

# Shareholder Rights Directive II Fact Sheet

## 1. What it is

A set of measures which relate to workplace pension scheme stewardship and governance that have been adopted into UK law through The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 and The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018.

SRD II was introduced to improve transparency and stewardship of occupational pensions schemes, allowing for comparison between schemes so that engaged members and other stakeholders can better understand their investments.

It ensures that all occupational pension schemes publish free of charge online information regarding the development and implementation of their shareholder engagement policy.

It requires all occupational pension schemes to publicly disclose details with regards to their investment strategy and the scheme's arrangement with their asset manager.

## 2. Why it's beneficial

SRD II seeks to encourage investors to adopt a long-term focus in their investment strategies considering social and environmental issues and being transparent about how they invest.

It improves oversight of investments by pension schemes, asset managers and insurers, will help to create sustainable value for beneficiaries, and promote the long-term success of companies, the economy and society.

Making Statements of Investment Principles and implementation statements for relevant schemes publicly available will enable interested parties to scrutinise and compare across the market. Trustees will be able to share best practice, and members and others will be enabled to question poor policies or implementation.

## 3. What Trustees need to know

Occupational pension schemes are required to document and disclose online their policy on engaging with investee companies, their investment strategy and their arrangements with asset managers.

The Pensions Regulator will update their guidance with regards to engagement, investment strategy and asset manager arrangements.

Trustees have an important role to play in the oversight of the companies in which they invest and to whom they lend. It's important that trustees fulfil the responsibilities associated with holding the investments in members' best interests.

Trustees should have begun preparations to meet these new requirements, including revisions to your statement of investment principles (SIP) on 1 October 2019. Trustees should have ensured they took appropriate written advice from a suitably qualified person when preparing and reviewing their SIP.

#### 4. What Trustees need to do and when they need to do it

Relevant Schemes <sup>1</sup>	Other Schemes
<p>Update their Statement of Investment Principles (SIP) for policies on financially material considerations, non-financial matters, and engagement (except the information concerning capital structure, management of actual and potential conflicts of interest and other stakeholders) <b>by 1 October 2019</b>.</p> <p>If the scheme has a default arrangement, update their default Statement of Investment Principle (default SIP) for policies on financially material considerations and non-financial matters and, if the scheme has 100 or more members, engagement (except the information concerning capital structure, management of actual and potential conflicts of interest and other stakeholders) <b>by 1 October 2019</b>.</p> <p>Trustees need to be transparent about their scheme's arrangements with their asset managers including how the arrangement incentivises the asset manager to act in accordance with trustee policies and the duration of the arrangement. Trustees need to include this information (and the information concerning capital structure, management of actual and potential conflicts of interest and other</p>	<p>Update their Statement of Investment Principles (SIP) for policies on financially material considerations, non-financial matters, and engagement (except the information concerning capital structure, management of actual and potential conflicts of interest and other stakeholders) <b>by 1 October 2019</b>.</p> <p>Trustees need to be transparent about their scheme's arrangements with their asset managers including how the arrangement incentivises the asset manager to act in accordance with trustee policies and the duration of the arrangement. Trustees need to include this information (and the information concerning capital structure, management of actual and potential conflicts of interest and other</p>

<sup>1</sup> "relevant scheme" means an occupational pension scheme which provides money purchase benefits, with some exceptions; [Full definition of "relevant scheme"](#)

stakeholders in their SIP and, if the scheme has a default arrangement and 100 or more members, default SIP **by 1 October 2020**.

Trustees must publish their SIP free of charge online from **1 October 2019**, but they do not have to publish their asset manager policy nor the part of their stewardship policy concerning capital structure, management of actual and potential conflicts of interest and other stakeholders until **1 October 2020**.

If the scheme has a default arrangement, trustees must include their default SIP in their Chair's Statement and publish it from 1 October 2019 but, where the scheme has additional requirements by virtue of having 100 or more members, they do not have to publish their asset manager policy nor the part of their stewardship policy concerning capital structure, management of actual and potential conflicts of interest and other stakeholders from **1 October 2020**.

An implementation statement, reporting against the policies in their SIP (excluding their asset manager policy and the part of their engagement policy concerning capital structure, management of actual and potential conflicts of interest and other stakeholders) should be included in any Annual report produced **from 1 October 2020** and published online from the date of production.

If the scheme has a default arrangement with additional requirements by virtue of having 100 or more members, an annual statement containing their default SIP including their asset management policy and the part of their stewardship policy concerning capital structure, management of actual and potential conflicts of interest and other

stakeholders) in their SIP **by 1 October 2020**.

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stakeholders (and any changes carried out) should be included in any Chair's statement published online **from 1 October 2020** onwards.

Trustees need to prepare their Annual report and, if applicable, Chair's statement for the previous year within 7 months of the end of the scheme year.

In a scenario where the implementation and annual statements would cover a period before the new SIP and default SIP requirements come in to force, and the scheme did not voluntarily have a stewardship policy in place, the implementation statement on the SIP and, if applicable, annual statement on the default SIP would only be required to report on the stewardship policy in place **from 1 October 2019 to the end of the scheme year.**

Trustees will need to include information detailing how they have implemented their updated engagement policy (including the voting behaviour by, or on behalf of, trustees (as well as the most significant votes cast by trustees or on their behalf – whether the trustees were invested via a segregated mandate, a pooled fund or another arrangement) and any use of the services of a proxy voter) in an Annual report to be produced **no later than 1 October 2021** and published online by that date.

The information in the Chair's statement and the Annual report which must be published online, whether published on a single page or across more than one page, should be made available on a webpage in a way which enables the information displayed to be printed by the reader using widely used web browsers using the menus available via

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