



Press Release

Immediate Release

Thursday 16th July 2009

IoD welcomes the Walker Review of corporate governance

Sir David Walker has today published his interim review of the corporate governance of UK banks and other financial industry entities ([download here](#)). He has proposed 39 measures to improve corporate governance in the financial sector.

The IoD's view:

- Overall, the IoD is supportive of the measures proposed by the Walker Review. They represent an insightful and considered response to the shortcomings in corporate governance that were exposed by the financial crisis.
- The IoD supports the Review's conclusion that the Combined Code on Corporate Governance is fundamentally fit for purpose, and that the main emphasis for the future should be on improving the behaviour pattern of boards rather than introducing a new governance framework.
- The IoD notes that the Walker Review has incorporated a number of our proposals into its analysis and recommendations, including the following:
 - The need for board composition to give greater regard to relevant expertise rather than the fulfilment of formal independence criteria.
 - A recognition of the time commitment required of non-executive directors, and the implications of this for the number of board positions undertaken by one individual.
 - The pivotal role played by the Chair in the effectiveness of the board.
 - The need to provide non-executive directors with greater in-house support in order to fulfil their role.
- The IoD welcomes the Review's proposal for external evaluation of board performance, and the disclosure of this process. The IoD has argued for the development of a standardised and independent board appraisal methodology that is disclosed in the annual report. We note that the Walker Review states that this type of board evaluation approach is "clearly a direction for further development" (para. 4.31).

- The IoD supports the Walker Review’s support for a set of “principles for stewardship” for institutional investors, with which fund managers should either “comply or explain”. The IoD made a similar proposal in its submission to the Review.
- On executive remuneration, we support the concept that a significant proportion of variable pay should be deferred. This serves to better align incentives with long-term performance. The greater proposed involvement of the remuneration committee in the rewards of highly-paid non-board members is also appropriate. We also support greater disclosure on remuneration, although the confidentiality of employee employment contracts should be respected.
- The IoD welcomes the emphasis that the Walker Review places on the risk oversight role of the board. However, the proposed requirement for a designated risk committee and an independent chief risk officer may not make sense for many non-financial companies. It is important that this type of proposal is not automatically applied to companies outside of the financial sector.
- We are disappointed that Sir David has not explicitly endorsed the contribution that the Chartered Director designation can make to improving the professional competence of directors, both in the financial and non-financial sectors.

Commenting, Miles Templeman, Director General of the Institute of Directors, said:

“Sir David Walker is to be congratulated on his insightful and considered response to the shortcomings in corporate governance that were exposed by the financial crisis. We agree with Sir David’s emphasis on improving boardroom behaviour as much as introducing new rules.

“We welcome many of his proposals, particularly those relating to improved support for non-executive directors and the need for a more rigorous and better disclosed approach to boardroom performance evaluation.

“However, it is important to consider carefully the applicability of several of his proposals to the corporate governance framework outside of the financial sector. In particular, a separate risk committee or chief risk officer on the board is not necessarily appropriate for non-financial companies. In addition, it should be remembered that risk management is ultimately the responsibility of the CEO and the board as a whole.

“We are delighted that Sir David has adopted our proposal to establish a governance code for institutional investors, which will be placed under the remit of the FRC. It is important to encourage greater engagement between shareholders and boards, and this step will contribute to progress in that direction.”

ENDS

Contact Points:

Caroline Fanaroko, Head of Media Relations, Tel: 0207 451 3278

Mobile and out of hours: 07720 556445

Email: Press@iod.com

Web: <http://press.iod.com>

Notes to editors

- The IoD (Institute of Directors) was founded in 1903 and obtained a Royal Charter in 1906. The IoD is a non-party political organisation with upwards of 50,000 members in the United Kingdom and overseas. Membership includes directors from right across the business spectrum – from media to manufacturing, e-business to the public and voluntary sectors. Members include CEOs of large corporations as well as entrepreneurial directors of start-up companies.
- The IoD offers a wide range of business services which include business centre facilities (including ten UK regional centres [three in London, Reading, Birmingham, Cardiff, Manchester, Nottingham, Edinburgh and Belfast] and one each in Paris and Brussels), conferences, networking events, issues-led guides and literature, as well as free access to business information and advisory services and a comprehensive Information Centre. The IoD places great emphasis on director development and has established a certified qualification for directors - Chartered Director - as well as running specific board-level and director-level training and individual career mentoring programmes.
- In addition, the IoD provides an effective voice to represent the interests of its members to government and key opinion-formers at the highest levels. These include ministers, constituency MPs, Select Committee members and senior civil servants. IoD policies and views are actively promoted to the national, regional and trade media.
- For further information, visit our website: www.iod.com

Kind Regards

Caroline Fanaroko

Head of Media Relations

Institute of Directors, 116 Pall Mall, London, SW1Y 5ED

Tel:+ 44 (0)207 451 3278

Mob: 07720 556445

Email: caroline.fanaroko@iod.com

Website: www.iod.com