

Section 9: Taking a holistic approach

It is important for investors to take stock after working with their advisers and managers to consider their approach to voting on any company issues and to think about their views of the board as a whole. Voting decisions should be made in the context of a company's overall governance arrangements and should include consideration of the progress made and be cognisant of the wider political and economic landscape.

Increasingly, investors are recognising the value of collaborative stewardship, working with peers, industry bodies, and initiatives to pool resources, share insights, and amplify engagement outcomes. This approach can be particularly effective in addressing systemic risks, improving disclosure standards, and influencing board-level change.

For 2026, we have also sought to cover the emerging use of pass-through voting as part of the broader conversation on implementation options. Pass-through voting enables asset owners to exercise voting rights on shares held in pooled or index funds, offering a potential route to strengthen alignment between scheme policies and actual voting outcomes. While it can be a flexible and relatively low-resource solution, it also brings operational challenges and may not suit all schemes immediately. We present it as one of several options for members to consider when assessing their broad stewardship approach.

Investors should also consider the level of responsiveness of the board to investor concerns, particularly given it is no longer mandatory for companies to address significant dissent votes and explain how the board will address the concerns that have led to the dissent. As a result, more effort and increased due diligence will need to go into ensuring directors are responsive to investor concerns throughout the course of the year. As a reference point, The Investment Association publishes a public register¹ with details of companies which have received significant opposition by shareholders to a resolution.

The level of disclosure

Investors need detailed and meaningful disclosures about a company's board and governance practices. Without this, it is very difficult to arrive at an informed opinion. Investors should expect disclosures that go beyond boilerplate language

¹ The Investment Association, 2023, Public Register, <https://www.theia.org/public-register>

and offer genuine insight into the company's strategic direction, risks, and governance practices. Where disclosures are vague, inconsistent, or omit material issues, this should raise concerns about transparency and accountability. Investors should reflect on whether the annual report adequately informs investors on the company's strategy, vision and business model. If investors are unhappy with the level of disclosure overall or in key areas, this should be a significant factor in their holistic assessment of how to vote.

Accumulation of minor issues

Although certain minor corporate governance issues would not generally trigger voting consequences, an accumulation of minor issues may be indicative of poor corporate governance and more deep-rooted issues at a company. This is particularly the case if there fails to be meaningful progress – despite expressions of concern and engagement from investors – and it appears that the company management does not prioritise shareholder concerns.

Investors should be alert to cumulative governance failures, patterns of poor practice that persist across reporting cycles or engagement efforts. These may include repeated concerns around board independence, succession planning, responsiveness to shareholder feedback, or inadequate disclosure. While individual issues may not trigger voting action in isolation, their accumulation can signal deeper cultural or leadership weaknesses that warrant escalation.

In March 2025, Pensions UK launched a new industry-developed vote reporting template. Building on the original PLSA template and the work of the Vote Reporting Group, the new version provides standardised, comparable data across asset managers, improving transparency, engagement, and stewardship alignment. It supports sustainable finance goals and regulatory objectives, while reducing reporting burdens for managers. Detailed technical guidance has also been published to support adoption.

The vote reporting template can play a valuable role in helping investors identify patterns of cumulative governance failures. By standardising vote rationale reporting and capturing 'most significant votes' across mandates and time periods, the template enables schemes to track recurring governance concerns and assess whether companies are making meaningful progress. It also supports transparency and benchmarking, helping investors align stewardship activity with long-term value creation and accountability.

Pass-through voting: An emerging mechanism for exercising shareholder rights

Pass-through voting is gaining traction as an innovative way for asset owners to exercise voting rights on shares held within pooled or index funds. Traditionally, voting in these structures has been delegated entirely to the asset manager, which can create a disconnect between a scheme's stewardship policy and the votes cast on its behalf. Pass-through voting seeks to bridge this gap by enabling asset owners to direct votes on underlying holdings, often through technology platforms provided by large index fund managers.

For schemes, the appeal lies in its potential to enhance alignment with their own voting and engagement policies without requiring a wholesale shift in investment strategy. It can offer flexibility and, in some cases, a relatively low-resource route to greater accountability. Beyond alignment, pass-through voting can also help schemes achieve consistency across their holdings, for example, where they have a mix of segregated mandates and pooled funds, it allows them to apply the same voting approach to both direct and indirect holdings of a company. In some cases, schemes may even choose to vote on specific issues rather than applying a wholesale policy, adding further nuance to their stewardship approach.

However, while the mechanism can strengthen stewardship, it is not without challenges.

- There are operational complexities with pass-through voting that require time and resource to assess and understand.
- Cost considerations.
- The need for robust governance processes mean that pass-through voting may not suit all schemes immediately.
- While we have identified that pass-through voting can enhance alignment, there is of course the risk of potential misalignment between voting policy and engagement policy. Pass-through voting does also remove voting as an escalation tool for managers.
- Finally, managers having less responsibility for voting not only places more onus back on asset owners but may also lead to less commitment to the manager's own voting policy.

Pensions UK encourages members to view pass-through voting as one of several implementation options rather than a universal solution. Schemes considering this approach should assess their readiness, including internal capacity and the compatibility of pass-through voting with their broader stewardship objectives. They should also engage with managers to understand the scope of available

options and any limitations, such as partial coverage or restrictions on certain markets.

Looking ahead, pass-through voting is likely to become more widely available as platforms mature and regulatory interest in voting transparency grows. For now, schemes should focus on understanding its benefits and limitations and consider whether it could play a role in reinforcing their stewardship ambitions over time.

How investors should consider voting

Investors should consider voting against the annual report and accounts if:

- The report has not fulfilled its purpose of giving insight into the company's strategy, vision and business model.

Investors should consider voting against the chair or against the senior independent director if:

- There are particularly serious concerns about the company's business model, plan or the implementation of its plan for engagement with long-term shareholders.
- The company seems unwilling to change its approach despite significant investor concerns.
- The company does not follow corporate governance provisions to respond to dissent.
- Cumulative governance failures persist, especially if previous engagement has not led to meaningful change.
- Collaborative stewardship efforts have identified systemic concerns or poor responsiveness across multiple companies, investors may wish to align voting decisions to reinforce collective expectations.

Please note that where investors may wish to take the extremely significant step of voting against the whole board, they should be able to clearly articulate an alternative proposition for the board's approach.

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