Brunel Pension Partnership

FRC: Consultation on Proposed Revisions to the UK Corporate Governance Code and initial consultation on the future direction of the UK Stewardship Code

Brunel Pension Partnership Limited

Important Notice

The document is a response to the FRC consultation and has been approved by Dawn Turner, CEO of Brunel Pension Partnership. Any questions should be sent to faith.ward@brunelpp.org

Name: Brunel Pension Partnership

Date: 26 February 2018

Catherine Horton
Financial Reporting Council
8th Floor, 125 London Wall
London
EC2Y 5AS
Email: codereview@frc.org.uk

26/2/2018

Dear Catherine,

Consultation on the proposed Revisions to the UK Corporate Governance Code and initial consultation on the future direction of the UK Stewardship Code

We welcome the opportunity to provide input to both the proposed revisions to the UK Corporate Governance Code and initial consultation on the future direction of the UK Stewardship Code. We welcome the proposed changes and acknowledge the significant amount work undertaken by the team at the FRC.

We would like to highlight three aspects of our submission and apply equally to both the Corporate Governance Code and Stewardship Code

- We strongly recommend the opportunity is taken to build firm, clear links and reporting requirements across the codes.
- We strongly support the focus on culture and diversity as we think this is critical to the long term success of companies and beneficial for investors. We would welcome further emphasis on the reporting requirements around these principles.
- We strongly recommend more recognition of environmental impacts, specifically climate change, in particular the requirements identified in the Task Force for Climate-Related Financial Disclosure.

We would be delighted to follow-up on any of the comments made in our response and provide further support to the FRC in progressing this area of work. Please contact our Chief Responsible Investment Office, Faith Ward on faith.ward@brunelpp.org.uk on 07818457759.

Yours sincerely

Dawn Turner

CEO, Brunel Pension Partnership

About Brunel

Brunel Pension Partnership (Brunel) brings together £28 billion investments of 10 likeminded Local Government Pensions Scheme funds. Brunel was formally launched in July 2017.

We believe in making long-term sustainable investments supported by robust and transparent process. We are here to protect the interests of our clients and their members. We champion open and transparent communication with our clients and peers and value transparency, honesty and excellence. In collaboration with all our stakeholders we are forging better futures by investing for a world worth living in.

A founding pillar is collaboration and we welcome the opportunity to support and challenge current policy to help deliver change and improvement.

Consultation on UK Corporate Governance Code

Introduction and Guidance

Q1. Do you have any concerns in relation to the proposed code application date?

We support the proposed time table to publish a final version of the code by early summer 2018, to apply to accounting periods beginning on or after 1 January 2019.

Q2. Do you have any comments on the revised guidance?

The opening text of the revised guidance (guidance page 1, paragraph 2) helpfully contextualises the fact that companies operate interdependently of the economy and society. We recommend that this text is updated and add a reference to the physical environment. Companies impact the environment in the use of natural resources e.g. water, waste and raw materials and the environment impacts on companies e.g. physical damage caused by extreme weather both directly and indirectly from disrupted supply chains. The financial consequences of extreme weather events cannot be overlooked. In 2017 Hurricanes Harvey and Irma in the US caused an estimated $70bn (£52.67bn) in economic damage and brought oil refineries in Texas to a standstill.[1]

Whilst we welcome the spirit intended by the requirement of companies to "contribute to wider society", we would recommend that the wording is clarified to focus on financial aspects of this consideration. We do not believe that the FRC intention was referring to Corporate Social Responsibility (CSR) or altruism but more materially financial interactions.

We are supportive of the use of the term 'workforce' to encourage companies to consider how their actions impact on all and an extension to engage with wider shareholders.

We are concerned about the use of the term "major shareholders" in Provision 5 as this can so often be interpreted as a few major, often index tracking, investment houses. We support the language of "important" or "intrinsic" investors - "These important investors, whom we call "intrinsic" investors, base their decisions on a deep understanding of a company's strategy, its current performance, and its potential to create long-term value." Mckinsey [2] .

---

[1] Publication by Professional Pensions 11/01/2018 citing Marcus Norton Chief Partnership officer and general counsel at CDP

[2] https://www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/communicating-with-the-right-investors

Section 1 – Leadership and Purpose

Q3. Do you agree that the proposed methods in Provision 3 are sufficient to achieve meaningful engagement?

We welcome the provision and support its introduction but feel that the provision could go much further to achieve meaningful engagement. Some areas for consideration are:

1. Emphasis on **promoting** avenues available to the workforce with concerns and ideas. Companies can and have made opportunities available but quite often fail to effectively, and clearly communicate this to staff.
2. What is the **frequency** with which companies engage with the workforce and advertise the avenue to engage.
3. **Disclosure of measures** of effectiveness of the awareness in the workforce to engage and the effectiveness of engagement.
4. Any requirement to **follow up** with staff on outcomes from engagement.
5. Introduce **positive engagement** into the wording of the revised code for the following reasons:
    a. Removing focus of the negative aspect from engagement will lead to better meaningful adoption and promotion by companies;
    b. Advocating positive feedback and idea generation can have a material impact for companies and shareholders.
    c. Reduces the apprehension the workforce may feel in engaging. It is much easier to deliver a concern alongside positive news.

Q4. Do you consider that we should include more specific reference to the UN SDGs or other NGO principles, either in the Code or in the Guidance?

We support more specific reference to the UN SDG's or other NGO principles as this provides a useful reference point for management in the consideration of "wider stakeholders". We also believe that the inclusion will increase awareness and wider adoption, helping to further propel and drive the change required to deliver a more sustainable and resilient financial system.

Following the publication of the TCFD recommendations on 29th June 2017, there has been increasing calls for the TCFD recommendations to be incorporated into national corporate governance and reporting frameworks. Most recently, the final report of the High Level Expert Group on Sustainable Finance (published on 31 January 2018) recommended that the EU endorse the TCFD recommendations and implement them at the EU level (and recognises the 2018 review of the Non-Financial Reporting Directive is a unique opportunity to do this).[3] In the UK, our

3 EU High-Level Expert Group on Sustainable Finance, 2018. Financing a Sustainable European Economy https://ec.europa.eu/info/sites/info/files/180131-sustainable-finance-final-report_en.pdf

Government has endorsed the TCFD recommendations and encouraged all listed companies to implement them.[4]

Q5. Do you agree that 20 percent is 'significant' and that an update should be published no later than six months after the vote?

We strongly support the requirement to publish an update where there has been significant dissent (contrary to management recommendations). We consider a six-month reporting timeframe quite long. We would welcome a deadline of nearer three months but are open to the idea of variability given severity of the issue in hand.

With regard to the level of 20%, this is indeed "significant" and whilst the 20% limit may remain we would welcome inclusion in the supporting guidance that best practice would be to address issues at lower levels of decent, even 5% on some resolutions would be an indicator of concern and a response by management wholly warranted.

Section 2 – Division of responsibilities

Q6. Do you agree with the removal of the exemption for companies below the FTSE 350 to have an independent board evaluation every three years? If not, please provide information relating to the potential costs and other burdens involved.

We support removing the exemption for companies below the FTSE 350 to set a standard and elevate governance across all companies in which we invest. We are also mindful that in some instances it could be potential costly or burdensome on smaller companies and therefore would recommend the guidance is clear in the application of "comply and explain" to limit the burden of compliance.

Q7. Do you agree that nine years, as applied to non-executive directors and chairs, is an appropriate time period to be considered independent?

A 9-year term is a well-established and widely adopted industry timeframe to consider independence. We are concerned that without some sort of recommended level that companies will not be motivated to ensure diversity and board refreshment. There are many boards for whom this still presents a challenge despite having a 9 year recommended level.

We acknowledge that the operation of "comply or explain" is not effectively applied by proxy voting services and consequently undermines the effective operation of the code. We would support "explain" in many instances, particularly for smaller companies. We would want to ensure the board members have the time needed to understand the business and be truly effective. To achieve this we would be mindful to consider the need to:

[4] https://www.gov.uk/guidance/green-finance#green-finance-taskforce

- Reduce additional turnover costs and risk of not filling the position with the right people;
- Ensure talent pool is maintained
- Ensure long term thinking.
- Avoid the disruption, loss of knowledge and resource to the board.

We welcome the requirements for an independent Chair and are minded that 'sensible' level of extension (e.g. additional 3 year to the 9 year recommended level) so in scenarios where an independent NED is promoted to Chair they have sufficient time to add value and promote long term thinking.

Q8. Do you agree that it is not necessary to provide for a maximum period of tenure?

We strongly agree that there should be no hard limit on a maximum tenure. We do however consider that this could lead to stagnation of idea generation or key person dominance. We propose a soft approach that encourages the disclosure of the average or mode of Board tenure as a stimulus to encourage the inflow of new perspectives and fresh ideas.

Section 3 – Composition, succession and evaluation

Q9. Do you agree that the overall changes proposed in Section 3 of the revised Code will lead to more action to build diversity in the boardroom, in the executive pipeline and in the company as a whole?

We are encouraged with the changes seen within section 3 to address diversity, in particular reference in principle J to "promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths". We feel that principle J could be expanded further to include all areas of diversity that might emerge in the future.

We strongly advocate that disclosure across the whole workforce will help build diversity. Provision 23 eludes to capturing how diversity has been taken into account by the nomination committee but doesn't make any direct reference to disclosing the diversity of the company. Whilst progress has been made it has slowed, almost one in two or around 40% of appointments need to go to women to achieve the 30% target. The number of companies failing to comply with the mandatory requirement to show a comprehensive employee gender split at the end of financial year increased from 26% in 2016 to 30% 2017. We strongly feel that disclosure is key to help drive change and improve governance.

The principles centre around the board and its committees, reference is made to succession planning which is important. Drawing out the pipeline and workforce would help foster better integration of diversity across the company. The term 'pipeline' could be conceived as higher management, expansion and clarification of the workforce within this section would be of benefit.

Q10. Do you agree with extending the Hampton-Alexander recommendation beyond the FTSE 350? If not, please provide information relating to the potential costs and other burdens involved.

The Hampton Alexander review suggested "the FRC should amend the UK Corporate Governance Code so that all FTSE 350 companies disclose in their annual report the gender balance on the executive committee and Direct Reports to the Executive Committee". Brunel Pension Partnership strongly supports this recommendation and feels the revised code could refer to disclosure of diversity more explicitly. However, we are also supportive to extend disclosure beyond the board and executive committee to the whole workforce, this would provide investors with a truly transparent picture of diversity across the company which could potentially be entirely different to that of the board and top management. We also advocate for disclosure beyond gender, to encompass diversity fully.

Q11. What are your views on encouraging companies to report on levels of ethnicity in executive pipelines? Please provide information relating to the practical implications, potential costs and other burdens involved, and to which companies it should apply.

We believe all elements of diversity should be reported and disclosed by any listed company. By extending the requirements to the pipeline, investors have a clearer picture of succession planning and diversity integration across the whole company. Most companies will already hold information on staff ethnicity for internal monitoring and compliance checks of the Race Relations Act 2000. It is not envisaged that it would be burdensome to integrate this reporting and seek consent to disclose, particularly when aggregated and reported at high level.

Section 4 – Audit, risk and internal control

Q12. Do you agree with retaining the requirements included in the current Code, even though there is some duplication with the Listing Rules, the Disclosure and Transparency Rules or Companies Act?

Yes, we agree with retaining the requirements as it reinforces the importance of them and encourages integration and adoption.

Q13. Do you support the removal to the Guidance of the requirement currently retained in C.3.3 of the current Code? If not, please give reasons.

We support that the terms of reference should be referred to in the guidance and the move to provisions does reduce the complexity of the code.

Section 5 – Remuneration

Q14. Do you agree with the wider remit for the remuneration committee and what are your views on the most effective way to discharge this new responsibility, and how might this operate in practice?

We agree with the wider remit for the remuneration committee, the extended minimum vesting and post-vesting holding period from three to five years will help encourage companies to focus on longer-term outcomes. Remuneration, workforce policies and practices should be considered when setting the policy for director remuneration as it increases awareness of pay gaps and pensions. However, we are not convinced that the remit should extend to setting pay in the wider workforce and that this could make the committee less effective.

We are very encouraged to see a remit for discretion to override formulaic outcomes and to recover and/or withhold sums or share awards in certain circumstances. The provision to only include basic salary as pensionable along with an alignment to the pension arrangement of the workforce, as a whole, is also welcomed.

Q15. Can you suggest other ways in which the Code could support executive remuneration that drives long-term sustainable performance?

The industry is seeing increased appetite for target setting and disclosure of carbon emissions and diversity amongst other metrics. Quite often though these targets sit separately to the remuneration policy and as a result short term profit margins take precedent over the long-term sustainable benefits for the company and its stakeholders, Grant Thornton states that "37% [of the FTSE 350] make no use of non-financial metrics for performance-related remuneration". We would like to see provision 40 go further by recommending the integration of sustainable targets into remuneration.

Q16. Do you think the changes proposed will give meaningful impetus to boards in exercising discretion?

The proposed changes set a foundation for implementing discretion and highlight some important points, such as outcomes should not reward poor performance and total rewards available should not be excessive. As stated above we feel the code could go further to include company targets around carbon emissions and diversity, rather than just linking remuneration to solely financial metrics.

The recent governance failure at Carillion has brought to light clawback amendments made by the company in 2016 which removed clawback in instances where the company goes bust other than where gross misconduct occurs. [5] Whilst

---

[5] https://www.ft.com/content/2c6ad932-fad8-11e7-a492-2c9be7f3120a

only one company, this highlights the failing of the remuneration committee and the difficulty now faced in being able to invoke the clawback clause. We feel there needs to be a promotion for meaningful clawback clauses and for boards to make use of these. Grant Thornton reported that "90% of companies now state they have a clawback provision but, as in previous years, no company has invoked this provision."

We welcome the inclusion in provision 41 for remuneration committees to include in the annual report a judgement on "whether the remuneration policy operated as intended in terms of company performance and quantum, and, if not, what changes are necessary".

Initial Consultation on future direction of UK Stewardship Code

Format

Q17. Should the Stewardship Code be more explicit about the expectations of those investing directly or indirectly and those advising them? Would separate codes or enhanced separate guidance for different categories of the investment chain help drive best practice?

We believe that Stewardship applies to all parties and all asset classes, it's just the way in which it is exercised, and by extension the expectations, that will vary to suit. The word stewardship means to 'manage' or 'look after' on behalf of another. We would argue all assets and those involved in the process, including advisors, can be accommodated as part of the activities pertaining to 'looking after' investments. However, we can identify asset managers who outsource the voting component of their 'stewardship' activities (like some asset owners), there are asset owners who undertake direct investment and many who do a mixture of activities. As there is no clear delineation in the market, we would not recommend delineation in codes and guidance around it.

There is however, a clear need to improve the clarity of expectations depending on: the activities undertaken, the role in the investment chain and types of investment, but we believe that this can be achieved whilst having <u>one code</u>.

We therefore recommend the expansion of the guidance within the code for how each element applies across different investment activities, be that asset class or level of accountability and control. Furthermore, we feel that the comply of explain approach can be used to accommodate areas which are less applicable, if the guidance itself if not exhaustive. We note the FRC have already taken this into account when applying tiering.

Setting one code of best practice across the whole investment chain sets expectations. Separate codes, creating a two-tier approach to stewardship would, in our view, severely weaken the progress made by its introduction.

Related points on the current draft of the Stewardship code is the removal of "with equity holdings in UK listed companies" (page 2, point 2). Limiting its application based on the place of listing and asset class is increasingly redundant with similar stewardship codes emerging and potentially misleading to the UK beneficiaries. We do not believe that beneficiaries investing through UK asset managers or in UK based pension fund will be aware that UK Stewardship code may not apply to significant proportions of their fund. We would propose the UK Stewardship Code applies to all institutional investors, and those advising them, based in or operating in the UK. The guidance on the use of 'comply or explain' will allow for any limitations of control by investing if different asset classes and markets to be accounted for.

Later in the same paragraph the code clearly states that "they cannot delegate responsibility for stewardship". Despite this quite clear statement, evidence would suggest that this still does seem well understood or embedded in the governance arrangements of many institutional investors. We would strongly recommend that this statement is more strongly reinforced in the next iteration.

Q18. Should the Stewardship Code focus on best practice expectations using a more traditional 'comply or explain' format? If so, are there any areas in which this would not be appropriate? How might we go about determining what best practice is?

We commend the model of the Corporate Governance Code, reinforcing the alignment and would support moving the structure of the Stewardship Code to principles with guiding provisions and guidance.

The FRC could establish best practice through many measures, including assessments against its own expectation developed in conjunction with external consultation with industry and external stakeholder groups. FRC can also continue to identify case studies identified from its the experience of monitoring/ tiering.

Q19. Are there alternative ways in which the FRC could highlight best practice reporting other than the tiering exercise as it was undertaken in 2016?

We found the tiering exercise extremely useful both from the perspective as asset owner signatory and as an asset owner who seeks to evaluate and engage asset managers on the quality of their stewardship activities. The tiering exercise has provided a quantitative benchmark for both asset owners and managers to gauge the quality of the statements. We acknowledge that the tiering assesses the statement – not the quality of the stewardship activities, this is reflective of our broader concerns on the Stewardship Code itself and the gap between the spirit of what it is trying to achieve and what it is currently delivering.

We would welcome FRC resources on the on-going monitoring, ideally maintain the tiering, of the Stewardship going forward.

Content

Q20. Are there elements of the revised UK Corporate Governance Code that we should mirror in the Stewardship Code? & Q21. How could an investor's role in building a company's long-term success be further encouraged through the Stewardship Code?

We would strongly recommend that the Stewardship Code mirror all aspects of the Corporate Governance Code. For example, we would like similar duties captured in s.172 Companies Act to be mirrored for investors.

In the consultation response, the FRC has placed considerable importance of culture and diversity on the effective functioning of companies, we would argue the same is true for asset managers. As asset owners who employ asset managers, we ask detailed question about culture and diversity. For example, in a recent tender exercise we asked, "How do you reconcile your own approach to internal governance, remuneration and culture to that on which you are engaging with investee companies?"

Q22. Would it be appropriate to incorporate 'wider stakeholders' into the areas of suggested focus for monitoring and engagement by investors? Should the Stewardship Code more explicitly refer to ESG factors and broader social impact? If so, how should these be integrated and are there any specific areas of focus that should be addressed?

The proposed changes of the corporate governance code seek to incorporate 'wider stakeholders' for engagement and consideration. Alignment between the two codes is encouraged and therefore incorporation of 'wider stakeholders' into the stewardship code is supported. The current code states "Stewardship aims to promote the long-term success of companies in such a way that the ultimate providers of capital also prosper. Effective stewardship benefits companies, investors and the economy as a whole". The effective consideration and management of ESG factors are intertwined with long-term good stewardship. Broader social impact encompasses to all ESG factors and the focus should link clearly to material costs and benefits of the investment. We feel this is compatible with investment-return driven SDG impact reporting.

We would recommend including consideration of all risks to investor return which would include ESG factors (Australia, Japan and Netherlands) but should refrain from being prescriptive. Investors should explain how they identify risks and what are their forthcoming stewardship priorities. Furthermore, we would recommend the supporting guidance directs investors to where guidance can be found on relevant issues. What constitutes a material ESG risks evolves as new issues emerge and others become standard operational practice.

Q23. How can the Stewardship Code encourage reporting on the way in which stewardship activities have been carried out? Are there ways in which the FRC or others could encourage this reporting, even if the encouragement falls outside of the Stewardship Code?

Transparency and disclosure in the investment chain are becoming widely acknowledged as both wholly inadequate in current state and vital to rebuilding trust in organisations and institutions in the chain. The FRC can use its role across many regulatory frameworks to enhance the level and quality of reporting more broadly which in turn will inform and empower better disclosure at the top of the investment chain, namely stewardship. We recommend that the FRC work collaboratively with other regulatory and policy makers. In relation to pension fund investors we would encourage the FRC to collaborate with the Pensions Regulator on how to encourage further direct and indirect stewardship activities and to ensure that relevant guidance is complementary and not contradictory. We note that the FRC does not have a Memorandum of Understanding in place with the Pensions Regulator as it does with other key financial regulators and would suggest that further collaboration between the two bodies would be helpful in ensuring sufficient oversight.

Currently, the Stewardship Code states that 'the FRC expects signatories of the Code to publish on their website, or if they do not have a website in another accessible form, a statement that: describes how the signatory has applied each of the seven principles of the Code and discloses the specific information requested in the guidance to the principles; or if one or more of the principles have not been applied or the specific information requested in the guidance has not been disclosed, explains why the signatory has not complied with those elements of the Code. Further, 'signatories are encouraged to review their policy statements annually and update them where necessary to reflect changes in actual practice.

As an investor user of Stewardship Code Statements, they are not sufficient to provide a meaningful picture of precisely what stewardship activities or indeed decisions have occurred during a year. However, we would prefer the statements included the policy commitments and process descriptions and point to where we can read more detailed information. We would expect this information to be at least in the annual report but also supplemented by quarterly investor updates. We are keen that the compliance statements do not become unwieldy. Principle 7 could go further in detailing reporting best practice and expectations. Highlighting the need to detail how activities were undertaken and the outcome of those activities, is it making a difference? is it effecting change?

Resolving these questions as part of the guidance on stewardship disclosure will make the whole process more meaningful.

Specifically, we would support the FRC being more active in articulating the reporting needs of the investors more broadly and not just confined to the 'seven principles'. We would like the FRC to incentivise reporting in line with the TCFD recommendations. We urge the FRC to ensure that reporting under the Stewardship Code includes this requirement.

In 2015 a group of UK based asset owners, frustrated at the quality of report on stewardship and responsible investment, set out their reporting expectations. The Guide is not prescriptive but encourages mangers to align the reporting on ESG and stewardship to each fund investment process and approach to stewardship. Much has moved on since 2015 but the guide is still a useful reference. A copy is appended to this response.

Q24. How could the Stewardship Code take account of some investors' wider view of responsible investment?

Yes, we would support the requirement for signatories to disclosure how stewardship forms part of their wider approach to responsible investment. Stewardship Code needs to be clearer on how stewardship activities relate to investors' legal duties in relation to managing risks.

Q25. Are there elements of international stewardship codes that should be included in the Stewardship Code?

Yes, for clarity the following are suggested additions to those elements already covered in the code. We think all current requirements need to be retained but strengthened in many areas.

We would recommend including consideration of all risks to investor return which would include ESG factors (Australia, Japan and Netherlands) but should refrain from being prescriptive. Investors should explain how they identify risks and what are their forthcoming stewardship priorities. Furthermore, we would recommend that the supporting guidance directs investors to where guidance can be found on relevant issues. What constitutes a material ESG risk evolves as new issues emerge and others become standard operational practice.

Other additions we would strongly recommend are;

- Monitoring of company performance on financial and non-financial matters
- How the organisation ensures it has the skills and knowledge to discharge stewardship duties (Japan).
- Approach to public policy engagement (Canada).

- Implementing IGCN's Global Stewardship Principles.

We would also include requirements for investors to;

- Disclose broader investment beliefs and their approach to stewardship (motivations and drivers)
- Deepen the relationship between engagement and voting
- Deepen the relationship between engagement and capital allocation.
- Enhance collaborative engagement and participation with industry groups and associations
- Build an approach to education, training and support to clients and other stakeholders to support their own stewardship activities.

Q26. What role should independent assurance play in revisions to the Stewardship Code? Are there ways in which independent assurance could be made more useful and effective?

We do not support a formal requirement for external/ independent assurance. Such a requirement would impose considerable costs to investors with little additional value. What we advocate is the requirement to disclose the internal assurance processes and how it fits with the broader governance framework. The UNPRI have undertaken a great deal of work in this area, facing the same challenge. We recommend the FRC review that research in considering this issue.

Q27: Would it be appropriate for the Stewardship Code to support disclosure of the approach to directed voting in pooled funds?

Yes, we strongly advocate that the code incorporates this disclosure requirement to encourage innovation and effective solutions. The current situation leads to massive disenfranchisement of investors for whom pooled funds are the only viable option. We acknowledge current operational obstacles but without incentive we fear there will not be innovation and we believe that the requirement for disclosure would stimulate the market forces to operate.

Q28: Should board and executive pipeline diversity be included as an explicit expectation of investor engagement?

Yes, this is an essential component if investors are going to reinforce the expectations set out in the Corporate Governance code. We would argue that the Stewardship Code should mirror all aspects of the Corporate Governance Code.

There is significant body of evidence that board and executive diversity is strongly correlated to superior long-term investment returns. The inclusion in the code will help propel discussion and encourage adoption by those companies who are lagging their peers.

Q29: Should the Stewardship Code explicitly request that investors give consideration to company performance and reporting on adapting to climate change?

Yes, we would support both clear links to company performance and climate change. We would support reporting on both mitigation and adaptation to the impacts of climate change. We strongly recommend with the integration of the TCFD recommendations into the Stewardship Code.

Q30: Should signatories to the Stewardship Code define the purpose of stewardship with respect to the role of their organisation and specific investment or other activities?

Yes, we would welcome the requirement of all signatories to the code to state how the stewardship activities fit with both the organisation approach and variations for specific investments. The Stewardship Code needs to be clearer on how stewardship activities relate to investors' legal duties in relation to managing risks. This is compatible with our view of widening the scope of the Stewardship Code to encompass all asset classes.

Q31: Should the Stewardship Code require asset managers to disclose a fund's purpose and its specific approach to stewardship, and report against these approaches at a fund level? How might this best be achieved?

Yes, we would welcome the requirement of asset managers to clearly articulate, in the fund documentation, specific approaches to stewardship activities. The disclosure should include clear, specific, time bound, measurable objectives - the progress on which can be regularly reported to clients. The FRC should clearly set out the transparency expectations of asset managers. The supporting guidance should reference sources of best practice reporting. In 2015 a group of UK based asset owners, frustrated at the quality of report on stewardship and responsible investment, set out their reporting expectations. The Guide is not prescriptive but encourages mangers to align the reporting on ESG and stewardship to each fund investment process and approach to stewardship. Much has moved on since 2015 but the guide is still a useful reference. A copy is appended to this response. The group is considering updating the guide. We would welcome the support of the FRC in this endeavour.

Conclusion

In conclusion we welcome the work undertaken by the FRC and would be open to discuss the points made in our response and provide any further assistance. Please contact Faith Ward (faith.ward@brunelpp.org).