UNIVERSITY OF PORTSMOUTH

CHANGES IN REMUNERATION REPORTING FOLLOWING THE UK CORPORATE GOVERNANCE CODE 2018

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Financial Reporting Council

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FOREWORD

It can be difficult to hold a dispassionate discussion about directors' remuneration. It has been argued that too much time is spent on the subject to the detriment of other important governance and stewardship issues such as strategy, capital structure, risk, and environmental and social issues. Yet remuneration remains at the heart of governance. The relationship between shareholders and directors is complex, and how shareholders incentivise directors to deliver the success of the company and hold them to account for their performance, while allowing them freedom to take responsibility and make business decisions, is rightly a matter to take seriously. The role of the remuneration committee is very important here; in 2018 the UK Corporate Governance Code was substantially revised, including more demanding criteria for remuneration policies and practices, better alignment with performance, workforce remuneration and wider circumstances.

Since 2002, the remuneration relationship between shareholders and directors has also been governed by specific company law regulations. The first Directors' Remuneration Report Regulations introduced reporting aimed at improving the relationship between remuneration and performance, and an annual advisory vote. This was followed in 2013 by further developments in reporting and an additional three-yearly binding policy vote. There is yet to be a review of the effect of these regulations, which focus attention on the role of the remuneration committee and the Code in addressing issues of remuneration, particularly in the context of the wider issues dealt with by the Code – the links between company purpose, strategy and culture.

> **"WE ARE PLEASED TO SEE PROGRESS ON REMUNERATION REPORTING BROUGHT ABOUT BY THE CHANGES TO THE CODE. NEVERTHELESS, WE WOULD LIKE TO SEE FURTHER IMPROVEMENT.**

In commissioning this research, the FRC wished to know more about companies' response to the Code's revised Principles and Provisions, and the response of shareholders in terms of voting. We are pleased to see that companies are now disclosing more information about engagement with shareholders and there is better reporting on alignment of remuneration with long-term performance. We recognise that there will always be a challenge of balancing short and long-term objectives. The Code is a flexible tool and provides the opportunity for companies to explain how this is achieved. But too many company reports were similar, replaying the wording from the Code and using 'boilerplate' explanations. For example, although a number of companies reported the risks associated with excessive awards, most did not explain their plans to mitigate these risks. Many companies used non-financial key performance indicators (KPIs) in executive pay formulas, but there was a lack of information about the link with their strategy. And, overall, there was a lack of reported understanding about the reasons for significant votes against remuneration policy.

These results align with the broader findings of our Annual Review of Corporate Governance Reporting 2020.[1] We are pleased to see progress on remuneration reporting brought about by the changes to the Code. Nevertheless, we would like to see further improvement. This report draws attention to where this needs to take place. The challenging circumstances of the past year have meant that companies and shareholders have had to re-examine the purpose of remuneration. We will begin to see the outcome of this in this year's reporting and expect to see new developments and changes in approach. The FRC has also recently published *Improving the quality of comply-or-explain reporting*,[2] which provides advice about achieving high quality explanations. We recommend that companies and shareholders use this guidance to further improve remuneration reporting and practice.

David Styles
Director, Corporate Governance and Stewardship
Financial Reporting Council

[1] https://www.frc.org.uk/getattachment/c22f7296-0839-420e-ae03-bdce3e157702/Governance-Report-2020-2611.pdf
[2] https://www.frc.org.uk/getattachment/6a4c93cf-cf93-4b33-89e9-4c42ae36b594/Improving-the-Quality-of-Comply-or-Explain-Reporting.pdf

EXECUTIVE SUMMARY

Introduction

This report presents the findings of research carried out by a team of researchers from the Faculty of Business and Law at the University of Portsmouth, for the Financial Reporting Council (FRC). The project examined the remuneration policy disclosures of a sample of FTSE 350 companies during periods both before and after the introduction of the new UK Corporate Governance Code 2018 (hereafter 'the Code'). Additionally, the project analysed shareholder voting on companies' revised remuneration policies at their 2020 annual general meetings and assessed evidence of the impact of the Code's new Principles and Provisions in this area. Through these Principles and Provisions, the Code aims to ensure that a company's remuneration and workforce policies align with its long-term values and success, and that the setting of directors' pay is done in the context of wider employee pay. The sample of FTSE 350 companies comprised those that revised their pay policies (as the result of the normal three-year cycle) in 2019/20, and which therefore were the first affected by these changes in the Code.

The corporate governance changes within the Code are designed to encourage remuneration policies that are structured and clearly linked to the strategic objectives of the company, while rewarding executive directors who contribute to the long-term success of a company. The shareholders need to see remuneration being used to effectively attract, incentivise and reward directors, this being deemed necessary for encouraging business stability and growth and an increase in shareholders' investments over time.

The last few years have seen increased public concern in relation to high levels of executive remuneration. There is a lack of public trust in companies that stems from the financial crisis, and recent corporate failures have appeared to demonstrate that those being paid the most suffer the consequences of this failure the least. Listed companies are required by law to disclose their remuneration policies and recent changes to regulations, set out in the Companies (Miscellaneous Reporting) Regulations 2018, offer additional transparency in relation to executive pay and that of the workforce, including pay ratios.

The 2018 Corporate Governance Code builds on these regulations in the context of the work of the remuneration committee and emphasises the link between executive pay and that of the wider workforce. The remuneration related changes introduced in the Code include:

- More demanding criteria for remuneration policies and practices;
- Clearer reporting on executive remuneration, how it delivers company strategy, long-term success and its alignment with workforce remuneration;
- Directors exercising independent judgement and enabling the use of discretion to override formulaic outcomes;
- Taking account of wider circumstances;
- The remuneration committee chair should have served on a remuneration committee for at least 12 months.

This research assessed the remuneration policy reporting of a sample of 80 FTSE 350 companies that revised their remuneration policies in the first reporting year of the new Code. Firstly, the research used content analysis to examine remuneration policy-related disclosures (provided in each company's remuneration committee report) to assess the extent to which revised policies adhere to the Code's new Principles and Provisions, and to assess whether there is additional disclosure compared to previous remuneration reporting. Secondly, the research examined shareholder voting on revised remuneration policies at 2020 annual general meetings (AGMs), to assess any dissent over newly revised policies and the reasons for this dissent, whether it was related to the policy itself or the resultant levels of pay.

Key findings

Firstly, our research found improvements in terms of the quantity of information reported:

- Companies are now disclosing more information about engagement with the shareholders and, to a lesser extent, the wider workforce;
- Companies are now disclosing more information about alignment with long-term shareholder interests;
- The Code requirements pertaining to directors' remuneration have had a positive impact on corporate disclosure practice;
- The extent of disclosure for all Provisions and Principles related to remuneration policies in 2019 has increased compared with 2017.

This indicates that companies appreciate the need to report on these areas, as the quantity of disclosure has increased. This in turn would appear to suggest that companies' remuneration committees are meeting, or trying to meet, the objectives of the new Code. However, we found:

- No major changes in the extent of disclosure in 2019 compared with 2017 for some sub-items, for example the provisions that would enable the company to recover and/or withhold sums or share awards.
- Although a number of companies reported risks that related to excessive awards, most of these companies failed to explain their plans to mitigate these risks.
- While most companies now show evidence of linking individual awards with the delivery of strategy and long-term performance, fewer companies provided evidence that they did not reward poor performance in their remuneration policies.
- While the majority of companies show evidence of clarity in their engagement with shareholders, this was lower when discussing their engagement with the workforce.
- Many companies used non-financial KPIs in executive pay formulas, but often did not explain why these were chosen or how they were formulated.
- Many company reports were similar, simply using the wording from the Code, often boilerplate, and lacking detail in the way the application of the Code's Principles and Provisions related to remuneration were described.
- Companies listed in the FTSE 100 adhere with Principles P and E to a greater extent than FTSE 250 companies, although there is no notable difference between these two groups regarding Provisions 33 and 37.
- A wide variation in the disclosure extent among sectors is suggested by our sector analysis.

Secondly, the research found that:

- While companies conformed to the Code requirements, they were reluctant, at least initially (in AGM reports), to disclose the reasons for any significant votes against remuneration policy proposals, unless this gave an opportunity to be overly positive, e.g. to justify the proposal, or claim the dissent was less than previously experienced.
- There was a careful use of words around reporting of shareholder dissent.
- Most of the companies had less than 20% shareholder dissent over the newly revised remuneration policies; we found few companies with 20% or more dissent.
- Our analysis suggests the dissent was often related to company-specific issues, and not the issues reported as a result of the requirements of the Code.

Context

In 2018, the FRC noted that the quality of remuneration committee reporting on the relationship between directors' remuneration and (1) employee pay, and (2) the successful achievement of company strategy, needed to improve to meet investors' expectations. The 2018 version of the Code (applicable to accounting periods beginning on or after 1 January 2019) included new Principles and Provisions aimed at improving this practice and reporting. This was designed to emphasise the value of good corporate governance for the long-term, sustainable success of a company. Companies are required to explain how they have applied the Principles, moving away from tick-box compliance.

The Code places greater emphasis on relationships between companies and all their stakeholders. It also promotes the importance of establishing a corporate culture that aligns with the company's purpose, business strategy and values. For the vast majority of companies, 2020 was the first year of reporting against the Code.

The law sets out many of the requirements related to directors' remuneration. The Code sets out the role of a company's remuneration committee and matters to be considered when determining its remuneration policy. The Code brought significant changes in this area, including new Principles and Provisions to ensure that a company's remuneration and workforce policies align with its long-term success and values and that, when setting directors' pay, the remuneration committee take account of wider employee pay.

A significant number of FTSE 350 companies revised their pay policies during 2019/20 as a result of the normal three-year cycle. Directors' remuneration policies, included in directors' remuneration reports, are subject to a binding vote every three years. The aim of this research was to examine how such companies have applied the Code's new Principles and Provisions on remuneration in their revised pay policies, voted on at 2020 AGMs.

As a result of Covid-19 and the related lockdown and social distancing rules, many of the companies carried out their AGMs behind closed doors with only a quorum of two shareholders in attendance; few enabled online voting, with most preferring to ask company shareholders to vote via proxies. Although this approach enabled companies to hold a legal AGM, the richness of debate around new remuneration policies at the AGM did not take place. In normal circumstances the board would be able to understand the details of any shareholder dissent on pay via discussions at the AGM. This year, shareholders were less able to raise queries, despite some companies inviting investors to ask questions in advance or on the day of the AGM itself. It is important to note that there was a variety of approaches to AGMs in 2020 rather than one or two specific methods.

In the *Annual Review of the UK Corporate Governance Code* (FRC, January 2020), the FRC reviewed early adopters of the Code, including observing the way in which remuneration policies were being adopted. Good practice was suggested to include vesting periods for incentives and setting strategic or individual non-financial KPIs that align with the company's long-term goals. The use of non-financial metrics as a measurement of success in the long term was encouraged. Observations of non-financial metrics in measurements for annual bonuses included, for example, diversity, culture, and health and safety targets. The FRC found that the majority of companies observed did not provide any information about engagement with the wider workforce on executive remuneration (Provision 33). It was suggested there should be more detail on this in 2020 annual reports, with clear indications of the effectiveness of this. The FRC recently issued its *Review of 2020 Corporate Governance Reporting,* which, among its findings, noted that engagement with the wider workforce on new remuneration policies did not feature in many annual reports (FRC, November 2020).

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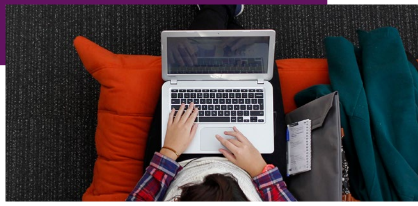


Methodology

The research conducted for this report used content analysis techniques to examine remuneration policy disclosures in companies' remuneration committee reports. The objective of the research was to assess the extent to which remuneration policies revised after the introduction of the Code adhere to its Principles and Provisions, and to ascertain whether disclosure of these policies has changed in areas pertaining to the relevant Principles and Provisions. We used a computer software package (NVivo) to record the content of the relevant parts of the remuneration reports and to support and complement our coding process.

Each of the Code's Principles or Provisions related to remuneration policies was divided into its separate component requirements. For each of those requirements, a company's remuneration policy was attributed 0 for nondisclosure and 1 for disclosure. The total number of 1s for each Principle/Provision was then added up and expressed as a percentage of the maximum possible (i.e. the total number of requirements in that Principle/Provision). This produced a disclosure score for each Principle/Provision, for each company. We also calculated the average score of all 80 companies in our sample for each Provision/Principle.[3]

We present all disclosure scores in this report as decimals, so 75% is presented as 0.75. Each score therefore ranges between 0 and 1. The higher the score, the higher the extent of the disclosure and therefore the higher the compliance level. The scores are presented in the first table and graph in the section of this report pertaining to each Principle or Provision.

At the same time as the coding for disclosure scores was being carried out, we also extracted from each company's annual report the blocks of text providing the disclosure for each Principle and Provision. We then used the NVivo software to produce word count statistics for these blocks of text. The results are presented in additional tables in the sections of this report pertaining to each Principle or Provision as 'coded words' for each Principle/Provision (and each of their component requirements) in the two years' disclosures we examined (2017 and 2019), as well as the percentage change between those two years.

Further research then examined shareholder voting on revised remuneration policies, at 2020 AGMs, to assess any dissent over newly revised policies and the reasons for this dissent.

In Part A of our analysis, we used human-coded and computer-aided content analysis to examine a sample of 80 companies[4] from those in the FTSE 350 that had revised remuneration policies in their 2019/20 reporting year. In Part B, we analysed shareholder voting on those revised remuneration policies at the AGMs of companies in the sample.

[3] For further details on sampling of companies and the coding process see the Technical Annex
[4] A representative sample by size and sector – see the Technical Annex for details of the sample

PART A:
REMUNERATION DISCLOSURE PRACTICE

Findings for remuneration-related Principles and Provisions of the Corporate Code 2018[5]

Findings related to Principle P

Principle P of the Code introduces the requirement to link pay with the strategic objectives of a company and its long-term performance. It reads:

'Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. Executive remuneration should be aligned to company purpose and values, and be clearly linked to the successful delivery of the company's long-term strategy.'

To analyse the extent of adherence with Principle P we broke the Principle down into three requirements.

Table 1. Principle P requirements

Requirements		No. of cos.*	2017 Mean disclosure score[6]	No. of cos.*	2019 Mean disclosure score
The design of remuneration policy and practices supports the company's strategy and promotes its long-term sustainable success	PP-1	69	0.86	77	0.96
The company's remuneration policy and practices are designed to align executive remuneration with the company's purpose and values	PP-2	56	0.70	73	0.91
The company's remuneration policy and practices are designed to link executive remuneration clearly to the successful delivery of the company's long-term strategy	PP-3	69	0.86	76	0.95
Principle P average	PP		0.81		0.94

* Number of companies

Overall, our results show an increase in the extent of adherence with Principle P in 2019 compared with 2017. The number of companies that reported policies designed to align executive remuneration with the company's purpose and values (PP-2) increased from 56 companies in 2017 to 73 companies out of the 80 in 2019, an increase of 30%. There was also an increase in the number of companies that reported remuneration policies designed to promote their long-term sustainable success (PP-1), from 69 companies in 2017 to 77 companies out of 80 in 2019, an increase of 12%. A similar increase was found in the requirement linking executive remuneration to the successful delivery of the long-term strategy (PP-3) from 69 companies in 2017 to 76 companies in 2019, an increase of 10%. This trend was reflected in the average disclosure scores.[7] The average disclosure score for Principle P increased from 0.81 in 2017 to 0.94 in 2019, as shown in Table 1. The table also shows an increase in the average disclosure score for each of the three requirements of Principle P, including PP-2 where the average score increased from 0.70 in 2017 to 0.91 in 2019.

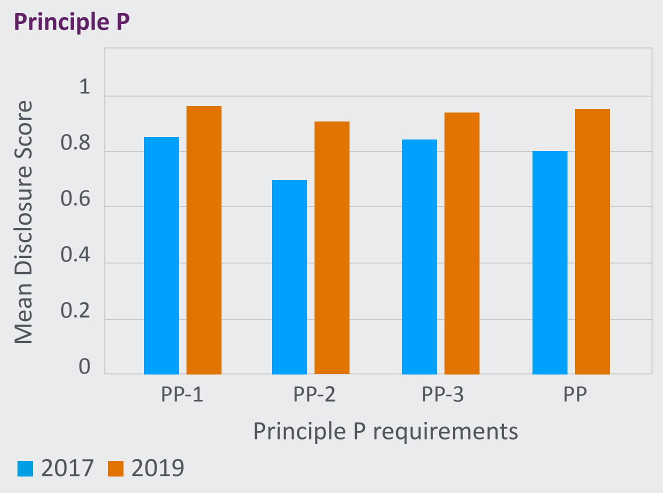
[5] Full details of the Principles and Provisions of the Corporate Governance Code can be found at:
https://www.frc.org.uk/getattachment/88bd8c45-50ea-4841-95b0-d2f4f48069a2/2018-UK-Corporate-Governance-Code-FINAL.PDF
[6] The average disclosure score is the sum of all the scores on Principle P divided by the number of companies
[7] We computed the average disclosure score for the requirements of each Principle and Provision. Scoring was 1 for disclosure and 0 for no disclosure. A total disclosure score is the sum of all the scores for the requirements of a Principle or Provision divided by the number of companies.

While there was an increase in disclosure of information for PP-1 and PP-3, it can be noted that PP-2 increased more substantially. The number of companies following PP-1 and PP-3 in 2017 is already high (69 companies out of 80), compared with companies disclosing for PP-2 (56 companies out of 80). This may be explained by the requirement of the 2016 Code to promote long-term success when companies design executive remuneration (section D). The 2018 Code then added more emphasis on alignment with the company's purpose and values, which may explain the large increase in the disclosure score of PP-2.

Our results show an increase in the average disclosure of each of the three parts of Principle P and show notable differences between the disclosure scores of 2017 and 2019, indicating more disclosure in 2019 with lower variations among companies.[8]

Graph 1 illustrates the extent to which the reporting of revised remuneration policies differs from the previous reporting.

Graph 1. Analysis of Principle P disclosures



We found that the majority of companies reported that their remuneration policy and practices were linked to the delivery of long-term strategy and with company purpose and values. The industry sector that reported most in this area was Industrials.[9] Many company reports were similar, often boilerplate,[10] lacking detail in the way they described the application of Principle P and simply reporting that they had followed the three requirements of Principle P. However, our research did not consider the effectiveness of either purpose or values statements that we examined.

A typical example of this part of a report contains:

- A statement about remuneration policies supporting growth and long-term sustainability;
- Observation of the need for shareholder approval and noting the need to be competitive;
- Explanation of how directors' incentives are aligned with long-term strategy, with details;
- Explanation that rewards are for individual contributions to success.

Table 2 shows further details of these findings, with word counts of the relevant sections of the remuneration reports.

Table 2. Content analysis word count coding of Principle P

Codes	Coded words* 2017	Coded words* 2019	% increase in coded words**
Principle P	**8,074**	**10,198**	**26**
Principle P\PP-1	4,127	4,599	11
Principle P\PP-2	3,800	5,260	38
Principle P\PP-3	4,980	5,326	7

* The total number of coded words related to Principle P in all companies in 2017 and 2019
** The percentage increase in coded words in 2019 ([coded words in 2019 – coded words in 2017]/ coded words in 2017)

In line with our other content analysis, our computer-recorded content analysis showed increases for Principle P as a whole; the numbers of coded words observed in the 2019 reports are much higher than those coded words observed in 2017 reports. This suggests that adherence with the Code has improved the level of disclosure related to this area. Table 2 shows that Principle P related information increased in 2019 by 26%. The analysis also shows an increase in each requirement of the Principle. Disclosure related to the alignment of executive remuneration with the company's purpose and values increased in 2019 by 38%. The increase in the extent of adherence with the other two components of the Principle is, however, lower. For example, disclosure related to supporting the company's strategy and promoting its long-term sustainable success increased by only 11% in 2019, while disclosure related to linking executive remuneration clearly to the successful delivery of the company's long-term strategy increased by 7%.

[8] To obtain further insights on adherence to Principle P, we employed several statistical tests (see the Technical Annex)
[9] The FTSE 350 sector of companies known as Industrials
[10] The term 'boilerplate' is used here for language in the text that is considered generic or standard

Findings related to Provision 33

The Code encourages companies to consider the wider workforce and to align incentives when setting directors' remuneration. It reads:

'The remuneration committee should have delegated responsibility for determining the policy for executive director remuneration and setting remuneration for the Chair, executive directors and senior management. It should review workforce remuneration and related policies and the alignment of incentives and rewards with culture, taking these into account when setting the policy for executive director remuneration.'

To analyse the extent of adherence with Provision 33, we broke the Provision down into three requirements:

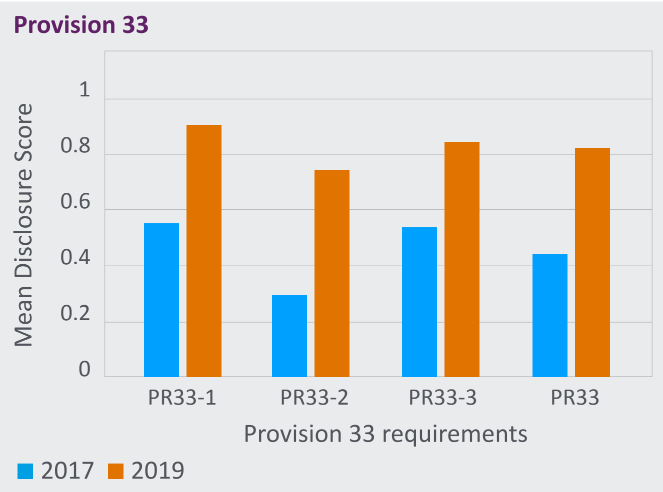
Table 3. Provision 33 requirements

Requirements		2017 No. of cos.*	2017 Mean disclosure score	2019 No. of cos.*	2019 Mean disclosure score
The remuneration committee should review workforce remuneration and related policies	PR33-1	44	0.55	73	0.91
The alignment of incentives and rewards with culture	PR33-2	24	0.30	59	0.74
The remuneration committee should be taking these into account when setting the policy for executive director remuneration	PR33-3	42	0.53	69	0.86
Provision 33 average	PR33		0.46		0.84

* Number of companies

Table 3 shows that the overall extent of disclosure related to Provision 33 increased from 0.46 in 2017 to 0.84 in 2019. We not only found a higher total score for Provision 33, but the individual company scores behind this average were less spread out with fewer extremes. Our results suggest that the extent of disclosure related to reviewing workforce remuneration and related policies (PR33-1) was higher in both years than the other requirements of Provision 33. Table 3 shows that in the 2019 reports, the number of companies that provided information about PR33-1 was 73 compared with 59 and 69 for PR33-2 and PR33-3, respectively.

Graph 2. Analysis of Provision 33 disclosures



Looking at Graph 2, although the extent of disclosure related to alignment of incentives and rewards with culture (PR33-2) has improved from 0.30 in 2017 to 0.74 in 2019, it remains the lowest compared with other requirements of Provision 33. Overall, the results show differences between the two years in all the three requirements addressed by Provision 33 and suggest an increase in reporting for each of the three requirements after the Code was applied, as shown in Table 3.

When reviewing our content analysis of reporting for Provision 33, there was a larger increase between 2017 and 2019 in the reporting of how wider workforce pay and incentives were considered by companies when setting directors' remuneration. In 2017, the average disclosure score of companies' reported actions that could be expected to support an alignment between directors' remuneration and the wider workforce was 0.46; this rose to 0.84 in 2019.

There were similarities in the way many companies disclosed their application of Provision 33 by using sets of statements that each directly address the individual requirements of the Provision; we noted repetition of the wording in the Code and, again, boilerplate reporting.

A typical example of this part of a report contains:

- A statement about the review of workforce remuneration and related policies and the alignment of incentives and rewards with culture;
- A statement about any previous review of aspects of wider workforce remuneration (such as annual salary increase guidelines and executive share plan participation);
- A statement on taking the review of workforce remuneration into consideration when designing the proposed new remuneration policy for executive directors.

The computer-recorded content analysis word count supports our earlier findings, as shown in Table 4.

Table 4. Content analysis word count coding of Provision 33

Codes	Coded words* 2017	Coded words* 2019	% increase in coded words**
Provision 33	**6,450**	**12,354**	**92**
Provision 33\PR33-1	2,033	5,019	147
Provision33\PR33-2	3,551	6,933	95
Provision 33\PR33-3	2,586	5,410	109

* The total number of coded words related to Provision 33 in all companies in 2017 and 2019
** The percentage increase in coded words in 2019 ([coded words in 2019 – coded words in 2017]/coded words in 2017)

Our research found that there was an improvement in the reporting levels related to Provision 33 for our sample. The percentage of coded words observed almost doubled in 2019, while the change in coded words in 2019 increased by 92%, suggesting a positive impact of the Code on levels of disclosure related to the Provision. These increases in adherence to the Code in terms of disclosure for each requirement of Provision 33 are as follows:

- The alignment with culture increased by 147% in 2019;
- The alignment with workforce remuneration increased by 95% in 2019;
- The alignment with policy for executive director remuneration increased by 109% in 2019.

Findings related to Principle E

Principle E also relates to the wider workforce. It reads:

'The board should ensure that workforce policies and practices are consistent with the company's values and support its long-term success. The workforce should be able to raise any matters of concern.'

To analyse the extent of adherence with Principle E, we broke the Principle down into three requirements.

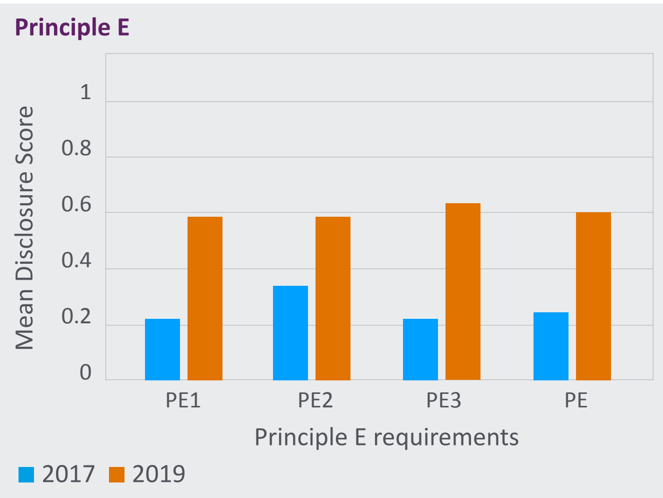
Table 5. Principle E requirements

Requirements		No. of cos.*	2017 Mean disclosure score	No. of cos.*	2019 Mean disclosure score
The board should ensure that workforce policies and practices are consistent with the company's values	PE1	18	0.23	46	0.58
The board should ensure that workforce policies and practices support its long-term sustainable success	PE2	27	0.34	46	0.58
The workforce should be able to raise any matters of concern	PE3	18	0.23	51	0.64
Principle E average	PE		0.26		0.60

* Number of companies

Principle E connects to Provision 33 above in requiring links with the workforce. We found that the level of disclosure related to Principle E had an average score of 0.60 in 2019. Again, our findings suggest an improvement from 2017 to 2019 with the average level of disclosure increasing from 0.26 to 0.60, as shown in Table 5. The number of companies disclosing information about the consistency of workforce policies with the company's values increased from 18 companies in 2017 to 46 companies in 2019. Similarly, there was an increase in the number of companies that provide information about the support of workforce policies and practices to the long-term sustainable success, from 27 companies in 2017 to 46 companies in 2019. We also found an increase in the number of companies that highlighted the ability of the workforce to raise any matters of concern, from 18 companies in 2017 to 51 companies in 2019.

Graph 3. Analysis of Principle E disclosures



Graph 3 illustrates that disclosures that boards had played their role in ensuring workforce policies and practices are consistent with the companies' values, were supportive of long-term, sustainable success and allowed the workforce to raise matters of concern, increased between 2017 and 2019.

We found that the majority of our sample did not report evidence of workforce policies and practice being consistent with company values and long-term success in 2017 (53 of 80 companies). In 2019, after the issuance of the Code, 46 of the 80 companies reported workforce policies and showed links with values and long-term success. Again, the best industry sector for this reporting area was Industrials.

A typical example of how companies follow the reporting requirements of Principle E contains:

- A statement confirming that the workforce policies and practices are consistent with the company's strategy, culture and delivery of shareholder value;
- A statement confirming that the workforce policies and practices support the needs of the business in the long term;
- A statement of considering feedback from the wider workforce (e.g. through an employee feedback group).

The computer-recorded content analysis word count supports the findings.

Table 6. Content analysis word count coding of Principle E

Codes	Coded words* 2017	Coded words* 2019	% increase in coded words**
Principle E	**2,834**	**8,734**	**208**
Principle E\PE-1	821	4,212	413
Principle E\PE-2	1,171	3,172	171
Principle E\PE-3	1,075	3,204	198

* The total number of coded words related to Principle E in all companies in 2017 and 2019
** The percentage increase in coded words in 2019 ([coded words in 2019 – coded words in 2017]/coded words in 2017)

Our research found an increase in the quantity of disclosure related to Principle E between the two years, with a substantially increased word count (the change in the coded words increased by 208% in 2019). This suggests that the Code has a positive impact on disclosure practice related to the consistency of a company's workforce policies and practices with corporate values and its long-term success, as well as the ability of the workforce to raise any matters of concern. However, we noted that while confirming adherence to this Principle, many companies did not show precise detail or examples of how the requirements were achieved.

Findings related to Provision 36

The Code also requires remuneration schemes to ensure directors engage with their respective companies in other ways, for example through the promotion of long-term shareholdings by directors, that support alignment with shareholder interests. It reads:

'Remuneration schemes should promote long-term shareholdings by executive directors that support alignment with long-term shareholder interests. Share awards granted for this purpose should be released for sale on a phased basis and be subject to a total vesting and holding period of five years or more. The remuneration committee should develop a formal policy for post-employment shareholding requirements encompassing both unvested and vested shares.'

The Code focuses on the alignment of remuneration with long-term shareholder interests. It increases the combined vesting and post-vesting holding periods for executive share awards to five years (or more) rather than three years as in the previous Code. To analyse the extent of adherence with Provision 36 we broke the Provision down into four requirements:

Table 7. Provision 36 requirements

Requirements		2017 No. of cos.*	2017 Mean disclosure score	2019 No. of cos.*	2019 Mean disclosure score
Remuneration schemes should promote long-term shareholdings by executive directors (alignment with long-term shareholder interests)	PR36-1	66	0.83	74	0.93
Share awards granted for this purpose should be released for sale on a phased basis	PR36-2	36	0.45	44	0.55
Share awards granted for this purpose be subject to a total vesting and holding period of five years or more	PR36-3	43	0.54	54	0.68
The remuneration committee should develop a formal formal policy for post-employment shareholding requirements encompassing both unvested and vested shares	PR36-4	26	0.33	72	0.90
Provision 36 average	PR36		0.53		0.76

* Number of companies

Overall, our results show an increase in the extent of disclosure of Provision 36 in 2019 compared with 2017, as shown in Table 7. We found that the average disclosure score increased from 0.53 in 2017 to 0.76 in 2019. To gain more insights on adherence to Provision 36, we looked at the four requirements. Our results showed an increase in the number of companies that disclose information related to each point of Provision 36. We found a large increase (177%) in the number of companies that report developing a formal policy for post-employment shareholding requirements encompassing both unvested and vested shares (PR36-4): 72 companies out of 80 in 2019 compared with 26 companies out of 80 in 2017. Similarly, 54 companies out of 80 disclosed information related to the holding periods for executive share awards of five years or more, compared with 43 companies in 2017 (PR36-3). Regarding PR36-2, we found an increase from 36 companies in 2017 to 44 companies out of 80 in 2019. In addition, we found that 74 companies out of 80 highlighted in 2019 the alignment of their remuneration schemes with long-term shareholder interests, compared with 66 companies in 2017 (PR36-1).

Graph 4. Analysis of Provision 36 disclosures

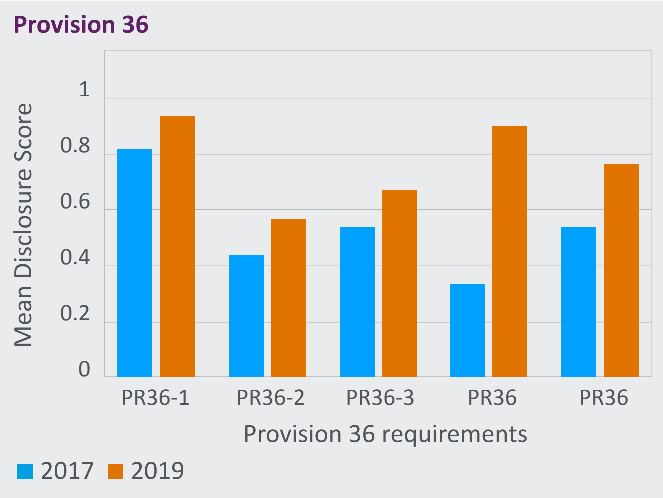


Table 8. Content analysis word count coding of Provision 36

Codes	Coded words* 2017	Coded words* 2019	% increase in coded words**
Provision 36	**12,897**	**20,595**	**60**
Provision 36\PR36-1	4,220	5,409	28
Provision 36\PR36-2	7,723	9,026	17
Provision 36\PR36-3	4,205	5,266	25
Provision 36\PR36-4	3,372	8,842	162

* The total number of coded words related to Provision 36 in all companies in 2017 and 2019

** The percentage increase in coded words in 2019 ([coded words in 2019 – coded words in 2017]/ coded words in 2017)

Table 7 and Graph 4 indicate an increase in the average disclosure score of each of the four points of Provision 36. Our analysis also highlighted a lower variation among companies in the type of disclosure and the efforts of remuneration committees to follow the Code.

A number of company reports were similar in the way they described the application of Provision 36, showing that reporting was in line with the three components of the Provision in their 2019 Annual Reports.

A typical example of this part of a report contains:

- A statement showing that directors are expected to build up and maintain a personal shareholding in the company;
- Observation on the release of share awards granted;
- Observations on executive directors holding vested long-term incentive plan shares;
- Observations related to any process to facilitate the implementation of provisions related to clawback.

The computer-recorded content analysis word count supports the findings on disclosures as shown in Table 8.

Looking at the percentage of words coded in the NVivo software, we are able to confirm our earlier findings that the quantity of disclosure related to Provision 36 increased between 2017 and 2019. Table 8 shows that this increase was mainly driven by the increase of disclosure related to the development of a formal policy for post-employment shareholding requirements encompassing both unvested and vested shares. This requirement increased by 162% in 2019.

Findings related to Provision 37

The Code supports the use of case-by-case discretion when applying pay formulas and the ability to recover or withhold sums or share awards. It reads:

'Remuneration schemes and policies should enable the use of discretion to override formulaic outcomes. They should also include provisions that would enable the company to recover and/or withhold sums or share awards and specify the circumstances in which it would be appropriate to do so.'

To analyse the extent of adherence with Provision 37 we broke the Principle down into three requirements.

Table 9. Provision 37 requirements

Requirements		2017 No. of cos.*	2017 Mean disclosure score	2019 No. of cos.*	2019 Mean disclosure score
Remuneration schemes and policies should enable the use of discretion to override formulaic outcomes	PR37-1	56	0.70	72	0.90
Remuneration schemes and policies should also include provisions that would enable the company to recover and/or withhold sums or share awards	PR37-2	72	0.90	77	0.96
Remuneration schemes and policies should specify the circumstances in which it would be appropriate to do so	PR37-3	53	0.66	70	0.88
Provision 37 average	PR37		0.75		0.91

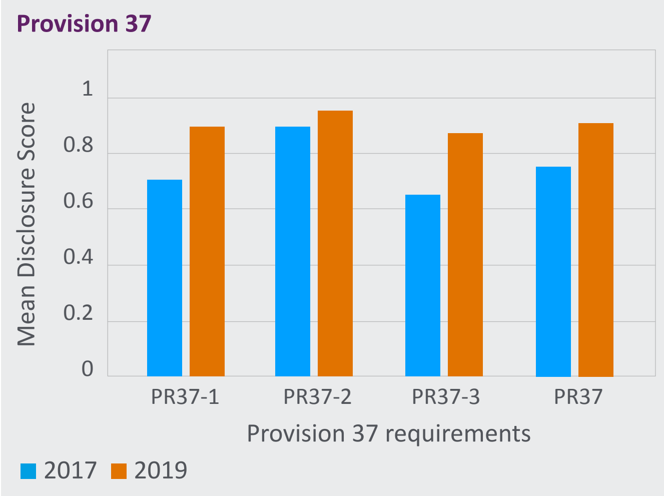
* Number of companies

Table 9 and Graph 5 show the extent of companies' adherence to Provision 37. The table and the graph show an improvement in the disclosure extent of Provision 37. The average disclosure score increased from 0.75 requirements in 2017 to 0.91 in 2019. This was due to an increase in the number of companies that follow the Code's requirements.

We found an increase in the number of companies with remuneration policies enabling the use of discretion to override formulaic outcomes (PR37-1), from 56 companies in 2017 to 72 companies out of 80 in 2019. Similarly, the number of companies that specify the circumstances where companies recover and/or withhold bonuses or share awards (PR37-3) increased from 53 companies in 2017 to 70 companies out of 80 in 2019.

However, in 2017, 72 companies out of 80 had disclosed provisions enabling them to recover and/or withhold bonuses or share awards (PR37-2) versus 77 companies out of 80 in 2019, a somewhat lower increase compared with the other two Provisions.

Graph 5. Analysis of Provision 37 disclosures



Our findings show that most companies reported information about their discretion to override formulaic outcomes in 2017, including how to recover and/or withhold sums or share awards, with a slight increase in 2019.

An example of how companies follow Provision 37 would contain:

- A statement on the use of discretion to override formulaic outcomes;
- Details on malus and clawback provisions;
- Details on the circumstances under which provisions are needed to enable the company to recover and/or withhold sums or share awards including:
  - a participant deliberately misleading the market and/or shareholders in relation to the financial performance;
  - a participant causing harm to the company's reputation or where their actions have amounted to misconduct, incompetence, or negligence;
  - a material restatement of the financial statements of the company or any subsidiary, or the group or any business unit suffering a material downturn in its financial performance;
  - a material failure of risk management;
  - a significant deterioration in the financial health of the company.

The computer-recorded content analysis word count supports the findings.

Table 10. Content analysis word count coding of Provision 37

Codes	Coded words* 2017	Coded words* 2019	% increase in coded words**
Provision 37	**10,869**	**18,556**	**71**
Provision 37\PR37-1	5,488	10,161	85
Provision 37\PR37-2	5,747	11,411	99
Provision 37\PR37-3	5,965	10,246	72

* The total number of coded words related to Provision 37 in all companies in 2017 and 2019
** The percentage increase in coded words in 2019 ([coded words in 2019 – coded words in 2017]/ coded words in 2017)

Table 10 shows the number and percentage of words coded for Provision 37 and its components. The reporting for the requirements of Provision 37 was recorded in NVivo software, which shows that, similar to the findings reported in Table 9, there was an increase in the quantity of disclosure for the requirements of this provision over the two years being analysed.

Findings related to Provision 40

The final relevant Provision is Provision 40. This is a detailed Provision that asks that executive director remuneration policy and practices meet standards of clarity, simplicity, risk, predictability, proportionality and alignment to culture. It reads:

'When determining executive director remuneration policy and practices, the remuneration committee should address the following:

- ***clarity – remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce;***
- ***simplicity – remuneration structures should avoid complexity and their rationale and operation should be easy to understand;***
- ***risk – remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated;***
- ***predictability – the range of possible values of rewards to individual directors and any other limits or discretions should be identified and explained at the time of approving the policy;***
- ***proportionality – the link between individual awards, the delivery of strategy and the long-term performance of the company should be clear. Outcomes should not reward poor performance; and***
- ***alignment to culture – incentive schemes should drive behaviours consistent with company purpose, values and strategy.'***

To analyse the extent of adherence, we broke down Principle 40 into its component requirements, as we did for those Provisions and Principles discussed above. However, in addition, we also further broke down each requirement of Provision 40 into two to four sub-items.[11] Because of this, the mean disclosure score for each requirement shown in the table below is, in fact, a mean of means – i.e. the mean of the 80 companies' mean scores for all the sub-items under that requirement.[12]

Table 11. Provision 40 requirements

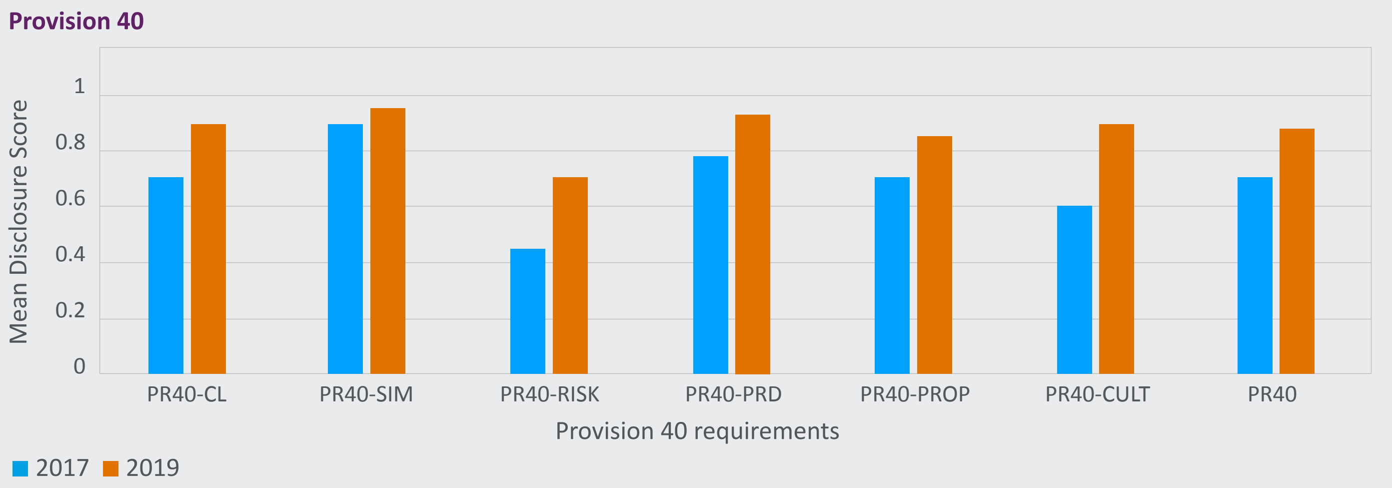
		No. of sub-items	2017 Mean disclosure score	2019 Mean disclosure score
Clarity – remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce	PR40-CL	3	0.70	0.90
Simplicity – remuneration structures should avoid complexity and their rationale and operation should be easy to understand	PR40-SIM	3	0.90	0.97
Risk – remuneration arrangements should ensure reputational and excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated	PR40-RISK	2	0.45	0.71
Predictability – the range of possible values of rewards to individual directors and any other limits or discretions should be identified and explained at the time of approving the policy	PR40-PRD	4	0.79	0.92
Proportionality – the link between individual awards, the delivery of strategy and the long-term performance of the company should be clear. Outcomes should not reward poor performance	PR40-PROP	2	0.71	0.85
Alignment to culture – incentive schemes should drive behaviours consistent with company purpose, values and strategy	PR40-CULT	2	0.60	0.90
Provision 40 average	PR40	16	0.71	0.88

* Number of companies

[11] For a full list of the sub-items in each requirement of Provision 40, see Table VII in the Technical Annex
[12] As a consequence, where the following discussion of the Provision 40 results cites the number of companies adhering to any *single* sub-item of a requirement, that number is not the mean disclosure score multiplied by 80 (as is the case for the other Principles and Provisions discussed earlier in this report)

Our analysis suggests that the extent of disclosure related to Provision 40 has improved following the introduction of the Code (see Graph 6). Table 11 indicates that the average disclosure increased from 0.71 in 2017 to 0.88 in 2019. Looking at the individual requirements of Provision 40, we found that the highest disclosure score in 2019 is related to simplicity, followed by predictability, then clarity and alignment to culture, then proportionality and finally risk. These results suggest that companies give more attention to simplicity and predictability than to proportionality and risk. However, our findings also suggest that the quantity of reporting across all six requirements has improved. As reported in Table 11 and Graph 6, the results demonstrate differences between the two years with all six requirements showing increases in disclosure after the introduction of the Code.

Graph 6. Analysis of Provision 40 disclosures



Under the clarity requirement, the majority of companies showed evidence of clarity in their engagement with shareholders (78 of the 80 companies in 2019, up from 70 of 80 in 2017). However, the number of companies discussing their engagement with the workforce remained smaller overall, at 60 of the 80 companies in 2019, despite the increase from 24 of 80 in 2017. Table 12 shows examples of how companies followed the clarity and simplicity requirements of Provision 40.

Table 12. Examples from remuneration reports related to Provision 40: clarity and simplicity

Principles and Provisions	Examples
1. Provision 40:	
• Clarity Remuneration arrangements should be transparent	Inclusion of tables outlining the company's approach to remuneration to provide clarity
Promote effective engagement with shareholders	Reporting of information about the Chair of the remuneration committee's meetings with shareholders and the principal advisory bodies (the Investment Association, Institutional Shareholder Services and others) to discuss decisions taken in respect of company restructuring and other key changes related to directors' remuneration arrangements for 2020
Promote effective engagement with the workforce	Reporting of details of the opportunities offered to employees to make comments on any aspect of the Group's activities through employee forums and surveys, how the views of employees are 'taken into account' and by whom
• Simplicity Remuneration structures should avoid complexity, their rationale should be easy to understand and their operation should be easy to understand	Providing a clear table split simply into the different elements of directors' pay and showing details for each, with: Purpose and link to strategy; Operation; Maximums and performance conditions, also showing year-on-year comparisons

We found that the majority of companies avoid reporting complex remuneration structures in their remuneration reports. In addition, many companies appeared to be mirroring the structure of Provision 40; often the reporting was in the same order, using the same or similar wording, and mentioning the topic areas without necessarily describing their actions. Our analysis shows that the average disclosure score for simplicity was 0.97 and the average disclosure score for clarity was 0.90 following the introduction of the Code.

Under the risk requirement of Provision 40, 42 companies out of our sample reported and identified the risks that related to excessive awards in 2017. This number increased to 62 companies in 2019. However, many companies failed to explain their plans to identify and mitigate these risks (29 in 2017 compared with 51 in 2019).

A typical example of how companies report information about the risks of directors' excessive rewards contains:

- Detailed information about reviewing a comprehensive report from the chief risk officer to ascertain that the executive directors' objectives had been fulfilled within the risk criteria of the group;

- Detailed information on any feedback received from the Group Regulatory Risk and Compliance function and, from the Group Legal Counsel, information that there were no material issues to consider around regulatory breaches, customer outcomes or litigation that would prevent payment of any bonus award or trigger any malus.

Under the proportionality requirement of Provision 40 our findings show that most companies identified and explained the possible values of the rewards to individual directors. They also reported evidence of identifying other limits or discretions, although a number of companies did not, however, explain these in detail.

A typical example of how companies report their approach to discretion contains:

- Information on any discretion the committee might have to vary the measures and weightings during the year if events arise that mean that it would be inappropriate to continue with the originally prescribed structure;

- Information about any discretion the committee might have to ensure that the ultimate bonus payment for a financial year is fair and reasonable, and properly reflects performance over that period.

Under the proportionality requirement, the majority of companies in the sample showed evidence of linking their individual awards with the delivery of their strategy and long-term performance (76 of the 80 companies in 2019 compared with 65 of 80 in 2017). However, fewer of them succeeded in showing evidence of not rewarding poor performance (59 of the 80 companies in 2019 compared with 48 of 80 in 2017).

To show clear evidence of the link between individual awards, the delivery of strategy and the long-term performance, companies typically included the following information in their 2019 Annual Reports:

- The annual bonus programme that rewards achievement against annual operating growth targets of the company, together with personal objectives for the individual;

- The long-term incentive plan that rewards long-term achievement of goals and the creation of shareholder value, both of which align with the overall company strategy.

Under the alignment to culture requirement of Provision 40, 36 companies from our sample showed evidence of aligning incentive schemes with company purpose, values and strategy in 2017. This increased in 2019 to 69 companies of the sample.

For example, one of the companies in the sample provided detailed information on the assessment of performance against a range of objectives including those related to their customers, their employees and the company culture, strategy and risk to ensure incentive outcomes were aligned to the values and purpose.

Many companies were using non-financial KPIs in executive pay formulas, but often did not explain why these were chosen or formulated, or even the linkage with their strategy. In our sample, good examples of reporting included the following:

- The purpose of KPIs tailored to the strategic objectives and corporate culture;

- Use of KPIs with weighting towards sustainability metrics, with the Group CEO's component purposefully focused on environment, social and governance (ESG);

- Information about the number of KPIs individually applied throughout the Group to the employees, such as a base salary supplemented with individual incentives that draw on key strategic, operating, financial and ESG metrics for the business;

- Information on the aligning of the interests of the company's management and shareholders through a long-term performance share plan covering the key employees within the company;

- Information about increasing the scope of sustainability KPIs within the annual bonus scheme.

The computer-recorded content analysis word count supports the findings shown in Table 13.

Table 13. Content analysis word count coding of Provision 40

Codes	Coded words* 2017	2019	% increase in coded words**
Provision 40	**70,290**	**96,288**	**37**
Provision 40 – Clarity	20,455	29,344	43
Provision 40 – Simplicity	20,904	28,714	37
Provision 40 – Risk	3,251	5,965	48
Provision 40 – Predictability	19,470	26,192	35
Provision 40 – Proportionality	4,727	7,462	58
Provision 40 – Alignment to culture	7,145	10,461	46

* The total number of coded words related to Provision 40 in all companies in 2017 and 2019
** The percentage increase in coded words in 2019 ([coded words in 2019 – coded words in 2017]/ coded words in 2017)

As Table 13 shows, the number and percentage of words coded in Provision 40 have increased in all the requirements of the provision over the two years analysed and such an increase could be due to the Code. Our findings are in line with those reported earlier when the manual content analysis was used.

Further reflections on the 2018 Corporate Governance Code

References to the Code and linkages to environmental, social and governance reporting

While coding and analysing remuneration reports, we considered other areas of potential interest, such as the inclusion of references to the Code and the linkage of remuneration policies to ESG objectives.

We were curious to find out whether companies explicitly stated that they were following the new Corporate Governance Code. We found that 74 out of the sample of 80 companies reported adoption of the Code. They included statements to highlight that the remuneration committee had considered the new remuneration-related Principles and Provisions that were incorporated into the Code.

We investigated whether companies, in linking to corporate culture, also linked remuneration with ESG objectives; few companies mentioned these in 2017, but this percentage rose to almost half of the sample in 2019.

For example, companies gave more detailed information about linking the board remuneration with their ESG objectives as follows:

- Details about the Group Scorecard included ESG metrics and assessed to what extent the committee were satisfied that the bonus structure and resulting outcomes for all employees did not raise any ESG risks by inadvertently motivating irresponsible behaviour;
- Information about the committee's ability to consider corporate performance on ESG issues when setting the remuneration of Executive Directors and in determining whether to exercise its discretion to adjust formulaic outcomes of the annual bonus and long-term incentive plans.

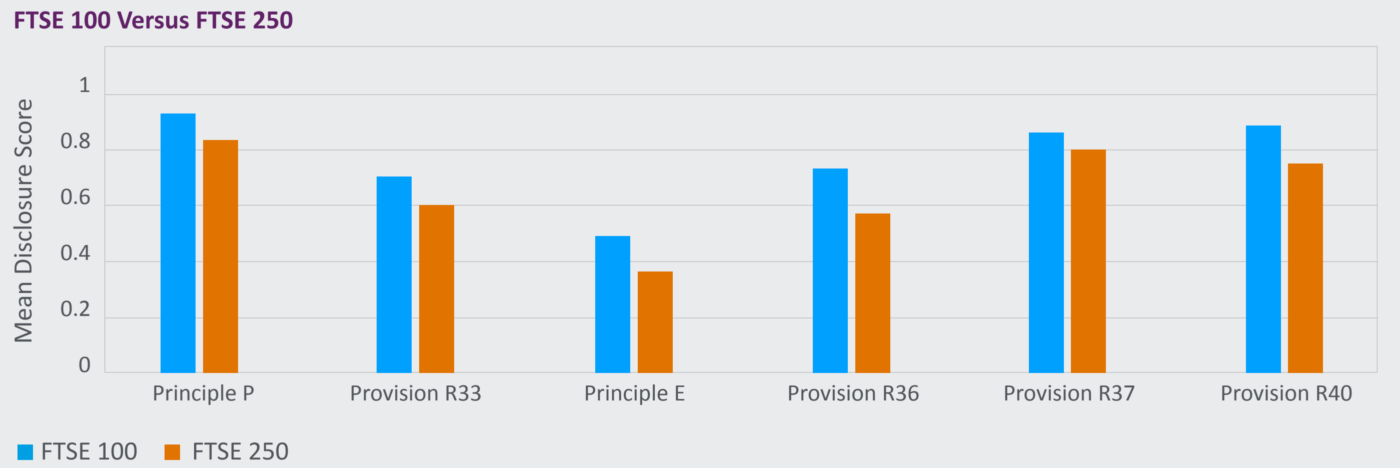
Remuneration policy disclosure analysis by company size

Table 14 and Graph 7 present the extent of disclosures in 2019 for the FTSE 100 and the FTSE 250. Overall, they show that the extent of disclosures reported by FTSE 100 companies was higher than those reported by FTSE 250 companies. Although the disclosure score of the FTSE 100 is higher than the FTSE 250 for all the Principles and the Provisions, we found that the differences between FTSE 100 and FTSE 250 are slightly higher for Principle P and Provision 36 than for the others.

Table 14. Disclosures for the FTSE 100 and FTSE 250

Items	FTSE 100 Mean disclosure score	FTSE 250 Mean disclosure score
Principle P	0.93	0.83
Provision 33	0.70	0.60
Principle E	0.50	0.37
Provision 36	0.73	0.58
Provision 37	0.87	0.80
Provision 40	0.88	0.75

Graph 7. FTSE 100 & FTSE 250 analysis



Remuneration policies analysis by sector

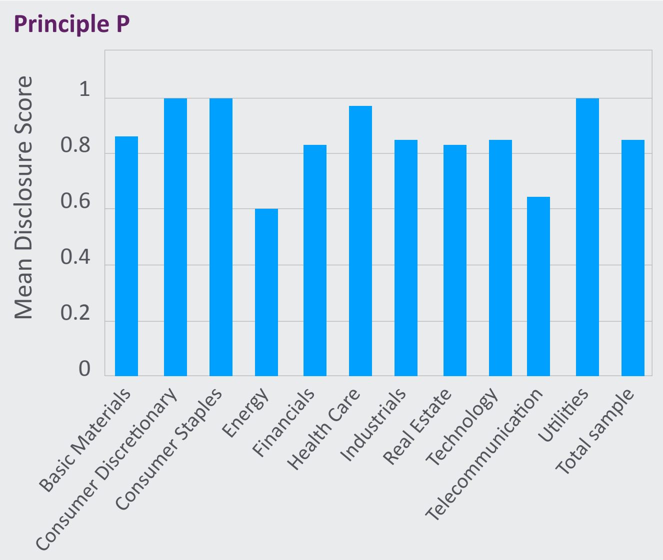
Table 15 and Graph 8 provide analysis for the extent of disclosure of remuneration requirements over different sectors. The table shows wide variation among sectors and also among the Principles and Provisions in the same sector. Regarding the two Principles P and E, for the companies in our sample, all sectors paid more attention to Principle P than Principle E. The highest possible score for Principle P was observed in four sectors: Consumer Discretionary, Consumer Staples, Healthcare and Utilities.

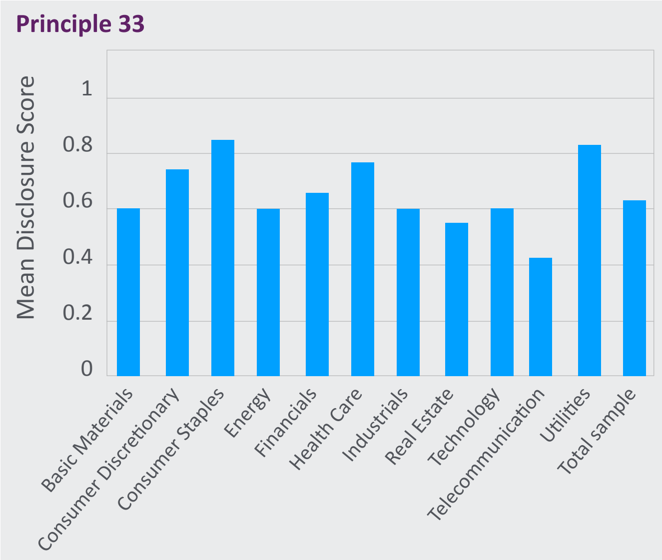
Table 15. Disclosure mean over different sectors

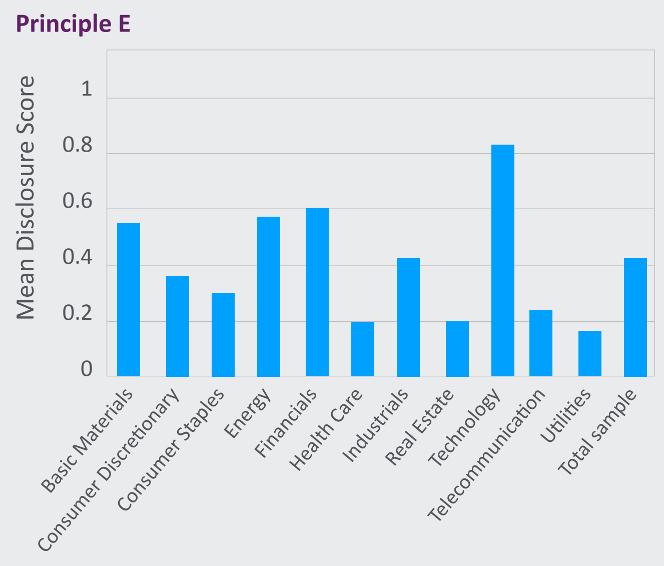
Industry classification	Principle P	Provision 33	Principle E	Provision 36	Provision 37	Provision 40
Basic materials	0.87	0.60	0.53	0.43	0.70	0.81
Consumer discretionary	1.00	0.73	0.37	0.98	0.93	0.88
Consumer staples	1.00	0.87	0.30	0.95	0.97	0.88
Energy	0.60	0.60	0.57	0.38	0.90	0.81
Financials	0.83	0.67	0.60	0.58	0.87	0.88
Healthcare	0.97	0.77	0.20	1.00	0.87	0.81
Industrials	0.87	0.60	0.43	0.55	0.77	0.75
Real estate	0.83	0.53	0.20	0.45	0.80	0.69
Technology	0.87	0.60	0.83	0.60	0.93	0.88
Telecommunication	0.67	0.43	0.27	0.45	0.60	0.50
Utilities	1.00	0.83	0.17	1.00	1.00	0.81
Sample average	**0.86**	**0.66**	**0.41**	**0.67**	**0.85**	**0.79**

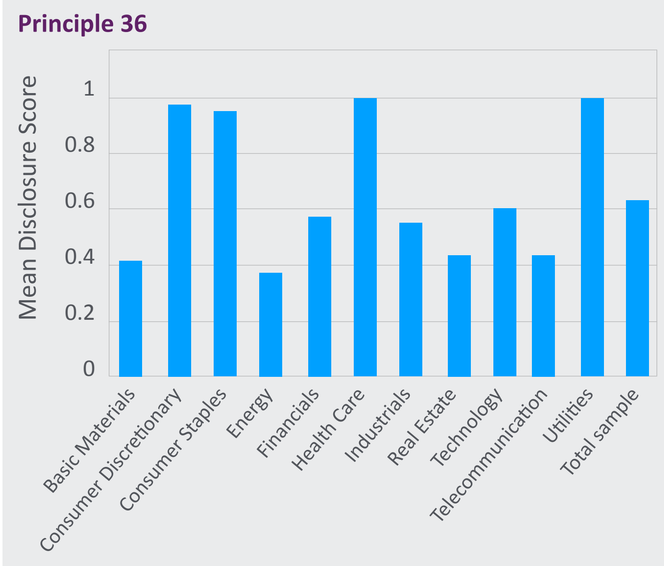
There are four sectors that have below average disclosure for Principle P: Energy, Financials, Real Estate and Telecommunication. Looking at the extent of disclosure against Principle E, six of the 11 sectors are below average with the lowest three scores in the Health Care, Utilities and Real Estate sectors. The highest score for this Principle was found in the Technology sector. The table shows that the Telecommunication sector provides the lowest overall level of disclosure related to the Principles and Provisions, followed by the Real Estate sector and then Energy and Basic Materials.

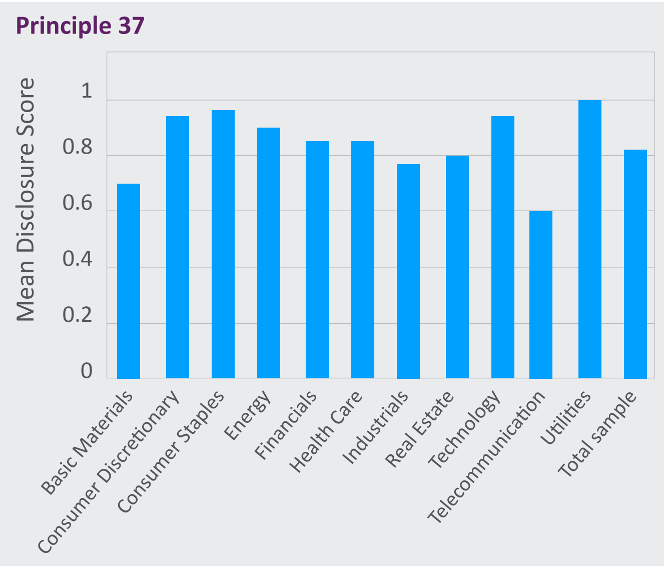
Graph 8: Disclosure scores per Principle/Provision, by sector

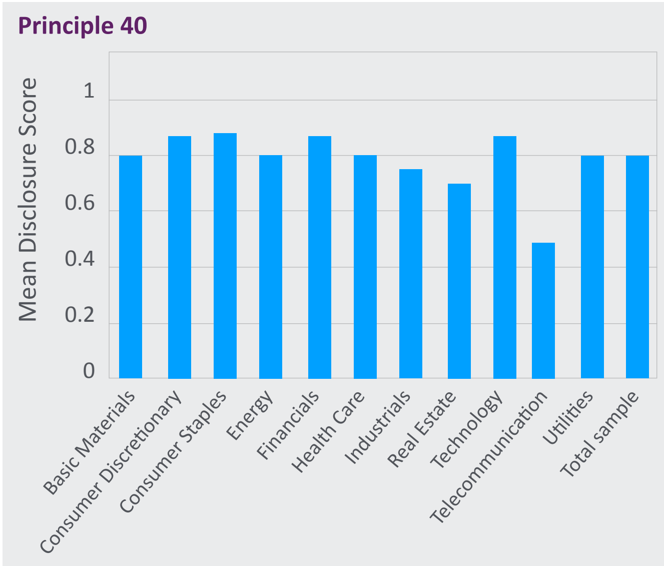





Principle E
Mean Disclosure Score
1
0.8
0.6
0.4
0.2
0
Basic Materials
Consumer Discretionary
Consumer Staples
Energy
Financials
Health Care
Industrials
Real Estate
Technology
Telecommunication
Utilities
Total sample


Principle 36
Mean Disclosure Score
1
0.8
0.6
0.4
0.2
0
Basic Materials
Consumer Discretionary
Consumer Staples
Energy
Financials
Health Care
Industrials
Real Estate
Technology
Telecommunication
Utilities
Total sample


Principle 37
Mean Disclosure Score
1
0.8
0.6
0.4
0.2
0
Basic Materials
Consumer Discretionary
Consumer Staples
Energy
Financials
Health Care
Industrials
Real Estate
Technology
Telecommunication
Utilities
Total sample


Principle 40
Mean Disclosure Score
1
0.8
0.6
0.4
0.2
0
Basic Materials
Consumer Discretionary
Consumer Staples
Energy
Financials
Health Care
Industrials
Real Estate
Technology
Telecommunication
Utilities
Total sample

PART B:
ANALYSIS OF SHAREHOLDER DISSENT AT ANNUAL GENERAL MEETINGS

The second part of this research examined voting on resolutions at AGMs to assess the level of dissent for revised directors' remuneration policies incorporating the changes made in the Code, and to investigate the reasons for this dissent. A list was compiled of FTSE 350 companies that had revised their directors' remuneration policies in reporting year 2019/20. The Code states that an explanation is to be given where there are significant votes against a resolution – defined as a vote of 20% or more against the resolution.[13] We investigated the reasons for the dissent in such cases via the remuneration committee reports and by seeking reports of voting at AGMs on company websites. We also searched for publicly available media information relating to the vote. We were interested in whether the dissent was due to the policy itself, the levels of pay it would produce, or both, or something else not necessarily related to remuneration.

Covid-19 restrictions hampered attendance at AGMs for many of the FTSE 350 companies listed, as most AGMs were held within a lockdown period. Of the 129 companies considered, only seven held their AGMs with shareholders able to freely attend, as the dates of their meetings fell before the lockdown came into effect on 23 March. Many companies held AGMs with a quorum with two people in attendance, normally the Chair and the Company Secretary.

Where shareholders were unable to attend, they were encouraged to use proxy votes. This gave shareholders limited or no opportunity to question directors in real time. However, other companies took more positive approaches to enable investors to ask questions in advance or on the day of the AGM itself. It is important to note that there was a wide variety of approaches to AGMs in 2020 rather than one or two specific methods. From the list of 129 companies holding AGMs with shareholders voting on remuneration policies, we found 12 companies (9.16%) had a level of dissent in that vote of 20% or more.

Table 16. Companies with a 20% or more shareholder vote against the directors' remuneration policy at the AGM*

Company	Date of AGM	voting for the % proposal**	voting against the % proposal**
Capital & Counties Properties plc	1 May 20	70	30
Clarkson plc	6 May 20	68	32
Diploma plc	15 January 20	80	20
Greencore Group plc	28 January 20	68	32
Informa plc	12 June 20	65	35
InterContinental Hotels Group plc	7 May 20	77	23
Intertek Group plc	21 May 20	57	43
Lloyds Banking Group plc	21 May 20	64	36
Paragon Banking Group plc	13 February 20	74	26
Petropavlovsk plc	30 June 20	42	58
Sirius Real Estate Ltd	31 July 20	74	26
Wm Morrison Supermarkets plc	11 June 20	65	35

*From companies' and Investment Association published information relating to AGMs

**Percentages are rounded to whole numbers

[13] The previous Code referred to a 'significant proportion' as per the threshold for registration of significant voting against used by the Investment Association's public register

For those companies with 20% or more votes against, the voting was then compared with the previous voting on directors' remuneration policies, three years previously, to provide a context for these levels. Most of the 12 companies had very low rates of dissent in their previous shareholder vote on the directors' remuneration policy, just two had similar rates and one company had a higher rate of dissent in the previous vote, three years before.

In seeking to ascertain whether the voting against the changes in the directors' remuneration policy related to the policy or to the levels of pay it produced, or both, or something else, we investigated the voting on other proposals in the same AGM, for these companies. For most of the companies it appeared there may have been other factors that were influencing the voting. While for three companies there was no dissension greater than 20% against other policies in the same AGM, for the remaining nine companies the shareholders also voted against other policies relating to directors at the AGMs.

Looking at other voting within the same AGMs (summarised in Table 17) we found that for four companies there was also a greater than 20% vote against the remuneration report, and one of these also had a 20% or more vote against the re-election of one of the directors (the Chair of the remuneration committee). Without further narrative, it is not always clear why shareholders have dissented and whether their vote is purely related to the remuneration policy, or other factors. For example, it could indicate that shareholders are expressing dissatisfaction with the directors in general, or wish to hold the Chair of the remuneration committee to account. There were two other companies where the only other dissention of this level was against the re-election of a director.

When we considered other areas of dissension within the voting, we observed that in some companies, as well as disagreeing to changes in remuneration policy, shareholders also disagreed with further shareholdings for directors. We observed that for two companies the only other shareholder dissent of 20% or more was against the 'Amendment of Long-term Incentive Plan rules' and 'Approval of Long-Term Share Plan rules' (Row 3, Table 17).

External factors may, of course, have impacted on the voting of shareholders. For example, one company was not included in the analysis as there were general high levels of dissent expressed through shareholder voting.

Table 17. Other areas of dissent for companies with a 20% or more vote against the directors' remuneration policy at the AGM

Other voting policies with 20% or more dissent	Number of companies [14]
Vote to accept directors' remuneration report	4
Re-election of one of the directors	3
Votes relating to incentive shareholdings of directors	2
No others	3
Multiple others	1

To support our research, we carried out searches for media information on the 12 companies and shareholder voting in their AGMs. We found reports that connected votes against directors' remuneration policy with the level of directors' pay in relation to other events and in relation to other employees' pay or pensions. In some cases, the news media reported loss of revenue due to Covid-19 lockdowns and other restrictions, with shareholders' votes taking these into account when voting on policies that may have been drafted before Covid-19. The 12 companies included groups with hotels, events management, or provision of takeaway foods such as sandwiches; two are involved in providing services and three are involved in businesses relating to rental income. All of these are areas that have been significantly affected by the Covid-19 restrictions. It could be the case that shareholders were voting against high levels of directors' pay while other employees' pay was reduced for such reasons.

Two of the companies changed plans relating to dividends (one of which also cut executive pay) and another suspended a share buyback. It was not possible to determine the exact reasons for dissent in the other companies.

[14] This column sums to 13 because one company saw two instances of a 20% or more shareholder dissent (against accepting the remuneration report and against re-election of a director)

How were these dissenting votes explained by the companies themselves? The Code requires significant votes against an AGM resolution to be explained by the company concerned (Provision 4).

- Firstly, when announcing the results of the votes, the company should explain the actions it will take to consult with shareholders to understand the reasons for the voting.

- Secondly, the company should publish an update statement on the shareholders' reasons and the actions taken as a result; this should be no later than six months after the AGM.

- Thirdly, the company should publish a final summary in the annual report, or in the explanatory notes for resolutions at the next AGM, on the board's actions or new resolutions proposed following the discussion with shareholders.

Our research found that, in their AGM reports, companies often recycled the words of the Code in their initial report when announcing the results of the voting. They frequently announced, for example, that the Company would publish an update on shareholder engagement within six months of the Annual General Meeting.

We investigated reporting against the three requirements of the Code, detailed above. All but two of the 12 companies reported that they would continue to engage, or would engage or consult with their shareholders. The provision of an update was also included in AGM reports by eight of the 12. Three companies highlighted that their response was a requirement of the 2018 Corporate Governance Code.

The 12 companies tended to be positive in their reporting. For example, one company with a previous significant vote against the remuneration policy reported that the result was a significant improvement on previous voting, due to an extensive engagement exercise with shareholders and observed that they appreciated the support they had received; this was despite overall shareholder dissent.

Within the AGM reports, companies were reluctant to disclose the reasons for the significant votes against the policy proposals, unless the reporting of these was seen as an opportunity to justify the proposal. So, for example, two of the companies attributed shareholder dissent to the amendment of long-term incentive plans. They then used this as an opportunity to state that the proposals had been drawn up after consultation with shareholders, and to highlight their disappointment with the voting. One company used the AGM report to suggest further simplifications for the reporting of directors' remuneration, i.e. to make it easier for shareholders to understand, as if to imply that a lack of understanding was the main reason shareholders had voted against, rather than the resultant levels of pay.

While there were signs that most companies appeared genuinely concerned and wished to find out the reasons for shareholder dissatisfaction, and to seek remedies, for a small minority of companies such signs appeared absent. While some companies deferred implementations, reduced pay or reduced percentages, others made statements that indicated a disinclination to take on board shareholders' concerns. One company, for example, noted that it was a 'minority' of shareholders voting against the resolution. We observed within the AGM reports that while some companies used placatory or conciliatory language, using words such as 'understanding', 'acknowledge and address any concerns' and 'undertake consultations', other companies used a different tone, perhaps reminding the shareholders who was managing and directing the company, with words such as 'address questions', 'planned consultation' and noting that they would 'consider' the feedback.

Table 18 shows a summary of the reported concerns of shareholders in dissent against remuneration policies, as reported by each company, first in the AGM report and then subsequently in the update after engagement and consultations with shareholders, and within six months of the AGM.

Table 18. Reasons reported for significant shareholder dissent at companies with a 20% or more vote against the directors' remuneration policy at the AGM		
Company comment around shareholder reasons	**Number of companies disclosing in AGM report**	**Number of companies reporting in update statement**
Levels of pay	0	1
Pension contribution in relation to non-director workforce	0	1
Director's pay in relation to other company issues e.g. customer satisfaction	0	1
Long-term incentive plan	2	0
Takeover issues	1	0
Disappointed with result	2	0
Acknowledge concerns/reasons but don't clarify	5	0
Improvement from previous	1	0
No intention to consult further on current policy	1	0
Update report not yet available as AGM less than 6 months ago	N/A	9

We followed up on the issuing of update statements to see whether companies reported in more detail after consulting with shareholders. Only three of the 12 companies had issued update statements on the AGM results. For these three companies, the requirement to report back after consulting with shareholders had led to some changes. These varied in effectiveness, however. In one case, the update statement largely justified the policies already proposed, with no changes being made. In another, directors' salary changes were delayed until after the AGM date, from a previous implementation date, with promises to disclose further metrics. In another case, pension contributions for senior directors were revised downwards to align more closely with other workforce pay packages.

DISCUSSION AND CONCLUSIONS

In Part A of this report, we summarised our analysis of the content of remuneration reports, for a sample of 80 UK FTSE 350 companies in 2017 and 2019. In doing this, we explored the impact of the 2018 Corporate Governance Code sections pertaining to directors' remuneration policy and remuneration reporting practice. Both manual and computer-based content analysis techniques were used to assess how the new Code has affected disclosure practice. Our analysis shows that the Code improved the extent of remuneration disclosure. We did not assess the quality of the disclosure or note the extent to which the companies used standardised or boilerplate language or templates for their disclosures. We also noted differences between industry sectors and between FTSE 250 and FTSE 100 companies.

In Part B of this report, we examined the 129 companies holding AGMs with shareholders voting on revised directors' remuneration policies. Of these, we found that 12 companies (9.3%) had a 20% or more level of dissent in shareholder voting. The Code requires that significant votes against an AGM resolution should subsequently be explained via an update statement by the company concerned. Our analysis shows all but two of the 12 companies reported that they would continue to engage or consult with the shareholders. The acknowledgement that they would provide an update was included in eight of the 12's AGM reports. Three companies highlighted that doing so was a requirement of the 2018 Corporate Governance Code.[15]

In summary, this research, found:

- The extent of disclosure of remuneration policies has increased since the introduction of the 2018 Code;
- The use of non-financial KPIs and an improvement in the clarity of reporting;
- Most of the companies in our sample were keen to report shareholders' engagement although few mentioned the detail of this engagement with the workforce in the remuneration committee report;
- FTSE 100 companies adhere to Code requirements to a greater extent than FTSE 250 companies;
- Companies paid more attention to Principle P than Principle E, with a variation in the disclosure extent for the provisions among sectors;
- Shareholder dissent on changes to directors' remuneration policy appears not only to be about maximum pay, but also about other issues surrounding those pay packages, for example changes within the company or external factors such as the level of directors' pay relative to income and pay of other employees in difficult times due to Covid-19;
- Companies' comments on shareholder dissent were mixed, with some companies being defensive, but most companies appearing genuinely concerned, wishing to find out the reasons for shareholder dissatisfaction, and to seek remedies.

The research did not assess the quality of the disclosures; however, we did observe repetition of the wording from the Code in companies' reporting. Detailed explanations should be included in reports to illustrate how companies have complied with the Code rather than standardised or boilerplate language or templates for disclosures.

While companies are now disclosing information about engagement with the shareholders, the Code also requires companies to take account of the wider workforce when considering remuneration for executive directors. Workforce pay and policies, and engagement with employees should be reported in more detail, particularly when reporting on company culture and remuneration.

Our findings indicate improvement in the clarity of use of non-financial KPIs in remuneration reports. KPIs should be linked to company strategy and inclusion of these in the reports should reflect on how the company is fulfilling its purpose and those targets and goals set.

Our project provides a context for other research in this field and could be used by regulators and researchers to inform future work. We provide evidence that remuneration disclosure has improved after the 2018 Code; further work could assess the quality of this disclosure. Future work could also examine the narrative disclosures around reporting of AGM voting both at the time and, later, in update statements.

[15] It is worth mentioning that the Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019 implements Articles 9a and 9b of European Council Directive 2017/828/EC that introduces new reporting requirements covering, respectively, the Directors' Remuneration Policy and the Directors' Remuneration Report. These regulations apply to company reporting on financial years starting on or after 10 June 2019.

APPENDIX: TECHNICAL ANNEX

Detailed methodology

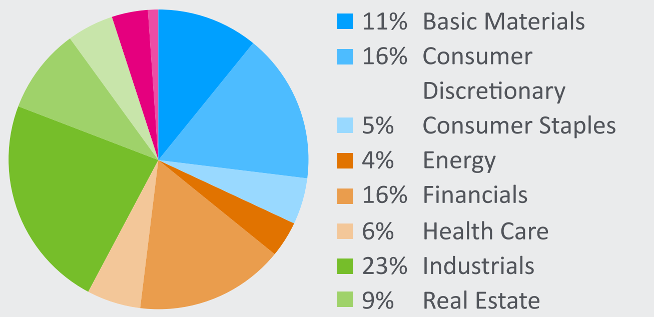
The project was undertaken in four stages, firstly developing, testing and verifying the coding process, then conducting content analysis (Part A). The third stage was analysing shareholder voting on companies' revised remuneration policies (Part B) and then writing the final report.

Sampling and data

Data for this report was collected from the annual reports of FTSE 350 companies published as at 1 July 2020. Companies were selected to investigate the reporting of remuneration policy after the FRC published the new UK Corporate Governance Code (hereafter, the Code) with revised guidance on board effectiveness. The list of FTSE 350 companies was supplied by the FRC and comprised all 129 companies that had revised their remuneration policies for directors, as a result of the normal three-year cycle for doing so, in the first year of reporting under the new Code[16] (which was the 2019/20 reporting year).

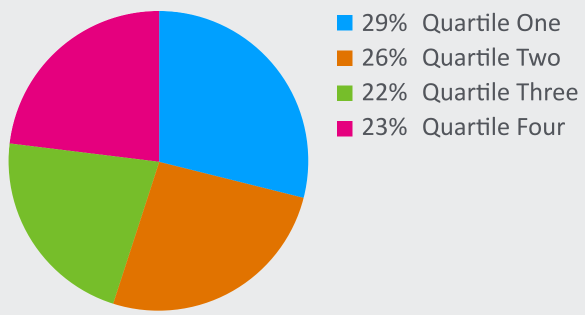
For Part A of the project we investigated a sample of 80 companies from the list of 129 companies with revised remuneration policies. This sample represented all sizes of companies, by turnover, from as diverse a range of sectors as possible. To ensure a representative sample, we tabulated the list of 129 based on sector and then the number of companies selected from each sector was based on the percentage of each sector from the full population. Within each sector, companies were divided into four quartiles based on the size of turnover and 25% of our sample was drawn from each quartile. The following pie chart, Diagram 1, shows the distribution of our sample by sector. Our sample excludes investment trust companies as they follow the Association of Investment Companies (AIC) Code of Corporate Governance.

Diagram 1. The sample distribution by sector



The following pie chart, Diagram 2, shows the distribution of our sample across four quartiles based on the revenue generated in 2019. As shown below, the sample was distributed across the four quartiles with 29% from quartile one and 23% from quartile four.

Diagram 2. Distribution of sample across the four quartiles of revenue generation



The sample of remuneration reports analysed comprised 80 reports from 2019/20 and the same companies' reports from two years previously, thus showing reporting on previous policy but without the companies anticipating the changes arising from the introduction of the Code. Our findings represent a snapshot of what companies are reporting in their annual reports. The information in the reports indicates that listed companies are keen to adhere to the requirements of the Code.

[16] The new UK Corporate Governance Code applies for reporting periods commencing on or after 1 January 2019. Listed companies may choose the dates of their financial years, meaning annual reports across the FTSE 350 may be published at any time of year but, in practice, year-ends are generally clustered around the calendar and tax year ends, so most would have been published by 1 July 2020 when the list was compiled.

The companies for Part B of the project comprised the full list that was compiled of FTSE 350 companies with proposed revised remuneration policies for their 2020 AGMs (129 companies). The company reports and other sources of relevant information were examined in order to ascertain:

- The extent of shareholder dissent over the newly revised remuneration policies, following up on those with more than 20% dissent;
- Investigating the reason(s) for the dissent. To do this we examined comments in the remuneration reports, recorded AGMs on company websites, AGM reports, the subsequent update statements and news media comment to determine whether the dissent was over the policy itself or over the resultant levels of pay.

Part A – coding process

The research for Part A used content analysis techniques to examine remuneration policy disclosures in companies' remuneration committee reports. The objective of the research was to assess the extent to which remuneration policies revised after the introduction of the Code adhere to its Principles and Provisions, and to ascertain whether disclosure of these policies has changed in areas pertaining to the relevant Principles and Provisions.

Content analysis (Krippendorff, 2004; Neuendorf, 2002) was carried out on remuneration committees' reports in the companies' annual reports and accounts before and after the implementation of the revised Principles and Provisions in the Code. The analysis used a thematic holistic approach to content analysis (Beattie, McInnes & Fearnley, 2004), the key features of which are:

- Each item is measured in a simple binary way, by presence (1) or absence (0);
- A numerical measure was used to capture the extent aspect of the revisions.

Each of the Code's Principles or Provisions related to remuneration policies was divided into its separate component requirements. For example, while Principle P includes three requirements, Provision 40 includes 16 requirements. For each of those requirements, a company's remuneration policy was attributed 0 for nondisclosure and 1 for disclosure. The total number of 1s for each Principle/Provision was then added up and expressed as a percentage of the maximum possible (i.e. the total number of requirements in that Principle/Provision). This produced a disclosure score for each Principle/Provision, for each company. We also calculated the average score of all 80 companies in our sample for each Provision/Principle. We have presented all disclosure scores in this report as decimals, so 75% is presented as 0.75.

An illustration using Provision 33

Provision 33 was broken down into three requirements (PR33-1, PR33-2, PR33-3) so the maximum possible disclosure 'count' is 3. If Company X discloses two requirements of Provision 33, the disclosure score will be 2/3 = 0.66. For each Principle/Provision the disclosure score will range between 0 and 1. This is true for the score of an individual company and average score of all companies in the sample. The higher the score, the higher the extent of the disclosure and therefore the compliance level. We report all the scores in the main tables in our executive summary.

This Technical Annex includes more detailed tables with the average disclosure score (the mean), the standard deviation and two statistical tests (Mann-Whitney and T-test). Standard deviation is used to measure how the scores of our companies are spread around the average score. Standard deviation is calculated as the square root of variance by determining each score's deviation relative to the average. If scores are further from the mean, there is a higher deviation; thus, the more spread out the scores, the higher the standard deviation.

We used inferential statistics to determine if there was a significant difference between the disclosure scores of 2017 and 2019. We achieved this using Mann-Whitney and T-test. The output of these two tests are Z value and T score. The larger the Z value or T score, the more difference there is between groups (here 2017 and 2019). The smaller the T score/ Z score, the more similarity there is between groups. In addition to the Z value and T score, the tables in this Technical Annex show the significance level as a percentage. For example, a significance level of 5% ($p<0.05$) indicates a 5% risk of concluding that a difference exists when there is no actual difference. The lower the significance level, the more confident we can be that there is difference between the two groups. In the tables, the level of significance for the T and Z scores is shown by stars (***). One star (*) indicates a significance level of 10% ($p<0.1$), two stars (**) indicates a significance level of 5% ($p<0.05$) and three stars (***) indicates a significant level of 1% ($p<0.05$).

Content analysis can be computer-aided or human-coded. In this project we employed a mixed approach with human coding recorded using the NVivo software package. All extracts of the remuneration reports were coded for the relevant Principles and Provisions within the Code, with a second researcher independently confirming the coding. We checked for reliability in stability (consistency over time), inter-coder reliability (the same results with different coders) and accuracy (ensuring a standard or norm) (Krippendorff, 2004).

The following steps were followed to support the trustworthiness of the results.

- **Data familiarisation:** An initial step was to familiarise ourselves with the design of the annual remuneration report by reading a number of remuneration reports from our sample before and after the introduction of the 2018 UK Corporate Governance Code. A subset of the remuneration reports was printed and read carefully. In this way, we became progressively more familiar with the content of the remuneration report, and initial reflections on the data could be made. Points of interest and sub-themes were highlighted to prepare for the next step.

- **Creating the codebook:** We then used the template design of nodes/themes to create *a priori* themes and to build the code template, which is often referred to as a 'codebook'. This codebook was designed around the Principles and Provisions in the 2018 UK Corporate Governance Code relating to directors' remuneration. We used keywords from within the Principles and Provisions, which represented those guidelines in order to code each remuneration policy. These were the parent themes; we also included sub-themes. Further areas of interest were also identified, such as links with environmental, social and diversity issues, or links to other published reports. A document containing definitions of the themes was developed and maintained during the coding process (a) to ensure that data was coded to the correct theme when there might only be subtle differences between them and (b) to provide transparency useful in establishing dependability.

- **Producing an initial analysis:** The remuneration reports of three companies in 2019 and 2017 were imported into NVivo software and coded using the pre-designed codebook described above. All nodes from the codebook were exported to Microsoft Excel, and coded as 1 if the theme was represented in the remuneration report of a company and 0 if not.

- **Applying and developing the analysis:** Once the initial findings were constructed and finalised, all remuneration reports of the sample were imported into NVivo electronically. We then worked systematically through the remuneration reports in chronological order to code them using NVivo software.

- **Final interpretation (presentation of findings):** A data matrix for each thematic category (Principle/Provision) was created in NVivo as a reference tool to aid interpretation. The matrix organises the node by row and year by column and provides an excellent overview of the data. The findings were then written up in this narrative report.

Part B – research process

The second part of the project examined shareholder voting on revised remuneration policies at 2020 AGMs to assess dissent over newly revised policies and the reasons for this dissent. The researcher reviewed the same sample of 80 companies in total, to identify all instances of shareholder dissent over revised remuneration policies at 2020 AGMs. Dissent was noted where it was considered significant. In accordance with the Code, this was defined as a 20% or greater vote against a (remuneration) policy.

In 2017, the Investment Association (IA) set up the Public Register, which is the first register recording shareholder dissent at listed companies' AGMs. The IA's definition of significant dissent for this register is 20% or more votes against. Likewise, the GC100 and Investor Group Directors' Remuneration Reporting Guidance 2016 states that, as a guideline, a vote against of 20% should be treated as significant, hence the Code's and our use of 20% for this part of the research.

The extent of dissent was recorded by noting how many (of the total) dissented. The reason(s) for the dissent was investigated via the remuneration committee reports and by seeking details of AGMs on company websites, looking at the AGM report and then by following this up by looking at update statements. We also examined media comment around the time to provide further information. We were interested in whether the shareholder dissent was over the remuneration policy itself or the levels of pay it would produce, or both.

Tables

Table I: Analysis of the three requirements of Principle P

	2017		2019		2017 vs 2019	
Variable	Mean	SD	Mean	SD	Mann-Whitney	T-test
PP-1	0.86	0.35	0.96	0.19	z = 2.23**	t = 2.26**
PP-2	0.70	0.46	0.91	0.28	z = 1.89*	t = 1.90*
PP-3	0.86	0.35	0.95	0.22	z = 3.390***	t = 3.51***
PP	0.81	0.82	0.94	0.61	z = 4.24***	t = 3.38***

*** p<0.01, ** p<0.05, * p<0.1

Table II: Analysis of the three requirements of Provision 33						
	2017		2019		2017 vs 2019	
Items	Mean	SD	Mean	SD	Mann-Whitney	T-test
PR33-1	0.55	0.50	0.91	0.28	z = 5.16***	t = 5.63***
PR33-2	0.30	0.46	0.74	0.44	z = 5.52***	t = 6.12***
PR33-3	0.52	0.50	0.86	0.35	z = 4.62***	t = 4.95***
PR33	0.64	1.05	0.84	0.81	z = 6.84***	t = 7.68***

*** p<0.01, ** p<0.05, * p<0.1

Table III: Analysis of the three requirements of Principle E						
	2017		2019		2017 vs 2019	
Items	Mean	SD	Mean	SD	Mann-Whitney	T-test
PE-1	0.23	0.42	0.58	0.50	z = 4.50***	t = 4.81***
PE-2	0.34	0.48	0.58	0.50	z = 3.00***	t = 3.09***
PE-3	0.23	0.42	0.64	0.48	z = 5.25***	t = 5.76***
PE	0.26	0.92	0.60	1.10	z = 5.58***	t = 6.23***

*** p<0.01, ** p<0.05, * p<0.1

Table IV: Analysis of the four requirements of Provision 36						
	2017		2019		2017 vs 2019	
Variable	Mean	SD	Mean	SD	Mann-Whitney	T-test
PR36-1	0.83	0.38	0.93	0.27	z = 1.90*	t = 1.92*
PR36-2	0.45	0.50	0.55	0.50	z = 1.26	t = 1.26
PR36-3	0.54	0.50	0.68	0.47	z = 1.77*	t = 1.79*
PR36-4	0.33	0.47	0.90	0.30	z = 7.44***	t = 9.19***
PR36	0.53	1.44	0.76	1.03	z = 4.18***	t = 4.66***

*** p<0.01, ** p<0.05, * p<0.1

Table V: Analysis of the four requirements of Provision 37						
	2017		2019		2017 vs 2019	
Variable	Mean	SD	Mean	SD	Mann-Whitney	T-test
PR37-1	0.70	0.46	0.90	0.30	z = 3.15***	t = 3.24***
PR37-2	0.90	0.30	0.96	0.19	z = 1.56	t = 1.57
PR37-3	0.66	0.48	0.88	0.33	z = 3.18***	t = 3.27***
PR37	0.75	0.99	0.91	0.65	z = 3.69***	t = 3.58***

*** p<0.01, ** p<0.05, * p<0.1

Table VI: Analysis of the four requirements of Provision 40

Items	2017		2019		2017 vs 2019	
	Mean	SD	Mean	SD	Mann-Whitney	T-test
PR40-CL	0.70	0.70	0.90	0.53	z = 6.06***	t = 6.37***
PR40-SIM	0.90	0.66	0.97	0.48	z = 3.42***	t = 2.32**
PR40-RISK	0.45	0.86	0.71	0.81	z = 3.89***	t = 3.99***
PR40-PRD	0.79	1.25	0.92	0.79	z = 3.31***	t = 3.25***
PR40-PROP	0.71	0.72	0.85	0.56	z = 2.59***	t = 2.68***
PR40-CULT	0.60	0.80	0.90	0.49	z = 5.35***	t = 5.72***
PR40	0.71	3.08	0.88	2.47	z = 7.10***	t = 6.26***

*** p<0.01, ** p<0.05, * p<0.1

Table VII: Content analysis word count coding of Provision 40 (summarised in Table 13)

Codes	Coded words 2017	Coded words 2019	% increase in coded words
Provision 40	**70,290**	**96,288**	**37**
Provision 40\Provision 40 - Clarity	**20,455**	**29,344**	**43**
Provision 40\Provision 40 - Clarity\40-clarity-engage-shr	6,891	10,477	52
Provision 40\Provision 40 - Clarity\40-clarity-engage-wkf	1,768	4,991	182
Provision 40\Provision 40 - Clarity\40-clarity-trans	11,534	14,264	24
Provision 40\Provision 40 - Simplicity	**20,904**	**28,714**	**37**
Provision 40\Provision 40 - Simplicity\40-simpicity-rationale	13,016	16,951	30
Provision 40\Provision 40 - Simplicity\40-simpicity-struc	12,979	20,280	56
Provision 40\Provision 40 - Simplicity\40-simplicity-oper	15,660	18,486	18
Provision 40\Provision 40 - Risk	**3,251**	**5,965**	**84**
Provision 40\Provision 40 - Risk\40-risks-identified	2,071	4,059	96
Provision 40\Provision 40 - Risk\40-risks-mitigated	2,057	4,511	119
Provision 40\Provision 40 - Predictability	**19,470**	**26,192**	**35**
Provision 40\Provision 40 - Predictability\40-discretions-explained	5,841	11,472	96
Provision 40\Provision 40 - Predictability\40-discretions-identified	5,389	9,414	75
Provision 40\Provision 40 - Predictability\40-rewardrange-explained	12,229	13,428	10
Provision 40\Provision 40 - Predictability\40-rewardrange-idenified	9,251	9,298	0
Provision 40\Provision 40 - Proportionality	**4,727**	**7,462**	**58**
Provision 40\Provision 40 - Proportionality\40-link-indiv	2,469	5,035	104
Provision 40\Provision 40 - Proportionality\40-link-nopoor	2,429	3,449	42
Provision 40\Provision 40 - Alignment to culture	**7,145**	**10,461**	**46**
Provision 40\Provision 40 - Alignment to culture\40-culture-behav	2,369	4,367	84
Provision 40\Provision 40 - Alignment to culture\40-culture-KPI	5,209	7,649	47

Table VIII: Disclosures for the FTSE 100 and FTSE 250			
Items	**FTSE 100 Mean**	**FTSE 250 Mean**	**FTSE 100 v FTSE 250**
PP	0.93	0.83	t = 2.14**
PR33	0.70	0.60	t = 1.64
PE	0.50	0.37	t = 2.59**
PR36	0.73	0.58	t =3.35***
PR37	0.87	0.80	t =1.65
PR40	0.88	0.75	t = 2.68***

*** p<0.01, ** p<0.05, * p<0.1

Table IX: Companies with more than 20% dissent to change in directors' remuneration policy vote at AGM (summarised in Table 16)

Company	Date of AGM	Vote for	%	Vote against	%
Capital & Counties Properties plc	01 May 20	491,278,465	70.41	206,419,016	29.59
Clarkson plc	06 May 20	14,637,062	67.61	7,011,582	32.39
Diploma plc	15 Jan 20	60,768,041	79.98	15,209,003	20.02
Greencore Group plc	28 Jan 20	227,244,266	68.44	104,792,309	31.56
Informa plc	12 Jun 20	755,328,579	64.78	409,053,205	35.13
InterContinental Hotels Group plc	07 May 20	112,098,213	77.14	33,210,269	22.86
Intertek Group plc	21 May 20	79,910,934	57.10	60,031,344	42.90
Lloyds Banking Group plc	21 May 20	29,212,979,494	63.82	16,562,445,285	36.18
Paragon Banking Group plc	13 Feb 20	157,352,402	74.33	54,331,483	25.67
Petropavlovsk plc	30 Jun 20	1,026,264,291	42.32	1,398,862,888	57.68
Sirius Real Estate Ltd	31 Jul 20	506,422,439	74.03	177,654,879	25.97
Wm Morrison Supermarkets plc	11 Jun 20	1,247,787,105	65.17	666,751,457	34.83

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Please note this report was written before the latest review of corporate governance reporting, which may be found at the following link:
https://www.frc.org.uk/news/november-2020/reporting-on-the-new-corporate-governance-code-is

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