

Appendix 2

Expected areas to be covered in the UK Stewardship Code 2020 reporting

v1 dated 27 02 2020

1. the purpose of the organisation
2. an outline of its culture, values, business model and strategy
3. its investment beliefs i.e. what factors it considers important for desired investment outcomes and why
4. what actions it has taken to ensure its investment beliefs, strategy and culture enable effective stewardship
5. how its purpose and investment beliefs have guided its stewardship, investment strategy and decision-making
6. an assessment of how effective it has been in serving the best interests of its beneficiaries
7. how its governance structures and processes have enabled oversight and accountability for effective stewardship within the organisation
8. the rationale for its chosen approach to governance
9. whether it has appropriately resourced stewardship activities, including chosen organisational and workforce structures; seniority, experience, qualifications, training and diversity; its investment in systems, processes, research and analysis; and the extent to which service providers were used and the services they provided
10. how performance management or reward programmes have incentivised the integration of stewardship and investment decision making
11. how effective its chosen governance structures and processes have been in supporting stewardship
12. its conflicts policy and how this has been applied to stewardship
13. how it has identified and managed any instances of actual or potential conflicts related to stewardship
14. examples of how it has addressed actual or potential conflicts
15. examples of how it has identified and responded to market-wide and systemic risk(s)
16. how it has worked with other stakeholders to promote continued improvement of the functioning of financial markets
17. the role it played in any relevant industry initiatives in which it has participated, the extent of its contribution and an assessment of their effectiveness, with examples
18. how they it has aligned its investments accordingly
19. an assessment of its effectiveness in identifying and responding to market-wide and systemic risks and promoting well-functioning financial markets
20. how it has reviewed its policies to ensure they enable effective stewardship
21. what internal or external assurance it has received in relation to stewardship (undertaken directly or on its behalf) and the rationale for its chosen approach
22. how it has ensured its stewardship reporting is fair, balanced and understandable
23. how its review and assurance has led to the continuous improvement of stewardship policies and processes
24. the approximate breakdown of the scheme(s) structure, for example, whether the scheme is a public sector defined benefit
25. the size and profile of membership, including number of members in the scheme and the average age of members
26. assets under management across asset classes and geographies;
27. he length of the investment time horizon it has considered appropriate to deliver to the needs of beneficiaries and why

28. how it has sought beneficiaries' views and the reason for its chosen approach
29. how the needs of beneficiaries have been reflected in stewardship and investment aligned with an appropriate investment time horizon
30. how assets have been managed in alignment with stewardship and investment policies
31. what it has communicated to beneficiaries about its stewardship and investment activities and outcomes to meet beneficiary needs, including the type of information provided, methods and frequency of communication
32. how it has evaluated the effectiveness of its chosen methods to understand the needs of beneficiaries
33. how it has taken account of the views of beneficiaries where sought, and what actions it has taken as a result
34. where managers have not followed its stewardship and investment policies, and the reason for this
35. issues prioritised for assessing investments, prior to holding, monitoring through holding and exiting, including the ESG issues of importance to it
36. how integration of stewardship and investment has differed for funds, asset classes and geographies
37. how it has ensured tenders have included a requirement to integrate stewardship and investment, including material ESG issues
38. how it has ensured the design and award of mandates include requirements to integrate stewardship and investment to align with the investment time horizons of beneficiaries
39. the processes it has used to integrate stewardship and investment, including material ESG issues, to align with the investment time horizons of beneficiaries
40. the processes it has used to ensure service providers have received clear and actionable criteria to support integration of stewardship and investment, including material ESG issues
41. how information gathered through stewardship has informed acquisition, monitoring and exit decisions, either directly or on its behalf, and with reference to how they have best served beneficiaries
42. how it has monitored service providers to ensure services have been delivered to meet its needs
43. how the services have been delivered to meet its needs
44. the action it has taken where expectations of its managers and/or service providers have not been met
45. the expectations it has set for others that engage on its behalf
46. how it has selected and prioritised engagement (for example, key issues and/or size of holding)
47. how they it has developed well-informed and precise objectives for engagement with examples
48. its methods of engagement, the extent to which they have been used and the reasons for their chosen approach
49. how engagement has differed for assets or geographies
50. the outcomes of engagement that is ongoing or has concluded in the preceding 12 months, undertaken directly or by others on its behalf
51. what collaborative engagement it has participated in and why, including those undertaken directly or by others on its behalf
52. the outcomes of collaborative engagement
53. the expectations it has set for asset managers that escalate stewardship activities on its behalf
54. how it has selected and prioritised issues, and developed well-informed objectives for escalation

55. when it has chosen to escalate their engagement, including the issue(s) and the reasons for their chosen approach, using examples and how escalation has differed for assets or geographies
56. the outcomes of escalation either undertaken directly or by others on its behalf
57. how it has exercised its rights and responsibilities across asset classes it is invested in where it can do so
58. the expectations it has set for asset managers that exercise rights and responsibilities on its behalf
59. how it exercises rights and responsibilities, and how its approach has differed for assets or geographies
60. voting policy, including any house policies and the extent to which funds set their own policies
61. the extent to which it uses default recommendations of proxy advisors
62. what approach it has taken to stock lending, recalling lent stock for voting and how it seeks to mitigate 'empty voting'
63. for listed equity assets the proportion of shares that were voted in the past year and why, with a link to their voting records, including votes withheld if applicable, the rationale for some or all voting decisions, particularly where there was a vote against the board / there were votes against shareholder resolutions / a vote was withheld / the vote was not in line with voting policy, the extent to which voting decisions were executed by another entity, and how it has monitored any voting on its behalf / how it has monitored what shares and voting rights it has
64. for fixed income assets, its approach to seeking amendments to terms and conditions in indentures or contracts, seeking access to information provided in trust deeds impairment rights and reviewing prospectus and transaction documents
65. for listed equity assets, examples of the outcomes of resolutions it has voted on over the past 12 months