Written evidence from the Investment Association (CGP0029)

The Investment Association (IA) is the trade body that represents UK-based investment managers. Its 240 members collectively manage over £6.9 trillion on behalf of clients and own 34% of the market capitalisation of UK listed companies.

Executive summary

- We welcome the Committee’s inquiry into the progress made on fair pay. Both 2017 and 2018 have been significant in terms of changes to the executive pay and wider corporate governance framework. Throughout the previous Committee inquiry on corporate governance and since the launch of the Government’s Green Paper on Corporate Governance Reform, the IA has been closely involved in supporting the reform agenda on pay and making recommendations for change. We believe that this collective pressure has had a tangible, positive impact on executive pay structures and levels of pay in the UK.

- The IA proposed to set up a Public Register to hold companies to account where they receive significant shareholder dissent. After the Government asked the IA to establish this Public Register it went live in December 2017. At the time of launch, a significant proportion of listed companies – one in five – featured on the Public Register, and one third of companies on the Public Register had provided explanations of the actions they have taken to address shareholder concerns.

- The long cycles of pay schemes and remuneration policies, as well as the review of the UK Corporate Governance Code by the FRC mean that the full impact of recent initiatives is yet to be felt in full. Remuneration policies have a three year life, and the majority of companies renewed their policies in 2017 ahead of the release of the Committee’s report. Several other initiatives are also either yet to be implemented or are still in their early stages, including:
  
i. The Public Register, which was only launched in December 2017, and we are monitoring its impact in its first full year of operation.
  
ii. Pay ratio and other remuneration reporting requirements are due before Parliament in the next few months.
  
iii. The FRC is currently reviewing feedback from its consultation on the UK Corporate Governance Code, so we anticipate that the particular changes on executive pay in the Code may not be market practice until 2019.

- There have been signs of progress, in particular with corporates starting to listen to the concerns of their investors. Pay in the largest companies fell during 2016 (the year covered by the votes in 2017), with the average pay for a FTSE 100 CEO falling from £5.4million to £4.53million. But analysis by the IA from August 2017 showed that while FTSE 100 companies appeared to be hearing the views of shareholders, and received less dissent on pay (a 35% decrease), their smaller counterparts in the FTSE 250 saw a 100% increase in shareholder dissent on pay between 2016 and 2017.

- The IA has a key role in setting out investor expectations on executive pay in its Principles of Remuneration, which are updated annually to reflect and lead market best practice. In autumn 2017, the Principles of Remuneration were amended to ensure that there was no scheme – including LTIPs – favoured over any other. Policy must continue to give companies the freedom to choose the right pay structures for the strategy and long-term performance of the company.
• The IA was also responsible for establishing the independent Executive Remuneration Working Group in 2015 to propose recommendations for change in executive pay, with the final report published in July 2016.

• Executive pay continues to require reform. The IA supports the mix of market-based and legislative reforms being pursued as part of the Government’s corporate governance reform agenda. The full results of these structural changes may take a number of years to become apparent.

• We are assessing the data from the Public Register in 2018, and in particular believe that there needs to be focus on whether companies have made a public statement on the reasons for the dissent and the actions they intend to take in response and the “repeat offenders” who appear on the Public Register in consecutive years, and may not be responding adequately to the views of their shareholders. The updated Corporate Governance Code should encourage companies to publish a statement within six months of their AGM, and the IA will start reminding companies that they should have published such a statement. The IA is developing proposals to specifically address the problem of repeat offenders.

• We continue to push for greater transparency around bonus disclosure, and in particular for more clarity on how performance targets are set. This campaign for disclosure is underpinned by the IA’s Institutional Voting Information Service (IVIS). We continue to support the Committee’s recommendation that bonuses should have clear criteria that are genuinely stretching. Specifically, IA members want greater disclosure on non-financial targets, and how financial targets have been “adjusted” from the published financial KPIs.

• We support the Committee’s recommendation that the remuneration committee chair have experience on that committee before taking the chairmanship. The revised FRC Corporate Governance Code incorporates this recommendation but has diluted it by suggesting that the experience of the remuneration committee chair can derive from a remuneration committee at any company. This is insufficient and overlooks the need for specific company experience.

• The Committee recommended that companies should publish pay ratios between the CEO, senior executives and all UK employees. Progress is being made to formalise pay ratio reporting requirement in law, with the Government moving to publish secondary legislation shortly. Investors will expect companies to be early adopters of these requirements and to provide the context for their ratios and why this level is right for their business.

• We recognise that the Committee may wish to make further recommendations and have proposed further ideas in this submission. There are a number of issues and weaknesses in the current clawback system that investors have observed. We are concerned that companies do not have the right processes in place to legally enforce clawback where necessary. The common trigger events for clawback need to be expanded and the documentation, systems and processes that support the enforcement of clawback need to be more robust in order to ensure that clawback can be implemented effectively. The IA is considering how to revise its Principles of Remuneration to reflect these recommendations, while also considering if a regulatory approach would be required.

• Investors are keen to support initiatives such as Gender Pay Gap Reporting to increase diversity in the companies in which they invest. The methodology for calculating the gender pay gap figures should be continuously reviewed and developed, with a requirement for companies to provide aggregated or Group level disclosures which will allow investors to have conversations with investee companies around gender pay across the group companies. There are also peculiarities in the existing methodology, such as the fact that the figures are not prepared on a full-time equivalent basis.

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What progress has been made on implementing the recommendations on executive pay by the previous Committee in its 2017 report on Corporate Governance?

1. The IA welcomed the Committee’s 2017 report which identified key areas for reform of executive pay and corporate governance. Alongside the Government’s Corporate Governance Reform Green Paper and the FRC review of the Corporate Governance Code, 2017 was a significant year for public policy issues around executive pay.

2. Company AGMs can occur throughout the year, but the majority of meetings take place from mid-April to the end of July. The 2013 reforms requiring shareholder approval of the remuneration policy came into full force for 2014 AGMs and – due to the three-year cycle for remuneration policy approval – a large number of listed companies would have been required to revise their remuneration policy in 2017.

3. The Committee’s report made specific recommendations on pay structures and remuneration policies but the majority of these companies finalised and submitted their policies for renewal at the start of 2017, prior to the Committee’s report. The full impact of the Committee’s recommendations may not be visible until 2020 but there are already signs that progress is being made.

4. Pay in the largest companies fell during 2016 (the year covered by the votes in 2017), with the average pay for a FTSE 100 CEO falling from £5.44million to £4.53million. Median FTSE 100 CEO pay was £3.45 million. Shareholders assess and have an advisory vote on the pay received by executives during the year in the remuneration report.

5. Several FTSE 100 companies also reduced overall potential pay when renewing their remuneration policies. In particular, companies who received significant shareholder dissent against pay in 2016 accepted shareholder pressure and made reductions to their policies in 2017. BP received 59% votes against their remuneration report in 2016, and consequently made significant reductions to the potential variable pay, removing their share matching arrangement and reducing the long-term incentive grant level. The BP result had a wider impact as it set the tone for FTSE 100 companies who, it could be argued, did not want to be in the same media, investor and political spotlight. GSK also reduced their remuneration policy package to align with the appointment of a new CEO in response to shareholder concerns.

6. In July 2016, the IA published the report of a cross-industry initiative, the Executive Remuneration Working Group2, to assess whether executive pay was serving its purpose. The core recommendation of the Working Group was that companies choose the remuneration structure appropriate to their business, rather than being automatically funnelled into a uniform structure such as a Long Term Incentive Plan (LTIP).

7. Companies applying this recommendation would have been aligned with the Committee’s recommendations on the weaknesses of the LTIP model. This has led them to pursue an alternative approach using restricted shares and during 2017, a number of restricted share schemes have been approved, for example at Pets at Home plc, Premier Oil, and Kenmare Resources. The most recent example is Weir Group, which had previously proposed a similar scheme in 2016, but received 72% opposition to the structure of the scheme. Ahead of the 2018 AGM, the company engaged significantly with shareholders to understand how to improve the proposals, and introduced minimum performance underpinnings, longer vesting periods and increases to the shareholding requirements. The revised restricted share plan was approved by over 90% of shareholders at the April 2018 AGM.

8. Investors will continue to scrutinise new incentive schemes to ensure that pay structures are clearly linked to strategy and appropriate for the company in question. The IA sets out the expectations of our members on executive pay in our annual Principles of Remuneration.

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1 Source: CIPD/High Pay Centre – August 2017 Report
2 More information on the Executive Remuneration Working Group can be found here.
3 2017 Investment Association Principles of Remuneration
During the Autumn of 2017, the guidance was amended to ensure that there was no scheme – including LTIPs – favoured over any other. Policy must continue to give companies the freedom to choose the right pay structures for the strategy and long-term performance of the company. Schemes such as LTIPs, restricted shares and deferred bonus structures should be considered in the context of each specific company’s business model and long-term strategy.

9. There is more to be done in the 2018 AGM season and beyond. Analysis by the IA from August 2017 showed that while FTSE 100 companies appeared to be hearing the views of shareholders, and received less dissent on pay (a 35% decrease), their smaller counterparts in the FTSE 250 saw a 100% increase in shareholder dissent on pay between 2016 and 2017, with 29 companies seeing votes with more than 20% dissent, up from 15 in 2016.

10. Much of the change yet to come relates to the governance and wider context of executive pay. The FRC is reviewing feedback to its consultation on updating the UK Corporate Governance Code, which has a significant role in framing the approach of boards to executive pay.

11. The revised Code incorporates the Select Committee’s recommendation that the remuneration committee chair have experience on that committee before taking the chairmanship. Remuneration committee chairs need time to understand the company strategy, what drives performance, the company culture, the shareholder base and the workforce. They also need to build relationships with the management team in order to effectively discuss and assess these performance-related issues. A one year period allows for sufficient induction into the role. This recommendation has been weakened in the FRC revised Code by suggesting that the experience of the remuneration committee chair can derive from a remuneration committee at any company. This is insufficient and overlooks the importance of in-company experience.

12. The revised Code also reflects the Committee’s recommendation on longer time horizons for LTIPs. The IA has advocated this for several years through the Principles of Remuneration and investor pressure in recent years has led to this now being accepted market practice, with the majority of companies having five year combined performance and holding periods.

13. Executive pay continues to require reform. The IA supports the mix of market-based and legislative reforms being pursued as part of the Government’s corporate governance reform agenda. The full results of these structural changes may take a number of years to become apparent. The move by investors to extend holding periods for long-term pay schemes up to five years has taken several years to be fully implemented. The long duration of some awards may also mean that a grant that is made in 2014 but which pays out in 2017 does not have all of the best practice features expected in 2017 because it was made on the 2014 standards.

What improvements have been made to reporting on executive pay in the last 12 months?

14. We strongly support the recommendation that bonuses should have clear criteria that are genuinely stretching and as a result of shareholder pressure there has been substantial progress in the level of disclosure on targets. Investors expect full transparency around bonus and other incentive targets so that they can assess whether targets are stretching, appropriate for the business model, and in line with the performance of the business. For several years, we have set out investor expectations on the disclosure of financial targets, clearly stating that we expect to see disclosure of threshold, target and maximum performance targets. This campaign for disclosure has been underpinned by IVIS®, the corporate governance research service provided by the IA, which has flagged those companies which do not meet the expected standards.

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4 “Shareholders flex their muscles in 2017 AGM Season to reduce FTSE Pay” -- IA Press Release 16/07/2017
5 IVIS (Institutional Voting Information Service) is a subscription service that provides corporate governance research for investors ahead of shareholder meetings. IVIS does not provide voting recommendations, instead it highlights concerns via colour tops.
15. We continue to push for greater transparency around bonus disclosure, and in particular for more clarity on how performance targets are set. In particular, it is not always apparent how the targets used by remuneration committees to determine pay have been derived or “adjusted” from the financial KPIs in the Annual Report and Accounts. We would support a reporting requirement, so that remuneration committees have to disclose any adjustments made to the financial KPIs published elsewhere in the Annual Report, when using them as performance targets. There is still more to be done, in particular around the disclosure of non-financial targets, which usually relate to personal objectives or qualitative strategic objectives. Disclosure on this type of target often lacks detail, meaning that pay outcomes may lack transparency.

16. The Committee recommended that companies should publish pay ratios between the CEO, senior executives and all UK employees. Progress is being made to formalise pay ratio reporting requirement in law, with the Government moving to publish secondary legislation shortly. The IA updates its Principles of Remuneration every year to reflect investor views and best practice and writes to FTSE 350 Chairs to explain the changes. The IA has been asking companies to voluntarily report on their pay ratios in the letter to Chairs since 2016, and a number of companies have started to report their pay ratios. We will encourage early adoption by investee companies when the secondary legislation comes into force. Investors will expect companies to provide the context for their ratios and why this level is right for their business.

17. We support the revised FRC Corporate Governance Code’s expansion of the role of the remuneration committee to have oversight of workforce pay. The introduction of Gender Pay Gap Reporting and pay ratio reporting make it more important than ever that the remuneration committee and Board more generally, have oversight of the pay culture across their organisation, as these issues are increasingly significant risks to a company’s business model and reputation. This oversight is in the context of their non-executive responsibilities, and they should be overseeing, rather than managing and setting all workforce pay.

18. This change to the Code goes some way to addressing the Committee recommendation on companies being more transparent about their employment and reward policies. The IA has published Long Term Reporting Guidance, which includes a focus on human capital management. The guidelines recognise that a well-engaged, stable, and trained workforce is more likely to be more productive and, in turn, to drive long-term business success. So far there has been little company reporting on these issues, so the IA has asked companies to explain in their Strategic Reports:

i. The significant investments that the company has made over the past year, and is planning to make in the next, to improve the productivity of its workforce, including the outcomes of those decisions where possible;

ii. The significant opportunities, and principal risks, relating to the company’s approach to human capital management, and of the strategy adopted by the Board to respond these issues; and

iii. How the workforce is incentivised to be more productive, and how this approach to motivating the workforce is compatible with the businesses’ long term strategy.

IVIS is now analysing companies against the Long Term Reporting Guidance and will be assessing how companies have responded to our new guidance later this year.

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6 2017 Introductory Letter to the Investment Association Principles of Remuneration
7 The IA’s Long-Term Reporting Guidance was published in May 2017 and can be found here.
What steps have been taken by Remuneration Committees and institutional investors to combat excessive executive pay in the last 12 months?

19. Members of the IA have continued to work to hold companies to account on executive pay over the last 12 months, both in their voting at meetings and in ongoing engagement with investee companies. Engagement levels between investors and companies were particularly high in the lead up to the 2017 AGM season because of the number of companies revising their three-year remuneration policies. The IA had around 200 engagements with companies in this period.

20. Investor engagement preceding 2017 AGMs led to a number of companies presenting reduced pay packages, or modifying their proposals in light of shareholder views. There were nonetheless a number of companies which failed to address the concerns of shareholders and received a high level of dissent at their AGMs, such as Thomas Cook Plc, Foxtons Group Plc and Pearson Plc.

21. There was a growing trend in 2017 of companies withdrawing their remuneration policies. In these cases, investors had raised concerns prior to the AGM and indicated that they were not willing to support the proposed remuneration policies. The companies then decided to withdraw the resolutions on remuneration, as there was insufficient support for these resolutions. The 6 FTSE 350 companies who chose to withdraw their remuneration resolutions ahead of their company’s AGM were Aveva Plc, Aggreko Plc, Chemring Plc, Imperial Brands Plc, Hunting Plc, and Safestore Plc.

22. In December, the IA launched the Public Register⁶, an online list of FTSE All-Share companies that have received more than 20% votes against a resolution, or who have withdrawn a resolution, at an AGM or General Meeting. A key purpose of the Public Register is to focus attention on how these companies respond to the concerns of their investors. The Public Register allows users to access information regarding voting outcomes, company responses on how they have addressed shareholders’ concerns. At the time of launch, almost one third (31%) of companies named on the Public Register provided a public response explaining how they are addressing their shareholders’ concerns. At the launch, the Public Register included all of the data for 2017 and it is now updated on an ongoing basis.

23. The IA proposed the Public Register in its response to the Green Paper on Corporate Governance Reform and was subsequently asked to deliver it by the Government. One of the key drivers for establishing the Public Register was a belief that companies were not adequately responding to concern around levels of executive pay raised in AGM votes, and that there was no formal mechanism to get companies to address such concerns. As at 27 April 2018, there were 164 companies on the Public Register and 312 resolutions. 32% of resolutions on the Public Register were pay-related and 29% were related to director re-election.

24. Investors have said that they will be using data from the Public Register to identify those companies who continue to ignore calls to address issues such as pay and which require additional engagement. The Public Register has shone a spotlight on these companies in a way which was not common before, and has identified a number of companies which are continually failing to properly listen to concerns of their investors. We expect there to be particular scrutiny on those companies who are “repeat offenders”. Since the start of the year to 20 April 2018, 16 of the 33 companies that are on the Public Register in 2018 also appeared in 2017. 11 of those companies received significant dissent on the same resolution in 2017 and 2018. We are supportive of the wording in the FRC’s revised Corporate Governance Code which will require companies to make a public statement within six months of the AGM or GM of the views they have heard from their investors and the actions they intend to take as a result. The IA will be reminding companies of this deadline, to encourage them to make an additional public statement.

25. Government and policymakers could use the IA Public Register to monitor instances in which shareholders are expressing significant dissent against companies. For example, the Chair of the

⁶ The Public Register can be accessed [here](#).
Work and Pensions Select Committee has suggested that the Public Register could be used by
The Pensions Regulator.

26. For those who have appeared on the Public Register for issues relating to pay and who have
persistently ignored investor concerns, we have seen that a number of institutional investors
have applied a policy of voting against the re-election of individual directors on the
remuneration committee. Safestore faced significant shareholder dissent in 2017 which caused
them to withdraw their remuneration policy, and return to shareholders at a general meeting. In
2018, all the members of the remuneration committee received at least 22% against their re-
election, with the remuneration committee chair receiving nearly 48% against her re-election.

27. Remuneration committees have shown some responsiveness to shareholder concerns. A
number of companies have used their policy renewals to address investor concerns around
pension contributions for executive directors, and have aligned pension arrangements for new
executives with the rest of the workforce in their new remuneration policies. Investors would
like remuneration committees to pay further attention to a number of remaining issues to
ensure that pay and performance are aligned, and that public trust in executive pay is
addressed. Remuneration committees should be focussed on:

i. **Pay for performance:** moving beyond acceptance of formulaic outcomes of
performance-related pay if this is not aligned with the overall performance of the
company;

ii. **Levels of pay:** investors are concerned with increases to variable pay potential and
salaries which can have a proportionally large impact on the value of executives overall
pay package;

iii. **Pay structures:** remuneration committees need to ensure that they have the
remuneration structures that are right for their businesses.

What further measures should be considered?

28. **Clawback provisions.** We are supportive of the Committee’s interest in the operation of malus
and clawback in executive pay. Clawback provision for companies outside the financial services
sector are relatively new and investors have questioned whether they are being implemented
appropriately by companies such that the provisions could be used if necessary. It is appropriate
to review how the current regime has been implemented and whether it could be strengthened.

29. The IA has been considering this issue, as investors have had concerns about malus and
clawback being fully operational tools for companies. For the last year we have been engaging
with advisers (including remuneration consultants and lawyers) to understand what steps
companies have been taking to implement malus and clawback systems. We have concluded
that companies could do more to ensure that clawback is legally enforceable and can act as a
credible threat in the case of an exceptional event. In particular, we believe that there are two
areas which need to be examined in more detail: documentation and process, and the standard
clawback triggers that are used by companies. The IA is considering how it can revise its
Principles of Remuneration to reflect these recommendations, while also considering if a
regulatory approach would also be required.

i. **Documentation and process.** In order to help the enforcement of clawback, it is
important that the terms are clearly set out and accepted by the executive. This may
mean having clawback set out more clearly than just in the remuneration policy.
Increasingly, companies are requiring executives to sign forms of acceptance when the
awards are granted (or when they vest) in order to set the expectations for clawback
applying to that award, and setting out how and when it may be applied. It is also very
important that documentation of LTIP and bonus rules, the remuneration policy and
employee contracts are all consistent. Any communication around the payment of
bonuses or LTIPs should also be consistent with and not contradict the malus and
clawback process. For example, companies will often update participants on the achievement of the performance conditions and likely vesting levels, however, this could impact on the ability of the remuneration committee to enforce clawback provisions. Remuneration committees should develop clear processes for assessing executives against either clawback criteria or how they will exercise discretionary clawback. Demonstration of process and evidence of decision-making is very important in the event that clawback is contested. Given that the employee may have an entitlement to the award, the company will have to show that it has gone through due process in determining the use of clawback.

ii. **Review of standard clawback triggers.** The standard triggers for malus and clawback are gross misconduct or misstatement of results. These two events are likely to be rare, and when they do occur, it may be challenging to prove the individual culpability of directors. In order to give clawback the full power to make post-hoc adjustments when performance that determined the award comes into question, a more substantial list of specific circumstances in which the malus and clawback provisions could be used should be established.

30. We continue to develop our analysis of the issues and possible areas for change that investors would like to see, but we would also raise the following observations and initial analysis to the attention of the Committee.

i. **Clawback provisions have only been required for all companies since the UK Corporate Governance Code was revised in 2014.** Given the normal performance period for an LTIP is 3 years, the first awards which are subject to these provisions would only have been assessed by remuneration committees in 2017. This means that there has not yet been a great deal of test cases for clawback.

ii. Unlike financial institutions, **for the wider corporate sector there is no regulatory underpin for clawback** (the FCA and PRA have oversight of clawback and recovery systems in financial institutions). The presence of the regulatory underpin in the finance sector means that substantial resource and process has been put in place to support clawback provisions, however this pressure does not exist for other companies. Given high profile conduct issues in the banking sector in recent years, there has also been more instances of inappropriate behaviour in the financial services sector which have required companies to implement clawback or malus provisions.

iii. **Clawback is just one of a range of methods for adjusting pay outcomes for executive pay.** Clawback is aimed at reclaiming amounts already paid to executives. Remuneration committees may use other tools to reduce the wealth of the executive in the case of an exceptional event, such as reducing LTIPs and bonus outcomes which are being calculated at the time, cancelling future awards, or using “malus” to reduce the amount the executive receives from an LTIP which is in a holding period. For legal reasons, it is much easier to adjust future awards that the board has control of, rather than pursuing amounts already paid and handed over to executives, and the financial impact may be equal for both courses of action. There is also the question of which part of the pay to target for the adjustments. Executives typically have a number of annual awards with overlapping performance periods, so some awards may be affected, while others will not be.

iv. **Clawback has to interact with contract, company and employment law.** To be effective, clawback systems must take into account interactions with contract, company and employment law. Inconsistencies between employment contracts and the clawback terms set out in remuneration policies and pay scheme rules could leave a company unable to use clawback or mean that the use of it could be successfully challenged in court. The costs of pursuing clawback against a challenge could exceed the amount being clawed back, which could deter boards from wanting to use it. Additionally, some (or indeed many) events relevant to clawback may also have led to the director leaving the company. Where a director leaves and final payment is settled through a
compromise agreement and a lump sum payment, this may affect the ability to use clawback.

v. There can be a significant time-lag between when clawback provisions are developed and when they then have to be used. Companies submit their remuneration policies every 3 years, and LTIP rules are usually submitted for approval with a 10 year life. Companies can fail to anticipate the powers the company will need to recover sums at the time of vesting, sometimes years after the rules are set.

31. Gender Pay Gap Reporting. The introduction of Gender Pay Gap Reporting Requirements has provided a new lens for investors to understand gender diversity in the workforce of the companies they invest in, and investors will be using it in their engagements with companies. They will be particularly interested in how companies work to address any issues identified by the data, as well as year-on-year trends and themes within different sectors. Members of the IA are clear that embracing diversity is crucial to the long-term success of the businesses in which they invest. The IA and its members have been promoting greater focus on this issue through educational sessions and engagement with companies, but also through supporting Government and other market-based initiatives to promote diversity.

32. Gender Pay Gap Reporting provides useful information but the methodology for calculating the statistics should be continuously reviewed and developed. For example, there are some peculiarities as a result of the methodology, such as the fact that the figures are not prepared on a full-time equivalent basis. Investors have also said that it would be useful for companies to be required to disclose the Gender Pay Gap data at a group or Plc level, aggregating the data for subsidiary companies who have reported as separate entities. This will allow investors to better analyse and hold investee companies to account on diversity issues.

33. In order to help investors, the IA has introduced gender diversity as part of the reporting in the IVIS report. The gender breakdown of the Executive Committee, their direct reports and the Board (as recommended in the Hampton-Alexander Review), in addition to stating the company’s gender pay gap figures are now outlined in the report. This will allow investment managers to easily see the gender composition of the companies they invest in.

34. A number of investors have already publicly said that they will vote against the re-election of the Company Chair or Nomination Committee Chair if a company is making insufficient progress on improving diversity. Aviva Investors, Hermes Investment Management and Legal & General Investment Management (LGIM), were all cited in the most recent report of the Hampton-Alexander Review as saying that they have voted against AGM resolutions on the grounds of gender representation, with LGIM stating in April 2018 that they will vote against the chairs of FTSE 350 companies at annual meetings if their boards are not at least 25 per cent female. Another example is the 30% Club UK Investor Group’s Statement of Intent, which sets out that its 31 institutional investor members will use their ownership rights and undertake stewardship to encourage progress on gender diversity.

35. The IA continues to engage with other market initiatives on gender diversity at Board level. In April 2018, the IA and the Hampton-Alexander Review wrote to 35 FTSE 350 companies with low female representation at leadership level calling for action to address this issue. We believe that such initiatives are very important to achieving change in this area and will continue to support Hampton-Alexander as it looks to the target of 33% for women in senior leadership positions by 2020.

8 May 2018

9 https://www.ft.com/content/f3f7556c-4190-11e8-803a-295c97e6fd0b
10 30% Club Investor Group: Statement of Intent can be found here.
11 More details on the letter can be found in the press release.