



Cusp

US Congress sets historic vote next week on executive pay legislation

Insiders now predict that Tuesday or Wednesday will be the day for a long and fierce debate—capped by an historic US House of Representatives vote—on legislation mandating annual advisory ballots on corporate compensation policies. Congress returns Monday from an Easter recess, enabling the House Rules Committee to clear early floor space for the bill, [H.R. 1257](#). It would be the most far-reaching US corporate governance legislation since the 2002 Sarbanes-Oxley Act.

Investors see ‘say on pay’ as heightening board accountability for CEO remuneration in the US, which has experienced chronic misalignment of compensation and performance. Passage—particularly with opposition Republican support—should prompt parallel action in the Senate later this year. It could also lend new fuel to similar drives in other markets, particularly South Africa and Switzerland, where [Ethos](#) is pushing lawmakers to act.

Bill proponents are now asking supporters to email US lawmakers with urgent requests to support 1257. Meanwhile, AGM outcomes at two companies this week showed advisory votes gaining momentum. Dissident proposals calling for them drew as much as 47% at [Bank of America](#) and 37% at [Morgan Stanley](#). Boards at both had asked investors to reject the resolutions.



Briefings



Suffrage & Spies

Two companies seem to be vying for a special place in infamy for the pains they’ve taken to suppress shareowner dissent. [Volkswagen](#) (VW), for one, quietly scrapped electronic voting for next Thursday’s annual meeting. Officials will only accept signed, hard-copy ballots. The move threatens to disenfranchise scads of non-resident investors—which may be precisely the

point. VW is facing a revolt among minority shareowners enraged by [Porsche](#)’s creeping takeover on the cheap, facilitated by conflicted VW chairman Ferdinand Piech (GPW XI-13, 14). VW’s ballot engineers may be aiming to deliver solid pro-management totals. Then there’s [Wal-Mart](#), which seems to have devised new frontiers in investor relations. An internal memo leaked to the *Wall Street Journal* shows that in January the mammoth retailer considered mounting secret surveillance of shareowner groups preparing dissident resolutions at the firm’s upcoming annual meeting. Management says it never ordered the spying. But New York City Comptroller William Thompson, whose office was one of the named targets, called Monday for a criminal investigation of the alleged skullduggery.



All in One

It’s no longer true that US corporate governance lags other markets—at least not in North Dakota. On Tuesday Governor John Hoeven signed a breathtakingly progressive company law ([House Bill 1340](#)). Corporations that adopt the regime must have non-executive chairs; majority rule voting for directors; annual advisory votes on compensation policies; access to the proxy for significant investors to nominate board candidates plus partial company reimbursement of campaign costs for winning candidates; and provisions for shareowner approval of poison pills. The package just about covers every hot-button issue in North America! Too bad it’s in a state with just two publicly traded corporations, both of whom are grandfathered out. But the [North Dakota Corporate Governance Council](#), which pressed HB 1340, hopes the law will turn the state into a new brand signifying “state-of-the-art good corporate governance,” says chair William Clark. A similar drive failed last year in the Vermont legislature (GPW X-8). Proponents now expect institutional investors to lobby US boards to switch incorporation to shareowner-friendly North Dakota. If funds get no response, expect them to file first dissident shareowner resolutions on the subject in 2008. Contact william.clark@dbr.com.



CEOs and Me

Chocked with fresh, jaw-dropping numbers, the AFL-CIO labor

federation's updated [Paywatch.org](http://www.paywatch.org) website re-opened for business last week. The service aims to galvanize public and investor action against outsized US CEO compensation. Among other features: a handy calculator enables a reader to peg just how long it would take to earn as much pay as any top CEO selected. Data comes mainly from [The Corporate Library](http://www.thecorporatelibrary.com), which has named AT&T's Edward Whitacre, Jr. and Occidental Petroleum's Ray Irani the two richest-paid executives in North America. **Paywatch 2007 is something of a debut for Daniel Pedrotty, who last November succeeded Bill Patterson as head of the AFL-CIO's Office of Investment.**



Almanac

So many US companies this season are dumping impenetrable compensation reports on investors that even **Securities and Exchange Commission** chief Christopher Cox is squawking. New disclosure rules on executive pay were supposed to clarify affairs. Instead, 2007 disclosures are "as tough to read as a Ph.D. dissertation," Cox complained in a Los Angeles [speech](#). Governance consultant Keith Johnson of **Reinhart Law** described the challenge in comments to the [Shareholder Forum for Options Policies](#). *"It is up to boards to wrest control of the Compensation Discussion and Analysis portion of the proxy away from the company's lawyers and use it as a shareholder communication tool. However, board action alone will be insufficient if shareowners do not also develop the skills, or acquire the resources needed, to understand and evaluate the incentives built into each company's compensation plan."*

No question, pension fund trustees are getting more professional. And not a moment too soon. Last week the *New York Times* reported massive underfunding at five [New Jersey](#) civil service retirement plans. The paper quoted recent former state governor Richard Codey: *"We're no different than a whole host of states that are out there. When I was governor, we used to say a weekly novena that the stock market would go up."*



Diary

The May calendar, Part One. Click [here](#) to see the entire **GPW** 2007 list of governance event, posted at the **Millstein Center for Corporate Governance and Performance at Yale**.

- May 1-2, **The Belfry, Warwickshire**. *NAPF Local Authority Conference, National Association of Pension Funds.* www.napf.co.uk
- May 2, **Dallas**. *Enhancing the Performance of Middle Market Directors and Officers, Institute for Excellence in Corporate Governance-University of Texas at Dallas.* <http://som.utdallas.edu/iecg/index.htm>
- May 2, **Manchester**. *Non-Executive Director's Program, Institute of Chartered Secretaries and Administrators.* www.icsaseminars.com

- May 3, **New York**. *Financial Reporting Conference, Robert Zicklin Center for Corporate Integrity-Baruch College.* <http://zicklin.baruch.cuny.edu/centers/cci/>
- May 3-5, **Milan**. *Corporate Governance and Shareholder Activism, European Financial Management, Bocconi University.* www.efmaefm.org
- May 4, **New York**. *Directors Institute, NYU Pollack Center for Law & Business.* www.stern.nyu.edu/club
- May 5, **Newark, Delaware**. *Symposium on Backdating of Stock Options, Weinberg Center for Corporate Governance- University of Delaware.* www.lerner.udel.edu/ccg
- May 6-9, **Orlando**. *Annual Conference, World at Work.* www.worldatwork.org/
- May 7-8, **Denver**. *Colorado Pension Forum, Information Management Network.* www.imn.org
- May 7-8, **Cairo**. *The Role of Corporate Governance in Banks and Non-Bank Financial Intermediaries, Egyptian Institute of Directors, Financial Services Volunteer Corps, Egyptian Banking Institute.* <http://www.eiod.org/index.asp>
- May 8-9, **Frankfurt**. *Annual Portfolio Management Conference, Uhlenbruch.* www.uhlenbruch.com/jahrestagung.html?&L=en
- May 9, **New York**. *Pension Plan Investments, Practising Law Institute.* www.pli.edu
- May 9-10, **London**. *The Responsible Business Summit, Ethical Corporation.* www.ethicalcorp.com
- May 9-11, **Washington, DC**. *Membership Meeting, Investment Company Institute.* www.ici.org
- May 9-12, **Shanghai**. *Company Directors Conference, Australian Institute of Company Directors.* www.companydirectors.com.au
- May 10, **London**. *Corporate Governance in Action, Institute of Chartered Secretaries and Administrators.* www.icsaseminars.com
- May 10, **Montréal**. *Role of the Board Chairman, Institute of Corporate Directors.* laurent@c4com.ca
- May 10, **Newark, Delaware**. *Circon and the Dissident Director, Weinberg Center for Corporate Governance- University of Delaware.* www.lerner.udel.edu/ccg
- May 10, **Paris**. *Directorship Seminar, Institut Français des Administrateurs.* www.ifa-asso.com
- May 10, **New York**. *A Board's-Eye View of Corporate Responsibility, Corporate Responsibility Officer.* www.theCRO.com
- May 10, **Los Angeles**. *Directors, Family and Management: Teaming Up for Success, National Association of Corporate Directors.* www.nacdonline.org
- May 10-11, **London**. *Annual Corporate Governance Conference, World Council for Corporate Governance.* www.wcfcg.net
- May 10-11, **Toronto**. *Pensions Summit, Conference Board of Canada.* www.conferenceboard.ca
- May 14-17, **Los Angeles**. *Director Training, Anderson Graduate School of Management-UCLA.* www.uclaexeced.com
- May 14-17, **Toronto**. *Sustainable Enterprise Academy, Schulich School of Business-York University.* www.SustainableEnterpriseAcademy.org
- May 16, **Washington, DC**. *Hedge Funds and Corporate Governance Roundtable, The Conference Board Global Corporate Governance Research Center.* www.conference-board.org
- May 17, **Dallas**. *21st Century Governance for Early Stage Companies, Institute for Excellence in Corporate Governance-University of Texas*