

## UK COMPANIES

## Retail

## Regulator urged to act before BHS collapse

Pension rescue group had called for tough stance on company scheme funding

JOSEPHINE CUMBO  
PENSIONS CORRESPONDENT

The UK's pension rescue fund urged the industry regulator to be as "robust as possible" on company scheme funding nearly a year before BHS collapsed with a £571m pension deficit.

Alan Rubenstein, chief executive of the Pension Protection Fund, made the appeal during a meeting with high ranking officials from the Pension Regulator last year.

Details of his appeal emerged as the

regulator came under growing pressure to explain its actions concerning the BHS pension scheme, which is being absorbed into the PPF, leaving more than 20,000 members facing cuts to their retirement income.

The PPF, which is part-funded by a levy on defined benefit retirement plans, relies on the Pension Regulator to minimise the financial burden of rescuing schemes when companies fail. The PPF levy was £635m for 2015-16.

During a presentation to the regulator's board in July last year, Mr Rubenstein said the "PPF would like the TPR to be as robust as possible on scheme funding", according to an official summary.

Neither the Regulator nor the PPF would comment yesterday on Mr

Rubenstein's remarks, or say whether they related to concerns about BHS or any other specific company pension schemes.

But the comments came against the backdrop of widening funding shortfalls in the 6,000 or so defined-benefit pension schemes in the UK.

"The PPF might feel that some of the risk could be better managed by the trustees of some pension schemes," said Alan Higham of PensionsChamp.com, a consumer website. "The deficit in March for the 6,000 or so defined-benefit pension schemes potentially eligible for the PPF stood at around £320bn. Unless interest rates reverse, deficits aren't going to disappear."

John Ralfe, an independent pension

consultant, said he was "very clear that the regulator and PPF do not always see eye-to-eye on issues".

He added: "The TPR is supposed to be the goalkeeper for the PPF, and the regulator has to be on top of funding in general and the situation for individual schemes in particular."

News of the PPF's comments came as the fund, the regulator, the trustees of BHS's pension scheme and Sir Philip Green, former BHS owner, were called to give evidence to two parliamentary probes into the retail group's collapse.

Sir Philip acquired BHS for £200m in 2000 and sold the high-street chain to Dominic Chappell, a former racing car driver, for £1 last year.

Mr Chappell and Sir Philip's wife, Tina, are also expected to be called to give evidence to the MP inquiries.

"We are keen to find out who knew what, when," Iain Wright, chairman of the business select committee, told the BBC yesterday.

"The sale of BHS raises enormous questions. Something like £414m was taken out of BHS in dividends over a four-year period and that's when the pension scheme was slipping into deficit."

Of the estimated 6,000 pension schemes eligible to be covered by the PPF, just under 5,000 are in deficit. At present, the PPF has a £32m surplus and has set a target of being self-sufficient by 2030.

## Corporate governance. Remuneration

## Executive pay committee chiefs in the hot seat

Investors are increasingly turning their anger on the people making the decisions

DAVID OAKLEY — CORPORATE AFFAIRS CORRESPONDENT

In the most high-profile shareholder protests seen in the UK for four years, investors have been directing their anger squarely at company bosses for their multimillion-pound pay packets.

At Weir Group last week, the chief executive's pay was voted down in a binding vote, while investors in BP and Shire have made their opposition to CEO pay awards clear.

With pay protests set to continue in the coming weeks, some are now turning their sights on the people who determine the bumper awards, rather than the recipients.

This puts the chairmen of remuneration committees directly in the line of fire — an unusual position for the holders of these generally low-profile posts.

Few, if any, remuneration committee chairmen are household names. But, in conjunction with their committee members, they wield immense power. Not only do they decide the fixed salary of the boss, but they also determine the bonus structures that provides the lion's share of a pay package.

Hans-Christoph Hiirt, who has been at the heart of many shareholder campaigns as a corporate governance director with investment group Hermes EOS, says there has been too much focus on the pay numbers rather than the pay decision makers.

"Shareholders need to spend more time on getting the right remuneration chairs, and the right people on the remuneration committees," he says.

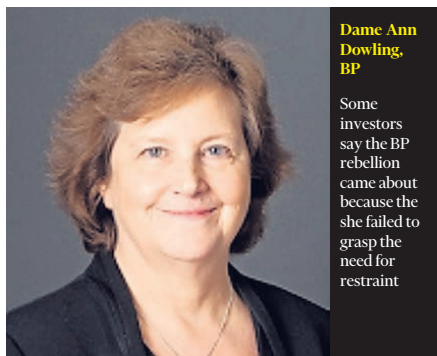
"This is something we plan to start looking at more closely over the coming weeks. Some remuneration chairs are not doing the job in the way they should... We are at the last warning stage with some companies."

Paul Lee, head of corporate governance at Aberdeen Asset Management, adds: "I am not going to name names, but some of us are starting to lose confidence in certain remuneration chairs."

Some investors have called for the resignation of Dame Ann Dowling, remuneration committee chairman at BP, after the oil major suffered the biggest pay rebellion in four years at a FTSE 100 company during a highly charged annual meeting three weeks ago.

"She was not listening to shareholders — it was really that simple," says a corporate governance manager at a big UK investment house. "If you are deaf to what investors are saying, then you are going to run into trouble."

BP has strongly defended Dame Ann,



**Dame Ann Dowling, BP**

Some investors say the BP rebellion came about because she failed to grasp the need for restraint



**Judy Sprieser, Reckitt Benckiser**

She faces a potential revolt at the annual meeting on Thursday over long-term bonuses

noting she was re-elected to the board by 98 per cent of shareholders. "She was overwhelmingly re-elected by her shareholders," a spokesman said. "She made it clear to the meeting that the message they sent was received."

Another remuneration committee chairman accused of not listening sufficiently is Judy Sprieser at the consumer goods group Reckitt Benckiser, which faces a potential revolt at its annual meeting on Thursday. "The company is using just one metric [earnings per share] to set the long-term bonuses," the corporate governance manager points out. "We do not think that is enough."

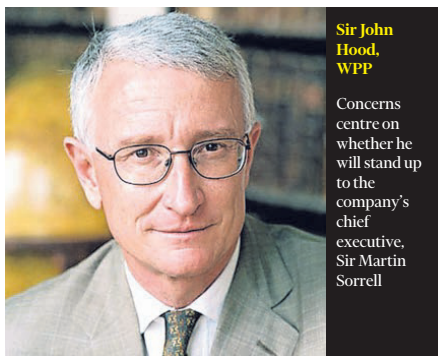
<b>£70.4m</b>	<b>72%</b>
R M S	W j
W	CEO

Reckitt says EPS is the fairest method to judge performance and, on this measure, it has been extremely strong. Reckitt outperformed the market by 20 percentage points in 2015, delivering returns few other companies could match.

However, performance is not enough to spare a chief executive the wrath of investors if they deem pay to have become excessive.

Advertising group WPP is expected to find this out, again, at its June shareholder meeting, after confirmation on Friday that chief executive Sir Martin Sorrell will receive £70.4m for 2015. Protests at WPP's annual gathering have become regular in recent years.

Some investors say it is too early to judge the performance of Sir John Hood as chairman of WPP's remuneration committee, as he has been in the job for fewer than two years, but he did pro-



**Sir John Hood, WPP**

Concerns centre on whether he will stand up to the company's chief executive, Sir Martin Sorrell



**Melanie Gee, Weir**

The engineering company suffered its biggest defeat on executive pay policy under her watch

voked criticism when he performed the same role at oil group BG.

In 2014, BG reduced pay awards after pressure from shareholders. "Remco [remuneration committee] people have been consistently unimpressive at WPP," says a UK portfolio manager, who specialises in media and telecoms stocks. "Sir John had his critics at BG, so he is one we are watching closely."

Other remuneration committee chairmen that investors have expressed reservations over are Melanie Gee at FTSE 250 engineering company Weir and Anne Minto at the FTSE 100 pharmaceuticals business Shire.

Weir suffered the biggest pay reverse on a binding policy vote at its annual meeting last Thursday, when 72 per cent of voting investors rejected the plan.

Ms Gee insisted she had engaged with investors and maintained the pay policy was the most appropriate for the com-

pany. But some investors argue the size of the revolt suggests she was not consulting widely enough.

Ms Minto has been another remuneration committee chairman who some investors think may have misread their mood. Shire only won backing for its remuneration report by the thinnest of margins, with 50.55 per cent in favour at its annual meeting last Thursday.

Simon Walker, director of the Institute of Directors, says: "Remco chairs need guts. You need to be able to stand up to the executives and use your common sense. If there is a big rebellion, it is damaging for the company and the board."

However, he sees these latest protests as a positive sign. "We want a system that regulates itself and that is what shareholders are doing by voting against some of the more egregious pay awards," he says.

## Property

## Brexiteers allow private investors to build UK portfolios

JUDITH EVANS  
PROPERTY CORRESPONDENT

Private investors from the Middle East and elsewhere have spotted an opportunity in pre-referendum jitters affecting the London commercial property market, seizing the chance to buy landmark buildings while large institutions hold back.

3 Associates, a UK family office, is one example, seeking to deploy £500m that combines its own capital with that of overseas partners into real estate in London and the M4 corridor. It is in talks to buy more central London assets ahead of the June 23 vote after buying 1 Pall Mall East off Trafalgar Square — a 1930s building that is McKinsey's London headquarters — with Sidra Capital, an investment vehicle of the Saudi Bin Mahfouz family, for £85m last month.

3 Associates' planned buying spree bucks a trend of falling investment: the flow of capital into central London office buildings dropped by more than half in the first quarter of 2016 from the previous quarter, leading a fall in overall UK commercial property investment.

But, as a private family office, 3 Associates is not alone in seeking out investments, said Richard Divall of the property advisers Colliers. "Anyone who requires a rigorous board approval process is struggling before the referendum, but family office capital and other entrepreneurial capital is viewing this as an opportune time," he said.

The property investment company of the Hong Kong billionaire Joseph Lau bought Kleinwort Benson's Mayfair office in March and is viewing more London assets, while a consortium of

'Family office capital and other entrepreneurial capital is viewing this as an opportune time'

Hong Kong families is reportedly in the process of buying a building on Chancery close to the Bank of England.

Jesdev Sagar, managing director at 3 Associates, said his company could have been outbid for the Pall Mall building, sold by a German investment manager, at a time when large investors were less nervous about the possibility of a Brexit.

"It was a good deal; it was off-market and it was swift. That was partly the result of the way that Brexit is being publicised and the concerns around it," he said. "There are a lot more opportunities being presented to us. Some large funds are rebalancing in case the vote goes the other way and that means we can look at assets we would never typically have access to."

The comparative weakness of sterling has made pricing look especially attractive for overseas buyers, he added.

Institutions such as France's AXA have expressed caution about buying UK real estate in the run-up to the referendum, at least two big German investors and one Taiwanese have pulled out of deals over Brexit concerns, said Mr Divall.

But other private investors remain active. Digby Flower, chairman for UK & Ireland at Cushman & Wakefield, said his company is advising on the imminent sale of 6 Bevis Marks, a City of London office building, for £220m to an overseas private investor.

Mr Sagar said he was confident of the prospects of his investments in London on a five-year horizon, even if voters choose to leave the EU. "There will be a hiccup if Brexit does happen, but I don't think we're going to fall into some kind of vortex of economic decline," he said.

See Editorial Comment & Letters

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We are pleased to invite the shareholders to attend the  
**ORDINARY GENERAL MEETING**  
of shareholders (the "OGM") which will be held at the registered office of the Company, 5, rue Jean Monnet, Luxembourg, L-2180, Grand Duché de Luxembourg, on  
**Wednesday, 10 May 2016 at 10.00 am.**

with the following agenda:

- Approval of the report of the board of directors to the OGM
- Approval of the report of the authorized independent auditor
- Approval of the audited annual report as at 31 December 2015
- Allocation of the net results
- Discharge to the board of directors
- Appointment of the board of directors
- Appointment of the authorized independent auditor

Resolutions on the agenda may be passed without quorum, by a simple majority of the shares present or represented at the meeting.

In case you should wish to attend the OGM personally, you are kindly invited to inform the management company, Credit Suisse Fund Management S.A., 7 calendar days prior to the OGM either by phone at +352 43 61 61 1, by fax at +352 43 61 61 402 or by email at [lu@creditcorp.com](mailto:lu@creditcorp.com).

In order to attend the meeting, shareholders are required to block their shares at the depositary, at least 3 calendar days prior to the meeting and to provide the registered office of the Company with the related certificate, stating that these shares remain blocked until the end of the OGM. Shareholders who cannot attend personally the meeting may vote by proxy forms which are available at the registered office of the Company, at least 5 calendar days prior to the OGM.

Each share of whatever class and regardless of the net asset value per share within its class held on the day of the OGM, is entitled to one vote, subject to limitations imposed by law. Shareholders holding only share fractions are not entitled to vote on the items on the agenda. Shareholders are hereby informed that the report of the authorized independent auditor, the report of the board of directors and the latest annual report may be obtained upon request, free of charge, at the registered office of the Company.

The Board of Directors

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