

## INSTITUTIONAL VOTING INFORMATION SERVICE (IVIS) RESPONSE TO THE UK STEWARDSHIP CODE (2012)

### IVIS RESPONSE TO PROXY ADVISORS REGULATIONS 2019

On the 10<sup>th</sup> June 2019, the Proxy Advisors (Shareholders' Rights) Regulations 2019 (the "Shareholders' Regulations") came into force, to implement the proxy advisor provisions of the revised EU Shareholder Rights Directive (SRD II). The aim of SRD II is to improve the stewardship of EEA based companies. Under the Shareholders' Regulation, IVIS must set out how it applies a Code of Conduct. IVIS applies the Financial Reporting Council ("FRC") Stewardship Code (published in 2012) and regularly publishes its response to its application of the Stewardship Code in its, 'Response to the UK Stewardship Code'.

The 2012 Stewardship Code is directed at institutional investors (i.e. asset owners and asset managers with equity holdings in UK listed companies) and aims to enhance the quality of stewardship, setting out seven principles of stewardship to be applied. Investors may use external service providers to aid their stewardship activities. As a service provider of stewardship services the Code also applies to IVIS, which is why IVIS has chosen to apply the Stewardship Code.

In January 2019, the FRC consulted on a revised Stewardship Code. The FRC is expected to issue the final version later this summer. In this document, IVIS has addressed certain areas concerning the service provider principles and provisions proposed in the 2019 draft Stewardship Code, but not covered by the current Stewardship Code. We will report fully against the 2019 Stewardship Code once the final version has been published.

**21 June 2019**

### OVERVIEW AND INTRODUCTION

The Investment Association (IA) is the trade body that represents UK investment managers, whose 250 members collectively manage over £7.7 trillion on behalf of clients.

Our purpose is to ensure investment managers are in the best possible position to:

- Build people's resilience to financial adversity
- Help people achieve their financial aspirations
- Enable people to maintain a decent standard of living as they grow older
- Contribute to economic growth through the efficient allocation of capital

The money our members manage is in a wide variety of investment vehicles including authorised investment funds, pension funds and stocks & shares ISAs.

The UK is the second largest investment management centre in the world and manages 37% of European assets. IA members hold in aggregate one third of the value of UK publicly listed companies. More information can be viewed on our [website](#).



## **Stewardship and Corporate Governance**

Through our work on Stewardship and Corporate Governance the IA sets out our members' expectations of UK listed companies. These guidelines are upheld through our corporate governance research service, the Institutional Voting Information Service (IVIS). In addition, we engage with companies on governance matters such as executive remuneration, board effectiveness, succession planning, and wider corporate governance, audit, accounting and other reporting issues.

IVIS was developed in 1993 to provide corporate governance research and analyse proposals submitted at shareholders' meetings. Its research covers companies in the FTSE All-Share Index as well as 50 largest FTSE Fledgling companies and each year it receives approximately 200 consultations and notifications on executive remuneration and other governance related issues.

It should be noted that, as the IA and IVIS, we do not own shares in any company we monitor and therefore many of the current Stewardship Code provisions are not relevant to the IA or IVIS. This document focuses on our engagement from the perspective of representing shareholders and as a service provider. Our aim is to disclose how we carry out the wishes of our Members by applying the principles of the Stewardship Code that are relevant to our activities.

**For further information and for those interested in collective engagement, we can be contacted through [IVIS@theia.org](mailto:IVIS@theia.org) or through the contacts section of the IVIS website: <https://www.ivis.co.uk/contact-us>**

## **BACKGROUND TO IVIS**

IVIS monitors and assesses FTSE All-Share companies and the 50 largest FTSE Fledgling companies against the UK Corporate Governance Code, the IA Guidelines as well as other industry guidelines such as Pre-emption Group Guidelines.

Our Guidelines can be found on the IVIS website: [www.ivis.co.uk](http://www.ivis.co.uk). These guidelines set our members' expectations of UK listed companies. The guidelines are subject to periodic review and discussion by the IA's Stewardship Committee to ensure they continue to represent IA member interests and current market best practice. They cover a wide range of issues that are important to the alignment of the interests of investors and companies; including share capital management; pre-emption rights; ESG risks; executive remuneration and corporate governance. The IA's Stewardship Committee also set positions or approaches which IVIS should follow for example the way that IVIS should 'colour top' companies.

For each company meeting, IVIS prepares a report which has three distinct sections, the Proxy Report, the Corporate Governance Report (the CG Report) and the Environmental, Social & Governance Report (the ESG Report). The Proxy Report replicates the meeting agenda and concisely identifies areas of concern or other issues shareholders should be aware of prior to voting. The CG Report analyses the company's governance structure against the UK Corporate Governance Code, highlighting the board and committee structure, compliance with the UK Corporate Governance Code as well as key risks, and other audit and accounting issues such as audit committee and Auditor judgements. The ESG Report monitors compliance with our [Long Term Reporting Guidance](#).

IVIS does not provide voting recommendations. Instead, it highlights specific matters for members to consider prior to voting through a colour coding system. Each report is colour coded (or topped), with Red indicating a breach of best practice and not confirming to our

Guidelines, Amber raises awareness to particular elements of the report which require a judgement, and Blue indicating that there are no areas of major concern. We also use a Green Top in cases when an issue has been resolved by the Company since they issued their Annual Report or AGM documentation. The issue which is driving the colour top is clearly outlined in the 'Key Issues' and 'Colour Top Synopsis' section of the IVIS Report. We also summarise the main issues in the STATUS bar of the report and, if appropriate, the conclusion. This approach means that members use the reports to inform their own voting decisions and judgements, and encourages thoughtful and informed engagement with companies on the issues identified. Our aim is to help our subscribers to make an informed voting decision.

IVIS is a subscription-based service and we do not publicly disclose the colour rating of each company. We have found that press interest is disproportionately focused on public confrontation between shareholders and high street names with little regard to the underlying governance issues. We consider that this can be counterproductive to the stewardship and engagement process.

As a part of the IA we receive requests to engage with companies on various governance matters. Of the matters that we engage on the vast majority relate to executive remuneration.

### **Approach to Remuneration Consultations.**

The process starts with the company requesting to engage with the IA or IVIS on their proposals. This is usually done in the form of a letter or email. Given the confidentiality of such engagement, we would ask the company if they wish to obtain IVIS feedback only or if they wish us to seek feedback from the members they have also consulted on their proposals.

IVIS provides feedback based on the company's proposals when analysed against our Guidelines and other best practice provisions. IVIS informs the company of potential breaches of best practice and potential areas of member concern. We would also seek additional explanations or rationale on the proposals, if necessary.

In most cases, however, companies would also like to receive feedback or views of our members. In such cases we would ask the company for the list of members they have consulted. IVIS will then send a summary of the proposals to these members along with the original proposal from the company.

Once member feedback is obtained, we would summarise all the feedback and provide it to the company on a generalised basis without attributing feedback to a particular shareholder.

The remuneration consultation may have further iterations. The company may amend the proposals based on investor feedback and seek further comments or it may decide not to make any changes but to provide more detailed rationale. IVIS would forward the communication from the company to members and seek any further comments which IVIS would relay back to the company.

The process is considered finished when the company issues the final letter summarising the changes or where the proposals are submitted for shareholder approval.

At each stage of this process, companies or members may request a meeting or a conference call. When members request a meeting with the company, this will usually take a form of collective engagement which is described in more detail below.

## PRINCIPLE 1: DISCHARGE OF STEWARDSHIP RESPONSIBILITIES



The IA and IVIS are not shareholders and therefore do not have direct stewardship responsibilities. We consider ourselves to be facilitators, aiding the building of a consensus and working to improve the quality of engagement between companies and their investors. As noted above, IVIS does not provide voting recommendations, our primary goal is to help our members to make informed voting decisions. The following points set out how we discharge this facilitation role, and the role that an IVIS Report plays in this process.

### Preparation of IVIS Reports

- In each case we consider the disclosures made by the company in any of its public documents including RNS disclosures, annual reports and meeting documents such as the notice of meeting.
- We consider these for consistency with previous years, and highlight relevant changes or areas of interest.
- IVIS only prepares reports on companies listed in the UK and our analysis is based on UK corporate governance best practice. Our members expect all UK listed companies to follow UK best practice irrespective of their country of incorporation. We note that companies incorporated outside of the UK may have to depart from best practice due to local regulations applying to them. Where this is the case and where it is disclosed by the company we will make note of it in our reports.
- We note where the company considers itself to be fully compliant with the UK Corporate Governance Code. We also note whether IVIS has identified any departures from key areas of the Code.
- Where the company has explained a departure from the Code, we summarise the main explanations in our reports. IVIS flags potential areas of concern, for individual shareholders to judge whether the company's approach is appropriate.
- While we are primarily guided by the UK Corporate Governance Code and our Guidelines, we also highlight other matters, which are not necessarily covered by these documents but which our members may wish to review more closely.
- Apart from when IVIS is planning to issue a Red Top, we do not invite companies to comment on the IVIS report in draft. Where we do so, this is to confirm factual accuracy. IVIS does send companies a copy of their IVIS report following publication. IVIS does not charge companies for a copy of their IVIS report.

### Company Contact and engagement

- Where necessary, we engage with the company for further detail on any aspect of their disclosures.
- This engagement tends to be at Company Secretary or HR Director level but where appropriate we will engage with the Chairman of the board, the SID, Remuneration Committee Chairman, or other board members.
- On remuneration matters in particular we avoid, where possible, speaking to executive directors given their participation in the schemes under review.
- Where a company representative is unavailable we will contact relevant advisers, such as lawyers, brokers or remuneration consultants, for more information.
- By extracting additional non-price sensitive information from the company we consider that we facilitate the engagement process between companies and investors by allowing information to be quickly and more widely disseminated.

### Shareholder Contact

- Where appropriate we also engage with IVIS subscribers who are large shareholders in the company. This is to take account of individual explanations and take market views into account.

- A summary of these views will be included in the IVIS report. These views will also feed into the determination of the colour top of the report which means that the IVIS reports represent the real views of owners.



The following points are relevant to our approach to a consultation or a specific issue-led engagement. Where appropriate, the outcomes and investor views would be taken into account at the point of writing the relevant IVIS Report.

- Each year the IA receives approximately 200 consultations and notifications on remuneration and other governance issues. These outline compliance with Guidelines, company strategy and business needs, and also allow constructive dialogue with investors. The aim is to aid understanding and communication, leading to improved alignment of new proposals with the interests of investors in advance of the company meeting.
- Where requested by members, on particular corporate governance related issues at specific companies, we engage through collective meetings, and author collective letters. We may also contact members to check the appetite for such a collective engagement when we feel that the matter in question is considered to be contentious by a number of members. In addition, IVIS will reflect the consultation process and views heard from members into the IVIS report. So that the IVIS report reflects the process which has been undertaken and the views heard of members during that process.

### **IVIS resources**

The IVIS team comprises of six members, including the Head of IVIS. The work of IVIS is overseen by the IA's Director of Stewardship and Corporate Governance. The team comprises a balance of experienced corporate governance analysts and recent graduates.

The IVIS team has a range of qualifications and experiences from specific corporate governance qualifications, to a wider range of other educational subjects. A number of IVIS team members have worked on corporate governance at other service providers.

IVIS has an induction and training process which ensures that new staff are provided with a detailed understanding of corporate governance and IVIS activities. All members of the team receive regular updates on different aspects of corporate governance and related topics. The IVIS team regularly meets and discusses new development in the market or current issues relating to the work of IVIS. They are also kept up to date with member and market sentiment on particular issues.

The IA has a Personal Development Programme process in place which give staff members who wish to participate, the opportunity to discuss their professional development and career within the IA in a structured and documented way. During this process, staff meet with their line manager to identify and agree a personal development plan, the training and development actions that follow, and an iterative ongoing review process.

IVIS team members may attend different events (held internally by the IA or externally by other providers) which is also a useful way of expanding their knowledge and expertise.

## **PRINCIPLE 2: CONFLICTS OF INTEREST**

We set out below our approach to managing potential conflicts of interests in the preparation of IVIS reports with respect to IA members as listed companies, other subscribers to the IVIS service and any personal conflicts of IVIS employees.

### **1. IA Members**

The primary source of conflict of interest for IVIS is that some IA Members are UK-listed asset managers and therefore fall into IVIS' reporting universe.

The IA guidelines are formulated with the participation of the IA members in their capacity as stewards. These guidelines are therefore set in line with best practice and do not benefit any specific members. These guidelines are developed by the IA's Stewardship Committee which includes members with a range of ownership types not just UK-listed firms. The variety of member views means that no one institution is given more weight than another.

- When drafting reports on companies, that are also IA members, we strictly adhere to our Guidelines and draft the IVIS reports for the members as we would for any other company
- The IVIS team is long-standing and highly experienced in providing thorough research and consistent policy application without bias.
- All of our reports are subject to thorough peer review, and where necessary wider internal discussion, to ensure the viewpoints put forward are consistent and without conflict.
- We believe the result is a robust and consistent approach.

IVIS has a clear remit within the organisation to act independently and uphold the IA's guidelines irrespective of the report being on a member or any other listed company.

## **2. Other Companies/ consultants subscribers of the IVIS**

We also have a small number of corporate clients who subscribe to the service either through their HR team or the Company Secretary office. They use it as a way of tracking market trends and performing comparator analysis of remuneration.

- As with UK-listed IA Members, our mandate is to apply our rigorous process consistently and we therefore continue to strictly adhere to our Guidelines.
- Corporate subscribers have neither sought, nor received, any advantage over their peers.
- We consider the number of these clients and the revenue they generate to be immaterial to IVIS.

## **3. Personal conflicts of IVIS employees**

Situations giving rise to conflicts of interest may exist due to a member of the IVIS team (or a close family member) holding shares in a company which IVIS produces an IVIS report for, or due to a personal or close relationship with employees of such companies. IVIS and the IA require members of the IVIS team to alert their manager to any such potential personal conflicts of interest prior to the commencement of any research.

In such cases, analysts are removed from the preparation or checking of such IVIS reports or engagement with these companies.

## **Review process prior to the publication of IVIS reports**

IVIS reports are subject to a review by a different member of the IVIS team prior to publication, in order to manage any conflict and ensure consistent adherence to the guidelines. Once a report has been prepared by an analyst, it is subject to a second check by another experienced analyst, the Head of IVIS or Director of Stewardship and Corporate Governance. In some cases this will involve a second review or a discussion between members of the IVIS team on the appropriate colour top.

IVIS uses publicly available information and does not send draft reports to companies before publication (other than for confirming factual accuracy when we plan to issue a Red Top). This helps to minimise bias and the risk of an analyst being put under pressure from companies or other advisors.

## Consulting services

IVIS does not provide consulting services to companies. However, we may engage with companies outside of the proxy season over matters such as remuneration or corporate governance in general. Such consultations are limited to providing companies with feedback on their proposals, strictly based on our guidelines. IVIS and the IA do not receive any fee for these consultation exercises.

## PRINCIPLE 3: MONITORING OF INVESTEE COMPANIES

As described previously, IVIS does not hold shares in the companies with which we engage or produce IVIS reports for.

Our role in monitoring and engagement may be broken down into following stages:

### IVIS Reports for Shareholder Meetings

Whenever a company holds an Annual General Meeting (AGM) or a General Meeting (GM), IVIS would produce an IVIS report for that meeting. We will analyse the proposals submitted for shareholder approval and, in case of AGMs, we will also produce a Corporate Governance and ESG reports.

In the process of preparing the IVIS report, we would analyse the proposals and structures presented to shareholders for approval and, where applicable, compare them against previous years to see if there are any areas of concern which we had previously highlighted. If the concerns remain we would highlight them. If they have been resolved we would also note that in the IVIS report and we also comment on other positive developments (for example an improvement in disclosure). We also highlight instances of significant levels of shareholder dissent at the last shareholder meeting and whether a company was included in the [IA's Public Register](#). When this is the case, we include a summary of the Company's response and update statements in our reports, where these have been made available.

The reports include an overview of financial performance of the company, focusing on the measures the company considers as its key performance indicators. While IVIS normally does not comment on the company's performance against these indicators, they are taken into consideration in the overall analysis. For example, IVIS may comment on payments made to the directors in the context of the financial performance of the Company.

Our reports focus on matters that our members have asked us to highlight. As such, we would usually provide no comment on routine proposals such as the re-election of a non-executive director, who meets independence criteria of the UK Corporate Governance Code and there are no issues of accountability of decision making to be raised. However, if a director does not meet one of the independence criteria of the Code, we would highlight this in the report along with any company explanation.

A significant part of the IVIS proxy report focuses on analysing the company's approach to executive remuneration. We outline the company's remuneration policy and emoluments paid, and in the narrative section we provide more detail on the remuneration structure and any potential concerns or breaches of best practice.

If we have had engagement with the Company during the year, for example when there was a remuneration consultation, we would reflect this in the IVIS report together with a summary of member feedback. We would discuss internally the colour top, taking into consideration the company's adherence to our Guidelines and best practice.

At any time during the drafting stage, we might engage with a company if further information or clarification is needed in order to complete the report or where discrepancies have been identified in the company's reports. Where a report has been highlighted on a



red top, a draft report is sent to the company, the company may provide further details or explanations on the highlighted issue or other matters.



In terms of the Corporate Governance and ESG Reports, we analyse companies against a standard set of questions which are agreed by our members. The Corporate Governance Report focuses on the following areas:

- Board and Committee Composition – we highlight the membership of the Board and Committees as well as any changes since the previous report. We highlight where any Director does not meet the independence criteria set out in the UK Corporate Governance Code.
- All other significant directorships held by directors as this may lead to conflicts of interest or concerns over the directors time commitments.
- Director attendance to board and committee meetings – we note where a director has missed a significant proportion of Board or Committee meetings.
- Compliance statement - we disclose how the company assessed its compliance with the UK Corporate Governance Code as well as summarising a company's explanations for deviations from the Code. We also note any areas in which IVIS has identified any divergence from key areas of the Code which has not been identified or explained by the Company;
- Board composition and balance – we assess the Board composition, its performance evaluation procedures or how directors are re-elected;
- We highlight material disclosures provided by the company with regard to board effectiveness, diversity and succession planning.
- Remuneration packages and procedures – we reflect the composition of the remuneration committee and the notice period for service contracts;
- Accountability, audit and reporting – we answer questions relating to internal controls, material risks, the viability statement, composition of the audit committee, policy on audit tendering and audit and non-audit fees. We also highlight the Audit Committee and auditor's key judgements or risks of misstatement in relation to the audit. We also outline the materiality of the audit and whether the Audit Committee has discussed how they assess the quality of the audit.

Our approach is to highlight potential departures from the UK Corporate Governance Code and include any company rationale, when available. IVIS flags potential areas of concern, for individual shareholders to judge whether the company's approach is appropriate as this is a matter for the shareholders. The Corporate Governance Report can be colour coded for a number of issues including: Board composition, gender diversity of the Board, executives on board committees and the CEO succeeding the Chairman.

The ESG report monitors compliance with our Long Term Reporting Guidance. For the purpose of this report we assess the quality of disclosure provided by the Company in relation to its capital allocation, productivity, human capital reporting and environmental, social and governance (ESG) matters, risks and key performance indicators. The report highlights when the company has any verification procedures in place. This report is not assessed on a colour top.

As described above, IVIS reports are prepared with a focus on the Corporate Governance Code and the IA guidelines which are developed taking into consideration member views. These are regularly reviewed and take into account changes and new developments affecting companies and corporate governance in general.

In addition, the IA's Stewardship Committee outline the approach which they wish IVIS to follow on particular issues. For example in 2019, the Stewardship Committee asked IVIS to take specific approach to companies with respect to the gender diversity of their board. The Stewardship Committee asked IVIS to take the following approach which was communicated publicly to companies:

- IVIS to apply a red top to FTSE 350 companies where there is none or only one woman on the board (except for instances where the 33% Hampton Alexander target has been met)
- IVIS to apply an amber top to FTSE 350 companies where there is more than one woman, but 25% or less of the board are women. These companies are unlikely to meet the recommendation of the Hampton-Alexander Review of 33% of women on board by 2020.
- IVIS to apply an amber top to FTSE Small Cap companies where less than 25% of the board are women.



Once the IVIS report is published, a copy is sent to the company. At this stage, some companies provide additional rationale or explanations for their decisions. We may update an IVIS report to include these.

As we do not hold shares in any companies, we do not attend shareholder general meetings held by companies.

### **Company Engagement between Shareholder Meetings**

As outlined above, IVIS helps to facilitate engagement between IVIS, our members and companies. The majority of engagement with companies is initiated by companies and relates to executive remuneration. Companies contact IVIS if they wish to seek views on their proposals relating to the Directors' pay. IVIS reviews the proposals against the Guidelines and would raise any potential concerns with members and the company.

IVIS also receives letters from companies, informing investors on the company's decisions, rather than seeking to consult with them. In such cases, IVIS would not normally seek the views of our members. We would, however, review the contents of the letter and inform the company on areas of potential concern.

Occasionally, we would receive a query from a member, which would prompt us to engage with the company to clarify an issue.

Some companies engage with us to discuss corporate governance matters such as board diversity or succession planning. Companies may also want to discuss the assessment or analysis included in the IVIS reports. While the majority of these discussions focus on remuneration, a number of engagements also relate to compliance with the UK Corporate Governance Code as well as our ESG Report.

### **Collective Engagement**

Occasionally, IVIS or the IA facilitates a collective meeting. These normally take place at the request of members to address an issue of concern such as executive remuneration or the appointment of the CEO as the Board Chairman. A request for a collective meeting may come from members but, if IVIS believes an issue is contentious enough to warrant such a meeting, it would engage with members to test the appetite for collective engagement. More details on collective engagement are disclosed under Principle 5 below. Some companies also approach the IA and IVIS to engage collectively with members as a means to meet a number of shareholders who they may not be able to see individually. We will arrange a collective meeting if there is sufficient demand from members.

### **Review of Emerging Trends or Potential Concerns**

At all of the above stages, IVIS team would seek to identify emerging trends, unusual issues or new potential concerns. Some of these matters are discussed with members at formal committee meetings. These committee discussions shape the IVIS approach in terms of assessment and engagement, and may result in an update to our Guidelines.

## PRINCIPLE 4: GUIDELINES ON ESCALATING ACTIVITIES

The main trigger for escalation would come from our members and would be focussed on facilitating communications between investors and investee companies.

When our Members request this, and where appropriate, we will take any of the following actions:

- holding additional collective meetings with company board members specifically to discuss concerns;
- expressing concerns through the company's advisers;
- meeting with the Chairman, senior independent director, or with all independent directors;
- Escalate matters to the Investor Forum;
- Intervening jointly with other institutions on particular issues; and
- Making statements to the media.

As we do not hold shares, we cannot submit resolutions at shareholder meetings, nor requisition general meetings.

As noted above, we consider how market practice develops and how our approach to analysing companies and our guidelines can be updated.

## PRINCIPLE 5: COLLECTIVE ENGAGEMENT

As noted in our introduction, as a representative of Institutional Investors, the IA has long been an advocate of investor engagement both in the debt and equity markets. As facilitators, we consider our responsibilities under collective engagement to be the same as those as disclosed under our response to Principle 1: Disclosure of Stewardship Responsibilities.

Alongside those responsibilities, however, the IA has policies on the treatment of insider information, competition law, acting in concert, and security of information. As these are critical to our modus operandi, our team receives regular training in all of these aspects of internal governance, and the policies are updated periodically by legal specialists. However, as they are for staff members, we do not currently disclose them publicly.

IVIS and the IA engage primarily on remuneration, corporate governance related matters, and capital management issues.

Collective engagement is primarily triggered by members but may also be prompted by IVIS when we believe a matter may be contentious enough to warrant such a meeting. Ultimately, it is our members' decision to engage and in the latter case, IVIS would contact members to test the appetite for collective engagement.

When members decide to engage collectively, IVIS would act as a secretariat – we would facilitate the meeting and communications between the company and members. However, while we would participate in the meeting, we would normally expect our members to discuss their concerns with the company, as, ultimately, they are the owners of the company. Following the engagement, we would normally seek feedback from members to see whether their concerns have been addressed or if further engagement is necessary.

Where there are situations better handled by the Investor Forum, we pass these on (see their website at [www.investorforum.org.uk](http://www.investorforum.org.uk) for more information).

## PRINCIPLE 6: VOTING POLICY AND DISCLOSURE OF VOTING ACTIVITY



IVIS discloses all the IA guidelines on the IVIS website. As noted previously, IVIS does not hold shares, nor does it provide voting recommendations. Our processes are designed to provide the right amount of information in a concise format that would allow our members to make informed voting decisions.

As mentioned above, rather than providing voting recommendations we have adopted a colour coding system to highlight specific matters to our members, who then decide how to cast their votes. As disclosed above under Principle 2, the decision on the colour top is taken following internal team discussions and takes into account factors such as compliance with our Guidelines and the UK Corporate Governance Code and other provisions generally considered best practice.

We do not provide a voting platform and we do not vote any shares. Therefore, we cannot disclose our votes or help our members to disclose their votes. As mentioned above, we are a subscription based service and do not generally disclose the colour tops publicly as we believe that this may result in a public focus on confrontation between shareholders and companies rather than a constructive dialogue, which can be counterproductive to the stewardship and engagement process. However as noted above, the use of media may be appropriate in certain escalation circumstances or when members believe that it would be helpful to create change within companies. We may also disclose them on some specific thematic issues such as Board diversity.

## PRINCIPLE 7: REPORTING ON STEWARDSHIP AND VOTING ACTIVITY

We agree that transparency is an important feature of effective stewardship but we also agree that Institutional Investors should not be expected to make disclosures that might be counterproductive to their stewardship activities. Each side of the dialogue needs to be confident that they can have a frank and open discussion and the IA and IVIS would not disclose details of such engagement when it is ongoing. Such a disclosure of an ongoing engagement, especially when the subject is picked up by the press, is likely to lead to confrontation, often with no or little regard to the underlying issues. The IA and IVIS may disclose information on the engagement and its outcome after the process is complete but the level of detail will vary in order to maintain the confidentiality and trust of each of the parties and to ensure that they are comfortable to use us as facilitators of engagement.

However, we believe that institutional investors need to demonstrate how they uphold their stewardship activities and provide examples of how they carry out their activities.

We keep records of our engagement with companies and members. Given our role as a facilitator of engagement and voting activity, rather than having the ownership obligation to engage or vote shares, we do not believe that it is necessary to have independent assurance of our processes. However, we will keep this issue under review.