



Trade unions and investor activism

Introduction

Over the past year and a half the TUC has been seeking to develop a capacity for workers to assert their position as owners of business through their shareholdings, primarily their retirement savings.

The experience of the trade union movement internationally, most notably in the US and Canada, has demonstrated that by becoming involved in this activity a number of important gains can be made. These include achieving reforms of corporate governance, ensuring companies recognise their social responsibilities, and directing capital to areas of the economy that traditional institutional investment has failed to serve properly. The TUC hopes to build a similar capacity for unions to achieve these kinds of goals in the UK.

Work to date has focused particularly on encouraging trade union members who are pension fund trustees to engage in shareholder activism and socially responsible investment. There are obstacles to seeking to develop leverage for workers as investors in, and ultimately owners of, companies via their role as trustees of private sector pension funds. Many member-nominated trustees are in a minority on their trustee boards. In addition many of them will have received training that left them with negative impression of investor activism. As such the TUC is seeking to increase the competence and confidence of member-nominated trustees, particularly through training on investment issues.

The TUC has also initiated a number of shareholder campaigns, usually focused on executive pay, where we have encouraged member trustees to direct their fund managers to vote down excessive pay, or at least find out how the managers are voting. It is important that trustees recognise that despite their

public pronouncements not all fund managers are committed to enforcing high standards of corporate governance. In order to put more information in the hands of trustees the TUC carried out its first survey of how fund managers voted on a range of controversial governance issues at company AGMs.

Another element of the work programme has involved building relationships with the institutional investment industry in the UK, both individual institutions such as fund managers and insurance companies, and the respective trade bodies. The TUC now has regular contact with a range of organisations that are involved in institutional investment and related activity.

Finally there have also been efforts to ensure that unions' own investments are being used actively where possible. While a number of individual unions have pushed forward with strategies for their own funds, to date there has been no co-ordinated approach. This is something of a missed opportunity as a conservative estimate suggests that union investments are worth around £1bn in total.

The purpose of this paper is to review recent union activity in the field of shareholder activism and suggest some logical next steps.

Building the TUC Member Trustee Network

The Member Trustee Network is at the core of trade union work on investment activism. This network of member-nominated trustees now has 1,000 members who collectively are responsible for assets of well over £260bn or about a third of all UK pension fund assets. Clearly if these trustees can be convinced of the case for greater activism this would have a major impact in the UK.

Since 2002 the Member Trustee Network database has been scrubbed of out of date contacts (which actually brought total membership down to around 630 at one point) and updated. The TUC now typically receives two or three applications for membership of the Network each week. However there are clearly still many trade union members who are trustees who are not network members and affiliates are encouraged to ensure their trustees join the network.

In terms of communication members of the Network receive regular mail-shots on important issues and Governance Alerts on union voting positions at company AGMs. We have also expanded the TUC’s bulletin “Member Trustees News” which is sent out quarterly to all network members. The newsletter is also available on the TUC website and distributed via other trustee groups and in total it reaches about 1,200 trustees. An email contact list numbering over 200 trustee contacts has also been established. This is particularly useful for quick communication with and feedback from the network and for co-ordinating specific campaigns.

The network also provides a comprehensive resource for finding out about pension fund investment practice. The TUC has worked with Just Pensions¹ to gauge trustee attitudes to socially responsible investment and corporate governance with some encouraging results. There is scope for broader research, for example on what types of investment strategy are employed, which fund managers have been appointed, and whether pension schemes have used more controversial investments such as hedge funds. Given the wide spread of funds represented in the network research based on member responses would carry a great deal of weight in the fund management industry.

It is also anticipated that communication between trustees should expand. Already many trustees contact the TUC with queries about investment issues but it would be useful to provide an ongoing forum where trustees can talk with the TUC and each other. It may be worth considering whether a web-based service could be created for this purpose.

Trustee training on investment issues

Given that the Member Trustee Network is envisaged as playing the central role in building the trade union movement’s capacity for investor activism it is important that our trustees are both convinced of the case for it, and have the knowledge and opportunity to put it into place. This is not currently the case.

¹ Just Pensions is a DFID-funded project that aims to promote socially responsible investment by pension funds. It has a particular focus on development issues.

At the most basic level many member-nominated trustees are in a minority on their trustee boards. This is because many pension funds choose the default option under the Pensions Act whereby only a third of trustees are nominated by the membership. Needless to say given the current crisis in occupational pension provision in the UK, which has been driven in no small way by irresponsible, unilateral action by employers, it is simply unacceptable that scheme members are not equally represented on the boards that control their funds. As such the TUC continues to lobby for half at least of each scheme's trustees to be nominated by its membership.

But even despite this inbuilt bias against activism there is a bigger challenge to address in terms of trustee attitudes. Most trustees will have received training that has ignored or sought to downplay the responsibilities that come with share-ownership and the potential to invest to achieve both financial and social objectives. In the recent past it was the received wisdom that it was all but illegal for pension funds to engage in any form of activism. Whilst developments in government policy and in the strategies employed by activist investors should have rebutted this view versions of it still persist in some quarters and this does influence trustee views.

More broadly the current nature of investment training does little to encourage trustees to seriously consider taking an activist stance with their funds. This is no small part due to the source of much trustee training – most trustees have received training that was provided either by their actuarial consultant or their fund manager². Feedback from some of the more activist fund managers suggests that many consultants do not currently have the knowledge to best advise trustees on activism and socially responsible investment. And fund managers will train trustees in line with their own specialism. If they are not specialists in activism they are very unlikely to teach trustees that it is important.

² The TUC carried out an email survey on attitudes to and experiences of trustee training on investment issues in May 2003. Of those respondents who had investment training a large majority said it had been provided by the consultant or the fund manager.

Overall the TUC's impression of trustee training on issues such as shareholder activism and socially responsible investment is that they are largely dealt with as half an hour at the end of training course. They are viewed as an afterthought that particularly interested trustees might pursue rather than as issues that should inform investment strategy and decision-making. As such we believe that trade unions need to intervene directly in the trustee training process in order to encourage a more activist-inclined view of investing.

The TUC has already initiated a number of events aimed at increasing trustee awareness of shareholder activism. In February this year the Fair Shares conference was held at Congress House and featured reports from trade unionists active internationally on their experiences of investor campaigning. Of the 130 delegates who attended the conference over 70 were trade union trustees.

In addition a training seminar was held in October for some of the largest funds in the Member Trustee Network. This seminar focused on the Institutional Shareholders Committee statement of principles on the responsibilities of shareholders. The ISC principles provide a useful framework for setting out what trustees, and ultimately scheme members, can expect from their fund managers. The seminar was attended by around 30 trustees.

Feedback on both these events, the second in particular, was very encouraging and some trustees reported that this was the first time they had been given a positive impression of activism and some idea of how to put the theory into practice. It is also very apparent that trustees appreciate the opportunity to meet and talk with other member trustees.

The TUC is now in the process of planning a comprehensive trustee training programme covering investment issues. The broad outline is that the training will cover all those issues typically covered by investment training but within a framework that stresses the responsibilities of investment, and that member trustees should remember the wider interests of those they invest for. Discussions are taking place with two separate organisations about the possible content and delivering of such training. We are confident that some initial

courses will take place in 2004. TUC Learning Services are also involved in this project.

TUC Fund Manager Voting Survey 2003

As noted above there are questions about how well informed the consultants who advise trustees on investment decisions are about shareholder activism, and in particular the relative strengths of different fund managers. In both the US and Canada trade unions and aligned organisations have been involved in producing a survey of how fund managers vote on key resolutions at company AGMs as a guide to how activist various houses are. The TUC has followed suit and this year produced its first survey of how UK fund managers have voted.

The TUC Fund Manager Voting Survey is intended to make trustees aware of the importance of voting decisions and to ensure that they know whether the fund managers they appoint are in tune with union views on corporate governance. This year's survey asked managers for their votes on 50 issues at company AGMs as well as background information on corporate governance policies.

The survey was initially sent to around 50 fund managers. It is fair to say the survey provoked controversy in the fund management industry and the Investment Management Association, one the trade associations for fund managers, advised members not to provide voting records for the survey. Naturally this affected the response rate and subsequently the TUC encouraged trustees to try and obtain the information themselves. This doubled the number of responses.

In future versions of the survey the TUC intends to send questionnaire to fund managers and trustees simultaneously. There are two reasons for this. First it will send the signal to the fund management industry that trustees are willing to request this information and interested in it. Secondly it will enable trustees to feel part of an important piece of research in the area of institutional investment and have some ownership of it.

Another longer-term aim of the survey is to align managers views on governance issues with those of trade unions. From next year it will include

questions about fund managers' attitudes to votes – such as GSK, HSBC, Corus and BSkyB in 2003 – where unions called for a particular voting position in order that trustees can compare managers' votes with union positions. The TUC aims to produce the next version of the survey in Spring 2004.

Voting disclosure

The process of producing the TUC Fund Manager Voting Survey also raised a number of issues around the disclosure of voting records by institutional investors. While a number of institutional investors – both pension funds and their fund managers – disclose their records publicly the vast majority do not.

The TUC supports public disclosure of voting records for some straightforward reasons. If voting decisions are made public then voting records will rightly become one factor for trustees to consider when awarding fund management mandates. Voting decisions will not become the decisive factor for trustees in fund manager selection but they should be taken into account. As the Myners report has made clear, the right to vote is an asset of a pension fund and is subject therefore to fiduciary duties. Trustees would be negligent if they disregarded fund managers approach to activism in making selection decisions

If the information on voting policy remains difficult to obtain there will be no commercial incentive for fund managers to devote adequate resources to this area. The paradox of the current industry view of disclosure – that voting decisions need only be reported to clients – means that trustees can only find out how active a manager is after they have appointed them.

The TUC believes that the argument in favour of public disclosure of voting records can be won, and the signs are that opinion is already turning in our direction. At the beginning of November Trade and Industry Secretary Patricia Hewitt backed public disclosure of voting records by institutional investors.

“Beneficial investors need clear, concise and regular information on how fund managers are acting and voting on their behalf. Whether through voluntary codes or regulation, we need to create a chain of transparency and accountability that stretches from the boardroom to the individual shareholder and saver, via the pension fund manager, trustee and institutional investor. The

Co-operative Insurance Society, for instance, uses the Internet to display and explain their voting record for their policyholders - and everyone else - to see. I hope that others will follow suit in a way that combines transparency with the good relationships required to be a good investor.”³

Separately a number of fund managers have privately indicated that they expect the industry to move to disclosure, and in one case we expect a very large investor to begin disclosing in the near future. In the meantime the TUC will continue to argue the case for public disclosure.

Relationships with the fund management industry

The experience of producing the voting survey, and the associated TUC demand for institutional investors to disclose how they vote, reinforces the importance of maintaining a regular dialogue with the fund managers and their trade bodies. It would be easy, and wrong, for trade unions to dismiss the fund management industry as representing values that are fundamentally incompatible with the labour movement. In fact there is greater common ground than might be expected.

Several of the largest fund management houses now employ significant numbers of staff to work on corporate governance and socially responsible investment. In many cases these staff have come from non-government organisations, some even have a background in the labour movement. Often they share similar values and are interested in trying to work with trade unions. The TUC now has good contacts in the corporate governance and socially responsible teams at most of the large fund management houses. This often leads to a very productive sharing of information and discussion of views when crunch issues like BSkyB arise.

It is important to maintain a constructive dialogue with the trade associations. In addition to the intervention of the Investment Management Association, the Association of British Insurers also contacted the TUC to discuss the voting

³ Speech at the Hermes Stewardship and Performance seminar, 3 November 2003.

<http://www.dti.gov.uk/ministers/speeches/hewitt031103.html>

survey. The TUC attended a meeting of the ABI's investment committee where the objectives of the survey were discussed. Although members of the investment committee raised some reservations ultimately several of those present did provide voting records and it is understood that the ABI did not issue any instructions to members on whether to respond.

Subsequently the TUC has met again with the investment staff at the ABI to discuss areas of common interest and concern. Also the IMA were invited to present an industry view of shareholder activism at the trustee training seminar on the ISC principles. It is anticipated that these trade associations can be involved in future events organised by trade unions.

Finally it should also be remembered that, at its most basic level, the fund management industry exists to serve the interests of our members. As such the TUC believes that it will be more effective for trustees to push for greater activism from fund managers by using their power as clients who can award business to those institutions that meet their need most effectively. It is therefore sensible to encourage dialogue between trustees and the fund managers about issues that are of importance to the labour movement.

Trade unions' own investments

The activity outlined so far is primarily focused on work with trade unionists who are trustees of private sector pension funds. This is a logical prioritisation of effort as these funds represent the largest pool of workers' capital in the UK and convincing them to embrace activism would have a major impact. Even individual funds can be hugely important, if just a handful of the largest funds can be convinced embrace a more socially responsible investment approach they alone could exert considerable leverage. However this will be a long-term goal and, as discussed previously, there are some obstacles yet to be cleared.

In the meantime there already is a small pool of capital already directly under union control which could be used as a platform from which to articulate a distinctive trade union investor agenda – in-house pension funds and other investments

Individual trade union staff pension funds and general investments are not large, the TUC Superannuation Society for example is only worth around £25m. Compare this to some of the largest occupational schemes such as BT, the mineworkers pension scheme and the Universities Superannuation Scheme which are each worth in excess of £20bn.

However collectively trade union pension funds could have influence. A rough estimate based on figures provided from members of the Trade Union Pension Specialists group suggests that our own in-house pension funds and other investments are worth in the region of a billion pounds⁴. To put this in context in total it equates to about the same value as a medium- to large-sized section of the local government pension scheme.

Because of the nature of pension fund investment these funds will hold shares in many of the same companies, particularly the larger companies that make up the FTSE100 and other indices. It even ought to be possible to put a value on the total direct trade union ownership of particular companies. For example at the end of 2002 the TUC pension fund held around £0.75m worth of shares in Vodafone. If all trade union funds held a similar stake in the company our ownership would be worth around £30m in total, or in the region of 0.05%⁵.

This level of ownership may sound very small, but it is still important. A holding of 0.05% on behalf of one investor is big enough to feature on a typical share register. In addition only around 55% of shares are voted in UK companies, and the experience of the GlaxoSmithKline AGM this season demonstrates that votes can be very close, so even a small slice of ownership can make a difference.

⁴ Based on figures from TUPS and publicly available information. Some of the public figures may be high as the actuarial valuations may reflect the position before recent declines in the equity markets. However the estimate does not include some unions thought to have relatively large funds.

⁵ Based on shareholder information for Vodafone at 30 September 2003.

More importantly, if this existing ownership is used collectively it could be a useful base from which to begin articulating a distinctive trade union view of how pension fund investment can be carried out. Working collectively trade union investors could aim to play a much larger role in developments in shareholder activism and socially responsible investment and debates on corporate governance.

In fact to some extent this is happening. It is noticeable that already a number of trade union funds use “activist” fund managers or have developed specific investment policies⁶. However so far a consistent approach has not been taken by trade union investors. But if the overall bloc of trade union investment is positioned as being in favour of activism and responsible investment this will indicate that the movement is serious about building an investor voice and willing to put the theory into practice. In addition trade union pension funds could act of positive examples of how responsible investment could be undertaken.

A trade union investor group

In order to push this idea forward there needs to be inter-union co-operation and a framework within which joint work can take place. To develop a forum for views on trade union shareholder activism an initial meeting was held at the TUC in July this year. It is intended that this could be an ongoing group that can act as a focus for shareholder activity amongst unions, closely linked to the work with the Member Trustees Network.

Over the longer term thought might be given to whether to develop this group into something along the lines of the Local Authority Pension Fund Forum⁷ (LAPFF) albeit much smaller in size. The LAPFF is a body that brings together a significant number of local authority pension funds in order to pool their

⁶ As just three examples the GMB pension fund uses activist fund manager Hermes, Unison’s fund recently awarded £100m to the socially responsible investment manager Morley, and TSSA has developed its own ethical investment charter.

⁷ The Local Authority Pension Fund Forum brings together a diverse range of local authority pension funds with combined assets of over £40 billion. <http://www.lapfforum.org/about.htm>

ownership in service of shareholder activism. It has been active over corporate governance and also issues such as labour standards. This could provide a useful model.

In the short-term it is anticipated that the group acts as a forum for debate about issues around trade union shareholder activism and discussion of practical ideas. It is hoped that unions which have in-house pension funds and other investments will ensure that they are represented within the group. Also it might be useful to produce some broad principles to which participants would agree to adhere.

An initial meeting of unions was held on 17 July. Items discussed at the initial meeting included TUC activity to date and experience of recent campaigns. Several participants raised the point that existing trade union assets collectively could have some influence and should be used actively. It was also agreed that there were two areas where there was scope for future activity with existing union assets – voting disclosure and collective campaigns.

Voting disclosure by trade union funds

As outlined earlier the TUC has been pushing for institutional investors to disclose their voting records publicly. There are three main arguments in favour of ensuring that our own funds take the same step. First, if unions are calling on investors to disclose how their shares have been voted then they should attempt to make their practice consistent. Secondly by taking this step union funds can act as an example for other pension funds, and encourage them to take similar measures. Unions can demonstrate that this kind of initiative can be successfully undertaken.

Finally the effect of trade union funds embracing disclosure is that actually it will be fund managers' voting records that are in the public domain. In common with most pension funds, trade union funds typically delegate voting decisions to their fund managers. So disclosing an individual fund's voting record will actually result in making its fund manager's decisions public. This can only chip away further at the fund management industry's resistance to transparency. The

pressure behind the argument for public disclosure will increase significantly if we are seen to embrace the principles as a bloc of investors.

The TUC pension fund produces a quarterly report on how its shares have been voted which is available online. Despite this being a straightforward procedure carried out by a small pension scheme it attracted some media coverage because of the wider policy argument⁸.

The TUC reports indicate where the fund has voted against or abstained and states that it has voted in favour in all other cases. The report also includes details of engagement with companies undertaken by the scheme's fund manager over CSR issues. The TUC reports could be used as a model for other union funds wanting to disclose their voting records⁹.

Needless to say, if widespread disclosure of voting records is achieved this would be a significant victory as unions develop their role in this field given that it is primarily the trade union movement that has driven the argument forward in the UK.

Collective shareholder campaigns

The TUC is already committed to carrying out a small number of shareholder campaigns each year. To date these have largely focused on executive remuneration. In each case an alert has been sent to the Member Trustee Network advising trustees of opposition to a particular pay policy, and encouraging them to instruct their fund manager to vote against or find out have they have voted. The TUC also makes its opposition known publicly.

Recent campaigns have targeted GlaxoSmithKline, Corus, HSBC and BSKyB. In these cases it is known that the TUC's voting position has affected the voting

⁸ Report in Manifest-I corporate governance newsletter:

http://www.manifest.co.uk/manifest_i/2003/0309September/030906cgbrief.htm

⁹ TUC corporate governance and social responsibility report.

<http://www.tuc.org.uk/pensions/tuc-7227-f0.cfm>

decisions of some pension funds directly. Some trustees have instructed their fund managers to vote in line with the TUC. The amount of the vote influenced may not have been large but, as can be seen with the example of GlaxoSmithKline, it is still important.

Perhaps more importantly having a clear trade union line on particular votes may have also given confidence to other investors – both pension funds and perhaps some fund managers – to depart from the “industry” line.

In this respect HSBC was perhaps a more important result in the past proxy season than some commentators realised. Despite the widespread outrage over the package given to an incoming director, the major bodies representing investors did not recommend a vote against. The TUC and PIRC did call for a vote against and subsequently votes against and abstentions on the remuneration policy totalled around 22%¹⁰. This means it is likely that that a significant number of UK investors departed from the line recommended by their respective trade bodies.

This is not to suggest that the TUC’s position made the difference - although PIRC’s clients do account for part of the opposition vote. Rather that by having other voices calling for a different line on shareholder votes it is easier for investors to feel comfortable in taking a different position to the main investor bodies¹¹.

The approach taken in these campaigns could be the basis for shareholder actions carried out collectively by trade union investors. Individual unions could also suggest targets for campaigns rather than these being centrally determined by the TUC as has been the case to date.

¹⁰ PIRC evidence to Trade and Industry Committee on directors’ remuneration.

¹¹ The National Association of Pension Funds and the Association of British Insurers represent the bulk of institutional investors in the UK. Both provide guidance to members on voting decisions.

Provided the targets are identified early, and group participants are agreed on the action, each union would then need to check it holds shares in the target company and then ensure that if they do they are voted in the way the group has decided. Most funds will have delegated voting rights to their fund manager. In such cases the fund would need to see how the fund manager intends to vote and, if it is different from the group's decision, instruct the manager to vote the fund's shares in line with the group's position.

Once this is undertaken a public statement could be made similar to the one below:

“The Trade Union Investor Group, comprising trade union staff pension and general funds totalling over £900m, is to oppose the executive remuneration policy of ABC Plc. The Group, which includes the pension funds of TUC, and X, Y and Z unions, believes the levels of remuneration are excessive and the performance criteria are unchallenging.”

It is anticipated that the group would limit itself to a small number of campaigns initially so that the burden of activity on participants does not become too great.

Further co-ordination and activity by trade union funds

Looking ahead, thought should be given to whether to co-ordinate voting of trade union investments to a greater degree. Already one of the voting advisory services has suggested to the TUC that it might consider a reduced rate for subscriptions to its service for trade union funds if they are below a certain size. It should be stressed that there are marked differences between the stance taken by the various voting advisers. Therefore it would be vital that any such arrangement was only established with an organisation whose views were similar to those of trade unions.

The group might also seek to move beyond pure governance issues and encourage votes against companies with records of poor corporate behaviour. There is a possible mechanism for this. Listed companies have to put their report and accounts to a shareholder approval vote. Already some investors vote against receiving the report and accounts of companies as a protest. Morley Fund Management votes against companies with poor environmental

reporting, as does one of the local government pension funds, and PIRC produces recommendations how to vote on the report and accounts for clients of its GovernancePlus service which measures company performance on CSR issues.

As a suggestion, trade union investments might be mobilised for a vote against the report and accounts of companies with poor health and safety reporting. In addition going beyond voting the possibility should be explored for collective engagement with investee companies over issues of concerns.

Conclusions

In a short space of time the trade union movement has managed to put itself on the map of shareholder activism in the UK. Shareholder campaigns around executive pay have had a direct impact on specific votes, and they have also helped establish the trade union movement in the media as an interested player and one that has some capacity to act.

The experience of the voting survey has drawn trustee attention to an area they hitherto may not have been familiar with and it has also, inadvertently, given the TUC a solid campaigning issue in the demand for public disclosure of investors voting records.

Both shareholder campaigns and the voting survey have underlined the need to maintain a constructive rather than adversarial approach to the fund management industry. Where there is common ground a united front of traditional City voices and trade union views can present a powerful case for change and several commentators have noted this unusual alliance.

Work with trustees is ongoing but already there are encouraging signs that the message is starting to get through. Trustees are beginning to feel that activism is a legitimate option for their schemes. The next step, backed by trustee training, is to try and fill the yawning gap between rhetoric and reality.

Finally, while we build the capacity to develop our role as owners by working with our trustees of private sector pension funds, in the meantime we can make a start by mobilising existing union assets. Given that these assets are directly

under our control they can act as a platform from which to build our investor voice. To do so it is vital that activity is co-ordinated.

To sum up, to date the parameters of what is and what is not acceptable behaviour on issues such as executive remuneration, company board structure and other governance issues have effectively been established by agreement between business and institutional investor groups. By building our own investor voice we can become more involved in these debates and try and push the parameters out. Winning the argument on voting disclosure, for example, would be serious step forward in establishing trade unions as important players in corporate governance.

As a point of reference the AFL-CIO now plays a key role in debates over corporate governance reform and shareholder activism in the US because the American trade union movement has steadily built an investor voice in addition to an industrial one. It is now almost inconceivable for US unions not to be involved in such debates. This has not gone unnoticed.

According to The Economist:

*“[T]here are plenty of other opportunities for organised labour to exploit. For example, it is slowly becoming aware that it has a largely untapped source of influence. Of the \$17 trillion in worldwide pension and mutual funds, around \$12 trillion either has direct union participation or employee involvement at the trustee level..... Through the activism of funds such as TIAA-CREF, an American teacher's fund, unions have begun to realise that they can have a bigger voice in the broadening debate about corporate governance. The AFL-CIO, for example, has been very active in this year's shareholder revolt against executive pay”.*¹²

Although the trade union movement in the UK is at a much earlier stage in developing an investor voice than our American counterparts it is noticeable that

¹² The Economist, 5 June 2003. http://www.economist.com/displaystory.cfm?story_id=1826029

this role is beginning to be acknowledged. Coverage of union investor activism has appeared in specialist and national press.

“An interesting development linked to pensions is set to provide the trade union movement with leverage in relation to issues of executive remuneration. Trustees of pension schemes often include trade union representatives and we all know that pension funds are often significant institutional investors in large employers. Trade union pension fund trustees are being organised on a national basis to scrutinise and, where appropriate, vote against remuneration packages for directors that are perceived to be over generous. Another innovation for the trade union movement!”¹³

And even the Daily Mail:

“This is the first time the TUC has tried to awaken the power of its trustee network, whose members have a say in the running of pension schemes with a massive £240bn of funds invested - well over a quarter of the estimated £800bn of total corporate pension assets. It is quite clear that this is only the beginning of a campaign of activism by the unions against executive pay. The involvement of the TUC adds a totally new dimension to the debate over boardroom remuneration.”¹⁴

Another benefit that building a trade union investor voice may deliver is encouraging a greater understanding of unions amongst service providers. In the long-term it is almost inevitable that fund managers, and perhaps investment consultants too, will recognise that there is a distinct trade union trustee view and they will seek to cater to it in the hope of winning business. We might expect to see the development of investment products and strategies that seek to meet traditional trade union objectives.

¹³ DLA Industrial Relations Survey 2003, page 7. http://www.dla.com/publications/pdfs/ir_survey.pdf

¹⁴ *Union Power That Can Tame Fat Cats*, Daily Mail, 21 July 2002: <http://www.thisismoney.com/20020721/nm51023.html>

Also over the longer term the focus should shift away from corporate governance on to issues of social responsibility. In our own funds once the mechanics of collective shareholder campaigning are in place we can move to addressing traditional union objectives as well as corporate governance failings. In our work with trustees of private sector funds we should also stress the role of socially responsible investment.

By using our assets actively we can ensure that the standards we apply to our own investments are consistent with what we demand from others. We can build a greater understanding of trade union views in the institutional investment world. And we can begin to play a new role, as owners of business, in determining what are acceptable standards of behaviour for public companies in the UK.