USING ASSET MANAGERS AND ADVISERS

We are aware that most schemes will outsource their voting activities to their asset managers or to a proxy voting agent. In turn, many managers will rely on proxy service providers or other voting research services. The number of intermediaries involved makes it particularly important for schemes to make their expectations on stewardship, engagement and voting clear at the point of manager selection, in their legal documents and throughout their monitoring and scrutiny of asset managers.

It is important for managers to undertake dialogue with key companies. However, there are times when communication and engagement alone fail to achieve the desired objective. Schemes must therefore ensure that they challenge their managers to back up their engagement actions with voting sanctions where necessary. Where possible, schemes should set out their ‘expression of wish’ on how they expect managers to execute votes on their behalf.

Similarly, schemes must be alert to any evidence of asset managers merely following the voting recommendations of the proxy service provider in all circumstances, instead of providing challenge and making their own judgements. Proxy advisers play a valuable role in the stewardship ecosystem; however, as with any other service provider, managers should be sufficiently engaged and equipped to dig further into the adviser’s research and recommendations on key issues or companies.

Please note that schemes should closely consider the areas where an asset manager has voted contrary to the recommendations of the proxy adviser, but where the proxy adviser’s views and any recommendations are more closely aligned with those of the scheme.

We recommend schemes ask their managers for the disclosure of voting – including instances where votes cast are contrary to voting recommendations – and the rationale for the decisions taken.