



Lord Offord of Garvel CVO
Parliamentary Under Secretary of State
Department for Business and Trade
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House of Lords
London
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Dear Baroness Wheatcroft,

Thank you for your constructive engagement during the sixth Grand Committee session of the Digital Markets, Competition and Consumers Bill (the Bill) on Wednesday, 7 February.

During the session, I said I would write to you with further information about the work of the Vote Reporting Group following consultation with HM Treasury and the FCA.

I have provided further details below.

Rationale for a voluntary approach to vote reporting

The Vote Reporting Group was established by the FCA in November 2022 as an independent working group to build an industry consensus for a voluntary comprehensive vote reporting template for UK asset managers. A voluntary approach was considered to be the best approach in the first instance to allow asset managers to manage reporting burdens and provide the framework for best practice to emerge.

Introducing mandatory comprehensive vote disclosure would be a significant departure from the FCA's current rules around vote disclosure (grounded in the Shareholder Rights Directive). The FCA's current rules require asset managers to provide '*a general description of voting behaviour, an explanation of the most significant votes and reporting on the use of the services of proxy advisors.*' or where this is not provided, an explanation as to why the manager has chosen not to disclose.

Moving straight to mandatory comprehensive reporting could therefore result in a burden for asset managers. The FCA would also need to strike a balance based on the size of the firm as well as establish what information would be most valuable to investors/users if reported.

The Government is supportive of a proportionate approach, which in the first instance allows the industry to feed into the process to develop proposals for more comprehensive reporting.

Rather than progress immediately to rule making, convening an industry-led group provides for collective buy-in from both asset owners and asset managers and a better format to determine the most important disclosure items. By taking a voluntary approach, the FCA can allow the industry to coalesce around a best practice for vote reporting.

Feedback on the Vote Reporting Group's consultation

You asked for further information on the Vote Reporting Group's consultation. Feedback from the FCA is that the Group's consultation on proposals for a voluntary, standardised and comprehensive vote reporting template was well received by the financial services industry. Respondents included asset managers and asset owners as well as other industry stakeholders.

The FCA report that the Group is considering the feedback received to its consultation, ensuring the outcomes works for asset managers and asset owners, as well as wider industry, and will be deciding on and communicating next steps in the first half of 2024.

Engagement between the Vote Reporting Group and Departments

The Department for Work and Pensions acts as an observer to the Vote Reporting Group, as do the Financial Reporting Council and The Pensions Regulator. The Financial Conduct Authority is Secretariat and an observer of the Group.

Comparisons with the USA

You also asked what conversations Ministers and officials have had with their counterparts in the US to replicate the same approach in the UK.

The Vote Reporting Group's proposed vote reporting template builds on the United States Securities and Exchange Commission's 'Form NP-X' while also having regard to other widely used industry frameworks and templates. Many UK asset managers with US activities are familiar with this and will have built the necessary reporting capabilities.

I hope this letter addresses the points raised by the Noble Lords satisfactorily and I look forward to continued discussion with you all ahead of Report Stage.

I will place a copy of this letter in the libraries of both Houses.

A handwritten signature in black ink, appearing to read 'M. Offord', is written over a horizontal line. The signature is cursive and somewhat stylized.

**Lord Offord of Garvel CVO
Minister for Exports
Department for Business and Trade**