



**Superannuation
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Corporate Governance and Stewardship
Financial Reporting Council
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BY EMAIL: stewardshipcode@frc.org.uk

29 March 2019

Dear Sir / Madam,

Proposed Revision to the UK Stewardship Code

Thank you for the opportunity to consider and respond to this consultation.

SAUL Trustee Company (STC) is Trustee and administrator of the Superannuation Arrangements of the University of London (SAUL). SAUL provides defined benefit pension provision for the non-academic staff of the Universities of London, Kent and Essex, Imperial College, the Royal College of Art and associated colleges and institutions. At 31 March 2018, SAUL had over 54,000 members, 52 participating employers and over £3.3 billion in assets. SAUL is a non-associated multi-employer pension scheme.

We understand that this consultation seeks views on amendments to the UK Stewardship Code which will take effect from July 2019. In summary, we welcome the changes to the UK Stewardship Code which ensures more of a focus on ESG issues (including climate change), expanding the definition of stewardship to other asset classes and the introduction of an annual reporting requirement. The next page details our responses to the questions set out in the consultation.

Yours faithfully,

Kevin Wade
Chief Investment Officer

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above address.
No. 2868875

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.

The proposed Sections make it clearer as to what is expected from those who choose to sign-up to the Code. However, it would be helpful to provide additional best practice Guidance for stewardship across asset classes other than listed equity.

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, SAUL supports this approach as it gives signatories the opportunity to commit to the Principles of the Code while looking to improve their compliance over time.

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

Any Guidance provided to signatories should also include examples of best practice.

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, SAUL supports this proposal. Each signatory could provide details of activities such as the objective, the outcome and any follow ups.

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, SAUL supports these proposals.

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?

The Kingman Review highlighted that the Code “should focus on outcomes and effectiveness, not policy statements” and the introduction of the annual Activities and Outcomes Report referred to above certainly goes some way to address this.

We would suggest the FRC consider this further after assessing the outcome of the implementation of the revised code.

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

Yes, SAUL supports this proposal.

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?

No, the Provisions and Guidance already reflect the main other asset classes. Also see our response to Q15.

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?

Yes, Provision 1 provides sufficient transparency to clients and beneficiaries as to how stewardship practices may differ across funds. Rather than list the stewardship approach against all funds, perhaps seek comments only on an exceptions basis.

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, SAUL agrees with this proposal.

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, the use of "collaborative engagement" is already used widely in the industry (PRI for example).

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

In theory, yes, but we would require details on what the exact mechanism would be before we can comment further.

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

Yes, Guidance provided to signatories should also include examples of best practice in other asset classes.

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, SAUL welcomes the Service Provider Principles and Provisions, given that it recognises the influence that investment consultants, proxy advisers and other service providers have on the industry.