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Dear George

Thank you for letter dated 29 August to the Rt Hon Theresa May MP, in which you bring to my attention the concerns on behalf of your constituents, about levels of executive remuneration. I am replying as this matter falls within my Ministerial portfolio.

The Government recently published its response to the consultation on the Green Paper on Corporate Governance Reform. The response recognises that tackling executive pay is important, and proposes reforms to the existing executive pay framework that are fully in line with the UK's approach of strengthening corporate governance through a mixture of legislative, code based and industry-led change.

In particular, Government plans to introduce secondary legislation to require quoted companies to report annually the ratio of CEO pay to the average pay of their UK workforce along with a narrative explaining changes to that ratio from year to year, and setting the ratio in the context of pay and conditions across the wider workforce. Shareholders will also receive greater clarity on the effect of future share price movements on share-based incentives.

On the question of binding shareholder votes on executive pay, companies already face a binding vote on their executive remuneration policy at least once every three years. They must also win a binding shareholder vote for any executive pay proposals that deviate from this policy. However, the Government recognises that more can be done to ensure that remedial action is taken in response to the significant shareholder dissent on annual executive pay that a small minority of companies experience.

As set out in the response to the green paper, the Government has invited the investment community establish a public register of companies that experience 20% or more shareholder opposition on pay policies. This will record what those companies are doing to address shareholder concerns. The Government has also invited the Financial Reporting Council to consult on new measures covering how companies should respond to shareholder dissent on executive pay.

We will monitor the impact of these measures carefully to ensure that they, together with existing provisions, result in companies taking adequate steps to understand and address the reasons for shareholder dissent on pay.

Thank you again for taking the time to write.

Best wishes
Margot

MARGOT JAMES MP

Minister for Small Business, Consumers & Corporate Responsibility