

Ten more agree to 'say on pay'

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Gary Hawton says he's just getting started.

The chief executive officer of Meritas Mutual Funds has led a shareholder campaign to urge companies to give investors a "say-on-pay" vote on executive compensation practices, firing off more than two dozen shareholder proxy resolutions to large companies over the past three years.

Meritas said yesterday that 10 such companies it targeted have agreed to begin holding say-on-pay votes starting next year, marking the biggest success so far in Mr. Hawton's campaign to win shareholders a say on compensation at public companies.

So far, 25 Canadian companies have adopted the practice, which gives shareholders a non-binding vote each year on a firm's approach to executive compensation.

The latest companies to offer say-on-pay votes include Enbridge Inc., EnCana Corp., Suncor Energy Inc., TransAlta Corp., Biovail Corp., Canadian Pacific Railway Ltd., Agrium Inc., Russel Metals Inc., Barrick Gold Corp. and Major Drilling Group International Inc.

While he has won over many of Canada's biggest corporate players, including all of the largest financial services companies, Mr. Hawton says his work is far from finished. There are still hundreds more companies he believes should give shareholders a voice to express their views on compensation.

"We're going to send it to more companies at this point," he said yesterday. "I think it's good governance, so every company that we own should be providing it to us."

Two weeks ago, the Montreal-based Institute for Governance of Private and Public Organizations - a joint initiative of Concordia University and HEC Montreal - issued a policy paper arguing against widespread adoption of say on pay except in egregious cases where companies ignore shareholder concerns.

Meritas said two companies it sent proxy resolutions this year - Genum Corp. and Methanex Corp. - did not agree to adopt say on pay, so the resolutions will go to a vote at their annual meetings this spring.

Gennum has urged shareholders to vote against the resolution, saying only a small number of very large companies have embraced the practice so far and that Gennum would be the smallest public company in Canada to offer a pay vote.

Methanex general counsel Randy Milner said the company believes a vote on compensation isn't "a very robust form of shareholder engagement." Instead, he said Methanex has created a new feature on its website that will allow shareholders to comment on the company's compensation practices. The feedback will be compiled and given to the board's compensation committee for review.

"To us, it's a much better form of engagement with the shareholders than Yes or No," he said.

Mr. Hawton said that while he has not seen many companies voluntarily adopt say on pay without first being pressured by shareholders, he believes Canada "is at a critical mass" and more companies will adopt the practice without the spur of a shareholder proxy resolution.

"I think what will soon happen is that the companies that have not adopted this yet will be seen as laggards in good governance," he predicted.