

Stewardship Insights 2025

This year's analysis reveals that voting remains the area where asset managers' stewardship activities differ most

Fixed income engagement is less developed than other areas of stewardship according to our observations

Furthermore, stewardship practices of asset managers are evolving to align more closely with asset owner priorities

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Introduction

In recent years, stewardship has emerged as a critical component of responsible investment strategies. Recently, it has gained increased attention, particularly in the context of the ESG (Environmental, Social, Governance) backlash. Often praised as a powerful tool for driving positive change, stewardship is not without its critics. Concerns have been expressed regarding the concentration of power and the potential risk of neglecting fiduciary responsibilities in the pursuit of sustainability objectives. Asset managers, in particular, have faced scrutiny regarding their ESG priorities and the extent of their influence on corporate behaviour. These dynamics have reshaped perceptions of stewardship in the last years, paving the way for its democratization. Through the decentralization of voting decisions and the customiza-

tion of engagement programs, asset managers aim to align their stewardship practices with investor preferences. This change in the allocation of voting rights has increasingly put institutional asset owners into the spotlight. Stewardship is not the sole responsibility of asset managers anymore but also of asset owners, who play a pivotal role in selecting and overseeing their asset managers. The growing trend indicates that asset owners are continuously taking a more active role in this area, demanding greater transparency and accountability from asset managers and seeking a stronger voice in the stewardship process. This evolution in stewardship practices does however not diminish its significance; rather, it underscores its importance. Both asset managers and asset owners are now compelled to engage more deeply with stewardship strategies and their long-term impacts. While the ongoing transition makes it difficult to identify universally optimal approaches, one principle remains constant: transparency is essential in stewardship activities of asset managers and asset owners.

In line with this perspective, we have refined our annual stewardship assessment to reflect these developments by updating our indicators, and placing greater emphasis on transparency and transition criteria. Our stewardship scorecard therefore provides a comprehensive overview of market trends and developments, and the revised indicators aim to even better represent our own stewardship beliefs and measure the alignment of asset managers to those. However, it is important to note that the scorecard represents only a snapshot, offering a ranking that serves as a valuable basis in the manager selection and engagement process. To gain a more nuanced understanding, we also conduct dedicated stewardship meetings with asset managers to explore their approach in greater depth. Nonetheless, the data collected through this process yields valuable insights and has led to noteworthy observations.

The present study seeks to capture changes relative to previous years and identify emerging trends and developments in stewardship practices of asset managers. The data used for this analysis is derived from our scorecard assessment¹, which incorporates both publicly available information and responses to a detailed and proprietary questionnaire.

Methodology

The findings presented in this study are based on data from nearly 50 international asset managers, spanning regions including the United States (US), United Kingdom (UK), Europe, Switzerland, and Asia². We have sourced data points on pre-defined evaluation criteria from publicly available information and responses to a questionnaire distributed to all asset managers. The assessment then is conducted with the scorecard, which is structured around three key dimensions: transparency and credibility, voting, and engagement. Together, these dimensions encompass more than 20 evaluation criteria, which serve as the foundation for the scores. The selection of the evaluation criteria featured in the scorecard is informed by extensive research, best-practice examples, and insights from previous years' results. Each dimension is scored on a scale of 0 to 6, with 6 representing the highest score and 0 the lowest. The overall score is calculated by equally weighting the three dimensions, following the same scoring logic (0-6).

This rigorous methodology ensures that the scorecard provides a robust and balanced framework for assessing stewardship practices across a diverse set of asset managers but also neglects certain specific set-ups and strategies. To counteract this, dialogues with asset managers are being held, that provide background and rationales.

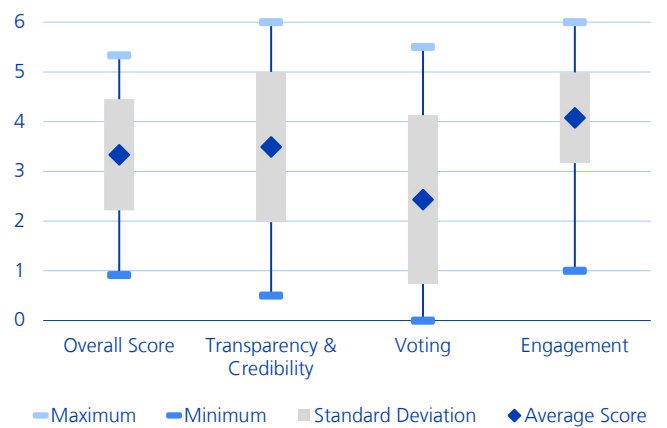
1. For further details refer to the methodology box
2. Sample size for Asia is not representative and is therefore neglected in further analysis

Findings

This year's asset manager stewardship assessment³ offers a nuanced view of both intra-year comparisons among peers and historical developments over the past three years. The findings reveal a complex and evolving stewardship landscape, shaped by regional differences, varying stewardship strategies, and emerging trends. This year, the average score across the assessment dimensions — voting, engagement, and transparency / credibility — remains consistent with previous years. Engagement continues to score the highest, reflecting its established role as a cornerstone of stewardship, while voting scores are on average the lowest and show the greatest variation among asset managers (Chart 1). This divergence highlights the diversity of approaches and priorities within the voting dimension, making it the most dynamic and evolving area of stewardship at the moment.

Chart 1: Voting shows the lowest average score and the highest variation out of the three assessed dimensions

Average stewardship scores and their standard deviation

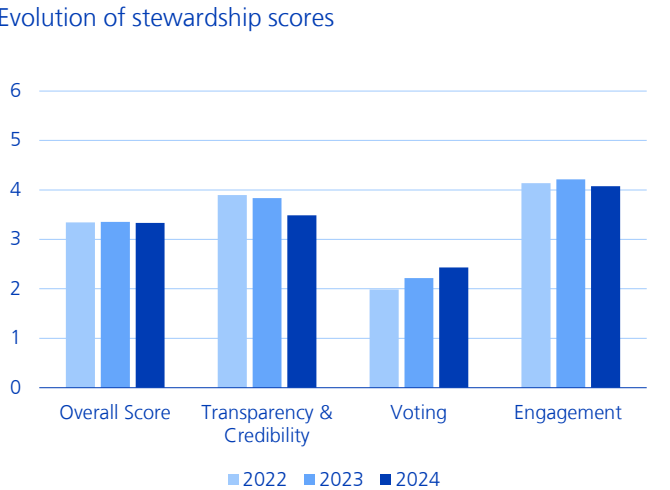


Sources: Zürcher Kantonalbank

3. Based on data from 2024

A historical comparison in Chart 2 reveals a steady overall stewardship score over the past three years. The underlying dimensions however point in different directions. The upward trend in the voting score is mainly driven by greater availability of data. Nevertheless, it is worth noting that minor changes to the scorecard indicators may have influenced results, particularly in the engagement dimension. In the transparency and credibility dimension, the decline of participation rates in collaborative initiatives — especially among US managers — has emerged as a significant factor affecting scores.

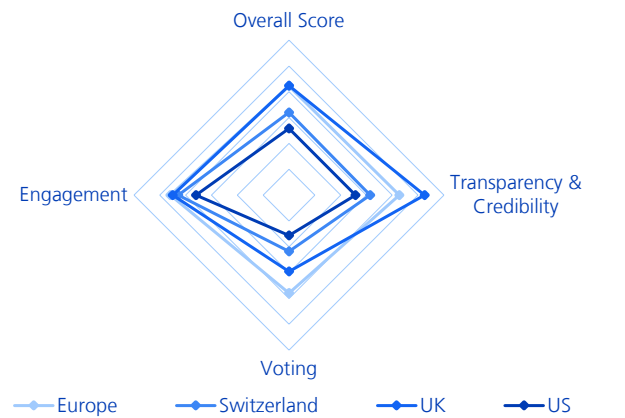
Chart 2: A historical comparison across dimensions reveals that scores have progressed in different directions



Regional differences remain a defining characteristic of stewardship practices. European and UK asset managers consistently lead the ranking across all dimensions, with Switzerland occupying a middle ground and US managers trailing behind (Chart 3). In voting, European managers rank the highest, reflecting their steady support for ESG proposals and proactive use of voting escalation tools. UK managers, on the other hand, excel in transparency and credibility, driven by their leadership in collaborative initiatives and their commitment to publishing detailed and transparent stewardship reports. These regional disparities are closely tied to differing regulatory and political environments, which shape the priorities and practices of asset managers.

Chart 3: European and UK asset managers are leaders across all dimensions

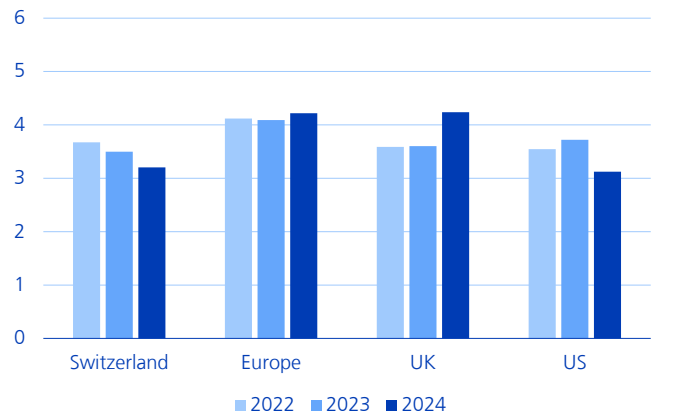
Average scores by region



The perspective that the trajectory of progress in stewardship is influenced by the current political and regulatory landscape in which an asset manager operates in is further underscored by the historical development of the average score by region (Chart 4). Asset managers in Europe and the UK have shown improvement and increased commitment to ESG, whereas the trend in the US presents a different or even contrasting picture.

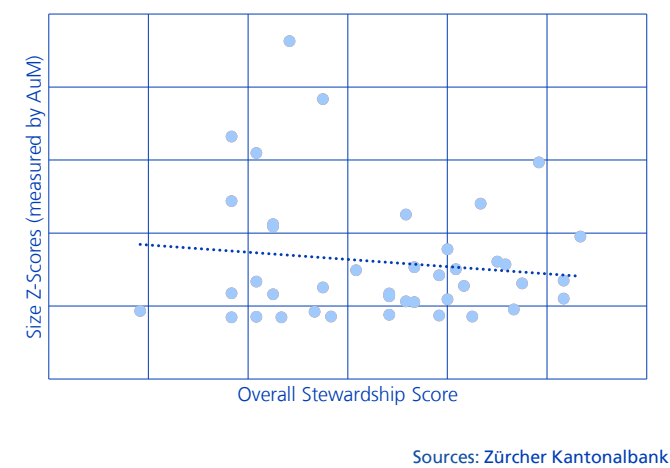
Chart 4: The development of the scores show differing directions for each region

Historical overall scores per region



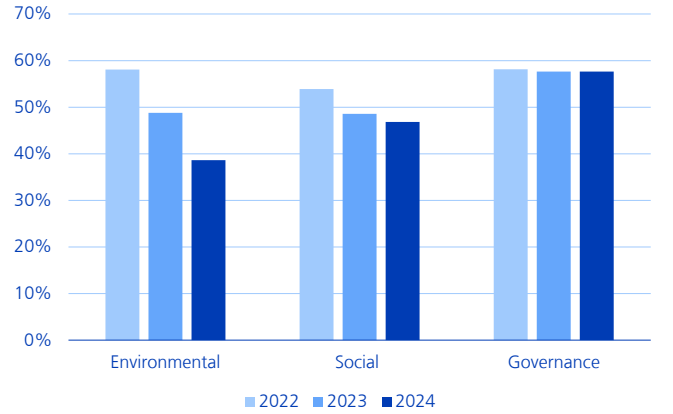
Interestingly, Chart 5 suggests that larger asset managers do not necessarily have more advanced or professionalized stewardship practices. This finding is particularly evident in the voting dimension, that shows the biggest divergence.

Chart 5: Large asset managers do not necessarily have an advantage achieving a higher score
Correlation of stewardship score and size of an asset manager



When examining voting practices in greater detail, clear trends emerge. Over the past three years, overall support for shareholder proposals has declined, particularly for environmental and social proposals, while approval of governance-related proposals has remained practically steady (Chart 6). The decline in shareholder support is most pronounced in the US where support quotas are generally low. However, the support for environmental proposals has dropped in every region.

Chart 6: Support for social and environmental shareholder proposals decreases steadily
Historical comparison of ESG shareholder proposal support quotas



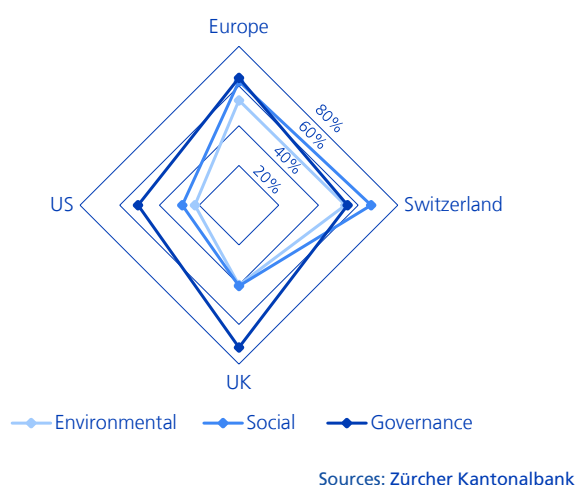
Sources: Zürcher Kantonalbank

While environmental (E) proposals have become steadily less backed by investors, the trends for social (S) and governance (G) proposals present a more varied picture. Support for social proposals has experienced a less pronounced decline. For instance, European asset managers have voted in favour of more shareholder proposals related to social matters than in previous years.

Overall, distinct regional patterns emerge in terms of support for the three themes of shareholder proposals. Europe and Switzerland continue to demonstrate relatively high support levels for both E and S proposals, whereas the UK and the US tend to focus more on G proposals, which generally receive the highest levels of support. An exception is seen among Swiss asset managers, who place greater emphasis on social topics (Chart 7).

Chart 7: Environmental proposals tend to get the lowest ratio of support

ESG shareholder proposal support quotas per region



Voting, however, is seldom viewed as a completely independent tool and is frequently employed in conjunction with the engagement approach, particularly in situations involving escalation. The use of escalation tools related to proxy voting, such as filing shareholder proposals, is however also declining. While European managers are more likely to file proposals than their US counterparts, the trend shows a reduction in their use. Overall, almost half of the asset managers indicated that they occasionally file proposals. Approximately 40% of all questioned asset managers reported having submitted a proposal within the past three years, while only 30% of those stated they have filed a proposal in 2024.

Similarly, pre-declaration of votes — a strategy used to signal voting intentions in advance — is more common among European managers but remains underutilized in the US. Over 70% of asset managers in Europe report publishing their voting intentions in advance. In contrast, this figure is just over 10% in the US. Meanwhile, Switzerland and the UK find themselves at approximately 40%.

Voting against management recommendations, often referred to as the most powerful escalation tool to express dissatisfaction with corporate decision-making, follows a similar regional pattern, with European managers

leading in this area. While historical data substantiating the growing prevalence of this practice is unavailable, a regional analysis reveals that, consistent with other findings, European asset managers exhibit the highest percentage of votes against management (with on average 19%). In contrast, the US and Switzerland report the lowest quota of votes against management with an average of 12%.

With the generally declining importance of voting escalation tools, pass-through voting has emerged as one of the most polarizing topics in stewardship currently as asset managers increasingly had to face critics about their influence and asset owners more and more want to take on responsibility and be able to exert some influence. Its adoption is steadily increasing, with a growing number of currently around 18% of asset managers offering some sort of voting choice solutions to asset owners, and additional 10% stating that they are planning to offer programs in the future. Current data indicates that larger asset managers are more inclined to adopt or have already implemented voting choice programs.

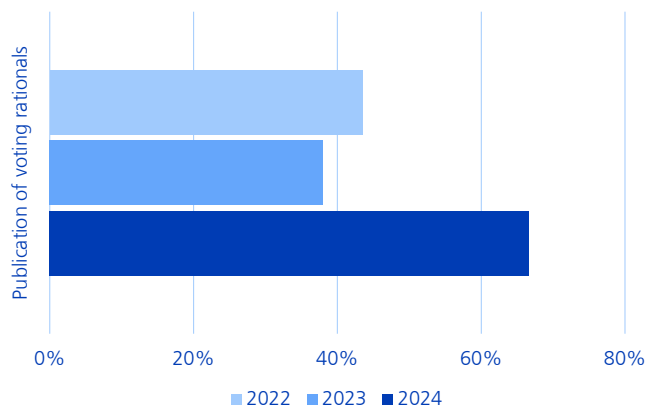
Pass-through voting

In pass-through voting, asset managers enable asset owners to raise or select their voting preferences and vote according to their instructions. This concept promotes democratization, giving investors and asset owners greater influence while reducing the control traditionally held by asset managers.

This development reflects a broader push for transparency and democratization in voting practices. Accountability towards asset owners is on the rise, as further evidenced by the rising number of asset managers publishing voting rationales (Chart 8). In 2024, this number has increased significantly compared to previous years, underscoring the growing demand in the market for greater influence and transparency.

Chart 8: An increasing number of asset managers is publishing voting rationales

Percentage of asset managers publishing voting rationales



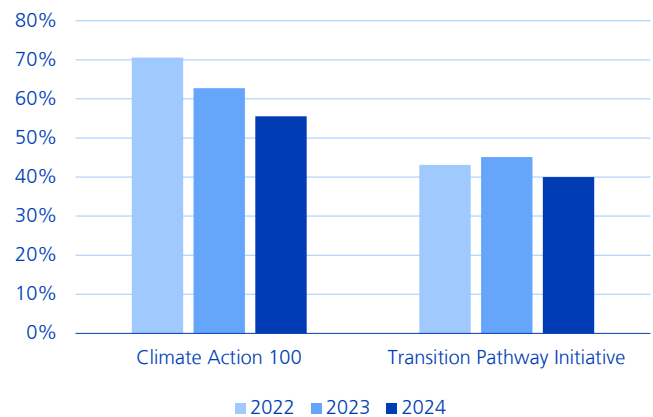
Sources: Zürcher Kantonalbank

In the credibility dimension, regional differences are again evident. US managers score lower due to reduced participation in collaborative initiatives, while European managers are not only more likely to engage collectively but also to take leadership roles within these initiatives or collective engagements. Interestingly, biodiversity initiatives are gaining prominence, surpassing climate initiatives in membership numbers. Specifically, the data shows that, on average (considering three initiatives within each topic), approximately 50% of asset managers participate in a biodiversity or nature-related initiative, while around 40% are involved in climate-focused initiatives.

One initiative stands out as particularly dominant: the FAIRR Initiative, which counts over 70% of the assessed asset managers as members. Interestingly, Chart 9 shows that, while the TPI (Transition Pathway Initiative) has seen minimal changes, Climate Action 100+ exhibits a steady decrease in participation rates among the sampled asset managers, primarily driven by the withdrawal of many US-based managers.

Chart 9: Climate Action has initially seen greater support, but recently also more withdrawals

Average climate initiative support during the last three years



Sources: Zürcher Kantonalbank

Regarding climate engagement, the survey showed that, while a majority of asset managers report engaging with portfolio companies to encourage the adoption of Science-Based Targets initiative (SBTi) goals, but only a smaller proportion have adopted these targets for their own operations. The data reveals that just under 30% of surveyed asset managers have implemented the climate targets at their own firm level, while nearly 85% report engaging portfolio companies on the issue. The analysis indicates that asset managers with firm-level SBTi targets outperform their peers, demonstrating a higher average stewardship score compared to those who didn't adopt the targets themselves or are solely focused on engaging portfolio companies on the topic.

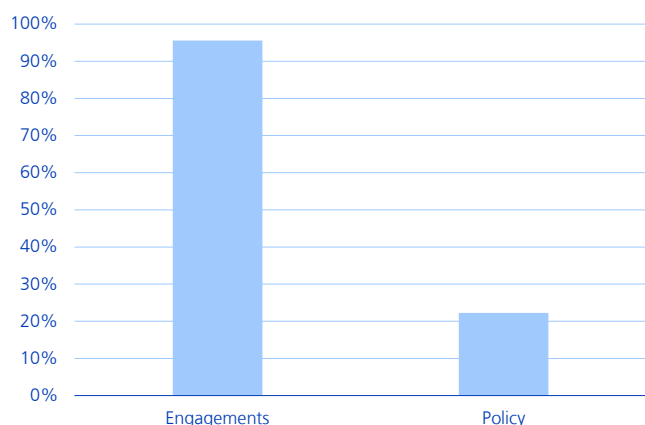
In general, it is visible that biodiversity and climate remain among the most significant engagement topics for asset managers. However, they rank behind governance, which continues to dominate as the primary focus area. A review of individual engagements and case studies reveals a concerning trend: over the past three years, the examples published by asset managers have become less outcome- and impact-oriented. This trend also exhibits regional variations.

On a positive note, however, asset managers have made progress in defining clearer escalation processes over the past three years. The number of asset managers with dedicated escalation processes grew to almost 100% over the last three years. But only approximately half of asset managers that have an escalation process in place also publicly share detailed escalation case studies or examples in their reports.

Escalation processes, however, vary significantly, particularly across different asset classes. This prompted a closer examination of approaches within the fixed income space. Fixed income stewardship, while often overlooked, is an important yet underdeveloped area. Nearly all asset managers conduct fixed income engagements, but only a small percentage have adopted specific policies (including escalation steps) tailored to this asset class (Chart 10). Collaborative initiatives focussing on fixed income stewardship are also less common and less popular than their equity counterparts.

Chart 10: The majority of asset managers conduct fixed income engagements, but only few have a dedicated policy

Numbers on fixed income stewardship



Sources: Zürcher Kantonalbank

Fixed Income Stewardship

While some asset managers specialize in a specific asset class, most incorporate equity and fixed income assets as part of their product offering. By share of assets under management (AuM), fixed income represents a significant portion of many asset managers' portfolios. Similar to how equity ownership can be leveraged to engage firms, fixed income investments can also serve as a starting point for meaningful interaction with portfolio companies. However, fixed income stewardship is often overlooked, and asset managers engagement strategies are mainly tailored to equity investments.

While both forms of engagement share similar goals, there are important differences in how they are conducted, the roles investors play, the instruments they can leverage, and the level of influence they can exert. Fixed income engagement typically occurs around bond issuance or refinancing rounds. In the fixed income space, asset managers typically face a broader issuer universe offering diverse and extended engagement opportunities (e.g. sovereign and municipal issuers). This allows investors to address not only specific risks but also systemic challenges. However, in terms of escalation processes on the corporate side, a bondholder lacks the powerful option to vote at an AGM. This, on the other hand, can be mitigated through collaborative advocacy by joining forces with equity holders to amplify influence.

Despite the differences between equity and fixed income characteristics, both play a vital role in effective stewardship. When combined, they create a comprehensive stewardship strategy, complementing and reinforcing one another.

Summary

This year's stewardship assessment provides a comprehensive view of the evolving stewardship landscape. The findings clearly illustrate that voting remains the most dynamic and diverse dimension, with significant regional differences and ongoing industry developments. European managers continue to lead the ranking with their voting practices, maintaining steady support for ESG proposals, while US managers have changed their voting behaviour more significantly. The fall in support of ESG shareholder proposals is one of those developments. Furthermore, the rise of pass-through voting is driven largely by US managers. It represents a step toward democratization and transparency, though it raises questions about the future role of voting as an escalation tool.

"Voting remains the most dynamic and diverse dimension with ongoing industry developments, that include asset owners more"

In the engagement dimension, the topic of biodiversity has gained momentum. This can also be seen in the rising number of memberships in collaborative initiatives focusing on biodiversity, whereas more asset managers exit climate initiatives. In general, asset managers are focusing stronger on individual engagements again.

Little focus however is put on fixed income stewardship, which according to our observations is lagging behind, with fewer strategic policies and collaborative initiatives compared to equity-focused approaches, leaving room for progress.

In terms of regions, patterns remain consistent across all dimensions, with Europe and the UK leading in all three categories, Switzerland in the middle, and the US trailing behind. These differences are often shaped by varying regulatory and political environments, which influence the priorities and practices of asset managers.

Conclusion

Overall, the findings highlight the dynamic nature of stewardship, with significant regional differences, evolving trends in voting and engagement practices, and a growing emphasis on transparency. Pass-through voting exemplifies the evolving dynamics of stewardship but at the same time also raises broader questions about the future of engagement. If asset managers relinquish voting control, their ability to complement engagements with voting decisions and its status as an escalation tool may diminish. However, despite the potential weakening of the influence on companies, this shift could strengthen the relationship between asset owners and asset managers, fostering deeper alignment over time. It remains to be seen how exactly this development will affect engagements by asset managers.

While asset managers are increasingly shifting toward individual engagement and placing less emphasis on collaborative climate initiatives, biodiversity appears to buck this trend. This suggests that the level of support for initiatives may be linked to the maturity and complexity of the underlying topic. Unlike climate, where data is more readily available and the issues are relatively well-defined, biodiversity remains a more complex and less tangible topic to address for many asset managers.

Similarly, fixed income stewardship represents another area of lower maturity within the industry. As the equity space continues to diversify and innovate, there is significant untapped potential in extending these advancements to fixed income stewardship. Despite its current underdevelopment, fixed income stewardship offers opportunities for growth through tailored approaches and tools.

"By addressing the fixed income stewardship gap, the industry can move toward a more impactful and holistic stewardship approach"

In conclusion, the broader involvement of different market players (e.g. asset owners) and a focus on more holistic approach including different asset classes create opportunities to strengthen the development of impactful and value creating stewardship.

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