The stewardship questions pensions are having to answer

Summary
- The PLSA is continuing to standardise vote reporting requirements for pension schemes, but a recent change to the FRC's stewardship code has invited anger.
- The recent closure of Make My Money Matter has rung alarm bells for some and what this says about pension schemes' follow through with stewardship.
- The balance between engagement and divestment is increasingly fine, with the lack of the latter potentially undermining the former.
- A potential change in attitudes among corporates, evident in Trump's 2024 election victory, has the potential to further challenge pension stewardship.

With billions in influence, pension funds' stewardship responsibilities are coming under even greater scrutiny than before

With trillions in UK savers' retirement savings, pension schemes naturally command a great deal of influence, and this is increasingly commanding greater scrutiny. The Pension and Lifetime Saving Association's (PLSA) recent update to its Vote Reporting Template reignited debates around how pensions should leverage their stakes, and if more could be done to generate positive outcomes. The PLSA's update to its Vote Reporting Template has been largely welcomed, and described as "very helpful" by XPS Group head of ESG research, Alex Quant.

"As consultants, we are able to develop our reporting templates for our clients in line with the data collection template, and for investment managers so they can develop their systems to capture the information needed on voting outcomes in a way which meets the needs of asset owners and consultants," says Quant.

"The templates align to DWP expectations on information required for voting outcomes, so the templates enable schemes to meet those requirements and report on voting outcomes effectively in their Implementation Statements."

Currently, investment managers handle voting for savers and pension schemes but without strict guidelines on reporting these votes. This means reporting can be delayed, which Pensions for Purpose CEO, Charlotte O'Leary, says can complicate how pension schemes and savers track votes on their investments. Despite a 2021 recommendation by a DWP taskforce to mandate standardised reporting, a voluntary approach has remained the status quo.

"The PLSA's template could be a game changer," says O'Leary, "encouraging a more systematic approach that has been missing in the UK, helping everyone involved better understand and evaluate how their investments are being managed at shareholder meetings. In places like the US, standardised reporting has been mandatory for some time."

The Association of Member Nominated Trustees (AMNT) has also welcomed the PLSA's update, and co-chair, Janice Turner, sees it as a "supportive step" but argues that it is needed more than ever. This is because the Financial Reporting Council (FRC) recently updated its stewardship code, removing requirements for asset managers to explain how they manage assets in alignment with clients' stewardship policies and how they have taken account of these views.

"It is astonishing that the FRC has decided, apparently in the interests of streamlining its code, to relegate pension scheme trustees with all their legal responsibilities on stewardship, to be treated on a par with beneficiaries who have none," says Turner. "This is a substantial watering down of the code, it is categorically against the interests of asset owners and in our view is a climbdown in favour of those fund managers who have no intention of enabling trustees with investments in pooled funds any real influence over stewardship at all."

Talk is cheap

One telling indicator of the state of pension stewardship, and how much schemes are engaging with investees, was the recent closure of Make My Money Matter (MMMM). Launched in 2020 to raise awareness and drive climate change action through pension funds, the advocacy group closed in March 2025 after the donations it relied dried up. This development came to the disappointment of many in the industry and Irwin Mitchell partner, Penny Cogher, is concerned about the ramifications of this.

"While many pension groups may publicly endorse sustainable practices and sign up to various initiatives, the actual follow-through can be inconsistent," says Cogher. "The closure of MMMM reveals a gap between the desire to appear committed to change and the practical challenges of sustaining such efforts without robust financial support.

"This situation highlights the need for more stable and institutionalised funding mechanisms to ensure that the momentum for sustainable pension stewardship continues."

MMMM isn't the only collective to suffer, with Climate Action 100+ (CA100+) and the Net Zero Asset Managers Initiative (NZAM) having both recently lost several high profile signatories. Last year saw Goldman Sachs, J.P. Morgan Asset Management and State Street Global Advisors exit the former, while BlackRock's departure from NZAM forced the group to suspend its activities. When asked by *Pensions Age* if this review was ongoing, a NZAM spokesperson declined to comment.

"We see the voting activities of investment managers as under significant scrutiny in the media, and for several large managers, this has been a big part of why they have rowed back from collective initiatives like CA100+ because they were being accused of being too directive and climate-conscious in their voting," says Quant.

However, RPC partner, Rachael Healey, warns against reading into these developments and highlights there is still much to be optimistic about – for instance, with MMMM's successor the Finance Innovation Lab's Fair Green Pensions project.

"We'd caution against overdiagnosis of the closure; like any business, pension groups will state their commitments and action in the most positive light," adds Healey, "but MMMM running into funding issues does not mean any more than the pre-existing fact that pension groups' public statements need to be read critically and in light of their actions."

Engagement vs divestment

Pension scheme stewardship often puts an emphasis upon engagement, with stakes used to hold dialogues with company management teams. The often-made argument for this is that it's better to engage than divest, as once a stake is sold the conversation ends.

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However, as two stewardship tools, engagement and divestment can have the potential to enjoy an uneasy relationship. Quantum Advisory investment consultant, Joe Condy, points out that the effectiveness of the former is effectively undermined if there is a well-known reluctance to follow through with the latter.

"There is an argument to say that in some instances, to influence positive change, divestment might be more effective," says Condy. "But there will always be investors willing to buy, who would not hold companies to the same level of accountability. Our view is that remaining invested and being persistent and consistent in your approach to these issues is more effective."

Healey also sees this as the case, but argues a careful balance must be struck between the two: "Leadership in any investee company will end up making decisions based on a number of competing factors and often competing perspectives of varying institutional investors; and, given two or more competing options, one of which is backed by a pension fund, and another by a nimbler activist investor, it's easy to see why the pension fund is less likely to prevail.

"The key is for funds to retain such a balance between engagement and divestment such that divestment remains a credible threat without unduly impacting beneficiaries' interests."

Now more than ever…

There is an expectation for pension stewardship to come under even greater scrutiny, with Turner pointing to President Trump's second term as indicative of changing attitudes.

"There is not merely the dropping of net-zero commitments but the encouragement of oil and gas companies to find and dig up as much oil and gas as possible – even while some parts of America burn and others are blown down or submerged," says Turner. "Some companies based in the UK are starting to copy US corporates' actions to avoid being put at a disadvantage when trying to win business in the US. All this has consequences for investment and stewardship."

This changing of attitudes can lead to a lack of consistency among stewardship approaches from pension schemes, something that is already lacking in standardisation.

Therefore, O'Leary sees "consistent dialogue" between parties as essential: "Establishing a clear framework for engagement ensures alignment when asset managers are engaging with companies on the scheme's behalf. By closing this gap, accountability can be transformed into action, bring change and unlock the full potential of stewardship."

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