

UK EXECUTIVE REMUNERATION TRACKER

This document is intended to provide links to all relevant source materials when dealing with UK executive remuneration issues. The materials have been split into five main categories, which are listed (with a link to that topic) below:

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1 **Directors' remuneration reporting**

Over two years after changes to this regime were first proposed, the new regulations that will govern the content of directors' remuneration reports were given Royal Assent in August 2013; see [2013 DRR regulations](#). These will apply to reports and accounts relating to financial years ending on or after 30 September 2013. These replace the previous regulations, which can be found at [2008 DRR regulations](#).

The regulations will apply to companies incorporated in the UK whose shares are on the Official List (AIM companies are therefore excluded) or officially listed in an EEA state, or dealt on the New York Stock Exchange or NASDAQ. Some AIM companies and companies registered overseas will, in practice, choose to comply with some or all of these requirements.

Squire Sanders' January 2013 briefing on this topic can be found at [DRR: Happy New Year?](#)

Representatives of the GC100 (the association for the general counsel and company secretaries of companies in the FTSE 100) and the Corporate Governance Forum (an informal network whose members comprise leading UK institutional investors who are committed to best practice principles of governance and stewardship) convened the GC100 and Investor Group, which published guidance on the new DRR regulations in September 2013. This guidance was amended and an updated version (dated 14 October 2013) was published in November 2013. The guidance, which is endorsed by BIS, can be found via the [GC100 homepage](#). Our September 2013 alert on the guidance can be found at [Flesh on the Bones for Executive Pay Disclosure?](#), and our blog post on the revised edition can be found at [GC100 Amended Guidance – What's Changed?](#)

Frequently asked questions on the new regulations were published by the department for Business, Innovation and Skills in March 2013, and can be found at [BIS Frequently Asked Questions](#).

Squire Sanders' July 2013 webinar on the DRR disclosures that FTSE 100 companies made voluntarily on the basis of the draft DRR regulations can be found at [DRR webinar](#).

2 **Voting on remuneration**

Under the old regime, companies were required to submit their remuneration policy to a non-binding vote of shareholders each year.

Under the new regime, at the AGM in the first financial period beginning on or after 1 October 2013, there must be a binding shareholder vote on the company's forward-looking policy (as set out in the DRR) and a non-binding shareholder vote on the implementation of the remuneration policy during the year being reported on. These requirements relate to companies incorporated in the UK whose shares are on the Official List (AIM companies are therefore excluded), or officially listed in an EEA state, or dealt on the New York Stock Exchange or NASDAQ. Whether or not the binding vote is passed will affect the ability of the company to make payments to directors, including on appointment and termination.

Provision for the new voting procedures is contained in the Enterprise and Regulatory Reform Act, which came into force on 25 April 2013 and can be found at [Enterprise and Regulatory Reform Act](#).

The Act also contains transitional and "grandfathering" provisions relating to a company's power to make payments to directors pending a binding vote on its remuneration policy being passed by shareholders. Note that the grandfathering protection for pre-27 June 2012 obligations is lost when the relevant contract is renewed or amended.

The Department for Business, Innovation and Skills issued frequently asked questions on this topic in March 2013, including details of how the prohibition on unauthorised payments will apply; see [BIS Frequently Asked Questions](#).

3 **Listing Rules and Disclosure and Transparency Rules**

There are various parts of the Listing Rules and the Disclosure and Transparency Rules that relate to different aspects of directors' remuneration, including:

- 3.1 disclosures in the annual report and accounts; see [Remuneration reporting \(LR 9.8.8\)](#)
- 3.2 requirements for shareholders to vote on the introduction of new share plans; see [Employees share schemes and long-term incentive plans \(LR 9.4\)](#)
- 3.3 contents of circulars relating to new share plans; see [Employees' share schemes etc \(LR 13.8.11 - 13.8.14\)](#)
- 3.4 restrictions on share dealing; see [Model Code \(LR 9 Annex 1\)](#)
- 3.5 notification of transactions by directors and persons discharging managerial responsibilities; see [Transactions by PDMRs and their connected persons \(DTR 3.1\)](#).

The FCA is considering whether the Listing Rules, which apply to companies with a premium listing, need to be amended to reflect the new reporting and voting regime. A consultation paper was released in August 2013, and the consultation closed in October 2013. The paper can be found at [Consequential Changes to the Listing Rules](#).

4 **UK Corporate Governance Code**

This Code relies on a "comply or explain" regime to regulate governance issues, including various matters relating to remuneration and remuneration committees. The Code can be found at [UK Corporate Governance Code](#).

The Financial Reporting Council launched a consultation exercise on proposed amendments to the Code in October 2013. The consultation closes on 6 December 2013. The paper can be found at [Directors' Remuneration: Consultation Document](#).

Our October 2013 alert on the consultation can be seen at [The FRC's Damp Squib?](#)

5 **Investor/shareholder representative bodies' guidelines**

Various organisations that represent bodies that invest in quoted companies issue guidelines and reports from time to time about their requirements with respect to executive remuneration. In addition, some of these organisations, such as the Association of British Insurers (ABI; through IVIS), PIRC and Research, Recommendations and Electronic Voting (RREV), issue recommendations to their members as to how they should vote at companies' AGMs on resolutions relating to executive remuneration.

5.1 The **ABI** updates its guidelines regularly, and has lately been updating them on an annual basis. The 2013 version can be found at [2013 ABI Principles of Remuneration](#). Our alert on the updated document can be seen at [Updated ABI Principles of Remuneration: Should We Expect More Fireworks?](#) The letter accompanying the 2013 version of the Principles of Remuneration can be found at [ABI Letter to Remuneration Committee Chairmen](#). Other occasional position papers on various aspects of remuneration can be found at [ABI papers](#).

5.2 The **National Association of Pension Funds (NAPF)** also issues guidelines on Corporate Governance Policy and Voting Guidelines, including aspects of executive remuneration policy. The November 2013 version can be found at [2013 NAPF Corporate Governance Policy and Voting Guidelines](#).

The NAPF sent an open letter in March 2013 to the chairmen of the remuneration committees of FTSE 350 companies advocating a stronger link between executive remuneration and company performance; see [March 2013 NAPF letter](#). The NAPF also issued an updated version of its report on remuneration principles in November 2013 jointly with Hermes and various pension funds; see [Remuneration Principles](#).

5.3 **PIRC** is an independent research and advisory consultancy providing services to institutional investors on corporate governance and corporate social responsibility. Its latest UK Shareowner Voting Guidelines, including sections on remuneration policy, were published in February 2013 (available in hard copy only). The main change in these was a shift to opposing all proposals to introduce LTIPs.

5.4 **RREV** (a joint venture between the NAPF and Institutional Shareholder Services (ISS)), the global research and proxy voting services provider) published its *2013 UK Remuneration Guidance* in November 2012; see [RREV guidance](#).

5.5 In March 2013, the **Local Authority Pension Fund Forum** published *The View from the Forum: Expectations for Executive Pay*; see [LAPFF guidance](#).

- 5.6 The **Trade Union Share Owners Group** published its guidelines on voting and engagement, including a section on directors' remuneration, in March 2013; see [TUC guidelines](#).
- 5.7 The **Institute of Chartered Secretaries and Administrators** published guidance entitled *Enhancing Stewardship Dialogue* in March 2013. This contains a section on strategy and long-term performance, including the linkage of pay to performance; see [ICSA guidance](#).
- 5.8 **Legal & General Investment Management (LGIM)** sent a letter to remuneration committees in September 2013, confirming its support of the GC100 and Investor Group guidance. LGIM's overarching guidance on remuneration issues was last updated in 2012; see [Corporate Governance & Responsible Investment Policy – UK](#).
- 5.9 In April 2013, the **Church of England Ethical Investment Advisory Group** published a report on executive remuneration policy; see [Church of England policy](#).
- 5.10 The **International Corporate Governance Network** has around 600 members (including institutional investors across 50 markets) and has existed for almost 20 years. Its mission is to raise corporate governance standards worldwide. In 2012, it published its guidance on executive remuneration principles and policy disclosure; see [ICGN guidance](#).
- 5.11 The **Chartered Institute of Personnel and Development** published a guide in 2010 entitled *Executive pay: the principles and putting them into practice*. This sets out its ten principles of executive remuneration and questions designed to help companies put these into practice. It is available to members only.