

The Tomorrow's Company Stewardship Manifesto

We all have a responsibility, to ourselves, and those around us, to leave our work, our organisation, our community and our world a better place as a result of our time in post.

Stewardship of businesses is in our combined self-interest. Without stewardship companies become unaccountable. As customers and funders of the investment system, and as the relatives and neighbours of those who will feel its impacts, we need to be able to exercise our influence as owners and hold to account those to whom we entrust our savings.

The majority of us will lose money directly if there is poor stewardship of the funds in which we invest. It is our wealth that is being stewarded. Meanwhile, the investment system is becoming more international. This makes the task more complicated but no less important.

There are serious weaknesses in the way our current system of investment in companies works. These can – and must – be overcome by the proper exercise of stewardship by individuals, pension funds, insurance companies, fund managers and the companies in which they invest.

Stewardship is the golden thread that connects us all in the system – individuals and our advisors, pension trustees, insurance companies, fund managers and others all the way along the chain, and the regulators and lawmakers who set the rules.

This stewardship manifesto is designed for the UK, but in time it will need to be followed everywhere if we are once again to feel confident that businesses are answerable to the ordinary people whose savings are invested in them.

The following agenda summarises some of the key steps that can be taken by all the stakeholders in the system.

If you want to help us develop a more detailed agenda and create a momentum for stewardship contact:
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Clients of financial services

- ask financial service providers about their approach to stewardship
- ask them to identify which fund managers are stewardship investors.

Pension fund trustees

- include stewardship as an essential part of (and not a threat to) fulfilling their duty to their beneficiaries
- decide their policy on stewardship as part of their statement of investment principles and, from this, what proportion of their equity or other investments will be issued in the form of stewardship mandates
- in collaboration with other pension funds, and with investment consultants, develop stewardship mandates which are framed in ways that align the behaviour of fund managers with stewardship principles.

Investment consultants

- work with pension trustees to reflect stewardship in their statement of investment principles
- champion the introduction and continuous improvement of stewardship mandates
- build up a body of research on the experience of and payback from stewardship
- co-operate to generate and agree stewardship rankings of asset managers.

Fund managers

- declare the extent to which each of their funds exercises stewardship
- work together within the limits of current regulation so that stewardship can be cost-effectively exercised
- build up capacity to assess and influence the quality of board composition
- put a stewardship philosophy at the heart of their dialogue with companies
- work together with investment consultants to develop effective criteria for assessing fund manager stewardship.

Companies and their boards

- seek out stewardship investors and engage them more actively in the nomination of their directors
- define and discuss the mandate those investors have given the board
- report on their stewardship of the assets they have inherited and their performance against this mandate
- use stewardship as a criterion for remuneration – decoupling remuneration from immediate share price.

UK policymakers and regulators

- join up the Department of Business, Innovation and Skills, HM Treasury and the Department for Work and Pensions policies on stewardship
- clarify pension trustee duties to make stewardship an explicit part of fiduciary duty
- strengthen the current Stewardship Code so that it differentiates between degrees of stewardship
- remove regulatory obstacles to fund manager collaboration on stewardship
- create a framework of reporting which encourages better dialogue about the company's stewardship.