

# manifest

## Best Practice Principles for Shareholder Voting Research

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“Voting is a right, Informed Voting is an Asset”

May 2014



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## 1 Introduction

Manifest Information Services Ltd and The Manifest Voting Agency Ltd ('Manifest') is a UK-based provider of global corporate governance, shareholder voting research and vote agency services.

This document explains how Manifest meets or exceeds the requirements of the [Shareholder Voting Research Best Practice Principles](#) ('The Principles').

### 1.1 Committed to Stewardship

Manifest has been a signatory to the UK's Stewardship Code since its inception. Our Signatory Statement can be found [here](#) >> Manifest is also a member of the following organisations:

- [European Corporate Governance Institute](#)
- [ICGN](#)
- [Investor Relations Society](#)
- [PRI](#)
- [UKSIF](#)

### 1.2 Committed to Quality

Manifest was formed in December 1995 and since 1996 has managed its business within an [ISO9001 quality management framework](#). Manifest's independent quality assessor is currently Lloyds Register Quality Assurance. Manifest's registration number is LRQ 4007017. A Copy of Manifest's current Certificate of Approval is included overleaf.

### 1.3 Committed to Objectivity

Manifest does not provide consulting services to issuers or their advisors, nor do we service global custodians. However, we do provide straightforward data, analytics and research services on either an ad-hoc or a subscription basis to issuers or their advisors. Issuers may obtain copyright licenses to read their own or peer group governance research reports and for distribution to the directors, company secretary and internal investor relations function (where applicable). These licenses do not permit the use of reports to solicit votes or make public announcements regarding the content of the reports so as to influence other shareholders without prior written consent.

Manifest is not a regulator, trade association or a shareholder body, NGO or lobby group. Our business model is the commercial provision of stewardship-related research and administration support services including shareholder voting and reporting.

Manifest's ownership structure is straightforward. The founder directors, Sarah Wilson, Chief Executive and Tim Clarke, IT Director are the majority shareholders with the remainder of the equity provided by Michael Deakin, Chairman, and William Claxton-Smith, Senior Non-executive Director. The Graphite Enterprise Trust is a minority shareholder owner whose investment was entered into in 1999 on standard commercial terms; Graphite does not have a board seat.

Manifest's vote agency services, including governance and voting research are used by institutional investors. Manifest does not act as an advisor for shareholder requisitionists, activist funds or issuers. Research reports may be purchased by any organisation in line with our standard terms and conditions.

While general governance themes and trends are discussed at board level, the non-executive directors play no part in setting, or approving the research methodology.

## 1.4 Manifest Quick Facts - 2013

Countries Covered	75
Companies in Coverage <sup>1</sup> :	
EMEA	2,320
UK & IE	1,356
USA & Canada	1,372
Japan	526
Asia & Oceania	1,213
Global, Other	837
Reports Written	3,870
Size of Team <sup>2</sup> :	55

<sup>1</sup> Not all companies are 'continuous coverage' and therefore some may not have reports written each and every year. Nevertheless, they may be agenda, data analysis or research report subjects.

<sup>2</sup> Maximum peak season employees, excluding any outsourced data gathering resources and excluding directors (four).



## CERTIFICATE OF APPROVAL

This is to certify that the Quality Management System of:

**Manifest Information Services Ltd &  
The Manifest Voting Agency Ltd  
9 Freebournes Court, Newland Street,  
Witham, Essex, CM8 2BL  
United Kingdom**

has been approved by Lloyd's Register Quality Assurance  
to the following Quality Management System Standards:

**ISO 9001:2008**

The Quality Management System is applicable to:

**Provision of stewardship support services to global  
institutional investors and other parties.**

Approval  
Certificate No: LRQ 4007017

Original Approval: 4 April 2012

Current Certificate: 4 April 2012

Certificate Expiry: 3 April 2015

A handwritten signature in black ink, appearing to read 'M. Baker', positioned above a horizontal line.

Issued by: Lloyd's Register Quality Assurance Limited



This document is subject to the provision on the reverse  
71 Fenchurch Street, London EC3M 4BS United Kingdom.

This approval is carried out in accordance with the LRQA assessment and certification procedures and monitored by LRQA.  
The use of the UKAS Accreditation Mark indicates Accreditation in respect of those activities covered by the Accreditation Certificate Number 001.  
Metric Revision 13

## 2 What is the purpose of The Principles?

Over the course of 2011, the European Securities and Markets Authority ('ESMA') collected evidence from a variety of stakeholder groups with a view to understanding the state and structure of the market for shareholder voting research, suppliers' methodologies and on possible European policy options. In March 2012, ESMA published a consultation paper: [An Overview of the Proxy Advisory Industry. Considerations on Possible Policy Options](#)<sup>3</sup>, seeking further input from market participants.

In the [ESMA Final Report](#) and Feedback Statement on the Consultation Regarding the Role of the Proxy Advisory Industry ('ESMA Final Report'), published 19 February 2013, ESMA concluded that:

*"(I)t has not been provided with clear evidence of market failure in relation to how proxy advisors interact with investors and issuers. On this basis, ESMA currently considers that the introduction of binding measures would not be justified. However, based on its analysis and the inputs from market participants, ESMA considers that 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. Such understanding and assurance will help to keep attention focused where it belongs, namely on how investors and issuers can, from their respective roles foster effective stewardship and robust corporate governance, and ensure efficient markets. Consequently, ESMA considers that the appropriate approach to be taken at this point in time is to encourage the proxy advisory industry to develop its own Code of Conduct<sup>4</sup>."*

Following publication of the ESMA Final Report, Manifest, together with a number of other industry members formed the Best Practice Principles Group ('BPPG') to develop a set of Best Practice Principles for Providers of Shareholder Voting Research & Analysis ('Principles'), which signatories to the Principles ('Signatories') should adopt on a comply-or-explain basis.

The Principles are designed to help clients and stakeholders understand:

- The nature and character of shareholder voting research and analysis services;
- The standards of conduct that underpin those services; and,
- How signatories to the Principles interact with other market participants.

The Principles are intended to complement applicable legislation, regulation and other soft-law instruments.

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<sup>3</sup> ESMA 2012 Consultation Paper <http://www.esma.europa.eu/content/Advice-discussion-paper-Proxy-Advisors>

<sup>4</sup> ESMA recommends EU Code of Conduct for proxy advisor industry: <http://www.esma.europa.eu/content/ESMA-recommends-EU-Code-Conduct-proxy-advisor-industry> (page 3).

## 2.1 To whom do the Principles apply?

The scope of the Principles has been determined by the response to the regulatory debate. Stakeholders have questioned why the Best Practice Principles do not use term 'Proxy Advisor'. During the development of the Principles, the independent chairman, Prof Dirk Zetzsche, concurred with industry participants that the term did not accurately describe the wide range of services and approaches taken by service providers and their clients to inform and support their stewardship activities.

The use of the blanket term 'Proxy Advisor' to describe the entire industry has created confusion and misunderstanding amongst many stakeholders. It is a very good example of how words can have different meanings and implications depending on the jurisdiction and regulatory background of their user. In some markets, an Advisor can take on far greater fiduciary responsibility than in others. The term suggests that the underlying shareholders or asset managers act on research and governance recommendations without question or oversight implying that service providers are unmonitored substitutes for shareholders. The term 'Advisor' can also suggest that a service provider is telling investor what to do, or making binding recommendations<sup>5</sup>. The interchangeable use of 'Proxy Advisor' and 'Voting Recommendations' to describe the governance and voting research process also suggests that this is either the sole or the preferred basis for decision-making in the stewardship context.

The term 'Proxy Voting Agency' is also sometimes used (mostly in European markets) but has equally been misinterpreted to assume that a Voting Agent is a vote gatherer with full authority for voting decisions in their own name, generally with a particular political or social aim in mind. However, since the formation of The Manifest Voting Agency Ltd in 1995, the sole purpose of our business has been to provide vote administration, execution and reporting services for institutional investors only. To make a parallel with stock broking, an agency broker seeks to offer its clients best execution and does not deal on its own account. The same is true with a vote agency, we facilitate our clients' instructions, not our own.

All of the shares voted on behalf of Manifest's clients appoint the chairman of the meeting as the proxy to vote as directed on the proxy appointment. Furthermore, Manifest has no discretionary voting powers; this is embedded in all of our client agreements.

In an effort to clarify boundaries and responsibilities, the BPP Group looked for an unambiguous definition of the range actors involved in shareholder voting research and support services. Per s1.4 of the Best Practice Principles, Signatories to the Principles are organisations that support institutional investors in the exercise of their ownership rights and responsibilities through the provision of certain value-added services. These services may be provided on a commercial, not-for-profit or membership basis.

Therefore, although Manifest does not make voting recommendations in its research reports, we see a need for promoting greater understanding of how the stewardship process operates and the roles of the various actors. In this way, we hope that we can encourage more fruitful discussions between companies and their owners. We are therefore committed to the Best Practice Principles as a way of enhancing the understanding and transparency of investor stewardship.

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<sup>5</sup> A similar confusion over the use of the term advisor was raised by the Investment Consultant community during the UK's Law Commission Review of Fiduciary Duties of Investment Intermediaries  
[http://lawcommission.justice.gov.uk/docs/cp215\\_fiduciary\\_duties\\_summary\\_web.pdf](http://lawcommission.justice.gov.uk/docs/cp215_fiduciary_duties_summary_web.pdf) (s.41 page 10)

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## 2.2 How is Manifest's Best Practice Principles Disclosure Statement Organised?

The Principles, including their supporting guidance, operate on a 'comply or explain' basis. This allows a diverse industry to provide clear and relevant information about the issues which pertain to their individual business model. Manifest's disclosure should be read in conjunction with the [Background to the Principles](#)

We have organised our disclosure to follow the Principles and Guidance. For each Principle, we provide a detailed explanation of our approach which aims to help the reader understand our approach to each specific topic and its associated guidance.

Our Policies apply to all employees (including temporary staff and contractors), regardless of their roles, department and location. While policies are intended to be comprehensive, they are not exhaustive, as the concepts and operational aspects of the business are complex and so it is not possible to predict every eventuality.

**Our over-arching principle is that, whatever the circumstance, we act with integrity to ensure that we safeguard in our clients' best interests.**



## PRINCIPLE ONE: Service Quality

Signatories provide services that are delivered in accordance with agreed client specifications.

Signatories should have and publicly disclose their research methodology and, if applicable, house' voting policies.

## POLICY

### A. Integrity of the Manifest Research Process

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

1. Manifest Information Services Ltd ('Manifest' or the 'Company') and its employees comply with all applicable laws, rules and regulations governing its activities in each jurisdiction in which it operates.
2. Manifest and its employees deal fairly and honestly with its clients, issuers and the public.
3. Manifest's analysts are held to high standards of integrity, and the Company will not employ individuals with demonstrably compromised integrity.
4. Manifest and its employees will not, either implicitly or explicitly, give research subject companies any assurance or guarantee of any particular direction of research, analysis or guidance prior to publication.
5. Manifest's policies and procedures clearly specify a person responsible for compliance with the research procedures and with applicable laws and regulations.
6. Upon becoming aware that another employee or entity associated with the Company is or has engaged in conduct that is illegal, unethical or contrary to the our Principles, an employee of the Company should report such information immediately to an officer of the Company so that proper action may be taken. Company employees are not necessarily expected to be experts in the law. Nevertheless, employees are expected to report any activities that a reasonable person would question. Any officer of the Company who receives such a report from an employee is required to take appropriate action, as determined by the laws and regulations of the jurisdiction and the rules and guidelines set out by the Company.

### B. Quality of the Manifest Research Process

1. Through its ISO9001 quality management system, Manifest undertakes thorough project and resource planning for the research process in order to ensure that we can perform quality research on all the companies that we analyse.
2. Manifest 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 and the Quality Manager. LRQA auditors independently verify internal audits as part of their evaluation of the ISO 9001 quality management system.

3. Manifest uses methodologies that are rigorous, systematic, and, where possible, result in shareholder voting research, analysis and guidance ('Guidance' or 'Research') that can be subjected to some form of objective validation based on historical experience, empirical proof or client request. The sources of Manifest's **research policy framework** include:
  - a. Client requests
  - b. National and supra-national best practice principles e.g. OECD Principles of Corporate Governance<sup>6</sup>, NAPF Voting Guidelines<sup>7</sup> or the Council of Institutional Investors Corporate Governance Policies<sup>8</sup>
  - c. Binding rules, regulations and laws of each jurisdiction e.g. company law, listing rules etc
  - d. Desk-based research by Manifest analysts
  - e. Market research with a variety of stakeholders
  - f. Academic literature review

Manifest maintains a detailed database of the respective rules, regulations and principles for each country of listing and incorporation relevant to the company under review.

4. 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 Research Manager and Chief Executive prior to implementation.
5. Manifest's **research reports** are compiled using only public information sources:
  - a. Annual reports
  - b. Meeting notices, agendas ('Proxy Statements')
  - c. Regulatory filings
  - d. Company sustainability reports
  - e. Company websites
  - f. Public news channels (Reuters, Bloomberg, AFP etc)

Only one data element is sourced externally, ISINs or stock identifiers.

6. Manifest is not able to guarantee the accuracy or reliability of information used within the research process as the overwhelming majority of data is sourced from public regulatory disclosures. Manifest's analysts will always endeavour to contact a company if they are uncertain about any aspect of the disclosure, however our assumption will always be that the information presented in the public disclosures are authoritative statements.
7. Manifest's analysts are required to maintain detailed audit trails of their work and, in particular, to make note of relevant company disclosures and the relevant page or footnote reference.
8. Workflow management is based on priorities dictated by shareholder meeting vote deadlines combined with the release of sufficient corporate information to undertake the research process.
9. Research analysts are not aware of which clients own which securities or who requires which reports, simply that reports are required. This is controlled by IT security rights and policy.

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<sup>6</sup> <http://www.oecd.org/corporate/oecdprinciplesofcorporategovernance.htm>

<sup>7</sup> <http://www.napf.co.uk/PolicyandResearch/Corporate-Governance/NAPF-Corporate-Governance-Policy-and-Voting-Guidelines.aspx>

<sup>8</sup> [http://www.cii.org/corp\\_gov\\_policies](http://www.cii.org/corp_gov_policies)

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10. Research coverage is commenced or terminated either on the basis of client request or membership of certain core market indices.
  11. Reports, analysis and guidance will be given by and attributable to Manifest as an entity and not to any individual analyst. However, Manifest makes the identity of the individual analysts associated with the research reports available to clients as a matter of course. The date and time of publication of reports is made known, together with any amendments. The audit trail is maintained in the Manifest database.
  12. Manifest's analysis and guidance will reflect, to the maximum extent feasible, all public information known, and believed to be relevant, to the issues under review at the time of report preparation (which is included in the report). Manifest does not ask to be given special treatment in relation to information disclosure; our role is to support shareholders in their voting as if they only had access to the public information published for that purpose.
  13. Manifest 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. Manifest's service agreements and reports contain appropriate disclosures and disclaimers to that effect.
  14. Manifest, wherever possible, structures its teams of analysts to promote continuity and avoid bias in the research process.
  15. Manifest'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.
  16. Due to the highly cyclical nature of the AGM season and the intense bunching of meetings (see Figure 1) it is necessary for Manifest to employ additional staff to manage the increased volumes. All staff undergo rigorous and continuous training under the guidance of The Research Manager, Assistant Managers and Team Leaders. Work is only allocated to staff who have the requisite competence to perform the tasks at hand.
  17. 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 name and a time stamp.
  18. Manifest maintains internal records to support its research for a reasonable period of time, typically seven years.
- C. Distribution Updating Research, Analysis & Guidance
1. Manifest's research reports and data sets are distributed simultaneously to all clients and licence holders via a password protected website [www.manifest.info](http://www.manifest.info). Publication takes place throughout the working day except during the busy AGM season where publication will occur outside typical business hours.
  2. Should Manifest become aware of any material change in information regarding the company about which the research has been published; and should that data have resulted in a different outcome had the information been available at the time the research was originally published, Manifest will, as far as is practicable, make known changes to its research in time for its clients to consider the revisions and change their vote, if desired.
  2. Should Manifest make its research available to other parties, including issuer companies, the media or the public, these parties will also be informed in a timely manner.

## PRINCIPLE TWO: CONFLICTS OF INTEREST MANAGEMENT

*Signatories should have and publicly disclose a conflicts-of-interest policy that details their procedures for addressing potential or actual conflicts-of-interest that may arise in connection with the provision of services.*

### A. Company Independence – General

Manifest has no corporate finance, broker sales or trading business. Neither do we provide issuer consulting services; our entire focus is writing research and providing governance data analytics, vote agency and stewardship support services.

1. It is essential that the integrity of Manifest's research and guidance that it is not affected by the existence of, or potential for, a business relationship between the Company (or its affiliates) and the issuer (or its affiliates) or any other party.
2. Manifest and its analysts use care and professional judgment to maintain both the substance and appearance of independence and objectivity.
3. 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.
4. Manifest does not refrain from providing research and analysis or providing guidance based on the potential effect (economic or otherwise) of the action on the Company, an issuer, an investor, or other market participant.
5. Manifest does not offer consulting services to issuers.

### B. Policies & Procedures

1. Manifest has written internal procedures and mechanisms to (i) identify, and (ii) 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. Manifest will disclose to clients such conflict avoidance and management measures.
2. Manifest's disclosures of actual and potential conflicts of interest shall be complete, timely, clear, concise, specific (taking into account the need to protect proprietary information) and prominent.
3. Manifest will disclose the specific (again, taking into account the need to protect proprietary information) nature of its compensation arrangements with entities it analyses. Manifest will disclose where it receives compensation from such an entity (or any parent, subsidiary or affiliate company of the entity), such as compensation for consulting or research and the specific level of compensation received.
4. Manifest's unique ownership structure and business model mean that, in practice, the opportunities for conflicts of interest are substantially reduced.

## C. Analyst and Employee Independence

1. Employee reporting lines are structured to eliminate or effectively manage actual and potential conflicts of interest. Analysts report to the Research Manager and do not report to sales or vote agency colleagues.
2. Analysts are not permitted to initiate, or participate in, discussions regarding fees or payments with any entity that they research.
3. Analysts are not aware of which clients have requested or purchased which research reports. Production control reports for staff used to manage workloads are fully anonymised; client stock ownership is only made known to managers and directors on a need to know basis. Internal IT controls restrict which areas of the Manifest Database employees are allowed to access in accordance with job roles.
4. No employee may participate in or otherwise influence the determination of Manifest's research reports on any particular entity if the employee:
  - a) Owns securities or derivatives of the entity or any related entity thereof;
  - b) Has had an employment or other significant business relationship with the entity within the previous 24 months;
  - c) Has an immediate relation (i.e., spouse, partner, parent, child, sibling) who currently works for the entity; or
  - d) Has, or had within the previous 24 months, any other relationship with the entity or any agent of the entity that may be perceived as presenting a conflict of interest.
5. Manifest's analysts and anyone involved in the research process (or members of their immediate household) should not buy or sell or engage in any transaction in any security within such analyst's area of primary analytical responsibility, other than holdings in diversified funds, while a research report for the entity is being drafted or within twenty days after the report is published.
6. Manifest employees are prohibited from soliciting money, gifts or favours from anyone with whom the Company does business and is prohibited from accepting gifts offered in the form of cash or any gifts exceeding a minimal monetary value.
7. Analysts are permitted to fact check research content with the subject company but no Manifest director or employee is permitted to discuss with any party the likely outcome of a research report of voting intention of any client.
8. Any Manifest analyst who becomes involved in any personal relationship that creates the potential for any real or apparent conflict of interest is required to disclose such a relationship to the appropriate manager or officer of the Company, as determined by the Company's policies.
9. The non-executive directors and external shareholders have no influence over or involvement in the research process.
10. The Chief Executive is available to all analysts with respect to any issues related to actual, perceived or potential conflicts of interest and/or inappropriate influences either from within the organisation or from external sources.

## PRINCIPLE THREE: COMMUNICATIONS POLICY

Signatories should have and publicly disclose their policy (or policies) for communication with issuers, shareholder proponents, other stakeholders, media and the public.

### Policy

- A. Transparency and Timeliness of Research, Analysis & Guidance
1. Manifest aims to distribute its research reports and analyses regarding the companies under coverage in a timely manner, subject to relevant market conditions associated with public disclosures, voting deadlines etc.
  2. Manifest will disclose its research principles, taking into account the need to protect proprietary information.
  3. Notwithstanding the need to not compromise proprietary processes or procedures, Manifest will make available to its clients and other parties, on a selective basis, sufficient information about its procedures, methodologies and assumptions so that they may understand how its research, analysis and guidance was developed.
  4. Manifest's research reports are intended for institutional investors or professional clients; they are not intended for retail clients.
  5. Manifest's research reports do not constitute "Investment Advice"<sup>9</sup> and are not an offer or solicitation to engage in specific transactions in securities, financial instruments or strategies.
  6. Manifest's research reports do not take account of the needs of individual client's investment strategies objectives or financial conditions.
  7. While clients may outsource the administration and analysis of shareholder voting matters, the use of Manifest's research and voting services does not constitute a transfer of fiduciary responsibility from the client to Manifest. Clients remain responsible for their own voting decisions at all times.
  8. When publicly releasing any research, Manifest will explain in its press releases and reports the key elements underlying their analysis.
  9. It is Manifest's policy not to circulate research, analysis or guidance to any party prior to publication to clients.
  10. All Manifest research reports are copyright documents containing valuable intellectual property which is the accumulation of many years investment, knowledge and experience. Issuer access to Manifest reports is on the basis of a modest annual licence. Issuers may also purchase baskets of reports on peer group companies. Full details of the terms of the issuer licence can be obtained by emailing [issuers@manifest.co.uk](mailto:issuers@manifest.co.uk)
  11. Manifest will disclose in research reports if, when and to what extent the issuer participated in the research process.

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<sup>9</sup> Understanding the definition of advice under MiFID [http://www.esma.europa.eu/system/files/10\\_293.pdf](http://www.esma.europa.eu/system/files/10_293.pdf)

## B. Communication & Engagement with Issuers

1. Manifest is not a shareholder or a shareholder representative body and does not provide governance overlay or engagement services. Manifest therefore does not negotiate on behalf of investors to obtain concessions or amendments to corporate governance arrangements.
2. Issuers wishing to understand their owners' views of corporate governance or voting intentions are encouraged to speak to their owners in the first instance.
3. Manifest does not participate in company-specific pre or post-AGM consultations or engagement meetings with issuers unless specifically requested by clients.
4. Outside of the main AGM season, we are happy to enter into discussions with interested parties regarding our **general approach** to governance analysis rather than individual company positions.
5. Manifest will communicate with issuers as necessary to obtain clarification of public disclosures during the meeting notice period (sometimes known as the Meeting Convocation Period) in order to aid understanding. However, on the basis that the public disclosures are a matter of public record and are intended to support investor voting decisions, we will not generally contact companies unless there are specific questions or uncertainties.

## C. Complaints

1. Analysts are entitled to express their expert opinion on the governance practices of research subjects, but those views will be based on the available data obtained from statutory disclosures, not subjective, personal feelings or any specific political or activist agenda.
2. Manifest strives to ensure that its work is as accurate as possible. However, wherever there are human beings involved in complex, pressured and often highly variable tasks, mistakes are inevitable. Our QA systems and training are designed to minimise and eliminate mistakes to the greatest extent possible.
3. Highly complex reports will be the result of many thousand individual data points that analysts manually transpose from company documents. On average, the error rate across all our processes is substantially less than 0.25%. A number of factors, some of which are simply analyst/operator error or pressure of deadlines, can cause errors. In our experience, many errors can be traced back to source materials and the challenges of the AGM season itself. These factors can include:
  - a. Unhelpful and unnecessary bunching of meeting dates and deadlines (see Figure 1 and Figure 2);
  - b. Poor quality corporate disclosures (inconsistencies, ambiguities, omissions, poor document layout, poor translations, late materials or drip-feeding of materials during the convocation period); and
  - c. Variable and changing vote deadlines by intermediaries;



4. Analysts are required to give due consideration to company explanations and will benchmark those explanations against the UK's Financial Reporting Council's guidance<sup>10</sup> "What Constitutes an explanation under 'Comply or Explain'. This means that a meaningful explanation should:
  - a. Set the context and background;
  - b. Give a convincing and coherent rationale for the action, describing mitigating action to address additional risks or maintain conformity with the relevant principles; and
  - c. Explain the time-frame for the non-conformity and likelihood for a return to the relevant governance principle.
5. Differences of opinion or points of view regarding general governance practices, methodologies or company specific situations are not the same as factual inaccuracies.
6. Manifest offers fair opportunities for a right to reply to material factual inaccuracies. A significant inaccuracy or misleading statement in a research report will be promptly corrected and associated database records updated.
7. Formal complaints must be made in writing by an officer of the company in question and should be sent via email to [issuers@manifest.co.uk](mailto:issuers@manifest.co.uk) and not to the analyst(s) responsible for the report.
8. Complaints are logged in our QA system for tracking; it will then be investigated by a person independent of the original research process.
9. Not all perceived errors are errors (they may be differences of methodology), nor will they have a bearing or influence on a client's ultimate voting decision. Manifest classifies inaccuracies as either major or minor. A major inaccuracy is one that would likely have a material outcome on a client voting decision. A minor inaccuracy is one, which while unfortunate, would not have a material impact.

Examples of a Major Inaccuracy would be:

- a. An assertion that a share plan did not have performance conditions when this is patently incorrect based on annual report disclosures;
- b. Misstating the attendance record of a director at board meetings;
- c. Misstating that the auditors had provided a qualified audit opinion.

Examples of a Minor Inaccuracy would be:

- d. Typos and literals e.g. 'hte' for 'the'; 'Smith, Joan' for 'Joan Smith'
  - e. Data errors (roundings, minor mismatches with text/table/figures, transposition of table labels) where supporting text or conclusions clarify.
10. Minor errors are resolved at the analyst level under the direction of the relevant team leader. The QA management team, which includes the executive directors, will review major errors to determine what caused the error and if any changes to procedures would have made a difference.
  11. We will respond to companies in writing to address the substance of their concern and where we agree, changes will be made.

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<sup>10</sup> <https://www.frc.org.uk/Our-Work/Publications/Corporate-Governance/What-constitutes-an-explanation-under-comply-or-ex.pdf>



12. Undue pressure from companies or harassment Manifest or its employees for not agreeing to make changes to reports is as a form of retaliation and is not acceptable as it undermines the integrity and objectivity of the research process.

## D. The Treatment of Confidential Information

1. Manifest has procedures and mechanisms to protect the confidential nature of information shared with by clients or other parties under the terms of service agreements or otherwise under a mutual understanding that the information is shared confidentially. Unless otherwise permitted by such agreements or required by applicable laws or regulations, Manifest and its employees must not disclose confidential information in press releases, to future employers, or conversations with clients, investors, other issuers, or other persons, or otherwise.
2. Should Manifest be made aware of non-public information of the kind required to be disclosed under applicable laws and regulations, depending on the jurisdiction, we may be obliged to make this information available to the public. However, prior to doing so, we would indicate to the issuer our intent to release this information and permit the issuer to immediately disclose this information itself.
3. Manifest employees are required to take all reasonable measures to protect all property and records belonging to or in possession of the Company from fraud, theft or misuse.
4. Manifest employees must not selectively disclose any non-public information about research and guidance or possible future guidance produced by the Company.
5. Manifest employees must not share confidential information within the Company except on an 'as needed' basis.
6. Manifest employees must not use or share confidential information for the purpose of trading securities, or for any other purpose except in the conduct of the Company's business.

## E. Public Appearances & Media Relations

1. Public appearances are defined as participation in a seminar; open forum (including an interactive electronic forum); radio, television, or other media interview; or other public speaking activity in which a Manifest representative offers an opinion.
2. Only authorised employees are permitted to discuss research and analysis with the media or make public appearances. Each media request is carefully considered to determine the appropriateness of participation in relation to our values of independence and objectivity.
3. No Manifest research report will be distributed to the media prior to publication to clients.
4. Reports or an analysis distributed to the media by Manifest are solely for information, education or marketing purposes; they are not used for the solicitation of votes in favour or against any particular resolution. Some reports may be specially commissioned by the media on standard commercial terms
5. Although reports are subject to copyright protections and licensing terms, Manifest is unable to determine how its reports will be used by clients or third parties.

- F. Disclosure of Adherence to the Best Practice Principles
1. Manifest will disclose to its clients, and may disclose to the public, relevant policies and procedures.
  2. Manifest will disclose on its website how it implements and enforce The Best Practice Principles for Shareholder Voting Research and will disclose on a timely basis any changes to its policies.

For further information, please contact:

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## The Manifest Corporate Governance & Shareholder Voting Research Policy

### “Voting is a Right, Informed Voting is an Asset”

Manifest’s research services are designed to support informed stewardship of listed companies by their owners. Our role as research analysts is to provide timely, relevant and accurate interpretation of key governance and sustainability policy factors that are likely to either inform and support final voting determinations or ongoing ownership interests.

In the first instance, Manifest supports the OECD Corporate Governance Principles ([www.oecd.org](http://www.oecd.org)) and the ICGN Statement on Global Corporate Governance Principles ([www.icgn.org](http://www.icgn.org)). They provide widely understood and accepted standards for corporate governance in many countries. These global principles therefore form a sound basis for the development of market-specific monitoring approaches for investors to adopt and implement as part of their corporate governance and stewardship programmes.

Manifest recognizes that local laws and best practices can vary substantially, however it has always been Manifest’s approach to analyse companies on the basis of the highest possible standards as well as local market rules and regulations. This is not to suggest that all clients will always accept all local market standards.

## 1 Voting Policies

### 1.1 House Voting Policy

Manifest does not make ‘house’ voting recommendations. All our reports provide a comprehensive analysis of the key corporate governance characteristics of the company and its position relative to peers on key issues, together with a review and highlight of potential policy concerns for investors’ consideration.

The issues for consideration are based on a wide-ranging review of governance viewpoints derived on our governance policy framework (see Section B3 above). This framework supports a holistic analysis of a company. Therefore rather than ‘telling investors what to do’ we see our role as ‘telling the investors what the issues are’ so that they can make their own decisions in the context of their own individual circumstances.

Research-subject companies are welcome to request a sample research report typical of its peer group, however individual client voting policies and associated guidance will not be disclosed under any circumstances.

### 1.2 Client Voting Policies

One size does not fit all when it comes to governance disclosures and so Manifest offers all clients a voting policy tool, The Manifest Voting Template, that screens and analyses governance disclosures to generate custom policy guidance based on investors’ individual preferences. For example, investors may wish to be alerted to every instance where a chairman is also a chief executive or where the issue of shares would be potentially overly dilutive to existing shareholders (Pre-emption Rights).

The Manifest Voting Template provides a consistent framework for assessing companies, flagging issues of interest and determining possible voting positions for client consideration based on the client's stated public policy. This framework also allows investors to monitor company disclosures, their own voting patterns and serves as a basis for reporting to clients or against organisational frameworks from the PRI<sup>11</sup> or The Stewardship Code<sup>12</sup>.

The Manifest Voting Template and associated database systems are built around local market best practices, rules, regulations as well as high-level standards. Clients can choose the approach that best meets their requirements either from an investment or governance perspective. This may mean, for example that investors chose not to follow local market customs where they believe that other approaches offer greater protections.

## 1.3 Mergers & Acquisitions Analysis

As described earlier, Manifest's research is not considered investment advice, nor does it meet the MiFID test of 'corporate finance advice'. Manifest does analyse the governance aspects of potential M&A activity which results in a shareholder meeting. However, as Manifest does not provide investment advice, determination of appropriateness of bid prices, terms etc is not a component part of our research service.

## 2 Corporate Governance Ratings

Manifest's research approach includes two ESG ratings systems each of which use an A-F scale to assess quality of disclosures and compliance with investor guidelines. Clients may integrate the scores into their voting template.

### A. Say on Pay

Executive reward analysis covers four headline areas of remuneration governance:

- Alignment
  - Link to Strategy
  - Short Term Incentive – Performance Measures
  - Long Term Incentive – Performance Measures
  - Director Shareholdings
- Quantum
  - Total Remuneration
  - Salary
  - Pensions & Other Benefits
  - Short Term Incentive
  - Long Term Incentive
- Contracts
- Dilution & Cost

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<sup>11</sup> <http://www.unpri.org/areas-of-work/reporting-and-assessment/>

<sup>12</sup> <https://www.frc.org.uk/Our-Work/Codes-Standards/Corporate-governance/UK-Stewardship-Code/UK-Stewardship-Code-statements.aspx>

## B. Say on Sustainability

Analysis of Sustainability reporting practices covers:

- Disclosure & Transparency
- Management Processes
- Risk Management
- Stakeholder Relations
- Audit & Verification
- Public Participation

## 3 Vote Agency & Stewardship Support

In addition to its research and analysis, Manifest operates an integrated vote agency service which offers straight through vote processing. Unless otherwise directed by clients, the chairman of the meeting is appointed as the proxy to vote as directed in the instructions given.

Clients who wish to write to companies notifying them of their vote intentions may use an optional, but fully integrated module, which incorporates their rationale into a fully customised letter template.

Wherever possible, Manifest will transmit votes directly to the vote tabulator as we have found this to be the optimal way to maintain the highest standards of audit trails and accuracy. We encourage companies to remove unnecessary impediments to voting including:

- Less meeting date bunching;
- Earlier and more complete distribution of meeting materials;
- Removing burdensome annual power of attorney registration;
- Better meeting procedures including use of direct voting instead of votes by acclamation, show of hands and proxy voting.
- Comprehensive disclosure of voting results, “all resolutions passed on a show of hands” without supporting vote disclosure does not engender confidence in the AGM process.

Investors and companies are encouraged to support direct electronic share registration in segregated securities accounts to facilitate shareholder identification and direct communication. To that end, Manifest has always supported the use of Legal Entity Identifiers.

For further information, please contact:

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Figure 1: Global Peak AGM Season 2014

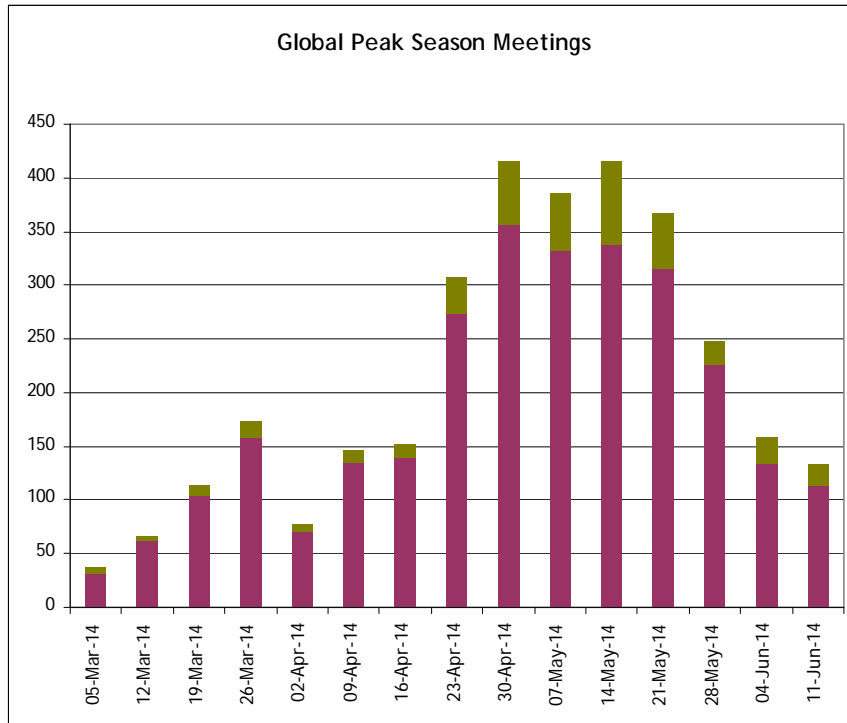


Figure 2: UK Peak AGM Season 2014

