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## Stockholders should demand a say on executive pay

*Seattle Times editorial*

SHAREHOLDERS of Dow Chemical have created a right for themselves to vote every year on executive pay and benefits. The company's board of directors, which is supposed to represent them, advised them not to do it — and they did it anyway.

Good for them. Executive pay at America's public companies has risen to sometimes outrageous levels, and shareholders need to monitor it.

In the past year, Dow Chemical botched an acquisition and cut the shareholder dividend for the first time, even while CEO Andrew Liveris was reporting compensation of \$12.8 million. At Dow Chemical, the shareholders had reason to be sore.

If it were only Dow Chemical shareholders doing this, the news might be dismissed.

Timothy Smith of Walden Asset Management, Boston, said "say on pay" resolutions have been approved by shareholders at 15 companies this year, including Pfizer (52 percent approval), Apple Computer (52 percent) and Prudential (59 percent).

Hewlett-Packard, Occidental Petroleum and a few other companies have agreed without a vote — and all the recipients of TARP bailout funds have had to accept it also.

Not everyone has. At Boeing, the effort failed but still garnered 42 percent of the shares, a figure that must give board members pause.

The push for this sort of measure originally came from unions, Christian groups and social-investment firms such as Walden.

But Smith said these votes would not have succeeded without support from mainstream financial advisers and money managers such as CalPERS and TIAA-CREF. Simply, executive compensation in public companies has been getting too out of line with reality.

Under "say on pay," the vote is routine, like the vote every year to approve the auditor. Unlike the auditor vote, the pay vote is not binding; the board of directors can ignore it. But if they do, they contradict the supposition that they represent shareholders, who are the real owners of corporate America.

"Say on pay" is a healthy thing. Bring it on.