

Rose facing City revolt over dual role

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THE row over the future of Marks & Spencer boss Sir Stuart Rose will intensify this week as one of its largest shareholders steps up its campaign to split the role of chairman and chief executive.

Sources close to the Local Authority Pension Fund Forum (LAPFF), whose members have combined assets of more than £95 billion, say its chairman Ian Greenwood will tomorrow try to outflank M&S's board. He is expected to issue a public statement distancing the LAPFF from Rose and reiterating his call for an independent chair to be in place by July next year.

The high-street stalwart has been under pressure from top shareholders for more than a year over the controversial decision to allow Rose to be both chairman and chief executive.

Greenwood will this week continue his round of meetings with City institutions in a bid to persuade them to back the forum's resolution. Sources say the LAPFF has already received confirmation from a number of major institutions that they will vote for its resolution. Three shareholder advisory groups, Glass Lewis, Pirc and RiskMetrics, have also called on shareholders to support the LAPFF's resolution.

Growing discontent with Rose's position is likely to overshadow an improvement in M&S's performance in the first quarter of its financial year when it delivers a trading update to the City on Wednesday.

This comes a week ahead of what promises to be a stormy annual meeting on 8 July. A shareholder revolt is expected over directors' remuneration packages as investors voice their unease over the group's governance.

Last Monday, Rose and fellow director Steve Sharp said they would waive rights to a third of the shares they were entitled to under the performance share plan in the interests of "good shareholder relations".

On Wednesday, Rose is expected to announce that sales at stores open at least a year fell between 1.8 and 3.5 per cent in the last three months, which would be an improvement from a 4.2 per cent fall in the fourth quarter of last year. Analysts said figures will have been boosted by this year's late Easter and better weather.

But underlying food sales are expected to have fallen between 0.5 and 4.2 per cent. This is poor when compared with underlying sales growth of 7.8 per cent recently reported by Sainsbury and 5.7 per cent growth announced by Waitrose.

M&S shares have lost 11 per cent of their value over the past year, underperforming the DJ Stoxx European retail index by 9 per cent. Analysts say the group needs reinvention and regrouping in the same way Tesco did in the

early 1990s.

Retail analyst David Jeary at Investec said: "The succession issue is still one that very much needs to be resolved. We are convinced that it has to be someone from outside the group, with the caveat that they should have some previous M&S experience on their CV."

It is believed the search for a new chief executive could start as early as this autumn. It is anticipated that the retailer will recruit both a new chief executive and chairman by July 2011.

Asda boss Andy Bond has dampened talk that he would be interested in the job.