



## DEEP DIVE: VOTING POLICIES FOR SEGREGATED AND POOLED FUNDS

### SCOTTISH WIDOWS

To play a greater role as active stewards of investments on behalf of its customers, Scottish Widows launched [Voting Guidelines](#) in 2022, aligned with its ESG beliefs. The guidelines cover various ESG factors, from climate to biodiversity, human rights and board diversity.

On climate, the Voting Guidelines support an annual shareholder vote on climate transition plans (“Say on Climate”) as Scottish Widows believes that shareholders can encourage better disclosure of corporate climate metrics and transition plans, as well as greater shareholder engagement and board accountability.

Scottish Widows will generally support voting against the Say on Climate, the report & accounts, and/or re-election of directors or members of a relevant committee in the event where there is:

- Insufficient climate disclosures
- The climate strategy lacks a credible transition plan, along with clear interim targets aligned with the latest science
- Lack of detail on climate governance and associated link to executive compensation
- No disclosures on climate lobbying activities
- No commitment to future capex alignment with the goals of Paris Agreement
- No disclosure to indicate that the company incorporates Just Transition considerations into its climate transition strategy.

Given that voting is largely delegated, these guidelines outline expectations for the asset managers Scottish Widows works with, shared with them as an ‘expression of wish’. Scottish Widows monitor how core investment managers vote against the guidelines and engage with them on areas of divergence. Where Scottish Widows holds a significant stake in a company, certain votes are directed themselves when they relate to stewardship priorities, as initiated in the 2022 AGM season.

### Pooled Fund Voting Implementation and wider collaboration

The [Taskforce on Pension Scheme Voting Implementation](#), in which Scottish Widows played an integral role, recommended in September 2021 that fund managers should voluntarily offer pooled fund investors the opportunity to set expressions of wish. At the end of 2021, BlackRock announced it would be allowing pooled fund clients to vote their own shares through the adoption of a choice of ISS voting policies. Scottish Widows saw this announcement as an industry first, as the asset management industry has largely been reluctant to allow asset owners influence over voting. Scottish Widows worked closely with BlackRock on this development. Scottish Widows chose the ISS Socially Responsible Investment Policy, which was most closely aligned with Scottish Widows’ guidelines and progressive across a range of ESG factors. Since September 2022, Scottish Widows has been putting the policy into practice across a range of eligible funds and markets with BlackRock, having implemented it for segregated mandates several months prior.

This experience has also enabled Scottish Widows to collaborate with other asset owners through [Occupational Pensions Stewardship Council](#), specifically on an engagement campaign with asset managers, which kicked off at the end of 2021 and was directly supported by the Minister for Pensions and Financial Inclusion. Scottish Widows wrote to 44 large asset managers asking them about a range of options they would provide to their clients from enabling clients to share bespoke voting policies, communicating areas of misalignment between them and facilitating forward looking conversations, to allowing clients to override any significant votes.

37 responses were received and while only two respondents had formally implemented alternative approaches, asset managers showed an openness to considering client voting in pooled funds. The full report with findings can be found [here](#).