Guiding Principles for
Responsible Investment Stewardship
in Aotearoa New Zealand

Whakamaua Te Pae Tawhiti
Hold fast to the distant horizon

Stewardship Code
Aotearoa New Zealand

STEWARDSHIP CODE
AOTEAROA NEW ZEALAND

Contents

The Aotearoa New Zealand Stewardship Code

This inaugural Aotearoa New Zealand Stewardship Code provides a principles-based framework for achieving the three interconnected goals of effective stewardship:

- to create and preserve long-term value for current and future generations
- to ensure the efficient management of capital whilst considering the best interests of clients and beneficiaries, and
- to contribute towards achieving sustainable outcomes for our environment, society, and economy.

What is stewardship?

Stewardship is the responsible allocation and management of capital by investors – including asset owners and fund managers – to create and preserve long-term value for current and future generations. Stewardship also promotes sound investor and issuer governance, and business practices that lead to sustainable outcomes for our environment, society, and economy.

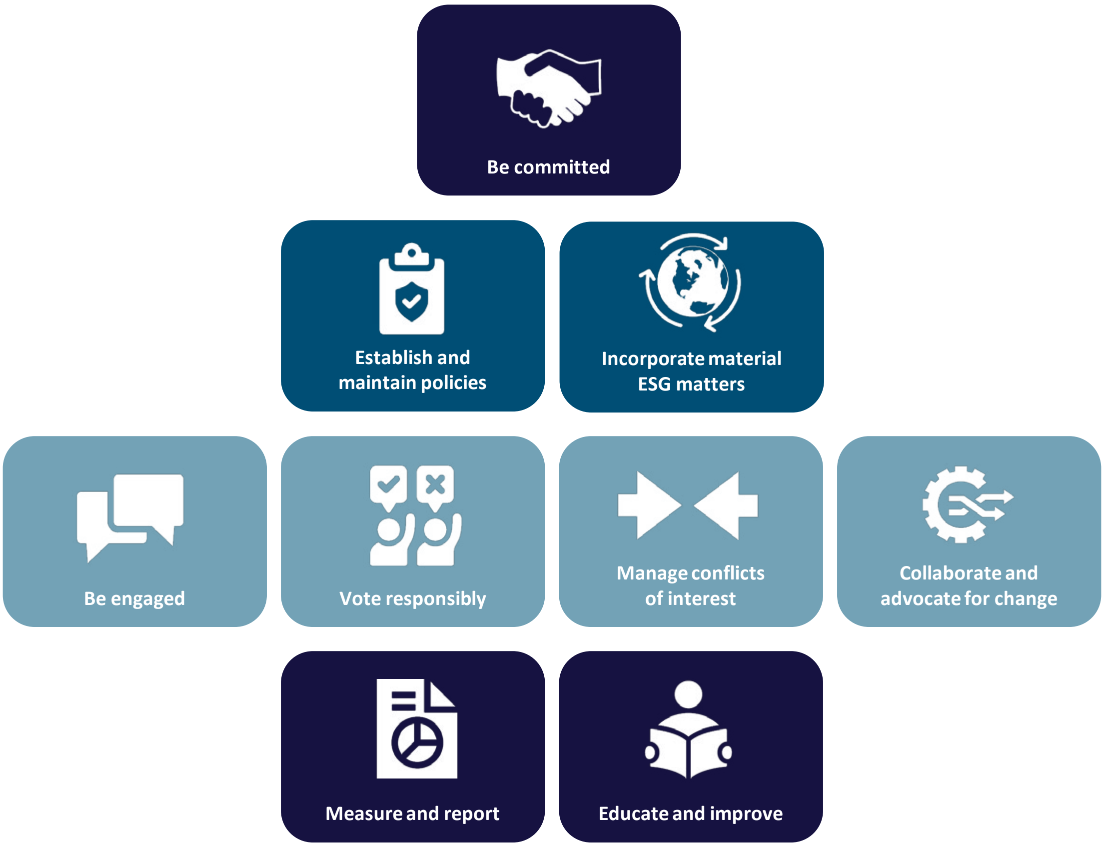
Stewardship encapsulates the values of accountability, transparency, fairness, and responsibility. Stewardship encourages investor accountability to those whose money they invest – their clients and beneficiaries – and improved long-term risk-adjusted returns. Stewardship through the relationship between asset owners and asset (fund) managers is also important.

Stewardship includes monitoring and engaging with issuers and holding them to account on material issues, including through voting, and then publicly reporting on the outcomes of these activities. It also includes collaboration and advocacy to achieve sustainable outcomes.

Stewardship by investors puts a focus on the long-term health of the capital markets as it focuses on long-term value creation for current and future generations, and sustainable outcomes for our environment, society and economy. For this reason, this Stewardship Code recognises the importance of incorporation of material environmental, social and governance (ESG) matters, and consideration of a Te Ao Māori worldview.

The core principles which drive effective stewardship are shown on the following page.

Aotearoa New Zealand's core principles of effective stewardship



What does effective stewardship look like?

A focus on effective stewardship helps ensure investors are accountable to those whose money they invest – their clients and beneficiaries.

Effective stewardship:

- promotes sound investor and corporate governance through the adoption of business practices that lead to sustainable outcomes for our environment, society, and economy
- helps investors build trust between companies and other issuers, key stakeholders, and their community
- encourages collaboration, and is most effective when asset owners, fund managers and other entities in the investment community work together, drawing upon an agreed set of expectations, and
- enables investors to be clear about their expectations and opens the way for deeper consideration of material environmental, social and governance (ESG) matters.

There is no single way to conduct effective stewardship. An investor's values, purpose, objectives, investment strategy and access to resources collectively influence their stewardship priorities, capacity and objectives.

What does it mean to be Signatory to this Code?

This Code invites Signatories to be investment leaders, taking on the role of active stewards of their investments in order to deliver on the goals of effective stewardship.

The Code provides a principles-based framework setting out how Signatories can achieve the goals of effective stewardship in their investment processes.

Signatories can include:

- **asset owners** – such as trustees of superannuation schemes, foundations, endowments, charities, family offices, community trusts, insurers, corporates, local government funds and Crown financial institutions.
- **asset / fund managers** – including licensed managers of registered Managed Investment Schemes (MIS), such as KiwiSaver providers, as well as managers of wholesale schemes, and
- **Discretionary Investment Management Service (DIMS) providers** – where clients have given the provider the discretion to make investment decisions on their behalf.

This Code can be applied in both public and private markets. The expectation is that Signatories will be investors in public markets. However, investors in private markets are encouraged to become Signatories, noting their arguably greater ability to deliver on the goals of effective stewardship.

Signatories already have duties to exercise care, diligence and skill in their investment decision-making, duties to comply with relevant professional standards of care, and fiduciary duties to act in the best interests of their clients and beneficiaries. This Code seeks to compliment these existing legal obligations.

Committing to the Code's principles (refer overleaf) will help Signatories meet the expectations of their clients and beneficiaries and improve their capital allocation and governance practices, whilst contributing towards sustainable outcomes for our environment, society, and economy.

Applying the Code

Signatories are expected to meet each Principle of the Code and each Principle's Requirements. If a Signatory is not intending to comply with any of the Principles and/or Requirements, they are expected to robustly and publicly explain why this is so (i.e. 'Comply or Explain').

Each Principle also includes explanatory Commentary for background information; however the Commentary does not give rise to compliance obligations.

Signatories are expected to use the resources, rights and influence available to them to exercise stewardship, no matter how capital is invested.

Next steps

The Code now needs leaders: those Founding Signatories wanting to drive change; wanting a framework to support them in creating and protecting long-term value; and wanting to contribute to the stewardship conversation in Aotearoa New Zealand. It is only when the Code is applied in practice that it can evolve and improve.

The Code is supported by a Code Governance Committee and a Secretariat, tasked with providing oversight of the Code and assistance, including training, to Signatories. It is expected this Code will be reviewed in two years.

For further information on the Code, including who developed this Code, who the Code applies to, and a list of current Signatories refer to: www.stewardshipcode.nz.

Principle	Description	Key topics
Principle 1 **Be committed**	Signatories will establish and publicly articulate how their investment philosophy, governance structures and resourcing support the goals of effective stewardship.	• Organisation's values, purpose, governance • Fiduciary duty • Ethical standards • Oversight and accountability • Resourcing, incentives, remuneration • Effectiveness (in meeting goals of stewardship).
Principle 2 **Establish and maintain policies**	Signatories will develop and implement measurable and effective stewardship policies.	• Purpose, priorities, and approach • Scope and standards • Integration (into investment process) • Accountability (for policies and processes).
Principle 3 **Incorporate material ESG matters**	Signatories will incorporate material ESG matters into their investment decisions and stewardship practices.	• Materiality and focus • Systemic risk management • Incorporate material environmental, social, and governance matters • Consider stewardship from a Te Ao Māori worldview.
Principle 4 **Be engaged**	Signatories will engage regularly and effectively with underlying asset managers, issuers, and other key stakeholders.	• Who with, and who by • Methods and processes • Escalation • Reporting (activities and outcomes) • Legal environment and cultural norms.
Principle 5 **Vote responsibly**	Signatories will exercise voting rights in accordance with their investment mandate, and regularly and transparently disclose voting actions and outcomes.	• Policy and principles • Exercise voting rights • Maintain and disclose voting decisions and outcomes.
Principle 6 **Manage conflicts of interest**	Signatories will endeavour to avoid any conflict of interest that does not put the best interests of their clients and beneficiaries first and explain their approach to managing any conflicts of interest that arise.	• When a conflict of interest exists • Conflict of Interest Policy • Compliance • Identification and mitigation • Review • Disclosure.
Principle 7 **Collaborate and advocate for change**	Signatories will work collaboratively to amplify investor influence on ESG matters with issuers, policy makers, index providers, standard setters, and other key stakeholders.	• Benefits • Collaboration • Drawing upon the experience of others • Disclosure.
Principle 8 **Measure and report**	Signatories will regularly measure and publicly report on their actions to support stewardship and demonstrate how these have contributed to the goals of effective stewardship.	• Public reporting and disclosure – Stewardship policies and practices – Regular (and at least annual) stewardship report (activities and outcomes) – Performance against the Code and the goals of effective stewardship.
Principle 9 **Educate and improve**	Signatories will work to improve their clients' and beneficiaries' awareness of stewardship, improve their internal capabilities, and provide resources to deliver impactful stewardship.	• Periodic review of – capacity, resources, and capabilities – stewardship policies and practices – effectiveness – third-party review, verification, and assurance.

Principle 1
Be committed

Signatories will establish and publicly articulate how their investment philosophy, governance structures and resourcing support the goals of effective stewardship.

Commentary

An effective stewardship strategy will reflect an investor's values, purpose, and governance, and describe how an investor's stewardship activities contribute to sustainable outcomes for the environment, society and the economy. It will also support the values and purpose of their clients and beneficiaries and be aligned with their fiduciary duties.

Stewardship includes investor governance; how Signatories can demonstrate their accountability to their clients and beneficiaries. Good governance is essential to long-term value creation and risk mitigation by both investors and issuers.

Signatories already have duties to exercise care, diligence and skill in their investment decision-making, to comply with relevant professional standards of care and fiduciary duties to act in the best interests of their clients and beneficiaries.

Requirements

Signatories will:

- articulate their organisation's values and purpose and explain how these support the values and purpose of their clients and beneficiaries
- explain how their organisation's investment philosophy guides their approach to stewardship and supports their fiduciary duties
- have in place a Code of Ethics or a Code of Conduct
- ensure that they, or their investment managers, oversee client and/or beneficiary assets in a responsible manner
- establish and maintain governance structures and practices that enable effective oversight and accountability for stewardship. These structures will reflect good corporate governance practice and be subject to periodic review
- describe how their stewardship activities are resourced and incentivised, including the experience of relevant staff, use of outsourced service providers, and their use of remuneration programmes, and
- communicate publicly the rationale for their chosen governance and management structures, explaining how effective they have been in the execution of stewardship activities.

Principle 2
Establish and maintain policies

Signatories will develop and implement measurable and effective stewardship policies.

Commentary

Setting out an organisation's approach, such as through a Stewardship Policy, which may be part of an overarching Responsible Investment Policy, ensures intentions are clear.

There is no one-size-fits-all approach to writing a Stewardship Policy, but it should reflect the organisation's purpose, have unique attributes, and avoid generic or boilerplate ambitions. The Stewardship Policy should be able to be substantiated by the Signatory.

Ensuring any Stewardship Policy has senior-level commitment, is suitably resourced, and is backed by robust processes will be core to its success.

Requirements

Signatories will establish and maintain a Stewardship Policy supported by robust procedures and processes.

The Stewardship Policy will:

- clearly explain the purpose and rationale for the chosen approaches to stewardship activities, including:
  - voting policies
  - engagement policies
  - ESG priorities, and
  - how stewardship outcomes integrate into investment processes
- describe how stewardship activities are intended to achieve the goals of effective stewardship, including how they have best served clients and/or beneficiaries
- outline key performance indicators and other accountability measures for monitoring, measuring, and reporting of stewardship activities and outcomes. These should be aligned with the values of the Signatory and their organisational (social) purpose, and
- commit the organisation to periodic reviews of the effectiveness of their stewardship activities, and of their Stewardship Policy.

Typical components of a Stewardship Policy

- Narrative on scope and context - including which assets (beyond listed equities), investment mandates and geographies are covered, in proportion to holdings. This should extend to providing information on whether there is a difference in stewardship strategies between active and passive strategies
- An explanation as to why the selected stewardship strategy is valuable and serves the best interests of clients and beneficiaries
- Narrative on which recognised standards have been adopted and why (e.g. UN Global Compact, UN Principles for Responsible Investment, Net Zero Asset Managers Initiative, UN Guiding Principles on Business and Human Rights)
- A clear definition of who is undertaking the stewardship activities – for example, whether internal teams will be completing the activities, or whether responsibilities have been delegated to a service provider or underlying fund manager(s)
- Where external managers are used, how their stewardship requirements and outcomes have been established and how they are monitored and evaluated
- Current priorities for stewardship, including short and long-term engagement topics/themes.
- How research and systemic risks have been incorporated into stewardship topics/themes and approaches
- Voting principles
- Engagement approaches (identification and rationale) and escalation strategies
- Language that is clear to all readers.

Principle 3
Incorporate material ESG matters

Signatories will incorporate material ESG matters in their investment decision making, to seek to achieve the goals of effective stewardship.

Commentary

Signatories should build an understanding of material ESG matters that may affect an issuer's prospects or ability to achieve sustainable environmental, social and/or economic outcomes.

Material ESG matters are those that are expected to have a significant positive or negative impact on the long-term value of an issuer or an investment.

Material ESG matters may manifest as risks or opportunities within an investment strategy.

Signatories may also integrate consideration of non-material ESG matters that align with a their values, their investment beliefs and purpose, and the values of their clients and beneficiaries.

Examples of ESG matters which have the potential to become material include:

- climate change
- biodiversity and ecosystem health
- pollution prevention and control
- human rights, modern slavery, supply chains
- community engagement and impact
- Te Ao Māori, Te Tiriti o Waitangi, and equitable and sustainable outcomes for tangata whenua, and
- sound issuer governance, including high standards of ethical behaviour, diversity and executive remuneration.

Incorporating the Te Ao Māori worldview into stewardship

The principles of effective stewardship are aligned with a Te Ao Māori worldview, which prioritises guardianship over the longer term through kaitiakitanga and whanaungatanga. Signatories are encouraged to consider how these principles, and the principles of manaakitanga and rangatiratanga connect with their Stewardship Policy and investment beliefs and practices.

Signatories are also encouraged to consider how they incorporate Te Tiriti o Waitangi into stewardship activities.

Requirements

Signatories will:

- explain how they identify, assess, and manage material ESG matters, taking into consideration their investment beliefs and purposes, and the values and needs of their clients and beneficiaries
- describe whether and how market-wide and longer-term systemic ESG matters impact investment decisions and stewardship practices
- disclose which ESG matters have been prioritised, and the extent to which such matters are considered in investment decisions and stewardship practices, describing how these activities provide for sustainable outcomes for the environment, society, and economy
- regularly review identification, impact and management of material ESG matters, and how they are integrated into investment decisions and stewardship practices, and
- ensure service providers have received clear and actionable criteria to support the incorporation of material ESG matters into investment and stewardship practices.

Te Ao Māori

Acknowledging and upholding Te Tiriti o Waitangi is an integral part of the Aotearoa New Zealand perspective on effective stewardship

Te Ao Māori world view acknowledges the interconnectedness and interrelationship of all living and non-living things.

Although there are some differences in interpretation of Te Ao Māori between iwi, it is a holistic view where wealth and value, for example, are considered in terms broader than purely financial, and health and wellbeing are considered in terms broader than physical health alone.

The Te Ao Māori worldview considers value beyond quantitative financial measures of performance, recognising value also in environmental or social performance.

It is a view which is intergenerational, where there is intentional effort to create a better future for generations to come; and a view underpinned by wairuatanga – where respect and reciprocity underpin how we treat and engage with living and non-living things.

Further context on Te Ao Māori can be found in He Ara Waiora[1], a framework which presents a holistic, intergenerational approach to wellbeing.

Key values include:

- **Kaitiakitanga** – guardianship or stewardship, being different to ownership, and which recognises a duty to be a good caretaker/steward of nature and resources, to support a better future for future generations
- **Manaakitanga** – caring for and enhancing the mana of others. Manaakitanga allows the creation of space and opportunities for others to grow
- **Whanaungatanga** – fostering and maintaining meaningful and reciprocal relationships, building a sense of whānau connection and belonging, by connecting on a personal level, rather than mere transactional interactions
- **Rangatiratanga** – empowering others towards independence and self-determination, and
- **Wairuatanga (spirituality)** – an element that is essential to the health, wellbeing, and identity of iwi/Māori.

Questions to guide Signatories on incorporating Te Ao Māori and support for tangata whenua in stewardship policies and practices include:

- How do we embed Te Tiriti o Waitangi and Te Ao Māori into our investment beliefs and principles? How do we ensure Te Ao Māori values are reflected in our efforts to achieve the goals of effective stewardship?
- What specific actions are we undertaking to ensure equitable and sustainable outcomes for tangata whenua?

1 www.treasury.govt.nz/information-and-services/nz-economy/higher-living-standards/he-ara-waiora

Principle 4
Be engaged

Signatories will engage regularly and effectively with underlying asset managers, issuers, and other key stakeholders.

Commentary

Engagement is key to ensuring effective relationships with issuers, underlying managers, policy makers, regulators, and other stakeholders.

The spectrum of engagement activities can vary, depending on the nature of the investment, the size of shareholding, the investment strategy (active or passive), and the geography of the asset. Engagement may be carried out by the asset owner, fund managers, or service providers.

Engagement can also be undertaken independently or collaboratively (refer to Principle 7). All these factors may affect the engagement approach taken.

Requirements

Signatories will:

- explain how engagement is undertaken between asset owners and fund managers, across different asset classes and jurisdictions, with issuers, service providers, and other key stakeholders
- when managers or service providers undertake engagement activities on behalf of an investor, Signatories will:
  - retain overall accountability for stewardship
  - hold managers and service providers to account to ensure services have been delivered to meet their needs
  - monitor the engagement activities of managers and service providers to ensure they align with the expectations of their own clients and beneficiaries
  - periodically assess the quality and performance of managers and service providers to deliver engagement outcomes
- periodically report on engagement activities and their contribution(s) to the goals of effective stewardship. Signatories will ensure their stewardship reporting is fair, balanced, educational, and understandable
- periodically review the effectiveness of their engagement efforts, and
- take care to understand the specific circumstances of the issuer, including, for example, the legal environment or cultural norms.

Engagement policies and processes typically describe:

- how the theme/topic of engagement is identified
- which companies are prioritised for engagement
- how engagement is carried out and by whom
- how progress is monitored
- what to do when engagement is unsuccessful
- how decisions to end investments are made.

Engagement with issuers may focus on, for example, an issuer's strategy, long-term performance, risk, financials, sustainability, culture, remuneration, corporate governance and other material ESG matters, including the quality of a company's reporting and disclosures.

Engagement with policy makers and regulators may focus on, for example, regulatory laws under development or system-wide issues such as mitigation of greenhouse gas emissions.

Collaborative engagement with investors may focus on ESG matters specific to a geography, industry or sector or on values/principles aligned investing to improve outcomes in local communities, such as stronger accountability for violations of laws or values of cultural significance.

Consequences of not achieving engagement outcomes should be disclosed if material.

Engagement disclosures typically include:

- the total number of engagements conducted over the reporting period, classified by topic, region and/or asset class where appropriate
- the progress of engagements, including escalation activities and the process for escalation where not clear
- the outcomes of the engagement, and whether they have resulted in changes in behaviour by the issuer or investment decisions (and to what extent the Signatory's own engagement contributed to that outcome)
- case studies of specific issuer engagement, including when outcomes are not achieved, as appropriate
- how insights from engagement have been integrated into investment decisions, and
- if any area of concern remains unresolved, how engagement has been escalated.

Principle 5
Vote responsibly

Signatories will exercise voting rights in accordance with their investment mandate, and regularly and transparently disclose voting actions and outcomes.

Commentary

Voting is a key part of being an active owner and is interrelated with engagement. Exercising voting rights is a clear way of expressing approval or disapproval of management and/or shareholder resolutions proposed at company meetings.

Signatories should ensure they have robust voting policies and procedures that help support the goals of effective stewardship.

Requirements

Signatories will:

- establish voting guidelines which describe an organisation's approach to exercising voting rights on behalf of clients and beneficiaries. The guidelines will outline:
  - the principles guiding voting decisions
  - the extent to which fund manager(s) or proxy advisors are delegated responsibilities
  - any voting strategy differences based on type of asset, mandate, or geography
- establish an approach to securities lending (the temporary transfer of securities, including voting rights, from a lender to a borrower) which may include a stewardship-based decision not to participate in such lending. Specifically, Signatories will consider carefully how a securities lending policy fits in with their approach to stewardship.
  - This will include timescales for, and under what circumstances, a Signatory will recall stock and a policy to temporarily suspend securities lending in a particular share ahead of a forthcoming event (e.g. vote, rights issue)
  - Voting guidelines will include expectations on securities lending used by the underlying fund managers and custodians
- exercise voting rights on an informed, best-efforts basis, abstaining only in limited circumstances, such as where a conflict of interest arises
- maintain records of voting activity, including rationales for contentious decisions such as any votes taken against the recommendation of company management and/or board, and
- disclose voting decisions and outcomes including justification where appropriate on a regular basis.

Voting disclosures typically include:

- voting decisions for each resolution across all investment holdings, i.e. for, against, or abstained
- aggregate voting statistics that are for/against the Board, shareholders, proxy advisor recommendations or the Signatory's voting policy
- voting rationale when voting decisions don't align with voting principles
- examples of shareholder proposals passed, and where possible, implemented that have achieved the desired environmental, social or governance outcome
- case studies of contentious voting decisions, including their rationales, or proposals that are withdrawn due to resolution from active engagement ahead of AGMs, and
- explanation of the degree of influence held by the investor, including for example ownership structures that prevent equitable voting rights, or the presence of other controlling shareholders.

Principle 6
Manage conflicts of interest

Signatories will endeavour to avoid any conflict of interest that does not put the best interests of their clients and beneficiaries first and explain their approach to managing conflicts of interest that do arise.

Commentary

A Conflict of Interest Policy assists to identify, prevent, manage, and appropriately disclose conflicts of interest.

Signatories should fully disclose their Conflict of Interest Policy and explain how conflicts that arise, or may arise, are managed in the context of stewardship.

Comprehensive compliance capabilities help address conflicts and ensure that investors have effective policies to deal with issues such as insider information and market manipulation.

Requirements

Signatories will:

- develop clear, written, and robust policies to manage conflicts of interest. These should cover identification, assessment, mitigation, and disclosure of actual, potential, or perceived conflicts. The Conflict of Interest Policy will:
  - address how matters are handled when client/beneficiary interests diverge from the Signatory's interests, or when different client/beneficiary interests diverge, and illustrate clearly how client/beneficiary interests are prioritised
  - identify specific cases where a conflict might arise
- disclose their Conflict of Interest Policy with an explanation as to how it applies to stewardship activities
- rigorously review their investment activities and their clients beneficiaries' interests to appropriately manage actual, potential and perceived conflicts of interest
- disclose any instances of conflicts of interest along with the remedies to mitigate them, and
- communicate to key stakeholders, such as underlying investment managers and service providers, the organisation's expectations, the need to manage conflicts and to disclose all actual, potential and perceived conflicts of interest.

When could a conflict arise in the context of stewardship?

A conflict arises where the interests of one party (e.g. a fund manager, a director, an employee, or a client) are not aligned, or may become unaligned, with the interests of another, such that one may be disadvantaged to the advantage of the other.

In the case of stewardship, conflicts may arise as a result of, for example:

- a company's ownership structure
- business relationships between asset owners and fund managers, and/or the assets they manage
- differences between the stewardship policies of managers and their clients beneficiaries
- cross-directorships
- bond and equity managers' objectives to make a profit for their shareholders or owners, and
- client/beneficiary interests diverging from each other or from those of the Signatory.

Principle 7
Collaborate and advocate for change

Signatories will work collaboratively to amplify investor influence on ESG matters with issuers, policy makers, index providers, standard setters, and other key stakeholders.

Commentary

Collaboration between investors can enhance investors' influence, build expertise, and improve efficiency through the sharing of workload and costs.

Signatories should be open to working with others (both in New Zealand and overseas) to help achieve common goals.

Signatories should be aware of their legal obligations under the New Zealand Takeovers Code, which may limit the ability to collaborate, including the rules regarding associations between investors: see the Takeovers Panel website for guidance[2]. Each investor should make their own voting decisions.

Requirements

Signatories will:

- work collaboratively with other investors and key stakeholders, as far as possible without breaching relevant laws, including takeovers laws, to collectively promote the goals of effective stewardship
- draw on the collective experience of other investors and key stakeholders (which may include regulators and industry bodies) to influence the behaviours of issuers and other key actors, and
- disclose periodically any collaborative engagement they have undertaken, including with whom, the role they have played, the outcomes achieved, and whether the objectives have been met (refer to Principle 8).

2 www.takeovers.govt.nz

Principle 8
Measure and report

Signatories will regularly measure and publicly report on their actions to support stewardship and demonstrate how these have contributed to the goals of effective stewardship.

Commentary

An important aspect of effective stewardship is transparent reporting of stewardship governance, activities and outcomes.

Stewardship policies and regular reporting should be published online in a transparent and accessible way. Signatories subject to New Zealand Disclose Register requirements will also upload their Stewardship policies and reports to this platform (as 'Other Material Information').

Regular (at least annual) disclosure, which can be in the form of a report, should have an appropriate mix of qualitative and quantitative information to both measure and explain the procedures and outcomes of stewardship activities. The disclosure should demonstrate how the organisation has contributed to the goals of effective stewardship and the value of their stewardship activities to their clients and beneficiaries.

Requirements

Signatories will:

- publish annual stewardship reporting informing clients and beneficiaries and other key stakeholders about their stewardship approach, the effectiveness of their Stewardship Policy and practices, and how these have contributed to the goals of effective stewardship. Signatories may elect to publish a standalone Stewardship Report or include this material within existing reporting, such as a Responsible Investment Report.
- ensure stewardship disclosures are fair, balanced, timely, educational, and understandable
- disclose the extent to which they met the Principles and Requirements of this Code on a 'Comply or Explain' basis.
  - If the Signatory does not intend to comply, or has not complied, with one or more of the Principles or Requirements, the Signatory will explain why this is so
  - This narrative will, as far as possible, explain the known and/or potential implications of this non-compliance, as well as any resulting impact on the Signatory's stewardship activities, and
- disclose any breaches of the Code and any relevant Signatory-specific policies. This will include the nature of the breach, actions taken to remedy the breach and to prevent future breaches, whether the breach was reported to the regulator, and the nature of any action taken by the Code Governance Committee.

Regular stewardship reporting may include the following:

- the governance forum in which stewardship strategies are decided
- how client and beneficiary needs have been incorporated through the chosen measurement and reporting approach
- any engagement and/or voting strategy adopted
- an annual review of voting and engagement activities and outcomes, as outlined in Principles 4 and 5. For example:
  - the percentage of voting proposals where the investor has voted against management recommendations (e.g. proposals to change or retain Board composition)
  - voting statistics for issuers located in key markets for the investor (domestic and international)
- an assessment of progress against defined objectives, including performance as against any relevant responsible or ethical investment policies
- contributions to industry or government-led policy relating to stewardship
- reference to any applicable responsible or ethical investment policy or specific policies on engagement, proxy voting, exclusions, and conflicts of interest
- factual examples that demonstrate improving sustainable outcomes and contributions to the goals of effective stewardship
- examples of how stewardship activities have responded to the values of, and any feedback from, clients and beneficiaries
- evidence of conflicts of interest being managed, as appropriate
- team expertise (within the organisation and in collaboration with other institutional investors), and training and education provided to aid effective stewardship, and
- relevant outreach to clients and beneficiaries.

Principle 9
Educate and improve

Signatories will work to improve their clients' and beneficiaries' awareness of stewardship, improve their internal capabilities, and provide resources to deliver impactful stewardship.

Commentary

Signatories are expected to periodically review their stewardship policies and practices to ensure they are adequately resourced, have the right accountability mechanisms, are achieving the outcomes desired, and whether the outcomes remain fit-for-purpose.

Independent review, verification and/or assurance can be helpful in this regard.

Requirements

Signatories will:

- have active programmes to raise awareness and understanding of their stewardship policies and practices among clients, beneficiaries and other key stakeholders
- have appropriate capacity, resource, and experience to effectively oversee, manage and improve their stewardship obligations
- update and review the effectiveness of stewardship policies and processes periodically to ensure that they enable effective stewardship
- implement effective oversight processes (which could include internal or external verification) and make available the outcomes, and
- consider the need for independent review, verification and/or assurance of stewardship practices and subsequent disclosures.

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