

PAY UP

Canadian regulators need to get involved to battle the executive pay bulge.



As some of the grand old names of Wall Street career down the slippery slope known as the credit crisis, a big question looms—who steered them to the edge?

Sadly, the question of out-of-control executive pay just doesn't seem to be going away. It's something we've covered repeatedly in *Canadian Investment Review* and if you're starting to get tired of the topic, then take a look at how much Lehman Brothers chief executive officer, Richard Fuld, made last year. Forbes named him the 11th most highly paid CEO in America (he raked in \$71.9 million). Year after year, nothing seems to change: those executive salaries keep getting higher, often buoyed by stock options that aren't always exercised fairly.

Hence, we're taking another kick at the governance can through our special report—"Battling the Bulge." It's comprised of two research papers on the same topic: executive compensation. In Part 1, "Manipulation Nation," professors Lamia Chourou and Ezzeddine Abaoub scrutinize CEO stock options in Canada. They find Canadian regulators aren't doing enough to discourage Canadian firms from backdating their

executive stock options. In fact, say the authors, Canada should take a lesson from the U.S. and follow the Sarbanes-Oxley model—cut the reporting time for option grants to two business days after the grant date and we might see a change for the better.

Stephen Sapp weighs in on the executive pay bulge debate in Part 2. And he also has some recommendations for regulators. "Sweet Deals" examines the relationship between executive pay packages and shareholder value—how aren't they aligned and what needs to change? Sapp's recommendations: regulators must step in and take a closer look at the process by which compensation is determined. Until that happens, good governance will continue to elude many boardrooms in Canada. ■

— Caroline Cakebread

Clarification — In our coverage of the 2008 Global Investment Conference, we erred in our reference to speaker Christophe Vandewiele, head of Dexia Asset Management, Canadian Representative Office.

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