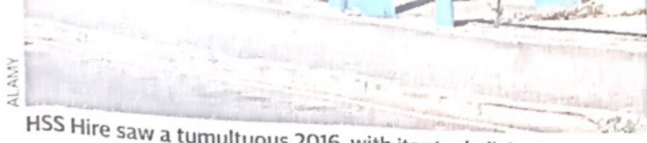
which it said had improved how the company operates, would allow it to serve customers better and

given the "history of earnings downgrades" as well as what it described as a "stretched" position with regards to its debt.



ALAMY

HSS Hire saw a tumultuous 2016, with its stock diving

◆ Some analysts regard its debt position as stretched
◆ Analyst ratings on the stock are neutral
◆ The company is exposed to the home improvement market

◆ A focus on costs, as the CEO was its CFO
◆ Capital expenditure falling, so could generate more cash
◆ Profits growing at Hero Acquisitions wing

Prepare for a new era of restraint in executive pay

BEN MARLOW

It would be tempting to view the looming climbdown on pay at BP as something of a victory for hareholders, as well as common ense. Certainly both lost out last year.

Despite posting a thumping $5.2bn £4.2bn) loss in 2015, the BP board, led y invisible chairman Carl Henric vanberg, felt that chief executive Bob udley deserved a 20pc pay rise for is efforts. If only every employer was o understanding.

Dudley took home nearly $20m, an ewatering sum by anyone's andards, but given that BP had just ported its worst-ever results, it's rd to escape the feeling that mething has gone badly awry in itain's boardrooms.

No wonder then that the 61-year old nerican became something of a use celebre for runaway executive and the revolt that followed. We are constantly being reminded t Britain has one of the strongest porate regimes in the world, and ile that is undoubtedly true, there is doubt that there are still some or flaws when it comes to cutive remuneration.

s the furore around Dudley's out demonstrated, shareholders ssentially powerless to prevent a company from paying their executives whatever they want to. Yes, they can register their disapproval with a no vote, but companies are free to ignore their opposition and plough ahead with the proposal.

To the man of the street it is weaknesses such as these that reinforce the view of unaccountability at the top of business, and have prompted the Government's threats to reform the system if it fails to reform itself.

And it's not just out-of-touch boardrooms that are in the firing line. The Prime Minister's statement that scrutiny of big business was "not good enough", was a clear warning shot to investors to get tougher.

The promise of intervention has clearly helped to focus minds, even if some of the more subtle aspects of the corporate governance debate have clearly been lost on Theresa May – the collapse of BHS for example had nothing to do with executive pay, nor is it clear how any of the current crop of proposals would have prevented it from happening.

Not only has there been a spike in pay protests, boardrooms suddenly seem to be taking them more seriously, reining back on the proposals that have been heavily rejected, rather than ignoring them.

Part of that, of course, is that investors are voting on pay policy this time around – the terms that will dictate what companies can pay out over the next three years, a result that is binding, unlike the bulk of those last year. In the case of BP, Dudley's maximum annual pay over the forthcoming three-year period will be around £12.2m, including his salary. While still an astronomical figure to most mere mortals, a £5m cut from his last package represents a sizeable drop for someone in the mega-league of pay like Dudley, and a sign that BP hasn't been deaf to the widespread criticism that followed last year's bumper payout.

Still, not everyone is convinced that the carrot approach will be effective. The Commons Business, Energy and Industrial Strategy Committee, led by Sir Philip Green's nemesis Iain Wright, has published a giant report calling for a series of big changes.

As with the Government's own Green Paper, some of the proposals merit consideration, such as forcing remuneration committee chairmen to resign if their proposals aren't backed by 75pc of shareholders. For too long Remco bosses have got away with wildly misjudging the mood among shareholders, or ignoring it altogether, only for a pay proposal to receive an almighty backlash, further inflaming relations with investors.

A call to scrap so-called Long-Term Incentive Plans, which today account for the biggest share of remuneration at Britain's blue-chip companies, sounds radical but may well have legs. Critics say they have helped to exacerbate the pay gap, and too often reward bosses for routine performance based on a narrow set of criteria. Judging performance against customer services, safety, employment, and environmental issues, rather than a company's share price performance, seems like common sense rather than some huge affront to free markets. Indeed, it is a move that some of the biggest fund managers in the City are privately pushing for.

'There is no doubt that the issue that really inflames public opinion is reward for failure'

Other recommendations such as a "traffic light" system by which the FRC judges businesses on corporate governance, feel poorly thought-through, and are unlikely to strike fea into many boardrooms. The report claims that a red, amber, green rating set-up would encourage investors, suppliers and employees to pressure boards into being more accountable.

However, there are fears that rathe than boosting accountability, an FRC "green light" could be used as an eas excuse to reduce shareholder dialog

The Government is right that pu trust in business has sunk to a new but it is important not to confuse th collapse of BHS and poor employm practices at Sports Direct, with continued high executive pay. However, there is no doubt that th issue that really inflames public opinion is reward for failure.

Although it is yet to be decided which of the many proposals will eventually be introduced, it seem certain that a new era of restraint upon us. After more than three decades of unchecked growth in gap between boardroom pay and average worker pay, a reversal long overdue.