



## INVESTMENT CONSULTANTS LAUNCH GUIDE TO IMPROVE STEWARDSHIP REPORTING

- New reporting guide will help investors to evaluate asset managers' engagement activities
  - Consultants agree on common framework to improve efficiency, transparency
- ICSWG set to release further guidance for asset managers on ESG topics in coming months

**2<sup>nd</sup> November 2021** – The UK Investment Consultants Sustainability Working Group (ICSWG) has today published a new guide designed to improve the engagement reporting delivered by asset managers and platform providers to institutional clients. The **ICSWG Engagement Reporting Guide (ERG)** is the first item in a series of guidance for asset managers being released by the ICSWG over the coming months.

Increasingly, regulators are leaning on asset owners to encourage active stewardship. Transparency of engagement activity is essential in making stewardship more accessible to asset owners, enabling them to assess the level and quality of activity undertaken on their behalf.

Investment consultants often seek information on engagement on behalf of clients but obtaining appropriate data can be challenging, with managers citing a high burden created by different information requests from different parties. In order to address this challenge, the investment consultants in the ICSWG have worked together—and with other key stakeholders—in order to agree a common guide for engagement reporting. While the consultants involved are not precluded from seeking other data relating to engagement activities, agreement on this core framework is intended to enable efficiency and thereby significantly improve transparency.

The Engagement Reporting Guide is designed to bring 'decision-useful' manager engagement reporting down to investment mandate level. It provides targeted engagement metrics and case study formats to help investors evaluate their managers' stewardship, with an emphasis on the outcomes achieved. The information captured is designed to sit alongside the reporting which asset managers typically provide in accordance with the UK Stewardship Code. Case studies cover the engagement rationale and objective, the approach taken including any escalation, and the outcomes.

In developing the ERG, the ICSWG has sought extensive input from asset managers, industry bodies, policymakers and regulators. As well as aligning with the UK Stewardship Code 2020, the guide is also designed to work alongside the UK Pension and Lifetime Saving Association (PLSA) Vote Reporting Template, which requests and collects engagement data from asset managers and platform providers. The guide is also referred to in the UK Department for Work and Pensions' 21 October 2021 consultation: Climate and investment reporting: setting expectations and empowering savers – consultation on policy, regulations and guidance.

The full guide is free to download and is available at <https://www.icswg-uk.org/resources>.



The ICSWG will shortly be releasing further guidance for asset managers, which will cover a range of subjects including ESG reporting metrics and consultants' responsible investment manager assessment criteria.

**Amanda Latham, Associate and Policy & Strategy Lead at Barnett Waddingham and Chair of the ICSWG Stewardship workstream, says:** Long term, sustainable investment practices are of paramount importance if we are to encourage positive change in the world. Effective stewardship goes beyond voting on shares. Reporting on broader engagement activities improves accountability and highlights the impact that the asset management industry has on a wide range of issues. Undertaking effective stewardship is one of the ways asset owners like pension trustees can create long-term value for beneficiaries leading to sustainable benefits for the economy, the environment and society. This guide should help improve engagement reporting, bringing greater transparency and consistency to the process, and shows the importance of collaboration across the investment consulting firms to drive better stewardship.

**Stephen Miles, Head of Equities and Investment Stewardship at WTW, says:** Good stewardship can be the most powerful function the asset management industry performs. But stewardship has too often been placed at the bottom of asset owner agendas given measurement challenges. We hope this new guide will help asset owners, asset managers and investment consultants more consistently communicate, and appreciate, high quality stewardship.

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### About the Investment Consultants Sustainability Working Group

The Investment Consultants Sustainability Working Group (ICSWG) is a collaboration between 19 firms, formed in 2020, taking action to support and accelerate sustainable investment initiatives in the UK.

All members of the working group provide investment consultancy services to UK asset owners and while some of the firms' activities extend to other services, clients or jurisdictions, these fall outside of this group's scope. There is also an ICSWG in the US ("ICSWG-US") and we collaborate globally on initiatives.

### The ICSWG members are:

Aon	Hymans Robertson	Redington
Barnett Waddingham	ISIO	River and Mercantile
bfinance	LCP	SEI
Broadstone	Mercer	Willis Towers Watson
Buck	MJ Hudson Allenbridge	XPS Investment
Cambridge Associates	Momentum	
Cardano	Punter Southall	



## About the guide

In developing the ICSWG Stewardship engagement activity reporting guide, we were helped by many discussions as well as written feedback and suggestions from a range of stakeholders. We received feedback that helped us shape the final guide from:

- Association of Professional Pension Trustees (APPT) and Association of Member-Nominated Trustees (AMNT) – professional and member-nominated trustees who hosted discussions to give us their views on stewardship including implementation statement reporting and what would be helpful for end users
- Financial Reporting Council (FRC), Financial Conduct Authority (FCA), The Pensions Regulator (TPR) and Department for Work and Pensions (DWP) – regulators and policymakers who helped us to fit our work into the broader stewardship picture and better understand their objectives and expectations
- Investment Association (IA), Defined Contribution Investment Forum (DCIF) and European Leveraged Finance Association (ELFA) – who hosted a number of discussions with their asset manager members providing extensive helpful feedback throughout development of the guide
- Individual fund management firms – their engagement and stewardship teams helped us to understand what could be achieved as well as the balance of reporting and activities as we both shared and tested the developing guide
- Pensions and Lifetime Savings Association (PLSA) who produced a voting reporting template that many ICSWG member firms use to collect information and who are conducting ongoing work on stewardship.
- ICSWG member firms – whose manager research teams helped to develop and test the guide