



20 June 2012

Press Release

Cable's Pay Reforms – A step in the right direction

ShareSoc (the "UK Individual Shareholders Society") welcomes the publication by Vince Cable of more details on how he intends to reform the pay of company directors. In our view this is a worthwhile step toward ensuring that remuneration policies are more reasonable in future.

ShareSoc Chairman Roger Lawson had this to say: *"It is clear that the pay of senior executives has got out of control and no longer bears any relationship to the growth in company profits in many companies. Pay in some companies has become morally indefensible and this has been undermining sound business management. It is also contrary to the interests of the owners (i.e. the shareholders) of these companies. Mr Cable's proposals will help to rectify that state of affairs".*

Mr Cable's proposals are very much in line with ShareSoc's submissions to his review of this area. But we suggest that there are other steps that also need to be taken if the upward "creep" of pay is to be tackled. For example, the need to reform who devises remuneration policy and sets the level of pay, and more specifically the composition of Remuneration Committees and the way remuneration consultants operate.

We would also have preferred to see the requirement for pay policy to be supported by a larger majority than 50%, to ensure that there was a wide support from shareholders for pay proposals. In addition, we would have preferred to see the same policies that have been announced applied to AIM companies where there is widespread abuse at present and where shareholders have difficulty making the directors accountable. Neither of these two issues have been mentioned in today's announcement.

Some of the details of the legislation are as yet unclear. But the reporting of a single figure for remuneration is certainly also a step forward in ensuring that shareholders can and do understand what they are supporting in respect of pay.

Notes

Our wider views on how remuneration in public companies should be reformed were given in our responses to the past BIS consultation – see www.sharesoc.org/consultations.html (items dated 3/11/2011).

The announcements today by Mr Cable from the BIS are present here: www.bis.gov.uk/news/topstories/2012/Jun/directors-pay-reform

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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 info@sharesoc.org . 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. You can also follow ShareSoc reports on topical news, and comments thereon, on Twitter from @ShareSocUK.

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 the services it provides to members. 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).