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Pension funds push for independent chair at Marks & Spencer

The Local Authority Pension Fund Forum (LAPFF) has filed a shareholder resolution at Marks & Spencer calling for the company to appoint an independent chair by July 2010.

In 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. The Forum made clear that if the company did not revert to best practice by the time of the 2009 AGM that it would file a shareholder resolution seeking an independent chair. Despite the concerns of shareholders, Marks & Spencer has not moved to appoint an independent chair. Therefore the Forum has filed a resolution with the company.

This 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. As long-term investors the Forum has informed the company that it has no plans to recommend that its members vote against his re-election.

LAPFF chairman Cllr Ian Greenwood said: "The separation of powers at the head of a company is a fundamental governance principle, and one that is accepted by the rest of the market. Ultimately corporate governance is about ensuring that the right structures and policies are in place to ensure that companies are well run, to the benefit of all concerned. The Combined Code has evolved over time through patient collaboration between companies and investors. Therefore any company that effectively says to investors we don't need to follow the rules, raises a red flag".

Cllr Greenwood further stated that "The Forum is also aware of recent commentary to the effect that shareholders did not act as engaged owners in the period before the current financial crisis. We therefore believe it is important that shareholders demonstrate that they will raise their game. 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. This resolution will enable them to do so more effectively.

In total Forum members own over 1% of the issued share capital of Marks & Spencer.

Copies of the resolution and supporting statement are available on request.

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

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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