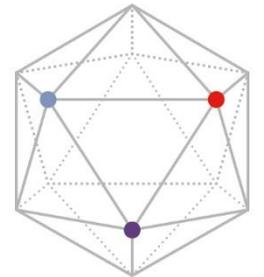




Employee Services Forum 2018



Andrew Ninian

The Investment Association

Matthew Findley

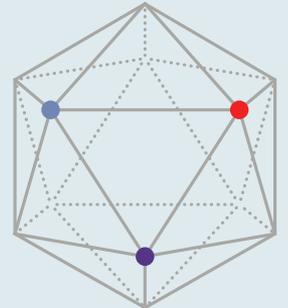
Norton Rose Fulbright

Daniel Hepburn

PwC

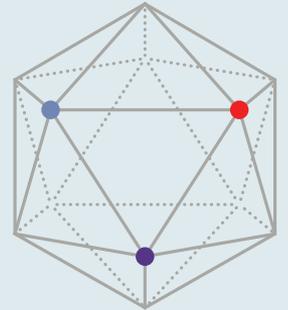
Suzannah Crookes

Pinsent Masons



Corporate Governance Reform

The challenges, and opportunities, of new requirements
for workforce engagement and disclosure



OVERVIEW OF REFORMS

REVISED UK CORPORATE GOVERNANCE CODE AND REPORTING REGULATIONS

KEY AREAS FOR TODAY'S SESSION

“Employee Voice”

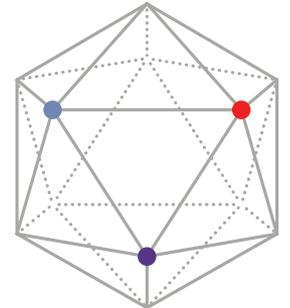
*Employee Representation
and Engagement*

New reporting and disclosure obligations:

- *Pay ratios*
- *Reporting of*
 - *Directors' duties*
 - *Employee engagement*
- *Corporate governance arrangements in larger unlisted companies*

Executive Pay

*Changes relevant to
structuring remuneration
and incentives*



CEO : AVERAGE EMPLOYEE PAY RATIOS

SUMMARY

WHO:

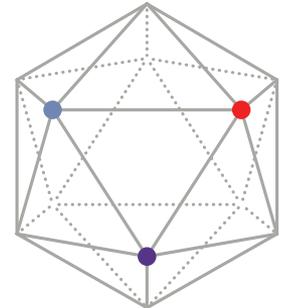
- UK Quoted Companies
- Average more than 250 UK employees across the group
- Others expected to consider voluntary disclosure

WHAT:

- Ratio of CEO latest single total figure of remuneration, to FTE remuneration of UK employees, at median, 25th and 75th percentiles
- Ratios in tabular form, with supporting information and explanations

HOW:

- Specified methodology:
 - Actual ranking
 - GPG data
 - Other pay data

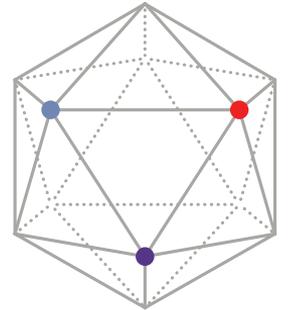


POLL 1

PAY RATIOS

Have you considered "early" disclosure of pay ratios?

- 1 Yes, we have disclosed
- 2 Yes, we are planning to disclose in our next ARA
- 3 We will not disclose early
- 4 Not yet thought about it
- 5 Not subject to the disclosure requirement

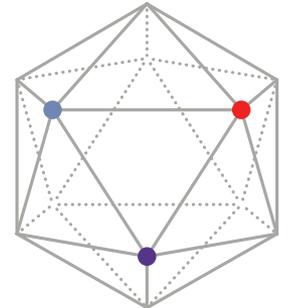


POLL 2

PAY RATIOS

Which methodology are you likely to use for calculation of pay ratios?

- 1 Option A – actual ranking of pay and benefits
- 2 Option B - gender pay data
- 3 Option C – other pre-existing pay data
- 4 Not yet decided
- 5 Not subject to the disclosure requirement



FURTHER REPORTING OBLIGATIONS

INCLUDING:

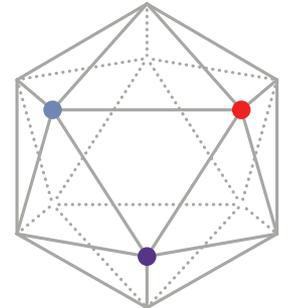
Directors' Duties:

- All directors must act to promote success of the company for its members, having regard to factors including employee and other stakeholder interests
- New requirement to explain in strategic report how the Board has had regard to these factors
- Applies for UK companies (subject to certain exemptions for small and medium-sized companies)



Board Engagement with Employees:

- Existing requirement to provide information on employee engagement matters in directors' report
- New requirement to summarise how the Board has engaged with UK employees and taken employee's interests into account in decision-making
- All UK companies with more than 250 employees

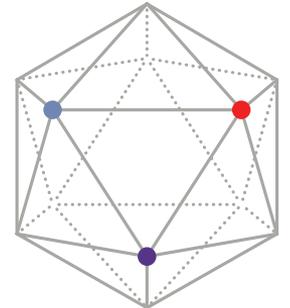


POLL 3

DIRECTORS' DUTIES

How will the new reporting obligations in relation to directors' duties and employee engagement impact Board processes?

- 1 We already have appropriate engagement mechanisms to hear from stakeholders and incorporate that information into decision-making, so will just need to report on this
- 2 We already have appropriate engagement mechanisms to hear from stakeholders, but will look to improve/evidence the link with board decision making
- 3 We will be introducing new processes for engagement with stakeholders to incorporate into Board decision-making
- 4 Not yet considered



LARGER UNLISTED COMPANIES

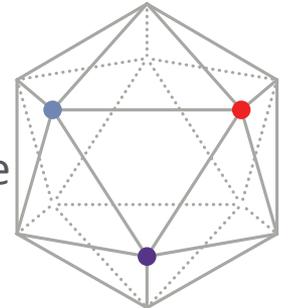
CORPORATE GOVERNANCE REPORTING

The new requirement:

- Statement in director's report (and on website) to explain which corporate governance code has been applied and how, or why non has been applied and what arrangements for corporate governance were applied.
- Wates Principles for large private companies commissioned by government as a code of practice for broad range of private companies

Which companies must report:

- Companies, with either
 - 2000+ global employees or
 - Global turnover of £200M+ and balance sheet of £2Bn globally
- Companies already required to report on corporate governance are not within scope
- Subsidiaries meeting the thresholds are within scope and so required to report



Thank you & Questions

