



Association of British Insurers' Report on Governance and Shareholder Engagement

The ABI has issued its report on 'Improving corporate governance and shareholder engagement'. This looks at the roles and responsibilities of the main players in governance, ie non-executive directors (NEDs) and shareholders generally as well as asset owners and asset managers. The full report is available at <http://tinyurl.com/njqvunw>. Some of its key points of interest are noted below.

A strong supporter of 'comply or explain', the ABI says companies should focus more in their reports on how they apply the principles of the UK Corporate Governance Code, rather than just on their compliance with the provisions. It goes further than the Code in saying that deviations from the main principles (as well as the provisions) should be specified.

The report includes some specific views on NEDs:

- They should support and challenge the board decision-making process and the formulation and execution of strategy. The balance between support and challenge is crucial
- Companies should review the time commitment of different NEDS and how different NED roles might best be structured
- This envisages possible different time commitments for individual NEDs, particularly in larger companies
- Remuneration may need to reflect any increased time commitment and responsibility eg for the SID and committee chairs but also for other directors with particular expertise

It is quite usual to envisage a different time commitment and remuneration for the SID and committee chairs but less common for other NEDs. Companies might feel this gives added flexibility, but as time commitment for any director can be open-ended in times of crisis it may not always be helpful to have differing time and fee agreements.

- Executive directives should inform 'the appropriate NED' of a proposed transaction as early as possible. This should always occur when an approach is received from a potential bidder or management first considers a transaction that would need shareholder approval

Companies might feel all NEDs should be informed of this.

- NEDs should be given a narrative description of the discussions between the parties and a summary of this should be included in the shareholders' circular
- NEDs should meet without the executives to consider the transaction and should confirm to the chairman they have received enough time and information
- They should have direct access to financial and legal advisers so that information can be quickly obtained and understood. They should consider whether they need separate legal advice on the transaction

To find out more about the ABI's wider views on governance expressed in this report or elsewhere, or to discuss your 2013 board evaluation or governance reporting needs, contact Julia Casson at juliacasson@boardinsight.co.uk or on **0844 544 6985**.

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