



FRC consultation on revisions to the Stewardship Code

July 13, 2012

Dear Sir/Madam

We welcome the opportunity to comment on this consultation. We recognise the Stewardship Code as the first such regulatory instrument in the world, and support the FRC's aim of seeking to enhance it over time. We support the bulk of the changes proposed to the Stewardship Code, which seem significant enhancements to the standards and expectations under it.

By way of background, BTPS is the largest corporate scheme in the UK with approximately £38 billion of assets and £2.1 billion of pension payments per year. The Scheme manages investments intended to secure the long-term financial well-being of 340,000 current and future pensioners, through its affiliate Hermes Fund Managers and other third party investment managers.

As a signatory to the Code, with the support of our engagement and voting provider Hermes Equity Ownership Services (EOS), we aim to live up to its spirit as well as adhere to its principles and guidance.

While we support the proposed distinction drawn between asset owners and asset managers, we believe the Code should go further to emphasize the role of asset owners in signing and upholding the Code. We believe this to be an important element in aligning asset managers with owners' long term interests and creating demand for stewardship, points we have already made to Professor John Kay as part of his review into long-termism.

We would also encourage further discussion about whether asset owners are expected to apply the AAF 01/06 or SSAE 16 standards to their stewardship disclosures, particularly where stewardship activities are undertaken in-house or through an service provider. We would welcome more meaningful disclosures by asset managers to asset owners with regards to how they deliver their stewardship responsibilities including references to the resources and capabilities of the asset manager.

We call on the FRC to establish an expectation- against which fund managers would be open to explain if they chose not to apply- that fund managers should allow their clients to vote the shares attributable to them within pooled funds.

While we welcome recent moves to improve the governance structure of the FRC, we encourage the FRC to work directly with the UK Listing Authority to promptly investigate cases where it seems minority investors might not be sufficiently protected and where signatories to the Code are impeded from acting as good long-term stewards by companies or regulations.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Helene Winch', written in a cursive style.

Helene Winch, Head of Policy