

Asset manager voting practice – engagement summary

Members of the OPSC delivered a coordinated engagement activity on voting practices and standards. Scottish Widows were the engagement lead for this project. This document contains the initial engagement press release (which outlines the engagement aims and priorities), as well as the engagement letter to asset managers. It also contains lists of both the asset managers contacted, and the OPSC member letter signatories.

Key milestones

- **November 2021:** OPSC members meet to agree goals for this engagement, draft engagement letter, develop methodology for target selection, coordinate mail-out through the secretariat, and sign up to the letter.
- **December 8th 2021:** OPSC secretariat writes to asset managers on behalf of the signatories. Simultaneous letter from the Minister for Pensions and Financial Inclusion in a similar vein.
- **January 24th 2022:** Final deadline for asset manager responses; collation and analysis of answers.
- **February 23rd 2022:** OPSC Service Provider strand meets to discuss analysis and next steps of engagement.

We will update this engagement summary with further information as the engagement progresses. Please write to secretariat@pensionscouncil.org with any questions.

Engagement Press Release

December 8, 2021

Pensions Minister and industry call for better stewardship

THE Minister for Pensions and pension schemes are today calling on asset managers to allow asset owners to have more say when it comes to voting at company Annual General Meetings.

Following the recent COP26 summit and amid increased focus on the risks that pension savers face from climate change, Guy Opperman and members of the Occupational Pensions Stewardship Council (OPSC) - representing over £500bn - have written to 44 asset managers this week.

The letters highlight that all too often asset owners are not included in decision making on voting, despite them being ideally placed to do so as they represent the interests of millions of pension savers.

Voting is a critical, public signal of pension scheme stewardship priorities, and is part of a broader approach that can deliver better outcomes for savers.

The Minister and the OPSC are calling on fund managers to pay more attention to the voting priorities of pension schemes, as this can help schemes plan their strategies to reduce risks to savings from climate change, and to make the most of opportunities in the transition to Net Zero.

Today's call to action recognises that schemes will want varying levels of control over the way votes are cast on their behalf.

Minister for Pensions Guy Opperman said:

"This is about giving pension savers a voice in how their hard-earned savings are being looked after.

"I firmly believe the days of trustees leaving everything to asset managers without scrutiny must come to an end. We need to do more to improve pension schemes' and asset managers' stewardship, encouraging engagement with companies to ensure they are fit for purpose in the 21st Century.

"I see no reason why trustees shouldn't be able to determine their own high-level policies – on areas such as climate risk management, diversity, or pay – and find an asset manager to implement it."

The move follows strong messaging from the Department for Work and Pensions which convened a Taskforce on Pension Scheme Voting Implementation (TPSVI) on voting in the UK. The Taskforce called on asset managers to offer pooled fund investors – such as pension schemes - the opportunity to set an expression of wish regarding voting on the assets in which they invest.

Members of the OPSC have asked for asset managers to ensure better and more open, honest

communication with asset owners about representing their preferences.

This may include considering pension schemes' voting policies and communicating on areas of misalignment before it is too late for asset owners to intervene. It also means being open to, and facilitating, voting on specific pre-agreed resolutions according to their expressed view.

Members of the OPSC have also asked asset managers to report on whether they are prepared to have conversations with their clients on voting intentions.

Maria Nazarova-Doyle, Head of Pension Investments and Responsible Investment at Scottish Widows, said:

"Asset managers are best placed to carry out the mechanics of voting and only a small proportion of asset owners would be able to take on full voting responsibilities. However, asset owners are being left out of the decision-making process altogether.

"Receiving reports months after the voting has happened leaves no room for engagement and no ability to influence what action is taken within the billion-pound portfolios that the pensions industry is collectively responsible for. Stewardship, including engagement and voting, has the power to make a huge difference in the real world, be it on environmental issues, issues of social justice, workers' rights and many more. Asset owners have a crucial role to play in being responsible stewards of this capital and their voice has to be heard."

Diandra Soobiah, Head of Responsible Investment for Nest, said:

"We support this campaign. Whilst many of Nest's investments are in segregated accounts which allow us to set a voting policy and engage with our managers about voting decisions, we believe these options should be available to all. Pension funds should not need to change how they hold their assets to gain a voice."

Carol Young, HR Director, NatWest Group and Trustee Director of the NatWest Group Retirement Savings Plan, said:

"As a founding member of the Occupational Pensions Stewardship Council, we support its ambitions to bring together the power of pension schemes to support purposeful investment.

"These proposed changes will help pension schemes play a more influential role in areas including shareholder resolutions, climate change and corporate governance."

Ruston Smith, Chair of the Tesco Pension Fund, said:

"Voting and engagement are key enablers for pension funds to influence companies, in which they invest, to do the right thing and drive better outcomes for society, the planet and pension savers.

"Through the Occupational Pension Scheme Council, pension schemes are coming together to ask asset managers to continue to work even more closely with us by sharing information on voting and encouraging dialogue to create positive change."

Notes to editors:

- The [Occupational Pensions Stewardship Council](#) promotes and facilitate high standards of stewardship of pensions assets. It was created by the Department for Work and Pensions (DWP) following recommendations from the Asset Management Taskforce in their 2020 report, Investing with Purpose. The Council provides schemes with a forum for sharing experience, provides practical support on stewardship and is backed by asset owners such as Scottish Widows, Co-op (PACE) and NEST.

- List of asset managers written to:
 - Abrdn
 - AEGON Investment Management
 - Alliance Bernstein
 - Allianz Group
 - Amundi Asset Management
 - Artemis Fund Managers
 - Aviva
 - AXA Group
 - Baillie Gifford
 - BlackRock
 - BMO
 - BNP Paribas
 - Columbia
 - DWS
 - Fidelity International
 - Goldman Sachs Asset Management
 - Hermes
 - HSBC
 - Impax Asset Management
 - Janus Henderson Group
 - JP Morgan
 - Jupiter
 - Legal & General Group
 - Man Group
 - MFS Investment Management
 - Natixis Investment Managers
 - Newton
 - Ninety One
 - Nordea
 - Northern Trust
 - PGIM
 - Pictet Asset Management Limited
 - Prudential
 - River and Mercantile Investment Management
 - Robeco
 - Royal London
 - Schroders
 - State Street Global
 - T. Rowe Price
 - UBS
 - Vanguard Group
 - Wellington
 - WHEB Investment Management
 - William Blair

Engagement Letter

Subject: Request for voting information

Dear CEO and Chair,

We are writing to you as members of a collective group of asset owners from the [Occupational Pensions Scheme Stewardship Council](#) (OPSC). We wish to highlight some recent events with respect to stewardship and voting, including the recommendations from the Taskforce on Pension Scheme Voting Implementation (TPSVI), the Department of Work and Pensions (DWP) and Financial Conduct Authority (FCA) commentary on voting, and the planned changes to the Employee Retirement Income Security Act (ERISA).

- In September 2021, the TPSVI published their recommendations¹. The TPSVI recommended that trustees develop their own voting policies and asked DWP to publish guidance on the ability of trustees to set an ‘expression of wish’ over their own voting policy in pooled funds.
- DWP responded saying they see ‘no problem with trustees setting an expression of wish over their own voting policy in pooled funds’². The FCA then agreed that ‘there is no regulatory barrier to pension scheme trustees’ issuing an ‘expression of wish’ to their asset managers regarding their voting preferences, and no breach of fund rules where a fund manager takes the expression of wish into account when voting’³.
- In the US there is also movement: the planned changes to ERISA will remove barriers that would limit fiduciaries from considering climate change and ESG factors when exercising proxy voting rights⁴.

The market is already reacting to changing requirements and making more options available for asset owners with regards to voting. BlackRock have set up the internal infrastructure⁵ to allow clients to vote directly in pooled funds, through choosing from a range of Institutional Shareholder Services (ISS) policies. BlackRock are demonstrating that client directed voting in pooled funds is possible when it has long been deemed impractical.

We believe asset managers, in most part, are best placed to carry out the mechanics of voting shares on their clients’ behalf. They are also well-positioned to achieve continuity between engagement activity and voting behaviour. However, we expect that asset managers work to ensure better and more open, honest communication with clients about voting. This may include taking into account clients’ voting policies, and communicating back areas of misalignment in a timely manner. Given the direction of travel, it also means being

¹ [The report of the Taskforce on Pension Scheme Voting Implementation: Recommendations to government, regulators and industry - GOV.UK \(www.gov.uk\)](#)

² [Climate and investment reporting: setting expectations and empowering savers – consultation on policy, regulations and guidance \(publishing.service.gov.uk\)](#)

³ [Partnerships, priorities and predictions for the future in the pensions market | FCA](#)

⁴ [‘No reason’ to stop US pension plans from choosing ESG default funds, says long-awaited DoL proposal \(responsible-investor.com\)](#)

⁵ [BlackRock to give clients the right to vote | Financial Times \(ft.com\)](#)

open to, and facilitating, voting on specific pre-agreed resolutions according to the client's expressed view.

This is a fast moving area in which momentum and appetite amongst asset owners and regulators is growing. In the first instance the OPSC members undersigned would like to hear what activity you are undertaking in this area and what you communicate to clients. Including:

1. Will you enable clients to share a voting policy?
2. Will you report and/or communicate areas of misalignment between clients' voting policies and your own?
3. Will you facilitate client-led voting in pooled funds?
4. Where clients do not have a formal 'expression of wish' or a 'voting policy/guideline', will you facilitate forward looking discussions on your voting intentions on pre-selected resolutions/significant votes?
5. Will you allow clients to override any specific votes?

We welcome hearing by the 24th January 2022, both by email to secretariat@pensionscouncil.org (to be shared with the wider Council, and to be shared as aggregate findings to the press), and to any clients in the signatory list below.

Kind regards,

Brunel Pension Partnership
BAE Systems Pension Schemes
BT Pension Scheme

Creative Pension Trust
Crystal

Cushon Master Trust

HSBC Bank Pension Trust (UK) Limited
London Pensions Fund Authority
Lothian Pension Fund

NatWest Group Retirement Savings Plan
Nest Corporation

Northern Ireland Local Government
Officers' Superannuation Committee

Pension Protection Fund
Scottish Widows

Smart Pension Limited
Tesco Plc Pension Scheme

The Co-operative Pension Scheme (Pace)