



# The UK Stewardship Code 2020

KPMG Board Leadership Centre



The FRC have released the most recent iteration of the [UK Stewardship Code](#) (the 'Code'), which prioritises sustainable value for beneficiaries, the economy and society – including making explicit reference to environmental, social and governance (ESG) factors – and requires signatories to integrate stewardship into their investment approach.

The new Code substantially raises expectations for how money is invested on behalf of UK savers and pensioners; and it aims to stimulate greater demand for an engaged approach to stewardship and investment decision-making which is aligned to the investment time-horizons of beneficiaries, which are often long-term.

The Code is written for asset owners and asset managers, as well as for the service providers that support them, who want to demonstrate their commitment to stewardship.

Recognising that not all signatories will exercise stewardship in an identical way, the Code does not prescribe a single approach to effective stewardship, rather, it allows organisations to meet the expectations in a manner that is aligned with their own business model and strategy.

The structure of the new Code is similar to the UK Corporate Governance Code, with numbered Sections, Principles and reporting expectations accompanied by Guidance.

## Stewardship

Stewardship is defined as the responsible allocation and management of capital across the institutional investment community – and crucially – to create sustainable value for beneficiaries, the economy and society.

This 'capital' is any assets of beneficiaries that have been entrusted to the care of others and is not restricted to UK listed equity assets.

## Reporting under the Code

The Code includes 18 Principles (12 for asset managers and owners; and 6 for service providers) and each principle includes reporting expectations to be included in the Stewardship Report. These can cover activities and outcomes as well as historical context.

Not all reporting expectations will be applicable to all situations, and organisations must therefore determine which are most relevant and appropriate to their role in the investment community.

Similarly, the Code recognises that signatories differ by size, type, business model and investment approach. Allowing for this, the reporting expectations do not require disclosure of stewardship activities on a fund-by-fund basis or for each investment strategy, however, the information provided must be clear and proportionate.

## Applicability

The Code is voluntary and sets a standard that is higher than the minimum UK regulatory requirements. Where adopted, the Code is applicable to a range of different entities in the investment community – asset managers, owners and service providers.

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## The KPMG Board Leadership Centre

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