

Corporate Governance Twofer

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Yesterday marked an active day on the corporate governance front. First, the U.K. Government announced “a far reaching package of reform to strengthen the hand of shareholders to challenge excessive pay.” The hallmark of this [package](#) is a binding shareholder vote on prospective compensation and exit payments. Other elements include a continued shareholder advisory say-on-pay vote, as well as enhanced disclosure regarding actual amounts of remuneration paid during the prior year.

Second, the SEC finalized its [rule](#) requiring listing standards for compensation committees and their advisers, as required by the Dodd-Frank Act. The final rules largely adopt the SEC’s proposed approach, which in turn closely follows the original statutory language. However, there are a few changes, such as narrowing the disclosure requirement regarding compensation consultants, which many had complained as overly extensive. In any event, there is much more to come, as the exchanges must now propose listing standards on several key elements within 90 days of the SEC rule’s publication in the Federal Register, and it is conceivable that they may expand beyond the limited statutory language. There may also be practical implications for companies in terms of possible committee charter amendments and procedures for the committee to consider adviser independence and consultant conflicts.

We will be summarizing both developments in further detail, but wanted to alert our readers in the interest of time.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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