

## *Client Alert*

# Congressional Oversight Committee Continues Executive Compensation Inquiries

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### *Compensation Committee Chairs of FORTUNE 250 Companies Asked to Provide Information about Their Executive Compensation Consultants' Conflicts of Interest*

On January 31<sup>st</sup>, the Congressional Oversight and Government Reform Committee announced that it had sent letters to the compensation committee chairs of FORTUNE 250 companies soliciting information about the role of their compensation consultants in setting executive pay<sup>1</sup>. Compensation committee chairs were asked to provide specified information by February 22, 2008.

Compensation committee chairs were asked the following questions covering the period from January 1, 2006 to date:

- Whether the company utilized one or more compensation consultants to assist in determining or recommending the compensation for senior executives. If so, then detail who retained the consultant, to whom did the consultant report, whether the consultant performed services unrelated to executive compensation, and whether the company disclosed the role of the consultant in determining or recommending executive compensation to its shareholders.
- Whether the company has a written policy regarding whether executive compensation consultants can perform other services for the company unrelated to executive compensation. If so, then describe the policy, identify when the policy was put in place, and identify any changes to the policy over time.

This action was part of the Committee's ongoing investigation into the role played by compensation consultants at large publicly traded companies. On December 5, 2007, the Committee held a hearing to examine executive pay and compensation consultants, at which a number of compensation consultants testified<sup>2</sup>. During this hearing, Chairman Waxman released the Committee's *Report on Conflicts of Interest Among Compensation Consultants*.

### *Conclusion*

Representative Waxman's continuing investigation reflects the firmness of Congressional interest in the inherent conflict of interest that exists when a company's executive compensation consultants also provide other services to the company. We await with interest Committee reaction to the responses it receives from the FORTUNE 250 companies (*another report perhaps?*) and the impact this will have on its ongoing investigation into the role played by compensation consultants in advising compensation committees (*legislative action?*).

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<sup>1</sup> The text of the letter sent to compensation committee chairs can be found at:

<http://oversight.house.gov/documents/20080131154948.pdf>

<sup>2</sup> The details of the December 5, 2007 hearing, including a link to the Report, can be found at:

<http://oversight.house.gov/story.asp?ID=1643>; also see our *Client Alert, Congressional Hearings and Report on Executive Pay and Compensation Consultants* (December 7, 2007), available at: <http://www.exqty.com/References/Default.aspx>

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