

Corporate Governance and Stewardship Financial Reporting Council
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29 March 2019

Dear Sir/Madam

The FRC: Proposed Revision to the UK Stewardship Code

Overall, Border to Coast Pensions Partnership are supportive of the proposed new Stewardship Code. We welcome the strengthened definition and the aim of developing and substantially raising stewardship standards; we support increasing the scope of the Code to also consider investment decision-making and the integration of ESG into this process. We are also in favour of the specific reference to material ESG factors and to the Code moving beyond covering listed equities to include other asset classes. We would however, like to make further additional comments:

- It is helpful that specific guidance is given for asset owners and asset managers and reference is made to 'signatories in more than one category'. There is however the risk that this could lead to some confusion as to what is required by such a signatory.
- The layout of the Code could be improved for ease of use by signatories. Rather than the Guidance being separate it would be more useful if this followed each Principle.
- Although we are generally supportive of the improved Code, we wish to point out that some smaller firms, especially asset owners, may be resource constrained. Therefore, some will find it a challenge to have a Policy and Practice Statement in place within the proposed timeframe. We would not want this to be a deterrent to asset owners becoming signatories and would like to see the FRC supporting current signatories to be fully compliant over an extended period.
- We would like to see Principle 4 on constructive engagement include further guidance. We would suggest the inclusion of engagement with industry, standard setters, regulators, policy makers and asset managers; this is not an exhaustive list. Much can be achieved by engaging across the investment chain and wider industry rather than just with an individual company.



- We would welcome additional guidance on how stewardship is practiced across other asset classes beyond listed equities and bonds. This expanded guidance should include private markets, debt and infrastructure as this is a growing area of investment focus. Integrating ESG into these asset classes is vital due to the illiquidity and long-term nature of the investments.

Yours faithfully



Rachel Elwell
CEO Border to Coast Pensions Partnership Ltd

Q1. Do the proposed Sections cover the core areas of stewardship responsibility? Please indicate what, if any, core stewardship responsibilities should be added or strengthened in the proposed Principles and Provisions.

We believe that the revised Code covers the core areas of stewardship responsibility. We welcome that the Code does not take a single approach with the Provisions and Guidance tailored to different signatory types. However, as some signatories will be in more than one category there is potential for confusion as to what may be required from such a signatory.

Q2. Do the Principles set sufficiently high expectations of effective stewardship for all signatories to the Code?

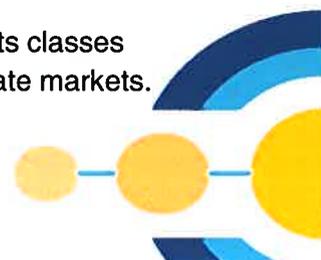
Yes

Q3. Do you support 'apply and explain' for the Principles and 'comply or explain' for the Provisions?

Yes. All the Principles are applicable to all signatories and important to demonstrate effective stewardship; whereas not all Provisions are relevant to every signatory.

Q4. How could the Guidance best support the Principles and Provisions? What else should be included?

The Guidance is detailed for each Principle to help support a signatory. However, further guidance could be provided on engagement across other assets classes besides listed equities and bonds such as infrastructure, debt, property and private markets.



Q5. Do you support the proposed approach to introduce an annual Activities and Outcomes Report? If so, what should signatories be expected to include in the report to enable the FRC to identify stewardship effectiveness?

Yes, we support an annual Activities and Outcomes Report. This should ensure that signatories are practising good stewardship and it is not just a box ticking exercise. It will improve transparency and disclosure so that any improvements by signatories can be monitored.

Q6. Do you agree with the proposed schedule for implementation of the 2019 Code and requirements to provide a Policy and Practice Statement, and an annual Activities and Outcomes Report?

Yes, we are generally supportive of the proposed implementation scheme. However, it should be noted that due to the increased requirements and expectations of the Code, some asset owners may need additional time and assistance in developing a Policy and Practice Statement and annual Activities and Outcomes Report. We would expect the FRC to support signatories with this process.

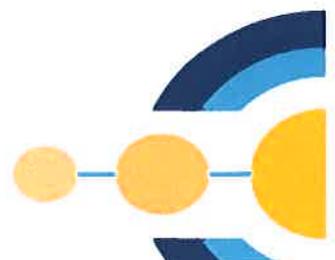
Q7. Do the proposed revisions to the Code and reporting requirements address the Kingman Review recommendations? Does the FRC require further powers to make the Code effective and, if so, what should those be?

We are supportive of the overall proposed changes to the Code and believe that this should address the Kingman Review recommendations. The proposed Code requires disclosure on the level of authority and accountability of those with stewardship responsibilities. It also requires all reporting against the Code to be approved by the signatories' board. This reflects the importance of accountability at the highest level.

For the FRC to effectively monitor signatories and ensure they are enacting their Policy and Practice Statements may require extra resource at the FRC. How the FRC can enforce the Code is still open to debate.

Q8. Do you agree that signatories should be required to disclose their organisational purpose, values, strategy and culture?

Yes. This allows a better understanding of an organisation's culture and investment philosophy. This also aligns with the revised Corporate Governance Code and the emphasis on corporate culture.





PENSIONS PARTNERSHIP

Q9. The draft 2019 Code incorporates stewardship beyond listed equity. Should the Provisions and Guidance be further expanded to better reflect other asset classes? If so, please indicate how?

Although we welcome that the scope of the Code has been broadened to cover other asset classes, it would be helpful if the guidance was expanded to cover other assets classes outside of listed equities and bonds. The expanded guidance should also include private markets, debt and infrastructure as this is a growing area of investment focus. Integrating ESG into these particular asset classes is vital due to the illiquidity and long-term nature of the investments.

Q10. Does the proposed Provision 1 provide sufficient transparency to clients and beneficiaries as to how stewardship practices may differ across funds? Should signatories be expected to list the extent to which the stewardship approach applies against all funds?

Asset managers should be required to disclose how stewardship policies and practices differ at a fund level, not just the different approaches taken between asset classes. In some circumstances policies and guidelines at a high level do not give enough detail as to how stewardship is being practiced within individual products.

Q11. Is it appropriate to ask asset owners and asset managers to disclose their investment beliefs? Will this provide meaningful insight to beneficiaries, clients or prospective clients?

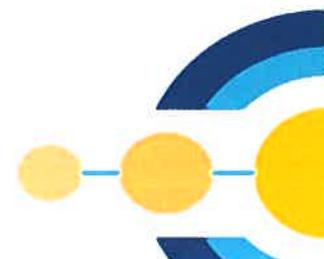
Yes. This gives deeper insight into an asset manager's investment philosophy, Responsible Investment approach and views on ESG issues and whether that is aligned with that of the asset owner.

Q12. Does Section 3 set a sufficiently high expectation on signatories to monitor the agents that operate on their behalf?

Yes.

Q13. Do you support the Code's use of 'collaborative engagement' rather than the term 'collective engagement'? If not, please explain your reasons.

Yes, we are supportive of the use of the term 'collaborative engagement'.



Q14. Should there be a mechanism for investors to escalate concerns about an investee company in confidence? What might the benefits be?

It may be beneficial to have a mechanism for investors to escalate concerns in confidence.

Q15. Should Section 5 be more specific about how signatories may demonstrate effective stewardship in asset classes other than listed equity?

Yes. See answer to Q9.

Q16. Do the Service Provider Principles and Provisions set sufficiently high expectations of practice and reporting? How else could the Code encourage accurate and high-quality service provision where issues currently exist?

Yes, we consider the Provider Principles and Provisions set high expectations for service providers.

