



Ms Susannah Haan  
Financial Reporting Council  
Aldwych House, 71-91 Aldwych,  
London WC2B 4HN  
United Kingdom

London, 30<sup>th</sup> April 2010

## Financial Reporting Council - Consultation on a Stewardship Code for Institutional Investors - January 2010

Dear Ms Haan,

CFA Institute<sup>1</sup> welcomes the opportunity to comment on the Financial Reporting Council (FRC) Consultation on a Stewardship Code for Institutional Investors. As a professional organisation with an absolute interest in market integrity, CFA Institute seeks to promote shareholder engagement and good corporate governance.

In its engagement with regulators worldwide CFA Institute has long supported corporate governance measures that give shareowners an effective voice without unreasonably interfering with the corporate board room. In order for the corporate governance structure to work effectively, we are convinced that shareowners must fully understand and use their rights.

We agree with the FRC when it states that potential benefits of increased levels of stewardship are large, as more effective engagement is set to improve the governance - and the performance- of the investee companies and increase the overall confidence in the business that has been so badly shaken by the financial crisis.

However, the nature and structure of the asset management industry prevents some of the applications of these principles from being put into practice. Our research into writing this response has highlighted a number of material obstructions to bringing this aspiration into reality through the application of the Stewardship Code.

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<sup>1</sup> CFA Institute develops, promulgates, and maintains the highest ethical standards for the investment community, including the CFA Institute Code of Ethics and Standards of Professional Conduct, Global Investment Performance Standards (“GIPS®”), and the Asset Manager Code of Professional Conduct (“AMC”). It represents the views of investment professionals and investors before standard setters, regulatory authorities, and legislative bodies worldwide on issues that affect the practice of financial analysis and investment management, education and licensing requirements for investment professionals, and the transparency and integrity of global financial markets.

Such obstructions can be framed by two questions: can institutional investors make a difference? Can the market (the ultimate investor) accept the costs of engagement in terms of total investment return?

In order to better answer these questions and to provide the FRC with the opinion of UK and non-UK investors, CFA Institute and CFA Society of the UK organised a panel of experts and surveyed CFA Institute's membership in the EMEA Region (Europe, Middle East and Africa) through a poll<sup>2</sup> on issues raised by the Consultation.

Aiming to focus on the opinion of the most qualified members on the topic, the survey opened with a qualifying question to screen for members in the appropriate role—those that are institutional clients, consultants, asset managers, fund managers, and buy-side analysts who are able to enter into dialogue with issuer management and express their views on governance issues. Members who did not qualify were not allowed to continue to the survey questions.

The survey, open from March 29<sup>th</sup> until April 11<sup>th</sup>, was sent to almost 17,000 members in the region. Almost 900 individuals responded, of which slightly more than 500 qualified. Given the pre-screening of the respondents, we would have expected the number of responses to each question to be roughly identical to the total number of qualified respondents. However, only about one third went on to answer the questions concerning the Code and its application.

Based on our understanding of the investment landscape and previous surveys, we feel it is most likely that one of the following two explanations accounts for the high level of non-response from qualified respondents, although we recognize that other possibilities may also exist:

- Our members did not understand the content or the possible application of the Code, in particular outside the UK;
- Our members thought that a Stewardship Code would not be useful or practicable and as such decided not to respond to each and every question.

As a consequence, those who responded may reflect the observation that only a minority of institutional investors are actively involved in stewardship. If this is true, the aspiration for widespread adoption and application of the Code would prove elusive.

Some of the reasons may be found in the discussion that took place within our expert group. Despite a general high appreciation of the principles expressed by the Code and its spirit, strong concerns have emerged within our expert group as well, as noted below.

- One of the biggest problems identified lies in the size of funds under management. Large institutional investors could have the resources and the administrative capacity to apply the Code. However, small ones would not have either the administrative tools or the resources to implement active stewardship. Moreover, large institutional investors would probably have in many instances more direct and effective ways to influence issuers, through direct contacts.

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<sup>2</sup> The complete results of the poll are in appendix to this submission.

- Another threat to the functioning of the Code has been found in the current trends in the asset management industry: from the increased use of index investing, to the increasing number of positions in every portfolio. This would make the implementation of the Code's provisions quite challenging.
- Finally, the proposal relies too heavily on a comply or explain mechanism. This could potentially result in an excessive use of boilerplate in the disclosure of the application of the Code's principles, especially when dealing with the "explain" part. Such a development would make the disclosure itself meaningless to investors, stakeholders and regulators.

For these reasons, we urge the FRC to assess the effectiveness of the Code against today's industry environment. As it stands now the Code would apply to a rather small and exclusive part of the industry.

We are convinced that good stewardship should be an essential component of an efficient market, however the proposals of the Code would put this burden on a minority of investors, who should not carry the burden of improving corporate governance alone.

Panel of experts:

Frederic Lebel, HFS - Switzerland

Colin Mclean, SVM Asset Management - UK

David Pitt-Watson, Hermes Equity Ownership Services - UK

Natalie WinterFrost, Aberdeen Asset management - UK

Please do not hesitate to contact us, should you wish to discuss any of the points raised.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'C Cronin'.

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## Specific Comments

### *Section 1: Introduction*

#### ***The FRC would welcome views on the policy objectives against which the FRC should judge its approach to a Stewardship Code***

Fundamentally we are strong supporters of investor stewardship as a means to achieve good governance. However the analysis of this topic through the opinions of our members and those of our panel of experts indicates that there are several tangible obstructions that will frustrate widespread adoption of this Code.

#### ***The FRC is seeking views on whether it should accept oversight of the Code in its current form, or whether amendments should be made before the FRC does so.***

We think that the FRC should not accept oversight of the Code in its current form. We believe that amendments should be made to the Code.

Good stewardship is easily defined by principles. However, the structure of the industry may prevent some of the principles highlighted in the Code from being applied by market participants. That is why we believe that while reviewing the Code, the FRC should focus on how the investment management industry is going to adapt to its provisions.

First of all, there should be a different approach applying to small institutional investors. Investors with small amounts under management would not have enough resources to do justice to the provisions of the Code without incurring material expenses that outweigh marginal benefits. The FRC should devise different forms of participation for different kinds of players, if we do not want to end up in a huge boilerplate exercise that would not help market players nor promote good corporate governance.

On top of this, large and influential institutional investors often have other ways - such as direct contacts with issuers' management- of influencing an issuer that do not necessarily need the Code to be in place and that would, in certain circumstances, prove quicker and more effective.

Another issue that is not taken into account by the Code is that most institutional investors would not necessarily find the Code useful as they are index investors or invest directly through indexes. Such passive investment style and tools present material obstructions to stewardship.

The fragmented nature of institutional ownership makes it difficult for individual institutional investors to have meaningful influence. Extensive collaboration would be

required but even then it is uncertain that a necessary coalition could be achieved due to the dispersed and semi anonymous nature of issuers' ownership.

These aspects together bring us to the conclusion that, as it stands, the Code could only function for a small section of the investment management industry.

***Views are also sought on which institutional investors and agents should be encouraged to apply the Code on a “comply or explain” basis, what they should be asked to disclose and to whom, and the monitoring arrangements that should be put in place.***

To enforce good governance we strongly urge all shareholders to use their votes. We also believe that fund managers should disclose to their clients (the ultimate investor) how they voted. This would enable ultimate investors to decide whether the manager's voting behaviour was consistent with their own objectives and to make managers accountable for their voting behaviour.

We recognise that this policy has an administrative cost. More importantly we have received anecdotal comment that managers empowered with these decisions risk issuer retaliation not only at the firm level, but also on a personal level. Hence there is a reluctance by managers to go “public” on such matters.

## ***Section 2: Background and Recent Developments***

***The FRC would welcome any insights on lessons which may be learned from experience outside the UK.***

We have no specific comments to make. However on reading the press we notice similar issues that arise in the UK have also arisen in Switzerland.

## ***Section 3: The Coverage of the Code***

***The FRC would encourage all UK institutional investors to apply and report on the Code regardless of whether or not they are subject to mandatory requirements, and would welcome views on whether there are any barriers or other reasons that would prevent or discourage them from doing so.***

The main barrier to compliance is probably size of funds under management. As we highlighted already, below a certain size the adoption of the Code would be resource prohibitive. Such investors would look to their asset managers to implement the Code, but it is questionable whether this of itself will result in an incentive to asset managers to embrace the Code, as other factors such as a manager's investment philosophy, style and performance will typically be more important in the appointment and retention of an asset manager. Additionally smaller investors would not necessarily have direct control over their assets, given that many invest through collective vehicles.

On another level, investors, both large and small, who choose to adopt passive investment strategies do so to minimise their costs and have little interest in stewardship.

Much of institutional investing involves strategies such as short selling and absolute returns derived through the creation of synthetic portfolios using derivatives. These are two categories that would not be captured by the Code. We believe specific mention should be made about these strategies, in order to envisage exemptions from compliance.

The number of positions in a portfolio is another major barrier to be considered, as it would affect the level of stewardship that can be carried out by investors. We note that many active strategies have in excess of 150 holdings. It would be more than a full time job for one person to monitor these holdings just in the interest of stewardship.

***Views are invited on whether agents such as voting services agencies and investment consultants should be encouraged to commit to the spirit of the Code, and if so how this could be done.***

Investment consultants may be willing to commit to the Code and indeed have already indicated this willingness in a note<sup>3</sup> issued by the NAPF.

Since many institutional investors depend on investment consultants for the selection of their fund managers, it is important that investment consultants engage and support the Code if there is to be an incentive for asset managers to abide by the Code.

The Walker review indicated that the Financial Services Authority (FSA) should require institutions that are authorised asset managers to disclose on their website whether and, if so, how they commit to the Stewardship Code. Investment consultants are also FSA regulated, so a similar disclosure approach could be taken.

***The FRC is keen to hear from foreign investors in response to this consultation, and would in particular welcome comments on:***

***- Whether foreign investors would be willing voluntarily to commit to a Code sponsored by a UK regulator such as the FRC or a UK industry body like the ISC in respect of their holdings in UK companies;***

The results of the survey portray a mixed picture. As pointed out already, the response rate could signal a very low interest in stewardship, in particular among foreign investors. This would imply that the percentage of foreign investors that would apply themselves to the Code is limited.

However, when asked to express which institutional investors, UK or Non-UK, should be encouraged to apply themselves to the Code, we found very similar results for all the categories presented<sup>4</sup>. For most institutional investors, over half of members think they

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<http://www.napf.co.uk/DocumentArchive/Policy/ISC/FINAL%20consultants%20supporting%20statement.pdf>

<sup>4</sup> The categories were: Pension Funds, Investment Trusts, Charity Funds, Hedge Funds, Insurance Funds, Sovereign Wealth Funds, Unit Trust Funds (open ended) / UCITS.

should be encouraged to apply themselves to the Stewardship. Those institutional investors with the highest proportion of members believing they should apply themselves are UK Pension funds, UK Insurance funds, UK Investment trusts, UK Unit trust funds/UCITS, and UK Charity funds.

Concerning the current level of issuer engagement within our membership, the situation is not promising. Only 38% of our respondents work for institutions that do engage with UK issuers. The majority of the respondents to the survey (46%) work for institutions that do not engage with UK issuers on matters of corporate governance, 16% of them are not sure whether they do or not.

***- Any barriers or other potential difficulties for foreign shareholders seeking to engage with UK companies.***

Our member poll revealed a number of potential barriers to the implementation of the Code. The size of funds under management is seen as a potential barrier by 45% of the sample. Investment strategy and public disclosure of how votes are cast come jointly as the second potential barrier for 31% of our respondents. Potential conflicts of interest with clients who are also issuers follows with 29%. Finally, the fragmentation of shareholder ownership is thought to make stewardship pointless by 23%.

With respect to size being the biggest obstacle, we asked our membership to identify the threshold of engagement given the constraint of funds under management. The concerns expressed by our expert group are partially confirmed by the results. The largest portion of our respondents indicated “1 billion or greater” as the threshold for engagement. However, the remaining 65% picked lower thresholds ranging from as little as “less than 50 million” to “between 500 million and 1 billion”. Respondents in the UK think the threshold is higher than those employed outside the UK: 40% think the threshold is over £500 million compared to only 31% outside the UK.

***- Their current practice on disclosing information on their engagement policy;***

As discussed in our introduction, our poll response on engagement may be subject to bias. Approximately one third of the total respondents may be given primarily only by those who currently regularly engage with issuers.

Our survey shows that a majority (58%) of the employers of our membership do actually vote on issuer/corporate resolutions. A third (33%) does not. This would seem to portray a positive attitude towards stewardship more in general.

When it comes to the details of such an engagement however, we find that this is far less structured than what is envisaged by the Code: 44% do not have an engagement policy and 19% do not know whether such a policy exists within their firm. A substantial minority (37%) states that their firm does have such a instrument.

The publication of this policy to clients takes place in 28% of the cases only. A striking 49% declares their firm does not make this available to clients. The poll results indicate that where an engagement policy is present, it is there for the benefit of the fund manager and



not the client. This sends mixed messages on stewardship and its perceived benefit to the ultimate stockholders.

Concerning the publication of votes, the picture is clear: 64% of the firms do not make them available, and only 15% do.

*The FRC would also be interested to hear from investors who operate on a cross-border basis about any potential conflicts which might arise between requirements or codes in place in other countries and the proposed Stewardship Code.*

We have no specific comments to offer to this response.

#### **Section 4: The Content of the Code**

*Respondents are welcome to comment on any aspect of the ISC Code, but in particular views are invited on these questions:*

- What are the responsibilities for engagement of institutional investors to the beneficial owners whose interests they represent? Does the ISC Code cover all the relevant responsibilities?*
- What are the responsibilities for engagement of institutional shareholders to the UK listed companies in which they invest? Does the ISC Code cover all the relevant responsibilities?*
- Are the respective responsibilities of the different parts of the investment chain sufficiently clear and appropriate?*
- Does the Code strike the right balance between the need to avoid over specification that might discourage the application of the Code and the need for it to be effective with an appropriate degree of transparency?*
- Are there any parts of the ISC Code where further guidance is needed, or where the existing guidance should be amended?*

We invited our membership to select what should be disclosed by institutional investors and asked their opinion about the probability of actual industry compliance (yes/no?). Here, we found a mismatch between what would be ideally good stewardship and what members believe is actually going to be put in practice.

On disclosure of collaboration with any other institutional investors, we find 60% of respondents indicating that this should be in the Code, but only 28% thinking that investors will comply with it.

Concerning the policy on voting, a strong majority of 86% think this should be in the Code, but again only 49% think that there will be compliance.

On the publication of voting records, 65% opted for their inclusion in the Code, with just 33% however that believe compliance is going to be likely.

On the policy for monitoring and engaging with issuers, we still find a strong difference: 76% think it should be in the Code but just 42% believe there is going to be compliance.



Finally, on the number of principles in compliance, we witness again a difference between those who believe it should be part of the Code, 57%, and those who actually believe investors will comply with it, 38%.

***Views are invited on whether the ISC Code adequately covers the content of Section E of the Combined Code.***

In the original Combined Code institutional shareowners were supposed to express their expectations about companies. This was deleted from the revised Combined Code and as such there is no reference to it in this Code.

We can understand why the expectations clause was removed from Section E of the Combined Code. It is difficult to get a consistent or even consensus view on shareholder expectations when the reasons for ownership and the investment horizon vary considerably between investors. The high turnover of staff at investment firms makes relationship building problematic and certainly undermines the ability to give a consistent message.

Therefore, issuers often do not know what their shareowners want: such a requirement in the context of “enlightened shareholder value”<sup>5</sup> would help senior management to better run companies and meet shareowners expectations on the market, contributing to good corporate governance. We invite the FRC to explore the possibility of reintroducing this provision on a comply or explain basis.

Concerning the formal aspects of the Code, we feel the need to highlight that the original ISC Code was supposed to be covered by contracts. What the FRC is currently suggesting looks much less structured.

### ***Section 5: Reporting, Monitoring and Review***

***The FRC would welcome views on:***

- ***The information that institutional shareholders should disclose publicly and that they should report to clients;***

We have no specific comments to offer to address this question.

- ***The arrangements that should be put in place to monitor how institutional shareholders apply and report against the Code; and***

This question will be better addressed by our response to question raised in paragraph 5.10 (“Views are invited on the structure of the ISC Code and on the best way to encourage reporting against it on a “comply or explain” basis”).

- ***The arrangements for reviewing the operation and content of the Code.***

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<sup>5</sup> See paragraph 1.1 of the Consultation document (Introduction).

We believe that formal reviews of the Code should take place in line with the reviews of the Combined Code. We also strongly believe that such reviews should focus more on the operation of the Code rather than its principles.

The industry would be less encouraged to adapt its structure to the requirements of a Code whose provisions might be changing too frequently. This is particularly true especially since, as we highlighted already throughout our contribution, the structure of the investment management industry is going to be the main obstacle to the application of the Code's principles.

***The FRC would welcome views on the specific information that should be disclosed by institutional shareholders and their agents, and at what level of detail the “comply or explain” principle should apply.***

Below is a list of suggested disclosures:

- Policy on monitoring issuers and engagement with some discursive comment on what they do with their votes if they do not have an engagement policy.
- Policy on voting, particularly why they choose to abstain, rather than vote against if they cannot support the motion;
- Voting record;
- Notice of any collaboration with any other investors;
- Proportion of compliance with ISC Principles;
- Which areas of their business that comply with the Code.

Extensive requirements for public reporting may funnel everything in a box-ticking exercise that would lose any meaning. A shorter but more meaningful list would be far more useful. In particular, ticking boxes does not encourage good practice, as it makes it impossible to differentiate between those who believe in the Code and apply it and those who do not.

Concerning the level to which the comply or explain should apply, this may be best addressed in the first review of the Code.

***Views are invited on whether public disclosure of the information summarised is appropriate and useful, and whether other information might also usefully be disclosed.***

We broadly support principles 1 through 6 and disagree with principles 7. We offer the following comments on principles 3, 4 and 6. We discuss principle 7 assurance certificate in our answer to the third party audit question below.

Principle 3: Institutional investors should monitor investee companies. We think it would be useful to know what investors do with their votes, if they do not have a monitoring and engagement policy.

Principle 4: Disclosure of guidelines on whether and how institutional investors will escalate their activities. This may be too demanding and actually difficult to implement:

it is not possible to operate such a strategy as it depends on circumstances and personal considerations that cannot be part of a pre-defined general strategy.

Principle 6: Public disclosure of voting records. The use of all votes by shareholders and an effective and transparent communication mechanism between fund managers and the ultimate investors are the basis of good corporate governance. However, we recognise - as already stated in the introduction to this submission- that issuers' retaliation may prove a substantial obstacle. The results of our survey that show that only 15% of the respondents disclose how they cast their votes. There may be a number of reasons including the threat of issuer retaliation that may account for the low level of voting disclosure. Our findings indicate that further investigation of the voting disclosure issue would be worthwhile.

***Views are invited on the structure of the ISC Code and on the best way to encourage reporting against it on a “comply or explain” basis.***

We should avoid at all cost the boilerplate response. This Code is aimed at changing behaviour, and the behavioural aspect should be considered.

Every year a questionnaire, whose questions should change every year, should be sent to a representative sample of institutional investors. Whenever the regulator felt that responses may be inadequate or misleading, further investigation should be envisaged. Moreover, a certain amount of inspections should be randomly organised on a yearly basis.

The reputational aspect of this may play a crucial role and be an active catalyst for compliance.

***Views are invited on the proposals in ISC Code for reporting to clients and the merits of independent opinions from auditors or other professional accountants. It would be helpful to have estimates of the costs incurred by asset managers in commissioning these opinions and of the benefits to asset owners.***

We identified two problems in this approach. First of all, auditors or accountants may not be the best professionals to assess the application of the Code. More importantly, the cost of independent audit may prove prohibitive further limiting the implementation of the Code to an elite of the industry.

It is clear that independent third-party audit would add transparency and objectivity and as such could prove beneficial. This is highlighted also by the results of our survey, in which a majority of 65% of the membership would find it beneficial. This figure is slightly higher for those outside the UK (73%) than for those UK-based (54%).

However, the vast majority (86%) thought it would not be cost effective (90% UK, 83% non-UK).

This reinforced our preference for the periodic self assessment followed by possible investigation by the FRC.

***Views are invited on the merits of the current IMA survey and other possible approaches to monitoring the overall application of the Code.***

We do not think that IMA may be able to monitor non members. The FRC should develop new monitoring arrangements such as the one highlighted above. The FRC should deliver questionnaires whose content would change every year on the basis of the issues that the FRC wishes to flag to the industry. This would avoid boilerplate responses and allow more flexibility to the FRC in the scope and focus of its survey. The results would then serve as the basis for further investigation on behalf of the FRC.

***Views are invited on the proposed approach to reviewing the Code.***

Providing that the monitoring process on behalf of the FRC is constant, we agree with the suggested method equivalent to that already in place for the Combined Code (every two/three years, through public consultation).

We are pleased to see that the focus of the review, as currently portrayed, would be on the overall effectiveness of the Code. We would like to stress that checking the actual functioning of the Code and alerting the industry on best practices may be much more useful than adding new paragraphs.

London, 30<sup>th</sup> April 2010.

# **Stewardship Code Survey Report**

**April 2010**

*Report prepared by  
CFA Institute Market Research*

## **Background & Purpose**

The UK Financial Reporting Council has published a consultation on a draft shareholder Stewardship Code and is seeking feedback on whether this Code will be adopted by both UK and Overseas institutional investors.

The Stewardship Code seeks to develop effective engagement between institutional investors and issuers. The Code also serves as a disclosure mechanism for the ultimate beneficiaries of the fund manager's investments (the client) as a possible mandate award selection criteria. The Code will be managed on a 'comply or explain' regime.

The Code has five policy objectives: to set standards of stewardship, to promote a sense of ownership, to ensure shareholder engagement linked to the investment process, to improve communication between shareholders and issuer boards, and to serve as an evaluation tool for prospective clients.

In order to communicate CFA Institute members' views on the Stewardship Code to regulators, who use them as an integral part of the policy making process, a survey was developed to gather member input to gauge the limits of shareholder stewardship.

## **Methodology**

All members in Europe, Middle East, and Africa (EMEA) were invited via email to participate in the online survey.

In order to receive just the opinion of the most qualified members on the topic, the survey opened with a qualifying question to screen for members in the appropriate role—those that are institutional clients, consultants, asset managers, fund managers, and buy-side analysts who are able to influence the issuer engagement. Members who did not qualify were not allowed to continue to the survey questions.

16,885 members were invited to participate on 29 March 2010. One reminder to non-respondents was sent on 7 April and the survey closed on 11 April 2010.

We estimate that the time needed to complete the survey would be in the order of 5 to 10 minutes.

## Results

### ***Response Rate***

505 qualified responses and 373 non qualified responses were received, for an overall response rate of 5.2 percent. However, of those qualified, only 185 responded to at least one survey question, for a response rate of 36.3 percent among qualified respondents. As margin of errors are calculated based on population size, the population was determined by multiplying the total EMEA population by the proportion qualified (our target population was not the entire population in EMEA, rather it was a subset of those who are able to influence the issuer engagement), in this case 58 percent. Assuming 58 percent of the EMEA member population would have qualified for the survey, the margin of error is  $\pm 7.1$  percent at the 95 percent confidence level. The margin of error is calculated on the 185 that responded.

Given the pre-screening of the respondents, we would have expected the number of responses to each question to be roughly identical to the total number of qualified respondents. However, only about one third answered the following questions on the details of the Code and its application.

Based on our understanding of the investment landscape and previous surveys, we feel it is most likely that one of the following two explanations is the reason for the high level of non-response from qualified respondents, although we recognize that other possibilities may also exist:

1. Our members did not understand the content or the possible application of the Code, in particular outside the UK;
2. Our members thought that a Stewardship Code would not be useful or practicable and as such decided not to respond to each and every question.

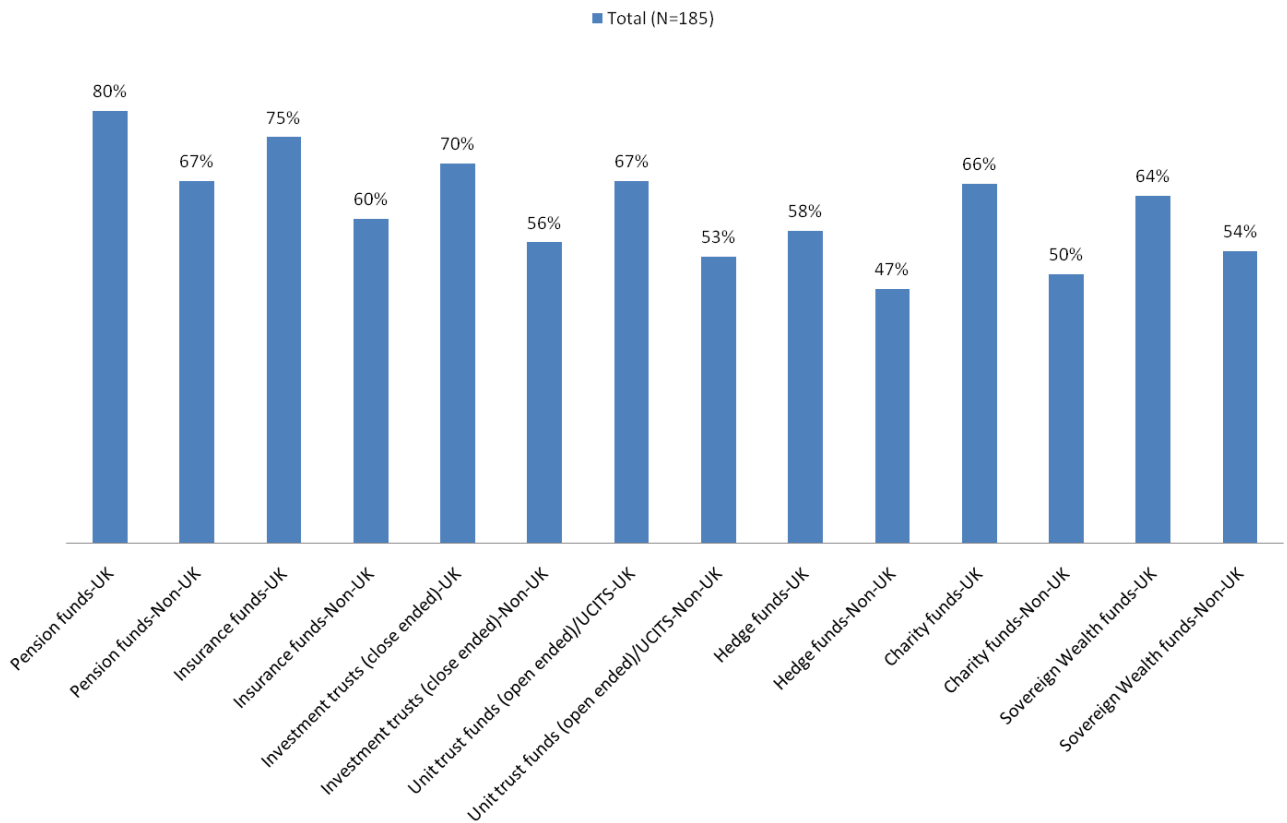


### Feedback on the Stewardship Code

For most institutional investors, over half of members think they should be encouraged to apply themselves to the Stewardship. Those institutional investors with the highest proportion of members believing they should apply themselves are UK Pension funds, UK Insurance funds, UK Investment trusts, UK Unit trust funds/UCITS, UK Charity funds, and UK Sovereign Wealth funds.

A significantly higher proportion of respondents employed in the United Kingdom than outside the UK believe UK Unit trust funds and UK Charity funds should be encouraged to apply to the code.

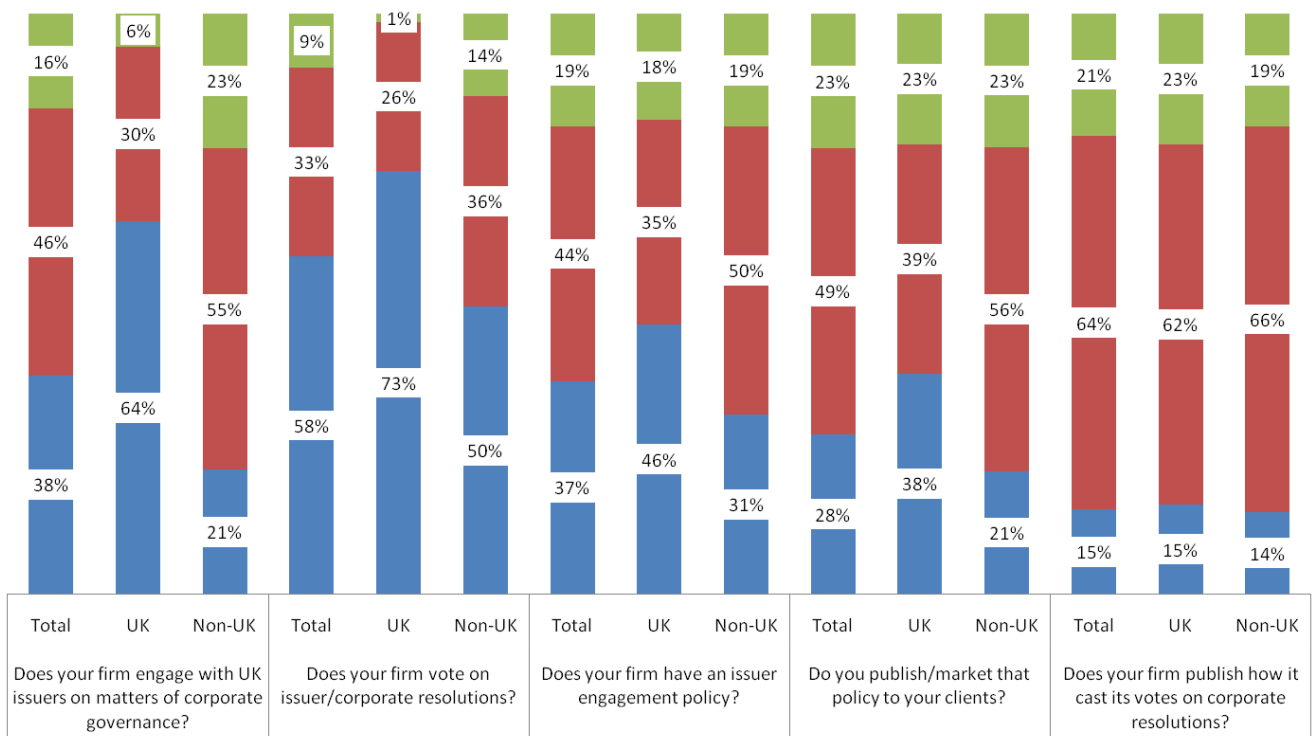
### Which of the following institutional investors should be encouraged to apply themselves to the Stewardship Code?



38 percent of respondents' firms engage with UK issuers on matters of corporate governance (significantly higher among respondents employed in the UK). 58 percent indicate their firm votes on issuer/corporate resolutions (again, significantly higher among those employed in the UK). 37 percent of respondents indicate their firm has an issuer engagement policy and 28 percent publish/market an issuer engagement policy to their clients (both questions had higher proportions of UK respondents than non-UK respondents indicate their firm does so). Finally, 15 percent indicate their firm publishes how it casts its votes on corporate resolutions.

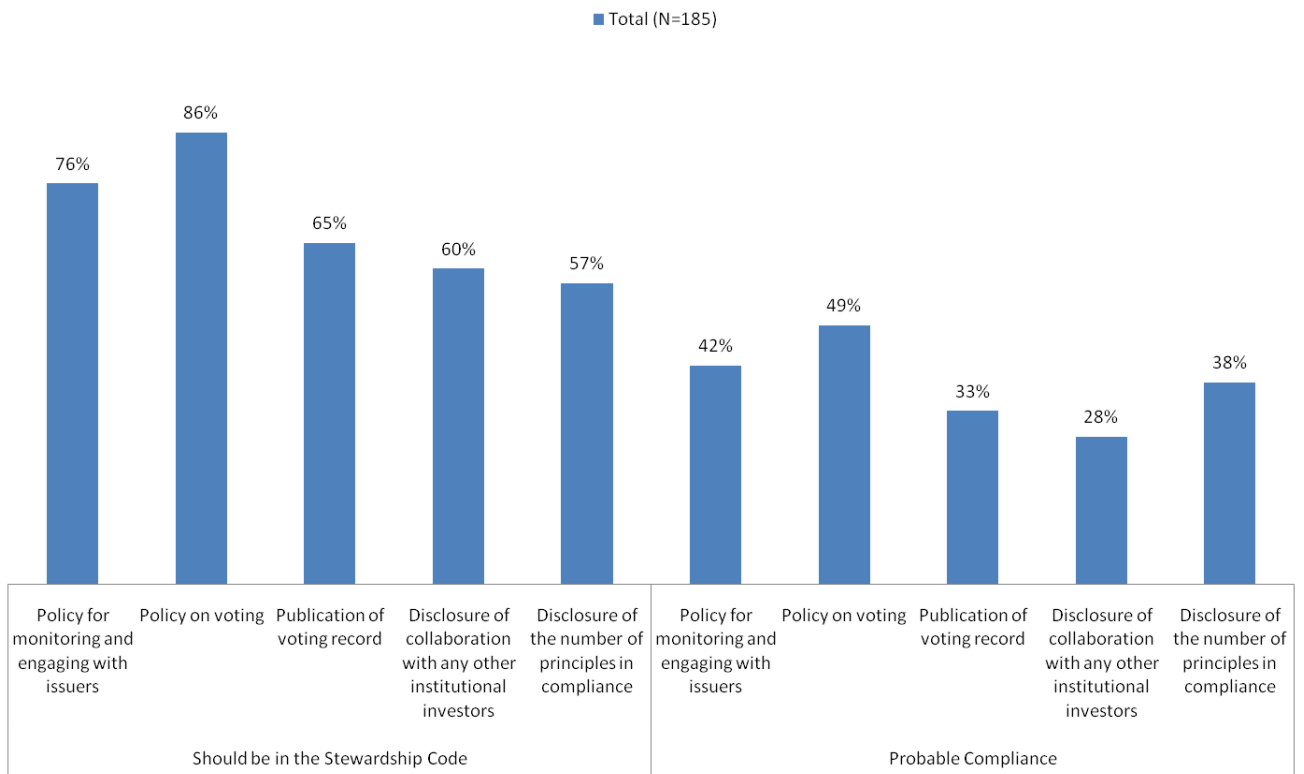
### Firm Characteristics

■ %Yes ■ %No ■ %Don't know



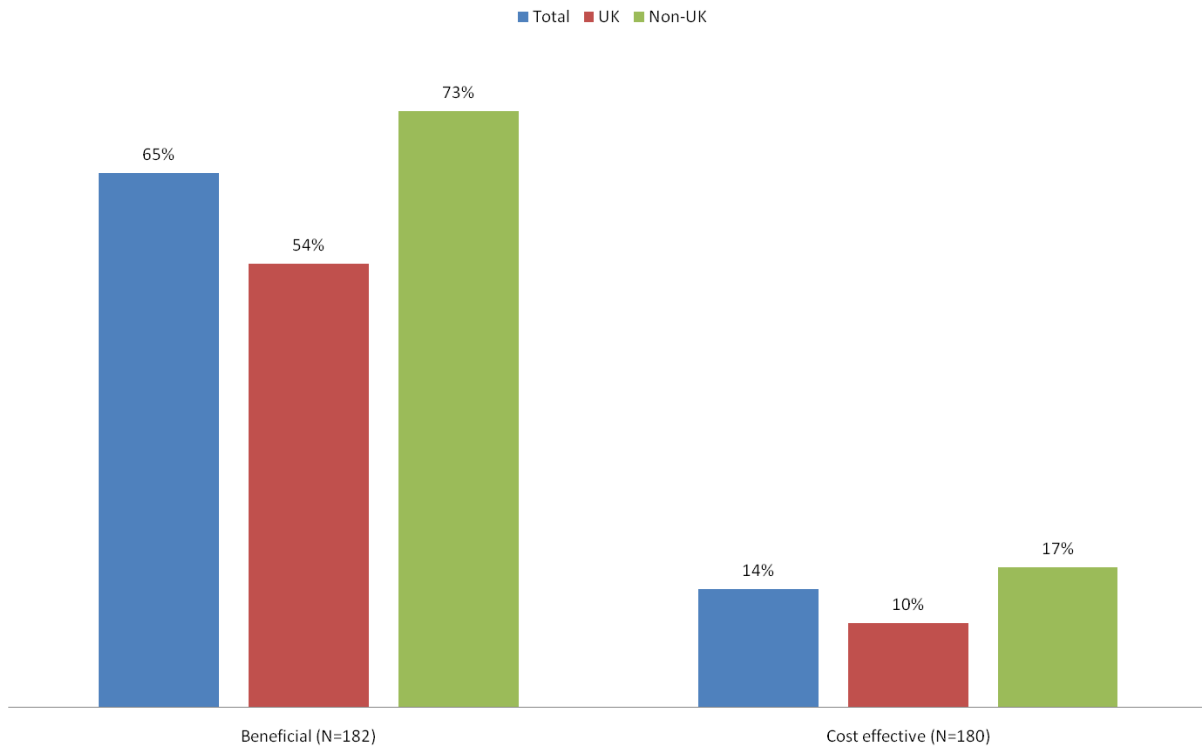
Under a 'comply or explain' regime, the majority of members think a policy on voting and a policy for monitoring and engaging with issuers should be in the Stewardship Code (86 percent and 76 percent, respectively). Over half also think publication of voting record, disclosure of collaboration with any other institutional investors, and disclosure of the number of principles in compliance should be in the Code. For all disclosures, a lower proportion of respondents think institutional investors will probably comply with them.

**Under a 'comply or explain' regime, which of these disclosures by institutional investors should be in the Stewardship Code and which are the ones you think institutional investors will probably comply with?  
(Select all that apply)**



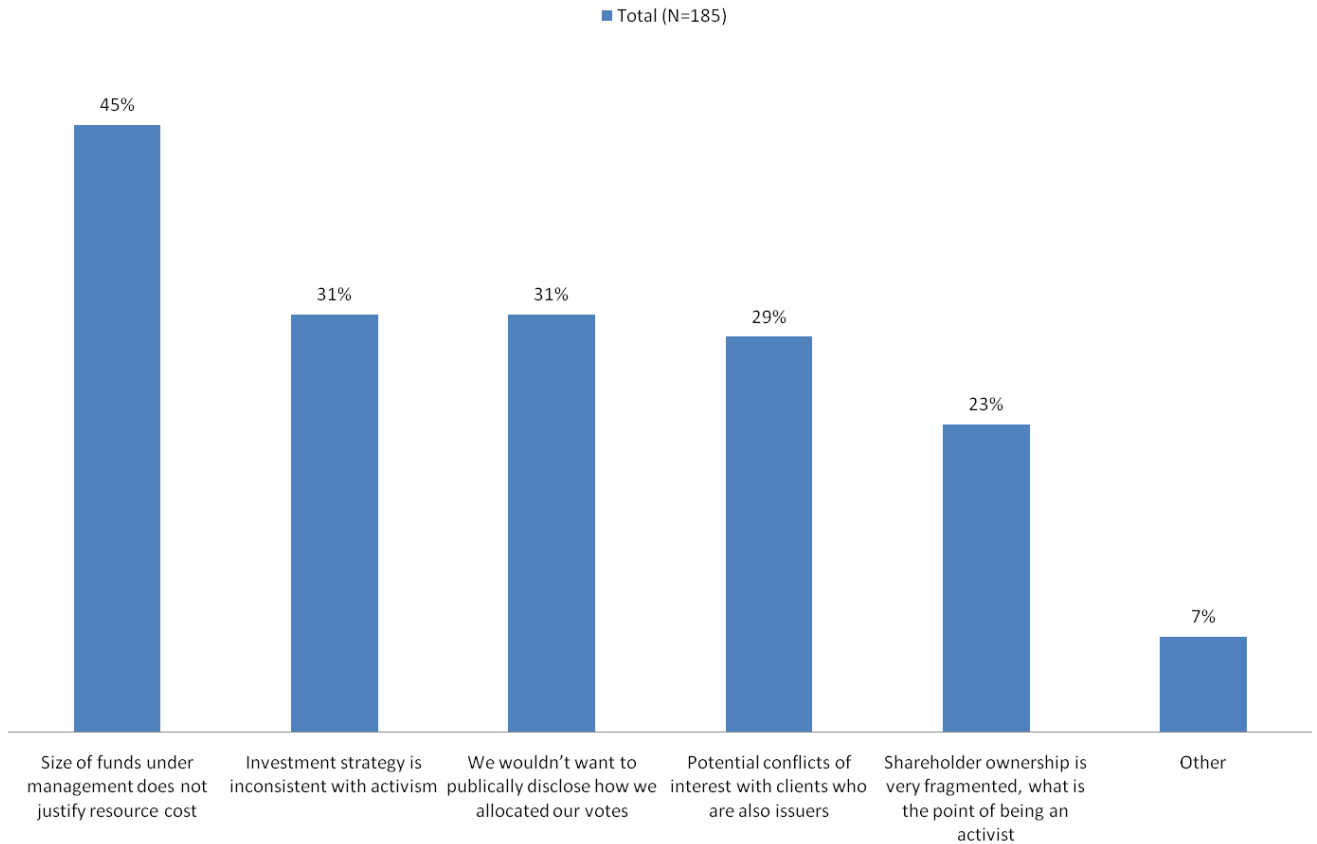
65 percent think independent third-party audit, rather than a periodic self-assessment, of disclosures related to the Stewardship Code would be beneficial, while only 14 percent believe it would be cost effective. A significantly higher proportion of respondents employed outside the UK than in the UK believe it would be beneficial (73 percent versus 54 percent, respectively).

**Do you think independent third-party audit, rather than a periodic self-assessment, of disclosures related to the Stewardship Code would be beneficial and cost effective? (% Yes)**



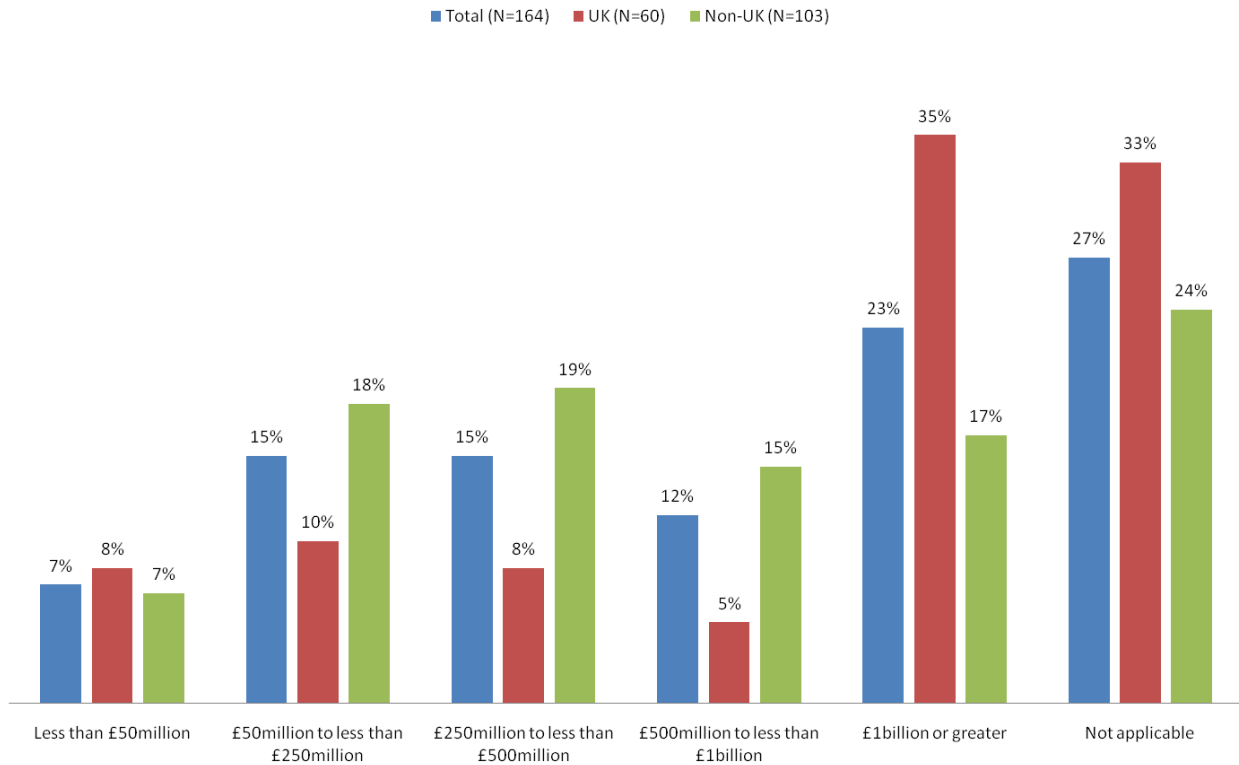
The size of funds under management not justifying the resource cost, an investment strategy that is inconsistent with stewardship and not wanting to publically disclose how their votes are allocated emerged as the issues that would most likely prevent or discourage respondents' firms from participating in the Stewardship Code.

**Please check any issues that may prevent/discourage your firm from participating in the Stewardship Code.**



35 percent think the threshold of engagement if the amount of funds under management is a resource constraint to participating in the Stewardship Code is over £500 million. Respondents employed in the UK think this threshold is higher than those employed outside of the UK: 40 percent of those in the UK think the threshold is over £500 million compared to only 31 percent of those outside the UK.

**If the amount of funds under management is a resource constraint to participating in the Stewardship Code, where do you think this threshold of engagement lies?**



### Employer Demographics

38 percent of qualified respondents are employed in the United Kingdom, 14 percent in Switzerland, 7 percent in South Africa, 6 percent in Germany, and 4 percent in the Netherlands.

The table below shows the employer information (name, country, city, value of UK equities under management) for the qualified respondents.

Employer Name (Optional):	Country:	City:	Value of UK equities under management in British £s:
	Austria	Vienna	
<b>Gulf International Bank</b>	Bahrain	Manama	Nil
	Bahrain	Bahrain	200 million
	Belarus	Minsk	0
	Belgium	Brussels	non
<b>Piraeus Bank Cyprus</b>	Cyprus	Nicosia	No
	Czech Republic	Prague	3 bil
<b>Luxor A/S</b>	Denmark	Copenhagen	5000000
	Denmark	Copenhagen	
<b>Cairo Financial Holding</b>	Egypt	Cairo	No
<b>HC Securities and Investment</b>	Egypt	Cairo	0
<b>ABN AMRO</b>	France	Paris	400000000
	France	Paris	2 bn
	France	Paris	
<b>Allianz</b>	Germany	Munich	~5 billion
<b>rentrop investment office</b>	Germany	bonn	50 mio
<b>Robert W. Bbaird</b>	Germany	Frankfurt	No
	Germany	Munich	3.5E+11
	Germany	Hamburg	5000000
	Germany	Düsseldorf	
	Germany	Wuppertal	20,000
	Germany	Frankfurt	1 bn
	Germany	Munich	10 million
	Germany	Cologne	20000000
	Germany	Munich	1000000
	Greece	Athens	80,000,000
	Ireland	Dublin	500,000,000
<b>Bank Ha;poalim</b>	Israel	Tel-Aviv	
<b>Banknord</b>	Italy	Milan	5 mln
<b>MPS Capital Services</b>	Italy	Florence	no
	Italy	trieste	yes
<b>Amman Institute for Urban Development</b>	Jordan	Amman	no
<b>AIG Global Investment Company (EA) Ltd</b>	Kenya	Nairobi	2 million
<b>Employer Name (Optional):</b>	<b>Country:</b>	<b>City:</b>	<b>Value of UK equities under management in British £s:</b>



<b>Stanbic Investment Management Services (EA) Ltd</b>	Kenya	Nairobi	0
<b>KIA</b>	Kuwait	KUWAIT	CAN NOT DISCLOSE
<b>Kipco Asset Management Company</b>	Kuwait	Kuwait	2,000,000
	Kuwait	Kuwait City	US\$5-10 bullion
	Kuwait	Kuwait	20
	Latvia		less than 1 million GBP
	Luxembourg	Luxembourg	No
	Luxembourg	Luxembourg	5000000
	Malta	Valletta	N/A
<b>Bramer Asset Management Ltd</b>	Mauritius	Ebene	None
<b>Mauritius Union Assurance Co. Ltd</b>	Mauritius	Port-Louis	Nil
<b>MCBIM</b>	Mauritius	PORT LOUIS	150m
<b>Syntrus Achmea Asset Management</b>	Netherlands	De Meern	40 bln
	Netherlands	Amsterdam	10 billion
	Netherlands	's-Hertogenbosch	750mln
	Netherlands	Amsterdam	1 bln
	Netherlands	Amsterdam	0
	Netherlands	The Hague	40 million GBP
	Netherlands		
	Netherlands		2000000
	Oman	Muscat	Yes
<b>BZWBK Brokerage</b>	Poland	Warsaw	
<b>EIP</b>	Poland	Warsaw	none
	Poland	Warsaw	0
	Poland	Warsaw	
<b>Erste Asset Management</b>	Romania	Bucharest	
	Russian Federation	Moscow	0
	Russian Federation	moscow	30
	Rwanda	Kigali	0
<b>AL TOUQ COMPANY</b>	Saudi Arabia	RIYADH	1000000
<b>Omran M. Al Omran &amp; Partners Co Ltd</b>	Saudi Arabia	Riyadh	5,000,000
	Saudi Arabia	Riyadh	0
	Saudi Arabia	riyadh	1000000000
<b>NLB</b>	Slovenia	Ljubljana	10.000.000
<b>Brockhouse Cooper</b>	South Africa	Johannesburg	20000000
<b>Element investment Management</b>	South Africa	Cape Town	Nil at present
<b>Foord Asset Management</b>	South Africa	Cape Town	0
<b>Gryphon Asset Management</b>	South Africa	Cape Town	0
<b>Investec Asset Management</b>	South Africa	Cape Town	Â£5bn
<b>Employer Name (Optional):</b>	<b>Country:</b>	<b>City:</b>	<b>Value of UK equities under management in British £s:</b>
<b>Melville Douglas Investment Management</b>	South Africa	Johannesburg	3100000
<b>RisCura Consulting</b>	South Africa	Cape Town	300 million
<b>Sanlam Investment Management</b>	South Africa	Johannesburg	GBP 400 m

<b>Sanlam Private Equity</b>	South Africa	Cape Town	No
	South Africa	Cape Town	
	South Africa	Johannesburg	0
	South Africa	Cape Town	5000000
	South Africa	Cape Town	130m
<b>Gesprofit SA SGIC</b>	Spain	Madrid	300.000.000
<b>MAPFRE INVERSION S.V.</b>	Spain	MADRID	50 MILLION
<b>vista capital</b>	Spain	madrid	yes
	Spain	San Sebastian	20000000
	Spain	Madrid	30 milliom
<b>Credit Suisse</b>	Switzerland	Zurich	No
<b>Island Grove</b>	Switzerland	Zurich	
<b>Pictet Asset Management</b>	Switzerland	Geneva	
<b>SCOR</b>	Switzerland	Zurich	200 Million
<b>Swiss &amp; Global Asset Management (former Julius Baer Asset Management Europe)</b>	Switzerland	Zurich	300 Million Å£
<b>Swiss Global Asset Management</b>	Switzerland	ZÅ¼rich	2 500 000 000
<b>Swiss Life Asset Management</b>	Switzerland	Zurich	
<b>Swisscanto Asset Management</b>	Switzerland	Zurich	600 Mio
<b>Templar Capital Management</b>	Switzerland	Chiasso - Ticino	0
	Switzerland	Zug	0
	Switzerland	Zurich	No
	Switzerland	Zurich	No
	Switzerland	St Moritz	Confidential
	Switzerland	ZURICH	NO
	Switzerland	Zurich	-
	Switzerland	Berne	50m
	Switzerland		
	Switzerland	Zurich	60000000000
	Switzerland	ZÅ¼rich	0
	Switzerland	Zurich	
	Switzerland	Zurich	
	Switzerland		3
	Switzerland		no
	Switzerland	Zurich	Less than 1,000,000
	Switzerland	Zurich	600mio
	UAE	Abu Dhabi	
<b>Employer Name (Optional):</b>	<b>Country:</b>	<b>City:</b>	<b>Value of UK equities under management in British Å£s:</b>
	UAE	Abu Dhabi	100000
<b>AEGON Asset Management</b>	United Kingdom	Edinburgh	Å£40bn
<b>Albourne Partners</b>	United Kingdom	London	Not Applicable
<b>Alliance Trust Plc</b>	United Kingdom	Dundee	Å£2.5bn
<b>Allianz Insurance</b>	United Kingdom	London	Å£100m
<b>Amati Global Investors</b>	United Kingdom	Edinburgh	Å£50m

<b>Aviva Investors</b>	United Kingdom	London	10 bn
<b>BNP Paribas</b>	United Kingdom	London	
<b>BP Investment Management</b>	United Kingdom	london	Â£5billion
<b>BPP</b>	United Kingdom	London	100 mm
<b>City of London Investment Management</b>	United Kingdom	London	cÂ£1 billion
<b>ecclesiastical Insurance</b>	United Kingdom	london	Â£400m
<b>Edwards Securities Ltd</b>	United Kingdom	Dorking	Â£40m
<b>F&amp;C Investments</b>	United Kingdom	Edinburgh	c. Â£30bn
<b>GAM London</b>	United Kingdom	london	
<b>Laxey Partners</b>	United Kingdom	Douglas	500
<b>Liongate Capital</b>	United Kingdom	London	No
<b>M&amp;G</b>	United Kingdom	London	Â£40bn
<b>Marks &amp; Spencer</b>	United Kingdom	London	400,000,000.00
<b>Mercer</b>	United Kingdom	London	
<b>Mondrian Investment Partners</b>	United Kingdom	London	6 billion
<b>Mundane Asset Management</b>	United Kingdom	London	Â£100m
<b>Schroders plc</b>	United Kingdom	London	
<b>SVM Asset Management</b>	United Kingdom	Edinburgh	650m
<b>Towers Watson</b>	United Kingdom	London	
<b>Towers Watson</b>	United Kingdom	London	
<b>Towers Watson</b>	United Kingdom	London	No
<b>Troy Asset Management Ltd</b>	United Kingdom	London	Â£900m
<b>University of Stirling</b>	United Kingdom	Stirling	NA
	United Kingdom	London	Â£50bn
	United Kingdom		
	United Kingdom	London	
	United Kingdom	london	28,000,000,000
	United Kingdom	London	50,000,000,000
	United Kingdom	London	
	United Kingdom	London	Â£13bn
	United Kingdom	Edinburgh	Â£40bn
	United Kingdom	London	50000000
	United Kingdom	London	0
	United Kingdom	London	35000000000
<b>Employer Name (Optional):</b>	<b>Country:</b>	<b>City:</b>	<b>Value of UK equities under management in British £s:</b>
	United Kingdom	London	1E+15
	United Kingdom	London	Â£100MM
	United Kingdom	London	40 billion
	United Kingdom	London	10,000,000,000
	United Kingdom	London	400 million
	United Kingdom	London	\$250mm
	United Kingdom	London	
	United Kingdom	London	30 million
	United Kingdom	London	10bn

	United Kingdom	London	Â£100m
	United Kingdom	london	Â£many bn
	United Kingdom	Manchester	1,500,000,000
	United Kingdom	London	Â£5bn
	United Kingdom	London	Â£50bn
	United Kingdom	Edinburgh	8
	United Kingdom	London	600000000
	United Kingdom	London	
	United Kingdom		Â£2bn
	United Kingdom	london	25billion
	United Kingdom	London	265
	United Kingdom	London	5BN
	United Kingdom	London	200
	United Kingdom	London	
	United Kingdom	London	600000000
	United Kingdom	London	Â£200 million
	United Kingdom	London	no
	United Kingdom	London	450,000,000
	United Kingdom	London	0
	United Kingdom	London	0
	United Kingdom	London	Â£10bn
	United Kingdom	London	40000000000
	Zimbabwe	Harare	