

U.K. Announces Proposals Intended to Curb Executive Compensation

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On June 20, 2012, the U.K. Secretary of State for Business, Innovation and Skills Vince Cable announced a package of proposals intended to curb executive pay. This follows the U.K. government's publication of a consultation paper in March and a consultation period that ended in April. The proposed measures include:

- a binding shareholder vote on the company's policy regarding compensation (including "exit payments") of directors, including executive directors;
- continuing the annual advisory shareholder vote on how the company's pay policy was implemented in the previous year;
- enhanced compensation disclosure, including disclosure of a "single figure" for the total pay that directors receive for the previous year; and
- consultation by the Financial Reporting Council regarding proposed changes to the U.K. Corporate Governance Code.

To introduce the measures, the U.K. government intends to bring forward amendments to the Enterprise and Regulatory Reform Bill, which is currently before Parliament. At the same time, the U.K. government intends to publish revised, simplified regulations mandating the disclosure of director pay. These regulations would be subject to public comment prior to becoming law. The U.K. government intends to enact these measures by October 2013.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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