

## Revised Code of Governance Consultation Response

1. Do you have any concerns in relation to the Proposed Code Application Date?
  - a. *January 2019 seems an appropriate date for implementation with sufficient time for reporting etc*
2. Do you have any concerns on the revised Guidance?
  - a. *The overall recommendations and approach are sound, the challenge lies in the quality of execution.*
  - b. *It is important that:*
    - i. *Reporting demonstrates that the changes are embraced in a way which builds a stronger cultures underpinned by a robust, sustainable business.*
    - ii. *Governance avoids becoming a 'tick box exercise' and is viewed by Boards as part of building a living, dynamic, successful organisation led by a strong Chairman, CEO, and Board.*
3. Do you agree that the proposed methods in Provision 3 are sufficient to achieve meaningful engagement?
  - a. *The methods outlined are:*
    - i. *NED responsible for employee engagement,*
    - ii. *Senior forum directly linked to the Board,*
    - iii. *An employee as a Board member,*

*These represent a good beginning for the Board to demonstrate that they are open to increased engagement with employees . I understand that some companies are planning to use a combination of routes to build channels of communication. Board to employee communication is included in the company communication strategy alongside the routes for shareholders and suppliers e.g. separate AGM for employees prior to the shareholder AGM, Director site visits include employee forums etc.*

4. More specific reference to the UN SDGs or other NGO principles?
  - a. *Could be very useful as guidance where a company has significant overseas trading interests in third world countries leading to an increased requirement for responsible trading behaviour and support for democratic infrastructure.*
5. Do you agree that 20% vote is significant and that an update should be published within six months after the vote.
  - a. *The challenge with this level of vote against is that this can give more power to ISS as if ISS votes against, it is reported that the norm to have at least a 20% vote against.*
  - b. *Also it could discourage Remuneration and other Committees from an innovative approach at this level.*
  - c. *A better level would be a 30% vote against or more this should require an update within six months.*
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?
  - a. *Yes, needs an indication as to the size of the company ie Aim or smaller markets or 1000 + employees.*
7. Do you agree that 9 years as applied to NEDS and Chairs, is an appropriate time to be considered independent?
  - a. *On balance – yes*
8. No need for a maximum period of tenure? *Agreed- difficult aspect though.*

9. Changes in Section 3 lead to more action in building diversity in the Boardroom, in the executive pipeline, and in the company as a whole?
  - a. *The fact that the level below Board, the executive pipeline, is in scope will aid succession planning in terms of Board appointments, especially if this reflects overseas trading interests.*
  - b. *It is important that the quality and diversity of the executive pipeline is visible to the Board so it is led and owned by the Board and their direct reports of the Board.*
  - c. *More advertising of Board roles in listed companies*
10. Do you agree with the Hampton Alexander recommendations beyond the FTSE 350?
  - a. *This should be a national and global standard so extension below the FTSE 350 is supported.*
11. Views on encouraging companies to report on levels of ethnicity in the executive pipelines?
  - a. *I recommend that the FTSE 350 should report on the levels of ethnicity in their pipeline particularly amongst those reporting to Board and their direct reports.*
12. No comment
13. No comment
14. Do you agree with the wider remit for the Remuneration Committee, most effective ways to discharge this responsibility, and might this operate in practice?
  - a. *I support the wider remit for the Rem Co with careful management so that it does not conflict with the Executive role.*
  - b. *This could be implemented under the stewardship of the Group HR Director and the Reward Director by designing and applying a reward strategy with common principles to the management of executive reward and the wider workforce.*
  - c. *They would then have to demonstrate to the Rem Co Chair how executive reward fits into the wider strategy. This could then be included in the Remuneration report.*
15. Other ways that that code can support executive remuneration that drives long term sustainable performance?
  - a. *Short and long term incentive plan measures to be linked to the business strategy not just to rely on TSR and EPS?*
  - b. *Designing a reward strategy which signposts, supports and promotes the intended culture aligned to the business strategy.*
  - c. *To know and prove that the remuneration strategy design and execution is fair to all employees through CEO/employee pay ratios.*
  - d. *To understand, reflect and accommodate shareholder interests if possible.*
16. Will the proposed changes give meaningful impetus to Boards in exercising discretion?
  - a. *Principle Q should afford sufficient discretion for Boards to cater for most eventualities.*