

Razor Alert

Isaac Lustgarten
Occam Regulatory Solutions LLC
225 East 57th Street, Suite 2F
New York, New York 10022
917 209 8709
ilustgarten@occamreg.com



Say-on-Pay and Independence of Compensation Committees

The US Treasury has proposed "say-on-pay" legislation that would require all publicly traded companies to give shareholders a non-binding vote on executive compensation packages.

This legislation would require a non-binding annual shareholder vote on compensation for all public companies, would require that compensation subject to the vote includes pay packages for senior executive officers, would maintain a similarity to say-on-pay rules that have found success in Britain, and would mandate a separate vote on golden parachutes in the case of a merger or acquisition with a clear and simple disclosure of the amounts executives will receive.

The US Treasury also proposed legislation that would take steps to ensure that compensation committees are independent in fact.

First, the legislation requires that members of the compensation committee meet exacting new standards for independence, just as Sarbanes-Oxley did for members of audit committees. The Administration will require that (1) directors, or executive compensation committees, responsible for ensuring that executive pay is in the best interest of the shareholders, should not have financial conflicts with management and (2) strict independence standards have curbed abusive accounting practices.

Second, to ensure that committees are receiving objective advice, the legislation requires that any compensation consultants and legal counsel they hire be independent from management.

Finally, the legislation requires that compensation committees be given the authority and funding to hire independent compensation consultants, outside counsel, and other advisers who can help ensure that the committee bargains for pay packages in the best interests of shareholders. At the same time, the proposed law requires that if the committee decides not to use its own compensation consultant, it explain that decision to shareholders.

Links

[TG-218, US Treasury FACT SHEET: Administration's Regulatory Reform Agenda Moves Forward: New Independence for Compensation Committees](#)

[TG-219, US Treasury FACT SHEET: Administration's Regulatory Reform Agenda Moves Forward: Say-On-Pay](#)