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In the first votes this year, a trio of "say on pay" resolutions averaged 42 percent support this week.

### [The State of Exit Pay in 2007](#)

A look at the practices behind the severance and "golden parachute" pay packages for executives.

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"Golden parachute" proposal wins 85% at **KB Home**; new SERP reform resolution wins 51.6% support at **Goodyear**; investors endorse proposals targeting supermajority rules at three firms.

### [Global Roundup](#)

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## Pay Votes Retain Investor Support

By L. Reed Walton, Staff Writer

A trio of proposals asking for annual shareholder votes on executive pay averaged about 42 percent support in the first test of the issue this year. This week's proposals received slightly more support than "say on pay" resolutions did in 2006.

The **American Federation of State, County, and Municipal Employees** (AFSCME) reported that its proposal received 47 percent of votes cast at **Bank of New York** on April 10. That vote is the highest level of support ever received by a pay vote measure, according to ISS data.

The same proposal, put before **Morgan Stanley** investors the same day, got 37 percent support, AFSCME representatives said. A similar "say on pay" proposal submitted by the **AFL-CIO** won 40.3 percent at **United Technologies** on April 11, said Dan Pedrotty of the AFL-CIO Office of Investment.

Richard Ferlauto, director of pension benefit policy for AFSCME, is optimistic about the prospects for pay vote resolutions this proxy season. "No matter how you look at it, these are strong showings, particularly at Bank of New York. It indicates we're getting support among the mutual funds," Ferlauto told Reuters.

Seven "say on pay" proposals went to a vote last year. They averaged around 40 percent support; the best showing was 44.1 percent at **Sun Microsystems** in November.

The number of proposals increased dramatically this season, with over 60 filed and around 50 still pending. Other than AFSCME and the AFL-CIO, groups filing "say on pay" proposals include the **New York City Employees' Retirement System**, the **Marianists**, and the **California Public Employees' Retirement System**.

All three proposals voted on this week were opposed by company management. Morgan Stanley wrote in its proxy statement that a simple up-or-down vote on executive pay would be too vague for the board to tell which part of the pay package sparked shareholder concern, while Bank of New York argued that its independent compensation committee and pay consultants provided investors enough protection against "excessive" pay packages. United Technologies asserted that an advisory vote is not necessary, as the company has not faced criticism over its past option granting practices or severance payments.

Proponents contend that an annual advisory vote will force companies to be more responsive to shareholder demands to better link executive pay to company performance. Supporters tout the experience of the United Kingdom, the Netherlands, and Australia, where annual pay votes have led to greater dialogue between companies and investors on pay issues.

On April 17, investors will vote on the issue at **U.S. Bancorp**, where a similar proposal received 40.8

percent support last year, as well as **Citigroup** and **Wachovia**. **Coca-Cola** shareholders will vote April 18 on the measure.

"Say on pay" will be on the ballot April 24 at **Wells Fargo** and **Merck**, and will be voted on April 26 at **Wyeth**, **Lockheed Martin**, **Capital One**, and **Valero Energy**. The issue will be on the ballot at **Abbott Laboratories**, **AT&T**, and **Merrill Lynch** on April 27.

Future "say on pay" proposals may also be affected by pending legislation in the **U.S. House of Representatives**. A bill, H.R. 1257, would give shareholders an advisory vote on compensation and severance packages at all U.S. public companies. While the bill has received committee approval and likely will be considered by the full House this month, the legislation's prospects in the Senate are uncertain.

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