 2012, www.esma.europa.eu

² ESMA Final Report, February 2014 www.esma.europa.eu

PRINCIPLE 1. SERVICE QUALITY

PIRC's basic research methodology and process

	RESEARCH ACTIONS	PROFILING, FILING & REPORTING	OUTPUT, PRODUCT
1	<p>Collect corporate information:</p> <ul style="list-style-type: none"> • Proxy Material • Most recent annual report • Social report • Environmental report • Sustainability report • Internal database search • External database search • All relevant internal information • Internal company logbook 	<ul style="list-style-type: none"> • Introduce relevant information in existing company profile (draft report) template or in PIRC Database (or create new profile) • Indicate research activities in logbook (or create new logbook) • Complete company file 	<ul style="list-style-type: none"> • (New or updated) Proxy report stage 1, or (new or updated) PIRC Database stage 1 • (New or updated) logbook • (New or extended) company file
2	<p>Screen on disputable practices:</p> <ul style="list-style-type: none"> • Websites & newsgroups • Internet search • Issue specific sources 	<ul style="list-style-type: none"> • Introduce relevant information in existing profile template or in PIRC Database • Indicate research activities in logbook • Complete company file 	<ul style="list-style-type: none"> • Proxy report stage 2, or PIRC Database stage 2 • Updated logbook • Extended company file
3	<p>Contact company for further information:</p> <ul style="list-style-type: none"> • Phone/mail company in order to establish contact(s) with relevant/appropriate person(s) (in principle Investors Relations or Corporate Communications) • Establish (an) interview(s) with company secretary other responsible persons (community affairs, human rights ...) • Explain purpose of inquiry (or written standard letter) • Ask additional questions in order to obtain the missing information or to check available third party information • In case of reluctance to co-operate: propose and conduct interview by telephone or partial completion of the questionnaire 	<ul style="list-style-type: none"> • Introduce relevant information in existing profile template or in PIRC Database • Indicate all research & contact activities in logbook • Save all written (printed) communications to the company in company file; save all electronic communications to the company in electronic file system • Save all written (printed) communications from the company in company file; save all electronic communications from the company in electronic file system 	<ul style="list-style-type: none"> • Proxy report stage 3, or PIRC Database stage 3 • Updated logbook • Extended company file
4	<p>Collect relevant stakeholder information, where required:</p> <ul style="list-style-type: none"> • Identify representative stakeholder groups; at the minimum two trade union representatives (two different unions or one on company level and 1 sector representative), environmental, human rights, developing countries, corporate governance, sector specific stakeholders and issue specific stakeholders • Contact the stakeholder groups and make inquiries, focused at the stakeholder's specific field of interest (telephone interview or questionnaires) 	<ul style="list-style-type: none"> • Introduce relevant information in existing profile template or in PIRC Database • Introduce stakeholder contacts in logbook • Indicate research activities in logbook • Save all relevant materials in company file 	<ul style="list-style-type: none"> • Proxy report stage 4, or PIRC Database stage 4 • Updated logbook • Extend company file

PIRC PRINCIPLE 1. SERVICE QUALITY

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5	<p>Submit Proxy report stage 4 or PIRC Database stage 4 to at least one internal senior (PIRC) researcher for review</p> <ul style="list-style-type: none"> • Receive feedback of senior researcher on quality, completeness 	<ul style="list-style-type: none"> • Adapt or complete the profile or PIRC Database, following feedback of senior staff member • Indicate additional research activities in logbook • Indicate name of senior(s) and date of 	<ul style="list-style-type: none"> • Proxy report stage 5, or PIRC Database stage 5 • Updated logbook • Extended company file
6	<p>Submit Proxy report stage 5 to the company:</p> <ul style="list-style-type: none"> • Ask for comments and additional information • Agree on deadline • Assess relevance of feedback [NB: this Stage is currently only operated for the UK and selected EU markets] 	<ul style="list-style-type: none"> • Adapt or complete the profile or PIRC Database, following feedback of company, when relevant • Indicate company feedback procedure in logbook • Save all relevant materials in company file 	<ul style="list-style-type: none"> • Profile stage 6, or PIRC Database stage 6 • Updated logbook • Extended company file
7	<p>Quality check and delivery:</p> <ul style="list-style-type: none"> • Check conformity with SVG • Check language and spelling 	<ul style="list-style-type: none"> • Adapt the report or PIRC Database to feedback • Indicate name of researcher(s) and editor(s) and date of feedback in logbook • Save final profile or PIRC Database in company folder • Complete company file • Report completion internally and externally 	<ul style="list-style-type: none"> • Draft Final Proxy report or draft final PIRC Database • Updated logbook • Completed company file
8	<p>Final quality check</p> <ul style="list-style-type: none"> • Process peer review comments 	<ul style="list-style-type: none"> • Adapt the profile or PIRC Database to peer review feedback • Indicate peer review procedure in logbook • Save all relevant materials in company file • Send Final Profile to Clients (upload on client website) 	<ul style="list-style-type: none"> • Finalise Profile • Finalise PIRC Database • Fully updated logbook - Completed company file

“Company file” means all hardware (paper) information, classified in the offices.

“All relevant internal information” means all hard- or software information on the company.

“Internal company logbook” means the existing logbook, that is kept for PIRC or other clients service purposes.

Additional research processes

Shareholder proposals: PIRC reviews and analyses each shareholder proposal on its merits. It follows a standard operating procedure that identifies the proponent where possible; reviews the merits of the proposal and any supporting statement; reviews and analyses the company responses; considers any relevant PIRC Shareholder Voting Guidelines (eg PIRC guidelines for the US market) and provides a recommendation based on this analysis or any custom client guidelines required.

Engagement processes

Once reports are drafted as per the above-mentioned process, PIRC undertakes engagement with company representatives in selective markets, prior to publication. The deadlines we require for responses in written form is 48 hours for reports on annual general meetings for companies in the FTSE All Shares index and 24 hours for companies in the Euro First 300 index, excluding public holidays. Companies can ask for an extension of the deadline and the engagement can also take up to several days. Once engagement is concluded, PIRC reports on its outcome, including whether this led to factual amendments, changes in the voting recommendations and whether companies understand or challenge PIRC's arguments. In compliance with the GDPR, PIRC asks companies specifically to confirm whether they would like to see the correspondence in the reports, respecting companies' rights to opt out' and reporting exclusively the outcome of the engagement. For other companies, they receive the report once it is published for PIRC clients and PIRC remains available to reissue the report, if company representatives responded with factual amendments after the report was published, until the cut-off date (i.e. voting deadline).

PIRC Shareholder Voting Guidelines:

PIRC's shareholder voting guidelines have been influenced by global leadership organisations such as the International Corporate Governance Network's best practice recommendations, the Organisation for Economic Cooperation and Development, local market codes such as the Dutch Tabaksblat Committee Code and the guidelines issued by other market players such as the Council of Institutional Investors in the US and the King Report in South Africa.

In setting out general principles, we seek to ensure consistency and fairness in determining voting advice. However, special circumstances are considered whether appropriate. Whilst our guidelines cannot provide for all eventualities, in particular situations PIRC will exercise its judgement according to the nature and materiality of the issue, the composition of meeting agendas and the nature of the company response to issues raised and our judge-

ment as to what would be in our clients' interests.

As far as possible we have set out in our guidelines where our view of best practice goes beyond existing legal or regulatory requirements. PIRC plays an active role in debating corporate governance issues via submissions to government consultations, client seminars, membership of various working parties and bilateral company meetings as well as dialogue over local market best practice. These activities along with client feedback and company comments inform our Guidelines. PIRC consults with clients on each new edition of its Guidelines. Many of PIRC's pension fund clients adopt the PIRC Guidelines following a presentation and endorsement by their respective governing bodies.

PIRC's primary goals in terms of encouraging boards of listed companies to adopt corporate governance best practice are to:

- Adopt clear values and standards in business dealings throughout the organisation.
- Develop a culture of transparency and accountability.
- Focus on strategic issues and the quality of the business rather than simply short term numbers.
- Develop appropriate checks and balances to deal with conflicts of interest.
- Maintain effective systems of internal control and risk management.
- Create fair remuneration structures that reward the achievement of business objectives at all levels.
- Recognise and manage impacts on stakeholders.

These goals are intended to assist companies in making effective business choices so as to maximise the wealth and welfare of all affected by their operations.

In general terms, PIRC considers the following in deciding on voting recommendations:

- PIRC’s shareholder voting guidelines.
- Local market codes of best practice.
- The Board’s explanation for the proposal including any departure from good practice.
- Board assurances on positive changes.
- Potential impact of oppose votes on corporate structure (and likelihood of occurrence).
- Use of shareholders’ funds (the capital of a company), and a comparison with particular balance sheet items which, net of liabilities comprise the capital, focus not only what shareholders’ funds have been spent on, but to identify investment risk and governance considerations.
- The materiality of any concern and timescales involved.
- Opportunities for further votes in the future on the issue.
- Market implications from any precedent created.

Our role is to provide advice in the best interests of our clients. In assessing where these interests lie, we assume our clients are long-term equity investors who value high standards of corporate governance and business conduct, the creation of wealth within legitimate boundaries and the importance of good relations with other stakeholders, as key factors in the ongoing success of the companies in which they invest. PIRC does provide ESG analysis alongside its core corporate governance analysis. PIRC will always apply its judgement and experience to the individual circumstances of companies, which may lead to different outcomes other than those indicated in its particular country guidelines. Increasingly PIRC is also a provider of stand alone engagement services for clients.

The UK Guidelines have 6 main sections that match the structure of a PIRC Corporate Governance report. These are: directors, remuneration, audit and reporting, share capital and shareholder relations and environmental management reporting.

PIRC seeks to promote dialogue and engagement with companies we research through:

- Giving companies the opportunity to comment on PIRC analysis both prior to and after publication of reports and in regular meetings throughout the year.
- Circulating the PIRC Shareholder Voting Guidelines to all listed companies, investors and other market participants.
- Engaging in dialogue with companies, investors, regulators and professional bodies.

PIRC has a Policy Forum comprising staff from all levels of the PIRC team that acts as a conduit for information to ensure that new issues (whether or not they have a voting outcome) are considered in the preparation of our corporate governance and corporate social responsibility research.

In setting out general principles, we seek to ensure consistency and fairness in determining voting advice. However, special circumstances are considered where appropriate. Whilst our guidelines cannot provide for all eventualities, in particular situations PIRC will exercise judgement according to the nature of the company response to issues raised and our judgement as to what would be in our clients’ interests.

During PIRC’s 32 years history, PIRC has had significant influence on the development of standards applying to the operation and management of public companies in the UK. Many of the elements of corporate governance that are now taken for granted at public companies were reforms that PIRC had proposed much earlier. A list of the core governance reforms that have been introduced at UK listed companies and the corresponding PIRC initiative in support of them is available on PIRC’s website.

Custom Voting Clients

For PIRC's clients who operate a custom voting policy our research process provides a draft report that can be amended by the client up to 24 hours following receipt. The guidelines used are based on the client's own policy. PIRC devises an appropriate voting template that reflects the client's policy.

Employee Qualification and Training

PIRC has a staff base of approximately 40. The majority of whom work in the research team and are dedicated to producing global corporate governance research and voting recommendations. PIRC also has 3 consultants based in Portugal, Japan and New Zealand who work on governance research and engagement. PIRC has a data team that collects and interprets corporate governance data that is used in the PIRC corporate governance proxy reports. PIRC's team is global and as such every member of the permanent research staff is trained on all markets. There is some regional division based on seniority, background, language diversity and interests in order to maximise performance. However, each member of the team is trained to produce reports globally. PIRC does not employ external research providers

PIRC has an internal induction and training process that all research and data staff must complete on joining the company. This initial induction is vital to establishing a common framework of understanding on corporate governance and ESG matters and how PIRC brings its unique perspective on these matters to the context of its values and client services. The average length of service for research staff is 5 years. As part of the induction process, research staff at PIRC provides one-on-one mentoring to new staff. This has been maintained during the COVID-19 pandemic and lockdown. The average length of service/experience in our management team for corporate governance and corporate responsibility research delivery is 15 years at PIRC. An induction process is required for all staff when they start, for the duration of approximately three weeks, and it covers all aspects of work at PIRC.

The training programme is developed by their line manager and new staff are assigned a mentor, who will track training sessions per day and progress desired/achieved.

New permanent staff are assessed half-way through the probationary period by line manager and other stakeholders.

In 2021, we hired 5 temporary staff during the proxy season to work on global markets.

During proxy season (between 1 February 2021 and 31 May 2021) a total of 5,109 reports (of which 4,632 AGM reports) were drafted by 11 researchers.

During 2021, the breakdown of our staff was as follows:

Permanent staff = 21 = men 15 – women 6

Permanent PT staff = 4 = 4 women

Temporary staff = 3 = 3 men

Contractors = 5 = 3 men – 2 women

Complaints Handling

PIRC responds to company concerns about our research or proxy reports, through email and correspondence, and conference calls. Issuers can complain directly to the Managing Director and will be followed up within 48 hours. Their claims on data and research will be handled by a different member of staff from that who drafted the report or handled the correspondence subject to complaint. A detailed response is prepared for sign-off by PIRC's managing director, depending on the nature of the concern/complaint raised. There can be a delay in responding to such concerns/complaints at the height of the proxy season. PIRC makes best efforts to review the materiality of such concerns/complaints in the first 48 hour period. Detailed responses may take up to several weeks depending on materiality and business pressures.

In addition PIRC is subject to the Financial Conduct Authority rules of business conduct and Financial Services Ombudsman procedures in the UK. PIRC is regulated by the Financial Conduct Authority.

Feedback Management

PIRC's feedback management arrangements are discussed under Principal Three below.

Client and Supplier Understanding

PIRC's client and supplier understanding protocols are discussed under Principle Three below.

Purpose

PIRC has written the following policy statement that describes how we propose to manage potential conflicts of interest we may have with any of our clients. Our objectives in drafting this policy statement are as follows:

- (1) to assure clients that the information and advice PIRC provides is impartial;
- (2) to outline a system whereby actual and potential conflicts are disclosed to clients and managed effectively.
- (3) to provide clients with clear disclosure obligations.

Definitions

PIRC suggests the following definitions apply to terms used in this policy statement:

- A. “Conflict of Interest” or “Conflict” includes those circumstances that create or have the potential to create an actual or reasonably perceived conflict between PIRC and the client and/or the client’s key personnel. A conflict exists when PIRC or the client, or PIRC’s key personnel, or the client’s key personnel or a close relative, domestic partner or other significant personal or business relationship of PIRC or the client’s key personnel knows, or has reason to know, that he or she has a financial or other interest that is likely to bias his or her advice or evaluation of any matter regarded as material to the services between PIRC and the client.
- B. “Key Personnel” refers to those persons identified by PIRC who will exercise a significant role in providing to the client the services required under an assignment or contract. C. “Staff” refers to the client’s Investment or Administrative staff.

Disclosure responsibilities of PIRC:

- A. In its response to a Request for Proposal (“RFP”), PIRC shall generally identify in writing the circumstances and nature of Conflicts that may arise if it were selected to provide to a client the services set forth in the RFP’s scope of work.
- B. In addition, at the time of a specific assignment PIRC shall generally identify in writing to the client the circumstances and nature of all Conflicts pertinent to the specific assignment, recommendation, advice or other service. PIRC shall explain whether the Conflict is manageable or unmanageable. If the Conflict is manageable, PIRC will explain the steps or measures that it intends to take to avoid the Conflict or manage the Conflict. The disclosure required under this paragraph must be made prior to the time that PIRC provides the services that give rise to the Conflict.
- C. Once a Conflict has been disclosed, PIRC will promptly update the client in writing of any changes in circumstances.
- D. In following this policy statement, PIRC will consider the spirit as well as the literal expression of this policy. PIRC will take responsibility for scrutinising the services provided under the terms of the contract with the client for any future Conflicts and make appropriate disclosures. In cases where the PIRC is unsure whether a Conflict actually exists, the Conflict will be disclosed, for example in an individual company proxy report, where it will be identified in the body of that report.

Induction and internal training: All staff will undergo conflict of interest identification training as part of their overall induction upon appointment. Every member of staff must report periodically their holdings to the compliance officer.

PIRC is sensitive to particular conflicts that may arise in the course of its work. The following is an example of a potential conflict in an important area that it brings to clients’ attention:

- Providing an analysis of a shareholder proposal in which PIRC or its employees have been advising the proponent.

PIRC will provide a summary of any or all of those conflicts for its clients on an annual basis where it has taken remedial action to disclose and manage such conflicts. To date we have not had any disclosure notifications required

Dealing with PIRC: What should companies expect?

Introductory letter

PIRC's initial communications policy with companies (issuers) begins with a letter sent by email to a published contact address at the company. PIRC seeks to have a dialogue via the company secretary but will use a general corporate contact address if this is absent from disclosures. In that letter PIRC will ask for documents to assist in its reporting. These include a prior year's annual reports and the Company's Articles of Association. These requests follow inclusion of the company within PIRC research coverage, determined by the portfolio holdings of clients or local market indices. Changes within these holdings are monitored on a quarterly or monthly basis, depending on availability of new data.

Voting guidelines

PIRC seeks to update and publishes its Shareholder Voting Guidelines each year. UK companies can expect a complimentary pdf version by email following each annual publication and a corresponding explanatory document which sets out where PIRC policy has changed. For foreign markets outside the UK All-Share index, PIRC provides guidelines for each market where client stocks are held.

Proxy Report Delivery

Companies can expect their investors to be informed of PIRC's voting recommendations ahead of statutory voting deadlines for any given market. As PIRC is just one of many intermediaries involved in the proxy voting chain we are subject to the imposition of deadlines by other intermediaries with whom we have no contractual relationship. Where externally imposed voting deadlines conflict with PIRC's contractual delivery deadlines to clients, companies should expect that PIRC will adhere to its own contractual terms. This is particularly the case where such deadlines are subject to change at short notice.

Report Accuracy

In common with other proxy agencies, PIRC endeavours to provide research and recommendations on thousands of companies held in institutional investors' equity portfolios. The high concentration of general meetings at certain times of the year requires PIRC, on behalf of investor clients, to distil a significant volume of disclosure. PIRC has processes in place to mitigate the risk of inaccurate commentary reaching its clients. Despite these processes, errors may occur. Companies can expect that where factual errors which impact on a voting recommendation are identified and agreed, PIRC will re-issue

an amended report to its clients and provide a copy to the company. Outside the UK, all companies should expect to receive a final copy of our proxy report. PIRC does not guarantee that this copy will be dispatched ahead of the company's individual proxy deadline. At the end of each summer, the research teams reviews engagement and aggregated data from the UK FTSE AllShare, in order to review research during the previous proxy season. Outlying data is singled out and reviewed. Ongoing training is performed throughout the year.

PIRC's Voting Recommendations

Issuers should expect some of the votes cast by their shareholders to be informed by PIRC voting recommendations. PIRC recommendations are based on the principles advocated by PIRC's Shareholder Voting Guidelines and the conclusions of research done prior to general meetings.

Engagement

PIRC works for its investor clients and not the companies in which those clients invest. However for the UK FTSE All Share and FTSE Eurofirst 300 companies, PIRC considers that UK companies should be able to see its recommendations as a matter of courtesy. PIRC sends copy of the published reports to all issuers whose shares are subscribed by PIRC's clients, in correspondence of their meetings. For companies in the FTSE Allshare, companies are sent the draft report prior to publication and have 48 hours as a deadline for comments. Companies in the FTSE Eurofirst 300 index are given instead 24 hours to respond.

Every company engagement is given in the published report, disclosing : whether factual amendments were incorporated, whether the amendments included additional information not in response to a factual amendment, whether the comments led to changes in voting recommendations, whether the outcomes were understood or challenged by the company. Where companies suggest any amendments to be incorporated into PIRC's draft report, they will only be considered when provided via a written response and received in a timely manner. Such amendments will only be considered in questions of fact. All external communications cc the Head of Research and a shared mailbox (pircresearch). This enables consistent tracking of all communication vis-à-vis ethics guidelines and escalation if needed.

Purchase of shares brings with it fundamental rights underpinned by Company Law. Companies should expect PIRC to be an advocate of the use of such rights by shareholders. Where a recommendation to vote is premised on our view that a company's behaviour is contrary to a fundamental principle, it is unlikely that engagement or dialogue will result in a change in our recommendation unless there is evidence of a change in corporate behaviour.

In addition PIRC discloses the nature of UK company engagement it has had in the individual proxy research report for clients. PIRC seeks to maintain a flexible response to company engagement, baring in mind its first loyalty to its clients.

Voting disclosure

Companies can expect post-meeting public disclosure of each recommendation made by PIRC on PIRC's website. This is uploaded as of the meeting date for the company.

Public Disclosures

Companies can expect PIRC to contribute to public policy debate. PIRC advocates improved corporate behaviours via regulatory submissions, event attendance and media contributions. From time to time PIRC will reference company practices in its public comments. Any such references will be evidence based. PIRC will not refer to any company communications of a confidential nature, provided by a company in the course of PIRC's dialogue or engagement with that company, unless it has obtained permission from the company to make such communications available to its clients.

Dealing with shareholder proponents

PIRC will review all shareholder proposals on the proxy agenda of any company, on a case by case basis. In general terms PIRC supports the right of shareholders to have access to the proxy for nominating directors and shareholder proposals/resolutions. PIRC regards this process as a part of their fundamental rights and encourages such engagement by a company's shareholders as a positive contribution to the shareholder process that can

strengthen corporate governance.

Each shareholder proposal is analysed and proponents' texts and supporting statements are scrutinised. PIRC will then analyse any statement in support or opposition by the company board. It will on occasion have prior knowledge of such a proposal and this will be disclosed in its analysis within the proxy report.

PIRC is contacted from time to time by other stakeholder interests, such as a company's employee representatives, and PIRC will accord appropriate status to such contacts, whilst always seeking to obtain company responses to the substantive matters under consideration in any such dialogue.

Dialogue with Media and the Public

PIRC has a communications executive through which all dialogue with the media is managed, and from time to time will make communications with media organisations. It maintains a Twitter account and will publish press releases from time to time. Designated PIRC spokespersons will from time to time communicate in the media.

PIRC does not release any company proxy reports to the media unless it has been published to clients first, and then as a rule only when asked. However from time to time PIRC believes it is in its clients' interests and the interest of all market participants to press release its voting recommendations on a particular company ahead of a company meeting. PIRC has a dedicated channel to speak to Press, the mail address PIRC_Press@pirc.co.uk Only senior managers and directors speak to press, most frequently the Head of Financial Research and Analysis, the Head of Stewardship or the Managing Director.



PIRC RESPONSE TO IOC ASSESSMENTS OF 2020 COMPLIANCE REPORTS

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Principle	Applied/Explained	Comment
A.1 Timeliness: explanations for how timelines are conceived, managed, and executed.	Applied	Add section: “During 2021, PIRC has published reports with an average of 16.5 days prior to the meeting for AGMs and 15.6 days prior to the meeting for EGMs. During proxy season (here considered between 1 February and 31 May) the average delivery time was 15.3 and 15.2 days prior to the meeting, respectively.”
1.A.2 Research capacity: is the team organized into country or regional experts? Or by industry sector? If not, how does it apply expertise so as to produce informed reports? Does it employ external research providers? If so, how does it monitor for quality, accuracy, independence, reliability, and potential conflicts of interest?	Applied	Add section: “PIRC’s team is global and as such every member of the permanent research staff is trained on all markets. There is some regional division based on seniority, background, language diversity and interests in order to maximise performance. However, each member of the team is trained to produce reports globally. PIRC does not employ external research providers.”
1.A.3 Signatories to provide diversity data on staff—broken down by permanent professionals as well as temporary, seasonal employees—so that stakeholders can better assess the teams conducting proxy voting research.	Applied	Will add section: Permanent staff = 21 = men 15 – women 6 Permanent PT staff = 4 = 4 women Temp staff = 3 = 3 men Contractors = 5 = 3 men – 2 women
1.A.4 Staff qualifications: Signatories to explain in more detail about how they manage professional development for full-time professionals, if they have such programs and about induction/orientation and content training for temporary or part-time employees. Descriptions on content, duration, instruction methods, mentoring opportunities, and other factors would be welcome.	Applied	An induction process is required for all staff when they start, for the duration of approximately three weeks, and it covers all aspects of work at PIRC. The training programme is developed by their line manager and new staff are assigned a mentor, who will track training sessions per day and progress desired/achieved. New permanent staff are assessed half-way through the probationary period by line manager and other stakeholders.
1.A.6 Staff numbers and workload: data showing the average count of permanent professional staff during the year, together with the number of temporary/seasonal employees during high-volume periods. Signatories should then quantify staff workload—especially the average number of reports per analyst and similar data—and describe how they calculate this ratio and its meaning.	Applied	In 2021, we hired 5 temporary staff during the proxy season to work on global markets. During proxy season (between 1 February 2021 and 31 May 2021) a total of 5,109 reports (of which 4,632 AGM reports) were drafted by 11 researchers.

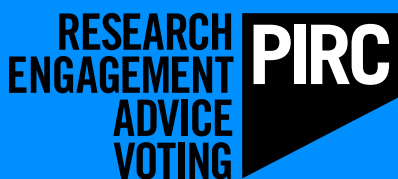
<p>1.A.7 Quality assurance: data and explanations on fact-checking and error-tracking together with remediation practices on both corrections and how lessons may be applied to avert similar errors in the future.</p>	<p>Applied</p>	<p>At the end of each summer, the research teams reviews engagement and aggregated data from the UK FTSE AllShare, in order to review research during the previous proxy season. Outlying data is singled out and reviewed. Ongoing training is performed throughout the year.</p>
<p>1.A.9 Statistics at a glance</p>	<p>Applied</p>	<p>Data of reports published w. average days before the meeting will be added in total and per market.</p>
<p>2.A.1. Revenue sources: Signatories to provide as much such data as possible.</p>	<p>Applied</p>	<p>Private and Confidential.</p>
<p>2.A.2. Compliance monitoring: explaining in detail how compliance with own rules and practices regarding conflicts of interest is monitored and policed.</p>	<p>Applied</p>	<p>PIRC engages solely with issuers and based on own voting guidelines, which are agreed upon with clients and shared with issuers. We do not engage with solicitors or other consultants. Also, researchers do not have access to clients, in order to maintain independence of research. Engagement ex reports and research is performed by two different teams to ensure independence.</p>
<p>2.A.3. Potential conflict instances and notifications: Signatory to (1) spell out the risks of specific conflicts and, conversely, what conflicts they do not have; (2) provide quantitative information on how often potential conflicts are flagged to clients and others; (3) detail descriptions of how potential conflicts are managed including, for those who provide overlay services, by explaining safeguards against potential conflicts; and (4) offer examples of risk mitigation practices.</p>	<p>Applied</p>	<p>To date we have not had any disclosure notifications required.</p>
<p>2.A.5. Recording and escalation: Signatories to explain how each would track any staff breaches in compliance and ethics guidelines and how it would escalate such a case.</p>	<p>Applied</p>	<p>All external communications cc the Head of Research and a shared mailbox (pircresearch). This enables consistent tracking of all communication vis-à-vis ethics guidelines and escalation if needed.</p>
<p>2.A.6. Employee share trading: Signatory to report in detail on its policies around employee share trading and to indicate whether and how they apply to different categories of staff</p>	<p>Applied</p>	<p>Add section: Every member of staff must report periodically their holdings to the compliance officer.</p>
<p>2.A.7. Impact of Best Practice Principles: Signatories might wish to enhance stakeholder confidence in the BPP by illustrating what changes they have made in response to the Principles</p>	<p>Applied</p>	<p>This grid will be attached to the response.</p>

<p>3.A.1 Engagement practices and reporting: Signatory should fully explain its approach to engagement. Those that do not engage, or feature only limited engagement, should explain why and how. Those that do engage should report information that can help stakeholders assess the quality, intensity, scope, and purpose of such work. This could involve disclosing (1) how they define engagement, including whether it is directed only at companies (and if so, which parties) or also with other stakeholders; (2) quantitative, qualitative, and timeline metrics that illustrate the scope of such activity; (3) geographic and sectoral breakdowns of engagement; and (4) track outcomes, where relevant to the Signatory's business model.</p>	<p>Applied</p>	<p>PIRC sends copy of the published reports to all issuers whose shares are subscribed by PIRC's clients, in correspondence of their meetings. For companies in the FTSE Allshare, companies are sent the draft report prior to publication and have 48 hours as a deadline for comments. Companies in the FTSE Eurofirst 300 index are given instead 24 hours to respond.</p> <p>Every company engagement is given in the published report, disclosing : whether factual amendments were incorporated, whether the amendments included additional information not in response to a factual amendment, whether the comments led to changes in voting recommendations, whether the outcomes were understood or challenged by the company.</p>
<p>3.A.3 Complaints procedures: Signatory has an explicit obligation under the Principles to feature effective procedures for handling complaints from issuers or others.</p>	<p>Applied</p>	<p>Issuers can complain directly to the Managing Director and will be followed up within 48 hours. Their claims on data and research will be handled by a different member of staff from that who drafted the report or handled the correspondence subject to complaint.</p>
<p>3.A.4 Media communication policies: part of a Signatory's compliance with Principle 3, and Guidance 3.3, involves reporting on how it handles media and, optimally, whether its practices differ by market, region, culture, language, or type of media channel.</p>	<p>Applied</p>	<p>Added section: "PIRC has a dedicated channel to speak to Press, the mail address PIRC_Press@pirc.co.uk Only senior managers and directors speak to press, most frequently the Head of Financial Research and Analysis, the Head of Stewardship or the Managing Director."</p>
<p>3.A.5 Independent Oversight Committee communication channel: Signatories include information about how stakeholders unsatisfied with a firm's adherence to the Principles have a fallback option of communicating concerns or feedback to the Independent Oversight Committee.</p>		

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For more information relating to the content of this document, or to request a copy of PIRC's shareholder voting guidelines, please email info@pirc.co.uk.



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