Financial Reporting Council

October 2019

FEEDBACK STATEMENT

Consulting on a revised UK Stewardship Code

The Financial Reporting Council (FRC) is the UK's independent regulator responsible for promoting high quality corporate governance and reporting to foster investment. The FRC sets the UK Corporate Governance and Stewardship Codes and UK standards for accounting and actuarial work; monitors and takes action to promote the quality of corporate reporting; and operates independent enforcement arrangements for accountants and actuaries. As the Competent Authority for audit in the UK the FRC sets auditing and ethical standards and monitors and enforces audit quality.

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EXECUTIVE SUMMARY

Having considered the overall response to the consultation we believe the UK Stewardship Code 2020 (the Code) sets a high bar for reporting on stewardship while recognising that signatories have different business models, objectives and resources available. Greater transparency about the activities and outcomes of stewardship will enable readers to identify how signatories demonstrate commitment to stewardship and how they align this with the interests of their clients and beneficiaries.

There was strong support for the key proposals including:

- a focus on reporting activities and outcomes;
- the inclusion of how signatories' purpose and culture support stewardship;
- extension of scope to asset classes beyond UK listed equity;
- a code that sets expectations for different entities in the investment chain; and
- integration of ESG issues.

Respondents to the consultation called for the FRC to:

- place greater emphasis on reporting stewardship activities and the outcomes achieved;
- review the definition;
- review the number of Provisions in the Code and the amount of supporting guidance; and
- reduce focus on reporting of stewardship-related policies.

In response to this feedback, the FRC undertook further engagement in summer 2019 to test revisions to the structure of the Code and reporting guidance.

Key changes in the Code

- Establishes a clear benchmark for stewardship as the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.
- An extended focus that includes asset owners and service providers as well as asset managers. This will help align the approach of the whole investment community in the interest of end-investors and beneficiaries.
- A requirement to report annually on stewardship activity and its outcomes. Signatories' reports will show what has actually been done in the previous year, and what the outcome was, including their engagement with the assets they invest in.
- Signatories will be expected to take environmental, social and governance factors, including climate change, into account and to ensure their investment decisions are aligned with the needs of their clients.
- Signatories are now expected to explain how they have exercised stewardship across asset classes beyond listed equity, such as fixed income, private equity and infrastructure, and in investments outside the UK.
- Signatories are required to explain their organisation's purpose, investment beliefs, strategy and culture. They are also expected to show how they are demonstrating this commitment through appropriate governance, resourcing and staff incentives.

Code structure and reporting

The Code now comprises 12 ‘apply and explain’ Principles for asset owners and asset managers, with reporting expectations relevant to their role. There are now six ‘apply and explain’ Principles for service providers with reporting expectations. Provisions included in the consultation draft of the Code have either been incorporated into Principles of the final Code or as reporting expectations. This replaces the proposal in the consultation of ten ‘apply and explain’ Principles with supporting ‘comply or explain’ Provisions, supported by detailed Guidance.

An organisation applying to become a signatory to the Code will now need to provide a single Stewardship Report (the Report) that sets out how they have applied the Principles in the preceding 12 months. This must include reporting on the activities they have undertaken, and the outcomes achieved. For the organisation to be listed as a signatory on the website, the Report will need to meet the reporting expectations of the FRC. This change simplifies the reporting for signatories and encourages a greater focus on the activities and outcomes of stewardship.

1 INTRODUCTION

1.1 The FRC's *Consulting on a revised UK Stewardship Code* was published in January 2019 and closed on 29 March. This Feedback Statement provides an analysis of the responses received to the consultation questions and the feedback from engagement with stakeholders during and after the consultation period. It explains how the FRC has considered and addressed the feedback and how it will implement the Code.

1.2 We received 110 responses to the consultation from a wide range of stakeholders. The split of the public responses is detailed in the table below. We also met more than 150 stakeholders during the consultation period, and nearly 90 in further outreach afterwards.

Public respondent by type	Total
Asset manager	27
Asset owner	12
Auditing firm	3
Civil society organisation	9
Government body	3
Individual/s	7
Miscellaneous	5
Professional body	11
Representative body/association - company	5
Representative body/association - investor	12
Service provider/consultant	8
	102

1.3 The consultation responses demonstrated strong support for the key changes proposed which were: reporting on the activities and the outcomes of stewardship, not just policies; the inclusion of how signatories' purpose and culture inform stewardship; extension of stewardship to asset classes beyond UK listed equity; a code that sets expectations for different entities in the investment community; and the integration of material environmental, social and governance (ESG) issues in stewardship and investment decision-making.

1.4 Respondents called for the FRC to review: the definition; the number of Provisions in the Code and; the amount, structure and location of supporting guidance. Respondents also encouraged the FRC to reduce the focus on reporting of stewardship-related policies, and place greater emphasis on reporting the activities of stewardship and the outcomes achieved.

Joint discussion paper with the Financial Conduct Authority

1.5 In January 2019, jointly with the Financial Conduct Authority (FCA), we published a Discussion Paper, Building a regulatory framework for effective stewardship (DP 19/1). The FCA has published a Feedback Statement in response to the feedback we received, and within the scope of the FCA's regulatory responsibilities.

1.6 The FRC has coordinated closely with the FCA to consider the responses to the Discussion Paper and the appropriate interaction between the Code and regulatory requirements to encourage effective stewardship.

2 FEEDBACK ON JANUARY 2019 CODE CONSULTATION

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.

2.1 Approximately half of all respondents responded to question 1. Of those, nearly all explicitly agreed that the proposed sections of the Code covered the core areas of stewardship. Other respondents called for more emphasis on collaborative engagement, recognising selling and holding as a stewardship activity. Collaborative engagement and escalation, which were Provisions in the consultation version are now Principles 10 and 11 respectively. Decisions to exit are included in the reporting expectations for Principle 7, recognising this as an important tool in exercising stewardship. A non-exhaustive list of topics signatories should consider when applying the Principles is included in the How to report section.

2.2 Nearly all respondents also commented on the proposed definition of stewardship in response to this question. Approximately half of respondents commented that the primary purpose of stewardship is to deliver financial returns for clients. They acknowledged that in doing so there may be positive impacts for the economy and society, but that they did not see creating sustainable value for the economy and society as the primary aim of investor stewardship. By contrast, one third of respondents said that having regard to the economy and society in investment decision-making is necessary to properly fulfil their fiduciary duty. Some respondents called for ‘the environment’ to be include in the definition.

2.3 In addition to comments on the definition of stewardship received in response to this question, the FRC and FCA received feedback on the definition in our joint discussion paper *Building a regulatory framework for effective stewardship*. Upon consideration of all feedback received from both the FRC consultation and the discussion paper, we define stewardship as follows:

Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

2.4 Stewardship activities include analysis prior to investment, monitoring assets and service providers, engaging issuers and holding them to account on material issues, working with others to influence issuers, and with others to manage market-level risks and publicly reporting on the outcomes of these activities. This definition and these activities are reflected in the Principles of the revised Code.

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

2.5 Nearly two thirds of respondents agreed that the Principles set sufficiently high expectations for all signatories to the Code. Of those that did not, three observations were made: firstly that the expectations of the Code were too high for asset owners; secondly that the expectations of the Code were set too low for service providers; and thirdly that the Code could be improved by providing clearer differentiation between the expectations of asset owners and asset managers.

2.6 Following the consultation, the Code has been restructured and now comprises ‘apply and explain’ Principles and reporting expectations. These replace the ‘apply and explain’ Principles, ‘comply or explain’ Provisions and supporting guidance in the consultation version. There are now 12 Principles which are the same for asset owners and asset managers.

2.7 For Principles 1-5 and 10, the reporting expectations are the same for both asset owners and asset managers. For Principles 6-9, 11 and 12 some reporting expectations differ according to whether those applying the Code are investing indirectly or directly. Some organisations may do both, and they should fulfil all the reporting expectations that apply to them, based on their role and type of organisation.

2.8 There are now six Principles for service providers and service Providers. We have added Principles on assurance and the role Service Providers play in responding to market and systemic risks. We have also added clearer expectations about the role they play in the supporting their clients to meet their stewardship responsibilities.

2.9 Throughout 2020 the FRC will work to support those aspiring to become signatories to the Code, and in particular asset owners to communicate our expectations of reporting.

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

2.10 Nearly all respondents supported 'apply and explain' Principles and 'comply or explain' Provisions. Some noted that such approaches are already well-recognised across existing voluntary and mandatory requirements.

2.11 However, we also received feedback that there were too many Principles and Provisions, and that the Code would benefit from a simpler structure. As a result, the Code has been restructured and now comprises of 'apply and explain' Principles only, accompanied by reporting expectations relevant to asset owners or asset managers. Provisions presented in the Consultation document have either become Principles or are set out as reporting expectations.

2.12 The reporting expectations form the basis of the assessment framework against which Stewardship Reports will be assessed to determine whether an organisation meets the standard to become a signatory to the Code.

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

2.13 Three quarters of all consultation respondents answered question 4, with divergent views on how the guidance could be improved.

2.14 Some respondents felt the proposed guidance was too detailed and may be interpreted as prescriptive; cautioning that it may stifle different approaches or an evolution of practice and should not be issued with the Code. By contrast some respondents called for more clarity on the FRC's expectations for reporting against the Code, with some respondents calling for more specific examples to be included in guidance.

2.15 In response to feedback on the guidance, the FRC has removed separate guidance from the Code, and instead incorporated examples into the reporting expectations that accompany the Principles. The reporting expectations indicate the type of information that the FRC is seeking from disclosure. These have been tested with stakeholders in additional outreach meetings through summer 2019. Reporting is not limited to these areas and allows for other approaches and evolving practices to be explained.

2.16 Signatories also had mixed views on the helpfulness of references to the Shareholder Rights' Directive II (SRD) in the guidance. In the consultation, it was proposed that the FRC's oversight of reporting against the Code may include checking disclosures against the UK rules that implement SRD. The FRC has agreed with the FCA and the Pensions Regulator (tPR) that it will not assess signatories' compliance with these requirements. However, organisations that are required to follow these rules may use their Stewardship Report to fulfil their reporting requirements. For example, to disclose their engagement policy and how they have fulfilled it each year. Pages 30-32 of the Code include information about rules and regulation that signatories may be subject to and are relevant to the Code.

2.17 There was significant support for the FRC sharing examples of meaningful stewardship practice and reporting. Respondents also suggested that the FRC form working groups with signatories and others in the industry to agree and promote good practice. The FRC will continue to work with stakeholders, to establish what further support may be necessary. We will also continue to work closely with the FCA, DWP, tPR and HMT to engage and support the industry in applying the Code and other recent regulatory changes.

2.18 A small number of respondents asked the FRC to signpost to other organisations that already provide guidance on effective stewardship. In 2020, the FRC will collate and publish a list of resources that may be helpful to investors seeking to develop their stewardship.

2.19 There is also general guidance on reporting which follows the introduction to the Code.

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?

2.20 An significant majority of respondents supported the introduction of an annual Activities and Outcomes report and provided an indication of what reports should achieve: generating meaningful disclosures that enable signatories of different sizes to demonstrate excellence as well as promoting diverse approaches to stewardship and good practice.

2.21 However, few responses indicated the information signatories should be expected to include in the report in order for the FRC to identify effective stewardship. Some respondents cautioned that reports may only include examples that had a favourable outcome. The Code now expects reporting to be fair, balanced and understandable with examples of both successful and unsuccessful stewardship outcomes included. Through additional engagement in the summer, the FRC tested proposals requiring the disclosure of investors' approximate allocation of assets under management to asset classes and geographies, their beneficiary/client base. These have been included under the Context heading of reporting expectations for Principle 6 to provide necessary background information for disclosures later in the Code.

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

2.22 The FRC now proposes that signatories will **not** be required to submit a Policy and Practice Statement upon signing, followed by an Activities and Outcomes report 12 months later. Instead, in order to become a signatory, the organisation will be required to submit one Stewardship Report (the Report) which demonstrates how they have applied the Code in the preceding 12 months. The report will need to meet the FRC's expectations for the organisation to become a signatory, and then each year after to remain a signatory.

2.23 In the consultation we proposed that those wishing to be included in the first list of signatories to the Code would need to submit their first annual reports by December 2020. These would then be evaluated by the FRC and a list of signatories would be published in Q2 2021.

2.24 Following discussion with stakeholders and to align with the timeframes of corporate reporting, we will allow organisations applying the Code for the year beginning 1 January 2020 until 31 March 2021 to submit their **final** report to the FRC. The FRC will then assess reports and publish a list of signatories to the Code in Q3 2021.

2.25 Organisations submitting their reports and meeting the standard after this date, will be added to the list of signatories.

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?

2.26 Most respondents felt that the recommendations of the Kingman review have been fully addressed in the proposed revisions to the Code and reporting requirements. Some respondents felt that the recommendations of the Kingman Review had been mostly addressed but raised concerns that the Code still places too much emphasis on policy statements, and it would be helpful for the FRC to provide more information on our expectations of the proposed Activities and Outcomes Report. We have removed the requirement for a separate Policy and Practice statement upon signing up to the Code.

2.27 Most respondents to the question of further powers responded to say, that while further powers may be needed in the future, any decision on this should wait until the new Code had been implemented and its effectiveness assessed, and the FRC has transitioned to the Audit, Reporting and Governance Authority (ARGA).

2.28 In addition, some respondents commented that the FRC would require more resources to effectively review signatories against the Code. The FRC will expand its stewardship team and will work with the Department for Business, Energy and Industrial Strategy (BEIS) to keep enforcement and regulatory powers under review.

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

2.29 A significant majority of respondents agreed, commenting that disclosure from signatories about their organisational purpose, values, strategy and culture requires meaningful reflection and articulation from signatories. This, in turn, delivers better outcomes for clients. Others felt that such a statement can enable asset owners to select managers and service providers whose values align to their own. Many welcomed the alignment with the UK Corporate Governance Code and that it is important for investors to be held to account in the same way they do companies.

2.30 A few respondents called for the sequencing of the language around purpose and stewardship objectives to be reordered, to highlight that stewardship objectives and policies will flow from the higher-level organisational purpose, values, strategy and culture.

2.31 A small number of respondents did not agree that signatories should state their organisational purpose, culture, strategy and values for risk of meaningless disclosures that distract from stewardship activity and the value of the Code.

2.32 The Code retains the requirement for all signatories to disclose their organisational purpose, investment beliefs, strategy and culture under Principle 1.

Q9. The draft 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?

2.33 Nearly all respondents welcomed the expansion of the Code to asset classes beyond listed equity, with many respondents citing the inclusion of the stewardship of fixed income assets specifically. Most respondents called for more clarity on the FRC's reporting expectations with respect to disclosure of stewardship activities, and for the FRC to recognise that investor rights and influence will vary across asset classes.

2.34 Under Principle 12 we have included reporting expectations for listed equity and fixed income. This approach is guided by the fact that these are the asset classes in which the largest proportion of UK pension assets are invested, and stewardship practice is most developed for these investments.

2.35 Stewardship practices are still evolving across asset classes and the Code's reporting expectations will be updated over time to reflect and advance market practise. The FRC strongly encourages disclosure of stewardship activities for asset classes in addition to listed equity and fixed income as relevant to the signatories' business.

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?

2.36 Approximately half of respondents provided an answer to this question, with the majority agreeing with the proposed approach. The FRC has decided to not require fund by fund level disclosure as this will create a high volume of reporting that may be burdensome for signatories and be of limited use to clients and beneficiaries. Signatories will be asked to sign the Code at an organisational level, making it clear where the stewardship approach differs across funds, asset classes and geographies under Principle 7.

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?

2.37 Approximately half of all respondents provided an answer to this question, with an overwhelming majority supporting both asset owners and managers disclosing their investment beliefs to guide their investment strategy and to help clients and/or beneficiaries better understand their approach. Where a small number of reservations were expressed, some viewed that investment beliefs should not come under the scope of the Code and that there is the needed for a clearer understanding of what is meant by 'investment beliefs.' The Code retains the expectations for both asset owners and asset managers to disclose their investment beliefs under Principle 1.

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

2.38 Approximately three quarters of respondents to this question agreed that the section on monitoring set sufficiently high expectations on signatories to monitor the agents that they engage to fulfil their stewardship responsibilities.

2.39 A small number of asset owners called for the Code to apply a proportionate approach when setting expectations on smaller asset owners to monitor their agents, and that the guidance could be improved by including more detail on the FRC's expectations of asset owners' disclosure on monitoring service providers. A few respondents called for greater clarity on the different expectations of asset managers and asset owners overall.

2.40 A small number of respondents called for strengthening the Code to require signatories to take action in the case of any shortfall between expected and actual service provided and to report on this. This expectation is aligned with the Code's increased focus on activities and outcomes and has been further clarified in the reporting expectations for Principle 8.

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

2.41 Approximately two thirds of respondents provided an answer to this question, with the majority supporting the use of the term 'collaborative engagement' over 'collective engagement'. For the most part these respondents represented asset owners, not-for-profit and civil society groups, though some asset managers also favoured the term 'collaborative engagement'. Respondents highlighted the importance of being clear about the definition of terms, which the FRC recognises as necessary.

2.42 Some respondents also shared the view that collaborative engagement should be included in a Principle of the Code, rather than a Provision, citing that being willing to 'act collectively' was set at a Principle in the 2012 Code. The Code will retain reference to the term 'collaborative' engagement, and this has been elevated to Principle 10.

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

2.43 Approximately two thirds of respondents answered this question. More than half of these thought that there should be some mechanism to escalate concerns, particularly for cases in which companies may ignore investor concerns. However, very few stipulated exactly what this should be and instead commented that any mechanism developed would require careful consideration with respect to conflicts of interest. Most expressed the need for the mechanism to be confidential, and for the regulator to have the appropriate expertise, sensitivity and powers to follow up on any information provided.

2.44 Overall only a small number of asset managers responded to this question. Of those that did, approximately half were in favour and half were against. This brings into question whether such a mechanism would be used by those it is primarily aimed at. Some respondents that were opposed named the Investor Forum as an effective existing mechanism for escalating concerns of investors. Others stated that investors already have the rights and influence required to escalate concerns, including engagement and making public statements if necessary, and so a new mechanism would have little added value.

2.45 The FRC has shared these findings with the BEIS for their consideration.

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

2.46 Please see analysis of question 9. Nearly all respondents provided the same answer for questions 9 and 15.

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?

2.47 Of the respondents that provided an answer to this question, one third felt the expectations for service providers were high enough. Many commented that it is the primary responsibility of investors to ensure they monitor the quality and accuracy of the services they receive from third parties, specifically applying scrutiny to proxy voting advice. However, two thirds felt that the Service Provider Principles and Provisions did not set high enough expectations, citing the significant influence that investment consultants, proxy advisers and other service providers have on the industry.

2.48 Responses ranged from the view that there is no need for this section of the Code, to strong support for the current draft, and others calling for the requirements for service providers to be strengthened. A few respondents called for the Provisions to require disclosure of how service providers take account of material ESG issues including climate change, mirroring the expectations set for asset managers and asset owners. One respondent called for an additional Provision requiring service providers to familiarise themselves with their clients' stewardship policies and objectives.

2.49 The Principles for Service Providers have been revised to take account of this feedback. See response to Question 2 for more detail.

3 KEY INFORMATION

The Code is voluntary and sets an aspirational standard beyond minimum regulatory requirements in the UK.[1] The FRC encourages signatories to use reporting against the Code to meet and exceed these requirements, where relevant, and avoid duplicative disclosures. The FRC does not have powers to provide assurance against other reporting requirements in making assessments of signatories' reports against the Code.

Audience

This Feedback Statement may be of interest to those directly engaged in stewardship and investment or with an interest in the outcomes of these activities. These include:

- FCA-regulated asset management firms and life insurers
- pension providers and pension scheme trustees
- collective investment vehicles
- current signatories to the 2012 Code
- proxy advisors, investment consultants and other service providers
- industry groups or trade bodies
- public companies, issuers of debt and their advisors
- policymakers and regulatory bodies
- consumer groups, individual consumers, charities and civil society groups
- industry experts and commentators, academics and think tanks.

Purpose of stewardship reporting

A signatory's annual Stewardship Report ('the Report') will support:

- asset owners to align their selection of managers and service providers to their stewardship requirements; holding them to account; and demonstrating the effectiveness of their stewardship to members;
- asset managers understanding and aligning with prospective and existing client stewardship requirements; selecting service providers; and demonstrating the effectiveness of their stewardship to prospective and existing clients;
- service providers developing services that support effective stewardship, and demonstrate how they support clients;
- beneficiaries and clients to understand the impact that stewardship has on their investments;
- signatories to demonstrate the outcomes of their stewardship activities.

Outcomes we are seeking

In revising the Code we are seeking to:

- Differentiate excellence in stewardship by setting high expectations for disclosure by investors and their agents on the activities and outcomes of stewardship and investment.
- Create a demand for effective stewardship by encouraging clear reporting on purposeful activity and publicly evaluating signatories' reporting. Reporting should enable asset

[1] The EU Shareholder Rights Directive II (EU SRD II) applies to 'institutional investors and asset managers' and proxy advisors. All requirements of the Directive were transposed into UK law and regulation on 10 June 2019. Setting out the requirements of the Code in relation to UK regulation covers the content of the EU SRD II.

owners and beneficiaries to understand how their agents and pension funds integrate stewardship and investment in their best interests.

- Support a regulatory framework for effective stewardship and investment in the UK economy, ensuring that the UK continues attract investment.

Measuring success

The FRC will assess the effectiveness of the Code in meeting these outcomes: by monitoring the reporting quality of signatories which apply the Code; through our ongoing engagement with stakeholders, by reviewing how the market uses stewardship reporting; and by seeking evidence through our own research and with other regulators, including the FCA.

Equality and diversity considerations

We have considered potential equality and diversity issues from the proposals in this Feedback Statement. Overall, we do not consider that the proposals materially impact any of the groups with protected characteristics under the Equality Act 2010.

Code implementation

The transition from the 2012 Code to the 2020 Code will be implemented as below.

31 December 2019	The FRC will no longer accept new or updated statements against the 2012 Code after 31 December 2019.
1 January 2020	2020 Code takes effect for reporting years beginning on or after 1 January 2020. Organisations wishing to confirm their commitment to the Code before applying to become a signatory may request to be listed on the website.
Throughout 2020	The FRC will engage with investors to communicate our expectations for the quality and content of Reports.
31 March 2021	Applicants seeking to be included in the first list of signatories to the Code must submit their Stewardship Reports by 31 March 2021.
Summer 2021	The FRC completes assessment of reports. Applicants that meet the FRC's expectations will be listed as 2020 Code signatories. The list of signatories to the 2012 Code will be archived. Signatories reporting in Year 1 will not be graded or tiered. Applicants which meet the reporting expectations will be included in a single list based on their role ie asset owner, asset manager or service provider.

In 2021, following the first year of reporting against the 2020 Code, the FRC will:

- report on our observations of the quality of reporting based on our assessment and include examples of good practice in stewardship and reporting.
- determine what resourcing may be necessary to engage signatories on their reporting.
- encourage signatories to work together and with us to develop good practice norms on reporting stewardship outcomes
- propose a timeline to review of the Code's reporting expectations, to ensure the Code remains up to date and continues to encourage effective stewardship.

The Code Principles will not change without formal consultation; however, we may periodically update the reporting expectations. When we do so this will be clearly explained.

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