Dear Ms Horton,

Proposed Revisions to the UK Corporate Governance Code

I am writing to respond to the FRC’s consultation on Proposed Revisions to the UK Corporate Governance Code on behalf of ShareAction, a registered charity established to promote transparency and responsible investment (“RI”) practices by pension funds and other institutional investors. We are a member organisation and count amongst our members well-known NGOs and charitable foundations, as well as over 26,000 individual supporters. We work with institutional investors to promote stewardship and engagement, and we also conduct annual industry-wide surveys to rank them on these activities. We have ranked asset owners and asset managers on compliance with key elements of the Stewardship Code since its inception, and published these rankings.¹ We have extensive experience of research and policy development on barriers to long-termism, and fed into the 2012 Kay Review, the related BIS Select Committee, the Law Commission’s review of trustees’ fiduciary duty and the recent BEIS Select Committee on corporate governance.

We support the FRC’s move to simplify the Corporate Governance Code and its emphasis on “stakeholders, integrity and corporate culture, diversity and how the overall governance of the company contributes to its long-term success”. The areas covered in the Stewardship Code suggest a similarly positive direction of travel and we would encourage the FRC to be bold in revising both Codes.

We also recommend strengthening the link between the two Codes. If the Corporate Governance Code is to drive businesses to think about the impact of the company on society and wider stakeholders, the Stewardship Code must encourage this as well - otherwise shareholders and boards will not be well aligned. The ICGN Global Stewardship Principles, one of which is on internal governance mechanisms, speak to this alignment. We would encourage the inclusion of this additional principle in the Code.

We support the following points raised by the AMNT:

- Requesting the FRC to look again at the Audit function in light of the Carillion developments.
- Ensuring the FRC’s culture report is embedded into its board effectiveness document.

Points on specific questions – Corporate Governance Code

Q3. Do you agree that the proposed methods in Provision 3 are sufficient to achieve meaningful engagement?

It will be key to the success of any mechanism to ensure that boards do not just pay lip-service to workforce engagement. The annual reporting requirement under new Provision 4 of the Code should motivate boards to conduct an effective engagement process.

We feel that there should be explicit mention of trade unions in Provision 3. There are nearly 6 million trade union members and trade unions remain the most common mechanism for structured engagement between employers and workforces. Using the existing structures in place for engaging with employees, run by a well-resourced and experienced body, should make the process more efficient.

It should be explicitly stated in Provision 4 that one of the primary purposes of workforce engagement is to tap into company culture and ensure it is in alignment with the company’s long term values/mission/objectives.

Q.4 Do you consider that we should include more specific reference to the UN SDGs or other NGO principles, either in the Code or in the Guidance?

Michael Porter of Harvard Business School talks of the concept of “shared value”, i.e. generating economic value in a way that also produces value for society by addressing its challenges. A shared value approach reconnects company success with social progress. Companies should be required to demonstrate to investors not just that they have engaged with stakeholders and taken their interests into account, but how this process has helped build the long-term success of the company.

As stated in this consultation document, Principles A and C confirm the need for companies to consider their responsibilities to shareholders and stakeholders and the contribution made to wider society. However, they do not capture the full intention and depth of the SDGs. More needs to be said here to ensure that directors are clear on the breadth of the factors that may be relevant to their organisational strategy.

The SDGs highlight key environmental and social issues that companies should consider in relation to both their long-term sustainable performance and their impact on wider society (see infographic below for a high level analysis of how the SDGs sit with ESG concerns). The FRC should explicitly refer to the SDGs and/or to the key themes to ensure companies report fully on how they have generated both economic and social value. This could be done at a high level in the Code itself, with the guidance expanding on it in more detail.

However, the Ten Principles of the UN Global Compact within the Code could be used in the Code as a more practical and directly applicable framework for businesses to consider their role in progressing the SDGs. The UN Global Compact’s White Paper comments that by “incorporating the UN Global Compact Ten Principles into strategies, policies and procedures, companies are not only upholding their basic responsibilities to people and planet, but also setting the stage for long-term success. Global challenges – ranging from climate, water and food crises, to poverty, conflict and gender inequality – are in need of solutions that the private sector can deliver, representing a large

2 This extends to the separate guidance document which refers to ‘groups of elected workforce representatives’ without mentioning trade unions.
and growing market for business innovation.” The diagram below and the White Paper describe the use of these Principles, and their connection with the SDGs, in more detail.

Another relevant framework is the TCFD recommendations, which, for most companies to which the Code applies, will be relevant to the question of long-term success. It is concerning that the environment is not mentioned explicitly in the revised Code, either in this section or more widely.


Q9. Do you agree that the overall changes proposed in Section 3 of the revised Code will lead to more action to build diversity in the boardroom, in the executive pipeline and in the company as a whole?

We welcome the intention to increase diversity and the focus on the executive pipeline and beyond. We welcome the reference to diversity on ‘gender, social and ethnic backgrounds, cognitive and personal strengths’ (Principle J). Companies should demonstrate through their reporting that diversity is not simply an end but a means to add value, and to demonstrate where and how it is adding value to the company. Diversity reporting should not be seen as a set of metrics for the sake of metrics, but as a means to hold companies to account, ensuring that they add long-term economic and social value through their diversity policies.

The text of the proposed Principles should include reference to the pipeline and developing diversity in the wider workforce (i.e. this should not be included within the Provisions alone). In addition, the Provisions could be clearer on the types of policies and practices which should be in place at the lowest ranks of the company. The term ‘pipeline’ suggests people linked closely with the board. However, diversity needs to be developed at the most junior levels of a company upwards to ensure measures are effective and sustainable over the long term.

Fair policies relating to parental leave, outreach and apprenticeships, flexible working, fair pay and investment in training should be in place at the lowest levels of the company in order to grow talent. Companies should assess and report on whether implementation of these policies is undermined by, for example, high levels of short-term contracts and outsourcing.

Q11 What are your views on encouraging companies to report on levels of ethnicity in executive pipelines? Please provide information relating to the practical implications, potential costs and other burdens involved, and to which companies it should apply.

We support reporting in order to build up data in this area. Data being made available on gender balance has helped to drive change. This may be partly on the ‘what gets measured gets managed’ principle, and partly because investors and other stakeholders are then able to drive better, more informed engagement. The assumption should be that the disclosure principles should apply to all companies, as the Code is ‘comply or explain’. Therefore, companies can explain if they cannot report on this area.

Q14. Do you agree with the wider remit for the remuneration committee and what are your views on the most effective way to discharge this new responsibility, and how might this operate in practice?

We agree that the remuneration committee should have a role in respect of oversight of the wider workforce policies on remuneration, as this ties the company’s pay policies together and sets them in the context of top and bottom pay levels. It is positive that companies will be required to report on this element.

We support the following recommendation in the FRC’s report on culture: “Boards should ensure they are paying significant attention to the nature and structure of incentives and the behaviour they drive. Remuneration and risk committees are in a position to support boards in evaluating alignment between incentives, values and behaviours. HR is well placed to lead discussions on structuring incentives and work with the board to develop these in line with cultural values.”6 We would recommend that the FRC makes explicit reference to the connection between remuneration and culture in Principle O of the Code.

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It is important that companies ensure this wider remit does not cut across established mechanisms for collective bargaining within the workplace. This point should be made explicitly in the Code and/or guidance. The workforce and their representatives, such as trade unions, should be involved in the discharge of this responsibility.

Q.15 Can you suggest other ways in which the Code could support executive remuneration that drives long-term sustainable performance?

Senior management should have a significant portion of their pension contribution from the employer in the same scheme as the rest of the workforce, to motivate them to show interest in the scheme.

Executive pay/reward should not be linked to unsustainable business practices over the long-term e.g. bonuses for increased exploitation of fossil fuel reserves by oil companies. Where sustainability factors have been identified as material to the short, medium and/or longer-term performance of the company, these factors should be reflected within remuneration targets. The Sustainability Accounting Standards Board (SASB) standards’ could be used as a reference point for identifying which issues are relevant to different sectors.

Q. 16 Do you think the changes proposed will give meaningful impetus to boards exercising discretion?

The terminology ‘Workforce policies and practices’ in Principle O is too general and should be clarified and made more specific – the FRC should give a non-exhaustive list of relevant issues and practices, e.g. use of zero-hour contracts, freedom of association and collective bargaining coverage, out-sourcing, paying of Living Wage, pay ratios, training, flexible working etc.

Companies should also be asked to report on supply chain management. ShareAction’s Workforce Disclosure Initiative (WDI), which brings together an investor coalition with nearly £10 trillion assets under management, recognises the need for more data on supply chain practices. Poor quality and precarious jobs remain prevalent, particularly in developing countries. The United Nations has recognised the importance of tackling this in the SDGs, with Goal 8 calling for ‘decent work for all’. Multinational companies have a key role to play in meeting this goal. It is increasingly in their own interests to do so: they are facing increased scrutiny and pressure for transparency on their employment practices. In addition to these material legal and reputational risks can present, poor supplier employment practices can also pose substantial supply chain disruption.

We feel that the bullet in Provision 41 covering reporting on ‘an explanation of the company’s approach to investing in, developing and rewarding the workforce...’ should be elevated to be a Principle.

General point:

We encourage the use of the term ‘workforce’ throughout. We agree with the FRC’s logic at paragraph 33: ‘By using the term ‘workforce’ we are encouraging companies to consider how their actions impact on all, not only those with formal contracts of employment’.

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Points on specific questions – Future direction of the UK Stewardship Code

Q.17 Should the Stewardship Code be more explicit about the expectations of those investing directly or indirectly and those advising them? Would separate codes or enhanced separate guidance for different categories of the investment chain help drive best practice?

In ShareAction’s experience, asset owners overall tend to be less robust than asset managers in their approach to the Stewardship Code. For example, the majority of asset managers make public commitments of compliance with the Stewardship Code. However, this is less common amongst asset owners and other industry service providers. Our past surveys have shown that the weakest compliance statements tend to be made by asset owners. The poorest of these are high level and vague, talking about delegating to asset managers but with no clear sense of how the asset owner monitors or ensures good practice by their agent. This may be because the Code is less clear on their role and because there is no equivalent to the COBS rule for asset owners. In order to develop a culture of strong stewardship in the UK, we need to see demand being driven from asset owners and service providers.

In particular, the FRC should consider how it can work with the CMA and the FCA to ensure that the advice of investment consultants is taking account of ESG and stewardship concerns. It is clear that investment consultants have an important, but under-developed, role in encouraging strong stewardship practices. Surveys indicate that many pension trustees rely heavily on consultants’ advice in their decision-making:

- A 2016 study found that 59% of DB trustees do not frequently consider alternatives to the investment consultant’s recommendations, 42% of whom have never personally challenged the advice of their investment consultant. It found that this may result in benchmarks not being aligned to schemes’ objectives and increased demands on corporate sponsors.
- 2015 research from The Pensions Regulator said “it was rare that the trustee board disagreed with its external advisors. Across all of the advisor types, the majority of schemes indicated that they rarely (58%) or never (24%) disagreed with this advisor (with 14% sometimes disagreeing and 1% always disagreeing).” These findings were supported in the FCA’s review of the asset management industry that prompted its referral to the CMA. However, the PRI’s recent Investment Consultant Services Review finds that most investment consultants and their asset owner clients are still failing to consider ESG issues in investment practice.

This said, we note that asset managers are also failing to meet sufficiently high standards of reporting. We have heard anecdotally that asset owners are often not able to use asset manager reporting under the Stewardship Code as a clear distinguisher on their approach to stewardship.

The Stewardship Code needs to be more explicit about the obligations of different types of investors, but we do not think that separate codes are necessary. Overall, the same principles for stewardship apply to all members of the investment chain and so the same Code should apply. However, action is needed to drive up standards and the FRC should clarify applicability for each sector actor (asset manager, asset owner, service provider) by providing a description of each role and how the principles apply to them. This could be in the form of more tailored guidance to provide context for

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how each principle of the Stewardship Code applies to each actor and the role they play in stewardship. This should include the following at a minimum:

- **Ensuring asset managers:**
  - understand their client’s investment objectives and purpose; and
  - report stewardship activities and impact against these.

- **Requiring asset owners to:**
  - mandate their appointed manager with responsibility for stewardship aligned with their investment objective; and
  - monitor the asset manager’s performance and implementation against these principles.

- **Requiring investment consultants to:**
  - discuss stewardship and ESG with their clients; and
  - ensure asset managers are assessed and selected with these in mind.

We support points made by the AMNT about the usefulness of aligning the Corporate Governance Code with ICGN Global Stewardship Principles. These contain two additional principles:

- internal governance mechanisms to create transparency on alignment with asset owners’ (for fund managers) and beneficiaries’ (for asset owners) long-term interests; and
- client reporting (as AMNT have commented that fund/mandate specific reporting is generally still poor).

**Q.18 Should the Stewardship Code focus on best practice expectations using a more traditional ‘comply or explain’ format? If so, are there any areas in which this would not be appropriate? How might we go about determining what best practice is?**

The Stewardship Code as it stands does not necessarily drive best practice and can be complied with without much substantive effort. For example, Principle 5 can be complied with by expressing willingness to collaborate, while not taking action.

The Code should mirror the Corporate Governance Code in terms of setting out more specific Principles, guiding Provisions and full guidance. This is particularly important because there is no one in the current system who oversees and questions compliance with the Stewardship Code in an equivalent role to investors overseeing the Corporate Governance Code.

The FRC could determine best practice through:

- its experience from the tiering process;
- work with industry and wider stakeholders; and
- setting its own expectations which are more stretching.

There are no areas in which this would be inappropriate as the ‘explain’ element allows signatories to explain non-compliance.

**Q.19 Are there alternative ways in which the FRC could highlight best practice reporting other than the tiering exercise as it was undertaking in 2016?**

We are somewhat concerned about the root of this question. The FRC states in the consultation document that the tiering process has been valuable: ‘The tiering exercise improved reporting against the Stewardship Code and was successful in encouraging more disclosure about stewardship approaches to allow clients to make more informed choices’ (para. 24). However, this question seems to be saying that if the numbers of signatories increase, The FRC will not have capacity to keep on top of the tiering.
This is concerning as it risks moving backwards, which will be frustrating for those who are really taking stewardship seriously and should be distinguished for this. Without tiering or a similar exercise, there will be less incentive for signatories to report fully and progress made under tiering may be lost. The FRC should make a clear proposal on how the Stewardship Code can be monitored going forward. We would encourage more funding to be allocated to this element of the FRC’s work so that the tiering is a permanent feature of its role.

This said, our impression is that some of the institutions in Tier 1 are not fully integrating these stewardship principles and more could be done in future to distinguish between them. The Stewardship Code can technically be complied with by stating that the investor has a particular policy without offering evidence that it has been followed and/or what the outcomes were. Our engagement with industry participants has indicated that there some signatories would like to see finer distinctions made on the quality of compliance within Tier 1. This is a point made by LGIM in its response to this consultation – for example, that a ‘gold standard’ should be available for those who have demonstrated outstanding stewardship.

We would recommend that the FRC:

- Publishes more detailed information on the expectations for each Tier, including criteria for assessment.
- Introduces an additional Tier for institutions evidencing integrated application of Stewardship Code in practice. This could be structured as follows:
  - Tier 1 – evidenced, fully integrated compliance
  - Tier 2 – full compliance in principle
  - Tier 3 – selective compliance
  - Suspended – breached compliance
- Refers serious breaches of the Stewardship Code (non-compliance without a satisfactory explanation) by asset managers to the Financial Conduct Authority. Suspends signatory status until they have made necessary changes or justified an alternative business model.

Q. 20 Are there elements of the revised Corporate Governance Code that we should mirror in the Stewardship Code?

The Stewardship Code should reflect:
- the emphasis on long-term success, culture and benefit to society;
- alignment with s.172 Companies Act duties; and
- references to ESG (whether in the form of references to SDGs, TCFD or otherwise. Both Codes should refer to social and environmental issues). Principle 1 of the Stewardship Code should fully set out the purpose of stewardship.

The Stewardship Code should be set within the same context as the Corporate Governance Code to align the expectations of shareholders with the duties of boards. Fund managers will be subject to both regimes as they are defined as “companies” under the Corporate Governance Code. Legal & General, Schroders, Standard Life and others are all in the FTSE500, and private companies will have to adhere to new Corporate Governance Rules in the near future. Therefore, all fund managers will be required to demonstrate that their Corporate Governance mechanisms include effective engagement with customers (i.e. asset owners). One of the functions of the Stewardship Code could be to assist fund managers with addressing the **customer** part of their stakeholder engagement as a company.
Q. 21 How could an investor’s role in building a company’s long-term success be further encouraged through the Stewardship Code?

Q. 22 Would it be appropriate to incorporate ‘wider stakeholders’ into the areas of suggested focus for monitoring and engagement by investors? Should the Stewardship Code more explicitly refer to ESG factors and broader social impact? If so, how should these be integrated and are there any specific areas of focus that should be addressed?

The current Stewardship Code undervalues engagement on environmental and social factors and the impact of companies on wider stakeholders. This is at odds with the move in the Corporate Governance Code review to look at workforce issues, long-term success and s.172 obligations. The obligations on boards should align with investors’ stewardship expectations, otherwise there will be a tension.

Environmental and social issues are currently mentioned only in guidance to Principle 4. They are not mentioned in the context of the Principle 1 statement on stewardship. Principle 1 should explicitly refer to ESG risks and any impact on stakeholders e.g. by stating that investors’ policies should cover how they discharge their stewardship responsibilities ‘including in relation to environmental, social and governance risks’. This could also further mirror the language in s.172 in respect of mentioning wider stakeholders that may need to be considered.

Environmental and social factors should feature under all the Principles (possibly with the exception of Principle 2 on conflict policies). Alternatively there could be a separate Principle which emphasises that stewardship on environmental and social factors is important. This could mirror the language of s.172.

References should remain broad, e.g to ‘environment and social concerns’, to allow scope for investors to engage on relevant issues as they arise. However, there should be case studies and guidance on the types of issues which may be relevant.

Q. 23 How can the Stewardship Code encourage reporting on the way in which stewardship activities have been carried out? Are there ways in which the FRC or others could encourage this reporting, even if the encouragement falls outside of the Stewardship Code?

We have a great deal of experience of supporting pension scheme members to engage with their scheme and request information about how their money is managed. This indicates that institutional investors’ reporting to beneficiaries is generally poor. AMNT inform us that fund manager reporting for their clients is often similarly poor. This suggests there is an investment chain issue with poor reporting that needs to be addressed. The Stewardship Code could include a principle on client reporting, similar to that in the ICGN Principles. The EU Shareholder Rights Directive will require fund managers and asset owners to better report to their respective clients that their approach is in their long-term best interests. The Stewardship Code should support this aim by promoting better client reporting. This will be important for the UK to retain equivalence with the EU and remain competitive post-Brexit.

Signatories should be given more direction and detail on what is expected. This could be done by mirroring the format of the revised Corporate Governance Code (with Principles, Provisions and Guidance of the Corporate Governance Code). Best practice expectations and model templates for voting disclosures should be set out and the FRC should champion best practice.

One important issue is that there is no real risk for signatories’ non-compliance with the Stewardship Code or giving poor explanations. Statements of compliance with the Stewardship Code do not necessarily reflect everyday practice across the wider organisation. This could be addressed by creating greater accountability and enforcement in relation to the Code, so that it is seen a high
priority for the board of a signatory rather than the province of the compliance department. We would recommend requiring signatories to carry out a process of annual review and sign-off, by a signatory’s board or specified director. If the FRC does not have the appropriate powers to make this mandatory, this could be set as an expectation of ‘best practice’.

Q. 24 How could the Stewardship Code take account of some investors’ wider view of responsible investment?

The FRC could encourage this to be part of investors’ policies. This could be done by setting out in the Code that stewardship is linked to a wider approach to investment.

Regardless of the individual investor’s approach, we believe it should be made clear in the Code that ESG factors are applicable to all asset classes, and not just UK equities. We also support Legal & General’s point that the remit of the Code should be expanded to recognise the role of stewardship in improving the system as a whole, rather than simply engaging companies on an individual basis.

Q.25 Are there elements of international stewardship codes that should be included in the Stewardship Code?

The UK should be proud of the leadership it has shown in developing the Stewardship Code. Our analysis of comparable codes being developed and implemented in other jurisdictions has shown the majority of these to be based on the UK Stewardship Code and its principles. We would encourage the FRC to consider including the following additional elements within the Stewardship Code:

- The Japanese, Australian, Dutch and Kenyan codes include substantive references to environmental and social risks. These codes require annual validation of the statements made by signatories.
- The Australian code includes public policy engagement in its principles, recognising the important role that institutional investors play in helping to develop public policy.
- The Dutch code also includes guidance on passporting where an international investor is a signatory to another stewardship code.
- The Australian code is supplemented by FSC Standard 13, which covers voting policy and disclosure. This standard sets out what should be included in voting policy and outlines minimum detailed voting disclosure requirements at resolution level. It also provides model policy and disclosure templates.
- Both the Australian and Japanese codes are clear on which institutions the code applies to. They set out they key responsibilities for each kind of body in respect of the codes.
- The Australian and Kenyan codes require information on the investment approach of the organisation and how integrated stewardship is in practice.
- The Japanese code includes a principle on an investor understanding its client’s intention in relation to investment objectives. It also provides guidance on how the code applies to an asset owner. This highlights the importance of mandating and monitoring the asset manager on its performance against the code.

Q.27 Would it be appropriate for the Stewardship Code to support disclosure of the approach to directed voting in pooled funds?

Yes, such disclosure would be a low bar to meet in the context of a comply or explain code. The Stewardship Code could go further and encourage asset managers to allow asset owners to direct voting in pooled funds. We have spoken with asset owners who have received a flat refusal when
they ask if they can play a more active role in voting. Explicitly including this point within the Code should help asset owners make their case for directed voting.

More generally, there is a concerning lack of transparency and agency in this relationship, which is unlikely to benefit the beneficiary’s long-term interests. Voting records and disclosures often fail to include enough detail to be meaningful for an external reader. For example, many records list resolutions by number and do not refer back to the text of the actual resolution. They often do not give rationales even for controversial votes. In addition, our experience of undertaking surveys suggests there can also be a significant time-lag between the votes happening and disclosures being made.

Our past reports on asset manager practices have found the following:

- 2015 report: 18% of managers do not disclose votes, indicating greater action is needed to require all managers to publicly disclose their voting records.\(^\text{12}\)
- 2017 report: 67% of pension providers publish voting records but only 22% include voting proposal descriptions and rationales for key decisions.\(^\text{13}\)

We would suggest the following:

- requiring high quality disclosures to be meaningful and useful to those receiving the information (clients/beneficiaries).
- providing a guideline template on what good voting disclosure should cover. It does not have to be prescriptive, but could draw from best practice in the market. Disclosure should cover:
  - A full list of AGMs and resolutions where they were able to vote
  - Votes cast For / Against / Abstained / Not disclosed* / did not vote* at individual resolution level (*including rationale)
  - Classification of resolution type.
- requiring disclosure of voting positions on individual resolutions by large institutional investors, including rationales for votes against management and for votes with management where a significant number of shareholders voted against the resolution.
- recommending a standard reporting format for disclosing voting records publicly, to ease search and comparison and help to drive performance and efficiency in the fund market. This should include a clear expectation of the timeframe for disclosure, preferably within one month of an AGM.

Q.28 Should board and executive pipeline diversity be included as an explicit expectation of investor engagement?

We agree this should be explicitly included within the Code. This would ensure that the Stewardship Code is in line with changes proposed in the revised Corporate Governance Code.

The integration of ESG should be incorporated into Principle 1. To illustrate this, a list of other potentially relevant ESG topics should be included within the guidelines for this principle. Again, the ESG factors identified by SASB\(^\text{14}\) as relevant to different sectors could be referred to here.


Q.29 Should the Stewardship Code explicitly request that investors give consideration to company performance and reporting on adapting to climate change?

Yes, in the context of a clearer focus on environmental issues as key to long-term success for companies. Climate change should be referenced as an example, but the wider reference should be environmental issues more broadly, to allow flexibility.

Stewardship is inherently about risk management and about ensuring sustainable, long term returns. It is intrinsically linked with financially material environmental, social and governance (ESG) risks. However, the guidelines to Principle 1 lack reference to the long term and do not explicitly mention social ("S") or environmental ("E") considerations. This means that the Stewardship Code is not visibly concerned about S and E factors (which are only mentioned in passing in Principle 4).

Analysis of a number of recent international stewardship codes has found that these codes include explicit reference to environmental and social considerations.

Our past surveys of asset managers have found the following:

- Our 2015 analysis of publicly available data showed that asset managers still give most attention to governance issues out of ESG factors. A qualitative analysis of asset manager survey responses, including examples given by them of engagements, confirmed this.\(^{15}\)
- Our 2017 report on asset managers\(^{16}\) found 65% of respondents reported that RI oversight and responsibilities are integrated across all levels of the organisation, but only 5 (13%) were willing to provide evidence that demonstrated oversight of RI at board level. It seems that the lack of focus within the Stewardship Code on E and S factors is reflected in weaker industry practice in these areas.
- There has been no change between 2010 and 2017 in the proportion of managers providing no information on environmental and/or social factors either to clients or in publicly available reporting (17% of survey respondents). While this may not seem like a large proportion, it should be noted that the surveyed managers are the largest in the UK and will therefore manage a large amount of assets for their institutional investor clients.

Q. 30 Should signatories to the Stewardship Code define the purpose of stewardship with respect to the role of their organisation and specific investment or other activities?

Yes, this should encourage them to integrate stewardship into their broader investment philosophy. Institutions can be technically compliant with very little 'buy-in' to the wider purpose of these policies. For example, an investor might have a policy expressing willingness to collaborate. However, collaboration with other investors is complex and challenging. Without a clear sense of why collaboration matters, set in the context of what the Code is driving at, many investors fail to move from a stated policy commitment to practical action.

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