Changes to the UK Stewardship Code, effective 1 January 2020

The principles are ordered from the most to least common among all stewardship globally, in the same order as our *Interactive Portal to Global Stewardship Codes*. These numbers represent the order of the principles in the **UK Stewardship Code 2020**, should you wish to reference the codes directly.

Theme	UK STEWARDSHIP CODE 2012			UK STEWARDSHIP CODE 2020			Notable
	No.	Principle	Guidance	No.	Principle	Guidance	
Voting policy and disclosure	**6**	**Have a clear policy on voting and disclosure of voting activity**	1. Disclose the use made of proxy voting or other voting advisory services. Describe the scope of such services, identify providers, disclose reliance on such services. 2. Disclose approach to stock lending and recalling lent stock.	**12**	**Actively exercise voting and other ownership rights and responsibilities**	1. Listed equity: disclose proportion of shares voted in the past year; provide a link to voting records; and explain rationale for voting decisions and the extent to which voting was delegated and monitored 2. Fixed income: explain approach to seeking (a) amendments to terms and conditions in indentures or contracts and access to information provided in trust deeds, (b) impairment rights; and (c) reviewing prospectus and transaction documents	Addition of creditor rights and responsibilities

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Disclose stewardship policies	1	**Publicly disclose their policy on how they will discharge their stewardship responsibilities**	1. Monitoring and engaging with companies. Purposeful dialogue on matters subject of votes at general meetings. 2. Disclosure on how the stewardship will be applied to enhance & protect the value for the ultimate beneficiary. 3. The statement should reflect the activities within the investment chain, as well as the responsibilities that arise from those activities. 4. Where activities are outsourced, explain how this is compatible with exercise of the stewardship responsibilities and what steps have been taken to ensure that they are carried consistently. The disclosure should describe arrangements for integrating stewardship within the wider investment process.				

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	No.	**Principle**	**Guidance**	**No.**	**Principle**	**Guidance**	
Fiduciary duty	**1**	**Publicly disclose their policy on how they will discharge their stewardship responsibilities**	1. Monitoring and engaging with companies. Purposeful dialogue on matters subject of votes at general meetings. 2. Disclosure on how the stewardship will be applied to enhance & protect the value for the ultimate beneficiary. 3. The statement should reflect the activities within the investment chain, as well as the responsibilities that arise from those activities. 4. Where activities are outsourced, explain how this is compatible with exercise of the stewardship responsibilities and what steps have been taken to ensure that they are carried consistently. The disclosure should describe arrangements for integrating stewardship within the wider investment process.	**6**	**Consider client and beneficiary needs and report on stewardship and investment outcomes**	1. Explain approach to seeking beneficiary/client views and incorporating their needs, time horizons, and stewardship policies and rationale for the chosen approach 2. Explain type of information communicated and methods and frequency of communication on what was communicated to beneficiaries/clients about stewardship and investment activities and outcomes to meet beneficiary/client needs 3. If applicable, explain reasons for instances of lack of alignment with clients' stewardship and investment policies	1. Added seeking beneficiary views 2. More detail about ensuring alignment with client and beneficiary needs
	2	**Have a robust policy on managing conflicts of interest in relation to stewardship which should be publicly disclosed**	1. Maintain fiduciary duty obligation 2. Put in place, maintain and disclose a policy for managing conflicts of interest with the aim to put the interests of the beneficiary first.				

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Monitor investees	**3**	**Monitor their investee companies**	1. Institutional investors should seek to: • Keep abreast of the company's performance & developments that drive value and risks • Satisfy that the leadership is effective, and the board adheres to the spirit of the Code • Consider the quality of the company's reporting • Attend the General Meetings of companies in which they have a major holding, where appropriate 2. Identify early stage issues that may result in a significant loss in investment value. 3. Should indicate in its stewardship statement the willingness to become insiders and the mechanism by which this could be done. 4. Institutional investors will expect investee companies to ensure that private information that could affect their ability to deal in the shares of the company concerned is not conveyed to them without their prior agreement.	**8**	**Monitor and hold managers and service providers accountable**	1. Explain approach to monitoring managers and service providers 2. Explain actions taken where expectations were not met	

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Theme	**No.**	**Principle**	**Guidance**	**No.**	**Principle**	**Guidance**	**Notable**
Conflicts of interest policy	**2**	**Have a robust policy on managing conflicts of interest in relation to stewardship which should be publicly disclosed**	1. Maintain fiduciary duty obligation 2. Put in place, maintain and disclose a policy for managing conflicts of interest with the aim to put the interests of the beneficiary first.	**3**	**Manage conflicts of interest and prioritize the best interests of clients and beneficiaries**	1. Disclose conflicts policy and how it was applied to stewardship, citing examples	
Report on stewardship to beneficiaries	**7**	**Report periodically on their stewardship and voting activities**	1. Asset owners should report annually their stewardship policy and execution. 2. Institutional investors not expected to make counterproductive disclosures. Confidentiality may be crucial to achieving a positive outcome. 3. Asset Managers that sign up to this Code should obtain an independent opinion on their engagement and voting processes. The existence of such reporting should be publicly disclosed. Clients should be provided access to such reports.	**6**	**Consider client and beneficiary needs and report on stewardship and investment outcomes**	1. Explain approach to seeking beneficiary or client views and incorporating their needs, time horizons, and stewardship policies and rationale for the chosen approach 2. Explain type of information communicated and methods and frequency of communication on what was communicated to beneficiaries/clients about stewardship and investment activities and outcomes to meet beneficiary/client needs 3. If applicable, explain reasons for instances of lack of alignment with clients' stewardship and investment policies	

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				1	**Align purpose, investment beliefs, strategy, and culture with stewardship**	1. Explain organizational purpose, culture, values, business model, strategy, and investment beliefs 2. Explain actions taken to ensure that investment beliefs, strategy and culture enable effective stewardship 3. Describe how purpose and investment beliefs have guided their stewardship, investment strategy and decision-making and assess effectiveness in serving clients and beneficiaries	Added information on institutional investor purpose, culture, and values
Regular/ effective investee communication				9	**Engage to maintain or enhance the value of assets**	1. Explain expectations for those that engage on their behalf, approach to prioritizing engagement and developing well-informed and precise objectives for engagement, the methods of engagement used, the reasons for the chosen approach, and how engagement differs for funds, assets, and geographies 2. Describe outcomes of engagement	

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Escalation	**4**	**Establish clear guidelines on when and how they will escalate their stewardship activities**	1. Intervention should be considered regardless of whether an active or passive investment policy. Being underweight is not a reason for not intervening. Instances for intervention: concerns about the company's strategy, performance, remuneration, approach to risks, including ESG factors. 2. Initial discussions should take place on a confidential basis. If companies do not respond, then consider escalation.	**11**	**Where necessary, escalate**	1. Explain expectations for managers that escalate on their behalf, approach to prioritizing issues for escalation, examples of escalation and rationale for chosen approach, and how escalation differs for funds, assets or geographies 2. Describe the outcomes of escalation	
Collective Engagement	**5**	**Be willing to act collectively with other investors where appropriate**	1. Collective engagement appropriate at times of significant corporate or wider economic stress, or when the risks threaten to destroy significant value. 2. disclose policy on collective engagement. Indicate the circumstances when collective engagement is considered.	**10**	**Where necessary, collaboratively engage**	1. Disclose collaborative engagements participated in, why, and the outcomes	

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ESG integration				**7**	**Integrate stewardship and investment, including ESG issues and climate change**	1. Explain how integrating stewardship and investment has differed for funds, asset classes, and geographies 2. If applicable, explain how tenders have included a requirement to integrate stewardship and investment, including material ESG issues 3. If applicable, describe (a) the processes chosen and (b) the criteria given to service providers to integrate stewardship with investment, including material ESG issues and aligning with investment time horizons of beneficiaries and clients 4. Describe how information gathered through stewardship has informed acquisition, monitoring and exit decisions, with reference to clients and beneficiaries' best interest	Added ESG integration

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Assess and **build capacity to engage effectively**				2	**Signatories' governance, resources and incentives support stewardship**	1. Explain how governance structures and processes enabled oversight and accountability for effective stewardship, the rationale for the chosen approach, and how it may be improved 2. Explain how stewardship is resourced and how performance management and reward programs incentivize integrating stewardship and investment decision-making	Added assessment of stewardship capacity
				5	**Review policies, assure processes, and assess effectiveness**	1. Explain review of stewardship policies to ensure efficacy, any assurance on approach to stewardship, and approach to ensuring fair, balanced, and understandable stewardship reporting	
Investor internal incentives (compensation)				2	**Signatories' governance, resources and incentives support stewardship**	1. Explain how governance structures and processes enabled oversight and accountability for effective stewardship, the rationale for the chosen approach, and how it may be improved 2. Explain how stewardship is resourced and how performance management and reward programs incentivize integrating stewardship and investment decision-making	Added incentives for stewardship

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Identify and respond to market-wide and systemic risks				**4**	**Identify and respond to market-wide and systemic risks**	1. Explain approach to (a) identifying and responding to market-wide and systemic risks and (b) collaborating with other stakeholders to improve the functioning of financial markets 2. Explain any roles in relevant industry initiatives and resulting investment alignment	Added identify and respond to market-wide and systemic risks