

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Phil Kershaw
Mobile +44 (0)7881 280596
Email: pkershaw@capitaregistrars.com

Chris Hodge
Financial Reporting Council
Fifth Floor
Aldwych House
71-91 Aldwych
London
WC2B 4HN

By email: codereview@frc.org.uk

13 July 2012

Dear Sir

Revisions to the UK Stewardship Code – consultation document – April 2012

Thank you for the opportunity to respond to the consultation document.

Capita Registrars provides share registration and value-added services to over 7 million shareholders on behalf of more than 1,500 companies in the UK and Ireland. We are responsible for share registration, corporate actions, share plans, and company secretarial support across a base of clients that range from small or recently floated to large multinationals.

Capita Registrars also provides a custody and settlement operation supporting overseas companies listing on the UK market and a share dealing service primarily aimed at shareholders in its client companies. Some of these client companies are based in other EU countries. Capita Registrars is part of a FTSE 100 organisation, Capita plc.

Below are Capita's responses to the questions raised in the consultation document.

As well as commenting on the detail of the individual changes summarised in the remainder of this consultation document, views are invited on whether those changes meet these tests (clarity on what stewardship is, the aim and purpose of the Code and how it is implemented plus seeking to add to Code only where a matter will fundamentally impact institutional investor’s stewardship activity), and whether the Code as a whole is well-structured, balanced and clear.

The Code is clear about what stewardship is and the responsibilities of investors and institutional investors. What comes across very strongly is the significant, daunting, involved and active role that the Code envisages for Investors and others in carrying out their stewardship role. It is hoped that the introduction of the comply or explain methodology will allow investors to clarify their engagement activities with explanations of their “purposeful dialogue” (Principle 1) or reasons why it has not taken place.

We believe all markets should have a Stewardship Code and within it there should be a set of requirements for proxy advisors, including transparency measures. Comply and explain, that has proved more beneficial than a tick box requirement to adhere to legislation, should be equally applicable to proxy advisors. (We have expressed these views in the recent ESMA discussion paper on the proxy advisor industry.)

The ICSA Registrars Group recently published a guidance note on “Practical issues around voting at general meetings” (attached as Appendix 1) and there are a number of key points that we believe are important in the context of the Stewardship Code. e.g. sections 2.3 and, in the appendix, 3.3 draw attention to some voting issues where changes to the Stewardship Code could help resolve issues.

Views are invited on whether the respective responsibilities of asset owners and asset managers have been correctly described.

The descriptions are clear and appropriate.

Views are invited on all of the proposed revisions below:-

Principle 2 - Conflict of interest policies

The strengthening of the need for a clear and articulated policy on conflicts is important and should help give guidance to asset owners when considering the services of asset managers.

Principle 5 - Collective engagement

Being willing to act collectively and being able to articulate the circumstances when institutional investors will take that action, particularly as the circumstances are described as being “at times of significant corporate or wider economic stress etc”, will be difficult for signatories. Such events may be rare, significant and may need to be viewed on their own merits. Anticipating those events and indicating how they

might respond does sound too prescriptive and slightly unrealistic.

Principle 6 - The use of proxy voting or other voting advisory services

Few institutional investors attend the General Meetings of companies (as Principle 3 suggests they might “where appropriate and practicable”) so voting is extremely important to stewardship.

Any vote provides vital signs to issuers and other investors regarding investor agreement or not regarding an issuer’s performance and / or future direction as well as being a basic level of engagement. Investors should be clear on any policies relating to the use or dependence on proxy voting or other voting advisory services as these will provide information on how open they are to engagement, whether they use their own policies to guide voting and what the key corporate governance drivers are for them. If we are to avoid prescriptive and costly regulation of the industry by the European Union stewards must show they are acting independently of the proxy voting agencies.

Stewards should ensure, regardless of whether they vote directly or via an agency, that their vote reaches the issuer or issuer agent as quickly as possible. We have seen in the past that stewards’ votes only arrive at the very last minute which does not allow any dialogue between the issuer and the steward which may be necessary. The ICSA Registrars Group’s Guidance note deals with this issue in section 2.3 and, in the appendix 3.3. Finally, stewards should all utilise CREST for voting so as to take advantage of the audit trail it provides.

We welcome the recognition in the “Application of the Code” section that service providers such as proxy advisors should be recognised as being covered by the Code requirements. Indeed our submission to ESMA, as mentioned in the opening section on page 2 above, did call for them to be held to account in this way.

Principle 6 - Stock lending

Many of the comments above also relate to the issue of stock lending. It is vital that there is clarity on policies around recalling lent stock to ensure that investors and issuer companies understand the potential impact on votes cast around the time of General Meetings.

Principle 7 - Assurance reports

Pressing asset managers to obtain the assurance reports can only benefit the clients and investors and the overall transparency of the processes. However, these are costs to the business which cannot be recovered easily from the activity which the business undertakes. Making a small charge to provide these reports to those who want them helps prevent the costs of trading escalating unnecessarily under the burden of providing independent opinion.

Other asset classes
No comment.
Relevance of signatories' statements
No comment.
Insider information, acquisitions and sub-underwriting
No comment.
FSA disclosure requirements
No comment.
The role of service providers
We welcome the recognition that other service providers have a role to play in stewardship and Capita Registrars embraces that role both in the support we give to the issuer companies, for voting, at General Meetings and in the roles we undertake facilitating the movement, settlement and custody of stock.
Editorial changes
No comment.

We would be delighted to discuss our comments further with you should you wish to do so.

Yours sincerely

Phil Kershaw
Senior Manager – Industry and New Products
Capita Registrars Ltd