

# Stronger Stewardship, Stronger Business: Lessons from ShareAction's survey

This briefing highlights recommendations for UK policymakers to improve institutional shareholders' stewardship of companies, based on the findings of ShareAction's 2017 survey of European Asset Managers.

---

Corporate governance is in the political spotlight. The Government's Green Paper on Corporate Governance Reform<sup>1</sup> sets out a range of ideas for tackling the persistent issue of poorly run companies and the impact they have on society and the economy.

The UK has a well-developed corporate governance framework, in which the Stewardship Code plays an important role. This Code sets out the principles of good stewardship of companies by their shareholders, including large asset managers.

ShareAction's most recent benchmarking survey of the asset management industry looks at Europe's 40 largest asset managers and their approach to responsible investment, including stewardship. The assets under management of the surveyed firms total €21 trillion (£18 trillion), over one third of the €56 trillion managed by the 400 largest asset managers across the world.<sup>2</sup> Twelve of the asset managers included in the survey are based in the UK, including five US firms who run asset management services for European and other global clients out of the UK.<sup>3</sup>

to its success. Well-informed, engaged shareholders can hold company boards to account and influence a company's long-term direction and success. Shareholders should look at all the risks a company faces, including those posed by environmental, social and governance (ESG) issues, and seek to use their powers to drive companies to minimise these risks.

In the UK, over three-quarters of households use asset management services, principally through occupational or personal pension funds. Indeed, pensions automatic enrolment has seen an additional eight million working people, many on modest incomes, become users of asset management services in the last four years. Asset managers invest and steward money on behalf of these savers. However, the Financial Conduct Authority's recent market study has identified serious concerns with the industry, notably around a lack of transparency on investment costs and around the value for money of actively managed funds.<sup>4</sup> Where asset managers fail to manage risks through active stewardship of companies, it is ordinary people's savings that are on the line.

## Why this is important

Shareholders are at the centre of the UK's legal and governance regime for companies. They are central

# What does good look like?

Responsible investment (RI) is an investment approach that integrates environmental, social and governance (ESG) issues which can materially affect investment returns, particularly over the long-term. Amongst asset managers, a commitment to RI is evident through:

## Clear policies on integration of ESG factors into investment decision making

Having a documented RI policy and making it publicly available is a basic way of showing commitment to RI. Policies should be clear and concise but also provide sufficient detail on ESG issues and how these are handled, including across asset classes, and how this is monitored.

### What we found

Whilst 90% of the asset managers in ShareAction's benchmarking survey provide a detailed and specific policy on how they handle corporate governance issues, only 77.5% have a detailed policy on their approach to environmental and social risk in portfolios. Best-in-class examples of policy documents include Nordea Asset Management (Denmark) and AXA Investment Managers (France).

## Transparency

When asset managers are transparent on stewardship (including shareholder voting) this means asset owners, their beneficiaries and other stakeholders can hold them to account.

### What we found

Although 70% of the asset managers in ShareAction's survey publicly disclose voting instructions, only 20% disclose a rationale for voting instructions. 57.5% of asset managers disclose the total number of company engagements undertaken over the year but only 45% of asset managers provide any information publicly about their engagement with policymakers and regulators on RI issues.

### Transparency Best Practice

Asset managers should:

- Record all votes cast including rationales for, at least, votes: against management resolutions; on shareholder resolutions; and votes with management where a sizeable number of other shareholders voted against.
- Provide comprehensive disclosure of engagement with companies and policymakers.

## Communication

Best practice involves a commitment to two-way communication with clients about RI issues.

### What we found

Encouragingly, 83.9% of survey respondents include information about environmental and/or social risk management as part of regular client reporting, but only 67.7% disclose such information both publicly and to clients directly. Firms should be encouraged to go even further and produce more public disclosures to assist with improving standards across the industry.

# Survey findings

Firms based in the UK comprise five of the top ten. This reflects the UK's strong corporate governance regime. However, in ShareAction's extensive experience, there is a wide gulf between the top performers and the rest of the UK market.

Top 10 Asset Managers	Rank	Country
Schroder Investment Management	1	UK
Robeco Group	2	Netherlands
Aviva Investors	3	UK
Amundi	4	France
Standard Life Investments	5	UK
Legal & General Investment Management	6	UK
Columbia Threadneedle Asset Management	7	US / UK
Candriam Investors Group	8	Belgium
Natixis Global Asset Management	9	France
AXA Investment Managers	10	France

- All 40 firms surveyed claim a commitment to RI and are participating in country-level sustainable investment forums.
- Despite this public commitment, the actual quality of RI performance and disclosures varies widely. The quality demonstrated does not depend on the size of the firm, the region, ownership structure or whether they are predominantly active or passive managers.
- All of the UK asset managers have a publicly available policy document on their RI approach.
- All of the UK asset managers disclose a conflicts of interest policy, but only 75% provide a detailed policy with examples of potential conflicts and organisational arrangements adopted to manage the conflicts.
- Only two asset managers (Robeco Group and Natixis Global Asset Management) provide detailed information on environmental and/or social impacts of their investments publicly. The majority of UK asset managers disclose some information on environmental and/ or social impacts of their investments, but only at a very high level. Two UK firms do not disclose any information at all on how these impacts are measured or managed.
- Only eight asset managers (20%) provide a full list of companies engaged with over the year. Four of these are UK based.
- Only seven asset managers (17.5%) go beyond the minimum legal requirements, and even attempt to provide additional explanations of potential direct or indirect fees and charges on their website. Five of these are UK based.

## Notes on methodology

ShareAction assessed the asset managers on their publicly available information and through a detailed questionnaire, completed by 31 of the 40 managers.

Our full ranking and report can be found online at:

<https://shareaction.org/how-responsible-are-europes-largest-investors/>

## Conflicts of Interest

The firms surveyed are large, complex organisations with many commercial relationships and interests. A number are part of a larger banking or insurance group. **Once a client has placed assets with a manager, clients should have confidence that their interests will come first in respect of any decisions relating to their assets.** To help achieve this fiduciary standard of care, asset management firms should have, and disclose, a robust conflicts of interest policy. They should report regularly on how conflicts have arisen and been handled. All of the UK asset managers surveyed disclose a conflicts of interest policy on their website, but only 82% of the 11 UK respondents were actually able to provide a clear example of how they handled a recent conflict of interest.

## Fees and charges

Overall, disclosure of fees and charges is poor across the sector and the information that is available is often ambiguous. Surprisingly, only 82.5% of asset managers surveyed make fees and charges fund literature easily accessible, whereas we would expect all of the firms surveyed to do this. In addition, only 17.5% (7 managers) even attempt to provide comprehensive information on their websites about direct and indirect costs. For the UK asset managers, the situation is a bit more encouraging as 92% make fees and charges fund literature easily available. Out of the seven managers who provide additional disclosures, five are based in the UK. **However, standardisation in disclosure of investment costs is lacking and this makes it difficult to compare and understand such costs across the sector and between countries.** In short, far better disclosure and greater transparency is needed if client and beneficiary interests are to be met by the asset management sector.

## Recommendations for UK policymakers and regulators

- In parallel with its review of the Corporate Governance Code (announced in February 2017), we urge the Financial Reporting Council to review and strengthen the Stewardship Code. These Codes complement and reinforce each other and therefore should be considered together.
- The Stewardship Code should give greater emphasis to the management of environmental and social issues by investors, as these can pose equally powerful risks as governance factors.
- The Stewardship Code should properly recognise the different roles asset owners (such as pension funds) and asset managers have in stewardship and be amended accordingly, to drive best practice in both sectors.
- The government should ensure that the Shareholder Rights Directive is implemented ambitiously to level up to the highest standards of shareholder engagement and transparency across the EU.

# European Asset Managers Responsible Investment Ranking 2017

Asset Manager	Country	Rank	Public Review (max. 40)	Questionnaire (max. 50)	Total (max. 90)
Schroder Investment Management	UK	1	34	48.0	82.0
Robeco Group	Netherlands	2	36	45.0	81.0
Aviva Investors	UK	3	34	46.0	80.0
Amundi	France	4	31	46.5	77.5
Standard Life Investments	UK	5	31	45.5	76.5
Legal & General Investment Management	UK	6	28	48.0	76.0
Columbia Threadneedle Investments	US/UK	7	30	43.5	73.5
Candriam Investors Group	Belgium	8	29	44.0	73.0
Natixis Global Asset Management	France	9	33	39.5	72.5
AXA Investment Managers	France	10	27	44.5	71.5
M&G Investments	UK	11	28	40.5	68.5
BlackRock	US/UK	12	27	40.0	67.0
State Street Global Advisors	US/UK	13	25	39.5	64.5
Nordea Asset Management	Denmark	14	22	41.5	63.5
NN Investment Partners	Netherlands	15	25	38.0	63.0
Bank J. Safra Sarasin	Switzerland	16	18	44.0	62.0
Aegon Asset Management	Netherlands	17	22	39.0	61.0
Aberdeen Asset Management	UK	18	22	38.0	60.0
Achmea Investment Management	Netherlands	19	19	40.0	59.0
BNP Paribas Investment Partners	France	20	18	40.0	58.0
Allianz Global Investors	Germany	21	21	36.0	57.0
HSBC Global Asset Management	UK	22	17	37.5	54.5
Eurizon Capital	Italy	23	15	37.0	52.0
Credit Suisse	Switzerland	24	14	35.5	49.5
La Banque Postale Asset Management	France	25	16	32.5	48.5
Pictet Asset Management	Switzerland	26	15	31.5	46.5
Generali Investments Europe	Italy	27	15	29.5	44.5
JP Morgan Asset Management	US/UK	28	14	28.0	42.0
Danske Capital	Denmark	29	10	29.0	39.0
Pioneer Investments	Italy	30	9	20.0	29.0
Swedbank Robur*	Sweden	31	20	0	20
Goldman Sachs Asset Management International*	US/UK	32	19	0	19
UBS Asset Management*	Switzerland	33	18	0	18
MN*	Netherlands	34	17	0	17
Santander Asset Management	Spain	35	8	8	16
Deutsche Asset Management*	Germany	36	15	0	15
KBC Asset Management*	Belgium	37	14	0	14
Union Investment*	Germany	37	14	0	14
SEB*	Sweden	39	13	0	13
BBVA Asset Management*	Spain	40	10	0	10

(\*) Asset manager did not respond to the survey

# References

1. Department for Business, Energy & Industrial Strategy (2016). *Corporate Governance Reform Green Paper*. Available online at: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/584013/corporate-governance-reform-green-paper.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/584013/corporate-governance-reform-green-paper.pdf) [accessed 28 March 2017].
2. Investment and Pensions Europe (2016). "IPE's Guide to €56trn in Global Assets: Top 400 Asset Managers 2016," *Investment and Pensions Europe*.
3. BlackRock, Columbia Threadneedle Asset Management, Goldman Sachs Asset Management International, JP Morgan Asset Management and State Street Global Advisors.
4. Financial Conduct Authority (2016). *Asset Management Market Study - Interim Report*. Available online at: <https://www.fca.org.uk/publication/market-studies/ms15-2-2-interim-report.pdf> [accessed 28 March 2017].

## Disclaimer

ShareAction is not an investment advisor, and does not make any representation regarding the advisability of investing in any particular company or investment fund or vehicle. A decision to invest in any such investment fund or entity should not be made in reliance on any of the statements set forth in the investor briefing. While the organisation has obtained information believed to be reliable, it shall not be liable for any claims or losses of any nature in connection with information contained in this document, including but not limited to, lost profits or punitive or consequential damages.

## About ShareAction

ShareAction (Fairshare Educational Foundation) is a registered charity that promotes responsible investment practices by pension providers and fund managers. ShareAction believes that responsible investment helps to safeguard investments as well as securing environmental and social benefits.

[shareaction.org](http://shareaction.org) | 16 Crucifix Lane  
info@shareaction.org | London, United Kingdom  
+44 (0)20 7403 7800 | SE1 3JW

## Contact

Bethan Livesey  
Head of Policy & Research  
ShareAction  
bethan.livesey@shareaction.org  
+44 (0)20 7403 7800

Nandi de Haas  
Research Officer  
ShareAction  
nandi.dehaas@shareaction.org  
+44 (0)20 7403 7800

The opinions expressed in this publication are based on the documents specified. We encourage readers to read those documents. Online links accessed 28 March 2017. Fairshare Educational Foundation is a company limited by guarantee registered in England and Wales number 05013662 (registered address 16 Crucifix Lane, London, SE1 3JW) and a registered charity number 1117244, VAT registration number GB 211 1469 53.

---

**ShareAction**»