Responsible Stewardship

Alex Edmans, London Business School

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I. Shareholder Activism
Adobe: The Problems

- Poor sales in Creative Suite
- Apple refused to allow Flash on its products, preferring rival HTML
- Missed mobile revolution; focused too much on desktop products
- Fired 2,000 workers between 2008-2011
Adobe: The Solutions

- Late 2011, ValueAct bought a 5% stake
- December 2012, ValueAct partner Kelly Barlow joins Adobe board
- “I don’t need the quick hit. ... You can’t just keep throwing stuff at the wall, you need to get in there, get the information and work on a long-term plan that is going to be sustainable”
- Moved away from Flash, embraced HTML
- Moved to a subscription revenue model
Adobe: The Aftermath

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$4.2b</td>
<td>$7.3b</td>
</tr>
<tr>
<td>Employees</td>
<td>10,000</td>
<td>18,000</td>
</tr>
<tr>
<td>Tax Paid</td>
<td>$202m</td>
<td>$443m</td>
</tr>
</tbody>
</table>
The Pie-Growing Mentality
The Pie-Splitting Mentality

- Clinton: “tyranny of short-termism”; Sanders and Warren: bill to limit activist hedge funds
- “Shareholder activists ... are more like terrorists who manage through fear and strip the company of its underlying crucial assets ... extracting cash out of everything that would otherwise generate long-term value”
- Peter Georgescu, author of *Capitalists, Arise!*
The Pie-Splitting Mentality
Hedge Fund Activism: The Evidence

- Series of papers by Alon Brav, Wei Jiang and coauthors
- Stock price increases by 7%
  - No long-term reversal. After exit (2 years), stock prices keep rising for next 3 years
- Increased ROA
- Increased total factor productivity (output vs. labour input), labour productivity
- Improvements in plants sold
Profitability
Productivity
Investment and Leadership

- IT investment rises
- R&D expenditure *falls*
  - But number and quality of patents rises
- Increased performance of sold patents, departing inventors, remaining inventors
- Higher CEO turnover
- New directors have
  - Better credentials in general
  - More technology- and industry-based expertise in particular
Shareholder Activism: The Takeaways

- Shareholders are not the enemy. They are allies with firms in growing the pie
  - Outside opinion, accelerators and brakes
  - Lipton’s “Dealing with Activist Hedge Funds” uses the word “attack” 20 times

- There’s nothing special about activist hedge funds. Instead, these three features are what’s key:
  - Portfolio concentration
  - Incentives
  - Resources
II. What is Stewardship?
What Is Stewardship?

- An approach to investment that improves the value an enterprise creates for society
  - Seeks to grow the pie rather than taking the pie as given
- Forms of stewardship
  - Monitoring: informed divestment/retention/addition (Lecture 5)
  - Engagement: voting, private discussions, public activism, collective engagement
**Why Is Stewardship Responsible Investment?**

- Improves long-run value of investment, even if this improvement can’t be quantified
  - Cf. “instrumental vs. intrinsic” in Lecture 1
- Spillover benefits to the rest of society
  - Cf. “profits vs. externalities” in Lecture 1
- Like companies, investors must take their externalities seriously
  - Society views investors as having stewardship responsibilities (e.g. climate change, diversity)
  - Society blames corporate failures on poor stewardship
The Alleged Problems

- Hold too small stakes
  - Won’t engage due to cost, or will follow one-size-fits-all rules
- Focus on short-term performance to attract fund flows
  - Won’t engage if payoffs are only in long-run
- Focus on performance relative to benchmarks
  - Won’t engage if competitors also invest in the firm
UK Stewardship Code

- 2009 UK Walker Review partly attributed financial crisis to poor stewardship. In 2010, UK became the first to adopt a stewardship code, revised 2020
- 12 comply-or-explain principles
  - Purpose and governance
    - Purpose, strategy and culture; governance, resources and incentives; conflicts of interest; promoting well-functioning markets; review and assurance
  - Investment approach
    - Client and beneficiary needs; stewardship, investment and ESG integration; monitoring managers and service providers
  - Engagement
    - Engagement; collaboration; escalation
  - Exercising rights and responsibilities
Stewardship Codes

As of late 2017

- Denmark, Hong Kong, Japan, Kenya, Malaysia, South Africa, Taiwan, and Thailand have explicit national stewardship codes
- EU Shareholder Rights Directive includes elements found in Stewardship Codes
- India and Kazakhstan are considering adoption of stewardship codes
- Australia, Brazil, Canada, Italy, Netherlands, Singapore, South Korea, Switzerland, and US have investor-led best practice guidelines
  - E.g. US Investor Stewardship Group (ISG) Stewardship Framework for Institutional Investors
<table>
<thead>
<tr>
<th>Country</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>The Financial Services Council (FSC) Standard 23: Principles of Internal Governance and Asset Stewardship July 2017</td>
</tr>
<tr>
<td>Brazil</td>
<td>The Association of Capital Markets Investors (AMEC) Stewardship Code October 2016</td>
</tr>
<tr>
<td>Canada</td>
<td>Principles for Governance Monitoring, Voting and Shareholder Engagement, Canadian Coalition for Good Governance December 2010</td>
</tr>
<tr>
<td>Denmark</td>
<td>Stewardship Code November 2016</td>
</tr>
<tr>
<td>European Union</td>
<td>Revised Shareholders Rights Directive April 2017</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>Principles of Responsible Ownership March 2016</td>
</tr>
<tr>
<td>India</td>
<td>The Insurance Regulatory and Development Authority of India (IRDAI) decision to implement a stewardship code for insurers March 2017</td>
</tr>
<tr>
<td>Italy</td>
<td>Stewardship Principles for the Exercise of Administrative and Voting Rights in Listed Companies Updated September 2016</td>
</tr>
<tr>
<td>Japan</td>
<td>Principles for Responsible Institutional Investors Updated May 2017</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>The CityUK and the Astana International Financial Center Responsible Shareholder Engagement – A Kazakh Stewardship Code March 2017</td>
</tr>
<tr>
<td>Malaysia</td>
<td>Malaysian Code for Institutional Investors June 2014</td>
</tr>
<tr>
<td>Netherlands</td>
<td>Best Practices for Engaged Share-Ownership, EUROMEDION Corporate Governance Forum June 2011</td>
</tr>
<tr>
<td>Singapore</td>
<td>Stewardship Principles for Responsible Investors, Stewardship Asia Centre November 2016</td>
</tr>
<tr>
<td>South Africa</td>
<td>Code for Responsible Investing in South Africa July 2011</td>
</tr>
<tr>
<td>South Korea</td>
<td>Korean Corporate Governance Service (KCGS) Stewardship Code March 2017</td>
</tr>
<tr>
<td>Switzerland</td>
<td>Guidelines for institutional investors governing the exercising of participation rights in public limited companies January 2013</td>
</tr>
<tr>
<td>Taiwan</td>
<td>Stewardship Principles for Institutional Investors June 2016</td>
</tr>
<tr>
<td>Thailand</td>
<td>Thai Securities and Exchange Commission (SEC) Investment Governance Code February 2017</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>The UK Stewardship Code Updated September 2012</td>
</tr>
</tbody>
</table>
III. Voting
Voting

- Shareholders typically vote on
  - Election of directors
  - Approval of auditor, changes in articles\(^1\), major transactions that affect their ownership (e.g. equity issues, M&A)

- In many countries, investors have a say-on-pay vote
  - UK introduced in 2002
    - Annual non-binding vote on backward-looking remuneration report
    - Triennial binding vote on forward-looking policy report
  - Some countries have a single vote, either advisory or binding
  - Correa and Lel (2016): advisory slightly more effective

- Is say-on-pay a good thing?

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1. Defines directors’ responsibilities and how shareholders exert control over them
Voting Practices

- Vote in person at annual meeting or by proxy (by mail or electronically)
- Shareholders typically seek advice from proxy advisors (e.g. Institutional Shareholder Services, Glass Lewis)
- Some have “house” voting policy (e.g. Royal London Asset Management – see pre-reading)
- In US, all mutual funds need to vote and disclose votes
  - Some will report reason for “against” votes or abstentions
- **Is needing to vote and disclose votes a good idea?**
Is Voting Effective?

- Cai, Garner, and Walkling (2009): typical US board candidate runs unopposed and receives 94% support
- But voting can still be effective
  - 2009: after Merrill acquisition, Bank of America Chair/CEO Kenneth Lewis received 67% support; 5 directors < 80%. Lewis announced early retirement 6m later; many directors left
  - 1% decrease in the votes of a RemCo member reduces pay of an overpaid CEO by $143k the next year
### Is Voting Effective? Say-on-Pay

<table>
<thead>
<tr>
<th></th>
<th>FTSE100</th>
<th>FTSE250</th>
<th>FTSE Small cap</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Remuneration Reports approved (advisory vote)</td>
<td>272</td>
<td>645</td>
<td>697</td>
</tr>
<tr>
<td><strong>Approved with less than 2/3rds majority</strong></td>
<td>21</td>
<td>39</td>
<td>52</td>
</tr>
<tr>
<td><strong>Approved with less than 4/5ths majority but greater than 2/3rds majority</strong></td>
<td>14</td>
<td>31</td>
<td>28</td>
</tr>
<tr>
<td>Annual Remuneration Reports rejected (advisory vote)</td>
<td>4</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Average percentage of votes in favour of Annual Remuneration Report</td>
<td>90%</td>
<td>93%</td>
<td>95%</td>
</tr>
<tr>
<td>Average registered abstention rate for Annual Remuneration Report votes</td>
<td>2.3%</td>
<td>2.2%</td>
<td>1.5%</td>
</tr>
<tr>
<td>Number of instances where the abstention rate for an Annual Remuneration Report vote was greater than 15%</td>
<td>6</td>
<td>16</td>
<td>9</td>
</tr>
<tr>
<td>Average percentage turnout for Annual Remuneration Report votes</td>
<td>72%</td>
<td>71%</td>
<td>60%</td>
</tr>
<tr>
<td>Remuneration Policies approved (binding vote)</td>
<td>122</td>
<td>314</td>
<td>326</td>
</tr>
<tr>
<td><strong>Approved with less than 2/3rds majority</strong></td>
<td>4</td>
<td>11</td>
<td>27</td>
</tr>
<tr>
<td><strong>Approved with less than 4/5ths majority but greater than 2/3rds majority</strong></td>
<td>7</td>
<td>11</td>
<td>20</td>
</tr>
<tr>
<td>Remuneration Policies rejected (binding vote)</td>
<td>0</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Average percentage of votes in favour of Remuneration Policy</td>
<td>92%</td>
<td>94%</td>
<td>94%</td>
</tr>
</tbody>
</table>

UK Green Paper on Corporate Governance (2016); data since 2013
Is Voting Effective?

- UK Investment Association proposed public register in 2017 response to Green Paper on Corporate Governance
  - “Name and shame” companies with < 80% vote. Colloquially referred to as the “naughty step”
  - 2018 Corporate Governance Code requires update statement within 6 months on how they’ve taken shareholder opposition into account

- Is this a good idea?
Shareholder Proposals

- Shareholders can also make proposals
  - SEC Rule 14a-8: if own lesser of $2k or 1% for 1 year
  - UK: 5% or 100 shareholders with average of £100

- Examples of proposals:
  - Majority voting: now 91% of S&P companies
  - Proxy access: now 70% (2% in 2013)
  - Elimination of poison pill: now 1.4% (60% in 2002)

- ES proposals increasingly popular:
  - 1951: Greyhound shareholders proposed discontinuing racially segregated seating on bus routes in Southern states
  - 1970s: GM car safety (Ralph Nader), manufacture of napalm for Vietnam War. 1973 resolution at Mobil sparked large-scale campaign on divestment from South Africa
  - 2018: 43% of US proposals were on social and env’tal issues
### Recent Trends in the US (Gibson Dunn)

<table>
<thead>
<tr>
<th>Top Shareholder Proposals by Percentage of Total Submitted</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2020</strong></td>
</tr>
<tr>
<td>Written consent (9%)</td>
</tr>
<tr>
<td>Climate change (8%)</td>
</tr>
<tr>
<td>Independent chair (7%)</td>
</tr>
<tr>
<td>Anti-discrimination &amp; diversity (7%)</td>
</tr>
<tr>
<td>Lobbying spending (6%)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Top Proposals by Voting Results</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Proposal</strong></td>
</tr>
<tr>
<td>Board declassification</td>
</tr>
<tr>
<td>Eliminate/reduce supermajority voting</td>
</tr>
<tr>
<td>Shareholder special meeting rights</td>
</tr>
<tr>
<td>Political contributions</td>
</tr>
<tr>
<td>Majority voting in director elections</td>
</tr>
<tr>
<td>Shareholder action by written consent</td>
</tr>
<tr>
<td>Independent board chair</td>
</tr>
<tr>
<td>Lobbying spending</td>
</tr>
<tr>
<td>Employment diversity</td>
</tr>
<tr>
<td>Climate change</td>
</tr>
<tr>
<td>Amend proxy access</td>
</tr>
<tr>
<td>Board diversity</td>
</tr>
</tbody>
</table>
WALMART INC.

The Board of Directors recommends a vote "FOR" each of the nominees listed in Proposal 1, "FOR" Proposals 2 and 3, and "AGAINST" Proposals 4 and 5.

1. Election of Directors
   Nominees: For Against Abstain
   - Cesar Conde
   - Stephen J. Easterbrook
   - Timothy P. Flynn
   - Sarah J. Friar
   - Carla A. Harris
   - Thomas W. Horton
   - Marissa A. Mayer
   - C. Douglas McMillon
   - Gregory B. Penner
   - Steven S. Reinemund
   - S. Robson Walton
   - Steuart L. Walton

   For Against Abstain
   - Company Proposals:
     2. Advisory Vote to Approve Named Executive Officer Compensation
     3. Ratification of Ernst & Young LLP as Independent Accountants

   For Against Abstain
   - Shareholder Proposals:
     4. Request to Strengthen Prevention of Workplace Sexual Harassment
     5. Request to Adopt Cumulative Voting

   NOTE: Such other business as may properly come before the meeting or any adjournment thereof will be voted on by the proxy holders in their discretion.

If this proxy is signed, dated, and promptly returned, it will be voted in accordance with your instructions shown above. Please sign exactly as your name appears hereon. Joint owners should each sign. If signing as attorney-in-fact, executor, administrator, trustee, guardian, fiduciary or in another capacity, please indicate full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer(s), and specify the title(s) of such officer(s).

Signature (PLEASE SIGN WITHIN BOX) Date

Signature (Joint Owners) Date
Are Shareholder Proposals Effective?

- Votes are only advisory
  - But proxy agencies have a policy to recommend voting against directors who ignore outcome of a proxy vote

- Even defeated proposals can spark change
  - Shareholder proposals on GE pollution in Hudson River sparked Environmental Protection Agency to order cleanup
  - Shareholder proposal on ExxonMobil alternative energy development led to Chair/CEO Rex Tillerson unexpectedly advocating a carbon tax in 2009
  - May 2018 McDonald’s proposal by Keith Schnip led to phasing out of plastic straws in UK and Ireland from 2019
Responsible Voting

- Power of proxy advisors
  - Malenko and Shen (2016): ISS negative say-on-pay recommendation lowers voting support by 25%
  - Iliev and Lowry (2015): 25% rely almost entirely on ISS, but funds with skin in the game vote actively

- Concerns with proxy advisors
  - Biased towards consulting clients: Li (2018)
  - Under-resourced and spread over thousands of companies, especially if December year-end

- Use PA as *one* input
  - Report frequency of votes against PA recommendations
  - Same for house policy
Proxy Fights

- Investor proposes own directors to run against management-nominated candidates

- In US, management candidates automatically go on proxy ballot (aka “voting instruction form”)
  - Investors can only vote for or abstain, not against

- Investor must create own ballot, print and mail to other investors, hire proxy solicitation firms, advertise
  - Average cost $10 million (Gantchev, 2013)
  - Trian got CEO Nelson Peltz elected to Procter and Gamble board: cost both sides $60 million

- Rare, but useful as an escalation mechanism
  - Only credible if large stakes
The cost of keeping seats

The 10 proxy fights with the highest cost to the company in the last decade and the winners: the dissident, management, settled or concessions or split.

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>DISSIDENT</th>
<th>COSTS (millions)</th>
<th>SEATS WON/SOUGHT</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Company</td>
<td>Dissident</td>
</tr>
<tr>
<td>CSX Corp.</td>
<td>3G Capital</td>
<td>$22.0</td>
<td>$9.0</td>
</tr>
<tr>
<td>DuPont</td>
<td>Trian Fund Mgt.</td>
<td>$15.4</td>
<td>$8.0</td>
</tr>
<tr>
<td>Motorola</td>
<td>Icahn Assoc.</td>
<td>$14.0</td>
<td>$2.8</td>
</tr>
<tr>
<td>Heinz</td>
<td>Gregory J. Norman</td>
<td>$14.0</td>
<td>$7.0</td>
</tr>
<tr>
<td>AOL</td>
<td>Starboard Value</td>
<td>$13.6</td>
<td>$0.8</td>
</tr>
<tr>
<td>Yahoo</td>
<td>Icahn Assoc.</td>
<td>$12.0</td>
<td>$2.3</td>
</tr>
<tr>
<td>Darden</td>
<td>Starboard Value</td>
<td>$12.0</td>
<td>N/A</td>
</tr>
<tr>
<td>Target</td>
<td>Pershing Square</td>
<td>$11.1</td>
<td>$9.0</td>
</tr>
<tr>
<td>Biogen</td>
<td>Icahn Assoc.</td>
<td>$11.0</td>
<td>$1.3</td>
</tr>
<tr>
<td>Genzyme</td>
<td>Icahn Assoc.</td>
<td>$9.3</td>
<td>$0.2</td>
</tr>
</tbody>
</table>

Source: FactSet SharkRepellent (only primary dissidents shown)
IV. Engagement
Engagement

- Private meetings with management
  - Advising management, acting as a sounding board, disciplining management
  - Often more effective than voting against or making shareholder proposals
  - But should not micromanage the company
- Can go public as an escalation mechanism
Two Types of Engagement

- **Specialised Engagement** (e.g. ValueAct/Adobe)
  - Bottom up: tailored to the company’s unique situation
  - Often implemented through private meetings (may escalate to public activism)
  - Concentrated owners may be particularly effective (e.g. activist hedge funds)

- **Generalised Engagement**
  - Top-down: takes an issue (e.g. corporate governance, executive pay, diversity) and applies it across many firms
  - Often implemented through voting or campaigns
  - Diversified owners may be particularly effective (e.g. index funds)
Index Funds and Generalised Engagement

- Appel, Gormley, and Keim (2016): identification off Russell 1,000 vs. Russell 2,000 discontinuity
- Index fund ownership is 66% higher at the top of R2K than bottom of R1K. Increase associated with:
  - Superior governance: more independent directors, removal of poison pills, removal of restrictions on shareholders’ ability to call special meetings, lower likelihood of dual-class shares
  - Higher profitability
  - Higher valuations
  - Lower voting support for management proposals, higher voting support for governance-related shareholder proposals
The Dangers of Generalised Engagement

- Effectively becomes regulation, but one size does not fit all
  - Stronger corporate governance isn’t always better
  - Coles, Daniel, Naveen (2008) on board structure
  - Ahern and Dittmar (2012) on board diversity
- Engagement on the wrong issues (e.g. pie-splitting not pie-growing)
  - BlackRock wrote to 300 UK companies saying it would only approve salary increases for CEOs if worker wages rose by same amount
  - But pay ratios are not the relevant dimension of pay
Hedge Funds and Index Funds

- Larry Fink: “activists are trying to improve the company, in most cases, in the short term because they improve the company and then leave ... we are not going to leave”

- Paul Singer: “This divisive framing is objectively false and has done harm to the goal of generating sustainable returns for all investors”

- “The benefits of fixing a broken strategy, getting rid of a bad acquisition, redeploying an underperforming asset, or replacing an ineffective management team or board may show up right away in a company's stock price, but that immediate result doesn't diminish the long-term benefits”

- Appel, Gormley, and Keim (2019): index funds allow hedge funds to run more aggressive campaigns (e.g. board representation), increase success and firm value
Collective Engagement

- Doidge, Dyck, Mahmudi and Virani (2019): Canadian Coalition for Good Governance
  - Campaigns (letter-writing, private meetings) to implement say-on-pay, clawbacks, majority voting (vs. plurality voting)
  - Engaged firms adopted majority voting with 47% frequency; 15% for non-engaged firms
  - Formation of CCGG increased stock prices of firms likely to be engaged

- Dimson, Karakas, and Li (2019): UN PRI Collaboration Platform
  - ESG engagements, e.g. carbon disclosure, anti-corruption policies, not sourcing minerals from conflict zones
  - Successful engagements increased ROA and sales growth
A Case Study of Collective Engagement

- Chairman Mike Ashley approached Investor Forum in early 2015 to discuss governance discount
- Engaged with 12 investors representing 15% of share capital (33% of independent shareholders)
  - Asked for independent review of governance and employment practices
- Little progress. In August 2016, IF publicly announced its concerns and independent review request (unusual)
  - Sports Direct agreed in January 2017
- Sparked general IF review of working practices in apparel sector: educated investors on practices, company visits to see best/worst practices, understand which non-financial metrics to track
Improving Engagement

- Theme:
  - Pie-splitting issues: pay levels
  - Pie-growing issues: pay structure, strategy, purpose, human capital
  - Not operational issues: investor’s job is not to micro-manage
  - Where possible, understand strategic context. Board independence isn’t always desirable

- Frequency: open dialogue, not reaction to “intensive care” crises

- Form: policy for collective engagement, escalation
V. Stewardship Across the Investment Chain
Stewardship Across the Investment Chain

- Asset managers on behalf of asset owners
  - Develop a *market for stewardship*
  - FCLT Long-Term Mandates
In GPIF, about 20% of all assets are actively managed by the asset managers, but only a small number of funds achieve the target excess return rate during the three years from FY2014 to 2016.

In addition to the problem of the selection ability of the GPIF, there is a possibility that the target excess return rate may not be set properly by the asset managers and they focus on the increase of the asset under management beyond their capacity.

For this reason, we revised the current fixed fee structure and partial performance-based fee structure, and introduced the following new performance-based fee structure.

① In order to strengthen alignment of interest, the base fee rate is lowered to the rate of passive fund, and the maximum fee rate is scrapped.

② Introduction of a carryover which partially accumulates payment of annual performance-based fees so as to link with mid- to long-term investment results.

③ A multi-year contract is concluded to enable to achieve excess return in medium- to long-term goal.

GPIF has a high reliance on passive fund as a universal owner. Passive fund is based on an efficient market, and active fund is indispensable for the market to be efficient. We hope that introducing this new performance-based fee structure will lead to further evolution of active management institutions.
Statement of Investment Principles

- First Local Government Pension Scheme to sign PRI (July 2006)
- “Our fiduciary duty is to act in the best long-term interests of our members. To do so properly requires us to recognise that environmental, social and governance issues can adversely impact on the Fund's financial performance ... Managers are expected to comply with these policies when complying with this Statement of Investment Principles”

Examples:
- Apply long-term thinking to deliver long-term sustainable returns
- Seek sustainable returns from well-governed and sustainable assets
- Apply a robust approach to effective stewardship
- Seek to innovate, demonstrate and promote RI leadership and ESG best practice
- Share ideas and best practice to achieve wider and more valuable RI and ESG outcomes
Covenant

“The covenant is the core of the new approach and lays our expectations of managers and what they should expect of us too. It is not legally binding, but intended to give greater clarity to the practical workings of our relationship – documenting explicitly some of the unwritten assumptions that otherwise can lead to misunderstanding. It emphasises the need for communication. It directly addresses the key issue of why we might terminate the mandate: emphasising that “style drift” or team instability is of greater concern to us than short term underperformance. It requires us to provide feedback to the manager and to keep them informed of broader changes in the Fund.

It also includes a clear commitment to work to repair mandates if possible rather than retender them”
V. Summary
Summary

- Stewardship is critical to public legitimacy of investment industry
- Many forms of stewardship
  - Engagement: voting, proxy fights, shareholder proposals, private meetings, public activism
  - Monitoring (Lecture 5)
- Successful stewardship requires large stakes, resources, focused policy, viewing it as a profit centre
- Stewardship needs to be integrated across the investment chain