

PIRC

**2022/23
STEWARDSHIP
REPORT**

**OCTOBER
2023**

REPORTING AGAINST
THE UK STEWARDSHIP CODE 2022/23

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To provide information that is as up-to-date as possible, the reporting period for this year's report has been extended to end June 2023. To provide a complete reporting picture, and in line with advice from the Financial Reporting Council (FRC), this report covers an 18-month period. In the following year, PIRC will then revert to reporting a single year but running July to June.

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Stewardship lies at the heart of everything PIRC does. It is what we think about, what we know about and most importantly what we care about. As our stewardship report makes clear, our structure, mission, activities, policies and processes are all directed at achieving the highest environmental, social and governance (ESG) and responsible investment standards to protect the long-term value of clients' assets.

This focus in everything we do is essential given the seriousness of the risks that investors face from issues as varied as climate change, human rights and poor corporate governance practices. It also provides the solid foundation that enables PIRC to take robust stances on ESG and responsible investment issues. Throughout the report there are references to areas where PIRC has taken the lead and the impact we have had for clients by fearlessly highlighting and challenging practices which create risks for funds, their beneficiaries and wider stakeholders. This is only possible by having a clear mission.

Although our purpose remains constant, the stewardship environment is ever changing. As stewardship activity evolves and matures so too must PIRC's services. In the discussions we have internally and as outlined in the report, PIRC is focused on delivering new services that fill stewardship gaps and make the most of rapidly changing technology. These changes are all designed to make us more effective in what we do and enable us to better serve the specific needs of clients.

Meeting the needs of this rapidly maturing market for stewardship services, demands professionalism in approach, processes and delivery. As we make clear throughout the report, PIRC is focused on continuous improvement in the way it delivers its services. For PIRC this is not just about the importance of professional standards for their own sake but also to achieving our mission that is so important to us.

This focus on our mission means that we are pleased to present this report which in a fair, balanced and understandable manner covers what we do and the impact we have had. As an organisation, we also use our response to the code to look at our processes and activities to ensure we are meeting our purpose, developing our services and delivering the best outcomes possible for our clients.

In this sense, I am proud to chair an organisation that continues to have an impact on ESG behaviours and outcomes and look forward to future achievements as our services advance and progress.

Brian Bailey,
Chair

PRINCIPLE 1.

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

PIRC's Origins

Established in 1986, PIRC was the UK's first proxy research firm. Founded by representatives from 8 local authority pension funds, as a company limited by guarantee its first board of directors comprised Councillor Trustees from each of those authorities. It became a private limited company in 1988 and ownership was transferred to staff.

PIRC's original mission was to provide company research and policy analysis for its founding trustee pension funds, who sought to influence company behaviour through investor pressure. It was asked in 1991 by one of its founding funds to establish a forum for discussion and action on mutually recognized strategies to influence company behaviour. It did this by inviting a broader range of funds to join a new organisation, which became the Local Authority Pension Fund Forum (LAPFF).

PIRC's staff and the vision of its founding trustee directors led to an innovative work programme that sought to organise pension funds into a leading group of investors to challenge financial orthodoxy within the capital markets. PIRC was not founded as a commercial company motivated by profit. It sought to represent a public service ethos and enable its pension fund clients to benefit from its research expertise. As a result, it was ideally placed to facilitate its client funds in their stewardship of capital.

Our Purpose

Created by shareholders for shareholders, PIRC's public service ethos continues to reside at the heart of its culture and manifests today in working closely with clients to understand their stewardship priorities, and to provide and develop services that support their rights as shareholders.

PIRC's first services comprised the provision of company research on corporate social responsibility issues (focused on the market-wide, geopolitical risk that was South Africa, environmental concerns and other social issues), investment strategy advice, and trustee training and education.

Subsequently adopting the private company structure that it retains today, with the majority of share capital owned by executive directors, and a board chaired by an independent non-executive chairman, PIRC's core purpose has not changed since its formation.

PIRC exists to shine a light on corporate behaviours, and to encourage change within the financial system by supporting clients in the exercise of their fiduciary responsibilities to vote and engage with the companies in which they invest.

PIRC does this by providing a critical voice to the companies in which its clients invest, and to the regulatory and financial systems in which its clients are active owners - and by resourcing its research capability according to the shifting context in which stewardship plays out so as to continually influence the practice of responsible investing.

Services

PIRC therefore focuses on promoting the highest environmental, social and governance (ESG) standards and responsible investment, to protect the long-term value of clients' assets. It does this through the provision of the following services:

Global Proxy Research

In order to enable clients to exercise their ownership rights and to vote at each company meeting, PIRC provides research and proxy voting recommendations for every equity held within its client portfolios.

We alert clients to major corporate ESG assessments arising from specific company analysis and any significant global corporate governance issues.

We use a proprietary governance risk rating analysis on all companies, and across specific client portfolios facilitating strategies for clients' engagement.

We provide custom research using our large historic database of corporate governance issues and trends, and we can provide an extensive range of voting guidelines across markets and governance perspectives.

Voting Guidelines

PIRC's proxy voting guidelines enable clients to exercise their ownership rights and to vote in an informed way at each company meeting.

Our recommendations are based on our Shareholder Voting Guidelines, which are available free of charge to clients.

PIRC premises its voting decisions on its own best practice criteria. These are occasionally stricter than local market corporate governance Codes of Best Practice. This approach is considered for topics at the core of PIRC's Shareholder Voting Guidelines, such as board diversity or director independence. However, at regional level, PIRC maintains a local market approach to respect limits that companies may not exceed and as such would be exempted.

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Proxy Voting

PIRC provides cost-effective vote execution for all proxies in client global portfolios. We have extensive experience in advising clients on voting templates, guidelines and execution administration. PIRC also regularly reports and audit trails voting actions.

PIRC provides unique client review and vote-change mechanisms through an electronic platform, ensuring client control of the voting decision. It provides regular monitoring reports and analysis of voting outcomes across all clients through quarterly or custom reporting.

PIRC reaches and evaluates its voting decisions by assessing companies' adherence to best practice governance criteria: informed by PIRC's assessment of company disclosure and benchmarked against PIRC's Shareholder Voting Guidelines.

At each company PIRC evaluates the board, the audit and financial controls, directors' remuneration, the sustainability and corporate responsibility report, shareholder rights, capital stewardship and corporate actions and corporate strategy. A corresponding voting recommendation, based on this research, is then drafted and checked before publishing for clients. Draft reports are subsequently sent to companies, who are able to view our recommendations for dialogue prior to the final publication of the report.

Policy Development

PIRC has extensive experience of working with clients to develop their own voting and engagement policies. Our advice on policy development is based on specialist knowledge of both existing frameworks – such as the UK Corporate Governance Code – and best practice amongst other investors. PIRC is able to provide custom research using its large historic database of corporate governance issues and trends.

Advisory Service

PIRC provides a range of market intelligence for clients, based on its research and active promotion of corporate governance best practice. We can advise on reviewing corporate governance and responsible investment policies for clients as well as provide reports and analysis of major ESG issues arising from legislation, codes and principles.

Part of our advisory services involves supporting clients to better report their stewardship activity. This draws on the Financial Reporting Council's (FRC) expectations and is shaped to clients' stewardship approach and priorities.

PIRC provides a range of analysis of public and market consultation documents from government and regulatory bodies on issues relevant to clients and can assist clients in providing their own responses, including PRI membership surveys.

PIRC is available for client presentations to pension funds' investment committees or annual meetings of scheme members and beneficiaries.

Governance Risk Rating

PIRC has developed a proprietary governance risk rating model, which analyses companies across a number of key governance indicators. This tool is intended to help investors identify potential governance risk in their portfolio. This can be used to inform engagement, or assist in portfolio construction.

This service currently covers UK, US and European developed market indices.

Data Analysis

With a 12-year time series of corporate governance data, which it has supplied to a broad range of market participants including policymakers, regulators, pension funds and asset managers, think tanks and activist investors, PIRC is the UK market leader in the provision and management of all aspects of corporate governance data.

PIRC has the largest historical record of governance data amongst UK stewardship service providers and is able to provide tailored feeds to clients. We capture and analyse disclosed shareholder voting data – both company meeting results, and the individual votes cast by institutional investors.

PIRC also provides specialist governance advice for client-specific requirements.

PIRC data is collected and compiled in the UK and we do not use off-shoring for data capture or interpretation.

Asset Owner Engagement

PIRC has over 20 years' experience of working with pension fund clients to exercise their stewardship responsibilities, and we offer a standalone engagement service to clients: identifying issues of importance to them on which they might wish to engage with companies; preparing briefs for such engagement; preparing and administering client shareholder proposals, and facilitating face to face meetings with company chairs, chief executives and finance directors. We also regularly attend Annual General Meetings to ask questions and, where necessary, challenge board members, call polls and speak on shareholder resolutions with pension fund clients.

For its focused stewardship activity, PIRC primarily engages through meetings with companies, and collaborative initiatives are an increasingly important aspect of this work.

Meetings are conducted with the most relevant individuals at the company concerned. They might be with the chair to reflect the strategic importance of our clients' concerns. Where an issue falls under the focus of a particular board committee, such as climate change or employment practices, a meeting is sought with the relevant committee chair or board member. Other meetings on more specific, technical or detailed matters may be held with specialist staff.

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

Culture and Values

As befits a company that launched the UK's first corporate governance service following the establishment of the Cadbury Committee on corporate governance in 1991, the provision of the above services is underpinned by a culture that nurtures PIRC's heritage of intellectual curiosity, and its willingness to take a lead, and to 'raise its voice'.

This has also evolved to place emphasis on the provision of evidence-based research and opinion, and the delivery of excellent customer service: supported by a culture of open dialogue with our clients; with the companies we evaluate, and with relevant third parties.

The leadership team at PIRC is careful to model all of these behaviours and, through its recruitment process and its staff development and succession planning, the company seeks to ensure that it employs and assists with the career progression of people that have a cultural fit with the organisation, and who share its values.

Indeed, this is an essential part of PIRC's strategy to better promote effective stewardship by working effectively with existing and future clients.

Business Model and Strategy

Retaining its status as a private company, with the majority of share capital owned by executive directors, held to account by an independent non-executive chairman, is also integral to PIRC's strategy. The rationale behind this governance structure is that it secures the context in which PIRC has the independence to speak its mind, whilst also minimising any conflicts of interest that may get in the way of it doing so.

Non-executive directors are sought with respect to their ability to challenge management, and their cultural alignment with PIRC's origins and with the way in which the business has evolved since 1986.

PIRC's Board meets regularly to discuss the actions required to ensure the company promotes effective stewardship and has focused on the following key elements of strategy:

- **Maintain a dynamic and respected profile as a leader on ESG research by resourcing PIRC's research according to the shifting priorities of the stewardship agenda and by supplying staff with the scope and skills required to find and address new issues of concern to the company's clients. This has included:**
 - o **Enhancing PIRC's existing offer and providing new services on climate change given its importance to stewardship and our clients. This has included the delivery of a climate voting service for a major client and the development and delivery of PIRC's Carbon 1.5 voting service focused on the world's biggest emitters.**
 - o **Strengthening PIRC's position on social issues through the development of a database on workforce issues. This aims to enhance the service**

we provide clients through data-driven engagement activities and also over time to provide clients access to information on workforce issues investee companies face.

- o **Enabling clients to exercise their shareholder rights and fulfil their stewardship duties through split voting. This included continuing to work with a fintech company to deliver the service for clients.**
- **Maintain a robust private company business model to deliver services on a sustainable, transparent and principled financial basis by treating staff, clients and suppliers in an open and fair manner, and by delivering excellent client service to a diversified client base.**
- **Develop the resources required by the changing demands of ESG stewardship through recruitment, training and network building. The board agreed to a recruitment drive, which resulted in new expertise on tax and employment issues, given their growing importance to our clients. Additional resources were directed into new collaborative initiatives and supporting government-backed responsible investment initiatives.**
- **To continuously listen to its clients, staff and others in respect of what matters to them in responsible investing, and to continue to behave positively, constructively and in a principled manner.**

PIRC's Board regularly assesses how effective it has been in serving the best interests of its clients. Every board meeting the company reviews its stewardship services and this reflects both market developments and the resource needs of our stewardship team. As outlined above, this has included introducing new or enhanced stewardship services in areas important to our clients. This has involved investing in training and recruiting specialist staff. Following the board's review of succession planning two years ago, training and team structures are designed with regard to ensuring key client services are not affected by planned or unplanned staff turnover.

PIRC provides the opportunity to staff to undertake a broad range of training. New recruits undertake an in-house training programme on PIRC's stewardship principles and IT systems. This process also covers the culture of PIRC as an organisation and its purposes.

PIRC also encourages and supports staff to undertake external training. This includes specialist training to enable staff to enhance its stewardship services and better serve client interests. The origin of our now enhanced focus on the 'S' in 'ESG' (see Principle 5) can be traced back to a review of how effective the company has been in serving the best interests of clients. PIRC also supports staff to attend RI conferences and seminars.

The rapid evolution of ESG issues now means there is a large volume of relevant information. PIRC's sole focus on ESG issues and knowledge sharing processes helps ensure

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we stay up to date with developments. As such, alongside formal training, skills and knowledge are maintained and enhanced through the activity PIRC undertakes and the support PIRC provides to develop staff knowledge. Processes enable knowledge to be shared across the team. For example, time within regular team meetings is dedicated to discussing ESG developments. Staff knowledge is based not only on general overview of ESG issues, which forms initial research process of engagement topics, but also insights into what is happening at companies through our engagement activities. PIRC's proxy research across a wide universe also provides data insights and knowledge into current company practices and positions of other investors.

PIRC works with other investors through collaborative engagements which provides information about other approaches and good practices of asset owners and managers. Built into PIRC's engagement process is engaging non-governmental organisations and experts

which supports knowledge of current and emerging ESG issues.

Training also extends beyond our staff to supporting clients, including quarterly meetings for one client that are CIPD accredited.

Whilst competitive sensitivities preclude us from publicly disclosing a list of our clients and their locations, or the mix of the company's revenue streams, PIRC currently provides its services to over 100 clients globally. In total, PIRC's clients are stewards over a £1 trillion of beneficiary capital.

PIRC's has direct and close relationships with these clients which enhance our ability to understand their needs and access and respond to their feedback. (Business is not conducted through third party consultants). Service provision is frequently put out to tender by PIRC's client base, which puts an onus on PIRC to ensure that its service provision is always of a high standard and delivered at a competitive cost.

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

Governance

The high expectations PIRC has of corporate governance in listed companies are reflected in our own approach to internal governance.

PIRC is an independent private limited company, overseen by a Non-Executive Chairman that holds PIRC to account. Over the period, the senior management team was strengthened with three new executive directors appointed to work with the two existing executive directors. The board was also strengthened with the appointment of a non-executive director who provides insights from their investment industry background. Two further non-executive directors have subsequently been appointed after the reporting period.

The management team, including executive directors, is intentionally gender balanced. Currently women make up 40% of both director and management positions.

The average length of industry experience of our senior management is 26 years, and the average length of tenure across all PIRC Staff is 6.2 years.

Team Structure and Resources

There are five director positions: the managing director; client services director; director of stewardship; director of policy; and director of finance. These directors are supported by three senior management roles: head of research; head of governance and financial analysis; and head of performance analysis. These directors and senior managers sit at the head of PIRC's wider team structure and lead the core functions that are key to the delivery of client services.

Each core team function at PIRC has a lead member of staff (Team Leader) and comprises at least one more junior colleague who is coached to deputise for the Team Leader. In this way we try to ensure that company knowledge and understanding of the team role is not solely represented in the Team Leader. Company memory is passed on and we believe this process minimizes the potential disruption of team member resignations. In addition, this facilitates the smooth succession for our senior managers.

Given PIRC's belief that managers should retain close operational contact with clients, all members of the senior management team have specific roles in the delivery of our ESG research, proxy voting services and engagement services.

The management team is supported by the PIRC Research, Data, Engagement, IT and Administrative teams,

and is structured such that it has many cross over skills that service the client's contract – meaning there is less risk of losing a complete set of competencies and skills if a colleague leaves the organisation.

All senior staff are involved in the training and induction of new staff and their skills and knowledge is passed down through the organisation. PIRC has standard operating procedures for all areas of staff training.

All PIRC staff are engaged in supporting our clients' responsible investment and stewardship responsibilities. PIRC has the following teams servicing our clients:

- IT,
- Research,
- Data,
- Stewardship & Engagement, and
- Performance Management.

All the team members report to their managers and the managers in turn to the executive directors. Ultimate responsibility within all reporting lines lies with the Client Services Director and Managing Director.

IT Team

The IT team Manager reports to the Finance Director.

The IT team underpins the infrastructure for data collection and storage of all the research materials used in our stewardship services; designing bespoke software for the PIRC company database and the Global Engagement Manager database. It also maintains the PIRC unique client websites and ensures safe storage of all data and backups.

All of PIRC's IT systems are hosted in the Microsoft 365/ Azure Cloud platform within the United Kingdom. For further information on Azure reliability please visit:

<https://azure.microsoft.com/en-us/features/reliability/#overview>

Business critical data and systems are held in Virtual machines. All data is backed up overnight to an offline cloud-based system completely independent from Microsoft. In addition, PIRC maintains all software code in a cloud-based code repository, also independent of Microsoft, to allow for baselining and software rebuilds as required. In the unlikely event of a failure of any sort we have the ability to restart our software on alternative virtual machines and on completely independent platforms within a short period of time.

PIRC takes data security very seriously. All systems are

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protected via two-factor authentication and bespoke applications and data are only accessible internally to PIRC staff.

PIRC Research Team

The Research and Data teams report to the Head of Research, who reports to the Client Services Director and Managing Director.

Supported by PIRC's data team, the Research team produces corporate governance research reports with voting recommendations to enable our clients to monitor their investee companies.

Inside the research team is our Proxy voting client services team, which is responsible for client specific voting guidelines, white label client reporting and proxy voting execution on behalf of clients.

Stewardship and Engagement Services

The stewardship and engagement services team reports to the Director of Stewardship and Engagement.

PIRC has a dedicated engagement team including at manager level and at executive and senior researcher grade supporting client contracts. In turn, this team has access to PIRC staff and data resources to support its work for LAPFF, and to PIRC consultants that have subject matter and geographical expertise in a variety of areas including mergers and acquisitions, workforce issues, LGPS regulations, climate change and corporate governance.

Investment in Systems, Processes, Research and Analysis

PIRC is continuously investing in its systems, processes, research and analysis to meet growing client expectations, evolving stewardship needs, advances in technology and disclosures and, fundamentally, to enhance the quality of services PIRC provides its clients. PIRC is able to do this because the ownership structure and culture of the company is focused on the delivery of services with surplus funds recycled back into its operations.

An expanded description of the systems and processes that underpin the provision of PIRC's research and analysis, and the resources invested in these, is contained within our response to Principle 6. This section focuses on the investment PIRC made and continues to make to *improve* its services.

Over the period PIRC continued to invest in and develop its workforce data service. PIRC considers the lack of consistent and comparable workforce data a major oversight in the provision of mainstream stewardship services. This blind spot risks missing serious corporate underperformance and, as such, poses significant stewardship and investment threats. To support our clients, PIRC has invested in the systematic collection of workforce data. This goes beyond corporate disclosures and includes company-specific information from public agencies. This data is used to improve our research and analysis of

companies and is made available to clients. A bespoke portal to access the data is under development with the intention that it will be available to clients in 2024.

PIRC continuously reviews and develops the way that it undertakes engagement. As part of this continuous improvement cycle, PIRC reviewed its processes to strengthen and refine engagement themes selection, materiality assessment, identification of target company, objective setting, impact tracking and reporting to clients. This review was undertaken over the period with changes to be implemented in 2023/24.

Aligned to the review of engagement processes and reporting, PIRC reviewed and initiated a project to develop its Global Engagement Management (GEM) system. The review and design of the enhancements is intended to better assist PIRC staff in undertaking engagements efficiently. The enhancement also intends to improve the way we track the impact our work is having and also the way the stewardship work undertaken is reported to clients. The design and project plan has been completed with the build and implementation to be undertaken in 2023/24.

PIRC continuously invests in its wider IT systems and infrastructure. There was further automation of data entry within the reporting period. This enables researchers' time to be deployed on checking the accuracy of data and improving the quality of analysis. Investment in automation and AI in the reporting period supported the vote execution process freeing up time for staff to deliver more for clients.

In addition, investment was made to deliver split voting service for clients. As outlined under Principle 1 this is a strategic focus for PIRC's board and is starting to enable clients to better meet their stewardship needs by allowing them to vote in index funds according to their own RI principles. It is an area which has involved investment in our IT infrastructure alongside working with our fintech partner.

Climate change is a top priority for our clients. Following an external review in the previous reporting period into PIRC's collection and analysis of climate data, findings were incorporated into our data systems and processes. This included streamlining analysis of say on climate proposals and climate governance, such as an assessment of directors' skills to enable businesses to decarbonise and provision of training on decarbonisation to the entire board.

PIRC considers the material risks associated with climate change greatest at high-emitting companies. To support our clients to manage these risks, PIRC developed its Carbon 1.5 voting service. This has been designed to further hold directors to account regarding the management of climate risk. The service is designed around expectations that company targets are 1.5 degrees aligned. Research then informs voting recommendations that escalate according to how far short companies are of investor expectations on targets. The service was made available to existing clients as well as being available as a

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standalone service. The service was developed in 2022 and rolled out during the 2023 AGM season.

Investment in processes and research also extends to how analysis is presented to clients. PIRC continues to enhance how information is presented and regarding the stewardship services it offers to clients, with a major investment in 2022 and 2023 being a redesign and launch of PIRC's new website.

To improve processes, research and analysis PIRC also invests in setting aside time to review and reflect on activities. The engagement and stewardship team hold regular meetings to consider what has worked and how to make continuous improvements when planning activity. At the end of each summer, the research team reviews engagement and aggregated data from key markets to inform future research and stewardship activities. The review process provides an opportunity to consider improvements in the process of data collection, how the quality and scope of data could be improved, what further analysis could improve the services provided, and whether policies should be changed or new ones introduced.

PIRC's services are ultimately dependent on its staff. PIRC's business model is grounded on having people who are rigorously trained and highly motivated. This means PIRC continually invests in people so they can best use our systems and processes, understand our approach and commitment to delivering quality services, and develop their own research and analysis skills. Our approach is firmly rooted in this investment in our staff and their skills and development. This is fundamental to delivering high quality services and accurate information to promote effective stewardship. It is a core part of how PIRC resources stewardship activities and builds a culture around PIRC's values and mission. It also helps PIRC to retain staff and provide organisational stability, which results in a reliable service for clients and effective stewardship activities. The following section outlines the forms that investment takes.

All new staff undergo an induction process. This lasts for three weeks and covers all aspects of work at PIRC.

The training programme is developed by each new entrant's line manager and new staff are assigned a mentor, who tracks their daily training sessions and checks that desired progress is being achieved.

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

All research and data staff are specifically trained to understand the PIRC Corporate Governance policies regardless of previous experience or background. The IT and administrative teams also undertake part of the induction to introduce new joiners to corporate governance and how their roles relate to the services that PIRC delivers to clients.

PIRC does not employ third party suppliers, and the provision of its services is highly dependent on the quality of staff the company recruits and retains.

The coverage of company general meetings (annual and extraordinary) increases during the period from January to July. Ahead of this, PIRC recruits temporary staff in November and December each year and trains them on PIRC's corporate governance principles. In January they join the research staff to provide extra support during the AGM season.

In keeping with our values, temporary staff are employed on the same terms and conditions as full time equivalent staff. Temporary recruits are assigned to the corporate governance research team and are recruited on a six month contract.

In respect of recruitment, retention and training of permanent staff, it is usual for PIRC to retain at least two temporary workers following the completion of their contract. Upon becoming a permanent member of staff, all new recruits at this level will therefore have undertaken the six weeks of 'bedrock' corporate governance training given to all staff.

Occasionally staff are recruited at more senior levels. However, PIRC's approach to staff development and succession planning is designed to ensure that all new and vacant posts can be filled by internal applicants. This promotes staff retention.

PIRC's approach to encouraging diversity within the business starts by embedding the principle into its recruitment processes, via which we run regular checks on the extent to which we are capturing as diverse an array of applicants as we can. To encourage the development of the people who work for us, all new and existing staff are offered a choice of tailored training products with their progress encouraged in regular performance management conversations.

PIRC's succession planning ensures a diverse and appropriate number of staff is given the scope and tools to advance through the organisation. Currently within our team we have colleagues from Black, Asian and minority ethnic backgrounds, and from Italy, Spain, France, Portugal and Greece.

PIRC believes that a critical factor in its future business success will be its ability to attract and retain staff from all sections of society, and we are committed to providing and promoting equal opportunities in employment. Over a 40% of PIRC's staff are women and over 40% of our staff are from ethnic minority groups (non-White British).

We aim to treat all job applicants equally regardless of age, disability, gender reassignment, marital or civil partnership status, pregnancy or maternity, race, colour, nationality, ethnic or national origin, religion or belief, sex or sexual orientation ('Protected Characteristics'). PIRC's Equal Opportunities policy applies to recruitment, terms and conditions of employment (including pay), appraisals, promotion, disciplinary and grievance procedures and training.

Underlying PIRC's overall commitment to equality is a fundamental belief in the right of all employees and clients to be treated with dignity and respect, and the overall

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aims of our Equal Opportunities Policy are:

- To achieve a balanced workforce that fully reflects the composition of the relevant labour market.
- To realise the competitive advantage which can be achieved from fully utilising the knowledge, skills and abilities of that diverse workforce.
- To become a preferred employer and provider of products and services to improve corporate governance and the ethical manner in which companies operate.

Staff Development and Incentives

To promote continuous development, internal training sessions on trending aspects of corporate governance are held and hosted by both internal staff and external experts to deepen staff knowledge on topics such as climate change, corporate controversies, tax rights issues, and audit to develop staff skills and enhance PIRC's analysis in our work for clients. As outlined under Principle 1 internal processes enable knowledge sharing across teams to support staff development and understanding of stewardship issues. This includes space within meetings to discuss developing ESG issues and insights from PIRC's research. PIRC also supports the development of staff knowledge through the research and engagement processes itself. This aims to support PIRC's overarching stewardship mission as an organisation, enhance the service we provide to clients and fulfil our objectives as an employer to help the personal development of staff.

As with our terms and conditions, temporary research staff receive the same training as permanent research staff, and are mentored by permanent staff; with training ongoing into March when the AGM season begins.

PIRC also encourages staff to seek external qualifications and offers sponsorship on a case-by-case basis for external certifications – where our recommended qualification is the Investment Management Certificate. Currently two staff members are undertaking PhDs, including on business and human rights.

In order to ensure that staff feel supported throughout the year and also to discuss future training development opportunities Performance Development Reviews are carried out bi-annually. Reviewees discuss areas such as performance, communication and team contribution with their line-manager and HR manager, the objective of which is to identify positive contributions and areas where support is needed and development offered – all with a view to supporting progression based on merit, and promotion from within wherever possible.

Pay is one of the key factors affecting motivation and relationships at work. We believe it is important to develop pay arrangements that are right for PIRC and which reward employees fairly, providing equal pay for equal work.

PIRC's approach to incentivising staff to deliver its services to expected standards mirrors the philosophy it has developed in respect of critiquing executive remuneration programmes in listed companies. That is: PIRC

rewards staff through the use of salaries and the prospect of advancement within the company. No performance bonuses are paid (or expected). We emphasise attracting the right people to the job in the first place, and then letting them express their values through their work.

PIRC is a living wage employer and the current pay ratio (between the highest and lowest paid staff on a pro rata basis) at PIRC is 5:1. Staff salaries are banded by grade.

How the quality and accuracy of our services promote effective stewardship

In our experience, the governance and team structures described above, together with the systems and processes contained within these, have enabled a high standard of oversight and accountability for promoting effective stewardship. (We believe, for example, that, as well as having managerial oversight of processes and performance, it is critical for a client-centric service provider that senior management also retains an operational role in the provision of relevant services). We have chosen this particular approach because it emulates the different service requirements across our client base, and we expect it to evolve as client service requests change in the future – just in the way that the governance structure has changed in the past.

With over 25 years of experience and transferable skills housed within its management team structure, supported by a highly trained staff of researchers that possesses a diverse skill set, and backed up by its investment in systems and processes, the delivery of PIRC's services has been designed with its clients' stewardship requirements in mind.

We provide research and proxy voting recommendations for every equity held within client portfolios; deploy a proprietary governance risk rating analysis on all companies to facilitate clients' engagement, and enable custom research and client voting across markets and governance perspectives at all company meetings.

We reach and evaluate our voting decisions by assessing companies' adherence to best practice governance criteria: informed by PIRC's assessment of company disclosure and benchmarked against PIRC's Shareholder Voting Guidelines. (These 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 by guidelines issued by other market players such as the Council of Institutional Investors in the US and the King Report in South Africa).

Our advice on client policy development is based on specialist knowledge of both existing frameworks – such as the UK Corporate Governance Code – and best practice amongst other investors.

The market intelligence we provide for clients is based

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

on in-house research and active promotion of corporate governance best practice. This allows us to advise clients on their stewardship policies for clients, as well as providing them with reports and analysis of major ESG issues arising from legislation, codes and principles, and with a range of analysis of public and market consultation documents from government and regulatory bodies that can assist clients in providing their own responses.

Our proprietary governance risk rating model, which is subject to continuous improvement, can be used by clients to inform their engagement work, or to assist in portfolio construction.

And the standalone engagement service we provide to clients is underpinned by a skillset that has been developed in order to identify issues of importance to them on which they might wish to engage with companies, together with the experience, presence and corporate reputation required to obtain, plan and conduct face to face meetings with company chairs, chief executives and finance directors (for example) and with other, collaborative shareholders.

PIRC covers all markets in client portfolios, providing analysis on 3,100 companies in 62 countries. We provide high quality ESG research across this universe, with associated shareholder voting guidelines specific to all markets. Most staff involved in the provision of this service are based in the UK, but we also have staff in Europe, Japan and New Zealand providing specialised local market knowledge; speaking multiple languages.

PIRC's staff skill base draws on economics, social science graduates and legal and financially qualified recruits, and brings together experts in governance, financial analysis, climate change, human rights, social issues, audit and accounting, labour rights, tax, corporate mergers and acquisitions, employee mental health and remuneration and reward systems.

PIRC employs consultants with appropriate expertise to support stewardship services. Expertise includes employee value and mergers and acquisitions, expert advice on government policy, LGPS regulations and corporate tax issues.

Sustainability

As a signatory to the Task Force on Climate-Related Financial Disclosure (TCFD), PIRC considers all aspects of sustainability in delivering its services. Not least because it fits with what we and our staff stand for, we therefore consider it important to operate our business in a sustainable manner. We are committed to continual improvement and are mindful of our responsibilities with regard to our environmental and climatic impact, aiming to reduce all identifiable direct and indirect impacts:

- PIRC promotes the use of the lowest possible carbon impact choice for work-related travel, for example.
- We recycle materials used in our offices and minimize non-hazardous waste.
- We deliver all of our services electronically.
- Most PIRC events and seminars are held online (or hybrid) reducing the need for audience members to travel

Fees

The tender processes via which PIRC generates revenue are usually facilitated by the provision of a Request for Proposal (RFP) to a number of potential service providers, within which the fee charged for the service frequently accounts for between 20% and 30% of the way in which clients choose their providers. Feedback obtained by PIRC from responding to such RFPs confirms that its fees are set on a competitive basis, and charged in a fair and transparent manner.

PIRC is also signed up to the Fair Tax Mark (<https://fairtaxmark.net>), which seeks to encourage and recognise organisations that pay the right amount of corporation tax.

PIRC is a signatory and founding member of the ESMA Best Practice Principles Group (BPPG) for Providers of Shareholder Voting Research and Analysis. The PIRC compliance statement can be found here <https://bppgrp.info/signatory-statements/> which sets out PIRC's response to the three BPPG principles; service quality, conflicts of interests and communications policy.¹

Continuous Improvement

PIRC's board considers the governance structures and processes described above to have been effective in supporting our clients' stewardship of capital. However, we are focused on the following areas for continuous improvement:

- Further development of PIRC's research and products in relation to climate change
- Improving reporting of information on stewardship activity and impact, including near real-time information
- Split voting services that enable asset owners to meet their own specific stewardship needs
- Enhancing human rights and stakeholder engagement
- Investment in workforce database and voting outcomes based on 'S' beyond existing shareholder guidelines

¹ PIRC had been regulated by the Financial Conduct Authority (FCA), since 2002. However, PIRC had never conducted regulated business, according to the requirements of the FSMA. Following discussions with the FCA and after legal advice, PIRC applied to cancel its FCA authorisation. This was accepted and applied from February 2023. Clients were informed of our decision.

PRINCIPLE 3

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

Conflicts of Interest PIRC does not have

As reported under Principle 1 and Principle 2, PIRC has made the deliberate decision to retain its private company status and, rather than, for example, providing services to listed companies, to only work for institutional investors.

Indeed, PIRC's conflicts of interest policy states: "PIRC has taken the business decision that, given the inherent conflict of interest, we should not seek to provide service to both issuers and shareowners. Therefore, PIRC only provides services to shareowners".

PIRC considers any commercial relationship with the companies it analyses would present a fundamental conflict, and our only investment in companies is holding a single share to facilitate client AGM attendance. PIRC therefore has no material conflict with the companies in which its clients invest.

To our mind, this approach to stewardship facilitates PIRC's unrivalled reputation for being prepared to challenge market orthodoxies on ESG issues, and company behaviours that are at odds with responsible investing.

In addition, PIRC is independently owned so there are no conflicts between owners who are either companies or investors in companies within PIRC's proxy or engagement coverage.

Conflicts of Interest PIRC does face

As PIRC has no corporate clients, conflicts of interest in its research and engagement activity with companies is virtually eliminated and rarely occur with regard to the research carried out on client portfolios.

Nevertheless, we have identified the following potential conflicts of interest in our business: Providing an analysis of a shareholder proposal in which PIRC or its employees have been advising the proponent; acting for investors with different responsible investment perspectives; undue influence of an individual investor client; and staff shareholdings/trading.

How PIRC Manages Conflicts of Interest

PIRC is committed to managing these potential conflicts and has in place the following policies and practices:

Transparency with clients

- 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.

- 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 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.
- Once a Conflict has been disclosed, PIRC will promptly update the client in writing of any changes in circumstances.
- 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.
- 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.

Disclosures in PIRC reports

- PIRC will declare in its reports if it perceives a potential conflict to exist, for example if it has advised the proponents of a shareholder resolution.
- PIRC will advise clients in the corporate governance report of the company's general meeting that it has engaged with the proponents of the resolution and will analyse the resolution based on the content of the resolution.

Staff training and recusal

- Staff involved in advising the proponents will play no role in the production of the relevant company report.
- All PIRC employees undergo conflict of interest identification training as part of their overall induction upon appointment.
- Staff are required to complete a declaration of interests and every member of staff must report periodically their holdings to the compliance officer.

PIRC PRINCIPLE 3.

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IT systems and information barriers

- The meeting notes from respective meetings are stored in separate files and on different servers, which do not have general staff access.
- PIRC's Global Engagement Manager database (GEM) classifies company engagements by client, so engagements for different clients are stored in different parts of the database that do not intersect.

PIRC is also a founder member of the Best Practice Principles for Providers of Shareholder Voting Research and Analysis. The principles PIRC adheres to on quality, conflicts of interest and communication are described in the PIRC policy statement the PIRC policy statement <https://bppgrp.info/wp-content/uploads/2021/02/PIRC-BPG-2021-Final.pdf>

During the first half of 2023 an internal review of PIRC's conflicts of interest policies was undertaken. The review assessed areas that could be strengthened or made clearer and has resulted in suggested amendments to policies and procedures. These are to be implemented in 2023/24.

Actual or potential conflicts of interest managed in the reporting period

PIRC's engagement team meets and engages with numerous companies each year. Information gained through these meetings could potentially create conflicts between PIRC's assessment of a company based on its Shareholder Voting Guidelines and the engagement activity undertaken on behalf of specific clients with their own set of responsible investment interests. However, PIRC's policy mandates that information gathered during the course of an engagement cannot be used for proxy reports, the IT systems ensure notes cannot be shared, and there are separate staff dedicated to engagement and proxy drafting.

PIRC faced eight specific conflict of interests situations over the reporting period. Seven related to shareholder resolutions as part of the stewardship services and the provision of our proxy voting service. As part of its stewardship service, PIRC assisted the co-filers of resolutions on tax transparency and freedom of association proposals. PIRC also acted on behalf of the proponents to encourage investor support for the proposals. To safeguard against any conflicts, PIRC staff undertaking the work on the proposal had no role in the production of this report or contact with those involved in drafting it. To provide our clients with full disclosure of the situation, the proxy reports featured prominently an outline of the position and action taken by PIRC to manage the potential conflict.

Similarly, the other instance occurred when a staff member had been involved in assisting a stakeholder who was seeking change at a particular company. To avoid any potential conflict of interest they were excluded from any engagement with the issuer.

PRINCIPLE 4.

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

How PIRC identifies market-wide and systemic risks

PIRC has been developing its research capability, policy expertise and network of relationships since the company's founding in 1986. Working with clients, policymakers, regulators, politicians, community groups, unions and NGOs in the UK and internationally, we have learned to listen to third party perspectives and to combine this with our own strongly held, evidence-based opinions to generate original research that either highlights new stewardship themes, or which throws additional light on existing and emerging themes.

PIRC has over the years been regarded as 'the canary in a coal mine', and was the first to raise concerns about corporate behaviour on a number of crucial governance questions that have since become mainstream concerns: with respect to executive remuneration, for example, and board structure, the definition of independence amongst directors, audit issues, board competence and early environmental concerns.

This is the yardstick against which we measure how effective we are in identifying and responding to systemic risks and promoting well-functioning financial markets.

That is why PIRC was founded in the first place.

And we use the insights we gain from employing ESG subject matter experts to gather intelligence and to discuss possible market-wide and systemic risks in internal discussions – thereafter prioritising these according to our clients' needs, in order to develop action plans that seek risk mitigation.

We do this in a number of ways.

Engaging in Public Policy

In terms of direct policy engagement, we are involved in a number of related activities such as:

- Responding to consultations,
- Engaging with policymakers and regulators, and
- Engaging with politicians.

PIRC's approach to engagement with policymakers is to identify areas for reform, engage directly, and escalate where progress is slow. Using our research and policy expertise PIRC is frequently ahead of others in identifying policy reforms. These insights ensure we make the most of our networks in direct engagements with departments and regulators.

Change sometimes requires pressure from outside

government so PIRC also works with backbench parliamentarians, parliamentary committees and the media. We similarly identify reforms and engage with the broader market and industry by engaging with companies, trade bodies, investor groups and standard setters to shift the market. In 2022, as part of PIRC's work on tax, it submitted evidence to the Australian government's consultation on tax reporting.

Climate change and the just transition was a major focus for the work that PIRC supported a client to undertake. PIRC supported consultation submissions on climate change reporting, including a government consultation on the TCFD reporting. The response supported the integration of TCFD reporting but stated that just transition considerations should be included. PIRC also supported a client to submit evidence to the Transition Pathway Taskforce draft recommendations. The response welcomed the inclusion of just transition issues but considered there was scope for further integration across the framework. PIRC also supported the client to undertake events at the political party conferences. These focused on just transition issues and sought to raise the topic with politicians given the investment risks and the need for policy intervention to address some of the challenges.

PIRC supported submissions to the UN working group on Business and Human Rights, to the FCA on proposed changes to the listing rules and engagement with politicians and policymakers on proposed regulatory changes to the LGPS.

Thematic and Stakeholder Engagements

PIRC also seeks to address market-wide issues through engagement activity undertaken on behalf of clients. PIRC has a range of current engagement themes focusing on specific areas to maximise impact.

Our clients continue to tell us they would like us to prioritise climate change as a systemic risk, so this remains a topic of discussion within our Policy Forum; an area of exploration for our research team, and a principal theme in our engagement work.

Over the reporting period PIRC stepped up its focus within its voting service. Climate-related financial risks are greatest for the biggest carbon emitters. These companies also create significant systemic risks as they contribute most to emissions driving climate change which is in turn creating economy-wide risks. Therefore, our voting service has been developed to focus on ensuring

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that large emitters have adequate targets aligned to a credible 1.5-degree Celsius pathway which will limit the financial costs of climate change. Within the reporting period planning was underway to develop the service further to support existing and new clients address the systemic risks associated with climate change by adding additional analysis and voting recommendations related to governance of climate risks.

PIRC's engagement focus also continues to address the systemic risks of climate change. Focus has included focus on companies on both the supply and demand sides that are strategically critical to a decarbonised economy. To address the systemic issues, one focus of engagements was around climate lobbying by companies which seek to undermine a regulatory environment designed to reduce emissions and with it the risks associated with global warming. PIRC's support for a client, as a lead investor in a collaborative engagement, resulted in a major UK company announcing that it would conduct a review of lobbying activity. PIRC also continues to support a major client push for a Say on Climate. This included a letter to the chairs of FTSE All-Share companies (excluding investment trusts) calling for a Say on Climate vote which ensures that investors are able to address the systemic issues of climate change through a specific vote on transition plans at AGMs. This resulted in responses from companies setting out their positions and progress and for some it was indicated that they intended to hold such a vote. Planning within the reporting period was under way to escalate activity where progress has not been made. Alongside voting and engagement, PIRC continued to engage policymakers on behalf of clients on climate change, including on TCFD regulations and transition plans.

As set out in the case study below, PIRC has sought to respond to the market-wide investment risks associated with tax policies and practices of companies. This engagement has involved working with tax experts and because of the scale of the challenge, PIRC has sought to engage not only with companies but also other investors to push for action. PIRC has supported clients to co-file resolutions at some of the largest companies in the world and is continuing to engage with companies identified as posing the largest material risks to investors.

PIRC has also sought to employ extensive stakeholder engagement as part of our approach to market-wide issues. For example, PIRC has been instrumental in efforts to uphold human rights in the mining sector and continues to engage companies and communities to minimise investment risk in that industry. This is an ongoing engagement. Progress has been made through engagement, including improved governance and engagement on human rights issues at a board level, and changes are underway to improve their environmental and social approaches. However, there remain considerable concerns around engagement with affected community members, the pace of reparations, environmental impacts and tailings dam safety.

We are in regular contact with community groups, NGOs, unions and others in Europe, the US, Canada and Australia. For example, PIRC has developed connections with the [Australasian Centre for Corporate Responsibility](#) which has been involved in filing high-profile resolutions at companies including BHP, Qantas and Woolworths. These links have enabled us to enhance our understanding of ESG issues in Australia and improve our support and advice for clients - directly affecting the voting advice we provide.

PIRC considers many workforce issues a systematic, market-wide risk. For example, PIRC's examination of annual reports shows many companies, across very different sectors identifying labour issues as a principal risk. Despite its importance to value creation, issues around work are often overlooked or underdeveloped in stewardship activity. PIRC continues to seek to address this stewardship gap through its services. PIRC's workforce database of FTSE companies seeks to assess how well companies are managing workforce-related risks and is used to guide engagement work. The current period of higher-inflation affecting all firms has exacerbated market-wide risks, including deteriorating industrial relations. PIRC has engaged companies and trade unions where workplace risks have resulted in industrial action. More broadly, PIRC has undertaken engagement with sectors critical to energy transition where workplace practices fall below accepted standards (including labour and human rights concerns within the supply chain).

PIRC has also escalated action where there are concerns about employment rights being upheld. This included supporting the filing of a resolution at Starbucks. The issues arose when a unionisation drive at Starbucks was allegedly met with an aggressive response from company. Alongside reputational damage and worsening industrial relations, Starbucks' response led to numerous complaints and other enforcement activity from the National Labor Relations Board indicating that the company had breached employment rights.

PIRC and other investors had met the company, including with the then CEO, which did not achieve desired objectives. Engagement was then escalated, and in September 2022 Merseyside Pension Fund with support of PIRC co-filed a shareholder resolution with NYC Comptroller, Trillium and SHARE. This called for the company to commission an independent third-party review of the implementation of its commitments to ILO Core Labour Standards.

The resolution went to Starbucks AGM on 23rd March and achieved a majority (52%) vote in favour despite the board's recommendation to oppose. Investors supporting the resolution include CalPERS, CalSTRS, NBIM, APG, PGGM, Schroders, Allianz. PIRC continues to engage the company and the review called for within the resolution is underway.

PRINCIPLE 4.

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

Supporting Collaborative Initiatives

PIRC considers that in tackling many systemic issues it is beneficial to work with a wide range of other organisations. PIRC frequently undertakes collaborative engagements which can be used to leverage the voice of investors and their service providers to deliver positive change. PIRC participates and often leads in these engagement activities and meetings. PIRC also participates in groups as a way of sharing our knowledge and expertise and enhancing our own. In addition, PIRC contributes and backs other groups which are seeking to improve responsible investment policies and market norms through voluntary guides and regulatory reforms.

PIRC directly supports the following industry groups through membership or staff participation, or does so on

behalf of its clients:

- **Pensions & Lifetime Savings Association**
- **Council of Institutional Investors**
- **Best Practice Principles Group for Shareholder Voting Research**
- **The High Pay Centre**
- **The Centre for International Corporate Tax Accountability and Research**
- **Workforce Disclosure Initiative**
- **Socio Economic Taskforce**

PIRC or on behalf of its clients currently contributes to the collaborative initiatives (most of which involve company engagement):

Initiative	Activity
30% Club Investor Group	PIRC represents a client in 30% Club Investor Group engagements. Within the reporting period these have focused on engagements with Japanese companies.
Access to Nutrition Initiative	PIRC supported a client's involvement in the Access to Nutrition initiative, including as co-lead investor at a major food producer. Over the period PIRC led meetings with the company where some progress was made in reducing investment risks.
Carbon Disclosure Project (CDP)	PIRC supports client membership of the CDP. As part of the collaboration the client writes to companies that are not adequately disclosing.
CCLA Find It, Fix It, Prevent It engagement on modern slavery	PIRC supports a client's involvement in this collaborative engagement on modern slavery which over the period engaged companies within the construction sector.
CERES - Valuing Water Finance Initiative	PIRC supports a client's membership of CERES' Valuing Water Finance Initiative, a global investor-led effort to engage companies with a significant water footprint to value and act on water as a financial risk and drive the necessary large-scale change to better protect water systems. The client is a founding member and currently co-chairs the initiative. Company engagements have resulted in progress in better mapping of water risk throughout the respective value chains. The initiative has also undertaken a benchmarking exercise in order to better measure current and future corporate performance with regards reducing water stress globally.
Climate Action 100+	PIRC supports a client to be a lead investor for some company engagements organised by CA100+. Over the reporting period several meetings were held with a utilities company which PIRC's client leads on. These meetings enabled PIRC on behalf of its client to articulate concerns. There was acknowledgement of points being made, particularly around climate lobbying, and shortly before the AGM the company announced it would publish a comprehensive review of lobbying activities. PIRC also supports the client to engage with other companies, including carmakers.
FAIRR Initiative	PIRC supports a client's involvement in the FAIRR initiative which focuses on the global food sector and reducing associated investment risks, including anti-microbial resistance. The client has signed on to engagement letters on antibiotic use in the quick-service restaurant sector, working conditions and animal pharmaceuticals.
Financing a Just Transition Alliance	PIRC supports a client's membership of the Financing a Just Transition Alliance run by the Grantham Research Institute. It does not engage companies on the issue but supports the development of engagement areas and engages policymakers on the issue.

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Good Work Coalition	PIRC supports clients' involvement in the Good Work Coalition. PIRC has participated in a significant number of engagements during the reporting period, focusing mainly on seeking Living Wage and Living Hours commitments from companies.
HCMC (Human Capital Management Coalition)	PIRC participates in the HCMC on behalf of a client and has supported initiatives that have emerged from this network.
ICCR (Interfaith Center on Corporate Responsibility) – Provision of Sick Leave initiative	PIRC has supported ICCR engagements with US companies over the provision of paid sick leave on behalf of clients. This has involved being lead contact for companies and participating in engagements. We also supported shareholder resolutions on this topic.
IIGCC (The Institutional Investors Group on Climate)	At IIGCC, PIRC represented clients in sector engagement strategy development (steel, utilities, oil and gas) and participating in the IIGCC climate change power policy working group.
Investor Alliance for Human Rights	PIRC supports a client's involvement in the IAHR which provides opportunity to discuss developments in human rights. PIRC's client is a member of the Uyghur working group and is a lead investor in a US company that has resulted in engagement focused on investor expectations.
PRI (Principles for Responsible Investment)	PIRC supports client involvement in the PRI. This reporting period PIRC has started to support a client as lead investor in the PRI's Advance initiative which is focused on human rights and social issues with target companies selected from the metals and mining and renewables sectors.
Rathbones modern slavery disclosure engagement.	PIRC supports a client's involvement in Rathbones' votes against slavery initiative. This involves signing on to a letter to companies which are judged as not being to be compliant with the Modern Slavery Act and provides opportunity to participate in engagements. The initiative has resulted in improvements in company compliance.
ShareAction - Healthy Markets Initiative	PIRC supports client involvement in the healthy markets initiative which engages food retailers and manufacturers to be at the forefront of the drive for healthier food options. During the period under review, PIRC joined engagement efforts urging global food manufacturers to set quantifiable, time-bound targets to increase the proportion of healthy products sold relative to unhealthy products. This objective was partially met.
UNI Global - Investor Initiative for Responsible Care	PIRC is a member of the Investor Initiative for Responsible Care. PIRC on behalf of clients is a lead investor at two US REITs. In one case, a vote recommendation was issued as part of our escalation activity. PIRC has also participated in engagement with EU policymakers.
World Benchmarking Alliance - Just Transition Engagement	PIRC is a member of a collaborative initiative organised by the World Benchmarking Alliance. The initiative came out of an investor letter and is focused on just transition within the oil and gas sector. PIRC on behalf of a client is a lead investor and will be participating in other engagements when they commence.

Keeping Clients Informed

PIRC keeps clients up to date with the main outputs of its research primarily (but not solely) through the production of two weekly client newsletters:

- **The PIRC Watch List covers companies with controversies or other matters noted or reported during the past week, as well as ongoing concerns at companies with an imminent annual general or**

special meeting, and

- **PIRC Alerts covers topical articles on worldwide issues on responsible investing, as well as highlighting upcoming annual meeting agendas.**

Workforce issues are too frequently overlooked in stewardship activity. To place the spotlight on the world of work PIRC produces the only employment-focused ESG

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newsletter, titled WORK. This is available free to PIRC clients and labour and labour-related organisations, and is available by subscription for others.

Clients are encouraged to get in touch and feedback on PIRC reports and newsletters, and PIRC hosts client seminars and webinars for which all clients have complimentary attendance.

Over the reporting period, PIRC hosted numerous client events and webinars covering topics including global company-trade union agreements, social protection for garment workers, the industrial dispute at Royal Mail, pre-AGM season briefing, modern day slavery, climate metrics and executive pay. PIRC also organises an annual conference for a major client. The conference included sessions on the just transition, human rights in the mining sector, electric vehicles, executive pay, racial equity audits, and water stewardship.

PIRC provides bespoke reporting services for clients. This includes quarterly and annual engagement reports covering activities and outcomes of stewardship work. As part of PIRC's transparent approach to reporting, we provide information on individual company engagement covering: the company, person engaged, the activity,

engagement topic, engagement objective and engagement outcome. This work also includes narrative reporting to provide a nuanced picture of the engagement. For one client with several members, a weekly newsletter is produced highlighting the activity undertaken on their behalf over the past week.

Alongside written reports, PIRC reports in person to some of its clients. This includes presenting to formal meetings on activity that has been undertaken on their behalf. This provides the opportunity for clients to scrutinise our work and better understand what we have done on their behalf. These exercises are also an opportunity to understand clients' priorities and for them to shape the work undertaken on their behalf. PIRC finds that this process enhances the service we provide for clients, improves the degree to which our work is tailored to the needs of the individual client and helps make their and our stewardship activity more effective.

PIRC also produces research and briefing materials on ESG issues. These are provided to inform and receive client feedback on PIRC's likely policy approach and provide clients with insights into responsible investment issues.

CASE STUDY: ADDRESSING TAX RISK

Tax avoidance is a market-wide issue which can introduce significant risks that undermine investment returns in the medium and long-term. At an asset level, risks can include:

- **Loss of social licence to operate: where consumers boycott multinationals due to actual or perceived tax avoidance**
- **Reputational damage leading to increased scrutiny: where tax controversies in one jurisdiction can cause tax authorities elsewhere to examine a company's tax practices more closely;**
- **Adjustment risk: where successful tax authority investigations lead to additional legal expenses, potential fines and additional payments**
- **Vulnerability to changes to tax regulation: where changes to tax legislation may render a company less or no longer profitable**

To address market-wide tax risk, PIRC in collaboration with the Centre for Corporate Tax Accountability and Research (CICTAR)

established a new investor initiative. The launch of the initiative took place against the backdrop of 137 countries agreeing to the OECD framework for global tax reform to "address the tax challenges arising from the digitalisation of the economy". These reforms arose from significant policy concerns that large multinationals, and in particular technology companies, were not paying a "fair share" of taxes in the countries where they earned profits.

As part of this initiative PIRC set a series of expectations of company policy and practices. These expectations included tax strategy and practices being the responsibility of the board, publication of tax policy and tax governance framework with reference to Global Reporting Initiative, country by country reporting and justifications for being domiciled where company operations are limited. The initiative also set out how investors could vote if such expectations were not met, including votes focused on audit committee members, auditor appointment and financial statements as well as shareholder resolutions seeking disclosure. The work also reviewed action by major asset managers and the need for tax to feature in their policies, stewardship

reports and voting guidelines to help ensure this market-wide risk was being adequately managed.

On the back of this initial work, PIRC started an engagement programme focused on companies where risks are greatest. Reflecting the different approaches to engagement within different markets, PIRC supported clients to co-file shareholder resolutions at Amazon, Microsoft and Cisco 2022 AGMs. PIRC worked with its clients and met with other investors to increase support for the resolutions that requested companies produce tax transparency reports in line with Global Reporting Initiative's Tax Standard. These resolutions were supported by large number of shareholders, with 21% of independent shareholders voting in favour at Amazon; 23% in favour at Microsoft and 27% of shareholders in favour at CISCO. These resolutions and results have been followed up by PIRC through engagement, including a wider group of technology and pharmaceutical companies. These engagements continue to seek to ensure expectations around greater disclosure and improved management of tax risks are being met.

PRINCIPLE 5.

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

PIRC's Client Base

Because of PIRC's public and often either early or differentiated stance on certain ESG issues we tend to attract clients that share our values, and who wish to make a real difference to company behaviours.

PIRC does not have (or seek) retail investing clients. Its client base is comprised of institutional investors and features a mix of:

- Pension funds,
- Asset managers,
- Union funds, banks,
- Financial consultants and
- Sovereign wealth funds.

PIRC's clients are located in the following geographies:

- UK,
- Europe,
- North America, and
- Australasia.

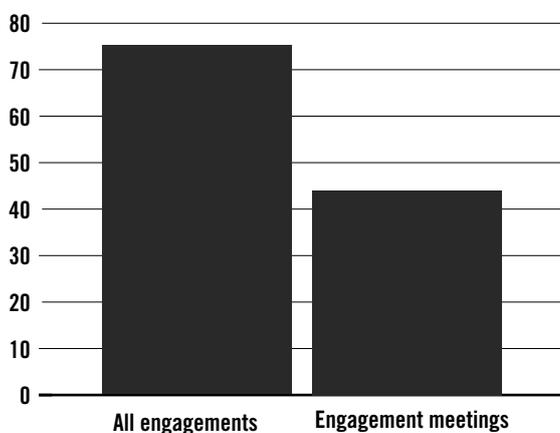
To support PIRC's mission of promoting the highest ESG standards and responsible investment, a small proportion of PIRC's income also comes from grants from foundations.

Supporting Our Clients' Stewardship

PIRC's proxy service clients receive an 'engagement service' built into the research process by means of sending the draft or finalised reports to the companies. This process, is designed to improve the quality and accuracy of the data we provide clients.

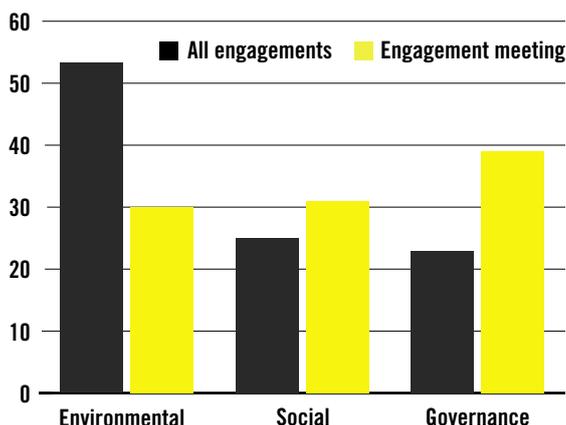
PIRC's dedicated engagement service is focused exclusively on delivering changes in company policies and practices to support our clients' stewardship responsibilities. Each engagement work stream and individual company engagement has clearly defined objectives. A central part of this engagement activity is meetings with companies. Over the past three years PIRC has engaged with companies domiciled in 42 different countries and facilitated engagement meetings on behalf of clients covering 31 countries. Half of these meetings were with a board member.

Proportion of engagements with board members



These meetings were split between Environmental (30%) Social (33%) and Governance (37%) engagements. This reflects PIRC's broad and balanced interest in responsible investment issues. Wider engagement had a higher concentration in environmental issues which reflects our focus and that of our clients on climate change, and climate change mitigation. Other main themes included governance concerns, human rights, and employment standards. PIRC supports its clients escalate engagements including through shareholder resolutions. And over the past three years PIRC helped clients file 13 shareholder proposals.

Engagement activity by issue



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PIRC focuses its work on specific engagement areas. These are identified using PIRC stewardship research and expertise, working with clients and shaped to their stewardship principles and priorities, engagement with experts and stakeholders and insights from PIRC's proxy research team. This process involves research and analysis of material issues facing our clients. An assessment is made of the risks and opportunities and whether the issue warrants company engagement. Engagement areas are then agreed by clients.

As part of this process PIRC sets engagement objectives for the focus area. These objectives are specific and measurable. PIRC sets objectives that are achievable but also designs them to be ambitious and expects them to address the risks that investors face.

PIRC uses a range of information to assess which companies to engage on specific topics. This includes PIRC's governance ratings, ESG data PIRC holds on companies (including our workforce database), sector risks, PIRC's WatchList of companies that have faced controversies or have been found to be in breach of the law or best practice, high votes against the board position at a company meeting, and external benchmarks. This research and data driven approach to company selection enables PIRC to focus on the companies where the material risks are judged to be greatest and where management of risks is deemed weakest.

Throughout the engagement process, PIRC assesses progress against the objectives that have been set. Where progress is deemed to be inadequate engagement activity will escalate to ensure adequate change is made.

Engagement activity is subject to at least quarterly reviews with clients. The success of each engagement is tracked and outcomes are reported to clients as required and disclosed through quarterly engagement reports.

While most of the engagements PIRC delivers will reflect each client's established priorities, responsible investment concerns will arise that are not initially identified, but considered important by clients. PIRC also can identify emerging investment concerns for consideration, and enable clients to respond to these. For example, water stewardship is an area on which PIRC has supported clients to engage. With growing concerns around the pollution from storm overflows within the UK, PIRC has supported a client to undertake engagements to manage the associated legal, regulatory and reputational risks that water companies face. By being alert to emerging issues and listening to the concerns of clients PIRC is able to support clients address risks as they arise.

Staying responsive in this way is one reason why PIRC has been pioneering stakeholder engagement with employees, communities and business supply chains, and working on including data relating to the Sustainable Development Goals and linking this to voting outcomes. Stakeholder engagement has been an essential part of identifying employment related risks during a period where high inflation has placed strains on industrial

relations. Working with stakeholders has enabled PIRC to target engagements on the companies where the issues are greatest and focus discussions on the issues that matter most.

In addition, PIRC is strengthening its approach to climate change in its voting services. As outlined earlier under Principle 4, PIRC has stepped up its scrutiny of emissions targets at companies that are contributing most to climate change and are strategically important to the transition. These companies are considered by PIRC as posing the greatest material risks and therefore require specific attention through our voting service. PIRC considers the failure to set adequate emission reduction targets as a failure of governance and therefore the voting recommendations to clients are focused on directors. The importance we place on climate change means that PIRC has integrated this approach into its main service rather than have it as an alternative sustainability service for specific clients.

PIRC continues to strengthen the resource it dedicates to researching employment-related factors that influence company performance and risk (together with the publication of our employment-focused ESG newsletter). This is an area where PIRC considers there to be a stewardship gap in the way some investors are managing workforce-related risks. PIRC is seeking to fill this gap through its dedicated workforce dataset which is being used to identify company risks and which has been provided to clients. PIRC has also been exploring how this will be integrated into voting recommendations which we expect will be introduced shortly. The dataset itself is being developed with the objective that clients can access data through a standalone platform.

Part of PIRC's work to support clients' stewardship approaches is empowering them to undertake engagement work themselves. PIRC provides induction sessions for client representatives that wish to take part in engagements, and conducts ongoing training as required. PIRC's induction training covers corporate governance issues and company engagement. PIRC also offers clients training on how to engage effectively with companies at board level. This helps empower trustees so they can become more effective stewards of their fund's assets.

PIRC also offers clients access to PIRC seminars on important and emerging corporate governance themes and best practice, with expert speakers providing clients with insights to support effective engagement meetings.

PIRC facilitates client learning about engagement by providing feedback from engagements and supporting clients to lead on engagements themselves. PIRC is accustomed to supporting those less experienced to undertake and lead engagements, by providing detailed briefing documents; by holding pre-meeting briefings with clients to discuss principal objectives; by providing client support in the Q&A of a meeting, and by conducting post-meeting debriefs with clients.

With respect to the provision of PIRC's voting

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guidelines, a number of our clients have their own distinct views of certain aspects of governance and corporate behaviour. In such situations we typically work with the client to develop a unique voting template which in turn informs bespoke voting recommendations.

In our voting policy development with clients, more advanced cases of this service provision frequently leads to a bespoke voting arrangement. In certain cases, policy development with clients will encompass particular practices currently in place and whether to revise them. Examples might be reviewing a pension fund's Statement of Investment Principles, or an asset manager's policy on public disclosure of voting records.

Clients also have access to policy advice from our corporate governance team. We have found that in practice extra support is sometimes required when a client is faced with unusual policy issues, such as resolutions that fall outside their own guidelines. PIRC therefore provides additional on-the-spot policy advice if needed.

Where clients choose to work with PIRC to engage with companies on particular ESG issues, in the event of a client's engagement dialogue with a company stalling, PIRC can facilitate escalation of the engagement by issuing targeted voting advice to the client, together with correspondence to the company that signals a change in tone.

PIRC may recommend that clients disclose voting intent publicly to inform other investors of their stance. In line with client appetite, associated media coverage may be sought.

The issue may also be raised at the company's AGM and shareholder resolutions are considered in order to escalate concerns. When a company is resistant to persuasion on a particular issue PIRC will pursue the engagement for as long as the client wishes – frequently changing its approach, or the target within the company, so as to achieve the desired outcome.

Collaborating with Third Parties

Frequently, depending on the resources a client might have available for its stewardship work and the nature of the ESG issue that is of concern, PIRC is approached to provide support in collaborative engagements – even though the 'demand' for such work may not always originate within the institutional investment community.

For example, in 2018 PIRC was approached by representatives of communities affected by the Brumadinho and Samarco dam collapses in Brazil, rather than by investors. PIRC was approached due to the prominent reputation of a staff member in the business and human rights community. PIRC met with the community members and recognised the benefit of this engagement for one of its long standing clients: LAPFF. Therefore, when additional community representatives approached PIRC for further engagement, PIRC set up meetings between these representatives and the LAPFF Chair.

PIRC and LAPFF were then asked to act as stakeholder liaison in the investor initiative on tailings dam safety that

began in January 2019. Because of PIRC's prior experience engaging with affected stakeholders, it had connections to the relevant communities and facilitated stakeholder input at each of the investor meetings for this initiative. Investors attending these meetings began to recognise the importance of community input for investment analysis and started to approach PIRC and LAPFF for ideas to further this type of engagement.

Consequently, PIRC reached out to London Mining Network (LMN), which brings representatives of communities affected by tailings dams to London each year to attend company AGMs and engage with various UK bodies to highlight their experiences. PIRC and LMN agreed to co-host an investor briefing on community experiences with BHP in relation to the Samarco dam collapse in 2015. This face-to-face meeting of investors and community representatives was, as far as PIRC is aware, the first of its kind in the investment industry. PIRC continues to support its client through engagements with community groups, companies and also other investors, and recently produced a report for the client on findings from a visit to Brazil to engage communities, companies and investors. On behalf of its client, PIRC has now been asked to engage with another mining company where there are human rights concerns. In addition, PIRC is also supporting the client as a lead investor within the PRI Advance project.

PIRC is involved in a number of initiatives on behalf of clients such as active participation in Climate Action 100+, the Climate Majority initiative and CERES and taking a leading role in the Church of England/Swedish Council of Ethics collaborative engagement on tailings dam safety.

PIRC has also supported clients to join organisations such as [Climate Action 100+](#), the [30% Club](#), and [PRI](#).

PIRC recognises the limitations as well as benefits of collaborative engagement. In a successful collaborative engagement, all participants coalesce around defined objectives and strategy to work towards a mutually agreed outcome. However, when collaborative engagements include partners with slightly different goals, varying positions can dilute the requests of companies and/or slow down or muddy the engagement process and objectives. Therefore, PIRC will also provide guidance to clients on requests to engage collaboratively as to what degree this approach is likely to yield measurable benefits.

PIRC participates in a number of additional collaborative groupings by which engagement is leveraged for most effect:

- **On reliable accounts, PIRC has a primary role in a core group of investors that pushes for action on governance and accountability at the Financial Reporting Council for reliable financial reporting; members including pro-active fund managers and asset owners.**
- **On climate risk, PIRC represents a client in the Climate Action 100+ to leverage global co-ordinated action with the largest carbon emitters.**
- **In Australia, partnerships with ACSI ([Australian](#)**

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[Council of Superannuation Investors](#)) and ACCR ([Australasian Centre for Corporate Responsibility](#)) enable participation in supporting shareholder resolutions to Australian companies.

- On social risks in the care sector, PIRC is a signatory to the Investor Initiative for Responsible Care, which is organised by UNI Global
- Provision of Paid Sick Leave for Direct and Indirect Employees, PIRC joined the Interfaith Center on Corporate Responsibility initiative
- Valuing Water Finance Initiative, PIRC represents a client in the initiative established by CERES

PIRC has produced numerous thought leadership reports in support of clients' integration of stewardship and investment. Within the period under review, examples include:

- **Democratic Deficit: Takeovers, Derivatives and Stewardship.** In this report PIRC reviewed shareholder voting at company meetings held during a takeover. The report found that turnout dropped by an average of almost 25%. At a string of company meetings, less than half the shares were voted even when the meeting was seeking approval to proceed with the takeover. PIRC noted that this should be an area of heightened stewardship activity and deserves proper attention from investors and regulators.
- **Climate metrics in remuneration.** This report examined the growth of climate metrics in executive pay and the metrics being used within incentive packages. The report analysed the pay policies at the largest companies and found that they often apply climate metrics to short-term incentives, that climate measures were bundled with other ESG metrics (which made what was being rewarded unclear), and that they had high vesting rates.
- **Cleaning up Their Act? PIRC's second annual review assessed the due diligence policies and procedures in place to prevent modern slavery and labour exploitation in one of their highest risk sectors: commercial cleaning.** While PIRC's research found improvements in companies' assessment of their exposure to various modern slavery and other human rights risks in their supply chains, it found that the implementation of systems to mitigate those risks and remedy adverse impacts that are linked to their operations remained lacking.
- **Understanding investment risk in the mining sector:** A LAPFF report and recommendations based on stakeholder engagements in Brazil, PIRC supported its client, LAPFF, in a visit to Brazil and this subsequent report. The report is based on the visit and engagement with communities devastated by the Mariana tailings dam collapse of 5 November 2015 and the Brumadinho tailings dam collapse of 25 January 2019 during the summer of 2022. The

report highlights human rights and environmental concerns that have yet to be addressed in the wake of the disasters.

Alongside reports, during the reporting period PIRC supported the creation of a benchmark on electric vehicle (EV) manufacturers. The benchmark assesses automakers to support an equitable, sustainable, and fossil-free automotive industry. The benchmark therefore is based not only on the transition to EVs, but was also focused on the emissions and human and labour rights within the automotive supply chain. The benchmark has been designed with input from stakeholders and aligned to legislation and initiatives and weighted towards actions over disclosures. It has resulted in engagement with the vehicle manufacturers and is also being used by investors to address stewardship risks.

PIRC produces industry-leading Governance data that provides clients with details about how UK companies are performing on issues such as gender diversity, board tenure, audit market, remuneration and capital structures. PIRC also offers clients bespoke research report services so they can develop their own thought leadership work.

Communicating with Clients

In respect of seeking client views and feedback on its service provision, PIRC's approach to doing this prioritises face to face meetings with its clients. PIRC seeks to build long-term relationships with clients which in person meetings help create. Such meetings afford the time to properly discuss client priorities and service delivery and provide a forum for understanding how we can better deliver for the specific needs of clients. By having in person meetings trust based relationships can be formed which allow for open and honest discussion about service provision. This creates the space to be innovative and forward thinking and guards against defensive and reactive communications. Having a strong ethos of partnership working helps ensure if there are any concerns they can be raised and enables us to focus on solutions. These meetings also make the regular ad hoc conversations and communications that take place in between meetings much more effective as people are familiar with each other. We consider this approach to be far more effective than client surveys, which miss the nuances of client priorities and service delivery requests and do not help build client relationships needed to deliver service excellence to which PIRC aspires.

Our recommended frequency of contact is to meet each client four times a year, supplemented with client presentations that allow for extended questions and answers as and when appropriate. The agenda for review meetings includes a discussion of the work plan, the delivery of our service (for proxy services and engagement), and new policy areas or practical enhancements in technology, reporting and stakeholder communications.

From these meetings PIRC makes adjustments to

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workplans, policies and service delivery. At subsequent meetings after changes are made we seek further client views to ensure changes are as required. Evaluation of feedback from clients is that this approach is constructive and efficient and works for them.

PIRC does deploy other means to understand client views and priorities, including regularly seeking comments from clients on work in progress and through ad hoc discussions. However, the structured nature of meetings results in the most effective way of communicating feedback. For one client which has multiple members, surveys are from time to time used. This does help gain quantitative picture of opinions. However, the feedback from the client is that they cannot be undertaken regularly so as not to encumber members with the cost of completing surveys and that meetings provide a more effective and nuanced forum for discussion. Further proof of the effectiveness of this approach is our stable and long-standing client base which demonstrates PIRC's ability to listen to clients and act on their views and requests. Of the few clients who choose not to continue with our services, we seek to understand why. This helps improve our services and also the way we communicate with clients and them with us.

In respect of communicating the activities we conduct on behalf of clients in support of their integration of stewardship and investment, PIRC regularly facilitates the drafting of publications and reports that are designed to keep client beneficiaries informed of this work.

PIRC delivers proxy voting reports to clients at least 14 days before an AGM and at least 10 days before an EGM to give the clients opportunity to review the voting recommendations before the proxy voting is executed on their behalf. These timelines for delivery of reports are a good example of effective communications and partnership working as they have evolved out of conversations and feedback from clients about the time they need to review proxy documents.

PIRC drafts a weekly email update for one client, for

example. This includes activities and engagements. For this client, engagement progress is shared at quarterly meetings; through the production of a quarterly engagement report, and through the production of an annual report that provides an overview of the client's engagement performance over the year. For wider engagement services PIRC produces a Voice report covering the engagements undertaken over the previous quarter.

These stewardship reports set out engagements by outlining the materiality of the issue on which PIRC is seeking to engage, the objective, the engagement action that is being undertaken, the outcome and the next steps. This is aligned with our stewardship approach (set out earlier) and supports clients' own stewardship activities and reporting. Activity data is also broken down by type of engagement, who was engaged and broad ESG issue category of the engagement.

As reported under Principle 4, PIRC also produces two weekly newsletters (PIRC Alerts, and PIRC Watch List), and the bi-monthly newsletter WORK – as well as sector reports and reports on current issues affecting companies and therefore investors.

PIRC provides each proxy voting client with a website for proxy reports, quarterly voting reports (including proxy results where known), portfolios, PIRC Shareholder Voting Guidelines, PIRC policy papers, and client newsletters. PIRC also provides clients with a link to the fully searchable PIRC database, which enables clients to display their voting records on their websites (featuring the client's own branding) for access by stakeholders. PIRC also provides voting records as required - for example as an XML feed or formatted HTML and publishes its voting recommendations post hoc on its public website.

All voting recommendations and explanations for these are included in the PIRC Corporate Governance report. New, arising issues are referred to the PIRC Policy Forum (comprising staff from all levels), which acts to ensure that new or contentious issues are considered on behalf of our clients.

PRINCIPLE 6.

Signatories review their policies and assure their processes.

Policy review systems and processes

PIRC plays an active role in debating ESG stewardship issues via submissions to government consultations, client seminars, membership of various working parties and bilateral company meetings. Together with the feedback we receive from our clients, and the companies on which we report, these activities inform the drafting of the UK Shareholder Voting Guidelines and global voting guidelines that underpin core elements of our service provision to clients.

In respect of seeking feedback from the companies on which it reports PIRC gives companies 48 hours in the UK, and 24 hours in the EU (for AGM issues) to provide feedback and 24 hours for EGM issues in both markets. This provides an external assurance mechanism for the quality of our work and provides PIRC with feedback about our policies.

Companies outside the UK and EU receive their PIRC reports for feedback as soon as they are published if they have disclosed a mailing address.

Comments received from companies are included in respective proxy reports (where material) in the UK and in Europe, and company commentary on PIRC reports can sometimes lead to engagement meetings.

PIRC consults with clients annually on each new edition of its UK Guidelines, and updates them every year.

Taking into account market developments and new issues that have arisen in the previous 12 months, PIRC sends the new, draft guidelines to clients for their review and input. Subsequently, it presents the revised guidelines to clients at a client seminar or more recently at client webinars. This provides external scrutiny that feedback has been acted upon as well as the opportunity for further comment.

Once finalised the guidelines are sent to the constituents of the FTSE All Share index at the time of publishing and also sent to any companies that enter the universe during the calendar year. PIRC's disclosure of its guidelines to issuers ensures there is transparency about its approach and provides companies with the opportunity to give feedback.

PIRC also has global guidelines and these are also available to the companies within the PIRC Global universe.

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

Alongside PIRC's traditional review process, we also undertake in depth reviews of policies. As referred to earlier in this report, PIRC previously commissioned an external review of climate data and policies. This review was undertaken by an independent consultant with experience of working in senior roles within the investment world. Commissioning external reviews like these enable a fresh, independent perspective as well as affording the time for someone to undertake a deep dive into our approach. During the reporting period, recommendations were integrated into our policies and processes. In addition to external reviews, we will also undertake specific internal reviews. These will focus on new areas or where the stewardship environment is developing. These are designed to take a more fundamental look at specific policies and processes. Through this process, PIRC's enhanced Carbon 1.5 analysis and service focused on the highest carbon emitters was initiated.

PIRC has a process for reviewing engagement activity. This includes an annual review of what is proving effective, where to focus resources and what policies or stewardship areas may require additional resources. PIRC also supports a client in their policy process. This includes reviewing relevant and emerging policy issues for engagement. This takes place on a quarterly basis and involves feedback from clients.

Voting Recommendation process

PIRC's voting process is underpinned by primary research, governed by the 5 main sections of the Shareholder Voting Guidelines:

- **Directors;**
- **Remuneration;**
- **Audit and reporting;**
- **Share capital and shareholder relations, and**
- **Reporting on social and environmental issues.**

These guidelines embody PIRC's approach to policy and practice on the ESG agenda for listed company analysis, and which we believe to be essential to integrating an informed view of Stewardship into the voting process.

The guidelines provide clients with a clear audit trail for our voting recommendations: they identify PIRC's view

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of best practice; set out where our expectations go beyond local market Codes or principles; and contribute to shaping the market agenda. For companies they provide the basis for equal treatment.

PIRC's culture encourages perspective sharing, and staff are always invited to contribute to the development of policy as the market in which stewardship is practiced evolves. PIRC has a Policy Forum that consists of staff from all levels of the organisation where discussion and debate acts as a conduit for information to ensure that new issues are considered in the preparation of our research.

Analysing Shareholder Proposals

PIRC considers shareholder resolutions are an integral part of the corporate governance process and each resolution is analysed on a case-by-case basis. Where a proposal covers an area not expressly covered by the guidelines, PIRC's voting recommendation is discussed at the Policy Forum.

In respect of assisting clients with responding to 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 (e.g. PIRC guidelines for the US market) and provides a recommendation based on this analysis or any custom client guidelines required.

All PIRC company reports receive feedback from a senior researcher on quality and completeness, and are subject to review for comments.

Bespoke Recommendations

Where clients wish to develop a bespoke approach to stewardship PIRC consults with them to design a voting template that covers their responsible investment policy objectives. Once the template is drafted it is tested on a previous AGM in the client's portfolio to ascertain whether the voting outcomes reflect the client's voting requirements.

Each client's specific voting policy is monitored by an individual member of staff and that person reviews all vote recommendations made for that client. He or she also monitors the quarterly Client Voting Report sent to all clients to ensure any change made by the client on a PIRC recommendation with regard to the client's voting template has been made and is accurately reported on.

In research for a proxy report, the PIRC Shareholder Voting Guidelines and the client's own guidelines set the general principles. Newly arising issues and more contentious issues are referred to the PIRC Policy Forum, which acts to ensure such new or contentious issues are fully considered so that clients are aware of any voting implications.

Process for Engagement with Companies

Once reports are drafted PIRC undertakes engagement with company representatives in selective markets, prior to publication. Once all company feedback has been received, 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 respond with factual amendments after the report was published, until the voting deadline.

PIRC responds to company concerns about our research or proxy reports, through email and correspondence, and conference calls, within 48 hours with a formal acknowledgement. A detailed response is prepared for sign-off by PIRC's managing director, depending on the nature of the issue raised. There can be a delay in responding to such issues at the height of the proxy season.

PIRC makes best efforts to review the materiality of any company concerns about its research or proxy reports within 48 hours of receiving notification. Detailed responses may take up to several weeks depending on materiality and business pressures.

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.

To reduce the risk of errors, PIRC's staff are trained in the core business and adhere to standard operating procedures in place for the entire engagement and proxy voting process. All work is additionally overseen by senior management.

Process for Voting Execution

PIRC's risk management controls and procedures on instructing voting are underpinned by a multi-layered review and check system, which uses PIRC's in-house software, and software provided by ISS and Broadridge to minimize the risk of mis-instructing ballots.

PIRC's in-house program, ProxyCentral, tracks voting reports to provide a comprehensive overview of the production status of reports. Voting deadlines are tracked,

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and lists generated for all un-voted ballots approaching the voting deadline.

Voting resolutions are reviewed by a senior researcher, and again by the Proxy Voting team to ensure consistency of PIRC's reporting and resolution text. Any discrepancies are referred to the Proxy Voting team leader for action.

If human error is detected in the selection of a voting outcome management is required to identify the root cause, and to amend the process accordingly where doing so can remove the source of the error. In the past, for example, this process encouraged PIRC to programme the voting system such that it produced a hazard icon highlighting the risk of error to the user.

Once all ballots have been instructed, the list of the meetings voted is checked by another team member. Each day a complete voting list is reviewed by the Proxy Voting team leader.

Staff joining the engagement services team receive dedicated training on internal quality control, engagement management systems and client liaison, and a thorough grounding in PIRC's engagement style and approach. More experienced team members contribute to this training, and there is a process of 'shadowing' and gradual introduction of the new team member into engagement meetings and other client interactions. Subject knowledge is developed by attending external events and internal meetings and presentations from outside speakers.

As they are required to multi task across those services each year, all research and data staff are inducted in each principal geographical market, and in UK, USA, Europe and Emerging Market research data and analysis. Doing this ensures PIRC's service provision is protected against any effects from unplanned absences.

IT Assurance

PIRC maintains all software in the Microsoft M365/Azure cloud infrastructure which by its very nature is highly resilient and highly reliable. In addition PIRC ensures that all systems are fully backed up to a secure offsite location (also in the cloud but totally independent of Microsoft) on a daily basis. PIRC aims to test the integrity of these backups by restoring them to known baselines to ensure that all backup/restore processes are working as expected, once every 6 months.

Reporting Process

As noted previously, we seek to engage with companies as part of the process of preparing the recommendations in our voting service. We will amend our reports on companies where valid points are made, or where amendments are required. We also draw information on focused stewardship activity outside the meeting season from our GEM database.

We disclose the nature and outcomes of all such engagement with companies in the relevant voting report. We believe that in doing so we provide a fair and balanced

picture of the interaction with companies.

In addition, clients of PIRC's voting and engagement services receive quarterly reports on activity undertaken on their behalf.

In respect of voting activity, clients are provided with both statistics on voting recommendations and votes cast, and the rationale for them.

Our quarterly engagement reports again include summary information alongside detailed reports on selected engagements during the relevant period. In these reports we provide context for the engagement, a summary of the engagement and an assessment and expected next steps. Data for these reports is drawn directly from our Global Engagement Manager database to ensure that it is rooted in objective information.

We have an internal communications officer who assists with the production of reporting for clients to ensure that it is written in as accessible a format as possible.

Enhancing Transparency and Increasing Accountability

PIRC's clients use many of its inputs to help manage risk within their portfolios and, of course, to execute their voting rights and to engage with companies for change. As they do this, we are acutely aware that it is beholden on us to be transparent in what we do and to be held accountable for our contribution to their stewardship activities.

We have noted above the resources that PIRC commits to ensuring that the companies it analyses have the opportunity to review and feedback on the data that PIRC provides to its clients, and the culture of open dialogue that supports this. (We give companies the opportunity to comment on PIRC analysis both prior to and after publication of reports and in regular meetings throughout the year, for example. And we circulate the PIRC Shareholder Voting Guidelines to all listed companies).

To enhance the transparency of our service provision and to increase our accountability for performance we have also joined with five other service providers to develop guidance for our own performance. As such, PIRC is a founder member of the Best Practice Principles Group (BPPG) which has agreed a governance architecture for the independent oversight of member performance against a set of Principles, and against evolving market expectations.

The BPPG has subsequently established an Independent Oversight Committee to provide the international market with independent assurance that firms which comprise the proxy voting research and advisory industry are meeting agreed best practices, serving the interests of their investor customers while treating issuers and other stakeholders fairly, with accuracy, integrity, and responsiveness. The Committee has the further mandate to test whether current principles meet evolving market expectations and to initiate a process of revisions when appropriate.

PRINCIPLE 6.

Signatories review their policies and assure their processes.

Our annual application to be a signatory to the BPPG Principles, together with the disclosures required, forms part of the PIRC's assurance process in regard to the quality and scope of its service provision. The results of the BPPG's independent monitoring of PIRC's submission will be published in an annual report by the BPP Oversight Committee to be published on the BPPG website.

Ensuring PIRC's reporting is fair, balanced and understandable

This report builds on PIRC's stewardship report for 2021. The report reflects comments received from the FRC on last year's submission, the work PIRC undertook in 2022 and the first six months of 2023, and comments from an external consultant. These comments and feedback were discussed in meetings with senior managers who at the same point reviewed the previous submission and gave feedback on activity from the 1 January 2022 to 30 June 2023 period.

The report was then updated by a director with expertise and experience in reporting. To ensure that the document provides a fair and balanced reflection of PIRC's work information for specific sections of the report was generated by relevant team managers. PIRC made use of its data systems to ensure an accurate picture of activity. The updates were reviewed and agreed by senior managers to ensure the report is a fair and balanced statement of PIRC and its activities.

PIRC drew on its experience of reporting to help ensure that the document is understandable. Changes in parts of this year's report were aimed at making the report clearer. PIRC uses plain English in its reporting. This principle was used when drafting this report. The review process by senior managers as well as by the external consultant helped ensure the clarity of the information presented.

The final report was reviewed and signed off by senior management. It was then reviewed by the board, final amendments made and signed off for submission.

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