

Consultation on the Financial Reporting Councils Stewardship Code Acas response

14 January 2025

This is the Acas Executive response to the [Financial Reporting Council's \(FRC\) Stewardship Code Consultation](#).

Our response

Introduction

1. Acas (Advisory, Conciliation and Arbitration Service) welcomes the opportunity to respond to the [Financial Reporting Council's Stewardship Consultation](#). Acas values the current close working relationship it has with the Financial Reporting Council. This call for evidence provides a welcome opportunity to consider stewardship and the place of social sustainability.

About Acas

2. Acas is a statutory, non-departmental public body with a duty to promote the improvement of industrial relations in Great Britain. We work with millions of employers and employees every year to improve workplace relationships, providing free and impartial advice on employment rights, good practice and policies, and preventing and resolving workplace conflict. In 2023 to 2024, this included:

- a national helpline handling nearly 600,000 calls from individuals and employers
- a website offering guidance and online training with nearly 18 million visits
- a conciliation service in employment disputes, both collective and individual, handling approximately 600 collective conciliations and receiving nearly 105,000 early conciliation notifications
- training on a wide range of workplace-related topics to over 40,000 people

A welcome commitment to sustainability through stewardship

3. Acas welcomes the opportunity to comment on the Financial Reporting Council Stewardship Consultation. We welcome the Financial Reporting Council's ongoing commitment to social sustainability in all its aspects. At Acas we know well that well-managed workplaces offering good work with high levels of trust and engagement are more productive, more profitable, more resilient, and also – critically at this time – more likely to contribute to economic growth.

4. We fully accept that focusing on long-term 'social sustainability' will not, by itself, save any underperforming company with a flawed strategy or poor execution. Capital markets give valuation premiums only to companies that outperform on financial metrics. However, there is now hard evidence that where material social impacts are fully recognised within corporate strategy, there's value to be created.

Definition of stewardship

5. We support the revised definition of stewardship. We agree there needs to be a regulatory regime around stewardship and the new definition captures the expectation well.

6. Beyond the definition is a need to engage with asset owners. It's increasingly recognised that leaders who pursue growth, while also carefully considering how their strategies could impact people, the planet and their company's long-term sustainability, often significantly enhance long-term value. Stewardship is, therefore, in the long-term interest of asset owners and it is they who ultimately regulate asset managers by choosing who to invest with. We would encourage the Financial Reporting Council to continue to develop understanding of the market for stewardship to engage the system beyond legislating and regulating stewardship. This will build the underlying, intrinsic commitment to social sustainability that is needed for real change.

Supporting guidance notes

7. We recommend that the Financial Reporting Council guidance goes further in the supporting notes to cover the full scope of social sustainability.

8. There is emerging consensus across international standard setters that impacts need to be understood across 4 'scopes': own workforce, supply chain workers, affected communities, and consumers and end users.

9. The current supporting text notes that "stewardship that supports sustainable, long-term returns may lead to wider benefits for the economy, the environment and society". Further supporting text mentions the investment chain. We recommend that the guidance is revised to reflect all 4 scopes, including own workforce, which is currently missing.