

Standard Life Investments

1 George Street
Edinburgh
EH2 2LL

phone: 0131 245 7956

fax: 0131 245 5138

email: mike_everett@standardlife.com

www.standardlifeinvestments.com

Sir George Cox

12 December 2012

Dear Sir George

Impact of 'Short-Termism' on British business

Standard Life Investments (SLI) is a major UK institutional investor with assets under management of £163.4 billion as at 30 September 2012. SLI aspires to be a long-term investor and believes that we are recognised as such by our peers, those whose capital we invest in and perhaps most importantly, our clients.

A significant proportion of our client base has long term liabilities; we therefore have a strong incentive to consider those issues that foster a long term approach to investing by companies and their investors. Investor behaviour has received much attention since the 2007-2008 financial crisis and we believe that there has been significant progress on the issue of investor behaviour in equity markets in recent years. The Stewardship Code in 2010 and the Kay Review in 2012 have made a number of recommendations that should support the development of a long term approach to institutional investment.

However there are still concerns about the thrust and balance of policy and its impact on the supply and incentives for long term behaviour across all the asset classes that ultimately provide funding for corporate entities in the UK. It is our view that these concerns are best addressed through constructive dialogue, improved engagement and a partnership approach – specifically, industry and regulators working together with a common focus on investor and long term saver outcomes.

As part of this ongoing dialogue we are pleased to enclose our response to your call for evidence. I am conscious that this input to your review is later than is ideal, but you may be aware that we also provided a detailed submission to the Kay Review and we were keen to assess the government's response to this review before providing further input to your work. Our feedback to your questions includes links to a recent speech by our Chief Executive, Keith Skeoch, on the topic of 'Long Term Investing – The Way Forward' given to the North East Chamber of Commerce and to our response to the Kay Review which we hope you will find of interest.

We note that the scope of your review is broader than that of Professor Kay's, for example it covers tax and questions of culture. However, in relation to the UK equity market we would reiterate one of the points that we made to the Kay Review; namely that we believe any consideration of long termism should look at all types of long term capital, including particularly private equity and bonds.

We hope that you will find the information provided of value. As indicated above we are keen to ensure a continued dialogue between all stakeholders on the topic of long term investing and would welcome an opportunity to meet with you and/or members of your team in early 2013 to discuss our views in more detail. In the meantime, if you have any questions on the information provided, please do not hesitate to contact me (mike_everett@standardlife.com).

Yours sincerely

A handwritten signature in black ink, appearing to read 'Mike Everett', with a stylized flourish at the end.

Mike Everett
Governance and Stewardship Director
Standard Life Investments