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Chris Hodge
Financial Reporting Council
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By post and email: codereview@frc.org.uk

Dear Chris

Revisions to the UK Stewardship Code

We are pleased to respond to *Revisions to the UK Stewardship Code Consultation* ("the Consultation") issued in April 2012. We support the principles of the Code and participated in the team led by Sir David Walker in 2009. We have also been pleased to provide assurance on two surveys of the Code commissioned in 2010 and 2011 by the Investment Management Association.

The views which we expressed on the Code in 2010[1] have not changed. The Code should remain principles-based and the principles should be well structured, balanced and clear. The marked-up changes in the appendix to the Consultation seem to be consistent with these objectives.

We note that the wording in Principle 7 has been changed to reflect the ICAEW's Stewardship Supplement to its AAF 01/06. We would have expected to see a reference to ISAE 3402, in addition to AAF 01/06 and SSAE 16, because ISAE is a more universal standard.

The FRC may want to give some thought to providing guidance in due course on how to use the Code, together with links to other references that help to promote the Code's uptake[2]. To this end we encourage the FRC to explore other initiatives to help develop best practice benchmarks e.g., awards for good stewardship and stewardship reporting.

To conclude, we agree with the FRC that the Code is relatively new so this is an opportunity to build on a promising start by reinforcing its principles without introducing new ones. We also take note of the Kay Review which reported that many of its respondents were broadly satisfied with the Code and acknowledged that it should be given time to settle.

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[1] This refers to the Ernst & Young letter, published by the FRC on 16 April 2010, in response to the FRC's consultation on the proposed Code.

[2] Examples of information on stewardship include: *ICAW Stewardship Supplement*; Practice Statement 26, Takeover Panel, and the Investment Management Report: *Adherence to the FRC's Stewardship Code 30 September 2010.*

If you would like to discuss any of our views please contact me using the details above. In the meantime we wish you every success with the rest of the consultation. For the avoidance of any doubt, this is not a confidential reply.

Yours sincerely

Andrew Hobbs
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Regulatory & Public Policy