

Executive pensions are “corrosive” to the UK economy and reflect a “deep malaise” at the top of British society, a landmark report says.

The High Pay Commission, an independent inquiry into top pay in the private sector, says generous pension packages for top executives and excessive high pay damages companies, is bad for the economy and has negative impacts on society.

The commission's report, which included commissioners such as West Midlands Pension Fund director of pensions Brian Bailey, recommended more transparency and called on fund managers to fully disclose how they vote on remuneration issues.

It criticised the practice of hiding executive awards, such as generous pensions, within footnotes of annual reports.

High Pay Commission chairman Deborah Hargreaves said: "There's a crisis at the top of British business and it is deeply corrosive to our economy. When pay for senior executives is set behind closed doors, does not reflect company success and is fuelling massive inequality it represents a deep malaise at the very top of our society."

The National Association of Pension Funds today backed the call for transparency.

Chief executive Joanne Segars said: "Complex bonus structures and the lack of transparency around executive pay are key parts of the problem. If we are to make progress on executive remuneration, it is essential that boardrooms explain clearly why top execs earn what they do. Executive directors should be rewarded based on their performance and the value they create for the business and the shareholders."

She added: "It is crucial that there is a clear and solid explanation about the link between their rewards and performance. There should be no reward for failure."

[Final Report of the High Pay Commission Published:](#)

Today the High Pay Commission publishes its final report, [Cheques with Balances: Why tackling high pay is in the national interest](#), shows stratospheric pay increases which have seen wealth flow upwards to the top 0.1% away from average workers. It sets out a 12-point plan based on transparency, accountability and fairness to halt spiralling high pay that is creating inequalities last seen in the Victorian era.

The High Pay Commission's reforms include:

- A radical simplification of executive pay
- Putting employees on remuneration committees
- Publishing the top ten executive pay packages outside the boardroom
- Forcing companies to publish a pay ratio between the highest paid executive and the company median
- Companies to reveal total pay figure earned by the executive
- Establishing a new national body to monitor high pay.

Cheques with Balances reveals how:

- Decisions to award huge pay packages are set by a “closed shop”, shrouded in highly complex detail, effectively hidden from shareholders, staff and the public.
- Stratospheric increases in pay are damaging the UK economy – distorting markets, draining talent from key sectors and rewarding failure.
- There appears to be little truth in the myth that pay must escalate to halt a talent drain in executives according to in-depth study by the High Pay Commission.
- The growing pay gap between the top 0.1% and everyone else is increasing public disillusionment, damaging trust and fuelling the view that business leaders are “in it for themselves”.

High Pay Commission chair, Deborah Hargreaves, said:

“There’s a crisis at the top of British business and it is deeply corrosive to our economy. When pay for senior executives is set behind closed doors, does not reflect company success and is fuelling massive inequality it represents a deep malaise at the very top of our society.

“The British people believe in fairness and, at a time of unparalleled austerity, one tiny section of society – the top 0.1% -continues to enjoy huge annual increases in pay awards. Everyone, including each of the main political parties, recognises there is a need to tackle top pay. That’s why we are saying there must be an end to the “closed shop” that sets top pay and that pay packages should be clear, open and published to shareholders and the public.”