



29 August 2017

Executive pay and employees on boards

Listed companies will be required to publish the ratio of pay between CEOs and average workers, under plans unveiled by the Government today. Employees will also need to be given a stronger voice at board level. The reforms, which are part of a package to strengthen corporate governance, are expected to come into force by June 2018.

In 2016, the Government published a green paper on corporate governance reform. Its [response](#), published today, contains a number of proposals aimed at curbing excessive pay for executives and ensuring the interests of employees and shareholders are better represented.

Key proposals include:

- requiring all quoted companies to publish annually the pay ratio between CEOs and average workers, along with a narrative putting the ratio in context and explaining any changes year to year
- requiring premium listed companies to give employees a stronger voice at board level by choosing one of three mechanisms: a non-executive director dedicated to represent the workforce; a formal employee advisory council or a director appointed directly from the workforce
- introducing a new public register to "name and shame" listed companies where at least 20 percent of shareholders have objected to executive pay packages, and
- requiring all private and public companies of a "significant size" (likely 1000 employees) to explain how their directors take employees' and shareholders' interests into account when exercising their functions, as required under the Companies Act 2006.

While the reforms largely target publicly listed companies, the Government will also look to develop a set of voluntary corporate governance principles for large private companies and require them to disclose what arrangements they have in place for corporate governance.

The changes are expected to be introduced by June 2018, to apply to company reporting years commencing on or after that date.

TRIVERS SMITH

FOR FURTHER INFORMATION, PLEASE CONTACT

10 Snow Hill
London EC1A 2AL
T: +44 (0)20 7295 3000
F: +44 (0)20 7295 3500
www.traverssmith.com



Tim Gilbert

Partner

E: tim.gilbert@traverssmith.com
T: +44 (0)20 7295 3207



Siân Keall

Partner

E: sian.keall@traverssmith.com
T: +44 (0)20 7295 3357



Ed Mills

Partner

E: ed.mills@traverssmith.com
T: +44 (0)20 7295 3424