



# ShareSoc

UK Individual Shareholders Society

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## Press Release

### **ShareSoc Recommends Voting Against the “Exceptional Performance Incentive Plan” at Faroe Petroleum**

ShareSoc (the “UK Individual Shareholders Society”) suggests that shareholders in Faroe Petroleum should vote against the new management incentive scheme. This scheme which is entitled the Exceptional Performance Incentive Plan (EPIP) will permit substantial grants of nil-cost options to senior executives, subject to certain performance conditions.

The details of the performance conditions are complex but the prime requirement for full vesting is total shareholder return of 25% per annum over 3 years. ShareSoc suggests that a performance incentive scheme focussed primarily on total shareholder return (in practice mainly dependent on the share price) is not a prudent arrangement. It encourages a focus on the short term share price instead of the fundamental strength of the business.

Nil cost share options are also contrary to the guidelines on remuneration laid down by the A.B.I. and N.A.P.F. for listed companies. This scheme will enable the senior executives of Faroe Petroleum to obtain a substantial proportion of the shares of the company when they already have large numbers of share options– indeed the total shares under option has had to be raised from 10% of the capital to 15% to accommodate the new scheme. The directors already have awards under the existing share option schemes and under the Co-Investment Plan (CIP) that represent over 5% of the total company shares. In addition pay levels at the company are already quite high with total board remuneration (including cash bonuses and pensions) of £1.95 million for what is not a particularly large company.

ShareSoc Chairman Roger Lawson had this to say: *“Faroe Petroleum is a good example of what is wrong with executive remuneration in public companies. Multiple complex incentive schemes and a total package that is extremely generous. The use of nil-cost options and not particularly stretching incentive targets is something we recently criticised at another AIM company, Intercede Group, and it is most regrettable that this kind of approach seems to be spreading among AIM companies. We therefore recommend that shareholders vote against the specific resolution on the EPIP and against the Remuneration Report resolution. The only saving grace at this company is that at least shareholders are being given a vote on these matters.”*

#### **Notes**

Our submissions to the Cable review of Executive Remuneration can be found here: [www.sharesoc.org/consultations.html](http://www.sharesoc.org/consultations.html) where our policies on remuneration are spelled out.

The details of the issues at Intercede and our campaign against their LTIP is present here: [www.sharesoc.org/campaigns2.html](http://www.sharesoc.org/campaigns2.html)

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Note any members of the press who wish to receive a complimentary copy of our informative monthly newsletter should send a request to [sharesoc@btconnect.com](mailto:sharesoc@btconnect.com) . Our newsletters cover not just the affairs of our organisation but contain general financial news and commentary. Examples of our past newsletters are available on our web site. You can also follow ShareSoc reports on topical news, and comments thereon, on Twitter from @ShareSocUK.

**About the UK Individual Shareholders Society (ShareSoc)**

ShareSoc represents and supports individual investors who invest in the UK stock markets (and who own over 10% of the shares in UK public companies in aggregate). We are a mutual association controlled by our members with "not-for-profit" articles and incorporated as a company limited by guarantee. The organisation is financed by member subscriptions, donations from supporters and by the services it provides to members. Associate Membership of ShareSoc is free and is open to everyone with an interest in stock market investment (go to [www.sharesoc.org/membership.html](http://www.sharesoc.org/membership.html) to register). More information on ShareSoc can be obtained from our web site at [www.sharesoc.org](http://www.sharesoc.org) (our objects are fully defined on this page: [www.sharesoc.org/objects.html](http://www.sharesoc.org/objects.html) ).