

Kathy Belyeu

From: Mark Heather <Mark.Heather@fdmgroup.com>
Sent: Friday, October 18, 2019 7:42 AM
To: Policy
Subject: Comment on ISS Proposed Policy Changes 2020

Dear Sir

The Remuneration Committee and Nomination Committee of the board of FDM Group (Holdings) plc have the following comments on the proposed ISS policy changes for 2020 relating to UK & Ireland.

Board Gender Diversity

FDM Group is a strong advocate of diversity on boards and currently has three female board directors out of a total of nine board members. Rather than setting an absolute target of one female board director, below which ISS may recommend a vote against, it may be more effective to target a percentage of the total number of directors. For a large board, it would be reasonable to expect more than one female member.

Use of Discretion by Remuneration Committees on ESG Matters

We agree that the Remuneration Committee should provide an explanation if discretion has been exercised over remuneration outcomes. However, we note that the scenarios provided in the ISS draft paragraph (workplace fatalities, significant environmental incidents, regulatory fines) would often have a financial impact on the Company. That financial impact may mean that financial targets for executive remuneration are not met (or are achieved to a lesser degree), in which case it will be reflected in the remuneration outcomes in any event. If the suggestion is that there should be an additional reduction of the remuneration outcomes, over and above the existing financial impact, we believe that could result in a “double jeopardy” effect which may be unreasonable. Alternatively, if financial targets are achieved even after any financial impact is taken into account, is ISS suggesting that a discretionary reduction should be applied to the remuneration outcomes? If (as we think is the case) this is the intention, then this could be clarified in the wording of the new policy. We also note that the suggested paragraph refers to negative outcomes, but does not appear to envisage any scenarios in which discretion might be exercised to increase outcomes in recognition of positive ESG achievements – including, for example, where these positive ESG developments have been achieved at a cost which may have had a negative impact on the short term financial performance of the business.

Yours sincerely

Mark Heather
Company Secretary & Head of Investor Relations

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