Bonmarché

Question 2 – Do you have any comments of the revised Guidance?

The revisions proposed increase the burden of reporting on companies, which will inevitably lead to more 'tick box' compliance, time spent at board meetings on formal processes and increase the number of boiler plate disclosures in the annual report and accounts.

The emphasis on board responsibility for company culture is of questionable value. The assessment and monitoring of such would be time consuming for smaller companies.

Question 3 – Do you agree that the methods proposed in relation to gathering of views of the workforce are sufficient to achieve meaningful engagement?

Our view is that each company should have the discretion to decide on the type and level of engagement with their workforce. That engagement should cover a broad range of issues.

Question 5 – Do you agree that 20% is 'significant' and that an update should be published no later than six months after the vote?

The 20% vote is too low given the current practices in relation to institutional voting. Institutional shareholders tend to outsource the analysis of the governance to proxy advisers. In our experience they follow a tick box analysis before publishing their voting recommendations. Companies are not given a genuine opportunity to engage and challenge any recommendations and this makes any published explanations a waste of time as they will not change the outcome. Full dialogue by proxy voting advisers needs to be mandated before any voting threshold is considered. This recommendation and proxy voting adviser behaviour acts against the view that that companies should design remuneration schemes that are appropriate to them and their strategic needs. This could result in remuneration schemes that do not incentivise management in the right way.

Question 7 – Do you agree that nine years, as applied to non-executive directors and chairs is an appropriate time period to be considered independent?

The new proposals are too prescriptive. In times of instability, a change of non-executive/chair may be detrimental to the performance of the board and the company as a whole. Existing non-executive directors, should be able to be considered if appropriate in light of the individual circumstances, alongside external candidates, through a transparent recruitment process. An existing director has the benefit of valuable knowledge and experience of the company and may indeed encourage stability which is the best interests of all stakeholders. A company needs to be able to consider the availability of suitable candidates, timing in relation to other board changes and allowing for an orderly handover.

Considering all these factors, the current Code provision requiring the Chairman to meet the independence criteria only on appointment should remain.

Question 9 and 11

Do you agree that he overall changes proposed will lead to more action to build diversity in the boardroom, in the executive pipeline and in the company as a whole?

What are you views on encouraging companies to report on levels of ethnicity in executive pipelines?

The definition of diversity is broader that the two outlined measures. Companies should be allowed to appoint the best individual to fill a role. The administrative burden would be significant and may not reflect a true position. Many individuals choose to opt out of answering questions on ethnicity.

One solution cannot fit all, and each company should have the discretion to decide on the form and level of action appropriate to them. Smaller companies with smaller head offices cannot be expected to comply to the same level as larger listed companies. Maintaining the focus on succession planning is of more importance.

Question 13 – Do you agree with the wider remit of the remuneration committee?

The minimum vesting period and post vesting holding period for executive share awards should not be set at five years for all. Market practice is already moving the periods through companies consulting with their own stakeholders without it having to be prescriptive. There should be the flexibility for rewards to be aligned to strategy and in consultation with stakeholders so that it is an appropriate incentive for the management given the size and complexity of each individual business.

The requirement for the remuneration committee to engage with employees and oversee pay and incentives for the wider workforce adds time, cost and unnecessary burden whether they are provided by the committee itself or though the creation of other committees as suggested such as a sustainability committee, corporate responsibility committee or people committee. The company should be able to consider the most appropriate mechanism for such engagement for the size and culture and the existing consultation structures.

The requirement for the chair of a remuneration committee to have served on the committee for 12 months may present difficulties for smaller boards to ensure a smooth transition when board appointments are under consideration. Considering the skills set of the director and providing a robust training programme together with the support of the Company Secretary would be the more appropriate route.