A LONG-TERM FOCUS FOR CORPORATE BRITAIN
Call for Evidence Response Form

A copy of the consultation available at: http://www.bis.gov.uk/consultations.

Responses to the Consultation should be received by 14 January 2011.

Completed copies of the response form should be returned:

Via email to: clgconsultations@bis.gsi.gov.uk

Via post to:

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Name: Roger Key

Organisation (if applicable):

Address:

Email:

Please tick the box from the following list of options that best describes you:

	Quoted company
X	**Other company**
	Investor or investment manager
	Business representative organisation
	Investor representative organisation
	Non governmental organisation (NGO)
	Trade Union

	Lawyer or accountant
	Other (e.g. consultant or private individual)

The Board of Directors

<u>Question 1</u>: Do UK boards have a long-term focus – if not, why not?

Comments
No. The only real requirement is to deliver short term investors return. Business is not about profit – profit is needed to stay in business – business SHOULD deliver much more – social and environmental as well as financial. However the rules and regs on businesses concentrate on financial returns, not financial robustness and definitely do not require a focus on long term sustainability of business, environment or future. **Anglo-American capitalism if fundamentally flawed – it delivers good profits for parasitic companies – such as the gambling den that is the stock market. It does not return long term sustainability, equality and development for all.**

<u>Question 2:</u> Does the legal framework sufficiently allow the boards of listed companies to access full and up-to-date information on the beneficial ownership of company shares?

Comments
Whether it does or not, the board focus is on the short term financial returns to a small number of large share holders. **Share holding is a gamble, and should be seen as such. It is not a productive, supportive business activity.**

Shareholders and their role in equity markets

<u>Question 3:</u> What are the implications of the changing nature of UK share ownership for corporate governance and equity markets?

Comments
If share ownership becomes more common the ability for individuals to influence strategy and policy must increase. Democracy suggests that one share one vote is valid, but where you get pension funds holding millions of shares and individuals holding hundreds a feeling of disenfranchisement could develop, and along with it potentially less reasonable methods of engagement and direct action.

<u>Question 4</u>: What are the most effective forms of engagement?

Comments
Do not know – maybe some sound research would answer the question – to what end is the engagement being sought etc. **If the intent is to engage a greater range of shareholders getting rid of the fustiness and corporate fluff and getting to where people are would help – ie AGMs online rather than in the city of London?**

<u>Question 5</u>: Is there sufficient dialogue within investment firms between managers with different functions (i.e. corporate governance and investment teams)?

Comments
Don't know – I would guess not

<u>Question 6</u>: How important is voting as a form of engagement? What are the benefits and costs of institutional shareholders and fund managers disclosing publically how they have voted?

Comments
Voting is of marginal value when large corporate holdings and pension funds hold so many votes. A requirement on them to take note of their members and shareholders much in the same way as the Union block vote was changed to make sure it reflected the memberships wishes, could help. Then there would have to be clarity and open disclosure as to how this corporate votes were cast, and possibly why. **Reforming voting rights so there is not 'one share one vote' but scaled so smaller holdings need fewer shares per vote than larger holdings – and a cap on the number of votes any one shareholder can have for plc's (10%? 15%) – meaning that there would have to be more consensus across the stockholding**

<u>Question 7</u>: Is short-termism in equity markets a problem and, if so, how should it be addressed?

Comments
Short termism is a problem where ever it raises it head. Bonuses should not be paid on short term performance but on long term stability – actually bonuses are a poor tool and all the rigorous scientific research points to them being a detrimental tool. **A 10 year frame for claw back on bonuses would focus the mind a little – ie if the short term benefit of 2000 was not still in place in 2010 bonuses from 2000 would be clawed back.** **Ditto dividends – should be paid on long term (10 year plus) performance not annual.** **Gains from share price fluctuations should carry substantial tax. The shorter the holding the greater the tax, less than a day 110% more than 10 years 0%** **Of course it will never happen because big business gives too much money to too many political parties over the globe.**

<u>Question 8</u>: What action, if any, should be taken to encourage a long-term focus in UK equity investment decisions? What are the benefits and costs of possible actions to encourage longer holding periods?

Comments
Tax gains dependent on term of holding. 100% < 1 year to 0% for a 10 year holding. **Does not stop sale of a falling share but would impact on short selling and market making through buying and selling.**

<u>Question 9</u>: Are there agency problems in the investment chain and, if so, how should they be addressed?

Comments
Do not know

<u>Question 10</u>: What would be the benefits and costs of more transparency in the role of fund managers, their mandates and their pay?

Comments
Benefit would be transparency and accountability. **Cost could be inability to act on clients behalf if it is detrimental to another client. It could prevent fund managers acting in an ethical or responsible manner if this would damage relationships with less ethical but large holdings.** **There is no downside to pay transparency apart from possible inflation as others aspire to the same**

Directors' Remuneration

<u>Question 11</u>: What are the main reasons for the increase in directors' remuneration? Are these appropriate?

Comments
Directors who deliver value should be recompensed in line with that value. They should not be remunerated just because of their past or because others have a larger package. **Their should be clarity of value brought and remuneration delivered.**

<u>Question 12</u>: What would be the effect of widening the membership of the remuneration committee on directors' remuneration?

Comments
Depends on who is on that committee. If it is just the old boys Directors circuit it will have no effect what so ever. Possibly make things worse. **Representation from across the range of investors, customers, clients, public bodies etc could bring a more accountable and transparent outcomes.** **There should be a limit to how many remuneration committees any one person or company representative can sit on (two?)**

<u>Question 13</u>: Are shareholders effective in holding companies to account over pay? Are there further areas of pay, e.g. golden parachutes, it would be beneficial to subject to shareholder approval?

Comments
No. Shareholders do not hold companies to account being as the institutional holdings have so many votes as to make it not worth bothering. **All areas of remuneration and benefit should require shareholder agreement and there should be a scaling of votes per share so that there is a greater benefit for small shareholders than large.**

<u>Question 14</u>: What would be the impact of greater transparency of directors' pay on the:

- **linkage between pay and meeting corporate objectives**
- **performance criteria for annual bonus schemes**
- **relationship between directors' pay and employees' pay?**

Comments
a) depends on how it is enacted – could be a close tie in **b) bonus schemes are devoid of benefit to businesses – all the research shows this. So they should not be there – but if present it should be there and if more than 50% of all directors achieve more than 50% of their bonus there is something wrong in the bonus system and it needs resetting (half of directors are below average performance – a matter of definition – so only about 50% of them should ever perform well enough to gain more than 50% of the bonus)**

Takeovers

<u>Question 15</u>: Do boards understand the long-term implications of takeovers, and communicate the long-term implications of bids effectively?

Comments
In my experience - no

<u>Question 16</u>: Should the shareholders of an acquiring company in all cases be invited to vote on takeover bids, and what would be the benefits and costs of this?

Comments

Yes.

Cost – it should be seen as part of the take over

Benefits – there would be a clear mandate from both companies for the take over and (hopefully) clearer understanding of the benefits to both.

<u>Question 17:</u> Do you have any further comments on issues related to this consultation?

Comments
Fiddling at the edges will make little difference. We have lost sight of what business is for – as they say, you cannot eat money – and as we get a bigger and more profitable Domestic Product, we get no happier – potentially even less happy. **The role of government should be to deliver a fruitful and contented life for ALL its citizens, not a big profit for a few at the expense of the many. Capitalism and business have a art to play in this, but there are many things they cannot supply and 200 years of pandering to the markets, profit and capital have not delivered for all.** **It is a fundamental rethink of why we do what we do, not a fiddle at the edges. However people succeed not only due to their talent, but due to circumstance and luck. To hold those who are fortunate trough circumstance and luck to account on behalf of those who have not had such fortune can only be a good thing** **BTW – I am a Director of two companies and see it as an honour not a right.**