MARTIN CURRIE
A Franklin Templeton Company

Financial Reporting Council
8th Floor
125 London Wall
London
EC2Y 5AS

Submitted electronically to: codereview@frc.org.uk

RE: UK Corporate Governance Code Consultation

Dear Sir/Madam,

Martin Currie is an Edinburgh based equity asset manager with over $20bn AUM and are a Specialist Investment Manager in the Franklin Templeton group which, in total, has over $1.4tn AUM. We manage money for professional clients globally, including a substantial portion in the UK, and we are an appointed investment manager for a number of Franklin Templeton regulated funds, which admit both retail and professional investors.

We welcome the opportunity to respond to the FRC's Consultation Document on the UK Corporate Governance Code (the Code).

The Code is held in high regard and we recognise that there is a need to continue to evolve the requirements of the Code while balancing the attraction of the UK market as a venue for companies. The comply or explain model is widely respected, however we recognise that there is no one-size-fits-all and we believe that there should be broader acceptance of robust explanation where this is appropriate.

We believe that the direction of travel for the code is positive and are supportive of the overall changes proposed in the consultation document. We agree that the board and audit committee responsibilities need to be broadened and the focus on improving overall reporting is welcomed.
With reference to the questions in the consultation we have noted the following:

Martin Currie Investment Management Limited
2nd Floor, 5 Morrison Street
Edinburgh, EH3 8BH
T 44 (0) 131 229 5252
martincurrie.com

Question 2 – We are supportive of the proposed change to provision 1. We believe that it is important that an annual report comprehensively covers how the business considers environmental and social risk and details climate ambitions and transition planning. We note that under the listing rules the TCFD provides a solid structure for this reporting for all UK companies, and by encouraging reporting through UK Corporate Governance Code, corporates who are subject to UK Corporate Governance Code but not subject to mandatory TCFD reporting will be encouraged to report on key environmental and social matters.

We believe that encouraging reporting on transition planning supports the work of Transition Plan Task-force (TPT) and integrates a means for corporates to demonstrate extent of alignment with, for example, the UK govt's net zero strategy, for example.

For Martin Currie a key priority is to understand the governance surrounding sustainability and the extent to which this is embedded into strategy and the business model. An example of this can be ties to remuneration which links to Principle P.

As long-term investors we strongly believe that environmental and social risks may result in material financial implications for businesses over our long-term investment horizon, and we therefore believe it is essential for businesses to transparently frame these risks and mitigation strategies.

We believe that this also supports the ambitions of the upcoming SDR where robust and transparent disclosures on environmental and social matters will be essential.

Questions 4 and 5: We believe that transparency of directors' external commitments is important, however, establishing rules on over-boarding risks losing out on talented NEDs with substantial experience. We believe that the annual performance review should consider, but not necessarily discourage directors from taking up external commitments as this is also how they can build skills to better serve boards of investee companies. We recognise that many NEDs on investee companies' boards will also be on other boards at other UK companies and we do not necessarily feel this inhibits their ability to fulfil their roles and help steer the business in the right direction.

Question 7: We think that moving towards an approach to capture wider characteristics of diversity is important and offers companies the opportunity to embrace an intersectional way of looking at Diversity and Inclusion. This also aligns with the language of the Equality Act 2010 with Protected and Non-Protected characteristics. However, we question whether this will lend itself to corporates adopting a less binary way of thinking, particularly when the listing rules are more rigid in nature.

Question 12: We agreed that the remit of an audit committee should expand to sustainability and ESG metrics. We believe that this will support TCFD and future TNFD reporting. Not all companies have a Board level ESG Committee, so the Audit Committee would be the most appropriate to take on this responsibility.

We would be very happy to expand on any of these points as necessary

Yours faithfully,

[redacted]