

press release

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Pay has got ahead of itself

With David Cameron promising shareholders a binding vote on executive pay in an effort to deal with excessive salaries, Gavin Oldham, chief executive of The Share Centre, gives his view.

“Pay has got ahead of itself, and there’s a clear problem with director level remuneration. In some cases, it bears almost no relevance to the business model of the strategy of the company.

“This is a problem when the non-executive membership of board remuneration committees are executive directors of other companies, it’s a ‘you scratch my back, Ill scratch yours’ situation. I consider that all companies should publish the multiple in total remuneration of the highest paid to the lowest paid employee and include it in their report and accounts. I also agree with David Cameron’s proposal for binding votes on executive pay for shareholders.

“I do however need to recognise this is a global, not domestic issue. If high paid executives are ostracised they may simply emigrate to more benign environments. The UK will then lose a huge amount of tax as some of the highest one million tax payers either pay or direct 40% of all Government tax revenue. We are indeed all in it together and we need to keep these people inside the UK.

“We recently conducted a study into the various aspects of corporate governance, with executive pay packages one of the key focuses. This particular topic created significant debate amongst the UK-based investors involved, with unanimous belief that senior earnings have now become disproportionate to performance. Over four fifths (83%) are in favour of clawback arrangements, believing that it helped to improve the link between pay and performance.

“There is also an overwhelming view in the industry that companies should take all employees into consideration when setting salaries for the top levels. So often, businesses cannot justify executive pay rises when rewards for employees are not increasing.

“By its very nature, executive pay is an area that is fraught with difficulty – but hopefully Cameron’s proposals at last put a marker in the sand and provide the first step to increased transparency and fairness.”

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Note to editors:

More information about the Share4Schools competition can be found at www.shares4schools.org

The opinions expressed in this statement are the personal views of Gavin Oldham and are therefore not necessarily shared by The Share Centre.

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