UKSIF
UK Sustainable Investment and Finance Association

UKSIF Urges Financial Reporting Council to Maintain Robust Focus on Sustainability in Stewardship Code Definition

[19th February 2025, London. UK.] The UK Sustainable Investment and Finance Association (UKSIF) has today submitted their response to the Financial Reporting Council (FRC)'s consultation on their review of the UK Stewardship Code.

UKSIF emphasises the importance of the Stewardship Code and its role in helping UK investors to establish a leading standard globally for good stewardship.

Key recommendations summarised from the response:

- **Proposed alternative definition of 'stewardship' in the Code in contrast to the FRC's current consultation proposals**, supported by the Pensions and Lifetime Savings Association (PLSA) and a number of UKSIF's members: *"Stewardship is the responsible allocation, management and oversight of capital, having regard to dependencies and impacts on the economy, the environment and society, to create long-term sustainable value for clients and beneficiaries".*

- **Supporting language to the 'stewardship' definition should give consideration to the Financial Markets Law Committee (FMLC) opinion** published last year, to clarify that stewardship is consistent and aligned to the fiduciary duties of investors.

- To address concerns about the reporting burden presented by the existing UK Code, **the submission and assessment of the 'Policy and Context' ('Part A') disclosures should take place on a triennial basis** in place of the proposed frequency outlined in the consultation.

- UKSIF broadly endorses the revised set of Code principles set out by the FRC and **would welcome more of a direct emphasis on the role of policy advocacy in the proposed 'Principle 2'** and recognition of its value alongside other mechanisms and elements of the stewardship toolkit (e.g. corporate engagement and industry-wide engagement).

- To assist smaller firms in the UK's industry and promote a more 'level playing field', **UKSIF would welcome consideration from the regulator of a new engagement tool- or similar- offered to smaller prospective signatories to the Code** that would seek to assist this specific group in meeting the Code's high bar going forward.

Oscar Warwick Thompson, Head of Policy and Regulatory Affairs at UKSIF commented: "The UK Stewardship Code has been instrumental in driving more transparent and effective stewardship activities across the investment industry, helping create long-term value for clients while establishing a global standard for stewardship and responsible investment practice. As we mark five years since the introduction of the 2020 Code, we urge the FRC to maintain the fundamental purpose of this important, internationally leading framework.

It is particularly essential that the finalised 'stewardship' definition is not perceived to dilute the Code's purpose and role as a high-quality benchmark for investor stewardship and engagement. It should still signal the importance of signatories considering the wider economic, environmental and social systems in which they exist, while also addressing concerns with the current definition's causal links implied between stewardship and real-world outcomes. We are optimistic our proposals for an

‘alternative’ definition could strike the right balance here, by reflecting the needs of different market participants and investment approaches and maintaining the Code’s overall ambition.”

Readers can find the full consultation response on the UKSIF Policy Page.

-ENDS-