



PROMOTING STEWARDSHIP FOR MORE SUSTAINABLE INVESTING

Peter de Proft introduces the updated EFAMA Stewardship Code for European asset managers

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Sustainability is front and centre of today’s global policy agenda. Climate change, resource efficiency, social inequality, environmental risks to health are some of the challenges now facing the world. Finance is increasingly looked to as an important part of helping to solve some of these pressing issues, and in Europe the European Commission has no doubt shown leadership in putting in place the building blocks for an EU sustainable finance strategy.

The European Fund and Asset Management Association believes corporate governance and stewardship to be a big part of the sustainability debate. There is no doubt that the backdrop against which companies are operating is changing. Though achieving sustainability and climate objectives require direct action from industries directly involved in

these issues, shareholder engagement is seen as a valuable tool by asset managers to manage company specific risks and opportunities with regards to sustainability.

Through stewardship, asset managers can encourage business and management practices in companies on environmental, governance, human rights and social challenges. This is not only part of an asset manager’s fiduciary duty to protect and enhance clients’ assets, it also encourages long-term value creation and long-term economic sustainability.

Promoting responsible investment standards and good stewardship can therefore help create an environment where shareholders and companies work together to address environmental, social and governance challenges and promote sustainability as a driver of long-term value in the economy.

This is the background against which EFAMA published its new Stewardship Code in 2018. The Code sets out principles for asset managers’ monitoring of, voting in, and engagement with investee companies.



Peter De Proft is the Director General of EFAMA (the European Fund and Asset Management Association), a position he took up in October 2007. Previous positions included CEO at Fortis Investment Management Belgium, Executive Director at Banque Nagelmackers 1747 / Groupe Delta Lloyd, Director of the Fixed Income Department at Petercam, and Central Banker in the Department of Public Funds.

STEWARDSHIP IN A NEW WORLD

PRINCIPLE 1:

Asset managers should have an engagement policy available to the public on whether, and if so how, they exercise their stewardship responsibilities. Where asset managers decide not to develop an engagement policy, they should give a clear and reasoned explanation as to why this is the case

PRINCIPLE 2:

Asset managers should monitor their investee companies, in accordance with their engagement policy

PRINCIPLE 3:

Asset managers should establish clear guidelines on when and how they will escalate engagement with investee companies to protect and enhance value of their clients' investment

PRINCIPLE 4:

Asset managers should consider acting with other investors, where appropriate, having due regard to applicable rules on acting in concert

PRINCIPLE 5:

Asset managers should exercise their voting rights in a considered way

PRINCIPLE 6:

Asset managers should disclose the implementation and results of their stewardship and voting activities

The new Code, which is voluntary, is designed to assist EFAMA corporate members in adopting best stewardship practices. It also aims to be a European reference document for asset managers seeking to comply with the revised Shareholder Rights Directive which Member States have to transpose before June 2019. The 2018 EFAMA Stewardship Code is based on the former 2011 EFAMA 'Code for External Governance', which was substantially updated and revised.

Stewardship activities can play a crucial role in encouraging more sustainable behaviour by holding company leadership to account for performance against the strategy it sets out to achieve and encouraging them to drive value for shareholders and other stakeholders. Ultimately, the sound management of sustainability challenges through stewardship will contribute to the long-term success of companies, better risk-adjusted returns to our clients and a more sustainable world for our children.