

EXECUTIVE PAY PAGE 1

Is executive pay an issue in your country? If so, what is being done to control it?

Discuss the meanings of these words with your teacher.

- | | | | | |
|------------|--------------------|---------|---------------|-----------|
| 1 pay | 2 profit | 3 raise | 4 shareholder | 5 income |
| 6 investor | 7 golden parachute | 8 store | 9 stock | 10 resign |

Now match them to these definitions.

- ___ shop
- ___ a financial gain, especially the difference between an initial outlay and the subsequent amount earned
- ___ the capital raised by a company through the issue and subscription of shares
- ___ an owner of shares in a company
- ___ a person who puts money into financial schemes with the expectation of making money
- ___ a payment guaranteed to a company executive should they be dismissed
- ___ money given for work
- ___ an increase in salary
- ___ to leave one's job voluntarily
- ___ money received, especially on a regular basis, for work



Before listening to the report, try to complete the gaps in this written version with the appropriate form of the words above. You need to use some words more than once. Then listen and check your ideas.

For Robert Nardelli, 2007 might seem like a bad year. After all, he _____ in January as chief of the world's largest operator of home-improvement _____. Sales and _____ grew during his six years at Home Depot. But the _____ price of the company, based in Atlanta, fell 8 percent. Many shareholders thought Bob Nardelli was paid too much and did not respect his _____ enough. So he was forced out. But he had something to look forward to that would ease his fall. Company directors agreed to give him \$210 million worth of payments and benefits. An agreement like this is known as a _____. These are traditional when top executives lose their jobs because of a change of ownership or control of a company. This was not the case at Home Depot, and the money only added to _____ anger. Golden parachutes

are just one issue in a larger debate in America. Executive pay is growing out of control, critics say, at a time when many Americans are feeling greater economic pressures. Last year, the average _____ for a chief executive officer on the Standard & Poor's 500 list of companies increased by over 9 percent. Critics say there is no relationship between pay and performance. They say company leaders get _____ even if they fail to create value for shareholders. Lawmakers are taking note. On April 20th, the House of Representatives passed a bill to give _____ in publicly traded companies the right to vote on executive pay. The proposal by majority Democrats now goes to the Senate. But its future is unclear. The Bush administration opposes the bill. It says Congress should not set the approval process for executive pay. The bill would require yearly votes but these would be non-binding. In other words, companies would not have to follow shareholder wishes. Still, supporters argue that a "say on pay" vote would send a clear signal about what the owners of the company, the _____, think. The Securities and Exchange Commission requires public companies to include executive _____ information in a document called a proxy statement. A proxy statement is supposed to help shareholders make informed votes on company proposals. But critics note that the way executive _____ is reported is often too difficult to understand. I'm Steve Ember.

EXECUTIVE PAY PAGE 2

Teacher's notes

Total pages 2 / student pages 1 / week of 21.05.07 / CD track 1 / low-intermediate+

8 shop

2 a financial gain, especially the difference between an initial outlay and the subsequent amount earned

9 the capital raised by a company through the issue and subscription of shares

4 an owner of shares in a company

6 a person who puts money into financial schemes with the expectation of making money

7 a payment guaranteed to a company executive should they be dismissed

1 money given for work

3 an increase in salary

10 to leave one's job voluntarily

5 money received, especially on a regular basis, for work

Post-listening discussion Ask the students these questions:

What do you think is a fair salary for a CEO of a company such as Home Depot?

Who is the highest paid CEO in your country?

FYI Top salaries for 2006

Apple's CEO Steve Jobs was the top paid CEO last year with nearly \$647 million in total. Ray R Irani of Occidental Petroleum was No. 2 with \$322 million in compensation, while Barry Diller (IAC/InterActiveCorp, \$295m), William P Foley II (Fidelity, \$180m), Terry S Semel (Yahoo, \$174m), Michael S Dell (Dell, \$153m), Angelo R Mozilo (Countrywide Financial, \$142m), Michael S Jeffries (Abercrombie & Fitch, \$115m), Kenneth D Lewis (Bank of America, \$100m), and Henry C Duques (First Data, \$98m) were others among the top 10.

Transcript

For Robert Nardelli, 2007 might seem like a bad year. After all, he resigned in January as chief of the world's largest operator of home-improvement stores. Sales and profits grew during his six years at Home Depot. But the stock price of the company, based in Atlanta, fell 8 percent. Many shareholders thought Bob Nardelli was paid too much and did not respect his investors enough. So he was forced out. But he had something to look forward to that would ease his fall. Company directors agreed to give him \$210 million worth of payments and benefits. An agreement like this is known as a golden parachute. These are traditional when top executives lose their jobs because of a change of ownership or control of a company. This was not the case at Home Depot, and the money only added to shareholder anger. Golden parachutes are just one issue in a larger debate in America. Executive pay is growing out of control, critics say, at a time when many Americans are feeling greater economic pressures. Last year, the average pay for a chief executive officer on the Standard & Poor's 500 list of companies increased by over 9 percent. Critics say there is no relationship between pay and performance. They say company leaders get raises even if they fail to create value for shareholders. Lawmakers are taking note. On April 20th, the House of Representatives passed a bill to give shareholders in publicly traded companies the right to vote on executive pay. The proposal by majority Democrats now goes to the Senate. But its future is unclear. The Bush administration opposes the bill. It says Congress should not set the approval process for executive pay. The bill would require yearly votes but these would be non-binding. In other words, companies would not have to follow shareholder wishes. Still, supporters argue that a "say on pay" vote would send a clear signal about what the owners of the company, the investors, think. The Securities and Exchange Commission requires public companies to include executive pay information in a document called a proxy statement. A proxy statement is supposed to help shareholders make informed votes on company proposals. But critics note that the way executive income is reported is often too difficult to understand. I'm Steve Ember.