

Direct Telephone no: 020 7220 5019  
Fax no: 0845 089 3440

Date: 21 September 2010

Mr Stephen Haddrill  
Chief Executive  
Financial Reporting Council  
5th floor, Aldwych House  
71-91 Aldwych  
London  
WC2B 4HN

Dear Stephen

### UK STEWARDSHIP CODE

We write as representatives of UK pension funds and asset owners with over £180 billion under management to indicate our public support for the UK Stewardship Code and to welcome the FRC's initiative to encourage investors to publish a statement on their website of the extent to which they have complied with the Code by 30 September 2010. We also hope that other investors will come forward to indicate their support by that date.

We very much agree that the Code, provided it has sufficient support from investors, has the potential to enhance the quality of engagement between institutional investors and companies and the efficient exercise of governance responsibilities, and thus to help improve long-term returns to shareholders. We consider this to be in the interests of our beneficiaries and we acknowledge our role in encouraging our service providers to seek to adhere to the Code in order to help it play a central role in investment and be as effective as it should be.

We note that the UK Financial Services Authority is currently consulting on whether to make it a regulatory requirement for UK authorised investment firms to report on a comply or explain basis how they apply the Code. The proposed FSA regulation is not intended to catch asset owners, overseas investors and others not regulated by the FSA. We welcome this process and hope that the explanations by fund managers will provide us with useful information which will help inform our manager mandate decisions.

Although the Code is addressed in the first instance to asset managers, we recognise that the Code will only be effective if investors take it seriously and this applies to asset owners like us as well as to asset managers. Some of us manage assets in our own right but pension fund trustees and other owners will have the opportunity to promote the Code directly or indirectly through the mandates given to our external fund managers.

As responsible investors, we will encourage our asset manager intermediaries to apply the Code on a comply or explain basis. We hope that as many as possible will be in a position to publish statements on their websites by 30 September. We recognise that some may have business models that do not necessarily require active engagement, but look forward to such firms providing substantive explanations to this effect.

We regard this as an ongoing monitoring task on our part and many amongst us will publish statements of compliance with the Code on our own websites in due course.

Write to us at: *Railpen Investments*  
2nd Floor  
Camomile Court  
23 Camomile Street  
London  
EC3A 7LL

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We welcome the FRC's intention to keep the new Code under active review. In particular, we welcome the commitment to consider in the second half of 2011 whether to include in the Code recommendations regarding policies on stocklending, voting rights for beneficial owners in relation to pooled accounts and the nature of voting disclosure. The second of these is of particular importance to us as underlying asset owners and we will continue to encourage our service providers to enable us to exercise the voting rights which are associated with our investments.

The next stage of development should also address the absence of an independent monitoring mechanism to assess investors' adherence to the principles. Additionally, we believe the responsibilities of ownership extend beyond listed equities. Institutional investors should also have the flexibility (and be encouraged) within the Code to engage with other asset classes which may be material to their portfolio or asset allocation. The next version of the Code should also refer to such types of collaboration and engagement.

We also anticipate that other markets will want to consider whether to introduce codes of their own and we would regard this as a very positive development. However, we would hope that there will be mutual recognition between codes in different markets to support a network of codes that can cope with local practice rather than a one size fits all global code.

We hope these comments are helpful and we wish the FRC every success with its initiative to raise the profile of the Code and we for our part will do what we can directly and indirectly to support this.

Yours sincerely

**Frank Curtiss**  
**Head of Corporate Governance**  
**RAILPEN Investments**

**Peter Dunscombe**  
**Head of Pensions Investment**  
**BBC Pension Fund**

**Helene Winch**  
**Director, Head of Policy**  
**BT Pension Scheme Management Ltd**

**Howard Pearce**  
**Head of Environmental Finance & Pension**  
**Fund Management**  
**Environment Agency Pension Fund**

**Geik Drever**  
**Head of Investments and Pensions**  
**Lothian Pension Fund**

**Cllr Ian Greenwood**  
**Chair**  
**Local Authority Pension Fund Forum**

**Peter Wallach**  
**Head of Pension Fund**  
**Merseyside Pension Fund**

**David Murphy**  
**Deputy Secretary**  
**Northern Ireland Local Government Officers'**  
**Superannuation Committee**

**Jacqueline Gillies**  
**Chief Pensions Officer (Investments)**  
**Strathclyde Pension Fund**

**Daniel Summerfield**  
**Co-Head Responsible Investment**  
**Universities Superannuation Scheme**

**Brian Bailey**  
**Director of Pensions**  
**West Midland Pension Fund**