

April 26, 2010

Ms. Susannah Haan
Financial Reporting Council (FRC)
Fifth Floor, Aldwych House
71-91 Aldwych
London WC2B 4HN

Dear Ms Haan:

Re: Foreign Investor Comments on Proposed *UK Stewardship Code for Investors*

I am writing in my capacity as the Chief Executive Officer and Chief Investment Officer of the British Columbia Investment Management Corporation (bcIMC). bcIMC is a Canadian-based investment management firm with approximately CAD\$ 80 billion of global assets under management, including about CAD\$ 2 billion in UK-listed companies.

I appreciate this opportunity to comment to the FRC on the content of the proposed *Stewardship Code for Institutional Investors*. The code is relevant to us because we will be expected to apply it voluntarily. Also, on behalf of our pension and trust fund clients, we are strong advocates for active share ownership, believing that the 'ownerless corporations' identified by Lord Myners played a role in the recent market turmoil.

General Comments

- (1) bcIMC supports the spirit and intent of the code which is to establish clear guidance on the corporate monitoring, engagement and reporting responsibilities of institutional shareholders. Strong investor oversight is vital to ensuring that companies are properly focused on ethics, accountability and building sustainable long-term value.
- (2) We also note that several of the best practices recommended in the code are consistent with voluntary norms already present and well-understood across the investor community. This 'overlap' should benefit shareholder endorsement/take-up of the code. For example, approximately 640 institutions around the world are signatories to the UN Principles for Responsible Investment (PRI), which were founded in 2006. The signatories represent about US\$ 20 trillion in assets and most signatories are mainstream pension funds, insurance companies and investment managers. Endorsing the PRI requires institutions to commit to six principles. PRI principle #5 says that "we will work together to enhance our effectiveness" which aligns with principle #5 of the proposed UK code "institutional investors should be willing to act collectively." In another example, PRI principle #6 asks institutions to "report on their ownership activities and progress" while the UK code principle #7 says that "institutional investors should report periodically on their stewardship and voting activities."

(3) You may be interested to know that in 2008, bcIMC produced our own *Shareholder Engagement Guidelines* (copy attached), which addresses the following matters:

- Voting at the general meetings of the thousands of companies our clients own around the world.
- Directly meeting and corresponding with company management and directors.
- Exchanging information and pooling resources with like-minded investors.
- Lobbying government and regulatory bodies for governance reforms.

We find these guidelines to be a useful framework for our stewardship activities and we are pleased that they are consistent with the principles in the proposed UK shareholder code.

In this general context, bcIMC does not anticipate that the code will be a burden for us.

Specific Comments

(1) We welcome the decision of the Financial Reporting Council to accept responsibility for the Stewardship Code. Given the FRC's oversight of the UK Corporate Governance Code for companies, we believe that it is entirely appropriate for the FRC to assume responsibility for the Stewardship Code for institutional investors.

(2) Given the critical role of proxy research providers in advising on voting matters, we believe that the Stewardship Code should also apply to them. Proxy research providers should comply or explain and should disclose their commitment to the Code so that their roles as intermediaries are understood.

(3) In our view, disclosure of voting activity should also include an explanation as to why certain holdings were not voted because the shares were on loan. This would prompt investment managers and lending agents to put structures in place so that lent shares to be voted can be recalled in a timely manner.

(4) The Stewardship Code should accommodate different investment approaches and permit stewardship responsibilities to be discharged through a range of engagement activities. To illustrate, an investment manager responsible for an indexed portfolio and one managing a highly- concentrated fund are unlikely to employ the same types of engagement strategies. The former may focus their efforts on ensuring a sound regulatory framework while the latter may devote resources to engaging companies in their portfolio on the intricacies of strategy, risk management and executive compensation.

Conclusion

In our view, a thoughtfully developed Stewardship Code, with observance on a 'comply or explain' basis, will enhance board and management accountability at UK-listed companies by raising the standard of shareholder engagement. The code shines a light

on the important role that investors must play in contributing to improving long-term shareholder returns and reducing risk at the companies they own.

We hope you find these comments helpful and if you would like to discuss them further, please contact me.

Sincerely,



Doug Pearce
Chief Executive Officer/Chief Investment Officer

UK Stewardship Code provisions (proposed):

- *Principle 1:* Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities
- *Principle 2:* Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed
- *Principle 3:* Institutional investors should monitor their investee companies
- *Principle 4:* Institutional investors should establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value
- *Principle 5:* Institutional investors should be willing to act collectively with other investors where appropriate
- *Principle 6:* Institutional investors should have a clear policy on voting and disclosure of voting activity
- *Principle 7:* Institutional investors should report periodically on their stewardship and voting activities