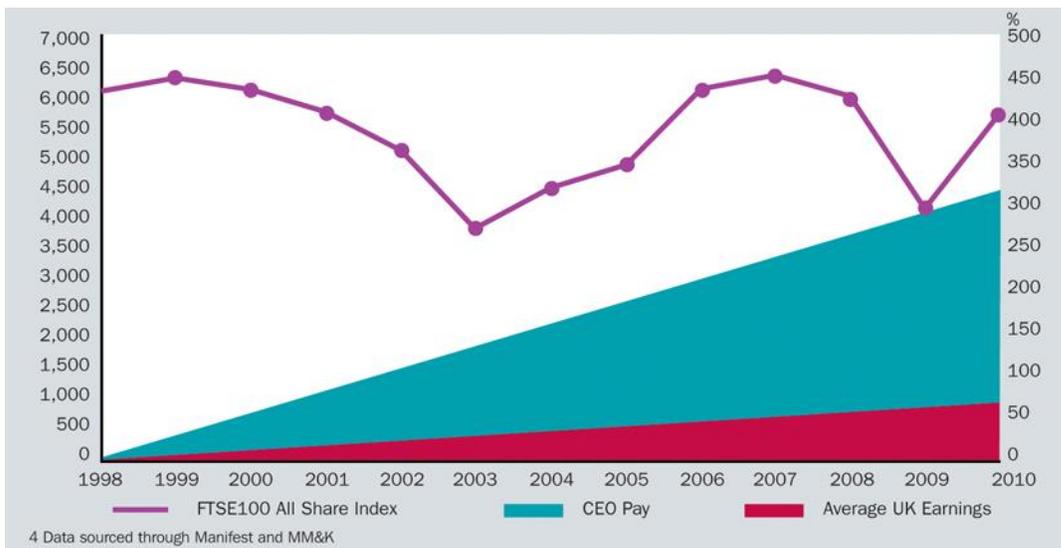


FairPensions launches executive high pay project

FairPensions is launching a project on executive high pay, empowering ordinary people and trustees to take a stand against spiraling pay packets. As campaigners for responsible investment, our focus is on best practice in companies aligned with sustainable financial returns for investors. As such, our Your Say on High Pay project tackles the issue of excessive executive remuneration.

Boardroom pay has risen out of all proportion to pay for average workers. In 2011, the average lead executive earned 63 times the amount of the average employee. In 1979 the multiple was 16.5. In Barclays, top pay is now 75 times that of the average worker. In 1979 it was 14.5.¹ Neither do these rises reflect increasing value of the companies themselves: In the aftermath of the 2008/9 financial crisis, the FTSE 100 companies lost almost a third of their value but the salaries of their executives still rose by an average of 10%.² The graph below shows this disproportionate escalation of FTSE 100 CEO pay:



In just the last few weeks, unjust financial rewards have garnered a huge amount of press interest. Barclays took the heat over high bonuses and tax equalisation practices for CEO Bob Diamond and Aviva saw a shock defeat of their remuneration report, with shareholders taking their frustration to the ballot box as dividends fell by 21% but executive pay rose by 90%.³ In an era of austerity, FairPensions' project seeks to tackle high pay and the egregious practices around it, seeking to align the incentives of management with the interests of savers.

We were pleased to help gather signatures for the letter published in the [Telegraph on 23 April](#) on this very issue from church and other investors, highlighting the need for

¹ [Final Report of the High Pay Commission, November 2011](#)

² [TUC report 'Unfair to Middling'](#)

³ <http://www.guardian.co.uk/business/2012/may/03/aviva-shareholder-rebellion-executive-pay?newsfeed=true>

alignment of incentives with the interests of shareholders, and transparency of performance measures and potential pay. Earlier this month, we published briefings for [pension funds trustees](#) and [charity trustees](#): These give more detailed information on the issues around high pay, including our five triggers for unjustifiable rewards and information on what questions to ask asset managers.

The High Pay Commission's final report⁴ found that "*Rewards for failure continue and pay levels appear to be increasingly disconnected from the performance of the company*" and demonstrated the "corrosive" effects of excessive pay on society and business. The government is now looking to companies' shareholders to take an active role in changing the culture, using their votes to signal the need for restraint in top pay. In March the Business Secretary Vince Cable launched a consultation on whether shareholders should be given a binding vote on remuneration policies. Currently, they have an advisory vote only. However, research shows that this advisory power is rarely exercised to vote down remuneration reports in significant proportions. The 54% shareholder vote against Aviva's pay package was so heavily reported on precisely because it is a rarity to see investors take a hardline. Indeed, from 2002 to April 2011, just 18 such reports were rejected by a majority of investors despite the escalation in executive pay over that period⁵ and in 2011, no FTSE 100 company had its remuneration report voted down by more than 50% of its investors.⁶

FairPensions is keen to help turn that tide. Our briefings, as mentioned above, help to elucidate the issues for trustees, but central to our campaign is our recently launched online action tool. Essentially we want to empower ordinary people and help them to take a stand on high pay. If you have a pension or an ISA, the money you put into it is used to buy stocks and shares in companies, making your provider a shareholder in some of Britain's biggest companies. As such, your provider can have a say on how those companies reward their executives. You can go to www.fairpensions.org.uk/highpay, search for your provider and email them with just a couple of clicks, asking them to vote down excessive high pay packages at this year's AGMs. FairPensions are also attending many AGMs to ask questions directly to the boards, highlighting unjustifiable pay policies and encouraging shareholders to start taking a stand against high pay. You can see what happens at them on the AGM page of our campaign site at <http://www.fairpensions.org.uk/highpay/agms>.

We're also really keen to hear from ECCR members or institutions who want to get involved in any way. A great practical way to get involved is if you have shares: We can use them as proxies to attend those AGMs for which we don't currently hold shares ourselves. Please feel free to contact Natalie Langford by telephone on 020 7403 7800 or by email natalie.langford@fairpensions.org.uk.

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⁴ http://highpaycommission.co.uk/wp-content/uploads/2011/11/HPC_final_report_WEB.pdf

⁵ <http://www.pirc.co.uk/sites/default/files/AGM%20primer.pdf> April 2011

⁶ <http://www.guardian.co.uk/business/2012/mar/14/vince-cable-shareholders-vote-executive-pay>