



Work and Pensions Committee

Business, Innovation and Skills Committee

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June 2016

Lord Grabiner QC
Chairman
Taveta Investments Ltd
Colegrave House
70 Berners Street
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Select committee inquiries

Further to our letter dated 31 May, we would be grateful if you respond to these further questions regarding your responsibilities as Chairman of Taveta Investments Ltd, Taveta Investments (No. 2) Ltd and, until recently, Arcadia Group Ltd. We draw your attention to the open letter to us from Simon Walker, Director General of the Institute of Directors. For your convenience we have appended it to this letter.

Role as Chairman and Director

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”.¹
 - 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?
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

¹ Q488



advance knowledge.² In what circumstances do you think the use of a board sub-group would be inappropriate?

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?
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.³

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

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?

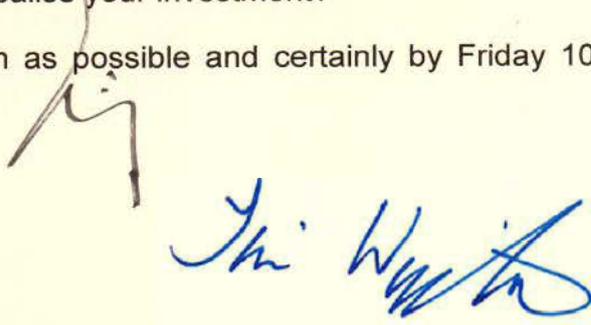
Shareholding

6. The arrangement with Sir Philip Green in 2002 that resulted in you becoming Chairman of Arcadia involved you purchasing some shares.⁴
 - 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 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?

We would appreciate a response as soon as possible and certainly by Friday 10 June.

Many thanks and best wishes


Rt Hon Frank Field MP
Chair
Work and Pensions Committee


Iain Wright MP
Chair
Business, Innovation and Skills Committee

² Q478

³ Q502

⁴ Q500

An open letter to Frank Field MP and Iain Wright MP regarding the failure of BHS⁵

Dear Mr Field and Mr Wright,

I want first to say how pleased I was that your joint committee was formed to investigate the sad demise of BHS.

The corporate governance of a major high-street organisation is not just an issue for the company concerned, but for the business community as a whole. The vast majority of British business people are more likely to have mortgaged their house to build their organisations than they are to own a superyacht.

I was asked on the Today programme whether, as the leader of Britain's oldest business organisation, I could 'defend' the running of BHS; I can't. Serious questions need to be asked of almost everybody concerned in the running of BHS, the sale, and the company's demise. In particular, we have concerns about the conduct of the Arcadia Board, headed by Lord Grabiner, once they had decided to sell BHS. The Arcadia board set up a sub-committee to investigate options for the sale, which is not necessarily poor governance, but evidence given by Lord Grabiner to your Parliamentary Committee suggests that he was relaxed about not being involved. It is surprising that he was not, as Chair, part of that sub-committee. That he did not find out about the sale until 5 days after it had been agreed, and that he had not given any indication of what was an acceptable sale, is at best described as alarming.

This doesn't sit very well with the UK Corporate Governance Code, which says "the chairman is responsible for leadership of the board." It is crucial on any board that delegation of decision-making is not confused with devolution of accountability.

Further, it was deeply alarming when the chief executive of the Pensions Regulator, Lesley Titcomb, told your joint Committee that she had heard about the sale of BHS only when she read about it in the newspapers. The Pensions Regulator has said that they are now investigating and will have clear progress by the end of the year. The Financial Reporting Council, too, is considering whether to investigate the advisors on the deal, Grant Thornton and Olswang. The FRC itself has made the point in response to Richard Fuller MP's recent open letter that individual directors cannot be looked at under their disciplinary scheme, despite what appears to be evidence of governance failings. This may well be the case, but the question is then begged of whom can look at them? This is important; if the Chairman of Arcadia is not properly looked at, it could set an appalling precedent for future sales of failing businesses.

This issue is too important to be put in the 'too hard' box; we cannot have another HBOS-style situation, which continues to this day.

The corporate governance at Arcadia, and the collective failure of regulators, trustees, and advisors, represents a blight on the reputation of British business. I commend your inquiry and I hope that by investigating this episode, we can ensure that appropriate lessons are learnt by not just those involved, but by the business community at large.

Yours sincerely

Simon Walker

⁵ <http://www.iod.com/influencing/policy-news/an-open-letter-to-frank-field-mp-and-iain-wright-mp-regarding-the-failure-of-bhs>