



Association of Member  
Nominated Trustees

**Monday November 9, 2020**

***Pensions Minister endorses AMNT report recommendations on barriers to trustee voting: “I am determined we are going to bring about real change on this issue”.***

- ***AMNT report evaluates barriers preventing different client voting policies from being implemented by fund managers in pooled funds***
- ***Report concludes that while barriers do exist they are not insurmountable; it is mainly down to fund manager unwillingness to implement client policies***
- ***AMNT urges trustees to develop ESG policies and use them as a benchmark to hold fund managers to account***
- ***The Minister endorses the creation of an industry working group, led by the Department for Work and Pensions, to develop solutions to overcome the barriers presented***

The Association of Member Nominated Trustees (AMNT) has published a report evaluating the obstacles to allowing trustees’ voting policies to be implemented by fund managers in pooled fund arrangements. This evaluation is especially important given the regulatory obligations facing trustees, in that they are required to have a policy on ESG issues that they deem financially material, and also to state their approach to engagement and voting.

The main driver for the report stemmed from the launch of AMNT’s Red Line Voting<sup>1</sup> initiative. When trustees adopted the RLV policies, many fund managers refused to accept them. As 40% of UK assets<sup>2</sup> invested by pension funds are in pooled investments managed by fund managers, this is a critical issue as the voice of asset owners is not being heard.

The report makes three main conclusions:

First, the barriers presented to split voting in pooled funds are not insurmountable, especially as some fund managers have already been doing this for some clients. Put simply, asset owners’ policies could be implemented by fund managers if there was the will to do so.

Second, whilst a lack of will represents a key driver for inertia in addressing the issue, long-term underinvestment in the voting system means that it is no longer fit for purpose. The voting system needs urgent reform. There needs to be a simplification of the voting chain and investment in technology to enable the effective stewardship of pension fund investments for the long-run.

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<sup>1</sup> [www.redlinevoting.org](http://www.redlinevoting.org)

<sup>2</sup> <https://www.theia.org/sites/default/files/2020-09/20200924-imsfullreport.pdf>

Third, asset owners need to be more proactive in their stewardship approach, they cannot do so without the support of their fund managers and investment consultants. So far, this has been sadly lacking.

AMNT's main recommendation is for the creation of an industry working group, led by the Department for Work and Pensions, to develop solutions to address the barriers identified in the report. AMNT is pleased that the Minister for Pensions and Financial Inclusion has endorsed this recommendation. The remit of the working group should be to address the overly complex and archaic voting infrastructure; underinvestment in the stewardship function in fund management; and transparency of voting policies and outcomes.

Key short term recommendations include advising asset owners to develop their own voting policies on ESG issues they deem to be financially material, as well as benchmark their fund managers' voting policies against their own, and hold them to account for it accordingly. If their investment consultants do not support them in this endeavour, they should consider changing advisors.

The report urges investment consultants to hold fund managers to account for their unwillingness to accept client voting policies. This could include downgrading the fund manager.

And finally, fund managers should at a minimum report against client voting policies on a comply or explain basis, so that asset owners can make more informed decisions regarding the degree of alignment between themselves and their fund managers. Scheme specific reporting requirements will be central in achieving this.

**Janice Turner, founding co-chair of the Association of Member Nominated Trustees (AMNT),** said:

*"Fund managers whose policy falls far short of what is needed have refused to accept their clients' policies, and refused to align their own to that of their clients. There is now a clash between the asset owners and the fund managers over who should direct the voting policy of the investments. This is an untenable situation that requires immediate attention especially given the new, greater regulatory obligations placed upon trustees. Power needs to shift from fund managers to pension funds, and I am confident that the proposed working group can help to make this a reality".*

**Leanne Clements, campaign manager for Red Line Voting,** added:

*"We are pleased that the Minister for Pensions and Financial Inclusion has supported our report and its recommendation to create an industry working group. His commitment to address the issue of trustee voting will create the impetus that the industry needs to develop real solutions to this problem.*

*Fund managers may currently be struggling to meet the demand on client reporting requirements given increased regulatory requirements. We hope that this report, along with this increased demand, will be the wake up call the industry needs to realise that their business models must change, - and investment must be made - in order to accommodate this new reality. Innovation in this area is sorely needed".*

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## Notes:

### AMNT

The Association of Member Nominated Trustees (AMNT) is a not-for-profit company set up by and for member-nominated trustees, directors and employee representatives of UK based occupational pension schemes in the private and public sector. Set up in 2010, the AMNT has included nearly 800 trustees in its membership, and together these have represented pension schemes with assets under management of more than £850-billion.

The Association is dedicated to providing those Member Nominees (MNs) with support, which underpins their critical role in ensuring that their pension scheme is governed in the best interests of the scheme members in consultation with their sponsors. The AMNT will enable MNs to build their skills and

knowledge, voice their opinions, share best practice, become part of a like-minded community and be better recognised for the good and important work they do.

The AMNT introduced a new approach to responsible investing, Red Line Voting, which enables pension scheme trustees to play a proper stewardship role with regard to the companies in which they invest, including pension schemes investing via pooled funds meet their fiduciary duties in line with the recent guidance from The Pensions Regulator and the Law Commission, It does this by allowing pension schemes to set environmental, social and governance (ESG) voting policies at “best practice” level. For more details, please refer to: <http://redlinevoting.org/what-is-red-line-voting/>

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