

Sustainable Ownership, RPMI Railpen,
7th Floor, Exchange House,
12 Exchange Square,
London, EC2A 2NY

Catherine Horton,
Financial Reporting Council,
8th Floor, 125 London Wall,
London, EC2Y 5AS

26 February 2018

Dear Catherine,

RPMI Railpen Submission to the FRC Consultation on Proposed Revisions to the UK Corporate Governance Code and the Future Direction of the UK Stewardship Code

We are writing to you on behalf of the Sustainable Ownership team of RPMI Railpen, a subsidiary of the Railways Pension Trustee Company Limited, a UK-based asset owner with 28 billion sterling in assets which we use to pay the pensions of our 350,000 members securely, affordably and sustainably.

We welcome the opportunity to comment on the proposed revisions to the Code, and are generally supportive of the proposed updates. In particular we welcome how the revised Code builds on the FRC's 2016 Culture Report, and we applaud the enhanced focus on diversity in the broadest sense. However we have certain concerns which we would like to highlight below:

Question 3: The three engagement mechanisms listed in Provision 3 may not be the only options Boards wish to use, hence the revised Code should recognise that boards should have the flexibility to choose the right engagement mechanism for their business. It may also be helpful for the revised Code to recommend that companies should identify their most material stakeholders, as part of achieving meaningful engagement.

Question 4: We utilise the Sustainable Development Goals (SDGs) in our investment analysis, but we consider that it risks being overly prescriptive to include a reference to the SDGs, or other NGO principles, in the revised Code or Guidance.

Question 7 & 8: The comply or explain aspect of the Code is critical. While we welcome the proposed changes to Chair independence and tenure, companies should be reassured that we expect them to be implemented in a proportionate way. Succession planning is a multi-year process and setting out this

expectation now allows Boards to begin having the difficult discussions. Boards need to balance the need for challenge and fresh thinking with institutional memory, and there may be cases where a Chairman needs to stay longer in post to oversee the orderly rotation of other directors.

RPMI Railpen was an early supporter of the UK Stewardship Code, and we welcome the opportunity to reflect on the future direction of the Code before the formal consultation next year.

Question 17: We manage our assets both internally and with external managers. Thus, while clearer expectations of those investing directly or indirectly would be helpful, we would not support separate Stewardship Codes for asset owners and asset managers.

Question 22: The integration of environmental, social and governance factors into investment decision-making has progressed significantly since the Code was last revised in 2012, and this is one area where a more explicit reference than what is under the current Principle 4 is required to reflect current good practice.

Question 24: The Stewardship Code has historically focussed on equities, but many investors do consider other asset classes within their stewardship activities. We welcome a revised Code which takes account of a wider view of responsible investment.

Question 25: One area of concern which we are not sure the consultation fully acknowledges is the reporting requirements being placed on investors with global portfolios by the proliferation of stewardship codes. While the spread of such codes is positive, the revised Code could more explicitly encourage signatories to disclose against multiple codes in a single stewardship statement.

Question 31: We do not believe that disclosing a fund's purpose and its specific approach to stewardship at a fund level would be helpful. Investors typically refer to their entire holding in a company when engaging, even though this could be held across many funds, and stewardship policies tend to be set at an institutional level.

Please do not hesitate to contact us to discuss any of the points raised in this letter.

Yours sincerely,

Leo George, Head of Sustainable Ownership, RPMI Railpen

Jocelyn Brown, Senior Investment Manager, RPMI Railpen