

**Present:**

Nicholas Stretch (Chairman)	NS
Fiona Bell (Deputy Chairman)	FB
Barbara Allen	BA
Martin Benson	MB
Danny Blum	DB
Vanessa Cundy-Cooper	VCC
Chris Chapple	CC
Matthew Findley	MF
Nick Wallis	NW
Tim Ward	TW

**In attendance:**

Gemma Peck, BIS	GP
Nicole Roberts, BIS	NR
Julie Stanbrook, Corporate Governance EG	JS

**ACTIONS**

**1. Welcome to Gemma Peck/Nicole Roberts of the Department for Business, Innovation & Skills to discuss executive pay reforms**

Two people from BIS came to speak on the BIS Executive Remuneration proposals - Gemma Peck who seems to have overall control and her colleague Nicole Roberts who has recently joined the team and has responsibility for the secondary legislation.

The legislation is now through its second reading in the Lords and has now moved onto committee stage. The Government is considering whether to propose a technical amendment to make sure the legislation reflects its intent and an Opposition amendments trying to have annual policy votes may be tabled. The primary legislation is due to be done and dusted by February. The secondary legislation will be laid in the Spring and there will not be any formal consultation on this, but there may be targeted consultation nearer the time. It is recognised that the drafting needs to be tighter, and there is also a fair amount of debate on what should be in the legislation and what should be left to best practice. The FSA is proposing to do a related review of the Listing Rules after the secondary legislation is published. There appears a technical reason why the QCA's suggestion of limiting the impact of the legislation to FTSE 350 component companies cannot take effect - the fact that the FTSE is a private index makes it something the Government would be cautious of using anyway, but it is constitutionally difficult to frame legislation in this way anyway. A market cap test would not have these problems though.

Gemma confirmed that with a December 13 year end company, its policy vote could in 2014 relate only to policy in 2015 onwards - though quite how the ABI would view a 2014 policy vote not covering policy in 2014 is not clear. If a vote is failed in 2014, it will have to be held again. Other transitional issues were still being worked out. They want to disseminate the answers to the various questions they are getting in and seemed interested in HMRC's published Q&A approach.

The Government is committed to reviewing the legislation after it has been in operation for 3 years. Success will be measured in terms of whether reports are clearer, there is better engagement and overall that pay is less of an issue. GP and NR left the meeting.

There was some discussion on whether the group wants to influence the course of debate by putting in an amendment of our own through a peer trying to restrict the legislation to companies with a sufficiently large market cap. It was agreed that the Quoted Companies Alliance would only do this if it was proposed that the vote became annual rather than every three years. Although it was agreed that the Quoted Companies Alliance should in any event

try to collect evidence from member companies to BIS on the cost of compliance, where BIS admitted that consultation responses had left it none the wiser. **KJ/TW**

The group also discussed ways in which the European authorities could be asked to assist to make things easier for small and mid-size quoted companies. Notwithstanding that the Prospectus Directive had on revision made things a lot easier, it was reported that there could still be difficulties in cross-border offerings. The group supported any efforts to make these easier, including facilitating share offerings by smaller companies, though many of the problems here lay with tax and at national level. A light touch in the forthcoming European corporate governance paper would also be welcome.

## 2. Apologies

Simon Allum, Ian Brown, Christopher Connors, Karen Cooper, Jared Cranney, John Daughtrey, Michael Deeks, David Firth, Amanda Flint/Amanda Stapleton, David Fuller, Philip Fisher, Andy Goodman (Chris Chapple in his place), Daniel Harris, Colin Kendon, Michael Landon/Nigel Mills, Peter Mossop/Colum Spillane, Robert Postlethwaite/Stephen Chater and Kate Jalbert.

## 3. Minutes of last meeting (6 September 2012): Approved.

## 4. Current Issues

- Office of Tax Simplification Review - Unapproved Share Option Schemes – Interim Report – Further Feedback on SIPs, PAYE deadlines and Penalties

FB reported that an OTS report on unapproved share schemes should emerge shortly.

## 5. Communications/Future Meetings

- ABI's Principles of Remuneration (amended November 2012): For information only.
- Terms of Reference: This was not discussed.
- Latest Policy Update: For information only.
- Graeme Nuttall (Nuttall Review of Employee Ownership) attending February 2013 meeting: This was not discussed.
- Invitations to Future Meetings: This was not discussed.
- Dates for meetings 2013

## 6. AOB

- Autumn Statement (5/12/12) – any items arising for discussion

TW reported that a consultation on AIM shares inclusion in ISAs was announced.

- SME Directive

NS asked for any matters that expert group members would like to see included in such a directive. EMI limits and restrictions (eg, steel and shipbuilding were mentioned).

## 7. Date of Next Meeting: Thursday 7 February 2013 at 5.30pm

## 8. Actions

Campaign in the House of Lords to 'support' 3 year binding remuneration policy vote; if an annual vote push for exclusion of companies with market cap <£500m.	TW/KJ	ASAP
Collect evidence of costs of compliance for binding vote from listed company members.	TW/KJ	ASAP