

EXECUTIVE COMPENSATION

Say on Pay

Apple investors urged to vote against Tim Cook's \$100M payday

By [Ariel Zilber](#)

February 16, 2022 3:37pm [Updated](#)

Apple boss Tim Cook faces backlash to £73m pay package

By [Beth Timmins](#)

Business reporter, BBC News

•Published

17 February



In a letter to shareholders, the ISS said there are "significant concerns" over the "design and magnitude" of the package. "Half of the award lacks performance criteria," ISS said.

According to ISS, Mr Cook's pay was 1,447 times more than the wage of an average Apple employee.



International Shareholder Services (ISS)

Apple shareholders approve Tim Cook's \$100M payday despite complaints

By [Thomas Barrabi](#)
March 4, 2022 3:23pm [Updated](#)



Apple Inc. (AAPL)

Date	Close
1/9/2017	38.53
1/12/2017	42.3075
1/12/2018	39.435
1/12/2019	73.4125
1/12/2020	132.69
1/12/2021	177.57
1/8/2022	171.52

Cook became permanent CEO at 2011

Source: Yahoo Finance



Shareholders must be offered a nonbinding vote on approval (or not) of executive pay at least once every three years effective 21 January 2011



Dodd-Frank Act, 2010

Wall Street Reform and Consumer Protection Act

Who is an executive?



Executive Compensation : what are its elements?



Salary



Benefits



Perquisites (not for everyone)



**Stock
awards**

Short-term incentives

Long-term incentives

Both incentives are related to performance.

Short-term incentives create income.

Long-term incentives create wealth.

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International Shareholder Services (ISS)

Pay Element	EMPHASIS IN	
	Old Economy “Brick”	New Economy “Click”
Salary	High	Low
Employee benefits	Moderate	Low
Perquisites	Moderate	Low
Short-term incentives	High	Low
Long-term incentives	Low	High

Pay Element in New vs Old Economy Companies

Source: The Complete Guide to Executive Compensation

EMPHASIS BY MARKET STAGE

Compensation Element	Threshold	Growth	Maturity	Decline
Salary	Low	Moderate	High	High
Employee benefits	Low	Moderate	Moderate	High
Perquisites	Low	Low	Moderate	High
Short-term incentives	Low	Moderate	High	Moderate
Long-term incentives	High	High	Moderate	Low

Compensation Element vs Market Stage

Source: The Complete Guide to Executive Compensation

Proposed Research Questions

Question 1

What criteria should determine an acceptable executive compensation structure?

Question 2

Why do shareholders reject executive compensation packages recommended by the directors?

Academic Research on Say on Pay



- Say on pay votes and CEO compensation: Evidence from the UK, Ferri, F., & Maber, D. A. (2013). *Review of Finance*, 17(2), 527-563.
- Shareholder votes and proxy advisors: Evidence from say on pay, Ertimur, Y., Ferri, F., & Oesch, D. (2013). *Journal of Accounting Research*, 51(5), 951-996.
- Shareholder voting and directors' remuneration report legislation: Say on pay in the UK, Conyon, M., & Sadler, G. (2010). *Corporate Governance: An International Review*, 18(4), 296-312.

•Say on pay: Cautionary notes on the UK experience and the case for shareholder opt-in, Gordon, J. N. (2009). *Harv. J. on Legis.*, 46, 323.

•Say on pay laws, executive compensation, pay slice, and firm valuation around the world, Correa, R., & Le, U. (2016). *Journal of Financial Economics*, 122(3), 500-520.

•Shareholders' say on pay: Does it create value?, Cai, J., & Walkling, R. A. (2011). *Journal of Financial and Quantitative Analysis*, 46(2), 299-339.

•**Dodd-Frank's say on pay: Will it lead to a greater role for shareholders in corporate governance**, Thomas, R. S., Palmiter, A. R., & Cotter, J. F. (2011). *Cornell L. Rev.*, 97, 1213.

•**Boards' response to shareholders' dissatisfaction: The case of shareholders' say on pay in the UK**, Alissa, W. (2015). *European Accounting Review*, 24(4), 727-752.

•**Remarks on say on pay: an unjustified incursion on director authority**, Bainbridge, S. (2008).

- Power to the principals! An experimental look at shareholder say-on-pay voting, Krause, R., Whitler, K. A., & Semadeni, M. (2014). *Academy of Management Journal*, 57(1), 94-115.
- Does sayonpay matter? Evidence from sayonpay proposals in the United States, Burns, N., & Minnick, K. (2013). *Financial Review*, 48(2), 233-258.
- The impact of say-on-pay on executive compensation, Balsam, S., Boone, J., Liu, H., & Yin, J. (2016). *Journal of Accounting and Public Policy*, 35(2), 162-191.

Proposed Research

Abstract

Investigating a _____ sample of firms from _____ countries over the 2019–2021 period, this study finds evidence that the adoption of say on pay (SoP) laws has affected executive pay growth rates. The study found that executive compensation is sensitive to firm performance. These effects are prevalent in firms with perceived excessive executive compensation and shareholder dissent. Overall, these results suggest that SoP laws are associated with significant changes in the executive compensation policies of firms.

Proposed Research Objective

Theoretical / Academic

The study hopes to contribute to literature on the relationship between shareholder influence and executive compensation, providing evidence of SoP laws as shareholder empowerment mechanisms.

Managerial

This study hopes to assist companies in structuring the compensation package of their executives by relating reward with performance.

Methodology

- Sample and data : to be sourced from ExecuComp database or similar sources.
- Review of Form 10-Ks or company annual reports.

Methodology

Percentage of companies that received more than 80 percent support during say-on-pay votes, year on year. *Source: Farient Advisors*

	S&P 500	S&P MidCap 400	S&P SmallCap 400	Russell 3000
2016	92.34%	90.15%	86.59%	88.72%
2017	91.52%	91.01%	87.35%	89.20%
2018	90.09%	87.50%	85.26%	86.82%
2019	88.09%	86.93%	89.14%	86.25%
2020	89.45%	90.72%	89.77%	88.97%
2021 (so far)	88.24%	88.95%	93.97%	89.50%

Thank you!

wish me luck

Additional slides :

Why not study SoP in Hong Kong?

Capitalist Variations in 'Say on Pay': A Look at Corporate Governance Contradictions in Singapore and Hong Kong

Posted: 1 Oct 2019

Lance Ang Centre for Asian Legal Studies, Faculty of Law, National University of Singapore, Date Written: September 19, 2019

Abstract

'Say on pay' reforms have been advocated and implemented in many major jurisdictions over the last decade, including the US and UK. Singapore and Hong Kong, however, which are recognized by the World Bank to have the second- and fourth-best regulatory environments in the world for investors to do business respectively, have bucked the international trend of allowing shareholders a binding or advisory vote on the remuneration of corporate managers. In Singapore and Hong Kong, 'say on pay' has either been rejected or ignored in the latest round of reforms to the corporate governance codes despite studies which have found that Singapore and Hong Kong have the highest executive pay in Asia, with base salaries for top executives rising to more than 25% higher than their US counterparts. Could this be the curious case of 'Asian values'?

Continuation:

While Singapore and Hong Kong share the same common law legal traditions with the US and UK in the same bucket of liberal market economies (LMEs), as the 'Varieties of Capitalism' framework would suggest, they may be said to practice a different form of 'regulatory capitalism' from their Anglo-American counterparts under their corporate governance regimes. This paper looks at the institutions of political economy within Singapore and Hong Kong and how they may explain this variance in 'say on pay' regulation between states. It argues that this may be attributed to factors such as Singapore and Hong Kong's distinctive patterns of corporate ownership, the participation of institutional investors, the role of the state and ultimately the socio-political culture and ethos within a non-Western liberal democratic framework. It concludes with what the implications of this variance may be for future regulatory reforms on 'say on pay' and theories of corporate governance in the broader context – namely, why are certain reforms not adopted in certain states, and if adopted, how effective are such reforms likely to be?