The case for governance

Caroline Escott

One year after the launch of the Good Governance Investor Campaign (GGIC), its chair, Caroline Escott, speaks to Callum Conway about investor rights, dual-class shares, corporate reporting reform and why weakening governance standards will not revive the UK's IPO market

One year on from the launch of the GGIC, what tangible impact has it had on UK corporate governance and capital-markets policy?

Our objective is to strengthen UK growth by promoting good governance and effective investor rights. The evidence showing the importance of good governance to economic growth is clear, and our focus is ensuring that message is heard by policymakers.

During our first year, we have been delighted by how strongly the campaign has resonated with policymakers, trade and national media. Parliamentarians, government officials, regulators and senior editors have proactively approached us to understand the long-term investor perspective.

That engagement is vital in raising awareness and building momentum for our work.

We were, however, frustrated by the decision in January to scrap the long-planned *Draft Audit Reform and Corporate Governance Bill*. The legislation would have delivered important improvements, including subjecting nationally significant private companies to a level of scrutiny comparable with their publicly listed peers. That would have been an important step towards removing artificial divisions between private and public companies.

We are now engaging closely with government officials ahead of the *Modernisation of Corporate Reporting* consultation, which we expect to be published this year. In those discussions, we continue to emphasise that good governance is a help, not a hindrance, to the UK economy.

How do you respond to claims that strong governance protections make the UK less competitive as a listing destination?

We are not convinced that the corporate governance 'burden', as some describe it, is contributing materially to the decline in UK initial public offerings.

Our analysis of 53 UK-headquartered or UK-focused companies that listed in the US between 2018 and 2025 found that only one cited governance standards as a reason. Far more commonly, businesses referred to liquidity, valuations and access to deeper pools of capital.

Building that liquidity requires a capital market that is attractive to investors.

Our survey with Opinium found that 61 per cent of domestic and international pension scheme chief investment officers and portfolio managers considered shareholder rights and investor protections 'very important'. Meanwhile, 55 per cent believed recent UK listing rule reforms had made UK companies appear riskier as investments.

Why has class-by-class voting disclosure become a priority following the introduction of dual-class share structures?

Where a company chooses to operate with unequal voting rights, both companies and investors benefit from seeing how different shareholder groups have voted.

Companies disclosing disaggregated voting outcomes gain a clearer understanding of their shareholder base. At the same time, greater transparency builds trust, strengthens accountability and improves investor confidence in a way that supports long-term value creation and economic growth.

Aggregated results can obscure differences between the voting behaviour of ordinary shareholders and holders of enhanced voting rights. That matters to pension schemes and other long-term investors because it can make it harder to assess the strength of independent shareholder sentiment.

Our working group is developing guidance that is UK-focused but internationally relevant, bringing together company and investor perspectives from the UK and overseas.

Initial discussions with company representatives have indicated support for the measure, and we will gather broader views through an industry-wide consultation over the summer.

Do you believe the 2024 UK listing rules struck the right balance between attracting companies and protecting shareholder rights?

Policymakers, companies and investors all need to work together to make the UK an attractive place to list and raise capital.

We are not seeking to relitigate the past, but many campaign members made clear at the time that the changes would dilute investor protections that had historically been one of the UK market's competitive strengths.

The evidence shows that governance standards and shareholder rights influence where investors allocate capital.

As a group, we do not believe the listing rule changes have had a positive effect on the UK IPO market. We also believe they have made the UK less attractive to capital by reducing the appeal of listed companies to the high-quality, long-term investors that pre- and post-IPO businesses say they want.

However, our campaign is about much more than listing rules or public markets. It is about ensuring the whole UK capital market operates in the interests of companies, investors and savers.

What does the campaign want from the forthcoming Modernisation of Corporate Reporting consultation?

Modernisation should make corporate reporting shorter, clearer and more useful while preserving the shareholder oversight and accountability that make UK markets attractive to long-term investors.

We want meaningful information, not simply more information.

There is a strong case for streamlining remuneration reporting by removing low-value, duplicative and overly process-focused disclosures. Reporting should instead concentrate on pay outcomes, alignment with performance and insight into the remuneration committee's decision-making.

We would not support enabling virtual-only annual general meetings, as these can reduce the quality of engagement between shareholders and companies.

We also believe the UK's current shareholder voting arrangements on executive pay have helped deepen dialogue on a material issue. Remuneration is a powerful tool for alignment and accountability and, at a time when many everyday savers face cost-of-living pressures, we will continue to argue for preserving that right.

How do stronger governance standards and improved voting disclosure translate into better outcomes for pension scheme members?

Effective governance supports stronger board oversight, greater accountability and more disciplined decision-making. This reduces the risk of costly corporate failures and value-destructive behaviour.

Enhanced voting disclosure gives investors and companies a clearer understanding of shareholder sentiment and strengthens the dialogue between issuers and their investors.

Our proposals would help build more transparent, resilient and trustworthy capital markets, creating the conditions for long-term value creation in the interests of pension scheme members and the wider economy.

What are the GGIC's priorities for its second year?

We plan to publish our industry guidance on class-by-class voting disclosure by December and support its adoption by relevant companies.

We will also remain closely involved in the debate around modernising corporate reporting, while continuing to strengthen the evidence base and our relationships with policymakers.

More broadly, we want UK capital allocators to have a greater voice in policymaking. That could include formal pension scheme representation on official listings taskforces.

We also want policymakers to address artificial divisions within the UK market, including the differing obligations faced by large private and public companies.

Finally, the UK should do more to celebrate its position as a destination for international capital. Pension schemes should play a greater role in government trade missions and in demonstrating the depth and quality of the UK's long-term investor base.

Written by Callum Conway