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Janice Turner, AMNT

Trustees at UK pension funds running more than £350bn (€490bn) in combined assets have voted to adopt comply-or-explain "Red Lines" for their fund managers on environmental social and governance (ESG) voting guidance at companies, in what could be a game-changer for responsible investment activity at 2016 corporate annual general meetings (AGMs). At its annual conference in London yesterday (June 24), The Association of Member Nominated Trustees (AMNT), a not-for-profit organisation of 400+ trustees working at the heart of the boards of UK pension schemes, many of which are mid- and small-sized plans, voted overwhelmingly to approve the 'Red Lines' principles. These are mutually agreed positions by AMNT members on major ESG issues. If a company crosses a Red Line, then fund managers running assets for schemes with AMNT trustee members will be expected to comply with the share voting steer (if approved by the pension fund), or explain why not. The voting positions are broadly based on the existing guidelines of some of the UK's biggest pension funds and have been out for consultation with asset managers in recent months. The AMNT said that as a result of the approval vote it will now launch a website dedicated to Red Line voting and prepare information packs and assistance for trustees before launch in the autumn. This means that the fund manager voting directions will be in place for the 2016 corporate AGM season. In a keynote speech at the AMNT conference, Saker Nusselbeh, Chief Executive of Hermes, the UK fund manager, backed the Red Line Voting initiative. Janice Turner, Co-Chair of the AMNT, who is also a member of the Department for Work and Pensions Trustees Panel and the Actuarial Users' Committee of the Financial Reporting Council, told the conference: "We are the asset owners. We own these assets on behalf of our members. It's our money: the law makes that quite clear that with that comes the burden of being held accountable. Accountability without power sums up the position too many of our members feel they are in and it's

## Trustees at £350bn UK pension funds approve ESG 'Red Lines' they will start pushing fund managers to vote on in 2016

AMNT members overwhelmingly approve new governance policy approach.

by [Hugh Wheelan](#) | June 25th, 2015

a poor place to be. And we agree with the government that it is in our members' interests, for a better long-term outcome for our investments, that we must all assert our right to play an active role in the responsible stewardship of our assets. The fact is that a growing number of trustees are no longer willing to just sit there watching the value of their investments slide, as big companies are caught fixing Libor rates, accidentally misreporting their revenues and a catalogue of other scandals, and unable to have any say over those companies' governance. This has to change." Importantly, the Red Line initiative has been focusing on one of the key structural barriers of the pensions market to the take up of ESG issues: investment in pooled funds, a £2.5 trillion asset pool in the UK alone. The issue has been how investor governance rights can be divisible in the pool, and the AMNT has been working with fund managers on proposed solutions.

On social policy, the Red Lines mirror the principles of the United Nations Global Compact, which include the elimination of discrimination in employment, respect for human rights and the effective recognition of the right to collective bargaining.

On the environment, AMNT has worked with CDP to evolve five Red Lines for the environment. CDP said: "This initiative provides an unprecedented opportunity for pension funds to engage on vital ESG issues with the companies in which they hold shares. Engagement is the most effective way of changing company behaviour. CDP's data is requested by investors and our standards are constantly updated to ensure alignment with investor expectations."

Turner said the AMNT would revise the Red Lines as they develop with a view to doing the first review a year after launch.

Link to related RI article: [A major evolution in UK pension funds on ESG as trustees draw a Red Line](#)

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