Preface

Say on pay is the latest in a series of regulatory techniques introduced by governments to regulate executive remuneration. This book focuses on say on pay as introduced by the UK government in 2002 and by the Australian government in 2004: mandatory disclosure of remuneration in a ‘remuneration report’ plus a mandatory annual advisory shareholder vote on that report. To say the vote is only advisory in status is important: the shareholders in general meetings are not making a decision that binds the company to action. This book is based on eight years of researching and thinking on these issues.

As my primary interest is government policy and law reform, I examine the claims made about say on pay: what policy goals are behind its introduction and why it is a better solution than the traditional response of mandatory disclosures. Chapter 1 presents a potted history of these policy debates around four recurring themes: curbing executive greed; improving board accountability for executive remuneration; increasing the level of engagement or dialogue between shareholders and company boards on executive remuneration; and ensuring pay is aligned with performance. Anyone familiar with the debates in 2011–12 in both the UK and Australia would immediately see that these issues still lie at the heart of policy debates on regulating executive remuneration.

To analyse say on pay, I draw upon some concepts from regulatory theory to devise a map of the regulatory space within which say on pay happens. I call this space the regulated remuneration cycle (chapter 2). I then use empirical evidence from the first three years of its operation in the UK and Australia to critically analyse the operation of say on pay in practice. In chapters 3 to 8, I draw extensively upon interview evidence to look behind the rhetoric of say on pay and government policy goals to the reality of making decisions about the ‘pay’ and the ‘say’. My methodology for selecting participants and the interview formats are outlined in the methodology appendix at the end of the book. I am grateful to all the participants in these interviews for their insights, candour and humour.

The regulated remuneration cycle can be deployed to analyse the system of rules surrounding executive remuneration in other jurisdictions and how a ‘say on pay’ (particularly an advisory-only vote) might be
supported or challenged by other rules and practices with the cycle. It may indicate some more extensive reform of existing executive remuneration laws is required before introducing a say on pay.

At times in the book, I refer to the guidance as it stood during the period I studied the practices (the first three years of operation of say on pay in each jurisdiction), while at other times I use the current guidance. I also do not refer to any of the EU initiatives specifically for the UK, as I take the local adoption of these as the pertinent ‘rule’ for my analysis.