



Association of Member  
Nominated Trustees

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22 May 2019

Christopher Woolard  
Board Member and Director of Strategy and Competition  
Financial Conduct Authority  
25 The North Colonnade  
London E14 5HS

Via E-Mail: christopher.woolard@fca.org.uk

**RE: Market failure regarding voting policies and practices of fund managers**

Dear Mr Woolard,

We are writing to you further to our meeting last year in which we discussed stewardship issues facing pension fund trustees in the light of increasing regulatory requirements. We raised concerns regarding the refusal of fund managers to accept the voting policies of their pension scheme clients particularly in pooled funds – which we believe is leading to a direct clash between the principals and the agents – and the transparency and accountability of fund managers in relation to their own stewardship policies, most notably on voting and engagement; and how the current status quo regarding these policies may be impacting upon the ability of trustees to distinguish between fund managers on these issues, within a competition and markets perspective.

We discussed the various suggestions made to trustees including that:

- Trustees should delegate all decisions and policies regarding their shareholder voting to fund managers;
- rather than regulation, we should simply wait for the market to respond to trustees' demand for fund managers to execute trustee policy including in pooled funds; and,
- If trustees are not content with their fund managers' voting policies, then they can simply take their business elsewhere.

From this discussion, we concluded that it was necessary to provide you with evidence to demonstrate why the above suggestions are not cognisant with current and impending regulation nor with the reality of the prevailing practices among fund managers with regard to voting policies and records.

We therefore carried out a review into the voting policies and practices of 42 fund managers, the findings and recommendations of which are enclosed with this letter. The review served to address the following questions:

- How many fund managers are in fact prepared to accept their clients' voting policies and operate split voting on pooled funds?
- How did fund managers' voting policies compare to AMNT's Red Line Voting policies, which cover ESG considerations and are derived in the main from the UN Global Compact and UK Corporate Governance Code?
- How publicly transparent were fund managers on their voting policies? Was there sufficient information in the public domain, presented sufficiently clearly, such that an asset owner, seeking to benchmark a fund manager's voting policy against its own during the selection process, can conduct an effective comparative analysis?
- How much variation is there in voting policy across the fund management industry? Is there in fact any real consumer choice?

On the basis of our research, AMNT wishes to make a complaint about the failure of the fund management industry to allow pension scheme trustees to operate a stewardship policy governing the environmental, social and governance of the companies in which they invest via fund managers, particularly in pooled funds. We request that the FCA investigates this market failure and proposes remedies in time for the implementation of the government's new investment regulations which come into force later this year. In our view if the current market failure is not rectified in time then fund managers will be preventing pension schemes from complying with the regulations.

We would appreciate a meeting with yourself and relevant members of your team to discuss this matter further.

We look forward to hearing from you.

Yours sincerely,

Janice Turner, Co-Chair, AMNT

Leanne Clements, Campaign Manager, AMNT

Cc. Mr. Mark Manning, FCA via email ([Mark.Manning@fca.org.uk](mailto:Mark.Manning@fca.org.uk))

Mr. David Stubbs, FCA via email ([David.Stubbs@fca.org.uk](mailto:David.Stubbs@fca.org.uk))