

How are we addressing Executive Remuneration?

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Societies generally prosper when all people are rewarded fairly for their hard work.

However, the disparity between the pay for Chief Executives and their employees has widened significantly in recent years.

Research by the High Pay Centre shows that earnings for FTSE 100 Chief Executives increased by 146% from 2000 to 2013, compared with only 43% for all FTSE 100 full-time employees.

In 1998 the average pay ratio between FTSE 100 Executives and their employees was 47:1 this increased to 129:1 in 2015.

Legal & General Investment Management believes that the income inequality faced by many employees has a material impact on society.

We have a duty of care to our clients, not only to grow the value of these companies but also to ensure that they treat their entire workforce fairly and not just the top executives.

How do we challenge executive remuneration?

We've developed substantial principles and guidelines around executive pay. When a company publishes a remuneration policy that does not meet our principles we engage with them and as a last resort use our voting influence in order to contribute to positive outcomes.

For example, in 2016 BP proposed a bonus payment for its executives that we felt did not adequately reflect fair pay policies. So, we voted against their remuneration report, along with 59% of shareholders and ultimately BP lost its advisory vote.

During 2016, LGIM held 500 meetings with companies and Remuneration was discussed at 44% of these meetings. Globally we voted against at 24% of all remuneration related resolutions put to shareholders.