

STEWARDSHIP POLICY

DTZ Investment Management Limited

Policy Approval and Review Date

Policy Owner: DTZ Investors UK Compliance Officer

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A. INTRODUCTION

DTZ Investment Management Limited is the FCA regulated investment and asset management business of DTZ Investors ("DTZ Investors"). DTZ Investors manages investments on a discretionary basis (fund management) and an advisory basis (asset management) and advises clients on potential exposures to the asset class, including direct property, unlisted property funds and listed securities (REITs).

This Stewardship Policy ("Policy") sets out DTZ Investors' approach to compliance with the Financial Reporting Council's ("FRC") September 2012 UK Stewardship Code ("UK Stewardship Code") which is set out in the Annex. The FRC has published a 2020 version of its Stewardship Code ("2020 Code") which expands on both the scope of investee entities and principles covered by the code and requires signatories to the 2020 Code to produce annual reports setting out their application of the 2020 Code for the previous year. At the date of this Policy, DTZ Investors has not yet become a signatory to the 2020 Code and on that basis this Policy applies to the 2012 version of the code. We intend in due course to become signatories to the 2020 Code and to report annually in accordance with it.

The UK Stewardship Code comprises seven principles ("Principles") and guidance for institutional investors relating to stewardship of their investments in UK publicly listed companies. The purpose of the UK Stewardship Code is to improve the dialogue between institutional investors and their UK publicly listed investee entities with the ultimate aim of improving long-term returns for shareholders.

As at the date of this Policy, DTZ Investors does not advise or manage any client fund or portfolio which invests in any entities to which the UK Stewardship Code applies. Under the 2020 Code, certain non-listed funds in which we invest will be in-scope. Notwithstanding this, DTZ Investors remains keen to maintain effective relationships with the funds and collective investment schemes in which we invest on behalf of our clients and to adhere to the principles set out in the UK Stewardship Code.

This Policy sets out how DTZ Investors discharges its stewardship responsibilities and refers to each of the seven Principles explaining DTZ Investors' approach in each case.

B. THE UK STEWARDSHIP CODE

PRINCIPLE 1

Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.

At DTZ Investors, we generate long-term, sustainable value for our clients through our investment decisions and actions.

We believe that good Environmental, Social, and Corporate Governance improves the sustainability and societal impact of our business and will enhance our ability to deliver long term sustainable returns.

We believe that integrating ESG considerations into our investment decision making at all stages of the property lifecycle is key to generating long term sustainable value.

Our Responsible Investment Policy sets out our approach, our targets and how we engage with our stakeholders (Include link to RPI policy).

As at the date of this Policy, DTZ Investors does not advise or manage any client fund or portfolio which invests in any entities to which the UK Stewardship Code applies. On that basis, this Policy is not at present disclosed publicly.

In places this Policy refers to other documents and policies including our shareholder Activism Policy, Conflicts of Interest Policy, Order Execution Policy and our risk and operating manuals. These policies which are not public documents, set out additional detail and internal guidance and are an essential part of DTZ Investors' approach to Stewardship and elaborate on how we:

- (a) monitor investments and manage risks;
- (b) engage with managers of funds in which we invest;
- (c) vote; and
- (d) manage conflicts of interest.

We have, however, reproduced those parts of these documents as are necessary to understand our fundamental approach under each of the seven principles listed in the UK Stewardship Code.

PRINCIPLE 2

Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship which should be publicly disclosed

DTZ Investors applies the principles of the FCA guidelines regarding TCF (Treating Customers Fairly).

Conflicts of interests are rare between Multi-Manager client portfolios, given the divisibility of units in underlying funds. The principal scenarios where a conflict of interest may arise are where;

- (a) both buyer and seller in a transaction are clients of DTZ Investors;
- (b) DTZ Investors may be acquiring assets in a restricted market competitive situation on behalf of more than one client; or
- (c) DTZ Investors is disposing of indirect investments on behalf of more than one client.

In relation to the conflict scenario at (a) above, indirect transactions carried out by DTZ Investors are subject to our Order Execution Policy which dictates that our team undertakes indirect investments on a matched bargain basis, whereby investments are always marketed through an open exchange or brokerage platform, so we can be confident that transactions have been based on market exposure via a third party, rather than a one to one arrangement between two in-house managed funds. It is a critical part of our Order Execution Policy that we can demonstrate to clients on both sides of a transaction that the pricing and terms have been market-tested to the best extent possible in the unlisted funds market. In addition to this, Chinese Walls will be set up between members of the team working on either side of the transaction to ensure information is ring-fenced and confidentiality is maintained at all times.

It is a requirement of the DTZ Investors' in-house value committee (comprised of DTZ Investors directors) ("Value Committee") that evidence of marketing is provided, together with an analysis of how the proposed pricing compares against our in-house multi-manager team's own reserve pricing for that particular fund prior to sign off. The Value Committee will approve whether the transaction price being proposed represents a fair market price for the trade. The Value Committee will look for evidence of how long the units have been marketed, where they have been marketed, and how the price compares to recent trades in the subject fund or funds of similar strategies / profiles.

DTZ Investors operates separate independent Investment Committees ("ICs") for all of its funds / accounts with different membership on each IC including external non-executive directors. Any proposed transaction is subject to approval from the IC (for both the sale and the purchase). The investment / disposal rationale will be set out in a paper recording:

- (i) the proposed transaction's fit with the relevant client's investment strategy;
- (ii) the expected returns or impact on fund returns of the proposed transaction;
- (iii) how the proposed transaction fits with the relevant client's risk profile and investment guidelines; and
- (iv) the input of the Value Committee.

The transaction can only complete if both client ICs have approved it, which takes the decision-making process away from the control of either individual fund managers, or DTZ Investors' senior management.

In order to manage potential conflicts described at (b) and (c) above, DTZ Investors runs a book system where the multi-manager team keeps a record of current demand for investment funds from the various managers in our group. This book notes the client, the volume of demand, and the reserve price at which the client will deal. The default reserve price is the multi-manager reserve recommendation price. If a manager wants to offer a more competitive price than the reserve price, they must first get relevant IC approval at the higher price. Once received in the book, the manager of the client fund who has listed the most competitive price has secured priority in the order book for that client, and this client will have first rights to units sourced at any price, unless or until another client fund enters the book at a higher price.

The book is available to all staff internally, just as books run via the brokers are available to all staff. The multi-manager team will secure units at the best price reasonably obtainable. This will ensure that the highest bidding

client internally secures units but DTZ Investors' clients do not bid-up the price between themselves on the open-market.

PRINCIPLE 3

Institutional investors should monitor their investee companies

DTZ Investors maintains an active dialogue with investment managers and companies and funds in which its client funds and portfolios are invested. DTZ Investors communicates regularly with investment managers, either by telephone or in person to ensure a high level of understanding of key activities of the investment and performance of the investment manager. DTZ Investors' multi-manager team reviews all investment manager reports including quarterly and annual reports, newsletters and other communications circulated to investors.

DTZ Investors also endeavours to monitor and understand the financial stability of the managers with whom it invests, and to investigate and understand instances of management turnover or ownership change as well as to consider the implication of such changes upon investments. DTZ Investors will communicate to clients as appropriate regarding the management and governance of investments into listed and non-listed real estate securities within quarterly reporting frameworks and will actively monitor proper and effective management and corporate governance by investment managers.

As part of the due diligence undertaken in respect of any new investment, and as part of ongoing monitoring DTZ Investors will consider the following aspects of management and corporate governance by underlying investment managers:

- (a) who will be taking decisions;
- (b) key personnel and any key persons clauses relating to the tie-in or long-term incentivisation of key persons;
- (c) the role, influence and any bias of non-executive directors, independent directors and investor advisory committees or unit holder advisory committees;
- (d) other major shareholders or unit holders within a fund and potentially conflicting interests of such investors;
- (e) the presence and likely influence of any shareholder who is an associate or subsidiary or group company of the investment manager;
- (f) voting matters in relation to which the manager should properly be excluded from voting such as inter alia, the remuneration of the investment manager;
- (g) co-investment by the investment manager and/or key personnel;
- (h) the remuneration policy, performance related pay and implications for retention of key talent;
- (i) the proper management and valuation of assets contributed or sold to the fund by the fund manager or investment manager;
- (j) the level of involvement and supervision of any agents or associates to whom aspects of investment management may be delegated; and
- (k) the content of quarterly reports, timescale for the provision of reports and the accounting and financial reporting principles to be adopted.

DTZ Investors will actively support and encourage the development and application of environmental, social and governance (ESG) investment standards and policies of investment managers. DTZ Investors has its own Responsible Investment Policy which incorporates management practices that DTZ Investors considers to be best in class and cost appropriate. DTZ Investors prefers to invest with managers who understand and adopt best in class practices within the relevant property market and asset class.

PRINCIPLE 4

Institutional investors should establish clear guidelines on when and how they will escalate their stewardship activities

In the event that DTZ Investors has concerns over the following in respect of investee entities:

- (a) performance;
- (b) proposals being put forward for investor voting;
- (c) investment strategy;
- (d) acquisitions/disposals;
- (e) management of conflicts of interest;
- (f) corporate governance and internal controls;
- (g) inappropriate remuneration or incentivisation;
- (h) major areas of risk, including resilience to climate change
- (i) management, resourcing and succession planning or;
- (j) a company's approach to corporate social and environmental responsibility; and
- (k) other matters relating to the standard of management of an investment,

we will engage as early as possible with the investment manager and the investment analyst to discuss those concerns.

DTZ Investors may also approach other shareholders, investors or representatives of investors and shareholders to discuss those concerns, and to lobby the investment manager through collective investor activism in accordance with the DTZ Investors' Shareholder Activism Policy.

PRINCIPLE 5

Institutional investors should be willing to act collectively with other investors where appropriate

DTZ Investors believes in maintaining a good level of continued correspondence with other investors to share views and experiences, identify risks and extend best practices in fund management and reporting. To this end we are members of various industry bodies such as INREV, AREF and IIGCC. We regularly attend formal and informal meetings with other investors.

In relation to escalation of concerns, collaboration with other investors can also be valuable. DTZ Investors may approach other shareholders, investors or representatives of investors and shareholders to discuss concerns and to lobby the investment manager through collective investor activism.

The nature and extent of any collaboration with other investors will depend upon the alignment of interest with other investors, the degree of influence we have acting alone versus acting collectively, any issues of client confidentiality and whether or not a collective approach is required or would likely bring about an improved outcome.

DTZ Investors is aware that within the real estate multi-manager industry there has been some cause for concern over the degree of concentration of ownership in the hands of a few large multi-managers. We are therefore mindful of the over-dominance of multi-managers in certain funds and the risks that this can introduce in terms of potential for investors to be construed as potentially managing funds (which can jeopardise the limited liability of investors) and the unhelpful conflict that can ensue between fund managers and multi-mangers. This is a risk that DTZ Investors monitors at the time of investment in any fund, over time, and in relation to any situation involving collective investor activism.

PRINCIPLE 6

Institutional investors should have a clear policy on voting and disclosure of voting activity

Fundamentally DTZ Investors views voting rights as a valuable asset that give us influence on behalf of our clients. DTZ Investors acts accordingly in relation to investment voting matters, taking due care and consideration in voting decisions and ensuring as far as possible that votes are always actively exercised.

In many cases, the terms of DTZ Investors' mandate will include the exercise of discretionary voting rights on our clients' investments. In some cases, however, clients may elect to retain their voting independence, in which case all matters are referred to clients with our recommendation, however, we will vote in accordance with the relevant client's instruction. At the outset of most mandate appointments we typically agree with clients that we will not invest them into any DTZ Investors managed or sponsored product without their consent, and that where a client does or has invested in a DTZ Investors managed or sponsored product such client's independent agreement should be required to any voting action which might either:

- (a) increase fee revenues to DTZ Investors;
- (b) extend the life or duration of holding of the in-house fund for the relevant client; or
- (c) relate to any transaction involving DTZ Investors in a conflict of interest. Clients are, however, usually free to opt to vote independently on all voting matters.

Where DTZ Investors is voting as part of delegated authority under its discretionary management appointment we do not impose a house view on voting matters. Instead we vote on a client-by-client basis. We believe that this can be the only fair solution given that our clients could have very different objectives.

Where DTZ Investors is undertaking voting as part of delegated authority under discretionary management appointments, the level at which the voting decision is approved will depend upon the client mandate and the nature of the voting matter. For some mandates all voting decisions recommended by a fund manager must be approved by the relevant IC or General Partner (or equivalent) in the case of DTZ Investors managed collective investment schemes. In other cases, only certain matters must be approved by the Investment Committee whilst the fund manager of the relevant mandate may exercise expert discretion in relation to voting matters. Typically voting matters reserved for the IC will include any matter that would:

- (a) extend the life or duration of the holding of the investment by the relevant client, or
- (b) cause a breach of the investment restrictions of the investment or the client portfolio or alter the strategy of the investment, or
- (c) affect the valuation of the investment including new unit issuance, or
- (d) significantly alter the commercial terms of the investment including the total expense ratio, liquidity and rights of investors in a way that could be perceived as negative for investors.

DTZ Investors will not disclose to any particular client the voting decision undertaken on behalf of other clients, but will always report to clients on the existence of voting matters, the rationale for our recommendation as well as on the way DTZ Investors has voted on their behalf and, in due course, the outcome of the vote. DTZ Investors will not publicly disclose its voting decisions.

Wherever DTZ Investors considers that matters on which it is being asked to vote are unclear or will require longer consideration than the timeframe available, DTZ Investors will approach the investment manager and discuss such concerns to seek a remedy. DTZ Investors will also actively discuss with the investment manager any matters it is unlikely to be able to support.

PRINCIPLE 7

Institutional investors should report periodically on their stewardship and voting activities

DTZ Investors keeps our clients updated on stewardship and voting activities. Where voting matters arise, DTZ Investors will report to the client on the following (usually in a client quarterly report):

- (a) a summary of the background to the voting matter;
- (b) the voting options available;
- (c) the way that DTZ Investors voted or instructed any custodian/administrator/trustee to vote in relation to the client's holding and voting percentage interest; and
- (d) the outcome of the voting matter in due course when such outcome is known

In addition to reporting on voting matters, DTZ Investors will communicate to clients any important events regarding the management and governance of investments into listed and non-listed real estate securities (usually within quarterly reporting frameworks) and will actively monitor proper and effective management and corporate governance by investment managers, including activity and application of responsible investment policies and environmental management initiatives.

DTZ Investors also publishes an annual responsible investment report which provides more detail on our stewardship activities and implementation of our Responsible Investment Policy within the business and throughout the property lifecycle.



ANNEX

2012 UK Stewardship Code



Financial Reporting Council

September 2012

The UK Stewardship Code

The FRC does not accept any liability to any party for any loss, damage or costs howsoever arising, whether directly or indirectly, whether in contract, tort or otherwise from any action or decision taken (or not taken) as a result of any person relying on or otherwise using this document or arising from any omission from it.

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Stewardship and the Code

1. Stewardship aims to promote the long term success of companies in such a way that the ultimate providers of capital also prosper. Effective stewardship benefits companies, investors and the economy as a whole.
2. In publicly listed companies responsibility for stewardship is shared. The primary responsibility rests with the board of the company, which oversees the actions of its management. Investors in the company also play an important role in holding the board to account for the fulfilment of its responsibilities.
3. The UK Corporate Governance Code identifies the principles that underlie an effective board. The UK Stewardship Code sets out the principles of effective stewardship by investors. In so doing, the Code assists institutional investors better to exercise their stewardship responsibilities, which in turn gives force to the “comply or explain” system.
4. For investors, stewardship is more than just voting. Activities may include monitoring and engaging with companies on matters such as strategy, performance, risk, capital structure, and corporate governance, including culture and remuneration. Engagement is purposeful dialogue with companies on these matters as well as on issues that are the immediate subject of votes at general meetings.
5. Institutional investors’ activities include decision-making on matters such as allocating assets, awarding investment mandates, designing investment strategies, and buying or selling specific securities. The division of duties within and between institutions may span a spectrum, such that some may be considered asset owners and others asset managers.
6. Broadly speaking, asset owners include pension funds, insurance companies, investment trusts and other collective investment vehicles. As the providers of capital, they set the tone for stewardship and may influence behavioural changes that lead to better stewardship by asset managers and companies. Asset managers, with day-to-day responsibility for managing investments, are well positioned to influence companies’ long-term performance through stewardship.
7. Compliance with the Code does not constitute an invitation to manage the affairs of a company or preclude a decision to sell a holding, where this is considered in the best interest of clients or beneficiaries.

Application of the Code

1. The UK Stewardship Code traces its origins to 'The Responsibilities of Institutional Shareholders and Agents: Statement of Principles,' first published in 2002 by the Institutional Shareholders Committee (ISC), and which the ISC converted to a code in 2009. Following the 2009 Walker Review of governance in financial institutions, the FRC was invited to take responsibility for the Code. In 2010, the FRC published the first version of the UK Stewardship Code, which closely mirrored the ISC code. This edition of the Code does not change the spirit of the 2010 Code.
2. The Code is directed in the first instance to institutional investors, by which is meant asset owners and asset managers with equity holdings in UK listed companies. Institutional investors may choose to outsource to external service providers some of the activities associated with stewardship. However, they cannot delegate their responsibility for stewardship. They remain responsible for ensuring those activities are carried out in a manner consistent with their own approach to stewardship. Accordingly, the Code also applies, by extension, to service providers, such as proxy advisors and investment consultants.
3. The FRC expects signatories of the Code to publish on their website, or if they do not have a website in another accessible form, a statement that:
 - describes how the signatory has applied each of the seven principles of the Code and discloses the specific information requested in the guidance to the principles; or
 - if one or more of the principles have not been applied or the specific information requested in the guidance has not been disclosed, explains why the signatory has not complied with those elements of the Code.
4. Disclosures under the Code should improve the functioning of the market for investment mandates. Asset owners should be better equipped to evaluate asset managers, and asset managers should be better informed, enabling them to tailor their services to meet asset owners' requirements.
5. In particular the disclosures should, with respect to conflicts of interest, address the priority given to client interests in decision-making; with respect to collective engagement, describe the circumstances under which the signatory would join forces with other institutional investors to ensure that boards acknowledge and respond to their concerns on critical issues and at critical times; and, with respect to proxy voting agencies, how the signatory uses their advice.
6. The statement of how the Code has been applied should be aligned with the signatory's role in the investment chain.
7. Asset owners' commitment to the Code may include engaging directly with companies or indirectly through the mandates given to asset managers. They should clearly communicate their policies on stewardship to their managers. Since asset owners are the primary audience of asset managers' public statements as well as client reports on stewardship, asset owners should seek

to hold their managers to account for their stewardship activities. In so doing, they better fulfil their duty to their beneficiaries to exercise stewardship over their assets.

8. An asset manager should disclose how it delivers stewardship responsibilities on behalf of its clients. Following the publication in 2011 of the Stewardship Supplement to Technical Release AAF 01/06, asset managers are encouraged to have the policies described in their stewardship statements independently verified. Where appropriate, asset owners should also consider having their policy statements independently verified.
9. Overseas investors who follow other national or international codes that have similar objectives should not feel the application of the Code duplicates or confuses their responsibilities. Disclosures made in respect of those standards can also be used to demonstrate the extent to which they have complied with the Code. In a similar spirit, UK institutions that apply the Code should use their best efforts to apply its principles to overseas equity holdings.
10. Institutional investors with several types of funds or products need to make only one statement, but are encouraged to explain which of their funds or products are covered by the approach described in their statements. Where institutions apply a stewardship approach to other asset classes, they are encouraged to disclose this.
11. The FRC encourages service providers to disclose how they carry out the wishes of their clients with respect to each principle of the Code that is relevant to their activities.
12. Signatories are encouraged to review their policy statements annually, and update them where necessary to reflect changes in actual practice.
13. This statement should be easy to find on the signatory's website, or if they do not have a website in another accessible form, and should indicate when the statement was last reviewed. It should include contact details of an individual who can be contacted for further information and by those interested in collective engagement. The FRC hosts on its website the statements of signatories without their own website.
14. The FRC retains on its website a list of asset owners, asset managers and service providers that have published a statement on their compliance or otherwise with the Code, and requests that signatories notify the FRC when they have done so, and when the statement is updated.
15. The FRC regularly monitors the take-up and application of the Code. It expects the content of the Code to evolve over time to reflect developments in good stewardship practice, the structure and operation of the market, and the broader regulatory framework. Unless circumstances change, the FRC does not envisage proposing further changes to the Code until 2014 at the earliest.

Comply or Explain

1. As with the UK Corporate Governance Code, the UK Stewardship Code should be applied on a “comply or explain” basis.
2. The Code is not a rigid set of rules. It consists of principles and guidance. The principles are the core of the Code and the way in which they are applied should be the central question for the institutional investor as it determines how to operate according to the Code. The guidance recommends how the principle might be applied.
3. Those signatories that choose not to comply with one of the principles, or not to follow the guidance, should deliver meaningful explanations that enable the reader to understand their approach to stewardship. In providing an explanation, the signatory should aim to illustrate how its actual practices contribute to good stewardship and promote the delivery of the institution’s or its clients’ investment objectives. They should provide a clear rationale for their approach.
4. The Financial Services Authority requires any firm authorised to manage funds, which is not a venture capital firm, and which manages investments for professional clients that are not natural persons, to disclose “the nature of its commitment” to the Code or “where it does not commit to the Code, its alternative investment strategy” (under Conduct of Business Rule 2.2.3¹).
5. The FRC recognises that not all parts of the Code are relevant to all signatories. For example, smaller institutions may judge that some of its principles and guidance are disproportionate in their case. In these circumstances, they should take advantage of the “comply or explain” approach and set out why this is the case.
6. In their responses to explanations, clients and beneficiaries should pay due regard to the signatory’s individual circumstances and bear in mind in particular the size and complexity of the signatory, the nature of the risks and challenges it faces, and the investment objectives of the signatory or its clients.
7. Whilst clients and beneficiaries have every right to challenge a signatory’s explanations if they are unconvincing, they should not evaluate explanations in a mechanistic way. Departures from the Code should not be automatically treated as breaches. A signatory’s clients and beneficiaries should be careful to respond to the statements from the signatory in a manner that supports the “comply or explain” process and bears in mind the purpose of good stewardship. They should put their views to the signatory and both parties should be prepared to discuss the position.

¹ <http://fsahandbook.info/FSA/html/handbook/COBS/2/2>

The Principles of the Code

So as to protect and enhance the value that accrues to the ultimate beneficiary, institutional investors should:

1. publicly disclose their policy on how they will discharge their stewardship responsibilities.
2. have a robust policy on managing conflicts of interest in relation to stewardship which should be publicly disclosed.
3. monitor their investee companies.
4. establish clear guidelines on when and how they will escalate their stewardship activities.
5. be willing to act collectively with other investors where appropriate.
6. have a clear policy on voting and disclosure of voting activity.
7. report periodically on their stewardship and voting activities.

The UK Stewardship Code

Principle 1

Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.

Guidance

Stewardship activities include monitoring and engaging with companies on matters such as strategy, performance, risk, capital structure, and corporate governance, including culture and remuneration. Engagement is purposeful dialogue with companies on those matters as well as on issues that are the immediate subject of votes at general meetings.

The policy should disclose how the institutional investor applies stewardship with the aim of enhancing and protecting the value for the ultimate beneficiary or client.

The statement should reflect the institutional investor's activities within the investment chain, as well as the responsibilities that arise from those activities. In particular, the stewardship responsibilities of those whose primary activities are related to asset ownership may be different from those whose primary activities are related to asset management or other investment-related services.

Where activities are outsourced, the statement should explain how this is compatible with the proper exercise of the institutional investor's stewardship responsibilities and what steps the investor has taken to ensure that they are carried out in a manner consistent with the approach to stewardship set out in the statement.

The disclosure should describe arrangements for integrating stewardship within the wider investment process.

Principle 2

Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship which should be publicly disclosed.

Guidance

An institutional investor's duty is to act in the interests of its clients and/or beneficiaries.

Conflicts of interest will inevitably arise from time to time, which may include when voting on matters affecting a parent company or client.

Institutional investors should put in place, maintain and publicly disclose a policy for identifying and managing conflicts of interest with the aim of taking all reasonable steps to put the interests of their client or beneficiary first. The policy should also address how matters are handled when the interests of clients or beneficiaries diverge from each other.

Principle 3

Institutional investors should monitor their investee companies.

Guidance

Effective monitoring is an essential component of stewardship. It should take place regularly and be checked periodically for effectiveness.

When monitoring companies, institutional investors should seek to:

- keep abreast of the company's performance;
- keep abreast of developments, both internal and external to the company, that drive the company's value and risks;
- satisfy themselves that the company's leadership is effective;
- satisfy themselves that the company's board and committees adhere to the spirit of the UK Corporate Governance Code, including through meetings with the chairman and other board members;
- consider the quality of the company's reporting; and
- attend the General Meetings of companies in which they have a major holding, where appropriate and practicable.

Institutional investors should consider carefully explanations given for departure from the UK Corporate Governance Code and make reasoned judgements in each case. They should give a timely explanation to the company, in writing where appropriate, and be prepared to enter a dialogue if they do not accept the company's position.

Institutional investors should endeavour to identify at an early stage issues that may result in a significant loss in investment value. If they have concerns, they should seek to ensure that the appropriate members of the investee company's board or management are made aware.

Institutional investors may or may not wish to be made insiders. An institutional investor who may be willing to become an insider should indicate in its stewardship statement the willingness to do so, and the mechanism by which this could be done.

Institutional investors will expect investee companies and their advisers to ensure that information that could affect their ability to deal in the shares of the company concerned is not conveyed to them without their prior agreement.

Principle 4

Institutional investors should establish clear guidelines on when and how they will escalate their stewardship activities.

Guidance

Institutional investors should set out the circumstances in which they will actively intervene and regularly assess the outcomes of doing so. Intervention should be considered regardless of whether an active or passive investment policy is followed. In addition, being underweight is not, of itself, a reason for not intervening. Instances when institutional investors may want to intervene include, but are not limited to, when they have concerns about the company's strategy, performance, governance, remuneration or approach to risks, including those that may arise from social and environmental matters.

Initial discussions should take place on a confidential basis. However, if companies do not respond constructively when institutional investors intervene, then institutional investors should consider whether to escalate their action, for example, by:

- holding additional meetings with management specifically to discuss concerns;
- expressing concerns through the company's advisers;
- meeting with the chairman or other board members;
- intervening jointly with other institutions on particular issues;
- making a public statement in advance of General Meetings;
- submitting resolutions and speaking at General Meetings; and
- requisitioning a General Meeting, in some cases proposing to change board membership.

Principle 5

Institutional investors should be willing to act collectively with other investors where appropriate.

Guidance

At times collaboration with other investors may be the most effective manner in which to engage.

Collective engagement may be most appropriate at times of significant corporate or wider economic stress, or when the risks posed threaten to destroy significant value.

Institutional investors should disclose their policy on collective engagement, which should indicate their readiness to work with other investors through formal and informal groups when this is necessary to achieve their objectives and ensure companies are aware of concerns. The disclosure should also indicate the kinds of circumstances in which the institutional investor would consider participating in collective engagement.

Principle 6

Institutional investors should have a clear policy on voting and disclosure of voting activity.

Guidance

Institutional investors should seek to vote all shares held. They should not automatically support the board.

If they have been unable to reach a satisfactory outcome through active dialogue then they should register an abstention or vote against the resolution. In both instances, it is good practice to inform the company in advance of their intention and the reasons why.

Institutional investors should disclose publicly voting records.

Institutional investors should disclose the use made, if any, of proxy voting or other voting advisory services. They should describe the scope of such services, identify the providers and disclose the extent to which they follow, rely upon or use recommendations made by such services.

Institutional investors should disclose their approach to stock lending and recalling lent stock.

Principle 7

Institutional investors should report periodically on their stewardship and voting activities.

Guidance

Institutional investors should maintain a clear record of their stewardship activities.

Asset managers should regularly account to their clients or beneficiaries as to how they have discharged their responsibilities. Such reports will be likely to comprise qualitative as well as quantitative information. The particular information reported and the format used, should be a matter for agreement between agents and their principals.

Asset owners should report at least annually to those to whom they are accountable on their stewardship policy and its execution.

Transparency is an important feature of effective stewardship. Institutional investors should not, however, be expected to make disclosures that might be counterproductive. Confidentiality in specific situations may well be crucial to achieving a positive outcome.

Asset managers that sign up to this Code should obtain an independent opinion on their engagement and voting processes having regard to an international standard or a UK framework such as AAF 01/06². The existence of such assurance reporting should be publicly disclosed. If requested, clients should be provided access to such assurance reports.

² Assurance reports on internal controls of service organisations made available to third parties:
<http://www.icaew.com/en/technical/audit-and-assurance/assurance/technical-release-aaf-01-06>



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