



# Stewardship Priorities

## Department of Work and Pensions (DWP) guidance for Trustees of Occupational Pension Schemes

In June 2022, the Department for Work and Pensions (“DWP”) published guidance for Trustees of Occupational Pension Schemes, concerning stewardship policies, and specifically priorities.

The non-statutory part of the guidance states that Trustees should set out stewardship priorities relevant to their scheme and summarise these in the Statement of Investment Principles. The statutory part of the guidance requires Trustees to evidence how their stewardship policies have been followed, including stewardship priorities where these have been set.

### What are stewardship priorities?

Trustees are already required to have a stewardship policy in relation to the investments they hold. This covers both how voting and engagement is undertaken with the companies they invest in. In many cases, this has been delegated to an investment manager.

Stewardship priorities are expected to form part of the existing policy. They should be two or three high-level themes that the Trustees want to focus their efforts on to support, encourage and drive better practice. For example:





## Setting stewardship priorities

Trustees might want to consider the following questions that will help to determine what their stewardship priorities could be.

- Are there any specific risks/opportunities that are of greater priority to the Trustees?
- What information do you receive/have available to you in relation to stewardship of the investments?
- What is the Sponsoring Employer's policy, and does this focus on any specific areas? This might be more applicable to defined benefit schemes, but for defined contribution schemes is still likely to represent the interest of employees.
- Are there any areas of the existing portfolio that should be targeted?

Trustees may also wish to consider the views of their membership and if there are any specific areas members have strong views about. This might be more important to Trustees of defined contribution schemes.

## Implementation

Trustees can implement their stewardship policy and priorities in the following ways:

1. Trustees can request voting and engagement information from the relevant investment managers, to assess alignment with the stewardship priorities that have been set by Trustees. This can be implemented both prior to the appointment of a new investment manager and on an ongoing basis for existing managers.
2. Where there is a direct relationship with the investment managers, Trustees can provide an "expression of wish" to indicate how they would like their votes to be directed.
3. Trustees may agree an escalation strategy for instances where an investment manager has not voted in the way the Trustees have asked them to, or as the Trustees expect.

In addition to these actions, Trustees may also want to participate/engage with policy makers and regulators and in various initiatives although this might be more applicable for larger schemes.

Any actions the Trustees take should be reported on in the annual implementation statement.

## Conclusion

The DWP is encouraging Trustees of pension schemes to pay greater attention to stewardship, and to specifically consider this in the context of their scheme. There are a number of questions Trustees can ask themselves to determine where to direct their focus, and set their priorities. Upon setting priorities, the Trustees should agree what actions they intend to take; which should reflect the scheme-specifics including size, investment approach and various stakeholders.

If you would like further information or assistance with setting and implementing stewardship policies please contact us.



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Jayna joined Quantum in 2012 after achieving a First Class BSC (Hons) in Mathematics. She holds the Chartered Financial Analyst charter and was also one of the first advisers in the UK to achieve the Diploma in Investment Management (ESG) in December 2019. Jayna is authorised by the Financial Conduct Authority to provide investment advice to clients.

Jayna works on several key clients within Quantum, across the DB and DC space and has both client facing and research responsibilities. She prides herself on delivering innovative and pro-active advice and has extensive experience of working on a range of clients of different sizes and complexities. Recent work has included cashflow driven investments, de-risking strategies and bespoke ESG related strategies.

Jayna has a strong focus on holistic scheme management and works closely with other advisers/providers to deliver integrated investment solutions to clients.

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