

Quizzing Fund Managers

The NAPF's **Stewardship Policy** set out three simple actions which can be expected of pension funds as the owners and providers of capital. These include incorporating stewardship criteria into manager searches and subsequently monitoring their activities in order to gain a greater understanding of their stewardship approach and ensuring they are aligned to and adhering to the funds' own policy.

The below aide-mémoire aims to assist trustees in this dialogue with prospective investment managers:



WHAT DOES "STEWARDSHIP" MEAN?

Is it viewed as undertaking activities on behalf of clients to monitor, engage and, where appropriate, intervene on issues that may affect the long term value of investee companies and the capital invested in them? Or is it a voting compliance issue?



WHAT CODES OF CONDUCT OR PRINCIPLES HAVE YOU SIGNED UP TO?

The Stewardship Code and/or the United Nations Principles for Responsible Investment?



HOW ARE NON-FINANCIAL RISKS INCORPORATED INTO INVESTMENT DECISIONS?

*Are they built into investment research and decisions?
Does the approach adopted differ across asset classes?*



HOW DO YOU RESPOND WHEN A NON-FINANCIAL RISK IS IDENTIFIED IN AN INVESTEE COMPANY?

*Do they engage with the company to influence change, alter stock weighting or other?
Who leads that engagement - the fund manager, corporate governance team or both?*



ON WHAT ISSUES DO YOU ENGAGE WITH COMPANIES?

Is it in relation to both financial and non-financial issues? What about the corporate culture and board leadership; executive pay; board diversity; the performance of and relationship with the auditor and any other material factors?



WHAT PROPORTION OF STOCKS WOULD YOU EXPECT TO VOTE?

In all jurisdictions? UK, US, Europe, Japan, Emerging Markets?



ARE YOU ABLE TO DEMONSTRATE THE EFFECTIVENESS OF YOUR STEWARDSHIP ACTIVITIES?

Can they provide examples where they have identified issues of concern, engaged upon them and achieved appropriate positive corporate change?



HOW DO YOU REPORT ON YOUR STEWARDSHIP ACTIVITIES?

Do they provide clients with a voting report at least highlighting votes against management?

KEEPING IT TOPICAL

The NAPF provides monthly topical questions to aid trustees in regularly questioning the effectiveness of their managers' stewardship activity during their manager reviews.

To find these visit, and subscribe to, the [NAPF Corporate Governance PensionsConnection](#) website.