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## The Remuneration Disclosure Monster

*It is very seldom that publishing compensation accomplishes much for shareholders. No CEO looks at a proxy statement and comes away saying, 'I should be paid less.' American shareholders are paying a significant price because they get to look at that proxy statement each year.*

That [snippet](#) from Warren Buffett in the question and answer session at Berkshire Hathaway's annual general meeting this year hits on a crucial point. Has all of this remuneration disclosure actually helped shareholders?

Like Buffett, I think not.

Executive pay continues to skyrocket and the ratio of CEO pay to average workers pay is now 331-1 in the US, and more than 100-1 in Australia. On top of higher wages and bonuses, boards have to waste time commissioning long and expensive remuneration reports, which most shareholders don't even bother trying to decipher. If the remuneration isn't popular, boards hire investor relations consultants and lobby shareholders for their vote. All this distracts from the task of actually monitoring the company.

The issue with executive pay is that directors are either too cosy with management or have inflated views as to management capability (no director wants to think they have hired a sub-par CEO, when one of the main functions of a board is finding the right CEO). Neither situation is improved by remuneration disclosure, it merely weakens the bargaining power of directors in pay discussions.

Ultimately the problem is that, while directors are supposed to be shareholders' representatives, they are usually much closer to the management team than the shareholders. And that's at the heart of a whole range of problems in corporate governance.

It's no surprise that those companies with a dominant shareholder on the board are usually the ones with the most sensible remuneration structure.

Shareholders need to fire more directors, not demand better remuneration disclosure. The only ones who benefit from the current arrangements are chief executives and remuneration consultants.