

For immediate release

LAPFF backs Rose but pushes for mainstream governance at M&S

The Local Authority Pension Fund Forum (LAPFF) has signalled its support for Sir Stuart Rose at Marks & Spencer but urged investors to support its resolution calling for the company to appoint an independent chair by July 2010.

In an alert sent to its members last week, the Forum recommended that they vote for Sir Stuart's re-election in addition to supporting the resolution at the forthcoming AGM.

LAPFF chairman Cllr Ian Greenwood said: "We want to be absolutely clear that the focus of our concerns is the governance structure, not Sir Stuart himself, and we are recommending that our members support his re-election. But we also urge M&S shareholders to signal their support for good governance by voting for our resolution calling for an independent chair."

In March 2008 Marks & Spencer announced that Sir Stuart Rose would become executive chair "combining the roles of chair and chief executive" in clear breach of the UK Combined Code on Corporate Governance. Many investors were concerned at this decision, as evidenced by the large number of abstentions on the resolution to re-elect Sir Stuart at last year's AGM, but most did not believe that voting against was a responsible strategy. Therefore the Forum's resolution is intended to provide a 'safety valve' for those shareholders who want the company to uphold best practice in terms of board structure, but do not want to vote against Sir Stuart himself.

Cllr Greenwood further stated that: "Clearly we don't share the company's view that the resolution will destabilise the company. It is after all the board which has created this situation by diverging from the best practice accepted by the vast majority of the UK-listed market. Marks and Spencer now has some strange bedfellows in other companies with combined roles. However if the board responds to the resolution in the same constructive spirit in which it has been filed then the company can re-enter the governance mainstream."

The board has argued that the combined roles are part of its succession planning. In a follow-up communication to shareholders sent in April 2008 – after the decision to appoint Sir Stuart as executive chair had been taken – the company stated that this would enable internal candidates to develop. Subsequently two potential internal successors – Steven Esom and Carl Leaver – have left the company.

UK Combined Code provision A.2.1 states: The roles of chairman and chief executive should not be exercised by the same individual.

Only 16 companies in the All-Share combine the roles.

About LAPFF:

The Local Authority Pension Fund Forum (LAPFF, www.lapfforum.org), which was set up in 1991, is a voluntary association of 49 public sector pension funds based in the UK. It exists 'to promote the long-term investment interests of local authority pension funds, and to maximise their influence as shareholders to promote corporate responsibility and high standards of corporate governance amongst the companies in which they invest.' The Forum's members currently have combined assets of over £75 billion.

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