

23 January 2018

Countryside Properties PLC

Response to Questions related to the Proposed Revisions to the UK Corporate Governance Code

Please find below the response from Countryside Properties PLC to the Financial Conduct Authority's proposed revisions to the UK Corporate Governance Code.

Please contact Gary Whitaker (gary.whitaker@cpplc.com) if you have any queries.

Question	Reply
1 Do you have any concerns in relation to the proposed Code application date?	No.
2 Do you have any comments on the revised Guidance?	A helpful addition.
3 Do you agree that the proposed methods in Provision 3 are sufficient to achieve meaningful engagement (with the workforce)?	We note that the draft Provision 3 states that this should "normally" be one of three mechanisms. Specifying three approaches that should normally be used may limit the development of other, more innovative approaches that may be operated instead of, or be complementary to, these mechanisms. Our preference is that the Code is not unduly prescriptive in this area so that companies are able to develop arrangements that suit their business and culture.
4 Do you consider that we should include more specific reference to the UN SDGs or other NGO principles, either in the Code or in the Guidance?	No.
5 Do you agree that 20 per cent (shareholder vote against) is 'significant' and that an update should be published no later than six months after the vote?	<p>Whilst the principle of engaging with shareholders in the event of a 'significant' vote against a particular resolution is understood and endorsed, there are increasing difficulties in engaging with shareholders to achieve a consistent and meaningful response. First, it is often difficult for companies to get time with shareholders to discuss possible voting issues; secondly, fund managers often have different views to their corporate governance colleagues and to the positions set out by proxy agents. This is all complicated by the fact that shareholders don't hold a common view and so it may be difficult to get a consensus (e.g. on new reward schemes).</p> <p>As more emphasis is placed on "votes against", we would ask that consideration also be given to a greater onus on shareholders to either make more time available for companies to discuss proposed changes or, if not, to align around a common shareholder view so as to make it easier for companies to understand what will or will not get a "yes" vote.</p> <p>In addition, because of differences between company shareholder registers, there is a risk that a threshold of 20% may be inappropriate for some companies where either a large passive shareholder makes it unlikely that the company would ever receive a vote against of 20% or more or where</p>

		<p>a significant activist investor could take advantage of the 20% threshold to create difficulties for the Board. That said, we recognise that without a threshold the current provisions of the Code leave it open to companies to avoid addressing high levels of dissent and so we agree that the Code should specify a formal threshold.</p> <p>The requirement to provide an update on actions taken following any 20% vote is probably best dealt with as part of the company's half year results announcement, rather than a one off RNS announcement. If this is the case, it would permit only little more than 3 months, which may be very tight in order to carry out the necessary follow-up discussions required.</p>
6	Do you agree with the removal of the exemption for companies below the FTSE 350 to have an independent board evaluation every three years? If not, please provide information relating to the potential costs and other burdens involved.	Yes.
7	Do you agree that nine years, as applied to non-executive directors and chairs, is an appropriate time period to be considered independent?	Yes.
8	Do you agree that it is not necessary to provide for a maximum period of tenure?	Yes.
9	Do you agree that the overall changes proposed in Section 3 of the revised Code will lead to more action to build diversity in the boardroom, in the executive pipeline and in the company as a whole?	Yes.
10	Do you agree with extending the Hampton-Alexander recommendation beyond the FTSE 350? If not, please provide information relating to the potential costs and other burdens involved.	Yes.
11	What are your views on encouraging companies to report on levels of ethnicity in executive pipelines? Please provide information relating to the practical implications, potential costs and other burdens involved, and to which companies it should apply.	We have no strong view, although we note that ethnicity reporting relies on self-identification of ethnicity, which may reduce the robustness of this disclosure.
12	Do you agree with retaining the requirements included in the current Code, even though there is some duplication with the Listing Rules, the Disclosure and Transparency Rules or Companies Act?	Yes.

13	Do you support the removal to the Guidance of the requirement currently retained in C.3.3 of the current Code? If not, please give reasons.	Yes.
14	Do you agree with the wider remit for the remuneration committee and what are your views on the most effective way to discharge this new responsibility, and how might this operate in practice?	<p>We believe that the wording of the proposal to extend the remit of the remuneration committee to cover 'wider workforce policies' is too broad, even if delegated to other committees. We believe this would result in considerable unnecessary work in many areas not related to remuneration, and would also weaken executive management's autonomy over workforce remuneration; which is key to their being able to drive and reward performance.</p> <p>Given that the revised Code would require the Board to gather the views of the workforce, it is not clear why such a broad extension of the remuneration committee's remit is also required.</p> <p>In practice, the remuneration committee is already responsible for recommending and monitoring levels of pay and the structure of remuneration for senior management, as well as overseeing key employee remuneration programmes such as pensions. In doing so, the committee relies on the input of management and external advisors. The committee will continue to rely on these sources of support in order to fulfil its broader remit.</p> <p>Typical for the housebuilding industry, the greater part of our "workforce" consists of sub-contractors, who are either self-employed or employees of a third party. They are not a static workforce and vary on site from time to time. Given the proposed definition of "workforce" is broader than just employees, an obligation for meaningful engagement with this sub-contractor workforce would likely be problematic. We are not sure how the remuneration committee would be able to oversee pay and incentives for such sub-contractors if deemed part of the "wider workforce" as suggested in paragraph 83. The same comment applies to paragraph 85.</p>
15	Can you suggest other ways in which the Code could support executive remuneration that drives long-term sustainable performance?	<p>We believe that the current provisions of the Code already provide sufficient support for this objective, including the use of:</p> <ul style="list-style-type: none"> • Combined vesting and holding periods of at least five years • Alignment of remuneration policies, structures and metrics with the strategy of the business; • Alignment of remuneration with culture; • Inclusion of provisions to recover and/or withhold sums or share awards.
16	Do you think the changes proposed will give meaningful impetus to boards in exercising discretion?	Remuneration Committees are already provided with broad ranging discretions in relation to the operation of their remuneration arrangements and in our view already have sufficient tools available to exercise discretion.