

TOM PURSGLOVE MP
CORBY & EAST NORTHAMPTONSHIRE



HOUSE OF COMMONS

LONDON SW1A 0AA

11th July 2018

Jew Constituent,

RE: EXECUTIVE PAY.

Thank you for contacting me recently about executive pay; your comments upon which I read with great interest.

As you may be aware, the Government has now announced its plans on corporate governance reform following a thorough consultation process. A key focus of these reforms will be to increase transparency around executive pay and shareholder control over it.

Previous reforms introduced by the Government in 2013 have gone some way to strengthening and increasing transparency in the UK executive pay framework, in particular the requirement to gain shareholder approval for executive pay policies every three years, and the need to disclose the pay of each director as a single figure. However, I appreciate that executive pay has continued to be a key factor in public dissatisfaction with large businesses, and a source of frustration to UK investors.

That is why action is being taken, and this will address concerns that a minority of companies are not responding adequately when they encounter significant shareholder opposition to executive pay proposals. Under new measures, the Investment Association will name listed companies on a public register if 20 percent or more of their shareholders oppose proposals for executive pay packages.

In addition, the Government will require listed companies to reveal the ratio between CEO pay and the average pay of their UK workforce. At the same time, remuneration committees will be required to engage with employees to explain how pay at the top relates to wider company pay policy. The Financial Reporting Council has also been asked to revise the UK Corporate Governance Code to extend the recommended minimum vesting and post-vesting holding period for executive share awards, from three to five years, encouraging companies to focus on longer-term outcomes in setting pay.

As the consultation findings highlight, the reforms introduced in 2013 already give shareholders sufficient power and oversight over executive pay, and average executive pay increases have been broadly in line with inflation since then. The Government considers that further new powers in this area are unnecessary, given that only a relatively small number of companies have experienced significant shareholder dissent on pay in recent years.

Once again, thank you for having taken the time to contact me and if I can ever be of any further assistance to you then please do not hesitate to contact me again.

With best wishes

TOM PURSGLOVE MP
MEMBER OF PARLIAMENT
CORBY & EAST NORTHAMPTONSHIRE