



Governance in Brief

Your summary of the latest corporate governance developments

Headlines

- Vince Cable sets out BIS's actions as part of the pro business, pro growth agenda.
- BIS launches an independent review of the effect of UK equity markets on the competitiveness of UK business.

Vince Cable sets out BIS's actions as part of the pro business, pro growth agenda

In Brief: In a speech to the Association of British Insurers' Conference Vince Cable, the Business Secretary, set out the three issues BIS will be focusing on in "bolstering corporate governance, and encouraging every company to meet the standards of the best".

The responses BIS received to its paper "A long term focus for corporate Britain" made it clear there is real scope for improvement. There was consensus that fragmentation in the ownership of big UK companies makes it even more important that remaining large investors engage with the companies they have stakes in.

Mr Cable announced the launch of the Kay Review of the UK investment chain – see article below.

A second area where progress is being sought is in bringing excessive, unjustified, executive pay under control. BIS believes that there is a failure both on the part of companies and major shareholders to ensure accountability. Next month BIS will issue a consultation on changes to company reporting that will propose tougher provisions on disclosure of executive pay and its link to company performance. This is the culmination of a body of work on narrative reporting that it is hoped will make company reports clearer, shorter and more relevant.

The final area is women on boards. BIS is looking to industry to show leadership on enabling more women to reach senior decision-making positions in our largest companies. Vince Cable is urging all chairmen to publish their aims by Lord Davies' deadline of September this year. He is also encouraging investors to focus attention of the boards of the companies they have interests in, applying moral pressure to do the right thing. BIS will see what results can be achieved through a voluntary approach but will take a very close interest in how much progress is made.

Date: 22 June 2011

Source: Department for Business, Innovation and Skills

Further info: <http://www.bis.gov.uk/news/speeches/vince-cable-association-british-insurers-2011>

BIS launches an independent review of the effect of UK equity markets on the competitiveness of UK business

In Brief: The Secretary of State for Business, Vince Cable, announced on 22 June 2011 that Professor John Kay has been asked to examine investment in UK equity markets and its impact on the long-term performance and governance of UK quoted companies, with the support of an expert panel.

Professor Kay will examine the way that the investment chain currently works – from company boards, through pension funds, advisers and fund managers, to ultimate beneficiaries. He will also consider what is needed to make sure that the UK can be the home to successful companies, with access to the capital they need to deliver reasonable returns.

The full terms of reference for the review are available from the link below.

Date: 22 June 2011

Source: Department for Business, Innovation and Skills

Further info: <http://www.bis.gov.uk/assets/biscore/business-law/docs/k/11-1015-kay-review-terms-of-reference.pdf>

Time to take action

- Consider the challenges set down in Vince Cable's speech. Take the opportunity to re-assess your company's approach to the three issues raised of short-termism, executive remuneration and board diversity.
- Discuss at board level your company's response to the Lord Davies' September deadline to publish aims on diversity (see March 2011 Governance in brief for further details).

On the horizon

- A paper responding to the Government's consultation on narrative reporting.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.co.uk/about for a detailed description of the legal structure of DTTL and its member firms.

Deloitte LLP is the United Kingdom member firm of DTTL.

This publication has been written in general terms and therefore cannot be relied on to cover specific situations; application of the principles set out will depend upon the particular circumstances involved and we recommend that you obtain professional advice before acting or refraining from acting on any of the contents of this publication. Deloitte LLP would be pleased to advise readers on how to apply the principles set out in this publication to their specific circumstances. Deloitte LLP accepts no duty of care or liability for any loss occasioned to any person acting or refraining from action as a result of any material in this publication.

© 2011 Deloitte LLP. All rights reserved.

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 2 New Street Square, London EC4A 3BZ, United Kingdom. Tel: +44 (0) 20 7936 3000 Fax: +44 (0) 20 7583 1198.

Designed and produced by The Creative Studio at Deloitte, London. 12300A

Member of Deloitte Touche Tohmatsu Limited