



## A "Frank" Look at Executive Pay?

**The congressman's proposal would grant shareholders only a non-binding vote on compensation, but a thumbs-down would be difficult for companies to ignore.**

[Sarah Johnson](#), CFO.com

February 21, 2007

Rep. Barney Frank (D-Mass.) plans to introduce legislation as early as next week that would give shareholders the right to cast a non-binding vote on executive pay packages.

Frank previously has said that executive compensation is one of his top priorities this year, his first as chairman of the House Financial Services Committee. Steven Adamske, the congressman's spokesman, told CFO.com that the committee will hold a hearing on March 8 to weigh the effects of the proposed legislation.

During a January meeting at the National Press Club in Washington, D.C., Frank complained that boards of directors aren't able to exercise a "real check" on the performance of CEOs. Though the proposed bill would grant shareholders only an advisory vote on executive compensation — and by extension, on executive performance — a thumbs-down from shareholders would be difficult for a company to ignore.

Frank believes that the House could pass his legislation by April, according to Adamske, but it might be stopped cold by President Bush's seldom-used veto pen. Last month, in a speech he called "The State of the Economy," [the President criticized Frank's plan](#), insisting that "government should not decide the compensation for America's corporate executives."

Insurance company Aflac recently became the first U.S. company to [let shareholders have a "say on pay,"](#) the phrase that has come to describe these advisory votes. The American Federation of State, County and Municipal Employees, or AFSCME, has been prodding other companies to consider a similar proposal.

© CFO Publishing Corporation 2006. All rights reserved.