

Sir David Walker
Review of corporate governance in UK banks
and other financial industry entities

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17th November 2009

Dear Chandras,

The Prime Minister asked me in February to review corporate governance arrangements in UK banks and other financial institutions. I completed my initial review which resulted in the publication of a consultation paper *A review of corporate governance in UK banks and other financial industry entities* on 16 July.

This paper contained a number of recommendations which were the subject of public consultation until 1 October. I am currently finalising my report and recommendations, which I will deliver to you and publish on 26 November.

In the July paper I recommended there should be increased levels of disclosure of remuneration, going beyond what is required to be disclosed in a directors' remuneration report. Specifically I made the following recommendations:

Recommendation 31

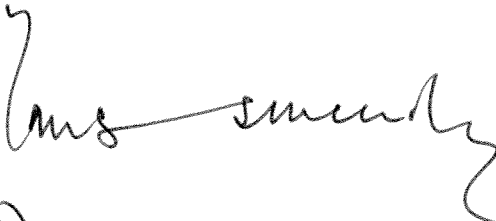

The remuneration committee report should disclose for "high end" executives whose total remuneration exceeds the executive board median total remuneration, in bands, indicating numbers of executives in each band and, within each band, the main elements of salary, bonus, long-term award and pension contribution.

Recommendation 32

Major FSA-authorized BOFIs that are UK-domiciled subsidiaries of non-resident entities should include in their reporting arrangements with the FSA disclosure of the remuneration of "high end" executives broadly as recommended for UK-listed entities but with detail appropriate to their governance structure and circumstances agreed on a case by case basis with the FSA. Disclosure of "high end" remuneration on the agreed basis should be included in the annual report of the entity that is required to be filed at Companies House.

I understand that in order to be in a position to take action in this area the Government wishes to take statutory powers in the Financial Services Bill, which will be published shortly before delivery of my final report.

I am in the process of drafting my final recommendations, but I can confirm that they will continue to recommend an increased level of disclosure in the area of remuneration. My own view, consistently with the conclusion that I believe you have reached, is that implementation of this enhanced disclosure cannot rely on the "comply or explain" approach but ultimately requires statutory backing.

Sir David Walker

