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STEWARDSHIP CONCEPT AND G20/OECD PRINCIPLES OF CORPORATE GOVERNANCE 2023

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Abstract

The paper examines the specific topic within corporate governance and capital markets-stewardship principle and stewardship concept. With regard to contemporary G20/OECD Principles of Corporate Governance (2023) the role of the steward and stewardship code are discussed from a theoretical point of view and the perspective of the practice. Observation of the Principles (2023) is followed by a comparative analysis of agency theory and stewardship theory. Implementation of the stewardship codes all over the world is analyzed. Latest developments with regard to the stewardship principles and stewardship codes in the EU are discussed.

Keywords: agency theory, corporate governance, stewardship concept, codes, sustainability

JEL: D24, G30, G34

The case

On the way to Bulgaria's accession to the OECD many official OECD documents have been translated into Bulgarian. A careful examination of one of these translated documents has revealed that the original terms in the English language are not translated properly. The problem here is not about the correctness of the translation and the competence of the translator. This has to do with the absence of certain phenomena in Bulgaria's economic and social development and hence with the lack of adequate Bulgarian terms for their English equivalents.

This case has provoked my interest to examine through the lens of theory and good practices certain statements in G20/OECD Principles of Corporate Governance (2023) that impeded the translation of the document mentioned above.

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Introduction: objectives, main tasks and research methods

About the objectives and main tasks

The objective of this paper is to investigate a certain norm within of the framework of G20/OECD Principles of Corporate Governance 2023 – the theory and practice about the *steward, stewardship codes and their embedment in the institutional investors' scope of activities.*

Accordingly, the main tasks are:

- to examine the Principles and to analyze the theory underlying some sub-principles in the Second and Third Chapters/Second and Third Principles;
- to look for buy-in from the theoretical fundament of Corporate Governance on the engagement of institutional investors – the stewardship concept;
- to observe the current practice in the implementation of the steward and stewardship in EU Member States and on the global arena;
- and to elaborate on some recommendations to the Bulgarian investment community (institutional investors) how to decode the steward and the stewardship in the context of the current EU legislation and practice and the G20/OECD Principles for Corporate Governance (2023) with respect to the Bulgarian membership in OECD;
- to contribute to the better understanding and implementation of modern concepts about Corporate Governance.

About the research methods

In the course of the work on the paper, traditional scholar research methods are employed: desk research (literature study; examination of business documents and official documents – Directives, Laws, Codes etc. Data sources (Scopus, Pro Quest, Web of Science, Academia edu) are thoroughly examined. An acceptable method – the sourcing of information from the websites of Bulgarian institutional investors is also employed (Boeva, Todorov, 2024). Formal interviews and surveys are not considered for obtaining information. Actually, the reason for this study (see the case at the beginning of the article) – an inadequate translation of the *term steward* and a lack of understanding about this phenomenon among the practitioners in Bulgaria provide the study with first-hand information.

Structure of the paper

The algorithm of the research and the development of the paper determined its structure. The paper is structured as follows:

Part one: Observation of G20/OECD Principles of Corporate Governance 2023 or why Theory Matters.

Part two: How to Understand the Steward and Stewardship Concept.

Part three: About the Globalization of the Stewardship Concept or about the „Export“ of UK Stewardship Code.

Part four: Conclusion.

Observation of G20/OECD Principles of Corporate Governance 2023 or Why Theory Matters

G20/OECD Principles of Corporate Governance 2023 (Principles 2023) are the 4th edition. The crises (1998; 2008 and COVID 2019) and the new challenges: climate crisis; social inequality and digitalization trigger the work and launch the edition under observation. The Bulgarian business community, regulators and academia are not passive observers of these processes, but they promote and implement all editions in the National Corporate Governance Code and other documents. Certain principles are embedded in EU Directives (Shareholders Rights Directive I and II; Capital Requirements Directive). As said above, Bulgaria on its road to OECD membership and is actively promoting the Principles 2023 and is engaged in their implementation[2].

OECD principles are the „leading international standard for corporate governance“ (G20/OECD, 2023). It is this document that states the unified, globally accepted understanding of corporate governance. „Corporate governance involves a set of relationships between a company’s management, board, shareholders and stakeholders. Corporate Governance also provides structure and systems through which the company is directed and its objectives are set, and the means of attaining those objectives and monitoring performance are determined.“ (G20/OECD, 2023). In the Bulgarian National Corporate Governance Code 2024 this definition is replicated. For listed companies, as well for the State Owned and Municipalities owned companies this definition is a useful guidance to exercise their functions and to differentiate two important phenomena – corporate governance and management.

In accordance with the objective and the tasks of this paper the stewardship concept and the steward persona are examined through the system of Principles 2023 or, to put it differently, how these Principles encourage and promote the stewardship concept globally.

Principles 2023 encompass 6 Principles:

I. *Ensuring the Basis for an Effective Corporate Governance Framework*

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[2] Bulgarian National Corporate Governance Commission – the Guardian of National Corporate Governance Code (Soft Law) and capital market regulator (Financial Supervision Commission) launch several Roundtables about G20/OECD Principles of Corporate Governance 2023. These events aimed to promote the Principles and to explain their rationale to the Bulgarian business community.

This principle lays the rights and duties of the legislators and regulators with regard to corporate governance. Principles 2023 underline the role of the soft laws-national corporate governance codes in this framework: „The legislative and regulatory components of the corporate governance framework can usefully be complemented by soft laws elements such as corporate governance codes“ (G20/OECD, 2023). A statement which is relevant to the analysis and discussion in this paper. The next chapters shed light on the nature of the steward within capital markets and the role of codes of a special kind – a stewardship code to contribute to transparent capital markets.

II. The Rights and Equitable Treatment of Shareholders and the Ownership Function

The principle and the chapter that sheds light on the rights, on the protection of the rights, replicate the norms of the first edition of the OECD Principles (1999). The basic rights are as follows: *right to secure ownership registration; right to convey or to transfer shares; right to obtain relevant and material information on the corporation on a timely and regular basis; to participate and vote in general shareholder meetings; the right to elect and to remove the members of the board; the right to share in the profit of the corporation; the right to elect, approve and appoint an external auditor* (G20/OECD, 2023). Attention is paid to the equitable treatment of minority shareholders.

The Principles envisage norms and recommendations for the tackling with some of difficult phenomena in corporate governance – related party transaction and market of corporate control.

III. Institutional Investors, Stock Markets and other Intermediaries[3]

This Principle and chapter, respectively the translation of certain texts provoked my interest to elaborate on the topic of this paper – to go beyond the term and to look for theory and good practice. „The Corporate Governance Framework should provide sound incentives through investment chain and provide for stock markets to function in a way that contributes to good corporate governance“ (G20/OECD Principles, 2023).

Some statements about the current trends in capital markets and corporate ownership structure in this part of the principles are relevant to the objectives of this paper: increasing the role of institutional investors and asset managers in the investment chain (individual investors – institutional investors/ asset managers – investee companies), on the one hand, and the lack of effective shareholders engagement of institutional investors/asset managers, on the other, and enabling improper behaviour with regard to individual investors: „… the investment

[3] As above mentioned it is the Third Principle/Chapter and its translation from English Language into Bulgarian that challenged the development of this paper: formal translation of the word steward and the lack of correct understanding of the meaning of the term.

chain is often long and complex and numerous intermediaries stand between the ultimate beneficiary and the company" (G20/OECD Principles, 2023). The document sheds light on various business models of institutional investors/asset managers in regard to their clients (ultimate beneficiary; individual or institutional investors) incl. the lack of disclosure about these models or lack of shareholders engagement.

It is this part of Principles (sub principle) which recommends the implementation of stewardship codes or codes of shareholders rights engagement to mitigate the abovementioned problem. „*Stewardship codes may offer a complementary mechanism to encourage such engagement*". *The principles, as well their implementation, encourage the development and disclosure of the stewardship policy of the institutional investors/asset managers. This policy is about the accountability to the ultimate beneficiary, disclosure about the engagement of the investors in corporate governance in investee companies – voting, election of boards etc., as well potential conflicts of interest within the institutional investors (staff, managers, etc).* In the next chapter these functions will be examined thoroughly through the lens of theory (academic researches) and good practice (national and international stewardship codes).

IV. Disclosure and Transparency

This Principle promotes disclosure as one of the pillars of corporate governance with focus on the „timely and accurate disclosure… on all material matters regarding corporation incl. financial situation, performance, sustainability, ownership, and governance of the company" (G20/OECD 2023).

This principle evolves from the first OECD Principles of Corporate Governance editions (1999; 2004; 2015). In the edition under observation, attention is paid to sustainability disclosure (sustainability related information). Foreseeable risks factors are required to be communicated. Parallel with the disclosure of well-known financial, market risk, disclosure has to disclose geopolitical risks, risks related to supply chain and sustainability risks „notable climate – related risks".

The Principle and the sub principles are relevant to the above mentioned norms that the stewards have to respect – disclosure and transparency. It is the transparent behaviour of the boards that enable engagement of the institutional investors.

V. The Responsibilities of the Boards

This Principle and sub-principles focus on the accountability, shareholders' engagement and functions of the board, although different jurisdiction envisages different governance structure – one tier boards; two tier boards and three tier board, the OECD Principle and sub-principles are universal. OECD recommendations are applicable in various capital markets. „The Principles state two key fiduciary duties for the board members: duty of care and duty of loyalty" (G20/OECD 2023). In this part the detailed information is about the duties and their practice; ethical standards and functions of the boards: reviewing and guiding corporate strategy; major plans of actions; annual budgets; business plans, setting performance objectives; monitoring implementation and corporate performance; and overseeing major capital expenditures, acquisitions, divestitures; reviewing and assessing risk management policies and procedures.

This observation intendedly sheds light on the board functions due to their contribution not only to the performance of the company, but to the understanding of the essence of corporate governance and the difference from the management of the company. Better corporate boards – better capital markets and economy, as well as functioning relations between capital market players/institutional investors, stewards, retail investors

VI. Sustainability and resilience

The sixth Principle is new in G20/OECD Principles for Corporate Governance(2023). It embeds well known respect and considering the rights and the interests of the stakeholders. The focus is on the stakeholders' engagement with the corporate boards: Stakeholders‘ engagement is recommended: employees' shares, boards inclusion, compliance with "…OECD Guidance for Multinational Enterprises and associated due diligence standards" (G20/OECD 2023).

The focus of the Principle is also on sustainability and its inclusion in corporate governance; new challenges for the boards – sustainability reporting; new risks and environmental hazards and their responsibilities to the investors to communicate their sustainability policy with the investors. Flexible and gradual approach is recommended to the corporate directors for coping with the new „reality"… may face a learning curve in their understanding of sustainability matters and may need time to develop adequate processes and good practices." (G20/OECD 2023).

This chapter provides information to the companies how to cope with contradiction – adoption profit and non-profit objective (public benefits objectives) on the one hand, and dissenting shareholders. Among the recommended solutions on how to cope with this contradiction are: preliminary shareholders' approval of company plans and strategies or the opportunity for dissenting shareholders to sell their shares to the company at fair prices.

This short observation aims to sketch the concept and main messages of the latest edition of Principles of Corporate Governance – G20/OECD Principles of Corporate Governance 2023. It is the framework for adequate understating the topic that triggers the development of this paper – the *stewardship concept and stewardship code. As mentioned this is the third principle „Institutional investors, stock markets and other intermediaries" that explain why these codes are important for the good corporate governance.* The future OECD membership of the country, on the one hand and the meeting of acceptance requirements for the membership (MFA, 2024)[4], will enlarge the number of businesses, politicians and citizens that have better and adequate understanding of the G20/OECD Principles of Corporate Governance.[5] New developments in EU (see the last part of the paper) challenge the necessity for adequate understanding about the steward and the stewardship concept.

How to Understand the Steward and Stewardship Concept

Principles 2023 promote the stewardship concept from the perspective of corporate governance, as well from the perspective of the institutional investors engagement with their clients and the companies. Are there any differences between the two perspectives or is this is a multi-faceted phenomenon? Observation of the literature leads to the answer. Information was sourced from several databases. Around 1700 titles are examined in Scopus. A small number of these publications provide information related to the topic of research of this article – corporate governance and institutional investors. Stewardship is investigated within health care; environment protection, administration, international organizations. There are similar findings in other databases: ProQuest, Web of Science.

Previous studies and current literature observation led to two interrelated theoretical views: the view about the stewardship concept as a driver for the improvement of corporate governance with focus on the main actors: boards and managers, on one hand, and the view about the stewardship concept as an enabler for coping with the problems within relations of institutional investors and their clients, on the other.

[4] From the legal instruments, accession to which is considered mandatory In the Framework for the Consideration of Prospective Members, Bulgaria has acceded to 6 out of 8 OECD standards: Convention on Combating Bribery of Foreign Public Officials in International Business Transactions; Recommendation on Principles of Corporate Governance; Recommendation on Principles for Internet Policy Making; Recommendation on Good Statistical Practice; Inclusive Framework on BEPS Implementation; Global Forum on Transparency and Exchange of Information for Tax Purposes to the OECD. The process of adhering to the remaining 2 standards is underway, i.e. to the OECD Codes of Liberalisation of Capital Movements and Current Invisible Operations and to the OECD Declaration on International Investment and Multinational Enterprises and related instruments.

[5] OECD Principles of Corporate Governance incl. 2023 are well known by experts, by business community. The problems, as mentioned above it the need of proper and adequate understanding concepts, resp. terminology that are product of different socio economic system and are recognized by international community of politicians, business communities, academia, etc.

Agency Theory vs Stewardship Theory

In the modern school of thought two theories about the essence of corporate governance and the nexus of relations within the corporations – the relations between the shareholders and their representatives (boards), and the managers, dominate: *agency theory and stewardship theory.*

Agency theory rests on the fundaments *of economic theory*. The relations within the governance structure in the joint stock companies are qualified as relations between the principal (owners, shareholders) and agent (management, board of directors) within an intermediary contract(s). Different interests of the partners, information asymmetry (the agent does not disclose properly information to the principal); increasing costs on behalf of the principal to get information, lack of loyalty of the agents towards the principals, feature this relation and related problems. Agency theory fathers state „We define the agency relationship as a contract under which one or more persons (the principal(s) engage another person (the agent) to perform some services on their behalf which involve delegating some decision making authority to the agent" (Jensen, Meckling, 1976). Although the American scholars focus on theory of the firm their observations on principal – agent relations enable the theoretical explanation of corporate governance. Their study revealed problematic areas in the above relations and encourage further theoretical studies and initiatives of the business and the regulators. A lot of legislative and regulatory measures aim to mitigate the above- mentioned conflict.[6]

In a nutshell the agency theory, known as dyadic theory (Katelouzou, 2024) rests on a model of agent – principal relations/contract. Managers, according to this theory are not always loyal – „managers seek self-interest over shareholder benefit" (Kiel, Nicholson, 2001). Various studies that use this economic model to construct the relations within listed companies reveal the above problems incl. information asymmetry, and the mitigation of the problems requires extra resources. It is an actual fact that the evolution of corporate governance mechanics, is related to different measures for coping with these problems.

It is the *stewardship theory* that aims to offer solution to the above problems. Stewardship theory creates a new player within the corporate governance – *the steward*. A few words about this player. According to the information that is derived from various sources steward originates from the Old English word „stigweard", meaning guard („weard") of the hall („stig")[7][8]. The „stigweard" was a

[6] Contemporary EU Legislation; National Laws; Corporate Governance Codes.

[7] This etymological approach is followed by other scholars (Katelouzou, 2024). My own research in AI-Chatbot GTP find another explanations, which do not add value to the purpose of the paper.

[8] Careful examination of the origin of the stewardship concept leads reveals a different perspective. In theology: In the Gospel According to Luke 16:1–13, (NABRE), Jesus

person with high position within the aristocracy or a person who is taking care of the household of the rich man. Another view on the role of the steward one could find in the publications of Adam Smith. According to A. Smith, the „steward is a servant of the rich man". In „Wealth of Nations" Part III Of the expense of Public works and Public Institutions he compared the „courts" (board of directors) of joint stock companies with the steward. In parallel, he criticized the „courts" for their negligence.[9] It is interesting to mention that the abovementioned article of Jensen and Meckling (Jensen and Meckling, 1976) starts with this paragraph of A. Smith „Wealth of Nations".[10]

The stewardship theory rests on the management model of the relations between the owners and the managers within the company. Management theories and concepts are the framework for the development of a new type of relations, that differ from the economic model of principal and agent within the governance structure. The proponents of the stewardship theory offer a new role of the managers or as above said they design a „new actor". It pays to search for evidence in one of the original articles in order to answer the questions: *Why steward and Why stewardship theory.* The authors explained clearly „… a view of managerial motivation alternative to agency theory and which may be termed stewardship theory … the executive manager, under this theory, far from being an opportunistic shirker, essentially wants to do a good job, to be a good steward of the corporate assets" (Donaldson & Davis, 1991). The results of an empirical test fail to support the agency theory and provide some support for the stewardship theory (Donaldson & Davis, 1991). The design of the new model of relationship within the governance structure rests on comparative study of Australian and US listed companies. This „limitation"[11] of the sample of the research provoked critics of the scholars about its implementation.

The stewardship theory is aligned with a different domain of the science – *management theory* with focus on human behaviour. The „*agent*" from the agency theory is considered a representative of Theory X, on the opposite the newly created actor – *the steward* „is a representative of theory Y (McGregor, 1960).[12]

presents a parable about stewardship. The word that the evangelist uses for stewardship, οἰκονομία (oikonomia) is a complex Greek word that defies simple translation. In this Sunday's parable, Jesus is describing a steward who is entrusted to manage a household, and oikonimia is used as an image of management of more important things.

9 As above stated, the purpose of this paper is to present the adequate academic explanation about the birth of the stewardship and the remake of the economic player – „the steward".

10 According to my knowledge (previous and current studies) there are few papers that refer to this topical explanation of the stewards.

11 The research sample encompassed companies from two countries.

12 The theory is well-known and its clarification will not add value to the discussion in this paper.

The X model or X man is associated with the agent – a self-serving person, on the other hand, Y man or Y model is associated with a pro-collective/pro-organizational person with the ability to take decisions and accept responsibilities. „Stewards are motivated to act in their best interest of their principals“ (Davis, Schoorman, Donaldson, 1997).

The stewardship theory, which „borrows“ McGregor's model, portrays in a new way the relations within the governance structure: trust aligned with the goals of the owner and the manager. The Y model or the steward „… safeguarding of returns to shareholders may be along the track, not of placing management under greater control by owners, but of empowering managers to take autonomous executive action“ (Donaldson, 1991). Regardless, modern stewardship theory is considered a product of management theory, it is a combination between the management concept on the one hand, and the economic view about economic players with the relations between the owners and their loyal servants (Smith, A.). This view is supported by earlier studies (prior to the Global Financial Crisis). Australian researchers examine the impact of the stewards (managers of the company) on the economic performance (Kiel, Nicholson, 2001).

The observations and conclusions in this chapter facilitate the next step of the research and answering the research question. Both agency and stewardship theories are theories about corporate governance. The next parts of the paper examine the shift of the implementation the stewardship concept and principle from the corporate arena (corporate governance) to the implementation in the relations within the investment chain/capital markets.

The Stewardship concept as an enabler for better relations within the investment chain or how the Financial Turmoil (Global Financial Crisis 2008) enabled the remake of the stewardship concept in UK financial industry. How the first Stewardship Code was developed or about the Sir David Walker Report

In the preceding part of the paper the stewardship concept is analyzed with regard to the corporate governance with a focus on the engagement of boards and management – duty of care, duty of loyalty. In accordance with the objective of the paper it is important to answer the question why this concept enable another usage – investment chain field and why the first stewardship code was developed and accepted by the institutional investors (asset managers; life insurance companies, pension funds).

The stewardship codes and the stewardship concept are discussed in previous publications (Boeva, 2020). Referring to the above-mentioned researches it is noteworthy to remind that it was the Global Financial Crisis (2008) and the related problems in capital markets that led to the launch (remake) of the stewardship concept on the one hand, and the development and implementation of the stewardship codes by the investment community in UK and across Europe. This approach, which was developed to sort out the issues in the domain of institutional investors, capital markets, as well, is one of the approaches related to various post crisis initiatives (hard law and soft law measures).

The Stewardship code – a voluntary tool, the objective of which was to mitigate the problems within one of the most developed capital market of the world (the UK), is a proposal of the „The final report – A review of corporate governance in UK banks and other financial industry entities" (2009). Without going into details in the report – rationale and content, it is worth reminding that it is a study of the problems within the UK financial industry during the financial crisis 2008, and the recommendations[13] about the post crisis improvements. The research team led by the prominent UK banker Sir David Walker recommended to UK banks, listed companies and institutional investors to implement the stewardship principle.[14][15]

New set of principles – Stewardship Code for the institutional investors and fund managers was among the recommendations. In a nutshell these principles focus on the improvement of the relations between the institutional investors and their clients, on one hand, and between the institutional investors and investee companies, on the other. Recommendations include disclosure of information about the engagement in investee companies, about their stewardship policy towards their clients. These recommendations could be visualized by the structure of the investment/intermediary chain (Figure 1) and it deals with „the broader stewardship ecosystem includes a range of actors that can influence the quality of corporate governance and financial markets" (Dallas, Bruno, 2022).

[13] The Recommendations (38 +3) focus on boards; institutional investors and risks.

[14] Similar comments about the role of the steward/stewardship during turbulent capital markets offers prof. D. Katelouzou. In a newly published article, prof. D. Katelouzou, while looking for a new design of stewardship, tries to explain her interest in the topic by referring to the turbulent dynamics in the capital markets and the enormous role of UK institutional Investors. Her point is that during the turbulent time it is a must to act accordingly. She defends her point and the feasibility of her study with the well-known Peter Drucker statement: A time of turbulence is a dangerous time, but is the great danger to deny reality (Drucker, 1980, p. X/Preface). On the next pages more detailed information about the article of prof. D. Katelouzou is presented.

[15] The research was commissioned by UK Prime Minister Gordon Brown.

Source: Elaborated by the author

Figure 1: Structure of investment/intermediary chain

The recommendation sheds light on the essence of stewardship and the links in this ecosystem.

It is the steward that acts on the behalf of the assets owned by the end beneficiaries of stewardship (Dallas, Bruno 2022). This is the reason why the author of the paper could not accept the statement „a comprehensive understanding and consensus regarding the investor stewardship is still lacking" (Katelouzou, 2024).

The result of the implementation of the above Recommendations was the development and recognition of the UK Stewardship Code (2010). This Voluntary code (soft law) focuses on the loyal behaivour/stewardship principle, disclosure of information of the institutional investors and fund managers to their clients and long-term investment strategies.[16] The institutional investors have to be stewards for „other people's money" – to act in a responsible way as shareholders in the investee companies.

The latest version of UK Stewardship Code (2020) provides useful information to understand the essence of the stewardship concept. The code is structured in four groups of principles and provides its users with a definition of stewardship:

"… the stewardship is *the responsible allocation, management and oversight of capital to create long term value for its client and beneficiaries leading to sustainable benefits of the economy, environment and society*" **(**Stewardship Code, 2020). The interpretation of the text will demonstrate bad taste. But it is a must to point out that the definition encompasses the two aspects of the steward: guardian of peoples's money (classic genre) and initiative decision maker (theory Y).

The scope of the Stewardship Code (2020) – *four groups of 12 principles*: *Purpose and Governance; Investment Approach; Engagement; Exercising Rights and Responsibilities,* provides practical and granular understanding about the stewardship. The principles focus on the loyalty of the institutional investor and fund managers to their clients and beneficiaries: on meeting their needs and communicating investments' activities and results to them, on avoidance of conflict

[16] It is well known by experts that among the reasons for the crisis was the short termism: market actors make transaction with a very short horizon of investments.

of interest; on engaging with the issuers to maintain and enhance the value assets; on informing the clients and beneficiaries about their investment decisions and on informing about their own or collective influence on the issuers incl. their engagement in the investee company. The principles revealed the evolution in the stewardship concept – not only loyalty, responsibilities, but also engagement. The modern understanding of stewardship is about:

- trustworthiness[17];
- responsibility;
- accountability;
- sustainability – stewards have to consider environmental issues
- engagement – engagement by the institutional investors through expression of their voice in meetings with senior management and voting at shareholders meetings (Mayer, 2020).

New developments of practice for the implementation of the stewardship principle by the institutional investors – protection of the environment, respecting the rights and the interests of the stakeholders are interpreted in the *enlightened stewardship concept* (Katelouzou, 2024).[18] The author focuses on the necessity for the institutional investors to look beyond the investor chain – „unseen others" or the stakeholders. Institutional investors have to be loyal to the beneficial owners (retail investors and institutional investors), have to engage in investee companies, have to be stewards of their own activities and have to exercise sustainability stewardship. The multiple functions/relations of the steward determine the newly coined concept of enlightened steward/stewardship (Katelouzou, 2024).

A question arises – is the above view a new one?

[17] It merits to refer certain critics against the stewardship (Mayer 2020). A new concept about the enlightened shareholder is proposed. The interest of the shareholder is not only in the wealth but about the other stakeholders. Mayer (2020) considers this new concept better version of stewardship.

[18] The concept of the enlightened stewardship is a concept about institutional investors. In modern corporate governance theory the discussion about the duties of directors results in „enlightened shareholders theory" enlightened shareholders value". The French professor B. Pichet in „Enlightened shareholder theory; enlightened shareholder value" (Pichet, 2010) explains this theory with the „new decision making priorities" for the board members and managers – Interests of shareholders and interests of stakeholders. In accordance with this new approach he portrays the stakeholders – suppliers, customers, employees, local communities, future generations, biodiversity, nameless sea creatures, vegetation as a whole (Pichet, 2010). Similar views are shared by another scholars. The concept about enlightened shareholder value aligned with the norms of the UK Company Act 2006: Section 172: Duty to promote the success of the company. „The duty requires a director to act in the way he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole and, in doing so, have regard to the listed factors".

In this regard it is noteworthy to refer to the contemporary practice in EU Member states: Institutional investors – asset managers, life insurance companies and pension funds offer products that consider the interest of the stakeholders and protection of the environment. It goes about products with environmental and/or social impact. Sustainability or sustainability stewardship feature some products of institutional investor in EU member states (Boeva, Todorov, 2024). From this perspective the enlightened stewardship concept that the UK scholar offers is interesting as a conceptual model, but it is difficult to see the model as an innovation. As mentioned, the objective of the article is not to criticize the theory, but it is well known that corporate governance – theory and practice set strict requirements to protect, to consider the interests of the stakeholders.

New obligations for the institutional investors – trigger more discussions and publications on their duties to protect the environment, to respect human rights, to insist for decent labour conditions, and to promote ethical behaviour (Katelouzou, 2021; Bowley & Hill, 2024). Sustainability oriented stewardship, as said above, features current institutional investors duties. The stewardship concept developed and established in the late 1990s and in the first decade of the 21st century evolved with regard to the new challenges facing the capital market players.

A pragmatic answer to the question what is the stewardship today give us two scholars and practitioners: „We believe that stewardship and its links to corporate governance and sustainability is not only intellectually fascinating – it is today the essential foundation of a responsible and resilient capitalist system“ (Dallas, Lubrano, 2022). Gradually, the stewardship concept left the boundaries of the United Kingdom and conquered new jurisdictions.

About the Globalization of the Stewardship Concept or about the „Export“ of UK Stewardship Code

The Stewardship concept across the world

Gradually the stewardship concept is recognized and embedded in the codes and in the legislation in different countries across the world. OECD experts (Fukama, Blume, Magnusson, 2022) examine the dissemination of the Stewardship Codes globally. They found that 22 countries declare the implementation of the stewardship concept and report on national Stewardship Codes. The authors offer a distilled and pragmatic understanding about the Stewardship Codes: „A stewardship code is a set of principles stipulating standards for how institutional investors should engage with investee companies”. Their study provides information about the purpose and the role of the Codes: to promote the development, implementation of the stewardship responsibilities for the institutional investors, as well their monitoring functions on the investee company/s etc. Their study provides not only quantitative arguments about the globalization under observation, but qualitative arguments as well – summary of the content of these Stewardship Codes.

Although the paper and the research findings prove the dissemination of the Stewardship concept in Asia, Australia, Europe and North America or globally, it is worth repeating that G20/OECD principles of Corporate Governance, contribute to the „globalization“ of, the implementation of the Stewardship concept and Stewardship Codes (see Part one and observation of OECD Principles of Corporate Governance).

"Globalization" of the stewardship concept is addressed in several publications (Katelouzou & Puchniak, 2021, 2022).[19] According to their observations „UK-style stewardship codes exist in 20 jurisdictions, on 6 continents" (Katelouzou, Puchniak, 2021). Globalization is not a uniform process – markets; ownership structure of the companies impact the implementation of the stewardship principles in various socio-economic environments[20]. Stewardship principles are followed not only by the institutional investors, but by the non-institutional investors – family-owned companies (Katelouzou, Puchniak, 2021)[21].

The trend of global dissemination of the stewardship concept/principle could be exemplified by another publication – *Global Stewardship Principles accepted and recognized the members of International Corporate Governance Network (ICGN)*[22][23]. It is worth citing the very beginning of this document, that is aligned with the objective of this paper: "… stewardship. The term does not always *translate readily into some languages*, so it is important to *clarify what is meant by stewardship* and how this is relevant to institutional investors. In general *terms stewardship can be defined as the responsible management of something entrusted to one's care. This suggests a fiduciary duty of care on the part of those agents*

[19] The purpose of the paper is to prove the globalization, not to delve in the details of this publication.

[20] My literature observation found that part of the studies on the stewardship codes are related to the implementation of these codes in family-owned companies in Asia and Latin America.

[21] Literature observation (SCOPUS, ProQuest, Academia; Web of Science) revealed publications with focus on the implementation of the stewardship concept in the family-owned companies.

[22] Established in 1995 and led by investors responsible for assets under management of around US$77 trillion, ICGN advances the highest standards of corporate governance and investor stewardship worldwide in pursuit of long-term value creation, contributing to sustainable economies, societies, and the environment. This is achieved through a comprehensive international work programme based around three core activities.

[23] Among the signatories of the Global Stewardship Principles and ICGN is EFAMA – European Fund and Asset Management Association. One of its members is Bulgarian Asset Managers Association.

entrusted with management responsibility to act on behalf of the end beneficiaries. In the investment context institutional investors are the agents acting on behalf of beneficiaries, who are often long-term savers or members of pension funds".

The principles state that the main role of the *stewardship is to preserve* and *enhance the long-term value of investment*. In parallel, the principles portray the contemporary understanding about responsible investment – consideration of environmental and social factors in the investment decision making. According to these seven Principles, institutional investors and asset managers have to develop a stewardship policy, to report to their clients and beneficiaries their activities, to monitor investee company and disclose their activities to their clients. The code sends a clear message about the contribution of stewardship: „by focusing on long-term value creation, stewardship is directly linked to sustainable benefits for the economy, environment and society.[24] In a nutshell, it is the latest ICGN document (ICGN, 2024b) that reminds the regulators and the business community that stewardship is „responsible allocation, management and oversight of capital to protect and enhance long-term value for beneficiaries and clients".

The Stewardship concept, EU legal framework and Bulgarian Legislation

As mentioned above, the Stewardship Principles, as well Stewardship Codes are internationally recognized. EU Member States, as well the investment community in the Member States recognize this principle indirectly.[25] It is the Shareholders Rights Directive II, (EU 2017/828) as well its transposition in the national legislations that envisage the compliance with the above Principles.[26] The recitals of the Directive shed light on the rationale behind the Directive. Rationale echoes the reasons that determined the launch of the UK Stewardship Code: lack of engagement of institutional investors and asset manager with regard to their beneficiaries, on one hand, and investee companies, on the other („the experience of the last years has shown that institutional investors and asset managers often do not engage with companies in which they hold shares" recital 15), short-termism; lack of transparency with regard to the investment strategies of institutional investors and asset managers (recital 16).

[24] At present the Principles are under revision (2024). The 2020 edition is the official edition.

[25] Some countries – the Netherlands developed their own Stewardship Codes, but after the launch of EU Shareholders rights Directive they moved to new legislation.

[26] European Commission Action plan /12.12.2012 envisaged initiative „possibly through modification of the Shareholders rights a Directive on the disclosure of voting and engagement policies as well voting records by institutional investors". Action Plan: European company law and corporate governance – a modern legal framework for more engaged shareholders and sustainable companies, Strasbourg, p. 8.

Actually, the Directive envisages the implementation of the Stewardship concept with its main components – loyalty, responsibility and engagement of the institutional investors: „Institutional investors and asset managers shall develop and publicly disclose an engagement policy that describes how they integrate shareholder engagement in their investment strategy. The policy shall describe how they monitor investee companies on relevant matters, including strategy, financial and non-financial performance and risk, capital structure, social and environmental impact and corporate governance, conduct dialogues with investee companies, exercise voting rights and other rights attached to shares, cooperate with other shareholders, communicate with relevant stakeholders of the investee companies and manage actual and potential conflicts of interests in relation to their engagement“ (Chapter Ib, Article 3g, 1a). The careful reading and decoding of the text on the one hand, and the comparison of the texts of the abovementioned documents give reasons to prove that the Directive laid down the Stewardship Concept and Principles. Provisions and tools prescribed in the Stewardship Codes are embedded in SRDII (Sergakis, 2023)[27]. The difference is determined by the voluntary nature of the codes (soft law), on the one hand, and the obligatory character of the Directive (hard law), respectively, after its transposition in national legislation, on the other. This could be exemplified by Bulgarian legislation. My previous research proved that the Bulgarian Social Security Code envisages pension companies (voluntary pension funds – the third Pillar of the Bulgarian Pension System) to develop and communicate its policy of engagement with regard to its beneficiaries (individual investors in pension funds that the pension company managed). Actually Article 251d determines what is engagement policy and the main items of this policy and reproduces the above Chapter of the Shareholders Rights Directive 2017/828. It should be noted that irrespective of the fact that the stewardship concept is embedded in Bulgarian legislation, the institute of the steward is familiar to the Bulgarian business community. A fact that has to be considered in the translation of stewardship.

Meanwhile the implementation of the stewardship concept within the EU is related to a new initiative of the EU security market authority (ESMA). In the context of the European Framework for Sustainable Investment and enabling the active role and engagement of institutional investors from EU Member States, ESMA (2024) addresses its proposal to the European Commission to „consider putting in place a stewardship code at the EU level that would apply to asset managers and institutional investors but also other market actors… leveraging off existing stewardship codes in other jurisdictions”. At present all forecasts about the future of this initiative’s future are not among the priorities of this publica-

[27] Although the Directive focuses on the engagement of the institutional investors in the recitals of this directive a term stewardship is mentioned.

tion. This proposal confirms the role of the stewardship principle for enabling the sustainable investments across the EU and the new developments in the concept of stewardship – sustainability engagement.

Conclusion

The work on this paper was motivated by the issue related to a translation problem (English-Bulgarian). As the research and findings prove, the topic and the respective terms are related to a new domain of knowledge in the area of corporate governance and capital markets – a knowledge created and implemented in one socio economic system is transferred in another. This thesis about the stages of the of learning curve of corporate governance is discussed in my previous publications (Boeva, 2001). The terms/definitions „steward, stewardship" – phenomena developed and established in one economic and social environment many years ago[28] has to be translated not formally, but has to be explained and distill with adequate term – it goes about the fiduciary engagement or it is about the responsible guard of our money. The American scholar and Nobel winner D. North makes an interesting comment on this „transfer" of the institutions/rules: „and, economies that adopt the formal rules of another economy will have very different performance characteristics than the first economy because of different informal norms and enforcement. The implication is that transferring the formal political and economic rules of successful western market economies to the Third World and eastern European economies is not a sufficient condition for good economic performance" (North, 1993).

This statement with a 3-decade history refers to the transition period in Eastern European countries. At present – being members of EU, these countries incl. Bulgaria changed dramatically in terms of formal rules and norms. But the fact is that new definitions/phenomena require not only adequate translations but knowledge and understanding about them. Challenges, related to the OECD accession of Bulgaria set new requirements about competence and knowledge. The contribution of this paper is not only the meeting of the research objective and tasks, but providing a contemporary understanding of topical issues.

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[28] See the explanations by Adam Smith.

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