

Please find below a summary of the recent recommendations from the BEIS Committee to Government, though in the light of the recent announcement of a general election any further progress may be delayed pending the outcome.

**1. Executive Remuneration - Proposed structure**

- LTIPS to be phased out as soon as possible - no new LTIP plans or renewals of existing LTIPS from 2018
- Deferred stock is preferred to LTIPS preferably vesting over five years
- Cash bonuses to be stretching, linked to wider corporate responsibilities, and company objectives

**2. Remuneration Committee Matters**

- Annual binding votes are not required unless it is <75% then a binding vote to follow next year.
- Remuneration Committee Chair should resign for less than 75% vote; Chairs have one year minimum service before appointment.
- Employee representatives on the Committee would be a very positive signal to fair pay.
- Publication of pay ratios between CEO, senior executive and all UK employees will be required.
- Companies to report their people policy outlining reward policy for all employees.

**3. Board Composition and Appointment Process**

- Government to set target 50% minimum that the Executive Committee and Senior Management new appointments to be female from 2020.
- Government to legislate that the FTSE 100 should report their workforce by ethnicity and pay band.
- Support for an HR function strategically aligned to the business objectives with sufficient influence at the highest levels.
- No employee requirement to be a Board member

Recommendations to encourage more diverse Board and management composition include enhanced executive pipeline, gender diversity reference to include ethnicity, UK CG code to include ethnic diversity, prepare for employees representatives at Board levels, open Board selection process to include advertising and selection, focus on Nomination Committee best practice.

**4. Private Companies**

- An appropriate code to be developed for the largest private companies led by FRC, IOD and Institute for Family Business

## 5. Comments

- It will be very interesting which recommendations ‘the government of the day’ takes forward.
- There is general agreement that the levels of executive pay are causing disharmony whether a one size fits all approach, i.e. deferred stock for all companies is right, is another question.
- Current best practice encourages measures designed to fit the business strategy for long and short term incentives.
- There is increasing accountability of the Remuneration Committee and its Chairman
- The recommendations for Board composition, if accepted by Government, are heading to a changing world with greater diversity of membership across gender, ethnicity and employee representatives.
- Increasing role for the FRC
- The proposal for HR to be established at the highest levels may well be linked to the need for companywide change.
- A governance code for large employers or companies, irrespective of ownership structure, is recommended to confirm standards of operation if needed.