

September 2017

Dear Constituent

Response to campaign on 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 large focus of these reforms will be to tackle abuses and excesses in the boardroom, specifically that of executive pay.

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 which will address 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 proposals for executive pay package.

In addition, the Government will require listed companies to reveal the pay ratio between bosses and workers. At the same time, remuneration committees will be made to do more to engage with the workforce 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 to encourage companies to focus on longer-term outcomes in setting pay.

Yours sincerely



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