



Corporate Governance

Current trends and issues – a UK perspective

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Agenda

- UK market background
- Impact on companies
- Regulatory reaction
- Effect on IR



UK market background

- Government rescue of financial sector
 - Increase in share price volatility
 - Major impact on corporate Balance Sheets
 - Focus on debt and funding as a key issue
 - Flight from risk / aversion to complex instruments
 - Hunger for information from investors and analysts
 - Renewed focus on corporate governance
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Impact on companies

- Major changes in strategy
- Disclosure of bad news has often been piecemeal (whether deliberately or because of lack of knowledge)
- Management teams have come under increased pressure for improved disclosure
- Focus on Board composition and competence

Need for good investor relations even more important



Regulatory reaction

- FSA response to global banking crisis
 - Review of corporate governance in financial sector
 - Enhanced corporate governance code
 - Proposed introduction of stewardship code for investors
 - Enhanced powers for Bank of England to control financial stability
 - EU proposals to regulate hedge funds
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Issues

- Effectiveness of risk management at board level
 - Impact of incentives on strategy and short termism
 - Skills and effectiveness of Boards
 - Role of institutional shareholders
 - Does 'comply or explain' work?
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Effect on IR

- More shareholder contact
- Increased involvement of CEO and non-executives
- Divergence between 'owners' and 'traders'
- Should long term holders be rewarded?
- Need for a code of best IR practice



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