

# TAI /PRI Stewardship Resourcing project Global Stewardship Resourcing Survey data report



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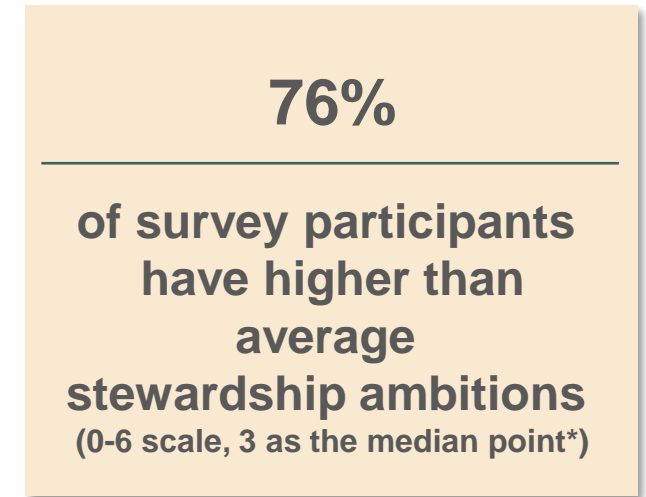
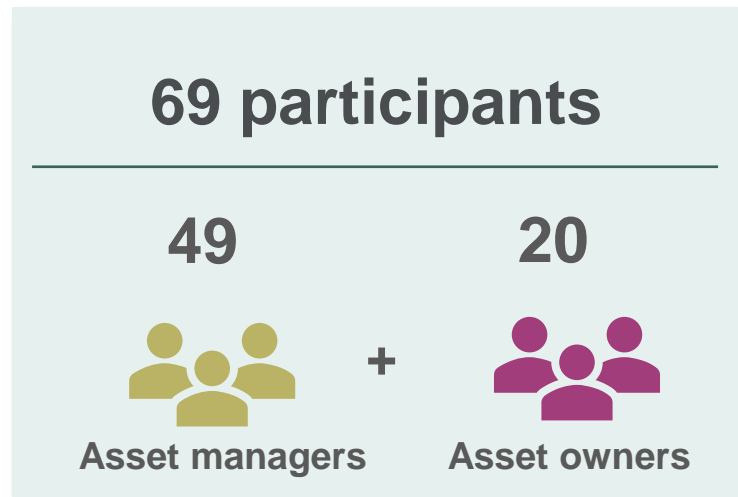
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Methodology and data constraints

# The Global Stewardship Resourcing Survey

The survey was designed to gain a comprehensive understanding of current stewardship practices, resourcing, and key stewardship costs across the investment industry. This is the industry's first attempt at gathering this type of information and provides a promising foundation for further understanding, analysis and development of this topic.

The survey results offer valuable insights into the current landscape of stewardship resources within the investment industry, noting that participants are a self-selecting group of diversified investors. It was conducted between July and September 2023, and we greatly appreciate the contributions of all participants.



\*see page 5 for more detail

# Using a foundational model on measuring stewardship resources

This six key factor model served as the foundation for the questions in the Global Stewardship Resourcing Survey aimed to gain a better understanding of current stewardship practices, resource allocation, and key stewardship costs.

The model was developed with a focus on collecting data across six areas. Both cost-based and full-time equivalent (FTE)-based questions were tested in the Global Stewardship Resourcing Survey to gather as much data as possible.

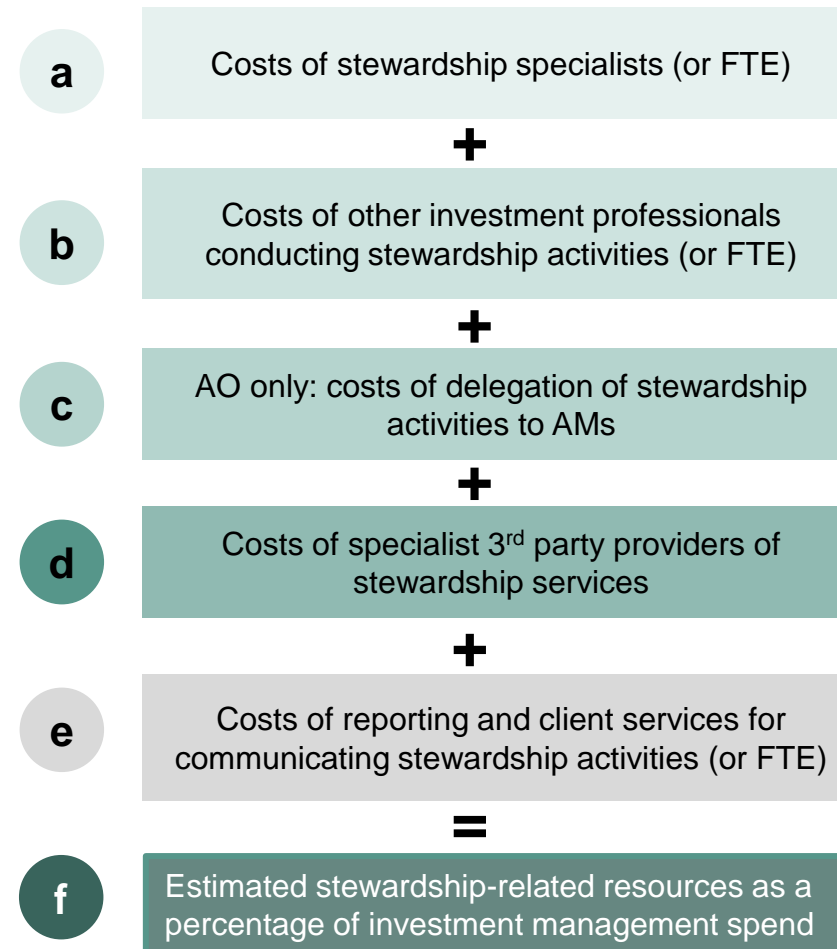
The [Stewardship Resources Assessment Framework](#), which places greater emphasis on FTE figures, builds on this initial model and survey learnings.

## Limitations of this survey\*

There are many challenges with stewardship resources data and measurement, such as limited availability, inconsistency, and absence of standardised reporting frameworks. While efforts have been made to ensure the accuracy and reliability of the information presented, we encountered a particular challenge due to the limited availability of 'hard' data in the field of stewardship resources. We have worked with 'soft' data, in preference to no data, and have qualified that data as ballpark estimates.

\*See "Behind the data" on page 19 for more details

## Six key figures

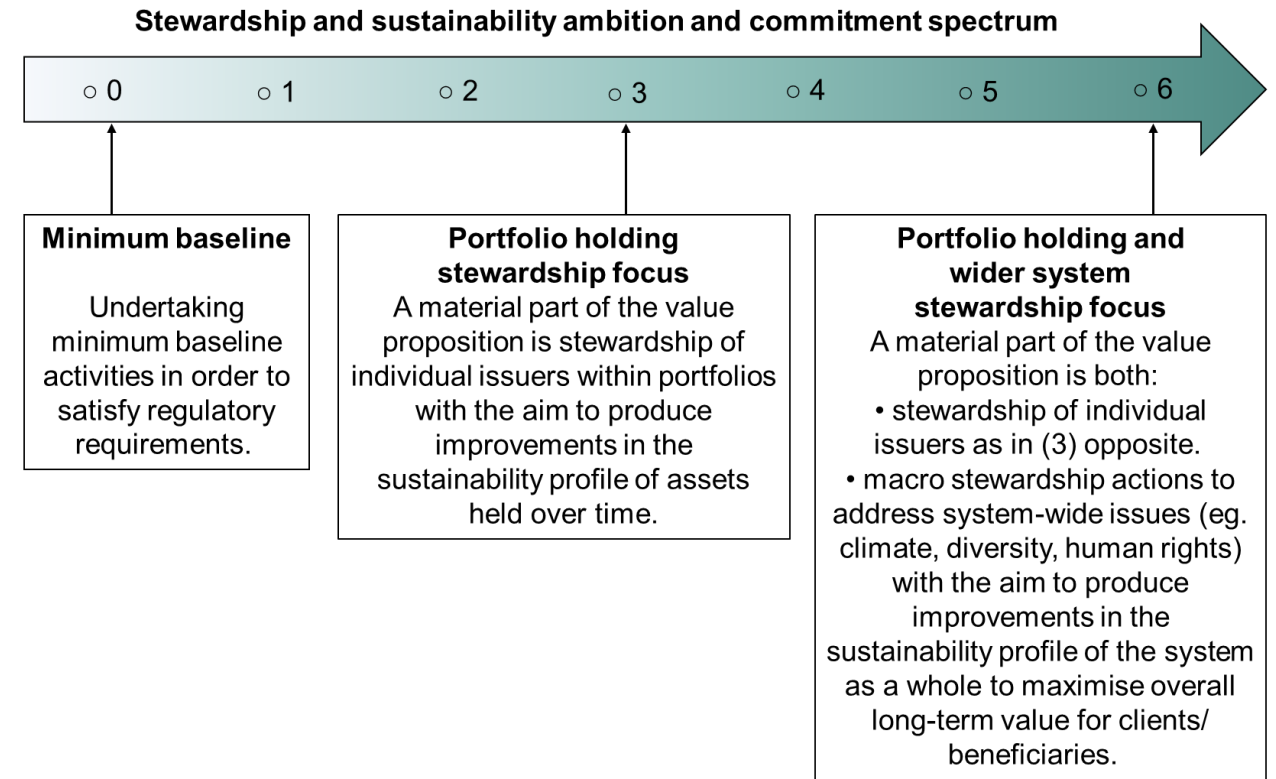


# The stewardship and sustainability ambition and commitment spectrum

This stewardship and sustainability ambition and commitment scale was created to provide insight into how the organisations' self-assessed stewardship ambition might relate to its level of resources. An organisation's total stewardship resources level should align with its stewardship and sustainability ambition.

We chose 3 as the median point on our scale. This represents organisations that have a portfolio holding stewardship focus. Here, a material part of the value proposition is stewardship of individual issuers within portfolios with the aim to produce improvements in the sustainability profile of assets held over time.

Ambition levels higher than 3 indicate increasing emphasis on wider system stewardship. For instance, as the organisation seeks to try and address systemic risks such as climate change or biodiversity loss, then the engagement required becomes more complex. Higher ambition levels also suggest there should be a change in how stewardship resourcing is allocated. For example, the percentage of resources dedicated to engagement at the policy/system level.



# Global Stewardship Resourcing Survey summary

	Asset managers	Asset owners
1) Average stewardship ambition for our sample (0-6 scale, 3 is the median point)	<b>4.5</b>	<b>3.9</b>
2) Stewardship resources over total investment resources	<b>7%<sup>a</sup></b>	<b>7%<sup>b</sup></b>
3) Percentages of total stewardship resources used for		
▪ Engagement	<b>45%</b>	<b>40%</b>
▪ Voting	<b>20%</b>	<b>15%</b>
▪ Stewardship reporting	<b>18%</b>	<b>22%</b>
▪ ESG data/metrics	<b>15%</b>	<b>22%</b>
▪ Others <sup>c</sup>	<b>2%</b>	<b>1%</b>
4) Percentages of total stewardship resources allocated to collaborative activities <sup>d</sup>	<b>17%</b>	<b>18%</b>
5) Proportion of organisations where seniority of the stewardship team is in line with, or senior to, the general investment team	<b>80%</b>	

a) Stewardship cost as a percentage of total frontline and mid-office investment costs, represented by the median figure

b) Stewardship cost (internal only) as a percentage of total internal frontline and mid-office investment costs (excluding external asset manager fees), represented by the median figure

c) The “other” category, submitted by participants, included training, related research, client communications and regulatory related issues

d) Average resources allocated to collaborative activities as a percentage of total stewardship activities

## Understanding the key findings:

- 1) The ambition scale was created to provide insight into how the organisations’ self-assessed stewardship ambition might relate to its level of resources. We chose 3 as the median point on our scale. This represents organisations that have a portfolio holding stewardship focus. Here, a material part of the value proposition is stewardship of individual issuers within portfolios with the aim to produce improvements in the sustainability profile of assets held over time. Ambition levels higher than 3 indicate increasing emphasis on wider system stewardship. The data showed that the average self-assessed stewardship ambition level was 4.5 for asset managers and 3.9 for asset owners.
- 2) The average level of stewardship resources as a percentage of total investment resources was 7% for both asset owner and asset manager participants in the survey. However, note that the % figure for asset owners only covers internal stewardship resources (which relative to their size compared to that of asset managers, represents a bigger portion of total resources). It was not possible to isolate, itemise and therefore quantify what portion of resources allocated to manager activities were specifically dedicated to stewardship. Given that participants in the survey were largely a self-selecting group of diversified investors, we suspect that the results for stewardship ambition level and resources are higher than the typical industry level for both asset managers and asset owners. TAI estimate that the industry average is likely to be lower, around or lower than 5%.
- 3) Engagement occupies the biggest portion of the stewardship activities. However, a sizable portion of resources is allocated to ESG metrics and stewardship reporting activities combined, potentially highlighting an opportunity for greater industry efficiencies in these areas.
- 4) Resources allocated to collaborative activities represent only a moderate proportion of the total stewardship resources, with the majority being used for individual efforts. This highlights an area in which our industry might improve.
- 5) Among survey participants, 64% stated that their stewardship team holds a similar level of seniority compared to the general investment team, while 16% indicated a more senior team. Seniority in stewardship is not an obvious issue at most participating organisations.

# Stewardship costs estimates provide critical insights

## Stewardship cost as a percentage of investment resources

	AM <sup>1</sup>	AO <sup>2</sup>
median	7%	7%
min	1%	1%
max	37%	21%
n <sup>3</sup>	39	17

<sup>1</sup> Stewardship cost as a percentage of total frontline and mid-office investment costs, represented by the median figure

<sup>2</sup> Stewardship cost (internal only) as a percentage of total internal frontline and mid-office investment costs (excluding external asset manager fees), represented by the median figure

<sup>3</sup> Data analysis excluded submissions with more than 50% of investment resources allocated to stewardship activities.

The absence of standardised measurement practices for assessing stewardship resources has resulted in a wide range of data submissions, as evidenced by the disparity between the maximum and minimum figures in the results table.

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Given that participants in the survey were largely a self-selecting group of diversified investors, we suspect that the results for stewardship ambition level and resources are higher than the typical industry level for both asset managers and asset owners. TAI estimate that the industry average is likely to be lower, around or lower than 5% (please see [“Putting resources where stewardship ambitions are”](#) for more details).

# Practical learnings from the survey experience

## What worked well in the survey

- 1) Clear **definitions** helped communicate the intended meaning and **improved accuracy** of responses.
- 2) The survey allowed respondents to provide either **cost-based or FTE-based data**. The FTE-based measurement was more consistent across organisations, while some data (e.g. external spend) can only be cost-based.
- 3) The question on the **seniority level** of stewardship-related staff, while arguably unsophisticated, had a high response rate. It allowed approximate seniority adjustment to the level of resources according to the organisation's overall seniority level which can provide useful insight about an organisation's stewardship strategy.
- 4) A simple question on the **respondents' ambition level** offered valuable additional context to comprehend the influence of an organisation's stewardship/sustainability beliefs on its desired level of stewardship resources.
- 5) Organisations that participated in the survey found it **informative and useful** despite challenges due to the lack of data and guidance on measurement approaches.

## Difficulties and data limitations

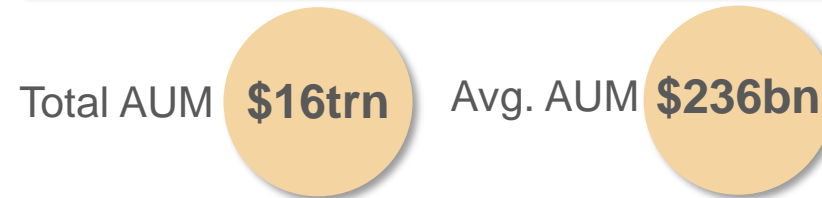
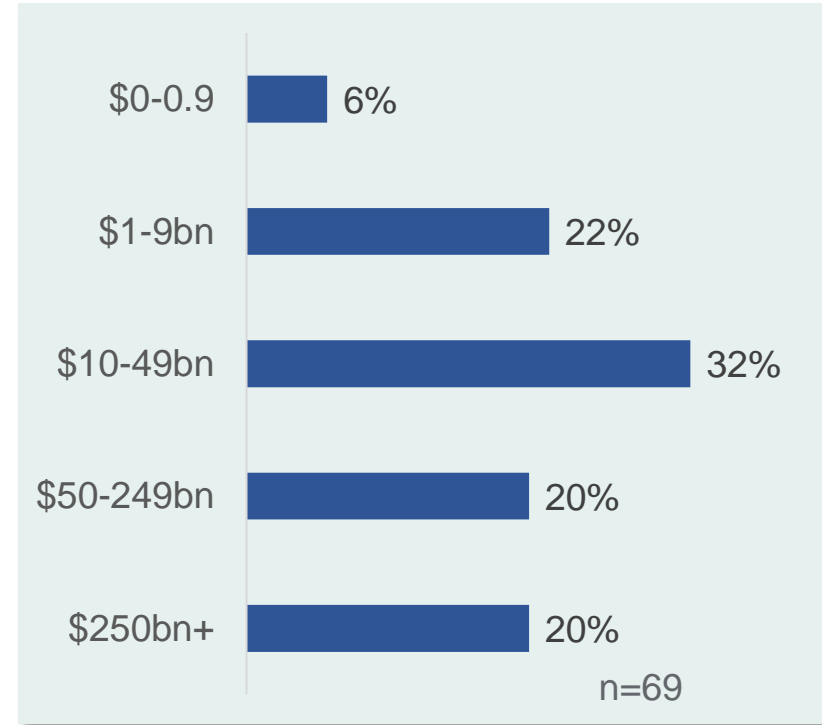
- 1) Participants were a **self-selected group** who, in general, hold higher than industry-average stewardship or sustainability ambitions and commitments. The survey data therefore likely reflects higher-than-average stewardship resources.
- 2) Cost-based data **had a wider range of dispersion** and was less reliable than FTE-based data. It would likely be harder to discuss with the provider.
- 3) Estimating the **outsourced portion** of stewardship resources for asset owners was challenging.
- 4) Quantifying some elements of stewardship resources was difficult, requiring estimations based on opinions, perceptions, and experiences. Organisations naturally have **diverse priorities, strategies and objectives**, leading to varying resource allocations for stewardship. We explore this aspect later.
- 5) The inherent **subjectivity of stewardship** resource data cannot be ignored. Open dialogue and transparency is essential in acknowledging the limitations of the data and addressing potential biases.



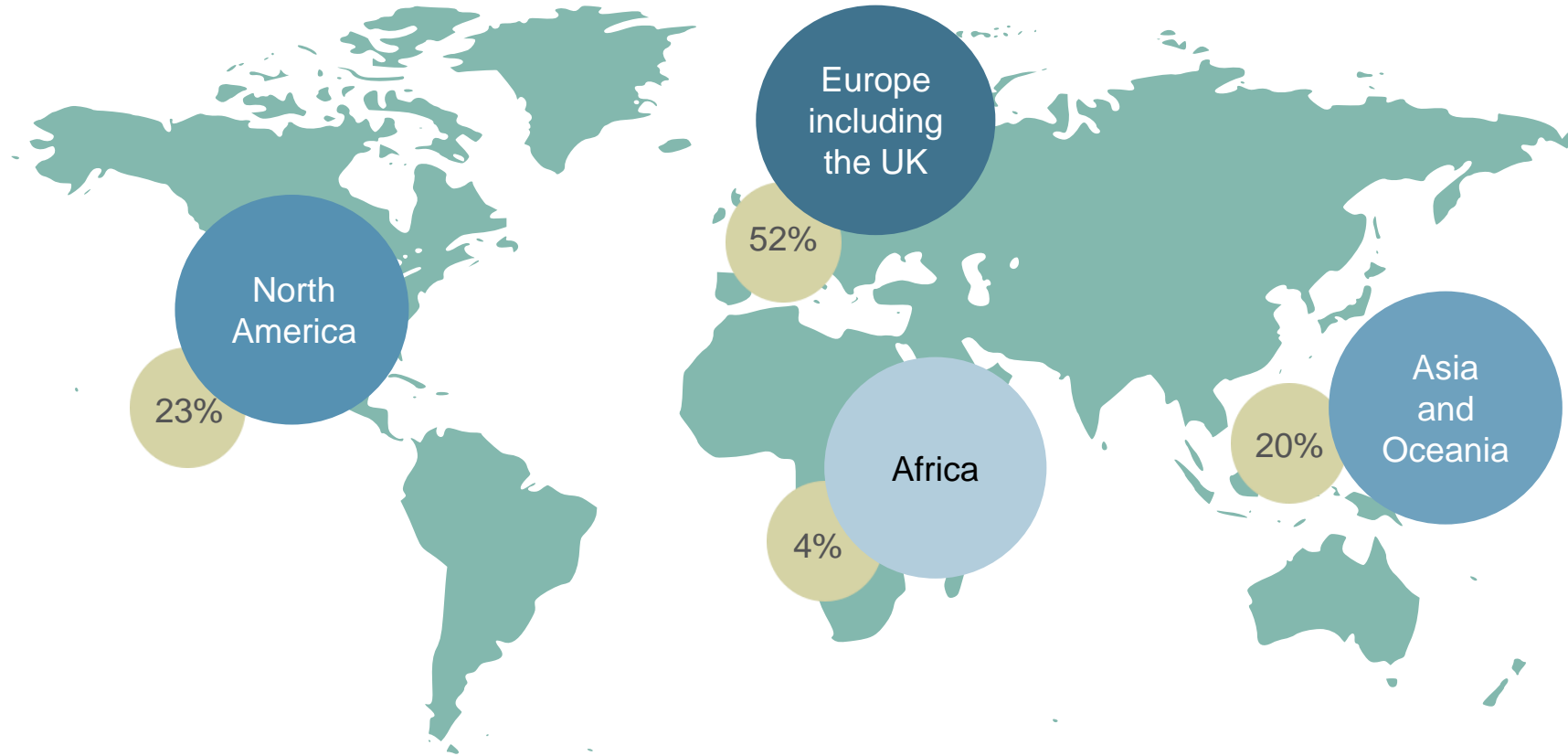
# Participants' demographics



## Asset size

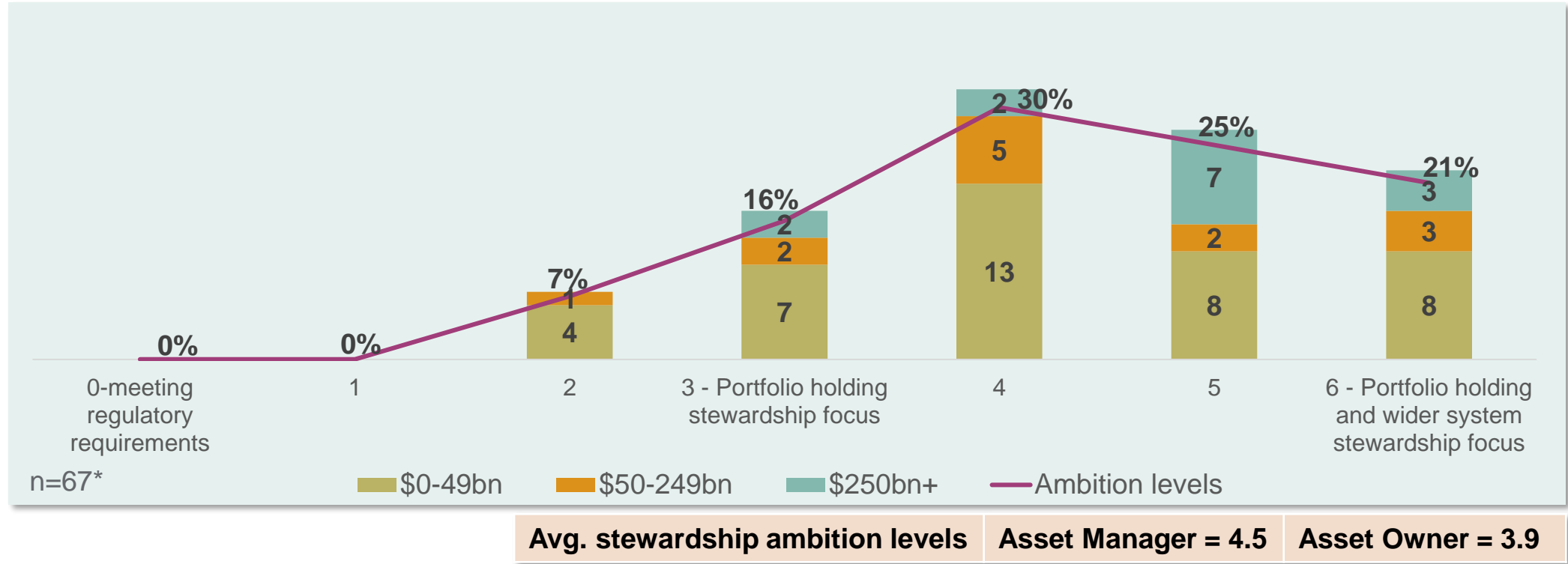


# Participants' demographics by operating region



n=69

## Participants' stewardship ambition level



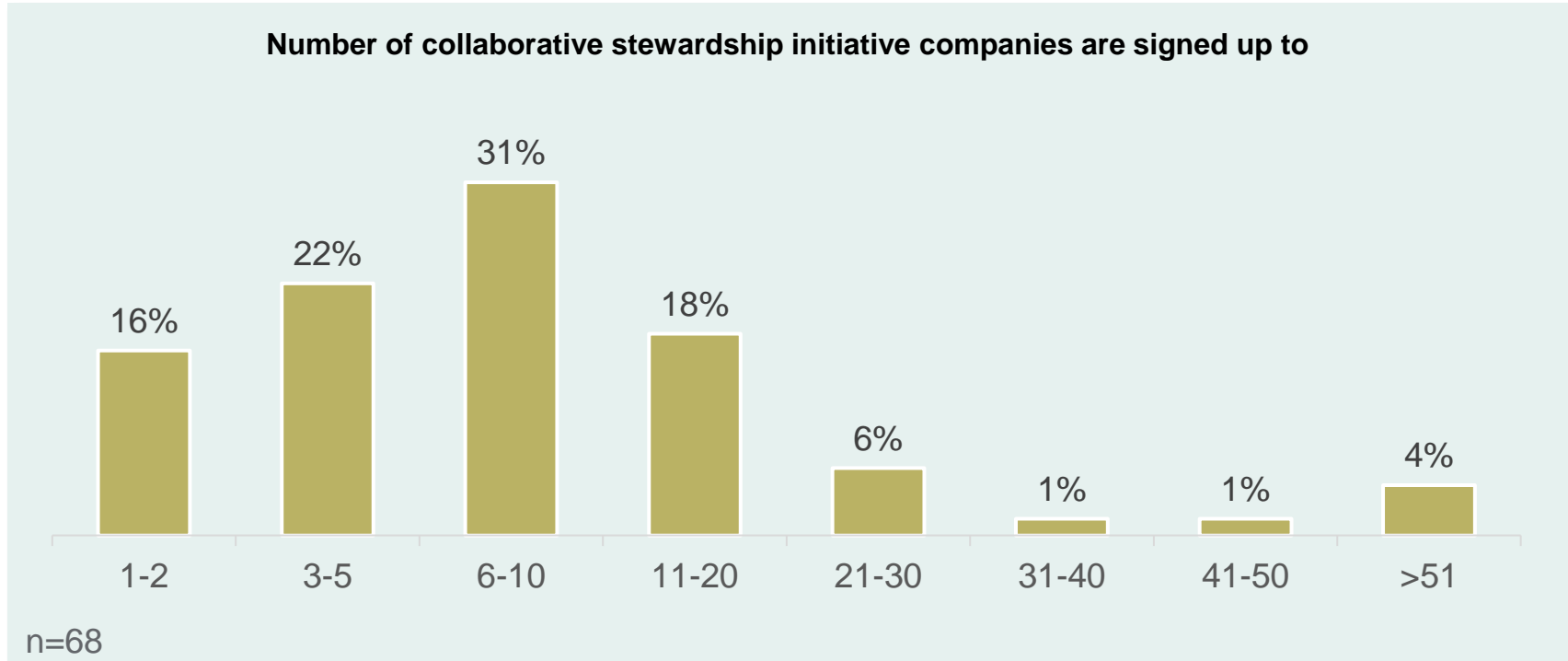
76% of participants have a stewardship ambition level higher than the portfolio holding stewardship focus (ambition level 3). This indicates survey participants are a self-selected group and generally hold higher than industry-average stewardship and sustainability ambitions and commitments.

*Q4. An organisation's ambition and commitment to stewardship have implications on its allocation of stewardship resources. Where do you see your organisation best fit with its stewardship and sustainability ambition and commitment (these describe the organisation's intentionality levels when it comes to stewardship). Please select from 0 to 6 depending on your organisation's current level of ambition and commitment to stewardship (the level of stewardship emphasis increases from 0 to 6)*

\*Two participating organisations did not declare their ambition levels

## Collaborative stewardship activities

There is uneven effort in collaborative stewardship activities among organisations in the industry, with two-thirds of respondents being signatories of less than 10 collaborative stewardship initiatives.

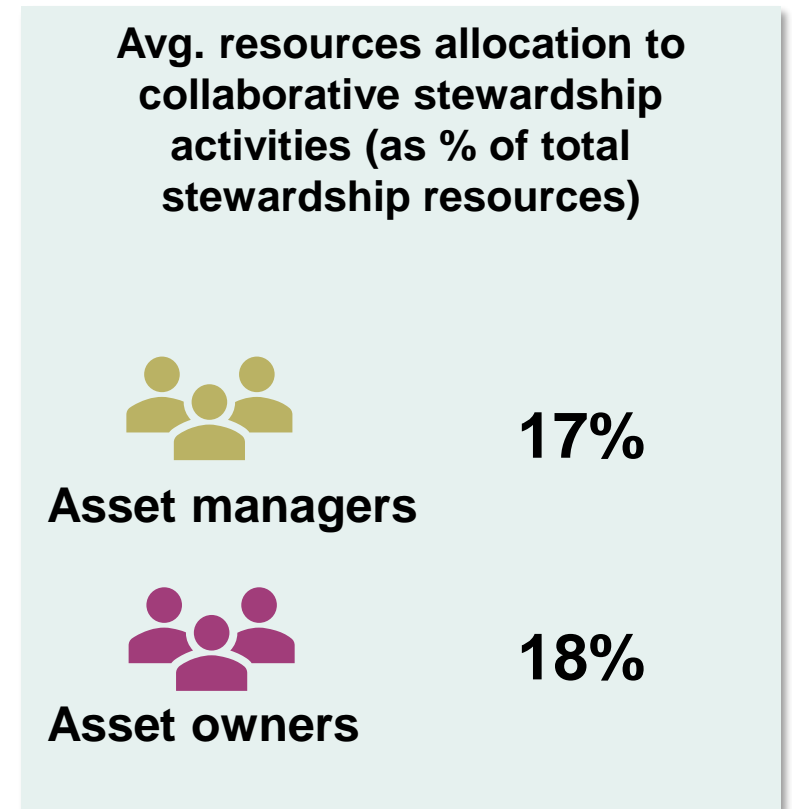
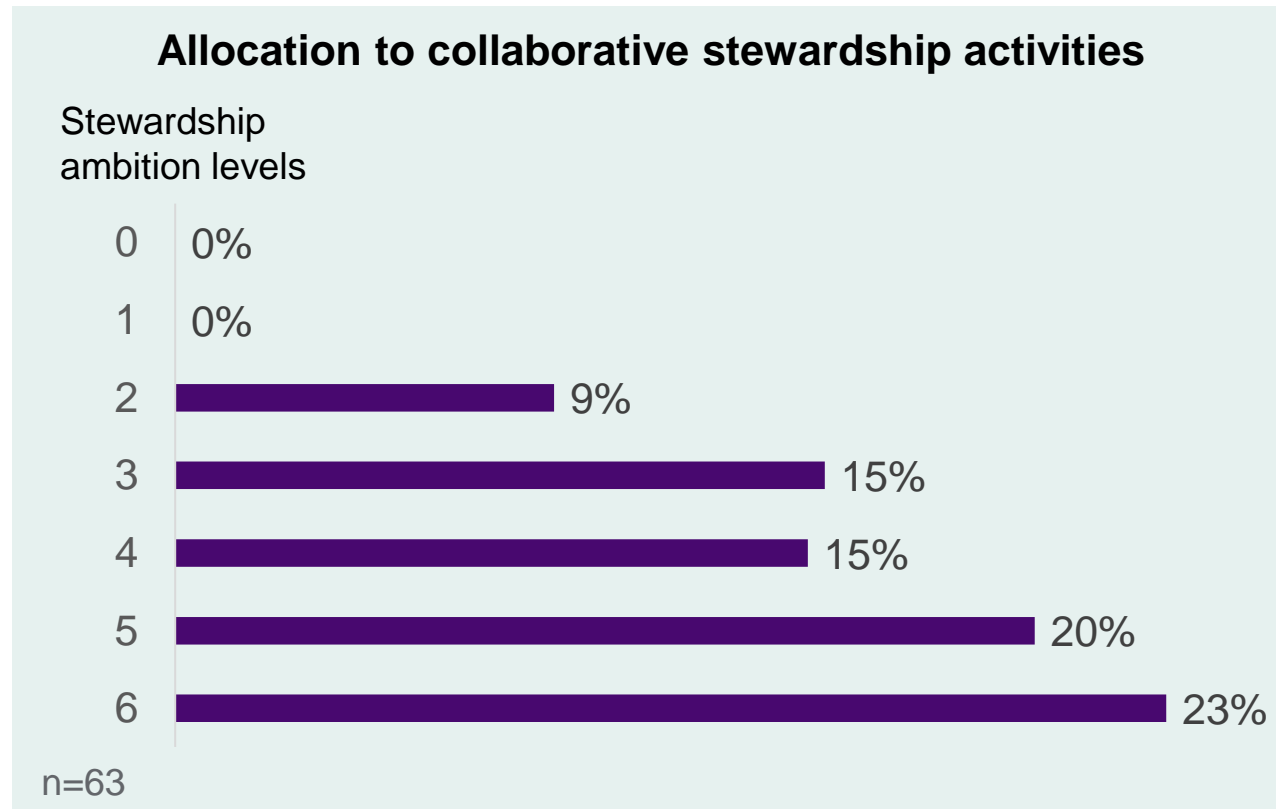


Q5a. How many investor networks/coalitions or collaborative initiatives\* related to stewardship is your organisation a member/signatory of?

\* Examples of investor networks/coalitions or collaborative initiatives: PRI, AIGCC, Ceres, IIGCC, International Corporate Governance Network, Investor Group on Climate Change, NAZAM, NZAOA, CA100+, CORE coalition, Advance, ERPA, Transition Pathway Initiative, United Nations Global Compact etc

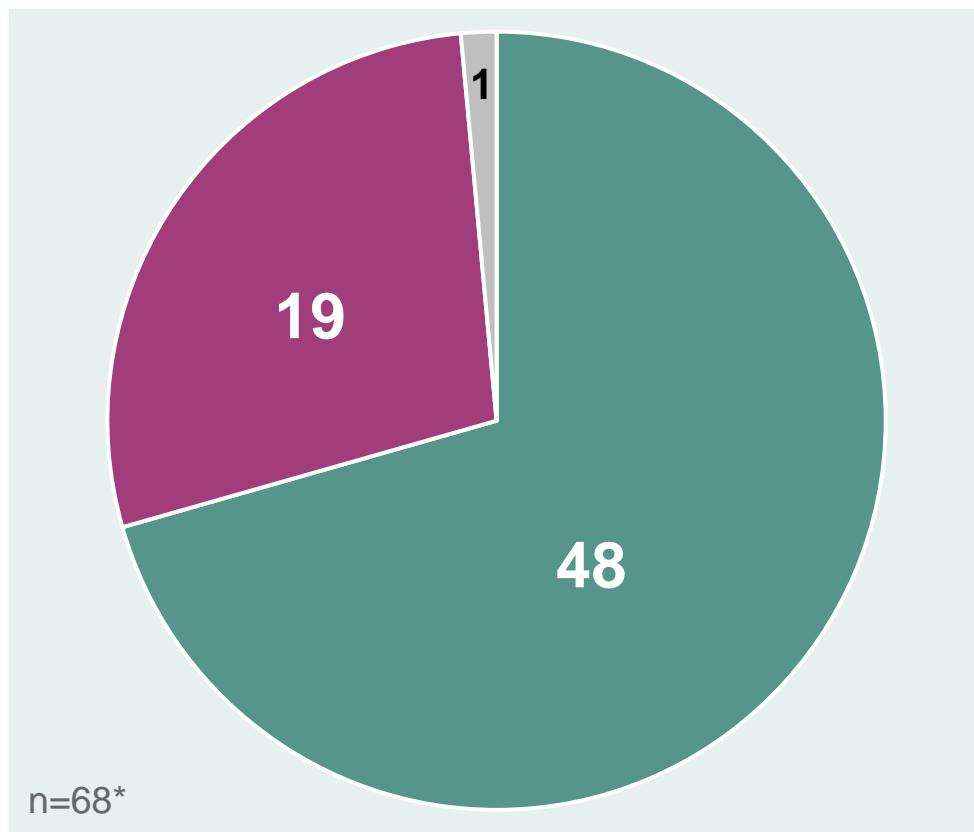
## Resources allocated to collaborative stewardship activities

Resources allocated to collaborative activities represent only a moderate proportion of the total stewardship resources, with the majority being used for individual efforts. This highlights an area in which our industry might improve. Among survey participants, allocation to collaborative stewardship activities is the highest among the companies with above average ambition level.

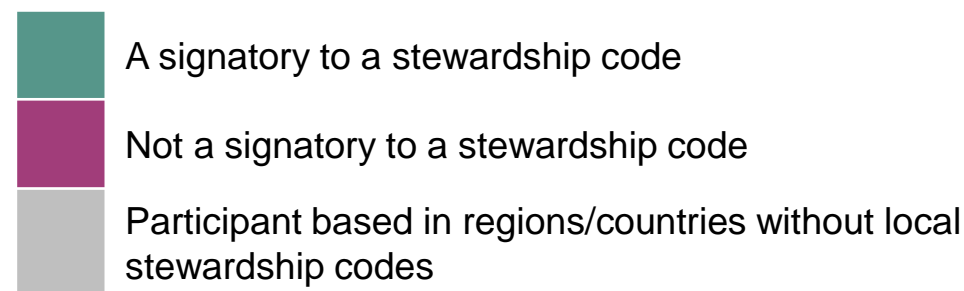


Q8. What proportion of your total stewardship resources is allocated to collaborative stewardship activities?

# Stewardship code signatories



Over two thirds of participating organisations are signatories to their local stewardship codes.

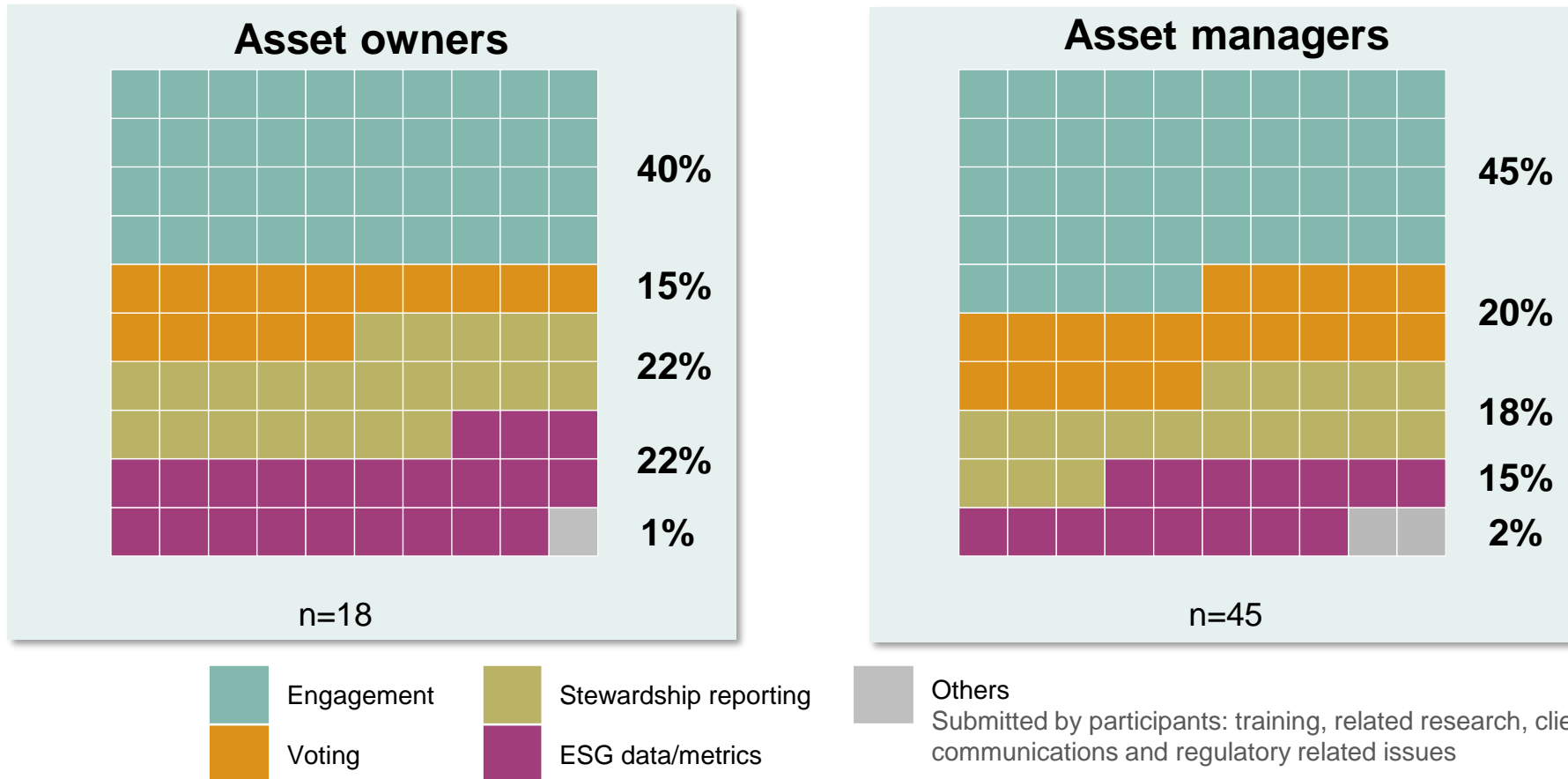


\* One participating organisation did not declare

Q5b. My organisation is a signatory of a stewardship code: Yes/No

# Allocation of stewardship resources by activities

Among survey participants, asset managers allocate more resources to engagement and voting activities comparing with asset owners. Overall, engagement activities take up the majority of resources across all investment organisations.



Q7. What is the approximate split of overall stewardship resources to different categories?

## Allocation of stewardship resources by activities and ambition levels

Overall, engagement activities consume the largest portion of stewardship resources, and the allocation of resources to engagement increases with ambition levels in general. Meanwhile, organisations with lower ambition levels allocate more resources to ESG data/metrics and stewardship reporting.

Ambition levels	0	1	2	3	4	5	6
<b>Engagement</b>			15%	43%	41%	46%	53%
<b>Voting</b>			14%	23%	21%	16%	18%
<b>Stewardship reporting</b>			35%	18%	20%	18%	16%
<b>ESG data/metrics</b>			36%	15%	16%	20%	12%
<b>Others* (n=11)</b>				2%	3%	0%	1%
<b>n=</b>	0	0	4	11	19	16	13

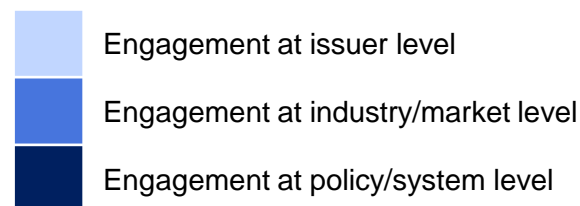
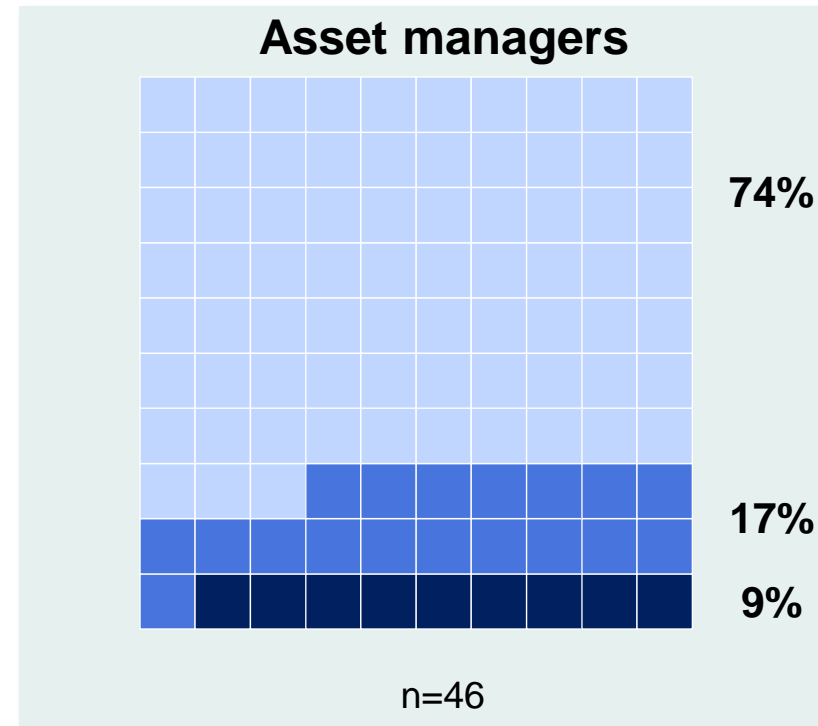
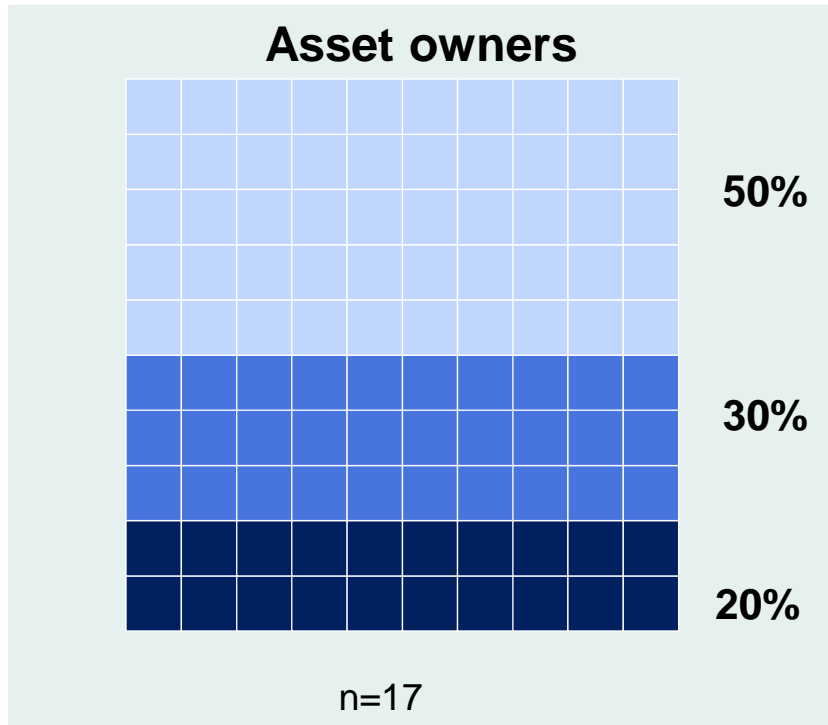
\*Others include training, related research, client communications and regulatory related issues, submitted by survey participants

Q7. What is the approximate split of overall stewardship resources to different categories?



## A breakdown of resources allocated to engagement

Among the survey participants, asset managers allocated significantly more resources to engagement at the issuer level compared with asset owners. Overall, resources allocated to engagement at the policy/system level only occupy a small proportion of the total engagement resources.



Q9. Further breakdown of engagement resources by types of activities

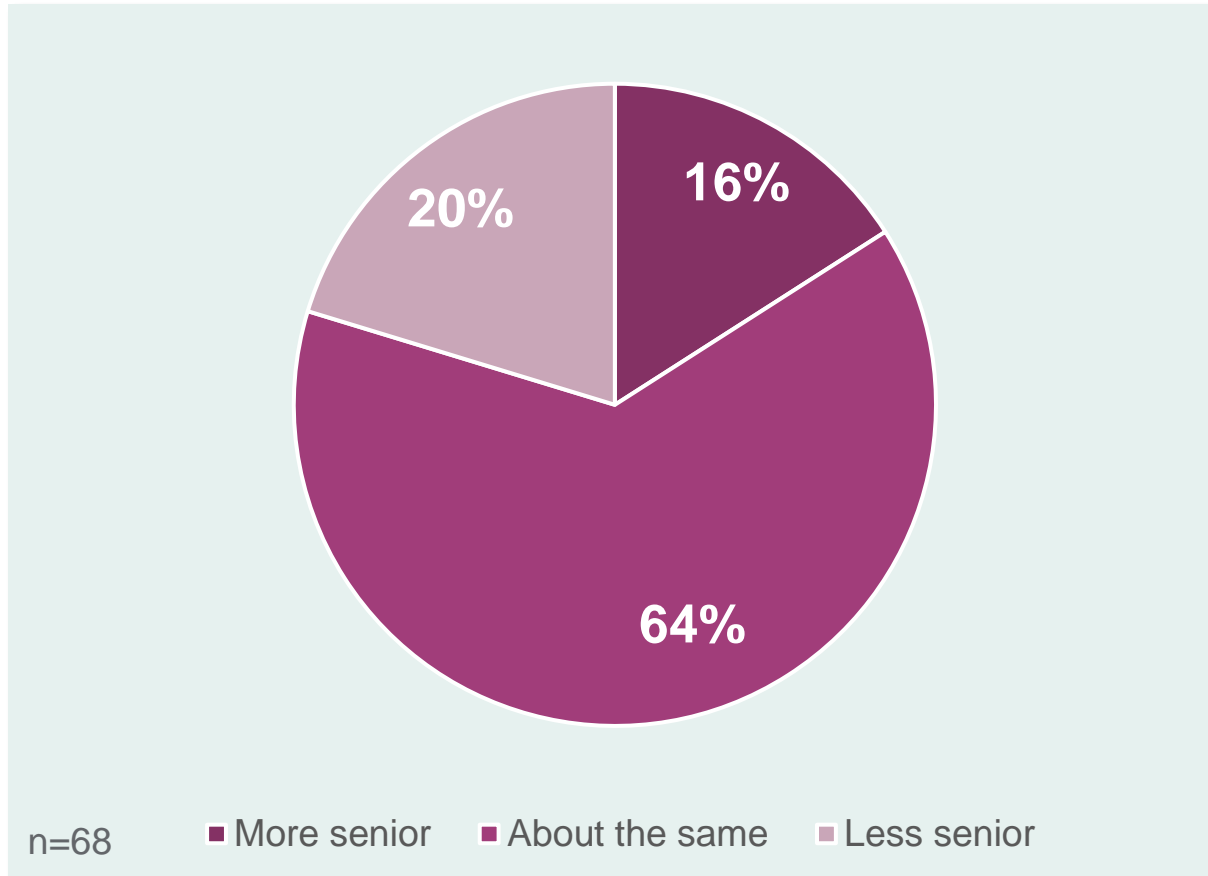
## Further breakdown of engagement resources by ambition levels

Most engagement activities remain at the issuer level across organisations with all levels of stewardship ambition.

Ambition levels	0	1	2	3	4	5	6
<b>Engagement at issuer level</b>			71%	61%	69%	72%	64%
<b>Engagement at industry/market level</b>			22%	29%	17%	20%	20%
<b>Engagement at policy/system level</b>			7%	10%	14%	8%	16%
<b>n=</b>	0	0	4	11	19	16	13

Q9. Further breakdown of engagement resources by types of activities

## The seniority of stewardship-related staff



The seniority of stewardship-related staff mostly matches the general investment team. In general, seniority in stewardship is not an obvious issue at most participating organisations.

Q10. How does the average level of seniority\* of your organisation's staff with stewardship-related responsibilities compare to the average seniority level of your organisation's general investment team?

## Behind the data

- Data collection spanned over 3 months and involved a combination of direct emails, newsletters, social media outreach, and promotion in various meetings/events.
- Participants are a self-selected group of diversified investors. We suspect that the results for stewardship ambition level and resources are higher than the typical industry level for both asset managers and asset owners.
- Both cost data and FTE data have been used to extend the amount of data captured and strengthen the data inferences.
- Participants are a self-selected group and generally hold higher than industry-average stewardship and sustainability ambitions and commitments. Please see [“Putting resources where stewardship ambitions are”](#) for more detail on how we categorise stewardship and sustainability ambitions and commitment.
- Data dispersion: subjectivity in measurement and varied interpretations lead to inconsistencies in data submitted, making it difficult to arrive at an industry-level benchmark. Despite our best effort of not having ambiguous questions, stating our preferred definition of stewardship and providing examples of what should be/not be considered when evaluating stewardship resources, a diverse range of data was submitted. When analysing the survey data, we excluded submissions that have obvious errors (errors made at submission or due to interoperation of the survey questions).

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## **Contact Details**

Jessica Gao | [jessica.gao@wtwco.com](mailto:jessica.gao@wtwco.com)

Anastassia Johnson | [anastassia.johnson@wtwco.com](mailto:anastassia.johnson@wtwco.com)