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**EXECUTIVE COMPENSATION ANALYSIS REVEALS HIGH CEO PAY
FOR UNDERPERFORMING COMPANIES RESULTS FROM
SKEWED COMPENSATION PEER GROUPS AND BOARD INDIFFERENCE**

Analysis is First-of-a-Kind Utilizing New SEC Compensation Disclosure Requirements

NEW YORK, NY, June 24, 2010 – The Investor Responsibility Research Center (IRRC) Institute and PROXY Governance Inc. (PGI) today released a new study, “*Compensation Peer Groups at Companies with High Pay*,” that identifies a subset of S&P 500 companies with high pay that is not aligned with high performance. The data reveal that high executive pay companies self-select larger than appropriate peers – in terms of market capitalization and revenue – for compensation benchmarking purposes. The self-selected peer groups also are better performers. Then, not content with systemically skewing the comparables for the purpose of setting executive compensation, the boards of directors of the high pay companies basically ignore the peer groups to compensate chief executive officers (CEO) an average of more than double, or 103 percent, above the median of the self-selected peer group. By contrast, the baseline, or non-high pay, companies paid CEOs an average of 15 percent *lower* than the median of benchmarking peers.

“The new compensation disclosure requirements by the U.S. Securities and Exchange Commission have, for the first time ever, made it possible to evaluate structures and processes used by boards of directors to develop compensation packages. This analysis offers a new framework for better understanding what’s behind high CEO compensation,” said Michael Ryan, President and Chief Operating Officer of PGI. “We hope the study is a useful tool for investors and policymakers at a time when executive compensation is at the forefront of the financial reform debate,” Ryan added.

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The study defined approximately 15 percent of the S&P 500 companies as “high pay” due to a combination of pay and performance factors, including average three year CEO compensation, total shareholder return, return on equity, revenues/expenses, and operating cash flow/equity. A sliding scale made it more difficult for a company to be termed high pay if its performance was at or above its peer group.

“The data indicate that some companies are ‘fixing the game’ by first choosing larger and better performing companies to be in the peer group against which they measure their CEOs compensation,” said Jon Lukomnik, Program Director of the IRRIC Institute. “Then, incredibly, even the ‘fixed’ rules are ignored to grant compensation more than 100 percent above the self-selected peer group. By contrast, baseline companies pay their CEOs less than the CEOs of those peer groups. Clearly, high CEO pay does not always go hand-in-hand with superior shareholder returns,” Lukomnik added.

The key research findings are as follows:

- While all companies in the study tended to select larger compensation peers, the differential was more dramatic for companies with high pay. Measured by market capitalization, companies with high pay were an average of 45 percent smaller than self-selected peers versus an average of 5 percent smaller among baseline companies. Measured by revenue, companies with high pay were an average of 25 percent smaller than self-selected peers, while baseline companies averaged only 17 smaller.
- Unlike baseline companies, companies with high pay tended to select higher-performing companies as compensation peers. On average, companies with high pay performed 7.7 points worse than self-selected peers, based on the study’s aggregate scoring metric. By contrast, baseline companies performed an average of 3.0 percentile points better than their self-selected peers.
- Companies with high pay were also more likely (21 percent) than baseline companies (17 percent) to select other companies with high pay as compensation peers. Conversely, however, the average company with high pay appeared in fewer S&P 500 compensation peer groups, at 8.5, than the average baseline company, at 10.3.
- Companies with high pay compensated their CEOs an average of 103 percent above peer group median despite being 25 percent smaller than those peers by revenue. Baseline companies, by contrast, paid their CEOs an average of 15 percent below peer group median – a discount roughly in line with approximately 17 percent smaller average revenue.

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- Companies with high pay also structured their larger CEO pay packages with a disproportionately richer mix of equity awards (69 percent of total pay) than either their self-selected peers (62 percent) or baseline companies (61 percent). Full value equity awards at companies with high pay constituted 41.3 percent of total pay, versus 35.2 percent among self-selected peers and at baseline companies.
- Contrary to general perceptions, having an external CEO on the compensation committee appeared to act as a mild deterrent to high pay. Among the S&P 500 companies, 6.5 percent of companies with high pay had external CEOs on the compensation committee, versus 9.0 percent of baseline companies. Across the broader Russell 3000, only 1.7 percent of companies with high pay had external CEOs on the compensation committee, versus 10.5 percent of baseline companies.
- Nearly 65 percent of companies with high pay had a CEO who was also chairman, slightly higher than the 60 percent rate among baseline companies. Baseline companies, however, were moderately more likely to have a classified board (29 percent versus 24 percent) or have had a shareholder pay proposal on the ballot in the prior three years (29 percent versus 24 percent).

This study was conducted using independently developed peer groups to identify S&P 500 and Russell 3000 companies where CEO compensation appears high relative to peer group pay and performance. Then, these companies' self-selected compensation peers were examined for systematic bias to evaluate against a baseline of the remaining S&P 500 companies. Companies with high pay were also evaluated against baseline companies for differences in the structure or composition of their Compensation Committees and certain other features of their corporate governance.

The full study is available at www.irrcinstitute.org and www.proxygovernance.com. The report also is included in the IRRC sponsored Social Science Research Network Corporate Governance Network at <http://www.ssrn.com/cgn/index.html>.

About The IRRC Institute

The IRRC Institute is a not-for-profit organization headquartered in New York, N.Y whose mission is to provide thought leadership at the intersection of corporate responsibility and the informational needs of investors. More information is available at www.irrcinstitute.org.

About PROXY Governance

PROXY Governance, Inc. is an independent and conflict-free proxy advisory firm that helps build long-term shareholder value by providing various proxy advisory services to institutional investors, including mutual funds, public and private pension funds, insurance companies' investment divisions, and investment banks. More information is available at www.proxygovernance.com.