

## Regulatory News Alert

### New rules on shareholders involvement in directors' pay: Say on pay

20 December 2016

#### Overview

On December, 9th 2016, the European Parliament published an informal agreement reached by European Parliament, Council and Commission negotiators on shareholders' right to vote on directors' pay. This new directive will aim at ensuring full transparency for listed companies and investors, as well as linking directors' pay to company's long term performances.

#### What does it mean?

The so-called "say on pay" will give shareholders the right to take part in the decision process for directors' pay through the vote on remuneration policy for company directors.

This new approach will ensure a stronger control over the directors' pay levels by linking it to their performance but also to the company's long-term interests.

In order to increase the transparency of directors' pay, the remuneration policy will have to explain:

- to what extent it takes into account the employees' pay and employment conditions;
- how it contributes to the company's interests in a long-term perspective. Besides, "dangerous" transactions will have to be disclosed and approved to minimize risks and ensure the protection of both the companies' and shareholders' interests.

Finally, the directive will entitle the companies to identify their shareholders. This measure has been designed to ease communication and thus ensure a stronger involvement of shareholders.

## **Next steps**

The European Parliament, Council and Commissions agreed on the rules mentioned above but they will be formally approved in January 2017 by a vote of the Legal Affairs Committee and by a final plenary vote in March 2017.

In the context of the Parliament's focus on shareholders' rights, a new directive on public country-by-country reporting by multinationals on tax matters has been proposed recently and should also be approved soon.

## **We are here to help**

At Deloitte, we would be happy to set up individual workshop sessions with our clients to ensure clarity on remuneration requirements under any set of regulations.

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