



Environmental Audit Committee

House of Commons, London SW1A 0AA

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Corporate Governance and Stewardship
Financial Reporting Council
via email

12 March 2019

Dear colleagues,

Proposed revision to the Stewardship Code

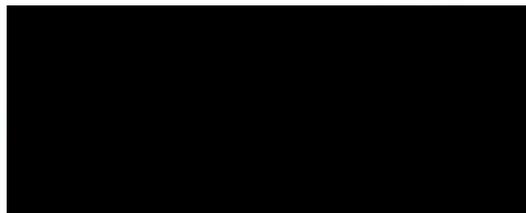
My Committee has noted with interest the proposals to revise the FRC's UK Stewardship Code, and we were pleased to see that the draft 2019 code recognises the increasing importance of Environmental, Social and Governance Factors in the discharge of stewardship responsibilities.

Our report on [Greening Finance: embedding sustainability in financial decision making](#), HC 1063 published in June 2018, recommended that the UK Stewardship Code should require climate-related financial disclosures on a comply or explain basis by 2022. The new code requires asset owners and asset managers to demonstrate how they or their organisations take ESG issues into account, but in our view this does not go far enough. The requirement to provide details of the approach to ESG issues is overly broad and could allow signatories to avoid a sufficient level of transparency on how asset owners or managers are managing climate risk. We would recommend that this provision be strengthened to explicitly require asset owners and managers to demonstrate how climate risk is managed as part of their investment and stewardship approach.

More recently, our inquiry [Fixing Fashion: clothing consumption and sustainability](#), HC1952, published on 19 February 2019, has considered the prevalence of modern slavery in fashion company supply chains, both in the UK and abroad. As part of that report we recommend that the UK Stewardship code be amended to include modern slavery disclosures on a comply or explain basis. We would encourage you to consider how the code could be amended to facilitate better transparency on this issue.

We look forward to reading the results of the consultation in due course.

Yours sincerely,



Mary Creagh MP

Chair of the Environmental Audit Committee