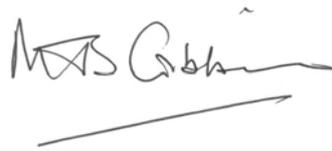


 <b>Regulatory Policy Committee</b>	<b>OPINION</b>	
<b>Impact Assessment (IA)</b>	Shareholder votes on executive remuneration	
<b>Lead Department/Agency</b>	Department for Business, Innovation and Skills	
<b>Stage</b>	Consultation	
<b>Origin</b>	Domestic	
<b>Date submitted to RPC</b>	15/02/2012	
<b>RPC Opinion date and reference</b>	01/03/2012	RPC12-BIS-1270
<b>Overall Assessment</b>	<b>AMBER</b>	
<p>The IA is fit for purpose. However, it would appear that many of the impacts identified as being indirect would better be considered to result directly from the proposal, which is to bring about behavioural change to deal with shareholder concerns. The IA mentions wider impacts and unintended consequences. It would facilitate consultation if it explained and discussed more clearly what these could be under the proposal.</p>		
<p><b>Identification of costs and benefits, and the impacts on small firms, public and third sector organisations, individuals and community groups and reflection of these in the choice of options</b></p>		
<p><i>Direct impacts.</i> The IA considers that most of the cost impacts will be indirect and that these will depend on “<i>how the quoted companies are dealing with executive remuneration issues now, including the resources they devote to corporate governance engagement</i>”. However it would appear that many of these impacts should be treated as direct since the proposal is expected to drive a behavioural response to shareholder concerns. For example, the IA identifies that the proposal is likely to result in additional engagement between companies and shareholders (paragraphs 39 and 54), and as such this appears to be a direct effect. The consultation will also have to be used to show that the proposal will affect the behaviour of shareholders who would under the ‘do-nothing’ vote against remuneration packages.</p>		
<p>Furthermore, the IA mentions wider impacts and unintended consequences (page 25). However it would facilitate the consultation if the IA explained and discussed more clearly what these could be under the proposal, and whether this is likely to have any impact on the problem itself being tackled.</p>		
<p><i>Existing powers.</i> The IA says that as part of strengthening shareholder rights, the proposal will include an advisory role on the implementation of policy in the previous year – the marginal impacts of which are discussed (paragraphs 65-67). However, it is unclear whether there is an additional change to the ‘do-nothing’, given that the IA says that “<i>shareholders would retain an advisory vote on the backward looking section of the report</i>” and that this is a “<i>continuation of the power that the shareholders already have</i>”. If there is a change to this power, the IA should clearly explain how this will change shareholders’ ability to signal whether they are content.</p>		

**Have the necessary burden reductions required by One-in, One-out been identified and are they robust?**

The IA says that the proposal is a regulatory measure that will impose a net cost to business (an 'IN'). This is consistent with the current One-in, One-out Methodology and provides a reasonable assessment of the likely direction of impacts. The evidence supporting the estimated Equivalent Annual Net Cost to Business (EANCB) will have to be further strengthened so that it can be validated at final stage.

**Signed**

A handwritten signature in black ink, appearing to read "Michael Gibbons", with a long horizontal line underneath it.

**Michael Gibbons, Chairman**