



ShareSoc

UK Individual Shareholders Society

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Press Release

ShareSoc Launches a Proposal for Shareholder Committees In Response to Vince Cable's Paper on Executive Remuneration

Vince Cable yesterday proposed that one way to bring Executive Remuneration to heel is to "diversify" Remuneration Committees by introducing independent members. There are potential legal problems with doing this, and the UK Individual Shareholder Society (ShareSoc) suggests there is a much better solution that would also tackle a number of other issues with the governance of UK public companies. Our solution is the introduction of Shareholder Committees and we have today published a 17-page report on how they might work. The report promotes the merits of Shareholder Committees in improving shareholder "engagement" and they would enable shareholders to regain control over board nominations and pay.

ShareSoc's proposals differ from previous incarnations of the concept of Shareholder Committees. These have been in use in Sweden for some time and have had a positive impact on corporate governance in that country, but the ShareSoc design improves them further and adapts them to UK circumstances. Our suggestions could be introduced without any changes to corporate law and ShareSoc will be pushing for companies to adopt these proposals as soon as possible.

ShareSoc Chairman, Roger Lawson, had this to say:

"Shareholders can be ignored by the directors of public companies, because ultimately they have little influence over them. We do not think that the recently introduced "Stewardship Code" is going to change that because directors appoint themselves and determine their own pay in essence. These proposals are aimed at slightly redressing the balance of power, and the introduction of a more consultative approach which is sorely needed in the UK. We hope that all shareholders will support these proposals, which are not just aimed at individual shareholders but should benefit all investors in public companies. We believe our proposals are eminently practical and there are no good reasons why this minor revolution in corporate governance in the UK should not be pursued".

The failure of the ICB Report to tackle some of the issues regarding the stewardship of banks makes this proposal of even greater urgency and this has been recognised by others.

For example, Lord Myners recently said in the Lords in his comments on the ICB report: *"Over the next year or so I shall strongly urge, through the Kay review, that we change our approach to the appointment process for directors of public companies to put this very much in the hands of institutional investors as members of nomination committees"*. But surely it would be wiser to rethink the system of board nominations and remuneration setting completely?

A copy of the guide we have published on Shareholder Committees can be read at:
www.sharesoc.org/Shareholder%20Committees.pdf

The "Discussion Paper" on Executive Remuneration issued yesterday by Vince Cable's BIS Department can be read here:
www.bis.gov.uk/Consultations/executive-remuneration-discussion-paper

Note that there are many aspects to that Discussion Paper and ShareSoc accepts that Shareholder Committees alone will not solve the Executive Remuneration problem. We intend to make a full submission in due course in response to the other proposals therein.

The Kay Review call for evidence can be read here:
www.bis.gov.uk/Consultations/kay-review-call-for-evidence-uk-equity-markets?cat=open

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Note any members of the press who wish to receive a complimentary copy of our informative monthly newsletter should send a request to sharesoc@btconnect.com . Our newsletters cover not just the affairs of our organisation but contain general financial news and commentary. Examples of our past newsletters are available on our web site.

About the UK Individual Shareholders Society (ShareSoc)

ShareSoc represents and supports individual investors who invest in the UK stock markets (and who own over 10% of the shares in UK public companies in aggregate). We are a mutual association controlled by our members with "not-for-profit" articles and incorporated as a company limited by guarantee. The organisation is financed by member subscriptions, donations from supporters and by its commercial activities. Associate Membership of ShareSoc is free and is open to everyone with an interest in stock market investment (go to www.sharesoc.org/membership.html to register). More information on ShareSoc can be obtained from our web site at www.sharesoc.org (our objects are fully defined on this page: www.sharesoc.org/objects.html).