

THE STANDARD RAISING
**PENSIONS AND
LIFETIME SAVINGS
ASSOCIATION**

PENSION SCHEME IMPLEMENTATION GUIDANCE

VOTE REPORTING TEMPLATE FOR ASSET MANAGERS



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INTRODUCTION

UK pension trustees have new regulatory duties¹ to demonstrate how they are acting as effective stewards of their assets. Taken together with the growing body of evidence² to demonstrate that active ownership can have a positive impact on corporate performance – and hence the value of scheme members’ savings – the need for trustees to have clear, consistent and relevant disclosure from their service providers on their stewardship and voting activities is more important than ever. Without it, trustees may not be able to meet their legal duties.

This guide will support asset managers (and platform providers) to use the PLSA’s Vote Reporting Template (henceforth VRT, or Template) to provide information on their voting activity to pension scheme clients. This template has been created to provide uniformity in the way in which voting activity data is requested and presented.

A key point about the Template is that it asks for information at the mandate- or fund-level, which is what trustees need to comply with in the new requirements for disclosure in their annual Implementation Statement at the scheme-level.

The guidance also provides details on suggested criteria for pension schemes invested in both *pooled* and *segregated* arrangements to use in defining their “most significant” votes,³ so that asset managers can use this to inform their vote reporting to clients.⁴

Asset managers providing more consistent reporting to their clients at a mandate/fund level will mean that:

- ▶ Trustees will be able to receive the information in the same format for every fund or manager, which will make it easier to disclose in a consistent and repeatable format.
- ▶ Trustees will be able to better compare the service and approach provided by different managers.
- ▶ Asset managers will be able to use these disclosures to demonstrate their voting approach to prospective clients and how it supports their overall stewardship approach as compared to that of existing retained managers.
- ▶ The resource burden on managers will be reduced when it comes to providing voting information to trustees as they will not need to set up different systems and operations for producing different information for different clients.

Our guidance and template have been designed to be as easy as possible to use for both managers and their asset owner clients.⁵ It has been pulled together under the aegis of the PLSA’s Voting and

¹ The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 and the Occupational Pension Schemes (Investment) Regulations 2005, as amended by the Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019

² See for instance *Active Ownership* (Dimson, Karakas and Li, 2012) and *Does Corporate Social Responsibility Lead to Superior Financial Performance? A Regression Discontinuity Approach* (Flammer, 2013)

³ We use “most significant” votes throughout as this term is defined in the Second Shareholder Rights Directive (SRD II).

⁴ We recognise that clients will have different mechanisms and ability to influence in different investment arrangements and cover this in greater detail both later on in the guide as well as in our accompanying *Vote Reporting Template – Guidance for Pension Schemes*.

⁵ We have produced separate guidance for pension schemes – please see *Vote Reporting Template – Guidance for Pension Schemes* (August 2020).

Implementation Statements Working Group (VISWG) which includes investment consultants, asset managers, pension schemes (DB and DC), professional trustees, lawyers and voting experts.

This is a rapidly evolving area, in terms of both regulatory developments and market practice, and the VRT is very much a 'first version.' The PLSA intends to take stock after the first wave of reports to identify any areas where changes are required.⁶ We hope that the VRT is a useful tool in the dialogue between managers and their pension scheme clients.

⁶ For instance, we will consider whether there is a future role for the PLSA to build on our existing annual *Voting Guidelines* – which are updated early Q1 each year – to flag to our pension scheme members the key specific votes and companies of which in our view they should be aware.

HOW TO USE THIS GUIDE

Asset managers have started reporting their voting information to comply with their own new requirements.⁷ However, asset managers may not automatically be reporting voting information⁸ in the fund-/mandate-specific format that their pension scheme clients now require.⁹

Some managers have offered the full voting dataset to trustees, however many trustee boards do not have the governance capacity or resource to sift through thousands of data items and identify those vote statistics of most significance to them. We would also question whether doing so is in line with the intent of the revised EU Shareholder Rights Directive (SRD II) rules for asset managers i.e. to focus more on acting in alignment with the interests of the client.

Our VRT seeks to ‘fill the gap’ and has the following objectives:

- ▶ To ensure asset managers can better help their pension scheme clients meet their own legal disclosure obligations
- ▶ To support asset managers to provide comparable quantitative data on voting which will help clients effectively monitor and question their asset managers
- ▶ To support asset managers in considering the client perspective when it comes to reporting the “most significant votes” they have cast on clients’ behalf.

This guidance is designed to help managers use the Template and sets out:

- ▶ The practical issues faced by trustees which asset managers need to be aware of;
- ▶ The steps asset managers need to take to fill out the template, including clarity over the asset owner perspective on what constitutes a “most significant” vote.
 - ▶ This starts from the *pooled fund* perspective before highlighting additional considerations for *segregated mandates*;
- ▶ Annexes on the:
 - ▶ Vote reporting templates
 - ▶ Key regulatory background.

Application beyond listed equity

The VRT is focused on funds or mandates with listed equity holdings, which includes multi-asset funds. However, we are conscious that there may also be voting opportunities which arise in other asset classes. Many of the same principles – and regulatory expectations of trustees – hold regarding manager accountability to their clients on voting behaviour; we would therefore expect non-listed equity managers to provide – at a minimum – a narrative commentary on “most significant votes.” We also cover this on pp12-13.

⁷ Please see Annex 2 for further details.

⁸ Similarly, many asset managers have stewardship or engagement objectives and themes which are delineated by region, or across the whole organisation.

⁹ Asset managers may be interested in reading the *PLSA Implementation Statement Guidance* (July 2020) and in particular, Chapter 5 for details on what trustees now have to disclose with regards to their voting behaviour.

Regulatory expectations of clients

We understand that many managers will need to alter their systems and processes to report voting information to their pension scheme clients in a relevant, consistent and repeatable way – particularly when it comes to “most significant votes” and it may take time to do so.

The PLSA is encouraging trustees to act wherever possible, and within the constraints of their investments and resource, to obtain and digest stewardship information and behaviour – as they would with any other issue which impacts member outcomes. We are also encouraging trustees to be flexible in their requirements – particularly in the first year – and engage with their managers regarding what is possible.

However, we also urge asset managers to recognise the urgency of the situation from their clients’ perspective: trustees will be held to account by The Pensions Regulator from 1 October 2020 on their *scheme-relevant* voting disclosures.¹⁰ If they have not already done so, we encourage asset managers to proactively start the conversation now with trustees (and their advisers) around expectations and timescales. We expect some clients and their advisers to be raising this issue already and for many others to do so over the coming months.

All implementation statements must contain a description of the voting behaviour by, or on behalf of, trustees (including the most significant votes cast). In many cases, for example where trustees invest through pooled funds or via fund platforms, the voting rights might be held by the fund rather than the trustee. However, such votes are still cast by the manager of the fund “on behalf of” the fund’s investors in a broader sense and the policy intent is therefore that such voting behaviour should be covered by the implementation statement. Trustees should assume that any regulatory approach will follow this principle.

Where investments are held through multiple layers (for example where trustees invest in funds of funds) it is reasonable for trustees to expect that managers operating such fund of funds are able to report on ultimate votes cast by underlying managers, as part of their own engagement activities and trustees should seek this information from their manager(s) for inclusion in their implementation statement.

Future direction of travel

We recognise that the direction of travel from policymakers is focused on how to further boost transparency of voting information and how to benchmark asset manager voting behaviour against an asset owner’s specific voting preferences where there are any.¹¹

We will re-evaluate the Vote Reporting Template as the market and best practice evolves, but we hope that this first version will be of use to trustees and asset managers alike in the interim and support what should be an ongoing dialogue between trustees and their service providers.

¹⁰ The relevant amendments were made in 1 October 2019. We set out further details on TPR’s expectations in our *PLSA Implementation Statement Guidance* (July 2020).

¹¹ We continue to encourage trustees to set out their expectations on voting behaviour and activity wherever possible. Relatively low-resource ways of doing so are contained in the PLSA’s annual *Stewardship Guidance and Voting Guidelines* (January 2020) and the AMNT’s Red Line Voting Initiative.

WHAT TO CONSIDER BEFORE USING THE TEMPLATE

The VRT spreadsheet can be downloaded from the PLSA website, but is also contained in Annex 1.

This is a new undertaking for most trustees and their managers. Clear definitions – and trustee expectations – are required to feed into the production of this data and ensure the information is straightforward to review for trustees (many of whom will not have the capacity or resource to sift through thousands of data items). We seek to provide this below.

Managers should read through this section and obtain the necessary information from their clients (and clients' advisers) before proceeding to use the Template.

Reporting frequency

Managers should note that:

- ▶ **Trustees are required to produce their new disclosures annually.** The Implementation Statement¹² itself goes into the scheme report and accounts (covering the same reporting period as their report and accounts). The report and accounts need to be signed off and published within seven months of the end of the scheme year.
- ▶ **Schemes have different reporting 'scheme years'** and the reporting period for the Implementation Statement will be scheme specific. Whilst most schemes will have a reporting period that coincides with a quarter end, not all will do so (for example, some schemes have a year ending 5 April). Trustees will need to seek data on voting and engagement behaviour from their asset managers in respect of the reporting period applicable to their scheme. Moreover, schemes may require data for a shorter period if they were not invested in a particular fund/mandate for the whole scheme year.
- ▶ **Trustees may wish to monitor managers more frequently than annually** e.g. quarterly, so asset managers may wish to discuss client expectations in this regard. We would encourage use of a simplified version of our template for quarterly or biannual monitoring to ensure some level of consistency. Many asset managers and owners may wish to align their reporting as far as possible with the UK Stewardship Code signatory timings¹³ – this should be raised as early as possible with clients.

Transparency across the intermediated investment chain

The UK investment chain is highly intermediated.¹⁴ The level of information received by pension scheme trustees on how votes are exercised “on their behalf” should not change with the existence

¹² Please also see our *PLSA Implementation Statement Guidance*.

¹³ We acknowledge that asset managers will already be reporting their voting data as part of their requirements either as signatories to the UK Stewardship Code¹³ or the Principles for Responsible Investment (PRI), or under their own new Second Shareholder Rights Directive requirements. Some degree of alignment with the nature and timing of these reporting requirements is desirable but **please note**: if the reporting is done on a firm-wide basis, it will not on its own be sufficient for pension scheme clients in producing their own disclosures.

¹⁴ As was recognised by John Kay in his 2014 *Kay Review of Equity Markets and Long-Term Decision-making* and by many others since.

of an intermediary and the fact that scheme investment arrangements may be implemented in different ways.

Instead, there will be variations regarding *who has responsibility* for gathering and reporting information. If roles and responsibilities in this regard have not already been made clear in conversations between managers, their clients and any advisers during the selection process then managers should seek to do so at the earliest possible opportunity.¹⁵ Asset managers should also proactively seek to clarify their process for understanding client views on their investment approach (including voting).¹⁶

The following is a *non-exhaustive* list of possible considerations for different arrangements.

Fiduciary management

- ▶ **Fiduciary managers should obtain the necessary information** from the underlying managers on behalf of the trustees. Depending on the terms of their arrangement with the trustees, the fiduciary manager may just pass this information to the trustees, or they may first collate information across the scheme's funds and form a view on the subset of most significant votes to be reported.
- ▶ **Fiduciary managers should make clear to prospective and current clients where they direct how votes are exercised** instead of delegating this to the underlying managers. In these cases, it will be the fiduciary manager rather than the underlying managers which is the source of the voting information that trustees are required to disclose.

Assets held on a platform

- ▶ **Platform providers may direct how votes are exercised** instead of delegating this to underlying managers. This is rare in the industry although we are aware of occasions where this happens.
- ▶ **Platform providers must recognise that trustees will be required to provide the appropriate disclosures**, regardless of how a scheme's assets are held. As trustees do not have direct contractual arrangements with the underlying managers, and those managers often do not know which schemes are invested in their funds via the platforms, it is likely that the platform provider will need to obtain voting information on behalf of the trustees. This can be done by the platform provider asking the managers to complete the PLSA Voting Information Template for the relevant period.
- ▶ **Platform providers should be proactive** in conversations with scheme investment decision-makers and provide transparency around their approach to voting and provision of

¹⁵ The PLSA also encourages trustees to ensure they and their advisers fully understand this information, as outlined in our *PLSA Implementation Statement Guidance*.

¹⁶ We also strongly encourage trustees – both those with investments in pooled funds as well as segregated mandates – to ensure that they do their due diligence on approach to voting issues and stewardship at key stages during the manager selection, monitoring and review process. Although aimed at scheme trustees, asset managers may find it helpful to read the following PLSA guides for the pension scheme perspective: *2020 Stewardship Guidance and Voting Guidelines* (February 2020); *Guidance on the Implementation Statement* (July 2020); and *Engaging the Engagers: A practical toolkit for schemes to achieve effective stewardship through their managers* (July 2020).

information, both during the selection process and in ongoing monitoring. We continue to encourage trustees to engage with and, where necessary, challenge their platform providers.

Fund of fund structures

- ▶ **We would expect the manager to report voting behaviour on a combined basis** for all holdings which carry voting rights.

Non-listed equity asset classes

- ▶ **The legislation under which trustees are required to disclose their voting behaviour makes *no distinction* between listed equities and other asset classes.** Most private equity models are based on active engagement with the companies they own and this has implications for the level of voting activity. We would expect managers of any assets where there are voting/ownership rights to disclose to clients their narrative commentary around any instances where votes were cast.
- ▶ **By its nature, voting in relation to bonds, private equity or private markets assets *tends to occur when the votes are important*.** For instance: where a private equity manager is a co-owner and there is a vote to sell an asset or undertaking some kind of refinancing; on property, where there is a vote relating to material issues such as rental deferrals or rental concessions; or on a proposed restructuring or re-profiling of a private credit instrument.

Defined Contribution (DC) arrangements

- ▶ **For DC clients, as a minimum, reporting should cover all the funds with physical equity holdings which form the default arrangement(s).** Managers may also receive a request from trustees for voting information on other self-select funds where there is a significant level of beneficiary assets under management involved *or* the trustees aim for full transparency across their entire scheme's fund range.
- ▶ **Trustees may also request voting information for their sustainable/ethical self-select funds,** in light of the basis on which members will have chosen these funds.

USING THE TEMPLATE

We recommend that asset managers (and, where applicable, platform providers) read the full guide and start discussions with their pension scheme clients at the earliest opportunity to ensure that they have as much capacity for collation of data in the appropriate and relevant format as possible.

We discuss in greater depth below the steps which asset managers and platform providers should take when using this template and considering how to articulate their voting behaviour on their clients' behalf. In summary, they include:

1. Consider how to articulate the voting policy
2. Consider the approach to conflicts
3. Determine what constitutes a “most significant” vote
 - a. This should include consideration of client(s)' views/policies
4. Complete Template Level 1 [Whole Fund Voting Template]
5. Complete Template Level 2 [Most Significant Vote Template]
6. Submit information to client(s)

1. Consider how to articulate the voting policy

As well as the quantitative and “most significant” vote information, there is also space for free text responses in the template on issues around the manager's policy to voting on their clients' behalf.

Please note: to aid asset managers in completing these sections, we provide additional information in the template around what could usefully be included. Although not an exhaustive list – please see Annex Y or the spreadsheet on the PLSA website – we would particularly draw managers' attention to the following:

- ▶ Policy on discussion with clients on voting approach¹⁷;
- ▶ Consideration of impact of legal structure i.e. pooled or segregated and the parameters this sets for e.g. the allocation of responsibilities, determination of the vote chain, who has responsibility for making decisions;
- ▶ Overview of the manager's process for deciding how to vote, such as:
 - ▶ Is there a subset of the team responsible for a particular fund who decide on how to vote?
 - ▶ Is there a separate corporate governance and voting/engagement team?
 - ▶ Or does the whole team discuss and decide on this?
 - ▶ Any use of proxy voting advisory services during the period: if appropriate, asset managers should state the proxy voting advisory service used, how often and the reasons why; and
 - ▶ Approach to stock lending and, where this happens, the process and situations for recall of stock before a vote.

¹⁷ We recognise that there will be challenges over *consulting* on specific resolutions, particularly in pooled funds – but believe that this is an area where a manager could seek to innovate as a differentiator. We would certainly expect good practice from managers to include consulting on their voting approach with their clients - be they in *pooled* or *segregated mandates* - on a regular basis.

2. Consider your approach to conflicts

Managers are required to disclose their conflicts policy and how this has been applied in the context of their voting and engagement behaviour under SRD II as well as the UK Stewardship Code and Principles for Responsible Investment (PRI) reporting. We emphasise that a stewardship-related policy on conflicts will be different from a firm's broader conflicts policy as conflicts may arise in additional forms for a manager's engagement and voting activities. We have focused on conflicts as this is a particular area where the standard of disclosures is variable and also because clients need to be aware of how any issue which has the potential to cause a misalignment of interests is managed and mitigated.

Stewardship conflicts can arise in different ways, but we expect managers to consider the following situations:

- ▶ The asset management firm overall has an apparent client-relationship conflict e.g. the manager provides significant products or services to a company in which they also have an equity or bond holding.
- ▶ Senior staff at the asset management firm hold roles (e.g. as a member of the Board) at a company in which the asset management firm has equity or bond holdings.
- ▶ The asset management firm's staff have a personal relationship with relevant individuals (e.g. on the Board or the company secretariat) at a company in which the firm has an equity or bond holding.
- ▶ There is a situation where the interests of different clients diverge. An example of this could be a takeover, where one set of clients is exposed to the target and another set is exposed to the acquirer.
- ▶ There are differences between the stewardship policies of managers and their clients.¹⁸

Should the manager consider that any of their voting activities on behalf of trustees are subject to any of the conflicts above – or any other conflicts – then they should disclose on which companies or resolutions these conflicts have arisen. They should also describe how they have managed the conflict and the outcome from doing so.

As discussed below, there should be a presumption that any vote in relation to a conflict will likely be a “most significant” vote and therefore gives rise to detailed disclosure expectations.

Managers should also seek to proactively communicate as early as possible to their clients whether there are likely to be any conflicts.¹⁹

¹⁸ The PLSA strongly encourages pension schemes – resource permitting – to create their own stewardship, voting and engagement policies as we think this is a vital tool for holding asset managers to account. The PLSA provides tools to support schemes in doing this and asset managers may be interested to read our *2020 Stewardship Guidance and Voting Guidelines* to better understand the client perspective.

¹⁹ This approach should also apply more broadly to any restrictions placed upon managers – including, for instance, their securities lending policies and approach to recalling stock before votes.

3. Determine what constitutes a “most significant” vote

We understand that managers are using a wide variety of criteria to determine what *they* consider a “most significant vote.” As this voting activity takes place on clients’ behalf, the PLSA’s VISWG has pulled together the following criteria for a “most significant vote” from the pension scheme perspective, which we encourage asset managers to follow when disclosing information to clients using the VRT.

Considerations for both segregated and pooled funds

Please note: the PLSA would expect client interest or policies on particular issues, themes or companies – and trustees’ views on these should in turn be linked back to their investment objectives as set out in their SIP – to be a key part of a manager’s approach to voting. To this end, we encourage trustees to, where possible, build and articulate a voting or stewardship policy to provide a benchmark against which to hold managers to account.

However, we recognise that, owing to resource constraints on the client-side or particular parameters set by the investment arrangements, other considerations will come into play.

Given the likelihood that asset managers and their clients will naturally have different perspectives regarding what constitutes a “most significant vote” for the scheme’s portfolio, the PLSA and the VISWG suggest that managers use any or several of the following criteria when deciding what constitutes a “most significant” vote for reporting back to clients. Managers should outline the criteria they have used in the descriptive information section.²⁰

- ▶ **Whether the client(s) had indicated a particular interest in the vote** – or the matter to which it relates.²¹ We think it is good practice for managers of *pooled funds* as well as *segregated mandates* to have a process for consulting with clients, or mechanisms for regularly seeking client views, on voting topics and its voting approach.²²
 - ▶ We would also expect the manager to disclose where the vote breaches the client’s voting policy on the issue.²³
- ▶ **Potential impact on financial outcome.** This would include votes which the manager considers might have a material impact on future company performance, for example approval of a merger or a requirement to publish a business strategy that is aligned with the Paris Agreement on climate change.
- ▶ **Potential impact on stewardship outcome.** This could include a decision to begin engagement to seek further clarity on a company’s plans.

²⁰ We recognise that managers are working to operationalise their new disclosure requirements and that many will be operating on a simplified basis this year, with a view to evolving their practices in later years. However, managers should note that pension scheme clients have their own disclosure requirements and supervisory regime to comply with and should be prepared to react and respond accordingly.

²¹ Principle 6 in the 2020 UK Stewardship Code creates the presumption that asset managers will align their approach with the objectives of their clients, on an “apply and explain” basis.

²² Please note: with the growth in saver-oriented campaigns from organisations such as Make My Money Matter and ClientEarth, which encourages savers to ask their pension schemes and employers how their views are being expressed on issues which matter to them, clients are more likely to express an interest in and views on particular votes or issues.

²³ We note this may not be possible for pooled funds.

- ▶ **Size of holding in the fund/mandate.** Please note that we would not expect this to be the only determinant of significance used by managers, rather this should be an *additional* factor.
- ▶ **Whether the vote was high-profile or controversial.** This could be judged using any or all of the following: level of media interest; level of political or regulatory interest; level of industry debate.
- ▶ **Where the manager was subject to a conflict of interest.** Please see p13 on the importance of effective and transparent management of any stewardship or voting conflicts.
- ▶ **A vote in non-listed equity asset classes.** Where there is a voting opportunity in private equity, infrastructure or other asset classes it is very likely that by its nature alone, it will be a most significant vote. Please also see Annex 2 for further details.

Additional considerations for segregated mandates

When deciding what counts as “most significant” voting behaviour on behalf of clients in segregated mandates, we expect that managers should **place even greater weight upon** the views and information provided to them by the client about what they consider significant.²⁴ The client may have stipulated at the outset some of their own views and policy (which can also be implied through their investment restrictions), which would have shaped the contractual terms of the segregated mandate. These client-specific terms should shape a view of what the client views as “significant.”

Priority should be given at the commencement of a particular mandate to agree the process by which voting information will be asked for and received to ensure expectations around timescales for all parties are clear and minimise disruption to each party’s course of business.

Information on client views could be gathered from:

- ▶ **Existing client policies and documents:** including the client’s SIP, stewardship, engagement or voting policy.
- ▶ **Consultation and discussion with the client:** It is possible that a theme, issue or company which was not previously considered significant by the client has risen up the scheme agenda by the time voting discussions and decisions need to be taken.²⁵

4. Complete template level 1 [Full Voting Information]

The manager should compile the appropriate information and then fill in the spreadsheet in ANNEX 1.

Please note: to keep things straightforward for pension schemes and to avoid trustees and their advisers being inundated with information, we expect asset managers to provide all relevant information in the spreadsheet instead of splitting the information into a number of different documents. The template does however allow for links to be provided to relevant, detailed documents elsewhere.

²⁴ In a segregated mandate, we would expect that the client would set their own views, own policy and determine how that will be executed and monitored as part of their contractual provisions.

5. Complete template level 2 [for each “most significant” vote]

Using an appropriate selection from the criteria above, the manager should select, at a minimum, the 10 “most significant” votes to report for each fund/mandate. For each vote selected, the manager should then fill in the information in the spreadsheet in Annex 1.

6. Submit information to trustees/advisers in good time

As mentioned in the section under “Reporting frequency,” trustees have regulatory deadlines to adhere to which are dictated by their scheme years. The reporting is required to be done annually and signed off within seven months of their scheme year end.

We recognise that, especially in the first year of the producing this data for trustees, there will be significant resource required to collate all of the necessary information, so we would encourage you to liaise with your clients as soon as possible. This is particularly the case if you think there will be any ‘gaps’ in the information you will be able to provide to clients.

ANNEX 1 | VOTING TEMPLATES

VOTING QUESTIONNAIRE	RESPONSE	POINTS TO CONSIDER WHEN RESPONDING
Scheme Name		To be completed by the trustees
Employer name		To be completed by the trustees
Investment Manager name		To be completed by the trustees
Fund name		To be completed trustees and should not be changed by the manager
Amended Fund Name (if different to the above)		To be completed by managers if they have a different name to the above fund name
Scheme year end date		To be completed by the trustees
Start of Reporting Period		To be completed by the trustees. This is normally the start of the scheme year, or the inception date in the Fund / mandate if later.
End of Reporting Period		To be completed by the trustees. This is normally the end of the scheme year, or entire redemption date from the Fund / mandate if earlier.

The following sections should be completed at the fund/mandate (if segregated) level

FUND/MANDATE INFORMATION	RESPONSE	ADDITIONAL COMMENTS
What is the Fund's Legal Entity Identifier (LEI) (if applicable)		
What is the Fund's International Securities Identification Number (ISIN) (if applicable)		
What was the total size of the fund/mandate as at the end of the Reporting Period?		

FUND/MANDATE INFORMATION	RESPONSE	ADDITIONAL COMMENTS
Total size of Scheme assets invested in the fund/mandate as at the end of the Reporting Period (if known)?		
What was the number of equity holdings in the fund/mandate as at the end of the Reporting period?		

VOTING POLICIES	RESPONSE	ADDITIONAL COMMENTS
What is your policy on consulting with clients before voting?		
Please provide an overview of your process for deciding how to vote.		
How, if at all, have you made use of proxy voting services?		
What process did you follow for determining the “most significant” votes?		
Did any of your “most significant” votes breach the client’s voting policy (where relevant)?	[Y/N]	
If ‘Y’ to the above. Please explain where this happened and the rationale for the action taken.		

VOTING POLICIES	RESPONSE	ADDITIONAL COMMENTS
<p>Are you currently affected by any of the following five conflicts, or any other conflicts, across any of your holdings?</p> <p>1) The asset management firm overall has an apparent client-relationship conflict e.g. the manager provides significant products or services to a company in which they also have an equity or bond holding;</p> <p>2) Senior staff at the asset management firm hold roles (e.g. as a member of the Board) at a company in which the asset management firm has equity or bond holdings</p> <p>3) The asset management firm's stewardship staff have a personal relationship with relevant individuals (e.g. on the Board or the company secretariat) at a company in which the firm has an equity or bond holding</p> <p>4) There is a situation where the interests of different clients diverge. An example of this could be a takeover, where one set of clients is exposed to the target and another set is exposed to the acquirer</p> <p>5) There are differences between the stewardship policies of managers and their clients</p>		
<p>Please include here any additional comments which you believe are relevant to your voting activities or processes</p>		

VOTING STATISTICS (APPLICABLE TO THE SCHEME'S REPORTING PERIOD)	RESPONSE	ADDITIONAL COMMENTS	POINTS TO CONSIDER WHEN RESPONDING
<p>How many meetings were you eligible to vote at?</p>			
<p>How many resolutions were you eligible to vote on?</p>			
<p>What % of resolutions did you vote on for which you were eligible?</p>			
<p>Of the resolutions on which you voted, what % did you vote with management?</p>			

Of the resolutions on which you voted, what % did you vote against management?			
Of the resolutions on which you voted, what % did you abstain from voting?			The totals of these 3 questions should add up to 100%.
In what % of meetings, for which you did vote, did you vote at least once against management?			
Which proxy advisory services does your firm use, and do you use their standard voting policy or created your own bespoke policy which they then implemented on your behalf?			
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)			

Most Significant Votes

IN RELATION TO THE FUND NAMED ABOVE, WHICH 10 VOTES (AT A MINIMUM) DURING THE REPORTING PERIOD DO YOU CONSIDER TO BE MOST SIGNIFICANT FOR THE SCHEME?	VOTE 1	VOTE 2	VOTE 3	VOTE 4	VOTE 5	VOTE 6	VOTE 7	VOTE 8	VOTE 9	VOTE 10
Company name										
Date of vote										
Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)										
Summary of the resolution										
How you voted										

IN RELATION TO THE FUND NAMED ABOVE, WHICH 10 VOTES (AT A MINIMUM) DURING THE REPORTING PERIOD DO YOU CONSIDER TO BE MOST SIGNIFICANT FOR THE SCHEME?	VOTE 1	VOTE 2	VOTE 3	VOTE 4	VOTE 5	VOTE 6	VOTE 7	VOTE 8	VOTE 9	VOTE 10
Where you voted against management, did you communicate your intent to the company ahead of the vote?										
Rationale for the voting decision										
Outcome of the vote										
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?										
On which criteria have you assessed this vote to be "most significant"?										

ANNEX 2 | REGULATORY BACKGROUND

There has been a groundswell of support for, and interest in, pension schemes acting to influence the stewardship of their assets and so protect and enhance the value of pension savings. Further detail on the new regulations and policies designed to encourage schemes to act as effective stewards of their assets can be found in the PLSA's *ESG and Stewardship: a practical guide for trustees* and *Stewardship Guidance and Voting Guidelines 2020*.

Many schemes are now developing new or improved engagement and voting policies as a result of this regulation. In this guidance we focus on reporting of voting behaviour of equity holdings²⁶ to and by pension scheme trustees. In part this is to ensure that trustees can comply with the new requirements placed upon them by amendments made to the Occupational Pension Schemes (Investment) Regulations 2005 and the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (which together implement the EU's Second Shareholder Rights Directive as it relates to occupational pension schemes). This Directive encourages investors to adopt a long-term focus in their investment strategies. This includes greater transparency regarding how they invest and how they vote and engage across their equity holdings.

Both the FCA and DWP have taken a "copy out" approach, transposing the Directive into UK law by amending various regulations to implement the requirements for the different entities which fall within their policy and regulatory scope.

ASSET MANAGERS | VOTING BEHAVIOUR DISCLOSURE REQUIREMENTS

New FCA requirements (implementing SRD II) for asset managers require asset managers to disclose, and make publicly available, their arrangements with their asset owner clients, and how their strategies create long-term value.

This includes a description of how firms²⁷ have implemented their "engagement policy" to include "a general description of voting behaviour, an explanation of the most significant votes and the use of the services of proxy advisors." They are also required to publicly disclose how they have cast votes in the general meetings of companies they own shares in. It should be noted that a firm is not required to disclose votes which are "insignificant due to the subject matter of the vote or the size of the holding in the company". *Please see p12 for further discussion around the meaning of "significance"*.

We are aware that some asset managers offer the option to their asset owner clients to direct their voting on certain mandates. Many other asset managers will already have a firm-wide reporting approach on their engagement and voting policy. However, this does not give *trustees* the information they need about votes cast by the manager "on their behalf" i.e. on the specific holdings in their mandate or fund. The PLSA thinks that managers whose "general description of voting behaviour" does not match up with the experience/application to the scheme's specific holdings because it pools together votes across all mandates, may run up against the FCA's

²⁶ Of course, stewardship can be undertaken in different ways across different asset classes and extends beyond voting of equity holdings. We are also conscious that investors may have other 'ownership rights' or votes in some specific circumstances for other asset classes e.g. over changes to covenant terms for bonds.

²⁷ See also FCA Handbook SYSC 3.4.6 and COBS 2.2B. It is worth noting that these changes apply only to a firm, as opposed to mandate-specific disclosures.

Principle 7²⁸ on clear, fair and not misleading communication with clients, if the manager does not also report at a mandate/fund level.

The FCA's requirements also currently allow firms flexibility to decide which votes are most significant. The PLSA believes that some flexibility in approach is vital to ensure that the information presented is meaningful. This template provides for a degree of flexibility from asset managers in reporting but will also ensure that useful, mandate-/fund-/trustee holding-specific information is presented to clients.

Asset managers should expect more data requests of this kind from their clients, as well as further scrutiny from civil society, regulators and policymakers. We hope that encouraging a standard approach will mean fewer resources need to be expended by asset managers each year on reporting their voting.

²⁸ <https://www.handbook.fca.org.uk/handbook/PRIN/2/1.html>

ANNEX 3 | ALIGNMENT WITH UK STEWARDSHIP CODE REPORTING

The 2020 UK Stewardship Code sets expectations of stewardship practice above minimum regulatory requirements for asset managers; asset owners, such as the trustees of pension schemes; and the service providers that support them. The Code comprises a set of 12 ‘Apply and Explain’ Principles for asset owners and asset managers. Principle 6 of the Code states “signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.” Under this Principle, asset manager signatories are to report “how they have sought and received clients’ views...” and “how assets have been managed in alignment with their clients’ stewardship and investment policies, and the reason for this.” This creates a presumption that asset managers will align their stewardship approach with the investment objectives of their clients.

Under Principle 12 of the Code, “signatories actively exercise their rights and responsibilities,” and are asked to report on voting records and voting decisions, which is some of the information requested in this template. This is not only good practice, but providing this information to clients may support asset managers’ application of the UK Stewardship Code. Any clients which are signatories to the Code in their own right may use reporting their managers provide to meet some of the reporting expectations of the Code to Principles 6 and 12.

We note that asset owner clients will have their own regulatory deadlines, as will Stewardship Code signatories (both managers and owners), and recognise that some degree of alignment of reporting – where possible – will be desirable.

ANNEX 4 | FURTHER READING

- ❖ Active Ownership 2.0: the Evolution Stewardship Urgently Needs (PRI, 2020)
- ❖ AGM Annual Voting Review (PLSA 2020)
- ❖ Aligning your pension scheme with the TCFD recommendations (Pensions Climate Risk Industry Group, 2020)
- ❖ Engaging the Engagers: How to achieve effective stewardship outcomes through your asset managers (PLSA/Investor Forum, 2020)
- ❖ ESG and Stewardship: A practical guide to trustee duties (PLSA, 2019)
- ❖ ESG Made Simple Guide (PLSA, 2019)
- ❖ Investment Association Responsible Investment Framework (IA, 2019)
- ❖ Model Mandate (ICGN, 2012 - soon to be updated)
- ❖ Red Line Voting Initiative (AMNT - ongoing)
- ❖ Stewardship Disclosure Framework (PLSA, forthcoming)
- ❖ Stewardship Guidance and Voting Guidelines 2020 (PLSA, 2020)

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