

110TH CONGRESS  
1ST SESSION

# H. R. 1257

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IN THE SENATE OF THE UNITED STATES

APRIL 23, 2007

Received; read twice and referred to the Committee on Banking, Housing, and  
Urban Affairs

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## AN ACT

To amend the Securities Exchange Act of 1934 to provide  
shareholders with an advisory vote on executive com-  
pensation.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Shareholder Vote on  
3 Executive Compensation Act”.

4 **SEC. 2. SHAREHOLDER VOTE ON EXECUTIVE COMPENSA-**  
5 **TION DISCLOSURES.**

6 (a) AMENDMENT.—Section 14 of the Securities Ex-  
7 change Act of 1934 (15 U.S.C. 78n) is amended by adding  
8 at the end the following new subsection:

9 “(i) ANNUAL SHAREHOLDER APPROVAL OF EXECU-  
10 TIVE COMPENSATION.—

11 “(1) ANNUAL VOTE.—Any proxy or consent or  
12 authorization for an annual meeting of the share-  
13 holders (or a special meeting in lieu of the annual  
14 meeting) occurring on or after January 1, 2009,  
15 shall provide for a separate shareholder vote to ap-  
16 prove the compensation of executives as disclosed  
17 pursuant to the Commission’s compensation disclo-  
18 sure rules (which disclosure shall include the com-  
19 pensation discussion and analysis, the compensation  
20 tables, and any related material). The shareholder  
21 vote shall not be binding on the corporation or the  
22 board of directors and shall not be construed as  
23 overruling a decision by such board, nor to create or  
24 imply any additional fiduciary duty by such board,  
25 nor shall such vote be construed to restrict or limit  
26 the ability of shareholders to make proposals for in-

1 elusion in such proxy materials related to executive  
2 compensation.

3 “(2) SHAREHOLDER APPROVAL OF GOLDEN  
4 PARACHUTE COMPENSATION.—

5 “(A) DISCLOSURE.—In any proxy sollicita-  
6 tion material for an annual meeting of the  
7 shareholders (or a special meeting in lieu of the  
8 annual meeting) occurring on or after January  
9 1, 2009, that concerns an acquisition, merger,  
10 consolidation, or proposed sale or other disposi-  
11 tion of substantially all the assets of an issuer,  
12 the person making such solicitation shall dis-  
13 close in the proxy solicitation material, in a  
14 clear and simple form in accordance with regu-  
15 lations of the Commission, any agreements or  
16 understandings that such person has with any  
17 principal executive officers of such issuer (or of  
18 the acquiring issuer, if such issuer is not the  
19 acquiring issuer) concerning any type of com-  
20 pensation (whether present, deferred, or contin-  
21 gent) that are based on or otherwise relate to  
22 the acquisition, merger, consolidation, sale, or  
23 other disposition, and that have not been sub-  
24 ject to a shareholder vote under paragraph (1).

1           “(B) SHAREHOLDER APPROVAL.—The  
2 proxy solicitation material containing the disclo-  
3 sure required by subparagraph (A) shall provide  
4 for a separate shareholder vote to approve such  
5 agreements or understandings. A vote by the  
6 shareholders shall not be binding on the cor-  
7 poration or the board of directors and shall not  
8 be construed as overruling a decision by such  
9 board, nor to create or imply any additional fi-  
10 duciary duty by such board, nor shall such vote  
11 be construed to restrict or limit the ability of  
12 shareholders to make proposals for inclusion in  
13 such proxy materials related to executive com-  
14 pensation.”.

15       (b) DEADLINE FOR RULEMAKING.—Not later than 1  
16 year after the date of the enactment of this Act, the Secu-  
17 rities and Exchange Commission shall issue any final rules  
18 and regulations required by the amendments made by sub-  
19 section (a).

Passed the House of Representatives April 20, 2007.

Attest:                   LORRAINE C. MILLER,  
*Clerk.*