Resumé

This thesis deals with remuneration of the board of directors, whereas abroad this topic becomes one of the most significant issues in contemporary corporate governance. Despite of being passionately discussed all around the developed world, back here in Czech Republic the debate concerning board compensation is rather insignificant (with just a few passionate outbursts of disapproval concerning ČEZ share option schemes).

The first chapter can be regarded as a lead-off to the topic. After few pages of brief thoughts concerning basic board matters and a bit of corporate governance theory related to the agency relationship, agency problem and agency costs, I finally work up to general rules of board remuneration set in Czech Commercial Code. At first they can be considered to be just a handful of lines. But, as it is when it comes to law, after closer examination these few rules grow rapidly to excessive sizes. Main facts related to these rules are: According to Czech law directors have right to be compensated - if not agreed or set by general meeting otherwise or determined by law they have right to "common compensation". Remuneration must always be approved by the general meeting. The general meeting can decide upon particular compensation of particular director or set up general remuneration rules in the form of internal company rules. None of these is necessary if a written contract on execution of the position of director (which is not obligatory) is agreed and approved by the general meeting (as long as it has remuneration issues incorporated to it). Besides of compensation, directors have ex lege claim to be paid necessary or reasonably spent expenses.

Up to now Czech regulations on remuneration might seem clear and simple but there are some provisions which are not completely clear neither simple at all. Consequently a lot of questions arise with no satisfactory definite answers. E.g. The statutes determine that directors have ex lege right to "common compensation" but simultaneously determine that decisions concerning remuneration must always be made by the general meeting. Not to make it that simple a third provision must be mentioned - this one states that performance from the company to her director not arising directly

from law or from internal company rules can be provided only if approved by the general meeting (or from the contract mentioned above). What happens when the general meeting simply refuses to decide upon remuneration? Do directors have right to pay themselves mentioned "common compensation" because their claim exists ex lege (arguing with the last mentioned provision)? Or do they have to comply with the provision stating that solely general meeting is entitled to decide upon remuneration matters (which would lead to a conclusion, that their only hope to get the money would be suing the company)? That is just one example of many inconveniences resulting from unclear Czech legal provisions.

Chapters two and three are concerned with different remuneration instruments. Czech law does not have special provisions on this matter (besides basic remuneration and profit-sharing), which means that there are no legal barriers except of fundamental legal principles such as principle of good manners or principle of honest commercial relations, but which also means that law provides companies with no guidance on this matter at all.

But even without legal guidance we can distinguish that the most commonly worldwide used remuneration instruments are: basic monetary remuneration and performance related flexible bonuses, profit sharing, severance pay (golden parachute) and contradictory golden handcuffs, share option plans and its alternatives restricted shares and phantom shares and last but definitely not least various types of perks (e.g. company car, cell phone, health insurance).

A closer examination of above mentioned instruments shows, that none of them is flawless - every single has its pros and cons. That is why a complex combination is necessary to achieve both board-shareholder interests aligning effect and pay for performance motivating effect. Such a combination can be way above shareholders competences which can make them easily susceptible to board manipulations. Therefore it is highly advisable to create a remuneration committee consisting of independent experts to help with creation and observation of highly effective remuneration package.