



Financial Reporting Council
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Date: 12 February 2025

Financial Reporting Council consultation on the UK Stewardship Code

We refer to the Financial Reporting Council (FRC)'s consultation on the revision of the UK Stewardship Code. We appreciate the opportunity to contribute to the debate about stewardship standards in the UK.

Norges Bank Investment Management (NBIM) is the investment management division of the Norwegian Central Bank (Norges Bank) and is responsible for investing the Norwegian Government Pension Fund Global. NBIM is a globally diversified investment manager with 19,755 billion Norwegian kroner at year end 2024, or around 1,386 billion GBP. Of this, 54 billion GBP was invested in the shares of UK companies.

We appreciate the important role played by stewardship codes in setting expectations for asset owners and asset managers. The UK Stewardship Code has played a significant role in advancing stewardship policy and best practice worldwide. Since NBIM is not a signatory of the Code, we focus our feedback on selected areas of a less operational nature.

We support the proposed definition of stewardship, which recognizes that investors have a wide variety of approaches to both investing and stewardship. We agree that "long term sustainable value creation" is the goal of any stewardship engagement, and particularly welcome the reference to sustainability in this wording. Our own definition of responsible investment recognizes the importance of sustainable development for our long-term financial returns: *"The fund's long-term return is dependent on sustainable economic, environmental and social development, as well as on well-functioning, legitimate and efficient markets"*. Responsible investment and stewardship improve the long-term financial performance of our investments and reduce the financial risks associated with the environmental and social practices of our portfolio companies. We therefore believe that the relationship between stewardship and societal and environmental outcomes could be made clearer in the supporting paragraph. As an example, the expression "may lead to" could be replaced with "contributes to". Furthermore, we suggest that the Code explicitly recognizes stewardship as a core aspect of fiduciary duty. Including this reference in the explanatory notes of the Code or elsewhere would help underline its critical role in protecting the interests of clients and beneficiaries.

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We welcome the FRC's intention to reduce reporting burden and achieve simplification through streamlining the Principles. Specifically, we support the distinction between "Policies and Context" and "Activities and Outcomes" disclosures, the former being more stable and unlikely to change on an annual basis. We believe that the FRC is striking a good balance between ensuring informative disclosures for clients and beneficiaries and avoiding duplicative reporting. Similarly, we support the suggestion to merge Principles 9. *Engagement* and 10. *Collaboration* into one overarching *Engagement* Principle, and removing the standalone Principle on *Escalation*. While collaboration and escalation are important stewardship tools, they can be adequately covered by the overarching Engagement Principle. This revision clarifies that collaborative engagement and escalation techniques are available tools rather than mandatory requirements, and more accurately reflects the variety of stewardship approaches. It may still be helpful for the FRC to provide best practice guidance on both collaboration and escalation to underline their important role.

Furthermore, we support the "how to report" prompts provided by the FRC and welcome the intention to publish guidance to illustrate how the prompts might be applied in practice. We also welcome the distinction made between asset owners and asset managers, which helps ensure that each signatory category reports the most meaningful information depending on their role in the investment chain. There should be sufficient flexibility to accommodate the specific circumstances of each signatory, for instance to recognize that asset management can be delegated while voting and stewardship engagement is retained in-house.

Finally, we suggest adding a reference to public policy engagement within Principle 5 on Market-wide risks. This would recognize that stewardship does not solely take the form of company-specific dialogue and engagement but can be exercised through advocating for specific policy or market outcomes, particularly when addressing systemic issues.

Yours sincerely

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