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Dear Hayden Johnston

## CP10/15: Disclosure of Commitment to the Stewardship Code Principles (COBS)

Thank you for the opportunity to respond to this consultation.

UKSIF strongly supports the introduction of the Stewardship Code. High quality stewardship is essential for long-term wealth creation and protection as well as to meet the broader interests of society and so protect the continuing "licence to operate" of asset owners and their agents.

We believe that meaningful transparency about Stewardship Code commitment and implementation is necessary to support responsible ownership. However, we do not believe that it will be sufficient. Action by other investment industry stakeholders, particularly asset owners, will also be required to create an investment industry culture that values and rewards high quality stewardship.

### Q13: Do you agree that we should introduce a new rule in COBS, as outlined in Appendix 5?

Yes, UKSIF supports the introduction of this rule.

### Q14: Is there any reason why other categories of firm should be excluded from the scope of this requirement? Please explain your position.

We do not believe that further categories of firms should be excluded. Over time, we expect increased demand for Stewardship behaviours to extend across asset classes and, for this reason, it is proportionate to include a disclosure requirement now that goes beyond those firms that directly manage public equities. This will reduce future effort by both regulated firms and the regulator to negotiate changed boundaries. We believe also that the exclusion of venture capital firms should be kept under review.

We strongly support the proposal to include firms managing collective investment schemes as well as firms managing portfolios for occupational pension schemes and other institutional clients. We expect to see a growing interest by private investors and civil society in how responsible ownership is exercised on behalf of such collective investment schemes. It is therefore important that meaningful information is available about this. For example, the introduction of the Stewardship Code was covered on Radio 4's "You and Yours" programme in June. The BBC web page for this programme states "*A new code aimed at making it easier for the public to keep an eye on where and how our savings and pension contributions are being invested is to be launched.*"[1]

Given this potential for private investor and civil society interest, we disagree with the proposal to exclude totally any firm managing assets only for retail clients and/or natural persons. We propose that firms managing large amounts of assets for such clients should be included. Further consultation should take place on an appropriate threshold.

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[1] http://www.bbc.co.uk/programmes/b00snmc1

## Q15: Do you agree that a general disclosure would suffice in cases where asset managers' clients have different expectations or requirements?

No. While we appreciate that full mandate-specific disclosures could be impractical and cause issues of confidentiality in relation to some clients, we do think that a greater level of granularity is needed than that proposed. For example, managers could be required to segment their assets under management according to the strategies used and disclosure information about the usage of each strategy. Such usage data might include:

- The asset classes and total and percentage of assets managed using this strategy
- Types of clients for which the strategy is applied
- The names and amounts of all major client mandates (ie. those over an agreed threshold) for which the strategy is applied, where the client is subject to other transparency requirements in the public interest (eg. occupational pension funds, charitable foundations).

We would comment also that this question highlights the need for additional measures from the FSA and The Pensions Regulator to require transparency on stewardship by asset owners as well as by firms. For example, the FSA should require Key Features Documents for collective investment products to include details of which of the investment manager's Stewardship strategies is applied for that investment product (including any customised Stewardship strategy not already disclosed at the firm level). Such a "two tier" requirement would make meaningful disclosure considerably easier to implement.

## Q16: Do you agree that disclosure should be through the firm's website? What other methods of disclosure would be appropriate (e.g. via the prospectus, or periodic reporting) to make the statement accessible?

In principle, any disclosure method should be permitted if it is genuinely easily accessible to the public, internationally and in the UK, and it can be and is kept up to date. However, we agree that it is in the public interest that disclosure should be required through the firm's web site where one exists.

## Q17: Do you agree with our assessment that the increase in costs for firms as a consequence of our proposed requirement will be of minimal significance?

While we have not undertaken a detailed investigation, we expect the cost of disclosure to be minimal.

The cost of effective implementation of the Stewardship Code is a different issue from the cost of disclosure. As we have highlighted to the Financial Reporting Council, the success of the Code will depend on genuine demand from pension funds and other asset owners which create commercial drivers that justify the costs of high quality implementation.

## UKSIF – the Sustainable Investment and Finance Association

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. We also seek to ensure that individual and institutional investors can reflect their values in their investments. We aim to support the UK finance sector to be the world leader in advancing sustainable development through financial services.

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 200+ members and affiliates include pension funds, institutional and retail fund managers, retail and investment banks, financial advisers, research providers, consultants and non-governmental organisations. For more, please visit www.uksif.org.

With best wishes

Penny Shepherd

**Penny Shepherd MBE**
Chief Executive
UKSIF – the sustainable investment and finance association