

Time to listen

We need to find a way to respond to public concern about executive pay, or matters will be taken out of our hands

July 2016







The EU referendum result and its post mortem have highlighted the concern among many that globalisation and free trade have left them behind. There's now an urgent need for "big business" to learn from this and start to rebuild public trust. Nowhere more so than in the area of executive pay.

Concerns about executive pay now span the political divide. Theresa May has already called for a binding vote on pay outcomes, improved disclosure of bonus targets and pay ratios, simplified bonuses, and employee representation on boards.

Such changes are far from straightforward. But business should be careful before reaching for the list of reasons why they won't work. Executive pay is a major source of distrust in big business, which is in danger of undermining companies' licence to operate in the UK.

In this briefing we'll discuss the current state of public attitudes to executive pay and inequality. This will make clear why politicians are taking an interest in this issue. We'll also discuss the pitfalls of the various regulatory interventions being discussed. Our research suggests that policy will need to focus on pay and opportunity for ordinary workers as much as on pay at the top if we're to achieve an enduring settlement on this issue.

But at the same time, we believe a sea-change is required in how executive pay is approached by companies and shareholders. Pay regulation is often counter-productive and we're not convinced that more of it is the answer. But to avoid it, all of us involved in executive pay will need to act decisively to rebuild trust.



Public attitudes on inequality and executive pay

From the mid-1970s to today, real incomes in the bottom seven deciles of the global income distribution have risen by between 20% and 80%¹. Over the same period the proportion of the global population living on less than the World Bank's poverty line of around \$2 a day in 2015 prices has fallen from around 60% to 10%². Globalisation and free trade have pulled extraordinary numbers of people out of poverty across the world.

So why is globalisation not widely celebrated? The reason is that over the same period incomes for the developed world's working and middle classes (between the 80th and 95th percentiles of the global income distribution) have largely stagnated in real terms. Meanwhile real incomes of the Top 1% globally have increased by over 60%. These trends have been reflected in growing inequality in a number of rich western countries, and in particular the UK and the US, pushing the inequality debate to the centre of political discourse.

Concerns about inequality have been widespread for some time. Research by the Pew Research Centre in 2014 found that inequality was considered a 'very big problem' by 60% of the population in Western developed economies³. The issue was thrust to the fore by the unexpected success of Thomas Piketty's 2014 best seller *Capital in the 21st Century*.

Closer to home, the 32nd British Social Attitudes Survey, published in 2015, showed over half the population agreeing to some quite strong statements on inequality and the role of business. The figures are even more stark when broken down by voting intent at the 2015 General Election.

Table 1

Attitudes to inequality by party identification, British Social Attitudes Survey 32, 2015

% agreeing	All respondents	Conservative	Labour	UKIP
There is one law for the rich and another for the poor	59	39	71	75
Ordinary people do not get their fair share of the nation's wealth	60	41	72	75
Management will always try to get the better of employees if it gets the chance	53	41	60	72
Big business benefits owners at the expense of workers	53	39	63	62

Given these attitudes it is perhaps unsurprising that the statements of big business did not succeed in decisively shifting the referendum debate.

While capitalism and globalisation were reducing global inequality, executive pay escalated at a rate way beyond the pay for ordinary workers. An oft-quoted statistic is that over the last two decades, executive pay has more than trebled while the FTSE-100 Index has been broadly flat. Executive pay has become a prominent signal of how,

in the minds of some, a self-serving elite in a big-business bubble has become detached from the concerns and realities of ordinary people.

It was notable that Theresa May devoted significant attention to the executive pay issue in launching her campaign for leadership of the Conservative Party, as had Michael Gove. All candidates emphasised the importance of an economy that works for all. This is a concern that now spans political divides.

1. Branko Milanovic, 'Global Inequality: A new approach', Belknap Press, 2016

2. OurWorldInData.org/world-poverty/ based on analysis by Bourguignon and Morrison, 'Inequality among World Citizens, The American Economic Review, 2002 and World Bank data (PovcalNet)

3. Pew Research Centre, 'Global Public Downbeat about the Economy', September 2014; and 'Emerging and Developing Economies much more confident than Rich Countries about the future', October 2014

Our own recent polling evidence shows why politicians are taking an interest. Research carried out for PwC in June 2016 by Opinium⁴ showed that two-thirds of the population believe that executive pay is generally too high, over half believe it is a big problem in Britain today, and 72% said that it made them *angry* (our emphasis) if a CEO is being paid a lot and their company is doing badly. So executive pay arouses strong emotions. Only around a third of respondents agreed with statements indicating that executive pay is about right, and that it is necessary to pay appropriately to get the right people to do the difficult job of running our companies.

The public's understanding of executive pay is reasonably good. The average person thinks that CEOs of the largest companies in the UK earn between £1m and £5m. The median total pay for a FTSE-100 CEO is towards the top end of this range, but it does seem as though the transparency of the 'single figure' disclosure of pay has improved understanding of total pay levels. Knowledge of who is important in setting pay is also reasonably good. 46% of respondents believe that shareholders are most important in deciding how much the CEO of a company gets paid, as opposed to 37% who believed it is the

Independent Directors on the Board of the company. Only a minority believed the urban myths that remuneration consultants set pay (13%) or that CEOs set their own pay (8%).

If knowledge of the pay setting process is better than might have been expected, agreement with the outcome is not. The average person is of the view that the CEO of a large company should earn only around £500,000 a year. Only around one in ten people felt they should earn over £1m, and only around one in twenty felt that over £5m was justified. So we have a situation where the median pay of a FTSE-100 CEO (around £4.5m) is considered too high by over 90% of the population.

Attitudes to pay relativity gave similar answers. The average respondent was of the view that it was appropriate for a CEO in our largest companies to earn 20x the average salary, but only one in thirty was of the view that 100x or more was appropriate. The current average multiple is between 150x and 200x for the FTSE-100. This disparity is consistent with the findings of other studies looking at attitudes to executive pay globally⁵.

Table 2

In 2015 the average annual full time salary in the UK was £26,000. In light of this, what do you think is an appropriate multiple for CEOs of our largest companies to earn? Opinium research for PwC, June 2016.

Multiple	% of respondents
5x	21
10x	16
20x	15
50x	4
100x	2
500x or more	1
I don't think average pay is relevant to what CEOs should earn	18
Don't know	22

4. Opinium carried out an online survey of 2,001 members of the general public aged 18+ weighted to nationally representative criteria between 3 and 7 June 2016

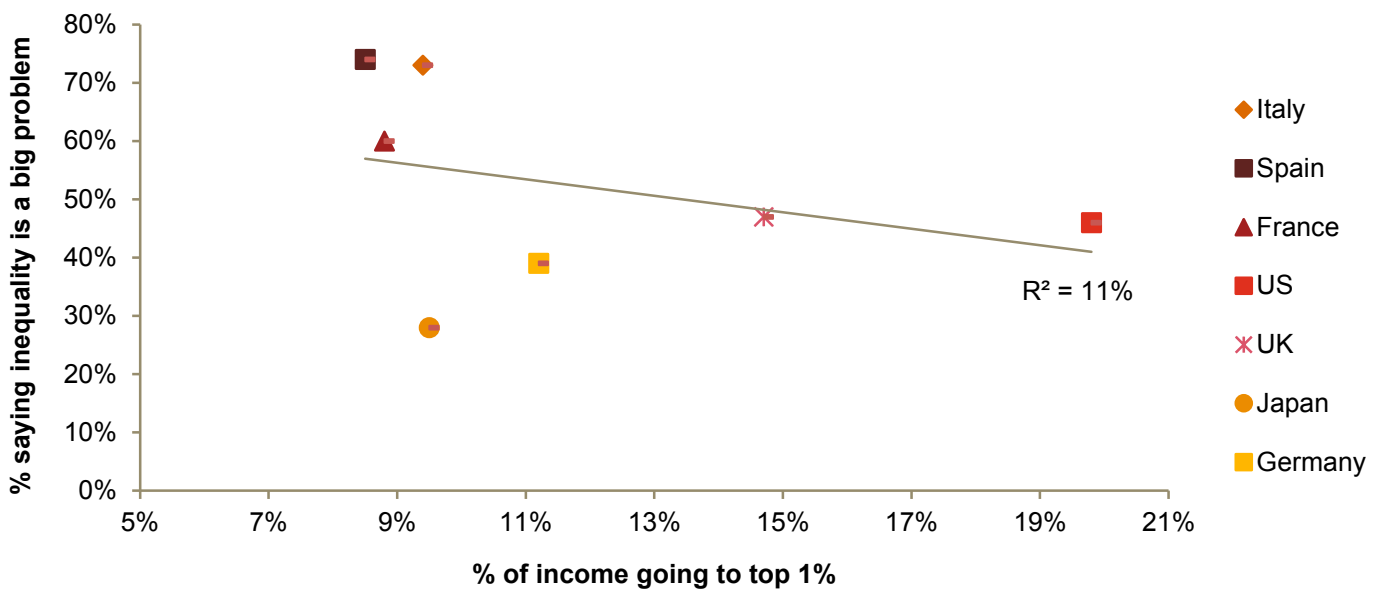
5. Kiatpongsan and Norton, 'How Much (More) Should CEOs Make? A Universal Desire for More Equal Pay', *Perspectives on Psychological Science*, vol. 9 no. 6, 587-593, 2014

What drives attitudes to inequality? Cross referencing the Pew Research Centre's data on attitudes to inequality against data on actual inequality from the OECD Top Incomes database⁶ yields some fascinating insight. Fig 1 compares the proportion of people saying inequality is a very big problem against the proportion of income taken by the top 1% of earners in those developed countries for which data is provided in both datasets.

Remarkably there is virtually no correlation between concerns about inequality and actual levels of inequality. Indeed to the extent there is a correlation it is negative. Levels of concern about inequality are much higher in France, Italy, and Spain than in the US and UK, despite levels of inequality being up to twice as great in those latter two countries. This suggests that simply reducing top pay, and therefore inequality, may not in fact address the public's concerns.

Fig 1

Comparison of concerns about income inequality with actual income inequality

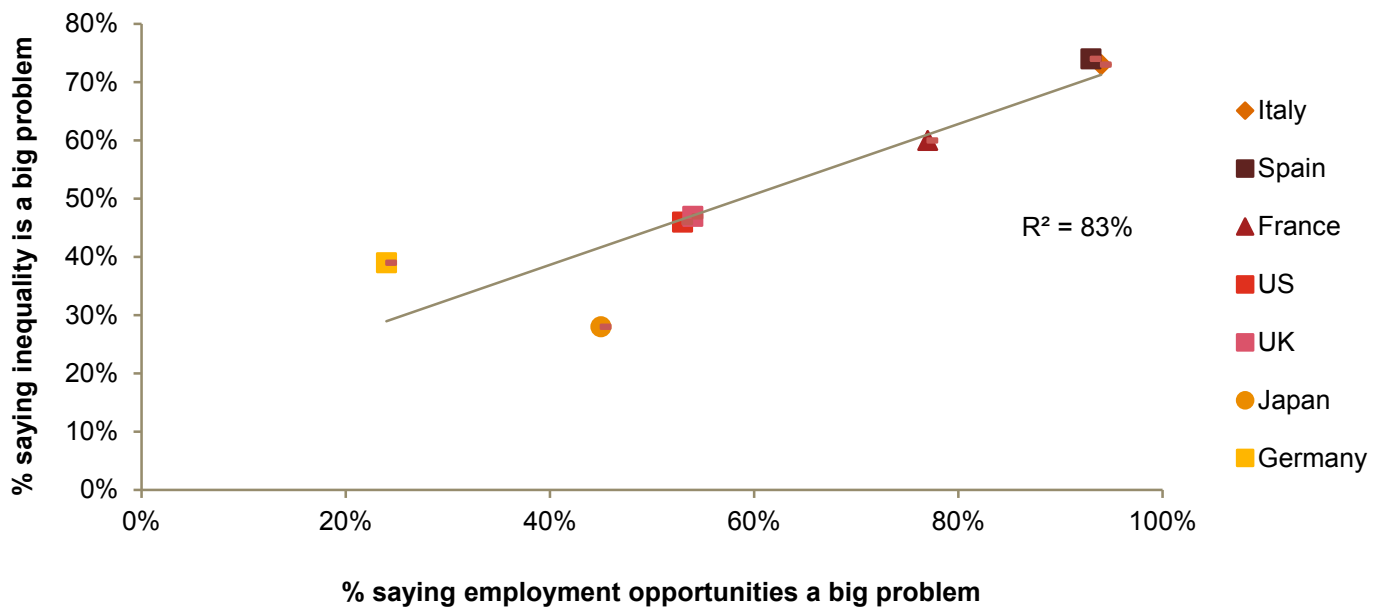


6. Sourced from Thomas Piketty, <http://www.piketty.pse.ens.fr/capital21c> data generally relates to 2010

By contrast, as shown in Fig 2, concerns about inequality are very highly correlated with concerns about employment opportunities. This correlation holds strongly across the Pew Research Centre universe of 44 developed, developing, and emerging economies.

Fig 2

Comparisons of concerns about income inequality with concerns about employment opportunities



This suggests that anger about inequality and CEO pay is primarily an expression of frustrations about job insecurity and stagnating wage growth for ordinary workers. Support for this is provided by our own polling: nearly 40% of respondents agreed with the statement that ‘It doesn't matter what CEOs get paid, as long as all employees get paid fairly’. Only a quarter disagreed.

While this provides a glimpse into a possible solution, it is also a cause for concern. With the deployment of robotics and machines enhanced by artificial intelligence in the workplace, job insecurity will spread to a widening segment of the workforce. The results in terms of attitudes to inequality and executive pay are wholly predictable. This problem isn't about to go away.

Key takeaways

- There is a large gap between current pay practices and what the public believes to be fair
- Executive pay and inequality are significant issues in voters' minds and so of interest to politicians
- Attitudes are driven more by concerns about employment prospects than by the level of inequality itself
- Solutions need to address pay and prospects of the wider workforce, not just pay at the top

Potential solutions



Given the gap between practice and the public's attitudes, it's unsurprising that nine out of ten people are concerned about executive pay and think that something more needs to be done about it. The table below shows the interventions preferred by the public.

Table 3

What if any changes should be made to CEO pay? Opinium research for PwC, June 2016

Proposal	% of respondents agreeing
Shareholders should have more power over how much a company CEO is paid	41
A cap on pay	40
CEOs should be required to pay back money if the company gets into difficulty	33
Employees should have a say on their CEO's pay	29
More regulation or Government oversight of CEO pay	29
Higher taxes	28
Nothing – It's not a problem I'm concerned about	13
Other/none of these	11

Despite the public concern about CEO pay, it's interesting that it's still seen primarily as shareholders' problem to solve. There is not great support for employee involvement, higher taxes, or direct Government oversight. Shareholders may not welcome being put in the spotlight, but it is encouraging that much of the public is still looking for a market rather than a regulatory answer to the problem. Although we should heed the warning that the measure of a pay cap came a close second, so we should be in no doubt that the public is demanding change.

These themes are being reflected in the proposals being put forward by political leaders. In her speech launching her national leadership campaign for the Conservative Party on 11th July, Theresa May highlighted '...an unhealthy and growing gap between what ... companies pay their workers and what they pay their bosses'. She went on to say:

'I want to make shareholder votes on corporate pay not just advisory but binding. I want to see more transparency, including the full disclosure of bonus targets and the publication of 'pay multiple' data: that is, the ratio between the CEO's pay and the average company worker's pay. And I want to simplify the way bonuses are paid so that the bosses' incentives are better aligned with the long-term interests of the company and its shareholders.'

Separately she called for employees to be represented on Boards.

The proposals were all considered at the time of Vince Cable's review in 2013, but rejected at that time. Might they work now? What are the issues?

Such changes are not straightforward. Shareholders don't want more votes and may be less inclined to cast a binding vote against a pay proposal than they would an advisory vote. Bonus target disclosure is already improving, and pay ratios can create perverse incentives to outsource low paid jobs, cut non-cash benefits and the like. There's a fine line between simple and simplistic bonuses. Employee representation would require a complete rewrite of UK corporate governance.

But such is the level of public concern, we cannot dismiss further intervention out of hand. Business needs to work with Government and shareholders to look hard at interventions that could help to meet the public's concerns, while not preventing business from attracting the talent needed to run our companies. Not an easy balance to strike. Table 4 below shows the pros and cons of different proposals.

Table 4

Analysis of possible changes to executive pay regulation

Proposal	Commentary
Binding vote on pay outcomes	<p><i>Benefits</i></p> <ul style="list-style-type: none"> Shareholders currently only have an advisory vote on pay outcomes - a binding vote would give them power to block bonus payments that they do not agree with Companies would become more cautious in their pay proposals <p><i>Disadvantages</i></p> <ul style="list-style-type: none"> Shareholders may be less likely to vote against in a binding vote given the binary consequences Company would face severe consequences if unable to pay their CEO Very difficult to manage in a recruitment or termination situation where contractual certainty is required Shareholders would fear a deluge of consultation as companies sought certainty <p><i>Variations</i></p> <ul style="list-style-type: none"> Apply just to incentive pay-outs under the policy not all payments Apply just to payments above a certain maximum level set out in the policy Apply an escalation approach so that loss of an advisory vote required payment to be put to a binding vote until the next remuneration policy approval
Bonus target disclosure	<p><i>Benefits</i></p> <ul style="list-style-type: none"> Gives shareholders clarity over toughness of targets <p><i>Disadvantages</i></p> <ul style="list-style-type: none"> May be highly commercially confidential if done prospectively <p><i>Variations</i></p> <ul style="list-style-type: none"> Make retrospective disclosure mandatory, although in practice shareholder pressure is moving the market to that point in any event

Proposal	Commentary
Pay ratio disclosure	<p><i>Benefits</i></p> <ul style="list-style-type: none"> • Puts pressure on Remuneration Committees to explain pay relativities • Precedent for this disclosure in the US <p><i>Disadvantages</i></p> <ul style="list-style-type: none"> • Very difficult to benchmark meaningfully because of different business models • Creates perverse incentives to outsource low paid jobs etc • Very volatile measure • Already removed from the EU Shareholder Rights Directive <p><i>Variations</i></p> <ul style="list-style-type: none"> • Require disclosure of ratio of CEO pay to UK National Average Earnings and its progression over time, to avoid unintended consequences of linking to median pay • Require companies to publish a set of 'fair pay principles' covering how they consider all aspects of pay fairness, including low pay
Employee representation	<p><i>Benefits</i></p> <ul style="list-style-type: none"> • Helps to break down alleged "bubble mentality" of Boards • Can be part of a wider programme of co-operation between companies and workers <p><i>Disadvantages</i></p> <ul style="list-style-type: none"> • Requires a process of selection, and also needs careful consideration of status of any employee Remuneration Committee member, e.g. do they have full access to Board strategy and performance context? • Not really justified purely as a Remuneration Committee intervention but would require a wider redrawing of UK corporate governance • Concerns about inequality remain strong in countries with employee representation model, so not obviously a clear answer to the problem <p><i>Variations</i></p> <ul style="list-style-type: none"> • Require letter from Remuneration Committee chair to employees explaining CEO pay and how this is justified in context of performance and company wide pay

Key takeaways

- Nine out of ten people want more action on top pay
- More power for shareholders is the most popular option
- The proposed solutions were all considered as part of the 2013 review by the Department of Business, Innovation and Skills and rejected at that time
- There is no magic bullet and all approaches have their problems



The case for doing nothing

The temptation in response to the level of public concern is to say that executive salaries must be cut. But this is simplistic. Accusations that executive pay is running out of control ignore a number of important facts. As we have argued elsewhere⁷, one of the key drivers behind the increases in pay in the UK over the decade up to the financial crisis was a global convergence in executive pay levels. Pay levels in the US actually fell a bit while those in a number of other markets rose.

As shown by Professor Martin Conyon⁸, CEO pay in listed companies has not increased any faster than pay for others in the top 0.1% of the income distribution in the UK and the US. Pay for people at the top of a number of scarce skill occupations have increased markedly over the last two decades, be it CEOs in unlisted companies or private equity, surgeons in the US, entertainers, sports stars, those in media, asset management, banking, or lawyers. Increases in CEO pay are a symptom of a broader economic phenomenon.

A recent review in *The Economist*⁹ argues convincingly that executive pay is not rigged, but is broadly the outcome you'd expect from market forces operating in what is an imperfect market for CEO talent. Our own view is also that this is where the balance of evidence lies.

One of the services that the UK provides to the world is to provide a liquid market in which large companies can raise capital, and enjoy a stable environment, the rule of law, a high standard of regulation, and can access a deep pool of skills to support their head office activities. A number of our largest listed companies have relatively little to do with the UK economy, and nearly half of FTSE-100 CEOs are non-UK nationals. It's vital that we allow our companies to attract top talent.

Indeed the public agrees. As so often, polling evidence can be internally contradictory. Fully 86% of respondents agree that it is somewhat or very important that companies are able to recruit top talent in to run the business. And the fact is that senior people running our public companies have choices about what they do and where they do it, whether it is outside the UK or in the non-listed sector.

And logic suggests that we shouldn't care too much what CEOs are paid. CEO pay is financially irrelevant compared to the value of the companies they lead. A CEO leading a company worth £10bn who is paid £10m only

has to improve the performance of the company by one tenth of one percent to more than repay their salary.

Alex Edmans of London Business School has been an articulate proponent of the point of view that pay structures matter much more than pay levels¹⁰. Surely we should be focusing on what we need to do to incentivize executives to create value in the businesses they lead, to support the creation of jobs in a dynamic British economy? Given the evidence that concerns about employment are at the root of concerns about inequality, shouldn't the focus be on incentivising leaders to create good jobs?

Finally, further regulation may not even work. Unfortunately, most regulatory interventions have unintended consequences. Kevin Murphy has provided a salutary study of the track record of pay regulation in producing these¹¹. Recent experience of the bonus cap in banking, which just acted to drive up salaries, is a reminder that regulation rarely trumps economics.

In our view the current system of binding and advisory votes is working well. It has helped shareholders enforce a range of good practices such as: limiting sign-on, one-off retention, and termination payments; linking salary increases to inflation or the wider workforce; constraining the ability to increase the quantum of incentives; adding claw-back and post vesting holding periods to share awards.

The combination of binding constraints and an annual advisory votes provides a balance that works for shareholders and companies. Companies do respond to negative advisory votes and shareholders acting together have shown they are able to change practices across the market. Ideally the system would be given more time to bed in, as we are only approaching the second round of binding votes since the regime was introduced.

So CEO pay in listed companies is probably the result of market forces operating in imperfect circumstances. The current system of shareholder votes gives investors the tools to have their voices heard. Further regulation may do more harm than good. We should in any case be more concerned about pay structures than pay levels.

All the above is probably true. But simply saying this paragraph out loud highlights how out of touch it sounds with current public opinion. If the market produces an answer that the public does not accept, then we still have a problem, and we need to face up to it.

7. PwC Research Report, 'What goes up must come down – an analysis of the forces driving executive pay over the next decade', March 2014

8. Professor Martin Conyon, University of Lancaster and Wharton Business School, working paper for PwC, 2014

9. *The Economist*, 'Briefing: Executive Pay, neither rigged nor fair', June 25-July 1st 2016

10. See for example Alex Edmans, 'Higher Stock Returns When CEOs Own More Shares', 6 Feb 2016, www.alexedmans.com

11. *The politics of pay: a legislative history of executive compensation*, Marshall Research Paper Series Working Paper FBE 0.1.11, 2011 <http://ssrn.com/abstract=1916358>



So what's to be done?

The idea that UK companies can continue to ignore the executive pay issue is no longer credible. The answer that 'it's the market' just isn't good enough when a significant majority of the public thinks the answer the market's producing is unacceptable. We certainly need to avoid hysteria, and we should continue to try to lead the debate with facts not opinion. But one such fact is that the public, and increasingly the body politic, aren't prepared to accept the status quo. We have a narrowing window to embrace change before it is forced upon us. The collective cost of inaction, through erosion of public trust, is borne by all and is becoming significant.

Of the proposals on the table, pay ratios seem most prone to generate heat rather than light due to the problems of comparison and the perverse impacts that changing business models can have on the ratio. And because executive pay is so variable – around three quarters is based on incentives – the volatility in the measure will make trend analysis prone to significant misunderstanding.

It's also not at all clear why a pay ratio of, say, 200 is any more likely to promote change in pay practices than the requirement to disclose a total pay figure of £5m for the CEO. History does not suggest that companies will be embarrassed into lower pay levels by disclosure. If anything the evidence is the opposite.

However, there is merit in requiring companies to think through their approach to fairness more carefully, at the top and bottom of organisations. The evidence suggests that concerns about inequality are more likely to be addressed through a comprehensive approach, rather than just looking at pay at the top. A requirement for firms to articulate and report on a set of 'fair pay principles' could provoke the right boardroom debates.

Employee involvement is superficially attractive, but in our view requires a complete recasting of UK corporate governance to be tenable. Employee involvement in the remuneration process in isolation is highly problematic and it is hard to justify their role as decision makers over other stakeholders. Requiring Remuneration Committees to explain their decision making to employees could be a proportionate way of putting some grit in the oyster.

More regulation on disclosure is in our view unnecessary. Pressure from shareholders and proxy voting agencies has already led to full retrospective disclosure from around two-thirds of FTSE-100 companies and good practice is spreading fast.

Simplified pay must be a good thing, but is best dealt with through shareholder guidelines rather than regulation. But shareholders could helpfully be given a nudge, particularly given the current work of the Investment Association Working Party on Executive Pay. The Big Innovation Centre has collected compelling evidence that performance triggers over short periods of one to three years can be counterproductive¹². Simpler pay plans, based on equity, options, and debt, with longer payment horizons than current norms, are more effective at aligning the interests of executives and shareholders.

Which brings us onto shareholder votes. As just discussed we think that the current system of shareholder votes is well balanced. It places accountability for pay where it should lie – with Boards – but with clear mechanisms for shareholders to enforce their views. The system is still in its infancy, but has already had an impact and should be allowed to bed down.

But here public opinion may not allow the necessary patience. Additional voting rights may be a price that needs to be paid for public acceptance. But an annual binding vote for all companies would create disproportionate activity when shareholders are unhappy with just a small number of companies each year. Better to trigger consequences on losing an advisory vote, for example by requiring companies to submit payments in following years to a binding vote, until a new remuneration policy is approved, or to trigger a binding vote for payments over a certain level set out in the policy.

The current governance system for executive pay is well constructed. But unfortunately the way actors have behaved within it has not taken enough account of the increasingly toxic political environment for executive pay.

This isn't just about the high profile cases. Practices more broadly needs reform. For example it can't be right that the average FTSE-100 bonus is around three quarters of the maximum, with four out of five companies paying above target levels every year. Such statistics undermine the credibility of the system in the public's eyes.

Overall we think new regulation in this area is best avoided. The appropriate locus of power is with shareholders, and they already have the tools to do the job. But if we are to avoid further regulation, there needs to be a sea change in attitudes and behaviour. And fast. A range of responses will be required to rebuild trust. And our research suggests that action on pay at the bottom may be as important as action on pay at the top.

Actions for companies



1. Remuneration Committees need to be prepared to take tougher decisions and set tougher targets. It's important that we're able to continue to pay our executives competitively by global standards, in order to motivate them to deliver business success. But we're in danger of losing the licence from the public to do this. Bonuses close to the maximum should only be paid for unambiguously outstanding performance. Executive pay shouldn't be designed just with public opinion in mind, but 'how would an ordinary person view this?' can be a helpful question for pricking the boardroom bubble.
2. Companies should develop a set of fair pay principles. These principles should cover the company's approach to living wage across their business and supply chain, to equal pay, and to executive pay in the context of pay in the wider workforce and society. Remuneration Committees need clearer principles to deal with the difficult questions of fairness and responsibility in relation to executive pay, which go beyond simple market competitiveness.
3. As we enter a period of uncertainty for the economy in the short term, coupled with trends towards labour displacement by technology, companies will be judged by how they treat the most vulnerable in their workforce. While technological change is likely to create new employment, the transition will be difficult for some. Companies should review their approaches to retraining and support particularly when reducing their workforce.
4. Companies need to redouble efforts to communicate the benefits of business in terms ordinary people understand. Most company reporting is heavily directed at shareholders, with benefits to society too often lost in business jargon. Benefits in terms of jobs, skills, total tax contribution, and wider benefits for society need to be a more prominent part of corporate communications. We need to create an environment where the benefits of business are felt and understood by all.

Advisers have been criticized for their role in the executive pay process. Their duty of care is to their client – the Remuneration Committee – rather than directly to shareholders. And advisers advise, clients decide. But advisers have a duty to put the awkward questions in the room. They should ask themselves whether they are challenging enough, often enough.

1. Shareholders need to keep up the pressure. The recent AGM season should be seen as the system working not failing. Many shareholders don't want to be seen as the arbiters of social policy on executive pay, and would rather spend much less time on the topic. But they need to consider the alternatives and decide which they would prefer. The fact that the public is still largely looking to shareholders for the answers should be viewed as a blessing not a curse, given the other options. They need to engage fully on the pay issue, individually and with other shareholders.
2. Shareholders should embrace change. Some of the problems we now face with executive pay arise from the complexities of the current system and the demands imposed by rigid adherence to the long-term incentive model promoted by agency theory. Shareholders have in front of them a set of proposals from the Investment Association's Working Group on executive pay, which could radically reform executive pay by making it simpler, lower, and better aligned to company strategy and performance. We fear that conservatism may cause this opportunity to be missed. It must not be.
3. It seems inevitable that new regulation or guidelines emerge given the clamour that “something must be done”. The current system of shareholder powers through non-binding and binding pay votes is in our view working well. This view is generally shared by investors and remuneration committees. Ideally time would be given for this system to prove its worth. But politics may demand faster answers, and shareholders should be prepared to work with policy makers to develop enhancements to the system that meet political demands without damaging the ability of UK companies to attract and retain top talent.

Actions for shareholders



In our view this is a critical time for all those involved in executive pay. All of us need to ask one simple question of each decision we make:

Will this decision enhance or erode the stock of public trust in business?

If we fail then we shouldn't be surprised to have taken away from us our current freedoms to set executive pay.



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