

29 March 2011

Stephen Hadrill
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Dear Stephen

UKSIF response to 'Effective Company Stewardship: Enhancing Corporate Reporting and Audit'

Thank you for the opportunity to comment on the proposals in your consultation document 'Effective Company Stewardship: Enhancing Corporate Reporting and Audit'.

We welcome the Financial Reporting Council's consideration of this important issue. We are grateful to Ian Wright for briefing responsible investment analysts on your proposals at an UKSIF seminar on Effective Company Stewardship held on 23 February 2011.

UKSIF is generally supportive of the key recommendations in your consultation document.

In particular, we strongly support your recommendations that:

1. Directors should take full responsibility for ensuring that an Annual Report, viewed as a whole, provides a fair and balanced report on their stewardship of the business.
2. Directors should describe in more detail the steps that they take to ensure:
 - the reliability of the information on which the management of a company, and therefore directors' stewardship of the company, is based; and
 - transparency about the activities of the business and any associated risks.

We believe that this stewardship reporting should be undertaken in a way that supports and encourages good board governance and adds value for investors and, in particular, that use of "boilerplate" declarations should be minimised.

We believe that "greater investor involvement in the processes by which auditors are appointed" should be focused particularly on encouraging the involvement of active owners with a long-term stake in the company. This recommendation might be carried forward particularly by supporting and encouraging greater involvement by long-term investors who are signatories to the Stewardship Code, the UN-backed Principles for Responsible Investment (PRI) and similar initiatives.

We warmly welcome the development of the FRC's responsibilities to enable it to support and oversee effective company stewardship.

About UKSIF

UKSIF, the sustainable investment and finance association, promotes responsible investment and other forms of finance that support sustainable economic development, enhance quality of life and safeguard the environment. UKSIF was created in 1991 to bring together the different strands of sustainable and responsible finance nationally and to act as a focus and a voice for the industry. UKSIF's 250+ members and affiliates include pension funds, asset managers, banks, financial advisers, research providers, consultants and non-governmental organisations. For more information, please visit www.uksif.org.

UKSIF supports long-term responsible investment and ownership. It focuses its corporate governance support on the interface between governance on the one hand and social, environmental and ethical issues on the other.

Our response is based on comments made by our members at the seminar described above, together with our responses to recent government consultations on:

- The Future of Narrative Reporting
- Long-term Focus for Corporate Britain

It has also been informed by the response of the European Sustainable Investment Forum (Eurosif) to the recent European Commission consultation on the disclosure of non-financial information by companies.

With best wishes

A handwritten signature in black ink that reads "Penny Shepherd". The signature is written in a cursive style with a long horizontal line under the first name.

Penny Shepherd MBE

Chief Executive

UKSIF – the sustainable investment and finance association