



Primary Markets Policy Team  
Financial Conduct Authority  
12 Endeavour Square  
London  
E20 1JN

28 June 2023

### **CP23/10: Primary Markets Effectiveness Review**

Dear team

Border to Coast is wholly owned by 11 local government pension scheme (LGPS) funds who, collectively, have c.£60bn of investments. We were established to provide cost-effective, innovative, and responsible investment opportunities that deliver returns over the long-term. This is on behalf of the more than one million LGPS members, over 2,700 employers, and the millions of taxpayers associated with our Partner Funds. As one of the UK's largest asset owner pools of capital we support efforts to maintain its attractiveness as a location where companies grow and innovate.

As a long term, strategic investor, Responsible Investment is central to our corporate and investment philosophy. As a signatory to the Financial Reporting Council's UK Stewardship Code, we practice active ownership through voting and engagement, and as such we have a significant interest in the proposals contained in the consultation and the potential impact on shareholders to deliver effective active stewardship.

We are writing in support of the broader submission you have received in response to this consultation from the Investment Association. We strongly support the objective of the consultation to maintain the UK as an attractive place to list as part of the broader discussion around the functioning of UK capital markets. However, as the consultation itself acknowledges, the listing regime is only one factor in determining where companies choose to list and it is therefore important changes are proportionate. We also share the view that the UK's reputation for governance standards and investor protections is a positive contributory factor. In that context, we wanted to emphasise areas where we have particular concerns in relation to the proposed approaches to shareholder votes on significant and related party transactions and the changes to dual class share structures.

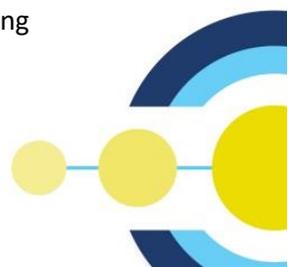
#### **The case for reform**

Although we recognise the need to address the concerns around the functioning of UK capital markets and international competitiveness, and the benefits of simplifying the listings regime, we do not feel a compelling case has been made that the specific proposals addressed above will deliver benefits at a scale that justifies what the consultation paper itself concedes will be the resulting "greater risk to investors".

#### **Border to Coast Pensions Partnership Limited**

A Company limited by shares and registered in England and Wales with Registration Number **10795539** and whose registered office is at **5<sup>th</sup> Floor Toronto Square, Toronto Street, Leeds, LS1 2HJ**

INTERNAL





The case for reform set out in the consultation appears largely grounded in comparisons with the approach taken in other jurisdictions which have other tools to leverage. We believe narrow comparisons of rules in relation to listings fails to recognise that they form part of a wider legal, regulatory and cultural framework that supports effective stewardship.

We support the proposals set out in the Investment Association's submission on changes which would reduce the administrative and financial burden on businesses in relation to shareholder votes while retaining the fundamental mechanisms and believe this to strike a more reasonable balance in relation to the anticipated benefits.

### **Stewardship**

We are concerned that the changes proposed in the areas identified above run counter to the broader direction of travel in terms of regulation and the expectation of investors to engage more effectively with companies, as exemplified by the UK Stewardship Code. The consultation paper concedes the changes set out will put a greater responsibility on shareholders to hold the companies they own to account, yet those same proposals remove important mechanisms to do so.

We believe that focusing on the relatively small number of times such mechanisms are deployed to influence company actions as justification for the changes is to overlook the role they play in setting the broader expectations for the relationship listed companies should have with their investors. The implied greater reliance on measures such as litigation and, ultimately, divestment, to hold companies to account is unlikely to foster an environment supportive of meaningful engagement.

Considering the FCA amended the Listing Rules on Dual Share Class Restrictions (DCSS) relatively recently we have concerns on the proposed weakening when there is no indication that these have had time to become established. Any weakening will also have an impact on how investors can hold companies to account, especially if other shareholder protections referenced above are also removed.

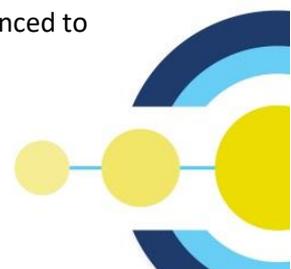
### **Protecting value**

We are concerned removing a vote for significant transactions takes away an important tool for investors to protect value, whereby shareholders would have no mechanism to object to merger and acquisition activity prior to the transaction, save for engagement, the scale of which would be in the control of the company.

Similarly, the proposed changes to the rules around related party transactions potentially undermines the ability of investors to appropriately value a company and would create circumstances where investors would only learn of a movement of assets when it was announced to the market, with implications for the share price.

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We note your intention to hold a further consultation ahead of implementation of final proposals which we hope will reflect the concerns we and the broader industry have raised. We would be pleased to discuss our views on the consultation in more detail.

Yours sincerely

Rachel Elwell  
**Chief Executive Officer**

