

Catherine Woods
Financial Reporting Council
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Dear Catherine,

FRC Paper on UK Board Succession Planning

I am writing to comment on the above consultation paper on behalf of the Universities Superannuation Scheme (USS).

By way of background, USS is one of the largest pension funds in the UK, with assets of approximately £48 billion. As an asset owner with an internal investment team which manages the majority of the fund's assets, we have a unique perspective compared to many other institutional investors which allows our investment approach to be tailored to the fund's requirements.

As an institutional investor that takes seriously its fiduciary obligations, USS aims to be an active, engaged and responsible owner of the companies and assets in which it invests. We devote substantial resources to implementing an active approach towards stewardship, an approach which the Trustee Company expects to both protect and enhance the value of the Scheme's investments in the long-term.

We welcome the FRC's focus on the nominations process and board succession for executives and non-executive directors.

The appointment of key individuals and the assessment of those skills sets for all companies is ultimately the shareholders' responsibility. However, shareholders are only able to make informed decisions on the suitability of a nominee (or re-appointment) to the board if certain information is available at the time of the vote.

The appointment and removal of directors is one of shareholders' most important responsibilities. Without the ability to appoint and remove directors, any engagement and dialogue between investors and the board would not be effective as shareholders would be unable to hold directors to account effectively.

Having enhanced information available on each individual and for the board as a whole would provide shareholders with the information required to make more informed voting decisions on director candidates. Disclosure of brief biographical details of the board members is not sufficient for investors to make an informed voting decision. To ensure investors understand why directors are nominated for appointment, we would advocate disclosure of not just their skills and competencies, but also what value it is perceived they can add to the board and an understanding of their perspectives on issues relevant to the company. The board should also provide commentary as to how it believes the additional director(s) will contribute to and improve board performance.

To ensure shareholders continue to have appropriate information to assess directors standing for re-election, the board should consider disclosure, inter alia, of the following information:

- Full name and biography of the nominee.
- Details of the nominees' skills and key competences.
- The process by which the nominations committee undertook its search for new directors and the criteria used in selecting director candidates.
- A discussion on why the nominees' skill sets are appropriate.
- A discussion on the nominees' independence.
- Disclosure of all responsibilities which have significant time-commitments.
- Disclosure on how the nominee has added value to the board during their term (if re-appointment).
- The outcome of the performance evaluation conducted during the year.

We consider such disclosures to be the minimum required in order to assess a director's suitability and would encourage UK listed companies to disclose this information. Currently enhanced disclosures on director appointments are rarely provided by companies. Enhanced information on each individual director and for the board as a whole provides shareholders with greater insight and the opportunity for more effective stewardship.

Whilst we acknowledge the UK Corporate Governance Code's emphasis on skills, experience, independence and knowledge (under B1), we consider public disclosure in this area to be too limited. For each nominee to the board we advocate the disclosure of their skills and competencies, planned contribution to board performance and an understanding of their perspectives on key issues of relevance to the company.

USS proposal

The FRC should strengthen section B.2, "Appointments to the Board", to include further guidance on increasing the quality of board biographies, to ensure disclosure of director appointees' appropriateness of skills and competencies, value, and (potential and actual) contribution to board performance.

I hope this feedback is useful but please do not hesitate to contact me should you require additional information.

Yours sincerely,

Dr. Daniel Summerfield
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Universities Superannuation Scheme was established in 1975 as the principal defined benefit pension scheme for universities and other higher education institutions in the UK. It has over 330,000 scheme members across nearly 400 institutions and is one of the largest pension schemes in the UK, with total fund assets of approximately £48 billion. The scheme's trustee is Universities Superannuation Scheme Ltd, a corporate trustee which provides scheme management and trusteeship. USS Investment Management Ltd (a wholly owned subsidiary of Universities Superannuation Scheme Ltd) is the principal investment manager and advisor to the scheme. USS Investment Management Ltd is authorised and regulated by the Financial Conduct Authority and based at USS Investment Management Ltd, 6th Floor, 60 Threadneedle Street, London EC2R 8HP, UK.