Financial Reporting Council
8th Floor, 125 London Wall
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By email: stewardshipcode@frc.org.uk

31 August 2025

Dear Financial Reporting Council Stewardship Code Team

Re: BVCA feedback on draft UK Stewardship Code 2026 Guidance

The British Private Equity and Venture Capital Association (BVCA) is the industry body and public policy advocate for the private capital industry in the UK. With a membership of around 600 firms, we represent UK-based venture capital, private equity and private credit firms, as well as their professional advisers and investors. The private capital industry backs 13,000 UK businesses, nine in 10 of which are small or medium-sized enterprises. Businesses backed by the industry employ 2.5 million people across the UK and contribute 7% to GDP.

In 2024, £29.4bn was invested by private capital into UK businesses in sectors across the UK economy, ranging from consumer products to emerging technology. This increased investment has fuelled the growth of businesses across the UK, with six in ten (58%) of the businesses backed in 2024 located outside of the capital. These investments are long-term, with an average investment period of six years, in contrast to less than a year in public markets.

Stewardship practices are integral to effective private capital investment. Driven by an objective to create long-term value, stewardship is seen by private capital as an essential tool to create wider economic, environmental and social benefits, helping to shape well-informed and better investment decisions. However, unique aspects of private company investments, including the active ownership model, require a different level of stewardship activity and oversight compared to public companies. Private capital firms operate an active ownership model which means they take a hands-on approach to working with portfolio companies. This involves close collaboration to improve management capability, enhance operational efficiency and accelerate the adoption of technology. By actively engaging with businesses, private capital investors can drive meaningful improvements and long-term value creation. Reporting requirements for the industry, including the Stewardship Code, must reflect this distinct approach.

Across the industry, a range of stewardship, reporting and responsible investment practices are implemented to meet increasingly high standards and align investor expectations, enabling a reasonable and reliable level of transparency into financial and operating performance. This includes mechanisms to support investor interests by focusing on long-term sustainable value, ensuring compliance with reporting requirements set by fund governing documents and adhering to industry guidance and initiatives. These activities help to enhance quality and integrity, strengthening the UK's financial services sector and providing an opportunity to establish global best practice.

Strong governance is also a core aspect of the private capital model when investing in portfolio companies and we have previously shared our experiences with the Financial Reporting Council

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(FRC) through our involvement in the development of the Wates Corporate Governance Principles for Large Private Companies and the refresh of the Walker Guidelines in 2024.

The BVCA submitted a response to the FRC's consultation on the UK Stewardship Code in February 2025 which highlighted that due to stewardship practices inherent in the private capital ownership model, the Code is less applicable to private capital firms. The response noted that adoption of the Code may result in duplicative reporting requirements, albeit in a different form, with limited benefit. Most private capital firms whose business model is active ownership are unlikely to find the Code beneficial, as stewardship is typically deeply embedded within a company's own governance structures and often reported on by the company in its own reporting.

We were pleased to see the Code incorporate 'how to report' to guide signatories in their reporting, we also welcomed the accompanying commentary that expands the definition to include environmental and societal impacts as factors signatories should consider when exercising their stewardship obligations. However, we still think that there is more to be done to ensure the Code is fully compatible with the private capital investment model, should the firm wish to adopt it, which is predicated on alignment of interests and positive engagement through direct investment.

2026 Stewardship Code Guidance

The BVCA welcomes the opportunity to provide input on the draft Guidance and supports the shift towards a more adaptable framework. Overall, the BVCA considers that the Guidance is effective in outlining the FRC's reporting expectations, providing additional detail and suggestions of what can and cannot be included in its disclosures. However, further clarity is required across both sections of the Guidance as set out below.

Across the BVCA's membership, a small number of firms (less than 5% of members) use the Code, some of whom are providing a range of services and may have multi-asset strategies, rather than a sole focus on private capital fund investment. Therefore, the FRC should reiterate that the Guidance is voluntary and complementary to the Code, and is not intended to add another layer of compliance. It is considered that by highlighting this, it would help mitigate the risk of it becoming too complex and overly burdensome.

The BVCA supports the FRC's references to policy advocacy and regulatory engagement as valuable forms of stewardship, especially as a way of addressing system-wide issues. We therefore welcome continued engagement to amplify these opportunities, including active membership participation in industry associations and direct dialogue with regulators and Government.

We welcome further engagement with the FRC as it finalises this Guidance and as the 2026 Code embeds. If you have any comments or questions, please contact Ciaran Harris (charris@bvca.co.uk) and Chris Khoury (ckhoury@bvca.co.uk).

Yours sincerely,

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Jonathan Martin
Chair, BVCA Accounting, Reporting & Governance Committee

Policy and Context Disclosure Guidance for Asset Owners and Asset Managers

Inclusion of 'Introductory Statement' (Disclosure A: 3)

The BVCA supports the inclusion of an 'Introductory Statement' in the Activities and Outcomes Report. However, the current Guidance remains unclear about whether this is also required in the Policy and Context Disclosure if both documents are being submitted in the same year. The FRC should clarify whether an 'Introductory Statement' is required in both documents. To ensure consistency and reduce the reporting burden, a single cross-referenced statement should be acceptable across both documents. Additionally, it would be helpful if the FRC confirmed whether cross-referencing to prior Stewardship Reports is permitted. This would further streamline reporting while maintaining transparency.

Private capital firms are often required to report against a number of individual standards and frameworks, such as the International Financial Reporting Standards (IFRS). Requiring firms to repeat the same information across multiple materials would create unnecessary duplication without adding meaningful value. This may also lead to operational complexity for firms with smaller reporting teams which could increase the risk of inconsistency or administrative error. The burden of duplicative reporting also diverts time and resources away from core investment and stewardship activities, ultimately reducing productivity and efficiency.

Use of case studies and examples (Disclosure D: 15)

It is our understanding that the Guidance requires disclosure on engagement, collaboration and escalation and that case studies are commonly used as an effective way to demonstrate how these activities have been carried out. Therefore, we believe the FRC should clearly confirm its expectations regarding their use.

The Guidance does not explicitly require case studies, referencing them only once in Disclosure D in the context of demonstrating how conflicts of interest have been managed in practice within the Activities and Outcomes Report. As a result, it is currently unclear whether case studies can be used to meet the requirement which we are committed to fulfilling to the highest standard. This ambiguity potentially reduces the emphasis of case studies as a valuable reporting tool which could weaken transparency and make it more difficult to understand the practical impact of stewardship activities.

Without encouraging the use of case studies, signatories may unintentionally feel dissuaded from including them in their submissions. This is especially true given the lack of direction within the Guidance about where and how they should be incorporated. It is worth noting that the 2020

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Code encouraged signatories to include examples across each Principle which made it easier to demonstrate useful insights about stewardship practices. This is particularly important for those whose activities are less visible through public mechanisms.

We therefore recommend the FRC clarify whether it expects outcome reporting for the Policy and Context disclosures. The Guidance should outline where it is appropriate for signatories to use case studies. It should also provide sufficient detail on what these case studies should include and where they should be incorporated within the Activities and Outcomes Report. It should also be ensured that it is not disproportionately burdensome to source suitable examples in cases where a specific outcome is less evident. Whilst case studies may not be necessary across every Principle, they would support more accurate reporting and better reflect outcomes of stewardship activities. We would therefore encourage the draft Guidance be revised to include reference to where case studies can be used.

Activities and Outcomes Report Guidance for Asset Owners and Asset Managers

Escalation in response to market-wide and systemic risks (Principle 2: 25)

The BVCA recognises the importance of escalation strategies in effective stewardship, particularly in relation to market-wide and systemic risks. The draft Guidance lacks sufficient clarity about what constitutes escalation and risks narrowing its interpretation to a limited set of mechanisms. It is our view that the current definition does not reflect the breadth of how responsible investors respond to concerns and, as outlined in the Guidance, there are a range of escalation strategies being used across the investment spectrum.

The FRC should provide a more expansive definition of escalation that encompasses a wider range of actions that investors may take when they have concerns and this should not be limited to the examples included in Principle 3: 42. This may include actions such as writing and sending a group letter to company management or Board, voting against management, organising or participating in press coverage, or pursuing legal action.

In private capital, escalation is often more informal and relationship-driven, reflecting the nature of direct investment and long-term engagement. A flexible approach would allow signatories to report proportionately and meaningfully, without being constrained by a narrow framework. This will ensure that reporting actually reflects the tools available to investors in all contexts and would better reflect the diversity of stewardship practices across investment models. By outlining a broader and more inclusive definition, the Guidance can help improve transparency across all stewardship approaches, enabling signatories to report in a way that reflects their engagement tools.

Policy and Context Disclosure Guidance for Service Providers

Level of resourcing (Disclosure B: 70)

The Guidance requires detailed information about team structures and about the appropriateness of the skills and experience of those responsible for stewardship in order to demonstrate stewardship resourcing. While transparency in this area is important, the BVCA believes that the level of detail suggested is excessive and risks undermining a very positive aspect of the Code, namely its flexibility for signatories to apply the Principles in ways that are best tailored to their approach and activities.

The Guidance should clarify that a general overview of resourcing, outlining the functions and capabilities of stewardship teams, is sufficient. In doing so, the FRC should also outline if it expects signatories to comment on whether stewardship experience features in recruitment processes. Whilst the BVCA agrees with the approach not to mandate disclosure of individual and personal information, the Code implies that individual roles, skills and diversity metrics should be described in some detail. Stewardship responsibility is embedded across organisational teams, and such granular data should not be disclosed nor deemed as important in presenting a firm's stewardship efforts. There is also a possibility that requiring this information may discourage transparent reporting from smaller firms due to privacy concerns and reputational risks, especially where individuals are easily identifiable within small teams.

It is our view that the Guidance should require firms to provide a holistic overview of team structures and access to training. This would help avoid the risk of misleading information and reduce operational burden by ensuring that reporting reflects actual capacity and capability of teams. It would also strike the right balance between transparency and practicality, while maintaining a proportionate approach.

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