

ICSWG

Asset Owner Investment Stewardship Alignment Tool

The UK Investment Consultants Sustainability Working Group (ICSWG) Asset Owner Investment Stewardship Alignment Tool is designed to help asset owners (AOs) evaluate and align their responsible investment beliefs in terms of investment stewardship and respective activities of their Investment Managers (IMs). The tool provides a structured approach and uses a flow chart to guide the AO towards an evaluation of their IM's voting and engagement activities. By assessing an IM's proxy vote decisions and engagement activity, the AO can assess whether those activities resonate with their own investment stewardship expectations. AOs will also be able to compare their IM's investment stewardship approach to the PRI Pathways. For smaller schemes, or where resource to take this approach is a challenge, Investment Consultants will be able to offer guidance through the process.

Regulation for investment stewardship has progressed and fiduciary duty has evolved, taking into account the externalities which global financially material and systemic risk factors represent. For example, the Financial Markets Law Committee (FMLC) released a seminal paper in 2024, with a clear view that according to UK law, some sustainability factors are financially material factors and the consideration of which, is part of a pension trustee's fiduciary duty. It is the role of the AO to also ensure that an IM's investment stewardship is meaningful to the AO and is supported by the IM with strong governance at firm level with credible resource allocation.

Purpose of the Alignment Tool (AT):

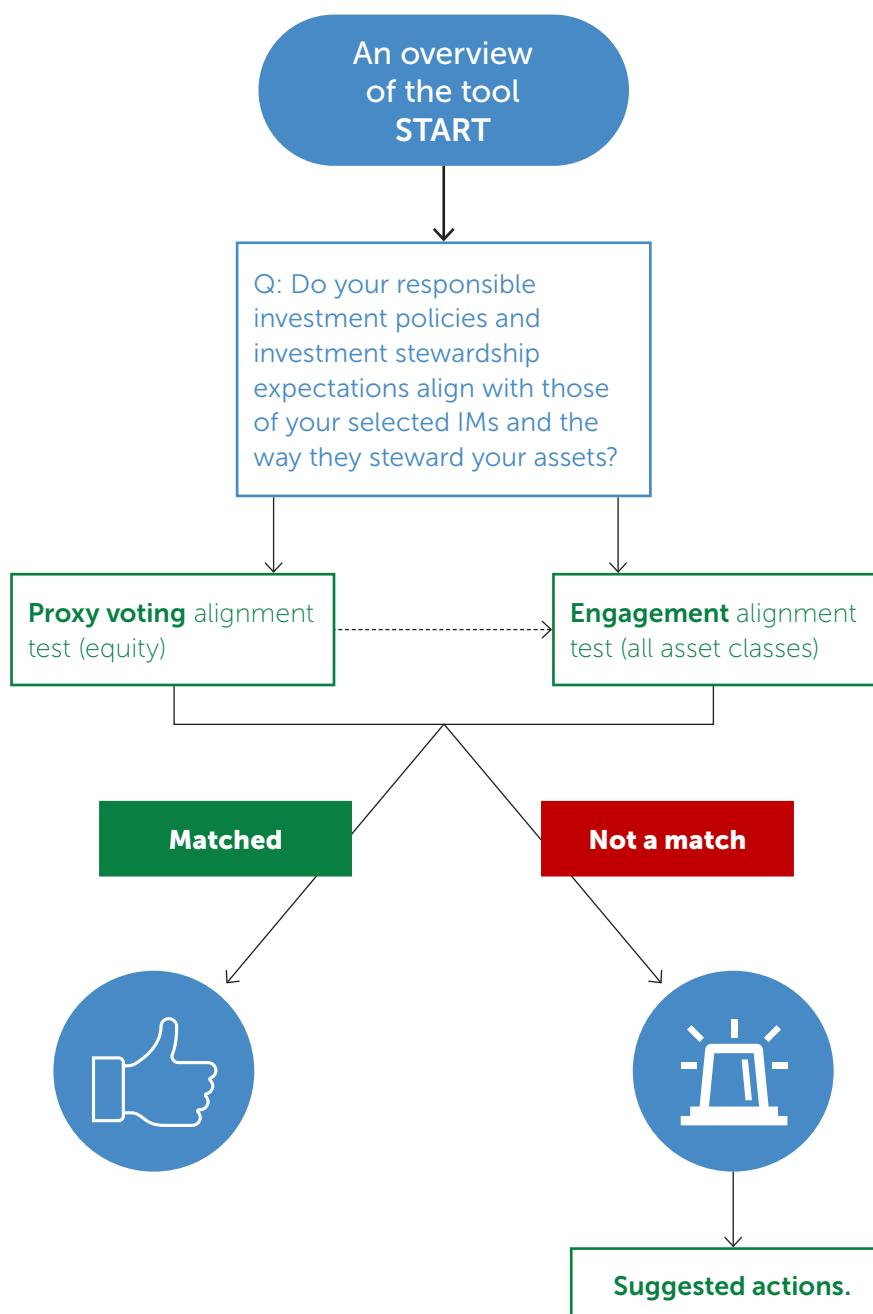
- To provide a framework for the evaluation and alignment of an IM's investment stewardship to an AO's expectations, given their own investment stewardship approach.
- To offer guidance on addressing non-alignment and explore escalation options.
- As practices evolve, so will the tool. We welcome feedback to keep the tool relevant to user needs, market changes and day-to-day realities.

Structure of the tool:

- **Page 3, Asset owner investment stewardship alignment test:** Helps AOs articulate their investment stewardship approaches and align these to those of their selected IMs and/or Service Provider (SP). References to an IM throughout the guide may equally apply to a SP if used. See appendix also.
- **Numbers are provided** as helpful reference points. Blue=question, Green=potential action.  
- **Page 4, Proxy voting alignment test:** Evaluates the alignment of an IM's/ Voting Service Provider's (VSP) proxy vote actions with the AO's proxy voting expectations and/or proxy voting policy. See appendix also.
- **Page 5, Engagement alignment test:** Assesses the alignment of an IM's engagement activities with the AO's investment stewardship expectations, and policies. See appendix also.
- **Page 6, Non-alignment steps:** Provides AOs options for addressing misalignment. See appendix also.
- **Page 8, PRI Pathways:** Offers guidance on understanding different sustainability investment stewardship approaches. These could be used by the AO, for example, to help find an IM with similarly aligned approaches to their own.

ICSWG Asset Owner Investment Stewardship Alignment Tool, (all asset classes)

Overview

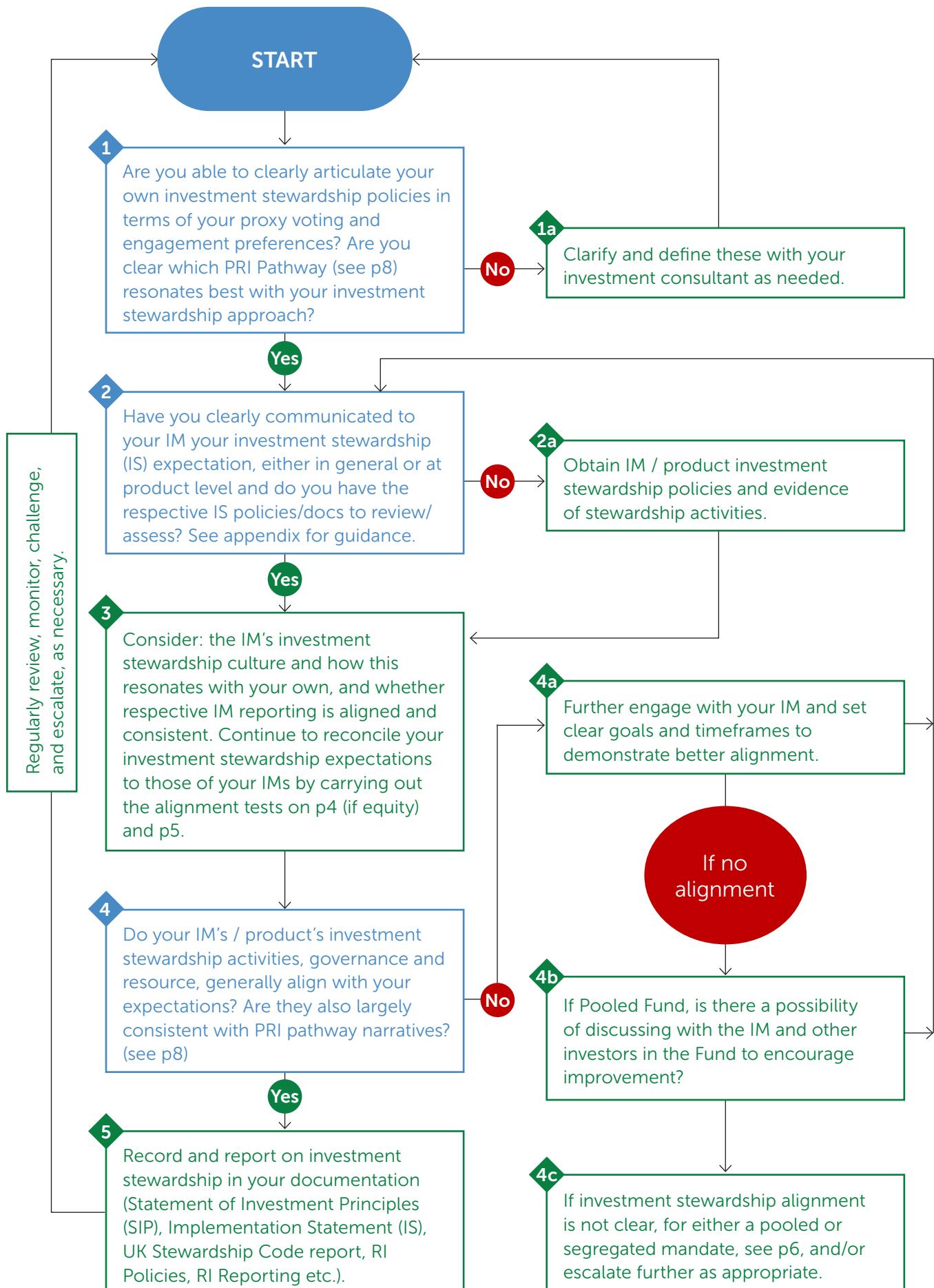


Note:

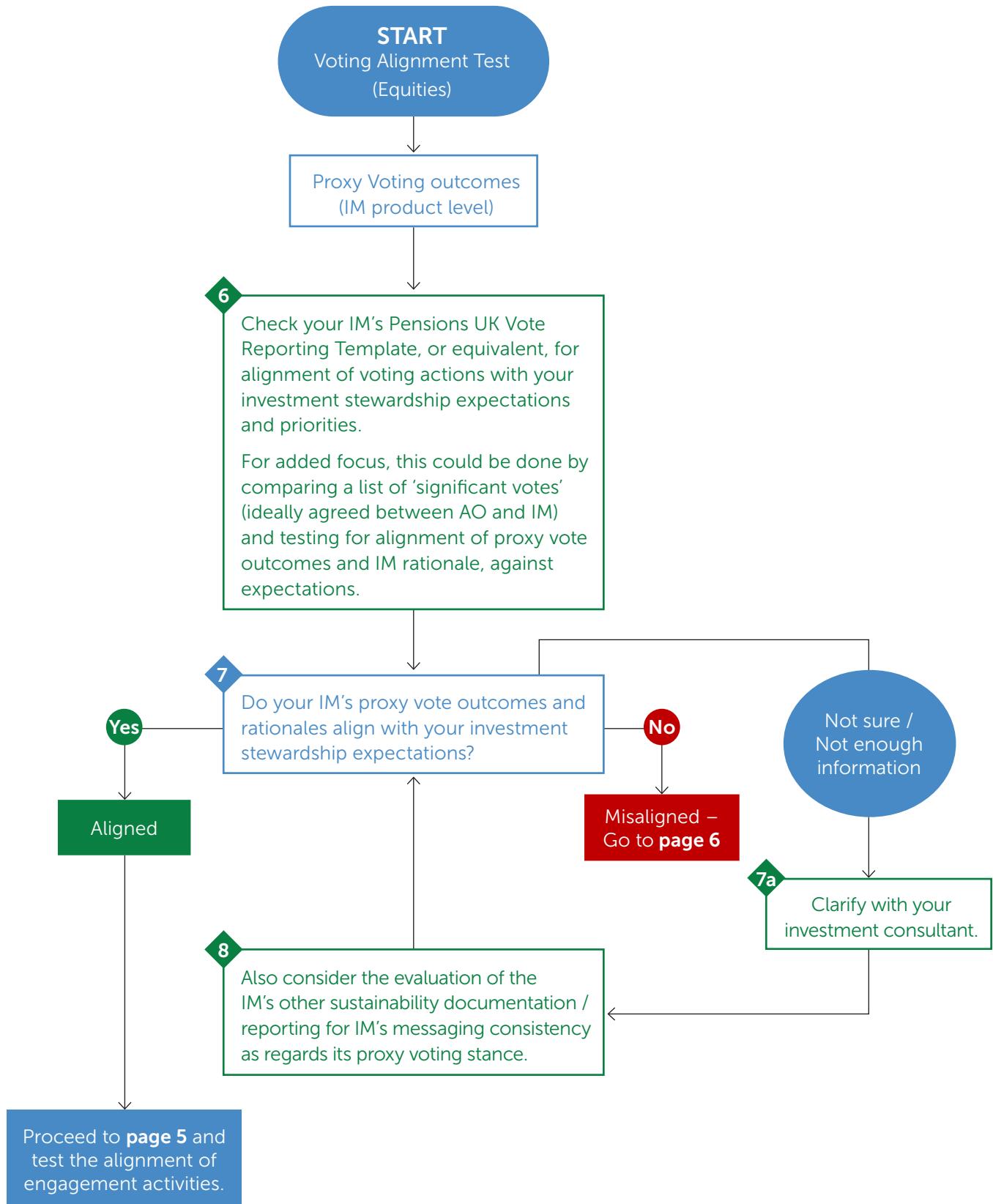
- The aim of the guide is to enhance and help illustrate pathways for how an AO might evaluate an investment manager's investment stewardship approach.
- It is not intended to be definitive or an exhaustive framework covering all scenarios.
- AOs are invited to play with the tool iteratively and appreciate the building blocks which will help towards decision making on the topic.
- In terms of how to make decisions, the AO should be directed by its own Responsible Investment (RI) policy which reflects its RI beliefs and values.
- We recognise this is a nuanced area where AO and IM context is important.

GO TO
TOOL

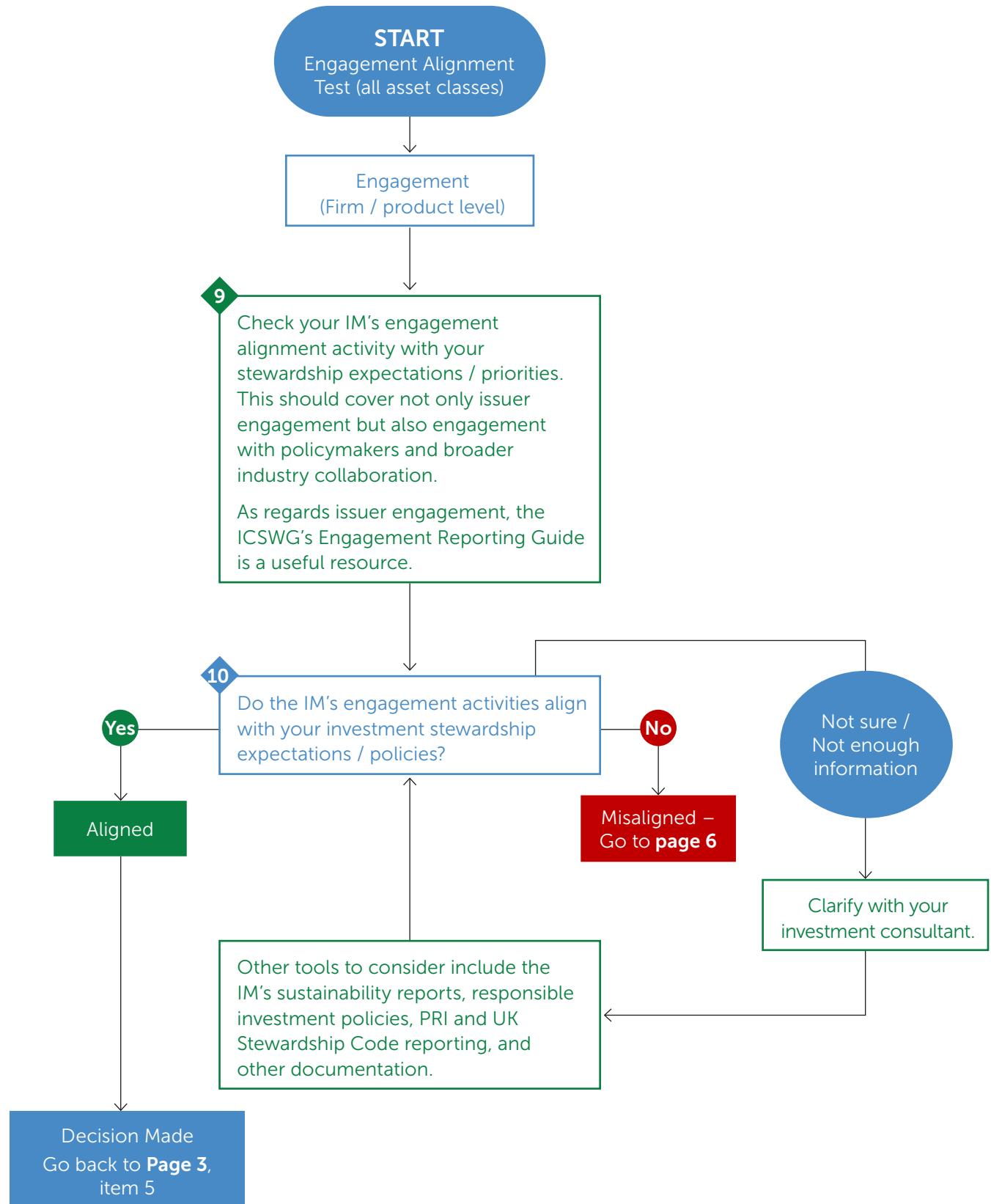
Alignment test



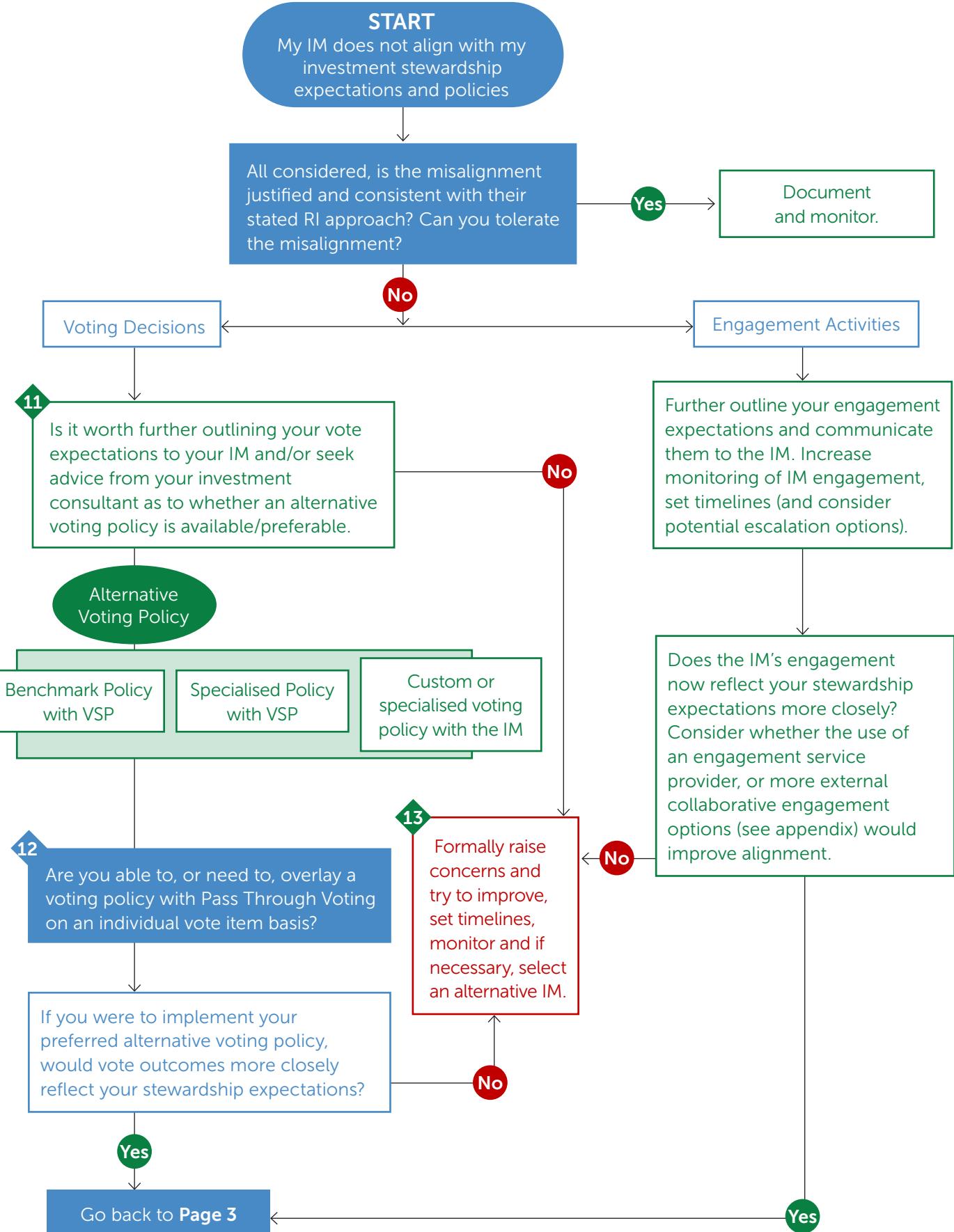
Proxy vote test



Engagement Test



Non-alignment



Appendix 1: PRI Pathways

Are you able to define your IM's sustainability investment stewardship approach at firm or product level in terms of the PRI Pathways?

The PRI Pathways provides guidance for both AOs and IMs. They may be helpful in terms of aligning your sustainability expectations with your IM's investment stewardship activities. Please be aware that adoption of the pathways is optional, so an IM may not adhere to one.

Please find the link to finding and understanding the PRI Pathways [here](#). Your investment consultant will be able to guide you through the PRI Pathways and their relevance to understanding your IM investment stewardship approaches.

PRI: "PRI Pathways support signatories to manage their responsible investment practices with greater precision and confidence."

Pathway A	Pathway B	Pathway C
Managing risk	Addressing system-level risk	Pursuing impact
RI Activities x 9 – Nine activities used to categorise practices. Examples of RI activities include Policies and governance, Engagement with clients or beneficiaries and Investment decision-making. The nine RI activities appear across all three Pathways: A,B and C.		
Practices – actions and behaviours that constitute best practice, PRI guidance is given for each activity. (Input reasons/evidence/case study references as appropriate)		
Guidance – each practice is supported by key implementation guidance which provide suggestions on how an investor could embed the practice into their day-to-day operations. Where relevant, practices may also be accompanied by asset class- or issue-specific implementation guidelines which reflect nuances in the way a practice may be embedded, dependent on the investors' priorities. (Input reasons/evidence/case study references as appropriate)		

Appendix 2: Supplementary notes

ALIGNMENT TEST (p3)

1 The following materials may be helpful:

PRI: Developing and Updating a responsible investment policy

PRI: Active Ownership 2.0: the evolution stewardship urgently needs

PRI: Stewardship

2 Informative documents with which to assess your IM's investment stewardship approach could include an IM's:

- Fund objectives/expectations as appropriate
- UK Stewardship Code report
- PRI Transparency Report and Progression Pathways information
- Responsible Investment policies, including policies for engagement, proxy voting, climate risk, escalation
- Annual sustainability reports
- Pensions UK (formerly PLSA) Vote Reporting Template
- ICSWG Engagement Reporting Guide (ERG)

Within these documents, has the IM clearly disclosed their investment stewardship approach, including priority issues, engagement methods, escalation practices and voting records as applicable?

These documents are available online, through the PRI data portal or can be requested direct from the IM.

3 **PRI: Responsible Investment DDQ**

PRI: Stewardship for Sustainability, Evaluation Tool

Useful Links:

[Pensions UK Implementation Statement guidance for trustees](#)

[Pensions UK – Responsible Investment](#)

[FRC UK Stewardship Code Signatories](#)

[PRI reporting portal](#)

[ICSWG Engagement Reporting Guide](#)

Appendix 2: Supplementary notes (cont.)

VOTING (p4)

6 Voting data should be requested directly from an IM.

Pensions UK provides a [Vote Reporting Template](#) which can be used for this purpose.

The FCA's Vote Reporting Group and Pensions UK produced the new Vote Reporting Template to replace the former PLSA voting template and it can be used to make data requests from the Taskforce on Pension Scheme Voting Implementation, which was originally set up by the Minister for Pensions and Financial Inclusion to address problems in the voting of equity shares by pension schemes. See [here](#).

The Vote Reporting Template aims to:

- Improve vote reporting quality and consistency.
- Reduce ongoing / overall reporting costs for IMs.
- Increase transparency and comparability for AOs.
- Enhance engagement and market discipline.

Useful Link:

[Pensions UK Stewardship and Voting Guidelines](#)

Appendix 2: Supplementary notes (cont.)

NON ALIGNMENT, (p6)

11 Proxy Voting Approaches:

Benchmark Voting Policies, Specialised Voting Policies, Custom Voting Policies and Pass Through Voting Policies are different approaches investors can take when engaging in proxy voting, which is the process by which shareholders vote on corporate matters. Most often an IM will vote on an AO's behalf according to its benchmark policy. AOs can review their IM's benchmark policy and decide whether an alternative approach is needed.

1. Benchmark Policy:

A benchmark voting policy, off the shelf, involves using a standard set of guidelines or criteria to make voting decisions. These guidelines are typically based on industry standards or best practices and are designed to align with the general interests of shareholders. Investors who choose this policy rely on established benchmarks to guide their voting, which can simplify the decision-making process and ensure consistency with broader market trends. IMs will have a benchmark voting policy.

2. Specialised Voting Policy:

This policy is also off the shelf but is tailored to specific priorities / beliefs (i.e. sustainability, climate change, catholic faith etc) which may be suited to an AO's preferences and objectives, allowing better alignment with their specific investment stewardship expectations. Specialised voting policies could be offered by the IM or by VSP such as ISS, Glass Lewis or PIRC. Voting guidelines are also offered by the Pensions UK and the AMNT for example.

3. Custom Voting Policy:

A custom voting policy is personalised to the AO's preferences and objectives. Investors can create their own set of guidelines that reflect their responsible investment beliefs. This approach offers the most flexibility, allowing highly tailored voting preferences, but is time consuming and costly to formulate.

4. Pass Through Voting:

This approach allows investors to directly vote their shares. Instead of delegating the voting decisions to a fund manager or another service provider, the asset owner retains the right to vote according to their own preferences. These votes can be chosen on a case-by-case basis (with a specified voting policy used if an instruction is not given for a particular vote) and ensures that specific views and interests are directly represented in the voting process.

Each approach has its advantages and disadvantages, and the AO's choice will depend on the options available, the AO's priorities and the AO's investment stewardship expectations.

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Useful Link:

[PRI: Selection, Appointment and Monitoring guide](#)

Disclaimer:

This tool is provided by ICSWG as a resource for guidance and does not constitute legal or investment advice. Asset owners should consult with their investment consultant and/or legal advisers to ensure compliance with applicable laws and regulations. The ICSWG makes the tool available on an “as-is” basis and disclaims any liability for its use or reliance on its contents. Users are encouraged to exercise their own judgment and due diligence when applying the tool to their specific circumstances.

The ICSWG is a group of UK investment consultancy firms, focused on building consistency, enhancing standards, and supporting practical approaches to sustainable investment practices, on behalf of AOs and the investment industry. The group also engages with regulators, policymakers, and others to represent the views of investment consultants. For more information, please refer to the [ICSWG website](#).

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