



September 2016

## Employee Incentives Group

### Prepare now for your 2017 Remuneration Policy Vote

2017 is the year in which many UK quoted companies will, once again, have to put their remuneration policies to a binding shareholder vote. Although the 2017 AGM season is still some way off, early preparation is advisable, especially in light of increasing shareholder interest in executive remuneration. Now is a good time to reflect on your existing policy and decide which (if any) changes are needed. The key is to ensure that it is both acceptable to shareholders and sufficiently flexible to deliver the remuneration packages needed to appropriately incentivise and retain executives and promote the future success of your business.

Factors you should consider are:

- Whether any aspects of your remuneration report (put to an advisory vote to shareholders every year) proved unpopular with shareholders and, if so, what measures can be taken in the remuneration policy to deal with their concerns.
- Whether your incentive plans take account of the developments in best practice that have emerged over the past three years such as:
  - forfeiture (also known as "malus") and clawback provisions under which award pay-outs can be reduced or amounts already paid recovered. In its annual report for 2015, the Financial Reporting Council noted that around 85% of FTSE 250 companies now attach such provisions to their variable pay;
  - imposing holding periods once awards have vested. A combined performance and holding period of five years is becoming an increasingly common feature; and
  - ensuring that any discretion within the policy provides sufficient flexibility but is not overly broad.
- Whether the structure of your existing long-term incentive arrangements meets the needs of your business. For example, is it effective in incentivising executives? Are the performance conditions appropriate to your business and do they provide a sufficient link to the performance of the company?
- Engaging with your principal shareholders and asking for their views on the remuneration policy.

If you would like to discuss your remuneration policy, please do not hesitate to get in touch with a member of the Travers Smith Employee Incentives team:

# TRAVERS SMITH

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