

**Present:**

Jared Cranney (Deputy Chairman)	ISG plc	JC
Michael Landon (Deputy Chairman)	MM & K Limited	ML
Barbara Allen	Stephenson Harwood	BA
Martin Benson	Baker Tilly	MB
Karen Cooper	Osborne Clarke	KC
Amanda Flint	Grant Thornton UK LLP	AF
Paula Hargaden	Burges Salmon	PH
Colin Kendon	Bird & Bird LLP	CK
Graham Muir	Nabarro LLP	GM
Jennifer Rudman	Equiniti	JR
Nicholas Stretch	CMS Cameron McKenna	NS
Mia Thursby-Pelham	PWC	MTP
Tim Ward	Quoted Companies Alliance	TW
Kate Jalbert	Quoted Companies Alliance	KJ
Maria Gomes (minutes)	Quoted Companies Alliance	MG

**In attendance:**

Andrew Ninian	The Investment Association	AN
Edward Beale	Western Selection	EB
Jeremy Gorman	Corporate Governance Limited	JG
Andrew Watkins	Ebiquity plc	AW
Jeff Wyoda	Clarkson PLC	JW

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**ACTIONS****1. Welcome to Andrew Ninian, Director of Corporate Governance and Engagement at the Investment Association:**

- Update on the Investment Association's current work on governance and remuneration
- Principles of Remuneration 2014
- Questions and Answers

ML welcomed AN, and thanked him for coming to speak to the Group.

AN briefly explained the work conducted in 2014 and the merger of the IMA with the Investment Affairs Division of the Association of British Insurers, which created The Investment Association. He added that the goal was to create a stronger, more coherent voice for institutional investors.

Regarding the new directors' remuneration report regulations, AN said that overall there had been a constructive start. Some companies had provided for too much discretion for exceptional/unforeseen circumstances in their policies, but had usually been prepared to make public assurances about exercising this discretion. There was likely to be more emphasis on the implementation report during the current year, in particular on better disclosure of bonus targets and payments.

AN also explained some important aspects of the views of The Investment Association regarding the Principles of Remuneration 2014 and the investors' outlook for 2015.

Regarding the Principles, AN explained that these were written for the market as a whole, including smaller companies. Companies can do something different but they need to liaise with shareholders. Generally, the Principles have been working well and they were subject to only one change during 2014 regarding allowances: these may be the best solution in the banking sector, given the CRD rules, but are not acceptable for other sectors.

AN mentioned that the Investment Association continues to engage individually with companies regarding the remuneration structure. They have seen better disclosures this year, with good communications and chairmen letters, better links between pay and performance and some retrospective disclosure for bonus targets.

AN outlined the four areas that will be particularly relevant for investors in 2015:

- salary increases should not exceed inflation and should reflect underlying business success
- level of payouts for threshold performance should be strictly limited
- many investors wanted long-term incentive performance periods to be at least five years (including any post-vesting holding period for the shares), and
- companies affected by foreign exchange movements should not change performance targets retrospectively.

Regarding smaller companies, AN explained that they would like to see them taking the Principles into account, particularly the link pay/performance. He mentioned that this would help improve trust between companies and investors; companies should balance the disclosure burden with the ability to build trust.

AN had received some comments from the Group regarding reconsidering their position on use of treasury shares. AN explained that The Investment Association still thinks that these should fall within the dilution limits. He mentioned that investors would consider requests for higher limits if companies could present a well articulated, forward-looking argument to get their support, as they have in the past.

AN concluded that he understands that some issues regarding treasury shares would particularly affect smaller companies, and that he will raise this with The Investment Association.

## **2. Apologies**

Apologies were received from Fiona Bell, Danny Blum, Liz Hunter and Andrew Quayle.

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### **Information for noting**

#### **1. Consultation Update – Responses submitted:**

None to note

#### **2. Next meeting**

17.30 Tuesday 24 March 2015, with Hasmukh Dodia and Yvonne Batista, HMRC, as guests (Venue: Lewis Silkin LLP, 5 Chancery Lane, Clifford's Inn, London EC4A 1BL)