New report offers path to rebuild public trust in financial markets, and will ‘echo around the world’

Influential trade body praises ‘innovative reforms’ at heart of Kay Review

London, 23 July 2012 – The UK Sustainable Investment and Finance Association (UKSIF) saluted a ‘breakthrough’ report, released today, that could make the UK the “global centre for responsible stewardship”.

The ‘Kay Review of Equity Markets and Long-Term Decision Making’ was led by Professor John Kay and commissioned by the Department for Business, Innovation and Skills. It was tasked with examining the performance of UK equity markets and its final report has recommended a number of measures including regulatory support for fiduciary standards, more effective reporting and enhancements to the UK Stewardship Code.

Penny Shepherd MBE, Chief Executive of UKSIF said:

“The Review offers innovative and practical analysis of the current state of equity markets and suggests pragmatic ways to improve engagement between shareholders and the companies they own.

“Just as the Cadbury Report in 1992 provided the basis for much of today’s international best practice on how boards are run, the Kay Review could, in time, have a similar impact on how institutional shareholders behave. In short, it could drive a step change in how investment institutions generate returns for savers. Just as the UK has become the corporate governance capital of the world, the UK could also become a global centre for responsible stewardship.

“Although Kay’s reforms are focused on the UK market, the global nature of the UK stock market means this will strike a chord that will echo around the world.”

The recommendations in the Kay Review will now be considered by the Government and may tie in with plans recently announced by Secretary of State for Business Vince Cable to force companies to have binding votes on executive pay every three years.

Penny Shepherd MBE, Chief Executive of UKSIF said:
“After the recent scandals about major financial institutions this report offers a path towards a better culture of long-termism, responsibility and good stewardship across the financial community. It’s an opportunity to rebuild public trust in UK equity markets.”

She added,

“UK companies must prepare to compete in a changing world. This is a world of environmental limits and social change as well as shifting economic power and a world that demands a stronger, clearer link between savers and companies.

“When it comes to long-term investment it is pension funds and other asset owners who are best positioned to drive change by incentivising their managers to invest over a longer horizon than most currently do. There are some great examples of this among UK pension funds but many more, especially corporate pension funds, need to hear Professor Kay’s message and follow their lead.”

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Notes to Editors

About UKSIF
The UK Sustainable Investment and Finance Association supports the UK finance sector to be a global leader in advancing sustainable development through financial services. We promote and support responsible investment and other forms of finance that advance sustainable economic development, enhance quality of life and safeguard the environment. Founded in 1991, UKSIF has over 260 members including pension funds, asset managers, research providers, financial advisers, banks and non-governmental organisations.

For more information, visit www.uksif.org.