IBE proposes significant changes to governance reform in response to BEIS Green Paper

Friday 17 February, 2017

17 February 2017: Significant changes to UK corporate governance, including a radical reform of executive pay, are proposed in the response of the Institute of Business Ethics to the current Government Green Paper.

Besides calling for a simplification of executive remuneration through the abolition of complex share rewards and smaller bonuses, the IBE also says company chairmen should be required to make a formal statement each year on how their boards have lived up to the Companies Act requirement to take key stakeholders such as employees, customers and suppliers into account when making decisions.

A radical suggestion is that the government should consider whether the privilege of limited liability should be removed for extreme cases of failure to meet Companies Act obligations. This would make shareholders liable for the company's debts.

Philippa Foster Back CBE, IBE Director, said:

"In our response we have set out a range of measures which we believe should be a practical spur to good governance without generally requiring major new legislative initiatives or compliance costs. The UK generally has a strong record in governance, but we are facing new challenges, including a serious deficit of trust. It is important that the government now follows through on its Green paper initiative.

"Removing limited liability would be a nuclear option, but experience shows that nuclear deterrents also work. This is not a change to be taken in a hurry but we believe it should receive consideration, particularly because it would be an incentive to unlisted companies to act responsibly. Most governance arrangements to date have focused on listed companies."

ENDS/

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