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Sent via email: VoteReportingGroup@fca.org.uk.

**Brunel response - Vote Reporting: A consultation and discussion paper from the Vote Reporting Group**

Brunel welcomes the opportunity to provide comments on proposals intended to standardise and raise the bar on vote reporting disclosures from asset managers.

The implementation of vote decisions that are aligned with asset owners’ broader stewardship efforts is critical in the pursuit of real-world outcomes and consequently, the long-term interests of the ultimate beneficiaries. Better standards of transparency across the industry will enable asset owners to hold managers accountable on their voting activities and trigger dialogue on vote rationales, inconsistencies with manager’s voting policy (and broader commitments) and pathways for voting escalation.

Current industry practices on vote reporting are trailing asset owner expectations – as highlighted in the discussion paper, there are issues around timelines of reporting, information asymmetry and comparability. We, therefore, support the Vote Reporting Group’s work in designing a template that can remedy some of these historical issues. Overall, we believe the template leverages existing reporting activities and balances practical feasibility with meeting information needs of asset owners. Our high-level comments below capture our views on some components of the reporting template and next steps with regards to dissemination and monitoring of the data disclosed:

* We support reporting of all votes cast on a quarterly basis. This is in line with standard client reporting timeframes.
* We would value both fund level and firm-level vote reporting disclosures to understand the divergence in approaches to voting at these levels (if any) and the level of alignment of voting decisions with entity-level responsible investment positions and ambitions.
* We agree with the proposed principles set out in the discussion paper on when a vote rationale is required. We support the inclusion of the standardised rationale category in the template to enable aggregation of data – however, note that in some instances, the standardised rationale categories would need to be broader/more granular than what is currently expected, in order to be meaningful (for instance, categorising vote decisions on climate resolutions as ‘environment’ (meaning poor performance on environment) would not be helpful). Common reasons for vote against resolutions should be captured in the standardised rationale categories, e.g., ‘over-prescriptiveness’ or ‘already incorporated in reporting’ etc.
* We agree with the inclusion of the ‘narrative rationale’ field that would provide an explanation of the vote decision in the context of the manager’s voting policy.
* Further guidance is required from the Vote reporting Group/FCA on the voting rationale fields to ensure that there is a level of common understanding on ‘minimum expectations’ on disclosure.
* We support the inclusion of information on engagement activity. It clarifies the interconnectedness of engagement and vote decisions and how one reinforces the other as part of a robust stewardship strategy. We would, however, welcome further information on engagement activity undertaken (beyond just the type) in the narrative rationale field.
* We recommend that the FCA holds ownership of the vote reporting template. The FCA could charge regulated firms a levy to cover costs involved. Third party or NGO involvement could present issues around conflicts of interest.
* To be effective and of high-quality, the proposed disclosures would need to become mandatory and require appropriate oversight and monitoring. However, it would be reasonable to launch a pilot (on a voluntary basis) in the first year to capture key learnings and challenges and incorporate revisions based on feedback from the respondents and interested parties across the investment chain. In particular, we recommend that FCA consult with proxy advisers in advance of the implementation of the template given their prominent role in the voting chain.
* We are in support of the public disclosure of the template but recognise that a phased approach may be a preferrable for smaller asset managers. It is important, however, that any flexibility granted is time-limited and does not remove the impetus for enhanced transparency.

In the context of this consultation, we would like to draw the vote reporting group’s attention to the work of the UK asset owner RI roundtable (a peer group collaboration with over 40 asset owners) which is currently chaired by our Chief Responsible Investment Officer, Faith Ward. This asset owner group has commissioned research to understand the misalignments between asset owners’ and asset managers’ voting activities and approaches. The research uses the oil and gas sector as a critical example to highlight the challenges and complexities of investing and exercising stewardship through the energy transition. Further details on the project can be found here on our [webpage](https://www.brunelpensionpartnership.org/2023/05/17/opening-a-constructive-dialogue-are-short-term-considerations-eclipsing-the-long-term-interests-of-pension-funds/). We will share the findings of this research with the group and FCA once published on 12 October.

Vaishnavi Ravishankar

Head of Stewardship

Brunel Pension Partnership