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Financial Reporting Council  
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London WC2B 4HN

16 April 2010

Dear Susannah,

## **FRC - CONSULTATION ON A STEWARDSHIP CODE FOR INSTITUTIONAL INVESTORS**

We welcome the opportunity to comment on the FRC consultation on a Stewardship Code for Institutional Investors.

Hermes Equity Ownership Services respond to consultations such as this one on behalf of many clients, including the BT Pension Scheme, the Lothian Pension Fund, the National Pension Reserve Fund of Ireland, Australia's VicSuper, and PNO Media Stichting Pensioenfond, of the Netherlands (Only those clients which have expressly given their support to this response are listed here).

We have long been advocates of the comply or explain approach adopted in the Combined Code. We think that the approach is capable of working so well because it puts the onus on boards to determine the most appropriate governance structures for them rather than a one size fits all approach or the obligation of the law. However, for this approach properly to work, we believe that the standards against which companies should comply or explain should be high and that investors need to make available individuals with appropriate skills and experience to listen to the explanations and take a view on them. Compliance or explanations for non-compliance against low standards are not likely to achieve good governance – complying or explaining against high standards is much more likely to achieve this objective. Explanations against weak standards are unlikely to generate anything of substance, either in terms of the explanations themselves or in terms of behavioural change.

The main public policy argument for a strong stewardship code must be that it is necessary to ensure that companies are properly accountable to their owners thereby helping them to drive better performance through more effective governance. It is clear that the need for long-term owners of public companies to live up to their responsibilities has never been greater than it is now, reflected in the Walker review and comments made by politicians that shareholders need to perform the role envisaged for them in the Combined Code. We therefore believe that it is imperative that the FRC takes the opportunity presented by the introduction of a stewardship code to assist both agents of end owners, institutional



shareowners and their ultimate beneficiaries – long-term savers and pension scheme members – to fulfil this essential role.

In the same way that the Combined Code is made effective by appropriate oversight and occasional intervention by institutional investors, so the Stewardship Code will be given its life through generating accountability for the fund management industry to its underlying clients. Indeed, this for us is where the real value of the Stewardship Code lies: it should provide a firm basis for fund managers to be accountable to their clients for the creation of value through stewardship activities. This too argues for the high standards, so that clients have a benchmark allowing them to distinguish between different service providers, rather than a lowest common denominator approach which would provide no discriminating power. Just as in the corporate sector, explanations are an opportunity for fund managers to highlight their strengths and the starting point for dialogue and accountability. We would therefore urge the FRC to recommend disclosures around descriptions of both compliance and explanations of non-compliance.

These two bases – that a strong Stewardship Code will best encourage good corporate behaviour and that it will provide the best basis for fund manager accountability to their clients – both argue clearly for a Code which sets high standards and which encourages or cajoles higher quality engagement from the fund management community. We firmly believe that this is the route that the FRC must take.

We also believe that there are steps that the FRC should take to improve the clarity of the ISC Code as well as strengthening some of the underlying concepts. Not least, the FRC should define some of the key terminology used in the Code. This will have the effect of assisting debate over the Code. We would urge the FRC to grapple with these points rather than continue using the ISC Code in its current form which suffers from a lack of clarity. We also believe that over time, just as has happened with the Combined Code, the FRC should look to append best practice guidance to the Stewardship Code. We believe that this will prove of great value to the pension fund trustees in particular.

We would urge the FRC not to fear being radical in its consideration of the responses to its consultation. We would note that what appeared to be radical suggestions, such as the separation of the roles of chair and CEO at the time of the Cadbury Code now seem normal rather than extraordinary.

We answer the specific questions in the consultation paper, below.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Paul Lee', with a horizontal line underneath.

**Paul Lee**  
**Director**

**1. What policy objectives should the FRC use against which to judge its approach to a Stewardship Code? Are there any others not mentioned in the consultation?**

*We note that a stated objective of the ISC Code is “to help improve long-term returns to shareholders.” However, this is not one of the stated policy objectives of the FRC against which the success of the ISC Code can be judged. We agree that the most important objective, that the FRC does acknowledge, is better run companies which should lead to better performance, ultimately benefiting individual beneficiaries and the whole economy. We also believe that this will lead to a wider public policy benefit of increasing the understanding of individual pension scheme members that they have certain ownership interests and are able to demand that those with a fiduciary duty over these interests – their agents - are called to account.*

*Comply or explain breaks down without those to whom the explanations are directed taking account of those explanations and engaging with the company to understand them better and, if applicable, suggesting their own views. The policy objective of the FRC should therefore also be to encourage engagement – and not just engagement about specific strictures of the new UK Corporate Governance Code, but about the overall performance of the company – the improvement of which over the long term is the stated intention of the Governance Code. Such engagement should therefore comprise strategy and performance as well ethical, social and governance matters. We therefore believe that a further policy objective of the FRC should be to defend and strengthen the comply or explain regime in the UK. The likely alternative to this approach would be more legislation and regulation. We do not believe that this would lead to better company performance. Instead it would lead to more defensive reporting and therefore shareholders which are less likely to be fully engaged, with the concomitant effect of decreased performance and higher risk. The objective of the FRC must be to avoid this scenario.*

*We further believe that by strengthening the role of institutional shareholders in the governance regime in the UK, there may be a further positive outcome which is to strengthen the beneficiaries’ understanding of the role of the investment manager in maximising the long term returns on his or her investment and in minimising the risks to that investment. As this is likely to be an outcome, we would argue that it should be a policy objective.*

**2. Should the FRC accept oversight of the Code in its current form? Or should there be amendments made to it before it does so?**

*We believe that certain amendments should be made to the ISC Code before the FRC takes responsibility for it. We will discuss these in detail later in our response. However we will emphasise some of them now:*

- As a minimum there should be no dilution of the existing provisions within the Combined Code (we explore this under point 12 below);*
- Essential terms in the ISC Code should be clarified and if necessary defined or better explained. These terms include “institutional investors”, “institutional shareholders”, “monitoring”, “dialogue”, “stewardship”, “escalation”.*
- We note that the debate about the ISC Code has largely been about the merits or otherwise of engagement. However, because this debate has been so acute, there are no principles requiring engagement as the topic has been fudged. Instead, there are only references to engagement in the introduction and in the guidance.*

*The introduction states that “institutional shareholders are free to choose whether or not to engage”. We note that this is self-evident in a comply or explain code and so it seems a peculiarly defensive element of the Code proposed by the investment Industry. Otherwise there are only references to engagement in the guidance to principle 5 (collective action). It is surprising that the code on stewardship barely dares to mention engagement and does not include it as a principle. We believe that this should be remedied by the FRC. Engagement also needs to be defined, and the clear distinction drawn between proactive value-driven engagement and dialogue around voting, which while important does not of itself amount to stewardship.*

- *We believe that the legal, regulatory and fiscal environment in which companies and their owners operate has an effect on companies’ prospects and the ability of their owners properly to call companies to account. We therefore believe that any stewardship regime and therefore code should incorporate the institutional shareholders’ attitudes to and intervention in relevant public policy to help to ensure the optimum conditions for maximising the value of their investments. We therefore believe that there should be a principle in the Code to this effect. Perhaps: “Institutional investors should take account of and engage in public policy debate better to ensure the efficient and effective exercise of their ownership rights and to improve the environment in which their investee companies operate.”*

**3. Which institutional investors and agents should be encouraged to apply the Code on a comply or explain basis? What should they be asked to disclose and to whom? What monitoring arrangements should be put in place?**

*We believe that all participants in the investment chain should be expected to apply the Code on a comply or explain basis as part of their fiduciary duty to the end beneficiaries of their activities.*

*There should be public disclosure of voting information together with a discussion of the general approach to company engagement. As the definition of engagement can vary widely, it is important that the disclosure illuminates what the shareowner or its agent means by engagement, perhaps through methods such as providing anonymous examples of the work carried out (Our own quarterly public reports provide a possible template, an example of which is appended to this response) so that qualitative, as well as merely quantitative, judgments may be made by the beneficiaries.*

*Additionally, clients should receive more detailed reports of the precise activity carried out on their behalf, describing the reasons for voting decisions made (when votes are cast against management) and details of engagement work carried out, showing the type of activity together with the objectives and outcomes. Such reporting will enable the clients themselves to monitor, and when necessary, act to ensure that they are obtaining the assurance that they require over the activity of their fund managers.*

*We note that one of the barriers that might discourage investors from applying and reporting on the Code are concerns over the efficacy of the proxy voting process.*

## THE LESSONS FROM ABROAD AND COVERAGE OF THE CODE

### 4. What lessons may be learned from experience outside the UK?

*We would note that there are some lessons to be learned from the Dutch and Australian markets where there is a greater sense that engagement with companies provides tangible, long term improvements in performance and that collective bodies such as Eumedion, ACSI and Regnan are able to play a significant role in such engagement. Both markets have the advantage of underlying local investors with scale and a cooperative approach, which have been able to assert stronger authority in their relations with fund managers than is currently the case in the UK.*

### 5. What barriers are there, if any, to prevent or discourage UK institutional investors applying and reporting on the Code (regardless of any mandatory requirements)?

*We would note that the most significant barrier to applying and reporting on the Code is cultural. For rational economic reasons the bulk of the investment community has focused on making money for clients by trading shares rather than from carrying out stewardship activities. It will be a shift for many to take on these additional responsibilities. However, we would argue that the sentiments are similar to those expressed by companies before the introduction of the Combined Code – merely a preference for the status quo. The history of the Combined Code has shown that after initial resistance, companies have become broadly positive about the Code, having appreciated its benefits.*

*We would also note that the contractual relations between fund managers and their clients do not generally reflect sufficiently the issues which concern long term value and the need to conduct engagement and voting activity and report on it. We believe that pension funds and others should take the opportunity provided by the introduction of the Code to think about how the managers that they appoint carry out and report on this activity, and, whether the incentives in their contracts with them are appropriate. This is a specific and necessary change which would unlock a good deal of more effective activity by the end asset owners.*

*We would also note that certain pooled funds do not allow different voting instructions for end clients. This means that the asset owners whose assets are held within such vehicles are unable to vote all their shares in accordance with their wishes. We believe that it should be a requirement of such pooled funds to enable voting decisions to be made by the underlying asset owners and reflected in the votes cast.*

*A similar problem exists with pooled funds in relation to stock lending policies. Unless the asset owner has full control over the stock lending practice of shares held in pooled funds, it may be that the owner's shares might be used in a way that runs contrary to its philosophy and policies.*

*Finally we would also note that problems within the proxy voting chain mean that the underlying asset owner cannot always be certain that its voting instructions have been correctly executed not least because of the difficulties in auditing votes actually cast against instructions sent. We would note that this should not be an excuse not to do anything and reporting on vote instructions as a minimum with any necessary caveat would be an interim step whilst these problems exist.*

**6. Should agents such as voting services agencies and investment consultants be encouraged to commit to the spirit of the Code and how could this be done?**

*It is generally acknowledged that engagement needs to employ collective vehicles in order to avoid a Babel of voices and to derive economies of scale. We believe that this is true and our own Equity Ownership Service is intended as such a vehicle. EOS will commit to deliver under the Code on behalf of our clients. We expect that other similar services will also seek to do so. We are not at all sure that it makes sense for voting services agencies to do so, given that their role is focused on voting alone and not the full range of stewardship activities which the Code covers. We hope that through clear definitions of the key terms in the Code the FRC will make clear what forms of external advisory services are relevant for the purposes of the Stewardship Code and which are not.*

*We believe that investment consultants should be encouraged to commit to the spirit of the Code. This can be achieved in a number of ways. We note elsewhere in our response that one of the dangers of the proposed disclosure regime is that quantitative measures are easier to prepare and disclose than qualitative. However, consultants can play a key role of assessing qualitative disclosure and explaining both to fund managers and to asset owners the extent to which it uses such criteria when making investment decisions. Indeed, consultants will play a crucial role in making the Code effective and not a dead letter.*

*Similarly, we believe that asset owners can provide encouragement to the consultants to ensure that they take the Code into account by only appointing those consultants which are able to provide a good analysis of how well different investment managers undertake engagement and voting.*

**7. Would foreign investors be willing voluntarily to commit to a Code sponsored by a UK regulator such as the FRC or a UK industry body like the ISC in respect of their holdings in UK companies?**

**7.1 What is their current practice on disclosing information on their engagement policy, including any national or international standards they follow?**

**7.2 What are the barriers or other potential difficulties for foreign shareholders seeking to engage with UK companies?**

**8. What are the potential conflicts that might arise for investors operating on a cross-border basis between requirements or codes in place in other countries and the proposed Code?**

*If we accept that the stewardship envisaged by the Code will aid companies to improve performance, then foreign investors will want to participate in engagement to achieve this outcome. Already a number of international clients of EOS have explicitly hired us to support them in delivering on the ISC principles.*

*We are not aware of any current practice in this area mandated by national or international standards or regulatory impediments. Rather, those asset owners who believe that it is important to carry out this work will or have already begun to do so.*

*Rules concerning concert parties may be stricter in some jurisdictions than in the UK. We have, however, managed on behalf of our clients this potential barrier and believe that fear of concert party formation may be used as an excuse to avoid engagement by those who are not willing, for whatever reason, to engage effectively with companies.*

*We would note, also, that the Code should also expect UK investors to carry out the same stewardship function on their overseas' investments as they do with their domestic ones.*

## THE CONTENT OF THE CODE

9. **What are the responsibilities for engagement of institutional investors to the beneficial owners whose interests they represent? Does the ISC Code cover all the relevant responsibilities?**
10. **What are the responsibilities for engagement of institutional shareholders to the UK listed companies in which they invest? Does the ISC Code cover all the relevant responsibilities?**
11. **Are the respective responsibilities of the different parts of the investment chain sufficiently clear and appropriate?**

*What is not stated clearly in the Code, either as a principle or as guidance (merely as a passing reference in the introduction) is the fiduciary duty of the fund manager to the asset owner who in turn owes a fiduciary duty to the underlying beneficiary of the assets. It is clear that anyone in the investment chain who is not acting with this fiduciary duty paramount in their minds needs to change their behaviour. This may in some cases call for a redrafting of investment mandates.*

*We have noted elsewhere in this response engagement is barely mentioned in the Code. We believe that stewardship without engagement is an empty concept. Engagement should be integral to the Code with the ability for institutional investors who do not believe that engagement is appropriate to fulfil their fiduciary duties to explain why they do not think so.*

*The terminology in the draft Code is sometimes not consistent. We reiterate that the most important responsibility of all links in the investment chain is the fiduciary responsibility. How each link in the chain manages that responsibility and demonstrates it to the underlying beneficiary is a matter for individual negotiation. However, the ISC Code must make clear this overarching responsibility.*

12. **Does the Code strike the right balance between the need to avoid over-specification that might discourage the application of the Code and the need for it to be effective with an appropriate degree of transparency?**

*We would caution that the approach does not become one of lowest common denominator: if the standards are too broadly defined or so easy to achieve as to be meaningless then the Stewardship Code becomes a piece of self-regulation that does not improve standards within the industry nor remove the desire of some to increase statutory regulation.*

*We particularly note that the provisions of the Combined Code appear to be substantially weakened in the proposed Code. Specifically we note:*

- *E.1 of the Combined Code states, as a main principle, that “Institutional shareholders should enter into a dialogue with companies based on the mutual understanding of objectives.” This suggests to us that companies’ owners should have some dialogue with all companies in their portfolios.*

*The ISC Code states that “the Code aims to enhance the quality of the dialogue of institutional investors with companies to help improve long-term returns to shareholders, reduce the risk of catastrophic outcomes due to bad strategic decisions....” The guidance states “in order for monitoring to be effective, an active dialogue may need to be entered into...”*

We have two very strong objections to this:

- a) We would note that the explicit suggestion behind this guidance is that active dialogue may not be required if companies can be monitored effectively without it. This is a watering down of the current Combined Code requirement that we believe requires companies' owners to enter into dialogue with companies.
  - b) Furthermore, we believe that engagement is required not only to reduce the risk of catastrophic outcomes, as stated in the ISC Code, but to encourage optimal outcomes, or even merely better ones. The implication of only actively engaging to prevent catastrophes is that engagement is very much a last resort which strikes us as inconsistent with a stewardship code that is promulgating engagement. Engagement must be about enhancing returns across those companies which are under performing, not only about intervention in a few narrow cases – when in such occasions the value will already have been lost and intervention will be too late. We believe that this is a notable failure to capture the intent of the Combined Code.
- The supporting principle to the Combined Code states that the ISC's Statement of Principles... should be reflected in fund manager contracts." In contrast, the Introduction to the Code states "Institutional shareholders' mandates... should specify the policy on stewardship, if any..." Again, this is a substantial weakening of the current state of affairs which we believe is retrogressive.
  - The current main principle E.2 assumes that evaluating governance arrangements should be a role of institutional shareholders and that they "should give due weight to all relevant factors drawn to their attention". The ISC Code principle 3 merely suggests monitoring. This is a substantive weakening.

We would strongly urge the FRC to ensure that the requirements of institutional owners, as laid out in the Combined Code, are not diluted in the Stewardship Code.

**13. Are there any parts of the ISC Code where further guidance is needed, or where the existing guidance should be amended?**

Other than where we have already commented on changes that we believe are important (see above – in particular our responses to points 12 and 5 on pooled funds) we also believe that the following improvements are required to the guidance:

- Guidance to Principle 3: the first bullet point on monitoring seems to be far more limited in scope than it should be. Given that the stated introduction to the ISC Code is to improve company performance the scope of monitoring is too limited as it confines itself to confirming that "the investee company's board and sub-committee structures are effective, and that the independent directors provide adequate oversight". We would have thought, as the draft UK Governance Code has acknowledged, the purpose of good governance structures is to facilitate better behaviour to improve the company's performance, including risk management. We believe that any monitoring of companies should be of companies' substance not form and cover behaviour, performance and risk management.

We would further note that the guidance suggests that "investors should endeavour to identify problems." We would also note that investors should also be identifying opportunities – which is implicit in Principle 4.

- Guidance to Principle 4: we would note that while we are pleased that account of environmental and social matters are specifically mentioned in the first paragraph,

*we think that it is disappointing that they are included at the expense of wider risk management. We also note that remuneration and how it is linked to strategy is not mentioned in this paragraph. We suggest that the last sentence be reframed to read "... concerns about the company's strategy and performance (and how remuneration is aligned to the fulfilment of its long term objectives), its governance or its approach to the risks arising from its strategy, including the risks arising from social and environmental matters."*

- *Guidance to Principle 6: We believe that there is a danger of conflating voting with engagement. We believe that there should be an explicit statement that voting may be a tool to assist engagement but it is a separate activity.*

*We note our previous comments on the ability of some clients of pooled funds to vote their shares. We would strongly recommend that the guidance states that owners who hold their shares in pooled funds should be enabled to vote their shares in accordance with their wishes.*

- *Guidance to Principle 7: we note that there are a number of references on reporting in the guidance to the other principles. We suggest that all reporting guidance be presented in a single place to make the Code easier to use. We have also made suggestions elsewhere in our response, notably under point 16 on reporting.*

#### **14. Does the ISC Code adequately covers the content of Section E of the Combined Code?**

*See our comments in relation to point 12.*

#### **15. What further comments on the Code do we have?**

*We believe that as part of the FSA's regular supervisory work it should take account of fund managers' and other authorised entities compliance with the Code as it forms its views of them. As a risk based regulator we believe that the FSA should take account of the quality of compliance and reporting and not merely take a box ticking approach.*

### **REPORTING, MONITORING AND REVIEW**

#### **16. What information should institutional shareholders disclose publicly? What information should they report to clients?**

*We believe that there should be an obligation of quality disclosure and discussion whether investors choose to comply with the Code or explain why they do not. Where investors choose to explain, they should discuss in some depth their approach to investment and why it is that stewardship does not form part of their fiduciary duty to their clients. For those that choose to comply public reporting should comprise the following:*

- *A statement of the general approach of the asset owner or fund manager as to how it applies the Code. This should avoid boilerplate regurgitation of the Code itself (as too often seen in corporate governance statements written by companies on their application of the Combined Code) but be a meaningful discussion of how the entity interprets the Code and has embedded it into its activity. It should describe its policy on voting, how it applies its policy (possibly using case studies, which are most likely to be anonymous except in particularly high profile cases) and how it has cast its votes.*

- *A statement of the entity's engagement policy differentiating its voting related dialogue from its other engagement work. This policy statement should describe what the entity means by engagement, how it carries out engagement and the types of engagement it carries out. It should also provide anonymous examples of the engagement work that it has carried out. This is important so that end beneficiaries and other parties who have a legitimate interest will be able to obtain a sense about how institutional shareholders fulfil their obligations under the Code. Such information will encourage higher standards of disclosure in the industry, inform the ultimate beneficiaries of how those entrusted with fiduciary duties over their pensions and savings are fulfilling those obligations and assist other stakeholders, such as regulators, to assess the firms. Importantly, such disclosure will also assist consultants to compare different investors and enable them to make better assessments of how well investors are fulfilling their obligations under the Code. Lastly, good quality disclosure will enable best practice to emerge.*
- *provide public voting disclosure describing investors' voting behaviour together with their voting policy together with any other information that may be useful to describe how they cast their votes.*

*Client reporting should follow broadly the same parameters. However, there should be far greater information made available to clients on an agreed basis, to include details of all engagements, including objectives and outcomes, meetings held and other dialogue that has taken place. In our experience, it is important that engagement with companies is kept confidential to ensure that the atmosphere of trust between companies and their owners and their representatives is maintained so as not to jeopardise a successful outcome.*

**17. What arrangements should be put in place to monitor how institutional shareholders apply and report against the Code?**

*It is important to expect and encourage high standards. Elsewhere we discuss what the FSA's role might be in ensuring high standards. We also believe that the end beneficiaries – the pension scheme members or private investors – should and increasingly will expect higher standards. There will therefore be a business case for institutional shareholders to ensure that they have appropriate arrangements in place.*

*Moreover, such high standards could potentially be demonstrated by objective assurance to be provided via AAF 01/06 on those matters that are objectively verifiable. Whilst voting policies and statistics might be readily verified, we also believe that engagement processes are more difficult to be similarly assured. Unless this is done in a robust and convincing way, such assurance will be limited (see also point 22).*

*Nevertheless, we caution against monitoring on merely quantitative measures which would not give a clear or fair picture of how stewardship is being practised – above all it is the quality of the work and a painstaking, systematic approach that will be capable of effecting positive change by influencing individual directors and boards. Any monitoring will have to solve the problem of how to judge the quality of this work so that those that take their engagement responsibilities seriously are properly rewarded for their work and its attendant costs and those that merely attempt to provide a superficial engagement service are not unjustly praised. Qualitative measures such as the numbers of staff, their specific skills and experience and the time that they devote to engagement activity may be particularly instructive in highlighting the differences between different institutions.*

**18. What should be the arrangements for reviewing the operation and content of the Code?**

*We believe that there will be some market demand as a result of pension funds and other asset owners together with their beneficiaries and supported by their asset consultants increasingly expecting those to whom they entrust their assets to fulfil the obligations required of them under the Code. We therefore believe that there will be market pressure to ensure that the Code is operated effectively. Moreover, there will be an opportunity from the interaction of the various links in the investment chain to review its working and also its content, in the same way the various ways in which the Combined Code could be improved have become apparent over time.*

*We also believe that the Code should be reviewed periodically in a formal manner with consultation on particular aspects that may have emerged over time.*

**19. What specific information should be disclosed by institutional shareholders and their agents, and at what level of detail should the comply or explain principle apply?**

*See above*

**20. Is the public disclosure of the summary information appropriate and useful? Would it be useful to publish other information?**

*See above*

**21. What are your views on the structure of the ISC Code? What is the best way to encourage comply or explain reporting against it?**

*We would note our response to points 13 and 16.*

**22. What are your views on the ISC Code's proposals for reporting to clients and the merits of independent opinions from auditors or other professional accountants? (What are the cost/benefits of commissioning these opinions?)**

*We note our response to point 17. We believe that AAF and equivalent reports could potentially provide value but we firmly believe that they should be re-engineered so that they do so. They need to move towards reporting against the risks as experienced by the client rather than the internal risks of the service provider – or what is easily measurable by the assurance firm. If they do not do this, they add no value at all.*

**23. What are the merits of the current IMA survey and other possible approaches to monitoring the overall application of the Code?**

*We have yet to be convinced that the IMA survey actually does much to improve standards or accountability. We would reiterate our previous points about the importance of quality as well as quantity in any monitoring. To us engagement represents a targeted, painstaking effort to attempt to influence a company to improve its performance or to persuade it to adopt a different course of action. Engagement may include conversations and correspondence but a single incidence of communication, such as a voting related phone call is not an engagement. We believe that the FRC should consider whether it should develop best practice guidelines to the Stewardship Code that move the debate forward.*

**24. How should the Code be reviewed periodically?**

*See above.*

**APPENDIX**

**Hermes Equity Ownership Services Limited quarterly report**