



The Quoted
Companies Alliance

Meeting of the QCA Share Scheme Committee

Thursday, 9 June 2011 at 5:30pm

Held at CMS Cameron McKenna LLP, Mitre House, 160 Aldersgate Street, London

Present:

Tim Ward	TW
Kate Jalbert	KJ
James Batcheldor	JB
Fiona Bell	FB
Martin Benson	MB
Paula Haargarden (by phone)	PH
Chris Hughes	CH
Michael Landon	ML
Catherine Merry (alternate for Danny Blum)	CM
Robert Postlethwaite	RP
Colum Spillane (alternate for Peter Mossop)	CS
Nicholas Stretch	NS
Paul Twist	PT

1. Apologies and Introductions

Apologies were received from Jared Cranney, Sara Cohen, Christopher Connors, John Daughtrey, James Dean, Michael Deeks, Philip Fisher, Colin Kendon, Nigel Mills, Amanda Stapleton and Nick Wallis.

James Batcheldor was introduced as the new membership director of the QCA and Paul Twist from KPMG as a replacement for Chris Browne. Chris Hughes attended as a new corporate member.

2. Report of the meetings/issues since last meeting (14 April 2011)

- **Disguised Remuneration**

This was discussed at the end of the meeting.

- **Remuneration Committee guide**

FB reported that good progress has been made in drafting a QCA guide for remuneration committees in the form of similar committee and corporate governance guides already prepared by the QCA. This had been led by a sub-group, including members from the Corporate Governance committee.

All sections had now been written, but still needed to be standardised. The guide would not address issues on what appropriate long-term remuneration might be or the parameters for that as had been attempted with the ABI early last year. However, all agreed that it would be a valuable contribution in an area where there was little bespoke good practice and would again reflect well on the QCA's sensible contribution to efficient corporate governance in this area.

It was unlikely that the guide would be ready before the autumn, when it was proposed that a launch event be held.

This led into a wider discussion among the committee about the QCA offering corporate governance training and discussion events for directors of QCA companies and prospective new corporate members with an ultimate goal to set up a rolling programme.

Action: KJ will circulate a draft of the guide will be circulated to committee members at the relevant time.

- **SAYE and Retirement**

Mike Landon reported on how the QCA had participated in a campaign which had resulted in the Revenue accepting in effect that any retirement agreed with the employer could be treated as retirement for the purposes of the SAYE legislation, so that the employees could exercise their options. Although it would take some time for formal guidance to be issued, the Revenue had said that they were happy for companies to act on this immediately.

The background to this lay in forthcoming changes to employment legislation making compulsory retirement on the grounds of age very difficult as a general rule, meaning that retirement at an age at which the employee was “bound to retire” was also likely to be less common.

Mike added that his preference had been to change the legislation to conform with SIP legislation allowing any retirement above 50 to benefit from this treatment; but the Revenue said that legislative time did not permit consideration of this solution, and so an “administrative” one was the best on offer.

Action: No further action required.

- **European Corporate Governance Framework Green Paper**

While a response to this paper was primarily the domain of the Corporate Governance committee, Nicholas Stretch drew the committee’s attention to two areas where the Commission posed questions.

The first related to disclosure of information and a mandatory shareholder vote on directors’ pay. While it was felt that the UK was ahead of most of Europe on most of this and so little extra disclosure would result, it was felt that although a shareholder vote on directors’ remuneration was probably best practice. We should resist this becoming legally prescribed for AIM companies because that might lead to all sorts of unwelcome side effects.

The second area concerned the promotion of employee share ownership. Damage had been caused here by the Prospectus Directive and this was only now being put right. However, it was also felt that it could be usefully pointed out that EU state aid rules had been the reported source of the imposition of the 250 person limit on the EMI scheme, which had been an overall retrograde step for employee share participation in the UK.

Action: NS would provide relevant answers for the Corporate Governance committee to include in their submission.

3. Communications/Future Meetings

- **Bring a Client Reception/Dinner**

NS reported that Marc Jobling of the ABI had agreed to speak at an event where companies and professional advisers would mix. Committee members are encouraged to bring a corporate client with them. TW said that it would be good to have prospective members along with QCA members at the event.

While it had originally been envisaged as a dinner, it had been agreed that a drinks reception would have more impact. 6 October had been agreed for this event at CMS Cameron McKenna. A formal invitation will be circulated to committee members and also QCA corporate members soon.

Action: Committee members are asked to block the date in their diaries and think of corporates to invite.

- **HMRC outreach to companies**

HMRC had asked for the QCA to organise a roundtable event with corporates to understand why companies use share schemes. They were not looking to have a technical, tax discussion: they were looking more to educate themselves in the other appealing aspects of shares schemes. A meeting or meetings were envisaged in July. KJ will invite QCA corporate members. Committee members were asked to think about which companies might like to be invited to attend.

Action: Committee members are asked to ask their clients if they would like to meet with the Revenue on this, and speak to Kate Jalbert if necessary.

4. Disguised remuneration

Nicholas Stretch reminded members of the QCA submission following the last meeting which had been written by Fiona Bell, the subsequent mention in Hansard and also the letter from David Gauke MP attached to the meeting agenda. The QCA had scored highly in terms of impact and Nicholas Stretch thanked Fiona Bell and Kate Jalbert for their targeted work on this.

While attention now focused on providing input into the draft guidance HMRC would now publish, it was agreed that David Gauke's attention should be sought again both to thank him for the work he had done but also more bluntly to alert him to the problems that had been caused by needlessly wide drafting of the legislation in the first place, which appeared to have been drafted without any understanding of industry practice. Any change in Revenue practice so as to avoid a repeat of this would be welcome. It was also agreed that there would be merit in professional and adviser groups clubbing together more on this in the remainder of the life of this problem and on other future issues.

Overall, however, it was agreed that the amendments which were made in the course of the Finance Bill had meant that a broadly satisfactory solution had been achieved, albeit at some pain.

Action: Nicholas Stretch would draft a letter of reply to David Gauke for circulation among the committee.

5. AOB

Following up on his recent email, Michael Landon reported to the Committee that while the Revenue's newly published partnership share agreement for SIPs referred to the DSS and not the DWP (the new name), the Revenue were unsure whether they were able to amend this as a prescribed form without secondary legislation (although they were looking into this). They had, however, confirmed that they would not withdraw approval from a SIP just because a company chose to refer to the DWP in its partnership share agreements.

Action: none required.

6. Date of next meeting:

Thursday 8 September 2011 at CMS Cameron McKenna LLP

7. Actions

Circulate a draft of the RemCo guide for review by committee members	KJ	ASAP, when draft is ready
Provide feedback on the share schemes questions in the EU Corporate Governance Green	NS	ASAP (before 4 th July)

Paper		
Note the date of the committee event with Marc Jobling – 6 October 2011 – and think of corporate client to bring.	ALL	ASAP
Draft a letter in reply to David Gauke on disguised remuneration	NS	ASAP