

DISCLOSURE OF EXECUTIVE REMUNERATION IN LISTED PUBLIC UTILITY COMPANIES

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Abstract

This paper aims to examine disclosure about listed companies' executive remuneration, investigating particularly the rules and recommendations adopted in industrialized countries (European countries: France; German; Italy; Spain; United Kingdom; and non-European countries: Canada; Japan; Russia; United States) and to verify if effective communication behaviours adopted in Italy and in foreign countries by listed public utility companies match cognitive and evaluation stakeholders' expectations and rules and existing specific recommendations. Disclosure of the remuneration is necessary to offer each stakeholder to understand if the amount of compensation paid and its composition is adequate to avoid potential excesses that could compromise the process of value generation by the enterprise. This is an important topic, considering also potential conflicts between form, structure and level of executive directors' remuneration (fixed and variable elements, stock options, total estimated value of non-cash benefits, remuneration paid to directors in connection with the termination of his activities during that financial year, etc.) and corporate performance optimization in the long term.

Keywords: Executive remuneration, Disclosure, Public utilities sector

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1. Introduction

Over the last years, the issue regarding the remuneration systems of executive board members has become increasingly relevant, especially, in the current national and international context, characterized by globalization of markets, financial scandals, frequent separation of the corporate ownership from the management and more exposed to information, so that to lead to a greater awareness about the implementation of evaluation processes.

The definition and implementation of corporate objectives need consistent interaction and communication between shareholders and directors. Nonetheless, directors, considering their mandate, can determine the evolution of the company.

Reconciliation of interests and adequate remuneration of the corporate governance boards are, therefore, relevant variables of corporate responsibility and accountability.

Adequate remuneration paid for the implemented business activity, on the basis of professional skills and performance, is the main source of consensus among corporate managers and requires that individual economic interests are satisfied in the respect of corporate cost-revenue balance.

A remuneration policy correctly formulated could, therefore, induce management behavior in the long-term to privilege a sustainable corporate

development rather than short-term performance, which is relevant but featured by uncertain sustainability, and lead to a greater consensus and confidence in the corporate strategic projects, in particular, in its different implementation actions.

The remuneration system is not the only factor, but it definitely has a decisive impact, both on motivation to better performance and on the development of a performance-oriented culture based on the ability to attract and retain the best resources.

Remuneration systems concur in orienting behaviour and meeting the expectations of directors and managers and induce, as incentive, effectiveness implementation of governance systems to the end of value generation and sustainable development in the long term.

Meanwhile, the fact that remuneration systems influence corporate behaviour significantly implies some risks that could have important consequences on corporate effectiveness: executive directors, in order to reach their goals, could act favouring short term results by maximizing turnover and revenues, that is, behave in an opportunistic way in relation to stock option plans by manipulating shares' values.

In order to limit significantly the risk directors may expose companies to, by manipulating information at their own advantage, the existence of a disclosure system of remuneration, able to ensure the implementation of fair remuneration practices, is particularly important.

Top managers should display transparency as far as the disclosure of remuneration by specifying its entity and elements, so as to enable shareholders and other investors to control the destination of the value generated by the company.

Information transparency on remuneration systems should, therefore, facilitate the understanding of:

- the policies adopted to motivate executive directors, on which basis, a noteworthy part of remuneration might be correlated to the achievement of specific corporate or individual objectives, that is the criteria directors' remuneration systems are based on providing for a coherent relation between remuneration and specific objectives/parameters to achieve;

- the wealth generated by the corporate business and its allocation among who manage the company, to the end to check the effective costs and benefits obtained by performance, that is, the value of remuneration paid to executive directors and its effects on corporate economic results.

Remuneration transparency, as a key factor suitable to acquire consensus and confidence, is even more necessary in the current historical context, considering also the late scandals related both to the pursuit of individual interests by several directors and to reticent behaviour in corporate disclosure, in extreme situations where even legal boundaries have been overcome.

The effectiveness of disclosure of remuneration mechanisms is directly related to substantial, comprehensive, fair and exhaustive answers to the cognitive/assessing demands arising from different social players and to the predisposition to receive positively the messages coming from the environment.

The situation of dissatisfaction at an international level, mentioned above, has led to the general consensus on the need of recovering the value of transparency in order to assign the necessary features of efficacy to communication, generally speaking, and in particular, to the disclosure of remuneration. Communication systems are actually a precondition to obtain resources for business development and to grant stakeholders acknowledgement and consensus in a global context where communications flows before every thing.

The necessity to prevent other phenomena, potentially prejudicial to the social welfare, is inducing national and international institutions to the introduction of direction rules towards efficacious behaviour by operators. The importance of the topic on remuneration and disclosure tools is also shown by several interventions by international organizations such as: OECD, ON, IOSCO etc. and European institutions, in particular, the EU intervened with Recommendation 2004/913/EC: "The disclosure of accurate and timely information by the issuers of

securities builds sustained investor confidence and constitutes an important tool for promoting sound corporate governance throughout the Community. To that end, it is important that listed companies display appropriate transparency in dealings with investors, so as to enable them to express their views" (2004/913/CE, 3).

2. Theoretical framework

In listed companies, the disclosure of remuneration has recently attracted particular attention, especially with regard to remuneration of individual directors of the company, executive and non-executive or supervisory directors.

As regards communication and transparency on remuneration systems, the European Commission intervened with the Action Plan (COM 2003 – 284), in order to initiate a process of harmonisation of the regulatory provisions in the Member States about company law and corporate governance. In particular, as far as remuneration schemes, the Commission adopted in December 2004 Recommendation 2004/913/EC, to be implemented by the Member States by 30 June 2006, concerning the promotion of a regime aimed at regulating the remuneration system of directors and chief executive officers (in circumstances where they are not members of the administrative, managerial and supervisory bodies of a listed company), as a tool able to promote confidence of the public and to reinforce the culture of transparency in companies operating in stock markets.

Therefore, stakeholders, in order to have an effective opportunity to express their views and debate about remuneration policies on the basis of adequate information, "should be provided with a clear and comprehensive overview of the company's remuneration policy" (2004/913/EC). Such disclosure would enable shareholders to assess a company's approach to remuneration and strengthen a company's accountability to stakeholders. Adequate transparency should also be ensured in the policy regarding directors' contracts. This should include the disclosure of information on issues such as notice periods and termination payments under such contracts which are directly linked to directors' remuneration. Shareholders and stakeholders should also be provided with the information on the basis of which they can hold individual directors accountable for the remuneration they earn or have earned, and in particular, share-based remuneration. "Disclosure of the remuneration of individual directors of the company, executive and non-executive or supervisory directors, in the preceding financial year is therefore important to help them appreciate the remuneration in the light of the overall performance of the company" (2004/913/EC).

The research was based on the analysis of the

mandatory and voluntary regulations on disclosure of remuneration systems in the in the major industrial countries - G8 Countries whose remuneration and governance systems are presumed among the most developed in the European context (Canada, France, Germany, Japan, Italy, Russia, United Kingdom, United States) and Spain (considering its late economic growth) - on the purpose to assess the dominant trend in each of these countries and comparing the regulations and guidelines in force in non-European Countries with those adopted by the European Union.

The comparison was developed by setting appropriate framework, which items were defined considering the European Recommendation, and then, grouped under the following three subjects (which represent the three sections provided in the recommendation 2004 /913/EC): remuneration policies; remuneration of individual directors and share-based remuneration.

The analysis clearly shows that the United Kingdom is the European country with the widest range of regulations on directors' and top management' remuneration, substantially in line with the provisions of the European Recommendation. Even before the European recommendation, since 1995 with the Greenbury Code, based on the principle comply or explain, and later, through a specific law in 2002 "Directors' Remuneration Report Regulations" on the purpose to amend the Companies Act 1985, the United Kingdom had a set of rules aimed at promoting the disclosure of remuneration systems by listed companies, both as regards the policy of remuneration definition and total/individual remuneration of executive directors, non-executive directors and top managers.

Undoubtedly, the discrepancies found in the regulatory approaches reflect the different ownership structures: the problem of remuneration is, in fact, definitely more relevant within the systems where ownership is fragmented.

However, the results also highlight that the differences, within the changed international scenario, are getting increasingly dwindled.

As regards the four non-European countries (Canada, Japan, Russia, United States), the research highlights, in the first place, a strong difference in the type of rules adopted concerning the disclosure of remuneration systems: on the one hand, a substantial and articulated regulation adopted by the Supervisory Exchange Commission of the United States and Canada (SEC and Canadian Securities Administrators), with particular attention to equity-based incentive plans; on the other, a definitely more limited regulation in force in the other two countries under examination, Japan and Russia. Regulations in the United States and Canada require that listed companies provide the market with detailed information on the remuneration of ex executive

officers and directors, in tabular and descriptive form; on the contrary, the provisions in force in Japan and Russia require from listed companies summary information and do not provide for a model of reference on disclosure for companies to comply with.

In general, it seems possible to assert the existence of a common approach between the regulatory framework in the American countries and the contents of the European recommendation, but not in the provisions of the remaining countries (Japan, Russia).

From the analysis of regulations in the countries mentioned above the first aggregated groups are based on the rules consistency level:

- United States, Canada and United Kingdom have adopted "strict" rules;
- Germany, Japan and Russia have provided for "general" instructions;
- Spain, France and Italy are in an intermediate position.

In the Anglo-Saxon world the practice of adopting transparent remuneration systems undoubtedly derives from the typical features of the outsider system, in which there is a net separation between ownership and company control: the former is fractioned and widespread, the latter is held by managers.

Where an adequate information system can be identified, the market works as a regulator favoring the replacement of managers unable to turn shareholders' equities to better account. Therefore, in the outsider systems, it is possible to have more stable director commitment, liability and impartial judging due to effective information disclosure, resulting like this in obvious broader benefits to stakeholders.

United States, Canada and Great Britain were the first countries to discuss about regulating support information in economic reporting between companies and the environment, contributing in this way to essential regulations and promoting disclosure.

The foundation of public companies in Great Britain and big corporations in the United States has also stressed the necessity of protection of shareholders and stakeholders' specific interests related to corporate performance.

In Germany and Japan, the great importance investing majority shareholders, along with the absence of a solid board of directors, has generated scarce attention to performance and effective remuneration systems disclosure. This is ultimately proved by the fact that, both in Germany and Japan, stock options were considered illegal until the end of the '90s. Russia's situation, pursuant to privatization, is marked by companies that are mostly controlled by an only shareholder or a little group of shareholders.

The *insiders'* authority and the weak protection of external investors and shareholders have widely compromised the development of stock markets and tolerated, instead, less transparent information.

As far as Continental and Latin Europe's countries are concerned, based on *insider systems*, financial markets are less active or developing, ownership is concentrated and stable, and there are impressive equity and financial connections between companies and banks.

The greatest risk in these environments regards minority shareholders: top managers pursue and defend, first of all, and, often acting partially, the interests of majority members.

Appropriate information disclosure can obviously strengthen the protection of minority groups, enhancing investor confidence and market forces.

France, Spain and Italy belong to this category as well, and, as a response to requirements of greater information transparency imposed by internationalization processes, are getting more and more involved in enlarging their provisions about disclosure and satisfying, like this, stakeholders' assessment needs.

Regulations in the Anglo-Saxon countries, directed to empower information in remuneration institutions, are also coming up in Continental Europe's countries. The phenomenon refers, anyway, to recent times in a context characterized by undeveloped financial markets, in which small and middle dimension companies prevail.

The present impulse to corporate structural and dimensional change is also favoring the adoption of further provisions on disclosure, as well as harmonization with European directives on remuneration systems disclosure (Recommendation 2004/913/CE).

In short, shareholders and investors should own sufficient information to be able to appropriately assess costs and benefits and the relation between company performance, on the one hand and the level of executive remuneration, on the other. In this respect, *disclosure* of executive directors' remuneration allows stakeholders to assess the fairness of individual remuneration considering

liability and/or performance of directors.

In each country enable companies to have a regulatory framework (briefly described above), so this research shows the analysis of the practical accomplishment of institutional provisions on compensation systems disclosure, by a homogeneous group of listed companies, on the purpose to assess if the companies surveyed behave in conformity with transparency provisions and assure information completeness, regardless the mandatory and voluntary regulations on disclosure of remuneration systems.

3. Methodology and Research Design

This research, carried out on a group of listed companies in European and non-European markets, is intended to review at what level companies, operating in the public utilities sector, behave in conformity with transparency rules and assure completeness of information, regardless the Regulations.

The decision of focusing on companies operating in the public utilities services is based on the importance of disclosure in this sector: the protection of public interests related to the nature of the services they offer and the owners' position, from the one hand; the entrepreneurial independence and the ability to create value in the interest of the totality of stakeholders, from the other.

This research is therefore intended to review in what proportion public utility companies adopt transparent and coherent behavior towards shareholders' interests and users expectations, and how appropriate is this behavior in light of the protection of all other stakeholders' interests.

On the whole, there are 70 listed companies taken under examination in this survey, selected with reference to the existence of a segment or Stock Exchange index dedicated to public utilities or to energy, gas and water sectors in the 9 countries considered: Canada, France, Germany, Japan, Italy, Russia, Spain, United Kingdom and United States.

Tab. 1. European Companies Surveyed - 2007

Country	Company	Total
France	<i>Areva, Chauf.Urb, Edf, Edf Energies Nouvelles, Gaz de France, GPE Group, Rubis, Sechiellinne Sidec, Suez, Theolia, Veolia Environnement.</i>	11
Germany	<i>EnBW, E.ON, MVV Energie, RWE.</i>	4
Italy	<i>Acea, Acegas, Acque, ACSM, Actelios, AEM (A2A since 2008), Ascopiave, ASM (A2A since 2008), Edison, Enel, Enertad, Eni, Enia, Gas Plus, Gruppo Hera, Iride, Mediterranee, Snam Rete Gas, Terna.</i>	18
Spain	<i>Agbar, Enagas, Endesa, Enersis, Fersa, Gas Natural, Iberdrola, Red Eléctrica, Union Fenosa.</i>	9
United Kingdom	<i>Centrica, Dee Valley, British Energy, Drax, International Power, Novera, Kelda, National Grid, Northumbrian water, Pennon Group, Severn Trent, United Utilities.</i>	12
	Total	54

Tab. 2. Non-European Companies Surveyed - 2007

Country	Company	Total
Canada	<i>Cnr1 (Canadian Natural Resources Limited), Encana, Nexen, Talisman Energy.</i>	4
Japan	<i>Chubu Electric Power, Okinawa Electric, Osaka, Tokio Gas.</i>	4
Russia	<i>GazProm, Lukoil, Surgutneftegas, Tataneft.</i>	4
United States	<i>Central Vermont, Northeast Utilities, Peoples Energy, Wisconsin.</i>	4
Total		16

In particular, the analysis has taken under examination 54 European companies representing all the listed companies with reference to the Stock Exchange segment of “Public utility” based in the European countries surveyed: the remaining 16 companies have been selected random among the ones belonging to the Stock Exchange segment of “Electricity, gas, waters and multi-utilities” in each of the non-European countries: Canada, Japan, Russia and United States.

The research method adopted is empirical/inductive and is based on the analysis of mandatory documents (balance sheet and consolidated balance sheet, annual reports, proxy and circular statements, corporate governance reports, remuneration report, etc.) and voluntary documents (social and environmental reports, etc.) available on the official websites of the respective companies surveyed, where relevant elements for reviewing the effectiveness of remuneration systems disclosure can be found. This analysis is, therefore, carried out with reference to corporate documents, available on their official websites, over the period of September – November 2007.

The comparison has been made by presetting appropriate tables, whose items have been defined considering the rules, codes and guidelines issued by each country on remuneration disclosure, and then grouped on the basis of the following three subject areas: (which, on turn, represent the three sections provided in Recommendation 2004/913/EC):

- remuneration policies;
- executive directors’ remuneration;
- equity-based compensation.

The aim of this survey is to examine the adjustment level of the companies to specific

reference rules and offer an overview of the main results coming out from the research, by comparing, at a general level, the different procedures of remuneration systems disclosure adopted by the 54 European companies versus the ones adopted by the other 16 non-European companies surveyed.

Besides, the comparison is made on the basis of further aggregation, pursuant to the provisions consistency level and the reference context, grouping the companies taken under examination in the following categories: “Anglo-Saxon” companies (Great Britain, Canada and United States, equal to 20), “German-Japanese and Russian” (Germany, Japan and Russia, equal to 12) and “Latin” (France, Italy and Spain, equal to 38).

4. Discussion of Findings

Considering the survey items, some noteworthy elements concerning the following areas are to be underlined:

- a) remuneration policies;
- b) directors’ remuneration;
- c) equity-based compensation.

a) Remuneration policy

From the overall analysis carried out on remuneration policy statements in listed companies, this practice is effective only for a definitely low percentage of companies: in fact, only 28,57% of the companies considered disclose their remuneration policies by means of an “independent” statement or part of other documents, such as: the corporate governance report, the annual report, the annual information circular, etc.

Tab. 3. Remuneration statement

	European companies		non- European companies		Total	
	n.	%	n.	%	n.	%
Existence of a remuneration statement.	12	22,22	8	50,00	20	28,57

By distinguishing companies according to their reference context, it clearly comes out that companies presetting a remuneration statement, both European or non-European, belong only to the Anglo-Saxon world (table 4).

Tab. 4. Remuneration statement

	"Anglo-Saxon" companies		"German- Japanese" companies & Russia		"Latin" companies		Total	
	n.	%	n.	%	n.	%	n.	%
	Existence of a remuneration statement.	20	100,00	0	0,00	0	0,00	20

The information confirm once again that the Anglo-Saxon system is the only one, at present, offering the most structured information system.

In this regard, it is opportune to underline that transparency oriented remuneration systems, although affected by the typical features of the outsider system, are based anyway on broad and detailed regulations on this subject.

This statement is confirmed by the results deriving from the analysis concerning the other countries, where companies, in absence of specific regulations, pay no attention to their own remuneration policy disclosure.

Anyway, regardless mandatory provisions, it is to be remarked that accessibility of the necessary information about the policy adopted by the company to motivate executive directors and top managers is of fundamental importance to stakeholders in order to understand the measure of correlation between director remuneration and company goals and results achieved or individual objectives.

The result emerging from table 5, instead, is satisfying; it concerns the existence of a remuneration committee, operating in many of the companies surveyed (78,57%).

Tab. 5. Remuneration Committee

	European companies		non-European companies		Total	
	n.	%	n.	%	n.	%
Existence of a Remuneration Committee	45	83,33	10	62,50	55	78,57

The data show that listed companies, European or non-European, often make use of a similar board, in order to determine remuneration systems. In particular, it is to be remarked that the remuneration committee operates in all the Anglo-Saxon companies

surveyed (table 6) and in the majority of the "Latin" ones (81,58%); definitely inferior is the number of companies belonging to the group "Germany, Japan and Russia" (33,33%).

Tab. 6 Remuneration Committee

	"Anglo-Saxon" companies		"German- Japanese" companies & Russia		"Latin" companies		Total	
	n.	%	n.	%	n.	%	n.	%
	Existence of a Remuneration Committee	20	100,00	4	33,33	31	81,58	55

b) Executive directors' remuneration

As far as disclosure of the individual executive directors' remuneration is concerned, the overall data show that 60% of the companies surveyed make a

similar complete report available. The data represent the general context and differ very little among European and non-European companies.

Tab. 7. Remuneration Report

	European companies		non- European companies		Total	
	n.	%	n.	%	n.	%
Existence of a Remuneration Report	32	59,26	10	62,50	42	60,00

Tab. 8. Remuneration Report

	“Anglo-Saxon” companies		“German- Japanese” companies & Russia		“Latin” companies		Total	
	n.	%	n.	%	n.	%	n.	%
Existence of a Remuneration Report	20	100,00	6	50,00	16	42,11	42	60,00

Once again, Anglo-Saxon companies are the only ones fully satisfying regulation requirements: in fact, all the companies surveyed provide for a remuneration report.

As far as the report contents and the information reported in the analyzed documents (table 9) are concerned, the overall results coming out from the survey show that most of the companies under examination specify individual director remuneration and its related elements (78,57%). Definitely lower is the number of companies providing with a remuneration comparison over different fiscal years (44,29%) and even lower is the percentage of companies specifying the criteria used to determine the variable part of performance-based remuneration

(35,71%) and the performance indicators values (12,86%).

In particular, all the Anglo-Saxon companies surveyed offer highly detailed information regarding executive director and top management remuneration, specifying individual remuneration and its elements and comparing remuneration paid over different financial years.

Yet, it is to be remarked how, although 95% of Anglo-Saxon companies disclose the criteria used to determine variable remuneration, only 45% of these companies specify the performance indicators values. Outcome values are only related to the achieved outcome, without providing for the forecasted results.

Tab. 9. Contents of Directors’ remuneration Report

	European companies		non- European companies		Total	
	n.	%	n.	%	n.	%
Individual executive directors’ remuneration.	47	87,04	8	50,00	55	78,57
Elements of executive directors’ remuneration (fixed, variable part, benefits, ...).	47	87,04	8	50,00	55	78,57
Comparative table on remuneration over consequent financial years.	23	42,59	8	50,00	31	44,29
Adopted criteria in defining variable performance-based remuneration.	17	31,48	8	50,00	25	35,71
Specification of performance indicators values in order to easily understand paid variable remuneration.	6	11,11	3	18,75	9	12,86

The percentage of companies belonging respectively to the “German-Japanese” and Russia group and to the “Latin” one, offering such

information details, is definitely lower and variable depending on the elements considered, as shown in table 10.

Tab. 10. Contents of Directors’ remuneration Report

	“Anglo-Saxon” companies		“German- Japanese” companies & Russia		“Latin” companies		Total	
	n.	%	n.	%	n.	%	n.	%
Individual executive directors’ remuneration.	20,00	100,00	4	33,33	31	81,58	55	78,57
Elements of executive director’s remuneration (fixed, variable part, benefits, ...).	20,00	100,00	4	33,33	31	81,58	55	78,57

Elements: Table on remuneration over consequent financial years.	20,00	100,00	4	33,33	7	18,42	31	44,29
Adopted criteria in defining variable performance-based remuneration.	19,00	95,00	2	16,67	4	10,53	25	35,71
Specification of performance indicators values in order to easily understand paid variable remuneration.	9,00	45,00	0	0,00	0	0,00	9	12,86

c) Equity-based compensation

Considering the data available, it is evident that equity-based middle/long term incentive plans are not so frequent today in listed companies, or they are poorly disclosed. In particular, Equity-based Remuneration Plans are adopted only by 33

companies over the 70 companies surveyed (table 11). The existence of Equity-based Remuneration Plans has been assessed for almost the totality of the “Anglo-Saxon” companies surveyed (95%); the percentage of the other companies is lower instead and, in any case, lower than 30%.

Tab. 11. Stock options and Stock grants plans

	European companies		non- European companies		Total	
	n.	%	n.	%	n.	%
Existence of a Stock options or Stock grants plan or Equity-based long term incentive plans.	24	44,44	9	56,25	33	47,14

Tab. 12. Stock options and Stock grants plans

	"Anglo-Saxon" companies		"German-Japanese" companies & Russia		"Latin" companies		Total	
	n.	%	n.	%	n.	%	n.	%
Existence of a Stock options or Stock grants plan or Equity-based long term incentive plans.	19	95,00	3	25,00	11	28,95	33	47,14

As far as plans are concerned, information provided is generally detailed and a high number of companies specify in detail: the number of stock options granted or shares assigned, the number of options exercised during the year, the number of options unexercised, the exercise price, the exercise date and the conditions for exercising rights.

With reference to table 13, the overall percentage of the listed companies considered providing with the above information is around 80%

of the total sample survey, though it can be noticed a remarkable difference between European (nearly 75%) and non-European companies (50%). In particular, it is to be highlighted that information details are reported by all the Anglo-Saxon companies surveyed; definitely lower is, instead, the percentage of “German – Japanese”, Russian and “Latin” companies providing for a similar analysis level (table 14).

Tab. 13. Information in a Stock options plan

	European companies		non- European companies		Total	
	n.	%	n.	%	n.	%
Number of Stock options granted or equities assigned by the company.	19	79,17	8	50,00	27	81,82
Number of Stock options exercised during the financial year.	18	75,00	8	50,00	26	78,79
Number of options unexercised, exercise price, exercise date and conditions of rights exercise.	18	75,00	8	50,00	26	78,79

Tab. 14. Information in a Stock options plan

	"Anglo-Saxon" companies		"German- Japanese" companies & Russia		"Latin" companies		Total	
	n.	%	n.	%	n.	%	n.	%
Number of Stock options granted or equities assigned by the company.	19	100,00	2	66,67	6	54,55	27	81,82
Number of Stock options exercised during the financial year.	19	100,00	1	33,33	6	54,55	26	78,79
Number of options unexercised, exercise price, exercise date and conditions of rights exercise.	19	100,00	1	33,33	6	54,55	26	78,79

5. Conclusion

From this analysis it firmly stands out that the level of corporate remuneration systems disclosure, strictly connected to the provisions system in force is more satisfying where the reference rules are structured and detailed. In fact, with reference to several elements analysed, where specific legal provisions are lacking, information provided by companies is brief or even missing.

This leads to ponder about the importance of adequate regulations, able to assure an effective response to transparency needs and protection to all social stakeholders, in light of the present global arena, as well.

It is, therefore, desirable the achievement, at an international level, of representation models containing uniform and comparable information, both in form (tabular and narrative), and contents. Besides, it is evident the need for easily accessible information, avoiding its fragmentation in different documents and concentrating it in a specific report, or report section on corporate governance.

An important step in this direction has been taken by the European Union by favoring the process of provisions alignment of each country member, in order to facilitate comparability among different companies and, most of all, to allow any subject to get the necessary information for the assessment of the transparency level of communications, even by comparing the data of companies coming from the same sector.

The existence of bodies which promote this process, at an international level, would spur further towards the creation of a system able to assign a higher value to the regulations of each country and to current corporate best practices. Regulations, where necessary, would be more adequate orienting like this corporate behavior towards more transparency.

In this way, executive directors and top managers are expected to behave in a transparent way regarding remuneration disclosure, by making clear its value and elements, so that to allow shareholders and other investors to monitor from outside the

destination of resources that would be difficult to deduce, otherwise, from other documents.

The shareholders and investors should own sufficient information to be able to appropriately assess costs and benefits and the relation between company performance, on the one hand and the level of executive remuneration, on the other.

In this respect, director and executive remuneration *disclosure* allows stakeholders to assess the fairness of individual remuneration considering liability and/or performance of directors and can positively influence the achievement of consents management concerning the distribution options of the generated value and the mechanisms through which companies pursue the harmonization of different interests, ethical and not opportunistic behaviour and the research towards continuity.

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