**Transcript**

***Dr Sam Kovacevic – Remuneration consultants and executive pay***

Primarily over my research career I’ve been interested in corporate governance and that looks at the top of organisations. We’re talking about the boards of directors, we’re talking about executives, chief executives primarily. More recently I’ve been focussing on executive salaries and recently in the last couple of years there have been some major changes in the legislation about the disclosure of executive pay and the shareholder say on executive pay. Now, the last couple of years, 2011, 2012 have been interesting because what we’re going to find is that shareholders have more of a say now on executive salaries. This is going to result in possibly changes to board structures, board memberships. So this is , this is something that could be quite interesting to examine towards the end of this year when we have the annual general meeting season coming up.

The key outcome of this research is that we’re looking into the efficacy of regulation into executive pay particularly in relation to the impact that it has on the shaping of executive salaries and how shareholders use their right now, their new right to vote on executive salaries. They can vote against an executive pay packet at an annual general meeting therefore triggering possibly a board spill after two “no” votes, so called “no” votes. This could have implications in a number of areas. Number one it could change the board membership, ok, so we’ll have different directors on boards and that potentially creates the possibility of women having more opportunity to sit on boards. Only about eight percent of board seats are occupied by women now and that’s a slight increase over the last 10 years but it’s not a great figure as you can imagine. The other implication is that shareholders now have a greater say, therefore all companies, boards in particular are more likely to engage them earlier and more often in order to explain what they’re doing, in order to demystify processes, in order to justify what they’ve been doing. What we’re interested in our research, I work as part of a team, is looking at the role that remuneration consultants play. These are the professionals who come in and advise board members on how they should be rewarding their executives. Do these consultants play a role in legitimising exorbitant salaries or, more benignly, provide expert advice on how to best reward a well performing or high performing executive?

The impact on society and the community is yet to be determined given that it’s a very new law that we’re looking at which had its first kind of go round at the end of last year 2011 and will have another go round this year at 2012. What will happen at the end of this year potentially is that companies would have received a second vote, some companies would have received a second vote against executive pay. Some 35 major Australian companies received a vote against executive salaries last year. So, I imagine a number of them will probably be, be very careful in how they set up their executive rewards this year in order to avoid a second “no” vote. If there is a second vote against executive salaries then that could potentially trigger, as I said before, a change in board membership and perhaps create some opportunities for new directors to come onto boards who didn’t have the opportunity before. Also I think it has broader social implications because Australians by their nature are very much into owning shares. About half of the adult population, roughly half, between 40 and 50 percent depending on which data you look at, about half of adult Australians own shares directly or indirectly and so they have an interest in what’s happening in companies.