

UK Stewardship Code: Advice for October 2021 applications



Financial Reporting Council

This document is designed to help you revise your Stewardship Report for **31 October**, or prepare a new report to submit in 2022.

We will also release a Review of reporting on 30 November 2021, with more detail about our expectations, examples of effective reporting, and improvements we expect for 2022.

Go to '[How to apply](#)' on the FRC website for information on how to submit your report.



Read the Code and supporting documents



Submit a single report



Respond to all Principles and reporting expectations



Include activities and outcomes from the reporting year



Report for all your assets



Use your feedback

Read the Code and supporting documents

Read 'How to report' in the [UK Stewardship Code 2020](#) which explains how to apply the Code and what reporting is required.

Submit a single report

Submit a single document which demonstrates your application of the Code. This enables a consistent and coherent approach to transparent stewardship reporting. The FRC will not accept separate documents.

The report may link to other documents to support disclosure, but a summary and the key features should be included in the report itself.

Respond to all Principles

Reports need to respond to all the Principles, and underlying reporting expectations of the Code that are relevant to the applicant type.

Many reports that were unsuccessful failed to address all Principles or gave insufficient evidence of their application of the Principles. The reporting expectations indicate the information that applicants should include. The FRC's assessment is based on the quality of reporting to the Principles and expectations.

Respond to the reporting expectations

You must determine which reporting expectations are relevant to your role in the investment community, business model and the assets you invest in. If you invest directly *and* indirectly, or invest on behalf of others *and* provide services, then more than one set of reporting expectations will apply.

There may be a few cases where a reporting expectation is not relevant. For example, the listed equity reporting expectations under Principle 12 for a fixed income only investor. Acknowledge this and explain why it is not relevant, rather than ignore it. An explanation of how the Principle has been applied is still needed.

Include activities and outcomes from reporting year

'Context' reporting expectations should be supported with examples of how your policies were applied, and processes followed during the reporting period. Policy statements alone are not sufficient.

Reports must include activities and outcomes from the reporting year; what you did and what happened as a result. Examples, illustrations, data and case studies are necessary to evidence how the Code has been applied.

Report for all your assets

Include a clear explanation of your assets under management across asset classes and geographies, as well as an overview of your client base or membership (Principle 6).

Your reporting should reflect the asset classes *and* geographies in which you are invested. If your stewardship approach differs (or is less developed) across asset classes or strategies, explain these differences. This puts the reporting on other Principles (including investment approach, engagement and exercising rights) in context and allows the FRC and other readers to understand the scope and coverage of your organisation's stewardship.

Report on the ways in which you are invested – either directly or using intermediaries. If there is a combination, identify the proportion of assets managed directly and the proportion managed through third parties.



Geographies



Asset classes



Direct and indirect

Indirect investing

Where you invest through intermediaries, your report should address your use of external managers, including how you set expectations for external managers across integration, engagement, collaboration, escalation and exercising rights (Principles 7, 9-12) and include some examples of stewardship activities and the outcomes undertaken by investment managers on your behalf.

Reports should also address how you monitor third-party managers and hold them to account (Principle 8). This is important for all asset owners, and asset managers that invest through others.

Use your feedback

Feedback provided to all applicants provides a narrative overview and a table which identifies which reporting expectations in your report have met the FRC's expectation and which need improvement.

In the table, 'needs improvement', means that the reporting has not fulfilled all aspects of the reporting expectation. This could be for several reasons depending on the nature of the reporting expectation.

We are unable to discuss individual reports, but this advice includes the common areas where reports were unsuccessful.

'Needs improvement' could indicate:

- No relevant disclosure was included.
- The reporting did not provide sufficient information, or was a statement rather than an explanation (particularly for 'Context' reporting expectations).
- The description of case studies did not sufficiently set out the activity and outcomes it seeks to demonstrate, or the role of the organisation.
- The number and variety of case studies provided was insufficient to demonstrate stewardship across investments.
- The reporting did not clearly relate to the reporting year.



Submit your report

Go to '[How to apply](#)' on the FRC website for information on how to submit your report.

If you have specific questions about how to apply or report that are **not** answered on the [website](#), in [the Code](#) or [Review of early reporting](#) then you may contact: stewardshipcode@frc.org.uk