



Letter to the Financial Times

30 July 2010

From Dr. Roger Barker

Sir, Takeover policy is not perfect and the Institute of Directors believes there is a strong case for reform (“Business backs UK curbs on foreign takeovers”, July 29). A new requirement that all bids for major UK listed companies should be conditional on achieving the support of the shareholders of the acquiring company would do much to ensure an alignment with shareholder interests on both sides of a takeover deal. However, we are not convinced by the CBI’s argument that investors should effectively be disenfranchised from voting on deals if they acquire stock during the offer period.

There is no merit, per se, in being a long-term holder of a company’s shares. Long-term investors – such as passive index funds – may devote minimal resources to company engagement. In contrast, short-term investors can, in certain cases, exert a beneficial effect on a company’s governance through an active and constructive process of company dialogue. It would be inappropriate for the latter group to be disenfranchised (or otherwise disadvantaged) during a takeover situation.

Yours sincerely,

A handwritten signature in black ink that reads "R. Barker". A horizontal line is drawn underneath the signature.

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