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Pushing for a say on pay

By Steven Syre

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They made how much?

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Average Americans were once mystified and have since become rightly outraged by the staggering millions awarded to top corporate executives. The corrosive link between huge

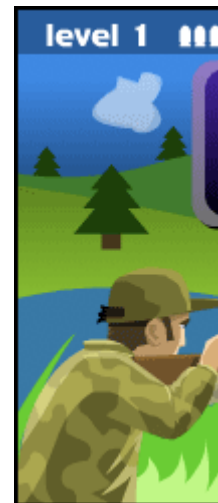
paydays and reckless business behavior is clear for everyone to see and we're all paying a price today.

You might expect the owners of companies to have something to say about bloated executive paychecks, too. But public shareholders rarely have any effective way to even voice a collective bleat about executive compensation matters at the companies they own.

That could change. The so-called say-on-pay movement will get plenty of profile this spring, in Washington and at scores of company annual meetings across the country.

Say-on-pay is shorthand for nonbinding measures that let shareholders vote their approval or dissatisfaction with executive compensation. It's hardly the kind of big stick needed to beat down every crazy pay package. But nonbinding shareholder votes on other issues have had a surprisingly good record pushing boards of directors to act.

The say-on-pay concept has been kicking around for several years. It's gotten onto dozens of company proxies, garnering decent support but usually going down to defeat. A bill pushed by Representative Barney Frank, the



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Massachusetts Democrat, requiring nonbinding say-on-pay votes at annual shareholder meetings was approved by the House but died in the Senate last year. Currently shareholders must get company directors to agree to put a say-on-pay vote on the annual proxy.

This year, say-on-pay questions are expected on about 100 proxies. An early interesting stockholder meeting will be hosted by Walt Disney Co. Apple Inc. chief executive Steve Jobs is Disney's largest shareholder and a director. A majority of Apple stockholders voted for say-on-pay last year.

Similar questions are expected to appear at meetings closer to us, by [EMC Corp.](#) of Hopkinton, [Raytheon Co.](#) of Waltham, and [CVS-Caremark Corp.](#) of Woonsocket, R.I.

Meanwhile, Frank is expected to file another say-on-pay bill in the next few weeks. New Securities and Exchange Commission chief Mary Schapiro expressed support for a required but nonbinding say-on-pay vote during her confirmation process last month. "I believe it's an appropriate measure to give shareholders an advisory vote on these matters," she wrote in response to questions from one senator.

Like most other shareholder voting movements, the say-on-pay campaign is driven by municipal and labor pension plans, religious groups, socially oriented financial managers, and a few persistent individuals. The mutual fund giants may end up voting for change, but they never lead any campaign.

Tim Smith of Walden Asset Management in Boston, a leading proponent of say-on-pay proxy questions, believes public sentiment will help boost shareholder support this year.

"Citizens are more concerned about executive compensation than they have ever been and there's tremendous outrage," says Smith. "The say-on-pay request originated before the populist outrage was as hot and focused as it is now. Certainly, shareholder votes will build on that."

That's probably true, but say-on-pay does not win automatic support from the big institutional investors.

Pioneer Investments in Boston consistently votes in favor of say-on-pay as long as the question remains nonbinding.

But Fidelity Investments abstains from voting on the issue. Boston's leading mutual fund company wants the government to support or reject say-on-pay as a policy so consistent rules apply to all companies, a Fidelity spokesman said.



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Another fund giant, the Vanguard Group, usually votes against say-on-pay. "We do not believe a simple yes-no vote on such a multifaceted issue provides helpful feedback," a Vanguard spokesman told me.

That's a line companies opposing say-on-pay typically adopt. Disney is urging its shareholders to reject the proposal placed on its proxy by Smith. It also says the issue is too complicated for an up or down vote and warns it could do more damage than good.

Seriously? The details of compensation plans can get complicated and some are built to be that way. But the real question is as basic as it gets. Are pay packages at individual companies out of line or not, according to people who own the company?






It's a simple, democratic response to increasingly suspect huge paychecks and cozy board relationships. Boards unable to convincingly explain why executives made what they were paid should be rethinking how they got to those numbers in the first place.

Steven Syre is a Globe columnist. He can be reached at syre@globe.com. ■

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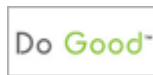
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