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**1 September 2016**

The voice of responsible shareowners

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# Press release.

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## **PIRC Welcomes 'Shareholder Committees' in new High Pay Centre Report**

A broad welcome has been given by PIRC to a new report addressing short termism and challenging shareholder apathy in trying to improve company corporate governance.

PIRC said today that the report (see Note) is a welcome attempt to re-boot corporate governance reform following the speech by Theresa May in July as she acceded to UK Prime Ministership.

Alan MacDougall, PIRC's Managing Director, said "The High Pay Centre report is to be welcomed. However there are still challenges – Shareholder Committees have been successful in Sweden, but are untried in the UK. Expecting the top five shareholders in a company to embrace serious reform will require considerable preparation and potential conflicts must be recognised if they are to succeed."

MacDougall continued, "Some common sense challenge needs to be introduced to shareholder committees, for example by not just comprising the top five shareholders in rotation but also including real pension fund trustees, and more than one employee."

"Furthermore, there are, in our experience, many front line employees who have the skills and common sense to challenge Boards; many of whom are active trade unionists. Harnessing these critical skills will be invaluable as employees know a company's practices well", he said.

PIRC is also calling for shareholder committees to be elected annually at a company's annual general meeting (AGM), and not just appointed from the share register based on size.

In addition, MacDougall urged consideration of a three year shareholder vote on executive director contracts. "A model contract could be drawn up for the Board to consider and, if acceptable to the shareholder committee, proposed to the AGM. Once adopted, it could then only be renewed through a triennial mandatory shareholder vote. This would require broad shareholder consensus, limit excessive pay, protect executive contractual rights and limit ubiquitous Remuneration Committee 'discretion': a function almost always only exercised upwards!

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**Note:**

High Pay Centre report at <http://highpaycentre.org/blog/restoring-responsible-ownership-new-paper-by-chris-philp-mp>

**More information**

Alan MacDougall  
020 7392 7870  
(07889 247871 outside office hours)

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