

# **Invitation to Tender (ITT): Stewardship Benchmarking Project**

## **Provision of Research Services**

Reference	FRC2021 - 005 Stewardship Benchmarking Project
Date	January 2021

## 1. Background

The Financial Reporting Council sets the UK Corporate Governance and UK Stewardship Codes; sets UK standards for accounting and actuarial work; monitors and takes action to promote the quality of corporate reporting; and operates independent enforcement arrangements for accountants and actuaries. As the competent authority for audit in the UK the FRC sets auditing and ethical standards and monitors and enforces audit quality. The FRC works in the public interest. Our work is aimed at investors and others who rely on company reports, audit and high-quality risk management.

The UK Stewardship Code is a voluntary code for asset managers (investment managers), asset owners and service providers (such as proxy advisers, investment consultants and data providers). The Stewardship Code promotes the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

In October 2019 the FRC published the UK Stewardship Code 2020<sup>1</sup> (hereafter 'the Code'), a substantially updated version of the previous Stewardship Code, which was first published in 2010. The new Code took effect on 1 January 2020 and sets higher expectations for organisations to practice and demonstrate effective stewardship. It now contains twelve Principles for asset managers and asset owners and six for service providers. The Code has a greater emphasis on environmental, social and governance (ESG) issues and covers asset classes beyond UK listed equities.

The FRC has also introduced a new reporting process to improve the quality of information disclosed about organisations' stewardship practice. From March 2021, organisations applying to become signatories to the Code will be required to submit an annual stewardship report to the FRC. In this report signatories will explain how they have applied the Code over a 12-month period, detailing their stewardship activities and the outcomes that resulted. The FRC will assess whether Reports have met the reporting expectations of the Code. Organisations meeting the requirements will then be accepted as Code signatories. The FRC will publish the first list of signatories in summer 2021.

In September 2020, the FRC published a Review of Early Reporting to the Stewardship Code.<sup>2</sup> This report analyses 21 responsible investment, active ownership and stewardship reports that have voluntarily aligned with parts of the new Code. It looks at how well prospective signatories are addressing the higher standards of the Code and highlights expectations for reporting in the first set of applications to the Code in 2021.

---

<sup>1</sup> [https://www.frc.org.uk/getattachment/5aae591d-d9d3-4cf4-814a-d14e156a1d87/Stewardship-Code\\_Dec-19-Final-Corrected.pdf](https://www.frc.org.uk/getattachment/5aae591d-d9d3-4cf4-814a-d14e156a1d87/Stewardship-Code_Dec-19-Final-Corrected.pdf)

<sup>2</sup> <https://www.frc.org.uk/getattachment/975354b4-6056-43e7-aa1f-c76693e1c686/The-UK-Stewardship-Code-Review-of-Early-Reporting.pdf>

## **2. Project / Requirements**

### **2.1 Purpose and Scope**

The purpose of this research project is:

- 1) to help the FRC better understand the current stewardship practices of asset managers and asset owners in areas covered by the Code
- 2) to gain insight into what early changes have taken place, or are underway, in response to the introduction of the Code

The research will survey Asset Managers<sup>3</sup> (AMs) and Asset Owners<sup>4</sup> (AOs) to address five categories of topics. In each of these (labelled A to E) below, we want to survey current practice, changes that took place in 2020 or are planned for 2021, and the extent to which the Code has had an impact on this. Please note the topics listed under each category are examples only and not exhaustive; the successful bidder will be expected to develop these further, in consultation with the FRC, upon award of contract.

#### **A. Governance and organisation of stewardship at AMs and AOs**

- How stewardship responsibilities are allocated between investment teams and separate stewardship (or responsible investment) teams.
- How stewardship is governed and overseen within AMs and AOs, including the governance structures and mechanisms used and the level of senior engagement involved.
- The use by AMs and AOs of performance management or reward programmes to incentivise their employees to practice effective stewardship.

#### **B. Resourcing of stewardship**

- The current, and planned, level of resources dedicated to stewardship.
- The extent to which AMs and AOs make use of external service providers.

#### **C. Asset class and geographical coverage**

- The degree to which stewardship is focused on particular (geographical) regions.
- The extent to which, stewardship takes place in asset classes other than listed equity.
- Do AMs and AOs adopt a single company-wide approach to asset class and geographical coverage or does this differ on a fund/departmental/divisional basis?

#### **D. Changes in activities and process**

- Whether AOs have changed how they set objectives for AMs and monitor performance. For example, the inclusion of stewardship in tenders and mandates.
- Whether AMs and AOs have changed how they practice engagement, escalation, collaborative engagement or the exercise ownership rights (for example voting). Likewise, whether they have changed how they identify and respond to systemic risks such as climate change.

---

<sup>3</sup> An asset manager is an individual or organisation to whom the responsibility for the day-to-day management of assets is delegated by an individual or institutional asset owner. The asset manager will act based on instructions given to them in an investment mandate, with discretion to buy and sell assets on behalf of another entity or person.

<sup>4</sup> An asset owner is an institutional investor responsible for protecting assets on behalf of beneficiaries.

### E. Stewardship data collection

- How AMs and AOs record data on their stewardship activities and outcomes.
- The information flow between AMs and AOs. For example, what data and information do AOs seek from AMs that they invest with to monitor and hold them to account?

**Note:**

*The FRC may in future decide to repeat this research in order to provide an over-time comparison. If you bid for this project you should please confirm your willingness to do this. If the FRC takes up this option, it will do so before the end of 2025 (and the total expenditure will be capped at no more than £175,000).*

## 2.2 Suggested Approach

We expect this project to use in-depth interviews with the most relevant individual(s) in each AM and AO, together with a targeted, online questionnaire. It may also be possible to collect some data to address particular topics via desk-based research. The interview and questionnaire will necessarily have a slightly different focus for AMs versus AOs. The FRC will discuss this detail with the research team of the successful bidder at a consultation meeting at the start of March.

Proposals should include further detail on example topics for each of the five categories listed in section 2.1. These should be of sufficient depth and breadth to demonstrate your team's understanding of the project and of stewardship policies and practices. You should also explain which aspects of the research would employ which method, and how these would be sequenced and combined to maximise the quality of the research output while maintaining value for money. This should include *examples* of:

- Topics that you believe would be best addressed via in-depth interviews.
- Topics that might be answered with an online questionnaire.
- Whether some questions could potentially be answered with desk-based research (and if so, using which sources).

We do not expect to receive a full mapping of the project's topics in bidders' proposals, but we will assess proposals for sufficient evidence that the bidder's research team has substantive knowledge of stewardship practices, as well as the expertise to combine this with appropriate research methods. The successful research team will be expected to develop a full topic guide for interviewers upon appointment, in consultation with the FRC policy team.

The ideal research team will include individuals with experience and knowledge of stewardship policies and practices, and of corporate governance more broadly. All interviewers should be experienced in conducting in-depth interviews with persons at a range of seniority levels. An important consideration in identifying the strongest bid will therefore be the evidenced experience of staff proposed for the project.

## 2.3 Research population and sample

The research will be based on a sample of AMs and AOs drawn from a list of those that have applied to the FRC to be 2020 Code signatories *and* who have opted-in to participate<sup>5</sup>. Bidders should note that the list will come in two parts: AMs in week commencing 5 April 2021; AOs in week commencing 3 May 2021. This is reflected in the timeline at section 2.4 below.

The sample should cover a range of AM/AO sizes (by assets under management) and types (AMs – active/passive managers, multi-asset/single strategy managers; AOs – public pension funds, local authority schemes and pools, corporate pension schemes, master trusts, insurers, foundations, etc.).

Within the sample, the research should capture information and views from individuals with responsibility for stewardship in their respective AO/AM. Job titles might include, for example, Head of Stewardship, Responsible Investment Manager, Corporate Governance Manager. In addition, the FRC would like to hear perspectives from other teams within asset managers and asset owners, such as investment teams.

Your proposal should specify how many interviews you would conduct (interviews will be carried out using video conferencing), and what length you expect will each to be, working within the stated budget for this project. It should also detail what job function(s) within AMs and AOs you would prioritise for interviews.

Information and quotes gathered from interviews or questionnaires will be anonymised for use in the final report. *Although the FRC will supply the list of potential AMs and AOs to be interviewed, only the research team will know which of them took part, and which staff were interviewed at each.*

## 2.4 Outputs

The project's final report should be delivered in MS Word format and include the full details of the project's findings and an analytical narrative organised in terms of the four categories in section 2.1. This should include a breakdown and comparison of findings on the basis of the range/diversity of AOs and AMs as described in 2.3 above. A clear explanation of all the methods used in each part of the project should also be provided.

A data annex at the end of the report should include a sufficiently detailed summary of the data and evidence collected (with appropriate safeguards to maintain anonymity). This annex should also contain the interview discussion guide, the online questionnaire, and a full list of sources used in the desk-based research (if applicable).

Separate from the report the FRC should also receive a data file(s), in an agreed format, containing *in full* all the data and evidence collected in the project (anonymised appropriately). This should be organised in a way that would easily allow comparison if the FRC, or a contractor, were to replicate the analysis in a future year.

---

<sup>5</sup> The FRC will ask organisations applying to be Code signatories in March 2021 (AMs) and April 2021 (AOs) to indicate whether they would be willing to participate in this research project. The project research team will then receive the lists of those agreeing and will be responsible for contacting the organisations and identifying appropriate people to participate in the research.

The final research report should be of publishable quality. Proposals should allocate sufficient budget in their bids for typesetting of the final report (potentially as a published, downloadable PDF), and for lead researchers to facilitate an online launch Webinar, although neither of these requirements should be read as a commitment on the FRC's part to publish the report or hold a launch Webinar.

## 2.5 Deliverables, milestones and high-level timeline

The project is expected to run from 1st March 2021 to mid-August 2021.

Date	Deliverable / milestone
w/c 1 March	Consultation meeting with FRC policy team to discuss interview topics/questionnaire, and recruitment approach; FRC to subsequently sign-off written plan for remainder of project, including recruitment approach
Mid-March	FRC to sign-off discussion guide for interviews, questionnaire questions, and detailed project timeline
Early-April	Interviews/questionnaire launch (AMs)
Early-May	Update meeting on AM interviews and questionnaire progress
Early-May	Interviews/questionnaire launch (AOs)
Early-June	Update meeting on AO interviews and questionnaire progress
Early-July	Preliminary full-project findings presentation with proposed final report structure
Late-July	Draft Final Report to the FRC for comment
Mid-August	Final research report comprising analytical narrative of all findings

## 2.6 Liaison arrangements

The FRC policy team should be updated on project progress and consulted on key decisions in the research design and operationalisation.

- Regular progress update meetings (by conference call)
- FRC sign-off on all deliverables/milestones above
- Report structure, draft report and final report to be signed-off

## 2.7 Your tender response

The proposal should be no more than 7 pages in total, excluding annexes, and include:

- A succinct summary of the proposal, including an estimated timeline of project milestones.

- Details of the proposed approach. This should include, as appropriate, the techniques, methodology, and data sources to be used, including your rationale for choosing them.
- Further detail on example topics/questions for each of the five categories listed in section 2.1. These should be of sufficient depth and breadth to demonstrate your team's understanding of the project and of stewardship policies and practices.
- How many interviews (and questionnaires if proposed) could be conducted within the timeframe and budget.
- Demonstrable understanding of stewardship policies and practices, as well as corporate governance more broadly.
- Details of personnel to be involved including their role for this project and their relevant experience.
- Your organisation's experience of similar projects and relevant research capability.
- A budget, including a breakdown of time and costs per activity, in line with the principal project objectives outlined above. If your proposal includes options, these should be costed separately.
- Project team CVs should be included in an annex, along with any additional information about your organisation that you think is relevant.

Bids should identify any real or perceived conflicts of interest.

## 2.8 Tender Evaluation

*Please submit all documents in a Microsoft Word compatible format (or Open Document format).*

Bids will be assessed on the following basis:

- Demonstrable understanding of our project requirements and purpose
- The suitability of your overall approach (including methods and project management).
- Quality/relevance of example topic/question sets for each of the five categories of topics
- The number/length/profile of interviews you will conduct
- Experience of the proposed personnel
- Pricing / cost of your proposal.

## References

The FRC reserves the right to take up references. You will be required to provide references within the Tender Response Document. References must be relevant to the FRC requirement and within the last five years.

## 3. Cost /Financials

- The tenderer should provide a fixed fee for the work exclusive of VAT however inclusive of all expenses. Tenderers should detail their cost in the Tender Response Documents in the format specified. No other costs should be charged on top of the fixed fee, unless and except if the scope has materially changed from what is set out / agreed. Changes to the scope / cost must be mutually agreed.
- **The FRC does not anticipate tender bids over £55,000 excluding VAT**

#### 4. Use of ITT & publication

Tenderers **must not** undertake any publicity activity regarding the procurement within any section of the media

#### 5. Questions & Clarifications

5.1.1. Tenderers may raise questions or seek clarification regarding any aspect of this further competition at any time prior to the tender clarification deadline.

5.1.2. Tenderers may raise questions or seek clarification within the timeframe by sending questions to [procurement@frc.org.uk](mailto:procurement@frc.org.uk) in the following format.

Nature of query / clarification	Query / Clarification

5.1.3. FRC will not enter into exclusive discussions regarding the requirements of this ITT with tenderers.

5.1.4. To ensure that all tenderers have equal access to information regarding this tender opportunity, FRC will publish all its responses to questions raised by Tenderers on an anonymous basis.

5.1.5. Responses will be published in a questions and answers document to all Tenderers who have indicated that they wish to participate.

#### 6. Tender process timeline

DATE/TIME	ACTIVITY
18-01-2021	Publication of the Invitation to Tender
25-01-2021 5pm	Deadline to submit clarification questions
27-01-2021 5pm	Deadline for publication of responses to clarification questions Note: FRC will endeavour to meet this timeline.
15-02-2021 5pm	Deadline for supplier submission of tender to the FRC.
22-02-2021	Tender Outcome
01-03-2021	Contract Start Date
13-08-2021	Contract end

#### 7. Conduct

7.1.1. The tenderer must not communicate to any person the tender price, even approximately, before the date of the contract award other than to obtain, in strict confidence, a price for insurance required to submit the tender.

7.1.2. The tenderer must not try to obtain any information about any other person's tender or proposed tender before the date of the contract award.



- 7.1.3. The tenderer must not make any arrangements with any other person about whether or not they should tender, or about their tender price.
- 7.1.4. The tenderer must not offer any incentive to any member of FRC's staff for doing or refraining from doing any act in relation to the tender.
- 7.1.5. If the tenderer engages in any of the activities set out in this paragraph or if FRC considers the tenderer's behaviour is in any way unethical FRC reserves the right to disqualify the tenderer from the procurement.
- 7.1.6. The tenderer represent and warrant that a conflict of interest check has been carried out and that check revealed no conflicts of interest.
- 7.1.7. Where a conflict of interest exists or arises or may exist or arise during the procurement process or following contract award the tenderer must inform the FRC and submit proposals to avoid such conflicts.
- 7.1.8. Tenderers must obtain for themselves at their own responsibility and expense all information necessary for the preparation of tenders. The FRC is not liable for any costs incurred by the tenderer as a result of the tendering procedure. Any work undertaken by the tenderer prior to the award of contract is a matter solely for the tenderer's own commercial judgement.

## **8. Due Diligence**

- 8.1.1. While reasonable care has been taken in preparing the information in this ITT and any supporting documents, the information within the documents does not purport to be exhaustive nor has it been independently verified.
- 8.1.2. Neither FRC, nor its representatives, employees, agents or advisors:
  - makes any representation or warranty, express or implied, as to the accuracy,
  - reasonableness or completeness of the ITT and supporting documents; or
  - Accepts any responsibility for the adequacy, accuracy or completeness of the information contained in the ITT and supporting documents nor shall any of them be liable for any loss or damage, other than in respect of fraudulent misrepresentation, arising as a result of reliance on such information or any subsequent communication.
- 8.1.3. It's the tenderer's sole responsibility to undertake such investigations and take such advice, including professional advice, as it considers appropriate in order to make decisions regarding the content of its tenders and in order to verify any information provided to it during the procurement process and to query any ambiguity, whether actual or potential.

- 8.1.4. It is a requirement that the successful supplier (i) comply with all applicable laws and regulations including, without limitation, the Bribery Act 2010, the Equality Act 2010 and the Modern Slavery Act 2015; and (ii) in addition to any contractual requirement(s), inform the FRC immediately upon becoming aware of any event (including actual or threatened court proceedings) which may impact upon the reputation of the FRC, whether or not connected with the Supplies and/or Services.

## **9. Submitting a Tender**

- 9.1.1. Tenderers must submit their tender response within the deadline to [procurement@frc.org.uk](mailto:procurement@frc.org.uk).
- 9.1.2. Where a Tender Response Template is provided, potential providers must align their tender response with that format.
- 9.1.3. A Tender must remain valid and capable of acceptance by the Authority for a period of 90 days following the Tender Submission Deadline. A Tender with a shorter validity period may be rejected.

## **10. Evaluation**

- 10.1.1. FRC will award the contract on the basis of the tender which best meets the evaluation criteria aligned to the requirements.

## **11. Acceptance of Tender & Notification of Award**

- 11.1.1. FRC reserves the right to amend, add to or withdraw all or any part of this ITT at any time during the procurement.
- 11.1.2. FRC shall not be under any obligation to accept the lowest price tender or any tender and reserves the right to accept such portion or portions as it may decide, unless the tenderer includes a formal statement to the contrary in the tender. FRC also reserves the right to award more than one contract to fulfil the requirement.
- 11.1.3. The tenderer will be notified of the outcome of the tender submission at the earliest possible time.
- 11.1.4. Where the procurement process is subject to EU public procurement directives, a minimum standstill period of 10 calendar days will apply between communicating the award decision electronically to tenderers and awarding the contract.
- 11.1.5. Nothing in the documentation provided by FRC to the tenderer during this procurement or any communication between the tenderer and FRC or FRC's representatives, employees, agents or advisers shall be taken as constituting an offer to contract or a contract. No tender will be deemed to have been formally accepted until the successful tenderer has received a formal contract award letter from FRC.

## **12. Additional Information**

12.1.1. Please use the attached Tender Response Document for your reply.

12.1.2. The Terms and Conditions that will apply to this proposed Agreement are attached. Suppliers should accept the T&C's with no material changes.