



29 March 2019

Corporate Governance and Stewardship Financial Reporting Council
8th Floor
125 London Wall
London
EC2Y 5AS

Dear Sirs

We are pleased to submit comments from the Hampton-Alexander Review as below in response to the Consultation on the Draft 2019 UK Stewardship Code.

Overall the Hampton-Alexander Review is supportive of the proposed amendments to the Stewardship Code and in particular welcomes the approach taken in Section 1. Principles A and C which requires signatories to develop their own organisational purpose, governance, processes, resource and remuneration to align with the delivery of their stewardship objectives. However, we are disappointed to find no explicit reference to leadership and more specifically diversity in leadership teams. See comments below:

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.

There is now broad agreement that board and pipeline diversity is an important part of investor engagement and ever-growing empirical evidence to show companies with diverse leadership teams make better decisions, drive innovation and are better positioned to deliver long-term sustainable returns for investors. It is therefore an omission - and arguably unhelpful to continued progress - that there is no explicit mention of diverse leadership, nor mirroring of the requirements of the UK Corporate Governance Code in either Section 1, 2 or 3 of the Stewardship Code.

Furthermore, reference to the UK Corporate Governance Code, adherence and monitoring thereof, has been relegated to Section 3 of the Guidance (Active Monitoring) and would be more appropriately embedded within the core Principles and Provisions the Stewardship Code.

Continued

During the 2018 prior consultation round, there was considerable support for the inclusion of issues such as culture and diversity, workforce matters and other elements of environmental, social and governance matters within the Stewardship Code.

In the latest draft this has been significantly under-played and abbreviated in the use of the generic, catch-all header "ESG factors". Matters such as culture, people and diversity in leadership are core and critical business issues and need to be assessed as such. These should not be left to "default" under the term ESG factors, which in itself is un-explained and open to interpretation.

The wording in Section 2, Principle E - in particular the singular reference to climate change, as a material ESG factor exemplifies this.

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

Guidance Section 5. Exercise Rights and Responsibilities - We welcome the emphasis under item 26 for signatories to publicly disclose voting records and in particular that records should include the rationale for voting decision. It would help transparency and interpretation of voting rationale in the investor community and its stakeholders if the guidance was extended to include where a vote is held "against". This would help remove some of the current guesswork required in reviewing voting records and facilitate collective engagement.

The suggested wording would read:

Records should include rationale for voting decisions, particularly where:

- *There is a vote against the board;*
- *A vote is withheld, or is against; or*
- *The vote is not in line with voting policy.*

Yours sincerely



Sir Philip Hampton
Hampton-Alexander Review

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