



29 September, 2015

Dear Sir, Madam,

**Shareholder proxy voting: Discussion paper on potential progress in transparency**

Thank you for giving us the opportunity to take part in the above discussion. I am pleased to enclose The Investor Relations Society's response.

The Investor Relations Society's mission is to promote best practice in investor relations; to support the professional development of its members; to represent their views to regulatory bodies, the investment community and government; and to act as a forum for issuers and the investment community. The Investor Relations Society represents members working for public companies and consultancies to assist them in the development of effective two way communication with the markets and to create a level playing field for all investors. It has over 750 members drawn both from the UK and overseas, including the majority of the FTSE 100 and much of the FTSE 250.

The development of the proxy industry in Europe in recent years is a key issue for investor relations practitioners and listed companies more generally. We understand that nearly all institutional investors subscribe to one or more proxy advisers, and that in the case of all but contentious resolutions, or in corporate actions, institutional investors will regularly follow the recommendations of the research provider. While we recognise the proxy voting system in the UK to be efficient, and indeed reflected in comparatively high voting rates, there remains concern among our issuer members around the transparency of the system including visibility of voting data to issuers and vote confirmation to investors.

The correlation between proxy advice and voting outcomes is clearer due to factors including:

- A more established proxy advisory industry and investors habitually follow their proxy advisers' recommendation;

- Lack of internal resourcing means many funds may delegate their stewardship responsibilities to third party proxy advisors;
- There is a natural reluctance for asset managers to go against the verdict of the proxy advisory firm they pay to issue advice. Given the time constraints on asset managers around the AGM season, it is often simpler and more cost effective to adhere to the proxy recommendation rather than engaging in further dialogue with the company.

The IR Society welcomes The Shareholder Voting Working Group's (SVWG) efforts to address the issue of improving the voting process in the UK, including the transparency of vote confirmation. Following recent changes in the voting landscape, including the binding vote on remuneration policy, the development of the Stewardship Code, and the requirement for directors to be re-elected very year, the IR Society is aware of the greater focus and scrutiny of the proxy voting process and results. Subsequently, among our issuer members we are seeing earlier and therefore increased engagement between issuers and investors. We would expect correspondingly more transparency and consistency in the vote data over time too.

The IR Society believes that some of the previous concerns voiced by our members (issuers and their advisers), regarding the proxy industry do go hand in hand with the final voting process and the current perceived lack of visibility in vote confirmation. The IR Society would support any initiatives to improve the voting processes including more clarity on timing and transparency of vote confirmation. We do understand the complexity of the voting process. However, increased transparency and visibility from investors on voting decisions may go some way to alleviate current issuer concerns around proxy advisory input to the decision making process, as well as further enhance engagement and more open dialogue between companies and investors.

Currently, despite increased efforts in engagement on the part of the issuer, there sometimes appears to be a disconnect between the asset manager and the beneficial owner who may be the decision maker. Issuers are not able to easily identify the voting decisions of these beneficial owners in a timely fashion, regardless of prior and early engagement with the asset manager.

With this in mind the IR Society supports SVWG proposals to implement some recommended best practices for investors via the Stewardship Code, which would encourage greater transparency on voting decisions from the investor. We would agree with the proposed measures including investors notifying issuers of voting intentions in a timely

manner when they are not voting in accordance with management recommendations; investors making voting decisions available on their website to allow sufficient time for issuers to engage with investors; and investors publicly disclosing their voting record/votes on a regular basis (a process which is mandatory for mutual funds in the US).

In summary, if we are to promote greater engagement between companies and investors, the process of shareholder proxy voting needs to move more in tandem. This would mean less of a disconnect between what companies hear from the investor side and a greater emphasis on a more transparent and efficient process that aligns both companies and their investors.

We hope you find these comments useful and please do not hesitate to contact me if you have any further questions.

Kind regards

A handwritten signature in black ink, appearing to read 'E Burdett', with a horizontal line underneath.

Emma Burdett

Chair of The Investor Relations Society's Policy Committee

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