



# Craig Whittaker MP

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## **Executive Pay**

Thank you for contacting me about executive pay.

As you may be aware, the Government has now announced its plans on corporate governance reform following a thorough consultation process. I am pleased to say that a major focus of these reforms will be on tackling abuses and excesses in the boardroom, specifically those involving executive pay.

Previous reforms introduced by the Government in 2013 have gone some way to strengthening and increasing transparency concerning executive pay – 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. It remains the case, however, that executive pay has continued to be a key factor in public dissatisfaction with large businesses, and a source of frustration to UK investors.

The Government has listened to concerns that a minority of companies are not responding adequately when they encounter significant shareholder opposition to levels of executive pay. Under new measures the Government will name listed companies on a public register if 20 per cent or more of their shareholders revolt over executive pay package proposals.

In addition, the Government will require listed companies to reveal the pay ratio between bosses and workers. Remuneration committees will be made to do more to explain to the workforce 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 to encourage companies to focus more on longer-term outcomes when setting pay.

The consultation findings indicated that the reforms introduced in 2013 give shareholders sufficient power and oversight over executive pay; average executive pay increases have been broadly in line with inflation over the same period and a relatively small number of companies have experienced significant shareholder dissent on pay in recent years.

The Government is committed to tackling abuses balanced by the need to ensure that the powers taken are proportionate and do not adversely affect those companies which behave fairly and appropriately.

Thank you again for taking the time to contact me.

Kind regards,

Craig Whittaker MP