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Ms Catherine Woods
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Dear Ms Woods

Directors' Remuneration

We welcome the opportunity to respond to the Consultation Paper *Directors' Remuneration*.

In our view the UK Corporate Governance Code is not the right place to deal with detailed requirements relating to directors' remuneration. The Code sets out a principles-based corporate governance framework - has never been intended to repeat or mirror law and regulation. We consider that an increasing number of specific requirements could irrecoverably damage the balance and overall integrity of the Code.

Furthermore, the Code operates within a 'comply or explain' framework whereas legislation requires full compliance. We do not believe that the Code is the right tool to supplement legislative requirements. In fact, we consider that provisions within the Code should be removed once they are incorporated into legislation. The Government may, if it chooses, issue helpful guidance material but that should be supplementary to regulations.

We are also cognizant that the new Regulations (*The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013*) need time to become embedded before introducing new requirements or Code provisions.

Extended clawback provisions

We believe the current Code position – that consideration should be given to the use of provisions that permit the company to reclaim variable components of remuneration in exceptional circumstances of misstatement or misconduct – is sufficient and should not be amended to include a 'comply or explain' presumption that companies have provisions to recover and/or withhold variable pay.

Specific clawback policies are for the board to determine and set out for shareholders to vote on; and good practice should be allowed to develop by way of increased engagement between investors and companies.

Remuneration committee membership

We are unconvinced by the logic that remuneration committee members who are executives in other large companies are conflicted as they 'have a personal interest in maintaining the status quo in pay setting culture and pay levels.' Indeed, the analysis of shareholder votes set out in the Consultation Paper does not show any positive correlation between shareholder votes against FTSE 350 remuneration reports and the presence of executive directors on the remuneration committee. If anything, it suggests the reverse is true.

Consequently, we do not believe that changes to the Code are required to deter the appointment of executive directors to the remuneration committees of other listed companies.

Votes against remuneration Resolutions

We do not believe an explicit provision in the Code to report to the market in circumstances where a company fails to obtain at least a substantial majority in support of a resolution on remuneration is needed in addition to what is already set out in the Regulations.

Determination of what constitutes a substantial majority is a matter of judgement and the 80 per cent threshold suggested in the consultation appears arbitrary. The disclosure of remuneration resolutions and related disputes can be complex and so a single 'hard-line' threshold is unlikely to be applicable in all cases. Therefore we do not believe that a threshold should be included in the Code.

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If you wish to discuss any of the points raised, please contact David Matthews on 020 7311 8572 or Timothy Copnell on 020 7694 8082

Yours faithfully

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