

Pension funds criticise Rose's promotion

Financial Times 15 April 2008

Marks & Spencer faced fresh shareholder criticism from local authorities on Monday even as a new blue-chip buyer emerged as a top-five shareholder.

The Local Authority Pension Fund Forum said that M&S's move to promote Sir Stuart Rose from chief executive to executive chairman could prove to be a dangerous precedent, that could encourage other companies to concentrate too much power in one executive.

It said on Monday that the row "is about risk, not box ticking ... There is a significant risk for investors that the decision to breach a key principle will send a message to the market as a whole."

The switch has caused a rare public argument with institutions such as Legal & General and Schroders, although M&S has received the support of Brandes, its biggest investor, and Invesco Perpetual.

Some shareholders have threatened to cast a protest vote against Sir Stuart's re-election in July to signal their concerns about the concentration of power in Sir Stuart's hands.

However, Invesco Perpetual said it was vital that Sir Stuart stayed at M&S. "As a shareholder why wouldn't you want to back Stuart Rose and his strategy?" said Neil Woodford, fund manager at Invesco. "I want [Mr] Rose to see his strategy through at a difficult period for the company and I want him to groom people to succeed."

Meanwhile, M&S revealed that Capital Research and Management Company, which as a large shareholder in both Microsoft and Yahoo have a key role to play in the software group's takeover bid for the internet portal, had built a 5.5 per cent stake.

Capital on Monday declined to comment on its investment, which it is believed to have held for some time. It breached the 5 per cent barrier for disclosure on March 28 but M&S said it only received notification on Friday.

While criticism from the LAPFF will not be welcome at M&S, local authorities have a combined stake in the retailer of about 1 per cent, making them a relatively minor force in the argument.