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05 July 2012

Dear Mr Hodge

**Consultation Document: Revisions to the UK Stewardship Code**

The Institute of Chartered Secretaries and Administrators Registrars Group (“the Group”) is the representative body for all the main service registrars in the United Kingdom and Ireland. The Group’s members are registrars for more than 99% of all quoted companies in the UK and Ireland. The Group is responsible for formulating policy and best practice guidelines in all areas relating to share registration.

The Group works closely with UK issuer clients and is supportive of their efforts to engage with shareholders and other investors. However, we have restricted our response to the following very specific areas.

*Paragraphs 14 – 16. The use of proxy voting or other voting advisory services*

The Group believes it is vital that there is full visibility and transparency in understanding the role of voting advisors/agents in each case where they are involved. We believe it is important to understand:

- who is the decision-maker;
- whether they have discussed their issues / concerns with the company; and
- what other services they provide and to whom.

It is also critical to ensure that their involvement does not make the proxy appointment and voting process less effective or the engagement of investors with issuers less smooth. Some of the issues arising from their increased role are addressed in the Guidance referred to below.

*Paragraphs 17 – 19. Stock lending*

The Group supports the new wording of Principle 6 aimed at improving levels of disclosure of stock lending policies. There is no doubt that stock lending contributes to the difficulty in establishing precise voting levels in the UK and is a factor in depressing the calculated figures. The Group is aware that the voting process in the UK has been criticised in some quarters; that it has been claimed that cross-border voting is fraught with difficulty and that votes are frequently ‘lost’. However, it is important not to overstate the extent of the problem or confuse reality with perception created by a few inefficient market participants. In recent years, the members of the Group have seen a steady increase in shareholder voting levels, and in 2011 voting levels at UK FTSE100 General Meetings averaged in excess of 68% of issued capital. This more

than bears comparison with other markets especially in the context of an increase to almost 30% of overseas share ownership over the last two decades and given that foreign investors have, historically, been less likely to exercise their vote at UK General Meetings although there is no operational barrier in doing so. Many foreign investors now play an active stewardship role and have embraced the enhancements introduced into the process over recent years (e.g. proxy appointments made through CREST).

Members of the Group are integral to the proxy appointment and voting process, acting as the issuer agents. The Group has just published guidance (the Guidance) covering the topic, with the aim of removing this confusion and ensuring the market as a whole has a common understanding of how the voting process works. The Guidance is attached to the e-mail as an appendix to this response. The Group are looking to gain feedback from other market participants now they have had a chance to review the Guidance, to ensure that all the points of uncertainty and contention have been covered and to discuss with them any specific issues in more detail which relate to their part of the process. It is hoped that, where appropriate, they will circulate the note more widely, for example to their members, with the intention of reducing points of breakdown, so that there are fewer proxy appointments which are originated at some point but fail to be lodged successfully. This in turn should encourage more investors and shareholders to exercise their stewardship role in the future.

The Guidance has been circulated to proxy advisors working in the UK in the event that they have any uncertainty about the process or, more importantly, have a point of reference for use in the future. Should the FRC wish to discuss the proxy appointment process in the UK, the ICSA Registrars Group would welcome the opportunity to contribute, based on their unrivalled knowledge of the subject.

The Registrars that contributed to this response are Capita Registrars, Computershare Investor Services and Equiniti.

Yours sincerely,

**Michael Kempe**  
Chairman