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.

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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 CFOs[1]- 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

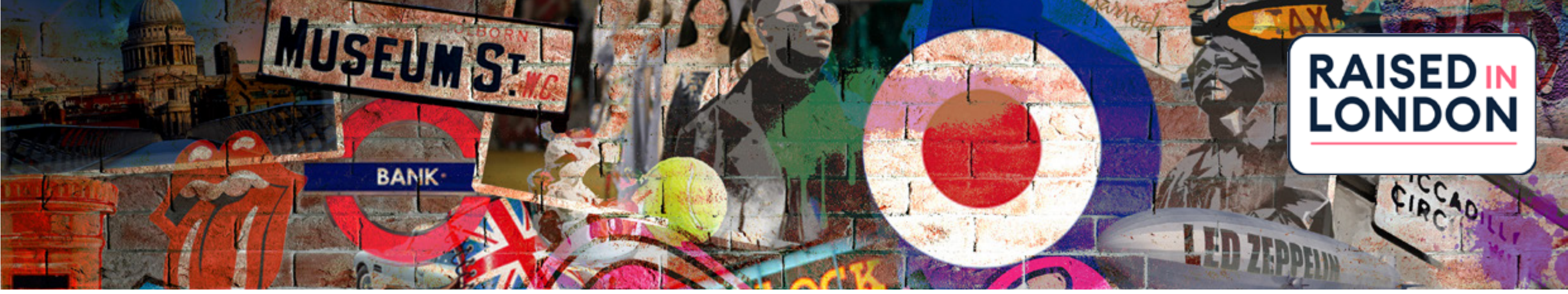
The targeting of pension funds for reform is a significant source of optimism for FTSE leaders. Ownership of UK-listed companies has fallen heavily in the past two decades; in 2000, pension funds held over 50% of their assets in UK equities, while the proportion is now only 4%, with pension fund managers 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 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.

Which of the following is the most important in improving the attractiveness of the LSE as a listing venue?