

# Government response: Government responds to GKN/Melrose takeover

Commenting on today's decision by GKN shareholders to accept the terms of the bid by Melrose PLC., Business Secretary Greg Clark said:

As a competitive economy Britain has always had vigorous contests for the management of public companies. Competition for how a business should best be run drives efficiency and competitiveness, which is important for the economy and stakeholders.

During the bid, Melrose made commitments which they are bound to honour including investment in research and development and maintaining itself as a UK business.

Now that shareholders have made their decision the government has a statutory responsibility to consider whether the merger in its proposed final form gives rise to public interest concerns in the areas of media plurality, financial stability and national security. This assessment will be made by the appropriate authorities and the conclusion set out in due course.

This is the first major takeover to have taken place in the UK since new changes to the [Takeover Code](#) were introduced earlier this year. These give companies subject to a bid more time to prepare their response as well as requiring bidders to make earlier and fuller disclosures of their plans for target companies. Bidding companies who are successful in their takeovers now also have to publish reports on their compliance with the plans they announced during the course of an offer.

## **Commitments**

The process of takeovers of listed companies is governed by the Takeover Code, overseen by the independent Takeover Panel, who are the independent body which issues and administers the Takeover Code, and supervises and regulates takeovers.

Following discussions with the Business Secretary as well as the Takeover Panel, Melrose agreed to legally enforceable commitments to be honoured should their bid be successful.

These include 5 year binding commitments to:

- maintain its UK listing
- maintain its UK headquarters
- maintaining a UK workforce
- ensure a majority of its directors are resident in the UK
- ensure the Aerospace and Driveline divisions retain the rights to the

GKN name

Melrose has also crucially committed to maintaining GKN's current level of research and development investment for the next five years.

## **Powers under the Enterprise Act**

Under the Enterprise Act 2002, the Secretary of State has powers to intervene in mergers that raise public interest concerns.

The government can still intervene. These powers apply both to mergers that have already taken place (subject to time limits) and to those that are proposed or in contemplation.

## **Changes to the Takeover Code**

Recent changes to the Takeover Code introduced earlier this year require:

1. Bidders to be more specific in their plans for a target company. This would include making statements of intention regarding: the company's research and development, the balance of skills and functions of the company's employees, and the location of the company's headquarters.
2. Statements of intention to be made at the time of a bidder's announcement of its firm intention to make an offer.
3. Bidders to not publish an offer document for 14 days from the announcement of their intention to make an offer without the consent of the board of the target company.
4. Companies to publish reports on their compliance with the plans they announced during the course of an offer.