ASSOCIATION OF CONSULTING ACTUARIES

Association of Consulting Actuaries Limited · First Floor (129) · 40 Gracechurch Street · London · EC3V 0BT
Tel: +44 (0)20 3102 6761 · Email: acahelp@aca.org.uk · Web: www.aca.org.uk

27 September 2023

VoteReportingGroup@fca.org.uk

The Vote Reporting Group
12 Endeavour Square
London
E20 1JN

To whom it may concern

Vote Reporting

I am writing on behalf of the Association of Consulting Actuaries in response to the consultation paper on Vote Reporting.

- We are supportive in having a central voting template.
- We believe it is important to have more granular information on the category of a shareholder resolution in order to help asset owners, and pension trustees in particular, meet their stewardship obligations with respect to the reporting of significant votes.
- We are supportive of there being a public registry for voting data but note the challenges in terms of ownership and cost.

Our responses to your specific questions are set out in the appendix to this letter.

We hope that you find the contents of this letter of assistance. We would be happy to discuss them further if that is helpful. In that event, please contact Vanessa Hodge (Vanessa.hodge@mercer.com)

Yours faithfully

Vanessa Hodge
Chair of the Investment Committee
On behalf of the Association of Consulting Actuaries Limited

APPENDIX

Vote reporting

Standard Field Proposals

Q1: Do you have any comments on the proposed field 'name of the issuer'?

In our experience, there are sometimes multiple ways in which a company's name is disclosed therefore having this field with the 'reporting identifier' field is important.

Q2: Do you have any comments on the proposed field 'meeting date'?

We have no comments on this proposed field.

Q3: Do you have any comments on the proposed field 'meeting type'?

We have no comments on this proposed field.

Q4: Do you have any further comments on the proposed field 'country'?

We have no comments on this proposed field.

Q5: Do you have any comments on which reporting identifier should be used in the vote reporting template?

In our experience, ISIN is more commonly used.

Q6: Do you have any suggestions on a suitable resolution identifier?

We have no comments on this point.

Q7: Do you have any comments on the proposed field 'resolution title'?

We have no comments on this proposed field.

Vote Category Fields

Q8: Do you have any comments on the proposed field 'resolution type'?

We do not agree with keeping 'resolution type' at a high level. UK occupational pension trustees must report on their most significant votes on an annual basis in their Implementation Statement. The DWP's 'Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement: Statutory and Non-Statutory Guidance' (referred to as the 'DWP Guidance' in our response) sets out approaches trustees can take to define their significant votes, including a thematic approach. The thematic examples presented in the DWP Guidance are climate change, biodiversity and modern slavery. Under the proposed 'resolution type' field, climate change and biodiversity would be contained in the 'environmental and climate change' category and modern slavery would be categorised under 'human rights' or 'other social issues'. It may be challenging for asset owners to determine which of the votes carried out by their behalf by asset managers align with their required stewardship priorities without additional supporting sub-fields.

Q9: Do you have any comments on the proposed field 'proponent' and the two field data options?

We have no comments on this proposed field.

Q10: Do you have any comments on the proposed field 'company recommendation'?

We have no comments on this proposed field.

Q11: Do you have any comments on the proposed field 'asset manager instruction'?

We have no comments on this proposed field.

Vote Rationale Fields

Q12: Do you agree with the proposed principles set out in 3.28 for when a vote rationale is required?

A vote 'for' a company resolution can still be significant. We suggested the vote rationale is amended to say 'It is proposed that a rationale should be used when a vote falls into **at least** one of the following categories' to avoid the 'vote against or abstain' being used as a primary filter.

Q13: What is your preference for the level of disclosure in the field 'standardised rationale category'?

We have no comments on this proposed field.

Q14: Do you have any suggestions on what categories should be included in the field 'standardised rationale category'?

In our response to Q8, our preference would be to have more granular vote resolution categories. If this is adopted, the high level categories set out in the consultation document for the standardised rationale category would be sufficient.

If the vote resolution categories are kept high level, our preference would be for the standardised rationale category to be more granular and include sub-categories, aligned with the arguments presented in our response to Q8.

Q15: Do you have any comments on the proposed 'narrative rationale' field?

We see this is an important field to help asset owners with their reporting requirements and to help them better understand how their asset managers are voting on their behalf and why. For UK occupational pension trustees, the DWP Guidance requires trustees to report the rationale for the voting decision associated with their most significant votes.

The depth and quality of existing reporting on rationale is very mixed, with some asset managers providing extremely brief notes, whereas others supply extensive commentary along with next steps. We would like to see more consistency.

Q16: Do you agree with the approach of including standard data and free text box fields for the field 'is the vote decision in line with voting policy'?

The DWP Guidance recommends UK occupational pension trustees to provide an explanation of the rationale for the voting decision where the vote was not in line with voting policy. With this in mind, we would prefer any responses that state 'no' would need to also provide free text to explain why. This would help asset owners to better understand the reasons behind how their asset managers have voted on their behalf.

Q17: Do you have any comments on the field 'what type of engagement with the issuer is linked to the vote decision'?

This field would be useful however UK occupational pension trustees are required under the DWP Guidance to report on how the asset manager intends to escalate the outcome of the vote through broader stewardship efforts. We note that you received feedback on expanding the scope of this question to include engagement after the vote and we would support that.

Q18: Do you have any further comments on the proposed fields for the vote reporting template?

There are additional fields we would like to include in the template:

1. What was the outcome of the vote?
2. If the vote was against management, did the asset manager communicate this in advance to the company?

These fields are consistent with the requirements set out in the DWP Guidance for reporting the most significant votes. We note the second suggested question above is addressed in Q23.

It would also be helpful to understand the materiality of the size of the vote or if the vote was part of a wider initiative. Many asset owners use the size of holding as a criterion for determining whether a vote is most significant. If the templates are completed at a fund/portfolio level, it would be useful to include an additional field showing the size of the holding in AUM at the date of the vote. This will give an indication of the proportion of total votes on a particular resolution that was covered by the asset manager in respect of that particular investment fund. We note this is discussed, in part, under point 3.49 in the commentary supporting 'client-led voting'.

Frequency of Reporting

Q19: Do you agree the vote reporting template should adopt a quarterly vote reporting frequency?

We agree that a quarterly vote reporting frequency should be adopted. A number of pension schemes do have non-quarter end year end dates (e.g. 5 April, 31 May) but approximations to the nearest quarter end, or bespoke reporting from managers, has generally satisfied scheme auditors.

Q20: Do you have any further comments on the frequency of vote reporting for the vote reporting template?

Most asset owners report at least annually on their voting activity and will have different reporting periods. A quarterly schedule is most flexible to accommodate this whilst being proportionate.

We would suggest the reporting templates are completed quarterly but contain a rolling 12 months of voting information.

Client-led Voting

Q21: Do you have any comments on how client-led voting should be reflected in the vote reporting template?

As mentioned in our response to Q18, we would like the reporting template to include an additional field stating the size of the holding for each vote. This can be AUM to help infer the number of votes associated with the holding. We agree that the template should be in respect of the votes cast directly by the asset manager as asset owners delegating that responsibility will want to understand how the managers have voted on their behalf and why.

We agree that a future additional field stating the % of the portfolio that has client-led votes will be helpful. If this proportion increases over time, it may influence the investment decisions of the asset manager, particularly for actively managed funds.

Q22: Do you have other views on how the Group seek to address the development of client-led voting?

We don't have any views but note that part of the development will come from asset managers' functionality and ability to allow directed votes.

Pre-disclosure of Voting Intentions

Q23: Do you agree with the approach to pre-disclosed voting intentions?

In our response to Q18, we highlighted that under the DWP Guidance to UK occupational pension trustees if a vote categorised as 'most significant' was against management, the trustees should disclose whether the asset manager communicate this in advance to the company. In our experience, very few asset managers have been able to provide that information and therefore this additional field will support the DWP Guidance's reporting intentions.

Q24: Do you have any further comments on the approach to pre-disclosed voting intentions?

We do not have any further comments on the approach to pre-disclosed voting intentions.

Ownership of the Template

Q25: Do you have any comments on the ownership of the vote reporting template?

We agree it is sensible that the industry owns the template and ensures it is the central template used to record voting activity. We would welcome industry bodies, like the PLSA and IA, supporting and championing the finalised template as well as working groups like the Investment Consultants Sustainability Working Group (ICSWG) promoting the use of the template.

The key to the success will be will asset managers adopting the template, including those that are domiciled outside of the UK. The VRG's consideration of alignment with the SEC's current requirements is well considered.

Oversight of Implementation and Future Development

Q26: Do you have any comments on how the oversight body could be established, the responsibilities of the body, and which organisations should be part of it?

As noted in our answer to Q25, we believe it is important for industry bodies, like the PLSA and IA, to support and champion the use of the template. We also believe representatives from those bodies should be part of the oversight body.

We would also like to see investment consultants participating in the oversight body, potentially through the ICSWG, as investment consultants work closely with institutional asset owners and can provide vital feedback on how the template is used by asset owners and the quality of the data provided by asset managers.

Public Registry

Q27: Do you think that the vote reporting template should be publicly accessible?

We agree that the vote reporting template should be publicly accessible. Many asset managers publicly disclose their votes but information tends to be in an un-editable document format and contains only high level information. Therefore, we see the benefits of having the completed templates publicly available. This will improve the efficiency of data collection, reduce the burden and cost on asset managers of resourcing multiple requests, and will enhance transparency of asset manager voting activity.

Q28: Do you have any comments on whether the template should or should not be publicly accessible?

We have no further comments beyond our response to Q27.

Q29: Do you have any comments on the ownership of the public registry?

We do not have any comments on the ownership of the public registry.

Q30: Do you have any comments on the funding of the public registry?

The public registry will only be effective if there is a critical mass of asset managers using the facility and therefore the costs for using the function need to be proportionate to encourage the use of the registry. The voluntary nature of the vote reporting template may make the support for a public registry more challenging if the template is not used by asset managers.

Further Comments

Q31: Do you have any further comments on the proposals laid out in this consultation?

We do not have any further comments.

Disclaimer

Produced by the Association of Consulting Actuaries Limited September 2023