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**Pay Alignment Rankings – New Tool to Assess Pay v Performance**  
*Non-Correlated CEO Compensation a Continuing Governance Concern in the US*

*New York, November 10, 2009* - **GovernanceMetrics International (GMI)**, the corporate governance research and ratings firm, announced today that its Summary CEO Compensation Reports and Pay Alignment Rankings (PAR)<sup>SM</sup> are now available as a stand-alone service.

First introduced in September 2007, the PAR compares changes in total direct CEO compensation expense to total shareholder returns within specific market sectors for most of the 1,775 US companies covered by GMI. It was designed to give investors, companies and their consultants a top-level view of how well compensation committees have done in aligning CEO pay and performance over the last three fiscal years. The PAR and summary compensation reports will continue to be offered to GMI clients as part of GMI Rating Reports but now are also available as a stand-alone service to anyone whose focus is on executive remuneration.

“It is obvious to everyone that the market crisis has sparked increased governmental oversight and a general public backlash concerning executive pay plans. Shareholders in US companies face a huge increase in say-on-pay proxy votes next year. As a result, we have seen a marked increase in requests from all parts of the market to help identify companies where there appears to be a reasonable alignment between pay and performance, and vice versa,” said GMI chief executive Howard Sherman. “In this environment compensation plans proposed by companies with poor pay alignment in the past – a low PAR in other words – may warrant further scrutiny.”

By way of example, GMI noted that transportation firm YRC Worldwide (NASDAQ: YRCW) had a PAR of 0.5%, the third-lowest in GMI’s most recent rating release, September 2009. (The PAR is scaled 0 to 100%) Over the three year period 2006-2008 the company recorded total shareholder returns of -15.4%, -54.7% and -83.2% respectively. Over the same period, total direct compensation expense for Chairman and CEO William Zollars was \$2.8M, \$5.6M and \$6.3M, suggesting a poor alignment with company performance.

Another example is Doral Financial (NYSE:DRL), which substantially underperformed the banking sector in each of 2006, 2007 and 2008. Executives were paid a large special bonus in 2007 that led to a significant increase in overall compensation that year. This was despite negative total shareholder returns and the company underperforming its peer group substantially. The CEO also has a compensation scheme with a guaranteed bonus of 150% of salary with no performance conditions. All told, this resulted in a PAR of 2.8% for President and CEO Glen Wakeman in GMI’s September release.

By contrast, Equity Residential (NYSE: EQR) received one of the highest PAR's (95.9%) in September. The company recorded sequential total shareholder returns of 34.3%, -24.5% and -12.9% over the 2006 – 2008 time frame. Total direct compensation for President and CEO David J. Neithercut was \$4.24M, \$3.01M and \$3.62M over the same period. Mr. Neithercut's targeted cash bonus for each of these years was 150% of salary. However, in 2007 Mr. Neithercut received only 53% of his targeted cash bonus and 87% of his targeted long-term compensation award. In 2008, he received 93% of his targeted cash bonus and 98% of his targeted long-term compensation award. The company additionally stated that in 2008, as a result of the downturn in the economy and an expectation of weak conditions in 2009, it had reduced the projected cash bonus awards by an average of 19% and the projected long-term compensation awards by an average of 15% for the named executive officers. In short, despite the fact that the company outperformed its peers over the 2006-2008 period the CEO's compensation package appeared to account for absolute performance as well. At many companies, CEO compensation tends to be somewhat sticky.

“Analyzing the link between pay and performance in the past is not a substitute for analyzing new pay plans going forward. But as compensation committees and investors try to get their arms around this most challenging aspect of corporate governance, we believe this new tool will help identify both companies with progressive pay practices and those where alignment has been so poor they warrant a second look,” according to GMI.

#### *Disclosure Concerning Compensation Consultants*

In addition to the Pay Alignment Ranking, GMI Summary CEO Compensation Reports also include information about the compensation consultants used by each company when such information is disclosed. GMI noted that 86.9% of the US companies covered now disclose the details of compensation consultant for the board, compensation committee and / or management.

Disclosure concerning consultant fees remains very low, however. Only 3.4% of US companies covered by GMI revealed details of fees paid to any of their compensation consultants. “This is clearly an area where increased disclosure is sorely needed,” said GMI.

**About GMI:** GMI ratings, research reports and e-Alerts are used by a wide array of global financial institutions. Depending on the organization, clients use GMI as part of their overall investment research strategy, to support corporate engagement programs and ESG-specific research and investment products, and to help assist with portfolio risk analysis. GMI is often combined with traditional analytical tools such as discounted cash flow or financial ratio analysis to create more robust valuation models. GMI publishes new research reports for all companies covered on a quarterly basis and conducts interim re-ratings when events so warrant. Additional information can be found at [www.gmiratings.com](http://www.gmiratings.com).