

Stewardship Disclosure Framework for Asset Managers

“Asset managers, with day-to-day responsibility for managing investments, are well positioned to influence a company’s long-term performance through stewardship.”

Asset managers are asked to self-certify against the below stewardship categories by highlighting the appropriate boxes and where relevant providing a link to further relevant disclosures or information in the box below. Completed frameworks should be returned to the NAPF where they will then be made publicly available for pension funds and other potential clients and stakeholders to view at a glance the stewardship policies and activities of the responding asset manager.

| Category | | A | B | C | D | Explanation for exemption |
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| In one sentence, how do you aim to enhance and protect value for clients? | | Northern Trust Asset Management recognizes our influence and responsibility to enhance and protect shareholder value which is embedded in our core responsibility as an investment manager, thus we are committed to advancing our own practices through transparency, voting activity, and offering our clients the appropriate solutions to meet their objectives. | | | | |
| Public transparency <i>SC Principle (1&7)</i> | Stewardship policy disclosure | Stewardship policy reviewed and updated in the last 12 months; available on the firm’s website and covers all asset classes and geographies where the firm is present. | Stewardship policy reviewed and updated in the last 12 months and available on the firm’s website. | Stewardship policy reviewed and updated in the last 2 years and available on the firm’s website. | Stewardship policy is not publicly disclosed. | |
| | Level of stewardship disclosure | Disclosure is sufficient to enable 1) investee companies to understand (ex-ante) when, on which topics, and with whom they can engage; and, 2) clients to distinguish the stewardship approaches of different products. | Disclosure is sufficient to enable investee companies to understand with whom they can engage and clients can grasp the stewardship approach of the firm. | Brief summary of stewardship policy and approach available on the firm’s website. Basic contact details for engagement enquiries. | Stewardship policy is not publicly disclosed. | |
| | Voting disclosure | Comprehensive public disclosure of full voting record with explanations given for key votes. | Public disclosure of summary voting record or no explanations given. | Voting record available to clients only. | No disclosure on voting activity. | |
| | Voting disclosure timing | At least quarterly vote reporting. | At least annual vote reporting. | Ad hoc vote reporting. | No disclosure on voting activity. | |
| | Engagement Reporting | Public disclosure of key engagement activities on a quarterly basis. | Public disclosure of key engagement activities on an annual basis. | Engagement record available to clients only. | No disclosure on engagement activity. | |
| | Independent assurance | Independent assurance obtained on both voting and engagement processes – for example AAF 01/06 - and publicly available. | Independent assurance obtained on voting or engagement processes – for example AAF 01/06. | Third party assurance systems independently verified. | No assurance reports on any voting or engagement processes. | |
| Integrating ESG <i>SC Principle 1</i> | | Demonstrable systematic integration of ESG factors within company analysis and investment decision process and company engagement activities. | Demonstrable regular consideration of ESG factors within company analysis and investment decision process and engagement activities. | Minor consideration - i.e. as adjunct or final check – of ESG factors within company analysis and investment decision process. | No active consideration of ESG factors as part of the investment process. | |
| Managing conflicts <i>SC Principle 2</i> | Policy | A specific stewardship conflicts of interest policy is in place. All material conflicts are documented - including engagement and proxy voting - and are mitigated. | A specific stewardship conflicts of interest policy is in place. All material conflicts are mitigated. | Summary of specific stewardship conflicts of interest policy is documented. | There is no separate stewardship conflicts of interest policy. | |
| | Disclosure | Is disclosed publicly e.g. on the firm’s website and a description provided as to how conflicts are mitigated. | Is disclosed publicly e.g. on the firms’ website. | Is available on request to the client. | There is no separate conflict of interest policy. | |
| Monitoring, engagement and | Engagement approach | Fund manager (together with CG-ESG teams if separate) engages in an integrated manner proactively on a full-spectrum of factors - | Firm - not always in an integrated manner - engages proactively on a wide-spectrum of factors, for example including strategy, | Firm engages reactively on material issues of strategy, risk, capital structure and ESG issues. | Very little engagement with investee companies. | |

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| escalation <i>SC Principle 3&4</i> | | including strategy, risk, capital structure, M&A activity and material ESG issues. | risk, capital structure, M&A activity and material ESG issues. | | |
| | Escalation | Systematically utilises all powers at disposal when engagement fails, including shareholder resolutions, attending AGMs, escalating votes and public statements. | Regularly utilises powers at disposal when engagement fails, including shareholder resolutions, attending AGMs, escalating votes and public statements. | Occasionally escalates engagement activities by utilising powers such as escalating voting and attendance at AGMs. | Rarely, if ever, escalates engagement activities. |
| Collaboration <i>SC Principle 5</i> | Disclosure | Has a disclosed approach to collective engagement and is a member of a range of collaborative engagement and policy initiatives. | Has a disclosed approach to collective engagement and is a member of collaborative engagement fora. | Has a disclosed approach to collective engagement. | No disclosure on collaborative activities. |
| | Activity | Demonstrably proactively leads collaborative company engagements in past 12 months. | Been an active member of collaborative company engagements in past 12 months. | Is willing to participate in collaborative engagements. | Does not act with other investment institutions. |
| Voting <i>SC Principle 6</i> | Portfolio Holdings | Votes 90%+ of global portfolio holdings. | Votes 80%+ of all portfolio holdings. | Votes 50%+ of all portfolio holdings. | Votes less than 50% of global portfolio holdings. |
| | Proxy input | Demonstrably vote all shares on a considered basis with fund manager involvement. | | Votes cast always follow recommendations of external voting advisory service. | |
| | Client Input | There is scope for client input over vote decision whether in segregated or pooled accounts. | Client may direct voting in segregated account or elect for external party to advise and implement voting policy. | There is scope for client (or ext. party) to input into voting policy but not vote decision. | There is no scope for client input over vote decision or policy. |
| | Stock Lending | There is a policy on stock lending and stock is recalled for all votes (or not lent). | There is a policy on stock lending and stock is recalled for all key votes. | There is a policy on stock lending and stock is able to be recalled. | Stock lending policies are not disclosed. |
| Reporting to clients <i>SC Principle 7</i> | Timing | There is client specific reporting of stewardship activities on at least a quarterly basis. | There is client specific reporting of stewardship activities on at least an annual basis. | There is reporting of stewardship activities to clients on an ad hoc basis or only on request. | There is no client specific reporting of stewardship activities. |
| | Content | Reporting includes: evidence of activities undertaken – with identified case studies - an illustration of progress against objectives; disclosure of holding periods and an analysis of ESG risks within the portfolio. Stewardship is integrated into broader reporting process and how activities have enhanced and protected value is explained. | Reporting includes evidence of activities undertaken – with case studies - and an outline of on-going activity. | Reporting includes a summary of activity undertaken and successes achieved. | There is no reporting to clients on stewardship activities |
| Compensation / incentives for investment staff | Significant proportion of compensation for investment staff based on at least 5 year portfolio performance with a policy on co-investment. | Significant proportion of compensation for investment staff based on at least 3 year portfolio performance. | Significant proportion of compensation for investment staff based on at least 2 year portfolio performance. | Compensation for investment staff has no portfolio performance link. | |
| Policy activities | Demonstrably actively contributes and leads key policy debates on stewardship in all relevant geographies. | Demonstrably contributes to key policy debates on stewardship in main geographic regions. | Rarely contributes to policy debates on stewardship. | Does not contribute to policy debates on stewardship. | |
| Stewardship rating | This Framework does not seek to pass judgement on the particular stewardship policies and activities of the responding asset manager. It is envisaged that the completed Framework will better equip asset owners, specifically pension funds to have a more constructive dialogue with investment managers, selecting those which most appropriately meet their own expectations and policies and act in the best interests of their end beneficiaries. | | | | |