

Press release – 05/06/09



Association of British Insurers



The Institutional Shareholders' Committee (ISC), which groups the four main institutional investor bodies, today published a series of proposals designed to make engagement by investors more effective in the wake of the banking crisis.

The proposals are designed to feed into the current Walker Review of corporate governance in banks and into the Financial Reporting Council's review of the Combined Code. They set out ways in which the ISC believes the role of shareholders and their agents can be enhanced and how communications with companies can be improved.

The paper emphasises the need for fund managers to have clear mandates from those that appoint them and fund managers to be responsible for following them. It also proposes that:

- The current ISC Statement of Principles on the Responsibilities of Institutional Shareholders and their Agents will be reviewed and designated as a Code. Investors will be able to sign up to this and report publicly on how they apply it. The ISC will publish a list of signatories.
- Steps should be taken to enhance the ability of investors to act collectively to ensure their message is getting across when company dialogue is failing. The Chairman of the ISC will consult a broad range of senior practitioners to develop ways of achieving this. A key objective is to encourage more institutions to participate, and this requires the authorities to clarify the rules on acting in concert and the treatment of inside information.
- Where, however, dialogue fails to produce an appropriate response, shareholders and/or their agents should be prepared to use the full range of their powers including voting against resolutions and follow-up afterwards. The ISC considers that investors have on occasion been too reluctant to act in this way.
- Chairs of the key board committees should stand for re-election each year. When an individual fails to receive more than 75 per cent support of all votes cast, including abstentions, the Chairman of the board should be required to stand for election the following year. This would ensure that boards respond to investor concerns and creates a strong incentive for boards to address them in a timely manner.

“ We believe this paper is a useful contribution to the evolving debate,” said Keith Skeoch, ISC Chairman. “Institutional investors wish to be more effective and have an important role to play. The ideas set out in this paper are an important step in this direction and should make a real difference.”

The paper also suggests a number of enhancements to the Combined Code covering the roles of the Chairman and Senior Independent Director, succession planning, risk oversight, board evaluation and the need for independent directors to obtain access to outside advice when they feel this is necessary to their understanding.

A copy of the paper is attached.

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Note for editors

<http://www.institutionalshareholderscommittee.org.uk/>

The ISC is a forum which allows the UK’s institutional shareholding community to exchange views and, on occasion, coordinate their activities in support of the interests of UK investors.

Its constituent members are: The Association of British Insurers (**ABI**), the Association of Investment Companies (**AIC**), the Investment Management Association (**IMA**) and the National Association of Pension Funds (**NAPF**)