

Dear Chris

I am writing to you as Chairman of Templeton Emerging Markets Investment Trust PLC, a large UK and NZ listed investment trust, to comment on the Draft Revised UK Stewardship Code.

Templeton Emerging Markets Investment Trust is a member of the Association of Investment Companies (AIC). We have reviewed the AIC's submission on the Draft and are in broad agreement with the points made by the AIC. In addition, I would like to make the following points:-

a) At paragraph 6 - STEWARDSHIP AND THE CODE - investment trusts are included as examples of asset owners.

The FRC has acknowledged that there is confusion about the responsibilities of asset owners as contrasted with asset managers and says it wishes to identify more clearly the differing responsibilities. We agree that this is essential but unfortunately the proposals create more uncertainty. As an asset owner, we would want it to be entirely clear which, if any, responsibilities we would be taking on if we chose to follow the Stewardship Code. The same principle should apply for asset managers; otherwise there remains a large grey area which can only hinder effective implementation of the Code.

Given that investment trusts (other than those that are self-managed) have non-executive boards with no employees and all the activities apart from board oversight are generally delegated to service providers, we do not think it is appropriate to require such investment trusts to comply with the full range of obligations required of institutional investors.

In the normal course of oversight of the investment manager or "asset manager", the investment trust should take its own decision on, and disclose, how it monitors or controls the manager's compliance with the Code depending on the investment mandate and the types of investments which the investment trust makes. FSA regulated managers would of course have to comply with the Code and other managers should be encouraged to do so.

b) At section 9 - APPLICATION OF THE CODE - we do not agree with the proposal to encourage all managers to adopt the standard on assurance reports. We consider this to be an unnecessary burden and expense on managers and consider that the disclosure obligation on managers should suffice.

c) The FRC will be aware that the implementation of the AIFM Directive may lead to changes in the regulatory structure of investment trusts without altering the existing modus operandi whereby investment responsibilities are given to a third party manager. Any changes to the Code should be flexible to accommodate changes that

may be made when the AIFMD is introduced so as to avoid two layers of regulation and disclosure.

d) Principle 1- is difficult to interpret. I do not understand how a firm is supposed to disclose "how [it] applies stewardship towards the aim of enhancing and protecting the value for the ultimate beneficiary or client." Similarly, I am unclear how a firm is to comply with guidance that requires "The statement should reflect the institutional investor's activities within the investment chain as well as the responsibilities that arise from those activities." The old text was more crisp.

e) Principle 3 changes the requirement from one that seeks to ensure that the investee is in compliance with UK Corporate Governance Code to a much broader and very imprecise one of complying with the spirit of the Code. If "spirit" is replaced with "principles" it becomes more useful in the context of investments in non UK listed companies

Yours sincerely

Peter Smith

Chairman
Templeton Emerging Markets Investment Trust plc