

PUSH FOR UK CORPORATE GOVERNANCE REFORM

UK's new Prime Minister, Theresa May, vowed to crack down companies' corporate governance practices and board accountability pushing further for equality, social responsibility and fair pay.

The government's proposed corporate governance reform introduces new measures including binding votes for directors' annual remuneration and employee representation in the company's board. Companies currently have binding votes on their overall remuneration policies every three years which was introduced by Vince Cable in 2012. The proposed measure for annual binding votes will give more empowerment to shareholders on both the pay policy and packages of company directors. It strives to enable investors to have a stronger say in executive pay by submitting boards to annual accountability and reviews. The proposed reform also touched on the need to introduce employee representative on the board. This practice is already mandatory in some part of the Europe, especially in Germany where the supervisory board is made up of Independent directors and Employee representatives. Theresa May stated that Non-Executive Directors are not asking the hard questions, as they are perhaps recruited from the same circles as the executives.

Investors are increasingly focusing on portfolio company's corporate governance practices to protect their assets and generate sustainable returns. Over the years there has been uproar on how much executives have been paid despite what shareholders deemed poor return by these executives. This year, the UK market witnessed series of shareholder revolt and companies were struggling to get pay packages approved by investors. In the UK, the companies listed on the FTSE 100 have seen more shareholder dissent than the so called shareholder spring of 2012. The French government recently proposed to go ahead with a new ruling, which gives shareholders a binding vote on executive pay. The Corporate Governance Code in Germany will adopt some possible amendments to the Code to be implemented in 2017. The push for greater board diversity has been adopted through gender quotas across Europe. In addition, new measurements for fair and responsible pay practices are being introduced such as CEO Pay against average workers' pay.

The proposed amendments in the UK, if pushed through, will enforce stricter rules than some other European countries, assuring that its Code remains to be at the forefront for effective stewardship fostering a better dialogue between investors and companies.



Fact Sheet - FTSE 100

EXECUTIVE PAY

**VOTES AGAINST
REMUNERATION REPORTS
23.61%***

**AVERAGE CEO PAY VS
MINIMUM WAGE
1: 452****



BOARD COMPOSITION

Current state of play

GENDER DIVERSITY

- FEMALE : 25.5%
- MALE : 74.5%

**DIRECTORS HOLDING 3 OR
MORE BOARD SEATS: >50%**

**AVERAGE NUMBER OF BOARD
SEATS PER DIRECTOR: 3.3****

- FEMALE : 3.4
- MALE : 3.2

**percentage of companies in the FTSE 100, which received a voting of more than 10% 'against' their remuneration reports (May 2016).*

*** realized pay based on 2014/15 AGM season versus 2014 UK Minimum wage.*

**** Total board seats held by FTSE 100 directors/total directors*

DATA SOURCE: DIRECTORINSIGHT

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Company description



DirectorInsight

Connecting data for pay, performance and governance decisions

DirectorInsight is a product of AMA Partners, providing an integrated web based data technology solution for corporate governance and engagement to corporations and investors, for better decision making and improved stewardship — in a single convenient solution. It provides corporations and investors to have at their fingertips actionable intelligence and unparalleled market insight into business executives, their pay, companies' performance and associated corporate governance practices. A simple & easy to use online platform providing cutting edge smart and predictive data analytics delivering greater transparency changing the corporate governance landscape for the better. This article and any attachments may contain proprietary and/or confidential information that may be privileged or otherwise protected from disclosure. Any unauthorized review, use, disclosure or distribution of the information included in this message and any attachment is prohibited. DirectorInsight is a product of AMA Partners which does not make any representation or warranty, express or implied, of any nature nor accepts any responsibility or liability of any kind with respect to the accuracy or completeness of the information contained herein. For more information, please contact Info@directorinsight.com.

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