The Rt Hon Frank Field MP  
Chair, Work and Pensions Committee

Iain Wright MP  
Chair, Business, Innovation and Skills Committee

10 June 2016

Dear Sirs

Select committee inquiries

1. I refer to your letter of 6 June 2016 asking further questions relating to my role as non-executive Chairman of Taveta Investments Limited (TIL), Taveta Investments (No. 2) Limited (TIZL) and (until December 2015) Arcadia Group Limited (AGL) (the Companies). As you are aware, I also responded to your letter of 31 May 2016 on 6 June, and our letters crossed. As a result, some of the matters you have raised in your 6 June letter have been addressed in my letter of the same date.

2. My responses to the questions in your 6 June letter are as follows:

   Question 1: We noted with interest the minutes of the Taveta Investments (No 2) Ltd Board meeting on 16 March 2015 at which the sale of BHS Ltd on 11 March 2015, five days earlier, was ratified. You said in evidence to the Committee that this meeting was the "first time [you] came into the story".

   a. Why did the Board resolve to appoint Paul Budge as Chairman of the Meeting?

   b. We note that you and Mr Budge were the only Directors present. What would have been the procedure had you disagreed on the merits of the disposal?

   c. We note you resolved to ratify the sale. What would have been the consequences had you opted not to ratify the sale? Could BHS have been unsold?

3. I refer the Committees to my letter dated 6 June 2016 in which I rejected the suggestion that I was unaware of the sale before it was agreed. I did not, however, participate in the negotiations (hence the reference that you quote from my evidence to the Committees).

4. As regards your specific questions:
(a) As explained in my written statement to the Committees of 16 May 2016, my regular role was to chair the board meetings of AGL and, in due course, TIL. I believe that the board of TIL2L met only infrequently. Mr Budge was appointed as chair of the TIL2L board meeting on 16 March 2015 because he had been involved in the negotiations and was best placed to perform that task, given that the sole purpose of the meeting was to consider the BHS sale.

(b) TIL is the sole shareholder of TIL2L and approved the sale of BHS. The circumstances presented no basis on which we could properly have disregarded the views of the board of TIL2L’s sole shareholder and refused to ratify the sale, and I had no reason to attempt to do so. In any event, the sale agreement was validly executed by Mr Budge, who had authority to bind TIL2L.

Question 2: Taveta Investments (No. 2) Ltd Board appointed a “sub-group to look at the question of the possible disposal of BHS”, which agreed the sale without your advance knowledge. In what circumstances do you think the use of a board sub-group would be inappropriate?

5. I would refer you to my letter of 6 June in which I explained how, as is quite usual in large corporate groups, the sub-group comprised of executive directors (who had the relevant experience and knowledge of the business) – see also paragraph 10(c) below.

Question 3: What assurances regarding a potential purchaser ahead of sale do you regard as commensurate with properly exercising the duties of a company Director? Did you take advice on this in relation to the sale of BHS to Retail Acquisitions Ltd?

6. Although there is no obligation to obtain assurances, Taveta did all it could reasonably do to provide the BHS purchaser with a credible opportunity to maintain employment and pension benefits for its staff and pensioners. I would refer you to paragraphs 10-12 of my 6 June letter that summarises some of those efforts. It is hugely unfortunate that RAL was not able to take advantage of this opportunity. I did not take any advice at the time on my duties as a director. I am and was fully aware of my duties and I discharged them.

Question 4: Your evidence to the Committee included the following exchange:

Richard Graham: What did you think was the purpose of having Taveta Investments Ltd and the TIL (No. 2) company?

Lord Grabiner: Whatever structure they had adopted, no doubt there were good reasons for it, but I am not aware of what the reasons were.

Have you please had any further reflections on the purpose of the companies you Chair?

7. As I made clear to the Committees in my evidence, I have no personal knowledge of the original reasons for this particular corporate structure, which
was put in place before I became a director of TIL and TI2L. However, I do not find the structure at all unusual given that many similarly sized corporate groups have similar structures. Since our meeting in May, I have been informed that the structure arose from a corporate re-organisation effected on an earlier re-financing of the business.

**Question 5:** Could you please provide a copy of the Articles of Association, or any other document or agreement relating to the functioning of the Board, for each of the three companies?

8. I enclose copies of the Articles of Association of TIL, TI2L and AGL, all of which are publicly available on the Companies House website. I am not aware of the existence of any other documents responsive to this request.

**Question 6:** The arrangement with Sir Philip Green in 2002 that resulted in you becoming Chairman of Arcadia involved you purchasing some shares.

a. How many shares did you purchase in Arcadia and how much for?

b. Who suggested the purchase?

c. How was the price for the shares arrived at?

d. Were any arrangements made or discussed as to how much you could dispose of the shares at some future date and for how much? If not, how were you ever going to realise your investment?

9. I purchased 5,150,000 ordinary shares in TIL at the end of 2002 for the sum of £375,000. This equates to approximately 0.5% of the company’s ordinary shares. This purchase was part of the agreement pursuant to which I became non-executive Chairman of AGL. I believe that the price for these shares was calculated by reference to the equity in TIL at the time. There has never been any agreement, arrangement or discussion about my disposal of these shares. The rules applicable to disposals of shares in TIL are set out in Articles 5 and 6 of TIL’s Articles of Association. For all practical purposes, as this is a private company and there is no market for a minority shareholding of this nature, the only ways in which I could realise this investment in the future would either be by way of a sale to other existing shareholders, or on a sale of the whole business.

10. I would also like to take this opportunity to make some observations on the letter from Mr Walker which you have helpfully appended to your letter of 6 June.

(a) The criticisms that Mr Walker makes of the corporate governance within the Taveta group of companies and of me personally are unjustified and may be based on an incorrect understanding of the facts and the law. My letter of 6 June seeks to clarify some of these factual issues – see in particular paragraphs 5-13.
(b) As regards the law, as a director of the Companies, my duties were owed to the relevant company to act in the way I considered, in good faith, would be most likely to promote the success of that company for the benefit of its members as a whole, and in doing so to have regard (amongst other matters) to those factors listed in section 172 of the Companies Act 2006. The directors of TI2L and AGL were therefore duty bound to have proper regard to the wishes of their immediate shareholding entity and so, ultimately, those of TIL, which had decided that if a share sale of BHS could not be achieved, a formal insolvency of BHS entities would become inevitable.

(c) Mr Walker makes reference to the UK Corporate Governance Code in this context (which applies to all companies with a premium listing of equity shares – this does not apply to any of the Taveta or Arcadia companies). Whilst the chairman of a company is responsible for leading the board, the UK Corporate Governance Code makes it clear that this is distinct from the executive responsibility for the running of a company’s business. This is not, as Mr Walker suggests, a "devolution of accountability".

(d) Finally, Mr Walker repeats the original claim from Lesley Titcombe from the Pensions Regulator that she only heard about the sale of BHS when she read about it in the newspapers. As you know, Ms Titcombe sought to retract this part of her evidence in her letter of 11 May 2016.

11. I hope these further replies to your additional questions are of assistance to your Committees.

Yours faithfully

[Signature]

Lord Grabiner QC