Singapore Stewardship Principles
For Responsible Investors 2.0

Preamble

Importance of Investment Stewardship

Effective investment stewardship is investors exercising responsible allocation, management and oversight of capital, through active ownership and engagement, to create and preserve enterprise value within portfolio companies, and improve long-term risk-adjusted returns for clients and beneficiaries. Active ownership and engagement refer to the use of investors' rights to shape better corporate behaviour and support positive environmental, social and governance (ESG) practices to sustain long-term value creation.

Stewardship is important for the wider business and investment ecosystem, including investors and investee companies. In today's context, the investment value chain linking ultimate asset owners to investee companies is increasingly complex, with investors employing a variety of strategies across different asset classes. Many countries are seeing a trend towards fragmented ownership, with many shareholders each holding a small proportion of shares. Coupled with increasingly shorter shareholding tenure, the ownership mentality is arguably being eroded and replaced by a prevalent short-term view of investment and portfolio management. Hence, the emphasis on investment stewardship is relevant and timely.

Singapore Stewardship Principles 2.0

By setting out actions, behaviours and processes associated with investment stewardship, the Singapore Stewardship Principles for Responsible Investors 2.0 (hereinafter referred to as the "Principles") aim to enable investors to be active and responsible investors. The Principles are intended to be broad principles, with suggested guidance to help investors fulfil their responsibilities to their clients and beneficiaries. The Principles should also be read in conjunction with applicable legislation and regulations. They are designed to complement stewardship codes that are in place in other jurisdictions and investors may wish to utilise the Principles alongside other local and international frameworks to achieve effective stewardship outcomes.

To keep the Principles relevant, revisions have been made to reflect and incorporate evolving developments in expectations, market practices and regulations. Some of these changes include:

- The internal structures and governance of institutional investors in guiding their stewardship activities. Effective investment stewardship depends on investors having in place a conducive organisational structure, appropriate resources and a healthy culture, and as such, this revision of the Principles places emphasis on these factors.
- The application of stewardship to asset classes beyond listed equities. While the Principles primarily focus on guidance for listed equities, these updated Principles suggest that investors should explain how they discharge their stewardship responsibilities across all asset classes where possible.
- The integration of ESG considerations into investment decision-making and stewardship practices. ESG factors present material risks to the value of investment assets and should be considered when carrying out stewardship activities.
- An outcomes-oriented approach to applying the Principles. Effective investment stewardship should demonstrate both actions taken and outcomes achieved, allowing clients, beneficiaries and broader stakeholders to see the benefits of stewardship activities.

The Responsible Investors

The Principles are most applicable to Singapore-based or foreign institutional investors who invest in Singapore-listed companies or securities, but may also apply to a range of market participants including service providers. While the application of individual principles may differ from participant to participant, the Principles offer a framework for them to consider their role in promoting good governance and stewardship.

Asset owners invest capital with the view to enhance the value of their ultimate beneficiaries' assets. Ultimate beneficiaries include savers or pensioners. Asset owners set investment beliefs, strategies and horizons and communicate their expectations to asset managers that act on their behalf. By subscribing to the Principles, asset owners are committed to exercising effective stewardship consistent with their own stewardship approach and should expect their asset management clients to behave similarly.

Asset managers invest on behalf of their clients, which include asset owners, and are accountable to them. As fiduciaries of their clients, asset managers have a responsibility to behave as stewards of the capital entrusted to them and to ensure that capital is invested in the long-term interests of their clients. By subscribing to the Principles, asset managers are committed to adopting the best practices and communicating regularly to their clients on how they fulfil their stewardship responsibilities.

Investors may choose to make use of third-party service providers when discharging their stewardship activities. Service providers such as investment consultants and proxy advisors have a significant influence on how investors allocate, manage and oversee capital. They play a key role in the stewardship value chain by providing sound investment and governance advice to investors. While some of the Principles might not directly apply to service providers, they are advised to utilise the Principles as appropriate to assist their clients in fulfilling their stewardship responsibilities.

Applying the Principles Purposefully and Transparently

Effective investment stewardship requires investors to develop an integrated and principles-based approach to stewardship across different asset classes. The Principles allow investors to reflect on their philosophy and approach towards stewardship, assess their own stewardship capabilities, and improve their stewardship efforts to achieve better outcomes for beneficiaries and stakeholders. The implementation of the Principles may differ—investors are advised to proactively explain the objectives, metrics, targets, processes and other pertinent practices for accountability, monitoring and performance management purposes.

To enhance the value of the Principles for signatories, they are strongly encouraged to use the Principles as a guide to report the outcomes of their stewardship activities and submit evidence of their stewardship efforts annually to the Secretariat. The Steering Committee has developed a submission template, which signatories can use as a starting point to demonstrate their stewardship efforts. This can be supplemented by data, reports and case studies.[1]

[1] Exemplary submissions may be published by the Secretariat on the SSP's website as appropriate.

The effectiveness of these Principles hinges upon their application in spirit rather than compliance in form. Signatories should exercise considered thought on the application of these Principles and the disclosure of their stewardship activities, based on their organisational circumstances.

The Principles

The following seven Principles provide useful guidance to responsible investors towards fostering good stewardship in discharging their responsibilities and creating sustainable long-term value for all stakeholders.

1. **Develop and articulate stewardship responsibilities and governance structures.**
   Responsible investors demonstrate how their internal stewardship and governance policies protect and enhance the interests of their clients and beneficiaries.

2. **Monitor investments regularly.**
   Responsible investors exercise due diligence in overseeing their investment portfolios.

3. **Stay active through constructive and purposeful engagement.**
   Responsible investors conduct regular, effective and fair communication and enhance engagement outcomes.

4. **Uphold transparency in managing conflicts of interest.**
   Responsible investors disclose their conflicts of interest and prioritise the interests of clients and beneficiaries.

5. **Exercise rights and responsibilities on an informed basis.**
   Responsible investors ensure they make informed decisions based on their ownership policies, with the best interests of clients and beneficiaries in mind.

6. **Report stewardship activities periodically.**
   Responsible investors document and provide relevant updates on their stewardship activities.

7. **Take a collaborative approach in exercising stewardship responsibilities where appropriate.**
   Responsible investors collaborate, where appropriate, to influence investee companies and issuers.

P1. **Develop and articulate stewardship responsibilities and governance structures.**

Responsible investors demonstrate how their internal stewardship and governance policies protect and enhance the interests of their clients and beneficiaries.

GUIDANCE

1.1 Describe the organisational values and demonstrate how stewardship activities help investors align their own investment philosophies and behaviour with their duty to clients and beneficiaries.

1.2 Clearly articulate policies concerning investors' responsibilities and how sustainable value creation is promoted. The policies should explain the rationale for investors' own approach to stewardship (including outsourced activities[2]) and how it may be applied to various aspects of the investment process.

1.3 Outline internal governance structures, resources and processes as they relate to stewardship. Demonstrate how effective investment stewardship has been exercised.

1.4 Disclose the extent to which ESG factors are integrated into the investment process, and the ways in which ESG factors are considered. In doing so, asset managers may wish to refer to the Guidelines on Environmental Risk Management for Asset Managers.[3]

1.5 Update and review the effectiveness of stewardship policies and processes periodically. Define the implementation process and articulate the expected and achieved outcomes through the stewardship activities.

P2. Monitor investments regularly.

Responsible investors exercise due diligence in overseeing their investment portfolios.

GUIDANCE

2.1 Monitor investments regularly. Identify and address risks and opportunities, including ESG issues, that might affect long-term value creation. Build capacity in overseeing the investments to ensure alignment with investors' own stewardship approach and mandate over time.

2.2 The monitoring process should cover all factors that may affect the value of the investments, across asset classes.

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[2] For outsourced stewardship activities, investors are advised to discharge their stewardship responsibilities by outlining the expectations and the level of delegation to service providers.

[3] See: https://www.mas.gov.sg/regulation/guidelines/guidelines-on-environmental-risk-management-for-asset-managers

2.3 Should investors have concerns about their investment portfolios on these factors, concerns could be raised directly with the investee companies or issuers to address these issues. Where investors observe any deviation from applicable corporate governance practices, including Singapore's Code of Corporate Governance,[4] they should carefully consider the explanations given for the deviation, assess the reasons and, if necessary, take action as they see fit.

2.4 Investors may wish to make use of third-party service providers and ratings as a complement to proprietary processes in order to monitor the broad performance of their portfolio. Investors retain overall responsibility for stewardship in these circumstances, and should monitor the performance and behaviour of service providers to ensure that they are aligned with the expectations of clients and beneficiaries.

2.5 Demonstrate how the monitoring mechanisms help protect or enhance the value of investments.

P3. Stay active through constructive and purposeful engagement.

Responsible investors conduct regular, effective and fair communication and enhance engagement outcomes.

GUIDANCE

3.1 Develop an approach to engagement in line with investors' own investment strategies and stewardship policies to achieve meaningful and effective communication with investee companies. These communications should ensure mutual understanding and achievement of objectives, so as to meet the aims of long-term value creation, capital efficiency and sustainable growth.

3.2 Engage with investee companies on a range of topics, including strategy, long-term performance, risk, financials, sustainability, culture, remuneration, corporate governance and other ESG considerations. As part of these communications, investors should satisfy themselves that the investee company's board and board committee structures are effective, and that directors provide adequate oversight.

3.3 If any area of concern remains unresolved, have policies in place to escalate stewardship. Investors should apply escalation strategies such as issuing public statements, participating in collaborative engagements or exercising voting rights, before considering divesting their investments as a last resort, where practicable, if they fail to achieve a satisfactory outcome to long-term engagement.

3.4 In exceptional circumstances, where investors may be willing to be made insiders, they should indicate in their stewardship statement the willingness to do so, and the mechanism by which this could be done.

[4] See: https://www.mas.gov.sg/regulation/codes/code-of-corporate-governance

3.5 Describe the progress made and outcomes achieved in shareholder engagements. Document and incorporate the findings from the engagements into the decision-making process.

3.6 Review the effectiveness of the engagements periodically.

P4. Uphold transparency in managing conflicts of interest.

Responsible investors disclose their conflicts of interest and prioritise the interests of clients and beneficiaries.

GUIDANCE

4.1 Have clear written policies on identifying and managing conflicts of interest. These policies should be stated plainly on the investors' corporate website, and they should emphasise the asset owner's and asset manager's duties to act in the interests of their clients and/or beneficiaries and to be consistent with client mandates in fulfilling their fiduciary responsibilities.

4.2 When conflicts of interest arise, asset owners and asset managers should take all reasonable steps to prioritise their clients' and/or beneficiaries' interests over their own interest.

4.3 Communicate to service providers the need to disclose all potential conflicts of interest and explain how they are managed.

P5. Exercise rights and responsibilities on an informed basis.

Responsible investors ensure they make informed decisions based on their ownership policies, with the best interests of clients and beneficiaries in mind.

GUIDANCE

5.1. Have clear policies on proxy voting. These policies should include approaches to both general and specific voting issues. Ensure that proxies are voted in the best interests of their clients.

5.2. Participate and vote on all resolutions responsibly and on an informed, best-efforts basis, abstaining only in exceptional circumstances.

5.3. Clearly communicate information relating to voting, such as voting policies, the way votes have been exercised and records of votes cast. Disclose proxy voting results where appropriate. Explain how voting responsibilities are carried out and how influence is exerted across listed equities and other asset classes.

5.4. Maintain records of the votes exercised, including records of any deviation from investors' own voting policies, along with justification. If voting recommendations are made by service providers, exercise judgement on the recommendations in line with the interests of clients/beneficiaries.

P6. Report stewardship activities periodically.

Responsible investors document and provide relevant updates on their stewardship activities.

GUIDANCE

6.1. Proactively inform clients and broader stakeholders of the approach to stewardship. Explain how stewardship responsibilities are carried out and the extent to which investors adhere to their own stewardship policies or to these Principles. This information could be communicated in the form of annual stewardship reports and/or more frequent updates.

6.2. Maintain a record of stewardship activities. This should be readily available on the investors' website or their stewardship reports. Provide details on the process through which stakeholders can raise concerns.

6.3. Present stewardship reports effectively and efficiently, providing sufficient examples on how investors are accountable to their clients and beneficiaries when exercising stewardship responsibilities.

P7. Take a collaborative approach in exercising stewardship responsibilities where appropriate.

Responsible investors collaborate, where appropriate, to influence investee companies and issuers.

GUIDANCE

7.1. Collaborate with other investors, subject to regulations and as appropriate, in a way that collectively addresses an issue, or issues, that may have a material impact on investment performance. These could be company-specific (for example, capital allocation deficiencies), or part of a broader market-based engagement (for example, climate change).

7.2. Draw on investors' collective experiences to influence the practices and behaviours of investee companies or issuers. Subject to market regulations, investors could deepen their involvement with other stakeholders (for example, policy makers, regulators and industry bodies).

7.3. Explain the rationale of multi-stakeholder dialogues. Provide an overview of the collaborative engagements and initiatives participated, as appropriate, as part of periodic reporting. Disclose the outcomes of collaborative engagement and whether the objectives have been met.

Singapore Stewardship Principles (SSP) for Responsible Investors

Steering Committee

Members	Association of Chartered Certified Accountants
	Asia Pacific Real Assets Association
	CFA Singapore
	CPA Australia
	Investment Management Association of Singapore
	Institute of Singapore Chartered Accountants
	Securities Investors Association (Singapore)
	Singapore Institute of Directors
	Singapore Venture Capital and Private Equity Association
	Stewardship Asia Centre (Chair and Secretariat)
Supported by	Monetary Authority of Singapore
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