

STEWARDSHIP REPORTING FRAMEWORK

INTRODUCTION

This framework has been developed by the Investment Association in cooperation with its [Corporate Governance and Engagement Committee](#) to serve as basis for public reporting of asset managers' stewardship activities. It is voluntary and based on best practice in stewardship reporting that can already be observed across the industry.

Asset manager signatories to the FRC's [Stewardship Code](#) are required to publish a [statement of commitment](#) to the Code which describes their policy on how they discharge their stewardship responsibilities (Principle 1). Moreover, the Pension and Lifetime Savings Association launched its [Stewardship Disclosure Framework](#) in October 2013 inviting asset managers to fill out a template which matches requirements of the Stewardship Code with different levels of implementation.

Through their response to the Code, and where available to the Disclosure Framework, asset managers communicate publicly their approach to stewardship. This relates to their policies rather than actual activities. Asset managers already report on this to their clients, as required by Principle 7 of the Code. This framework relates to how managers can report their stewardship activities to the wider public.

The purpose of this framework is not to drive new activity but to report the extensive stewardship that already takes place in a clearer, more open and more consistent way across the industry. This will help demonstrate that asset managers take their stewardship responsibilities seriously and that this can have real benefits for clients, companies and the wider economy.

This draft is based on current practice and includes reporting of summary statistics and case studies for both engagement and voting. Also the structure has been developed in a way that accounts for factors such as possible implications that the timing of disclosure and naming companies may have both in terms of maintaining good relationships with them and avoiding the possibility of an adverse effect on share price.

Whilst this draft framework can help improve comparability, it is recognised that members have different business models and a certain degree of flexibility on how they apply this framework on their public disclosures is needed. Moreover, although this framework may also help to address reporting requirements by different asset owners, this is going to be possible only to some extent as client reporting can be bespoke.

The Investment Association recognizes that in some cases there may be concerns that reporting publicly on stewardship activities is not in the interests of clients. In such cases, members may take a proportionate approach to the application of the framework and not report publicly on such stewardship activities where they believe that to do so would not be in the interests of their clients.

INDIVIDUAL ELEMENTS

Following a review of public stewardship reports of asset managers and discussions with members and external stakeholders including the FRC, ICSA and the PLSA, it has been concluded that a comprehensive reporting format could include summary statistics for engagement and voting as well as case studies where engagement with specific companies and detailed explanation over voting decisions are provided.

Accordingly, it is proposed that the framework includes the elements below.

SCOPE, CONTEXT AND OVERVIEW OF INDIVIDUAL MANAGER'S APPROACH TO STEWARDSHIP

In terms of scope, primarily the focus is on equities but asset managers can also discuss engagement across different asset classes.

It would be helpful particularly to external stakeholders, if asset managers also include a brief statement to describe how the stewardship activities that they report in this framework relate to their investment process and individual circumstances of their firm.

ENGAGEMENT

- **Summary statistics**

The purpose of this section is to demonstrate the breadth of issues asset managers have engaged on with investee companies. It would be helpful for asset managers to articulate what activities they class as engagement with companies, so that readers can understand the approaches the asset manager takes, e.g. writing letters, phone calls, meetings with companies to discuss a specific issue, etc.

Asset managers are invited to rank the issues below, in descending order, according to the frequency and intensiveness they have engaged on each. Short descriptions of discussion points that can be covered by each issue are provided.

This list of issues is provided mainly for guidance. Asset managers may choose those that are most appropriate or include others not covered by this list.



Issues for engagement

Board and Director related	Board leadership, effectiveness, Board and committee composition, succession planning and nominations, independence, re-election of directors
Strategy	Issues relating to strategy and long-term value creation
Remuneration	Executive pay policy and structure, retention awards, clawback provisions, awards not related to performance
Capital Structure	Pre-emption rights, share issuance and buybacks, and general capital raisings
Re-organisation incl. M&A	Merger and acquisition activities
Accounting and Audit	Internal and external audit, auditor rotation
Environmental and Sustainability	Environmental impact, sustainable supply chain, identification and management of material risks
Social	Human capital, health and safety, community involvement, human rights

• Companies

It is suggested to disclose the number of meetings and companies asset managers have engaged with but also provide a link to a list of named companies. Particularly the latter, i.e. having a list of companies separately from the case studies below can allow asset managers greater flexibility in terms of naming companies in the case studies.

It should be noted that although these numbers are informative and useful as an overview of the quantity of engagement, they are not representative of the quality of engagement that takes place.

Companies

Number of meetings	[number]
Number of companies	[number]
Link to list of companies	[hyperlink]

• Case studies of engagement

The purpose of this section is to show how asset managers engage with companies and provide concrete examples of how the engagement process works in practice. To provide a rounded view of the engagement that takes place, it would be useful for the case studies to focus not only on successful engagements but also cover cases that were challenging, and explain the pitfalls and lessons learnt.

Individual elements to include could be:



- the name of the company (where possible),
- a summary of the issue(s),
- who instigated the engagement,
- details of collaboration with other investors (where applicable),
- progress of the dialogue, and
- outcome of the engagement.

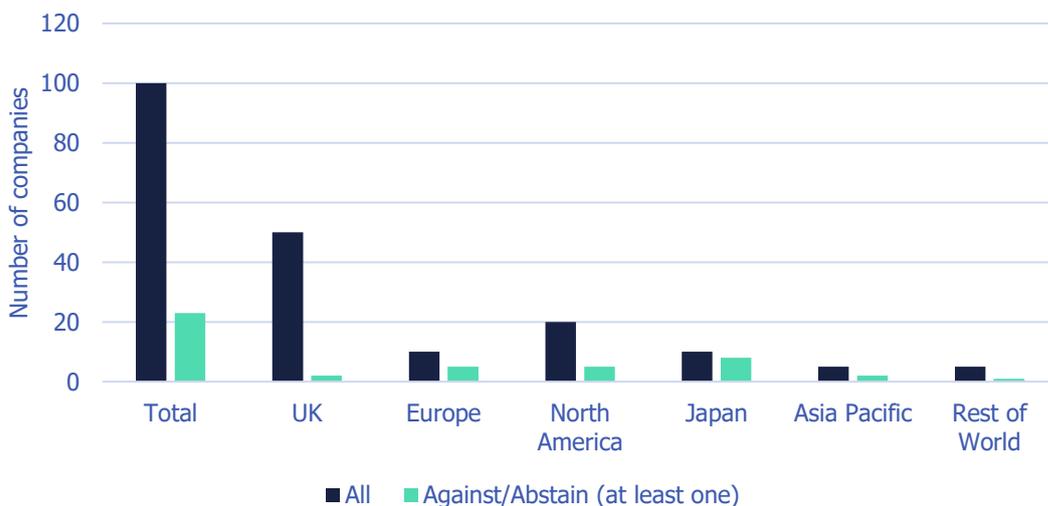
Asset managers could have a number of case studies for a range of the issues identified in the engagement issues table. Where the asset manager does not consider it would be appropriate for the individual company to be named, the case study could be provided on a no names basis.

VOTING

- **Summary statistics**

Summary statistics about voting activity could involve the total number of companies where asset managers voted compared to the number of companies where there was at least one vote against or abstained. Please see the chart below as an example of how this information could be disclosed.

It is suggested to break down this information in separate regions. A broad geographical breakdown is proposed below but asset managers can add only the regions that are relevant.



Moreover, a broad regional breakdown for votes against and abstained, also classified by type of resolution, could help highlight differences in quality of governance across regions.

**Votes against by topic and region (% of total votes)**

	UK	Europe	North America	Japan	Asia Pacific	Rest of World
General Governance						
Director related						
Remuneration						
Capital Structure						
Takeover/Merger/Reorganisation						
Anti-takeover Measures						
Environmental Issues						
Social Issues						
Voting Rights						
Routine & Other Business						
Shareholder Resolutions						
Other						
TOTAL	100	100	100	100	100	100

Votes abstained by topic and region (% of total votes)

	UK	Europe	North America	Japan	Asia Pacific	Rest of World
General Governance						
Director related						
Remuneration						
Capital Structure						
Takeover/Merger/Reorganisation						
Anti-takeover Measures						
Environmental Issues						
Social Issues						
Voting Rights						
Routine & Other Business						
Shareholder Resolutions						
Other						
TOTAL	100	100	100	100	100	100

- **Case studies of voting following engagement**



Engagement and voting are the two principal and interconnected components of exercising stewardship. Providing examples of engagement and how it has led to a specific voting decision can help demonstrate the connection and why the view that voting in favour is an indicator of bad stewardship – as sometimes expressed by third parties – is wrong. As with the engagement case studies above, members are invited to disclose case studies on the following points:

- the name of the company (where possible),
- a summary of the issue/voting resolution,
- who instigated the engagement,
- details of collaboration with other investors (where applicable),
- progress of the dialogue, and
- outcome of the engagement and impact on voting decision,
- events following voting, including further engagement that has resulted from the voting decision.

Asset managers could have a number of case studies for a range of the issues identified in the engagement issues table.

- **Individual resolutions**

Where available, best practice for disclosure of voting could also involve a link to detailed records of all voting activity sorted by company and then resolution and a concise explanation of the rationale behind the voting decision should be provided at least for votes against or abstained.

ENGAGEMENT WITH OTHER STAKEHOLDERS

Asset managers often engage with other stakeholders e.g. in the form of participation in industry fora, contribution to general consultations by regulators, policymakers etc. It is recommended that asset managers disclose information about:

- collaboration with industry associations and initiatives including details about the participating organisations and what was the specific contribution,
- activities that help shape policy around governance issues including details about consultations on governance and stewardship related issues by various bodies such as regulators and a brief description of the position taken.

Engagement with other stakeholders

Collaboration with industry [\[details\]](#)**Contribution to consultations** [\[details\]](#)

**TIMEFRAME**

Each asset manager may determine the frequency of reporting most appropriate for its business model. To ensure a degree of consistency and comparability, it is proposed that stewardship activities are disclosed at least annually. Regarding the timing of disclosure, it is recognised that reporting on engagement that is still ongoing may be counterproductive and harmful to the relationship with the company in question. As such, it is for asset managers to consider when it would be most appropriate to disclose information about their engagement with named companies.