

Meridian Client Update

SEC Chair Mary Schapiro Speaks About Say on Pay

On November 2, Mary Schapiro, Chairman of the Securities and Exchange Commission (SEC), addressed The Corporate Counsel “Say-on-Pay Workshop Conference” regarding the SEC’s primary goals on Say on Pay, as well as the important questions that boards should ask about executive compensation.

Ms. Schapiro clarified that the SEC’s interest in executive compensation is **not** rooted in any opinion regarding the level of compensation a corporate executive might receive. That is for companies and shareholders to discuss. Rather, the SEC’s role is to ensure that shareholders receive the information they need to make informed judgments, and that shareholders have a vehicle through which they can express that judgment to the board. Ms. Schapiro also remarked that the Say on Pay mandate has given boards a powerful incentive to provide clear disclosure to shareholders, and to make a clear, coherent case for the compensation programs that shareholders approve.

Ms. Schapiro expressed her hope that a significant vote in opposition to a company’s executive compensation practices would force boards to ask “tough questions” such as:

- Should executive compensation policies be altered in response to the vote?
- Has the board’s executive compensation philosophy been clearly articulated to shareholders?
- How should the board engage with shareholders in response to the vote?
- Who should the board consult with in connection with responding to the vote?
- Substantively, what should the board consider changing about its compensation plans?

Ms. Schapiro noted that companies filing proxy statements following Say on Pay votes are in fact responding to these issues. Importantly, Ms. Schapiro remarked that **compensation does not necessarily have to change in response to a significant negative Say on Pay vote**, but the vote should prompt a board to re-examine its executive compensation policies and practices.

Finally, with regard to the SEC’s “proxy plumbing” concept release, Ms. Schapiro said the SEC expects to address concerns over the role of proxy advisory firms like ISS, including disclosure of conflicts of interest and the information upon which they base recommendations, **by the end of the year or early in 2012.**

* * * * *

The *Client Update* is prepared by Meridian Compensation Partners’ Technical Team led by Donald Kalfen. Questions regarding this Client Update or executive compensation technical issues may be directed to Donald Kalfen at 847-235-3605 or dkalfen@meridiancp.com.

This report is a publication of Meridian Compensation Partners, LLC, provides general information for reference purposes only, and should not be construed as legal or accounting advice or a legal or accounting opinion on any specific fact or circumstances. The information provided herein should be reviewed with appropriate advisors concerning your own situation and issues.

www.meridiancp.com