

High Pay – what can we do?

Excessive executive pay is of growing concern to the public. Recent press reports have highlighted that executive remuneration has been growing much faster than either other people's pay or share value and that company boards have largely failed to curtail this.

The government has suggested that it is up to shareholders to apply the pressure on boards to get a grip on executive remuneration.

The majority of us will be shareholders in large stock market-listed companies (FTSE 100), through our pension funds if in no other way. Many readers will hold shares through nominees or pooled investment vehicles.

You may think that as a small indirect shareholder, who may never receive company reports or even be aware of which companies you are invested in, you can't have any real influence on the big companies. You might feel that you don't understand how the stock market and shareholding works.

But however small your holdings, someone will manage them for you. And you can ask for action by that intermediary body on your behalf on the issue of high pay.

Suggested Actions

1. Email your pension fund or stocks and shares ISA provider at the click of a button through the FairPensions Your Say on High Pay web page to ask them to vote against excessive remuneration at company AGMs: www.fairpensions.org.uk/highpay.
2. Write a more in-depth letter to the managers of your pension fund, ISA, unit trust, or to your investment broker:
 - A. Raising your concern about the failure of company boards to curtail excessive executive remuneration.
 - B. Asking them to question companies on your behalf about executive pay. Key questions might include:
 - (i) Does the company's executive incentive plan specifically link into company strategy and objectives?
 - (ii) Has the company awarded transaction related bonuses and "golden hellos" and, if so, will it end this practice?
 - (iii) Has the company adjusted performance targets on incentive plans if the initial ones are not achieved and, if so, will it end this practice?
 - (iv) What is the maximum bonus (variable pay) the company offers as a percentage of base salary?
 - (v) What is the ratio between the highest and lowest pay levels in the company?
 - C. Urging them to vote against remuneration proposals that do not address these questions satisfactorily.

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