

Chairs and NEDs of FTSE companies optimistic on London's long-term appeal but show some differing sentiment compared to their executive peers

The approaches taken by UK policymakers to revitalise London capital markets have won support among executive directors and non-executive directors (NEDs), but with some key differences in sentiment.

Our recent Raised in London research of 150 FTSE leaders encompassing all roles that have a high-level impact on growing successful UK businesses – including NEDs, CEOs and CFOs¹ – highlights that the latest reforms from policymakers have met with varying degrees of optimism across the full range of senior leadership roles. Consensus among both NED and C-suite leaders is largely positive, with widespread enthusiasm about what such reforms could bring and near unanimous agreement (90%) that London's competitiveness will increase over the next three years. However, throughout the survey results, NEDs are less optimistic than CEOs, particularly on the outlook for pension allocations and proposed regulatory changes.

Winning over the pension giants

The targeting of pension funds for reform is a significant source of optimism for FTSE

leaders. Ownership of UK-listed companies has fallen heavily in the past two decades; in 2000, pension funds held over 50% of their assets in UK equities, while the proportion is now only 4%, with pension fund managers increasingly looking to other asset classes and jurisdictions.²

One solution suggested by the government is to ensure UK pension funds make a minimum investment in UK equities. While voluntary quotas were mentioned in the Chancellor's recent Mansion House Reforms, an overwhelming majority of FTSE leaders want this to be mandated, with 91% of respondents in favour. Not only would this enforce institutional investment in their companies, but could also stimulate future IPO activity. There is, however, also a degree of caution present. A lesser majority (75%) of FTSE leaders believe allocations will increase over the next two years, while 8% expect levels to drop instead. NEDs are among the



Stuart Ord & Oliver Ives,
Co-Heads of M&A

8% of sceptics, perhaps due to their role's focus on challenging corporate strategy.

Getting the balance right

The FCA's proposed changes to listing rules and potential plans to reintroduce research bundling for smaller listed companies were identified by respondents as the most important reasons for optimism, with support from 92% of the sample in each case. Among the 8% that disagree, it is notable that NEDs are among the most vocal on opposing both reforms – potentially given these respondents are more focused on the challenges of liaising with external stakeholders.

¹ Raised in London - The FTSE Leaders on UK Capital Markets survey (May 2023) – Numis commissioned a FTSE Leaders' survey on capital markets. The responses are based on 150 board/senior directors of UK-listed companies, of which 27% work for FTSE 100 companies; 27% for FTSE 250 companies; 33% for AIM companies and 13% for other FTSE listed companies. Respondents are CEOs, CFOs, heads of investor relations, senior independent directors and chairpersons.

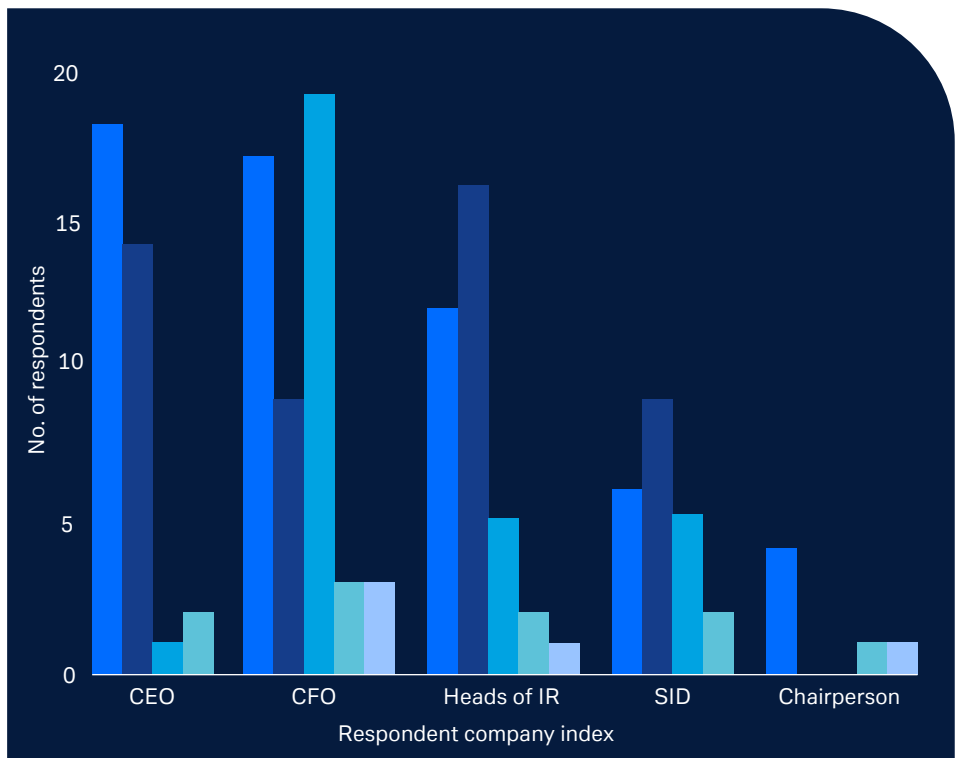
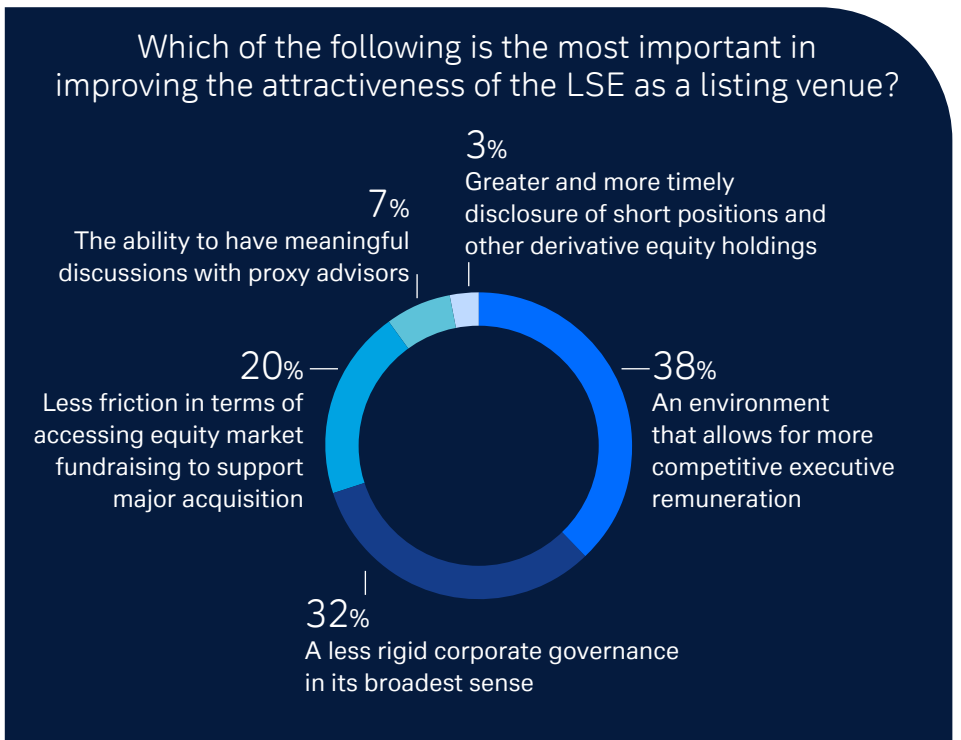
² Investing in the future: boosting savings and prosperity for the UK (29 May 2023)



Reforms put to FTSE leaders are largely welcomed, but there is a lack of consensus over the approach that should be taken. Scrapping the UK's two-tier listing structure is almost unanimously approved of by 99% of respondents, but of these nearly half (42%) feel the proposed reforms do not go far enough. At the same time, 95% of FTSE leaders admit they are concerned about LSE regulatory standards being diluted. However, this did not register a blanket response, with NEDs among the least concerned.

A key factor in a jurisdiction's competitiveness is the ability to retain its top talent. It is therefore perhaps unsurprising that the majority of CEOs identify competitive executive remuneration as the top driver for fortifying London's appeal as a premier listing venue. Interestingly, though this is regarded as a significant factor by C-suite FTSE leaders as a whole, it isn't the most important one for NEDs, who feel a less rigid corporate governance structure is key.

Ultimately, the UK remains a popular location for many high-quality companies and FTSE leaders are telling us that it is crucial to get the reform balance right for British business. It is clear that UK policymakers need to adopt a measured approach that takes into account the considered views from all senior leadership roles across the industry.



- An environment that allows for more competitive executive remuneration.
- A less rigid corporate governance in its broadest sense.
- Less friction in terms of accessing equity market fundraising to support major acquisition.
- The ability to have meaningful discussions with proxy advisors.
- Greater and more timely disclosure of short positions and other derivative equity holdings.

Important notice

This report has been prepared by Numis Securities Limited ("Deutsche Numis") and its affiliates. Deutsche Numis has not independently verified the information contained herein, nor does Deutsche Numis make any report or warranty, either express or implied, as to the accuracy, completeness or reliability of the information contained in this report. Nothing contained herein is, or shall be relied upon as, a promise or representation as to the past or future. Deutsche Numis, its affiliates, directors, employees and/or agents expressly disclaim any and all liability relating or resulting from the use of all or any part of this report or any of the information contained therein. This report has been prepared solely for informational purposes and is not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. You should not construe the contents of this report as legal, tax, accounting or investment advice or a recommendation. No investment, divestment or other financial decisions or actions should be based solely on the information in this report. This material must not be copied, reproduced, distributed or passed to others at any time, in whole or in part, without the prior written consent of Deutsche Numis and Deutsche Numis specifically prohibits the redistribution of this material and accepts no liability whatsoever for the actions of third parties in this respect. Deutsche Numis is authorised and regulated by the Financial Conduct Authority and is entered on the latter's Register, www.fca.org.uk, under number 144822. Deutsche Numis is incorporated in England & Wales, Company Registration No: 2285918 and has its registered office at 45 Gresham Street London, EC2V 7BF.