

Ms Catherine Woods
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Dear Ms Woods,

Consultation on Directors' Remuneration

The Northern Ireland Local Government Officers Superannuation Committee (NILGOSC) administers the Local Government Pension Scheme for Northern Ireland. It is a funded defined benefit scheme with assets of approximately £4.6billion.

We wish to make the following comments in response to the consultation document:

Extended Clawback Provisions

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?

NILGOSC considers it essential that any rewards for employees, in particular the remuneration of senior management, should be aligned with long-term benefits for shareholders, and that care should be taken to avoid payment for failure. NILGOSC's Voting Policies currently state that companies should have provisions in place to allow the company to reclaim incentive payments in cases of mis-statement or misconduct. NILGOSC would support the inclusion of a "comply or explain" presumption that companies have such provisions in place.

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

NILGOSC would support the adoption of the terminology used in the Regulations to maintain consistency. The specific reference to both "recovery" and "withholding" of payments would clarify that provisions which apply to both sets of circumstances are expected.

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

The code shouldn't be unnecessarily prescriptive but some guidance might be useful. The LAPFF has stated that clawback might be appropriate in cases where ethical standards are breached, or where poor environmental or social performance causes demonstrable harm to the company's reputation or social license to operate and NILGOSC would concur with this.

Remuneration Committee Membership

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

If there is a case for regulatory action rather than investor engagement, probably the most straightforward approach would be to insert a UK Corporate Governance Code provision that a currently listed company CEO should not serve as the chairman of a remuneration committee.

Votes Against the Remuneration Resolutions

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?

If yes, should the Code:

- **set criteria for determining what constitutes a 'significant percentage';**
- **specify a time period within which companies should report on discussions with shareholders; and/or**
- **specify the means by which companies should report to the market and, if so, by what method?**

NILGOSC considers that setting a level for what constitutes a "significant percentage" may encourage companies to be more proactive in engaging with shareholders. Companies and shareholders can differ as to what constitutes significant dissent and companies may choose to ignore shareholder concerns as long as the resolution passes. NILGOSC would agree with the GC100 group that votes against in excess of 20 percent should be considered significant. This could be included as a minimum level of dissent at which point companies should engage with shareholders to determine their concerns, although, NILGOSC also believes that a lower level of dissent might be considered significant for some companies and that the wording of the Code should not discourage companies from engaging with their shareholders in that case.

The remuneration report itself would appear to be the most sensible place to include reporting on these discussions and the steps, if any, the company is proposing to take to respond to shareholders' concerns. In situations where there is significant dissent, a statement such as that described in the GC100 guidance may be useful in indicating to shareholders the intent to engage.

NILGOSC believes that companies should proactively engage with large and small shareholders on their pay policies and practices and make the transcripts of these discussions available to all shareholders.

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

There may be problems for companies in identifying who to communicate with as many shareholders outsource engagement to fund managers etc. Also, engagement during peak AGM season may be difficult due to limited resources, both at the company and investor level.

We look forward to hearing the outcome of the consultation exercise and hope that the above comments contribute to the process. If you have any queries, please do not hesitate to contact me.

Yours sincerely,



Ciara Keenan
Investment and Governance Manager