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Big Canada companies sign up for votes on exec pay

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TORONTO (Reuters) - Canada's largest companies, including its big banks and insurers, have agreed to give investors a nonbinding uniform vote on executive pay, avoiding the legislative battle facing U.S. shareholders who are trying to have a say on pay.

Thirteen of Canada's largest companies have agreed to allow shareholders to vote on a common resolution on executive compensation, and more are expected to sign up before the annual meeting season begins in the spring, shareholder and investor groups said on Monday.

Stephen Griggs, executive director of the Canadian Coalition for Good Governance, which represents most of Canada's largest institutional shareholders, said he expects the voluntary move by the biggest companies to trickle down to smaller publicly traded corporations.

"The goal is to have every listed company in Canada have a say-on-pay resolution," Griggs said in an interview.

While the resolution is nonbinding, it will be identical at each company, helping shareholders compare pay schemes.

The hot-button issue of pay and bonuses -- particularly at Canada's big banks -- have simmered for years, but popular anger about executive pay is less intense in Canada than in other countries.

The voluntary move by the biggest companies will allow activist shareholders to measure the compensation plans of each, and reject or approve each. It would then be up to the boards of directors -- who are voted into office by shareholders -- to decide whether to approve the pay schemes.

Griggs contrasted the growing cooperation to the uphill battle between U.S. legislators, shareholders and companies to control executive compensation in the United States after a year of government bailouts and bankruptcies.

"In Canada we've been able to work cooperatively between large shareholders and large issuers to develop a level of engagement and a reasonable form of resolution," Griggs said.

While shareholder anger about executive pay in recent years had prompted several companies to promise shareholder votes on compensation beginning in 2010, the fact that the biggest companies are voluntarily signing onto a uniform resolution for those votes takes the pressure off forcing legislation.

In Canada, where regulations vary from province to province and there is no federal securities regulator, legislation would have been a piecemeal and uneven process.

While not all of the 13 companies -- which include seven of the eight biggest seven banks and two big insurance companies -- would confirm they will put the resolution to shareholders in 2010, Canada's No. 2 bank, Toronto Dominion Bank was among those who said they are ready to recommend its board adopt the resolution.

"It was a very collaborative process and we're very pleased with how this process has gone," TD spokesman Mohammed Nakhooda said. "The policy goes a long way to achieving consistency among Canadian issuers who decide to adopt a say-on-pay vote."

Socially responsible investing company Meritas Mutual Funds said even more companies would probably sign on as the practice goes mainstream.

"It's viewed as good governance," Meritas Chief Executive Gary Hawton said.

Hawton stressed the resolution is not an attempt to take power away from the boards of directors, who have expertise about things beyond compensation. But even if votes are nonbinding, he expects directors to take them seriously.

"If they walk away from (a 'no' vote) and say 'well, this is nonbinding,' they risk wrath of shareholders on reelection, and worse," Hawton said.

Following is a list of companies who have signed on to the "say-on-pay" vote, according to shareholder group Share:

Bank of Montreal
Bank of Nova Scotia
BCE Inc
Canadian Imperial Bank of Commerce
Industrial Alliance Insurance
Laurentian Bank of Canada
Manulife Financial Corp
National Bank of Canada
Potash Corp
Royal Bank of Canada
Sun Life Financial
Toronto Dominion Bank
TMX Group