Email - Addleshaw Goddard LLP

23 October 2013

Dear Sirs

I have set out below out response to the FRC Directors' Remuneration Consultation Document dated October 2013. Using your headings:

Extended clawback provisions

We consider that the current Code requirement is sufficient. To impose a comply or explain presumption that companies have provisions to recover and/or withhold variable pay would, we believe, go beyond the provisions of the Regulations and would be confusing and unhelpful. Given that the Regulations were extensively consulted on, it would be inappropriate for the Code to go beyond the requirements of the Regulations, particularly as they have only just come into force.

In any case, market practice is gradually moving to clawback provisions becoming more common for listed companies and it may be worthwhile to review the situation in, say, 3 years time.

It would however be helpful for the Code and the Regulations to use the same terminology and we would support adoption of the terms "recovery of sums paid" and "withholding of sums to be paid" into the Code.

We do not consider that the Code should specify the circumstances under which payments could be recovered and/or withheld. Such a list of circumstances could never to exhaustive and whether or not withholding/recover is appropriate will always depend on the particular situation the company finds itself in.

The tax position in respect of clawback arrangements remains unclear. Without clarity that the employee will get tax relief on any amount clawed back, many employers are reluctant to operate any clawback provisions they may have.

Remuneration Committee membership

We do not consider that executive directors acting as members of the remuneration committee of other listed companies is a source of major concern. The statistics appear to support this, in many cases the level of shareholder dissent where there is no ENED is greater than where there is a ENED. Of the ten years for which figures are supplied for the FTSE 100 and the FTSE 250 in both cases in 7 out of the 10 years there is a greater level of dissent where there is **no** ENED.

An explanation for this may be that the ENED helps the committee to explain the remuneration policy and put its implementation into context for the company's investors.

The statistics appear to present a good argument for retaining ENEDs on the remuneration committee of other listed companies.

Votes against the remuneration resolutions

We do not consider that any additional reporting is required beyond that already set out in the Regulations, the GC100 guidance and the Code.

The Regulations impose new and extensive disclosure requirements in respect of shareholder votes on remuneration and it would make sense to review what impact these have on the way in which companies respond to a significant vote against the remuneration resolutions before imposing further requirements. In addition, it seems likely that the GC100 Guidance will be persuasive and companies

will address what action they are planning to take following a significant vote against in their RIS announcement relating to the results of the AGM.

Other possible changes

Overlapping areas should be addressed. These include disclosures on advisers to the remuneration committee (as suggested) and disclosure in the Remuneration Report and the Corporate Governance Statement (DTR 7.2.7R) in respect of service on committees.

We have no further comments.

Michael Carter
Partner
for Addleshaw Goddard LLP

DDI: +44 (0)20 7880 5679
Mobile: +44 (0)7786 174067
Fax: +44 (0)20 7606 4390
Office Locations: http://www.addleshawgoddard.com/contactus