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MOORE STEPHENS

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Dear Catherine

Proposed revision of the UK Corporate Governance Code

Moore Stephens LLP are writing in response to this Consultation Paper as invited.

Moore Stephens is a top ten accounting and advisory network, with offices throughout the UK. Our clients include individuals and entrepreneurs, large organisations and complex international businesses. Our Governance, Risk & Assurance group works with businesses in all sectors, advising on their governance structures, providing comfort on their control environments and helping to embed transparency and accountability.

The organisations we assist are increasingly required to demonstrate effective corporate governance to meet the high expectations of all their stakeholders and comply with best practices such as the UK Corporate Governance Code requirements. We believe effective governance is fundamental to the performance of any organisation and good corporate governance ensures that transparency, accountability and fairness are embedded in the decision-making processes of an organisation. Our team work in partnership with our clients to help develop an effective governance framework with strong procedures, leveraging our knowledge of best practice in similar businesses.

Our response to the Consultation Paper is therefore informed by the wide diversity of clients we work with from listed entities, financial services regulated entities, public sector organisations, charities and others including owner managed businesses and corporates, schools and sports governing bodies.

We are keen as a firm to contribute to this debate. If you have any questions on our response please contact Sarah Hillary (sarah.hillary@moorestephens.com) or Charles Portsmouth (charles.portsmouth@moorestephens.com).

Yours faithfully

Moore Stephens LLP

Moore Stephens LLP

1. INTRODUCTION

1.1. Background

Our Response to the Government's Green Paper on Corporate Governance Reform noted the key pillars of the UK's Corporate Governance framework including:

- a "robust framework of company and financial market law";
- a unitary board system under which directors are held collectively responsible for the decisions made by the board;
- the FRC UK Corporate Governance Code (UKCGC) setting out the principles and best practice on board issues which applies to leading listed companies on a "comply or explain" basis and its continuing evolution; and
- the FRC's Stewardship Code setting out the principles of effective investor stewardship.

We stated our belief that, generally, improvements in the UK's corporate governance probably now need to focus on the functions of governance rather than on the features of governance. A focus on the functions (what is the compensation package needed to attract and retain the talent we require to achieve our goals as an organisation?) rather than features (what is the total compensation package of the CEO and how does it compare to his or her peers?) will almost certainly yield more benefit to an organisation. The presence of a feature does not necessarily imply a function is being performed properly. Thus, where there is a risk committee, the assumption is the company is diligent about managing risks; if compensation is not excessive, the company provides the right incentives to its staff. And yet the evidence suggests that this may not always be the case.

In designing governance systems, directors and other stakeholders be they government, regulators or investors now need to move beyond the simple decision of whether to adopt a governance feature, beyond mere compliance and instead tackle the more difficult - and fundamental - question of designing a governance system that adds value by encouraging the pursuit of corporate objectives and discouraging self-interested behaviour whilst respecting the spirit of the governance features.

There is an important role for laws and regulations to play in corporate governance, but all those interested in improving corporate governance should not lose sight of the fact that most companies are organisational entities and their oversight requires an organisational perspective. This means that effective governance solutions should take into account the realities that come with managing and monitoring groups of individuals, including personal and interpersonal dynamics, models of behaviour, leadership, co-operation, and decision-making.

Thus, we believe that corporate governance systems cannot be completely standardised because their design and effectiveness depends on the situation and the appropriate structure for organisations will differ depending on the context of each individual organisation.

In our response, we noted that:

- The current UK Corporate Governance framework has now been in existence for some 25 years and it and the new ideas and subsequent modifications and improvements developed in this country are being replicated around the world.
- The duties of directors as defined in the Companies Act 2006 are clear and unambiguously set out. All directors have the same duties because it does not distinguish between the roles of executive and non-executive directors. We believe that this is an important principle that should continue to be upheld.
- There may be a need to enforce the Companies Act standards more rigorously.
- There may be a need to include a specific duty on directors to have regard to the members of defined benefit pensions schemes (where applicable) as the Company is the funder of default for such schemes.

1.2. Overall comments on the proposed revised Corporate Governance Code

We welcome the shift in emphasis of the proposed revised Corporate Governance Code (the Code) away from compliance to desired outcomes. The proposed revised Code seeks to achieve this through a greater number of more specific principles, and a reduced number of more detailed provisions, including moving some provisions to the Guidance.

We believe that this change in overall approach will assist Boards of companies to move away from a 'box ticking' approach to a more thoughtful approach reflecting the fact that most companies are organisational entities and their oversight requires an organisational perspective. This means that effective governance solutions should take into account the realities that come with managing and monitoring groups of individuals, including personal and interpersonal dynamics, models of behaviour, leadership, co-operation, and decision-making.

Corporate governance remains topical. The revised Code reflects themes. including those addressed in the recent Government Green Paper, that have been well-established, such as:

- the importance of culture;
- the necessity of wide stakeholder engagement, particularly with employees;
- diversity on boards;
- the independence of non-executive directors (NEDs) and the chair; and
- the treatment and reporting of executive remuneration.

We note that culture is identified as being of fundamental importance in the revised Code and it is clear that establishing, influencing or changing culture will be linked to ensuring the employee voice is heard in the boardroom.

Overall, our view is that the proposed revised Code is more direct and its aims are much more targeted. Its express focus on diversity, succession and independence is likely to result in more attention from companies on the role of the board and its constituent directors on creating real impact within the company.

Our responses to the individual questions posed on the proposed revisions to the Code are set out in Section 2 below.

1.3. Overall comments on the Stewardship Code

The proposed review of the FRC's Stewardship Code (the 'Stewardship Code') scheduled for 2018 is timely for several reasons.

There are concerns that the UK investment management industry is failing to steward the companies it owns for the long-term, leading to perceptions that it has an excessively short term focus and, as a result, UK corporations are 'ownerless'. These concerns threaten the industry's legitimacy, leading to calls to reduce shareholders' influence over firms in favour of employee or customer influence, or insulate management against shareholder oversight. Good stewardship requires all stakeholders to exercise their rights in an appropriate manner.

A number of other codes / guides and laws over stewardship are already under review in light of the FCA Asset Management Market Review, the review of the Best Practice Principles for Providers of Shareholder Voting Research & Analysis, the required implementation of the EU Shareholder Rights Directive, and the Competition and Markets Authority Review of Investment Consultants. An integrated approach is probably required to achieve the best results for stewardship in general.

Stewardship is central to the legitimacy of the UK investment management industry, but also can improve productivity, profitability, investment, and competitiveness and thus assist in ensuring the UK is a 'country that works for everyone'.

Overall, we believe the Stewardship Code should recognise the different stewardship roles played by different types of entity, and how they interact:

- Asset managers, through effective stewardship – both engagement and monitoring – can ensure that companies pursue long-term shareholder value rather than short-term profits and in doing so, can both fulfil their fiduciary duty to their clients and help improve the long-term performance of companies.
- Asset owners, through holding asset managers to account on the delivery of their stated approach to stewardship, can ensure that stewardship is not simply a policy but is carried out in practice. They award investment mandates to asset managers and are therefore critical to encouraging asset managers to take stewardship seriously.
- Service providers should similarly support asset managers in fulfilling their fiduciary duty to asset owners.

It should set out clearly how its principles should be applied by different types of entity – asset managers, asset owners and service providers – with a much stronger expectation that all types of entity should be signatories to the Stewardship Code.

The implementation of the Shareholder Rights Directive creates an opportunity to locate in one place the regulatory oversight of the asset owners, asset managers, and service providers. Encouraging asset owners to increase engagement with their stewardship responsibilities is particularly important, but service providers also play an important role in stewardship.

Our responses to the individual questions posed on the proposed revisions to the Code are set out in Section 2 below.

2. UK CORPORATE GOVERNANCE CODE AND GUIDANCE ON BOARD EFFECTIVENESS QUESTIONS

Question 1: Do you have any concerns in relation to the proposed Code application date?

None in particular, except that any delay in the timetable might lead to firms not being able to change procedures and practices in time.

Question 2: Do you have any comments on the revised Guidance?

We welcome the shift in emphasis of the proposed revised Code away from compliance to desired outcomes. The proposed revised Code seeks to achieve this through a greater number of more specific principles, and a reduced number of more detailed provisions.

We believe that this change in overall approach will assist Boards of companies to move away from a 'box ticking' approach to a more thoughtful approach reflecting the fact that most companies are organisational entities and their oversight requires an organisational perspective. Effective governance solutions should take into account the realities that come with managing and monitoring groups of individuals, including personal and interpersonal dynamics, models of behaviour, leadership, co-operation, and decision-making.

The revised Guidance reflects the revised Code's focus on outcomes through setting out Guidance Notes and a series of "Possible Questions for Boards". We believe that this will assist in promoting the focus on outcomes in applying the Principles of the Revised Code because elements of the current Code have been removed and either deleted altogether (where identified as self-evident good practice), or moved to the Guidance. This has helped to focus the Code on the key aspects where firms may need to focus more.

There is a consequence to this approach in that the Guidance becomes more important in ensuring boards deliver high standards. However, the Guidance is non-mandatory and not subject to 'comply or explain reporting', and this leads to a potentially greater scope for firms to avoid good practice.

Question 3: Do you agree that the proposed methods in Provision 3 are sufficient to achieve meaningful engagement?

Provision 3 addresses the Board's responsibilities in the areas of culture and stakeholder interest and specifically requires that the Board should establish a method for gathering the views of the workforce. We note the careful use of "workforce" to cover the changing nature of employment practices.

In our response to the Government's Green Paper we noted that the appointment of a member of the workforce on the board creates a number of potential issues, such as potential conflicts of interest between the individual's legal duty towards the company and stakeholder loyalty, a potential lack of appropriate experience or competence, undermining shareholder rights, and confidentiality issues.

We agree that leaving it to Boards as to how they engage with their workforce should be left open to the Board. Retaining all of the Green Paper options (establishing a workforce advisory panel, a director appointed from the workforce or a designated non-executive director) leaves how the intended outcome is achieved to the determination of the Board in the particular circumstances of its organisation. This is in our view appropriate.

Whether such engagement is "meaningful" will only be assessable in time and we believe this should be the subject of further analysis in the future.

Question 4: Do you consider that we should include more specific reference to the UN SDGs or other NGO principles, either in the Code or in the Guidance?

Sir Adrian Cadbury said 'corporate governance is concerned with holding the balance between social and economic goals, and between individual and communal goals'.

The South African King IV Code states that the governing body should lead ethically and effectively and should ensure that the organisation is and is seen to be a responsible corporate citizen.

A director's duties are set out in s172 of the UK Companies Act 2006 including that a director should have due regard to the impact of the company's operations on the community and environment. s172 also highlights the director's responsibility to other stakeholders such as employees, suppliers and customers.

We welcome the increased focus in Principles A and C of the revised Code on companies' need to contribute to a wider society and for a wider stakeholder engagement. We also welcome the focus on s172 as part of the revised Board Effectiveness Guidance.

The UN SDGs and other NGO principles are probably too broad to be usefully incorporated into the Code or the Guidance. However, more company specific consideration of sustainable business practices, perhaps in the Guidance, would make a useful contribution. This might encourage firms to focus on the immediate environment in which they operate, so that large multinational firms and small, local firms might each consider how to foster good practice be it in the interests of the workforce, the customers and the local or wider communities in which they operate.

Question 5: Do you agree that 20 per cent is 'significant' and that an update should be published no later than six months after the vote?

Generally, the Companies Act 2006 requires actions to be taken where 5% of shareholder votes are in its favour (such as the circulation of certain statements, calling for general meetings and requesting independent reports on polls).

The importance of company and shareholder engagement remains vital. Proper stewardship of a company is a shared responsibility of shareholders and directors or management. Shareholders need to be both vigilant and visible which means shareholders engaging with companies and Boards engaging with their shareholders.

In this context, a 20% vote is 'significant' and is therefore appropriate. The reporting of related actions within a reasonable timeframe so that they remain relevant is also appropriate and six months appears to be an appropriate time scale.

Question 6: Do you agree with the removal of the exemption for companies below the FTSE 350 to have an independent board evaluation every three years? If not, please provide information relating to the potential costs and other burdens involved.

In principle we believe it is important for all organisations to review the effectiveness of the Board on a regular basis and we note that this is now included in almost all governance codes and related legislation such as the Solvency II Directive, which applies to all insurers regardless of size.

Best standards of corporate governance should apply to all listed companies, regardless of size, and we therefore support the requirement for an independent board evaluation every three years.

The cost and relevance of independent evaluations remain an issue for all board evaluation processes. Thus, we understand the concerns over the potential for disproportionate cost but believe that this can be dealt with through thoughtful scoping of such reviews in the particular circumstances of the organisation.

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Question 7: Do you agree that nine years, as applied to non-executive directors and chairs, is an appropriate time period to be considered independent?

Retaining a time limit for independence mirrors the importance of and need for board refreshment at regular intervals and the need for appropriate succession planning.

We believe that a period of nine years is an appropriate measure, particularly as companies still retain the option of explaining why in the particular circumstances of that organisation a particular individual is still independent if being retained for greater than nine years.

Question 8: Do you agree that it is not necessary to provide for a maximum period of tenure?

Regular board refreshment is necessary. We believe that the greater emphasis and focus on the evaluation of directors' contributions by the Chairman, the Board as a whole and individual directors means that tenures are increasingly kept under review by the Board itself.

The requirement for annual re-election of all directors also allows for appropriate shareholder engagement.

We agree therefore that it is not necessary to provide for a maximum tenure as it is important in an outcomes based approach to allow companies to retain but explain should it be deemed appropriate to retain a director for more than nine years. As noted in our response to Q7 above the nine year time limit is an important indicator and should require Nominations Committees to consider carefully tenures greater than 9 years.

Question 9: Do you agree that the overall changes proposed in Section 3 of revised Code will lead to more action to build diversity in the boardroom, in the executive pipeline and in the company as a whole?

The benefits of better financial performance on organisations as a result of greater diversity, in its broadest sense, in the boardroom and in senior management teams are well evidenced in the research. If Boards are to promote the long-term sustainable success of a company this need for diversity, in its broadest sense, has to be recognised and encouraged in the revised Code.

We believe that Principle J and Provision 23 of the revised Code should lead to greater action in building diversity particularly as it will allow other stakeholders to review the processes and actions the company is taking. The extension of the Nominations Committee's role in this regard is also seen to be an appropriate expansion of their responsibilities.

However, it is important that Boards continue to feel they can recruit and promote on merit (as per Principle J), and that for small companies in particular they do not have to discriminate against eligible candidates merely to fill quotas.

Question 10: Do you agree with extending the Hampton-Alexander recommendation beyond the FTSE 350? If not, please provide information relating to the potential costs and other burdens involved.

We agree with extending the Hampton-Alexander recommendations below the FTSE 350.

We have no relevant information on the potential costs or burdens but are of the view that these are not likely to be significant.

Question 11: What are your views on encouraging companies to report on levels of ethnicity in executive pipelines? Please provide information relating to the

practical implications, potential costs and other burdens involved, and to which companies it should apply.

We note the King IV Code states that organisations should set diversity goals and report on them periodically. The non-financial reporting requirements for companies with over 500 employees as required in the Companies Act 2006 also states that reporting should include how companies have addressed race/gender/diversity during the year.

Establishing governance principles around diversity should form part of the UK's overall governance framework. More action is appropriate and we believe this starts with the development of a culture that embraces diversity in the round. Reporting on indicators of culture is part of changing a culture but a balance is appropriate.

We believe it to be good practice for organisations to monitor and report on diversity. But, we have concerns that such requirements can lead to a compliance-led approach, such that pipelines are developed which do not necessarily lead to appointments. Even for large companies it is difficult to replicate an ethnicity balance within the executive that reflects the distribution of the UK population.

Question 12: Do you agree with retaining the requirements included in the current Code, even though there is some duplication with the Listing Rules, the Disclosure and Transparency Rules or Companies Act?

As explained in our introduction, a governance framework consisting of basic governance principles that is applicable to all organisations in the UK should be established. Once this is in place, supervisory bodies may find it useful to review their own specific governance frameworks where there is overlap while elaborating on other areas to ensure guidance is more coherent and that the duplication of efforts is minimised.

Question 13: Do you support the removal to the Guidance of the requirement currently retained in C.3.3 of the current Code? If not, please give reasons.

C.3.3 required the terms of reference of the audit committee, including its role and the authority delegated to it by the board, should be made available.

We believe the good practice within any organisation of making the roles and responsibilities of the board and its committees available is now well-embedded.

We do not believe the change of status from Code to Guidance will alter this behavior.

Question 14: Do you agree with the wider remit for the remuneration committee and what are your views on the most effective way to discharge this new responsibility, and how might this operate in practice?

The revised Code Provision 33 proposes that the remuneration committee should have an expanded remit, taking on responsibility for oversight of company remuneration and wider workforce policies. This is an addition to its current role of determining director and executive remuneration policy and practice.

Successful companies have incentives and workforce policies and practices aligned and embedded with the company's purpose, strategy and values. We believe that boards and remuneration committees have a vital role to play in better overseeing pay, incentives and working practices, and in ensuring that these support the long-term success of the company.

We agree that the proposed wider remit, whilst it may not be a perfect fit with its current responsibilities, and for small organisations in particular, is a practical solution. Companies always have the option of allocating the responsibility to another Board committee if that is more appropriate to their circumstances.

The proposed expanded remit for remuneration committees to engage with employees and oversee pay and incentives across the wider workforce should encourage a greater focus on the strategic rationale for executive pay levels in the broader context of the company's purpose, strategy, values and sustainability.

Question 15: Can you suggest other ways in which the Code could support executive remuneration that drives long-term sustainable performance?

The revised Code includes new provisions that, broadly, direct remuneration committees to engage with remuneration of the directors and the wider workforce in a more strategic and principled manner, and to regularly and clearly explain certain aspects of their work.

This change in direction for remuneration committees which is part of an overall change in focus to reinforce the goal of a company's long-term sustainability rather than short-term performance should help drive long-term sustainable performance.

Question 16: Do you think the changes proposed will give meaningful impetus to boards in exercising discretion?

Provision 37 of the revised Code contains an important new requirement for remuneration committees to have express power to adjust any formulaic remuneration outcomes to properly align with company and individual performance.

This reflects current investor expectations about the use of remuneration committee discretion, which investors perceive companies may wish to apply asymmetrically - that is, largely or exclusively to the benefit of directors rather than to reduce rewards that seem excessive in a broader performance context.

The requirement in Provision 41 for committees to explain the remuneration outcomes affected by board discretion coupled with the significant voting rights should allow investors an appropriate voice in the process which might give a meaningful impetus to boards in exercising discretion.

3. UK STEWARDSHIP CODE QUESTIONS

Question 17: Should the Stewardship Code be more explicit about the expectations of those investing directly or indirectly and those advising them? Would separate codes or enhanced separate guidance for different categories of the investment chain help drive best practice?

The Shareholder Rights Directive recognises the differing stewardship responsibilities faced by institutional investors / asset owners, asset managers and service providers / proxies due to the differing nature of their operational activities. The Directive has therefore tailored its requirements of each of the parties to improve consistency of approaches, strategies and values. Examples of requirements include developing an engagement policy by institutional investors and asset managers which includes a set number of items (such as how the investment strategy will integrate shareholder engagement and how voting rights will be exercised), public disclosure of how the asset manager has been incentivised by the institutional investor and half yearly reporting by the asset manager to the institutional investor on how it is complying with its investment strategy.

The objective of the FRC should be to improve the sense of stewardship responsibility across the entire stewardship chain. The format could be an overarching Code with separate and enhanced guidance for differing elements of the investment chain - asset managers, asset owners and service providers.

Question 18: Should the Stewardship Code focus on best practice expectations using a more traditional 'comply or explain' format? If so, are there any areas in which this would not be appropriate? How might we go about determining what best practice is?

Generally, the 'comply or explain' approach appears to have worked well in improving the application of best practice Corporate Governance over the past 25 years in the UK and has received recognition around the world and been integrated into other governance frameworks.

In a revised UK Stewardship Code utilising the 'comply or explain' approach would, we believe, lead to improved outcomes. However, as the Stewardship Code is voluntary, in that the signatories are choosing to follow it, the impact of using the 'comply or explain' method may be limited.

Question 19: Are there alternative ways in which the FRC could highlight best practice reporting other than the tiering exercise as it was undertaken in 2016?

The tiering exercise has been criticised for focusing on the quantity of signatories rather than the quality of stewardship. The current Stewardship Code's tiering structure requires an asset manager to demonstrate (or at least report) a minimum level of stewardship. However, if the Stewardship Code's primary goal is to serve investors, it should also recognise that certain funds may best serve investors by not engaging in stewardship, but simply by providing low-cost access to the equity market.

Thus, the Code should not tier (or hold funds accountable for) demonstrating a minimum level of stewardship, but a level of stewardship consistent with its stated approach to asset management.

Thus, the approach should be through individual Guidance for differing elements of the investment chain.

Question 20: Are there elements of the revised UK Corporate Governance Code that we should mirror in the Stewardship Code?

If the UK Corporate Governance Code focusses on what companies should be doing to promote their long term success then it would seem appropriate that the Stewardship Code should reflect or mirror some of that focus to ensure that Stewardship is focussed on the relevant areas too.

Question 21: How could an investor's role in building a company's long-term success be further encouraged through the Stewardship Code?

Please see answer to Question 20 above. In addition, some sort of mirroring of the s172 provisions in both the revised Stewardship Code and / or FCA's rules might be appropriate.

As noted in our introduction an integrated approach is probably required to achieve the best results for stewardship in general.

Question 22: Would it be appropriate to incorporate 'wider stakeholders' into the areas of suggested focus for monitoring and engagement by investors? Should the Stewardship Code more explicitly refer to ESG factors and broader social impact? If so, how should these be integrated and are there any specific areas of focus that should be addressed?

Individual guidance for the component parts of the investment chain together with taking an integrated approach is probably required to achieve the best results for stewardship in general in terms of the application of the Shareholder Rights Directive and amending the FCA's Handbook.

Question 23: How can the Stewardship Code encourage reporting on the way in which stewardship activities have been carried out? Are there ways in which the FRC or others could encourage this reporting, even if the encouragement falls outside of the Stewardship Code?

The Shareholder Rights Directive includes a requirement that Member States shall ensure that asset managers disclose on a half-yearly basis to the institutional investor with which they have entered into the arrangements how the investment strategy and implementation thereof complies with that arrangement and how the investment strategy and implementation thereof contributes to medium to long-term performance of the assets of the institutional investor.

The inclusion of a requirement to report stewardship performance against relevant stewardship policies, strategies and agreements is an option that may encourage the desired behaviours.

Question 24: How could the Stewardship Code take account of some investors' wider view of responsible investment?

Most definitions of responsible investment focus on the wider issues of Environmental, Social and Governance (ESG) factors. We agree that the Stewardship Code should better recognise the diverse nature of stewardship. Improved outcomes might be encouraged by the different stakeholders along the investment chain defining the purpose of stewardship as it relates to their specific activities.

Question 25: Are there elements of international stewardship codes that should be included in the Stewardship Code?

The ownership of 'UK PLC' has changed radically over past 25 years and is now much more international. The Stewardship Code has to recognise the international nature of investment activity if it is to continue to be relevant.

We therefore encourage the FRC in its review to utilise the best of international developments elsewhere to enhance the overall relevance and effectiveness of the UK Stewardship Code. This might include recognition of such matters as ESG factors, expectations around the use of stock lending, the importance of a long term investment view and other such matters.

Question 26: What role should independent assurance play in revisions to the Stewardship Code? Are there ways in which independent assurance could be made more useful and effective?

Independent assurance such as the AAF 01/06 or SSAE 16 assurance standards may be useful in providing an insight. However, it is important to recognise that the scope covered by these assurance standards may not include the full Stewardship Code. For example, the AAF 01/06 addresses the description of the policies and processes in place to meet stewardship principles, but does not extend to its design suitability or the effectiveness of its implementation. It also does not cover all the principles of the Stewardship Code.

The International Corporate Governance Network has expressed similar concerns stating that the approach in the AAF 01/06 or SSAE 16 standards can only provide assurance on matters that are objectively verifiable, and are not capable of properly delivering the intent of the Stewardship Code.

While these standards do provide some assurance that the Stewardship Code is being addressed, we believe the results are limited in their usefulness.

We also note the ongoing work that the IAASB is undertaking in relation to emerging forms of external reporting, which covers a very wide scope. It might be worth the FRC monitoring this project to see if there are areas where it could usefully be reflected in the FRC's own thinking on independent assurance.

Question 27: Would it be appropriate for the Stewardship Code to support disclosure of the approach to directed voting in pooled funds?

We have no particular comments to make.

Question 28: Should board and executive pipeline diversity be included as an explicit expectation of investor engagement?

As noted in our response to Question 20, if the UK Corporate Governance Code focusses on what companies should be doing to promote their long term success then it would seem appropriate that the Stewardship Code should reflect or mirror some of that focus to ensure that stewardship is focussed on the relevant areas too. This would include engagement on issues such as diversity.

Question 29: Should the Stewardship Code explicitly request that investors give consideration to company performance and reporting on adapting to climate change?

As noted in our response to Question 20, if the UK Corporate Governance Code focusses on what companies should be doing to promote their long term success then it would seem appropriate that the Stewardship Code should reflect or mirror some of that focus to ensure that stewardship is focussed on the relevant areas too. This might include engagement on issues such as climate change but only if companies are required to report on such issues. This is another proposal that requires a more integrated approach.

Question 30: Should signatories to the Stewardship Code define the purpose of stewardship with respect to the role of their organisation and specific investment or other activities?

We agree that the Stewardship Code should better recognise the diverse nature of stewardship. Improved outcomes might be encouraged by the different stakeholders along the investment chain defining the purpose of stewardship as it relates to their specific activities. This will hopefully encourage a focus on the behaviours that reinforce the role of stewardship within organisations.

Question 31: Should the Stewardship Code require asset managers to disclose a fund's purpose and its specific approach to stewardship, and report against these approaches at a fund level? How might this best be achieved?

We believe it would be helpful for asset managers as signatories to the Stewardship Code to define a fund's purpose and its specific approach to stewardship, and how this contributes to the asset managers' overall approach to stewardship. A grouping approach might be used – differing between active funds and, say, tracker funds for instance.

We are concerned that reporting at fund level might be too much of an administrative burden.