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:

Adam Gray
Long-term Focus Consultation
Corporate Law and Governance
Department for Business, Innovation and Skills
1 Victoria Street
London
SW1H 0ET

Name: nigel turnbull

Organisation (if applicable):

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

	Quoted company
	Other company
	Investor or investment manager
	Business representative organisation
	Investor representative organisation
	Non governmental organisation (NGO)
	Trade Union
	Lawyer or accountant
X	**Other (e.g. consultant or private individual)**

The Board of Directors

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

Comments

Yes except when overcome by short term issues

<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
Yes

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
Boards need to agree long-term objectives for the managers of their pension schemes and not judge them on short term performance so that the managers can take a similar view about their investments

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

Comments
Regular one to one meetings

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

Comments
NO

<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
It is the ultimate sanction. Not helped if the stock has been lent to a third party

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

Comments
Greater transparency of information and knowing management sufficiently well to trust the sustainability of the results will overcome the downside

Question 8: 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
An incentive through the tax system probably is the only effective way

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

Comments
Do not have sufficient available information to be able to comment. Can understand the point being made about aligning fund managers bonuses to long-term achievement not short term performance

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

Comments

It would help management understand the likely stance to be taken by their shareholders

Directors' Remuneration

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

Comments
Global competition and the ability of people to move jobs together with Pay consultants advising Boards on industry levels and an expectancy that good managers should earn above the median

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

Comments
It depends on the background of the members of the Committee and what information is being provided. There may be a need for the Committee to be independently advised rather than having to accept advice from outside advisers appointed by management

<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

Not really given the chance but it is difficult to know how they can be without undermining the orderly process within a company

<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
I believe that there should be greater transparency to enable the criteria and the achievement to be challenged. **The relationship is an outcome which is dependent on the structure and whether employees are similarly rewarded**

Takeovers

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

Comments
Probably

<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 depending on the size being significant

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

Comments
I believe that it is important for good governance within a company for the Company Secretary to be independent and to be appointed by the Chairman and non Executives and report to them. It is a key role in ensuring that non executives can operate efficiently and effectively and know sufficiently what is happening within the company. Additionally it is very important that companies recruit effective non executives and that management understand their role and appreciate their contribution