WRITTEN MINISTERIAL STATEMENT

RT HON VINCE CABLE, SECRETARY OF STATE FOR BUSINESS, INNOVATION AND SKILLS; DEPARTMENT FOR BUSINESS INNOVATION AND SKILLS

EXECUTIVE PAY: CONSULTATION ON ENHANCED SHAREHOLDER VOTING RIGHTS

14 MARCH 2012

On 23 January, I announced a package of measures to address failings in the corporate governance framework for executive remuneration. This includes:

- Greater transparency in directors’ remuneration reports
- Empowering shareholders and promoting shareholder engagement through enhanced voting rights
- Increasing the diversity of boards and remuneration committees
- Encouraging employees to be more engaged by exercising their right to Information and Consultation Arrangements
- Working with investors and business to promote best practice on pay-setting

These measures will be taken forward through a combination of primary and secondary legislation, and business-led good practice. My objective is to enable shareholders to promote a stronger, clearer link between pay and performance in order to prevent rewards for mediocrity or failure, while still allowing for exceptional performance to be rewarded.

Enhanced voting rights for shareholders will require primary legislation and, subject to parliamentary time, we aim to include this in the next legislative session. Today I am publishing a consultation document which provides more detail on a model which will give shareholders greater influence on the issue of executive remuneration. The main components of this are:

- An annual binding vote on future remuneration policy
- Increasing the level of support required on votes on future remuneration policy
- An annual advisory vote on how remuneration policy has been implemented in the previous year
- A binding vote on exit payments over one year’s salary

The purpose of the consultation is to seek evidence on the impact, costs, benefits and likely behavioural effects of the proposals. I want to ensure that these measures promote effective dialogue between companies and their shareholders.

In developing this consultation document, we have engaged with investors, non-executive directors, company secretaries, HR directors, lawyers and
other experts. We will continue to do this during the consultation period and to build our evidence base. Today I have also published the Regulatory Policy Committee’s verdict on our consultation-stage impact assessment.

Following this consultation I hope to confirm the precise measures we will take forward in primary legislation early this summer. At the same time, I plan to publish draft regulations which will determine the content of directors’ remuneration reports so that the proposals can be scrutinised as a whole. Together, these measures will create a more robust framework within which executive pay is set, agreed and reported on.

I am placing a copy of the consultation document in the libraries of both houses.