



# **GUIDELINES ON STEWARDSHIP RESPONSIBILITIES FOR PENSION FUND ADMINISTRATORS**

[www.pencom.gov.ng](http://www.pencom.gov.ng)

**National Pension Commission**

**Table of Contents**

1.0 Introduction .....2

2.0 Objectives and Application.....2

3.0 Definitions .....3

4.0 Guiding Principles.....4

5.0 Revision of Stewardship Policy on Directions of the Commission .....5

6.0 Requirement for a Stewardship Policy .....5

7.0 Monitoring and Assessment.....6

8.0. Engagement with Investee Entities.....7

9.0. Exercise of Voting Rights .....9

10.0. Managing Conflicts of Interest .....10

11.0. Environmental, Social, and Governance Considerations .....11

12.0 Disclosure and Reporting.....11

13.0 Pension Industry Leadership Council .....12

14.0 Miscellaneous .....12

15.0 Effective Date .....13

## 1.0 INTRODUCTION

- 1.1 **WHEREAS** the National Pension Commission (**PenCom** or **the Commission**), pursuant to its statutory mandate under the Pension Reform Act, 2014 (**PRA**), is empowered to regulate, supervise, and ensure the effective administration of pension matters in Nigeria;
- 1.2 **AWARE** that stewardship over pension assets is essential to safeguarding the long-term value for beneficiaries and promoting responsible management and oversight of investee entities;
- 1.3 **COGNIZANT** of the rapid accumulation of long-term pension assets in the Nigerian pension industry managed and invested across multiple asset classes by Pension Fund Administrators (PFAs), and of the significant influence PFAs now exercise as institutional investors in both equity and debt holdings;
- 1.4 **ALSO AWARE** that the PFAs being public-interest investors undertake investment decisions and actions which affect the lives of ordinary Nigerians and national economic stability. The PFAs also play an essential role in driving responsible corporate behaviour and improving Nigeria’s corporate governance landscape.
- 1.5 **ALSO COGNIZANT** that despite this growing influence, there has been no defined framework guiding the discharge of stewardship responsibilities by PFAs, whether individually or in coordination with other PFAs, resulting in a growing concern that stewardship responsibilities are not being exercised in a manner that most effectively ensures sustainable, long-term value creation;
- 1.6 **NOW THEREFORE**, the Commission hereby issues these Guidelines on the Stewardship Responsibilities for Pension Fund Administrators (“the Guidelines”), establishing core principles for the effective discharge of stewardship responsibilities in relation to pension assets in the Nigerian pension industry.

## 2.0 OBJECTIVES AND APPLICATION

- 2.1 The objectives of these Guidelines are to promote stewardship that:
  - i. safeguards and enhances the long-term value and sustainability of pension assets;

- ii. strengthens transparency, mitigates conflicts of interest, and ensures accountability in the exercise of shareholder rights;
- iii. establishes and enforces minimum stewardship standards across all PFAs; and
- iv. leverages both the collective influence of PFAs and their individual shareholding power to drive positive and sustainable change in investee entities.
- v. upholds and reinforces PFA's responsibility to use their holdings of pension funds to promote governance, transparency, and accountability in investee companies.

### **3.0 DEFINITIONS**

- 3.1 "Collaborative Engagement" refers to coordinated action or arrangements between two or more PFAs, undertaken pursuant to an express agreement or understanding, for the purpose of advancing effective stewardship of investment assets. Such coordinated action may include, but is not limited to, coordinated dialogue, collective letters, joint meetings, shared engagement initiatives, or other similar forms of engagement.
- 3.2 "Cross-Directorship" refers to a situation where an individual serving on the board of an investee entity simultaneously serves on the board of another entity that transacts with, or is otherwise related to, the investee, creating a potential conflict of interest or risk to independent judgment.
- 3.3 "Investee Entity" refers to any entity, regardless of its legal form or designation, in which pension assets are invested.
- 3.4 "Stewardship" refers to the responsible management and oversight of pension assets by PFAs, aimed at safeguarding and enhancing long-term value for beneficiaries, ensuring that investments are managed in a sustainable, prudent, and accountable manner, and promoting effective engagement with investee entities to support sound governance and long-term performance.
- 3.5 "Systemic Importance" refers to an investee entity whose operations or financial condition are of such significance that their failure or distress could materially affect the stability of PFA investor, the wider sector in which the entity operates, or the broader Nigerian economy.

- 3.6 “Responsible Investment” refers to the integration of environmental, social, and governance (ESG) factors into investment decision-making and active ownership to advance long-term value for beneficiaries and broader sustainable outcomes. Through stewardship, investors engage, vote, and influence corporate practices to protect and enhance long-term returns.
- 3.7 “Nigerian Sustainable Pension Principles” (NSPP) ensures that PFAs integrate sustainability and ESG criteria into governance, investment decisions, and stewardship aimed at ensuring that Nigeria’s pension assets contribute to long-term value creation, ethical corporate practices, and broader economic and environmental sustainability.

#### 4.0 GUIDING PRINCIPLES

In the discharge of their stewardship responsibilities, PFAs should be guided by the following principles:

- 4.1 **Stewardship Policy Framework** – which covers the formulation, adoption, and periodic review of comprehensive written stewardship policies to guide PFAs in their stewardship activities;
- 4.2 **Monitoring and Performance Assessment** – refers to the structured and continuous evaluation of the entire investment portfolio, including both equity and non-equity assets, to ensure prudent risk management and the sustainable long-term growth of pension assets;
- 4.3 **Constructive Engagement and Industry Collaboration** – centers on engaging proactively and constructively with investee entities and other relevant stakeholders, and, where appropriate, collaborating with other PFAs, to address issues that may materially affect the sustainable growth and preservation of pension assets in the collective interest of beneficiaries;
- 4.4 **Collaborative Engagement** – relates to the collective influence PFAs shall exercise through their coordinated effort at engaging other institutional investors, industry associations, or relevant stakeholders. This approach is particularly encouraged when PFAs hold significant stakes in investee companies or when addressing systemic risks that may impact long-term value creation.
- 4.5 **Responsible Exercise of Rights** – relates to the exercise of shareholder and other investment-related rights, including voting and participation in governance decisions, in a responsible, consistent, and transparent manner;

- 4.6 **Conflict Management** – deals with the frameworks required to identify, manage, and transparently disclose actual or potential conflicts of interest that may impair the best interests of beneficiaries;
- 4.7 **ESG Integration** – involves the incorporation, where suitable, of environmental, social, and governance (ESG) factors into PFA stewardship practices; and
- 4.8 **Transparency and Reporting** – refers to the obligation to provide clear, accurate, and timely disclosure of stewardship policies and outcomes, thereby reinforcing accountability to beneficiaries.

## **5.0 REVISION OF STEWARDSHIP POLICY ON DIRECTIONS OF THE COMMISSION**

- 5.1 PFAs are to adopt these Guidelines on a comply-and-explain basis, by substantially adhering to the principles set out herein and providing clear explanations of how compliance is achieved. Where strict conformity with a principle is impracticable, a PFA may adopt an alternative measure, provided it furnishes a cogent and reasoned explanation and demonstrates that the approach remains consistent with the objectives of these Guidelines, and its paramount duty to safeguard and grow pension assets for beneficiaries.
- 5.2 Where the Commission is not satisfied with a PFA's explanation under Paragraph 5.1 or considers that any element of the PFA's Stewardship Policy does not adequately reflect or align with these Guidelines, the Commission may direct the PFA to revise or amend such element(s) within a specified period to ensure closer conformity with the principles prescribed herein.

## **6.0 REQUIREMENT FOR A STEWARDSHIP POLICY**

- 6.1 Within six (6) months of the issuance of these Guidelines, each PFA is required to—where none currently exists—formulate, adopt, and implement a comprehensive written Stewardship Policy. Such policy should be expressly aligned with the:
- vi. principles prescribed under Paragraph 4.0 of these Guidelines;
  - vii. Regulation on Investment of Pension Fund Assets, as may be amended from time to time; and

viii. Nigerian Sustainable Pension Principles.

- 6.2 Any PFA that has an existing Stewardship Policy as at the effective date of these Guidelines is expected to, within six (6) months, undertake a comprehensive review and, where necessary, revise such policy to ensure strict conformity with the requirements set forth in Paragraphs vi through viii
- 6.3 Each PFA should ensure full and unrestricted public disclosure of its Stewardship Policy by publishing the most current version in a prominent and easily accessible location on its official website.
- 6.4 Where a PFA delegates or outsources any stewardship responsibilities contemplated under these Guidelines to a third-party service provider, the PFA is expected to, notwithstanding, remain wholly accountable for compliance with these Guidelines. In such instances, the PFA should:
- i. formally transmit its Stewardship Policy to the third-party service provider;
  - ii. ensure, on a continuing basis, that all such delegated stewardship activities are conducted in a manner consistent with the PFA's Stewardship Policy in particular, and, more broadly, the provisions of these Guidelines.

## **7.0 MONITORING AND ASSESSMENT**

- 7.1. Each PFA should ensure that its Stewardship Policy mandates the PFAs to monitor and assess the health of its investee entities.
- 7.2. In this regard, the monitoring policy contained in the Stewardship Policy should, at a minimum, provide for:
- a. differentiated levels of monitoring and assessment, calibrated to the institutional size, sector-wide significance, risk profile, and relative investment exposure in each investee entity;
  - b. the identification of core areas of monitoring that may materially affect the value creation, resilience, and sustainable growth of pension assets, including, without limitation:
    - i. leadership and management quality;

- ii. capital structure;
  - iii. operational and financial performance;
  - iv. corporate governance practices;
  - v. auditing practices; and
  - vi. risk management practices, including those related to environmental, social, and governance (ESG) considerations.
- 7.3. Each PFA is encouraged to periodically evaluate the effectiveness of its monitoring activities and prepare written evaluation reports setting out its findings, outcomes, and conclusions. Such reports should, under conditions of confidentiality, be furnished to the Commission every 12 months or within such period as the Commission may direct.

## **8.0. ENGAGEMENT WITH INVESTEE ENTITIES**

- 8.1. Each PFA should ensure that its Stewardship Policy contains an engagement policy that mandates the PFA to engage constructively, purposefully, and on a continuing basis with its investee entities, with the primary objective of protecting and enhancing the long-term value of pension assets.
- 8.2. The engagement policy to be included in the Stewardship Policy should, at a minimum, provide for the:
- i. circumstances that warrant engagement, including matters relating to corporate governance, ESG risks, financial performance, business strategy, disclosure, and regulatory compliance;
  - ii. criteria for selecting and prioritising investee entities for engagement, having regard to the materiality of the holding, systemic importance of the investee entity, sectoral considerations, and the PFA's risk exposure;
  - iii. form and frequency of engagement (including, without limitation, written correspondence, bilateral or multilateral meetings, investor days, and conference calls);
  - iv. internal processes and accountability structures for approving and overseeing engagement activities;
  - v. procedures for safeguarding confidential information obtained during engagement; and

- vi. mechanisms for monitoring, recording, and evaluating the effectiveness of engagement, including key performance indicators, measurable targets, and escalation protocols.
- 8.3. Where initial engagement does not result in satisfactory progress within a reasonable period, the PFA may escalate the matter in accordance with a graduated framework, which may include—
- i. requests for additional meetings with executive management or non-executive directors;
  - ii. joint action or collaborative engagement
  - iii. with other PFAs or institutional investors;
  - iv. referral of material concerns to the relevant regulatory agency or other competent authority; or
  - v. as a measure of last resort, partial or full divestment of the holding, accompanied by a written notice to the investee entity explaining the reasons for such divestment.
- 8.4. PFAs may collaborate with other PFAs and institutional investors on matters of systemic or sector-wide significance, such as to enhance the effectiveness of engagement.
- 8.5. Where a PFA participates in collaborative engagement, it is required to remain individually responsible for ensuring that the collaboration is consistent with these Guidelines.
- 8.6. A PFA engaging with investee entities, whether individually or collaboratively with other PFAs or institutional investors, shall comply with laws prohibiting:
- i. insider trading and exploitation of non-public information;
  - ii. anti-competitive practices;
  - iii. abuse of dominant market position; and
  - iv. exploitation of substantial holding to unduly pressure or otherwise exert overbearing influence over investee entities.
- 8.7. Each PFA is encouraged to maintain contemporaneous records of all engagement activities, including objectives set, actions taken, outcomes achieved, and any escalation undertaken.

8.8. The effectiveness of engagement activities should be reviewed at least annually.

## **9.0. EXERCISE OF VOTING RIGHTS**

9.1 Each PFA's Stewardship Policy should contain a voting policy that ensures voting rights attached to pension assets are exercised in a manner consistent with the objective of safeguarding and enhancing the long-term value of pension assets.

9.2 The voting policy in the Stewardship Policy should, at a minimum:

- i. set out the governance arrangements for making and overseeing voting decisions, including the respective roles of management, any relevant committees, and the PFA board;
- ii. describe the procedures for evaluating proposals, including consideration of long-term financial performance, governance practices, and material risks (including ESG);
- iii. provide clear measures for identifying and managing conflicts of interest that may arise in the voting process; and
- iv. outline the process for documenting voting decisions, including the rationale for significant or exceptional votes, and reviewing outcomes to improve future practice.

9.3 Where voting rights are exercised by third-party service providers (acting as proxies), the PFA shall ensure that binding contractual arrangements require such providers to comply with the PFA's voting instructions. Such instructions shall, in turn, reflect the PFA's compliance with its Stewardship Policy. Service providers shall not exercise independent discretion, and the PFA shall remain ultimately responsible for any non-compliance.

9.4 PFAs are expected to publish, at least quarterly, a record of their voting activity on their website, setting out how votes were cast either in alignment with Stewardship objectives or the rationale for any significant departures from their stated voting policy as contained in the Stewardship Policy.

- 9.5 Where a PFA abstains from voting, the reasons for the decision shall be clearly stated in the publication in 9.4 above.
- 9.6 PFAs should ensure that voting rights are not exercised in a manner that constitutes anti-competitive conduct or any of the practices specified under Paragraph 8.6 of these Guidelines.

## **10.0. MANAGING CONFLICTS OF INTEREST**

- 10.1. Each PFA should ensure that its Stewardship Policy contains a comprehensive policy for the identification, prevention, management, and disclosure of conflicts of interest. The overriding principle should be that, in all cases, the interests of beneficiaries take precedence over the interests of any other party.
- 10.2. The policy on managing conflicts to be set out in the Stewardship Policy should, at a minimum:
- i. clearly identify activities and relationships where conflicts are most likely to arise, including (but not limited to):
    - a. voting on shareholder resolutions where the PFA has a commercial relationship with the investee entity;
    - b. situations where directors, officers, or staff of the PFA serve on the boards of the investee entity; and
    - c. related-party transactions and cross-directorships.
  - ii. stipulate mechanisms to mitigate conflicts, including recusal, segregation of duties, independent oversight, or prohibition of conflicted transactions;
  - iii. mandate record-keeping of identified conflicts, management actions, and resolutions; and
  - iv. provide for regular training of relevant personnel on conflict-of-interest obligations.

## **11.0. ENVIRONMENTAL, SOCIAL, AND GOVERNANCE CONSIDERATIONS**

- 11.1. Each PFA should take account of ESG considerations in formulating its Stewardship Policy and making investment decisions, and in this wise, may:
- a. specify the ESG metrics and factors to be considered in risk assessment and portfolio monitoring;
  - b. outline how the PFA will seek to influence investee entities in relation to ESG objectives, including through engagement and voting on proposals with ESG implications; and
  - c. require documentation of ESG-related considerations in decision-making and reporting.
- 11.2. PFAs shall incorporate ESG considerations into all stewardship and investment activities in line with the NSPP objectives for responsible investment, risk management, and sustainable value creation, and report on ESG-related actions and outcomes in their stewardship disclosure publication.

## **12.0 DISCLOSURE AND REPORTING**

- 12.1 PFAs are expected to maintain accurate records of stewardship activities and ensure transparency by preparing and publishing an annual Stewardship Report.
- 12.2 PFAs are to prepare and submit their stewardship reports digitally and may adopt a uniform format as may be prescribed by the Commission.
- 12.3 The report, to be submitted to the Commission, furnished to beneficiaries, and published on the PFA's website, should provide an assessment of the PFA's
- i. Compliance with the objectives and principles contained in these Guidelines;
  - ii. Adherence to its Stewardship Policy developed and adopted in accordance with these Guidelines; and
  - iii. the overall impact of stewardship on the long-term interests of beneficiaries.

12.4 PFAs shall ensure that their annual Stewardship Report complies with the Standard Reporting Template issued by PenCom. The Standard Reporting Template shall capture the following information: Reporting Period, PFA Name, Total Assets Under Management (AUM), Stewardship Activities, Engagement Summary, Number of Companies Engaged, Key Issues Addressed (e.g., ESG, Governance, Risk), Engagement Method (Direct/Collaborative), Voting Activities, ESG Integration, Alignment with NSPP Principles, Disclosure & Transparency etc.

### **13.0 PENSION INDUSTRY LEADERSHIP COUNCIL**

13.1 The Pension Industry Leadership Council (“the Council”), shall serve as a high-level forum for dialogue, collaboration, and strategic direction on stewardship matters within the pension industry.

13.2 Without prejudice to the supervisory powers of the Commission, the Council shall:

13.3 provide strategic guidance on stewardship practices in the pension industry, such as strengthening the protection and long-term growth of pension assets;

13.4 review industry-wide stewardship trends and recommend coordinated practices where necessary;

13.5 promote consistency in stewardship approaches across PFAs, while allowing for innovation and discretion among PFAs; and

13.6 advise the Commission on emerging risks, opportunities, or reforms relating to stewardship and responsible investment.

### **14.0 MISCELLANEOUS**

14.1 These Guidelines supersede and replace in their entirety all previous instruments relating to the same subject matter.

14.2 These Guidelines shall be reviewed by the Commission from time to time.

14.3 All enquiries regarding these Guidelines shall be directed to:

The Director-General,  
National Pension Commission,  
174, Adetokunbo Ademola Crescent,

Wuse II, Abuja, Nigeria.

Email: [info@pencom.gov.ng](mailto:info@pencom.gov.ng)

Tel: +234-9460-3930

## **15.0 EFFECTIVE DATE**

These Guidelines shall come into effect in July 2026.