HOW POLICY MAKERS CAN IMPLEMENT REFORMS FOR A SUSTAINABLE FINANCIAL SYSTEM

PART II

IMPLEMENTATION GUIDE FOR SUSTAINABLE INVESTMENT POLICY AND REGULATION TOOLS – STEWARDSHIP

PRI Principles for Responsible Investment
WORLD BANK GROUP
CHRONOS

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INTRODUCTION

The Principles for Responsible Investment (PRI) and the World Bank's Financial Stability and Integrity Team are working together to promote sustainable finance policy reform. The work aims to support government policy makers and regulators in reforming capital markets so they become aligned with the goals of the Paris Agreement on climate change and the Sustainable Development Goals (SDGs).

In 2020, the PRI and the World Bank produced a report identifying and describing five foundational sustainable investment policies – corporate ESG disclosures, taxonomies, stewardship, investor duties and overarching sustainable finance strategies.[1] The PRI and the World Bank Group have committed to supplementing this report with more detailed guidance for regulators and policy makers on the development and implementation of these policies. The first report, released in June 2022, focused on sustainable finance taxonomies.[2] This, the second in the series, focuses on the development and implementation of stewardship (engagement, voting and active ownership) policies.

1 PRI and World Bank Group (2020), How Policy Makers Can Implement Reforms for a Sustainable Financial System

2 PRI and World Bank Group (2022), How Policy Makers Can Implement Reforms for a Sustainable Financial System Part 2: Implementation Guide for Sustainable Investment Policy and Regulation Tools – Taxonomies of Sustainable Economic Activities

WHAT IS STEWARDSHIP?

Stewardship, also referred to as active ownership, is the use of influence by institutional investors to maximise overall long-term value, including the value of common economic, social and environmental assets, on which returns, and clients' and beneficiaries' interests, depend.[3] Stewardship complements and supports other aspects of sustainable investment, e.g., ESG incorporation.[4]

Effective stewardship, with an explicit focus on delivering sustainability outcomes and impacts, delivers real benefits for investors and for society as a whole. By pursuing sustainability outcomes and impacts through stewardship, investors can mitigate system-level risks (such as climate change, biodiversity loss and inequitable social structures) to improve the long-term performance of economies and of their investment portfolios, as well as improve social and environmental outcomes in line with their beneficiaries' objectives and with public policy goals.[5]

> "Investors cannot diversify away from systemic risks such as those presented by climate change. Stewardship is a tool that investors can use to help manage these risks."
>
> Kate Griffiths, Executive Manager, Research and Policy, Australian Council of Superannuation Investors

The term stewardship encompasses a multitude of activities. Investors – depending on the asset class, geography and investment strategy – can exercise their stewardship obligations by:

- Engaging with issuers (whether current or potential investees).
- Voting at shareholder meetings or equivalent meetings of other asset classes.
- Filing or co-filing shareholder resolutions or proposals.
- Holding positions on investee boards and board committees.
- Litigating or seeking legal recourse, where necessary.

Stewardship can also be implemented by investors using their influence over policy makers and other non-issuer stakeholders by, for example:

- Engaging with policy makers.
- Engaging with standard setters.
- Contributing to public goods (such as research) and public discourse (such as media) that support stewardship goals.

Stewardship by investors can be undertaken individually or collaboratively. Collective action tends to both reduce the costs of taking action and increase the likelihood of success. By using a combination of tools, such as stewardship, capital allocation and engagement with policy makers, investors can bring about assessable changes in the behaviour and performance of investee companies and other assets, as well as in the systems in which companies and investors operate, to deliver better sustainability outcomes and impacts.[6]

BOX 1: WHAT IS THE VALUE OF STEWARDSHIP?

In practice, stewardship creates value by:

- Enhancing risk-adjusted portfolio returns.[7]
- Improving the governance of investee companies and strengthening their accountability to their investors.
- Supporting the long-term growth of investee companies by monitoring and driving improved sustainability performance.
- Helping to manage ESG- and greenwashing-related risks.
- Providing crucial levers for investors to generate desired sustainability outcomes and impacts, including supporting the transition towards more sustainable economies.
- Addressing system-level risks through collaboration with policy makers and key stakeholders along the investment and supply chains.

3 PRI and World Bank Group (2020), How Policy Makers Can Implement Reforms for a Sustainable Financial System

4 The definition and scope of stewardship is evolving. For example, the UK Stewardship Code states that: "Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society." (Financial Reporting Council (UK) (2022), UK Stewardship Code 2020 Application and Assessment, p. 4). This wider definition suggests that the scope of stewardship could include activities such as asset allocation, the integration of ESG considerations into investment decision-making and understanding beneficiary and client needs and interests. In Box 26, we offer some reflections on trends in stewardship codes and on how these might evolve over time.

5 PRI (2019), Active Ownership 2.0; PRI (2021), A Legal Framework for Impact.

6 The PRI considers positive sustainability outcomes and impacts are those that are aligned with global sustainability goals, such as the goals of the Paris Agreement and the UN Sustainable Development Goals, as well as the UN Guiding Principles on Business and Human Rights, the International Bill of Human Rights, and International Labour Organization conventions.

7 See, for example, the data presented in Dimson, E., Karakaş, O. and Li, X. (2015), "Active Ownership", Review of Financial Studies, 28(12): 3225-3268 and Dimson, E., Karakaş, O. and Li, X. (2017), "Local Leads, Backed by Global Scale: The Drivers of Successful Engagement", RI Quarterly, 12.

WHY ESTABLISH A REGULATORY FRAMEWORK FOR EFFECTIVE STEWARDSHIP?

The reasons for regulators to establish regulatory frameworks for effective stewardship largely fall into two categories: (a) the need to align investor stewardship with investors' duties to their clients or beneficiaries; and (b) the desire to facilitate stewardship as a tool to support public policy objectives. We discuss each of these reasons below.

ALIGNING STEWARDSHIP WITH INVESTOR DUTIES[8]

Given the influence of institutional investors in the capital market, it is, therefore, important to ensure that investors' stewardship activities align with investors' legal duties.

Investor duties,[9] such as duties of prudence, care and loyalty, establish how investors are required to make decisions and use the powers granted to them to pursue their proper legal purpose – often described as investing in the best interests of clients or beneficiaries. In this way, legal duties apply to all relevant aspects of investment decision making and action, including on voting and the exercising of other investor rights that may impact the performance of investee companies. The way in which duties apply and the precise nature and scope of appropriate actions may change depending on the type of investor involved (e.g., asset owners, investment managers, insurers) and their particular circumstances (e.g. jurisdiction, mandate, asset class, product, and so on).

Increasingly, sustainability issues, including system-level issues like climate change, are being widely recognised as financially material. For example, the PRI, UNEP FI, and the Generation Foundation's 2019 report *Fiduciary Duty in the 21st Century* argued that it would also be a failure of investor duty if institutional investors did not exercise stewardship to encourage high standards of ESG performance in the companies or other entities in which they were invested.[10] The significant growth in stewardship activity on ESG provides further confirmation of this argument.[11]

Financial policy makers and regulators should ensure that stewardship is not treated, as it often is, as an investment activity suitable only for some purposes or for specific asset classes. Rather, policies should consistently promote the appropriate use of stewardship by investors as part and parcel of discharging their duties.[12]

It is important to emphasise that institutional investors should retain the flexibility and the discretion to decide on a case-by-case basis whether and when to exercise stewardship in light of the best interest of their clients or beneficiaries. In cases where they decide it is in their clients' or beneficiaries' best interests not to exercise stewardship, they should clearly communicate and explain the reasons to clients and beneficiaries.

Boxes 2-4 provide examples of how different markets have defined and legislated on the scope of investor duty in relation to stewardship.

8 Investor duties are the duties owed by investors to the individuals or legal entities on whose behalf they act in managing portfolios. These include duties of loyalty, care and prudence and are commonly referred to as "fiduciary duties" regardless of the type of investor involved. In some cases, this term is not technically accurate – not all investors are fiduciaries and, even where they are, their core legal duty to invest may not be a "fiduciary" duty. For this reason, this report uses the term "investor duties".

9 While the specific sources of jurisprudence and mechanisms of enforcement differ, there is striking agreement between civil and common law jurisdictions that the most important duties owed by fiduciaries to investors and beneficiaries are the duty to act prudently and the duty to act in accordance with the purpose for which investment powers are granted. See PRI, UNEP FI and The Generation Foundation (2019), Fiduciary Duty in the 21st Century: Final Report

10 PRI, UNEP FI and The Generation Foundation (2019), Fiduciary Duty in the 21st Century: Final Report; Also see Freshfields Bruckhaus Deringer, PRI, UNEP FI, and Generation Foundation (2021), A Legal Framework for Impact: Sustainability impact in investor decision-making. The legal analysis in 11 jurisdictions shows that, in certain circumstances where achieving sustainability outcomes and impacts is instrumental to realising financial returns, investors are likely required to consider taking actions (including stewardship activities) to pursue such goals.

11 For example, around 700 investors participated in the Climate Action 100+ initiative to engage with 166 of the world's largest corporate greenhouse gas emitters on climate change.

12 PRI (2022), UK: Integrating Sustainability Goals across the Investment Industry; PRI (2022), Australia: Integrating Sustainability Goals across the Investment Industry.

BOX 2: US SEC AND DEPARTMENT OF LABOR ON THE SCOPE OF FIDUCIARY DUTIES IN RELATION TO STEWARDSHIP

Under the Investment Advisers Act of 1940, for investment advisers registered with the US Securities and Exchange Commission (SEC), an adviser is a fiduciary that owes each of its clients the duties of care and loyalty with respect to all services undertaken on the client's behalf, including proxy voting. The duty of care requires an adviser with proxy voting authority to monitor corporate events and to vote the proxies. To satisfy its duty of loyalty, the adviser must cast the proxy votes in a manner consistent with the best interest of its client and must not subrogate client interests to its own.[13]

An adviser does not need to exercise every opportunity to vote a proxy if either of two situations applies. First, the investment adviser need not cast a vote on behalf of the client where contemplated by their agreement. Second, an investment adviser that has voting authority may refrain from voting a proxy on behalf of a client if it has determined that refraining is in the best interest of that client.[14]

For private pension plans subject to the Employee Retirement Income Security Act of 1974 (ERISA), the longstanding position of the Department of Labor (DoL) is that the fiduciary act of managing plan assets includes the management of voting rights (as well as other shareholder rights) attached to shares of stock. Although the rule relating to fiduciary duties regarding proxy voting and shareholder rights have been subject to frequent changes recently,[15] this core principle has remained the same.[16] To guide plan fiduciaries to exercise the right to vote to fulfil their duties, DoL provides guidance on what must be taken into consideration when they decide whether and when to exercise shareholder rights.[17]

BOX 3: THE INTERACTION BETWEEN THE KENYAN STEWARDSHIP CODE AND INVESTOR DUTY[18]

Introduced in 2017, Kenya's Stewardship Code for Institutional Investors sets out seven key stewardship principles to be complied with on an apply or explain basis. Through an Application section, the Code provides additional clarity on how investors should implement the principles, including in relation to investor duties:

"(3) in the investment context, stewardship calls for diligence on the part of institutional investors, both asset owners and asset managers, to exercise ownership rights actively and responsibly as part of their fiduciary responsibilities to their clients. The role of a stewardship code is to codify the key institutional investor responsibilities that come with ownership rights and to provide guidance on how institutional investors act as responsible stewards in their oversight of issuers. The Code also articulates the commitment that institutional investors make to their clients to address these responsibilities."

BOX 4: CHINA'S VOTING GUIDELINES FOR FUND MANAGEMENT COMPANIES[19]

The Asset Management Association of China's voting guidelines state that the guidelines are intended to promote the faithful performance of fiduciary obligations by fund management companies by providing guidance for fund management companies who vote proxies for the funds they manage to properly manage conflicts of interest, prevent tunnelling[20] and protect the legitimate interests of fund shareholders.

13 SEC (2003), Final Rule: Proxy Voting by Investment advisers, Release No. IA-2106; File No. S7-38-02.

14 SEC (2019), Commission Guidance Regarding Proxy Voting Responsibilities of Investment Advisers, Release Nos. IA-5325; IC-33605, 23-24.

15 The 2020 rule removes the Interpretive Bulletin 2016-01 from the Code of Federal Regulations. The DoL announced in March 2021 that the 2020 rule will not be enforced and a new rule was proposed in 2021.

16 For more detail, please see DoL 2020 Final Rule on Fiduciary Duties Regarding Proxy Voting and Shareholder Rights, Article (e)(1), and DoL 2022 Final Rule on Fiduciary Duties Regarding Proxy Voting and Shareholder Rights, article (d)(1).

17 DoL 2022 Final Rule on Fiduciary Duties Regarding Proxy Voting and Shareholder Rights, Article (d)(2)(ii)

18 Capital Markets Authority (Kenya) (2017), The Stewardship Code for Institutional Investors

19 Asset Management Association of China (2012), Voting Guidelines for Fund Management Companies

20 Tunnelling refers to the business practice where assets and profits are transferred out of firms for the benefit of those who control them. See Johnson, S. La Porta, R., Lopez-de-Silanes, F. and Shleifer, A. (2000), Tunneling, American Economic Review, 90 (2): 22-27.

FACILITATING STEWARDSHIP FOR PUBLIC POLICY REASONS

Policy makers may also choose to support investor stewardship if they see that such stewardship might support or enable the delivery of wider public policy objectives. For example, policy makers might see that stewardship policies can play a role in:

- Restraining short-termism and encouraging long-term investment to support the sustainable growth of the real economy and enhance overall financial market stability. One of the lessons of the 2008 financial crisis was that institutional investors should act as responsible shareholders of public companies to restrain excessive risk-taking and short-termism.[21] Monitoring and improving the performance of investee companies from the perspective of a long-term patient investor is an essential element of good stewardship.
- Creating an enabling environment for delivering real-world sustainability outcomes. A clear regulatory framework to guide stewardship practices enhances accountability and strengthens synergies with other sustainable investment policies, supporting the potential for investors to direct capital to address sustainability issues and drive positive change, including transitioning the economy towards climate targets set by the Paris Agreement.
- Clarifying basic elements of good stewardship. As stewardship practices become increasingly prevalent, there is a need to distinguish between positive and negative investor influence on investee companies. This is even more important when investors have significant influence within an economy.
- Addressing the challenge of collective action. A notable disincentive to investors pursuing stewardship practices is free-riding. A stewardship code or similar regulations that sets stewardship expectations for all institutional investors can encourage a distribution of stewardship costs across investors, by increasing accountability.

BOX 5: EXAMPLES OF PUBLIC POLICY REASONS FOR REGULATING OR GUIDING INVESTOR STEWARDSHIP

South Africa's Second Code for Responsible Investing in South Africa (CRISA)[22] identifies seven objectives including, among others, the following objectives that clearly relate to public policy objectives:

- "To create a context within which the investment environment can evolve towards positive outcomes to address South Africa's unique environmental and social challenges, including poverty, inequality, unemployment and transformation, balanced with the delivery of suitable, transparent, cost-effective and relevant services to the users and beneficiaries of investment products."
- "To encourage collaborative action towards the mainstreaming of sustainable finance that contributes to a more equitable and inclusive economy."
- "To promote the development and implementation of green and sustainability-oriented investments and investment vehicles that address ESG issues (such as those encapsulated in the SDGs and [the 2030 National Development Plan])"

The Chinese Insurance Asset Management Industry's ESG Stewardship Initiative[23] has a strong focus on leveraging investor stewardship to deliver sustainability outcomes in line with public policy objectives. It states: "Insurance asset management companies (IAMCs) have been playing an important role in serving the development of the real economy. In the face of the opportunities and challenges under the national carbon neutrality strategy, IAMCs should actively and comprehensively participate in and promote the green transition of the economy as a part of the mission to promote the high-quality development of the insurance industry. In addition, as part of investors' stewardship responsibilities, IAMCs should fully leverage their influence to guide stakeholders, including investee companies, to work together to build a green development ecosystem, support the sustainable development of China's economy and help achieve the goal of carbon neutrality."

21 Kay, J (2012). Kay Review of UK Equity Markets and Long-term Decision Making.

22 Code for Responsible Investing in South Africa (2022), Second Code for Responsible Investing in South Africa (CRISA2)

23 IAMC (2022), ESG Stewardship Initiative for Chinese Insurance Asset Management Industry

WHAT MAKES A REGULATORY FRAMEWORK FOR STEWARDSHIP EFFECTIVE?

A regulatory framework for effective stewardship aims to formalise stewardship activities in regulation or guidance and to define expectations on investors' stewardship practices and reporting. The way policy makers approach this depends on the available political resources and on market awareness. Around 25 markets have introduced stewardship codes or principles.[24] Many countries have introduced mandatory stewardship expectations in investor regulations. These two approaches are not mutually exclusive.

Key to driving long-term improvements in investor stewardship will be gradually raising the floor for stewardship practices established by regulation, while ensuring codes or other voluntary standards recognise best-in-class practices.

For markets where stewardship codes have been adopted, there is generally guidance on how investors can fulfil their stewardship responsibilities while also complying with their wider duties and obligations as investors.

It is not the purpose of this report to discuss which approach policy makers should take. Instead, it seeks to identify key elements of a regulatory framework for effective stewardship which could be flexibly incorporated into the regulatory approach suitable for a particular market. Together, these key elements formalised in regulations or voluntary codes could form a layered system to support effective stewardship. These elements could be largely grouped into two categories: measures to enhance accountability and transparency for stewardship activities; and measures to encourage a market for effective stewardship, as set out in Tables 1 and 2 below.

A regulatory framework for effective stewardship should avoid applying a 'one-size fits-all' approach and should be flexible enough to recognise and allow for variation in specific investor approaches to stewardship. It should acknowledge, for instance, that: investor rights and influence vary across asset classes; the effect of other regulation (e.g. corporate governance requirements and investor duties); the scope of authority granted by clients or beneficiaries; and the investor's structural context and position in the investor value chain.

BOX 6: THE GOVERNANCE OF PROXY VOTING AND RELATED STEWARDSHIP ACTIVITIES IN THE US

In the US, in addition to investor-driven stewardship principles,[25] financial regulators have developed a mandatory regulatory framework to govern proxy voting and related stewardship activities, which covers key elements of a stewardship code.

Given the large influence of institutional investors in the capital markets and on the fortunes of their beneficiaries, both the US DoL and the SEC regulate proxy voting by institutional investors within the framework of fiduciary duty.[26]

Regarding proxy voting, institutional investors are obliged to establish policies and procedures to ensure they monitor investees and vote client or beneficiaries' proxies, resolve conflicts of interest so that votes are cast in the best interests of clients or beneficiaries, keep records of proxy voting and make disclosures and monitor proxy advisors. In 2022, the DoL published final rules amending the Employee Retirement Income Security Act of 1974 to address barriers to ESG considerations and provide clarity to fiduciaries on how to consider ESG factors in investment decision making and the process of proxy voting and exercising shareholder rights.[27]

24 Markets with stewardship codes or guiding principles include Australia, Brazil, Canada, China, Denmark, India, Italy, the EU, Germany, Hong Kong SAR, Japan, Kenya, Malaysia, Netherlands, New Zealand, Norway, Russia, Singapore, South Africa, South Korea, Switzerland, Taiwan, Thailand, the United Kingdom and the USA.

25 Investor Stewardship Group (2018), The Stewardship Principles.

26 See the Employee Retirement Income Security Act of 1974 (ERISA), Investment Advisers Act of 1940 and Investment Company Act of 1940, Proxy Voting by Investment Advisors (2003), Disclosure of Proxy Voting Policies and Proxy Voting Records by Registered Management Investment Companies (2003). Also see Interpretive Bulletin 2016-01, 81 FR 95879 (Dec. 29, 2016); Proxy Voting by Investment Advisors No. IA-2106.

27 Employee Benefits Security Administration (2021), Prudence and Loyalty in Selecting Plan Investments and Exercising Shareholder Rights; Fact Sheet on the proposed rulemaking.

Table 1: Measures to enhance accountability and transparency for stewardship activities – a checklist

✓	Clarify that investors should exercise stewardship as part of investor duties or other investor obligations owed to their clients or beneficiaries.
✓	Set out key elements of stewardship responsibilities. Typically, these include expectations for investors to individually or collaboratively exercise their stewardship obligations by, for example: ▪ diligently monitoring portfolio companies; ▪ engaging with companies in which they invest or intend to invest, and with other stakeholders; and ▪ exercising investors' rights, including the right to vote and to file shareholder resolutions, etc.
✓	Require incorporation of ESG factors in stewardship processes and decisions to support the long-term value of investments.
✓	Require investors to align stewardship activities with clients/beneficiaries' sustainability preferences and manage conflicts of interests.
✓	Require investors to establish stewardship policies and report stewardship policies, activities and outcomes to clients and beneficiaries.
✓	Set out the responsibilities of the board and senior management to oversee and provide sufficient resources for stewardship activities.
✓	Establish monitoring mechanisms to assess the quality of implementation of stewardship requirements.

Table 2: Measures to encourage a market for effective stewardship

•	Clarify investor rights, legal processes, and mechanisms and reduce barriers for investors to engage in stewardship activities (voting, engagement, filing shareholder resolutions, etc.) and monitor investee companies.
•	Encourage or require asset owners to embed stewardship requirements in investment mandates and the process of selecting, appointing and monitoring asset managers to ensure stewardship responsibilities are discharged.
•	Improve the infrastructure for stewardship, such as platforms for collaborative engagement and a voting system that is neutral to different ways of voting.
•	Clarify any potential legal confusion in relation to existing laws or regulations when investors engage in stewardship activities, including collaboratively.
•	Encourage and guide the application of stewardship to cover asset classes beyond listed equity.

A PHASED APPROACH TOWARDS ESTABLISHING A REGULATORY FRAMEWORK FOR EFFECTIVE STEWARDSHIP

This guide is intended to help regulators in any jurisdiction establish regulatory frameworks for effective stewardship. Recognising that different markets will be at different stages, the guide suggests that policy makers take a staged approach, moving through the four steps set out in Table 3, from permitting stewardship practices (step 1) to scaling up stewardship to address system-level risks (step 4). For universal owners[28] whose portfolios are widely diversified across the market, policy makers may consider empowering and guiding them to engage in system-level stewardship specified at step 4 much earlier.

Table 3: Potential steps to evolve a stewardship framework

	Step 1: Permit	Step 2: Encourage	Step 3: Require	Step 4: Scale up
Key features	No official position is taken on investor stewardship but it is recognised that investors have legitimate rights and reasons to carry out stewardship to monitor and influence the performance of investee companies.	The value of investor stewardship in the economy is recognised and explicitly encouraged.	Actions are taken to enhance effectiveness and accountability of investor stewardship.	Investor stewardship is guided towards addressing system-level issues and driving positive sustainability outcomes in the real economy.
Investor rights	Investor rights and processes for investors to participate in corporate affairs are specified in law. A mechanism is established to protect minority shareholders rights.	Barriers and thresholds to exercise investor rights are addressed (e.g. enabling filing of shareholder proposals, improving infrastructure for voting, enhancing corporate disclosure, etc.).	Investor rights are expanded or strengthened to enhance the effectiveness of investor stewardship in holding corporate management to account (e.g. improving the ability of investors and other stakeholders to nominate candidates to the board of directors, etc.).	Clear guidance is provided for collective engagement. Barriers to collaborative engagement (e.g., addressing antitrust barriers to cooperation on sustainability issues, and facilitating public goods such as collaborative engagement platforms) are addressed.

28 Quigley, E. (2020) Universal Ownership in Practice: A Practical Positive Investment Framework for Asset Owners.

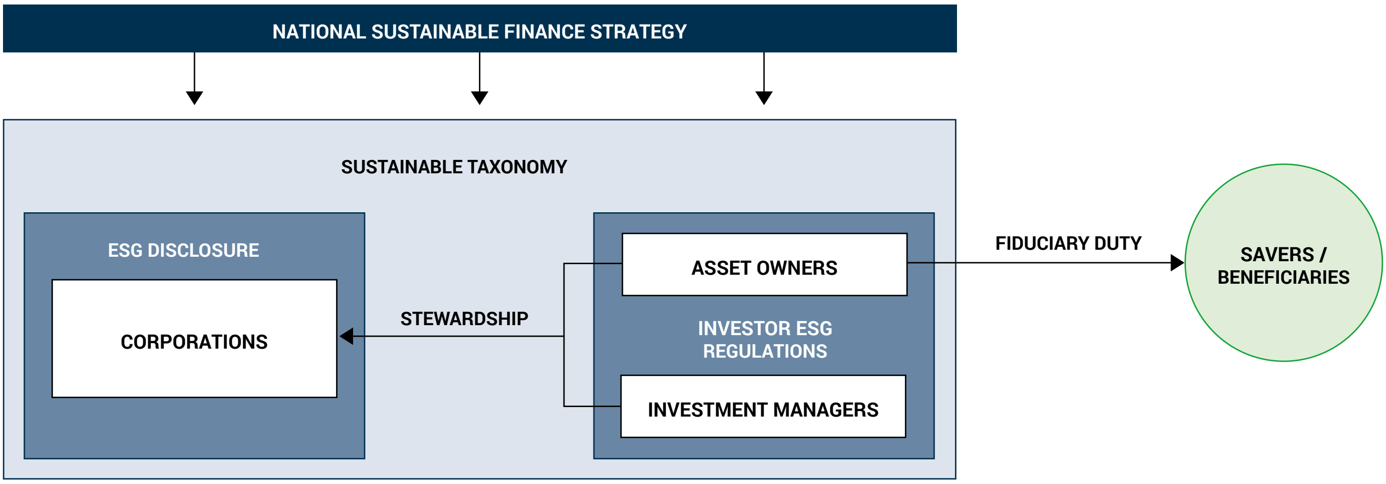
	Step 1: Permit	Step 2: Encourage	Step 3: Require	Step 4: Scale up
Investor duties	There is limited clarity on Investor duties relating to stewardship.	Stewardship responsibilities are established, primarily through opt-in principles or guidelines, which include the incorporation of material ESG factors into stewardship. Asset owners are encouraged to establish stewardship principles and embed stewardship demands in selecting, appointing and monitoring asset managers.	Investor fiduciary duties or equivalent obligations are clarified to cover all asset management activities including stewardship. Opt-in principles or guidelines are regularly reviewed to ensure best-in-class practices in the market are recognised, and the level of investor duties are gradually raised by incorporating key elements into investor regulations, including the consideration of material ESG factors in stewardship. Differentiated stewardship responsibilities of asset owners, asset managers and service suppliers along the investment chain are recognised.	Investors are required to address system-level risks and improve sustainability investment impacts that are in line with fiduciary duties or equivalent investor obligations.
Implementation	There are limited disclosure and implementation mechanisms to monitor quality and effectiveness of investor stewardship.	Reporting requirements are established to increase transparency in investor stewardship and to facilitate the learning process of stewardship by providing implementation guidance.	Robust implementation mechanisms are established to monitor and assess effectiveness (outcomes) of stewardship and to ensure investor duties are fulfilled. For financial services or products marketed as having sustainable characteristics, stewardship actions progress and outcomes should be disclosed to prevent green washing.	Closer linkages are established with other policy tools to guide capital towards sustainability goals and support a credible sustainable transition.

STEWARDSHIP AND SUSTAINABLE INVESTMENT REGULATIONS

Stewardship policies and other key elements of sustainable policies, including a taxonomy, corporate ESG disclosure framework, investor ESG regulations and national sustainable finance strategies, should work together as a system. That system should direct capital to support the sustainable development of the economy by aligning investment decisions and stewardship activities with sustainability objectives (see Figure 1).[29]

29 PRI and World Bank Group (2020), A Toolkit for Sustainable Investment Policy and Regulation.

Figure 1: Overview of a sustainable finance regulatory framework



This requires synergies between sustainable finance policies and tools. Stewardship regulations need to set out clear expectations on how ESG factors are integrated into stewardship activities and explicitly highlight the role of investors in contributing to sustainability outcomes on identified environmental and social issues. Other sustainable finance policies should incentivise alignment between sustainability goals and the role of investors as both providers and stewards of capital. For example:

- Taxonomies should: 1) enable investor disclosure of stewardship activities aligned with the taxonomy (this can be legislated in investor disclosure rules); and 2) clarify that reaching sustainability objectives depends on, among other things, investor stewardship efforts and therefore the taxonomy should be used as a tool for both portfolio composition and stewardship.
- Corporate ESG disclosure rules should consider what data is needed for effective investor stewardship.
- Investor regulations for both asset owners and asset managers should clarify that stewardship forms an important part of investor duties to address ESG-related risks and opportunities and to shape sustainability impacts that are instrumental to address system-level risks. Investors should report how they have exercised stewardship in line with the sustainability preferences of their clients and beneficiaries.
- National sustainable investment strategies should consider stewardship as an integral policy tool for the government to unlock the potential of investors as not just providers but also stewards of capital to support sustainable development and deliver positive outcomes.

"There is a strong need for green transition across APAC markets and stewardship can play a crucial role. We believe it is important to establish a cohesive ecosystem to facilitate the green transition. We are working with [exchange group] HKEx to set out corporate reporting requirements for companies to disclose transition risks in line with upcoming International Sustainability Standards Board climate standards. We have revised the code of conduct for asset managers, requiring them to provide information on how they are managing climate-related risks, including physical and transition risks. We also believe more transition elements should be incorporated into the taxonomy. In combination, these can support the stewardship activities that would help drive longer term real-economy outcomes."

Elaine Ng, Associate Director International Affairs & Sustainable Finance, HK Securities and Futures Commission

INITIAL POLICY ANALYSIS AND SCOPING

In the initial policy scoping phase, policy makers need to determine what stewardship (or stewardship-related) codes, standards and regulations already exist, and to what extent policies and regulations support or hinder effective stewardship.

Policy makers also need to understand the concerns, needs and interests of stakeholders interested in stewardship, as these will inform the decision on whether or not to press ahead with the development of a stewardship code and decisions on the shape and form of such a code.

INITIATION AND BASELINE ASSESSMENT

Policy makers need to build a clear understanding of the stewardship landscape and the needs of different stakeholders. Stewardship regulations are often closely tied to corporate governance codes, investor regulations and other regulations; indeed, stewardship can be a mechanism to encourage adherence to these other codes.Stewardship regulations are designed to stimulate investor stewardship activity, including investor-company engagement and voting.

The questions that policy makers need to answer are set out in Box 7, and Box 8 provides examples of how national stewardship regulations approach the potential overlap with other pre-existing policy instruments.

BOX 7: SCOPING QUESTIONS

Features	Research and data collection method(s)	Commentary
Stakeholder expectations	■ Interviews ■ Policy analysis	■ Identify what policy objectives or goals need to be supported, and what issues or challenges in the economy need to be addressed by stewardship. ■ Identify the actors that stewardship regulation is trying to mobilise or influence, and the outcomes that are being sought. ■ Consider the varying stewardship responsibilities of market players, including asset owners, asset managers and service providers, in the context of their respective roles in the investment chain. ■ Identify the regulators and standard setters for different types of institutional investors. A coordinated stewardship regulatory framework will be more effective.
Ownership characteristics	Desk review	■ Assess the extent of minority shareholders versus controlling shareholders. ■ Assess the extent of domestic versus foreign ownership of companies. ■ Company ownership structures are an important determinant of the key governance issues within a particular jurisdiction, of the role that investors might play in addressing these issues and of the manner in which supervisors monitor and oversee domestic and international investors.
Existing policies	■ Interviews ■ Policy analysis ■ Review of current practice	■ Assess how existing legislation and policies are shaping investor stewardship activity and reporting. This may include rules on investor rights and duties and legal process, mechanisms and conditions in relation to specific stewardship activities, such as proxy voting, engagement, filing shareholder resolutions, etc. ■ Special attention should be paid to rules on fiduciary duty or similar concepts of investor duty which are key to define the stewardship responsibilities of institutional investors towards their clients, beneficiaries or savers. ■ Assess whether there are policies or frameworks (whether domestic or international) that encourage or restrict stewardship activities. ■ Assess how a stewardship code or regulation should interact or support other related policies (e.g., corporate governance policies) and policy goals.
Existing practices	■ Interviews ■ Review of current practice	■ Assess whether investors currently engage in stewardship activities, identify the strategies that they adopt, and identify practices which need further improvement and more transparency or accountability. Build understanding of challenges investors would face in order to fulfil stewardship responsibilities to beneficiaries, clients and savers. ■ Assess whether a stewardship code or regulation might enhance current practice (e.g. through encouraging more investors to take action, or by encouraging a wider focus for engagement).
Expected reporting	Interviews	Identify the data points, information and issues that might be desired by clients, beneficiaries, savers, financial regulators and standard setters in order to monitor how stewardship responsibilities have been fulfilled.

30 See, for example, the Kay Review of UK equity markets, Kay, J (2012). Kay Review of UK Equity Markets and Long-term Decision Making

BOX 8: EXAMPLE OF STEWARDSHIP CODE STATEMENTS ON INTERACTIONS WITH EXISTING POLICIES

The UK Stewardship Code 2020 states:

"When applying the Principles, signatories should consider the following, among other issues:

- *the effective application of the UK Corporate Governance Code and other governance codes;*
- *directors' duties, particularly those matters to which they should have regard under section 172 of the Companies Act 2006..."*[31]

Japan's Stewardship Code 2020 explains how the Stewardship Code supports the Japanese Corporate Governance Code:

"I. Background

1. *...Since the Code's establishment, over 280 institutional investors have signified their commitment to the Stewardship Code, and the Corporate Governance Code was also revised in June 2018. While progress has been made in corporate governance reform to a certain extent under these Codes, it has also been pointed out that their effectiveness should be further enhanced.*
2. *...The Opinion Statement called for further revision of the Stewardship Code in order to enhance the effectiveness of corporate governance reform, referring to the importance of enhancing the quality of engagement between investors and companies, and encouraging proxy advisors and investment consultants for pensions to provide support and advice to institutional investors to enhance the functions of the entire investment chain..."* [32]

"Our ESG Strategy sets out our priorities, including how we are working with the UK financial sector to support the transition to net zero. We see active investor stewardship as an important tool to support this. Establishing a regulatory framework for effective stewardship needs joint action from regulators and government bodies within a jurisdiction to develop a holistic and collaborative approach to both policymaking and supervision.

In the UK, for example, the FCA works very closely with the Financial Reporting Council, as their Stewardship Code is enshrined in our rules for asset managers. Additionally, the Stewardship Regulators Group convenes UK regulators and government departments to foster a co-ordinated regulatory approach to stewardship initiatives."

Zeeshan Ghaffar, ESG Market Intelligence & Engagement, UK Financial Conduct Authority

31 Financial Reporting Council (FRC) (UK) (2020), The UK Stewardship Code 2020

32 Council of Experts on Japan's Stewardship Code (Japan) (2020), Principles for Responsible Institutional Investors (Japan's Stewardship Code)

POLICY DESIGN PHASE

The scoping stage should provide policy makers with the information they need to decide whether to proceed to designing proposals.

This requires policy makers to define the objectives for stewardship regulations, to consider design and implementation options and to build support through engagement. This is an iterative process and involves joint actions across different regulators and policy makers.

DEFINING OBJECTIVES

Policy makers need to define the objectives of a stewardship regulation (see Box 9). It is important to stress that such objectives are not set in stone; they can evolve over time and may vary depending on the local context (see Boxes 10 and 11 for specific examples from US and Japan). Box 12 sets out some of the key factors policy makers should consider when setting objectives for their stewardship regulations.

BOX 9: POTENTIAL OBJECTIVES FOR A REGULATORY FRAMEWORK FOR EFFECTIVE STEWARDSHIP

- Support the sustainable development of the economy.
- Ensure delivery of sustainable long-term value to beneficiaries.
- Improve transparency and accountability of investor stewardship practices.
- Improve engagement with issuers across all asset classes.
- Promote stewardship as a means to enhance compliance with complementary legislation, e.g., corporate governance codes.
- Encourage investors to contribute to the achievement of sustainability outcomes.
- Stimulate engagement in defined ESG areas, including on long-term and/or system-level issues.
- Encourage public policy engagement.
- Encourage collaborative engagement.

BOX 10: OBJECTIVES OF US DISCLOSURE REQUIREMENTS REGARDING PROXY VOTING BY FUNDS

The SEC rule on Disclosure of Proxy Voting Policies and Proxy Voting Records by Registered Management Investment Companies states:

"Proxy voting decisions by funds can play an important role in maximizing the value of the funds' investments, thereby having an enormous impact on the financial livelihood of millions of Americans. Further, shedding light on mutual fund proxy voting could illuminate potential conflicts of interest and discourage voting that is inconsistent with fund shareholders' best interests. Finally, requiring greater transparency of proxy voting by funds may encourage funds to become more engaged in corporate governance of issuers held in their portfolios, which may benefit all investors and not just fund shareholders." [33]

BOX 11: JAPAN'S PRINCIPLES FOR RESPONSIBLE INSTITUTIONAL INVESTORS TO PROMOTE SUSTAINABLE DEVELOPMENT OF THE ECONOMY

The introduction of a stewardship code in Japan was part of a broader plan to reform the corporate governance of Japanese listed companies and to promote innovation and the sustainable development of Japan's economy.[34]

Japanese corporate governance had long been characterised by cross-shareholdings, traditional lifetime employment and stakeholder-oriented governance. Such governance characteristics effectively insulated managers from accountability to capital markets and therefore resulted in managerial slack and inefficiency.[35]

The stewardship code was introduced alongside a corporate governance code. The codes complement each other in defining the roles of boards of directors and institutional investors in improving corporate governance and ensuring sustainable growth. The stewardship code aims to guide institutional investors to discharge their stewardship responsibilities, which are defined as "to enhance the medium- to long-term investment return for their clients and beneficiaries by improving and fostering the investee companies' corporate value and sustainable growth through constructive engagement, or purposeful dialogue, based on in-depth knowledge of the companies and their business environment and consideration of sustainability consistent with their investment management strategies."

33 SEC, Disclosure of Proxy Voting Policies and Proxy Voting Records by Registered Management Investment Companies

34 Japanese Principles for Responsible Institutional Investors (2020), 5.

35 Goto, G. (2019) "The Logic and Limits of Stewardship Codes: The Case of Japan", Berkeley Business Law Journal, Vol.15, No.2, 37.

BOX 12: CONSIDERATIONS WHEN DEFINING OBJECTIVES

Questions	Commentary
Stakeholder support for policy objectives	Policy makers should consult with key stakeholders (investors, industry bodies, government bodies and corporates) on the defined policy objectives. Policy makers should be prepared to evolve these objectives as part of the process of developing a more detailed policy proposal and implementation plan. The objectives for a stewardship regulation do not need to be confined to encouraging more or better investor-company dialogue, but they could also include supporting national policy goals and other sustainable finance-related activities (see Box 5 regarding CRISA for an example).
The value of institutional investors in the local context	Policy makers should consider the typical issues that hinder the sustainable development of companies in the local context and how institutional investors might be able to address these issues.

POLICY INSTRUMENT DEVELOPMENT

The objectives and baseline analysis will identify and define the major options for implementation and may even indicate a preferred option. At this stage in the process, policy makers need to start thinking in more detail about the shape and form of implementation. The factors set out in Box 13 are the main considerations. Box 15 presents examples from Kenya and the EU that deal with the application of stewardship regulations to overseas investors, while Box 16 sets out how the UK Stewardship Code encourages asset owners to oversee their asset managers.

"Progress could be an additional indicator to report on in addition to outcomes. If the engagement is a multi-year project and investors don't have a clear outcome to report on yet, reporting on progress can be useful to understand where the investor wants to go in the future."

Paolo Giua, Senior Policy Associate, Financial Reporting Council

"Stewardship codes can be developed by private actors. For example, the Aotearoa New Zealand Stewardship Code was developed by industry, but with strong support from the regulator who provided detailed comments on the draft Code and explained how the Code aligns with regulations."

Susan Quinn, Head of Policy and Advocacy, Responsible Investment Association Australasia

BOX 13: DESIGN CONSIDERATIONS FOR ESTABLISHING A REGULATORY FRAMEWORK FOR EFFECTIVE STEWARDSHIP

Questions	Commentary
Applicability	Applicability to different roles in the investment chain: Stewardship regulations can apply to actors other than investors. When developing stewardship codes, policy makers should recognise the relationships between asset owners, asset managers and service providers and they should consider how regulation might be needed and is adhered to throughout the investment chain. Applicability to different sizes of institutional investors: Consideration should be given to the fact that stewardship is resource intensive. While larger investors may have dedicated teams to implement comprehensive stewardship strategies, smaller investors tend to be less well resourced. Further, investors will have different stewardship approaches, depending on organisational size and investment approach. Applicability to different types of institutional investors: Insurance companies, pension funds, mutual funds, private equity firms and hedge funds may vary in terms of investment strategies and risk profiles, and they may be subject to oversight by different regulators. In general, principle-based stewardship codes or principles are flexible enough to apply to different types of institutional investors. Having a single set of principles or regulatory framework would provide more clarity and consistency and reduce risks of regulatory arbitrage and compliance costs. Applicability to domestic investors vs. international investors: In developing a stewardship regulation, supervisors need to consider whether different expectations should apply to international investors in the domestic market (see Box 15) and how the implementation of these expectations should be overseen.
Collaboration across different regulators and policy makers	Policy makers need to consider their remit and their statutory powers, and whether they need to work with other government agencies or other parties to develop and implement a regulatory framework for effective stewardship which may cover different types of institutional investors and asset classes.
What should be disclosed	Disclosure should increase transparency and accountability for investor stewardship. Disclosure should enable clients and beneficiaries to understand how stewardship responsibilities have been fulfilled by their fiduciaries in their best interests. This may include: ■ Stewardship policies, strategies and governance and how effectively they have been implemented to serve the best interests of clients or beneficiaries. ■ Records of stewardship activities and how they have contributed to progress or outcomes. Disclosure should also enable regulators to oversee market practices and ensure investor stewardship is not carried out to the detriment of public interests, such as competition, efficiency, etc. Regulators may require disclosure around particular stewardship practices that might need special regulatory oversight, such as collaborative engagement. To tackle greenwashing, policy makers may require institutional investors to disclose their stewardship approach and their stewardship-related key performance indicators at the firm or/and product level. These requirements could help consumers and regulators scrutinise the stewardship actions and progress towards sustainability objective the financial products claim to achieve. Acknowledging that there are multiple investment and stewardship approaches in the market, stewardship codes or regulations can identify and recommend actions that are seen as particularly relevant to the market in question, and they can also encourage certain practices, e.g. by requiring investors to report on areas such as public policy engagement or collaborative engagement.

Questions	Commentary
Reporting universe	Asset owners, asset managers and service providers each have valuable roles to play in stewardship. A stewardship regulation should cover each of these stakeholders, although the specific requirements for each stakeholder will be different, reflecting their different roles and responsibilities within the investment system.
Reporting period	Stewardship reporting can be expected to occur in line with other ESG and financial reporting, i.e., annually and reflecting activity over the previous year. A stewardship regulation should recognise that engagement strategies are often multi-year and therefore outcomes may not be reportable on an annual basis. However, such reports should be able to disclose on activities (e.g., what measures have been taken to pursue the engagement in the reporting period) and progress (even if limited). Box 14 provides an example from Federated Hermes. Reporting could be in standalone reports or as part of wider sustainability reporting.
Collaboration	Investor collaboration is widely seen as a key stewardship strategy, both for dealing with companies that have not responded to individual engagement and for encouraging action on system-level issues. A stewardship regulation might also explicitly encourage collaboration between investors and other financial stakeholders, e.g., service providers. Policy makers can use a stewardship regulation to encourage greater transparency regarding collaborative engagement activities.[36] (See Principle 10 of the UK Stewardship Code.) It is equally important for policy makers to clarify potential legal risks associated with collaborative engagement and provide clear guidance for investors to participate in collaborative engagement without violating other rules or regulations. In addition, government support or recognition for investor platforms or forums that coordinate collaborative engagements can encourage investor collaboration.
Asset coverage	Stewardship traditionally has focused on listed equities and therefore strategies in this area tend to be more mature. However, there is ever-increasing recognition of the need for stewardship to take place across asset classes. Investments in each asset class will have varying terms and rights and responsibilities and will require different strategies for effective stewardship. A stewardship regulation that formalises stewardship approaches can seek to expand the asset scope of engagement and can also identify certain ESG issues that should be covered by investor stewardship strategies.
Mandatory versus voluntary implementation	Stewardship codes tend to be voluntary. However, as stewardship is understood to be a key lever in addressing system-level issues, it becomes important for stakeholders to be able to evaluate approaches and performance on stewardship, i.e., an asset owner selecting an asset manager. Further stewardship codes may support mandatory aspects of other codes, e.g., corporate governance codes. While in most cases the code might be voluntary for investors to sign up, once signed up, signatories are expected to comply unless they give reasons for non-compliance. This ‘comply or explain’ condition is favoured in principles-based approaches, which expect investors to apply the code in a way suited to their context rather than requiring specific actions. Stewardship requirements specified in other legislation or regulation are often mandatory. For example, the US SEC and DoL have explicitly stated that some key elements of stewardship requirements are part of institutional investors’ fiduciary duties (see Box 2). However, flexibility exists for the institutional investor and their clients or beneficiary to decide the scope of the investor’s obligation to exercise stewardship.

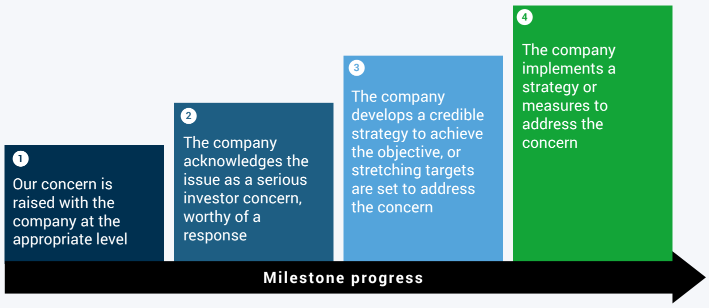
36 For example, Principle 10 of the UK Stewardship Code encourages signatories to disclose what collaborative engagement they have participated in (and the reasons why they have participated in these collaborations), and to describe the outcomes of these collaborative engagement activities (see Financial Reporting Council (UK) (2020), The UK Stewardship Code 2020).

Questions	Commentary
Conflicts of interest	Investors should establish and implement a policy to identify and manage conflicts of interest in their approach to stewardship.
Legal alignment and clarification	There may be instances where the stewardship requirements appear to be not aligned, or even potentially in conflict, with other legislation. In such cases, regulators or policy makers should explain how such conflicts are to be managed (see Box 17). In some cases, it might entail joint actions from regulators across different departments. Regulations aimed at addressing issues associated with acting in concert can have implications for investors taking part in collaborative stewardship initiatives. Policy makers should consider how they might address concerns about acting in concert, and provide guidance to investors on how to manage this issue (see Box 18).[37]

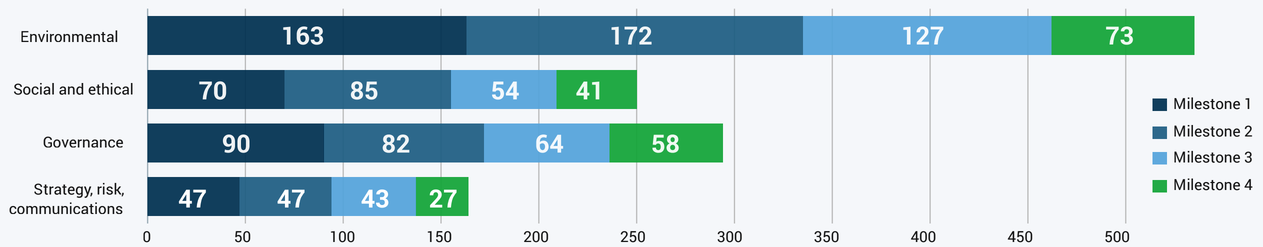
BOX 14: A STEWARDSHIP REPORTING CASE STUDY – EOS AT FEDERATED HERMES[38]

EOS uses a four-stage milestone system to track the progress of the changes it is seeking from companies.

It uses these milestones in its annual progress reporting. For example, in 2021 (illustrated below), EOS engaged with 1,208 companies, covering 4,154 identified objectives or issues; 835 objectives were assessed as advancing by at least one milestone.



	# of companies engaged	# of issues and objectives engaged	# of objectives engaged	# of objectives completed
Engagement programme	374	2,014	868	158
Other companies	834	2,140	505	41
Grand total	**1,208**	**4,154**	**1,373**	**199**



37 The PRI has produced guidance for some markets. See www.unpri.org/stewardship/addressing-system-barriers/6270.article
38 EOS at Federated Hermes (2022), Stewardship Report 2021

BOX 15: EXAMPLES OF STEWARDSHIP REQUIREMENTS BEING APPLIED TO OVERSEAS INVESTORS AND TO INTERMEDIARIES

The Kenyan Stewardship Code states:

"III. APPLICATION OF THE CODE

1. *The Code applies to asset owners and asset managers domiciled in Kenya with regard to their investments in companies whose equity is listed on the Nairobi Securities Exchange (NSE). Overseas institutional investors in Kenyan equities are encouraged to become signatories to the Code. The Code seeks to reinforce the implementation of the Corporate Governance Code to ensure that listed companies adhere to the corporate governance requirements. This will be achieved through engagements between institutional investors and listed companies to improve the long-term return to shareholders and the efficient exercise of governance responsibilities.*
2. *In cases of controlling foreign ownership by multinationals, the controlling owner may also be an important party to stewardship discussions, balancing the interests of the global multinational with the interests of minority shareholders in the NSE, and thereby providing a potentially robust engagement theme."*[39]

Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement states:

"The chain of intermediaries may include intermediaries that have neither their registered office nor their head office in the Union. Nevertheless, the activities carried out by third-country intermediaries could have effects on the long-term sustainability of Union companies and on corporate governance in the Union. Moreover, in order to achieve the objectives pursued by this Directive, it is necessary to ensure that information is transmitted throughout the chain of intermediaries. If third-country intermediaries were not subject to this Directive and did not have the same obligations relating to the transmission of information as Union intermediaries, the flow of information would risk being interrupted. Third-country intermediaries which provide services with respect to shares of companies that have their registered office in the Union and the shares of which are admitted to trading on a regulated market situated or operating within the Union should therefore be subject to the rules on shareholder identification, transmission of information, facilitation of shareholder rights, and transparency and non-discrimination of costs to ensure the effective application of the provisions on shares held via such intermediaries."[40]

BOX 16: ASSET OWNER-RELATED STEWARDSHIP REQUIREMENTS IN THE UK

The Department for Work and Pensions (DWP) requires that trustees must cover in their scheme's statement of investment principles (SIP) their policies on stewardship, including engagement and voting, as well as their policies in relation to other matters such as financially material ESG considerations.[41] The SIP must be published.

The rule also provides that trustees ought to take ownership of the stewardship policies implemented on their behalf and ensure that anyone engaging with investees on their behalf is aware of their approach to stewardship, including engagement. This means trustees are discouraged from simply reporting that they have delegated stewardship to their asset managers. The UK Stewardship Code explicitly requires asset owners to monitor and hold their asset managers and/or service providers to account.[42] It states:

"Signatories should explain how they have monitored service providers to ensure services have been delivered to meet their needs.

Signatories should explain:

- how the services have been delivered to meet their needs; OR
- the action they have taken where signatories' expectations of their managers and/or service providers have not been met."

39 Capital Markets Authority (Kenya) (2017), The Stewardship Code for Institutional Investors

40 Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement

41 DWP, Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement: Statutory and Non-Statutory Guidance

42 Financial Reporting Council (UK) (2020), The UK Stewardship Code 2020

BOX 17: CLARIFICATION OF LEGAL ISSUES RELATED TO THE DEVELOPMENT OF THE JAPANESE STEWARDSHIP CODE

Japan's Financial Services Agency published a clarification document when publishing its stewardship code. The document, in its introduction, stated:

Regarding dialogue between institutional investors and investee companies, it was pointed out in the Council's discussions that, in terms of encouraging institutional investors to incorporate the purpose of the Code, legal clarification is necessary so that there is no confusion in relation to Japan's existing legal framework when institutional investors conduct dialogues with investee companies.

This material is intended to clarify the interpretation of legal issues stated below based on the points raised in the Council's discussions as described above.

1. Relationship between "Act of Making Important Suggestions" under the large shareholding reporting system and "dialogue with investee companies" under the Code.
2. Relationship between (i) the "Joint Holder" concept under the large shareholding reporting system and "a Person in a Special Relationship" under the tender offer rules (TOB rules) and (ii) collective engagement under the Code.
3. Relationship between "undisclosed Material Facts" under the insider trading regulations, etc., and "dialogue with investee companies" under the Code."[43]

BOX 18: ESMA'S WHITE LIST FOR SHAREHOLDER COOPERATION

The European Securities and Markets Authority (ESMA) has published a statement on practices governed by the Takeover Bid Directive, focused on shareholder cooperation issues relating to acting in concert and the appointment of board members.[44]

The statement contains a white list of activities that shareholders can cooperate on without the presumption of acting in concert. It also contains information on how shareholders may cooperate to secure board member appointments by setting out factors that national authorities may take into account when considering whether shareholders are acting in concert.

STAKEHOLDER CONSULTATION

Dialogue with stakeholders is an important aspect of the policymaking process to inform decision making. Box 19 presents considerations for policy makers in this aspect of the process, and Box 20 presents Thailand's I Code and its statement on stakeholder engagement.

Stakeholder consultation also plays a particular role in stewardship as investors, in designing and implementing stewardship approaches, should seek to understand the sustainability preferences of their ultimate beneficiaries and should work to align their investment approach with these preferences. Views of other internal and external stakeholders should be considered.

43 Financial Services Agency (Japan) (2014), Clarification of Legal Issues Related to the Development of the Japan's Stewardship Code.
44 ESMA (2014), Public Statement: Information on Shareholder Cooperation and Acting in Concert under the Takeover Bids Directive

BOX 19: STAKEHOLDER DIALOGUE CONSIDERATIONS

Features	Commentary
Key stakeholders	Consultation should occur with all stakeholders identified at earlier stages of the process. Policy makers should track who they have engaged with and should provide feedback on how they have responded to the suggestions that have been received. Policy makers should recognise that the stakeholders include international investors as well as domestic investors, and they should endeavour to ensure that the views of these stakeholders are captured and integrated into the process.
Process	Consultation can occur privately and publicly. It can involve the use of methods such as interviews, roundtables and consultations. Ideally, consultation should have a public element, e.g., a formal public consultation process, where all stakeholders have an opportunity to provide feedback. The information presented to stakeholders should include an explanation of why action is needed, a description the objectives of the policy, and a full draft of the proposed policy measure, including information on who it is applicable to, the implementation schedule and enforcement processes. Stakeholders should be invited to give general feedback on the proposed policy and should also be able to provide specific feedback on all aspects of the policy instrument.
Outputs from the consultation process	Policy makers should publish a review document or report that summarises the consultation responses and describes how these have (or have not) been incorporated into the proposed policy instrument. Policy makers should ensure that the results of its deliberations are made available to all stakeholders. For example, the public consultation for review of the Japanese Stewardship Code included published drafts in both Japanese and English, ensuring that international stakeholders could effectively provide feedback.

BOX 20: THAILAND'S I CODE STATEMENT ON STAKEHOLDER ENGAGEMENT

Thailand's I Code States:

"This I Code was developed following a peer review and consultation with relevant stakeholders, including the Office of Insurance Commission, Government Pension Fund, Social Security Office, the Federation of Thai Capital Market Organizations, the Association of Investment Management Companies, the Thai General Insurance Association, the Thai Life Assurance Association, the Association of Provident Funds, directors and management of asset management companies, and the SEC Board approved the launch of this I Code to assist Institutional Investors in adopting best practices for responsible and sustainable investment in the best interest of their clients."[45]

45 Securities and Exchange Commission (Thailand) (2017), Investment Governance Code for Institutional Investors

IMPLEMENTATION, MONITORING AND REVIEW

After the decision to establish a regulatory framework for effective stewardship has been made, the framework needs to be implemented and monitored to ensure its ongoing effectiveness.

IMPLEMENTATION

Implementation is when the designed policy is accepted and put into action by the relevant regulatory agencies. The details of implementation are country-specific and will depend on the available resources, the enforcement mechanisms that are provided, and the level of attention paid to implementation.

Box 21 sets out some of the key considerations when implementing stewardship codes or regulations, and Box 22 presents some examples of how supervisors have supported implementation.

BOX 21: IMPLEMENTATION CONSIDERATIONS

Questions	Commentary
Resourcing	Once the stewardship codes or regulations are adopted, policy makers and stakeholders (including those who are required to take action, those who are interested in the outcomes of the policy and those who might want to use the data and information generated) need to consider how they will resource implementation.
Sequencing	Policy makers may take a staged approach to implementation. The options include: ▪ Introducing the code or regulation as a voluntary measure, and signalling their intention to move to a mandatory approach over time. ▪ Progressively introducing elements of the code or regulation. ▪ Encouraging larger or better-resourced organisations to implement the code or regulation first, and then progressively extending this to other organisations. ▪ Raising awareness of the code or regulation (see, for example, Box 15). ▪ Checking that stakeholders are reporting against the code or regulation, reviewing the quality of reports, and encouraging improvements in reporting over time.
Additional tools/ guidance	Policy makers can provide guidance documents and host education events on best practice to assist companies with reporting and to assist investors with using the reported information.
Signatory lists (if the code or regulation is voluntary)	Regulatory agencies with responsibility for implementation of the stewardship code or regulation might maintain a public list of investor signatories. Becoming a signatory can include adoption requirements, such as a public statement of support from the chairman or periodic reporting on code compliance. See section below for further detail.

BOX 22: EXAMPLES OF SUPPORTING IMPLEMENTATION MATERIAL

Singapore supports its stewardship code through Stewardship Asia, which publishes webinars and insight papers focusing on the purpose and value of good stewardship practices.[46]

The UK Financial Reporting Council (FRC) produced a report, *Effective Stewardship Reporting: Examples from 2021 and Expectations for 2022*,[47] reviewing investor reporting against the requirements of the UK Stewardship Code, highlighting examples of best practice from industry and providing additional detail on what the FRC expects in investor reporting. The UK Department for Work and Pensions provides examples where trustees could be actively engaged and advocate for the scheme's stewardship policy, even when invested in pooled funds, whether directly or via fund platforms.[48] The International Corporate Governance Network produces resources to support investor disclosure on stewardship activities.[49]

46 See www.stewardshipasia.com.sg/

47 Financial Reporting Council (UK) (2021), Effective Stewardship Reporting: Examples from 2021 and Expectations for 2022

48 DWP, Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement: Statutory and Non-Statutory Guidance

49 See www.icgn.org/policy/stewardship

MONITORING AND REVIEW

Formal and regular reviews, including a commitment to revise and update the regulatory framework over time, should be built into the regulatory process. This enables analysis of whether the regulations have been effective. It also allows for evolution of the regulation. Some of the main considerations for policy makers are presented in Box 23.

The UK has implemented a monitoring process whereby it assesses the acceptability of investor implementation of the stewardship code by reviewing an annual report submitted by investors (see Box 24). Box 25 summarises the investor reporting provisions in the Thai I Code, and Box 26 summarises the main changes made to the Japanese Stewardship Code in 2020.

BOX 23: MONITORING AND REVIEW CONSIDERATIONS

Questions	Commentary
Objectives of the review	The objectives of a review are to establish: ■ Whether the policy has met its objectives. ■ Whether the policy has been effective (i.e., whether it responded to the needs identified in the initiation stage). ■ Whether there have been changes in context (e.g., the emergence of new issues or legislation). ■ Whether and how stewardship disclosures are being used by investors and other stakeholders. ■ Whether real-world outcomes are being achieved (especially if specific issues are covered in the stewardship code). ■ What actions have been taken to address non-reporting and inadequate reporting. ■ What barriers have been identified to better stewardship action and to better reporting on these issues.
Timing	New market practices and priorities for stewardship are continuously emerging and maturing as institutional investors engage on the ESG performance of investee companies. Taking climate as an example, investors are still in the process of exploring ways to drive the transition of the real economy towards net-zero goals. In this case, it is not uncommon for policy instruments such as stewardship codes or regulations to be reviewed regularly after they have been adopted, to keep up with market developments.

BOX 24: UK STEWARDSHIP CODE REVIEW PROCESS

The UK Stewardship Code states:

"To become a signatory to the Code, organisations must submit to the FRC a Stewardship Report demonstrating how they have applied the Code's Principles in the previous 12 months. The report may cover any 12-month period beginning after 1 January 2020. The FRC will assess the report and, if it meets our reporting expectations, the organisation will be listed as a signatory to the Code. Once listed, organisations must annually report to remain signatories."

"Assessment
Reports submitted to the FRC are read in full and assessed against the Principles and reporting expectations of the Code in a way that is proportionate to the organisation's size and type. This assessment is then reviewed and discussed among FRC staff to ensure it is fair and appropriate. A sample of reports reflecting a range of applicants are reviewed by the FRC's panel of independent advisors to ensure consistency.

Both successful and unsuccessful applicants are provided a summary of where their reporting met our expectations and where improvement is required when re-applying to the Code.

Unsuccessful applicants may address the feedback and re-apply in a future reporting window."[50]

BOX 25: THE THAI I CODE SIGNATORY AND REPORTING PROVISIONS

The I Code states:

"All Institutional Investors should adopt the voluntary I Code and become signatories by filing a Letter of Intent signed by the Chairman of its Board of Directors with the Office of the SEC. The SEC will publicly disclose the list of signatories to the I Code on the SEC's website. In addition, Institutional Investors are expected to publicly disclose their Letter of Intent to adopt the I Code, including on their websites and in their annual reports (if any).
…
Each Institutional Investor who is a signatory to the I Code is expected to disclose its Letter of Intent in relation to the I Code and regularly report its level of I Code compliance for each of the Principles ("Comply or Explain" basis) on its company's website and in its annual reports (if any)."[51]

BOX 26: JAPANESE STEWARDSHIP CODE STATEMENT ON CODE REVISIONS

Japan undertook a second revision of its stewardship code in 2019, publishing the new code in 2020. The new code included a section explaining the major revisions:

"II. Revision Code Major Points and Underlying Thinking
1. The Opinion Statement made recommendations with respect to:

- improvement in the disclosure of the reasons for voting decisions, stewardship activities with respect to companies, and the results and self-evaluation of stewardship activities by asset managers;
- being conscious in engagement with respect to issues on sustainability including ESG factors;
- supporting the stewardship activities of corporate pensions;
- establishment of organisational structures by proxy advisors, disclosure of proxy advisory processes (including organisational structures), and direct and proactive engagement with companies;
- development of structures for conflicts of interest management and disclosure of its activities, etc. by investment consultants for pensions.

The Council decided to discuss these issues and incorporate them in the Revision Code."[52]

50 Financial Reporting Council (FRC) (2022), UK Stewardship Code 2020 Application and Assessment. See also: www.frc.org.uk/investors/uk-stewardship-code/uk-stewardship-code-%E2%80%93-how-to-apply

51 Securities and Exchange Commission (Thailand) (2017), Investment Governance Code for Institutional Investors

52 Council of Experts on Japan's Stewardship Code (Japan) (2020), Principles for Responsible Institutional Investors (Japan's Stewardship Code)

THE FUTURE OF STEWARDSHIP

To date, stewardship codes and regulations have focused primarily on the direct relationship between investors and companies, although many of the more recently issued or updated codes have sought to broaden the scope to encompass relationships between investors and all types of issuers (not just publicly listed companies).

We are also seeing a rapid broadening of scope from traditional corporate governance issues (board structure, accountability processes, etc.) to encompass broader environmental, social and economic considerations.

While the scope and content of stewardship codes and regulations will inevitably be driven by national policy priorities and the structure of domestic capital markets, it is likely that we will see greater emphasis on:

- Climate change as a discrete and explicit issue.
- Issues that are considered to present a risk to the resilience and stability of financial and wider economic systems.
- Sector and value-chain engagement (i.e. engagement beyond the investor-company nexus), where investors encourage convening of peer companies, suppliers, regulators and customers to identify solutions to a particular challenge.
- Actions and outcomes, rather than policies, systems and processes.
- The use of the full range of formal rights available to investors (e.g., the ability to file resolutions, the use of class actions and the right to appoint directors to boards).
- Stewardship across all asset classes, not just listed equities.
- Proactive rather than reactive stewardship, where investors intervene to prevent a crisis or other harm to a company or an asset.
- Investment decision-making, where company performance on ESG issues and/or company responses to engagement are given increased emphasis in investment decisions.
- The role of senior investment leaders such as CEOs and CIOs in stewardship, not just in terms of signing policies but also their personal leadership in stewardship (e.g., public statements on particular companies or participation in company engagement)
- How the sustainability preferences of beneficiaries and clients have been assessed, and how these preferences are reflected in the investment and stewardship approaches adopted.
- Public policy engagement where investors are encouraged to influence the policy landscape that they and their investee companies are operating within.
- Encouraging collaborative engagement by supporting investor platforms or forums dedicated to address collective action problems, and clarifying the legality of collaborative engagement or providing safe harbour clauses to reduce investor concerns.
- Synergies between stewardship policies and other sustainable investment policies, such as taxonomies, corporate ESG disclosure, investor ESG regulations, etc., to direct capital towards sustainability objectives in a more effective and consistent manner.

It is also likely that we will see greater emphasis on implementation and greater scrutiny of the actions that investors are taking. This is likely to include requirements for investors to produce regular reports on their stewardship activities, increased scrutiny of these reports by regulators or oversight bodies, and the introduction of minimum requirements in order for investors to be recognised as having fulfilled their stewardship responsibilities.

APPENDIX 1: CASE STUDIES

This section provides a brief overview of the development and evolution of three national stewardship codes.

CASE STUDY 1:

UK STEWARDSHIP CODE

INITIATION

In 2009, Sir David Walker, at the request of then-UK Prime Minister Gordon Brown, published a report entitled *A review of corporate governance in UK banks and other financial industry entities*.[53] Through two consultation processes, the report published its recommendations alongside a methodology for implementation and responsibilities for those recommendations. One report recommendation was that the Financial Reporting Council (FRC) should draw up an institutional shareholder code.

As a result, the FRC, in 2010, consulted on "whether it should accept oversight of the ISC [Institutional Shareholders Committee] Code in its current form or whether changes should be made. The FRC also asked which institutional investors and agents should be encouraged to apply the code, what they should be asked to disclose and to whom, and the monitoring arrangements that should be put in place."[54]

POLICY OBJECTIVES

The initial FRC consultation set out policy objectives for the new UK Stewardship Code, which were to:

- set standards of stewardship to which institutional investors should aspire, and maintain the credibility and quality of these standards through independent input on the content and monitoring of the Code;
- promote a sense of ownership of the Code among institutional investors, to encourage UK and foreign investors to apply and report against it;
- ensure that engagement is closely linked to the investment process within the investment firm;
- contribute towards improved communication between investors and the boards of the companies in which they invest; and
- secure sufficient disclosure to enable asset managers' prospective clients to assess how they are acting in relation to the Code so that this can be taken into account when awarding and monitoring fund management mandates.[55]

Following consideration of responses to the consultation, the first UK Stewardship Code was published in 2010.

53 HM Treasury (2009), A review of corporate governance in UK banks and other financial industry entities: Final recommendations
54 Financial Reporting Council (UK) (2022), History of the UK Stewardship Code
55 Financial Reporting Council (UK) (2010), Implementation of the UK Stewardship Code. July 2010

BOX 27: HOW EFFECTIVE STEWARDSHIP IS PROMOTED IN THE UK THROUGH A FRAMEWORK OF REGULATION

Effective stewardship is not driven solely through a stewardship code; it also requires that stewardship practices are promoted through all relevant policies and implementation by all relevant regulators and supervisors. The UK Stewardship Code does not exist in isolation and, while it is voluntary, other FCA regulation mandates that firms disclose on their commitment to meeting the Stewardship Code, or explain why they choose not to. The Conduct of Business Sourcebook (COBS) under 2.2 Information disclosure before providing services requires:

2.2.3 A firm, other than a venture capital firm, which is managing investments for a professional client that is not a natural person must disclose clearly on its website, or if it does not have a website in another accessible form:

(1) the nature of its commitment to the Financial Reporting Council's Stewardship Code; or

(2) where it does not commit to the Code, its alternative investment strategy.

COBS has been further supplemented, in 2019, with the integration of the Shareholder Rights Directive 2 (SRD II) aimed at improving shareholder engagement and increasing transparency around stewardship.

The development of the related policy statement[56] involved coordination between the FCA, the Department for Business, Energy and Industrial Strategy, the Treasury and the Department for Work and Pensions, which also implemented parts of the directive. Updates to the Occupational Pension Scheme regulations[57] require all schemes to publicly disclose details with regards to their investment strategy and the schemes arrangement with their asset manager in the Statement of Investment Principles. This includes providing information on voting behaviour and engagement policy.

IMPLEMENTATION, MONITORING AND REVIEW

Revisions were made to the Code in 2012. As before, the proposed changes underwent a consultation process with a rationale for each proposed change. The revised 2012 Code was published alongside a feedback statement,[58] which summarised the responses received. Changes included "the clarification of the respective responsibilities of asset managers and asset owners for stewardship, clearer explanations on conflicts of interest and for greater assurance of stewardship activities to be provided."[59]

The next notable development was in 2016, when the FRC assessed the quality of Code responses and published respondents in a tier system, indicating those that demonstrated a strong commitment to stewardship and those that needed to improve.

The UK Stewardship Code underwent a further review in 2019, following the recommendation made in the Kingman Review,[60] again including a consultation process and feedback statement. The substantially revised 2020 UK Stewardship Code is a set of 12 'apply and explain' Principles for asset managers and asset owners, and a separate set of six Principles for service providers."[61]

The 2019 review process involved the FRC collaborating with the UK regulator, the Financial Conduct Authority, to publish a discussion paper to explore how improvements could be made to the regulatory framework for effective stewardship.[62]

56 Financial Conduct Authority (2019) PS19/13: Improving shareholder engagement and increasing transparency around stewardship
57 UK Government (2019) The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019
58 Financial Reporting Council (UK) (2022), Feedback Statement: Revisions to the UK Stewardship Code
59 Financial Reporting Council (UK) (2022), UK Stewardship Code archive
60 John Kingman, Independent Review of the Financial Reporting Council (2018)
61 Financial Reporting Council (2020), UK Stewardship Code
62 Financial Reporting Council (UK) and Financial Conduct Authority (UK) (2019), Building a Regulatory Framework for Effective Stewardship

CASE STUDY 2:

INDIA'S STEWARDSHIP FRAMEWORK

Stewardship has become increasingly established in India with multiple regulators having issued stewardship codes and guidelines for institutional investors over the past five years.

Each primary regulator has published its own code or set of guidelines reflecting regulatory and supervisory oversight responsibilities. Importantly, the regulators have collaborated and ensured a consistent and aligned set of stewardship principles and guidance, with minor changes to guidance depending on other relevant underlying regulation. Consistent codes allow regulations to co-exist without disadvantaging investor groups.

PENSION FUND REGULATORY AND DEVELOPMENT AUTHORITY (PFRDA)

In 2018, PFRDA issued a Common Stewardship Code[63], in consultation with the Securities and Exchange Board of India (SEBI), the Insurance Regulatory and Development Authority of India (IRDAI) and the Financial Stability and Development Council. It placed stewardship requirements on all pension funds under India's National Pension System architecture.

It requires pension funds to report to beneficiaries on how they have fulfilled their stewardship responsibilities. Its Principle 5 built on existing voting regulation[64] from 2017 that outlined a voting policy pension funds should follow, including in relation to ESG matters. The regulation also requires voting reporting.

INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY OF INDIA

The year before PFRDA, IRDAI issued Guidelines on Stewardship Code for Insurers in India, which required insurers to develop a policy based on the principles set out in the guidelines and to submit a status report to IRDAI, on a comply-or-explain basis, on whether the principles have been met and disclosing their voting record.

IRDAI revised the guidelines (IRDAI/F&A/GDL/CPM/045/02/2020[65]) in February 2020, updating the guidance for each principle based on the experience of implementation, compliance by insurers and global stewardship developments. The revision also requires insurers to complete a statement of compliance with the principles.

SECURITIES AND EXCHANGE BOARD OF INDIA

The SEBI Stewardship Code, which covers all mutual funds and alternative investment funds, in relation to their investment in listed equities[66] became effective in April 2020. The Code expanded on existing voting regulations from 2010 and 2014 which mandated mutual funds to report on policies and voting on certain resolutions of investee companies.

The new code, mandatorily applicable to all mutual and alternative investment funds, sets out six principles, supplemented with additional guidance on how to meet each principle. The principles follow the exact wording of the PFRDA Code and closely follow IRDAI.

63 Pension Fund Regulatory and Development Authority (2018) Common Stewardship Code

64 Pension Fund Regulatory and Development Authority (2017) Voting Policy on Assets Held by national Pension System Trust

65 Insurance Regulatory and Development Authority of India (2020) Revised Guidelines on Stewardship Code for Insurers in India

66 Securities and Exchange Commission of India (2019), Stewardship Code for all Mutual Funds and all Categories of AIFs, in Relation to their Investment in Listed Equities

As SEBI's first stewardship code, it takes a management process approach to regulating the stewardship activity of India's investor stakeholders by encouraging clear and accountable disclosures of policies and processes in place. In contrast, the UK Stewardship Code, having been established and implemented for a number of years (and therefore more confident that appropriate policies and processes are in place), places increasing emphasis on stewardship effectiveness and outcomes reporting.

The importance of communication and engagement during implementation is illustrated by SEBI delaying the implementation of its code from April 2020 to July 2020 after the Association of Mutual Funds of India and the Indian Association of Alternative Investment Funds argued that members had faced difficulties engaging with investee companies during the COVID-19 pandemic.[67]

67 Securities and Exchange Commission of India (2020), Extension of Deadline for Implementation of the Circular on Stewardship Code for all Mutual Funds and all Categories of AIFs Due to the CoVID-19 Pandemic

CASE STUDY 3:

STEWARDSHIP REGULATION IN SOUTH AFRICA

South Africa primarily promotes stewardship through the Code for Responsible Investing in South Africa (CRISA). However, stewardship-related requirements also exist in other regulations.

THE CODE FOR RESPONSIBLE INVESTING IN SOUTH AFRICA

CRISA was launched in 2011 to encourage institutional investors and service providers to integrate ESG issues into their investment decisions.[68] CRISA 2,[69] launched in September 2022, contains five voluntary principles for stewardship and responsible investment. These are: ESG integration; stewardship; capacity-building and collaboration; governance; and transparency.

The primary objective of CRISA 2 and its principles is to affirm CRISA as a key component of the governance framework for South Africa.

BOX 28: POSITIVE IMPACTS WITHIN CRISA 2

CRISA 2 promotes an outcomes-based approach to responsible investment. It defines outcomes as constituting the positive or negative effects or consequences that result from investment arrangements and activities for (any or all of) the investment organisation, its ultimate beneficiaries, the investee or issuing organisation, society and/or the environment. It identifies these in four areas: positive impact; innovation; resilience; and inclusion.

The positive impacts defined by CRISA 2 are:

- Making measurable positive contributions to the SDGs.
- Realising benefits to society, the environment and/or other stakeholders alongside a financial return.
- Achieving a reduction in negative consequences.
- Exercising positive influence (such as on the implementation of sound governance practices).

68 Institute of Directors (South Africa) (2011), Code for Responsible Investing in South Africa (CRISA)
69 Code for Responsible Investing in South Africa (2022), Second Code for Responsible Investing in South Africa (CRISA2)

Whilst CRISA is South Africa's primary stewardship-related regulation, there are other pieces that encourage the formalisation of stewardship into investment practices, for example:

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The 2007 regulation from the Financial Sector Conduct Authority contains principles for guiding good governance of pension funds, including that a fund Investment Policy Statement should include "whether or not the fund exercises its ownership rights in respect of investments held by it and, if not, the reasons therefor".[70]

REGULATION 28

Regulation 28 of the Pension Funds Act No. 24 of 1956 regulates how pension funds should invest their assets. As clarified in the 2019 guidance notice on the sustainability of investments and assets in the context of a retirement fund's investment policy statement,[71] the fund should, to comply with regulation 28, have an active ownership policy in its investment policy statement.

70 Financial Sector Conduct Authority (2007), Good Governance of Retirement Funds
71 Financial Sector Conduct Authority (2019), Guidance Notice 1

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The Principles for Responsible Investment (PRI)

The PRI works with its international network of signatories to put the six Principles for Responsible Investment into practice. Its goals are to understand the investment implications of environmental, social and governance (ESG) issues and to support signatories in integrating these issues into investment and ownership decisions. The PRI acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately of the environment and society as a whole.

The six Principles for Responsible Investment are a voluntary and aspirational set of investment principles that offer a menu of possible actions for incorporating ESG issues into investment practice. The Principles were developed by investors, for investors. In implementing them, signatories contribute to developing a more sustainable global financial system.

More information: www.unpri.org

The World Bank

The World Bank Group is and international organization designed to finance projects that enhance the economic development of member states.With 189 member countries, staff from more than 170 countries, and offices in over 130 locations, the World Bank Group is a unique global partnership: five institutions working for sustainable solutions that reduce poverty and build shared prosperity in developing countries. The organization provides a wide array of financial products and technical assistance, helping countries share and apply innovative knowledge and solutions to the challenges they face.

More information: www.worldbank.org

Chronos Sustainability

Chronos Sustainability was established in 2017 with the objective of delivering transformative, systemic change in the social and environmental performance of key industry sectors through expert analysis of complex systems and effective multi-stakeholder partnerships. Chronos works extensively with global investors and global investor networks to build their understanding of the investment implications of sustainability-related issues, developing tools and strategies to enable them to build sustainability into their investment research and engagement.

For more information, see: www.chronossustainability.com