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Dear Catherine,

Re: Discussion Paper - UK Board Succession Planning

Jupiter supports the work of the FRC in this area and agrees with the position that good succession planning contributes to the long-term success of a company. Our feedback refers to the section concerning the role of institutional investors.

What experience have companies or investors had in terms of engagement about the introduction of new talent to a board?

This subject regularly features in our conversation with chairmen, senior independent directors and remuneration committee chairs. On balance, we find that non-executives (NEDs) are willing to discuss these issues and welcome questions from investors.

We often hear details of how boards focus on the succession agenda by monitoring executive directors and the next management tier down. In addition, we note from our conversations with chairmen that there appears to be concerted effort by NEDs to gain more regular exposure to management as part of the succession strategy. In certain cases, we have observed companies bringing in other senior management personnel (in addition to the CEO/CFO) to shareholder meetings with the aim of introducing these individuals to the investment community. We regard the above as positive developments.

The introduction of new talent to a board may be associated with a negative scenario, e.g. poor performance requiring leadership change. It is difficult to discuss a discernible trend, as much of the emphasis lends itself to case specific considerations. Nevertheless, we think chairmen could be more forthcoming about the weaknesses or development areas of the executive team in general conversations. This is not to be critical but to provide an opportunity to obtain investor feedback. Shareholders will be able to monitor the issues going forward and be aware of the steps taken to improve matters.

Chairmen refer to the skills and attributes of new executive hires and we appreciate this insight. It is understandable that chairmen would want to accentuate the positives. In these circumstances, we consider it to be equally valuable if chairmen and NEDs are open about the cultural, strategic and operational challenges that lie ahead for the new hires. Again, shareholders will be able to assess and discuss these issues with management.

NED composition is regularly reviewed as a part of our monitoring of companies. We are also interested in a chairman's opinion about a new NED's attributes and credentials. However, we have encountered various cases where NEDs have been appointed when there have been serious questions over their management career. We do not have a house view of whether executives who have been involved in corporate distress or major underperformance should be automatically rejected as a NED. Nomination committees should consider a potential NED's track record as an executive. Committees should also understand how such an appointment would resonate among shareholders and be able to justify the decision to investors.

What information can be shared constructively between companies and investors on succession planning and talent development and how?

Through dialogue with shareholders, boards should be able to comment on the quality of the internal pipeline to cover i) a contingency scenario and ii) an orderly succession plan. Boards should be able to explain the process for monitoring, developing and accessing this talent.

Companies should be able to connect clearly the succession planning and talent development programme to the corporate strategy. We are interested in how succession planning and talent development will contribute to the execution of strategy and equally the risks associated with not having the right people in place. For instance:

- **Is successful execution of strategy dependent on recruitment of key individuals to fill identified areas of weakness?**
- **Will the progress of the strategy create any additional demands / pressures on management? If so, how is this being factored into the talent management programme?**
- **What type of information does the board receive on talent development and how is this data used to make decisions?**
- **What input / influence does the CEO have identifying his / her successor and other appointments to the board? How is this process scrutinised by the chairman and non-executives?**

Yours sincerely,



Stephen Pearson, Chief Investment Officer