

Catherine Woods
The Financial Reporting Council
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6th December 2013

Dear Catherine

Consultation Paper – Directors’ Remuneration October 2013

I am a chartered accountant and part of the Invesco Perpetual UK Equities investment team. The fund managers in the team are responsible for all the activities of the investing funds that they manage. I support the fund managers’ activities, mainly in respect of quoted and unquoted corporate finance transactions, shareholder engagement under the UK Stewardship Code and operational compliance and controls. As at 30th September 2013, the team managed approximately £38 billion, of which at least 80% is UK equity investments in the sense that the investments are quoted on a UK market and/or are incorporated in the UK and a lot will be subject to the UK Corporate Governance Code and UK Stewardship Code. Our response and comments are therefore as investors.

Our general view is that the UK Corporate Governance Code, including the remuneration sections, should remain unchanged to allow investors and their companies sufficient time to work through the recent changes. The remuneration sections (as do the other sections) already have clear principles and, with the ‘comply or explain’ approach, have worked well in the past from our experience. We expect the application of the Code to continue to work well. We also believe that how the Code is implemented, in each individual company that our funds are invested in, is ultimately up to us as the allocators of equity risk capital to those companies and not really anyone else, including governments. We have answered your consultation questions in the appendix to this letter in this context.

If you need to discuss anything further or clarify our answers, please contact me.

Yours sincerely

Charles



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Appendix to 6th December 2013 letter - Consultation Paper – Directors' Remuneration October 2013

Consultation Questions

Extended Clawback Provisions

Question 1: *Is the current Code requirement sufficient, or should the Code include a "comply or explain" presumption that companies have provisions to recover and/or withhold variable pay?*

Yes. There is no need to include anything additional as we are experiencing sufficient take up of introducing clawback and malus provisions, if they were not already there.

Question 2: *Should the Code adopt the terminology used in the Regulations and refer to "recovery of sums paid" and "withholding of sums to be paid"?*

No. The principles of 'a company should avoid paying more than is necessary for this purpose', 'the aim should be to avoid rewarding poor performance', 'they should take a robust line on reducing compensation to reflect departing directors' obligations to mitigate loss' and 'consideration should be given to the use of provisions that permit the company to reclaim variable components in exceptional circumstances of misstatement or misconduct' are clear enough.

Question 3: *Should the Code specify the circumstances under which payments could be recovered and/or withheld? If so, what should these be?*

No. The Code should remain a set of principles and not be turned into a lot of rules.

Question 4: *Are there practical and/or legal considerations that would restrict the ability of companies to apply clawback arrangements in some circumstances?*

We are not qualified to answer this question but our general knowledge suggests there are none of which we are aware.

Remuneration Committee Membership

Question 5: *Are changes to the Code required to deter the appointment of executive directors to the remuneration committees of other listed companies?*

No. The shareholder dissent analysis suggests this is not a problem. Perceived conflicts do not mean there are actual conflicts. Our experience is that most if not all executive directors would question if they have the time to spend as non executives on remuneration committees of other companies; and most if not all people who behave professionally will take themselves out of any decisions where they feel they are conflicted.

Votes Against the Remuneration Resolutions

Question 6: *Is an explicit requirement 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 needed in addition to what is already set out in the Regulations, the guidance and the Code?*

No. It is important to us that companies and their management are not distracted from their core purposes by having to deal with shareholder minorities. Any influence towards this potential distraction in Regulations, guidance and the Code would be extremely undemocratic.

Question 7: *If yes...?*

Not applicable.

Question 8: *Are there any practical difficulties for companies in identifying and/or engaging with shareholders that voted against the remuneration resolution/s?*

Yes – see our answer to question 6 above – dissenting shareholders should accept the democratic decision of the voting.

Other Possible Changes

Question 9: *Is the Code compatible with the Regulations?*

Question 10: *Are there any overlapping provisions in the Code that are now redundant and could be removed?*

We do not have time to qualify ourselves to answer these questions and we would expect companies to answer and point out any redundancies that could be removed from the Code.

Question 11: *Should the Code continue to address these three broad areas?*

Yes in so far as it does already and not any further.

Question 12: *If so, do any of them need to be revised in the light of developments in market practice?*

No.