

Stewardship Code Consultation Response

Introduction

Vigeo Eiris is an independent international provider of environmental, social and governance (ESG) research and services for investors and corporations. We rate and benchmark corporations' sustainability risks and evaluate the level of integration of sustainability factors within the strategy and operations of organisations.

Our research and data is offered to investors through a wide range of services including ratings, sector analyses, portfolio analyses, structured products, indices and bespoke databases, providing decision-making support for all sustainable, risk and norms-based investment approaches.

Our services directly support the integration of ESG criteria and considerations into the business functions and strategic operations of issuers, providing unsolicited ratings and benchmarks, solicited assessments, opinions for bond issuances, portfolio reviews, impact assessments and indices.

We welcome this opportunity to feed back to the Financial Reporting Council our views on the provisions of the proposed Stewardship Code which relate to service providers.

Question 16: 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?

As a service provider, Vigeo Eiris pays particular attention to Question 16, which we respond to here. Furthermore, we have recently engaged with the French organisation AFEP-MEDEF as a part of their "Initiative on relations between companies and non-financial rating agencies, synthesis of findings and recommendations". There is overlap between the proposed Provisions of the Stewardship Code consultation and the AFEP-MEDEF work, and the FRC may wish to take this into consideration.

Our responses to the AFEP-MEDEF report form much of the basis of our comments on the Provisions of the proposed new Stewardship Code.

Scope

The consultation invites respondents to comment upon the proposed scope of the Stewardship Code as it relates to service providers. Taken in its widest context, service providers who support stewardship should include not just proxy advisors and investment consultants, but also ESG research providers, custodians, index providers and benchmark providers.

The following sections set out our thoughts which are specific to each of the six proposed Provisions.

Vigeo Eiris

The Foundry
17 Oval Way
London
SE11 5RR
+44(0) 203 752 5750

info@eiris.org

www.vigeo-eiris.com

Paris | London | Brussels | Casablanca | Hong Kong | Milan | Montreal | Rabat | Santiago | Stockholm

Ethical Investment Research Services (EIRIS) Ltd Registered in England and Wales No. 2068704

Provision 1: Signatories must indicate the range of services they offer, and how they serve the interests of clients and enable them to deliver effective stewardship.

We would expect all signatories to address this provision purely through the marketing of the services they provide. Consequently we have very little to say about this Provision.

Provision 2: Signatories must inform clients about the accuracy of their services and demonstrate service quality by providing information about how products and services are prepared to best support clients' stewardship.

We have a number of observations about both the scope and the content of this provision.

Firstly, it is our view that signatories should inform all stakeholders about service quality, not just clients. Whilst of course it is clients who provide us with revenue, our ability to provide the service is also dependent upon the will of other market participants to work with us. For example, we rely upon issuers to provide us with information or answers to supplementary questions. By providing to issuers an explanation of our methodology, we promote confidence in the robustness of our research process, thereby encouraging issuers to provide us with the information we seek.

Secondly, we do not agree with the principle that research services which essentially constitute opinion should be assessed in terms of being "accurate". Professional research providers should be free and able to express and justify their opinions, irrespective of whether they may be at odds with others in the market. However, we fully support the notion that the data with which the opinion is formed should be accurate. We therefore suggest that the Provision should refer to informing stakeholders about the accuracy of the data used.

We also support the suggestion that service providers should provide information about how products and services are prepared, not only to demonstrate service quality, but also in order to enable clients to determine for themselves whether, and if so, how, the services they are buying meet the requirements of their own investment needs. We suggest therefore that the information about the preparation of services should include methodology, rating process (where relevant) and the data accuracy process.

Provision 3: Signatories should explain what activities they undertake to work with other stakeholders and exercise their role as stewards of the market.

We understand this to refer to signatories being transparent about the role they play towards institutions and regulators which shape the market within which we operate.

This Provision aligns with our own view on the responsibility of companies with regard to responsible lobbying. As an ESG research provider, it is our view that companies should be transparent about their activities associated with public authorities and the positions they communicate to public authorities. Our assessment of these considerations is a component of the ratings we provide to the market about company ESG performance. For this reason in particular we support the proposed Principle 3.

Provision 4: Signatories should ensure their workforce has appropriate experience, qualifications and/or oversight to deliver their services.

The question as to whether someone (and an analyst in particular) has appropriate experience to carry out their work is a subjective one. As such, it is a complicated principle to apply, as currently worded. Until and unless regulations require specific qualifications, the decision as to whether an analyst has appropriate experience for the job they are doing should be a matter for the employer (service provider) to decide and, where necessary, justify.

In this context, signatories should report on their workforce training policies and practices, to enable stakeholders to judge how analysts are given and retain appropriate knowledge.

We would therefore suggest that the Provision wording be adjusted to read “Signatories should explain how their workforce has appropriate experience, qualifications, and/or oversight to deliver their services, including information with regard to initial and ongoing training provided to their workforce”.

Provision 5: Signatories should disclose their conflicts of interest policy and how it has been applied.
We agree that signatories should establish and disclose their conflicts of interest policy.

Provision 6: Signatories should establish a code of conduct.
We agree that service providers should establish and disclose a code of conduct.

About Vigeo Eiris

Vigeo Eiris is an independent international provider of environmental, social and governance (ESG) research and services for investors and public & private organisations. We undertake risk assessments and evaluate the level of integration of sustainability factors within the strategy and operations of organisations.

Vigeo Eiris offers a wide range of services:

- **For investors:** decision-making support covering all sustainable and ethical investment approaches (including ratings, databases, sector analyses, portfolio analyses, structured products, indices and more)
- **For companies & organisations:** supporting the integration of ESG criteria into business functions and strategic operations (including sustainable bonds, corporate ratings, CSR evaluations and more).

Vigeo Eiris obtained ISO 9001: 2015 certification for its processes relating to methodology, rating, sale and delivery of its data to all types of investors.

With a team of more than 240 experts of 28 different nationalities, Vigeo Eiris is present in Paris, London, Brussels, Casablanca, Hong Kong, Milan, Montreal, New York, Rabat, Santiago and Stockholm. The Vigeo Eiris Global Network, comprising 4 exclusive research partners, is present in Brazil, Germany, Israel and Japan.

For more information: www.vigeo-eiris.com



T: +44 (0)203 752 5750
info@eiris.org

The Foundry
17 Oval Way, London, SE11 5RR
Please visit us at www.vigeo-eiris.com

Follow us on:



Offices: Paris – London – Brussels – Casablanca – Hong-Kong – Milan – Montreal – Rabat – Santiago – Stockholm
Partners: Hanover – Jerusalem – Rio de Janeiro – Tokyo