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Chris Hodge
Financial Reporting Council
5th Floor, Aldwych House
71/91 Aldwych
London WC2B 4HN

Our Ref: CS/CS/4.16

13th July 2012

Dear Mr Hodge,

CONSULTATION DOCUMENTS ON REVISIONS TO THE UK STEWARDSHIP CODE AND THE UK CORPORATE GOVERNANCE CODE AND GUIDANCE TO AUDIT COMMITTEES

Thank you for inviting our comments on the above consultation document.

INTRODUCTION TO SPC

SPC is the representative body for the providers of advice and services needed to establish and operate occupational and personal pension schemes and related benefit provision. SPC's Members include accounting firms, solicitors, life offices, investment houses, investment performance measurers, consultants and actuaries, independent trustees and external pension administrators. Slightly more than half the Members are consultants and actuaries. SPC is the only body to focus on the whole range of pension related functions across the whole range of non-State provision, through such a wide spread of providers of advice and services.

The overwhelming majority of the 500 largest UK pension funds use the services of one or more of SPC's Members, as of course do many thousands of smaller ones. SPC's growing membership collectively employs some 15,000 people providing pension-related advice and services.

The consultation document has been considered by members of our Investment Committee.

COMMENTS ON THE CONSULTATION DOCUMENTS

The SPC's Investment Committee has considered both of the above consultation documents since SPC members include both asset managers and investment consultants who advise asset owners (ie institutional pension funds).

UK Stewardship Code

We would confirm that in our view the Code is a well-structured, balanced and clear document and should not cause either asset owners or asset managers practical difficulties of interpretation. We therefore welcome the revisions that have been made to the text and clarity about the scope of the Code's remit, i.e. its extension to overseas equities as well. Increasingly, UK pension funds have a greater exposure to overseas equities in order to achieve diversification of investment risks and this aspect, together with the parallel extension under the Corporate Governance Code to have regard to bondholder interests, is welcome from the SPC's perspective.

The Society of Pension Consultants

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In terms of detailed comments, we only have a couple to make.

Under Principle 3, we wonder whether it would be helpful for the FRC to issue any guidance in relation to the reworded principle that institutional investors should "consider the *quality* of a company's reporting". Do you have in mind a quantitative test or one carried out by comparison to other investee companies?

On principle 6, we note the suggestion that institutional investors should disclose their approach to stock lending (which is already a requirement applicable to public sector pension funds in the Local Government Pension Scheme), but note that you have also suggested extending the principle to disclosure of when stock has been recalled that has been previously lent. This would represent a departure from practice for a number of asset owners but we endorse the general principle that it is evidential of engagement with investee companies.

UK Corporate Governance Code/Guidance on Audit Committees

As noted above, we welcome in particular the new paragraph 8 in the Preface which expressly refers to bondholders as being within the remit of the Board's fiduciary responsibilities. We have not further comments to make on the revisions to the Code.

Yours sincerely

Clifford Sims
Chairman
Investment Committee