

How we support the UK Stewardship Code



We are a signatory of the UK Stewardship Code and support adoption of stewardship best practices by trustees and their investment managers.

+ We support the seven principles of the UK Stewardship Code

The Financial Reporting Council's UK Stewardship Code states that, so as to protect and enhance the value that accrues to the ultimate beneficiary, institutional investors should:

1. Publicly disclose their policy on how they will discharge their stewardship responsibilities
2. Have a robust policy on managing conflicts of interest in relation to stewardship which should be publicly disclosed
3. Monitor their investee companies
4. Establish clear guidelines on when and how they will escalate their stewardship activities
5. Be willing to act collectively with other investors where appropriate
6. Have a clear policy on voting and disclosure of voting activity
7. Report periodically on their stewardship and voting activities

We help our clients to adopt good stewardship practices

Stewardship is about active ownership: exercising oversight of investments and taking an interest in the way investee companies are managed, for example by voting at AGMs and engaging with company management. LCP believes that stewardship can enhance investment performance by encouraging companies to act in the long-term interests of their shareholders (eg pension schemes) and their ultimate beneficiaries (eg pension scheme members). Stewardship contributes to stable, well-functioning and well-governed economic, social and environmental systems, which is in the best interests of our clients.

LCP therefore supports the Financial Reporting Council's UK Stewardship Code, recognising that we have considerable influence over how our clients address stewardship. The Code aims to help

improve both long-term returns to shareholders and governance. It seeks to do this by enhancing the quality of engagement between institutional investors and companies, thus improving the link between corporate governance and the investment process. We are also signatories to the [UN-backed Principles for Responsible Investment](#).

Our role in the investment chain is providing advice and support to our clients, who include pension scheme trustees, charity trustees, insurers and the sponsoring employers of pension schemes. Our clients are typically asset owners, holding investments in equities (company shares), government and corporate debt, and other asset classes such as property. They appoint external investment managers to manage the assets and conduct stewardship on their behalf, often through pooled funds. We help our clients in setting investment strategy, selecting and appointing managers, and regularly reviewing investment processes and performance. We do not manage any assets ourselves.

We integrate stewardship into our investment advice

Our clients rely on their investment managers to adopt stewardship practices on their behalf, although they retain responsibility for how this is done. We incorporate stewardship into our manager research and monitoring. All of our investment partners and consultants are able to advise clients on stewardship matters, with access to specialist support as required.

Our expectations of managers

Managers with the following characteristics score highly when we assess their stewardship credentials:

- + Strong voting record
- + Good examples of engagement
- + Clear reporting, focussed on the long term
- + Robust policies on issues like carbon risk, executive pay, boardroom responsibilities and diversity
- + Considered approach to managing conflicts of interest and escalating stewardship activities
- + Evidence of collaborating, as appropriate, with other investors
- + Signatory or member of relevant codes and initiatives

Our main stewardship activities are:

- Helping clients to formulate their policies on engagement and exercise of ownership rights (eg voting) and documenting these in their Statement of Investment Principles.
- Publishing a biennial survey of investment managers that covers their stewardship approaches and resources, supplemented by our ongoing programme of research meetings with managers. Our assessment of managers' stewardship credentials forms part of our overall grading of investment products, so the survey has a direct impact on managers' chances of being recommended to clients.
- Helping clients to understand the stewardship credentials of their managers and ask targeted questions, by leveraging the detailed underlying data from our survey.

- Producing quarterly market commentaries for clients which cover topical issues for corporate engagement.
- Keeping our clients updated on stewardship-related topics through training sessions, publications and other materials.

Our Responsible Investment Panel provides strategic oversight of LCP's stewardship activities, reporting into LCP's Executive Committee (ExCo) which is ultimately responsible for LCP's work in this area.

We take managing the risk of potential conflicts of interest very seriously

Delivering the right solutions for our clients is our top priority. We base our advice on rigorous analysis, creative thinking and bespoke models and systems. At LCP we embrace the following values: quality and innovation; results driven advice; clear communication; commitment and continuity to clients; and industry focus and international expertise.

LCP has a Professional Committee (ProfCo) that considers the professional risks facing the firm at a strategic level as well as issuing policies on professional matters such as key principles to consider when giving advice. It is independent of ExCo which has responsibility for day to day operational matters. Various groups report to ProfCo, including our Conflicts and Ethics Committee which is responsible for developing and maintaining our policies in relation to conflicts of interest. Issues around potential or actual conflicts are brought to this committee and discussed with senior and experienced partners in the firm.

We have an Office Standard which sets out our policy for checking for potential conflicts of interest before accepting a new engagement. We will not accept an engagement unless we and the client concerned are confident that any potential conflicts can be managed appropriately.

We carry out regular awareness training on professionalism and ethical issues that includes practical discussions of managing conflict situations and identifying problematic situations in advance.

On an ongoing basis, a second professional is assigned to each client team and all significant advice is subject to a second professional review. This provides a useful sounding board to discuss any potentially problematic situations to avoid them developing into a conflict, or into a situation where our independence might be questioned.

We have a number of clients whose interests are normally aligned, but where there can be trigger situations that could give rise to a conflict (for example where we advise both the trustees and the sponsoring employer of a pension scheme). In these cases we agree a conflict management plan with both parties which sets out suitable structures and working practices that provide the appropriate degree of separation under normal circumstances; how we/the client will identify when the circumstances change; and the arrangements that will prevail if this is triggered.

We do not provide fiduciary management services, whereby trustees delegate or outsource the majority of investment decisions. We do not advise investment managers on their investment services (although we may collaborate with managers, on a non-remunerated basis, to design products that we believe will be of value to our clients). This enables us to offer clients unbiased, unconflicted advice on the selection and monitoring of fiduciary managers. As we do not manage money, we are not incentivised to advise our clients to invest in our own products.

LCP has personal account dealing rules and insider dealing procedures which apply to all employees and partners. These prevent conflicts arising from the use of information obtained from clients, ensure that all advice is objective and always seen to be uncompromised and make sure we comply with regulations.

We ask investment managers about their policies for managing conflicts of interest as part of our manager research. In particular, we monitor the potential for conflicts arising from the governance and control of investment funds.

We conduct a regular survey of investment managers

Every two years we invite the investment managers in our research programme to complete a responsible investment survey. Our survey covers managers' approach to stewardship, plus their integration of environmental, social and corporate governance (ESG) issues into investment processes. We supplement their responses with discussions at our regular research meetings with managers, enabling us to take account of subsequent developments and fund-specific considerations. If we have concerns, for example that a manager is not addressing a particular investee company issue appropriately or about the managers' own governance arrangements, then we raise these in our research meetings.

Our surveys and research meetings enable us to form a view of managers' stewardship approaches and capabilities, which we assign a score between 1 (weak)

and 4 (strong). We incorporate this score in our overall product grading for most asset classes, so that the survey has a direct impact on managers' chances of being recommended to clients. The default weight for our responsible investment score is 10% for equities and fiduciary management and 5% for most other asset classes except LDI, gilts and cash.

We provide feedback to managers on request, highlighting areas where we would like to see improvements. In this way, we are using our influence as advisers to many clients to raise stewardship standards across the industry.

We provide clients with their own managers' survey results, for example as part of their ongoing investment monitoring, and support them in discussions with managers. We can supplement the scores with the detailed underlying survey data, which has been particularly useful for clients wishing to explore specific aspects in more depth.

For more information on our latest survey, see our [responsible investment survey report](#).

We support collaboration throughout the investment chain

LCP is open to collaborating with other organisations on stewardship topics. One way we do this is through our representation on relevant industry groups. Members of our Responsible Investment team belong to the Association of Consulting Actuaries' Investment Committee, the Institute and Faculty of Actuaries (IFoA) Resource and Environment Board and the IFoA Resource and Environment Research and CPD Subcommittee.

We are supportive of initiatives that can help our clients to act collectively with other asset owners on stewardship matters, for example the Association of Member Nominated Trustees' [Red Line Voting](#) initiative which offers one way of helping clients implement effective voting policies for their UK equity holdings.

We report back to clients on stewardship activities

We keep our investment clients abreast of stewardship topics through our [weekly Pensions Bulletin](#), quarterly market commentaries, publications such as our [Investing Responsibly magazine](#) and [trustee training sessions](#). When we advise clients on manager selection exercises, we explain our manager research process including our consideration of stewardship issues.

Our quarterly market commentaries cover regulatory and legislative stewardship developments, such as the proposed reforms of the audit market and the recommendations of the [Taskforce on Climate-Related Financial Disclosures](#). We also report on LCP's own stewardship-related activities such as our responsible investment survey. In addition, the commentaries always include a section summarising topical issues for corporate engagement by investors and suggest questions that clients can ask when discussing stewardship with their managers.

We provide more detailed updates to clients on request, tailored to their specific requirements. For example, we can provide quarterly summaries of managers' voting activity, annual reviews of managers' stewardship practices and a breakdown of managers' scores from our responsible investment survey. We can also facilitate clients' discussions with their managers about stewardship and arrange for their managers to present on their stewardship activities.

We provide additional support to clients who are Stewardship Code signatories

Some of our clients are themselves signatories of the UK Stewardship Code. We work with them to understand their existing managers' approaches to stewardship, take account of stewardship practices when appointing new managers, and report publicly on their own approach to stewardship. Our support in this area builds on the stewardship activities we carry out for all of our investment clients, supplemented by tailored and more detailed advice as appropriate.

One tool we find particularly helpful in this regard is the Pensions and Lifetime Savings Association's [Stewardship Code Implementation Questionnaire for Pension Funds](#) which provides a framework for pension schemes to analyse and disclose their stewardship activities.

Want to find out more?

If you would like further information, please contact your usual LCP adviser or one of our specialists below.



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At LCP, our experts provide clear, concise advice focused on your needs. We use innovative technology to give you real time insight & control. Our experts work in pensions, investment, insurance, energy and employee benefits.

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