

Stuart Rose must quit as M&S chair next year, says investor group

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A group of Marks & Spencer shareholders will today call on Sir Stuart Rose to give up his controversial executive chairman role a year early, and is to lobby the company's other investors to support the move.

Ahead of a trading update from M&S due tomorrow, which is expected to show like-for-like sales falling by about 7% in the fourth quarter, the Local Authority Pension Fund Forum has tabled a resolution for the company's annual meeting in mid-July. The forum, which owns between 1% and 2% of the company, does not go as far as advising shareholders to vote against Rose staying on as chief executive. Instead its resolution proposes that M&S appoints an independent chairman by 2010 to support Rose. At the moment Rose is due to depart in the summer of 2011.

Sources close to the company claimed the resolution was unhelpful at a time when M&S was trying to trade its way through the recession. But they admitted that Rose's appointment as both chairman and chief executive at last year's annual meeting contravened the combined code on corporate governance. The move provoked a protest vote by about 22% of shareholders.

"Given Stuart Rose's reputation that was a huge vote of no confidence," said a spokesman for the forum. "We have been in dialogue with the company this year, but it has not given any signal it intends to split the role. We know there were other shareholders who were unhappy but did not want to vote against Rose. We hope this resolution solves their problem."

The forum believes the current situation puts too much power in the hands of one individual, and sends the wrong message to other businesses about the value of the combined code. It said: "The M&S board now exhibits a high degree of governance risk: all board members have been appointed since Sir Stuart's nomination to the board and several of the new board announced last year have worked with Sir Stuart at other companies prior to their appointment at M&S."

Councillor Ian Greenwood, chairman of the forum which represents 49 public sector pension funds with assets of more than £75bn, said: "Since this case represents such a significant breach of long-established and widely-accepted best practice, it is incumbent on shareholders who do take their ownership responsibilities seriously to challenge it."

An M&S spokesman said: "The M&S board is fully aware of its obligations and believes the appropriate succession timetable is in place and that it has the right leadership to take the company through this period."