HEC
PARIS

CASE STUDY

COMPLIANCE INDEX
CORPORATE REMUNERATION & BENEFITS

HEC PARIS
ALLEN & OVERY

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CONTEXT

The quality of corporate governance and its relationship with the financial and non-financial performance of firms has been of interest for investors, corporate managers, commentators and researchers for several decades (Ducassy and Guyot 2017; Bhagat and Bolton, 2008). State law and non-state regulatory instruments (e.g. ASX Principles, codes of corporate governance) play a direct role in the way corporations' governance is organized and assessed by defining rules and standards related to matters such as conflicts of interest, qualifications, appointment procedures, and more recently, remuneration. While several metrics exist to assess some of these dimensions of corporate governance (Bebchuk et al. 2009), including executive remuneration (Murphy 1985, Burhop 2004), there is not yet a single index assessing the conformity of the multi-faceted aspects of remuneration practices of corporations across jurisdictions in light of national and international regulatory standards. As remuneration policies increasingly become subject to regulation and audits, legal practitioners and law firms specialized in corporate transactions are increasingly expected to provide expertise to investors on these matters.

This experimental case study introduces students to index and analytics-building in the area of corporate law. Students will experience the entire life cycle behind the creation of an index: framing the problem, selecting proxies, collecting the data, defining a methodology, and presenting the results.

GROUPS

- A spreadsheet is available to fill in the members of each group [here](https://drive.google.com/file/d/1FtePsXAsqJkolgorHPS88a3H5oeBK2iM/view). https://drive.google.com/file/d/1FtePsXAsqJkolgorHPS88a3H5oeBK2iM/view
- In the spreadsheet each group has been assigned 2 jurisdictions and 2 economic sectors.
- You will create 8 groups of 4 students and 2 groups of 5 students.

INSTRUCTIONS

- Read the following article: David Restrepo Amariles and Julian McLachlan, Legal Indicators in Transnational Law Practice: A Methodological Assessment, 58 (2) *Jurimetrics* 164 (2018).
  https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3753523
- Identify the regulatory framework (state law + non state law) that applies to the variable (e.g., fixed and variable remuneration) and jurisdictions (e.g., United Kingdom and France) assigned to your group.
- Generate a normative matrix for your variable and define the proxies you will used for the assessment. Use existing literature when relevant.
- Identify the 5 largest companies per sector by *gross global revenue* in each jurisdiction (you should have then 20 companies in total).
- Collect the data for each of the companies for years 2017-2019 using the resources made available by companies and regulators (financial market authorities, annual reports, companies' website etc.). Please make sure to standardize data collected across the different sources and to use the same sources across all the companies and years. Use an excel sheet to record the data collected.
- (Optional) Add external sources to complement the data collected (e.g., Reprisk). You can ask access to Reprisk and other databases at the HEC Learning Center.
- Define a methodology to aggregate the results.
- Build the index.

DELIVERABLES

Spreadsheet and Methodological Note (50% of course grade)

- Excel sheet with (1) disaggregated data collection (sub-variables/proxies) (e.g., website or type of document); and (2) consolidated index.
- Methodological note (3-5 pages) explaining (1) regulatory framework and (2) data collections sources and methodology.

Note: You must include in the repository all the relevant documents used for data collection.

Slide deck and Presentation (50% of course grade)

- Slide deck (10-15 slides) with an explanation of the process and results.
- 10-minute presentation to a panel of HEC professors and lawyers from Allen & Overy (date TBC) + 5 min Q&A.

Please note that a discussion session/Q&A will be organized during the 3rd session of the course (11 January) so you can share your initial thoughts/results (especially regarding regulatory framework) and receive feedback from the course instructors.

Additional suggested readings

Erika R. George and David Restrepo Amariles, Ranking for Good? A Comparative Assessment of the Performance of French Corporations in Human Rights Rankings, 53 (1) *The International Lawyer* 21 (2020). https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3753544

The Economist, How CEO pay in America got out of whack: Bosses claim that their firms' superior returns justify their own hefty pay cheques. Really? https://drive.google.com/file/d/1unMnSx1jUM_4aR5apN3Ng-JSBmWQFWjc/view

Other resources

- HEC Learning Centre - https://learning-center.hec.edu/en/homepage/
- Annual Reports - https://www.annualreports.com
- Allen and Overy Global Litigation Survey - https://drive.google.com/file/d/1a3M0IMR382Uusmfj8pgVWSNx4q5GBFLk/view
- Allen and Overy International legal risk for banks and corporates - https://www.allenovery.com/en-gb/global/news-and-insights/publications/global-law-intelligence-unit#jurisdictions