Citizen participation
within UK pension fund
responsible investment decisions

Richard Sleight
Acknowledgements

I would like to thank my supervisor Dr Florencia Enghel for her continuing support and guidance. Thank you also to Dr Ylva Ekström, Dr Tobias Denskus and the staff and fellow students of ComDev. My thoughts on this subject have been developed by being part of an investment climate change campaign, and I am especially grateful for learning from discussions with Dr Raj Thamotheram and Antoine Thalmann. Thank you also to Dr Sandi Dheensa for proof reading and encouragement. This project has taken longer than first anticipated and has spanned some difficult and glorious times in my life. For always being present with me on this journey and being a source of hope, my love goes to my parents, family and friends.
Abstract

Pensions funds represent the collective savings of millions of people and the decisions and actions they take can be greatly beneficial or detrimental to the global economy, society, and the lives of people around the world.

The aim of this project is to investigate the possibilities of citizen participation in relation to responsible investment in UK occupational pension funds, and what the barriers and opportunities are for citizens, in this context pension holders, to participate in financial decisions made on their behalf. The research questions focus on the arguments for and against such participation, in general and in relation to using an online voting platform. Qualitative interviews with Responsible Investment Advocates are used to scope ideas around participation, and the study is grounded in a social constructionist theory of meaning. This project sits at the intersection of two fields: Responsible Investment and Participatory Communication for Social Change.

The main findings of this project are that RI Advocates disagree over the necessity for such citizen participation, as a process for change and as a goal. The perceived benefits of citizen participation ranged from empowerment, accountability, power redistribution and structural change. Barriers to participation exist based upon the current investment system, with the main barrier perceived as a lack of demand from the investment industry, wider civil society, and significantly citizens. It was stated in interviews that citizen participation is a relatively ignored area within Responsible Investment, and therefore much can be learned from existing C4D research and practice.
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Abbreviations

- AGM - Annual General Meeting
- AUM - Assets Under Management
- CSR - Corporate Social Responsibility
- C4D - Communication for Development
- DB - Defined Benefit pension scheme
- DC - Defined Contribution pension scheme
- FRC - Financial Reporting Council
- GDP - Gross Domestic Product
- ICTs - Information Communications Technologies
- IIGCC - Institutional Investors Group on Climate Change
- INGO - International Non-Governmental Organisation
- OECD - Organisation for Economic Co-operation and Development
- MNC - Multi-National Corporations
- ROI - Return on Investment
- RI - Responsible Investment
- SIP - Statement of Investment Principles
- SRI - Socially Responsible Investment
- TNC - Trans-National Corporations
- UN - United Nations
- UNPRI - United Nations Principles of Responsible Investment
Introduction

Civil activism targeting corporations and their shareholders has become commonplace, indicating a shift that identifies corporations as central to global power as well as governments. Attentive to this scenario, for my Communication for Development (C4D) Degree Project I decided to focus upon the decision-making of corporate shareholders, and the applicability of citizen participation to these decisions. Shareholders, beyond decisions of stock-picking (investment/divestment), have voting rights at corporate Annual General Meetings (AGMs), can propose shareholder resolutions, ‘engage’ with corporations on strategy, and can decide to join lobby groups and coalitions to press for political, economic and regulatory changes.

Many of the largest corporate shareholders are Institutional Investors, which manage the collective savings of millions of people, and ‘control the majority of financial assets in most industrialized countries, and are thereby central to the financial well-being of both corporations and individuals.’ [Hawley et al. 2014, p1] Many of these institutions are pension funds.

In the OECD total pension fund assets stood at over USD 38 trillion in 2016 [OECD 2017, p11], with UK Pension Funds collectively worth USD 2.3 trillion [ibid.]. To place such asset wealth in context, several countries asset-to-GDP ratio for pension funds was over 100% in 2016, with the UK ratio about 95% [ibid. pp6-10]. These assets are also concentrated in the top seven country markets [Global Pension Asset Survey 2018] and in the top 300 largest pension funds [Willistowerswatson.com, 2016].

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1 The top 300 pension funds estimated as managing 43.2% of global pension assets in 2016. (Willistowerswatson.com, 2016)
\textbf{Figure 1}\textsuperscript{2}

\textsuperscript{2} [OECD 2017, p7]
The balance of pension fund asset types (e.g. government bonds, corporate shares, property) changes over time but pension funds, including those in the UK, invest a considerable amount in corporate shares, and global pension funds collectively own a significant proportion of large multi-national corporations (MNCs).

‘Private pensions play an important and growing role in providing for old age. As one of the main types of institutional investors, it also plays a significant role in fulfilling the diverse financing needs of various sectors of an economy and thus contributes to the economic development of a country as well as to the deepening of its financial system and promoting stability.’ [OECD 2013, p3]

I found the importance of pension funds personally relevant, as I worked for an INGO that provided me with an occupational pension. I had been provided with various pension choices based upon financial risk but had not been informed about the companies my savings were invested in, or how associated shareholder rights were

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3 [OECD 2017, p11]
4 Also known as equities or corporate stock
exercised. Upon request I was provided with a list of the ‘top’ investee corporations and many were the subject of campaigns by my employer.

Pension funds are often managed by either a Board of Trustees and/or a Pension Fund Manager. They are obligated to act in the best interests of pension holders, and this is called fiduciary duty in UK law. The current system is paternalistic, with fiduciaries assuming what these best interests are, only needing to seek advice from financial advisors but not pension holders: ‘There is no trust law requirement to obtain the views of all beneficiaries.’ [Scanlan, quoted in FairPensions, 2006, p1] These best interests are often assessed within narrow short-term financial parameters in line with current mainstream investment practices. In the vast majority of cases, citizens have no legal right to participate within or be informed about investment decisions related to their own pension savings.

When the actions and decisions of individuals and institutions have great socio-economic influence, and therefore impact on the lives of others around the globe, it is prudent to question how such decisions are made.

This project looks at the possibility of citizen participation within the decision-making of institutional investors, and specifically UK pension funds. There are several reasons such participation is a timely opportunity and a reaction to an inadequate status quo:

1. The rise in institutional investors means that corporate ownership has changed, and citizens can be described as indirect owners of corporations, or citizen investors, with legitimate reason to be involved.
2. Advancements in information communications technologies (ICTs) arguably make transparent reporting of decisions and participation easier.
3. Citizen participation has been suggested as a remedy to an unaccountable, opaque financial system [Manthorpe & Martin 2008, p7] that has had two key negative consequences a) a UK pensions system that is expensive, untrusted and inadequate that may lead to ‘pensioner poverty’ [Pitt-Watson 2010, pp5-7], and b) un-scrutinized financial institutions exacerbated the 2008 financial crisis by being able to take excessive risks [ibid. p5]
4. Some current investment practices are described as irresponsible, with negative impacts for corporations, people and planet. Citizen participation will arguably refocus investment on the long-term and ‘re-humanise’ [Berry, 2013] decisions by reconnecting people with corporate actions.

This project sits within the field of Corporate Social Responsibility (CSR), and a subset of this, Responsible Investment (RI). The project is relevant to C4D as it is primarily about ‘people’s ability to gain control over their own lives’ [Eriksen 2001, quoted in Hemer & Tufte 2005, p17], and is also about analysing the disconnection and possible connection of citizens with investment decisions in ‘the west’ and their socioeconomic impact upon others globally.

**Research design**

This project aims to investigate citizen participation, in this context pension holders, within the investment decisions of UK pension funds. More specifically the research will focus upon the ideas and perspectives of RI advocates about citizen participation.

I focus on RI advocates because it is RI that is significantly challenging the mainstream investment approach and has been recognised by many institutional investors, as evidenced by the large number of signatories to the United Nations Principles for Responsible Investment (UNPRI). Furthermore, citizen participation is included by some as an aspect of RI, and it is therefore useful to explore if it should become a central aspect of this approach.

To focus my project scope, I look only at UK occupational funds, since this is where my own pension is based. Moreover, the UK is a significant global player both in terms of financial investments and the international development sector. I had originally planned to reduce my scope further to only shareholder voting decisions, however as the

_____________________________________________________

5 Such participation has also been described as ‘pension holder engagement’, ‘citizen investment’, and a form of ‘financial democracy’.

research progressed it became apparent that this scope was too narrow and I proceeded with investigating investment decisions in general.

The research questions are:
What do RI advocates perceive are the arguments for and against
  • (1) citizen participation within UK pension investment decisions?
  • (2) using a proposed online voting platform to enable such citizen participation?

Research question (2) relates to a proposed online voting platform,\(^7\) inspired by one used for processing shareholder voting by small retail investors – MoxyVote.\(^8\) No such platform has been used with pension holders.

Constructionist theory is used as a theoretical lens, especially aspects of Foucault’s theory - discourse, power, knowledge. Participatory communication theories are used to consider the potential application of participatory decision-making within pension funds. Qualitative interviews with RI Advocates is the method used.

**Position, limitations, and value**

The political position I take as researcher, stated for reasons of research coherence and transparency [Jorgensen & Phillips 2002, pp.117-126], is that power inequalities are the root causes of poverty and abuse of power, consistent with the participatory communication development paradigm.

The research focuses upon a Euro/Anglo-American belief system of investment, UK pensions, and interviewees are sourced based upon knowledge of these subjects. Therefore, there is probable bias of western thought with many ‘taken-for-granted, common sense understandings’ [ibid. P21] within this study.

\(^7\) The proposed online voting platform basics are described within the Interview Guide in Appendix 1.

\(^8\) MoxyVote has now closed.
As constructionist research, this study does not seek any fundamental truth (as is expected in positivist research [ibid. p22]), but aims to construct persuasive, coherent, and fruitful arguments [ibid. pp172-181] with the possibility of also finding new ideas.
Literature Review

This section aims to situate citizen participation in investment decisions within the wider context of corporate action, CSR, RI and the rise of institutional investors. I then take a closer look at UK pension funds, current arguments around citizen participation within pension investment decisions, and ICT applications.

Corporate Power

Within the current era of neoliberal economic globalization [Guttal 2010, p526], the roles of states, corporations and individuals are changing, with MNCs\(^9\) becoming increasingly powerful within local, national and global socio-economic and political spheres. MNCs are the primary beneficiaries of this system and ‘the most powerful advocates of liberalisation, deregulation, and privatization in every area of commerce and production.’ [ibid.] Such globalization is political, with ongoing negotiations between nation-states, MNCs, and other international organisations [ibid.].

This globalized system is set within a historical context of colonialism and power inequalities between and within nations. Figures 3 [Transnational Institute, 2018] and Figure 4 [ibid.] respectively illustrate the level of corporate power by comparing the GDP of nations with corporate revenue [2013 data]\(^10\) and the unequal distribution of MNC headquarters [2012 data].

\(^9\) Also called Transnational Corporations (TNCs)

\(^10\) GDP and revenue are not directly comparable, and this simply serves to illustrate the considerable size of MNCs.
FIGURE 3

37 of the world’s 100 largest economies are Corporations.

Corporations more powerful than nations
Top 100 economies by GDP (nation) or revenue (companies)

<table>
<thead>
<tr>
<th>Nation/Corporation</th>
<th>2012 GDP or Revenue $US billions</th>
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<tbody>
<tr>
<td>China</td>
<td>15,685</td>
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<tr>
<td>United States</td>
<td>14,480</td>
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<tr>
<td>Japan</td>
<td>8,227</td>
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<td>Germany</td>
<td>5,964</td>
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<td>France</td>
<td>5,090</td>
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<td>Brazil</td>
<td>2,641</td>
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<td>United Kingdom</td>
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<td>Italy</td>
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<td>India</td>
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<td>Netherlands</td>
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All references can be found on www.tni.org/stateofpower2014

Resources:
www.tni.org
www.corporateeurope.org
www.oilwatch.org
www.attac.org
Corporate power can be exercised in many ways, some directly political such as lobbying and political donations. **Figure 5** [Influencemap.org, 2018] provides an example of types of corporate influence over climate change policy. As powerful actors, MNCs are now requested and expected to participate in forums that formulate regulations, and voluntary codes that go above what is necessary by law, such as the Extractive Industries Transparency Initiative (EITI). Arguably this is due to different stakeholders perceiving that national and international laws are inadequate. It is a common understanding that state authorities have regulatory responsibility so that society both benefits and is also protected from the actions of corporations. Corporations with too much influence over regulation pose a threat to state democracy [George, 2014].
Recognising the increase in corporate power, activists now not only focus their campaigns and advocacy on public institutions, but increasingly MNCs’ AGMs, headquarters and sites of operation. Although not ‘legal duty bearers’ of the rights of others like states [Benest, 2010], MNCs are ‘moral duty bearers’ [ibid.] due to their influence. MNCs’ actions, although often legal, are seen by many as irresponsible or unethical when actions or perceived consequences break unwritten laws of fairness and decency. As MNCs operate across nations and cultures, this is further complicated due to perceived ethical/moral differences between societies.

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11 DUTY-BEARER (LEGAL) - Those holding the obligations to respect, protect and fulfil the rights of others (typically the state and its mechanisms) [Benest, 2010]

12 DUTY-BEARER (MORAL) - Those with the power to fulfil protect and otherwise impact upon the rights of others (typically local leaders, civil-society organisations, private companies etc.) [Benest, 2010]
There is a generally held assumption that the role and primary objective of a corporation is to maximize profit for shareholders within the law, broadly encapsulated by the assertion that 'The social responsibility of business is to increase its profits' [Friedman 1970, quoted in Hebb 2008, p23]. However, as MNC strategy now includes how they are to operate above the law, and how they influence regulations and voluntary codes, their power arguably necessitates responsibility towards other stakeholders. CSR is the study and practice of such responsibility.

**Corporate Social Responsibility**

CSR includes many different theories, activities and agendas. It can be described as ‘business virtue...practices that improve the workplace and benefit society in ways that go above and beyond what companies are legally required to do.’ [Vogel 2005, p2]

CSR focuses upon individual companies and the general role of the private sector within socio-economic spheres, the ‘relationship between corporations, communities and ecosystems.’ [ECCR 2003, quoted in ECCR 2008, p2] Arguably the form of CSR most MNCs now adopt is Corporate Responsibility, which emphasizes that responsibility is, or at least can be, profitable [Vogel 2005, p19]. It is based upon a long-term assessment of risks and profitability, with the view that irresponsible actions will be detrimental not only to society but also long-term corporate profit [Björn Stigson, quoted in ECCR 2008, p5].

13 Where ‘companies respect all their stakeholders including clients, employees, community, governments, suppliers, and customers, as well as its shareholders.’ [Hebb 2008, p7].

14 Corporate Responsibility often entails a focus upon universal principles notably promoted by the UN Global Compact [UNGlobalCompact.org 2014]

15 ‘In summary, the Global Compact exists to assist the private sector in the management of increasingly complex risks and opportunities in the environmental, social and
As CSR is voluntary, not all corporations participate and there is a gap between rhetoric and action [Utting 2007, p700]. Policies and activities remain piecemeal and fragmented [Vogel 2005], and reporting is non-standardized. It is debated whether and when CSR provides useful solutions or is actually: greenwash; intentionally ineffective; and/or an inadequate sticking plaster to the systemic failure of capitalism for wider society [Utting 2007, pp.697-698]. A consequence of CSR may also be to reinforce corporate power, and if one holds the perspective that structural inequality is a root cause of poverty, then development must include keeping ‘corporate power in check’ [ibid. pp704-705]. Such a viewpoint does not negate all aspects of CSR but is limiting. CSR can most accurately be described as one part of corporate strategy [Vogel 2005], deciding whether, how, and how much to exercise responsibility while ensuring profitability.

Corporate strategy includes aspects that go beyond legal regulation, and the size of some MNCs means their economic influence is comparable to that of some nation states. The ‘responsibility’ that is referred to within CSR arguably in some ways refers to the owners of that corporation - shareholders whose financial interests a corporation acts on behalf of - ‘The company belongs to people who invest in it – not to its employees, suppliers, nor the locality in which it is situated.’ [Dunlap 1996, quoted in Bauman 1998, p6] This then leads to the question of what it means to be a responsible shareholder, otherwise known as an investor.

**Corporate ownership and institutional investors**

The nature of corporate ownership is changing. Firstly, the many shareholders of a MNC, sometimes thousands, makes ownership fragmented. Secondly, shareholders can be located anywhere [Bauman 1998, pp6-7] and are often distant from corporate headquarters and operations. Thirdly, shareholders can divest almost at any time. These three aspects weaken the connection between shareholders and those corporations they own. This disconnection is an instance of the principal-agent problem, in which the

governance realms, seeking to embed markets and societies with universal principles and values for the benefit of all.’ [Unglobalcompact.org. 2014]

Note: The UN Global Compact has changed their description to include the word ‘sustainability’ rather than ‘responsibility’ since 2014.
interests of corporate management (agents) and shareholders (principals) inevitably diverge [Hebb 2008, pp28-29] with investors being described as ‘absentee landlords’ and investment practice a ‘disconnection of power from obligations’ [Bauman 1998, p9]. Finally, shareholder identity has changed with the rise in institutional investors, one of the most significant investment trends in the last few decades, changing the ‘basis of stock-market ownership’ [Manthorpe & Martin, 2008, p10] and the amount of influence institutional investors have over corporate management [Hebb 2008, p29]. Institutional investors manage the combined wealth of millions of people and own the shares of many major public companies [Pitt-Watson 2010, p9]. As these institutions are agents themselves, the concept of ownership is further muddied, with many citizens not even knowing in which corporations their savings are invested.

Institutional investors have considerable influence within the global economy through controlling the digital movement of capital, exercising shareholder rights, corporate engagement, and political lobbying. Institutional investors each decide their particular investment strategy and principles. They may, for instance, act to maximise short-term profit, or invest for long-term ‘responsible aims’ [Freshfields Bruckhaus Deringer 2005, quoted in FairPensions 2006].

**Responsible Investment**

*Socially Responsible Investment* (SRI), a part of CSR, encompasses a variety of approaches for integrating ethical, environmental and/or social considerations into the investment process, rather than only financial risk and return as in mainstream investment [Sandberg 2014, p300]. *Responsible Investment* (RI), a type of SRI, proposes that integrating such considerations is actually a strategy for maximising

16 As an example, and recognition of their power, at an IPCC 2014 report launch UN Secretary General Ban Ki-moon stated: ‘I have been urging companies like pension funds or insurance companies to reduce their investments in coal and a fossil-fuel based economy to move to renewable sources of energy.’ [UNFCCC, 2014]

Return on Investment (ROI), rather than a constraint or hindrance, and is therefore aligned to the Corporate Responsibility approach.

The United Nations Principles for Responsible Investment (UNPRI) is an organisation and a voluntary code and is ‘the world's leading proponent of responsible investment’ with ‘more than 1,750 [investor] signatories, from over 50 countries, representing approximately US$70 trillion (Assets under Management)’ [PRI 2017]. The UNPRI defines RI as: ‘an approach ... that aims to incorporate environmental, social and governance (ESG) factors into investment decisions, to better manage risk and generate sustainable, long-term returns.’ [PRI. 2017b]

The UNPRI distances RI from other investment approaches - SRI; Impact; Sustainable; Ethical; Green - due to RI being a holistic approach that includes ‘any information that could be material to investment performance.’ [ibid] RI, as defined here, is therefore still focused upon maximising ROI, with any non-financially significant and ethical concerns deprioritized.

‘Mainstream investment’ practice can be characterised as overly focused upon a short-term narrow financial assessment to maximise ROI, excluding ESG factors. Long-term investments are held as part of a diverse investment portfolio with investments of varying risks and returns, but the assessment is on a short-term basis. RI is acknowledged, and in-part exercised by many institutional investors, but arguably not consistently.

The integration of ESG factors, illustrated in Figure 6 [ibid.], and focus upon the long-term within investment assessments proposed within RI challenges mainstream investment practices by viewing the current short-term risk-assessment as inadequate. Investor short-termism arguably encourages corporate ‘short-termism, asset stripping, mass layoffs and many other negative phenomena’ [George 2014, p9] rather than a sustainable business model that will be profitable in the long-term.
**Figure 6**

There are various other options that are sometimes but not always advocated as part of the RI approach, each challenging mainstream investment in different ways.

Stewardship is the practice of investors ‘stewarding’ investee companies mainly through corporate engagement and shareholder voting. It is argued that within modern corporate theory, investors must take a central role [Manthorpe & Martin 2008, p7], and ‘…the functioning of a market system of corporate governance depends to a large extent on the participation of investors...’ [ibid. p7] In partial recognition of this, the (voluntary) UK government Stewardship Code [FRC 2010.b, p5] was initiated.

Investors practice stewardship to varying degrees. UNPRI refer to it as being ‘active owners’, and it ostensibly attempts to tackle the principal-agent problem. Stewardship challenges mainstream investment which is often associated with stock-picking only, and where stewardship is not viewed as an investor responsibility.

Another question within financial assessment is how to integrate system risks, such as climate change, and negative externalities that can affect whole industries and economies, rather than just individual companies. Investors can choose to adapt their investment strategy based on these risks, including joining coalitions like the

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18 UNPRI Principle 2: ‘We will be active owners and incorporate ESG issues into our ownership policies and practices.’ [PRI. 2018]
Institutional Investors Group on Climate Change. Universal Ownership is a theory related to such risks, and proposes that institutional investor portfolios have become so large and diversified that they have a financial interest in the sustainability of entire economies, and therefore an interest in reducing the harm done by individual companies upon others in their portfolio [Manthorpe & Martin 2008, p26]. What this means in practice is unclear, yet one can argue that this necessitates stewardship as by only divesting from a harmful company the risk to your portfolio remains.

RI challenges how ROI and corporate profit is best generated, which is a significant challenge to the current form of capitalism even if profit maximization is still dominant. Furthermore, it is arguably advocating a sustainable worldview in which companies maintain rather than exploit resources. The RI approach therefore does not seek to only change the practices of investors and companies, but the global financial and corporate system as a whole. However, the way profit is sustained can also take very different forms, and a sustainable economy may not necessarily be one where all human rights are protected, and inequality reduced.

Different investment experts advocate a range of approaches and investment principles. Institutional investors currently decide their approach and principles by expert judgement and reasoning by fiduciaries, but could and should this be balanced with a form of democratic participation by those citizens whose savings are being invested? This can also be seen as an opportunity to embed citizen voice within a corporation as shareholders, rather than as outside stakeholders.

**UK Pensions**

UK pension provision can be roughly split between three different pillars: state (welfare); private (individual savings); and employer/occupational [Pitt-Watson 2010, p10]. This project focuses upon the latter.

19 The Institutional Investors Group on Climate Change (IIGCC) is a forum for collaboration on climate change for investors - http://www.iigcc.org/
Pension investment is often managed by private institutions and therefore set within the private rather than public sector, although is state regulated. Occupational pension schemes are often part of an employment benefits package, where employers make pension contributions and choose the pension provider.

The large majority of invested occupational pension schemes are split between Defined Benefit\(^{20}\) (DB) and Defined Contribution\(^{21}\) (DC), or a hybrid thereof. DB schemes are often run by a Board of Trustees and regulated by fiduciary law, and are collective in that savings and investments are pooled within a fund(s). DC schemes are often run by Insurance Companies without a Board of Trustees and are regulated by customer contracts. These are generalized types: the structure of a pension scheme is specific to each instance and written within the Trust Deed or contract.

What is important for this project is that both DC and DB pension savings are held within collective funds and often invested in companies. This project mostly refers to trust-based schemes but arguably participation by pension holders is even more necessary when there are no trustees present.

**Actors**

UK pension scheme governance includes several types of actors. Those important for this project are: trustees; pension fund managers; pension members and beneficiaries (both referred to as pension holders in this project).

Within a trust-based scheme the trustees are legally responsible for the scheme through fiduciary duty: ‘to act in the best interests of beneficiaries (and, in case of conflict, in their sole interest).’ [Berry 2011, p18] Trustee Boards must usually have Member Nominated Trustees (MNT), but these trustees, even if pension holders, must act objectively as fiduciaries, and are not present in the same way as democratically elected representatives. Trustees are responsible amongst other duties for setting the investment strategy, see **Figure 7** [Pensions Regulator 2007].

\(^{20}\) Where employers promise or guarantee employees a specific annual pension upon retirement

\(^{21}\) Where an annuity is bought at retirement based upon the ‘pension pot’ comprised of pension contributions from employer/employee plus the gains (or losses) made by investing these contributions.
Setting the investment strategy

The trustees of most schemes are responsible for deciding the investment strategy to be adopted by the scheme. Only trustees of wholly fully insured schemes need not worry about this decision.

As a trustee you may be able to invest in different investments, including stocks and shares in companies (often called 'equities'), government stocks (often called 'gilts') and property. A range of 'alternative' vehicles such as hedge funds and derivatives may also be available to you.

When deciding upon an investment strategy you must consider:

- any limitations on investments contained in the trust deed and rules, and other legal requirements;
- your fiduciary duty to choose investments that are in the best financial interests of the scheme members – for example, you must not let your ethical or political convictions get in the way of achieving the best returns for the scheme;
- the suitability of different asset classes to meet the needs of the scheme and future liabilities;
- the risks involved in different types of investment and the possible returns that may be achieved; and
- appropriate diversification of the scheme’s investments – in other words not ‘putting all your eggs in one basket’.

All these decisions should be taken in light of appropriate advice taken from professional advisers such as the scheme actuary and investment consultants.

Having established the investment strategy you should prepare the scheme’s statement of investment principles (SIP).

Drawing up a statement of investment principles

The trustees of most schemes must draw up a written statement of investment principles (SIP). The SIP sets out the principles governing how decisions about investments must be made.

What the SIP must include

The SIP must include your policy on:

- choosing investments;
- the kinds of investments to be held, and the balance between different kinds of investment;
- risk, including how risk is to be measured and managed, and the expected return on investments;
- realising investments;
- the extent, if at all, you take account of social, environmental or ethical considerations when taking investment decisions; and
- using the rights (including voting rights) attached to investments if you have them.

Preparing the SIP

Before the SIP is drawn up, you must:

- obtain and consider the written advice of a person who you reasonably believe to have the appropriate knowledge and experience of financial matters and investment management; and
- consult with the employer.

In this case, ‘consultation’ means considering the employer’s views carefully. It does not mean that you have to agree with the employer or carry out their wishes. The law makes the point that you do not need the employer’s agreement.
Pension fund (asset) managers are delegated to manage investments, and also provide guidance and expertise to Trustees. They may be ‘in-house’ or external e.g. employed by an Insurance Company.

Pension holders are those individuals either currently contributing savings to a pension scheme or receiving a pension annuity. They contribute savings to a collective fund that is then invested in companies (and other assets), however they have no legal ownership - the “legal title to the shares - and, by extension, the shareholder rights attached to them - is held by asset managers or custodian banks.” [Berry 2013, p40] This is depicted in the simplified model of the ‘investment chain’ in Figure 8 [ibid., p8].

![Image of investment chain model]

**Figure 8**

22 The pension funds and insurance companies are the asset owners, and the asset manager is sometimes referred to as the fund manager [Berry 2013, p9].
Communication

Pension holders have access rights to little information about investments. They can access such documents as the Statement of Investment Principles (SIP) which include ESG considerations,\(^{23}\) Trusts Deeds, and overall fund performance, but not the companies a fund is invested within, nor shareholder voting records (although this is encouraged). Fiduciaries have no legal obligation to consult or obtain the views of pension holders in relation to investment decisions [Scanlan [ed] quoted FairPensions 2006, p1]. Pension holders can complain to the Pension Ombudsman if they believe fiduciaries are failing in their duties. Such complaints however are focused upon the proper running of a scheme (e.g. fiduciaries being biased, negligent, or corrupt) rather than a difference of opinion about the investment strategy.

A closer look at fiduciary duty

Which investment approach is taken changes how fiduciary duty is interpreted. A Law Commission [2014]\(^ {24}\) review of fiduciary duty, commissioned by the UK Government suggested that the label ‘ESG issue’ is unhelpful and that fiduciary considerations should rather be split into two basic categories: financial and non-financial motivations. [Law Commission 2014]

The report sought to clarify when non-financial motivations of pension holders could be considered:

‘In general, non-financial factors may be taken into account if two tests are met:
(1) trustees should have good reason to think that scheme members would share the concern; and
(2) the decision should not involve a risk of significant financial detriment to the fund.’

\(^{23}\) ‘Pension trustees are required to prepare a SIP stating their policy on the kinds of investments to be held and the extent (if at all) to which social, environmental or ethical considerations are taken into account when making investment decisions.’ [Occupational Pension Schemes (Investment) Regulations 2005 SI 2005 No 3378, reg 2(3). Quoted in Law Commission 2014, 1.43 p6]

\(^{24}\) ‘In March 2013, the Government asked the Law Commission to examine the fiduciary duties of investment intermediaries. A central concern was the legal duties of pension trustees when they make investment decisions. In particular, how far may (or must) trustees consider interests beyond the maximisation of financial return, such as questions of environmental and social impact, and the ethical views of their beneficiaries?’ [Law Commission 2014, p1]
[ibid. p4 1.25] Trustees should seek the advice of financial advisors on such risk [ibid. p5 1.33].

The report supported the RI approach: it clarified that fiduciaries should consider ESG issues when they are judged financially relevant, and should focus upon long-term risk-adjusted ROI for the investment portfolio. Previously some fiduciaries perceived this was not possible. The paternalistic nature of pension investment was reinforced as it was confirmed that pension holders do not have to be consulted in determining their best interests [ibid. p4 1.32]25 and fiduciaries and fund managers are the judge of when ESG factors are considered financially significant.

**Arguments for and against citizen participation**

Pension holders are described in various literature as indirect owners/shareholders, ordinary investors [Manthorpe & Martin, 2008, p7] or citizen investors/real owners [Davis et al. 2006] Such descriptions are normative and may hold moral weight [Berry & Scanlan 2014, p339] or can be seen as common-sense, but the current system is designed such that pension holders have no legal ownership [Berry 2013, p40], and so no formal role in decision-making. However, there is no barrier to pension funds voluntarily enabling participation [ibid. p40].

A RSA research project on UK pensions found that people ‘are almost universally disengaged from their pensions’, and that the ‘financial system is not set up to be fully accountable’ with ‘fund managers inaccessible and financial institutions opaque.’ [Manthorpe & Martin 2008, p5] The project’s interim report [2008] made strong statements that citizen participation in financial institutions must be part of the system

25 “Do trustees have to consider members’ views? - No. Trustees may consider the views of the beneficiaries when making their investment decisions, but there is no legal requirement for them to do so [Unless the trust instrument provides otherwise]. However, they should only take account of non-financial factors if they reflect members’ views and interests – rather than the views of the trustees.” [Law Commission 2014, p4 1.32]
of long-term savings, "just as the political system needs the oversight of voters." [ibid. p7] However, within the concluding report [2010] it was stated that although influence over corporations was valuable, the priority for pension holders was that: "The system should be one which would take their savings and ensure that they were responsibly invested at low cost, without the need for constant oversight." [Pitt-Watson, 2010, p9]

Such conclusions were made after pension holder focus groups revealed that they lacked interest and time to participate, feared lack of financial expertise, and some did not see it their role to scrutinize corporate action. Participating within investment decisions was found to be a very abstract concept for those in the focus groups, and many lacked the awareness that their pensions are invested in corporations [Manthorpe & Martin 2008, p7]. In essence the gap between the current citizen disengagement and participating within investment decisions seemed too great.

It is important to critique such a conclusion. Rather than ‘constant oversight’ one can seek the optimum level of citizen participation through appropriate participatory processes. Furthermore, one must question whether a responsibly managed investment system is achievable without some form of citizen oversight, and in this way, participation is not only a right but also a responsibility.

Another argument described within literature is that not enough people will participate to make participation meaningful, or that participatory decisions will be hijacked by vocal minorities [Berry 2013, p36]. Such concerns although valid are inadequate alone when one applies them to state politics and national elections, so it must be questioned why they are viewed as adequate within this financial context - ‘Not everybody participates in politics, but we do not say that this makes democracy illegitimate…’ [ibid., pp36-37].

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26 ‘Without the active scrutiny of ordinary citizens, financial institutions were able to take excessive risks. Any thoroughgoing solution to the financial crisis must aim to ensure that citizens are able to take more responsibility for the management of their investments.’ [Manthorpe & Martin 2008, p5],

‘The system of long-term savings needs active involvement from ordinary investors, just as the political system needs the oversight of voters. Without it, as Adam Smith observed, “negligence and profusion” will prevail. But the current institutions do not allow people to engage in the right way.’ [RSA Manthorpe, 2008, p7]
A positive argument for participation is that pension holders should be enabled to scrutinise institutional investors so that all agents within the investment chain can be held to account [ibid. 2013]. This is argued as consistent with the UK Stewardship Code, in which it is recognised investors serve an important accountability role as stewards in UK corporate governance, and therefore pension holders should be enabled to likewise hold institutional investors to account.

ShareAction [Berry, 2013] also detail several examples of current pension funds that utilize some participatory processes demonstrating that they are possible, and that barriers of cost and design can be overcome. However, it must be noted that there is no current example of a democratic participation process for pension holders in which pension holders hold any authority within pension investment decisions.

**Fiduciary specific arguments**

Participation, it has been argued will undermine fiduciary duty, ‘This objection is encapsulated in the Ontario Law Reform Commission’s claim that “to allow beneficiaries to direct the ongoing administration of the trust confuses the role of trustee and beneficiary and is inconsistent with the trust concept”’ [Richardson 2011, quoted in Berry & Scanlan 2014, p338] In response, Berry and Scanlan [2014] argue that fiduciaries can retain ultimate responsibility on decisions, and they provide several empirical examples where this is the case. Of course, it is possible to change the law if deemed necessary to best serve society, but such a change may be difficult.

To include ethics/ESG factors within an investment decision, there is an argument that internationally agreed norms can be assumed by fiduciaries to be shared by all pension holders [Richardson 2007: 166, Freshfields Bruckhaus Deringer 2005: 12, both quoted in Sandberg 2014, pp304-305], thus making a participatory process unnecessary. The Law Commission [2014] states that certain norms based on international conventions can be assumed to be held by all pension holders, yet if there is any disagreement on non-financially motivated issues the suggestion is to ignore the issue if the consequences were judged to be financially detrimental by experts. A contrasting argument found in literature is that pension holders will always have differing ethical
values, and as consensus cannot be reached the ethics/ESG concerns of pension holders must be ignored so that fiduciaries remain impartial [Sandberg 2014, p304].

In summary, such arguments are against citizen participation because it is deemed either unnecessary, as ESG concerns can be assumed to be shared by all pension holders, or unworkable, as consensus is impossible to reach. The former argument can be critiqued not in relation to agreed principles, but upon evident conflicts in how one is to react when a corporation contravenes such a principle. The latter argument is not applicable if one advocates an RI approach - ESG issues cannot be ignored when they are financially significant, and conflict must be resolved to invest at all. The logical and practical reaction is to accept conflict sometimes exists, and to enable a democratic participatory process of some kind to identify and resolve conflict.

**ICT applications**

Any form of participation that includes thousands of geographically dispersed people is logistically difficult. However, such difficulties can be reduced through the use of ICTs. Although democratic participation has not been enabled yet for UK pension holders, several related ICT applications exist.

- The online platform MoxyVote was created in the USA to provide a shareholder voting service for small retail investors, who although collectively owning a significant number of company shares, rarely voted. MoxyVote sought to stimulate interest by relating shareholder votes to real-world issues, provided a space for third-party organisations to express their views, provide guidance, and enabled investors to delegate their vote to third-parties to proxy vote on their behalf, a form of liquid democracy, and also called Client Directed Voting (CDV). MoxyVote was a well-advertised digital platform that aimed to make shareholder voting understandable, accessible, and relevant. It was arguably successful in altering the direction of certain corporate strategies as thousands of people used the website, but MoxyVote closed due to high broker fees and complex regulations [Kerber, R., 2012]. Importantly, it did not fail due to disinterest or lack of use.
Proxy voting firms already provide a digital service to fiduciaries for shareholder voting and guidance e.g. Proxymity, Viewpoint, ISS - but these are not made accessible to pension holders.

The website www.voteyourpension.org enables pension holders to register their support for various contentious shareholder resolutions, and as a campaign creates pressure on fiduciaries.

Some UK pension providers already survey their members and provide information via digital platforms. What has not been enabled is a ‘democratic link’ or any authority within decision-making for pension holders.

A platform similar to MoxyVote was discussed within the RSA project [Manthorpe & Martin 2008, pp27-28]. Pension holders viewed such a platform suspiciously, but some showed interest. Other suggestions have been for pension holders to vote proportionally on corporate governance issues [Manthorpe & Martin 2008, p11]; upon controversial votes [Berry 2013, pp41-42]; or provide a system analogous ‘to representative democracy rather than direct democracy’ [ibid p10].

These examples of ICT applications demonstrate that the technical and logistical barriers to citizen participation can be overcome with some refinement. Furthermore, although small retail investors are a different population to pension holders, there seems no reason why the design aspects of MoxyVote that stimulated interest and a higher number of votes cannot be applied to the pension context.

**Summary**

This literature review has aimed to explain the context in which pension holder participation becomes meaningful and important. I have looked at how ICTs could be used to enable such citizen participation, as well as the various arguments found within existing literature that argue for or against participation. I have briefly looked at the

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current UK pensions context, the main actors that make investment decisions, and the nature of communications, legal structures and ownership. Some of the main options within investment strategy and principles have been highlighted and how RI may differ in various ways from more mainstream investment approaches, and this informs the research in providing content to the decisions which are currently made by fiduciaries but could be the subject of a participatory process. To set the context of how citizens are connected to corporate strategy I looked at the rise of institutional investors and how pension savings play an increasingly important role in the disconnected and fragmented nature of corporate ownership. Finally, to connect citizen participation within pension investment decisions to real-world impact, I looked at the increasing power of MNCs and how through this influence, corporations are now tasked with acting beyond what is required by law. This whole section has sought to connect citizens, as pension holders, with the possible impact of their decisions on corporate action.
Theory

Social construction

The meanings of things are constructed through social interaction between individuals in a socio-cultural context, through shared languages (or other systems of representation) [Hall 1997]. This is contrary to theories that state that the true meaning of things is embedded within them and language reflects this truth (reflective approach), or that an author gives meaning to a thing and places this meaning in the minds of an audience (intentional approach) [ibid. pp24-25].

Constructionist approaches all share four main premises [Burr 1995, described in Jorgensen & Phillips 2002 with extra clarification, p5]:

1. ‘A critical approach to taken for granted knowledge’ – truth is not objective, and communication is socially constructed.
2. ‘Historical and cultural specificity’ – meaning is context dependent and formed through interaction with others. This view of the social world is anti-foundationalist [ibid, p5] and anti-essentialist [ibid.].
3. ‘Link between knowledge and social processes’ – the way individuals and society perceive and conceive the world is constructed through different forms of social interaction, and these processes also regulate what is thinkable and how we perceive the world.
4. ‘Link between knowledge and social action’ – The way individuals and society know the world changes the way they communicate and act and this therefore impacts upon the world.

30 An “anti-foundationalist position...stands in opposition to the foundationalist-view that knowledge can be grounded on a solid, metatheoretical base that transcends contingent human actions.” [Jorgensen and Phillips, 2002, p5]

31 An anti-essentialist view “that the social world is constructed socially and discursively implies that its character is not pre-given or determined by external conditions, and that people do not possess a set of fixed and authentic characteristics or essences.” [Jorgensen and Phillips, 2002]
Language in a broad sense encapsulates all interaction with other individuals (social), the world (experience of one’s environment) and oneself (self-reflection). As social reality changes through interaction with others, the environment and oneself, then so the meaning which individuals and society apply to reality constantly changes to a greater or lesser extent.

**Investment construction**

The investment industry has been constructed in a specific way, including the associated monetary systems, culture, beliefs, and how this is integrated into political and socio-economic spheres. The industry could be, and has been, different throughout history, ‘shareholder capitalism’ being relatively new. There are cultural specificities, although the core structure of the investment industry is globally standardized to enable international capital movement.

**Discourse, power, and knowledge**

Foucault’s style of analysis, broadly termed discourse analysis, has many variants by different authors, and has heavily influenced other philosophies, where theory and method are often combined [ibid. 2002, p4]. What concerned Foucault ‘was the production of knowledge (rather than just meaning) through what he called discourse (rather than just language)’ [Hall 1997, pp.42-43]. Discourse, power and knowledge are integrated and presuppose one another [Jorgensen & Phillips 2002 pp.13-14].

Discourses can be described as themes in our lives, ‘a particular way of representing the world (or parts of the world)’ [ibid. p143] and ‘...since all social practices entail meaning, and meanings shape and influence what we do – our conduct – all practices have a discursive aspect.’ [Hall 1992, quoted in Hall 1997, p44]

Foucault viewed power as circulating at ‘all levels of social existence’ rather than radiating from one source such as the government [Hall 1997, p50]. Power is
everywhere [Foucault 1998 quoted in Powercube 2011], and is viewed as both ‘productive’ as it creates the social world, and ‘restrictive’ as through discourse it regulates the rules of creation [Hall 1997 p50], the boundaries to what is accepted, normal and meaningful.

Knowledge is ‘to know the meaning of something’, where discourse ‘defines and produces the objects of our knowledge’ [ibid. p50]. To know something is to fix one meaning as true over alternatives, which is an exercise of power. ‘Knowledge experts’ are only powerful because the specific discourse that produces and makes their knowledge meaningful is currently dominant. Experts are therefore produced and restricted within a discourse [ibid. p55]. Experts and institutions built around discourses often become the main protagonists for the continuing construction and dominance of that knowledge and discourse [ibid. pp41-52].

**Investment discourses**

The *RI* discourse is challenging the currently dominant *mainstream investment* discourse, the conflict being based not in ethics, but in how ROI is effectively maximised and assessed, which is assumed in both discourses to be the primary concern for investment. This discursive conflict challenges current investment expertise, with the skills and knowledge needed for RI being very different – integrating long-term ESG issues, with stewardship, system risks, and visions of economic sustainability also considered. There is on-going academic research to provide evidence on whether and how ‘responsibility’ generates profit, but what is key to this study is not which discourse is currently fixed as ‘true’ but that the conflict is now visible.

If one acknowledges this conflict between discourses, knowledge and experts, and the many different aspects of RI, then one can question which actors are best placed to make investment decisions and choose which expert advice to follow. In addition to this ‘choice between experts’, is whether one believes making investment decisions around ESG issues, system risks, and a sustainable economy are in any way ideological. With

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32 “‘Power is everywhere’ and ‘comes from everywhere’ so in this sense is neither an agency nor a structure.” (Foucault 1998: 63).” [Powercube 2011] http://www.powercube.net/other-forms-of-power/foucault-power-is-everywhere/
what legitimacy do fiduciaries decide the best interests and investment beliefs of pension holders?

Arguably, within mainstream investment the investment expertise of stock-picking and mathematical equations was best left to experts, but with a variety of choices and investment principles now available for institutional investors there is now an opening for democratic participation. This is a discursive conflict between the dominant management or fiduciary discourse, and that of democratic participation.

The comparison between state democracy and citizen participation within the investment sector, as raised by Berry [2013], is useful to consider: why is a democratic discourse not applicable to this pension investment context? There is a difference here between the public and quasi private sector, however within any context, to be able to assume the best interests of another and to deny them a voice, is an exercise of power.

**Investment identities**

The investment discourses for this project can be highlighted through the identities that have been constructed by them, creating ‘*certain expectations about how to act, what to say and what not to say.*’ [Jorgensen & Phillips 2002, p41]

MNCs are now expected to act above the law (CSR) and corporate identity cannot only be based on profit-maximisation but also now includes the role of regulators and wider responsibilities and influence. With shareholder stewardship now increasingly expected and the identity of shareholders changing to institutions, the ownership and control of corporations is also changing, altering corporate identity from within.

Investment is a knowledge-based industry, and the experts and institutions which hold this knowledge are the main protagonists in reinforcing the mainstream discourse. As already discussed the RI discourse challenges this knowledge, and the democratic participation discourse challenges the role of experts and fiduciaries.

Fiduciaries have the role of impartial judges within both RI and mainstream investment. Although they hold legal responsibility for decisions they must take the advice of
investment experts, and it would arguably be imprudent to act against such advice, meaning that advisors hold considerable power through their knowledge.

The following different identities are constructed for pension holders:

- **Beneficiary** - Pension holders within trustee-based schemes have no voice and are perceived as disinterested and incapable of making their own decisions, and this is reinforced by the surrounding laws, systems, and expectations.
- **Consumer** - Contract-based pensions place pension holders as consumers with a choice to save or not, yet this choice is severely restricted making consumer power negligible.
- **Owner** - Pension holders are identified as ‘real/indirect owners’ within some interpretations of RI. This ownership discourse entails certain rights and responsibilities. Just as shareholders are expected to take a stewardship role for companies, pension holders can be enabled to steward institutional investors.
- **Citizen** - Like the ownership discourse, financial democracy and ‘citizen investors’ evoke comparisons with state democracy, enabled by the collective nature of shared investment funds.

The final noteworthy identity is what can be called the ‘investment other’, the people/habitats/animals that are most directly impacted upon by investor and corporate action. These ‘others’ - often far away communities, environments, labourers - are voiceless and unrecognized as actors within the immediate pension context. However, through systemic risks such as climate change and other ESG issues pension holders may come to recognise themselves as ‘investment others’, making RI about self-interest in both financial benefit and corporate impact.

**Participatory Communication**

Participation as an action can be understood as ‘to take part and actively engage’ [Benest, 2010] where people are involved to various degrees in decisions, processes, communications, and institutions which impact upon their lives. It is assumed in this project that a central aspect of ‘participation involves the more equitable sharing of ...
Participation can also be understood as a development paradigm, in which development is not primarily focused upon economic growth or poverty alleviation, but upon ‘the transformation of the cultural, political, and economic structures which reproduce poverty and marginalisation.’ [Leal 2007 p540] In this way development is to work towards a reduction in power inequalities where ‘Greater equality is both a goal in itself and a means to economic and social development.’ [Utting 2007, p698] Furthermore the ‘participatory model...stresses the importance of cultural identity of local communities and of democratization and participation at all levels – international, national, local and individual.’ [Servaes & Malikhao 2005, p95]. This points to a strategy that emanates a bottom-up, people-centred [Quarry & Ramirez 2009, p21] approach to development.

Participatory theories, primarily developed by the educationalist Freire now permeate most development theory and practice [Utting 2007, p698]. Freirean theory is based upon treating people as fully human subjects - not objects to control – and respecting other ways of life, on life being more than the fulfilment of material needs, and there being a need for collective solutions rather than individual opportunity [Servaes & Malikhao 2005, p96]. It is argued that development can only be achieved when people ‘possess their own decision-making powers, free of oppressive and dehumanizing circumstances; it is the “struggle to be more fully human.” (Freire 1970:29)’ [Leal 2010, pp540-541].

Cadiz [2005, pp147-149] explains five interrelated attributes of Freire’s dialogical method of participation:

1. ‘Communication between equals’ in two-way communication
2. ‘Problem-posing’ dialogue where using knowledge held by different participants develops a critique of life rather than assuming superior knowledge of one paternal actor.

33 It is disputed by academics and practitioners how this is achieved, over what spatio-temporal context, and whether the process towards an end of increased equality must be participative itself.

34 The text within speech marks “…” in the five points below are direct quotes.

4. ‘Conscientizing’ takes place through praxis. It is a deeper understanding of how praxis is restricted in life and developing a ‘willingness to take risks’ to reduce these restrictions and social inequalities.

5. Five values that enable such dialogue – ‘love, humility, hope, faith…and critical thinking’.

Participatory theory applied to pension investment

Participatory theory can be described as a specific discourse based upon dialogue and equality; a method to increase equality between actors constructing discourses; and as praxis, participants deconstructing oppressive structures of power and knowledge. This project can be described as investigating structural inequality and transformation within the investment sector through the possibility of greater participation of pension holders.

To directly apply the five attributes of Freire’s dialogical method to pension holders is difficult due to the system being perceived as so disconnected from people’s lives, corporate ownership, action and impact. The ‘best interests’ of pension holders are defined within mainstream investment in narrow financial terms, thus artificially separating financial risk and benefit from other aspects of life. The individual actions of pension holders will have negligible impact and so collective action and solutions are necessary, and this is in part enabled where savings are invested collectively within pension funds. A ‘problem posing’ dialogue and critical thinking may lead to pension holders to initiate and maintain interest in the local and global socio-economic impacts of their pension investments. The five Freirean values are important to consider when thinking about the reactions of pension holders to new information, and indeed to trust them to make decisions within a participatory process. Finally, one can question in what way praxis is possible in this context to stimulate learning, and what constitutes action for pension holders in this context.

Arguably the identity of pension holders makes the application of participatory theory unusual in C4D, where they are not often identified as oppressed or marginalized, being mostly wealthy compared to those who do not have pension savings and to the global
majority in developing countries. They do not experience the severest impacts of the investment system or corporate malpractice. However, within social construction theory power is embedded in every interaction where ‘we are all, to some degree, caught up in it’s circulation – oppressors and oppressed’ [Hall 1997, p50]. If people have a right to participate in decisions that impact upon their lives, then pension investment falls within this category - being one of the largest financial investments a person can make which will impact greatly on their quality of life in old age. Participation can also be seen not only as a right but also a responsibility and an opportunity to fully realise our relations to others.

Through proposing democratic participation for pension holders within investment decisions one is seeking to achieve ‘democratization at all levels’ [Servaes & Malikhao 2005, p95] of society and within this defined context a ‘more equitable sharing of power’ [ibid. p97] rather than top-down management by fiduciaries. Such participation, as stated in arguments within the literature review, will not only impact pension holders but has the possibility to structurally transform and reduce inequalities within the financial and corporate sectors.
Qualitative interview method

Meaning and analysis

Grounded in a constructionist theory, this project does not seek to uncover the ‘truth’ but to explore a current snapshot of expert opinion. It is a scoping exercise to aid theoretical development, what Deacon et al [2007, p46] describe as illustrative rather than statistically representative. The number of interviews conducted was not pre-defined and ceased once saturation point was reached on the main topics [ibid. p45], when no new opinions were expressed on said topics.

RI Advocates interviewed were people working in senior positions relevant to UK pension investment and RI. The eight interviewees worked in different sectors, NGOs/civil society (3), academia (2), and pension investment (3), however it must be noted that in practice some interviewees worked across all sectors. Data on ethnicity, gender and other details were not collected as it was not deemed relevant at the time, although will be important for future research. Interviewees were found non-randomly through: web research of key UK pension organisations and international scholars; suggestions made by others; and RI networks I had joined.

Process

My introduction email explained who I was and described details of the research process and requested interview. All interviews were synchronous and held over skype (audio only) or telephone, lasting on average one hour. The interview style used was semi-structured, and conversational so that interviewees had some control over interview direction to enable ‘unexpected issues and information’ [Baerbour & Schostak 2005, p42] to be gathered. I used an interview guide but did not share this with interviewees. A short description of an online voting platform was read out and discussed.

35 i.e. the reason for my contact; who I was and if we had already met; the nature of my research; the university I am attending; that I was contacting other RI experts; and interview details: expected duration; skype or telephone; request for audio recording and transcription; that the interviews would be confidential and anonymous.

36 A copy of the Interview Guide can be found in the project appendices.
The interview guide focused upon participation within *shareholder voting and engagement*. However, as interviews progressed it became apparent within conversation that participation within investment decisions as a whole was more relevant.

**Considerations**

Several key concepts ‘problematize’ interviewing - power, social position, value, trust, meaning, interpretation, and uncertainty [ibid]. When interviewing the central problem or question for research is ‘*what status can we give to the words of the other?*’ [ibid].

The following points were considered for this project:

- The boundary between personal and institutional opinion expressed by interviewees was blurred.
- To encourage individuals to speak freely anonymity was guaranteed. Quotes are therefore attributed to interviewees with ‘*IN*’ followed by a number rather by name i.e. [IN05].
- Interviewees’ ideas may not have been ‘accurate’ or ‘the truth’ but in this project it is the ideas expressed being analysed.
- Knowledge, level of authority, and identity privileges all play a role within the interview context. As interviewer I held power in leading the discussion and interpreting results, yet within this context it is important to recognize the power held by interviewees through their authority as experts.
- As I researched this project I became involved in an investment campaign.\(^{37}\) I stated this within the introduction email and interviews, and this may have altered how interviewees perceived me.

**Analysis**

I do not apply a specific discourse analysis but do use the theories of discourse and participation as outlined within the theory chapter. As Kvale writes it is ‘*acceptable for researchers to adopt no particular method and simply analyse transcripts through*’.

\(^{37}\) Push Your Parents [http://pushyourparents.org](http://pushyourparents.org)
themes and theory relations to wider knowledge contexts.’ [Kvale 1996 quoted by Meyer 2008, p83]
Interview Analysis

This section sets out arguments expressed within interviews by RI Advocates around citizen participation.¹³⁸ Within this context of a pension fund, citizens are pension holders related to that specific fund.¹³⁹ I have split the analysis into themed sections I have judged to be important for the analysis. For each section I have provided a description of what was said within interviews followed by my own comments.

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Interviewees’ views on Responsible Investment

RI was described by interviewees in line with current literature, with a focus on long-term sustainable ROI, ESG integration and stewardship, set in contrast to the mainstream investment of short-term stock-picking with narrow financial analysis. One interviewed described how the ethical or wider holistic concerns of pension holders should also be considered by fiduciaries if judged not to be detrimental to ROI, and that this is often possible within an effective investment strategy. Support for stewardship by interviewees ranged from it being useful in specific cases to being the main method of wealth creation where it is common sense to ensure that any corporations you owned were managed effectively.

³⁸ Other terms related to participation were used interchangeably within the interviews such as ‘engagement’, ‘democracy’, ‘active citizens’, and ‘communications’.

³⁹ The term ‘pension holder’ was often used interchangeably in interviews with ‘beneficiary’, ‘member’, ‘citizen’ and ‘customer’. Although there are legal differences between these terms, I believe the essence of the arguments remains clear within this project.
Support and inclusion within RI of participation by pension holders varied and is further discussed in following sections.

Demands for ethical concerns (non-financial motivations) to be placed above financial ones were viewed as impractical and lacking credibility within the investment sector. An interviewee stated that ESG issues must be described in terms of market risk for credibility, rather than a “subjective ethical concern” [IN02]. However, it was also stated by interviewees that ethical concerns were important motivations for change from various actors including those within investment leadership positions.

Comment

It was evident that there was conflict between interviewees, especially over the value of stewardship and citizen participation. Although there is conflict between the mainstream and RI discourses over effective risk analysis, both can accommodate identifying shareholders as stock-pickers/consumers rather than owners.

The difference highlighted between ethics and market risk is not only semantic but signifies how statements become meaningful and allowed within the dominant discourse. For this to change would also mean changes in institutional culture, systems, and practices with ‘real-world’ impact. Both mainstream and RI discourses are based within the language of market risk. There is a tension for experts and fiduciaries between having to use a language of market risks, but with unvoiced underlying ethical motivations for change.

40 “Things like climate change, water scarcity, biodiversity loss, that sort of thing, it’s really jumped from being a subjective ethical concern into the key performance indicator for long term performance.” [IN02]
Perception of the current investment context

Interviewees described that investment is slowly shifting towards RI through initiatives such as the UNPRI and UK Stewardship Code which are “a reflection of the shift in opinion and further codify the shift.” [IN01] However, many interviewees perceived RI policy and implementation within the industry as inconsistent and lacking coherence, with uptake considerably varied. The investment industry was described as opaque to most people and lacking appropriate scrutiny, which is detrimental to the industry and society – “the blacker the box the less chance it has of doing a good job.” [IN06]41

Interviewees stated the following:

- Shareholder voting systems are unnecessarily opaque.
- Stewardship is not viewed seriously by the industry, regulators, or fiduciaries and it is therefore not a differentiating service for pension providers.
- “There is this huge lack of trust in the financial sector that’s partly because no one actually asks their clients what they want.” [IN03]
- There is a lack of demand for RI by Civil Society, NGOs, and Trade Unions.
- There is a lack of processes, resources, and skillsets (business skills rather than stock-picking) to adequately exercise RI or stewardship.
- Fund managers are assessed through short-term benchmarks and narrow financial data.
- Fund managers who suggest ESG research are rarely taken seriously by employers and raising such issues may harm their career.

41 “... right now we have a financial system that is a black box to most people out there, that the blacker the box, some of which is getting blacker, but the blacker the box the less chance it has of doing a good job. Just like governments, sunlight is the best disinfectant. So how is it that we open that up and we open it up by changing the duties of the people that are in the system. We open it up by telling people what we are actually doing on their behalf, we open it up by actually asking people what they would like, we open it up by having platforms where people can express their views, including as you are saying on specific votes. We let them know what is being done on their behalf in terms of voting and what is not being done on their behalf in terms of voting. And by the way we don’t have systems that are black box systems like the voting system that I described where not only do you not know how your pension shares were voted but you don’t actually know the one that left your custodians account were actually counted by the company.” [IN06]
• One interviewee described research interviewing several fund managers in which even if the importance of ESG/stewardship was acknowledged they felt unable to act upon it.

Interviewees described power being exercised in various ways:
• Investment management firms exercise power through being agents for hundreds of pension schemes, and through superior expert knowledge.
• It was stated that actors within the investment industry had successfully lobbied against legislation around transparency [IN01].42
• Institutional investors have little power over companies unless they collaborated due to the fragmentation of shareholder ownership.
• Some pension trustees could be (un)intentionally uninformed to avoid responsibilities.
• UK corporate culture was described as including expertise in finding regulatory loopholes to maximize profit thus making laws ineffective. This is one reason ‘regulatory codes’ are often preferred over law.
• One interviewee stated that many companies [investment and other] broke the law regularly [IN08].43

Comment
The perception by interviewees of the mainstream investment industry as opaque and inadequate is consistent with the reviewed literature. The increasing recognition, but inconsistent and fragmented implementation, of RI and stewardship within the industry echoes the implementation of CSR [Utting 2007, Vogel 2005], and is unsurprising due to being both voluntary and relatively un-scrutinized.

Powerful actors: institutions; regulators; fund managers, both reinforce and are trapped within the mainstream discourse, and within interviews power, cognitive dissonance

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42 “Do you think government legislation is adequate in relation to transparency of voting records and stewardship in general?” [INTERVIEWER] “No, and that is the result of intense lobbying by the investment industry.” [IN01]

43 “Do you know how many companies do not comply with the law regularly? Nearly everybody. The number of highly criminal corporations is massive, [large accountancy firm] pays more fines than they pay for in employee salaries.” [IN08]
and the inability to change were all referenced. The level of corporate power is
recognised with the ability to either ignore or circumvent the law through superior
knowledge, therefore being perceived as too powerful to be controlled by legal
regulation.

Often the principal reason for enhancing citizen participation within institutions is that
the current authorized decision-makers are somehow deficient [Fung 2006, p67]. This is
the case within this context: citizens are disconnected; corporations un-stewardled;
institutional investors un-scrutinized and perceived as untrustworthy [NAPF 2012,
quoted in Berry & Scanlan 2014, p339], opaque, irresponsible; and UK pension
systems ‘not fit for purpose’ [Pitt-Watson 2010]. I would argue that participatory
communication practices are therefore needed to stimulate structural transformation and
to challenge the status quo [Leal 2007, p539].

**Investment decisions and participatory methods**

It was discussed in interviews what investment decisions were most appropriate for
citizen participation, as well as suggestions for different participatory methods. These
points were raised both in general and as a response to the proposed online voting
platform. I have added this section here to help readers understand the arguments
around participation.

**What decisions did interviewees believe most appropriate for
citizen participation?**

- Setting the principles and priorities for stewardship and investment, writing the SIP
  and the Voting Policy [IN07], were seen as the priority for citizen participation.
  Ideally decisions would be grounded in an authoritative framework e.g. UNDP or
  UNPRI [IN08].

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44 ‘In their spring 2012 workplace survey, the UK’s National Association of Pension
Funds found that mistrust of the industry had overtaken affordability as the number one
reason for opting out of the government plan to auto-enrol workers into pension
schemes (NAPF 2012: 7).’ [Berry and Scanlan 2014, p339]
• Controversial issues, votes that contravene the SIP [IN07].
• Three criteria: what issues pension holders care about; the level of importance they give to each issue; the preferred timeframe for investment assessment [IN08].
• Minute detail of investing and voting were seen as excessive, with not even Trustees currently involved at this level. [IN07]

Methods of participation

• Increased transparency to enable scrutiny.
• An annual survey for all pension members or a representative sample.
• A pension holder AGM.

45 “If you are developing a voting policy, for example, you could ask for input in to it on the platform, so it could work as a survey tool, as we discussed, finding out what are the key stewardship priorities for members, polling members. For instance, we would say “we plan to vote yes on the following proposal at the company, we realise this is a very controversial vote, we wanted to see how do members feel about that vote?" [IN07]

46 “The trustees of a pension fund do not engage in individual stewardship decisions. It’s not their role, it’s not what they are resourced to do. They meet 4 times a year. They employ asset managers or engagement overlay providers to specialise in stewardship, or asset managers to manage a portfolio, and the asset managers are expected, within that portfolio and within their business model of investment if it includes stewardship, to engage on those issues which may have a financial impact on environmental and social governance. That all falls to the asset managers in question who will engage with companies on topics. Now Pension funds can do numerous things all of which are fully within their legal obligations, they can delegate to the asset managers and say that we simply expect you to address relevant risks, we would argue that they therefore have an obligation to question the asset managers about what they do regard as risks and make sure they are doing those things properly, or they can say, we as a fund have identified the following priorities as engagement topics and we want you to engage on those topics….If it’s a pension fund who is going to identify certain priorities for engagement we think it will be a good idea for them to engage with their membership base, do a representative survey, for example, to see what are the key issues with which our members are most concerned, and then see how does that overlap with the issues that they themselves have identified or they themselves, working together with their asset managers, have identified. None of that would in any way invalidate the discretion that the fiduciary has. They can ignore the member, but I think that it would be useful to consult with the members to see what they are concerned about. The fiduciary retains the discretion to ignore the member, shall we say, but they are making a decision that is much more informed because it’s backed by the viewpoints of the members. We see that as only a positive. What is the disadvantage of doing that. Well, there’s the logistical exercise of doing your survey, there’s some cost in doing it but I think they are outweighed by the advantages.” [IN07]
• Civil society campaigns to pressure fiduciaries were suggested to be effective and simpler to mobilise citizen interest than a voting platform [IN06].

• A deliberative citizen jury [IN06].

• Trustee elections [IN08].

• Democratic participation within financial institutions was thought beneficial by some interviewees [IN06] but with the general mobilization of citizens more important rather any specific method [IN07] - ‘The most important thing is to get people active.’ [IN08].

Comment

The type of participatory method suggested was determined by what level of authority for participants an interviewee advocated. There was a clear preference by interviewees for participation to be focused upon principles and contentious issues, and this is useful to consider when designing any participatory process. Interviewees were not enthusiastic about any specific method but increasing citizen mobilization in general.

Arguments for pension holder participation

The range of arguments put forward relate to what level of authority for participants an interviewee advocated. In a broad sense participation means to ‘to take part and actively engage’ [Benest, 2010], yet different participatory designs have different levels of

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47 “…Oxfam, you’ve got a quarter of a million members all around the UK who are very very interested in issues of poverty. We know that they have got pension funds all of which are invested in XYZ company which it should be ashamed of some of the things it is doing in the Niger Delta. Here is the standard e-mail that we would like those quarter of a million people to be able to say to their pension fund, here is an automatic way in which you Oxfam can contact them, and this can be passed on through them to their pension fund manager with a demand for action that they are going to take. Now that sort of platform is simpler than what it is you are doing, it requires less education, it requires an Oxfam push and it requires some clarity through the system. And that sort of stuff is very, very close to doable.” [IN06]

48 “You could think of trustees as potentially running election campaigns to become a trustee or an internet vote where people can vote for the top 10 relevant criteria for them and their pension. They can vote for them and then get a notion of where they sit.” [IN08]

49 “I think we are at an early stage where what we are trying to create is a messy solution that isn’t going to be right, but it has to involve greater mobilisation of beneficiaries and pension funds and other investment funds.” [IN07]
inclusivity, intensity of communication, and authority within decision-making [Fung 2006]. I have split interviewees arguments into three broad categories: arguments to scrutinise, inform, or influence fiduciaries; ownership and democratic participation; learning and empowerment.

**Scrutinise, inform, influence**

- **Increase accountability** - Transparency will lead to increased accountability throughout the investment chain, as actors behave better under scrutiny [IN07].
  Scrutiny by pension holders will increase demand for trustees to scrutinise fund managers, which it was claimed is currently lacking [IN06].
- **Effective market comparisons** - Transparency would enable pension holders and others to compare funds making a more effective market. With access to shareholder

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50 “We feel that you have a more accountable and a more transparent financial system if it is one in which the member is placed at the centre and the member is the one to which disclosures are made. Even the passive participation of a pension fund member has been the recipient of information, we think has a virtuous effect on the performance of actors in the investment chain...We think also it would lead to greater ethical behaviour by the participants within the industry because they are under scrutiny and they would know that they would have to report on what they do.” [IN07]

51 “Regarding pension fund managers or asset managers that trustees delegate to, on what legitimacy do they have the power to decide “I will lobby a government about this or I will engage with a company or not, I will steward or not. What legitimacy do they have to do that for various different issues? And when it comes to ESG issues who is actually an expert in some of these and at what point do you need to ask people as in we vote for our MPs.” [INTERVIEWER]

“My answer is to that as it would be to an MP, you are the fiduciary, you are the representative for the people of Oxford. When you go in parliament you have got all sorts of ways you can make money but you don’t do that because your job is to be the representative of the people of Oxford, and by the way every 5 years they have a way of chucking you out if you haven’t done a particularly good job. If you are a fund manager, you represent all the people in the XYZ pension fund. So how is it that you are conceiving that you represent them, you have never once talked to a carbon company about the long-term consequences of putting all this money into exploring for carbon that you know you can’t take out of the ground, never once done that? That seems a bit strange because if your fiduciary duty must encompass ESG issues, not may encompass but must encompass ESG issues, that seems like a bit of an oversight, and so it’s your judgement as to what issues you want to talk to the companies about but that would seem to me to be one that would be really difficult to ignore. But right now, the pressure that is put on fund managers to do anything is quite trivial, really, really quite trivial.” [IN06]
voting and stewardship information new types of benchmarks for pension funds would be enabled [IN01].

- **Increase trust** - Through transparency citizens will start to have more trust in the financial industry.

- **Consistency with CSR demands** - Transparency is demanded of investee companies by institutional investors as part of CSR, therefore to be consistent such standards should also be adhered to by investors [IN02 & IN01].

- **Create a fiduciary mandate for RI** - Campaign groups can positively influence fiduciaries, create a demand for change and a mandate for them to act more responsibly [IN02]. Such campaigns can support fiduciaries and other actors who already wish to take an RI approach [IN05].

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52 “Transparency is a good thing in relation to pension funds as it increases the scrutiny by the fund but also by secondary agents like academics, consultants, NGOs, so it allows a different kind of benchmark to emerge which is obviously never going to be as important as the peer group relative return quarterly forecast trading benchmark, but it could in some ways start to give another dimension to the pension funds’ performance so for example you could see that some pension funds vote against 70% of pay deals, and some vote against 5%, you can ask the pension fund concerned, why is it you feel able in these times of great concern for inequality to not vote, and why a pension fund of the same size of you can vote 70% and they don’t seem to suffer, what is the problem with you as stewards. It enables the possibility of the customer, the consumer, and interested third party engagement. Which is why pension funds don’t like it.” [IN01]

53 “…when you are an investor and you are asking your investee companies for more transparency and more accountability, you really have to do it yourself as well, or else you would look like a complete hypocrite.” [IN02]

“Pension funds through their fund managers for over 20 years have been telling corporations that they should do X Y and Z of which transparency and public accountability are a core feature. So, to justify their own non-transparency makes a mockery of the signal they are trying to send down their investment supply chain. And the signal is a good signal and transparency is a good thing.” [IN01]

54 “I think there are benefits of asking your members what they think in that it gives you a mandate on responsible investment.” [IN02]

“Where I think the member, activism is most important is getting the pension fund up to speed as a leading responsible investor. Once it’s a leading responsible investor and it has dedicated staff and the staff know what they are doing, I don’t think there’s that much need for individual participation of members on specific issues or themes. What’s more important is the individual members keep the pressure up on a policy level to go the next step… I wouldn’t be demanding a sort of individual MoxyVote type system where members can individually feed into individual voting decisions. Just to
• **Inform fiduciaries** - Participatory processes such as focus groups and surveys enable fiduciaries to better gauge the interests and motivations of pension holders to inform their decisions.

**Ownership and democracy**

• **Normative ownership** - Interviewees expressed that pension holders have a form of normative ownership in which they not only have rights but responsibilities - “People should vote their influence, it’s their money.” [IN08] It was stated that in many pension schemes Trustees represent other interests but not pension holders “that most important stakeholder.” [IN03]55

• **Redistribute power for accountability** - Power needs to be redistributed and move down the investment chain to pension holders to hold those in power to account [IN06 & IN08].56

summarise I think my view is that the role of member activism, the role of member participation is not to participate in the micro decision making of a fund around responsible investment. The role of member participation is to force the fund to become a responsible investor - to put the processes in place, put the staff in place, to be transparent and to keep pushing the fund to be evermore responsible and sustainable. That’s where I feel strategically the best contribution for member participation is, not on micro decision making.” [IN05]

55 “How important do you think participation by pension holders is, and what level of participation do you think would be desirable?” [INTERVIEWER]
“I think it is really important, I mean it is their money, the trustees have failed to a certain extent to represent their beneficiaries, or maybe part of the process is them proving how they are representing their beneficiaries? In lots of trustee groups, you see, there are maybe twelve trustees and it is obvious that no one is representing the beneficiaries, they are representing the company, the industry, kind of all the other stakeholders but that most important stakeholder they are not.” [IN03]

56 “We have a funny investment chain. In the 80s corporate managers were very much in power. Then corporate governance came, and asset managers became more powerful and corporate managers a little less powerful. Yet still there is a structure where the asset owners had little power it was the asset managers that had a lot of power. And all this needs to shift so the power lies with the asset owners, and their members, which is where voting is very important. And then more power needs to lie with the asset managers and less with corporate managers who should be stewards of the people in invest in them. There are currently structures like voting at AGMs that are not very democratic.” [IN08]
• **Increasing societal control** - It was stated that if pension holders had more power, corporate managers would take notice of their interests, and this would change investment structures with society having greater control [IN08].

• **Applying democracy for change to RI** - Comparisons to state democracy were drawn, with pension holders described as potential ‘active citizens’, with RI likely only through some form of democratic participation. Embedding democracy within financial institutions, it was stated, is needed to reduce the power of financial agents [IN06 & IN08].

• **New knowledge** - Through participation pension holders can bring their valuable knowledge that can enhance investment decisions, knowledge that is lacking in fund manager skill-sets, such as environmental expertise [IN03].

“**So, we have made companies much, much more responsive towards shareholders in terms of votes and all the rest of it but now the shareholders are institutions and are not individuals and so the power is not being exercised for those it ought to be exercised for.**” [IN06]

57 “**It would make a big difference to the structure of how financial markets work, because if pension funds would start to survey members, they would then tell the asset managers, and asset managers would tell the corporates, and society would have a bit more control.**” [IN08]

58 ‘**Would you say that responsible investment could happen without the participation of pension holders?**’ [INTERVIEWER]

‘**Probably not, any more than good government can happen without democracy... your best chance of making sure people are heard is to make sure that people are forced to listen.**’ [IN06]

“The pension funds themselves are getting more powerful, and really what many of us would like to have is a democratic vote for members of pension funds... it would make a big difference to the structure of how financial markets work, because if pension funds would start to survey members, they would then tell the asset managers, and asset managers would tell the corporates, and society would have a bit more control.” [IN08]

59 “**If you think of the environment pension scheme, it’s full of environmental scientists and they have a really good idea of what’s going on in climate change and how it’s impacting things and that’s something they will have more knowledge on that most of the investment managers who are running the money, and that’s the knowledge that’s lacking at the moment in the City. If you know something that no one else knows then obviously it makes you a better investor and if you look at some of the best investors where they do know something that no-one else knows just through their interest or experience or their day job.**” [IN03]
• **Increased flexibility in fiduciary duty** - It was suggested that pension holders directly participating within investment decisions would create more flexibility within fiduciary duty as they are less constrained by industry practices than experts, and would also likely be more focused on more long-term investment. [IN03]^{60}

**Comment**

Within interviews there was a difference of opinion evident about: whether participation was necessary or only a possible avenue for system change to RI; the level of authority given to pension holders within investment decisions; and whether citizen participation would continue to be needed once RI was achieved.

To scrutinise, inform, and influence fiduciaries is set within the fiduciary discourse, with aims to improve the accountability and responsibility of the existing system. This does not challenge the paternalistic nature of investment and only needs the participation of a subset of pension holders. Ownership and democracy arguments go further and seek to change the role of pension holders.

Normative ownership arguments, market-based arguments about accountability, and those focused on transforming financial structures and financial democracy all echoed reviewed literature and are aligned with the participatory communication paradigm with aims to transform economic structures [Leal 2007 p540], ‘redistribute power’ [Servaes & Malikhao 2005, p97], and advocating ‘democratization at all levels’ [ibid. p95]. As within the reviewed literature, comparisons with state democracy [IN08]^{61} and CSR

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^{60} “If you were to ask most pensioners would they prefer to have slightly less money but know that it’s invested in something that’s long term sustainable, clean and green, they would probably be happy to give up a small amount. Whereas I think that the trustees on the board are thinking that they’d rather make money out of hedge funds and absolutely maximise and get every cent out of the market they share because they have got a fiduciary duty that they have to absolutely maximise profit. So I think that time horizon, maybe a pensioner who knows they have 30 years to go wants to ensure that they still get their money in 30 years’ time, whereas the trustees expect and especially the executives have that really short time horizon. Trying to get that core, that balance right you do need those other stakeholders round the table.” [IN03]

^{61} “Would you say that responsible investment could happen without the participation of pension holders?” [Interviewer] ‘Probably not, any more than good government can
demands were used – and this is about moving assumptions made within one discursive context to another, and whether such a move is recognised.

The arguments made in relation to offering new knowledge and flexibility in decision-making indicate how different actors are restricted within discourse. Unlike investment experts and fiduciaries, citizens can make decisions for themselves, free from ‘professional conceptions’ and received wisdoms ‘embedded in their organisations and procedures’ [Fung 2006, p21]. As already noted, ethics is viewed as motivational but does not fit within the market-risk language of RI and mainstream investment. However, citizens have the flexibility to make decisions based on a range of criteria, unrestricted by legal definitions of ‘best interests.’

The level of importance given to participation irrespective of the level of authority advocated is noteworthy. Pension member engagement was described by an interviewee as the “single biggest opportunity” to be focused upon for RI, “I think the biggest bottleneck now in pushing responsible investment forward is the lack of pressure on pension funds from their members.” [IN05] It was suggested that the big “game changer” in the industry is for people to see engaging in their pension funds as a civil opportunity and in time a civil duty [IN08]. It was also perceived that although transparency and pension fund-corporate connections were being addressed within the investment industry, pension holder engagement is relatively ignored, and a factor left out of the UNPRI [IN08].

**Learning and awareness**

- **Increase financial literacy and security** - Participation will increase financial literacy and by doing so also improve individual financial security.
- **Become aware of connections** - It was described as powerful for people to “make that connection between the man on the street and the financial product and the

  happen without democracy… your best chance of making sure people are heard is to make sure that people are forced to listen.” [IN06]
behaviour of the company in UK PLC and globally…” [IN02], [IN07] and such connections have the potential to change financial systems.

- **Empowerment** - Pension holders will become “more conscious of their power” when participating in activities related to their own finances and connected to social and environmental issues [IN08].

**Comment**

These arguments highlight the perception that pension holders are disconnected from investment decisions and responsibilities. To reconnect and learn can be described in Freirean terms as the process of praxis [Cadiz 2005, pp147-149], which must include critical thinking and action. An important question is, what form of participation in decision-making would constitute action. For example, is scrutiny sufficient? Is voting?

As mentioned earlier, investment practices have been described as a ‘disconnection of power from obligations’ [Bauman 1998 p9] where shareholders are likened to ‘absentee landlords’ who are free to run away [divest] from a company, locality, and consequences [ibid. pp8-9], therefore never having to meet those exploited - an ‘encounter with other-ness’ -

‘The encounter with other-ness is an experience that puts us to a test: from it is born the temptation to reduce difference by force, while it may equally generate the challenge of communication, as a constantly renewed endeavour.’ [Melucci 1966, quoted in Bauman 1998, p10]

Arguably this is more a description of investment agents than pension holders, yet this encounter adequately describes the connection needed within investment. If pension holders participate in decisions, they will encounter other-ness - the ‘investment other’ - making a reaction necessary. It may be that pension holders react irresponsibly, or that they do not desire this encounter, but one can hope, as with any decision-making

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62 “We also think it has advantages to the engaged and interested individual, they have more of an ownership of their money. So in very broad strokes the involvement of a pension saver is good for the financial system and it brings it more into peoples’ living rooms, it connects people with money, it ruins this sort of them and us attitude.” [IN07]
process, that they exercise the Freirean values of ‘love, humility, hope, faith...and critical thinking.’ [Cadiz 2005, pp147-149]

Participatory communication theories indicate that any process to inspire interest, learning, and connection must include some aspect of praxis - action, not only reflection - where participants have ownership. When citizens understand that the real-world impact of their decisions matter, this will likely inspire interest and learning - ‘citizens may be reluctant to make the required sacrifices of time and energy unless they are confident that their deliberations will be translated into action.’ [Fung 2006, p23]

Arguments against pension holder participation

The following arguments made by interviewees are split between theoretical objections and perceived practical barriers to democratic participation, as expressed within interviews. Most arguments are focused upon democratic participation, arguably because other forms do not challenge the fiduciary discourse.

Objections to participation

• **Unnecessary** - If an RI approach is already taken by fiduciaries then participation becomes unnecessary or is unneeded for change to occur.

• **Impossible consensus** - Direct participation within decisions is not workable as consensus on ethics would be impossible to reach amongst thousands of pension holders [IN03].

• **Undermines fiduciary duty** - Participation may weaken the power of fiduciaries to make decisions.

• **Unnecessary as ESG issues can be assumed** - The majority of ESG issues within investment are non-ideological and internationally agreed e.g. pollution/corruption/child labour and therefore participation is not needed. It was stated that focusing on a minority of ideological issues, or assuming all ethical

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63 “…if you take something like the XX pension scheme then you’ve got religious people, you’ve got atheists, you’ve got alcoholics, you’ve got teetotallers and you would never find an environmental or ethical view that could be agreed to, so it is more difficult.” [IN03]
values are subjective and conflicted, formed a distraction which leads to inaction, and was a tactic used by those actors who wanted to avoid engaging with RI entirely. Suggested exceptions to agreed issues were contested issues such as collective bargaining and freedom of association [IN05], and although climate change was recognised as contested this was described as inexplicable [IN05].

- **Alternative change** - Alternative avenues for change were suggested including: legislating the inclusion of ESG issues within risk assessment [IN06]; enhancing accountability of the Trustee system; increasing industry transparency. Overall a theme of necessary ‘systemic change’ was advocated with no ‘one solution’ or technical fix possible.

**Comment**

Many of the theoretical objections, already discussed in the literature review, stem from interviewees disagreeing with the value of democratic participation to a) stimulate system change to RI or b) be part of any resulting system. Such arguments are aligned to views of top-down expert led C4D rather than participatory communication in which change is stimulated from below.

Some advocates saw the benefit of active citizens and scrutiny but stopped short of advocating democratic participation (whether that be representative, direct or another form of democracy). I would argue that encouraging active citizens but then excluding those same people is an unreasonable expectation, as without any form of ownership citizen interest will be difficult/impossible to maintain or initially stimulate.

The alternative avenues for change advocated by interviewees were all valid. Participation is not put forward as sufficient for a change to RI, but the question is whether it is a necessary part of change. Attempting to make the Trustee System more

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64 “A lot of these ESG issues are actually not that ideological, pollution is a bad thing and child labour and exploitation is always a bad thing. You get a bit of ideology when it comes to freedom of association and collective bargaining in developed countries. So union rights in developed countries are quite contested and controversial. I think climate change inexplicably has become controversial even though I think it is far more of an issue of science, it certainly should be. Corruption is not an ideological issue; child labour is no longer.” [IN05]
accountable does not have to be mutually-exclusive to participation – a ‘comply or explain’ model was advocated in which fiduciaries and experts still played an important role alongside a participatory process. One interviewee believed a campaign for democratic participation would take a decade to achieve but would be worthwhile [IN08]⁶⁵, whereas another thought it to be an unachievable distraction and that it is misguided to believe any critical mass of the public will form in the next decade [IN01].⁶⁶

The ‘impossibility of consensus’ argument is misplaced as it comes from a position of being able to ignore ethical preferences, whereas when one is considering diverging investment approaches, conflict must be addressed to invest at all. The question is rather what the balance in authority should be between fiduciaries and pension holders.

That certain ESG issues can be assumed to be held by pension holders as they are non-ideological was expressed in both interviews and literature. However, this was not from a stand-point of ethical objectivity in interviews but more as a tactical response. Such a tactical response is noteworthy for those attempting change in the sector, but nevertheless a participatory process is arguably needed to decide basic principles and the investor response to any corporation contravening these principles.

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⁶⁵ “You are in a situation where getting participation done in a clever way is something which is badly needed, it will take half a decade or a decade, but if it is done it will change structures. The pension funds themselves are getting more powerful, and really doing what many of us would like to have is that there is a democratic vote for members of pension funds” [IN08]

⁶⁶ “This [pension holder participation] is not an area that I know a lot about, and to be honest it is not an area I feel very positive about. I think it is important, but I think it’s going to take a long time to get a critical mass of members to engage with this stuff, obviously [some campaigns] are trying to do that but it is hard work right. I think the idea that it is going to be a quick and important part of the solution in the next 1,2,3,5,10 years is probably misguided. That is why I am putting my effort in to trying to get the union to shift their trustees, and NGOs to shift their money, and to get the fiduciaries who act on behalf of people.” [IN01]
Perceived practical barriers

- **Current industry** - The current systems, skillsets, culture and resources were viewed as inadequate for RI and inhibitive for citizen participation.

- **Propriety information** - Investment actions have historically been seen as propriety information and therefore cannot be transparent. However, it was argued that this reason is becoming increasingly unconvincing [IN01].

- **Process concerns** - Decisions made through participatory processes may be unrepresentative, influenced by inaccurate media, captured by a vocal minority, and participants will also suffer from information overload. There were also concerns too few pension holders would participate [IN04].

- **Costly process** - Any participatory process will be very costly, as it must include a large effort to inform pension holders as well as behaviour change. [IN01] [IN04]

- **No consumer power** - Pension holders cannot currently change pension provider without significant financial detriment. Employers often get packaged deals for pensions and insurance, so they do not want to move [IN08].

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67 “The big question which is being debated is should there be wider public reporting of the engagement activities, and in the past, there has been an assumption that that can’t happen, because it’s proprietary confidential information. Year on year that reasoning has failed to convince people, and there is now a very strong pre-disposition to say there should be reporting. The Stewardship Code, the PRI initiative, these are all projects which are in their different ways have shifted and are a reflection of the shift in opinion and further codify the shift.” [IN01]

68 “but there’s still a lot of question about whether 2-3%, and that would be a huge increase in beneficiary involvement. 2-3% of your pension fund holders start to go to AGMs or vote is that absolute number enough to make pension funds shift?” [IN04]

69 ‘Without question it[participation] makes a difference but it’s not enough on its own… it doesn’t happen in a vacuum, there has to be so much education and advocacy and drumming up of people like you and me and our parents and our friends they actually allocate time and energy to doing it and doing it in the way that’s informed. So yes, I do think it makes a difference, it is important but that choice of whether to vote or not to vote is the end result of lots and lots of time and money investment before you get a significant number of people doing it. So, whilst I think that this area is good I think you can’t prove it without looking at everything it takes to get there.” [IN04]

70 “Why can't you move between pension providers easily if you have a contract-based pension, where is the block in an employer doing this for you?” [INTERVIEWER]
situation is that the reason why pension funds do not engage with members is effectively because they cannot lose them.” [IN08]

• **Lack of demand** - There is currently insufficient demand from industry, civil society, government, or citizens for citizen participation.

• **Incapable citizens** - Some of the most significant barriers to participation are the perceived or actual characteristics of pension holders, their lack of interest, time, financial literacy, general awareness, and fear of getting finances wrong [IN04]. 71 Citizens have been trained intentionally or not over many years to think the system is “beyond them.” [IN04]72

• **Irresponsible citizens** - The risk that citizens are less responsible than fiduciaries.

• **Inconsistent citizens** - Pension holder opinions change frequently, and stewardship based on such opinions would be inconsistent and therefore ignored by companies. Countering this argument another interviewee believed that public opinion on ESG issues would statistically change very little [IN08]. 73

**Comment**

The practical barriers to participation are either based upon: the current dominance of the mainstream investment discourse and surrounding structures; a lack of faith in democratic participatory processes; or questions over the competence and interest of

"If they [employer] put money in usually comes with a few preferential deals with the same provider in terms of insurance.” [IN08]

71 “…they are afraid of that and they don’t want to get involved in their own pension fund because they feel so disempowered they might screw it up which given the level of stewardship that your average fund manager has for your average investee is laughable because it’s very little but I do think you have got some big unconscious precedent to get over.” [IN04]

72 “Look at how many people in the US and the UK actually vote for politics and that relative to the financial market is a much, much more transparent system. And then you take that impulse and you apply it to the financial markets where we have effectively spent the last 40 years creating such a black box that your average person has been trained, consciously and unconsciously, to believe that they don’t understand it, that it’s way beyond them. I mean I think that this is unfortunately generally true.” [IN04]

73 “I am a statistician and I do not think pension holders change their mind that often. Individual people do, but a distribution of 20,000 pension holders is not going to change their mind dramatically. It is a gradual thing...societal change” [IN08]
pension holders. This echoed the reviewed literature which reported disinterest by pension holders [Manthorpe & Martin 2008], and demand rather than any technical difficulties as the key barrier to participation [Berry 2013].

The inhibiting current structures and concerns about a democratic process are valid, and any change towards a democratic process will be difficult, especially with an unwilling industry. Indeed, answers must be sought on how to overcome or workaround the proprietary nature of knowledge within investment, for instance in proxy voting. The reason pension holder participation is seen as ‘industry changing’ is because it would change many power dynamics, and this is the very reason that such change is difficult.

If the demand and benefits are judged highly enough then, through various efforts and appropriate process design, barriers can be overcome, and this becomes evident by comparing this context with others.

- Cost, citizen disinterest, irresponsibility and competency, are not considered valid arguments to block state democracy and elections.
- No competency test is applied before a wealthy individual buys corporate shares and has a vote at corporate AGMs, yet their voice is deemed valuable.
- Within community development, beneficiary voice and grassroots development knowledge are recognised as valuable, at least in policy.

One practical barrier highlighted in interviews is that, unusually for a market system, pension holders have little consumer choice in the UK, and therefore consumer power is limited. Rather than only a barrier this can be seen as a further argument for change, as pension holders must have some avenue for accountability, and this is not provided through consumer choice or any kind of democratic vote.

One can therefore conclude that the most significant barrier to change to democratic participation within pension investment, and arguably RI, is one of demand by industry, civil society, trade unions, NGOs and citizens, and whether we begin to see pensions and other types of investment within a democratic sphere rather than only a service.

The key question for change is therefore how to stimulate such demand - what steps must be taken. As one interviewee stated this will be difficult as public disconnection
and disinterest has been constructed for several decades [IN04]. For those advocating citizen participation, the task is how to start a positive cycle of praxis, a sense of ownership, without having institutional support. One possibility is that pension holders will react when they perceive that not only their finances, but their lives are threatened as the ‘investment other’ with certain systemic risks such as climate change.

74 “And then you take that impulse and you apply it [democratic process] to the financial markets where we have effectively spent the last 40 years creating such a black box that your average person has been trained, consciously and unconsciously, to believe that they don’t understand it, that it’s way beyond them. I mean I think that this is unfortunately generally true.” [IN04]
Arguments for and against an online voting platform

Within the interviews I proposed the use of a basic online voting platform inspired by MoxyVote. However, discussions within interviews mostly focused on ideas around general participation (analysed above), and therefore the following analysis is short and focused upon comments specific to the implementation of this platform.

- **Prioritise mobilization** - The voting platform was thought of as interesting, but citizen mobilization was seen as the more important focus rather than any method [IN06].
- **Technology** - Harnessing modern technology was seen positively to reduce costs and logistical problems [IN07].
- **Overly complicated** - It was thought there were easier ways to encourage participation such as letter writing campaigns [IN06].

**Barriers**

- **No industry incentive** – There is no reason for a pension provider to enable the platform without citizen demand.

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75 The description of the Online Voting Platform is within the Interview Guide, Appendix 1.

76 Some interviewees already had knowledge of MoxyVote.

77 “If people were really engaged in the debate and wanted to do all the voting actually that would be a virtuous circle for your voting platform. But you could see how all this could work, you can see how I also trying to avoid saying is this solution or is that the solution because I think we are at an early stage where what we are trying to create is a messy solution that isn’t going to be right but it has to involve greater mobilisation of beneficiaries and pension funds and other investment funds.” [IN06]

“A voting platform is an interesting idea, it has got some practical limitations but it’s a really interesting idea, but it is part of the whole thing that’s saying ‘oi, these companies belong to me, this is my planet, I am going to inherit it and your pension shouldn’t be messing up my world’.” [IN06]
• **Current system** - The current system makes pension holder voting currently unimaginable [IN06].

• **Quantity of votes** - The number of shareholder votes per AGM and per fund clustered over a short-time scale [IN02], combined with number of pension holders per fund [IN06], makes participation in voting difficult.

• **Splitting fund votes** - Custodian banks would need to be lobbied [IN02] to enable investors to split votes per fund [IN06].

• **Advocate regulation and payment** - The use of multiple Advocates within the platform was problematized with the need for regulation to provide financial advice, and over monetary payment [IN02] with proxy voting advice currently being big business [IN07].

• **Cost** – Many costly resources would be required: online platform; high profile advisors; lots of publicity; education campaigns; staff [IN01].

**Suggested ideas**

• A ‘comply or explain’ model where trustees retained discretion [IN07].

• **Voting simplifications** - Only vote to determine the SIP, contraventions of the SIP [IN03 and IN07], or deliver representative elections.

• **Information portal** - The platform could be a two-way information portal where stewardship and voting reports etc. are uploaded [IN07].

• **Voting clarification** - Should votes be based on people or amount of savings, should a pension fund vote as a block or be split.

• **Establish watchdog** - A watchdog will be needed to monitor the quality and accuracy of information provided to regulate advisors/advocates – “That’s

78 “we don’t even know how it is our shares are being voted, a lot of fund managers they won’t even tell you that.” [IN06]

79 “The reasons why I think it could trip up would be that the proxy voting agencies that provide narrative on how to vote, or the suggested way to vote, would be expensive. You might get a bit of pro bono, but this is something to take into account.” [IN02]
Comment

Such a platform was viewed as useful by only some interviewees, and even by those as a probable but not sufficient part of an ideal system.

The main barrier to such a platform being implemented was that there is currently no economic reason for pension providers to implement one, due to lack of any demand from pension holders. Such demand must be stimulated and demonstrated, and to be made into a financial argument for pension providers. Other practical barriers such as regulation and blocks from those currently selling proxy-voting advice will also be significant.

The design of MoxyVote provided a platform that stimulated interest, provided guidance, and provided a route for those with little time to delegate their vote to organisations they trusted. However, the key difference is that MoxyVote focused on individuals rather than the collective savings of pension funds. To be compelling, even with a ‘comply or explain’ model, a significant number of pension holders must participate, and current demand does not satisfy this.

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80 “You know I think it sounds great. I think you would really want to make sure there’s a watchdog to monitor the quality of information in and information out because one thing that we all know is that even when you get full democracy in voting we are still not seeing completely transparent corporate behaviour within this context so I feel that it’s really important to have wrapped into that an NGO watchdog that can give a good view of whether or not there’s a good accuracy of what’s being expressed to the underlying beneficiaries. That’s important even without the online voting system and we haven’t yet gotten there in the market.” [IN04]
Conclusion

This study has looked at the current disconnection of ownership between corporations and shareholders, institutional shareholders and those citizens whose savings they invest, and between citizens and the impact of their pension investments. The study focused upon UK occupational pension holders.

The conflict arising between the current mainstream investment and RI approaches has enabled the questioning of the decision-making process for pension fund investment and the balance of authority between fiduciaries and pension holders. The overriding discourse for citizens within pension investment is silence and disconnection, and this discourse is so normalised that citizens are unable to participate, are disinterested, and unaware of decisions being made on their behalf. Such disconnection is problematic when related to one the most powerful industries in the world. Investment discourse and associated structures are constructed assuming this disconnection.

Research questions

What do RI advocates perceive are the arguments for and against citizen participation in UK pension investment decisions?

The arguments for participation put forward within interviews largely echoed those within reviewed literature and focused upon: accountability; scrutiny; consistency with RI and CSR demands; ownership; citizen empowerment and learning; power redistribution; and structural change.

Many examples were expressed in interviews about how the current investment industry is inadequate and unaccountable, as is to be expected from advocates of RI. Participation can be viewed as a reaction to an inadequate status quo, and an avenue for structural transformation and redistribution of power.

Interviewees disagreed on the necessity of (democratic) participation within pension investment to stimulate change to RI, and as part of any resulting system. This therefore meant there were a range of views on the ideal authority of pension holders within decisions and participatory methods advocated. Within this study I have started to
critique the ideas around change to RI, using participatory communication theories and concepts that advocate citizen participation as an essential aspect of change.

I found the most persuasive arguments for citizen participation within pension investment came from comparisons with other sectors processes and expectations: state democracy; shareholder stewardship and voting; effective markets with consumer choice. Voice or choice is normalized within these contexts as part of an accountable system, and such ideas are also pervasive within international and community development. I have tried to show in this study that such ideas are and can be applied to the pension context.

It was expressed within interviews that citizen participation was a neglected field of RI. I believe that further research around theories of change within RI in relation to participation will be valuable and can be assisted by the extensive debates and literature within C4D. This will inform debates around if and how citizen participation can be applied to the pension context, and if it should become a central aspect of the Responsible Investment Approach.

The arguments put forward against participation were based upon the dominance of the current mainstream and fiduciary discourses and surrounding structures. Arguments were made that participation was unnecessary due to RI being a domain only for experts, and that participatory processes are untrustworthy and impractical to demand. Alternative options for system change were put forward, but do not have to be seen as mutually exclusive to citizen participation. As described by one interviewee, one must question whether a system serving the interests of citizens can exist without their involvement.

A significant, if not the main, barrier to participation was viewed as the lack of demand by industry and civil society actors, and especially the perceived disinterest, ignorance and lack of capacity of pension holders that had been constructed over decades. The task to stimulate demand and move away from a cycle of disinterest and disconnection, is one that can be informed by the practices and theories of C4D.
What do RI advocates perceive are the arguments for and against using an online voting platform to enable such citizen participation?

The answers to this research question mostly echoed those of the first. Interviewees were less interested in a specific method and preferred to focus on general citizen mobilization, arguably due to any formal participation being viewed as currently unlikely. However, some specific barriers and ideas were highlighted that will be useful for anyone attempting to implement such a platform.

A ‘comply or explain’ decision-making model was favoured by interviewees, with fiduciaries still holding ultimate responsibility. It was suggested that such a platform should focus upon: investment principles; actions that contravene these principles; any decisions of particular interest to pension holders; or alternatively trustee elections. However, the latter would change the nature of fiduciary duty. The issue of regulating proxy voting advisors and payment was raised, as was the distribution and counting of votes, both would need to be addressed.

**Reflections and further research ideas**

This study has shed light on an under-explored area, and further research will be fruitful. On reflection, although questions around an online voting platform were useful in grounding the interviews in practical considerations, research around such a platform demands a whole extra project. The interview questions initially focused upon mainly shareholder voting and engagement, and I needed to be flexible as researcher as the more fruitful discussion within interviews was found discussing participation within investment decisions in general.

It is useful to distance oneself as a researcher from the material for a level of objectivity in analysis [Jorgensen & Phillips 2002, p21]. However, to conduct this research I have had to learn the ‘language of investment’ and as ideas are framed within this language distancing becomes more difficult. I have found striking a balance between describing the context and making arguments difficult as I try to make my text accessible.
There are many alternative viewpoints about investment and pensions that I did not analyse but are relevant to the sector: alternative banking and currencies for accountability; advocating pension nationalisation without investment; rejecting the investment sector and capitalism wholesale. However, all these alternatives still have inherent power inequalities, where citizen participation arguments remain relevant.

Further research on the following will be useful:
- different theories of change for RI
- how demand for citizen participation can be stimulated
- action research into how an ‘encounter with other-ness’ can be enabled for pension holders, connecting them with ‘investment others’
- the implementation of an online voting platform outside an institutional setting for selected or self-selected members of the public, so as to create a working example and move beyond theoretical arguments

Overall, I conclude that citizen participation within pension fund decisions is under-researched within RI as an avenue for structural change. More analysis and debate utilizing C4D research in communication and belief systems will be valuable if such participation is to be considered as part of the RI approach.

The subject of this project has been described as unusual for a Communication for Development masters, and therefore it is important to describe its relevance. The application of participatory communication is well recognised within C4D, what is unusual in this project is the focus upon pension holders within the ‘west’, who can be assumed to be wealthy when compared to the majority of people in the world. I believe there are several good reasons why their participation within pension investment decision-making is relevant to C4D. Firstly, pension holders are not in control of their pension investments and if C4D is about ‘people’s ability to gain control over their own lives’ [Eriksen 2001, quoted in Hemer & Tufte 2005, p17] then this is clearly relevant. Furthermore, within recent history there has been a pattern of ‘exporting’ systems and institutional design from the ‘west’ in order to ‘develop’ countries. It may be that the Anglo-American style of pension provision will be adopted by developing countries in the near future and it is therefore useful to assess different pension system benefits and
power dynamics. Secondly, financial systems, the investment industry and capital movement is increasingly the subject of campaigns and analysis by International Development NGOs – tax avoidance, debt, financial transactions tax, investment within developing country markets – and pension funds collectively control a significant proportion of capital markets. The UN Secretary General addresses pension fund managers directly in 2014, requesting them to pay attention to renewable energy [UNFCCC, 2014], indicating the power in global sustainability that is held within pension investment. Thirdly, it is unarguable that the private sector and MNCs have considerable global influence, and corporate actions have significant impact on the lives of people within developing countries. It is useful to analyse the power relations between states, local communities and MNCs, and often within C4D there is an attempt to empower citizen voice within this context. I believe it is also useful to analyse the power relations within a MNC, and to understand which internal actors have voice, as the power relations within one space will impact those in other spaces [Gaventa, 2006, p27], such as corporate-community negotiations. Assessing the impact of pension holder participation as a form of financial democracy is one avenue for the transformation of structures that in different ways ‘reproduce poverty and marginalisation’ [Leal 2007 p540], and this is at the heart of the participatory development paradigm.
References


FairPensions, 2006. Responsible Investment Trustee Best Practice Guide


Bibliography


Appendices

Appendix 1: Interview Guide

The following questions were used as a guide only for the interviewer to stimulate discussion.

**Responsible Investment, stewardship, transparency**
- Could you briefly describe your expertise in relation to pensions please?

**Ideas around Responsible Investment, Shareholder Voting and Engagement**
- Could you describe what ‘responsible investment’ means to you?
- Could you describe the range of activities and decisions that Pension Funds make that fall under the general description ‘Shareholder Voting and Engagement’?
- Which activities do you think Pension Funds should be doing in relation to Shareholder Voting and Engagement?
- Could you provide reasons why Pension Funds should/should NOT exercise Shareholder Voting and Engagement?
- What reasons do you think Pension Funds should/should not publish their Shareholder Voting records?
- Do you think current Government legislation is adequate in relation to Pension Fund stewardship?

**Roles within Pension Funds**
- Within a Pension Fund, who, or rather which roles are generally considered responsible for Shareholder Voting and Engagement?
- If Pension Funds do exercise Shareholder Voting and Engagement, how do you think fiduciaries ensure/know they are acting in the best interests of Pension Holders?

**Participation of Pension Holders**
- What reasons do you think Pension Holders should/should NOT participate, or be consulted in decisions relating to Shareholder Voting and Engagement?
• What barriers do you think exist for Pension Holders to participate in such decisions?
• How do you think financial literacy and interest could be encouraged in the UK public, and would this be valuable?
• In relation to Responsible Investment, how important do you think the participation of pension holders is in shareholder voting and engagement?

Methods of Pension Holder Participation
• What current examples do you know of where Pension Holders are consulted or included in some way in Pension Fund Shareholder Voting and Engagement?
• What method do you think would be most effective in asking the opinions of Pension Holders about Shareholder Voting and Engagement?

I now describe an Online Voting platform similar to MoxyVote used with small retail investors.
• Do you think this platform could be used by Pension Funds so Pension Holders can participate in decisions relating to Shareholder Voting and Engagement?

Further questions
• How can a pension holder change occupational pension fund if they are not personally satisfied with performance?
• Do you have any further comments?
• What other questions or subjects do you think it would be helpful for me to ask other people in interviews which I have not asked?

THANK YOU

Online Voting Platform Description
• All pension holders would have an electronic account within an online platform
• Within this platform there would be a ballot held for each Shareholder AGM Vote or possibly other engagement activity (such as tabling a shareholder resolution) that mirrors what Trustees or a Fund Manager must consider.
• Each pension holder would have the possibility of voting within each ballot.
• There would also be ‘Advisors’ present who would also vote and provide guidance on each ballot. These Advisors could range from a Financial Advisor, a Proxy Voting Expert, an Environmental scientist, or an NGO such as Oxfam or RSPB.

• As this platform uses a digital database each Pension Holder can choose to always automatically copy the voting pattern of one of these Advisors, and this can be split between different categories (for example the environment, or governance, or on a specific industry), or they can choose at any point to vote independently of any Advisor.

• This means that although Advisors have great influence, Pension holders remain in control of their votes. Pension holders can choose to trust which Advisor (or none) will represent them at any point, based upon performance. This also means that Pension Holders do not have to actively participate in every ballot, which would be time consuming.

• The ballot decision would be based upon the majority decision of the votes – like a UK general election.

• This decision would then inform the decisions of the Pension Trustees or Fund Manager. It would not over-ride fiduciary duty, but there would arguably need to be good reasons why such a majority decision would be ignored.
Appendix 2: A description of an online voting platform for pension holders

Rather than aggregating individual votes from Retail Investors who are direct shareholders, the votes from pension members are aggregated to a single collective decision to inform the Trustee Board. The ballots to be voted upon within the online voting platform will mirror the ballots at Corporate AGMs as well as ballots about stewardship principles to inform the writing of the SIP. All pension members will participate online, and it is an asynchronous tool. Trustees will not be present but various Advisors and External Organisations will participate.

Below is a more detailed description of such a possible online voting platform.

There are two specific types of actors within a CDV Platform: Participants and Advocates. In this context participants will be pension members. Their votes will be aggregated to make collective decisions. Advocates are individuals or organisations that are present to ‘advocate’ their point of view on how to vote, to provide advice. Advocates vote, but their vote is not counted and is only advisory. Advocates are the Advisors employed by the Trustee Board as well as other External Organisations.

- The online platform is password protected and only accessible to participants, advocates and those actors connected to the Pension Scheme such as Trustees, Fund Manager and other Advisors.
- All pension members would have an electronic account within the online platform.
- Within this platform there would be a ballot held for each Shareholder AGM Vote or possibly other engagement activity (such as tabling a shareholder resolution) that mirrors what Trustees or a Fund Manager must consider. Ballots about Investment Principles are also held to inform the SIP.
- All ballots are displayed for all advocates and pension members to view, and each pension holder and Advocate has the possibility of voting within each ballot.
- Advocates also vote and provide guidance on each ballot. These Advocates could range from a Financial Advisor, a Proxy Voting Expert, an Environmental scientist,
or an NGO such as Oxfam, RSPB, or bodies such as UNPRI. Advocates would also include Advisors which the Trustee Board has hired when appropriate.

- As this platform uses a digital database each pension member can choose to always automatically copy the voting pattern of one or more of these Advocates (follow/delegate), and ballots can also be sorted and filtered between different categories (e.g. the environment, governance, a specific industry). Or pension members can choose at any point to vote independently of any Advocate. The choice of whether to delegate and who to delegate to therefore flexible and always under the control of pension members.

- Advocates can display their reasons for voting in a specific way in a ballot. Ballots and Advocates are also categorized to match everyday, understandable concerns of pension members e.g. environmental issues, human rights issues, corporate governance, remuneration ... In this way pension members can view in what ways the Advocates agree and disagree and understand how shareholder votes are related to issues they care about.

- Participants and Advocates can then see the voting choices, and over time voting patterns, of each Advocate. If Advocates vote in ways that pension members disagree with then they can change their delegation based on this performance.

- Pension holders each have a personal account so they can track their actions, yet their votes are not visible to other participants unless they choose to make them visible. However, if they choose to make their voting visible then they can be followed, as an Advocate is.

- Ballots may have several options available within them. There will always be the option of a ‘non-vote’, where participants choose not to have their vote counted. Non-votes are recorded. The non-vote is the default position until a participant decides to automatically follow or manually vote themselves. Therefore, an aggregated result is based only upon votes of participants who actively choose to vote or delegate.

- Ballot votes are aggregated and displayed ‘live’ as votes are made up to a specific deadline, at which point the result is fixed.

- Pension holder votes are counted and aggregated for each ballot to provide a majority result. Advocate votes are not counted.
• Equal votes - A key difference between retail shareholders and pension members is that the former is a direct shareholder, and the latter is an indirect shareholder. Pension Fund shares and related shareholder rights cannot be exactly split between pension beneficiaries as they are part of a ‘collective fund’. Fiduciary duty is also not ‘more or less’ in relation to the monetary size of your ‘individual Pension Pot’ or an individuals’ proportion of the Collective Fund (even if it could be estimated). Those holding fiduciary duty must legally act in the ‘best interests’ of all beneficiaries within a Pension Scheme equally. Pension Funds arguably have a ‘collective’ rather than ‘individualistic’ nature. Therefore, for this design all pension beneficiaries within a pension fund will have the right and access to vote, with equal voting power irrespective of the size of their pension contributions.

• Each ballot decision would then inform the decisions of the Pension Trustees or Fund Manager. It would not over-ride fiduciary duty, but there would arguably need to be good reasons why such a majority decision would be ignored.