



**THE
PURPOSEFUL
COMPANY**

The Purposeful Company Study on Deferred Shares

Progress Review

The Purposeful Company Steering Group

September 2020

About The Purposeful Company

This study was overseen by the Steering Committee of The Purposeful Company. The Purposeful Company was established in 2015 with the support of the Bank of England to identify changes to policy and practice to help transform British business with purposeful companies committed to creating long-term value through serving the needs of society. The Purposeful Company has published extensively on Executive Pay, Corporate Governance, and Investor Stewardship, liaising closely with all main policy-making bodies during the governance reforms of recent years.

The Steering Committee comprises:



- Clare Chapman: Co-Chair of The Purposeful Company; Non-executive Director of the Weir Group, G4S plc and Heidrick & Struggles Inc; Chair of Acas
- Will Hutton: London School of Economics and Co-Chair of The Purposeful Company; former Principal of Hertford College, Oxford
- Professor Alex Edmans: London Business School and Gresham College
- Dr Tom Gosling: London Business School and formerly Partner at PwC
- Professor Colin Mayer MBE: Saïd Business School and The British Academy

Primary accountability for oversight of the report is held by Clare Chapman and Tom Gosling. All Steering Group members are acting in their personal capacity, not representing the organisations listed. Any views expressed are those of the Steering Committee and cannot be attributed to any other organisation with which a Steering Committee member has affiliation.



The research and report authorship have been led by Jean-Pierre Noël. Jean-Pierre was formerly the Group Reward Director inside two FTSE-50 multinationals, and now runs his own reward consulting and talent development business as part of a portfolio career. The Purposeful Company would like to express its sincere thanks to all companies and industry bodies that participated in the study.

The Purposeful Company's 'significant report' on deferred shares

"It is encouraging to see progress as a result of the work of organisations including the Investment Association and the Purposeful Company. L&G and LGIM are supportive of the use of alternative investment solutions and have supported the use of restricted schemes as well as other schemes that are more inclusive and reward the entire workforce".

Nigel Wilson, Chairman of the Investment Association's Executive Remuneration Working Group, 2015-17

"Our select committee inquiry on corporate governance and executive pay found that LTIPs were too complex, opaque and prioritised short-term behaviour to benefit executives at the time of vesting over long-term value creation for shareholders. We called for the replacement of LTIPs with long held share awards and I am pleased that this significant report shows that nearly one in ten FTSE 350 companies have now moved in this direction. Clearly, there is significantly more to do, but the leadership provided by The Purposeful Company and forward thinking companies such as BT, Burberry and Weir Group as highlighted in this report demonstrates what commitment from the Remuneration Committee chair towards engaging with the shareholder base and leading meaningful change can achieve."

Iain Wright, Chair of the Business, Energy and Industrial Strategy (BEIS) Select Committee 2015-17

Background & Context

Deferred shares refer to any replacement to a long-term incentive plan (LTIP) that involves the award of long-dated share awards, including: restricted shares, performance-on-grant plans, and deferred bonuses.

Deferred shares may be used to address concerns with the traditional LTIP such as:

- excessive complexity, meaning that pay plans are not properly understood by executives and shareholders;
- volatile, unjustified, or seemingly arbitrary outcomes that undermine public and shareholder confidence in pay-for-performance; or
- a tendency to encourage short term behaviour as executives seek to hit targets in ways that are not consistent with long-term value creation.

A [review of academic evidence](#) carried out by The Purposeful Company in 2017 showed that the balance of evidence pointed towards simple deferred share (or 'restricted stock') plans as the most effective way in many cases to incentivise CEOs to deliver long-term value for shareholders and other stakeholders.

In 2016 the report of the Investment Association (IA) Executive Remuneration Working Group recommended that companies be given greater flexibility to adopt alternatives to LTIPs, including deferred share awards, whether in the form of restricted shares or awards with pre-grant performance conditions. This recommendation was supported by [The Purposeful Company Executive Remuneration Report](#) published in February 2017. This advocated use of deferred shares in place of LTIPs in many cases, in particular because of the risk that LTIP targets incentivise short-term behaviour. This report was drawn upon by the BEIS Committee in its deliberations and is referenced in the BEIS Committee Report published in April 2017.

Since these reports, there have been developments in favour of greater flexibility in LTIP design. Norges Bank and Federated Hermes both issued revised guidance in favour of simplified LTIP structures, and other leading investors have been strong advocates. Policymakers have also shown interest in deferred share alternatives to LTIPs. In particular, the UK Parliamentary BEIS Committee has on a number of occasions advocated the replacement of LTIPs by deferred share awards. The primary motivation has been the view that overly complex pay can lead to outsized awards and that simplification could result in a reduction in pay levels, as well as stronger incentives for long-term performance. Furthermore, the revised UK Corporate Governance Code created a level playing field between different pay models.

In 2019, The Purposeful Company conducted a major research study on deferred shares. Over 100 organisations contributed through interviews and a market-wide survey of investors and companies. This was supplemented by a desk-top review of 17 public companies we identified at the time that were operating deferred shares as an alternative to LTIPs, together with a review of the academic evidence on long-term incentive design.

The report, published in October 2019, concluded there is widespread support amongst investors and companies for greater adoption of deferred share models than seen in the market.

Overall, the consensus from the study was that such plans might be appropriate for 25% of companies or more, versus the 5% observed at the time.

[The Purposeful Company Study on Deferred Shares](#) gained significant interest amongst key stakeholders, including the IA who referenced the study in their [November 2019 letter to Remuneration Committee Chairs](#). In November 2019, the IA committed to working with other stakeholders to look at the circumstances in which deferred shares may be more widely implemented in the UK market.

This short review of progress has arisen in response to the following questions asked of The Purposeful Company by a range of market participants:

- Has there been measurable progress towards deferred shares becoming an acceptable alternative to LTIPs?
- What lessons can be learned from implementations to date?
- What can be done to make deferred shares a viable alternative for more companies?
- Has the COVID-19 pandemic strengthened the case for deferred shares, in light of the difficulty in setting meaningful and stretch incentive targets in a period of uncertainty, and in light of retention concerns when LTIPs are unlikely to vest?

As part of our report, we have sought to identify potential new solutions to these challenges and to consider how stakeholders may support the IA in progressing their November 2019 commitment to work with market participants to encourage greater adoption of deferred shares where it is appropriate.

Objectives

This 'follow up' to our October 2019 report addresses the following questions:

1. How has the market evolved since the October 2019 report?
2. How has the COVID-19 pandemic shaped challenges and views?
3. What new solutions are there to these challenges?
4. What lessons can we learn from companies that have implemented deferred shares?
5. How might stakeholders support the IA progress their November 2019 commitment?
6. What are the conclusions and recommended next steps?

To support our review, we undertook a number of activities including interviews and short questionnaires with a range of stakeholders including: asset owners; asset managers; companies; proxy advisers; and leading remuneration consultancies. We also conducted a desk-top review of companies that have implemented deferred shares using publicly available information from their annual reports. Overall, we engaged with over 35 organisations. We would like to thank them all for their contribution.

Executive Summary

Since our October 2019 report was published there have been a number of new implementations of deferred shares to replace an LTIP including: BT Group, Burberry, Lloyds Banking Group and Whitbread. Compared to just a couple of years ago, there is now a wider range of major UK listed companies, including companies in the FTSE 100, that have implemented deferred shares. There have also been developments internationally, notably with the influential Council of Institutional Investors in the US whose governance guidelines advocate consideration of long-vesting restricted shares.

This 'follow-up' to the 2019 report finds that:

- The experience of successful implementations to date shows a clear pathway to obtaining proxy agency and 90%+ shareholder approval for deferred share plans. This pathway is based on the criteria set out in the IA's executive remuneration guidelines, which were in turn drawn out by the IA as a consensus position amongst their members. This represents significant progress compared with the situation in 2016 when the IA published their Executive Remuneration Report.
- Although it is welcome that a clear pathway to implementing deferred shares has emerged, it is of concern that a very standardised approach seems to be imposed by ISS and certain investors, specifically around discounts, and that the IA's guidelines are being interpreted in some cases as a rigid template. Any deviation from the norm faces the prospect of an against vote of 30%+, in part driven by a negative ISS recommendation, even if it may be more appropriately tailored to specific strategic contexts. This reflects the fact that the 50% discount has been identified as a red-line issue by a significant minority of investors and consequently by ISS. We would note that Glass Lewis has not tended to recommend 'against' purely on the basis of the discount and the IA, which in any event does not issue voting recommendations, has not tended to assign a Red Top to companies based on the discount alone.
- Feedback from companies and consultants that we spoke to suggests that a consequence of this strict approach to the standard design features is that companies tend only to consider deferred shares if they believe that the 'standard template' approach works for them. This is likely to be stifling innovation and preventing deeper pay reform.
- It is questionable whether the standardized approach being adopted achieves all the benefits hoped for by proponents of deferred share plans and predicted by the academic evidence. In particular:
 - The uncompromising focus on a 50% discount in award levels when moving from an LTIP is leading companies to adopt the minimum acceptable time horizon of just 5 years – no enhancement of the standard 3+2 LTIP approach. Yet the academic evidence would suggest that to support long-term value creation, longer time horizons are a more important prize than deeper discounts.

- The strict comparison of 'before and after' quantum places undue focus on the LTIP in isolation, discouraging broader package restructuring which could create greater long-term alignment, e.g. through shifting part of the annual bonus (or even fixed pay) as well as LTIP into deferred shares. Looking at the LTIP in isolation, coupled with the fact that the discount rates are so significant, creates the risk that the annual bonus becomes even more important in the context of the total package. Unless measures are very carefully selected this may encourage a shorter-term focus.
- Having a 'market norm' for implementation of deferred shares does have the benefit of making it easier for companies to implement the approach where the norm fits their circumstances. On the other hand, it makes it even more difficult for those companies who seek approval for a bespoke design that contravenes some of the standard parameters favoured by proxy advisers, in particular ISS. While emergence of norms is a necessary part of enabling investors and proxy advisers to evaluate pay programmes, the norm in the area of deferred shares has in our view developed too quickly into too narrow an interpretation of what is acceptable. This is discouraging companies from seeking to adopt alternative approaches to the issue.
- Given that proxy advisers respond to the guidance given to them by their clients, the responsibility lies with investors to guide ISS and other proxy advisers if they wish a broader approach to pay reform to be adopted, including potentially:
 - Recognising that there may be a trade-off between the length of deferral and the discount;
 - Encouraging deeper reform of pay constructs going beyond just replacing the LTIP by deferred shares; and
 - Considering new approaches that meet the concerns from some market participants that restricted shares result in too little pay variability.
- There remains a responsibility on companies to continue to make the case to shareholders for the pay plans they think are most suited to the circumstances of their business. However, it is understandable that if there is a perception that proposals are judged against a rigid template by some investors and proxy advisers, it will make them less inclined to step forward.
- The COVID-19 pandemic has highlighted two key challenges, namely setting meaningful and stretch incentive targets in a period of uncertainty, and addressing retention concerns when LTIPs are unlikely to vest. We have therefore sought to identify potential new solutions to these emerging problems in Section 3.
- COVID-19 has heightened interest in deferred shares. For some market participants the crisis further illustrates flaws in incentive schemes as they stand. For them, well structured and transformative schemes using long-term, long-held stock would be better than less than stretching targets set by Remuneration Committees cautious of setting stretch targets in the current environment. However, there continue to be market participants who do not believe the pandemic has made deferred shares, or LTIPs, more or less attractive than in the past. Remuneration consultants comment that clients

previously considering deferred shares have been encouraged by large companies such as BT and Burberry receiving strong shareholder support to their restricted share proposals this AGM season. It is this escalating support that is likely to trigger more deferred share proposals, at least in the short-term.

- Moreover, the business uncertainty arising from COVID-19 together with societal concerns and ever increasing scrutiny on executive pay (in the context of companies having accepted government support) may result in a downward adjustment in LTIP pay-out levels in the coming years. This could make deferred shares more attractive in the future by making the required discount rates appear less penal.
- Overall, through the work of multiple stakeholders across the market, deferred shares have become a viable option for a wide range of companies in the last few years and in particular over the last year or two. This is an outcome that was far from certain in 2016. This must be seen as a positive step forward. However, if what emerges is an inflexible restricted stock model, replacing just the LTIP and with tightly defined market-wide parameters, there is a risk that we do not capture the gains hoped for by advocates of pay reform. This would indeed represent two steps forward and one step back. We recognise that the COVID-19 pandemic creates a challenging environment for executive pay, which may result in a desire from companies and shareholders to avoid controversy. However, it could also be seen as an opportunity to take bolder steps on reshaping executive pay. We hope that the findings of this report provoke further thinking on how momentum in favour of deeper reform can be encouraged, to enable widespread adoption of long-term pay plans in support of more purposeful companies.

1. How has the market evolved since the October 2019 report?

1.1 There have been a number of new implementations of deferred shares

- New FTSE 100 implementations of deferred shares to replace an LTIP include: BT Group; Burberry; Lloyds Banking Group and Whitbread. Nearly 1 in 10 companies in the FTSE 350 (excluding investment trusts) now use a deferred share model in place of LTIP in various configurations.
- Leading remuneration consultancies believe this trend will continue, and we may see more FTSE companies bring forward proposals on deferred shares, particularly in 2022.

What form do the new implementations take?

- BT, Burberry and Whitbread implemented restricted share plans. Lloyds implemented a pre-grant restricted share type award.

How do they compare to prior year implementations?

- The implementations before 2020 were concentrated in natural resources, financial services, and retail, which broadly aligned with the sectors deemed most appropriate by investors in our 2019 study.
- The motivations differed by sector. In natural resources dealing with the cyclicity and volatility of a long-term industry cycle and avoiding boom and bust in LTIP outcomes was a common theme, as well as alignment with the very long-term effects of executive decision-making. Retailers often identified rapid industry change and uncertainty over medium-term target setting. In financial services, the motivation was often to encourage prudent risk taking over the long-term.
- The focus on strategic rationale is an important enabler to securing approval, together with other factors such as a 50% discount for restricted shares and the use of underpins. For example, in their Annual Report, Burberry set out the strategic rationale of using restricted shares as a means to support their long-term strategy to build their global luxury brand, “it is important to avoid using levers that only enhance short-term revenues and profit”.
- Similarly, BT focus on their need to build 5G and other technology that will take many years to deliver, and say, “we recognise that restricted share plans are still a relatively new type of long-term incentive that are emerging in the UK” and then set out reasons for why they are right for the company given the longer term nature of their investment plans and other factors. Burberry and BT both secured around 95% votes in favour of their policy proposal.

How did investors respond?

- Investors to whom we spoke generally supported most of the recent implementations, and the strength of the strategic rationale was highlighted by all investors as key to securing their support. It cannot simply be that companies find it too hard to set targets. Companies that were particularly commended had put the most effort into articulating

the strategic rationale, providing supporting analysis on issues such as the discount, and investing in the consultation process.

- However, the new proposals were not equally supported, as shown below for the last year's new FTSE 100 implementations:

New FTSE 100 deferred share implementations since our 2019 report

Company	Proxy Recommendations		Policy Vote For
	ISS	Glass Lewis	
BT	For	For	95%
Burberry	For	For	95%
Lloyds Banking Group	Against	For	64%
Whitbread	Against	For	70%

Source: Proxy Insight

1.2 There is now a clear path to securing shareholder approval

- There is now a clear path to gaining shareholder approval albeit within a fairly narrow bandwidth of market practice. The construct which will likely achieve strong (90%+) shareholder support is to adopt restricted shares with a 50% discount, underpins, and higher shareholding requirements, as adopted by BT and Burberry:

One size fits all? Models securing 95%+ approval

Design Feature	Approval Pathway
Change to LTIP award level	LTIP removed entirely
Reduced LTIP replaced by	Restricted stock
Discount in LTIP replacement	50%
Maximum timeframe	5 years

- The companies receiving lower votes had non-standard features. Whitbread adopted a discount of less than 50%, arguing that a competitive realignment of long-term incentives was required as part of the review. Lloyds Banking Group made changes to both the LTIP and annual bonus when adopting their performance-on-grant plan, raising questions about the level of discount offered.

1.3 Companies with deferred share plans are retaining them but adapting to circumstances

- A desk-top review of prior year implementors (from their annual reports) indicate that their policy may evolve in some form to ensure it remains aligned with company strategy and with shareholder and proxy agency expectations, particularly if the shareholder base has evolved. For example:

- Weir Group plc comment that the participation in share plans has now been extended to all employees in more than 50 countries. This is an important step towards the commitment to get shares into the hands of employees for the long-term. This is expected to be a strong alignment mechanism across the business and a measure of the company's commitment to its wider stakeholder base. This is a key part of its 'We are Weir' strategic framework to deliver long-term value.
- Pets at Home Group plc comment that the restricted share awards made in FY21 will be subject to an explicit commitment from the Remuneration Committee that it will use its discretion, as required, to prevent any windfall benefit arising in the future. There will also be an absolute TSR underpin. These factors reflect the exceptionally low share price at grant arising from the COVID-19 impact on share valuations.
- Kenmare Resources plc say they recognise they need to consider the emerging governance recommendations of the shareholder advisory bodies, particularly in matters such as the vesting and holding periods for restricted stock, and the introduction of an underpin.
- RBS Group plc acknowledge, "the unusual nature of the policy means it was not supported by all the proxy agencies". They will be making enhancements to the disclosures in the report to provide further rationale for the factors the Committee has taken into account when determining awards.

1.4 Some stakeholders are concerned the current range of market practice is too narrow

- Some investors expressed concern that the narrow bandwidth of market practice emerging this year may be too limiting. Relevant comments include:
 - "We worry that many of these schemes are just using the template provided by the Investment Association which to us appears more like an LTIP than anything substantially transformative".
 - "We are disappointed in how mechanistic some of the proxy agencies are being in evaluating the plans".
 - "Companies are being pushed to play it safe just to get support, rather than risk properly customising a design".
 - "The IA's template appears more like a de-risked LTIP than anything substantially transformative. The timeframes are the same 5 years and the value is simply cut by 50%...there is also a risk that this approach makes the annual bonus more meaningful than it should be. We want to see time horizons lifted significantly."
- A minority of investors would like a more fundamental and holistic review of the package. For example, an asset manager commented, "we are open to RemCos being slightly more radical to ensure they are focusing on the right issues for recovery."
- As shown in our previous study, many investors see behavioural benefits in the use of deferred shares – in terms of enhanced long-term thinking and strategy execution, and

removal of the risk that performance conditions will distort decision-making. Some of these investors prioritise length of deferral and replacement of LTIP and bonus elements of pay over the level of discount.

- Set against this, the 50% discount remains a red-line issue for a number of investors, which has consequently been adopted as a strict requirement by ISS. In the minds of those investors that support more change, this pushes companies into more incremental, and less effective, designs.
- Further persistent challenges made of the restricted shares model, by both some investors and some companies, include:
 - a perceived lack of downside for mediocre performance; and
 - a lack of upside for outstanding performance, which is viewed as particularly relevant by some market participants given the demands of recovering from the pandemic.

1.5 Some deferred share plans have now been in operation for over 3 years

What observations can be made from prior year adopters?

- Based on a desk-top review of the annual reports, the majority have not presented any major challenges or issues in operating deferred shares. As referenced above, some have amended their previously approved plans to stay current with shareholder expectations. Other points to note from their annual reports include:
 - Standard Life Aberdeen reference their policy as only being two years old but have found practical issues with its implementation, and have moved to an LTIP with awards following the 2020 AGM. The Standard Life Aberdeen model was highly unusual, however, with extensive use of both pre-grant and pre-vest tests on a multi-year basis.
 - RBS retained their policy, but ISS switched from 'for' to 'against' – although arguably because of leaver treatment more than the basic construct.
 - Performance underpins at some companies (e.g. QinetiQ and Kingfisher) have not all been met, and it will be interesting to learn how executives respond to this.

What is the significance of the underpin?

- The investor requirement for stringent underpins is a factor that creates a barrier for companies wanting to implement restricted shares as the existence of underpins means executives are not entirely trading 'certainty' for reduced quantum.
- Upcoming AGMs will be a test for how the suspension and cancellation of dividend payments will be treated in the context of the pandemic (see Section 2). The IA recently said, "shareholders would be concerned if companies unnecessarily reduced or rebased the dividend level." However, automatically applying a dividend underpin may not be appropriate. The principle of an underpin is to avoid the CEO being rewarded despite poor performance. Dividends can be a poor measure of performance as companies can continue to pay them even if the company's performance has been weak. Indeed, some

underperforming companies issue equity to maintain the dividend and some borrow to maintain dividends. A recent Wall Street Journal [article](#) highlighted how dividends are at the expense of capital gains and leave total shareholder returns unchanged. While dividends can theoretically create shareholder value by preventing over investment, this is unlikely to be a consideration in a pandemic when companies are cash-constrained – indeed, dividends can erode shareholder value by preventing a company from making value-creating investments. Thus, boards should consider carefully whether the underpins used may have unintended consequences, particularly in the context of a pandemic.

- More broadly, it is important to recognise that, reflecting the discounted quantum, underpins were introduced as a gate to trigger application of Remuneration Committee discretion. Remuneration Committees should use this discretion when determining whether awards should be reduced where an underpin has not been met. If the underpin is breached as a consequence of an industry or market wide issue, then that could inform a different conclusion than a discrete failure specific to the company.

How do executives view these plans?

- Those companies that have implemented deferred shares say their executives are largely supportive, albeit some have not yet received a pay-out under the new plan. An important take-away is the need to engage with executives throughout the process so there are no surprises. Several believe restricted shares are a better way of building long-term shareholding and commitment because of the certainty. It has also helped free up board and executive time to focus on more impactful topics. A few comments include:
 - “People like certainty – 90% of managers prefer the change”.
 - “It brings a high degree of clarity and transparency, which is positive across the business. We had worried it would impact recruitment but it hasn’t been an issue”.
 - “Landed fine with executives”.
 - “Executives don’t want to change it; for them it is understandable and simple”.

What are the measures of success?

- It is still too early to judge the performance impact of deferred shares since implementation is as recent as 2017 or 2018 for most FTSE companies. There is therefore no statistically significant data available.
- Moreover, even if sufficient data were available and we found that performance improved after the adoption of deferred shares, it would be difficult to claim that the effect was causal. The companies that successfully adopt deferred shares may be more likely to have an innovative board, forward-thinking executives who are willing to accept deferred shares, and supportive, engaged investors. All these factors could be the cause of the performance improvement.

2. How has the COVID-19 pandemic shaped challenges and views?

2.1 What key challenges have been identified?

- Since the start of 2020, the COVID-19 pandemic has created an unprecedented period of uncertainty for business, and has triggered plenty of discussion and questions on deferred shares. For some stakeholders, it has highlighted the deficiencies of LTIPs more clearly.
- Two key challenges market participants have said the crisis has brought to the fore are:
 - COVID-19 has meant companies are finding it challenging to set meaningful performance targets to drive their proposed incentives. Some investors are concerned this may result in insufficiently stretching targets being set. Or, that more relative index measures are used which risks rewarding volatility over sustained performance.
 - Several in-flight bonus and LTIP plans are now unlikely to vest which is creating immediate challenges in motivation, engagement and retention of talent critical to the recovery.

2.2 The global pandemic has not altered views of some stakeholders on deferred shares

- Some stakeholders – particularly leading remuneration consultancies – assert that COVID-19 has not especially affected the views of companies as to whether deferred shares, or LTIPs, are more or less suitable than in the past. Remuneration consultants' comments include:
 - “There is a degree of fashion – it will increase the optics a bit, but the time to make a change is not when there has been zero vesting”.
 - “I don't think COVID has changed the attitudes of many of my clients, but it has highlighted the difficulty in setting targets that volatility brings”.
 - “Companies are saying now is not the time to do anything new or radical”.
- Remuneration consultants say those clients that have been considering deferred shares in the past are now likely to be more optimistic and positive about proceeding with them given the high level of shareholder support to the Burberry and BT plans, rather than this being prompted by COVID-19 per se. One said, “deferred shares will be considered much more in the future than before”.
- Several investors have a different view. The COVID-19 pandemic has highlighted the weaknesses of LTIPs. The potential benefits of restricted shares and the requirement to prioritise human capital matters across the whole workforce. Their comments include:
 - “The current situation highlights many of the challenges that restricted shares can seek to solve”.
 - “Our house view is that the crisis has exposed all the weaknesses in the system, particularly the flaws with LTIPs”.

- “COVID has enabled investors to see how companies prioritise and support their workforce”.
- As a result of COVID-19, a minority of companies are considering increasing leverage in LTIPs as a way to incentivise recovery, and in light of the fact that in-flight awards are underwater, significantly eroding their value for retention and motivation. Investors are however concerned about the potential for windfall gains from allocating shares in a period of crisis, and will expect Remuneration Committees to manage this appropriately e.g. through a ‘haircut’ at grant or discretion at vesting.

3. What new solutions are there to these challenges?

The range of approaches that can gain widespread support when implementing alternatives to the traditional LTIP is limited, and we are at an inflection point. If niche adoption is all that investors want, companies and their advisers now know how to secure shareholder and proxy agency approval for a standard template proposal. On the other hand, if investors are seeking more bespoke and potentially more radical constructs (which could arguably be better aligned with the company's strategy, long-term value creation, and business needs) now is the time to enable a wider range of market practice to emerge. Simply adopting the standard may deliver underwhelming results, and risks a construct which looks like a watered down LTIP, creates undue emphasis on the annual bonus and pushes towards a 5 year norm rather than anything more ambitious.

We recognise for change to happen, it will require a period of constructive dialogue between investors and companies to make alternative approaches palatable and acceptable. Within this section we do not attempt to provide firm 'answers' – simply a range of alternative design frameworks that could be developed to secure both executive and investor support.

To capture the benefits hoped for from deferred shares, and indicated by the academic evidence, the focus should be on time horizon rather than discount, and on more ambitious package restructuring:

3.1 Consider variants of the time horizon and discount

- While a move from LTIP to deferred shares should create a discount, the academic evidence suggests that the bigger prize is to lengthen the time horizon of pay. Alternative constructs could place greater emphasis on the time horizon rather than the discount i.e. longer time horizons but less of a discount, and also seek to take some of the annual bonus from the equation. As an example, instead of a classic approach of a bonus of 200% of base salary (half deferred) and 300% LTIP, an alternative approach could be a bonus at 100% (could all be cash) plus 275% to 300% restricted stock over say 7-8 years. A similar approach could allow for a trade-off between the discount and overall time horizon of restricted stock, with, for example, a reduction of 5% in the discount for every additional year of deferral / holding.

3.2 Simple cash and restricted shares package

- This would be a wide restructuring of the package leaving an extremely simple construct of just cash and restricted shares i.e. cash, pension and annual bonus (and even part of salary), replaced by restricted shares. The increased equity component could create greater variability in total pay (if that were an objective). A block of shares could be granted at the start of a CEO's tenure to create greater leverage (but vesting over a long period), potentially with a co-investment requirement on behalf of the CEO.
- Adoption of such approaches will require both companies that are bold enough to come forward with proposals and investors prepared to support them particularly in dialogue with ISS.

To address the desire to increase the upwards and downwards performance variability in deferred shares, the following approaches could be considered:

3.3 Implement a mixture of shares and options

- Deliver the value of a restricted share award half in shares and half in options (fixed term, without performance conditions). In this example, the value of the award would be halved compared with pure restricted shares if no share price appreciation were delivered, but the pay-out would be nearly doubled if the share price doubled. This therefore creates greater sensitivity to the share price, comparable to that of an LTIP and may unlock some of the issues created by the application of a 50% discount on making a direct switch from LTIP to restricted shares.
- There is however significant academic evidence that the use of options can distort behaviour close to exercise dates or when the share price is close to the exercise price, so this alternative should be treated with caution. This effect arises because an executive has strong incentives to ensure that the share price exceeds the exercise price (and so may cut investment or take risks to do so), but does not exist for shares as there is no exercise price. Moreover, while options address the question of pay variability, they give rise to many of the same problems as LTIPs in cyclical industries.

3.4 Conventional RSU with a multiplier based on other performance measures

- Implement a kicker based on other performance conditions – for example, vesting could vary by +/- 20% based on a measure of performance. Given the current focus on environmental, social and governance (ESG), this could be a way of incorporating these types of measures into a RSU structure rather than having them in an underpin. Investors are already very interested in environmental matters and have been a significant force in getting companies to commit to the UN's Sustainable Development Goals (SDGs) for example. Alignment of reward packages to these matters is therefore welcomed. This may however appear too much of a 'hybrid' approach for investors, and raises questions as to why the measures cannot be applied to an LTIP.

3.5 Indexed and Leveraged Restricted Share Units (RSUs)

- If there were an objective to create greater sensitivity of pay-outs to performance, consideration may be given to a leveraged or indexed Restricted Stock Unit (RSU). In these models not only would the value of the restricted shares change with the share price, the number of restricted shares would also:
 - With a leveraged RSU both the number of shares and the value of each share would change in line with the share price movement each year, in effect doubling the impact of share price changes both positively and negatively. For example, a share price increase of 20% would increase the number of shares by 20% as well as the value of each share changing by 20%. Therefore, a 20% increase in the share price would result in approximately a 40% increase in the award value (with a correspondingly increased sensitivity to share price falls on the downside).

- With an indexed RSU the number of shares would change in line with the extent of out-performance or under-performance compared with an index. For example, a share price increase of 25% while the index had been underperformed by 20% would result in no net change in award value, with the reduction in number of shares offsetting the increase in value per share.
- These options address two concerns relating to conventional RSUs, namely that too much value is still delivered even if performance is weak, and the value is too much driven by overall market conditions rather than relative performance. Yet they avoid the issues created by LTIPs being highly sensitive to performance at the three-year mark and also avoid the discontinuities in the relationship between reward and performance created by LTIP thresholds and maximums. This design idea is scoped out further in the Appendix.

We recognise that the coming months will represent one of the most challenging contexts for executive pay discussions in recent years, with the need to balance questions of motivation and alignment with societal concerns. However, it would be a mistake if this led to an unbalanced focus on quantum reduction as opposed to using the crisis to open up a discussion about how executive pay can be reformed more extensively, for the long term benefit of companies, their shareholders, and wider society. We hope that this report will encourage market participants to continue to think ambitiously about how executive pay can be reformed.

4. What lessons can we learn from companies that have implemented deferred shares?

Informed by our 2019 study and research for this ‘follow up’ we have identified our, ‘top 5’ lessons learned based on the experience of companies that have implemented deferred shares to date.

Lesson 1: Ensure the strategic rationale is compelling

- A consistent view from companies, investors, and leading remuneration consultants is that there must be a compelling strategic rationale. Those companies that have been successful have embedded the strategic rationale first. Companies seeking to adopt deferred shares will be more successful if they do so from the starting point of strategic alignment and encouraging long-term behaviour, rather than simply to fix a problem with recent vesting outcomes or challenges in setting targets. Common factors identified by companies that implemented deferred shares were:
 - Simplification
 - Industry cyclicality and volatility, causing ‘boom and bust’ for LTIPs
 - Significant uncertainty or externally-driven change for the company
 - Desire to incentivise long-term behaviour
 - Alignment of reward structures across the organisation.
- In engagement meetings, companies should provide a candid analysis of where their proposal sits against the IA Guidelines, highlighting any deviation from best practice provisions, with full rationale and supporting analysis. Investors and proxy advisers welcome a description of the options considered and rejected.

Lesson 2: Adopt the accepted design¹

- Companies need to ensure the design features reflect shareholder expectations for lengthened deferral, underpins (on restricted shares), and other features such as enhanced shareholding requirements. Discounts in award levels have typically been applied at 50% for restricted shares and 15% to 40% when switching LTIP to deferred bonus.
- Our research indicates companies that implemented deferred shares only progressed with a construct they felt reasonably confident would be acceptable to their shareholders. Consequently, the changes and compromises in design described after consultation started were not particularly remarkable. This also means that many other companies did not progress to consultation if they felt the construct required to secure

¹ Although adopting the accepted design is a means to securing support, this means companies are being discouraged from taking a holistic approach to reform of the remuneration package which may make better business sense. Barriers to implementing alternate remuneration models that may better drive the required behaviours and results remain high.

shareholder and proxy agency approval didn't meet their strategic business needs or would be unpalatable to executives.

Lesson 3: Consider the shareholder base

- When seeking approval for deferred shares, concentrated shareholder bases are a consideration, particularly depending on geography. This helps focus consultation efforts and incorporate investor feedback effectively, even against negative proxy agency recommendations. Alternatively, doing something like this post an IPO with a loyal shareholder base is a useful enabler.
- Some companies that have already implemented deferred shares have found their shareholder base has evolved since the policy was approved, and this means changes may be required to secure approval to future policy proposals.
- Other companies, particularly those with a high international shareholder base, can be deterred from introducing deferred shares because of pushback from investors. For those companies with a more disparate shareholder base, the support of proxy agencies (particularly ISS) is a critical factor and the remuneration consultancies said this could typically influence 20% to 30% of the vote. It may therefore be inferred that the investor conditions required to facilitate implementation include a concentrated shareholder base and/or an ISS recommendation 'for'.
- Investors highlighted the importance of visible leadership and knowledge from the Remuneration Committee Chair, who should be seen to be owning the consultation process and genuinely listening to shareholders. Companies will help investors and proxy advisers support proposals if they explain in the annual report the consultation process they followed and the changes that they made to the proposal as a result.

Lesson 4: Be prepared to invest the time

- Early, iterative conversations with shareholders are necessary. Successful consultations included explaining proposals clearly and compellingly, and receiving written feedback from investors. The number of consultations varied – those companies who participated in our study with a high investor concentration focused on the top 3 to 5 shareholders. One company with diverse shareholding met with as many as 50 to 60 shareholders.
- All companies that implemented said the consultation effort required was significant. They referenced two or three rounds of meetings being typically required, and one Remuneration Committee Chair commented, "you cannot concentrate on anything else". Consultation will typically be over a 6 to 9-month period.
- It is particularly important that companies commence engagements on deferred share proposals early in the cycle (i.e. the second half of the calendar year). This also enables proxy advisers to undertake outreach with clients if appropriate, which in practical terms becomes challenging once the peak reporting season starts in March each year.

Lesson 5: Ensure a reputation for strong governance

- Successful consultations were ones where the board had a strong history and reputation for strong governance. Further, that other conditions such as equity holding, deferral, malus and clawback provisions etc. were in line with expectations, and that the company was current with other provisions such as post-termination shareholding requirements and pension levels aligned with the wider workforce.

5. How might stakeholders support the IA progress their commitment to make deferred shares more widely adopted?

In November 2019, the IA committed to working with other stakeholders to look at the circumstances in which deferred shares could be more widely implemented in the UK.

Building on conclusions from our 2019 study and research for this ‘follow up’ we have identified the following areas of opportunity for further progress to be made:

5.1 All stakeholders need to take ownership for change to happen

- Investors need to determine the extent to which they truly wish to see greater use of deferred shares in the market, and companies need to be willing to push for change. This means the board being prepared that their proposal may be voted against, yet have the conviction that their strategic rationale was compelling enough they could weather that storm. Boards after all have a fiduciary duty to do the right thing for the success of the company – even if they will face resistance.

5.2 Investors to be more visibly supportive of alternatives

- Investors, companies and remuneration consultancies believe the IA and investors need to be more visibly supportive of alternatives. As one Remuneration Committee Chair interviewed said, “if companies are uncertain about how investors will vote, the default will be to not change the policy”. Other company comments include, “investors must present a clear perspective and come off the fence” and, “if big investors become positive that would build the dynamic; at present, there is very little positive pressure”. One asset owner commented, “we understand there is still a large body of investors that simply will not listen to any attempt to justify a restricted share scheme which is a huge shame”.
- Other views were that the IA register needs to be abolished, and that conditions typically expected, such as the 50% reduction and underpin, need to soften.
- This will require investors to identify the design features that they wish to see evaluated. Features could be divided into red-line issues, where no alternatives will be countenanced and those where investors may accept a range of outcomes, if appropriately justified, for example including:
 - Core design: restricted shares, performance-on-grant, deferred bonus, bonus bank, other potential designs as discussed later in this paper.
 - Discount (depending on type of plan), deferral and holding periods.
 - Underpin – presence and nature (e.g. formulaic vs discretionary).
 - Pre-grant performance tests – measures and duration.
 - Treatment for joiners and leavers.
 - Evidence of the quality and authenticity of the consultation process.

5.3 Clients of proxy agencies to demand a new operating model

- Proxy advisers are service providers, fulfilling a critical and high quality service to investors. Investors are responsible for how they use their recommendations. Proxy advisers have faced a difficult challenge in reconciling divergent investor views into a single recommendation.
- However, the practical influence of the large recommendation-based proxy advisers is undeniable (and causal influence on voting has been demonstrated by academic research). Their methodologies for evaluating deferred share plans are therefore an important part of enabling reform.
- Companies we spoke to are not convinced a material recourse to challenge proxy agency recommendations exists, and it seems there is no independent client review panel to assess the quality of their work. Given the consequences of a recommendation 'against', a common sentiment from companies is that this situation should be of concern to those paying for their services.
- We cannot expect proxy advisers to lead the debate on what constitutes appropriate design in long-term incentives – indeed that would be inappropriate. Therefore, it is particularly important that investors provide clear guidance to their service providers on how they would like to see deferred share plans evaluated. However, it is also important that proxy advisers appropriately identify proposals as being for strategic judgement.
- We recommend investors work with ISS and Glass Lewis – as the most influential recommendation-based proxy advisers in the UK market - to implement the following protocols in relation to deferred share proposals:
 - ISS and Glass Lewis to clearly highlight deferred share proposals to clients.
 - The proposal should be analysed by the proxy advisers in terms of the issues identified by investors. Breach of red-line issues could justifiably lead to an 'against' recommendation. However, failure to adopt the 'best practice' provisions outlined by investors should be clearly identified, but should not automatically lead to an 'against' recommendation, but instead, provided not egregious, should lead to a 'for' recommendation, but with a clear flag that the proposal is for shareholder judgement and that there are critical issues for the shareholder to consider.
 - Advisers should not recommend 'against' purely on the basis of strategic rationale, as this is a matter for shareholders not advisers.
 - The proxy advisers should offer an extra engagement meeting to the company to enable appropriate iteration and full understanding of the proposal. Companies need to realise that this can only happen before the peak AGM season commences.
 - If ISS or Glass Lewis recommend 'against' such a proposal, the timeframe for response should be extended ideally to one week and provide genuine opportunity for engagement and mutual understanding. We understand the constraints that proxy advisers face on timing, and recognise that this would require investors to ask

advisers to prioritise analysis of deferred share proposals for a time. This adds to the importance of the consultation process so that the advisers are aware that a deferred share plan is being brought forward.

- If a company could persuade major shareholders publicly to express their support for the plan, the proxy agencies should take this into account in their own voting recommendation, for example if a company could demonstrate that its anchor shareholders were supportive.
- Investors will need to analyse for themselves proposals flagged as deferred share plans (whether proxy advisers recommend 'for' or 'against') to determine whether they support the proposal or not, so that investor preferences can be revealed to the market. If they are supportive investors should feedback to the proxy advisers to inform their own analysis process.
- It is important that implementation of non-standard approaches is assessed against the policy that was approved rather than through the lens of a standard LTIP or incentive design template.
- In the event of an 'against' recommendation on a deferred share proposal, or on the implementation of a previously approved policy, the proxy adviser should offer a 'review of learnings' meeting after the AGM season to enable mutual understanding with the issuer.

5.4 Companies routinely to consider deferred shares as part of their policy review

- Investors do not believe that deferred share awards are right for all, or even most companies. However, investors do want companies and their consultants to actively consider whether deferred shares are right for them and to be clear, if not, why not. It should not be assumed that a conventional LTIP is an unchallenged default – the strategic case should be made for whatever incentive plan is adopted.

5.5 Companies and investors to be willing to consider alternate constructs

- We believe stakeholders should be prepared to consider other constructs where that makes strategic business sense. To provoke further consideration of what these could be, we include potential examples in Section 3 for illustration purposes only.

6. Conclusions and recommended next steps

Significant progress has been made in attitudes towards deferred shares since the IA Executive Remuneration Working Group recommended that companies be given greater flexibility to adopt alternatives to LTIPs in their 2016 report. Companies and investors increasingly see them as a valid alternative to LTIPs to support long-term value creation. A clear pathway to their implementation has emerged, but the ‘one size fits all’ approach imposed by proxy agencies and certain investors means all the benefits hoped for by proponents of such plans (and indicated by the academic evidence) may deliver underwhelming results. In particular, there is the risk of ending up with a construct that just looks like a watered down LTIP.

The COVID-19 pandemic has highlighted the challenges of setting meaningful and stretch incentive targets in a period of uncertainty, and addressing retention concerns when LTIPs are unlikely to vest. Assuming there is a strong strategic business rationale, deferred shares can help provide a solution to these concerns. Our report has identified potential new models for consideration that might reasonably secure executive and investor support, such as the use of leveraged restricted share units.

We are at an inflection point. If niche adoption is all that investors want, companies and their advisers now know how to secure shareholder and proxy agency approval to a standard template proposal. On the other hand, if investors are receptive to alternate, more bespoke and potentially more radical constructs (which could arguably be better aligned with the company’s strategy and business needs) now is the time to enable a wider range of market practice to emerge. Consequently, to help progress the debate on deferred shares even further, our recommended next steps are as follows:

- Investors should encourage the IA to convene an ongoing review activity to consider whether changes in ‘default’ design parameters could be considered in order to encourage deeper reform on introduction of restricted shares, for example to encourage longer time horizons, or to encourage replacement of part of the annual bonus rather than just limiting change to LTIPs.
- Investors to work with ISS and Glass Lewis (as the most influential recommendation-based proxy advisers in the UK market) to implement the protocols in relation to deferred share proposals set out in section 5. The ‘downcycle’ of policy reviews, between the 2020 and 2023 peaks, may form a particularly suitable opportunity to give greater attention to more bespoke proposals.
- Following the 2021 AGM season, progress should again be reviewed to determine any lessons that can be learned from implementations to date, some of which will by then have been in place for five years. In addition, insights and learnings from operating deferred shares through the current crisis arising from COVID-19 can be better determined.

APPENDIX

Leveraged Restricted Share Units (RSUs)

Conventional RSU:

- The value of a conventional RSU grant changes in line with the total return on the company's shares (assuming that reinvested dividend equivalents are paid on the RSU).

Time (years)	Share price	Dividend	TSR	Value of award
0	100			£1m
1	110	2	12%	£1.12m
2	130	2	20%	£1.34m
3	90	2	(29%)	£0.95m
4	120	2	36%	£1.30m
5	125	2	6%	£1.37m

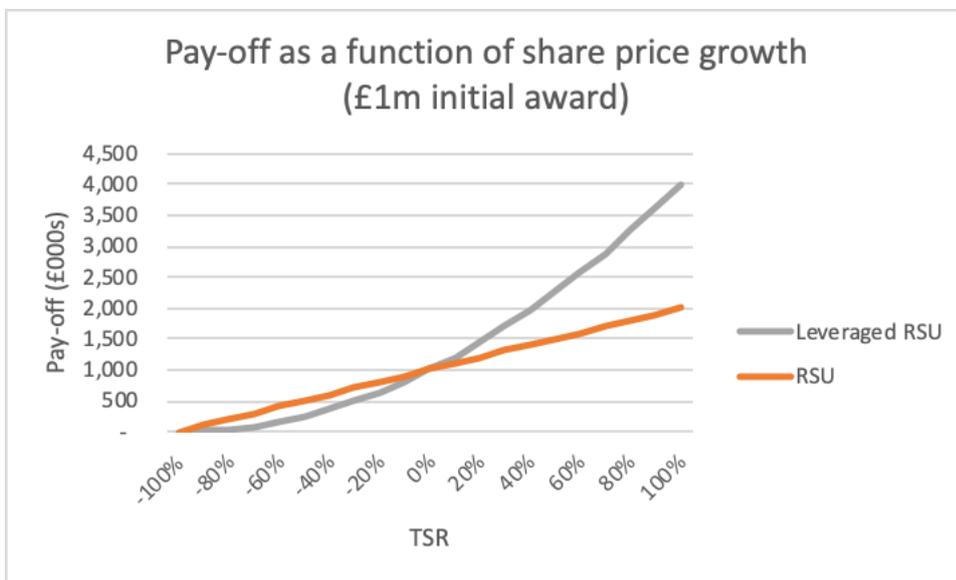
- A standard RSU increases (decreases) the value of the award in line with the extent to which the TSR is positive (negative).
- Avoiding the hard cut-off of median leading to zero pay-out. However, it could be argued the range of relative performance is such that the range of pay-outs from an indexed RSU would be rather small.

Leveraged RSU

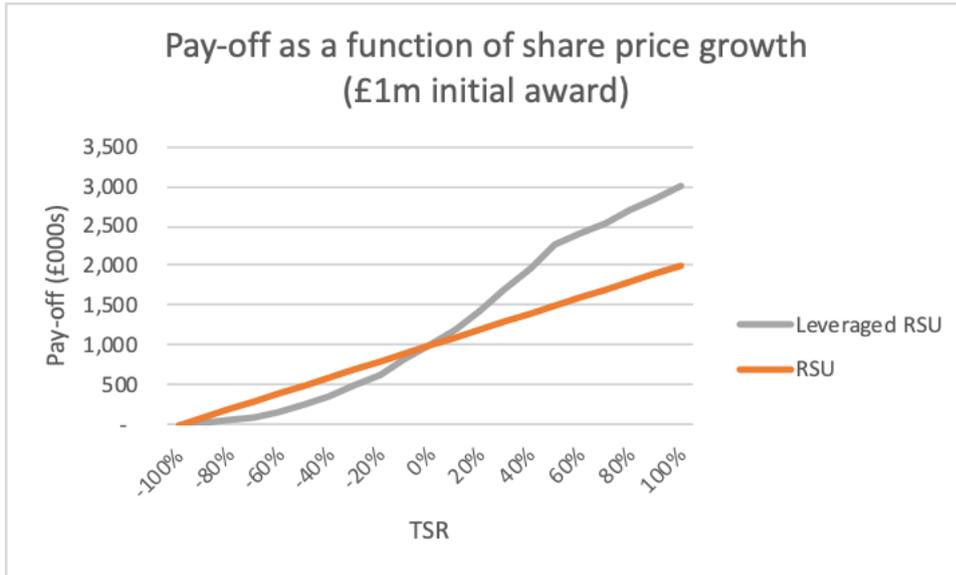
- With a leveraged RSU, the *number* of units as well as the *value* of units changes with the share price. This could be achieved by, for example, putting RSUs into a bank and at the end of each year increasing / decreasing the number of shares in the bank by reference to the percentage increase / decrease in share price over the year.
- After a certain period of time, say five years, the shares in the bank would move into a pure share bank and would no longer benefit from the upside / downside adjustment arising through the leveraged RSU.
- Repeating the first example:

Time (years)	TSR	Value of standard RSU award	Adjustment to number of awards at end of year	Value of total adjusted award
0		£1m		
1	12%	£1.12m	12%	£1.25m
2	20%	£1.34m	20%	£1.81m
3	(29%)	£0.95m	(29%)	£0.91m
4	36%	£1.30m	36%	£1.68m
5	6%	£1.37m	6%	£1.89m

- In effect the leveraged RSU amplifies, by a factor of two, the overall impact of a given share price movement. So TSR of 25%, which increases the value of a conventional RSU by 25%, will increase the value of a leveraged RSU by $1.25 \times 1.25 - 1 = 56\%$. Similarly negative TSR of 25% will reduce the value of a leveraged RSU by $0.75 \times 0.75 - 1 = (44\%)$. This amplifying effect is shown in the chart below:



- Note that in this model, from a valuation perspective, the additional upside is likely to outweigh the downside in value terms, which may result in an additional discount being required versus a standard RSU. This could be limited by, for example, capping the increase in number of shares that could be applied to the bank to, for example, +50%, which would produce the following pay-off comparison:



Leveraged indexed RSU

- The same principle could be applied, but with the adjustment of number of shares in the bank being driven by the relative performance against an index rather than the absolute performance:

Time	TSR	Value of standard RSU award	Adjustment to number of awards (based on relative performance)	Value of total adjusted award
0		£1m		
1	12%	£1.12m	4%	£1.16m
2	20%	£1.34m	(5%)	£1.33m
3	(29%)	£0.95m	(19%)	£0.76m
4	36%	£1.30m	6%	£1.10m
5	6%	£1.37m	(4%)	£1.12m

- The relative underperformance causes the award value in this case to be held to £1.12m as compared with £1.37m for a standard RSU.
- The impact of different combinations of relative and absolute performance on an initial grant value of £1m is illustrated in the table below.

Pay-off (£000s)		Absolute performance				
		(50%)	(25%)	0%	25%	50%
Relative performance vs index	(50%)	250	375	500	625	750
	(25%)	375	563	750	938	1,125
	0%	500	750	1,000	1,250	1,500
	25%	625	938	1,250	1,563	1,875
	50%	750	1,125	1,500	1,875	2,250

- The pay-off from a standard RSU is shown in bold across the middle row. Note that upper / lower quartile performance over 3 to 5 years would equate broadly to +/-25% performance relative to the index and so the rows either side of the middle row show the impact of the index leveraged RSU in this performance outcome.
- There will be some correlation between absolute and relative outcomes, but for a tailored sector index this correlation is likely to be low and so it may well be that no further discount is required for an indexed leveraged RSU.
- The indexed leveraged RSU combines both absolute and relative performance.

Other variations

- In principle the number of shares in the bank could be defined to be any function of the change in absolute or relative share price. So the number of shares could be set to increase / decrease even faster than shown if more leverage were required. However, simply increasing / decreasing the number of shares in line with the absolute or relative performance has the benefit of simplicity and does supply significant additional leverage.
- The main advantage of this approach is that it addresses two potential concerns relating to RSUs:
 - That too much value is still delivered even if performance is weak.
 - That value is too much driven by overall market conditions rather than relative performance.
- The design is superior to conventional performance conditions by virtue of the fact that value changes continuously with performance without the abrupt cut-offs (e.g. median TSR) that create so many problems for conventional LTIPs, and which can end up rewarding volatility of performance rather than sustained strong performance.

Glossary

In this report we use the following definitions:

- **LTIP:** an award of shares with stretching performance conditions attached, which are tested after, say, three years. The proportion of the award that vests (between 0% and 100%) depends on the extent to which the performance conditions are met.
- **Deferred shares:** restricted shares, deferred bonus, or performance on grant award.
- **Restricted shares:** an award of deferred shares without further performance conditions attached, other than possibly an underpin condition prior to vesting (see below). Typically the value of shares awarded will be lower than for an LTIP. For example an LTIP award with a maximum value of 200% of salary (if all performance conditions are met) might be replaced by restricted shares worth 100% of salary, vesting over a longer time period.
- **Performance-on-grant:** an award of deferred shares, similar to restricted shares, but subject to a performance condition prior to grant, often over more than one year. Because performance conditions still apply, the discount will be less than for restricted shares. For example, an LTIP award with a maximum value of 200% of salary (if all performance conditions are met) might be replaced by an award of deferred shares that could be as high as 150% of salary, but might vary between 50% and 150% of salary (or even down to zero) based on performance conditions applying over one or more years prior to the award. Once awarded, the deferred shares operate in the same way as for restricted shares.
- **Deferred bonus:** a special case of a performance-on-grant plan where LTIP is replaced by an enhanced annual bonus which includes an element deferred into shares.
- **Underpin:** a condition that must be satisfied prior to vesting of a deferred share award, but designed to represent a minimum acceptable level of performance rather than a stretch condition. The underpin may be set as an explicit test (e.g. a minimum level of ROCE) or could be more discretionary in nature.
- **Bonus bank:** a structure where a portion of the bonus is put each year into a bank of shares or cash and deferred. Each year a portion of the bank from prior years is released to the executive. If a threshold level of performance is not achieved then the number of shares or amount of cash in the bank may be reduced.

Companies adopting deferred shares

We identified the following 26 companies that had adopted deferred shares in replacement for other incentives as part of their remuneration policy up to June 2020.

Company	Year of policy AGM
BHP	2020
BT Group	2020
Burberry	2020
Flutter	2020
Hammerson	2020
Lloyds Banking Group	2020
Whitbread	2020
Capital & Regional	2019
Ei Group	2019
Harworth Group	2019
Kingfisher	2019
Card Factory	2018
Standard Life Aberdeen	2018
The Weir Group	2018
Aveva	2017
Hargreaves Lansdown	2017
Hikma Pharmaceuticals	2017
Kenmare Resources	2017
Mears Group	2017
Page Group	2017
Pets at Home	2017
Premier Oil	2017
QinetiQ	2017
RBS	2017
Kingfisher	2016
Rathbone Brothers	2015

Participating Organisations

We would like to extend our thanks to the many organisations who contributed to the study through the interviews, short questionnaires, or through providing their views in other ways. These include the following.

Aggreko plc	Aviva Investors Global Services Ltd
Blackrock Inc.	Brunel Pension Partnerships
BT Group plc	Burberry plc
Church Commissioners	Compass Group plc
Deloitte	Federated Hermes Investment Management
FIT Remuneration Consultants	Flutter Entertainment plc
InterContinental Hotels Group plc	J Sainsbury plc
Jupiter Asset Management	Korn Ferry
Legal & General Investment Management Ltd	Lloyds Banking Group plc
M&G Investments	Mercer
NEST Investment	Norges Bank Investment Management
Pearl Meyer	PwC
RBC Global Asset Management	Reckitt Benckiser Group plc
RELX plc	Renishaw plc
Standard Life Aberdeen Investments	T Rowe Price Group Inc.
Tesco plc	The FTSE 100 Remuneration Group
The Investment Association	Weir Group
Whitbread plc	Willis Towers Watson

Please note: Agreement to be named does not imply agreement with the conclusions of the report.



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