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The Takeover Panel
10 Paternoster Square
London
EC4M 7DY
01 June 2011

Dear Sirs,

Review of certain aspects of the regulation of takeover bids

I am writing to you on behalf of the directors of Schroders Pension Trustee Limited following the publication of a consultation document on 21 March, 2011 in connection with proposed amendments to the Takeover Code.

The consultation document has been developed from the initial consultation published on 1 June, 2010, which arose principally as a result of various public comments as to the need to update the Takeover Code in the wake of the Kraft Foods bid for Cadbury.

One of the key proposals introduced in the current draft is the requirement for Offerors and Offerees to provide greater recognition of the interests of Offeree company employees through:

1. Improving the quality of disclosure by Offerors and Offerees as to the Offeror's intentions regarding the Offeree company and its employees; and
2. Improving the ability of employee representatives to make their views known, including the provision of the right of employee representatives to give an opinion on the offer and for publication of such opinion by the Offeree.

This development is a constructive response to the issues that arose during the Cadbury's takeover but it also raises the issue of whether it is right that the interests of pension trustees and beneficiaries should continue to be excluded from the ambit of the proposed amendments to the Code. In particular:

1. Why are these provisions only being developed for current employee representatives? Should not trustees looking after the continuing interests of current and past employees in the company pension fund, particularly where there is a deficit in the scheme, have appropriate rights?
2. Why have no code amendments been considered or proposed to deal with the particular circumstances of defined benefit pension funds in takeover bids?

In our view these interests should be safeguarded by Code provisions including:

1. A requirement for an Offeror to disclose its intentions regarding the pension scheme including the impact of the offer and associated financing on the scheme and a negative statement if it has no intentions and no impact is expected
2. A requirement that an Offeror must make a public statement of its intentions regarding recovery periods in respect of defined benefit schemes which are in deficit, to which the trustees have a public right of reply.
3. A requirement that an Offeror must adhere to the statements made in 1 and 2 above, at least for a period.

I look forward to hearing the results of this consultation.

Yours faithfully,

Frances Heaton
Chairman

cc NAPF