

# Executive Pay

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Remuneration for company management has reached record levels. In the first three working days of 2018, top bosses have earned as much as most of their employees will earn in the entire year. We do, of course, want companies to reward talent and success appropriately, but we worry when pay rises reflect short-term performance and lead to greater income inequality.

We understand that our scale brings responsibility. We engage with UK government and companies to address the widening pay gap. For example, we push the mandatory disclosure of the pay ratio between chief executive and employee and were encouraged when the UK Government announced that this would be introduced in 2018.

In terms of companies, we sent a letter to the remuneration committee chair of FTSE 350 firms asking them to consider both the compensation offered for the rest of the workforce and the pay ratio when reviewing pay for senior and executive management.

Pensions are an element of pay where a company can demonstrate equality with the workforce. We therefore ask companies to reduce their pension benefits for their senior executives to demonstrate this alignment.

We also used our voting power to drive change and are pleased to know that numerous companies have now reduced pension provisions for their executive directors. The objective of our remuneration policy is twofold: first, we want to ensure executive pay is predominantly based on long-term performance so that executive interests are aligned with those of long-term shareholders.

Second, we want to encourage companies to examine their culture and reduce the increasing pay divide between the general workforce and the executive team.