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# DIRECTORS & BOARDS 2012 Proxy Survey

*Elimination of red-flag compensation program elements to smooth the say on pay vote and heightened communication with shareholders are two themes infusing this year's survey.* **ANALYSIS BY DAVID SHAW**

**C**URRENT AND IMPENDING RULES will continue to dominate this year's proxy high season, but perhaps because share prices are up and the markets are nearing or exceeding 2008 highs, companies are having success with their shareholders in implementing say on pay and say on frequency.

According to our recent proxy expectations survey, of the 59% of respondents who said they had a say on pay vote in 2011, the vast majority (83%) saw approval votes of 80% or greater of shareholders. Say on frequency of those votes was also on the top of the shareholder agenda last year.

Even with the strong passage of most say on pay votes, di-

rectors noted a variety of board responses to last year's votes, including: "We engaged compensation consultants, amended the CEO's employment agreement, and adopted more pay for performance compensation" and "We have heightened our communication with shareholders on pay packages."

Nearly 11% of respondents reported that their proposed slate of directors wasn't re-elected in its entirety last year, with a similar number reporting that the entirety of the company's shareholder proposals were also not okayed.

For 2012, say on pay and say on frequency will continue to be a driver of proxy initiatives, according to our respondents, but there is an expectation to see more measures related to

## Survey methodology and demographics

This DIRECTORS & BOARDS survey was conducted in January 2011 via the web, with an email invitation to participate. The invitation was emailed to the recipients of the DIRECTORS & BOARDS monthly *e-Briefing*. A total of 400 usable surveys were completed. The survey was conducted with the financial support and sponsorship of Drinker Biddle & Reath LLP, though all survey questions and responses were designed and analyzed solely by DIRECTORS & BOARDS.

### ABOUT THE RESPONDENTS

*(Multiple responses allowed)*

A director of a publicly held company	.46%
A director of a privately held company	.32%
A director of a nonprofit entity	.38%
A senior-level executive (CEO, CFO, CxO) of a publicly held company	.10%
A senior-level executive (CEO, CFO, CxO) of a privately held company	.19%
Institutional shareholder	.7%
Other shareholder	.18%
Academic	.9%
Auditor, consultant, board advisor	.15%
Attorney	.16%
Investor relations professional/officer	.7%
Other	.11%

### REVENUES

*(For the primary company of the respondent)*

**Average revenues \$3 billion**

Less than \$250 million	.36%
\$251 million-\$500 million	.11%
\$501 million to \$999 million	.9%
\$1 billion to \$10 billion	.27%
More than \$10 billion	.17%

### BOARD SERVICE

*(Average number of boards respondents serve)*

Public	.1
Private	.1
Charitable	.2

### RESPONDENTS' AGE

**Average age 58**

30-39 years old	.7%
40-49 years old	.14%
50-59 years old	.29%
60-69 years old	.42%
70 years or older	.8%

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political contributions and environmental and social issues. “We’re seeing vastly more labor influence,” one director noted. “There are a lot of proposals regarding political (and other) contributions, including to nonprofits (the Planned Parenthood effect). We’re also seeing a lot more pressure on legislatures to reverse *Citizens United* [the Supreme Court ruling on political expenditures by corporations].”

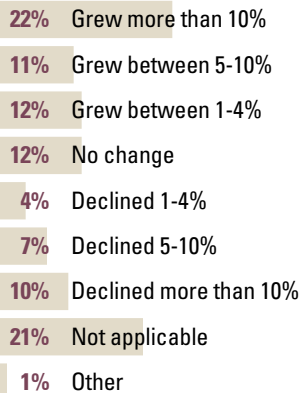
The majority of respondents (81%) noted that their compensation plans don’t have red-flag elements like excise tax gross-ups, high levels of executive perks, perk gross-ups, or single-trigger change of control provisions. That development, along with the recovery of shareholder value through stock price gains and the halo effect of the Occupy Movement and this year’s political battles, may explain the increased expected proxy focus on non-pay issues.

Interestingly, nearly 27% of respondents indicated that they’ve begun to implement pending Dodd-Frank rules in advance of final rulemaking, with one director noting that “we are committed to best practices on our board, and want to be at the forefront of complying with Dodd-Frank.” The majority of respondents, however, are waiting for final rules before moving forward. “We don’t want to implement twice,” another director said.

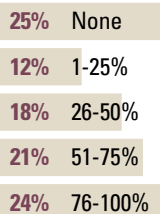
And 56% of respondents note that their companies are more engaged in direct communication with institutional and large shareholders than they were three years ago, and nearly 39% indicate that their boards are engaged in direct communications with their largest shareholders. At the annual meeting, only 7% of respondents report that there are no opportunities for shareholders to address or interact with directors. ■

## 2011 Proxy activity

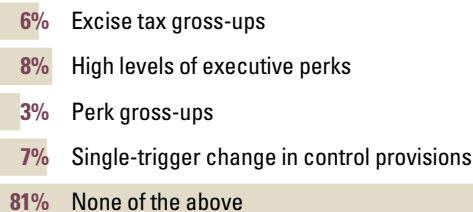
**For your primary company, what was the approximate percentage change in stock price from January 1, 2011, to December 31, 2011?**



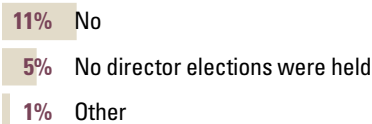
**Approximately what percent of your company’s shareholders are institutional shareholders?**



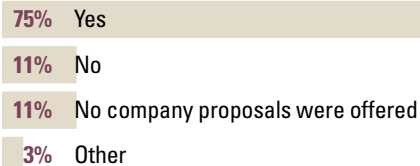
**Does your primary company’s executive compensation feature any of the following pay practices? (Multiple responses allowed)**



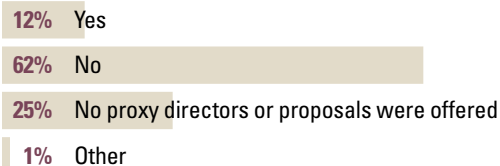
**During your 2011 annual meeting, was the company’s proposed slate of directors re-elected in its entirety?**



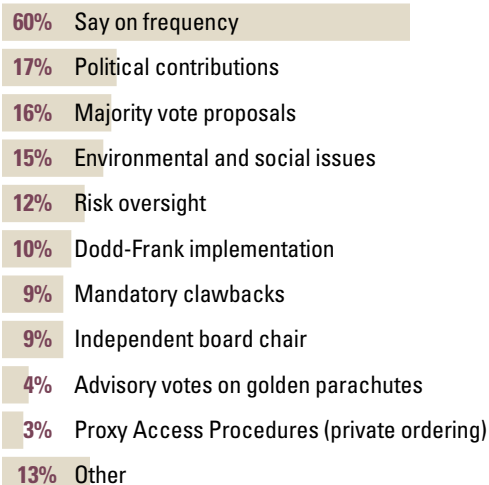
**During your 2011 annual meeting, were the company’s proposals accepted by the shareholders in their entirety?**



**Did your last annual meeting elect a director or directors, or pass a shareholder proposal, that was not on the company’s ballot (that is, via proxy)?**



**What types of proxy measures, other than say on pay, were offered in 2011? (Multiple responses allowed.)**



## Say on pay

Did your primary company have a say on pay vote in 2011?

59% Yes

41% No

By what percentage did your 2011 say on pay proposal pass?

3% 100%

53% 90-99%

26% 80-89%

10% 70-79%

3% 60-69%

0% 50-59%

3% The measure did not pass

0% We held no 'Say on Pay' vote

Has your company experienced, or do you expect to experience, shareholder lawsuits as a result of say on pay votes?

2% Yes

96% No

2% Uncertain

## 2012 Proxy expectations

What types of proxy measures do you expect in 2012?

(Multiple responses allowed.)

56% Say on pay

24% Political contributions

24% Environmental and social issues

22% Say on frequency

22% Independent board chair

17% Risk oversight

14% Proxy access procedures (private ordering)

14% Majority vote proposals

8% Dodd-Frank implementation

7% Mandatory clawbacks

4% Advisory votes on golden parachutes

18% Other

How important is the ISS say on pay evaluation to your company?

11% Very important

38% Important

32% Neither important nor unimportant

16% Not important

3% Other

In 2012, is your company implementing pending Dodd-Frank rules on corporate governance and executive compensation disclosure in advance of final rulemaking?

27% Yes

45% No

25% Not applicable

3% Other

## Engagement with institutional and large shareholders

Is your primary company more engaged in direct communication with its institutional and large shareholders than it was three years ago?

56% Yes

8% No

30% About the same level of engagement

6% Other

Is your board (in full or in part) engaged directly in communicating with institutional and other large shareholders?

39% Yes

57% No

4% Other

## Board member involvement in the annual meeting

Does your company require its board members to attend the annual shareholder meeting?

77% Yes

20% No

3% Other

Did the majority of your board members attend your last annual meeting?

96% Yes

4% No

What kind of opportunity, if any, do you provide shareholders to address directors at your annual meeting? (Multiple responses allowed.)

7% None

46% Questions to designated directors

72% Questions to all directors

17% Individual meetings with directors

22% Networking with directors at social events

4% Other