

UK Stewardship Code Consultation

A public consultation issued by the Financial Reporting Council
Comments from ACCA to the Financial Reporting Council

19 February 2025

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About ACCA:

We are ACCA (the Association of Chartered Certified Accountants), a globally recognised professional accountancy body providing qualifications and advancing standards in accountancy worldwide.

Founded in 1904 to widen access to the accountancy profession, we've long championed inclusion and today proudly support a diverse community of over 252,500 members and 526,000 future members in 180 countries.

Our forward-looking qualifications, continuous learning and insights are respected and valued by employers in every sector. They equip individuals with the business and finance expertise and ethical judgment to create, protect, and report the sustainable value delivered by organisations and economies.

Guided by our purpose and values, our vision is to develop the accountancy profession the world needs. Partnering with policymakers, standard setters, the donor community, educators and other accountancy bodies, we're strengthening and building a profession that drives a sustainable future for all.

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GENERAL COMMENTS

ACCA welcomes the opportunity to respond to the Financial Reporting Council's Stewardship Code Consultation. ACCA recognises that, depending on the signatory and their role in the wider investment chain, the term 'stewardship' can be interpreted in many ways. ACCA supports the creation of tailored guidance that helps signatories to disclose and explain their investment goals effectively.

While a flexible, proportionate reporting framework is key to inspiring better practice and meaningful engagement, ACCA would also emphasise the rising expectations of different investors to ask company boards about risk oversight and continuous monitoring of it given today's polycrisis norm. This is in line with our previous comments on the revised UK Corporate Governance Code as well as the G20 Principles of Corporate Governance revisions released in Sept 2023. We support enhanced transparency on the outcomes of different stewardship relationships, rather than the events themselves. It also is crucial to ensure that both cultural and conduct risks are included given today's rapid digital transformations.

We challenge whether the revised definition of 'stewardship' could be interpreted as a scaling back of intent on sustainability. With climate and environmental disclosures maturing globally, and mobilising green finance a key part of the Government's growth strategy¹, we would question what the removal of the term 'environment' signals to markets.

¹ 'Boost for UK clean energy growth as PM arrives at COP29,' 11 November 2024, available [here](#).

1. Do you support the revised definition of stewardship?

ACCA broadly supports the revised definition, seeing the wider value in a Code that balances transparency and accountability. We continue to reiterate the importance of stewardship's 'purpose' and how (depending on the signatory) it can take on a host of different meanings. It is similarly important to consider 'stewardship' in the context of broader reforms underway. Those include AI governance, late payments, access to finance, and employment practices – areas where further guidance may need to be developed. Tailored guidance can support signatories' application of the Code by incorporating such subtleties.

We have reservations about the removal of 'environment' from the proposed definition. Climate-related disclosures continue to mature globally, shifting from tick-box statements to demonstrable action. This is reflected in recent regulatory developments, such as the International Sustainability Standards Board (ISSB) IFRS S1 and S2. Therefore, , we are concerned about the message that this sends to the market.

2. Do you support the proposed approach to have disclosures related to policies and contextual information reported less frequently than annually? If yes, do you support the approach set out above?

ACCA supports the FRC in its efforts to bring about a more streamlined approach to reporting. A tailored framework can equip signatories with a better understanding of stewardship and its purpose. We see no issue with the FRC's proposal.

3. Do you agree that the Code should offer 'how to report' prompts, supported by further guidance?

ACCA supports the inclusion of 'how-to-report' prompts, guidance, as well as the example provided. How-to-guides provide clarity on what's expected and reduce the potential for confusion. Clear and easy-to-follow guidance can also lead to better transparency while encouraging greater accountability.

We are also happy with the process of developing guidance and that it will not be subject to formal consultation.. The ability to make adjustments without being constrained by a formal consultation process ensures that the guidance remains relevant and responsive to real-time developments. This adaptability is key to enabling institutional investors to stay aligned with best practices and emerging trends, allowing for greater agility in responding to new and unforeseen challenges.

By providing guidance to meet market demand, the implementation of the Code can be optimised over time—as and where appropriate. This will support asset owners and asset managers in demonstrating how they deliver against their responsibilities and exercised stewardship.

4. Do you agree that the updated Code for Asset Owners and Asset managers should have some Principles that are applied only by those who manage assets directly, and some that are only applied by those who invest through external managers?

We broadly agree with this proposition. The provision of principles that are applied only by those who manage assets directly and some that are only applied to those who invest through external managers, presents a number of potential benefits, including enhancing clarity and accountability by distinguishing between the principles that are applicable to each group and also making it easier for each to understand their specific responsibilities.

Having principles tailored to each group should encourage asset owners to enhance their investment in stewardship and ensure proper oversight of activities which the asset managers engage in. It would be good to see more detail on the overall design features, particularly where overseas signatories are concerned.

5. Do the Principles of the updated Code better reflect the different ways that stewardship is exercised between those who invest directly, and those who invest through third parties?

ACCA supports a proportionate approach, one that ensures transparency without introducing additional reporting obligations. We alluded to this in our joint response on the SFDR, highlighting how 'compliance' exceeded the resourcing of many smaller firms.² We then reiterated the importance of judging firms by the way they integrate such considerations – from both a short and long-term lens.

Both direct investors and those who invest through third parties do so with the objective being to promote longterm value creation; the way in which each group does this is different. The updated principles should balance this difference while encouraging effective stewardship. Direct investors can influence companies through voting and direct engagement while asset owners must ensure their external managers are promoting long-term value on their behalf. ACCA agrees with the direction of updated Principles but would like to see them contextualised in a wider impact analysis.

6. Do you agree that the updated Service Providers' Code should have some Principles that are applied only by proxy advisors, and some that are only applied by investment consultants?

We have no comment to make on this proposal.

² ACCA and CISI submission to EC, 'Targeted consultation on the Implementation of the SFDR' (December 2023), available [here](#).

7. Do the streamlined Principles capture relevant activities for effective stewardship for all signatories to the Code?

ACCA believes the revised Code should be both proportionate and practical. A proportionate approach ensures that signatories of different sizes and with different resources and capabilities can effectively implement the Code without being excessively burdensome or overly complex. It must also be flexible enough to accommodate different stewardship practices.

The Code must also complement the wider stewardship ecosystem by aligning with other relevant frameworks, standards, and regulations. This approach will support a consistent understanding of best practice in stewardship, encouraging greater transparency and accountability while avoiding unnecessary duplication between different sets of guidance.

8. Should signatories be able to reference publicly available external information as part of their Stewardship Code reporting, recognising this means Stewardship Code reports will no longer operate as a standalone source of information?

ACCA supports the inclusion of clear signposting within integrated reporting and tables to ensure users can quickly locate the information they need. As the consultation document states, a policy would be required that sets out clear expectations on cross-referencing. Examples include consolidating best practice on signposting within integrated reporting, alongside demonstrating links between key information. To avoid a potential dilution of the Stewardship Code, ease of access and quickly locating information must be kept front of mind.

Well-structured reports with clear signposting which supports ease of navigation, accessibility and transparency will encourage better engagement with key stakeholders.

9. Do you agree with the proposed schedule for implementation of the updated Code?

ACCA believes the proposed schedule for implementation of the updated code is reasonable, however clear communication and support around the updates is crucial to ensure stakeholders have the necessary capacity and information to comply and that implementation is smooth.

We also recommend a longer transition time for smaller firms, particularly in light of relevant reforms elsewhere. Those include upcoming UK sustainability reporting standards, audit reform, Corporate Governance Code changes, and the government's wider trade programme. It is important that the timeline allows room for the Code to align with these areas. Besides promoting coherence, it can also help avoid overlap and potential duplication.