



Slater Investments Limited

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20th December 2019

COMPANY
ADDRESS

To whom it may concern,

Directors' remuneration

We write to set out our dissatisfaction with the framework of directors' remuneration in most public companies. A relentless ratcheting of terms and conditions have meant that the interests of directors and investors have grown steadily further apart.

Nil cost share options

We pay market price for the shares we buy. If the price goes down our clients lose value. With nil cost options there is no loss for the recipients: they can only make a profit come what may. Share options should never be granted with exercise prices at less than market price. Receiving an option is already a huge privilege. The options offer a return for no capital outlay. They are already a one-way bet, unlike true share ownership. Making the options nil cost is simply rigging the roulette wheel.

The hurdles set for exercising options also fail to align interests. Adjusted earnings per share is a debased coinage. What matters to investors is the total return, and in particular the relative total return. A rising tide lifts all boats: directors should not be rewarded for merely sitting at the oars. We propose that total shareholder return relative to sector peers should determine the proportion, if any, of options which vest. At the same time, whilst ignoring adjusted earnings for the purposes of option exercise, we oppose any attempts by companies to exclude share-based payments from adjusted earnings. If the options have no value, why do recipients want them? Similarly, the national insurance incurred by share options is most definitely a cost to shareholders and must never be adjusted into the shadows.

The quantum of awards

It has become customary for executive directors to receive a handsome salary, plus the same again in cash bonus and a similar amount in nil cost options – year in, year out. Is a good salary not enough to get directors out of bed in the morning and to diligently work their allotted hours? A bonus should be determined by the return received by investors.

Remuneration reports

The Remuneration Committee's report for Carillion in its final annual report ran to 17 pages. The word bonus appeared 87 times across that annual report. Remuneration reporting has run wild and needs to

be hacked back to its essentials. A shorter report will be more easily understood, more transparent and will hopefully leave less scope for multiple, overlapping schemes.

Therefore, we will:

- vote against remuneration reports which are longer than two pages.
- vote against any new scheme involving nil cost options.
- reserve the right to vote against unresponsive members of remuneration committees being re-elected to the board.

Should you wish to discuss this further please do not hesitate to contact me.

Yours sincerely,

A handwritten signature in black ink that reads "Mark Slater". The signature is written in a cursive, flowing style.

Mark Slater
Chairman