

11th July 2012

Chris Hodge Esq.
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Dear Chris,

STEWARDSHIP CODE CONSULTATION

Thank you for allowing us the opportunity to comment on the proposed revisions to the Stewardship Code. We have worked closely with the ABI and the IMA in crafting their respective responses but there are two particular points which we wanted to highlight directly.

Paragraph 10 of the section entitled Application of the Code encourages signatory institutions to use their best efforts to apply the principles of the Stewardship Code to their overseas as well as their UK holdings. This represents a potentially major extension of the scope and the burden of the Code and we question whether this falls under the remit of the FRC. We are cautious about all forms of regulatory extraterritoriality and would prefer mutual reciprocity between different codes rather than one code seeking dominance over others.

Separately, under the proposed new guidance for Principle 3 there is a new bullet point that says institutional investors should seek to "...satisfy themselves that the investee company's board and committees adhere to the spirit of the UK Corporate Governance Code including by meeting the Chairman and, where appropriate, other Board members." We would prefer this sentence to read "...satisfy themselves that the investee company's board and committees adhere to the spirit of the UK Corporate Governance Code and where appropriate by meeting the Chairman and other board members."

The Corporate Governance Code itself requires Chairmen to discuss governance and strategy with major shareholders and whilst this may appear to mirror the proposed requirements of the Stewardship Code, the new Stewardship Code wording is more specific in mandating regular meetings with Chairmen. We are strongly in favour of shareholders maintaining close contact with Chairmen but our current policy is to meet Chairmen when there is a specific agenda to discuss and/or interest from the investment team. We are concerned that if there is a requirement for an obligatory, regular meeting then there is a risk that these meetings will become formulaic and separate from the mainstream investment process. There are also resource implications for institutions with widely dispersed portfolios.

I hope this letter is helpful but please feel free to contact me at any time if you have any questions.

With best regards



Trelawny Williams
Global Head of Corporate Finance