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# Press release.

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## **New PIRC Voting Guidelines Strengthen UK Shareholder Governance**

Executive remuneration, gender diversity, ensuring shareholder access to financial accounts on key decisions and governance of investment trusts will all face tougher scrutiny in the 18<sup>th</sup> edition of the PIRC UK Shareholder Voting Guidelines.

The PIRC 2014 UK Shareholder Voting Guidelines will advise shareholders to vote against excessive remuneration packages based around three new key assessment measures:

- CEO bonuses/variable exceeding 200% of CEO fixed salary
- The balance of CEO pay levels against Total Shareholder Return (TSR) at publicly listed companies over a five-year period;
- Alignment of fixed CEO pay against a 20-1 ratio with average employee remuneration elsewhere in the organisation.

Advice to the shareholders around binding votes for forward looking executive pay policies will centre on disclosure, linkage with performance and quality of contracts. Companies who do not use LTIPs will gain a higher overall rating than those who do, when other criteria are equivalent.

“These changes reflect a general need to improve governance around executive pay levels and will assist institutional shareholders gain the most value for their investors from the recent round of legislative reforms. They encourage companies and executives to build stronger, more direct links between long-term performance and long-term rewards when developing remuneration policies,” said PIRC Managing Director Alan MacDougall.

PIRC has also maintained the impetus to build greater diversity and depth at the highest corporate decision making levels, with a policy to no longer base its recommendations solely on company disclosure of progress towards the Davies goal. PIRC will also seek evidence that the organisation advocates explicit targets for representation and place further accountability on nomination committee chairs to carry new policy through.

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"Diversity is not just about a company reaching the Davies target, and then resting on its laurels. It is about continually seeking to build board capability and decision making to help create value for shareholders. PIRC wants to see further changes in cultural values and an acceleration of female participation and decision making in senior roles throughout our biggest corporations."

Other updates to the PIRC guidelines include advising shareholders to oppose any changes to company articles that seek to sidestep accounts from being sent to shareholders and alignment of voting recommendations with new guidelines on minority shareholder approval for independent directors in controlled companies

The guidelines now also specifically address lack of independence and governance risk in externally managed trusts and investment vehicles. In future PIRC will not support the reports and accounts of investments trusts where there is evidence of shareholder engagement on governance issues circumventing the board.

"Shareholder accountability can't be hidden behind corporate arrangements," Mr MacDougall said.

"The 2014 PIRC UK guidelines are a reflection of widespread views that the corporate governance of UK companies continues to require reform to ensure shareholder voices are heard and acted upon."

"The interests of millions of ordinary pension fund savers and retail investors are best served by active shareholders looking to help companies build best practice in governance with a strong focus on sustainable, long-term value creation and good corporate citizenship. The guidelines help shareholders make their own decisions on how best to represent shareholder interests." Mr MacDougall said.

## **More information**

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