THE UKSA NEWSLETTER

UKSA
UK Shareholders' Association

ISSUE 20

Chairman's message

Dear Members

Over the last month or so, my UKSA priorities have been 2023's annual report and accounts, the board and member recruitment. To a certain extent, these are connected. Our 2023 financial statements are showing, I think for the first time, a large deficit. This has not come as a surprise and we have expected it since I became chairman, because we have envisaged the consequences of a diminishing full membership. Membership subscriptions are down over £1,000 compared to 2022. Therefore, I would like to appeal to you again to try and persuade a friend or family member to join us to boost membership and our income. I refer associate members to the invitation at the end of the newsletter to become full members. Also, if you like what we are doing, including our efforts on financial learning as mentioned by John Hunter below, and want to see us keep going, please also consider donating.

Financial learning is one of two current UKSA priorities. The other is 'digitisation'. Since the last newsletter, we met Sir Douglas Flint and Mark Austin of the Digitisation Taskforce to emphasise the points we made in our response to the taskforce's interim report. We also wanted to find out if they are changing their thinking on their preferred option of making, through the process of dematerialisation, all registered shareholders, with share certificates, underlying beneficial owners (UBOs) (set out in their interim report as option 3). Our concern following the meeting resulted in me emailing Sir Douglas to obtain confirmation of the following or, failing that, to learn what their plans are:

• Certificated shareholders will not lose their existing shareholder rights when they are dematerialised. Accordingly, if dematerialisation requires them to become UBOs, through primary legislation their existing shareholder rights will be preserved and exercisable irrespective of investment platform or nominee account terms;

• Existing UBOs, including those required to be UBOs by virtue of holding their investments in an ISA or SIPP, will be given (by primary legislation) those rights which members have today as if they were

Charles Henderson - Chairman of UKSA

recorded as members in the register of shareholders.

We (some from the policy team) have also had meetings with registrars, including jointly with ShareSoc, which have focused our minds on what we are looking for from digitisation. In this respect, I believe we are clear that:

• Certificated shareholders (who are on the register because they are certificated) must not lose their shareholder (on the register) rights in the process of decertification/dematerialisation/digitisation;

• UBOs should have their shareholder (on the register) rights restored to them.

However, we are about to have another meeting to try to agree among ourselves which of the taskforce's options (or combination of them) we prefer and what our next steps should be (as I have not yet had a reply to my email to Sir Douglas).

To finish this newsletter's message, I want to mention executive remuneration. UKSA was started in 1992 on the back of concerns about pay to senior executives at newly privatised utilities. Nothing much seems to have changed and egregious pay awards keep coming up in the news. So, we are looking at it again to see if we should be saying something about it from an investor point of view. This resulted in an interesting discussion at Harry Braund's C&P Zoom meeting on 13 February.

I came away from that discussion thinking UKSA could probably produce a sensible position on what shareholders should expect from executive remuneration and promised I would try and progress this with the policy team. Some of the key points I remember are: it's a self perpetuating scheme; remuneration does not really incentivise anyone – but if they don't get paid what they think they deserve, it is probably demotivating. What about having caps on payouts so some of the more egregious examples can't happen? Do the top executives get paid in the same way as the rest of the employees/workers in an organisation? What do employees/workers think of the remuneration their top executives get? I noticed at the end of January that Tom Steyer of Galvanize Climate Solutions told the FT Moral Money: 'People do what they get paid to do.' Other thoughts, prompted by references in this newsletter to the Post Office Horizon scandal and corporate governance, include how to incentivise a questioning culture. We will keep you posted on this, but any thoughts will be gratefully received (including UKSA's history on this, as I've only been a member since the end of 2019).

Stop press

As this issue goes to press, UKSA is making an important response to an FCA consultation on the financial advice regime. Watch the UKSA website for more news.

HonestMoneyNews

Welcome to the first edition of HonestMoneyNews. This was trailed in the last newsletter, mentioning an emphasis on ideas for improvement in the government's well-meaning efforts at financial education.

HonestMoneyNow home page refresh

The key messages on the home page have been updated to emphasise two themes important to UKSA:

1) We aim to support and encourage those who help themselves. We therefore prefer to promote 'Financial Learning' (implying proactivity) and not 'Financial Education' (implying something being done for us by others). The text has been changed accordingly, not only on the home page but throughout the site.

2) UKSA's total independence from other interests. There is a new key sentence on the home page: 'Our emphasis is on basic principles, to help you find your way through the investment jungle.'

Tweak of the month

Platforms. When HMN was first written there were no brokers who described themselves as 'platforms'. It's very different now. We've refreshed the site accordingly.

New page in Members' Area of UKSA website

HMN aims for explanation of fundamental principles. It does not necessarily include detailed advice on practicalities. For this purpose, a new page has been added to the Members' Area of the UKSA website – 'Members' ideas and experiences'. The first two entries are from Robert Aubrey and both contained stuff I didn't know – perhaps others will find the same.

Let's have your contributions to this new page. Something as simple as a link to an authoritative website would do, particularly if it answers questions we wouldn't think to ask. These could be the germ of another structured offering from UKSA in the advice (sorry, guidance) field.

Submission to Education Committee

UKSA's submission to the House of Commons Education Committee inquiry into 'strengthening financial education' has been submitted and is now available on the Committee's website (along with 87 others!). Or you can pick it up from the news items here and here on the UKSA site. Martin White was the lead author.

Until next month!

John Hunter - former UKSA chairman and creator of HonestMoneyNow

The Martin White Column

Martin White - UKSA director and creator of Savers Take Control

House of Commons Education Committee – current inquiry on financial education

We mentioned this in the last newsletter. The submissions were made in December, but submitters were required not to publish their own work until it was published by the Education Committee. That happened on 20 January, and about 88 submissions, ours among them, can now be found by navigating to the Education Committee's website, then looking under "current enquiries" for financial education, and then looking under "publications" for written submissions.

We have also loaded our submission, as it appears on the Education Committee site in pdf form, onto the UKSA website here.

The questions posed by the Committee in the call for evidence were mostly to do with financial education in schools. The one consensus seems to be that it just isn't good enough.

Most of the submissions are pretty short, but if you are interested in the subject, reading them all would occupy many happy hours! One submission we would expect to draw quite a bit of attention is from Adrian Lyons, who was formerly Her Majesty's Inspector for over 16 years and Ofsted's last national lead for economics, business and enterprise, including financial capability. This is extremely critical of the current state of affairs.

We will probably talk more about this in the next newsletter, but in the meantime all member reactions/comments would be very much appreciated.

A question I heard a journalist ask: "What advice would you give someone who needs an IFA but is worried about charges?"

This question raises so many further questions! Might the person really need an IFA, or should they start with a financial coach? Can you find an IFA who will charge by the hour and not expect an annual percentage? And what if the person doesn't have much by way of assets yet? Who should they talk to?

Our submission on financial education mentioned above contains some thinking on the general problem. Once again, all member reactions and comments would be very much appreciated!

Investing overseas and withholding taxes

This is a topic that comes up quite a bit in member discussions. In your investing, do you ensure you have an international spread, or do you focus mainly on the UK? What approaches do you use to get an international spread, and how much thought do you give to the problem of withholding taxes? There is scope for quite an article on this, and all thoughts very much appreciated.

Berkshire Hathaway – the ultimate long-term steward of shareholder wealth

As you may be aware, Charlie Munger, Berkshire's vice-chairman, died last year just a few weeks short of his 100th birthday, which would have been 1 Jan 2024. He was not as famous as Warren Buffett, who continues to lead the business, but his contribution over the years was very significant.

The 2023 annual report is now out, and contains the Chairman's letter to shareholders as usual.

I draw this to members' attention, since Berkshire carries so many lessons and is such an interesting case study for investors. I particularly recommend that you have a look at three short pieces:

Special Letters from WEB and CTM (berkshirehathaway.com) – links to pieces by each of Warren and Charlie from a few years ago on Berkshire's past, present and future.

https://www.berkshirehathaway.com/letters/2023ltr.pdf - this will give you the latest letter from Warren.

Back to the 1990s – Executive pay is in the news again!

Some of you may have heard about HSBC saying it wants to be able to pay its senior executives more, citing pay levels in the USA.

Again, comments welcome – ideally printable ones!

Seriously, how can we expect companies to be run in a socially acceptable way if the senior people will only work for obscene sums? And what does this mean about the acceptable face of capitalism, especially as we may have a change of government before long?

In a recent issue of this newsletter, we had an article by Simon Clarkson of Purposecraft, and the topic of how companies should be led and what drives long-term success is, I think, going to be increasingly important in the public agenda. As shareholders, we should take an interest in this.

Amongst our membership, we have a wide range of relevant experience and wisdom to contribute to the national debate. The topic of corporate leadership and the challenge of ensuring a sustainable world came up in a member discussion the other day, and I really hope that we can engage in discussions on these issues in both private and public forums.

Policy work update

Dean Buckner, UKSA Policy Director

UKSA Response to the FRC's Draft Budget and Plan 2024-2025

UKSA responded in January to the FRC's call for comments on its Draft Budget and Plan. We expressed frustration (also evident within the FRC) at the government's continued failure to pass the enabling legislation for the creation of ARGA. This will certainly compromise the speed and effectiveness of the programme of regulatory reform proposed by Sir John Kingman in 2019.

We also commented on the prominence given in the Plan to the FRC's renewed focus on supporting the UK's growth and international competitiveness in line with the FRC's Growth Duty. This is a popular theme with the current government. We fear that this objective potentially conflicts with that of providing sound regulatory oversight. We do not want to see a programme of deregulation which results in a gradual drift back to the so-called 'light touch' regulation which contributed heavily to the financial crash of 2008. Reassuringly, much of the rest of the Plan suggests that the FRC itself would not countenance this.

Elsewhere in the Plan the FRC talks about creating a more resilient audit market through greater competition and choice. We have concerns about this objective – laudable though it is. Firstly, we doubt whether it is within the gift of the FRC on its own to achieve it and, secondly, there is nothing of substance in the plan which indicates how the FRC might go about achieving it.

However, we remain strongly supportive of the FRC and its work, and in particular its drive to enable widespread use of digital reporting using new technology.

Labour Party Review of Financial Services

UKSA and ShareSoc wrote in late January to the Labour Party's Review panel on Financial Services expressing our keenness to support the initiative. This submission was essentially a 'stake in the ground' in anticipation of further more detailed discussion and debate – particularly if the Labour Party forms the next government.

We noted that the UK must be an attractive place to allocate capital, which requires a long-term policy, not a series of 'short-term stunts'. We stressed the importance of more financial education of children to increase their interest in investing in the UK stock market.

We again expressed disappointment and concern that the enabling legislation for ARGA to come into being has still not been enacted. This needs to happen as a matter of urgency, being a vital component in ensuring that investors see London as an attractive place to invest and that companies will continue to see London as an attractive place to list.

A clear plan of action is required which is coherent, pragmatic, realistic and achievable. Too much of what we have seen to date amounts to little more than a series of eye-catching goals and ambitions with very little (often nothing) by way of clear plans and strategies to achieve them.

External relations round-up

Sue Milton takes a look at events in the wider financial world

Sue Milton - External Relations Director

Is Bitcoin now an acceptable investment?

The SEC approves bitcoin … or does it? - Chris Skinner's blog (thefinanser.com)

Question: now that the USA's Securities and Exchange Commission (SEC) has given the green light to Bitcoin in Exchange Traded Funds (ETFs), is it safe for all of us to invest in Bitcoin?

Sue's short answer is 'no'. The SEC is still sceptical about cryptocurrency investments and is in no way endorsing Bitcoin. The risks in crypto remain unchanged. It remains easy to lose money with the swings in valuations. The potential for high returns entices the more vulnerable in society to want to invest, so becoming targets of manipulative and fraudulent practices.

Sue's longer answer is 'no' too. If we invest into an ETF that includes a Bitcoin asset class, we have part of a Bitcoin asset class, not the actual Bitcoin. The SEC has not given its universal blessing to including a Bitcoin asset class in ETFs, just to eleven big-name ones like Blackrock, Invesco and Fidelity.

But the world continues to evolve and some of us want to take up new opportunities. As usual, *caveat emptor*.

Tech and business governance are intertwined: the Kafkaesque world of the Post Office Horizon scandal

How the Post Office's Horizon IT system failed (msn.com)

The key movers and shakers – the UK Government, the Post Office board, management and staff, and the tech developer Fujitsu – all decided to promote their version of the Emperor's New Clothes. They said the new system was perfect even though Fujitsu and the Post Office knew it was not. By promoting the lie, belief in the lie followed, so laying the blame elsewhere was a natural consequence. In this case it had to reside with the subpostmasters and subpostmistresses, as there was no one else left.

What are the Post Office and Fujitsu governance failures?

- Culture of fear, greed, intimidation and the need to maintain reputations that led to self-preservation. These squashed any chance of revealing the truth and, the longer the truth was covered up, the more people were caught up in keeping the lies flowing,
- Professional incompetence and inappropriate contracts between providers and the Post Office and its sub post offices.
- No empathy, choosing to believe a computer over real people.
- Insufficient scepticism about the system, IT competence, management and contractual relevance.

What are the technical governance failures?

- Allowing computer bugs to persist that enabled single transactions to be settled multiple times, hence the accounting shortfalls.
- The bugs were given geographical names, such as 'the Dalmellington' that froze screens and the 'Callendar Square' that duplicated database transactions. These enforced belief that the problems lay locally, not centrally.
- Allowing unauthorised and unaudited remote access capability for Fujitsu staff so they could change what the bugs had done, thereby fabricating evidence to support the theft by postmasters and postmistresses theory.

The combination of all three was toxic for the sub post offices. Kafka would have been proud of the fiction the Post Office and Fujitsu generated since 1999.

(Sue wants to say a personal thanks to Computer Weekly for its clear and consistent reporting of the Horizon problems since 2009. They never gave up: "Computer Weekly, thank you so much.")

Why is the Post Office Horizon scandal important for retail investors and Northern Rock?

The corporate governance lessons from Carillion's collapse (cgi.org.uk)

There are links to Carillion here. Carillion's governance failures included paying for failure, avoiding wider director duties and obligations to all stakeholders, and generic and boilerplate company statements. In combination, they enable both obfuscation and lying. As retail investors, we need to be sceptical and question our boards more.

There are also links to Northern Rock. The power of persistence can pay off. It takes energy and patience. NRSAG, with UKSA's support, can find hope for a fair hearing.

Financial Reporting Council publishes guidance for applying the UK Corporate Governance Code 2024

The FRC has published the revised UK Corporate Governance Code 2024 (frc.org.uk), which becomes effective in 2025. KPMG has provided a link that summarises the main changes 2024 Corporate Governance Code (kpmg.com).

The FRC has also published the accompanying guidance Corporate Governance Code Guidance (frc.org.uk). A summary is available from KPMG UK Corporate Governance Code – Guidance for boards (kpmg.com). The guidance is not part of the Code. It is there to help understand how to apply the code. It is divided into sections complementing the Code:

- Board Leadership and Company Purpose
- Division of Responsibilities
- Composition, Succession and Evaluation
- Audit, Risk and Internal Controls
- Remuneration.

There is a brand-new section covering good practice for the successful management of board committees starting in paragraph 87. It is designed to assist company boards in making suitable arrangements for their committees, and to help directors who serve on these committees.

Other new additions include aspects on:

- Outcomes-based reporting
- Board performance reviews
- Audit Committees and the External Audit: Minimum Standard
- The determination of material controls.
- Declaration of effectiveness of material controls.

What to look out for in the next AGM season

With climate change reporting and the changes to the UK's governance code, what should we retail shareholders and investors be looking out for and asking of our boards? This document from solicitors Clifford Chance may help. 2023_4-corporate-reporting-and-agm-season.pdf (cliffordchance.com).

UKSA's investor relations with KPMG

We began the relationship in 2022. UKSA's chairman Charles Henderson and External Relations director Sue Milton have an annual meeting to identify the latest areas of interest to investors and auditors.

We turn these into a series of UKSA-relevant virtual events for full members. We are now planning for 2024 and identified the topics as:

- Update on audit and corporate governance reform, to be held on 16 April between 14:30 – 15:30.
- An overview of upcoming ESG/sustainability regulation on 27 June, time to be confirmed.
- Input into the planning of audits – an opportunity for UKSA members to share their views on what is covered and now companies are audited, including key audit matters, date still to be decided.
- Engagement between investors and audit committees, date still to be decided.

Look out for the email flyers once the dates have been agreed.

Northern Rock news

from Peter Campioni,
Co-Chair of the UKSA Northern Rock Shareholder Action Group

We are very pleased to inform everyone that with the newly formed committee our campaign has again renewed impetus.

We now have an agreed 'Action Plan', parts of which have already commenced.

Very shortly the Action Plan will be communicated to our current members, and it includes one specific theme, which is to attract new members to the campaign and strengthen our fight for justifiable compensation. Our current members represent only a very small fraction of affected shareholders; we want to raise not only our profile but also the membership of NRSAG.

Our campaign will mean engaging in mass communication with direct approaches to influential people who will hopefully support and heighten our compensation claims.

We firmly believe that despite a lack of available 'official' Government information (due to freedom of information issues) we now have significant evidence from several independent sources to support an equitable claim.

It is clear from the Horizon Software Post Office debacle that it can take many years to attain justice – as in the Post Office scandal, we have lost far too many shareholders before restitution is forthcoming. Our intention is clear: we will raise awareness of the campaign in the public eye through all media at the same time and make a direct appeal to Government to review our claim.

More Northern Rock scams

In response to our last newsletter, where we shared information about the scammers/hoaxers contacting some Northern Rock shareholders, we have had two of our NRSAG members contact us.

From Bob Hood:

"I was interested to read about the Northern Rock scams in that section of the newsletter. Sue Milton mentioned that she couldn't find a website for Robinson-Murray Consulting. In case anyone is interested, here is their website address: http://robinson-murrayconsultinggrp.com/.

As you can see, it's not an HTTPS, but a normal HTTP site, so not secure. Furthermore, it appears to have been quickly knocked up using something like Wordpress. It has stock photos from the internet to show members of the 'team' and is basically a rather poor attempt at a shop window for said group.

I did a 'Duck Duck Go' (a search engine like Google) search on the company, and noticed that there are several articles mentioning them, primarily as a scamming organisation. Here are some links to the articles I saw on the results page.

https://scamrecovery.net/investment/robinson-murray-consulting-group-llp/

https://www.theguardian.com/money/2020/jul/14/group-warns-of-sophisticated-scam-targeting-private-investors

From an anonymous member:

"I had a telephone call recently from a Clara Evans of Segment Capital LLP, asking if I would be interested in selling my Northern Rock shares for £8-£17 per share. This was apparently on behalf of Virgin Money UK. They pose as a Wholesale Takeover... bidding – tax-related requisition? I don't really understand all this! The call came from New York. It was followed up by an email. I was wondering if anyone else has received a similar call? I am not responding and guess it could be a scam."

These are contact details for Segment Capital LLP. We cannot say if this is a legitimate business, so also a victim, or a scam one.

45 Rockefeller Plaza,
New York, NY 10111
001 917 472 9738
info@segmentcapllp.com

We are also aware of a Mckenzie and Frey Capital Partners scam. The address is:

Administration Department
Mckenzie and Frey Capital Partners Inc.
40 Rector St, New York, NY 10006, USA
Phone: 1 347 480 1728
Fax: 1 347 412 6866
Email: info@mckenziefreycapital.com
Website: www.mckenziefreycapital.com

Don't forget, Associate Members can take advantage of **half-price full membership** of UKSA in the first year by clicking here.

The UKSA Board 3 March 2024