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Sodali survey reveals strong investor support for “Say-on-Pay” votes.

Institutional investors overwhelmingly endorse the “Say-on-Pay” (SOP) vote process and believe that it protects their rights and strengthens the accountability of corporate boards, according to a survey released today by Sodali, Ltd. 80% of respondents rated the value of the SOP vote either 4 or 5 on a scale of 1 (lowest) to 5 (highest).

The survey results and comments from respondents make clear that investors view the SOP vote as a highly successful corporate governance tool that provides insight into board independence and a means to promote dialogue on both governance and strategic issues.

Investors also expressed a strong preference for the SOP vote to be held annually (77% of respondents) and for the vote to be advisory rather than binding (66% of respondents).

The survey, released today, was sent to Sodali’s proprietary database of the largest institutional investors who invest globally. Thirty-five institutions from 10 countries representing nearly \$13 trillion of assets under management responded to the survey.

In a question that focused on the structure of the SOP vote, 54% of respondents said they want to vote on general compensation policies rather than on specific elements of compensation. The comments submitted on this question indicate that there is a lively debate among institutional investors about the interpretation of SOP votes. Some investors view the vote as a means to rate board policies, while others dig deeper and examine the details of pay plans. Dialogue is clearly necessary to determine the meaning of SOP vote results.

When asked “What factors do you consider in making an SOP vote decision and how important are they?” respondents showed a clear preference for factors relating to companies’ financial performance. The top score (4.48 on a scale of 1 to 5) went to “performance criteria for short/medium/long term incentives.” The second choice, rated 4.21, was “company financial performance.” Third, rated 4.03, was “imbalance between long-term/short-term incentives.” Fourth, rated 3.97, was “total compensation,” and fifth, rated 3.90, was the “quality of the justification for the remuneration policy.” It is noteworthy that respondents gave by far the lowest rating -- only 2.43 out of 5 -- to “proxy advisors’ recommendations” as a factor in their SOP vote decisions.

When asked “Who, within the issuer, should establish dialogue with investors to discuss remuneration issues and SOP?” the top choices were: “Board chair or lead independent director” (rated 4.37) and “Remuneration committee chair” (4.14), followed by “Board secretary” (3.17) and Investor Relations/Human Resources executive (3.17). This response reinforces the governance principle that the board of directors has primary responsibility for compensation and should be willing to engage directly with shareholders on the topic.

The survey asked whether proxy advisory firms' reports and vote recommendations were important to investors' SOP vote decisions. Only 5.7% of respondents said they "fully trust the analysis and judgment" of proxy advisors. 57% of respondents said that proxy advisors were "helpful but they would also review the company's information and establish dialogue when appropriate." 37% said proxy advisors' views were "informative only but would trust their analysis when strong misalignments with market practices are highlighted." This response should reassure companies that proxy advisory firms do not have excessive influence on SOP votes.

Respondents indicated that following a significant negative SOP vote companies should either "commence outreach and dialogue with shareholders" (77%) or "revise the remuneration policy" (74%) rather than simply writing a letter of explanation (42%). Comments indicate that investors want companies to initiate dialogue and that boards of directors should be responsible for persuading shareholders that compensation schemes will properly incentivize managers, strengthen business strategy and create long-term value for shareholders.

Finally, the survey asked respondents to list the pros and cons of the SOP vote and to select the issue other than SOP that will be of greatest importance during the 2013 AGM season. The answer: "board independence."

Comments indicate that investors do not want the SOP vote to dominate the corporate governance debate to the exclusion of other important issues. In effect, the value of the SOP vote for both issuers and investors is as a stimulus to dialogue, improved understanding and alignment of interests.

About Sodali

Sodali is an international consultancy and service provider that has achieved prominence as a leader in corporate governance, the development of institutional investor relations, the management of shareholder meetings and the mechanics of cross-border share voting. The firm's mission of "aligning interests" is based on the conviction that a company's governance and business strategy should work together to serve the long-term economic interests of the enterprise and its stakeholders. In addition to its assignments with some of the world's largest publicly-traded corporations, Sodali also works extensively with developing market companies, family-owned businesses, mutual companies and state-owned enterprises. The firm has offices in Athens, Copenhagen, Geneva, London, Madrid, Milan, New York, Paris, Rome and representatives in Sao Paulo and Tokyo.

For a complete copy of the survey and responses, please contact:

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