

Our position

In the longer term, we believe excessive inequality may create systemic risks, such as the breakdown in social cohesion and trust, disruptions to political stability, and financial system turbulence. We believe higher, and more equitable growth is in the interests of our clients, as higher growth rates, and greater innovation, create more investment opportunities.

In the US, the average large company CEO earns 310 times the median US wage. It means that at present, executive pay represents three per cent of the free cash flow generated by the business. This is a significant cost for investors.

What we do

Monopoly power, extreme pay differentials, and tax transparency are three areas that we believe are core to challenges associated with shared prosperity. We have developed policies to enhance our engagement, voting and integration on these issues.

How we vote

We vote on executive pay in the US and the UK using an approach which promotes the need to better balance senior executives' performance, and fairness. We will vote for pay plans that meet our framework, which allows the CEO to earn between 20 and 170 times the national median wage in the United States, and United Kingdom¹. Executives are rewarded in greater quantity for making the company bigger, or for running a more complex business².

Specifically, we will provide an against vote if our framework indicates that there is an excessive, inequality enhancing, pay situation. If we vote against a company on excessive pay three years in a row, and do not feel that the board is adequately responding to our concerns on high pay, we may vote against members of the remuneration committee who have been in their roles for three years.

That being said, we will scrutinize corporate pay policies individually and with nuance. For example, we will take into account specific situations where exercising share options may lead to a spike in total remuneration in a particular year, which may give the impression of a high pay situation, which, averaged across a number of years, is in line with safe and fair levels of reward.

We will support shareholder resolutions that will improve access to healthcare for under-privileged communities. For companies not meeting our expectations, we may vote against the Chair of the Board or other relevant Board of Directors, unless the company communicates a timely and credible plan to us to improve access to healthcare.

1. For context, CEO to average salary in the UK is around 200x, 180x in South Africa, 140x in Germany, 130x in China, 70x in South Korea, 60x in Mexico.
2. Our voting impact analysis suggests this approach may lead us to vote against the Advisory vote on CEO pay for over half of CEO pay packages.

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