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VIEWPOINT

A SINGAPORE-STYLE "SAY ON PAY"

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Abstract

"Say on Pay" refers broadly to the right of shareholders to vote on the remuneration policies and packages of senior officers of a listed company, most commonly directors and the Chief Executive Officer.[i] While some jurisdictions have institutionalised this right through binding legislative mandates, others rely on softer governance mechanisms such as non-binding votes and enhanced disclosure obligations.

This latest Viewpoint issue examines how "Say on Pay" rules relating to executive remuneration operate across selected jurisdictions, using various dimensions such as the legislative and policy framework governing executive remuneration; the frequency with which remuneration votes are held; whether such votes are binding or advisory in nature; the scope of individuals whose remuneration is subject to disclosure or shareholder oversight; the components of remuneration that must be disclosed; and voting exclusions.

It then considers whether Singapore should adopt a similar rule and the adaptation that may be necessary in order for it to be effective.

Part I: "Say on Pay" Regimes in Selected Markets

This part of the report examines "Say on Pay" regimes across selected markets, and considers various dimensions such as the legislative and policy framework governing executive remuneration; the frequency of "Say on Pay: votes; whether such votes are binding or advisory in nature; the scope of individuals whose remuneration is subject to disclosure or shareholder oversight; the components of remuneration that must be disclosed; and voting exclusions.

United Kingdom

Introduction

The trajectory of UK remuneration governance is marked by a transition from self-regulation to statutory intervention. The journey towards the current "Say on Pay" regime began in earnest in 2002, when the UK became the first jurisdiction to introduce a mandatory advisory shareholder vote on the directors' remuneration report. This was a response to escalating executive pay and a perceived lack of transparency in how performance targets were set and met.[ii]

However, the 2002 advisory vote was eventually deemed insufficient. While it provided a platform for shareholder sentiment, it lacked the legal force to prevent companies from proceeding with controversial pay packages. Shareholders frequently voiced concerns that remuneration reports remained complex and opaque, failing to demonstrate a clear link between executive reward and long-term value creation. The global financial crisis of 2008 and the subsequent "Shareholder Spring" of 2012 further amplified these concerns, leading to the Enterprise and Regulatory Reform Act 2013.[iii] This landmark legislation fundamentally restructured the voting regime, introducing a bifurcated system that remains the bedrock of the UK's approach today.

The Framework

The statutory foundation for executive remuneration governance in the United Kingdom is contained in the Companies Act 2006. Within the Act, the relevant provisions are located primarily in Part 15 (Accounts and Reports)[iv] and Part 10 (Directors),[v] which together establish the legal architecture governing disclosure, shareholder oversight, and approval of directors' pay.

The Companies Act 2006 requires quoted companies to prepare a detailed directors' remuneration report as part of their annual reporting obligations. It also mandates shareholder involvement through a structured voting regime that distinguishes between forward-looking remuneration policy and retrospective implementation.

Section 420

Section 420 of the Companies Act 2006 imposes a statutory obligation on the directors of every quoted company to prepare a directors' remuneration report for each financial year.[vi] The report forms part of the company's annual reporting package and must be laid before the company at a general meeting.

This provision establishes remuneration disclosure as a mandatory annual requirement rather than a matter of voluntary governance practice. The obligation is placed directly on the board. The report must be formally approved by the board and signed on its behalf, typically by a director as under Section 422.[vii]

Section 420 also carries enforcement consequences. Where a remuneration report is not prepared in accordance with statutory requirements, directors who were in office at the relevant time may be liable if they failed to take reasonable steps to secure compliance. The provision therefore reinforces accountability at board level and embeds remuneration transparency within the broader statutory framework governing corporate reporting.[viii]

Dual Voting Mechanism

The most distinctive feature of the UK's "Say on Pay" regime is the separation of the shareholder vote into two distinct resolutions: a binding vote on the forward-looking remuneration policy and an advisory vote on the backward-looking annual implementation report.

The Binding Vote on Remuneration Policy (Section 439A)

Section 439A, inserted into the Companies Act 2006 by Section 79(4) of the Enterprise and Regulatory Reform Act 2013 with effect from 1 October 2013, requires quoted companies to submit their directors' remuneration policy to a binding shareholder vote at least once every three years.[ix] The policy must be presented as an ordinary resolution at a general meeting and approved before remuneration payments consistent with that policy may be made. Through this mechanism, Section 439A confers substantive legal force on shareholder approval.

The Advisory Vote on the Annual Implementation Report (Section 439)

While the remuneration policy establishes the parameters for directors' future pay, the annual remuneration report serves a retrospective function. As per Section 439 of the Companies Act 2006, quoted companies must submit this report to shareholders for an annual advisory vote at the annual meeting.[x] Although the vote is advisory and does not invalidate remuneration already paid, it provides shareholders with a formal mechanism to express approval or dissatisfaction with pay outcomes.

Illustrative Example: Kentz plc and the Dual Rejection of 2014

The practical limits of the United Kingdom's dual voting regime were sharply illustrated in May 2014 when Kentz plc, an engineering company listed on the London Stock Exchange, became the first company in the United Kingdom to suffer simultaneous adverse shareholder votes under both limbs of the bifurcated regime introduced by the Enterprise and Regulatory Reform Act 2013.

At its annual general meeting held on 16 May 2014, a majority of shareholders voted against both the binding remuneration policy under section 439A and the advisory remuneration report under section 439 of the Companies Act 2006.

The scale of dissent was significant. Approximately 51 per cent of shareholders voted against the remuneration policy, a figure that rose to 57 per cent when abstentions were included. Separately, 54 per cent voted against the remuneration report, increasing to 58 per cent on the same basis.[xi] These margins were not merely symbolic: because the remuneration policy vote under section 439A is binding, the rejection carried immediate legal consequence. The company was precluded from making remuneration payments inconsistent with its existing approved policy and was required to resubmit a revised policy to shareholders for approval before implementing any new pay arrangements for directors.

The Kentz outcome was also notable for a structural reason. The company had previously exploited a registration loophole: as a Jersey-incorporated entity, it had not been required to put its remuneration arrangements to shareholders[xii], and the 2014 vote was accordingly the first occasion on which its pay policies had been subjected to formal shareholder scrutiny. The dual rejection therefore represented both a substantive objection to the remuneration arrangements and a repudiation of the company's prior governance approach. The binding nature of the section 439A vote meant the consequence was not merely reputational. A rejected remuneration policy legally prevents the company from making payments inconsistent with it until a revised policy is approved by shareholders. The episode illustrates that section 439A gives shareholders a genuine legal veto over executive pay, not merely a platform for dissent.

Scope of Coverage

The statutory disclosure and voting requirements apply primarily to "quoted companies." These are UK-incorporated companies whose equity share capital is officially listed in the United Kingdom or admitted

to trading on specified regulated markets.[xiii] From 10 June 2019, the regime was further extended to unquoted traded companies under The Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019, thereby capturing companies whose shares are admitted to trading on a regulated market but which do not fall within the statutory definition of a quoted company.[xiv]

As reflected in Section 420 of the Companies Act 2006, the disclosure obligation attaches to the remuneration of the company's directors. The UK regime therefore centres on transparency and shareholder oversight at board level, ensuring that the compensation of those formally entrusted with corporate governance is subject to structured reporting and shareholder scrutiny within publicly traded companies.

Components of Disclosure

Under Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, quoted companies are required to present, for each director who served at any time during the financial year, a prescribed "single total figure" table within the directors' remuneration report.[xv] This table disaggregates remuneration into defined categories, including salary or fees, taxable benefits, annual performance-related incentives received, long-term incentive awards vesting during the year[xvi], pension-related benefits, and any other items of remuneration not captured within the preceding categories. These components are then aggregated into a single total figure for each director.

The regulations permit the inclusion of additional columns where necessary to enhance clarity, provided that the presentation remains transparent and comprehensible. By mandating a standardized breakdown of remuneration elements, Schedule 8 ensures that shareholders are able to assess both the magnitude and structure of directors' pay, thereby supplying the factual foundation for the annual advisory vote on the implementation report.

Exclusions from Voting

The Companies Act 2006 contains no statutory provision excluding any category of shareholder from casting votes on either the advisory remuneration report vote under Section 439 or the binding remuneration policy vote under Section 439A. All members holding ordinary shares with voting rights are entitled to participate, and directors who also hold shares are legally permitted to vote on both resolutions in their capacity as shareholders. There is no conflict-of-interest disqualification applicable to say-on-pay votes under the statute.

United States

Introduction

The United States "Say on Pay" regime is grounded in federal statute, introduced in the wake of the 2008 financial crisis as part of broader efforts to enhance corporate accountability. The legislative framework is primarily advisory in character. The regime is administered by the U.S. Securities and Exchange Commission (SEC) and subject to the Securities Exchange Act of 1934.

The Framework

The legal foundation for "Say on Pay" was introduced through Section 951 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, enacted on 21 July 2010. Section 951 amended the Securities Exchange Act of 1934 by inserting Section 14A, thereby creating a mandatory requirement that public companies provide shareholders with an advisory vote on executive compensation.

Section 951 of the Dodd-Frank Act

Section 951 establishes the statutory obligation for listed companies to submit executive compensation to shareholders for a non-binding vote. It requires three types of advisory votes:

1. A vote on executive compensation ("say-on-pay"),
2. A vote on the frequency of such votes, and
3. A vote on certain compensation arrangements in connection with change-in-control transactions (often referred to as golden parachute arrangements).

Importantly, the statute clarifies that these votes are advisory in nature and do not alter the fiduciary duties of directors or create additional legal obligations beyond disclosure and submission to shareholders.[xvii]

Exchange Act Section 14A

Section 14A of the Securities Exchange Act codifies the operational structure of the advisory voting regime. It specifies that shareholders must be given the opportunity to vote on executive compensation as disclosed pursuant to SEC rules, and it establishes the minimum timing requirements for these votes. Companies must provide a say-on-pay vote at least once every three years and a frequency vote at least once every six years. The statutory framework therefore ensures recurring shareholder input while preserving board discretion over compensation decisions.[xviii]

SEC Rule 14a-21(a)

To implement Section 14A, the U.S. Securities and Exchange Commission adopted Rule 14a-21(a). This rule operationalizes the standard say-on-pay vote by requiring companies to include a separate shareholder resolution in their proxy statements seeking approval of the compensation of named executive officers. The vote pertains to compensation as disclosed under Item 402 of Regulation S-K. While shareholders may approve or disapprove the compensation program, the outcome does not bind the board; rather, it serves as an expression of shareholder sentiment.[xix]

SEC Rule 14a-21(b)

Rule 14a-21(b) governs the say-on-frequency vote. Under this provision, shareholders must be allowed to choose whether the say-on-pay vote will occur every one, two, or three years. This frequency determination must be submitted to shareholders at least once every six years. Although boards may recommend a preferred interval, the final selection reflects shareholder preference, reinforcing the advisory character of the regime while maintaining procedural flexibility.[xx]

Scope of Coverage

The advisory "Say-on-Pay" vote in the United States applies to the compensation of a defined group of senior executives known as "Named Executive Officers" (NEOs). The composition of this group is determined by Item 402(a)(3) of Regulation S-K,[xxi] promulgated by the U.S. Securities and Exchange Commission. The rule establishes a structured approach to identifying which individuals' compensation must be disclosed and, consequently, submitted to shareholders for advisory approval.

1. **Principal Executive Officer (PEO):** Any individual who served as the company's principal executive officer during the last completed fiscal year, including those serving in an acting capacity. Disclosure is required irrespective of the individual's level of compensation.
2. **Principal Financial Officer (PFO):** Any individual who served as principal financial officer during the fiscal year, including in an acting capacity. Inclusion is based on position held, not compensation ranking.
3. **Three Most Highly Compensated Executive Officers (Other than the PEO and PFO):** The three executive officers with the highest total compensation exceeding US$100,000 (as adjusted under Item 402) who were serving as executive officers at the end of the last completed fiscal year.

4. **Up to Two Additional Former Executive Officers:** Up to two additional individuals for whom disclosure would have been required because of their compensation level but who were not serving as executive officers at the end of the fiscal year. This provision prevents avoidance of disclosure through resignation or termination prior to year-end.

Components of Disclosure

The advisory "Say-on-Pay" vote in the United States relies on standardized executive compensation disclosures mandated under Item 402 of Regulation S-K and administered by the U.S. Securities and Exchange Commission.[xxii] While the framework includes the Compensation Discussion and Analysis (CD&A), supplemental equity tables, and narrative disclosures of post-employment arrangements, the Summary Compensation Table (SCT) stands at its core. As the principal standardized presentation of total compensation for Named Executive Officers, the SCT provides the primary quantitative basis on which shareholders assess executive pay and cast their advisory votes.

Summary Compensation Table (SCT)

Among the various components of U.S. executive compensation disclosure, the Summary Compensation Table (SCT) serves as the central quantitative anchor of the Say-on-Pay framework. It provides a standardized, three-year presentation of total compensation for each Named Executive Officer. Its significance lies in its uniform structure: compensation is disaggregated into defined categories such as salary, bonus, equity awards, non-equity incentive compensation, changes in pension value, and other compensation.[xxiii] By requiring equity awards to be reported at grant-date fair value under FASB ASC Topic 718,[xxiv] the table promotes comparability across firms and over time. Although it does not necessarily reflect realized pay, the SCT offers shareholders a consolidated snapshot of the scale and composition of executive remuneration, making it the primary numerical basis upon which advisory "Say-on-Pay" votes are cast.

Exclusions from Voting

The Dodd-Frank Act and the SEC rules implementing Section 14A of the Securities Exchange Act contain no provision excluding executives, NEOs, or directors who hold shares from voting on say-on-pay resolutions. The one explicit restriction in the framework concerns brokers: under Section 957 of the Dodd-Frank Act, brokers are prohibited from casting discretionary uninstructed votes on behalf of clients on the say-on-pay and say-on-frequency votes, and must have specific client instructions before voting on these matters. Receivers of executive pay are therefore legally permitted to vote their shares.

Australia

Introduction

Australia's executive remuneration framework is distinctive in that it combines a statutory disclosure regime with a uniquely designed accountability mechanism that goes beyond a simple advisory vote. While the annual shareholder vote on the remuneration report remains non-binding in legal form, the Two-Strikes rule introduced in 2011 attaches escalating consequences to sustained shareholder dissent, giving practical teeth to what would otherwise be a purely consultative process. This hybrid approach reflects a deliberate legislative choice to preserve board discretion over pay decisions while ensuring that persistent shareholder opposition cannot be ignored without consequence.

The Framework

The Australian approach to executive remuneration is fundamentally legislative in character. The core obligations arise under the Corporations Act 2001, while the Australian Securities Exchange (ASX) Corporate Governance Principles and Recommendations operate as a supplementary "comply or explain" overlay.

Section 300A and the Remuneration Report

The central disclosure mechanism in the Australian executive remuneration framework is the Remuneration Report, mandated by Section 300A of the Corporations Act 2001. Every listed company is required to include a clearly identifiable "Remuneration Report" as a discrete section within its annual directors' report.[xxv]

This requirement is not merely a matter of corporate governance guidance; it is a binding statutory obligation. Section 300A prescribes both the structural format and substantive content of the report. It requires disclosure of the board's policy for determining the nature and amount of remuneration for Key Management Personnel (KMP), an explanation of the relationship between remuneration policy and company performance, detailed quantitative information regarding KMP remuneration, the terms of performance-based incentives, contractual arrangements, and disclosure concerning the engagement of remuneration consultants.

Although the Australian Securities Exchange (ASX) Corporate Governance Principles and Recommendations provide an additional "comply or explain" governance overlay, the enforceable authority for remuneration disclosure derives directly from the Corporations Act. Executive pay

transparency in Australia is therefore grounded in primary legislation rather than voluntary best practice standards.

Section 300A is designed to ensure that shareholders are provided with sufficient information to evaluate both the board's remuneration framework and the actual remuneration outcomes for KMP. This objective is achieved through a combination of qualitative explanation and detailed quantitative reporting. The qualitative component requires discussion of the board's remuneration policy and, critically, a clear articulation of how that policy is linked to company performance.

Section 250R and the Advisory Vote

The mechanism for "Say on Pay" in Australia is established by Section 250R(2) of the Corporations Act 2001, which requires that a resolution to adopt the remuneration report be put to shareholders at the Annual General Meeting (AGM).[xxvi]

Section 250R(3) confirms that this vote is advisory in nature and non-binding; it does not compel directors to alter remuneration levels or invalidate existing contractual arrangements.[xxvii] Despite its non-binding character, Section 250R forms the legal foundation for shareholder oversight of executive remuneration by ensuring that shareholders have a formal opportunity each year to express their views on the company's remuneration outcomes.

The Two-Strikes Rule

The 2011 amendments to the *Corporations Act 2001* introduced the Two-Strikes rule, a distinctive feature of Australia's executive remuneration framework designed to strengthen shareholder oversight of board remuneration decisions. While the annual vote on the remuneration report remains advisory in legal form, the Two-Strikes mechanism attaches escalating consequences to sustained shareholder dissent. In doing so, it enhances the practical force of the "Say on Pay" vote by enabling a substantial minority of shareholders to initiate a potential board spill process.

The First- and Second-Strike Mechanics

Under the framework, a first strike is recorded where 25 per cent or more of shareholders voting at the annual general meeting oppose the company's remuneration report. The first strike operates as a formal signal of shareholder dissatisfaction, indicating concerns that executive remuneration outcomes may be misaligned with performance or broader governance expectations.

A second strike is recorded if, at the following annual general meeting, the remuneration report again attracts opposition of at least 25 per cent of votes cast. The occurrence of a second strike automatically requires the company to put a spill resolution to shareholders at that same AGM.[xxviii]

The Spill Resolution and Meeting

A spill resolution is an ordinary resolution that must be put to shareholders immediately following the occurrence of a second strike. If approved by a simple majority of votes cast, the company is required to convene a spill meeting within 90 days, at which all directors in office at the time the directors' report was approved other than the managing director must stand for re-election.[xxix] This mechanism provides shareholders with a direct means of expressing confidence, or lack thereof, in the board's oversight of executive remuneration.

Illustrative Case: ANZ and Consecutive Strikes on Remuneration

The application of Australia's two-strikes regime was tested in late 2025 when **ANZ Group Holdings Ltd** registered a second consecutive adverse shareholder vote on its executive remuneration report. At the bank's 2025 annual general meeting in Sydney, approximately 32.36 per cent of proxy votes were cast against the remuneration report, well above the 25 per cent threshold required to record a strike for the second year running.

This outcome followed a first strike in 2024, and the repeat dissent highlighted elevated investor unease with the bank's governance and executive pay practices. In response to the backlash, the newly appointed chief executive, Nuno Matos, voluntarily relinquished his short-term variable remuneration for the year, despite many of the issues prompting shareholder discontent predating his tenure.

Proxy advisory firms, including Institutional Shareholder Services and CGI Glass Lewis, had recommended votes against the remuneration report on the grounds that pay outcomes were insufficiently aligned with recent performance and governance concerns. The repeated "no" vote triggered the statutory requirement for a spill resolution, although shareholders ultimately voted against the spill resolution, declining to require the board to stand for re-election, reflecting a complex interplay between accountability and confidence in leadership continuity. This outcome illustrates how shareholders may use remuneration votes as a targeted accountability mechanism without necessarily seeking board destabilisation.[xxx]

Scope of Coverage

Australian executive remuneration disclosure is anchored in the concept of Key Management Personnel (KMP) as defined under AASB 124 *Related Party Disclosures*. The scope of reporting is therefore determined by accounting standards rather than by remuneration quantum or a fixed numerical grouping.

Under AASB 124, KMP are individuals who possess the authority and responsibility for planning, directing, and controlling the activities of the entity, whether exercised directly or indirectly. The focus is on actual decision-making power and influence over the organisation's strategic and operational direction, such that classification depends on the substance of an individual's role rather than formal job title.[xxxi]

All directors fall within the definition of KMP, including both executive and non-executive members of the board. Beyond the board, senior executives are assessed on a functional basis and will be classified as KMP where they are materially involved in high-level planning, oversight, or control of significant aspects of the business. In practice, this commonly includes the chief executive officer, chief financial officer, and senior leaders responsible for major business units or core corporate functions.[xxxii]

Components of Disclosure

Australian listed entities are required to present executive remuneration in a prescribed tabular format, as set out in Corporations Regulation 2M.3.03. The regulation standardises the classification of remuneration components to promote consistency and comparability across firms and reporting periods. Rather than allowing discretionary aggregation, the framework mandates disclosure across clearly defined benefit categories.

The table disaggregates total remuneration into defined categories. Short-term employee benefits capture all amounts expected to be settled within the reporting period, spanning fixed cash salary, directors' fees, cash bonuses, profit-sharing arrangements, non-monetary benefits, and any residual short-term amounts not otherwise classified.

Post-employment benefits cover obligations that crystallise after the cessation of service, principally employer contributions to superannuation schemes.

Other long-term employee benefits address deferred entitlements that fall outside the short-term and post-employment categories, and must separately identify any amounts attributable to long-term

incentive arrangements so that users can isolate performance-linked and deferred remuneration from other accrued entitlements.

Termination benefits record payments made in connection with the ending of an employment relationship, whether arising from redundancy, contractual notice provisions, or other cessation arrangements.

Share-based payments must be disclosed separately and further disaggregated by settlement method, distinguishing between equity-settled shares or units, equity-settled options and rights, cash-settled instruments, and any other forms of share-based compensation including hybrid arrangements.[xxxiii]

Exclusions from Voting

Australia imposes the most explicit voting exclusion of all seven jurisdictions examined in this report. Under Section 250R(4) of the Corporations Act 2001, KMP whose remuneration details are included in the remuneration report, and their closely related parties, are expressly prohibited from casting any vote on the resolution to adopt the remuneration report, whether in person or by proxy. A vote cast in contravention is deemed not to have been cast under Section 250R(8)[xxxiv]. The same prohibition extends to the spill resolution under Section 250V(2).[xxxv]

The rationale was made explicit in the explanatory memorandum to the 2011 amendments: allowing KMP to vote on their own remuneration arrangements "could distort the outcome of the non-binding vote and diminish its effectiveness as a feedback mechanism."[xxxvi] Closely related parties of KMP are defined in Section 9 of the Corporations Act to include a spouse or child of the KMP, a child of the KMP's spouse, a dependant of the KMP or the KMP's spouse, any other family member who may be expected to influence or be influenced by the KMP in dealings with the entity, and a company controlled by the KMP.[xxxvii]

Germany

Introduction

Germany's approach to executive remuneration oversight reflects the distinctive features of its two-tier corporate governance structure, in which the Supervisory Board holds formal authority over Management Board pay. Rather than adopting a binding shareholder vote, Germany has opted for a framework that institutionalizes structured advisory oversight, balancing shareholder input with the supervisory board's traditional role in setting compensation. This regime was modernized through the implementation of the Second Shareholder Rights Directive via ARUG II, embedding recurring shareholder scrutiny into both the design of remuneration systems and the reporting of actual pay outcomes.

The Framework

Germany's "Say-on-Pay" regime is embedded in the Aktiengesetz (AktG), the principal statute governing German stock corporations.[xxxviii] The contemporary shareholder voting framework on executive remuneration was introduced through the Act Implementing the Second Shareholders' Rights Directive (ARUG II), which transposed Directive (EU) 2017/828 into German law.[xxxix]These reforms operate within Germany's two-tier board system, under which the Supervisory Board (Aufsichtsrat) determines the remuneration of members of the Management Board (Vorstand).[xl] The statutory framework therefore preserves supervisory board authority while incorporating structured shareholder oversight through advisory resolutions at the Annual General Meeting (AGM).

The Four-Year Cycle for the Remuneration System

Pursuant to §120a(1) of the Aktiengesetz, the Supervisory Board of a listed company must submit the remuneration system for Management Board members to the Annual General Meeting for approval upon its introduction, upon any material modification, and at least once every four years.[xli] This structured review mechanism ensures that the core architecture of executive remuneration including the balance between fixed and variable remuneration, performance criteria and maximum remuneration caps, remains subject to periodic shareholder scrutiny. Although the shareholder vote is advisory, the four-year cycle institutionalizes recurring oversight of the remuneration framework at the policy level.

In addition, §113(3) AktG mandates that the remuneration system for Supervisory Board members be submitted to shareholder approval at least every four years.[xlii]

The Annual Cycle for the Remuneration Report

In addition to the periodic approval of the remuneration system, §120a AktG requires an annual shareholder resolution on the remuneration report prepared under §162 AktG.[xliii] This report details the remuneration granted and owed to members of the Management Board and Supervisory Board during the preceding financial year.

The annual vote is likewise advisory in nature. A rejection does not invalidate remuneration already paid. However, §162 AktG requires the subsequent remuneration report to explain how the previous shareholder resolution was taken into account.[xliv] This mechanism creates an ongoing feedback loop between shareholders and the Supervisory Board, reinforcing transparency and accountability in the implementation of the remuneration system.

Scope of Coverage

The German "Say-on-Pay" regime applies to listed stock corporations governed by the AktG. The shareholder voting requirements under §120a AktG and the disclosure obligations under §162 AktG are directed at companies whose shares are admitted to trading on a regulated market.[xlv]

The primary focus of the regime is the Management Board (Vorstand). Pursuant to §162 AktG, the remuneration report must disclose on an individualized basis the remuneration granted and owed to each member of the Management Board. This obligation applies to all current members. Unlike models that limit disclosure to a defined group of senior executives, the German framework encompasses the entire management board.

The regime also extends to the Supervisory Board (Aufsichtsrat). §162 AktG requires individualized disclosure of the remuneration granted and owed to each Supervisory Board member. This ensures transparency not only for those receiving executive pay but also for the body responsible for determining it within Germany's two-tier governance structure.

Both the annual vote on the remuneration report under §120a AktG and the four-yearly vote on the Management Board remuneration system under §113(3) AktG are advisory in nature and do not legally compel the Supervisory Board to alter remuneration.

Components of Disclosure

§162 AktG prescribes the detailed content requirements for the annual remuneration report. The report must disclose all fixed and variable remuneration components granted and owed during the financial year and present their relative proportions within total remuneration.[xlvi] It must explain how these components correspond to the approved remuneration system and how they promote the company's long-term development. Where variable remuneration is involved, the performance criteria applied and the extent to which targets were achieved must be described. The report must further include a five-year comparative presentation showing the development of individual remuneration, company performance, and average employee remuneration on a full-time equivalent basis. In addition, it must disclose share-based awards and their key terms, any exercise or vesting conditions, the use of clawback mechanisms, compliance with maximum remuneration caps, any deviations from the remuneration system and the reasons for such deviations, and benefits relating to termination of office.

Exclusions from Voting

Neither §120a nor §136 of the Aktiengesetz contains any provision excluding Management Board or Supervisory Board members from voting on say-on-pay resolutions at the AGM. The law is silent on the point for say-on-pay purposes, and receivers of executive pay are legally permitted to vote their personal shareholdings at the general meeting.

France

Introduction

France has developed one of the most stringent executive remuneration frameworks in Europe, moving decisively from a voluntary, recommendation-based approach to a fully binding statutory regime. This transition was largely driven by high-profile governance failures, most notably the 2016 Renault controversy in which the board overrode a majority shareholder vote against CEO Carlos Ghosn's pay package. In response, the French legislature intervened through successive reforms, culminating in a dual voting mechanism that gives shareholders binding authority over executive compensation at every stage of the remuneration cycle.

The Framework

Historically, executive remuneration in France was primarily governed by the AFEP-MEDEF Corporate Governance Code, a set of best-practice recommendations issued by leading French business associations. The Code relied on a "comply or explain" approach and initially functioned as a form of soft law rather than binding legislation. In 2013, following significant political and social pressure regarding rising executive compensation, the AFEP-MEDEF Code introduced a consultative shareholder vote on executive remuneration.[xlvii] However, the limitations of this voluntary framework became evident when several boards chose to disregard negative shareholder votes. The most prominent example occurred during the 2016 Renault annual general meeting, where approximately 54 per cent of shareholders voted against CEO Carlos Ghosn's compensation package, but the board nevertheless proceeded with payment in full.[xlviii]

In response to these governance concerns, the French legislature enacted Law No. 2016-1691, commonly known as the Sapin II Law, which formally codified the "Say on Pay" mechanism into the French Commercial Code. This reform marked a decisive transition from a soft-law regime based on corporate governance recommendations to a binding statutory framework. The Sapin II Law introduced a distinctive system of two annual shareholder votes on executive remuneration. Specifically, the reform established an ex-ante vote on the remuneration policy governing executive compensation and an ex-post vote on the remuneration actually granted or paid during the preceding financial year.[xlix]

This statutory framework was further refined and expanded by law No. 2019-486 (the PACTE Law), which implemented the provisions of the European Union's Second Shareholder Rights Directive (SRD II) into

French law. The PACTE Law consolidated the specific provisions governing "Say on Pay" under Articles L. 22-10-8 [l] and L. 22-10-34 [li] of the French Commercial Code. As a result, France has developed one of the most stringent "Say on Pay" regimes in Europe, where shareholder votes on executive remuneration are binding rather than merely advisory.

The Mechanics of the Voting Process

The French "Say on Pay" regime is characterized by a "double binding" mechanism that requires shareholders to intervene at two distinct points in the compensation cycle: before the policy is implemented (ex-ante) and after the compensation has been awarded for the year (ex-post). Both votes occur annually at the Ordinary General Meeting (OGM) and are mandatory for all companies whose shares are admitted to trading on a regulated market.[lii]

The Ex-Ante Binding Vote on Remuneration Policy

Under Article L. 22-10-8 of the Commercial Code, the Board of Directors or the Supervisory Board is required to establish a remuneration policy that describes all components of fixed and variable compensation. This policy must be consistent with the company's interest, contribute to its long-term survival, and align with its business strategy. The ex-ante vote is prospective and binding, meaning that the company cannot pay its directors unless the policy has been approved by the shareholders.[liii]

The Ex-Post Binding Vote on the Remuneration Report

The retrospective or "ex-post" vote is governed by Article L. 22-10-34 and consists of two separate requirements. First, shareholders vote on a general resolution concerning the information provided in the corporate governance report relating to the remuneration of all corporate officers during the past financial year. [liv]

Second, shareholders must cast individual binding votes on the fixed, variable, and exceptional items making up the total remuneration and benefits of any kind paid during the past financial year or awarded in respect of that same year to each specific executive corporate officer. The legal implication of a negative individual ex-post vote is significant: variable or exceptional components of remuneration cannot be paid to the officer unless their total compensation package has been approved by the general meeting.[lv]

Scope of Coverage

The French "Say on Pay" regime applies to a broad category of individuals defined in the Commercial Code as "corporate officers" (*mandataires sociaux*). This concept encompasses both executive and non-executive members of a company's governing bodies. The primary focus of shareholder scrutiny remains the executive leadership of the company, including the Chairman of the Board of Directors, the Chief Executive Officer (Directeur Général), any Deputy Chief Executive Officers, and, in companies operating under a two-tier governance structure, the Chairman and members of the Management Board (Directoire). [lvi]

Following the adoption of the PACTE Law, the scope of the ex-ante binding shareholder vote was expanded to include the remuneration policy for non-executive directors as well. Consequently, shareholders must approve the remuneration framework applicable to the entire board.

Components of Disclosure

Under Article L.22-10-34 of the French Commercial Code, listed companies must publish an annual remuneration report detailing the remuneration awarded or due to each corporate officer for the preceding financial year. The report must provide a breakdown of each officer's total remuneration, distinguishing between fixed remuneration, variable remuneration (such as annual bonuses, long-term incentives, and share-based awards), and exceptional payments, including severance payments, non-compete compensation, or post-mandate pension benefits. In addition, the report must explain how the performance criteria established in the remuneration policy were applied in practice.[lvii]

Exclusions from Voting

Neither Article L. 22-10-8 nor Article L. 22-10-34 of the French Commercial Code contains any provision excluding corporate officers or directors who hold shares from voting on say-on-pay resolutions at the general meeting. Receivers of executive pay are therefore legally permitted to vote on both the ex-ante remuneration policy and the ex-post individual remuneration resolutions that concern their own compensation. The statute is silent on this point, which is notable given the otherwise binding and consequential character of the French regime.

Switzerland

Introduction

Switzerland's executive remuneration framework has its roots in a direct democratic intervention, setting it apart from jurisdictions where reform was driven by legislative initiative alone. The 2013 Minder Initiative, approved by a strong popular majority, reflected widespread public frustration with excessive executive pay and fundamentally rebalanced the relationship between boards and shareholders. The result is one of the most shareholder-empowered regimes in the world, characterized not only by binding votes on remuneration but also by statutory prohibitions on specific pay practices that were seen as undermining accountability.

The Framework

The Swiss "Say on Pay" regime originates from the 2013 Minder Initiative, formally titled the *Initiative Against Excessive Remuneration,* which was approved by a substantial majority of Swiss voters. It mandatedg binding shareholder approval of executive remuneration in listed companies.[lviii]

Following the referendum, the Swiss Federal Council implemented the initiative through the Ordinance Against Excessive Compensation in Listed Companies (OaEC), which introduced mandatory shareholder votes on remuneration, enhanced disclosure obligations, and explicit prohibitions on certain remuneration practices.[lix] As part of Switzerland's broader reform of company law, the OaEC was subsequently repealed and its substantive provisions incorporated into the Swiss Code of Obligations (CO).[lx] Executive remuneration governance is now regulated primarily under Arts. 732–735d CO and applies to companies whose shares are listed on a stock exchange. [lxi]

Executive remuneration oversight in Switzerland operates on an annual cycle. Each year, the board of directors must prepare a written remuneration report detailing the remuneration paid to members of the board of directors, executive management, and, where applicable, the advisory board.

Shareholder Voting on Remuneration

The core of the Swiss "Say on Pay" mechanism lies in the legally binding shareholder vote on remuneration. Under Art. 735 CO, the general meeting must vote annually on the total remuneration of the board of directors, the executive board, and the advisory board, with separate votes required for each governing body.[lxii]

Unlike advisory regimes, the Swiss vote has direct legal effect. Remuneration may only be paid within the limits approved by shareholders.

Where variable remuneration is approved on a prospective basis, the remuneration report must additionally be submitted to shareholders for an advisory vote. This supplementary mechanism ensures transparency and accountability where performance-linked remuneration is determined in advance.

Statutory Limits on Remuneration Practices

Swiss law reinforces the binding shareholder vote by imposing explicit statutory prohibitions on certain forms of remuneration. The Swiss Code of Obligations prohibits, among other things, severance payments contractually agreed in advance, advance remuneration payments, transaction-related bonuses, and unjustified compensation linked to post-employment non-competition obligations.

By restricting not only the amount but also the permissible forms of remuneration, Swiss law limits the scope for circumvention of shareholder decisions. These prohibitions reflect a regulatory approach that combines shareholder empowerment with substantive legal constraints on remuneration design.

Scope of Application and Coverage

The Swiss executive remuneration framework applies to companies whose shares are listed on a stock exchange. The regime adopts a governance-based approach to coverage, focusing on individuals who exercise strategic and managerial authority within the company rather than adopting a workforce-wide or accounting-based definition.

The persons subject to remuneration disclosure and shareholder voting requirements include members of the board of directors, members of executive management, and members of the advisory board where such a body exists. Remuneration paid to certain former members must also be disclosed where it is connected to their prior functions.

This approach ensures that remuneration oversight is directed at those with decision-making power over corporate strategy and performance, rather than being diluted across broader employee categories.

Components of Remuneration Disclosure

Transparency is a central feature of the Swiss executive remuneration framework. Listed companies are required to disclose executive remuneration through an annual remuneration report prepared in accordance with Arts. 734a–734f CO.[lxiii] These provisions are designed to provide shareholders with a comprehensive and reliable basis on which to assess remuneration outcomes prior to voting.

The statutory concept of remuneration is broad and extends well beyond fixed salary. It encompasses fixed and variable cash compensation, profit-sharing arrangements, commissions, participation in business results, and benefits in kind. Equity-based compensation is expressly included, covering the allocation of shares, conversion rights, and option rights.

Swiss law further captures contingent and ancillary benefits that may otherwise escape scrutiny. These include joining bonuses, guarantees, pledges, waivers of claims, contributions that enhance occupational benefit entitlements, remuneration for additional work, and compensation linked to non-competition obligations.[lxiv] By adopting an expansive definition, the framework seeks to prevent remuneration being shifted into less transparent forms.

In terms of disclosure granularity, companies must report the total remuneration paid to the board of directors as a whole and the remuneration paid to each individual board member, identified by name and function. For executive management, companies must disclose aggregate remuneration together with the highest amount paid to any individual executive, again specifying the relevant name and function. Where an advisory board exists, remuneration must be disclosed both in aggregate and on an individual basis.

Exclusions from Voting

Neither the Swiss Code of Obligations nor the provisions incorporated from the former OaEC establishes any exclusion preventing board members or executives who hold shares from voting on the remuneration resolutions at the general meeting. Receivers of the pay are therefore legally permitted to vote. The Swiss framework is notable for what it mandates rather than what it restricts: it is a criminal offence for a board member to knowingly prevent the general meeting from voting on compensation, with sanctions of up to three years' imprisonment or a fine. The emphasis is firmly on ensuring the vote takes place rather than on disqualifying insiders from participating in it.[lxv]

Country	Type of Votes	Scope of Coverage	Disclosure Components	Voting Exclusions	Other Features
UK	Advisory vote every year on packages Binding vote on remuneration policy at least every 3 years	Directors (executive and non-executive directors)	Single total figure, disaggregated into defined categories, including salary or fees, taxable benefits, annual performance-related incentives received, long-term incentive awards vesting during the year, pension-related benefits, and any other items of remuneration not captured within the preceding categories	None	
USA	Advisory vote on compensation	Named Executive Officers	Summary Compensation Table (SCT)	No exclusion, except brokers are	

	every one, two, or three years Advisory frequency vote at least once every six years Advisory vote on certain compensation arrangements in connection with change-in-control transactions (often referred to as golden parachute arrangements)	(Principal executive officer, principal financial officer, three other most highly compensated executive officers, and up to two additional individuals for whom disclosure would have been required because of their compensation level but who were not serving as executive officers at the end of the fiscal year.)	which provides a standardized, three-year presentation of total compensation for each Named Executive Officer. Compensation is disaggregated into defined categories such as salary, bonus, equity awards, non-equity incentive compensation, changes in pension value, and other compensation. Equity awards to be reported at grant-date fair value.	prohibited from casting discretionary uninstructed votes on behalf of clients on the say-on-pay and say-on-frequency votes, and must have specific client instructions before voting on these matters.	
Australia	Advisory vote every year on	Key Management	Executive remuneration	KMP whose remuneration	Two strikes rule: If at least

	remuneration report which covers the board's policy for determining the nature and amount of remuneration, an explanation of the relationship between remuneration policy and company performance, detailed quantitative information regarding KMP remuneration, the terms of performance-based incentives, contractual arrangements, and disclosure concerning the	Personnel (KMP), as defined under AASB 124 *Related Party Disclosures*	to be disclosed in a prescribed tabular format, which disaggregates total remuneration into six defined categories of short-term employee benefits, post-employment benefits, other long-term employee benefits, termination benefits, and share-based payments	details are included in the remuneration report, and their closely related parties, are expressly prohibited from casting any vote on the resolution to adopt the remuneration report, whether in person or by proxy. The same prohibition extends to the spill resolution.	25 percent or more of votes are cast against the remuneration report at two successive AGMs, the company is required to put a spill resolution to shareholders at that same AGM. If the spill resolution is approved by a simple majority of votes cast, the company is required to convene a spill meeting within 90 days, at which all directors in office at the time the directors' report was

	engagement of remuneration consultants.				approved other than the managing director must stand for re-election.
Germany	Advisory vote at least once every four years on remuneration framework Advisory vote every year on remuneration report which details the remuneration granted and owed	Members of the Management Board and Supervisory Board	The report must disclose all fixed and variable remuneration components granted and owed during the financial year and present their relative proportions within total remuneration. It must explain how these components correspond to the approved remuneration system and how they promote the company's long-term	None	

			development. Where variable remuneration is involved, the performance criteria applied and the extent to which targets were achieved must be described. The report must further include a five-year comparative presentation showing the development of individual remuneration, company performance, and average employee remuneration on a full-time equivalent basis. In addition, it must disclose share-based		

			awards and their key terms, any exercise or vesting conditions, the use of clawback mechanisms, compliance with maximum remuneration caps, any deviations from the remuneration system and the reasons for such deviations, and benefits relating to termination of office.		
France	Binding vote annually on remuneration policy Binding vote annually on remuneration	Corporate officers, which encompass both executive and non-executive members of a company's	Remuneration report must detail the remuneration awarded or due to each corporate officer for the	None	

	report, and individual binding votes on the fixed, variable, and exceptional items making up the total remuneration and benefits of any kind paid during the past financial year or awarded in respect of that same year	governing bodies	preceding financial year. The report must provide a breakdown of each officer's total remuneration, distinguishing between fixed remuneration, variable remuneration (such as annual bonuses, long-term incentives, and share-based awards), and exceptional payments, including severance payments, non-compete compensation, or post-mandate pension benefits. In addition, the		

			report must explain how the performance criteria established in the remuneration policy were applied in practice.		
Switzerland	Binding vote annually on the total remuneration of the board of directors, the executive board, and the advisory board, with separate votes required for each governing body.	Members of the board of directors, members of executive management, and members of the advisory board where such a body exists. Remuneration paid to certain former members must also be disclosed where it is connected to	Remuneration report that covers fixed and variable cash compensation, profit-sharing arrangements, commissions, participation in business results, and benefits in kind. Equity-based compensation is expressly included, covering the allocation of shares,	None	Explicit statutory prohibitions on certain forms of remuneration, including severance payments contractually agreed in advance, advance remuneration payments, transaction-related bonuses, and unjustified compensation linked to

		their prior functions.	conversion rights, and option rights.		post-employment non-competition obligations.

Table 1: Summary Comparison of "Say on Pay" Frameworks in Selected Countries

Part II: Should Singapore Adopt "Say on Pay"?

Introduction

Before we consider whether Singapore should adopt a "Say on Pay" regime similar to the other jurisdictions covered in this report, we should first understand what "say" shareholders in Singapore currently have over the remuneration of directors and senior executives. Singapore's current regulatory framework for director and executive remuneration is broadly in line with most Asian jurisdictions.

Companies Act

There are a number of sections in the Companies Act 1967 that cover directors' and officers' remuneration.

Approval by shareholders

First, section 169 requires the provision and improvement of director's emoluments to be approved as a standalone resolution at a general meeting of shareholders.[lxvi] As the section refers to director's emoluments "in respect of his or her office", this has been interpreted to exclude remuneration received by a director as an executive. That is, if a director is an executive director, only the fee paid for his role as a director (if any) would be included in the total emoluments/fees to be approved by shareholders at the AGM. Salary, annual bonus, long-term incentives and benefits paid to him as an executive are not subject to shareholders' approval. For companies that do not pay executive directors a separate fee for serving as a director, only the remuneration paid to non-executive directors is included in the total amount that is subject to shareholders' approval.

Section 169 does not require a remuneration report listing out the remuneration of each director to be approved by shareholders. Only the total emoluments paid to all the directors collectively are required to be approved by shareholders. How much each individual non-executive director is paid is not subject to shareholders' approval.

There is one exception. Under section 168, payments to a director "for loss of office as an officer of the company or of a subsidiary of the company or as consideration for or in connection with his or her retirement from any such office" is subject to shareholders' approval. These include termination payments paid to executive directors.[lxvii]

However, there are exclusions for this requirement. First, approval is not required if "particulars with respect to the proposed payment, including the amount thereof, have been disclosed to the members of the company and the proposal has been approved by the company in general meeting". Second, approval by shareholders is not required if: (a) the payment is based on an existing legal obligation arising from an agreement made between the company and the director, (b) "the amount of the payment does not exceed the total emoluments of the director for the year immediately preceding his or her termination of employment; and (c) the particulars of the proposed payment, including the amount, have been disclosed to the members of the company upon or prior to the payment.[lxviii]

Other exceptions apply, including: (a) "any payment under an agreement particulars of which have been disclosed to and approved by special resolution of the company", (b) "any bona fide payment by way of damages for breach of contract"; (c) "any bona fide payment by way of pension or lump sum payment in respect of past services, including any superannuation or retiring allowance, superannuation gratuity or similar payment, where the value or amount of the pension or payment, except insofar as it is attributable to contributions made by the director, does not exceed the total emoluments of the director in the 3 years immediately preceding his or her retirement or death"; and (d) "any payment to a director pursuant to an agreement made between the company and him or her before he or she became a director of the company as the consideration or part of the consideration for the director agreeing to serve the company as a director".[lxix]

Disclosure of individual directors' emoluments

Under 164A of the Companies Act, if at least 10% of the total number of members of the company or a member or members with at least 5% of the total number of issued shares of the company (excluding treasury shares) serve notice on the company requiring the emoluments and other benefits received by the directors of the company or of a subsidiary to be disclosed, the company must within 14 days or such longer period as the Registrar may allow, "prepare or cause to be prepared and cause to be audited a statement showing the total amount of emoluments and other benefits paid to or received by each of the directors of the company and each director of a subsidiary; including any amount paid by way of salary, for the financial year immediately preceding the service of the notice."[lxx]

The company must within 14 days of the statement being audited, send a copy of the statement to all persons entitled to receive notice of general meetings of the company, and lay the statement before the next general meeting of the company held after the statement is audited".[lxxi]

To my knowledge, this section has only been used twice, at Natsteel and Raffles Education, where the same shareholder had used his power under section 164A to compel the company to make the audited disclosures of the remuneration paid to each director.

Abstention from voting

The Companies Act contains no provision requiring directors who are also shareholders to abstain from voting on their own fees. However, company constitutions may require such abstentions.

SGX Listing Rules

The SGX Listing Rules impose disclosure obligations on listed issuers regarding director and executive remuneration. Rule 1207(10D)[lxxii] of the SGX Listing Rules (Mainboard) and Rule 1204(10D)[lxxiii] of the SGX Listing Rules (Catalist) require listed issuers to disclose the exact remuneration paid to each individual director and the Chief Executive Officer on a named basis, together with a detailed percentage breakdown of the remuneration components. This breakdown may include base or fixed salary, variable or performance-related pay, benefits in kind, share options, share-based incentives, and other long-term incentive arrangements.

In April 2026, SGX Regco issued a consultation paper which proposes to introduce a requirement for issuers "to describe in their annual reports the key financial and non-financial performance indicators used to determine remuneration of its executive directors and executive officers, and how these indicators are aligned with the issuer's long-term value creation objectives." It also consulted on whether it will be useful "for issuers to disclose any material changes to these key financial and non-financial performance indicators from the immediately preceding financial year, and explain the reasons for such changes."[lxxiv] Such disclosures are already widely practised in other jurisdictions, such as those covered in Part I.

Share-based remuneration

Chapter 8 of the Mainboard Rules and Catalist Rules, which covers requirements relating to change in capital, requires shareholders' approval for the adoption of share option schemes or share schemes. The focus here is on protecting shareholders against risks of dilution from the issue of shares or share options under these schemes. These rules do not apply to remuneration schemes where the remuneration is paid in cash, even if they are denominated in shares, such as cash-settled equity awards. One SGX-listed issuer which uses such cash-settled awards is City Developments, for its Group CEO, who is also an executive director. This scheme did not require shareholders' approval.

Rule 843 states that shareholders' approval must be obtained for any share option scheme or share scheme implemented by the issuer or its principal subsidiaries, with an exemption for schemes implemented by the latter if they are listed on an approved exchange that has rules which safeguard the interests of shareholders. These rules also impose certain restrictions on the terms of the schemes and require certain disclosures to shareholders.[lxxv]

Under Rule 859 of the SGX Mainboard Listing Manual (and its equivalent Rule 858 for the Catalist Listing Manual), directors and employees eligible to participate in a scheme being put to shareholders for approval are required to abstain from voting on that resolution, with the restriction extending to their associates.[lxxvi]

Interested person transactions

Chapter 9 of the SGX Listing Rules on interested person transactions (IPTs) include "the provision or receipt of goods and services" as a transaction that may be covered by the Chapter 9 rules.[lxxvii] However, Rule 915 (8) specifically excludes director's fees and remuneration, and employment remuneration, from the IPT rules.[lxxviii] However, it states that "golden parachute payments" are an exception, which would imply that such payments could be considered an IPT. However, it is unclear how SGX would assess whether a payment is a "golden parachute payment".

Should Singapore adopt "Say on Pay"?

There is a view that excessive remuneration is not an issue in Singapore. However, one only has to look at the remuneration of executive directors at companies such as Best World (which has since been delisted), Hong Fok and Rex International to know that this is not the case. Questions regarding remuneration of executive directors have also come up in other companies such as Lian Beng, Old Chang Kee, Raffles Education and Sheng Siong.

It is not only founder- and family-controlled companies that may be paying excessive remuneration but because they dominate our stock exchange in terms of number of such issuers, they are the ones where this issue would be most prevalent. Such issuers have the problem that those who are receiving the executive directors' or senior management's remuneration are often controlling shareholders or their associates. They are therefore in a position to influence their remuneration through their ability to appoint or remove independent directors who serve on remuneration committees that set their remuneration.

Conceptually, remuneration paid to controlling shareholders or their associates is arguably no different from payment for the provision of goods and services to an entity owned by the controlling shareholder. However, from a practical standpoint, it is difficult to regulate director and executive remuneration through binding IPT or similar rules which allow independent shareholders to reject such remuneration because such remuneration is governed by contractual agreements or service contracts. Rejection of remuneration by shareholders may cause breaches in these agreements and contracts. It may also be over-reach by shareholders to determine how much executive directors and senior executives should be paid. Therefore, carving out such remuneration from IPT rules recognises the impracticality of regulating it like an IPT even though conceptually, remuneration is similar to payment for the provision of goods and services governed by IPT rules.

In other jurisdictions where advisory votes are used, the shares of most issuers are widely held. The appointment of independent directors is generally not determined by controlling shareholders. Directors who ignore shareholder dissent over remuneration face the risk of being voted out by public shareholders. Therefore, even an advisory vote is likely to be taken seriously by directors. In Australia, the "two-strikes" rule gives more teeth to the advisory vote.

Giving shareholders a non-binding (advisory) vote here may simply result in such votes being ignored as public shareholders generally have little influence over the appointment of directors. One can observe that shareholder dissent regarding excessive remuneration over many years in companies like Hong Fok has had little impact. At the recent Hong Fok AGM, an angry shareholder lashed out at the board, saying that he was tired of repeatedly being told that the board will take on board comments, but nothing seemed to have changed.

Nevertheless, for reasons explained earlier, while a binding vote may be conceptually appealing for cases where remuneration crosses certain thresholds, such as relative to revenue or profit, it would not be feasible.

Therefore, an advisory vote, which can be implemented in cases where remuneration crosses certain thresholds, may still the best, if not the ideal, solution. However, my recommendation is that such a vote should clearly show the views of non-controlling shareholders. Therefore, this vote should either only be limited to independent shareholders, or it should show the number of shareholders, not just the percentage of shares, voting for and against. In fact, I would argue that a case can be made for showing the number of shareholders voting for and against each resolution at AGMs here, so the minority

support for resolutions is clearer. This is currently practised for Bursa-listed issuers, and we should implement it here.

Conclusion

"An advisory "say-on-pay" vote which shows the breakdown in number of shareholders voting for and against remuneration, may put more pressure on the Remuneration Committee and independent directors to explain why they continue to endorse the remuneration packages despite minority shareholders' objections, and how they are discharging their duties to the company and all shareholders. I believe this strikes the appropriate balance between accountability to shareholders and continuing to allow the board to determine how and how much to pay executive directors and senior management."

End Notes

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