THE UK STEWARDSHIP CODE
REVIEW OF EARLY REPORTING
SEPTEMBER 2020
ABOUT THE FRC

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ABOUT THE CODE

The UK Stewardship Code 2020 (‘the Code’) sets high expectations for how investors, and those that support them, invest and manage money on behalf of UK savers and pensioners, and how this leads to sustainable benefits for the economy, the environment and society.

It is a set of 12 Principles for asset owners and asset managers, and a separate set of six Principles for service providers – investment consultants, proxy advisors, data providers and others.

The new Code took effect on 1 January 2020. The FRC will begin accepting applications in Q1 2021. Asset managers wishing to be included on the first list of signatories will need to apply by 31 March, and asset owners by 30 April for the period 1 January – 31 December 2020. Applicants that effectively evidence how they apply the Principles and meet the reporting expectations will be listed as signatories to the Code in the summer 2021.

Information on how to apply and application windows for other reporting periods will be published on the FRC website.
I’m really pleased to introduce this Review of the early reporting we have seen against the UK Stewardship Code 2020. We are proud that this Code continues the UK’s world-leading position in this field. The new focus on the importance of stewardship activities and outcomes recognises the need for renewed rigour in stewardship reporting called for by many, including Sir John Kingman. The Code sets high expectations for practice and reporting and brings the transparency that is needed to support a well-functioning and effective market for stewardship.

In these challenging and uncertain times, with the ongoing impact of the Covid-19 pandemic changing so many parts of our lives, high quality stewardship has a critical role to play. There is no doubt that increasing societal expectations and regulatory pressure place greater scrutiny on how investors are effective stewards of the assets entrusted to their care. There is a clear and consistent expectation that environmental, social and governance (ESG) issues, including climate impact, are included in stewardship and investment decision making. A new social contract is emerging as we all look to build back better, and the Code offers a real opportunity for signatories to demonstrate the impact of their stewardship activities on a wide range of stakeholders.

We are encouraged by how many investors have engaged with the spirit of the Code and used it as a framework to review their practices and reporting. We encourage others to do the same. Thank you to all who have reported early. Well done on being leaders in the field and thank you for being receptive to our feedback.

Climate change remains a critical area of focus for companies and investors, so it’s been particularly pleasing to see already some strong examples of effective engagement with the long-term strategic issues the climate crisis raises. The pandemic has also brought the ‘S’ in ESG front of mind for many, bringing a greater focus on the relationship between companies and their employees, customers, suppliers and other stakeholders as well as issues including diversity, inclusion and remuneration. Investor stewardship has a central role to play here, and when it is done well, it is a catalyst for changing the actions of issuers and enhances long-term value.

So what does this report mean for prospective signatories to this Code? We want the first applicants to deliver high-quality stewardship and report on this well. This Review reiterates the expectations for effective stewardship, explains what we expect to see from reports, and highlights good examples where we have found them. It will be a key tool to help applicants prepare their new stewardship reports and reinforce the UK’s reputation as a centre for excellence in stewardship.
Industry voices

Chris Cummings  
Chief Executive  
the Investment Association

The Stewardship Code 2020 sets a new ambitious standard for stewardship in the UK. Our members are committed to meeting these heightened expectations, furthering the UK asset management industry’s world-leading reputation in stewardship. This review provides helpful guidance to our members and we will continue working closely with the FRC to enable the industry to meet the Code’s requirements.

Richard Butcher  
Chair  
Pension and Lifetime Savings Association

Good governance and stewardship are vital to well-run schemes and achieving good member outcomes. The new Stewardship Code rightly raises expectations for how money is invested on behalf of UK savers and pensioners. We’re pleased by the level of early engagement with the ambitious new standards, and strongly encourage schemes and asset managers to apply and support them.

Catherine Howarth  
Chief Executive  
Share Action

The new Code sets a meaningfully higher bar for stewardship performance and reporting. In that context, this invaluable review offers a wealth of practical guidance based on real examples that prove what is doable. It should be read with care by all UK fiduciary investors.
EXECUTIVE SUMMARY

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.

The revised Code seeks to: align objectives and incentives across the investment community; widen the application of stewardship practices to all assets under management; encourage better communication to beneficiaries and clients; and systematically integrate stewardship, including environmental, social and governance issues, into investment decision making.

Perhaps the most significant change to the Code is that signatories, in order to evidence effective stewardship, are required to annually report on the activities they undertake to fulfil their stewardship responsibilities and the outcomes of this activity.

The Review

The purpose of our Review of early reporting is to support prospective signatories in meeting this new reporting challenge. We analysed 21 responsible investment, active ownership and stewardship reports, and looked at how well prospective signatories are addressing the higher standards we’ve set. This Review highlights what has been reported well, using examples to demonstrate a range of effective approaches, and highlights areas where reporting needs to improve. Although most of the reports we reviewed were from asset managers, many of the points we make are relevant to asset owners and service providers.

In Part 1, we expand on our expectations of reporting which apply to all the Principles and reporting expectations. We also discuss our observations on structure and the use of evidence to support stated approaches. In Part 2, we comment on the quality of reporting and our expectations for specific Principles. We have highlighted good examples of reporting where we have seen them.

Observations

Our Review revealed good examples and case studies evidencing stewardship activity, with some reports identifying outcomes well, particularly in relation to engagement. Better reporting makes good use of both quantitative and qualitative information – quantitative reporting giving a sense of how consistently the approach is applied, and examples and case studies providing depth and insight into how this works in practice.

Nevertheless, few reports consistently demonstrate the application of all the Principles or address all the reporting expectations. For all the Principles, reporting needs to improve by reflecting on effectiveness of approach, demonstrating continuous improvement and disclosing outcomes. Statements should be supported with specific evidence from the reporting period, and the rationale rather than just a general statement of approach.

The Code encourages organisations to be transparent about what they do and why they do it and does not prescribe a single approach. Reporting should clearly explain the organisation’s purpose and beliefs and provide distinctive reporting that connects this to their stewardship practice during the reporting period.

Reporting needs to improve by reflecting on effectiveness of approach, demonstrating continuous improvement and disclosing outcomes.

Statements should be supported with specific evidence from the reporting period.

Reporting should address all asset classes and geographies.

The FRC commends those investors that have sought to align their reporting to the Code before they are required to, and we thank them for being receptive to our feedback.
PART 1 EXPECTATIONS OF REPORTING

In this section we comment on what we have seen from our review that applies to all or most of the Principles and reporting expectations.

We were pleased that reports made a serious attempt to apply and report on the Code, and we see encouraging examples of good reporting. Nevertheless, there are several areas for improvement and this section explains how to address these effectively in future reporting.

Some organisations indicated to us that their reports were not fully aligned to the new Code yet, and we recognise that organisations are still developing their reporting. However, applicants to the Stewardship Code in 2021 will be required to cover all 12 Principles in their reports and address the reporting expectations to become signatories.
Principles and reporting expectations

The Code consists of 12 ‘apply and explain’ Principles for asset managers and asset owners, and six Principles for service providers. To become a signatory, applicants need to submit a stewardship report that explains how they have applied all the Principles and responds to the reporting expectations for the reporting period. Asset owners and asset managers should select the reporting expectations that are relevant to their role as direct or indirect investors (or both).

The Code encourages organisations to be transparent about what they do and why they do it, and does not prescribe a single approach.

In the reports we reviewed, the quality of reporting varied, and few reports covered all 12 Principles to the same standard. Some did not respond to all the Principles, and most did not cover all the reporting expectations that sit underneath. Most reporting expectations are applicable to all potential signatories. In cases where there is a strong reason why a reporting expectation does not apply, applicants should explain this reason, rather than simply ignore it in their disclosure.

For some Principles, different reporting expectations apply depending on the role of the signatory. Organisations should choose the reporting expectation most appropriate for their business. For example, in Principle 9 the Code states that signatories should explain ‘the expectations they have set for others that engage on their behalf and how’ OR ‘how they have selected and prioritised engagement (for example, key issues and/or size of holding)’. Organisations that engage directly with companies (such as asset managers) would report on the second point, while those that invest through others would explain under the first point. It may be appropriate in some cases for a signatory to report on both reporting expectations. For example, an asset owner that invests directly and through asset managers should report on both areas.

Better quality reports clearly explain their organisation’s purpose and beliefs, and provide distinctive reporting that connects this to their stewardship practice during the reporting period. For example, reports may explain the rationale for decisions taken about their stewardship approach with reference to the information provided about their purpose, investment beliefs, strategy and culture explained in Principle 1, or about the information provided about client and beneficiary needs in Principle 6.

Structure

Stewardship Reports should ‘be a single document structured to give a clear picture of how the organisation has applied the Code’. The Code does allow flexibility on how reports are presented, so long as the Principles and underlying reporting expectations are reported on.

We saw a variety of approaches to structuring the reports. Some chose to report Principle by Principle, dividing the report into separate sections for each Principle and including all relevant reporting in each section. Others chose to align their existing active ownership, stewardship or responsible investment report with the Code. We saw effective examples of both approaches.

A Principle by Principle approach tended to address all the Principles and reporting expectations. However, reporting did not always draw the connections that exist within the Code and in some cases there was a greater emphasis on policy, rather than a reflection of the activity and outcomes for the reporting period.
Organisations that followed their own structure often presented the information in an engaging way and made effective connections between the Principles. Several included a key to show which pages included the relevant reporting for each Principle. If choosing this approach, make sure the key covers all Principles and relevant pages in the report.

Regardless of which approach is adopted, organisations should make sure that the Principles and reporting expectations are clearly addressed and relevant connections between areas of reporting highlighted – for example, by cross-referencing information within the report.

We saw a variety of report lengths (between 25 and 80 pages), reflecting different approaches and styles adopted by organisations. We did not find a direct link between the report’s length and its success in reporting against the Code.

The stewardship report should be a useful document for clients, beneficiaries and other stakeholders, and not just for the FRC. In choosing the structure of their report, organisations should consider their audience’s needs and how to make the report as useful and accessible as possible.

Organisations may also include information relevant to meeting other regulatory reporting requirements. With regard to Shareholder Rights Directive II (SRD II) reporting, section 2.0 of the Financial Conduct Authority’s PS19/13 (p14) states: “We cannot see a reason why firms that wish to provide their SRD II disclosures in the same document as their reporting under the (revised) Stewardship Code should not be able to do so. Firms will need to consider whether the disclosures they make under the Stewardship Code are sufficient to meet their obligations under our rules.”

A reader should understand the organisation’s application of the Principles from their stewardship report without referring to information elsewhere.

Effective activity reporting is specific about what has been done and when. It also seeks to explain the objectives and rationale for a particular approach.

Organisations need to demonstrate how they have applied the Principles of the Code by addressing the reporting expectations, which are divided into three types: context, activity and outcome.

**Context** provides background information for understanding the application of the Principle, such as an explanation of the key features of a policy or approach. Not all Principles have reporting expectations under context.

**Activity** identifies the actions taken by the organisation during the reporting period to fulfil the Principle. Effective activity reporting is specific about what has been done and when. It also seeks to explain the objectives and rationale for a particular approach. Reporting should seek to balance breadth and depth in explaining their approach by making use of a combination of data, examples, case studies, charts and diagrams (see ‘Presenting evidence’ below).

**Outcome** explains the result of the actions taken during the reporting period. Depending on the Principle, the outcomes may be internal or external. Outcomes include self-assessment of the effectiveness of a chosen approach, for example, how review and assurance during the reporting period to fulfil their policies and objectives.

One of the main features of the Code is its focus on reporting stewardship activities and outcomes. Prospective signatories should demonstrate how they have practiced stewardship.
has led to continuous improvement (Principle 5), as well as the result of their actions in engaging with issuers (Principles 9-11). Effective outcome reporting is clear about the progress made against objectives and identifies next steps where appropriate. Fair reporting also identifies areas where objectives have not been met.

Most reports that we reviewed recognised the shift in expectations for reporting and we saw some effective reporting on activity and outcomes. However, only a few reports carried this consistently through all the Principles. Some reports that contained strong reporting on engagement and exercising rights did not address the reporting expectations for activities and outcomes of other Principles, such as those relating to their own purpose and governance (Principles 1-5).

Applicants should focus on addressing the reporting expectations for all Principles, making sure that the activity and outcome reporting expectations are met. More information about activity and outcomes reporting for specific Principles can be found in Part 2 of this Review on page 9.

**Presenting evidence**
The Code’s emphasis on the activities and outcomes of stewardship means it is crucial that organisations effectively demonstrate how their approach has been applied during the reporting period. As outlined in the Code, this includes making use of ‘relevant data, diagrams, tables, examples and case studies’.

Most reports provided considerable information about their organisation’s activity during the year. However, the quality of reporting tended to be better for Principles 7 and 9-12 than for Principles 1-6 and 8.

Effective reports combine data, examples and case studies to give a sense of the organisation’s overall approach during the period. Data allows organisations to give a sense of the scale and breadth of their approach, while examples and detailed case studies can explain how it works in practice or note exceptions to the usual approach.

Better reports use a variety of case studies to demonstrate their approach. They are also specific about the organisation’s role in the process.

We have noted several examples of effective reporting using data, examples and case studies throughout this Review, and more information about effective engagement case studies is included on page 33.

We also saw good examples of information presented graphically. We have included good examples in this Review and encourage organisations to think about how information can be presented in ways that will be helpful and interesting for users of their report.

**Fair, balanced and understandable**
The Code sets the expectation that reports should be ‘fair, balanced and understandable’.

A fair and balanced report addresses both positive and negative aspects of the organisation’s stewardship practice – for example, reports should acknowledge setbacks experienced and lessons learned, as well as successes. Be clear about how representative the activities reported are of the organisation’s stewardship practice as a whole. For example, where a policy or approach only applies to some regions or asset classes the report should be clear about this.
We saw some examples of reporting that addressed this requirement. Some reports identified examples of engagements that had not been successful or where policies and approaches were still in development. Better reports identified these areas and how they plan to improve in the future. This should be an area of focus in 2021.

Better reports identified areas where their approach is less developed, and how they plan to improve in the future.

Write in plain English and avoid excessive use of jargon. Better reports had a clear structure, explained connections between different sections, and presented information graphically where appropriate. Some reports we reviewed included a glossary or defined key terms in the report.

**Asset classes and geographies**

The Code sets the expectation that signatories will seek to practice and report on stewardship across all asset classes and geographies. The Code recognises that ‘investors have different terms and investment periods, rights and levels of influence’, and states that ‘signatories should use the resources, rights and influence available to them to exercise stewardship, no matter how capital is invested’.

Organisations should respond to the reporting expectation under Principle 6, which asks signatories to disclose a breakdown of their assets under management across asset classes and geographies. They should then seek to reflect this balance in their report. For example, if a firm is invested in both equities and fixed income, they should attempt to include a balance of examples from these asset classes in their report.

Reporting on stewardship of assets outside listed equity is a newer area for many organisations and we were encouraged to see many reports attempt to present information across a range of asset classes. However, reporting was less well developed than for listed equity. Reports were more likely to state a general approach to other asset classes and less likely to give evidence of their activities and outcomes or to include examples and case studies.

Better reporting clearly explained the rights and responsibilities associated with different asset classes and geographies, and demonstrated how their approach differed as a result. They also used data, examples and case studies to demonstrate their activities and outcomes.

We recognise that some organisations are still developing their stewardship practice in asset classes outside UK listed equity. Where this is the case, organisations should be transparent about their current approach and identify where their approach differs across asset classes. They should also identify any limitations or barriers to their current practice and explain what they are doing to address these in the future. We expect that organisations will continue to develop their practices and reporting in 2021 and beyond.

Signatories should use the resources, rights and influence available to them to exercise stewardship.
PART 2 PRINCIPLE-SPECIFIC OBSERVATIONS

In this section we comment on what we have seen from our review of early reporting that applies to each of the Principles. We have highlighted good examples of reporting where we see them.

The examples chosen demonstrate good reporting of the specific aspect that is highlighted in the summary at the start of each Principle. They may not address all aspects of the reporting expectation. The examples highlight a possible approach, but do not necessarily indicate a preferred approach.
**Principle 1**

Signatories’ purpose, investment beliefs, strategy and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

**Key messages:**

- A clear purpose, set of beliefs, culture and strategy are the foundations of effective stewardship, and provide context for disclosures throughout the report.
- Meaningful reporting on culture, strategy and business model allows clients to choose managers whose approach is aligned to their own.
- Reports should provide an assessment of how effective the organisation has been in serving the best interests of clients and beneficiaries.

In 2016 we published, *Corporate culture and the role of boards.* In that report we said: ‘Investors should challenge themselves about the behaviours they are encouraging in companies and reflect on their own culture.’ Principle 1 of the Code builds on this observation by setting the expectation that signatories to the Code define and disclose their purpose and investment beliefs, underpinned by a strategy and culture that enables stewardship.

Investors are increasing the pressure on companies for greater transparency about their purpose, culture and strategy. Yet investors’ own reporting in this area, certainly as articulated in the reporting we reviewed, could be clearer and more meaningful.

Investors with a well-defined purpose and culture may find it easier to articulate their business model, develop their strategy, operating policies and approach to risk. They are clear about their role in their investment community, how they create value for clients and beneficiaries, and the impact this has on the economy, the environment and society. We found some good explanations of purpose and investment beliefs, but generally, organisations should better articulate their culture, business model and strategy.

**Context reporting**

Approximately half the reports we reviewed stated their purpose and most stated their investment beliefs. Of these, reporting could be improved with more detail on investment beliefs (the factors they consider important for desired investment outcomes and why), and a description of culture and values, and the business model and strategy – how does the firm fulfil its purpose and its plans to do so over the next three to five years.
Explanations of purpose should be distinctive to the organisation and not easily applied to another organisation. For asset owners, the focus for context reporting under Principle 1 should be being clear about the purpose the organisation serves and for who (linking to Principle 6, context), as well as its investment beliefs and strategy. If investment beliefs are documented elsewhere, for example, as part of an investment strategy, the disclosure in the stewardship report should summarise the key features before linking elsewhere. For some asset owners a description of the business model may not be relevant. However, asset owners should be able to outline their values and may be able to outline their culture, including the culture of the board of trustees in the case of pension funds.

Better examples from the asset manager reports we reviewed, link purpose to the organisation’s origins, ownership structure and client or member base, and make a connection to the investment beliefs, business model and strategy. Although most asset manager reports gave some description of their business model, few reports outlined the strategy. Business model reporting should provide a clear and concise overview of what the business does, and how it operates and benefits, with an illustration to support this.\textsuperscript{11}

**BORDER TO COAST PENSIONS PARTNERSHIP** explains its origins, purpose (vision) and three-year responsible investment strategy. The CEO’s letter brings these together and highlights key features.\textsuperscript{12}

Border to Coast was established by its Partner Funds to facilitate the pooling of their investments with the aim of improving value for money through scale, increased access to investment opportunities and strengthened governance. As a customer-owned, customer-focused organisation, our long-term vision is to make a positive difference to investment outcomes for our Partner Funds. Pooling gives us a stronger voice and, working in partnership with our Partner Funds and across the asset owner and asset management industry, we aim to deliver cost effective, innovative and responsible investment thereby enabling sustainable, risk-adjusted performance over the long-term.

Responsible Investment is at the centre of Border to Coast’s corporate and investment philosophy. We believe that investing in sustainable companies and practising active stewardship will make a positive difference to long-term investment outcomes for our Partner Funds. This means holding companies to account on environmental, social and governance (‘ESG’) issues with the potential to impact corporate value.

We practise active ownership across all asset classes, using our shareholder rights to vote at company meetings and engaging, both directly and in collaboration with other like-minded investors. […] Our three-year RI strategy was developed following discussions on the strategic direction of RI with our Board and Partner Funds, using the PRI Principles as a framework. Our target for 2022 includes:

- Well embedded ESG tools and analysis across asset classes for both internally and externally managed sub-funds
- A holistic engagement framework in place, tracking milestones across portfolios and asset classes
- A well-researched approach to requiring disclosures to support our investment process
- The PRI Principles embedded throughout our procurement process and contract monitoring
- Being an active partner on RI collaborations
- Producing quality, transparent disclosures and reporting on Responsible Investment
**Activity reporting**

To fulfil the reporting expectation under activity, organisations should ‘explain the actions they have taken to ensure that their investment beliefs, strategy and culture enable effective stewardship’. We want to understand how these elements are embedded throughout the organisation and expect organisations to demonstrate this in different ways. For example, for asset owners this could be how these influence their choice of investment consultant or asset manager, how they set stewardship expectations of their asset managers, and how they oversee the activity of those that operate on their behalf (link to Principles 7 and 8). For asset managers, it could be how they reflect on the appropriateness of their governance structures, embed their beliefs, culture and strategy throughout their organisation (link to Principle 2) or integrate their stewardship and investment (link to Principle 7).

**Outcome reporting**

Organisations can demonstrate how their purpose and investment beliefs have guided their stewardship and investment decision-making by identifying examples of activity or decisions taken, with reference to the purpose and investment beliefs.

Finally, reports should reflect on how effective organisations consider they have been in serving the best interests of clients and beneficiaries. This is the primary purpose of effective stewardship, so we expect to see some consideration of this linking to the Principle itself.

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**SCHRODERS** outlines how it embeds its belief that analysing exposure to and management of ESG factors enhances long-term sustainable returns into its processes through performance targets and internal reporting.13

**Principle 1: Purpose, strategy and culture**

As active fund managers it is central to our investment processes across asset classes to consider each investment's ability to create, sustain and protect value. We believe that analysing exposure to, and management of, ESG factors, in addition to traditional financial analysis, enhances our ability to deliver long-term sustainable returns. We have publicly declared a commitment that all of our investment desks will explicitly integrate ESG into their investment processes by the end of 2020. This target has been embedded into the objectives of asset class heads.

In order for an investment desk to be accredited as having done so, they must complete an ESG “explainer sheet” outlining exactly how ESG is integrated into their investment philosophy and practice. This is a living document, that is refreshed annually and case studies on how ESG has impacted investment decisions and stewardship activity are key. Accreditation is granted following sign off from our Global Head of Stewardship and Head of Sustainable Research. The same approach is used across asset classes.
**Principle 2**

**Signatories’ governance, resources and incentives support stewardship.**

**Key messages:**

- Reporting should be clear about the governance structures that provide oversight and accountability for stewardship in the context of the whole organisation.
- All aspects of how stewardship is resourced should be explained clearly as it provides insight into the investor’s approach.
- Reporting should better explain how the workforce is incentivised to integrate stewardship and investment.

Investors rightly place a strong emphasis on understanding the governance of the companies they invest in, and the FRC would like to see some of this discipline and focus applied to investors’ stewardship reports.

**Governance**

Our review of reporting found some good descriptions of governance structures, and the processes for reviewing stewardship and investment policies. It is the area of Principle 2 most frequently and comprehensively addressed, and better examples clearly set the governance for stewardship and responsible investment in the context of the organisation’s overall governance structures. Good examples of reporting explain who has overall accountability for effective stewardship and the reporting lines, as well as any groups and committees involved in reviewing stewardship policies, their composition and the level of decision-making or influence they have.

Although not explicitly referenced in the Code, it is difficult to provide transparent and meaningful disclosure on governance without referring to ownership structure. For example, where an asset manager’s client is also their parent/group company, this relationship should be clearly explained (links to Principle 3).
Brunel believes in the importance of regular and in-depth shareholder and stakeholder engagement. The Board regularly scrutinise Brunel's Responsible Investment strategy which is overseen operationally by the Executive Committee.

Brunel's Client Group is made up of Client Fund Officers, this group provides oversight through monthly Responsible Investment updates, providing input on their committee and beneficiaries emerging needs and concerns.

In addition, the Responsible Investment Subgroup meets monthly and acts as a forum for further discussions on Responsible Investment topics. Workshops are conducted where a deeper awareness or education on a particular topic is useful. For example, from October to December 2019, we conducted a series of workshops around our Climate Change Policy prior to publicly launching in January 2020.

Further detail on our governance structure can be found in our Annual Report and Financial Statements.
Training
Over the past year, we have held a number of training sessions on ESG ratings and broader ESG integration for our investment teams. We conducted sector-specific training to provide sector analysts with an update regarding the evolving ESG regulatory frameworks, disclosure guidelines, best practices and new technologies within their respective sectors. Group Management Board members for each of the boards of the regional entities (e.g. HSBC Hong Kong) have attended masterclasses on ESG and responsible investment.

In 2020, we will roll out a global training update for relationship managers and other non-investment personnel. This training will cover recent responsible investment trends and drivers and further enhance the understanding of responsible investing across the business.
In 2019, an Investment Association survey found that just 1% of investment managers and 2% of investment management staff surveyed identified as Black, African, Caribbean or Black British. This is in contrast to 3% of the UK population and 13% of the population of London that come from this ethnic background. We would like to see reports describing the steps organisations are taking to create a more diverse and inclusive organisation, and not limiting their efforts to gender diversity. This is an issue of concern to many investors when engaging issuers, and is included in engagement targets and voting policies.

Approximately half of reports outlined their systems, processes, research and analysis for stewardship. Most reports explained how they use the services of proxy advisors, with the majority naming them. Investors also reported employing third-party ESG data providers. Where ESG analysis is conducted in-house, the rationale for this approach is given. Better reporting explains the use of all third-party providers in relation to stewardship and investment, as well as a summary of the rationale for the chosen approach. Although it is not a requirement of the Code, better examples name the providers employed.

Approximately one third of the reports we reviewed refer to how teams are incentivised to integrate stewardship and investment decision-making. In nearly all cases more detail is necessary to make reporting meaningful. An objective of the Code is to better align objectives and incentives across the investment community. Often those making investment decisions are rewarded on the achievement of short-term targets. To better encourage a focus on creating long-term value for clients and beneficiaries, stewardship and investment decision-making needs to be better integrated. The FRC is seeking to understand how performance management, rewards and other instruments are used to encourage effective stewardship.

Outcome reporting

A small minority of reports specifically reflect on the effectiveness of their governance structures in supporting stewardship. More comment on their processes and identify changes that have been made or will be made, for example, changing or increasing the resourcing of stewardship and the use of third-party data. This reporting expectation may be fulfilled in many ways and is linked to the reporting expectations for Principle 5. The purpose is to encourage organisations to question and challenge the approaches they take, and continuously seek to improve the structures that underpin effective stewardship. Future reporting should better disclose how organisations have reflected on the appropriateness of the governance, processes and resourcing for stewardship.

INVESCO presents the use of third-party providers in a table.

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Source: INVESCO, as at 31 December 2019; ACGA: Asian Corporate Governance Association; CII: Council of Institutional Investors; GRESB: Global Real Estate Sustainability Benchmark; QCA: Quoted Companies Alliance; RIA: Responsible Investment Association; UKSIF: UK Sustainable Investment and Finance Association. For illustrative purposes only.
Principle 3

Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.

Key messages:

- Boilerplate statements are not enough. Reporting to this Principle requires a summary of an organisation's conflicts of interest policy, and a discussion of actual or potential conflicts of interest that have arisen and how they were addressed.

- While there were some examples that reported against all of the reporting expectations of Principle 3, many reports did not disclose their conflicts of interest policy or discuss their approach to addressing conflicts.

Many reports reviewed either did not report against Principle 3 or simply stated that they put the best interests of clients and beneficiaries first without then addressing the reporting expectations of this Principle.

Where reports did address conflicts of interest, a number gave a short summary of their policy with a link to the full document. Better reporting included examples of potential conflicts, particularly where they highlighted how the conflicts were relevant to their particular organisation, taking into account their structure and operations. Addressing Principle 3 is supported by reporting that provides information about the ownership, governance and workforce structures, and the overall makeup of an organisation, including Principles 2 and 6.

If no actual conflicts arose in the year, signatories could discuss potential conflicts that may arise and how they would be addressed.

Some reports highlighted conflicts of interest only for specific aspects of stewardship (for example, engagement or voting), rather than reporting on their overarching policy. Better reporting gives the overall information on an organisation's conflicts of interest policy, and is supported by more detailed reporting related to specific stewardship activities.

Linked with Principle 5, organisations should report on how they have reviewed their conflicts of interest policy, and how this has led to continuous improvement of their management of conflicts of interest.
Managing conflicts of interest

RLAM is fully committed to the highest degree of professionalism, integrity and governance in doing business and ultimately to treating our customers in a fair and consistent manner. RLAM has a detailed conflicts of interest policy that all members of staff are required to read and adhere to. Overall responsibility lies with RLAM’s senior management who are responsible for ensuring that RLAM systems, controls and procedures are adequate to identify, manage and monitor conflicts of interest. RLAM’s senior management has responsibility for ensuring that RLAM staff are aware of the aspects of the policy relevant to them. The policy is updated annually by the Risk and Compliance team. The Group’s Board is ultimately accountable for the management of risk within the Group and reviewing the effectiveness of internal control, including those related to conflicts of interest. Failure to adhere to our policies may be held to be a breach of an employee’s contract. Failure of a person to declare an interest will be regarded as misconduct and may lead to disciplinary action being taken against the individual concerned.

Potential conflicts of interest:

- Where an investment is also a client
- Where the interests of two RLAM clients conflict
- Between RLAM and Royal London Group

- Where an employee of RLAM is a director of an investee company

The policy provides detailed guidance with respect to management of conflicts that might arise in relation to the order and execution of trades, access to inside information, management of client accounts, voting and engagement, confidential client information, gifts and entertainment, additional employment or consulting activities, and new product launches. RLAM’s policy is to take all reasonable steps to properly identify and manage conflicts of interest and always to act in the best interest of our clients, so that transactions are effected on terms which are not materially less favourable to the client than if the conflict had not existed. The business maintains a Conflicts of Interest Register and a Conflicts of Interest Events Log.

Should a conflict be unavoidable, RLAM will strive for appropriate and sufficiently detailed disclosure to the client. The disclosure must include the general nature of the conflict and/or the sources of that conflict and be provided before undertaking the relevant business for the client. This will allow the client to make an informed decision on whether to accept the conflict or terminate the activity.

A summary of our Conflicts of Interest policy is available on our website and the full policy will be made available on request.

Inside information

When engaging with companies, it is our strong preference to not be made an insider, as this restricts our ability to trade. However, on occasion, we will voluntarily agree to be given inside information in order to aid in our discussion with management or the board. Should we agree to be taken inside, the company is immediately put on our Restricted Stock List. The List is programmed into our trading systems and all fund managers in the business will be unable to trade the security. Once the information is made public, a member of the Executive Committee will provide sign-off to allow the fund managers to lift the trading restriction.

There are occasions where we have been taken inside involuntarily or inadvertently in our discussions with a company. In accordance with our Market Conduct policy, RLAM staff are required to immediately put the stock on the Restricted Stock List, as described above, if they feel they were provided information that is not in the public domain. Staff are provided training and assistance by our Compliance Advisory and Legal teams to help identify and understand what constitutes inside information. If the situation is unclear as to whether the information disclosed to us is considered inside information, we err on the side of caution and place the company on the Restricted Stock List.
Potential conflicts of interest are addressed in three ways:

- The Trustee Company expects its external asset managers to have effective policies addressing potential conflicts of interest, when it comes to matters of stewardship and investment practice. We also consider conflicts of interest in our appointment and monitoring of service providers.

- Under the Code of Conduct, Railpen staff are required to disclose any interest in any company, or other entity, in which the Trustee Company has an ownership interest. The compliance function runs a corporate watch list and a personal securities and investments dealing policy to further limit conflicts of interest.

- The Trustee Company’s voting policies are applicable to all listed companies, including without exception those that participate as employers in railway industry pension schemes.

**Case study: managing potential conflicts of interest in voting**

If we vote against management at an AGM of a company which is a sponsoring employer within the Railways Pension Scheme, we will notify our MD, Investments and the Head of the Client Investment Team. In 2019 we sent 23 notifications of this type.

We follow a similar process when we vote against management at the AGM of a company which is a tenant in our internally-managed Property portfolio. In this case, we notify our MD, Investments and the Head of Property. In 2019 we sent 9 notifications of this type.
Key messages:

- Investors have a responsibility to play a central role in addressing risks that affect financial markets and working with others to improve how markets function.
- Reports should focus on the processes used to identify and respond to risks from the reporting period, and how investments have been aligned at an organisational level.
- Reports should set out the role and contribution made when working with others and participating in industry initiatives, and not just list the initiatives.
- Investors should reflect on the effectiveness of their actions across all aspects of this Principle. We saw little evidence of this in our Review.
- We expect all reports in 2021 to include the risks presented by Covid-19 in 2020, and an assessment of how effective they were in identifying the risk of a pandemic and responding to the Covid-19 crisis.

In our engagement with prospective signatories we’ve been asked many times about what we are looking for in reporting to Principle 4. The purpose is to encourage participants in the investment community to use the opportunity and responsibility they have to anticipate significant risks to the markets in which they operate, and work with others to improve how markets function.

Investors and service providers have access to information on market-wide and systemic risks through their investment analysis, which may be used to improve the outcomes for their clients and beneficiaries, as well as the economy, environment and society. Through their work, investors can identify the barriers to effective stewardship and improvements needed to how financial markets function. They should work with other investors, not-for-profits, governments and policymakers on initiatives that address these issues, and align their investments in response to these risks and barriers.

Activity reporting

The FRC is seeking to understand the process that investors follow at an organisational level to monitor the investment environment in order to identify market-wide and systemic risks. This could include the categories and types of risk, use of information sources and communication throughout the organisation. This is as relevant for the governance bodies of asset owners as it is for asset managers and service providers. Where this has identified a risk, what are some of the ways they have responded to it? Fund level risk identification and reporting is not required, but may be a valuable input where there is a wider risk to an industry, market or economy.
In our Review we observed some good examples of how investors identify risk, with descriptions of the issues identified, how they may have an impact and the way in which the organisation had addressed them.

The determining factor should be whether the issue presents a risk to the market or system. The lists in the Code are examples of areas that may be considered by the firm to present a risk of that nature. They are not necessarily specific areas of focus for the FRC’s assessment as that is for firms to determine. However, we would expect reports in 2021 to address climate risk and the risks presented by the Covid-19 pandemic.

In our review, most reports make some reference to market-wide and systemic risks, as well as list collaborative initiatives to which they are signed up. It may be entirely appropriate to be a signatory rather than play a more active role. Reporting that is fair, balanced and understandable is transparent about the nature and extent of this role played in initiatives. In our review we saw limited examples of this.

**Outcome reporting**

While the FRC appreciates it may be difficult to attribute an organisation’s actions to an outcome as part of an initiative, there is significant room for reports to reflect on their contribution to initiatives and provide an assessment of their effectiveness in identifying and responding to risk.

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**LAZARD ASSET MANAGEMENT** explains how they have identified a specific issue – plastic packaging – as a systemic risk for packaging companies and how they align their investments.

There has been a sharp increase in attention on the externalities generated by packaging, both in its production and at the end of its useful life. Packaging companies are facing pressure from consumers and regulators to address these externalities and must respond to justify the existence of their products. The push for creating sustainable substitutes has never been more topical. Following numerous public awareness campaigns, consumers are currently focused on waste at end of product life. We think this poses the greatest risk for companies producing plastic packaging. We expect this to impact organic growth due to substitution away from plastics into other packaging materials. We could also see a reduction in industry growth due to increasing focus on overall reduction in packaging.

To assess the outlook for companies under his coverage, one of our international consumer analysts, Edward Lund, has developed a framework to assess the life-cycle impacts of different packaging materials and the implications of an acceleration in plastic packaging substitution. We have identified a set of metrics using third-party estimates that rank packaging companies based on the intensity of their use of natural capital, including water and carbon emissions. To assess the potential financial impact, our analyst has built a scenario analysis tool that quantifies the potential range of impacts on earnings. The tool is designed to forecast the change in organic growth by using different assumptions about the rate of product substitution and industry growth. We use this tool to inform the valuation multiples we ascribe to companies in our financial models.
The Railways Pension Scheme includes an open defined benefit scheme, which means that the Trustee expects to be paying the pension of an eighteen year old who is in their first job today out to 2100 and beyond. The *Longer-term risks and opportunities* workstream is designed to help Railpen identify and manage risks which are expected to materialise over this time period. We monitor emerging risks as they arise, while also reviewing thematic research. At present, the main focus of this work is climate, which we also prioritise in our active ownership programme.

We undertake policy engagement with policymakers to drive market norms in a positive direction on environmental, social and governance topics. This may be through involvement in associations such as the Pension and Lifetime Savings Association (PLSA), the Asian Corporate Governance Association (ACGA), the Council of Institutional Investors (CII), the International Corporate Governance Network (ICGN) or by engaging directly. We are also a supporter of the UK Sustainable Investment and Finance Association (UKSIF), and the Task Force on Climate-related Financial Disclosures (TCFD.)

**Case study: Climate policy engagement.**

Our climate policy initiatives are informed by our membership of the Institutional Investors Group on Climate Change (IIGCC) and Climate Action 100+ (CA100+).

Railpen continues to support the Global Investor Statement to Governments on Climate Change, which called on world governments to achieve the Paris Agreement’s goals, accelerate private sector investment into the low carbon transition and commit to improve climate-related financial reporting. The statement was signed by 631 investors managing over USD $37 trillion, and was presented to world governments at COP25 in Madrid in December 2019.

We supported the Investor Expectations on corporate climate lobbying sent to the US and European CA 100+ focus companies. Following presentation of the European Investor Expectations of Corporate Climate Lobbying, HeidelbergCement included disclosures in line with these recommendations within its annual report.

We also respond to official consultations, and provide practitioner input to official surveys of market practice. Railpen was also a member of the GC100 Investor Group which published the updated UK Directors’ Remuneration Reporting Guidance.

**Case study: Stewardship and corporate governance policy engagements.**

Railpen participates both in formal consultations and private dialogues with policymakers. A selection of engagements from 2019 is listed below:

- Railpen participated in consultations regarding the UK regulatory framework undertaken by the Financial Reporting Council, the Financial Conduct Authority and the Department of Work and Pensions.
- We also wrote to the German authorities regarding the proposed changes to the German Corporate Governance Code (the Kodex) and the implementation of the revisions to the Shareholder Rights Directive into German law (ARUG II).
- We wrote to the Dutch Ministry of Justice and Safety jointly with the Universities Superannuation Scheme Ltd (USS), raising concerns over a proposal to allow Dutch listed companies to invoke a statutory response time of up to 250 days, and corresponding suspension of shareholder rights, in the situation of shareholder activism or a hostile public bid.
- We have also co-authored discussion papers to shape market practice. We are a supporter of the RPMI RAILPEN frame their approach to identifying and responding to market-wide and systemic risk in the context of their investment time horizon, citing climate as their main focus. As well as outlining how they work with others to improve the functioning of the market, they also give an example of investment decisions that are made to address investment and reputational risk.
Just Transition, and have committed to take account of the social dimension of the transition to a low carbon economy, which we referenced in the Investor Expectations for Construction Materials which we authored.

**Case study:** Thought Leadership.

We have collaborated with other like-minded investors to produce thought leadership in 2019. *Report for CA100+ Report with NEST on cyber*

In terms of how we have aligned our investments, if we think there is a long-term risk to the value of the investment or significant reputational risk we will consider divesting our holding. As a first step to managing climate risk in our portfolios, we have divested from companies which derive greater than 30% of their revenues from thermal coal or tar sands.
Principle 5 was one of the weaker Principles in the reports that we reviewed and a few reports did not refer to it at all. Of those that did, a majority only responded to some of the reporting expectations.

Reports typically focused on the review of policies, in particular voting policies, but varied in the level of information provided. Better reports explained the approach to reviewing a wider range of relevant policies and processes. They were also specific about what elements of the policies had been reviewed, who had been involved and what changes had been made as a result.

In terms of assurance, several reports did not explain the approach they had taken to internal or external assurance. The Code allows flexibility for organisations to choose the approach they consider most appropriate. Better responses, however, explained the approach chosen with reference to the specific needs of the business.

Most reports did not explain how they had ensured that their stewardship reporting is fair, balanced and understandable.

Few reports disclosed the outcomes of their review and assurance processes. Better responses demonstrated that the review and assurance process was leading to improvements in the organisation's approach to stewardship by providing specific examples of changes to policies and processes that had come from the review during the reporting period.
Principle 6

Signatories take account of client and beneficiary needs, and communicate the activities and outcomes of their stewardship and investment to them.

Key messages:

- Reports need to provide an overall breakdown of assets under management across asset classes and geographies, as well as a breakdown of the client base or scheme structure and membership. This was not disclosed in many of the reports reviewed.

- Better reporting is needed overall on what is communicated to clients and beneficiaries, how their views are sought and how these are taken into account.

Communication is a key component of effective stewardship. This communication should be two-way – both in the seeking of views from clients and beneficiaries, and in informing them about stewardship and investment activities and outcomes. For effective stewardship, and to meet the requirements of the Code, this needs to go further and also identify what actions have been taken in response to the client and beneficiary views sought, and reflect on the methods used.

Context reporting

The context of the stewardship activities and communication of these to clients or beneficiaries is important to address the reporting expectations of this Principle. Overall, the reports reviewed did not consistently provide a breakdown of their client base or scheme structure.

While some reports provided a breakdown of the assets under management across asset classes and geography, this was not uniformly done. Others gave information only on the funds where the organisational stewardship approach applied, rather than all of the assets under management.

Reporting on the context of an organisation is important, not only as a reporting expectation under Principle 6, but also as the basis for a reader to understand the stewardship activities and outcomes of an organisation as a whole, and to determine if the reporting is balanced and reflects assets, no matter how the capital is invested.
Brunel Pension Partnership Limited (Brunel) is one of eight national Local Government Pension Scheme (LGPS) Pools, bringing together circa £30 billion investments of 10 likeminded pension funds: Avon, Buckinghamshire, Cornwall, Devon, Dorset, Environment Agency, Gloucestershire, Oxfordshire, Somerset, and Wiltshire.

Beneficiary/client views and communication

In general, communication was not reported on well, and many reports lacked the basics of what information is reported to clients and beneficiaries, including the type of information provided, methods and frequency of communication. In some cases, the reports highlighted issue-specific communication with clients or beneficiaries. However, better reporting would explain their overall approach to communicating to clients or beneficiaries, and how they have sought views.

Effective reporting to the Code explains not only the methods for client and beneficiary communication, but also the outcomes, including reflection and evaluation of how effective this has been, and how views have been taken into account. This was present in only a minority of the reports reviewed.

Few reports covered where they have not managed assets in alignment with their clients’ policies, though where present, this was reported in the context of voting – for example, where an asset manager explains their house policy and votes in accordance with this, when perhaps client voting policy differs.

ROYAL LONDON ASSET MANAGEMENT includes an explanation of its communication with a section of its clients, and the rationale for its approach.

All of our clients through the wholesale channel are advised, meaning they come to us through a professional financial advisor or a discretionary fund manager. Once a client is invested with us, we ensure their assets are managed in line with their goals and expectations through ongoing due diligence responses, update meetings, and access to fund managers and responsible investment staff. Knowledge and awareness of responsible investing is arguably less mature in the Wholesale market than in the Institutional market, and we spend a lot of time working with clients to enhance their knowledge on these topics. We have held numerous webinars and videos through Bright Talk, and have sponsored educational sessions on Asset TV, where clients can gain professional development credits for listening in.
SCHRODERS describes their annual survey of client views and how this feeds into its engagement priorities. They also describe the information disclosed to clients and the frequency. 26

Each year we seek out the views of both retail and institutional clients worldwide through our Global Investor Study to gain insight into their preferences on stewardship and investment. We take these insights, and particularly what we think is financially material, into account for all our activities. […]

[…] Principle 6: Client and beneficiary needs
Annually we conduct two detailed surveys that give us insight into our client and beneficiary needs on stewardship and investment. These help us to calibrate our stewardship activity to ensure that as well as engaging on issues that our investors view as being material to generating long-term sustainable value, we take into account our clients’ needs.

Global Investor Study
We survey in excess of 25,000 investors across 32 countries on an annual basis. These insights are crucial to our understanding of the sustainability landscape at a global and regional level. In 2019, we asked these investors to rank the UN’s four Sustainable Development Goals. Their priorities, by importance, are planet, prosperity, people and peace. The message seems clear: respondents want fund managers to act on the environment, including the pressing issue of climate change. […]

[…] Each quarter and annually we publicly disclose the following:
• List of companies engaged with and if the issues was related to E, S or G
• A geographical and sector breakdown of engagement
• Overall statistics on the progress of historic engagement by year
• Case studies of regional engagement and proxy voting activity

In addition our clients’ receive a more detailed report on our engagement achievements which is outlined on a company by company basis.
### Principle 7

Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.

#### Key messages:

- Reporting should be clear about how stewardship and investment are integrated across all asset classes, funds and geographies.
- The interaction between different teams, including portfolio managers and ESG specialists, should be explained.
- Better reporting should include the rationale for the setting of ESG priorities.
- Reports should explain the actions taken and outcomes, linking to other Principles where helpful.

The Code recognises there is no one-size-fits-all approach, so strong reporting for this Principle gives a clear understanding of the integration of stewardship across the organisation, and is clear about the differences in approach, where they exist, across funds, asset classes and geographies. It is important to be balanced and to give a view of the whole organisation, even if there are areas where integration is not well established. Case studies can be a helpful way of bringing examples to life.

The reports reviewed showed a variety of approaches to integrating stewardship and investment, with some good examples of case studies and explanations of levels of embedding within the organisation. However, many reports fell short of meeting the requirements of the Code, focusing only on the integration in sustainability or responsible investment-focused funds, rather than the approach of the organisation as a whole.
We have not built a separate siloed ESG team, but have embedded ESG into all of our investment functions, research, portfolio construction, risk management. We have developed a proprietary ESG integration framework using Materiality Mapping* which has been implemented across the investment platforms. […] Our approach is built on granular, in-depth knowledge of a company and its operating environment, combined with insight into how their activities intersect with society and the environment. That’s why our approach is built on:

1. **Genuine integration**
   All of our relevant 250+ investment professionals are responsible for incorporating sustainability-related risk and opportunity assessments into their work. This is not the responsibility of a separate team. Analysts and portfolio managers connect their ideas and unique industry insights by sharing their research on our global research platform.

2. **Proprietary and forward-looking research**
   Our sustainability research is proprietary and forward-looking which differentiates us from firms that rely on external ratings and research providers.

3. **Linked to performance assessment**
   The assessment and compensation of our US and International equity analysts is explicitly linked to the integration of sustainability-related considerations into their research.

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**LAZARD ASSET MANAGEMENT** describes their approach to ESG integration, noting use of an ESG integration framework to determine ESG issues of importance.  

Some reports articulated the integration of stewardship well, explaining the interaction between investment teams and the stewardship/ESG teams. For example, explaining that while the final investment decisions lie with the fund or portfolio manager, they are supported by regular meetings with the stewardship team. Others take a wholly integrated approach, with no separate ESG or stewardship team, but all analysts and portfolio managers integrating ESG as a matter of course.

The level of detail in the reporting was mixed, with some reporting more than others. Many reports explained the ESG information made available to fund managers, but better reporting would also explain the extent to which fund managers are expected to reflect this information in investment decision-making, and how systematically this is integrated into the investment process.

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|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|
In general, teams incorporating ESG into their investment process consider ESG as one input to their process, as part of the evaluation of ideas, company dialogue and portfolio monitoring. As such, assessment of ESG aspects is incorporated into the wider investment process as part of a holistic consideration of the investment risk and opportunity. ESG aspects may therefore be considered alongside other economic drivers when evaluating the attractiveness of an investment. Our fund managers have absolute discretion in taking a view on any given ESG risk or opportunity.

The core aspects to our ESG philosophy include: materiality; ESG momentum and engagement. Materiality refers to consideration of ESG issues on a risk-adjusted basis and in an economic context. We do not view ESG aspects as constraints, aside from certain restrictions driven by legal obligations in certain territories, such as our non-investment policy in controversial weapons in EMEA. The concept of ESG momentum, or improving ESG performance over time, is particularly interesting in our view. We find that companies that are improving in terms of their ESG practices may enjoy favourable financial performance in the longer term. We take our responsibility as active owners very seriously and see engagement as an opportunity to encourage continual improvement. Dialogue with portfolio companies is a core part of the investment process for our fundamental teams. As such, we often participate in board level dialogue and are instrumental in giving shareholder views on management, corporate strategy, transparency, and capital allocation as well as wider ESG aspects.

The starting point for our company level ESG research is the analysts and fund managers, who will look at a variety of factors. These will differ per asset class, sector, geography and company and will typically be one component of an overall investment view. Based on this initial view, where the fund managers and analysts wish for more detailed ESG information, our Global ESG team can provide proprietary analysis. Crucially, while there is global centralized support, decisions are ultimately made by our investment managers and analysts – the individuals who know their asset classes and sectors best.

ESG integration is an ongoing strategic effort and investment teams will vary in the level of ESG integration. We are presently working to apply these principles into all of Invesco’s strategies.

Being clear about how issues are prioritised is also important, as well as explaining how organisations have integrated their approach with those issues through the investment process, from assessing investments prior to holding, to monitoring positions and the decision to exit, if appropriate. Many reports listed the ESG issues they considered priorities in the period, though better reporting also explained the process that had been undertaken to determine which ESG issues were material.

While some reports covered ESG integration across asset classes and geographies, many reports needed to give a better overview of the key differences in approach to ESG integration across their operations/assets under management. In better reporting, this links to the disclosure of an approximate breakdown of client base and assets under management, or scheme structure and membership, a reporting expectation in Principle 6.

Generally reporting was poor in addressing the use of service providers or third-party data. While some of the reports reviewed mentioned ESG data providers, they tended not to explain the extent to which that data is used or how it interacts with proprietary data or systems. There is also a lack of reporting about how clear and actionable criteria are set for service providers, so that their contributions support integrated stewardship.
### Asset owners

For asset owners, this integration is often about the tendering process, or the creation and monitoring of external investment mandates. Good reporting sets out specifics about expectations of asset managers or investee companies and explains the approach taken to following up those expectations.

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**BRUNEL PENSION PARTNERSHIP** explains how it set expectations for considering climate change for companies and fund managers. 29

We expect companies and fund managers to effectively identify and manage the financially material physical, adaptation and mitigation risks and opportunities arising from climate change as it relates to entire business models. We have an expectation that companies should:

- put in place specific policies and actions, both in their own operations and across its supply chain, to mitigate the risks of transition to a low carbon economy and to contribute to limiting climate change to below 2°C.
- disclose climate related risks and actions to mitigate these in line with latest best practice guidelines, such as those of the Financial Stability Board’s Taskforce on Climate-related Financial Disclosures (TCFD).
- include an assessment and scenario analysis of possible future climate change risks in addition to those that have already emerged.

As part of our manager selection and ongoing monitoring we use data from the Transition Pathway Initiative (TPI) and carbon foot printing. Both these tools greatly informed our portfolio construction and design as illustrated by the case studies throughout this section of the report.
### Principle 8

**Signatories monitor and hold to account managers and/or service providers.**

**Key messages:**

- Reports should describe the processes in place to monitor asset managers and service providers.
- Asset owners should explain their performance review process for asset managers and investment consultants, showing actions taken if needs have not been met.
- Better reporting includes examples of monitoring of proxy advisors, verifying that votes have been cast following the manager’s policies.

Service providers have an essential role in some of the core areas of the investment process, such as providing data on ESG issues, advice on voting and engaging with companies. It is important, therefore, for asset managers and asset owners to systematically monitor and review service providers, taking action if third parties have not met their expectations.

Asset owners also need to monitor asset managers and investment consultants to ensure that their activity is in alignment with their investment and stewardship policy.

Reporting on Principle 8 was generally poor, with only around half of the reports mentioning monitoring of service providers and giving very limited evidence on the review process.

Asset owners provided some details on monitoring external managers, but the reports often focus more on the criteria used for manager selection than the processes of performance review and escalation.

Only a few asset managers reported on monitoring of service providers, such as ESG data providers. Even in those cases, most of the reports did not describe the review process, but just mentioned the timeframe for the review, which is usually on an annual basis. A minority of reports also described how they monitor proxy advisors to make sure that they have cast votes according to the manager’s policies. Almost none of the reports described outcomes of the monitoring process.

The FRC is seeking to understand the processes that asset owners have in place to monitor asset managers, investment consultants and other third parties they use, and ensure they have met their expectations. The same monitoring process applies to service providers and proxy advisors employed by asset managers to help them in their stewardship and investment.

Better reporting includes examples of organisations explaining how managers and service providers have met their expectations. In cases where the standards set by asset owners and asset managers have not been met, organisations should disclose the actions they have taken to improve performance, including escalation processes.
Principle 9

Signatories engage with issuers to maintain or enhance the value of assets.

Key messages:

- Reporting should explain how issues for engagement have been selected and prioritised, or how expectations have been set for others.
- Organisations should explain how their approach differs across funds, asset classes and geographies.
- Reporting should reflect the organisation’s role. Where engagement activities are delegated to asset managers or service providers, reports should explain what expectations were set and how these have been monitored, as well as reporting the activity and outcomes undertaken on their behalf.

This was among the better reported Principles in the reports that we reviewed. Most reports provided a good overview of engagement activities, with some including an impressive variety and depth of case studies. Some reports provided meaningful reporting on outcomes and we saw some interesting approaches to explaining and quantifying these.

Principle 9 sets the expectation that organisations will practice engagement in the asset classes in which they invest, either by directly engaging themselves or by effectively supervising the engagement of intermediaries, for example, where an asset owner invests through an asset manager. Consider your role as an organisation and report appropriately. Effective reporting gives a clear understanding of the approach to engagement and activity during the reporting period, as well as the outcomes.

Activity reporting

Reporting should explain how issues for engagement have been selected and prioritised. Several reports indicated a wide range of relevant factors that were considered. Effective reporting also cites relevant examples to explain how these decisions have been made.

Organisations should explain how they have developed objectives and the methods of engagement they have used, as well as how their approach has differed for funds, asset classes or geographies. In explaining their activity, organisations should give the reasons for the approach they have adopted, for example, by linking this to their explanations of purpose, investment beliefs or strategy in Principle 1 or their client and beneficiary needs in Principle 6.

Most reports approached reporting on engagement activity through providing a summary and metrics on overall activity, supported by examples and case studies that illustrated key aspects of the approach.
Use of case studies

Better reports ensured that examples and case studies were representative of the asset classes and geographies invested in by the firm. They also covered multiple aspects of their approach, for example, by including case studies for specific company engagement, different themes and collaborative engagements.

**NORDEA ASSET MANAGEMENT** explains how they prioritise their engagement activities.30

**Engagement at NAM** generally falls into one of three categories:

1. Norms- and incident-based engagement: engaging with companies breaching the international norms or conventions or companies having ESG related incidents
2. Risk based engagement: engaging with companies on their material ESG risks
3. Thematic engagement: engaging on specific themes such as corruption, human rights, water and climate change […]

**[…] Engagement selection process**

We focus our ESG engagement efforts on companies representing our largest holdings, especially those with the highest ESG risk exposure, and those selected for our ESG-enhanced STARS funds. We prioritise our engagements on issues such as ESG underperformance, high ESG risk, and materiality.

We saw a variety of approaches to presenting engagement case studies. Some organisations opted for a structured format, with separate sections for objective, activity and outcome. Others presented the case study as a single narrative. Both methods were used effectively in some reports. There are common features of effective case studies.

They clearly describe the company (for example, its name, sector and location), and explain the issue that led to the engagement, the objective for engaging, the action taken and the outcome. Better case studies also include an explanation of the rationale for the chosen approach and identify next steps for the engagement. For example, any planned escalation or how the company’s progress would be monitored in future.

**LEGAL & GENERAL INVESTMENT MANAGEMENT (LGIM)** clearly explain the issue faced by the company, LGIM’s actions and the outcomes of the engagement. This is a good example of a structured case study and can be compared to the narrative approach taken by Aviva Investors on page 41.31

**Case study**

<table>
<thead>
<tr>
<th>Company name: Metro Bank</th>
<th>Market cap: £160m</th>
<th>ESG Score: 65 (♀️3)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>What was the issue?</strong></td>
<td>We had long standing concerns regarding Metro Bank due to a lack of independent directors on its board, poor gender diversity, a pay structure not in line with best practice standards, and failure to manage conflicts of interest. In 2019, our concerns were compounded by the disclosure of material accounting errors within the bank’s loan books. The accounting errors led to a significant drop in investor confidence and sent the shares down more than 39% in one day. The lender’s share price has remained under pressure and declined over 88% in 2019.</td>
<td></td>
</tr>
<tr>
<td><strong>What did LGIM do?</strong></td>
<td>Ahead of the 2019 AGM, we took the rare step of publicly pre-announcing our intention to vote against the board chair, members of the audit committee and directors over whom we had independence concerns. The announcement was made to highlight these issues and share our concerns with other investors.</td>
<td></td>
</tr>
<tr>
<td><strong>What was the outcome?</strong></td>
<td>In response to pressure from us and other investors, Metro Bank began to address its long-standing governance concerns. Both the chair and CEO agreed to step down. The bank also announced it would sever ties with InterArch, an architecture firm owned by Metro Bank’s chairman’s wife, that has received over £25 million in payments since 2010.</td>
<td></td>
</tr>
</tbody>
</table>
Most reports also attempted to quantify the amount of engagement activity during the year. We saw some good examples of organisations using tables and charts to effectively explain the activity they had undertaken, for example, by providing breakdowns of engagement by issue, sector and method of engagement.

There was much less information on engagement in asset classes other than listed equity, although there were some examples of reports that sought to combine equity and fixed-income engagement. We expect that organisations will continue to develop their reporting on other asset classes as they prepare their reports for 2021.

Several reports provided some outcomes for engagement, but organisations should ensure that they provide these more consistently across all case studies. A few reports sought to report overall metrics on their outcomes, for example, for recording the number of milestones passed or proportion of engagements at different levels of progress. This is good disclosure – however, reports should be clear about how this progress is measured and reported.
SCHRODERS provides metrics to show the outcomes of engagement and clearly explains how these metrics are defined, as the progress made by the company against Schroders’ engagement goals.

What are the outcomes of our engagement?
We log all instances where we have requested change at companies on ESG-specific issues. We review company progress on an annual basis (Figure 17). We categorise progress in five ways:

1. Achieved
2. Almost
3. Some change
4. No change;
5. No further change required.

We recognise that these success factors may be subjective, and that Schroders’ influence may not have been the sole driving force for this change. However, we believe it is important to track companies’ progress and measure the outcomes of our engagement.

We review requests for change a year after they have been made, and subsequently on an ongoing basis, recognising that key strategic changes will take time to implement into a company’s business process.

We realise that effective engagement requires continuous monitoring and ongoing dialogue.

The chart below shows the effectiveness of our engagement over a three-year period. In our experience it takes an average of two to three years for companies to effect the change requested. It is for this reason that data from the most recent two years are omitted.

Figure 17: Effectiveness of requests for change (by company engaged)

<table>
<thead>
<tr>
<th>Success level of company engagement</th>
</tr>
</thead>
</table>
| %
| 100 |
| 80 |
| 60 |
| 40 |
| 20 |
| 0 |

<table>
<thead>
<tr>
<th>Year</th>
<th>Achieved</th>
<th>Almost</th>
<th>Some change</th>
<th>No change</th>
<th>No further change required</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>2017</td>
<td></td>
<td></td>
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</tbody>
</table>

Source: Schroders as at 31 December 2019.

Reporting by asset owners
For asset owners and others investing indirectly, reporting against this Principle involves explaining the expectations they have set for others that engage on their behalf and how they have communicated and monitored these. They should also report on the activities carried out by delegated managers and service providers and outcomes. To support their reporting, asset owners should include data and examples supplied by their asset managers to illustrate effective stewardship undertaken on their behalf.

We saw some good examples of reporting by asset owners. Effective reporting is clear about where the organisation carries out engagement in-house and where this is delegated. Where engagement is delegated, reports should explain what expectations they have set for engagement and report on the activities and outcomes of activity undertaken on their behalf, for example, by providing a summary of overall activity with examples.
BORDER TO COAST PENSIONS PARTNERSHIP makes use of a mix of in-house engagement and external engagement. This chart shows the proportion of engagement carried out by their own portfolio managers, the Local Authority Pension Fund Forum (LAPFF), Robeco and external managers. 

BRUNEL PENSION PARTNERSHIP, an asset owner, provides examples of engagement carried out on their behalf by managers in their portfolio, in this case on antimicrobial resistance (AMR).

**Case Study: Our fund managers engaging on AMR**

Genesis Investment Management, one of the managers in our Emerging Market Portfolio have been engaging with companies on their approach to AMR. In 2019 Genesis have had ongoing engagement with China Mengniu, a dairy manufacturer and distributor, and WH Group, a meat and food processing company, both based in China. The engagements have focused on the companies’ disclosures of environmental issues, including introducing an antibiotic policy that addresses antimicrobial resistance and prohibits the use. In both cases, they raised these issues in meetings with senior management and they continue to engage on better environmental disclosures and AMR.
Companies in the UK must submit their remuneration policy for binding approval by shareholders every three years. In 2019, the majority of companies in the UK were preparing their new pay policies. Because the approved policy will form the underlying structure for executive pay for the subsequent three years, it is essential for companies to get it right and they will often undertake extensive consultations with shareholders like RLAM.

We had a total of 109 company engagements with 82 companies during the year on changes to companies’ remuneration schemes. These engagements can take the form of letters, phone calls, email exchanges and face-to-face meetings. Remuneration consultations can have two outcomes. They can help us understand their approach to pay and how this supports (or in some cases does not support) the corporate strategy, which can help inform our investment decisions. Or they can become an opportunity to influence company behaviour and improve outcomes for our customers. Where we believe a pay structure is inappropriate, too generous, or not aligned with strategy, we will give direct feedback and ask companies to make changes.

We have had a number of successes in 2019, with companies moving towards best practice, or agreeing to change controversial elements of their remuneration scheme. 45 of our engagements on pay were on executive pensions. There have been a number of commitments to reduce executive pension provisions, or at a minimum freeze them relative to salary, so they will slowly reduce over time. We have also been encouraged to see some companies commit to raising the minimum pension level for the workforce, as internal reviews during the year have revealed discrepancies.

Some companies however have put forward more problematic pay schemes, substantially raising the levels of bonus or long-term incentive awards without an adequate explanation, and even proposing one-off transactional awards which can encourage short-term behaviour. We have pushed back strongly on a number of these and were happy to see that some companies have abandoned these plans in response to our feedback. Other companies have not heeded our advice and have pressed ahead with their plans. OneSavings Bank, a specialist mortgage lender, contacted us in November 2019 on proposed pay increases for its executives, totalling nearly 25% over two years. The company proceeded with these plans, despite us informing them that we could not support pay increases of this scale. A further example was Rotork, designer and manufacturer of valves and gearboxes. The company failed to respond to our questions in October 2019 over the rationale for increases in pay and whether it could commit to increased personal performance disclosure.”
Principle 10

Signatories, where necessary, participate in collaborative engagement to influence issuers.

Key messages:

- Organisations should provide information about collaborative engagement activity and outcomes during the reporting period, not just a policy.
- Better reporting clearly explains the issue, the initiative and the reporting organisation’s role and contribution, rather than simply providing a list of collaborative initiatives participated in.
- Case studies should explain why a collaborative approach was adopted and be clear about the organisation’s role, while acknowledging the contributions of other organisations.

Collaborative engagement can include a wide range of activities, methods, and forums where investors work with each other and other stakeholders to achieve change. This change may be at an industry-level, targeting a group of companies on a thematic issue, or engaging a single issuer with a specific objective. In many circumstances it can be more effective to work with others to achieve common objectives.

In the UK, the Investor Forum helps investors work together to escalate material issues with the boards of listed companies, and has identified different forms of collaboration, their characteristics and benefits, and factors required for success. Other organisations, such as ShareAction and Climate Action 100+ bring together investors, and other organisations to influence issuers on thematic issues, such as childhood obesity and alignment with the goals of the Paris Agreement.

With such a wide range of methods available, the FRC expects all signatories to participate in collaborative engagement to influence issuers and achieve change that creates long-term value for clients and beneficiaries.

Reports that we reviewed generally provided a reasonable response to this Principle, with some strong reporting. In a few cases, responses remained at the level of a policy statement – expressing a general openness to collaborative engagement rather than providing specific examples of activity and outcomes in the year.

Activity reporting

There were different approaches to presenting the collaborative initiatives in which organisations participated. Some presented this in a list and others provided a collection of examples and case studies. Both can be used effectively, but organisations should ensure that all reporting expectations are addressed. Better reports tended to combine a list or summary of their overall activity with detailed examples and case studies.

In some cases, initiatives were listed without any explanation, which is not informative. Better quality lists provided an explanation of the initiative, the issue it sought to address and the reporting organisation’s role and contribution.
There were several reports that provided informative case studies and examples of collaborative engagement activity. In addition to addressing the features of good case studies outlined in the section for Principle 9, good case studies for collaborative engagement also explained why the organisation sought to engage collaboratively with others on the issue, and clearly stated their role and the contribution of other organisations.

Several reports did not provide outcomes for their collaborative engagement activity or did not provide these consistently across the examples provided. Organisations reporting in 2021 should ensure that they note the outcomes for activities in the reporting period. For collaborative engagements with specific issuers this could involve explaining the company’s response and any follow up planned. For wider initiatives, this could involve explaining the number of companies that have responded positively and any changes that have happened as a result.

**AXA INVESTMENT MANAGERS** provides examples of collaborative initiatives they have been involved with over the year. Rather than just listing initiatives, they provide an explanation of several initiatives and are clear about their own role, highlighting areas of work that they had initiated and acknowledging where others had taken a leading role.38

We adopt a selective approach when deciding which initiatives we will participate in or support, focusing on topics and groups where we believe our involvement will have a material impact. Impact can often be greater by joining forces with other investors and stakeholders, so we use a combination of collective and individual engagement.

In 2019, we contributed to or supported a number of initiatives, including:

<table>
<thead>
<tr>
<th>Human capital/gender diversity</th>
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</thead>
<tbody>
<tr>
<td>PRI statement on Just Transition</td>
</tr>
<tr>
<td>Investor statement to support Gender Equality (Mirova)</td>
</tr>
<tr>
<td>As You Sow statement regarding the need for corporate workplace equity transparency</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Climate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transition bonds guidelines proposal</td>
</tr>
<tr>
<td>Aimed at companies operating on greenhouse gas intensive industries such as materials, extractives, or chemicals, alongside other companies which lack sufficiently green assets to issue a green bond. Transition bonds would provide an alternative source of finance specifically aimed at helping the journey to become greener</td>
</tr>
<tr>
<td>PRI letter on investor expectations on climate change for airlines and aerospace companies</td>
</tr>
<tr>
<td>Institutional Investors Group on Climate Change (IIGCC) letter asking the Australian extractive sector to be proactive in enabling Paris Agreement-aligned public policy</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Data privacy/tech</th>
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</thead>
<tbody>
<tr>
<td>Social media collaborative engagement (Lead: NZ Super Fund)</td>
</tr>
<tr>
<td>After the 2019 Christchurch terrorist attack the New Zealand Crown-owned investors joined together to lead a global investment collaboration to engage with the world’s three leading social media companies: Facebook, Alphabet (YouTube) and Twitter. The objective of the engagement is for these social media companies to strengthen controls to prevent the live streaming and distribution of objectionable content.</td>
</tr>
</tbody>
</table>
AVIVA INVESTORS’ reporting on the Corporate Human Rights Benchmark contains several features of effective case studies: it is clear in explaining the objectives and methods of engagement, and identifies outcomes and next steps. It also explains their own involvement and acknowledges the contribution of other organisations. This is a good example of a narrative case study and can be compared to the structured approach taken by Legal and General Investment Management on page 34.\(^{39}\)

**CHRB**

We created the Corporate Human Rights Benchmark in 2013 with a view to use the competitive nature of markets to challenge companies to embed human rights in their organisation. Six years on, the benchmark is widely supported by companies, governments, investors and civil society. This is our update for 2019.

The Corporate Human Rights Benchmark (CHRB), founded significantly due to Aviva’s thought leadership and funding is a free and publicly available benchmark which ranks companies in the agriculture, apparel, and extractive sector on their human rights policy, practice and performance. We use the benchmark as a measure to identify human rights risks and guide our human rights investment strategy. In 2019, we set out to engage with targeted companies based on the 2018 CHRB results with two main objectives. Firstly, to raise awareness of the benchmark and set out investor expectations on human rights. Secondly, to influence change within targeted companies. We also updated our voting policy to vote against the boards of companies that scored poorly.

Along with investor allies, APG and Nordea, we wrote a letter to the 101 companies ranked by the benchmark. The letters either praised good performance to reinforce positive behaviour or flagged poor performance. Both iterations invited companies to have dialogue with investors on the issues highlighted.

Between the ally coalition we were able to engage with nearly 50 companies on these results, mostly with positive success. Aviva Investors engaged directly with 13 companies. Of these we received responses from 10 companies and held in-depth follow up meetings with investor relations and sustainability teams of five companies; Anglo American, ENI, General Mills, Kraft Heinz and Tesco.

Aviva Investors also voted against 40 low scoring companies across all global regions. Votes against were filed against either the director most responsible for human rights, discharge of the board or the reports and accounts. Companies targeted ranged from Starbucks in USA, to Prada in Italy, to China Petroleum & Chemical in China.

Conclusion

Following engagement, ENI announced that it had settled a human rights investigation with the OECD. Kraft Heinz also published a new human rights statement. Looking ahead, the 2019 CHRB Results increased its coverage from 101 to 200 companies and included companies from the ICT sector – such as Amazon and Samsung. We will continue to engage with and vote against low scoring companies throughout 2020. We will also send letters to any company voted against in 2019 outlining our voting policy, voting action and to request improvements to human rights performance.

|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|
Principle 11

Signatories, where necessary, escalate stewardship activities to influence issuers.

Key messages:

- Reports should move beyond simply stating an approach to escalation, and make use of examples and case studies to demonstrate how the approach works in practice.
- These should include the outcomes of escalation, such as actions or changes made by the issuer. They should consider whether stated objectives have been met, how the outcomes have informed investment decisions and if there are any planned changes in engagement approach.

Most of the reports we reviewed provided some explanation of the general approach to escalation, although the level of detail provided varied considerably. Fewer provided evidence of how escalation formed part of their activities during the reporting period or reported on outcomes.

Better reports explain how the organisation has selected and prioritised issues and developed well-informed objectives for escalation. This might include the factors that they consider most relevant in deciding to escalate and in choosing their escalation approach.

Several reports included case studies and examples that referenced forms of escalation, such as publicly expressing concerns or voting against management recommendations, although these often did not explicitly discuss the escalation within the context of their overall approach. Better examples connected the examples or case studies to an explanation of the escalation process, highlighting with reference to specific cases why the organisation decided to escalate, which methods of escalation were used and the reasons for their chosen approach.

There were not many reports that considered the reporting expectation that organisations should explain how escalation has differed for funds, assets or geographies. Reports should outline whether there are any significant differences in approach (for example, limitations due to the rights available or capacity to exercise them), and use a balance of examples and case studies across areas to highlight these differences.

Outcome reporting

Examples and case studies should describe the outcomes of the escalation and consider whether the objectives of the engagement have been met – for example, whether the escalation led to changes at the issuer or whether it has led to any changes in investment approach. Where escalation has not yet achieved the intended effect, better reports acknowledge this and outline intended next steps.

As with Principles 9 and 10, organisations delegating engagement to asset managers or service providers should explain the expectations that they have set for those that escalate on their behalf, including how these expectations have been monitored, and describe the outcomes of escalation undertaken on their behalf.
SCHRODERS sets out some of the ways in which they will escalate their concerns to a company, should they not be satisfied with the outcome of initial engagement.40

[...]We ordinarily hope to address our concerns through the regular meetings our analysts, investors and ESG specialists hold with company management. However, there may be instances where a company does not respond constructively, our concerns have not been sufficiently addressed or we do not feel confident that the company intends to address these concerns. Under these circumstances, we may decide to extend our engagement activity and/or escalate specific areas of concern in order to effect the change we are seeking.

Intervention will generally begin with a process of holding additional meetings with company management to enhance our understanding of their stance and help the company to understand our position. Should this initial step fail, we may consider further escalation by:

- Meeting or otherwise communicating with nonexecutive directors or the chairman
- Expressing our concerns via company advisers or brokers
- Withholding support or voting against management
- Collaborative intervention with other institutional investors
- Submitting resolutions at general meetings
- Requisitioning extraordinary general meetings
- Divestment of shares

We prefer to engage confidentially with company management to discuss issues and concerns, as we believe this is the most constructive and effective approach. However, if we feel that we are not being heard, we may express these concerns publicly.

Where we plan to vote against the management of a company we have been in dialogue with, we will ensure management is made aware of our concerns and our voting intention prior to casting our vote.

For all companies where we have voted against a management recommendation we inform them of our decision, the reason behind it and invite future dialogue.
Principle 12
Signatories actively exercise their rights and responsibilities.

Key messages:

- Exercising rights and responsibilities is an essential part of active ownership and signatories should explain their activities and provide examples of outcomes across asset classes over the year.
- The key features of the voting policy should be identified in the Stewardship Report with a link to the full policy provided.
- Reports should include examples of the outcomes of resolutions voted on, even if unsuccessful, explaining any influence on the issuer’s future strategy.

Listed equity

Voting is one of the most important tools that asset managers and asset owners can use to encourage companies towards better practice. A vote against or abstention may represent the last step of an engagement process with a company, as reflected by many of the case studies we reviewed.

Transparency is an essential element of this reporting and the Code encourages complete disclosure of listed equity voting records and the rationale for votes cast during the year. Signatories should explain the issues they have prioritised, by highlighting key features of their voting policy and explaining their rationale for voting decisions. Reporting on outcomes should reflect how voting may have influenced companies.

Almost all reports showed a good understanding of the reporting expectations under Principle 12 and provided useful metrics on voting activity, together with detailed examples of single votes cast in the previous year.

However, most of the reports did not meet all of the expectations under Principle 12. Rationale behind votes cast against management and disclosure of the proportion of shares voted were the two most common areas for improvement. Policy on directed voting in segregated accounts and their approach to stock lending have also been under-reported.

Voting policy

Most asset owners and managers we looked at had a well-defined voting policy, usually mentioned in their reports and linked to their websites. These policies help the reader understand the reasons behind voting activity and often give other useful insights, so the key features should first be summarised within the stewardship report before linking to the full policy elsewhere.

Most of the reports mention the use of proxy advisors for recommendations on resolutions and, in some cases, to cast votes. However, only a few reports defined the extent to which they followed the default recommendations of their proxy advisor. Better examples of reporting included the process for overriding default recommendations.
BRUNEL PENSION PARTNERSHIP explains how voting decisions are informed and the difference between the percentage of recommendations from a proxy advisor to vote with management and the votes cast by Federated Hermes on behalf of Brunel.\[41\]

**Voting Progress**

The implementation of Brunel’s voting policy, published in our Stewardship Policy, is supported by Federated Hermes. Our policy guides their voting recommendation alongside other country and region-specific guidelines. Voting decisions are informed by investment considerations, consultation with portfolio managers, clients, other institutional investors, and our engagement with companies.

In 2019 458 company meetings were voted representing 98% of the voteable meetings. This represents an excellent level of voting execution. Unvoted meetings were due to share blocking, POA’s or operational barriers. Against recommendations were made for 237 meetings; board governance and remuneration were the areas of highest dissent.[…]

The votes cast on ballots during 2019 were aligned with management recommendations in 92% of cases, while the ISS Benchmark Policy Recommendations were for 95% alignment with management recommendations. This deviation demonstrates the oversight by Federated Hermes and Brunel.

![Bar chart showing votes cast and ISS policy recommendations](image)

In 2019 we only had two active mandates during the main proxy season.
ROYAL LONDON ASSET MANAGEMENT (RLAM) describes how Glass Lewis is employed to provide voting recommendations and how these recommendations are then reviewed by RLAM’s Responsible Investment team. They also show the process in place in case of controversial votes.42

The Responsible Investment team is responsible for executing equity proxy votes on behalf of RLAM according to our Standard Operating Procedures. We use Glass Lewis’ Viewpoint as our voting platform. All ballots are sent to Viewpoint by our custodians or our clients’ custodians. For each agenda item, Glass Lewis applies RLAM’s custom voting template which suggests a voting recommendation that reflects RLAM’s high level Voting Policies and best practice standards. The Responsible Investment team then conducts its own review of every vote, considering any unique circumstances facing the company, any engagement we have undertaken with the board, and any discussions with the fund managers. The vote is then approved by a member of the Responsible Investment team prior to being dispatched.

Because we vote as a house, the Responsible Investment team will take care to consider internal views on voting issues prior to executing a final vote. We routinely flag any controversial votes to fund managers prior to confirming a vote, to allow time for discussion. Controversial votes may include votes where we are voting against a resolution for the first time or where we have serious governance concerns. Voting recommendations for our actively held stocks are circulated to fund managers (for their own funds), internal governance experts and the Head of Responsible Investment prior to being executed. This provides full visibility of our votes and an opportunity to raise any objections. In the vast majority of cases, any differences of opinion on proxy votes are discussed and agreed collaboratively. In the rare instance where the Responsible Investment team and the fund managers cannot agree on a vote, it is escalated to the Head of Equities, or the Chief Investment Officer when the vote is concerning funds where the Head of Equities is the named fund manager.
CASTLEFIELD provides a summary of their voting policy, explaining how they approach resolutions on different issues.43

|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|

**Remuneration:** We vote against excessive pay awards and awards that are not attached to sufficiently stretching performance targets. Particularly in light of the impact of coronavirus, we believe it is important that executive pay is reflective of the experiences and outcomes of all stakeholders.

**Director Independence & Effectiveness:** Non-Executive Directors (NEDs) who sit on the boards of listed companies should be independent in order to be effective. The UK Corporate Governance Code sets limits on tenure which we apply across all geographies as a factor to determine independence. We have also long taken the view that directors should not hold a lot of other external positions. This is because, at a time of crisis, we expect directors to have enough additional time to dedicate to the company and the issues that it is facing.

**Shareholder Rights:** This topic includes votes on issues such as share placings that a company might undertake to raise capital, as well as requests a company might make to repurchase its own shares. These requests have the potential to be detrimental to existing shareholders. One topic which falls under this heading we will always vote against is the request to holding meetings with 14 days’ notice, as we do not believe this is sufficient time for shareholders to prepare to exercise their voting rights.

**Political Donations:** We do not think it is appropriate for companies to make political donations and consequently will always vote against a resolution seeking permission to do so.

**The Audit Process:** Auditor independence may be compromised if the auditor has been in place for a long time and no tendering process has been undertaken, or if fees paid are for services other than their primary audit function.

**Routine/Business:** We have chosen to split this category out from shareholder rights where they would previously been accounted for. Items in the category include resolutions that are often uncontroversial, such as accepting a company’s Financial Report & Accounts for the previous year. It also includes resolutions to approve dividends.

**Other:** This category may include certain resolutions proposed by shareholders and votes on topics such as Environmental, Social or Governance (ESG) issues and reporting. For example, this quarter Banco Santander’s AGM included the option to vote on their Corporate Social Responsibility Report.
Every year Sustainable Ownership leads a post-season voting policy review, with a view to defining the implementation for the following cycle. The global voting policy for September 2019 to September 2020 was reviewed in July 2019.

The voting policy in production is informed by the following inputs: (1) the list of observed issues and suggestions from the recent AGM season laid on top of (2) the current voting policy and (3) the benchmark positions of our proxy voting provider which are likely to change after our voting policy has been announced.

The proposals, if taken forward, may require a change to the text of the voting policy and/or a change to the underlying voting policy application. A number of potential changes were considered, and application changes taken forward in the voting policy published in September 2019 included:

- RPMI Railpen expects our portfolio companies to disclose their response to climate risk and other long-term trends which are material to the company’s business model and operations. Where a company is ranked 2 or below for management quality by the Transition Pathway Initiative (TPI), then Railpen will vote against the re-election of the Chair of the Board, and/or the Chair of any appropriate committees.
- Excessive external audit firm tenure can be a concern to shareholders. From 2019, Railpen will typically vote against the re-appointment of the Audit Committee Chairman if the external audit firm tenure is greater than thirty years.
- Regarding reasons for recall in 2019 linked to voting, we recalled for the following issuers: Sunrise Communications Group AG – Concerns regarding shareholder proposal to remove specific members of board of directors
- Debenhams plc – Concerns regarding financial stability of company and proposals made by majority shareholder – BP plc – To enable the co-filing of a shareholder resolution

Stock lending can be beneficial to a fund by providing an additional income stream, and to the market by providing liquidity. Many of our funds include the provision for stocklending, with a limit of the percentage of a fund which can be used for lending purposes at any one time. The income derived from this is invested back into the funds.

However we recognise that voting rights linked to equity positions are not retained by the lending party and move under the control of the borrower. Through our voting process, when we judge a vote to be particularly contentious, or where we believe it is in our client’s best interests to do so, we will look to recall stock out on loan for our collective investment schemes. This is generally in exceptional cases and not for all positions. We do not borrow shares for the purpose of gaining additional voting rights.

- Regarding reasons for recall in 2019 linked to voting, we recalled for the following issuers: Sunrise Communications Group AG – Concerns regarding shareholder proposal to remove specific members of board of directors
- Debenhams plc – Concerns regarding financial stability of company and proposals made by majority shareholder – BP plc – To enable the co-filing of a shareholder resolution
Stock lending
Only a handful reports included their policy on allowing clients to direct voting in segregated and pooled accounts and their approach to stock lending, two areas we expect to see in the future reports.

A few of the reports reviewed included changes made to their voting policy over the past year. Better reporting on this provides the reason for any changes made, and how these changes ensure their voting policy enables effective stewardship.

Activity reporting
Only two reports we reviewed disclosed the proportion of shares that were voted in the past year. While we know many investors seek to vote all shares held, this not the case for all and this reporting expectation is particularly important as it provides context for the number of meetings and resolutions where votes were cast.

Voting records
Almost all the reports provide a link to their voting records, with a few exceptions where records are included in the report itself. The approach to disclosing voting records varied, making the comparability of records difficult. Some are directly displayed on the website in tables, others in spreadsheets and PDFs that can be downloaded, or on their proxy advisor’s website.

The frequency of publication and time delay following votes cast also varied. Some are updated monthly or quarterly, but many of the voting records are updated on an annual basis. Most records include company name, date, type of resolution and vote cast. Only a few voting records include the rationale for all votes cast against management, abstained or withheld, or that were not in line with the investor’s own policy.

In order to report against the expectations set in Principle 12 with respect to listed equities, asset owners and managers should give a good overview of their voting activity over the previous year, linking to their detailed voting records on their website, and explaining how the voting policy they have set and the data they have received from proxy advisors have informed their voting activity.

Voting metrics
Diagrams and charts are an effective way to present overall voting metrics and help readers interpret detailed voting records. Though the level of detail varied, most of the reports we reviewed used diagrams and charts to illustrate aspects of their voting activity.

Examples included the number of AGMs and resolutions voted in; including votes cast against management; or votes cast by geographies and/or by category of resolution. A few examples combined some of these elements.

These are usually presented through pie charts or tables, but other graphics are also used, such as bar charts and world maps. We included below a few examples of different ways to illustrate voting metrics that we found effective.

Better reporting includes links between the major trends in voting activity and the voting policy that asset managers and asset owners have set. For example, some reports demonstrated the extent to which the default recommendations of proxy advisors were used. From the reports reviewed, we found that this could be presented visually, with a chart clearly showing the proportion of votes cast that differed from the default recommendation.
SCHRODERS uses a world map to show how shares of votes against management differ across different geographies. The two pie charts summarise the reasons for voting against management.

![Figure 19: Global voting](image)

<table>
<thead>
<tr>
<th>Region</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe (ex-UK)</td>
<td>26%</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>31%</td>
</tr>
<tr>
<td>UK</td>
<td>15%</td>
</tr>
<tr>
<td>North America</td>
<td>21%</td>
</tr>
<tr>
<td>Latin America</td>
<td>4%</td>
</tr>
<tr>
<td>Middle East and Africa</td>
<td>3%</td>
</tr>
</tbody>
</table>

Source: Schroders as at 31 December 2019

![Figure 20: 2019 breakdown of resolutions voted on by category](image)

- Resolutions voted on by category:
  - Reorganisation and mergers: 52%
  - Remuneration: 12%
  - Shareholder proposals: 1%
  - Other: 41%

Source: Schroders as at 31 December 2019

![Figure 21: Reason for “against” votes 2019](image)

- Resolutions voted on by category:
  - Reorganisation and mergers: 15%
  - Shareholder proposals: 15%
  - Other: 2%

Source: Schroders as at 31 December 2019
BORDER TO COAST PENSIONS PARTNERSHIP presents votes against management by fund, and provides useful information about the size of the funds and how they are managed.
AVIVA INVESTORS provides a detailed analysis of voting activity by issues, showing the percentage of votes against management. AVIVA INVESTORS provides a detailed analysis of voting activity by issues, showing the percentage of votes against management.49

Our 2019 voting statistics – key numbers
- Voted on 61,876 resolutions at 5,382 shareholder meetings
- Voted against 24% of management resolutions including 46% of pay proposals
- We have seen a substantial increase in voting in Asia. This is primarily driven by the additional meetings in the Chinese market following the admission of the A shares to the investable indices

2019 voting activity by issue

<table>
<thead>
<tr>
<th>Total Number of Resolutions</th>
<th>Per cent Non Support</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directors</td>
<td>27,861</td>
</tr>
<tr>
<td>Remuneration</td>
<td>6,452</td>
</tr>
<tr>
<td>Auditors</td>
<td>4,258</td>
</tr>
<tr>
<td>Share Issues/ Capital Related</td>
<td>8,206</td>
</tr>
<tr>
<td>Report &amp; Accounts</td>
<td>3,808</td>
</tr>
<tr>
<td>Related Party Transactions</td>
<td>3,989</td>
</tr>
<tr>
<td>Takeover/Merger/Reorganisation</td>
<td>1,027</td>
</tr>
<tr>
<td>Anti-Takeover Measures</td>
<td>841</td>
</tr>
<tr>
<td>Shareholder Resolution</td>
<td>943</td>
</tr>
<tr>
<td>Shareholder Resolution (Supported by Management)*</td>
<td>987</td>
</tr>
<tr>
<td>Other</td>
<td>7,201</td>
</tr>
</tbody>
</table>

* These are resolutions proposed by shareholders in the Chinese market which are typically “management” resolutions

BMO GLOBAL ASSET MANAGEMENT combines two of the most common features of voting metrics reporting: geography and vote category. This provides good insights, as it shows how different issues (represented by the votes against management in each category) can vary in relevance depending on the market location.50

Voting by region

Voting Results
- Asia
- Europe (incl. UK)
- North America
- Global

<table>
<thead>
<tr>
<th>Board Elections</th>
<th>Capital Structure</th>
<th>Remuneration</th>
<th>Shareholder Proposals</th>
<th>All Proposals</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>39</td>
<td>13</td>
<td>22</td>
<td>25</td>
</tr>
<tr>
<td>12</td>
<td>18</td>
<td>5</td>
<td>5</td>
<td>11</td>
</tr>
<tr>
<td>51</td>
<td>44</td>
<td>17</td>
<td>55</td>
<td>25</td>
</tr>
<tr>
<td>51</td>
<td>5</td>
<td>62</td>
<td>25</td>
<td>18</td>
</tr>
<tr>
<td>28</td>
<td>13</td>
<td>26</td>
<td>22</td>
<td>22</td>
</tr>
</tbody>
</table>

Source: BMO Global Asset Management, as at 31 Dec 2019
ROYAL LONDON ASSET MANAGEMENT (RLAM) describes in detail how they have engaged with a company on a number of issues, and how communication with the company and the votes cast had a positive effect on governance.51

Metro Bank is not held in our active strategies, but our concerns with governance at the company became sufficiently grave over the past 18 months to warrant repeated engagement and voting. Our objectives were to encourage the company to address our significant concerns with board oversight and governance.

We engaged with Metro Bank on three separate occasions in 2019. A meeting in March followed up by a formal letter, voting at the AGM and following up with another letter in May, and taking part in a remuneration consultation in November. Whilst these conversations have become increasingly constructive and we have welcomed the company’s willingness to engage with us, we remain concerned over the quality of governance and audit at the company given the events over the last 18 months. We voted against a number of proposals at the AGM. We opposed the re-election of the founder and non-independent chairman, the CEO, and all Audit Committee members following the disclosure of accounting issues and investigations in January.

We also voted against a non-independent member of the board and the chair of the Nominations Committee for independence and diversity concerns. We also opposed the remuneration report for the buy-out award granted to the CFO during the year which had no performance conditions.

We issued a press statement in May 2019 highlighting these concerns ahead of the AGM. Subsequently the chairman/founder, Vernon Hill, agreed to step down from the board and the company appears to be bringing the board into line with UK market practice. We issued a second press statement in October 2019 welcoming these changes. Metro Bank is a good example of where engagement can lead to positive outcomes and improved governance.

Case studies
Case studies can be a great tool to show the voting process and the rationale for votes. A good case study will not only analyse the reasons for voting against (or for) a resolution, but will show how an issuer has responded to concerns raised by the investor (and others), even if the vote was unsuccessful. It is also a good opportunity to show how voting is integrated in the wider engagement process. Case studies should also present how investors have engaged with companies before and after the votes were cast.
AVIVA INVESTORS’ case study explains how they raised concerns about governance with a company and how the engagement informed their voting decision. It also mentions the outcome of the vote and the perceived impact it had.\(^2\)

**Shareholders challenge EssilorLuxottica’s boardroom war by proposing independent members.**

The merged eyewear giant EssilorLuxottica, created in 2017 from one of Europe’s largest ever cross-border mergers, has seen some significant tensions emerge between France’s Essilor and Italy’s Luxottica. We had outstanding concerns regarding the merger governance agreement, which resulted in the founder and executive chairman of Luxottica and Essilor CEO sharing power for the first three years. This structure is mirrored at board and committee levels, represented by an equal number of members from each entity. We consider this structure as inefficient and potentially ineffective.

Having engaged with the company, we were concerned that the two companies were still operating separately. Other barriers included the cultural differences as well as the significant ownership of Luxottica’s CEO through Delfin. This year’s AGM saw two independent shareholder resolutions to appoint independent members to the board, filed by a group of shareholders.

**Conclusion**

After participating on a call with the proposed directors, we decided to support their election. These two resolutions did not get majority support as they received circa 44 and 34 per cent each from shareholders but considering the quorum and Delfin’s voting rights, we consider the results have given a clear signal to management that the current governance deadlock is not sustainable and that the market expects more focus on appointing independent leadership and oversight.
Climate disclosure
Companies’ disclosure of emissions and of climate risk governance are important for shareholders to assess responses to the threat of climate change. We have engaged with companies on this issue for a number of years and encourage them to disclose in line with the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD).

Ahead of the 2019 voting season, we amended our voting guidelines to link our voting to this engagement. Where companies in energy-intensive sectors have persistently failed to disclose their carbon emissions and climate risk governance, we generally vote against the re-election of the Chair. We voted against the Chairs of 10 such companies in 2019; the Chairs of some other companies either did not face re-election in 2019 or had appointed new Chairs. We engaged with a further 20 companies which had made progress in their climate reporting but which still did not meet expected disclosure standards. […]

Shareholder resolutions
Shareholder resolutions are used as an engagement tool to encourage changes in corporate behaviour. We support shareholder resolutions on ESG issues where these are in line with the principles of good governance outlined in our voting guidelines or where we consider the issue to be material and the proposal to be in the best long-term interest of clients.

This means we support greater disclosure and the introduction of appropriate policies (provided the proposal is not overly prescriptive).

In 2019, we supported 1,702 shareholder resolutions, 67% of the 2,522 resolutions on which we could vote. This compares to 1,074 shareholder resolutions supported in 2018, 61% of the 1,764 resolutions available.

Among these, we supported more than 170 resolutions on environmental and social issues.

Other asset classes
The Code sets a new expectation that signatories should practice stewardship across the range of asset classes in which they have invested. Reporting by organisations on how they have exercised their rights and responsibilities in asset classes other than equity was less developed than for listed equities.

We recognise that this is a new requirement, and that rights for other asset classes are very different to those of listed equity. However, we expect organisations to continue to develop their stewardship and would like to see better discussion of the rights and responsibilities available in fixed income, private equity, infrastructure, etc. and how they have been used when we review reports in 2021.

Better reporting against this Principle explained the rights they have in the asset classes in which they are invested and provided examples and case studies to illustrate how these rights have been exercised in practice. Some reports also provided metrics to indicate the extent of this activity and we would encourage organisations to provide this information.

Some reports acknowledged that the approach to stewardship was newer or less developed for some asset classes. Acknowledging barriers to stewardship or limitations to your own approach where they exist is good disclosure and the better reports identified actions that were planned to address or mitigate these issues.
ROYAL LONDON ASSET MANAGEMENT (RLAM) explains how they have exercised some of their rights as bondholders during the year, giving clear examples with outcomes of how their actions shaped the behaviour of issuers.\textsuperscript{54}

Bondholder voting

As a bondholder, we sometimes have the right to vote on issues that affect our credit holdings and given our disproportionate exposure to secured and highly covenanted bonds this tends to give us a greater degree of creditor control than is typical. There were 17 companies where we either gave some form of consent or we exercised our voting rights as bondholders in 2019. Often, due to the nature of our lending position, we were also able to engage ahead of any solicitation activity.

Notable examples of this include actions to pre-empt the removal of LIBOR as the conventional benchmark for floating rate assets, including floating rate corporate bonds which RLAM held. During the year, we engaged with a number of key financial floating rate note (FRN) issuers including Santander and Lloyds to discuss different methods for re-basing the coupons on a SONIA benchmark. Our initial interactions and engagement here helped to inform the eventual consent solicitations for these bonds. Following this, when faced with the final solicitations, we as bondholders provided consent for the proposed changes.

Another example of this during the year was THPA Finance, where our secured lending position meant that the owner, PD Ports, was required to engage with us prior to plans to increase leverage in the business. Our engagement led to the company modifying the documentation for the bonds we held in order to allow the company to buy back these bonds at a pre-agreed price substantially in excess of the bonds’ market price. This control and engagement helped to mitigate the transition risk surrounding the potential new corporate strategy for us as bondholders.

Use of examples was less extensive for non-listed equity investments. Some reports focused on explaining a general approach, without outlining any activity in the year. Good examples explained the rights that the organisation has in the asset class and connected this to the example being discussed. They also provided clear outcomes. In general, we found that case studies for asset classes other than listed equity were often less specific about outcomes, but there were some strong examples.
AVIVA INVESTORS illustrate their stewardship activity in infrastructure debt with the example of a European utilities company. They are clear in explaining the issue being faced by the organisation, Aviva’s rights as a lender and how they were exercised.55

**Powering change in the German utilities sector**

In considering the financing of a European infrastructure corporate in the utilities sector, we noted that the company’s primary product offer is the provision of localised energy with a strong focus on efficiency improvements.

The company presented a clear roadmap to decarbonise but remained exposed to a highly negative source of GHG generation (lignite), albeit declining. Before investing, we wanted additional assurance that the company would adhere to its decarbonisation plans. While the business currently has a diversified fuel mix including gas, biomass and lignite – they are expected to shift significantly towards greener sources by 2025.

The company’s agenda includes broadening of the business to greener technologies, such as solid process waste products and biogenic dust fuels. We negotiated to impose an ESG specific covenant onto an infrastructure debt issuer, prohibiting the building of any new lignite or coal plants, and including tight limitations on transactions activity for this area. For example, acquiring any company or business that is in the process of building any lignite or coal plants would be prohibited.

Reporting obligations were also included in the agreement, ensuring that we are kept up to date with the progression of the decarbonisation programme. The specific obligations include an annual presentation by the company’s management on its implementation of its de-carbonisation strategy. This includes an explanation of the lignite, coal and biofuel strategy being implemented and an overview of the company’s exposure to lignite and coal fuels including the number of plants and share of revenue.
METHODOLOGY

We analysed the reports of 21 organisations. Of those, 18 were asset managers and three were asset owners. Most of the reports (19) are publicly available online, while two have been privately shared with the FRC. All but one of the reports that we analysed were provided by organisations that are signatories to the Stewardship Code 2012.

Sixteen of the reports are from investors that expressly aligned their 2019 reporting to the new Code and submitted to the FRC for feedback. They mention this in their report and sought to apply most of the Principles in some way. The remaining are published reports that show enough alignment with the Principles and reporting expectations to be included in our Review. We did not receive submissions from service providers, however many of the observations will be relevant to them.

Most of the reports were published in the first six months of 2020 and reported on the previous year.

The reports were of different lengths, ranging from 25 pages up to 80.

The FRC thanks the organisations that have shared their reports with us for review.
ENDNOTES

1 See Methodology and Analysis, page 58.
3 FCA, 2019. Proposals to promote shareholder engagement: Feedback to CP19/7 and final rules
4 See endnote 2
6 FRC, 2016. Corporate culture and the role of boards: a report of observations
8 Enacting purpose initiative, 2020. Enacting purpose within the modern corporation: a framework for board directors
9 The Pensions Regulator, 2017. DB Investment Guidance. Section 2. Investment beliefs
10 UNPRI, 2016. Example investment beliefs
11 Financial Reporting Lab, 2018. Business model reporting: where are we now?
12 Border to Coast Pensions Partnership. Responsible investment and stewardship report 2019/2020, p1
14 Brunel Pension Partnership. 2020 Responsible Investment and Stewardship Outcomes, p10
17 Investment Association, 2019. Black voices: building black representation in investment management
20 RPMI Railpen. UK Stewardship Code 2020 - RPMI Railpen Compliance Statement. RailPen have given FRC permission to reproduce examples from the report shared privately.
23 RPMI Railpen. See note 19
29 Brunel Pension Partnership. 2020 Responsible Investment and Stewardship Outcomes, p16
30 Nordea Asset Management. Responsible Investments Report 2019, p10
31 Legal & General Investment Management. 2019 Active Ownership Report, p25
32 Insight Investment. Responsible horizons annual report on responsible investment 2020, p22
34 Border to Coast Pensions Partnership. Responsible investment and stewardship report 2019/2020, p11
35 Brunel Pension Partnership. 2020 Responsible Investment and Stewardship Outcomes, p57

AXA Investment Managers. 2019 Active Ownership and Stewardship Report, p14

Aviva Investors. Global responsible investment annual review 2019, p50


Brunel Pension Partnership. 2020 Responsible Investment and Stewardship Outcomes, p44


RPMI Railpen. See note 19

UBS Asset Management. 2019 Stewardship Report, p16

HSBC Global Asset Management. 2020 Responsible Investment Review, p14

Border to Coast Pensions Partnership. Responsible investment and stewardship report 2019/2020, p10

Aviva Investors. Global responsible investment annual review 2019, p47

BMO Global Asset Management. Responsible Investment 2019 review, p14


Aviva Investors. Global responsible investment annual review 2019, p38

HSBC Global Asset Management. 2020 Responsible Investment Review, p16

Royal London Asset Management. Stewardship and responsible investment 2020 Report, p29

Aviva Investors. Global responsible investment annual review 2019, p65