

Present:

Fiona Bell (Chair)	RSM	FB
Emma Bailey (Deputy Chair)	Fox Williams LLP	EB
Barbara Allen	Stephenson Harwood	BA
Dave Bareham	Smith & Williamson LLP	DB
Danny Blum	Eversheds Sutherland	DBI
David Daws	Blake Morgan	DD
Stephen Diosi	Mishcon De Reya	SD
Andy Goodman	BDO LLP	AG
Juliet Halfhead	Deloitte LLP	JH
Caroline Harwood	Crowe Clark Whitehill LLP	CH
Stuart James	MM & K Limited	SJ
Graham Muir	CMS	GM
Isabel Pooley	Grant Thornton UK LLP	IP
Jennifer Rudman	Prism Cossec	JR
Richard Sharman	FIT Remuneration Consultants	RS
Lisa Vainio	Quoted Companies Alliance	LV
Callum Anderson (minutes)	Quoted Companies Alliance	CA

In attendance:

Andrew Ninian	Investment Association	AN
Nick Owen	PricewaterhouseCoopers LLP	NO

1. WELCOME TO ANDREW NINIAN, INVESTMENT ASSOCIATION

FB welcomed AN to the meeting.

AN explained that the Investment Association (IA) was currently undertaking a review of its Principles of Remuneration in light of the 2017 AGM season. Any changes to the Principles would be made as a result of IA member insights. He noted that the review should be completed by November 2017.

AN highlighted that IA's Executive Remuneration Working Group 2016 report and summarised the key arguments made within the report. He emphasised the report's belief that companies should retain flexibility in instituting a remuneration structure that is suitable to its own individual needs. The Expert Group noted that one of the perceived problems with remuneration structures is that they are too complex so that investor and employees do not understand them and therefore they are not motivating.

AN and the Expert Group exchanged views on restricted shares and the use of LTIPs by small and mid-size quoted companies compared to FTSE 100 companies. AN noted that the acceptance of using restricted shares instead of LTIPs (i.e. allowing restricted shares rather than LTIPs with long term performance conditions) but the Expert Group commented that the meaning of an LTIP was different for share scheme advisers, where it meant any long term plan including restricted shares, options.

On the transition to restricted shares, it was noted that not all companies would move but they should have the flexibility to choose their own structures. AN explained that the IA's view was that companies should explain why a particular remuneration structure is right for their business, with emphasis on linking this to the business strategy. AN and the Expert Group discussed the extent to which the quantum of remuneration concerns AIM companies.

There was also a brief discussion on director shareholdings, particularly with respect to post-employment holding periods. There was consensus that executives should feel the impact of his / her decisions in the long-term and that companies should give due consideration to the post-employment holding period. AN noted that, although investors sought more guidance in these areas, they did not have a specific time period in mind.

AN and the Expert Group discussed the attitude of investors towards AIM companies. The Expert Group underlined the need for investors to understand that they assume a different level of risk when investing in AIM companies and should encourage the necessary level of entrepreneurship. AN also reiterated the IA's members' commitment to the One Share One Vote principle.

On value creation schemes, reference was made to the Mothercare plan, where participants were entitled to a percentage of growth above a specified share price target. This seemed to be acceptable. On the related topic of growth shares in subsidiaries, AN commented that members of IA tended to dislike this because it was difficult to value the shares in the subsidiary.

On the topic of employee trusts, where the indication has always been that not more than 5% of the shares in the company should be held within the trust at any time, AN noted three points:

- i. There is always a concern about who controls the votes of the trustees of an EBT and whether this might be used to block a takeover.
- ii. If a company were to set up an EBT and buy in a larger number of shares, is this the proper use of company money to buy its own shares.
- iii. If a company came to market with a larger current holding within an EBT for employee ownership, that could be a different scenario and may be more acceptable to shareholders.

FB thanked AN for attending the meeting. AN left the meeting.

2. APOLOGIES

Apologies were received from Daniel Hepburn, Michael Carter, Stephen Chater, Liz Hunter, Robert Postlethwaite and Tim Ward.

3. MINUTES OF LAST MEETING (20 April 2017)

The minutes were approved.

4. ISSUES FOR DISCUSSION

	ITEM	ACTION
a)	<p>QCA meeting with HM Treasury to discuss EMI</p> <p>FB explained that she, EB and the QCA met with HM Treasury to discuss EMI in light of the need for the UK government to renew its state aid position in April 2018.</p> <p>FB briefly summarised the meeting. She noted that HM Treasury had commissioned a study on the performance and impact of EMI since they were introduced. The results are due to be published at the end of 2017.</p> <p>FB and EB noted that the HM Treasury was particularly interested in examining whether specific industrial sectors benefited from the relief more than others.</p>	None to note.
b)	<p>Share Schemes Booklet</p> <p>FB explained that, due to the range and complexity of employee share schemes available to companies, there was still uncertainty as to whether the QCA could produce a useful document that would help companies. DD mentioned that he was still re-drafting the document and would share with FB and CA shortly.</p>	DD to send CA / FB a draft version by September 2017.
c)	<p>Brexit</p> <p>FB noted that Expert Group members should send any feedback on their clients' views on Brexit to the QCA team.</p>	ALL to feedback clients' views of Brexit to the QCA.

5. COMMUNICATIONS AND FUTURE MEETINGS

	ITEM	ACTION
a)	<p>Policy Update (June 2017)</p> <p>This was tabled for information only and was not discussed.</p>	None to note.
b)	<p>Guest invitations to future meetings</p> <p>This was not discussed.</p>	ALL to send suggestions of future guests to CA .

6. ANY OTHER BUSINESS

EB and CH noted that the QCA Working Group for the 2017 Autumn Budget representations had met in June 2017 and would be drafting revised proposals during the summer. These will be circulated to the Expert Group in early September 2017.

7. NEXT MEETING

Thursday 12 October 2017, 4.00pm – 5.30pm (Venue: RSM, 25 Farringdon Street, London, EC4A 4AB (Host: Fiona Bell))