

22 March 2023 – Capital Markets Industry Taskforce (CMIT) meeting – Key points discussed

Introduction / Procedures

- Members approved the minutes.

Workstream 1: Unlocking additional sources of capital for UK companies, including from pension funds and insurance

Chairs: Peter Harrison, Andy Briggs

Leads: Jon Symonds, Klaus Hommels, Kay Swinburne

Focus: Making it easier for capital to flow in the direction which generates greatest benefit, supporting UK companies and providing pension and policy holders and savers with strong long-term returns.

- Members discussed the two key stages for unlocking and deploying capital: consolidation of pension fund capital and ensuring that there are appropriate distribution mechanisms.
- In the case of Local Government Pension Schemes, trustees may not have sufficient time to appropriately manage the funds which they are responsible for, and this can cause concerns around quality of governance. Alongside the ability to invest more substantially in private businesses, pension fund consolidation would be recommended. A joined-up approach to ensure local support across all stakeholders would be beneficial.
- Members noted that the cultural piece is important. There should be engagement with the relevant regulators to discuss the approach.
- Given parliamentary timetables, there must be consideration for the efforts that can be made with and without primary legislation.
- It was discussed that CMIT's role could be most effectively focused on also addressing the supporting ecosystem around the pension space – including regulatory structures, articulations of fiduciary duty and value and paths to consolidation. It was recognised that this might be complementary to other projects in the pension space.

Workstream 2: Corporate governance code and stakeholder engagement reform

Chair: Jon Symonds

Leads: Mark Austin, Peter Harrison, Andy Briggs, Kay Swinburne

Focus: Improving the relationship between companies and investors in a way that provides quality governance and clear accountabilities, enabling UK companies to compete and grow effectively to the benefit of all their stakeholders.

- The workstream updated the members on their outreach with Chairs of listed companies who have been very engaged and keen to meet with senior-level asset managers. Members noted that there is a growing group of voices within financial services who are publicly stressing the importance of the Corporate Governance Code and Stewardship Code reviews.
- Members reiterated that in order to make progress in improving the corporate governance framework, it will be important to rebuild the positive case of share ownership.
- Members discussed the role of proxy agencies and how communication levels could be improved. It can be challenging for a company to directly speak to some agencies.
- Analysis comparing the US vs the UK has uncovered that despite stricter and much more prescriptive language used in guidance by proxy agencies in the UK, the outcomes of votes do not differ so much between the jurisdictions. UK companies may have changed their behaviour to these stricter rules pre-vote to avoid losing a vote.
- It will also be important to consider wider incentives in the professional services which surround proxy agencies.

Workstream 3: Creating the best environment for the UK to produce high growth, consequential companies

Chair: Matthew Scullion

Leads: Mark Austin, Jon Symonds, Kay Swinburne, Klaus Hommels

Focus: Create a series of recommendations to help improve the environment in the UK for creating high growth, consequential companies, including ways to: increase support for entrepreneurs, change the attitude and playbook of domestic investors to risk and consequential business building, change attitudes to risk taking, business building and entrepreneurial success in the public and media.

- The workstream will be spotlighted in the next CMIT meeting in April.

Workstream 4: Development of Intermittent Trading Venue (ITV) to provide secondary liquidity

Chair: Julia Hoggett

Leads: Klaus Hommels, Matthew Scullion

Focus: Support the development of a new class of venue, which would operate on an intermittent trading basis and act as a bridge between public and private markets, boosting the UK as a destination for all companies to gain access to the investment they need to create jobs and grow.

- The workstream noted ongoing engagement with the Government, the FCA and market participants to further refine the regulatory framework over the coming months.
- The workstream also noted the positive feedback being received from private and public companies, VCs, PEs, institutional investors and banks.
- A workstream member noted it would be useful for funds such as LTAFs to be admitted to the venue.