Sandy Easterbrook

Governance Institute of Australia

Improving engagement between ASX-listed entities and their institutional investors

Guidelines

Exposure draft

February 2014

The Sponsors of this project are

Governance Institute of Australia

The Governance Institute of Australia is the only independent professional association with a sole focus on the practice of governance. We provide the best education and support for practising chartered secretaries, governance advisers and risk managers to drive responsible performance in their organisations.

Our postgraduate education in applied corporate governance and risk management is unrivalled in its breadth and depth of coverage. It sets the standard for entry into the profession.

Postgraduate education is also the gateway to membership of the Governance Institute of Australia and the Institute of Chartered Secretaries and Administrators (ICSA) — leading international associations for governance practitioners.

Our Certificates in Governance Practice, Governance and Risk Management and Governance for Not-for-Profits provide skills-based governance and risk management training, and a qualification for a wide range of professionals responsible for corporate accountability functions and processes within an organisation.

Our active membership base of more than 7,000 chartered secretaries, governance advisers and risk managers ensures that the Governance Institute is at the cutting edge of knowledge of issues and support of sound practice in the continuous evolution of governance and risk management.

Sandy Easterbrook

Sandy Easterbrook is well-known on the Australian and international governance scene.

In the mid-1990s he founded Australia's first governance and proxy advisory firm, Corporate Governance International, now called CGI Glass Lewis and part of the international Glass Lewis group headquartered in San Francisco. Over almost two decades as a principal, director and then consultant of CGI/CGI GL, he became familiar with major institutional investors and entities listed on the Australian Securities Exchange and many of their principals, directors and senior executives. Prior to that, he was a partner for many years of the major corporate law firm now called King & Wood Mallesons. Internationally, he has a long involvement with the International Corporate Governance Network, the international investor-led organisation of governance professionals, including past service on its board and nominating committee.

Sandy is now an independent adviser in the governance area. He sees the Guidelines and the accompanying Background Paper as the natural evolution at this time of his work in the area, which started with the First Edition of the Corporate Governance Guidelines of the Australian Investment Managers' Association[1] (known as 'the Blue Book') that he co-authored in 1995.

Request for submissions

The Sponsors welcome submissions on all of the matters raised in the Background Paper and the exposure draft of the Guidelines and also on any further issues related to the engagement process that are not canvassed in the material.

Please send submissions either by email to
judith.fox@governanceinstitute.com.au

or in hardcopy to:
Judith Fox
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GPO Box 1594
Sydney NSW 2001 440 409.

If sending a hardcopy, please also email your submission as a Microsoft Word file.

Any queries may be directed to Judith Fox at judith.fox@governanceinstitute.com.au or on (02) 9223 5744, or Sandy Easterbrook at s.easterbrook@bigpond.com or on 0431 440 409.

Closing date for submissions

Please forward submissions by:
24 April 2014

The Sponsors will take the public feedback into account for the purpose of preparing a definitive set of Guidelines for best practice engagement between ASX-listed entities and their long-term institutional investors.

The Sponsors hope that this extended consultative process will result in widespread adoption and support of the Guidelines by both ASX-listed entities and institutional investors.

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Introduction

Good engagement between companies and their long-term investors is important because it builds alignment between them. That enables them to work together to help the company perform well over the long term and to counter short-term pressures in the market inimical to sustained long-term performance.

The Guidelines have been developed in consultation with representatives from ASX-listed entities, asset owners, asset managers and intermediaries, each offering valuable insights and expertise on shareholder engagement from their perspective.

While the Sponsors have conducted the consultation process and are the authors of the Guidelines, the Guidelines represent the most consistent themes evidenced and expressed by the stakeholders at this time on best practice engagement between companies and their long-term institutional investors.

The definition of engagement in the Guidelines includes the participation of retail investors, who also are frequently long-term investors and thereby important in helping the company perform well over the long term. Consequently, the Sponsors and other participants in this project strongly support the need for good engagement between companies and retail investors.

At this stage, however, the Guidelines concentrate on the participation of institutional investors, in part so that retail investors will thereby gain a better understanding of key aspects of the relationship between companies and institutional investors, including consensus best practice for engagement between them.

That should correct any misconceptions of how those aspects of the market work in practice and help to improve the relationship, including engagement, between companies and investors generally.

It should also be mentioned that hedge funds and some other institutional investors are not necessarily long-term investors and that some institutional investors' business model or investment style is not attuned to engagement.

While it is recognised that capital is global, the Guidelines have been developed for the Australian market. They reflect the consensus of companies and institutional investors with direct presence in the Australian market on sound engagement practice in this jurisdiction. It is also hoped that international companies and institutional investors will gain benefit from the Guidelines in their own approach to engagement.

Finally, in the context of engagement, especially between companies and institutional investors, the challenges of continuous disclosure obligations under the Corporations Act and the ASX Listing Rules must be mentioned. This includes the obligation of the company to ensure that the market is promptly informed of market-sensitive information and that any engagement does not result in selective release of such information.

Companies are well practised in compliance with their continuous disclosure obligations and understand that their adherence to the principles of continuous disclosure is central to the integrity and proper functioning of our equity markets. In their turn, institutional investors are wary of selective receipt of such information, as it would place them at risk of being in breach of insider trading laws and sterilise their ability to trade that part of their portfolio. Consequently, while the need to observe the legal prohibition on the selective release of market-sensitive information must always be emphasised in the conduct of engagement between companies and institutional investors, there are strong incentives on both sides to give effect to the continuous disclosure regime in that conduct.

Process of development

The exposure draft of the Guidelines is released for public comment following a consultation and development process that has comprised:

1. Stage 1 Roundtable convened under the Chatham House Rule in June 2013 between invited principals of companies and institutional investors to look at practical ways to improve engagement, and thereby the overall relationship, between companies and institutional investors

2. Stage 2 confidential, one-on-one interviews by the Sponsors between July and October, 2013 of Roundtable participants, their peers and other key stakeholders with a significant involvement in or knowledge relevant to engagement between companies and institutional investors
3. Stage 3 circulation by the Sponsors in November 2013 to all Stage 2 participants of a draft Background Paper and Guidelines for review and comment.

The exposure draft of the Guidelines and the Background Paper reflect the most consistent themes evidenced and expressed by the participants.

A final set of Guidelines will be issued following the public consultation process.

The Sponsors will continue to monitor the development of engagement between companies and institutional investors, including their response to the Guidelines, and will welcome further feedback from time to time from interested stakeholders. In light of that experience, the Sponsors may review the Guidelines at an appropriate time in conjunction with key stakeholders.

Background Paper

The exposure draft of the Guidelines should be read, and, if necessary, interpreted, in conjunction with the Background Paper, which further explains the context and purpose of the Guidelines.

Definitions

In the Guidelines, unless the context otherwise requires:

ACSI means the Australian Council of Superannuation Investors.

ASX means the Australian Securities Exchange.

Board, in the case of a company, means its board of directors.

Companies means ASX-listed entities, including listed trusts, and a company means an ASX-listed entity, including a listed trust.

Engagement refers to the ongoing structured and informal interaction — in person at a meeting, or over the phone, or even by email or letter and throughout the year, as well as in the period leading up to, and at, the AGM — of an institutional or retail investor with a company about the company. It can also be such an interaction of a third party, such as a proxy adviser or collective engagement service, used by institutional investors, with a company about the company. The interaction may be initiated by either side. Engage has a corresponding meaning.

ESG issues means environmental, social and governance issues.

FSC means the Financial Services Council.

Governance manager, in the case of an institutional investor, means its person or team handling voting, governance and any associated matters in respect of investee companies and separate from its investment team.

Institutional investors means asset managers and asset owners interested in the sustained long-term performance of their investee companies and institutional investor means such an asset manager or asset owner, as the context requires.

Management, in the case of a company, means its senior management.

Regnan means Regnan — Governance Research & Engagement.

Significant institutional investors means not just the institutional investors with the current largest equity interests in the company but also the institutional investors with the longest substantial continuity of significant equity interests in the company. Those investors will often, but may not always, be the same.

Significant investee companies means not just the companies representing the institutional investor's current largest ASX-listed equity interests but also the companies with the longest substantial continuity of significant management or ownership by the investor. Those companies will often, but may not always, be the same.

Smaller companies means companies outside the ASX300.

Sponsors means Governance Institute of Australia and Sandy Easterbrook.

Voting means voting companies' securities on resolutions submitted by companies for shareholder vote. Vote has a corresponding meaning.

Website means a discrete, public-access section of the company's or institutional investor's (as the case may be) website maintained in accordance with Guideline 10.

Disclosure

Guideline 1: Institutional investors explain your position in the mosaic

1.1 Institutional investors explain how you vote

Commentary

Institutional investors should clearly explain to companies in accordance with Guideline 10 the activities and processes the institutional investor carries out in respect of voting.[2]

The explanation should cover:

- the institutional investor's process for deciding or recommending how votes should be cast, and
- the other steps that the institutional investor takes to reach, execute and report upon that decision or recommendation.

The explanation should include:

- the information disclosed by the company (for example, notice of meeting booklet, annual report including remuneration report etc) that the institutional investor reviews in connection with voting
- whether the institutional investor uses one or more proxy advisory services and, if so, how many services and in respect of which constituency of companies (for example, the ASX200) and how the institutional investor uses the service[s] in connection with voting
- any other information or service the institutional investor reviews or uses in connection with voting
- in the case of institutional investors that are asset managers, the steps they take to reach and execute their voting decision or recommendation and whether, what and how they report on those steps and their voting decision or recommendation to their asset owner or other client
- in the case of institutional investors that are asset owners, whether or in what circumstances they control or execute voting decisions and whether they require their asset managers to advise them, prior to voting, how votes should be cast and the manager's reasons for that advice and what use they make of that advice, and
- the explanation referred to in Guideline 9.

In addition:

- institutional investors are encouraged to disclose in a timely manner and in accordance with Guideline 10 all their voting decisions[3],and
- institutional investors are encouraged, when they have voted contrary to the board's recommendation, to write to the chairman of the company to explain their reasons for so voting.

1.2 Institutional investors explain how you engage with companies

Commentary

Institutional investors should clearly explain to companies in accordance with Guideline 10 the activities and processes the institutional investor carries out, and what third-party engagement or other service, if any, the institutional investor uses, in respect of engaging with companies.

The explanation should cover how the institutional investor, and service used by the institutional investor, engages with the company both at management level and also at board level.

The explanation should include the company roles with which, and issues on which, the institutional investor, and service used by the institutional investor, typically engages (for example, with the company's CEO and CFO at management level on operational, including ESG operational, and performance issues and with the company's board chairman and remuneration committee chairman at board level on ESG and performance issues).

1.3 Institutional investors explain your resources and set-up for voting and engagement

Commentary

Institutional investors should clearly explain to companies in accordance with Guideline 10 how the institutional investor is resourced and set up to conduct the activities and processes under voting and engagement.

The explanation should cover, in respect of voting:

- whether voting is part of the role of the institutional investor's investment personnel, or

- whether the institutional investor has a governance manager handling voting, governance and any associated matters in respect of investee companies and, if so, the contact details of the governance manager and the type and extent of interaction, if any, between the governance manager and the institutional investor's investment personnel in connection with voting.

The explanation should cover, in respect of engagement:

- whether the institutional investor is a member or part-owner of or otherwise uses a collective engagement service for the purpose of engagement, such as ACSI or Regnan, and, if so, the contact details of the head of the service
- whether or in what circumstances the institutional investor participates in engagement exclusively via the engagement service, jointly with the engagement service, directly one-on-one with the company or directly with one or more other institutional investors with the company
- whether engagement at management and/or board level is wholly or partly the role of investment personnel or any collective engagement service used by the investor and the issues that are typically the subject of that engagement
- if there is a separate governance manager, whether engagement at management and/or board level is wholly or partly the role of the governance manager and the issues that are typically the subject of that engagement
- what periods during the year are best for engagement with the institutional investor, and any collective engagement service used by the institutional investor, and whether any periods are problematic for engagement, both at management level and also at board level
- whether, for reasons of limited resources or otherwise, the institutional investor prioritises its engagement with companies to a limited constituency and, if so, how it determines that constituency (for example, the top 20 stocks by value, plus any other holdings representing five per cent or more of a company's equity capital, in the investor's portfolio).

1.4 Asset owners explain how you invest

Commentary

Institutional investors that are asset owners and have appointed external asset managers should clearly explain to companies in accordance with Guideline 10 who those managers are and other appropriate details of those managers.

Institutional investors that are asset owners and have developed or are developing some internal asset management capability should also clearly explain to companies in accordance with Guideline 10 appropriate details of that information, including contact details of the head of internal funds management.

Guideline 2: Companies keep abreast of this information

Commentary

Companies should keep themselves up-to-date with, and take appropriate account of, the information disclosed by their significant institutional investors in accordance with Guideline 1.

Companies should allocate responsibility for knowledge of this information, and appropriate dissemination of it within the company, at both management and board levels, to appropriate resources of the company (for example, the company secretary and/or the company's investor relations function, whether employed internally or sourced externally).

Companies should clearly explain to institutional investors in accordance with Guideline 10 how they have allocated that responsibility.

Guideline 3: Companies explain your position in the mosaic

3.1 Companies explain how you engage with institutional investors

Commentary

Companies should clearly explain to institutional investors, and to any collective engagement service used by the institutional investor, in accordance with Guideline 10 the activities and processes the company carries out in respect of engaging with institutional investors.

The explanation should cover how the company engages with institutional investors, or any collective engagement service used by the institutional investor, both at investment personnel level and at governance manager level.

3.2 Companies explain your resources and set-up for engagement

Commentary

Companies should clearly explain to institutional investors in accordance with Guideline 10 how the company is resourced and set up to conduct the activities and processes of engagement.

The explanation should cover:

- the extent to which engagement with the institutional investor's investment personnel, and any collective engagement service used by the institutional investor, is the role of (a) management and (b) the board and:
  - with which members of management and the board the role resides and how or through whom they may be contacted, and
  - the issues that are typically the subject of that engagement
- if the institutional investor has a separate governance manager, the extent to which engagement with the governance manager is the role of (a) management and (b) the board and:
  - with which members of management and the board the role resides and how or through whom they may be contacted, and
  - the issues that are typically the subject of that engagement.

The explanation should include:

- the information and resources that management provides to board members to assist them in effective engagement
- any other contribution management makes to ensure that engagement overall is as effective and useful as possible for the company and institutional investors and any collective engagement service used by them
- what periods during the year are best for the company for engagement, and whether any periods are problematic for engagement, whether with institutional investors' investment personnel or governance managers or any collective engagement service used by institutional investors, and
- whether, for reasons of limited resources or otherwise, the company prioritises its engagement with institutional investors to a limited constituency and, if so, how it determines that constituency (for example, any institutional investor holding five per cent or more of the company's equity capital, plus the remaining top 20 investors by value).

Guideline 4: Institutional investors keep abreast of this information

Commentary

Institutional investors, and any collective engagement service used by them, should keep themselves up-to-date with, and take appropriate account of, the information disclosed by their significant investee companies in accordance with Guideline 3.

Institutional investors should allocate responsibility for knowledge of this information, and appropriate dissemination of it within the investor, to appropriate resources of the investor (for example, the investment team and/or the governance manager).

Institutional investors should clearly explain to companies in accordance with Guideline 10 how they have allocated that responsibility.

Proxy voting and proxy advisers

Guideline 5: Institutional investors explain your proxy voting and other governance guidelines

Commentary

Institutional investors should clearly disclose to companies in accordance with Guideline 10 the proxy voting and other governance guidelines (for example, their own set of guidelines or one of the publicly available industry guidelines[4]), or a summary of the key points of the guidelines, that they apply to companies.

Guideline 6: Proxy advisers explain your proxy voting and other governance guidelines

Commentary

Proxy advisers should clearly disclose to their clients, and to the companies on which they report to their clients, in accordance with Guideline 10 the proxy voting and other governance guidelines, or a summary of the key points of the guidelines, that they apply to those companies.

Guideline 7: Proxy advisers explain when to engage

Commentary

Proxy advisers should clearly disclose to their clients, and to the companies on which they report to their clients, in accordance with Guideline 10 what periods during the year are best for the proxy adviser for engagement and whether any periods are problematic for the adviser for engagement.

Guideline 8: Companies keep abreast of this information

Commentary

Companies should keep themselves up-to-date with, and take appropriate account of, the proxy voting and other governance guidelines, or the summary of the key points of those guidelines, disclosed by their significant institutional investors, and the equivalent and other information disclosed by proxy advisers, in accordance with Guidelines 5, 6 and 7 respectively.

Companies should allocate responsibility for knowledge of this information, and appropriate dissemination of it within the company at both management and board levels, to appropriate resources of the company (for example, the company secretary and/or the company's investor relations function, whether employed internally or sourced externally).

Companies should clearly explain to institutional investors in accordance with Guideline 10 how they have allocated that responsibility.

Guideline 9: Institutional investors explain how you apply guidelines and recommendations

Commentary

In their response to Guideline 1, institutional investors should clearly explain to companies in accordance with Guideline 10 whether they vote the company's securities:

- in strict accordance with the institutional investor's proxy voting and other governance guidelines or with the voting recommendations of the institutional investor's proxy adviser or with some other pre-determined system, or
- on a case-by-case basis, taking into account the institutional investor's proxy voting and other governance guidelines and/or the voting recommendations of one or more proxy advisers and other information considered relevant by the institutional investor, including the particular circumstances of the company and, in the case of asset owners, information received from their asset managers.

Use technology

Guideline 10: Take advantage of technology to implement the Guidelines

10.1 Companies and institutional investors employ technology, preferably a discrete, public-access and user-friendly section of your website, to provide, and to update in a timely manner, the disclosure elements of the Guidelines.

Commentary

Companies and institutional investors should for ease of reference appropriately label, link and index their website, which provides and updates the disclosure elements of the Guidelines.

Should an institutional investor have a valid reason not to provide any of the disclosure elements of the Guidelines on its website, it should contact the companies in which it invests to provide them with, and to update in a timely manner, that information in a user-friendly way.[5]

Hedge funds and other institutional investors whose business model or investment style is not attuned to engagement should disclose that information on their website so that companies understand the position.

10.2 Companies and institutional investors employ technology to facilitate engagement, as appropriate.

Commentary

Companies and institutional investors should endeavour to use technology for the timely distribution of information that is appropriate and suitable for such distribution prior to conducting engagement.

Companies and institutional investors should also explore whether technological channels of communication, such as webinars, may facilitate engagement, as appropriate.

Know the significant parties

Guideline 11: Companies know your significant institutional investors

Commentary

Companies should know who their significant institutional investors are, at both asset manager and asset owner level.

Companies that do not already know who their significant institutional investors are should utilise the ownership tracing regime available under the Corporations Act to identify their significant institutional investors, at both asset manager and asset owner level.

Companies may always invite, in accordance with Guideline 10, institutional (or other) investors (for example, those of a size and importance to the company commensurate with the company's resources to engage) to make contact with the company and indicate their interest in engaging with the company.

Guideline 12: Institutional investors know your significant investee companies

Commentary

In addition to knowing who their significant investee companies are:

- institutional investors that are asset managers (including those with passive mandates) should know enough about the businesses, governance and other relevant circumstances (including in relation to each proposal submitted for shareholder vote) of each company in a portfolio they manage to make informed voting decisions or recommendations if their mandate includes voting or recommending voting decisions in respect of the company and to undertake effective engagement in respect of the company if their mandate includes engaging with the company
- institutional investors that are asset owners and control or make voting decisions should endeavour[6] to know who their significant investee companies are and to know enough about the businesses, governance and other relevant circumstances (including in relation to each proposal submitted for shareholder vote) of each such company to make informed voting decisions and to undertake effective engagement in respect of the company.

Institutional (or other) investors may always invite, in accordance with Guideline 10, investee companies (for example, those of a size and importance to the investor commensurate with the investor's resources to engage) to make contact with the investor and indicate their interest in engaging with the investor.

Institutional investors that are asset owners are also encouraged to consider asking the custodians of their portfolio to disclose to the company that the asset owner is the ultimate beneficial owner of the relevant number of the company's securities.

Guideline 13: Companies know and engage with intermediaries

Commentary

Companies should know, and at appropriate times[7] engage with, the proxy advisers and collective engagement services (such as ACSI or Regnan) operating in the Australian market and used by their significant institutional investors.

Have regular and meaningful engagement

Guideline 14: Companies and institutional investors have a regular engagement program

Commentary

Companies should endeavour to engage on a regular basis and at appropriate times[8] with their significant institutional investors, or, if appropriate, with the collective engagement service used by those institutional investors, whether or not there are controversial or other matters that demand engagement. They should endeavour to maintain appropriate continuity of engagement personnel and to institute succession planning for such personnel so that appropriate engagement capacity is maintained.

Institutional investors or, if appropriate, the collective engagement service used by them, should endeavour to engage on a regular basis and at appropriate times[9] with their significant investee companies, whether or not there are controversial or other matters that demand engagement. They should endeavour to maintain appropriate continuity of engagement personnel and to institute succession planning for such personnel so that appropriate engagement capacity is maintained.

Guideline 15: Companies and institutional investors make engagement efficient and meaningful

Commentary

Bearing in mind that the resources and time for engagement of companies and institutional investors are finite, companies, institutional investors and the collective engagement services used by them, should endeavour to arrange, plan and conduct their engagement so that each engagement is as effective, efficient and meaningful as possible for all parties.

In particular:

- companies and institutional investors should consider whether it would be effective and efficient to agree in advance issues for engagement, to provide relevant information, to become familiar with such information and to involve appropriate personnel
- companies and institutional investors should consider whether there may be issues that are appropriate and suitable for group engagement, bearing in mind that there are likely always to be issues on which both companies and institutional investors will want to have one-on-one engagement, possibly after or in addition to group engagement
- companies and institutional investors should endeavour to retain appropriate engagement capacity in terms of Guideline 14, including maintaining appropriate records of the outcome of each engagement and considering whether it would be mutually useful to exchange such records, and
- companies and institutional investors should give due and timely consideration to any request of the other party for the purpose of a proposed engagement.

ESG issues

Guideline 16: Companies and institutional investors plan your engagements on ESG issues

Commentary

Companies and institutional investors, and the collective engagement services used by them, are encouraged to broaden the scope of engagement beyond remuneration and board composition to cover relevant long-term strategic issues, including investment risk, many of which may be ESG-related.

Companies and institutional investors, and the collective engagement services used by them, should discuss and endeavour to agree how engagement on ESG issues in respect of the company should be arranged, planned and conducted so that it is as effective, efficient and meaningful as possible for all parties.

In particular:

- companies and institutional investors, and the collective engagement services used by them, should discuss how responsibility is allocated within the company between management and the board for particular ESG issues, bearing in mind that the board has ultimate responsibility for such issues so that the board, for its own security as well as the security of investors, will need to be satisfied, and accordingly monitor, that those issues are being appropriately addressed
- companies and institutional investors, and the collective engagement services used by them, should take advantage of all of the other provisions of Guideline 15 in relation to ESG issues in respect of the company with a view to making engagement on such issues as effective, efficient and meaningful as possible for both parties.

Smaller companies

Guideline 17: Smaller companies endeavour to implement the Guidelines and institutional investors endeavour to engage with smaller companies that do so

Commentary

The Guidelines are intended primarily for companies that are in, or gain entry to, the ASX300 and for institutional investors invested in ASX300 entities. Those companies and institutional investors should be familiar with the Guidelines, and the responses of their significant institutional investors and their significant investee entities, respectively, to the Guidelines.

Smaller companies should endeavour[10] to become, and smaller companies that gain entry to the ASX300 should become, familiar with the Guidelines and the responses of their significant institutional investors to the Guidelines.

Institutional investors should endeavour[11] to engage with smaller companies that seek to engage with them and demonstrate that they are familiar with, and have responded appropriately to, the Guidelines.

Notes

1 AIMA was merged in 1998 with two other investor bodies into a single rganisation that is now called the Financial Services Council.

2 While Guideline 1.1 deals with voting and that issue is important in the context of engagement, effective engagement involves far more than voting issues.

3 FSC Standard No.13: Voting Policy, Voting Record and Disclosure requires all members of the Financial Services Council to formulate a voting policy (including proxy voting) for each scheme it operates; whether or not it engages the service of a voting or proxy consultant in the exercise of its voting rights; and to require disclosure of these matters and details of the exercise of its voting rights (on 'an entity and resolution level' basis) in respect of each financial year.

4 For example, those published by ACSI and FSC.

5 Companies should note the new Recommendation 6.1 in the exposure draft of the 3rd edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, which states that: A listed entity should provide information about itself and its governance to investors via its website.

6 It is recognised that some hedge fund and other asset managers do not disclose the identity of investee companies to their asset owner clients.

7 For 'appropriate times', see the collective engagement service's response to Guideline 1.3 and the proxy adviser's response to Guideline 7.

8 For 'appropriate times', see the institutional investor's response to Guideline 1.3.

9 For 'appropriate times', see the company's response to Guideline 3.2.

10 It is recognised that smaller companies may lack the resources to become familiar with the Guidelines and the responses of their significant institutional investors to the Guidelines.

11 It is recognised that institutional investors may lack the resources to engage with smaller companies.

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