

Fact Sheet
Ensuring Investors Have a “Say on Pay”

Today, the Administration is calling for “say-on-pay” legislation, long supported by President Obama, that would give the SEC the authority to require non-binding annual say-on-pay votes for all public companies.

1. **Improve board accountability and better align compensation with long term value creation for shareholders:** Say-on-pay will improve directors’ accountability to the owners of the company by giving shareholders a way to express their views on executive compensation , and will allow boards and shareholders to work together to design compensation that gives executives strong incentives to maximize long-term firm value. President Obama co-sponsored say-on-pay legislation while in the Senate, and the United Kingdom adopted say-on-pay legislation in 2002. Recognizing that say-on-pay permits directors to benefit from shareholder perspectives in designing compensation, several American companies have recently voluntarily permitted say-on-pay votes. Although the results of the vote under our proposed legislation would not be binding on the board, shareholder votes have led to significant changes, and experience shows that the prospect of the vote itself can cause directors more carefully to consider shareholder interests when designing executive pay.
2. **Authorize the SEC to require non-binding say-on-pay votes for all public companies**
 - i. **Shareholders in public companies will have the right to cast a non-binding vote each year approving or disapproving executive pay packages:** All public companies will have to include in annual proxy statements a shareholder resolution requesting approval or disapproval of executive compensation as disclosed in the proxy, including the narrative description of the board’s compensation decisions in the Compensation Discussion and Analysis and the quantitative disclosure of amounts executives are entitled to receive.
 - ii. **Shareholders will vote on annual compensation, including salary, bonus and other forms of compensation for the top 5 executives:** Shareholders, as the owners of the company, will have the right to vote on annual compensation for the top five named executive officers as disclosed in the company’s proxy statement.
 - The types of compensation shareholders will have the opportunity to evaluate are described in the CD&A, including the following items disclosed in the summary compensation table: salary, bonus, stock awards, option awards, non-equity incentive plan compensation, change in pension value and non-qualified deferred compensation earnings, all other compensation and total compensation amount.
 - iii. **Companies will have the opportunity to include additional resolutions on specific compensation decisions:** Companies will have the opportunity to ask shareholders’ views on specific compensation decisions, including decisions related to various aspects or categories of pay. Each company, however, will be required to permit shareholders to vote on a resolution addressing all of the compensation disclosed in the annual proxy.
 - iv. **Shareholders will have the right to cast a non-binding vote on golden parachutes:** Consistent with the say-on-pay legislation President Obama co-sponsored while in the Senate, shareholders will have the opportunity to cast a non-binding vote to approve or disapprove golden parachute compensation disclosed in proxy solicitation materials prepared for shareholder meetings relating to a merger, acquisition, or other transaction that may involve a change in control of the corporation.