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The voice of responsible shareowners

# Press release.

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## PIRC to oppose new long term incentive plans in 2013

PIRC will oppose the introduction of all new long-term incentive plans (LTIPs) as part of a significant shift in its analysis of governance issues, and advice to shareholders.

This week PIRC is releasing the 17th edition of its UK Shareowner Voting Guidelines. The 2013 Guidelines are characterised by a greater emphasis on the management of shareholders' capital, and a tougher approach on remuneration issues. The most striking change on pay is the decision to oppose all new LTIPs, on the grounds that they are fundamentally flawed.

Alan MacDougall, managing director of PIRC, said: "Since the onset of the financial crisis, we have fundamentally overhauled how we look at a range of governance issues. This year's Guidelines represent a significant shift in our approach."

"Our conclusion regarding LTIPs is simple: they are not long term and they do not incentivise. They are also ineffective due to amendments and manipulation by remuneration committees. We believe that superficial reform, trying to redesign the same flawed model, is not good enough. So we're taking the radical step of opposing all new LTIPs."

This year's Guidelines are also marked by a much greater focus on the financial aspects of UK corporate governance practice. There is a reorientation towards the core issue of companies' management and protection of shareholder capital. This change builds on PIRC's critical view of company financial and accounting disclosures under the IFRS framework.

In order to give bite to this analysis, PIRC will now recommend opposition to the adoption of a company's report and accounts and audit committee members where it is clear that the company's adherence to IFRS has led to a failure of the accounts to provide the true and fair view. Where it is deemed that adherence to IFRS has led to a failure of the accounts to provide the true and fair view PIRC will not support the election of the finance director responsible for the accounts in question.

PIRC will also encourage greater shareholder scrutiny of the role of remuneration consultants. In PIRC's view the remuneration consulting industry is responsible for the majority of schemes operated by UK listed companies today, and has a vested interest in creating complex and accommodating outcomes. In addition PIRC is concerned by fact that firms offering remuneration consulting to boards often also have other commercial relationships.

As a result PIRC will no longer support the adoption of a company's report & accounts, the re-election of the chair of the audit or remuneration committees, or the re-appointment of the auditors, where the reporting auditor is also the remuneration advisor to the same company.

**More information**

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