Responses to 2009 Survey of Investor Voting Criteria
Comments of Participants

Question #1 Comments (44)

Question: *"If you are asked to vote for shareholder approval of executive compensation for your portfolio companies, how important would you consider each of the following?"*

Comments offered in selection of "Other (please describe in comment space)"

Question #2 Comments (25)

Question: *"How much would you expect to rely on each of the following sources of information for your voting decisions?"*

Comments offered in selection of "Other (please describe in comment space)"

Question #3 Comments (41)

Question: *"If you have any comments on what information is needed to support effective investor voting on executive compensation, please tell us here:"*

Comments offered in response to open question

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Question #1: ***"If you are asked to vote for shareholder approval of executive compensation for your portfolio companies, how important would you consider each of the following?"***

Comments offered in selection of "Other (please describe in comment space)"

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1 Industry comparisons and performance against competitors

2 Transparency of incentive comp plans and linkage to LONG-TERM fundamental performance is critical.

3 No "pay for pulse" and no compensation based on top line or gross results. A fair share in line with results received by shareholders.

4 The most important issue to me would be the design of the equity compensation plan

5 Nature and amount of transparency in official documents regarding this subject.

6 there needs to be a system of required disclosures - not unlike TILA. In the ideal system, disclosures would be uniform and there would be board responsibility for honesty.

7 Fair balance of treatment between senior mgmt, employees, and shareholders.

8 Don't like options, want base pay to cover living expenses and HUGE bonus dependent upon easily quantitative real goals like organic increase of book value over time.

9 [deleted – professional service promotion]

10 WHETHER ANY COMPENSATION CONSULTANT TO COMP COMMITTEE ALSO PROVIDE SERVICES TO MANAGEMENT

11 Strategic rationale for pay decisions and clear articulation of the links between pay incentives, specific performance measures and the achievement of strategic goals (both short and long-term).

12 There is a big difference between the "ideal" considerations and reality. For instance, proxy advisor guidelines should not matter much, but in reality, they will be the first indication of whether or not to look further - even if you end up disagreeing with them.

13 Level of disclsore across all compensation items, in order to allow shareowners to adequately asses the incentive compensation framework in place at the company - special focus of Annual Incentive Plan and Long-Term Incentive Plan disclosures of explicit performance objectives and actual award thresholds used in the most recent performance period. Also, disclosure should cover proprietary performance metrics.

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14 full disclosure including access to deliberations of board committees over exec comp and how and why board believes it has to pay up for professional management, when often there are equally fine candidates employed at the company at more fair pay scales. the apparent flaws and now huge expense of professional management needn't be obscured by the larger sizes of the enterprises as that too also is a part of the problem. but where the board's performance at this point also is subject to concern, should make boards more cautious and careful about aggressive pay scales to agency when it's unnecessary to find better managers more interested in running the company properly and also not thinking that his performance is measured by what he can make hit the bottom line, and as a result laying off americans to site in cheap labor regions, after which managemetn will import the cheaper goods from those regoins while the Csuite chest beats as if it it's done a better job and HASNOT.

15 TSR vs. Peers; custoner service; transparency

16 A clear statement of the remuneration strategy or philosophy and how this board has chosen to make its decisions. This should be unique for each board. I'm not a great believer in 'one size fits all' regulations or guidelines. I want to see informed and involved boards making their own decisions based on a proper process that suits their company.

17 Compensation is aligned with the company's strategy.

18 The most important fact is how performance incentives compare to the competition -- what is/are the incentive(s) and the precise period(s) of performance upon which incentives are based? This can be most easily analyzed when compensation facts are reported in an industry standard computer language, such as XBRL. Without context,empirical data holds relatively little meaning, and subjective guidelines issued by the pay analog to credit rating agencies (proxy advisors) are relatively useless compared to market judgments by investors based on useful information.

19 You cannot assess whether compensation is providing the right incentives without understanding both the business and the company's longer term strategic objectives. That includes knowledge of the company's key risks. The board must be able to show that the compensation package encourages appropriate risk taking in accordance with the company's stated risk tolerance, and is tied to the achievement of the strategic and operational plans. If the package is outside generally accepted best practice standards, then the board should explain why the package is nevertheless right.

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20 Performance of company

21 need to understand options, pricing, timing. need to understand pensions and all ways the management compensates itself without disclosure.

22 I didn't answer the comp consultant question because my doing so might have led you to believe I think these consultants constructive. Basically, I think they do not help the process.

23 Are there any clawback provisions and what is the difference in pay between the C-suite and middle management? If this pay discrepancy is quite wide, that will have a negative impact in my view.

24 Time Horizon and vesting schedule needs to be alligned with goals. No free call options to managements.

25 amount of compensation should also be broken down in relation to salary, bonus, perks, etc

26 It's important that executives are compensated on the basis of pursuing long-term profit versus short-term gains. The latter is what triggered a lot of the flaws in our financial and housing market. Yes, many firms on Wall Street rely primarily on transactions. However, an overflow of transactions that exaggerate fundamental values of the underlying assets lead to financial bubbles. History confirms this.

27 Sharelholder voting on pay is worse than useless. It is destructive, especially given the potential for abuse by union pension funds and other politically motivated entities including goverments.

28 Pay for performance over long term is critical

29 Pay Structure

30 The ability for corporations to claw back bonuses in the advent of poor performance, especially as it relates to prop trading in the financial sector. Bonuses should also be viewed along a long time frame and be a smaller percentage of total compensation. In other words, salaries should be increased, bonuses should be tied to individual and company performance over multi-year periods, and corporations should have the ability to claw back all or some of the bonus paid. In such a scenario, actual amount is relatively unimportant, as long as it is a percentage of what the employee in question contributed to revenue.

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31 Form of compensation - cash, stock, options (and the strike prices thereof).

32 Most important is simply that company mgmt allows shareholders to vote on proper comp

33 No views

34 Relationship of pay to long-term performance criteria, including the management of extra-financial factors

35 Compensation ties to long term and measurable goals (5 yrs). Significant portion of pay should be deferred till meeting goals.

36 Important for the company to link the pay to overall LONG TERM company results including shareholder value creation over their time in position. These compensation terms should be see as long term incentives where leaders get compensated for what they have done to sustain and grow companies.

37 Shareholders should vote on executive pay. This would reduce greed and self dealing which is part of most if not all large corporations top management.

38 Changes is pay practices (e.g., changing tools like adding severance or retirement, or switching from options to restricted stock or performance units, etc.). Cynically speaking, those changes often have ulterior motives.

39 using a consultant would be considered a detriment

40 share-based compensation data should include calculations of potential dilution to existing shareholders such as showing number of shares granted as a percent of shares outstanding

41 Shareholders need to know the compensation norms of comparable companies AROUND the WORLD. Talents are global and the pay disparity between US and European firms cannot be justified by relative performances.

42 Compensation consultant need not be from a firm that provides only compensation services for company. The Board has ultimate responsibility for decisions made.

43 Also consider any proposed changes to the compensation program and what future impact they may have.

44 We also look at how the company meets our own policies for local markets.

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45 Pay AND performance vs. "well-constructed" peer groups; Also, independence of consultants and a feeling that they are not simply ratcheting-up vs purposefully-constucted peer-groups.

46 Quality of the compensation committee's explanation of its compensation decisions, measures used and links to competitive challenges and long-term strategic goals.

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1 Industry comparisons and performance against competitors

2 Complete transparency on all elements of compensation is the key. This can be laid out in the proxy in detail at little incremental cost to the company.

3 How matter is addressed in financial statement discussions and letters to shareholders - - a higher level of transparency is desirable.

4 More democracy and empowered shareholders. If this was the case we wouldn't need caps on CEO salaries. Corporate law was developed around 400 years ago when there was a much more limited media and no internet. Shareholders riding herd on management will be a hell of a lot more effective than a few government lawyers.

No reciprocal board seats. That is management and boards can't serve on each other's boards.

The corporate veil needs to be much more permeable. When management screws up they should be fined and punished rather than the shareholders who have had nothing to do with it. As it is, management screws up and the corporation gets fined resulting in the shareholders paying.

Management paid bonuses based on 5-7 year performance rather than year to year. This would eliminate the need for clawbacks and insure more long term management decisions rather than quarter to quarter and year to year.

5 The methodology used to determine the framework for compensation and the terms and conditions governing the framework are really the critical drivers in determining if the resultant pay is appropriate.

6 Industry standards or practices

7 In house analysis

8 My own sense of fair compensation versus compensation that is excessive by my subjective opinion.

9 Again - the "ideal" and reality will differ greatly.

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10 Internal research and analysis of company's compensation practices, and weighting of any personal dialogue with board/management.

11 Company's historical practices (comp and governance) and responsiveness and transparency. Also, if one particular practice/plan is the key issue, whether we have the opportunity to vote on it as a line item.

12 Shareowner Forum recommendations; other experts

13 If I am a shareholder the board should be giving me the information that I need to make an assessment. I want it firsthand from the people whom I can vote out of their jobs (or who can go to jail) if they do a bad job. They may use consultants to help them make a decision or design a process but I want the board to talk to me not an external third party whose only 'skin in the game' is their professional fee.

14 See comment to #1. Only a well-informed market of investors can create the share-price incentives necessary to achieve efficient compensation practices. And only structured disclosure in an industry standard format such as XBRL can make the critical information useful to the market. Bringing politics into the compensation process does more harm than good.

15 I would review the company's strategic plan with the specific terms of the compensation package and expect to see the two clearly tied together.

16 The quality of the company's annual report. I like candor and information

17 We may as well be voting on the capital allocation process. Ridiculous.

18 Public disclosures via SEC filings most important

19 Management come with proposal of their long term goals and year by year target. Third party verify the process.

20 Management and boards need to stand up and be counted. Do not delegate this to consultants, etc. The (board) should consider some outside council and participate in such discussions apart from the organization but they should remember they are sitting there as shareholders proxy.

21 The shareholders should be the only voice in determining what is fair. Not consultants or the board.

22 I find blogs and chat boards (often filled with insiders) to be useful in understanding more about what's going on inside.

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23 Reports on nonfinancial metrics including corporate citizenship performances, environemental performances, carbon audit results, etc.

24 You forgot the PRESS...and whatever investigations/comparisons, comments THEY may make. More often than not, THEY are "ahead of the curve" here...and give us the real POOP.

25 Any information from the board of directors is extremely important. This may come in meetings (e.g., Pfizer's meeting with institutional investors) or the compensation committee's report.

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Comments offered in response to open question

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1 Industry comparisons and performance against competitors should be on this survey and would be my biggest influences in making a decision on pay.

2 Complete TRANSPARENCY on all aspects of executive comp with the critical component being specific metrics and hurdles/triggers for all incentive compensation.

3 Clear goals and targets that top management is focused upon.

Sharing of information and measures used to assess management's results and the basis of executive payout amounts.

4 need more "owners" of companies than "renters" of stocks. Renters have such short holding periods, mgmt comp is not on the radar

5 Think this board governence issue is a huge smoke screen and doverts people attentions from the real issues of companies making money for shareholders. If they are ineffective or pay themselves to much then the stock price will reflect that & others can come in and take them over. Lower the barries to entry of taking over a company and you'll see better management in a hurry!

6 independently verifiable date to support the "measured" performance, with a clear understanding of the time horizon chosen to measure, and a set of terms and conditions that minimize asymmetric games.

7 performance goals

8 A lot of this stuff, such as say on pay, is micromanaging. All that's really needed is greater access to the proxy process by SHs. If SHs don't like what the Board is doing, whether it is compensation levels or strategy, then they should be able to vote in a new Board. This means therefore no staggered terms for Board members. This approach also commends itselfe because it means much less government involvement.

9 Clarity on measure of performance

10 See TIAA-CREF's 10 Questions to be answered in CD&As.

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11 Companies need to provide useful disclosure and not complain that proxy advisers are misinterpreting their opaque confusing statements. Companies need to own their responsibility to clearly and concisely disclose compensation to shareholders.

12 Timely, and adequate disclosure of all incentive compensatio plans in place.

13 The whole idea of investors voting on executive compensation is idiotic and won't accomplish anything. Let the boards do their jobs.

14 Continued Participation in the Shareowner Forum

15 The more transparency and consistency the better.

16 I'm not sure what Say on Pay is supposed to accomplish. RiskMetrics/ISS is out of touch with how companies operate.

17 I want information about why the board is proposing this particular balance of short and long term incentives with this particular balance of equity and cash and this particular level. What is the underlying philosophy or strategy that they have in place and how is that aligned with the interests of the company.

18 Investor voting on executive compensation is not an effective tool; it's just a compliance exercise.

19 Current disclosures, plus structured data about the time-basis of compensation, all in XBRL, to facilitate meaningful comparison of the incentives on managers to pursue various types of risk and various business strategies. There is already an XBRL taxonomy for most of this information.

20 I think it would be good to establish a "best practices" for compensation structure (ideally coming from an objective source like the academic community or industry consultants that have supporting research). Then, with a "benchmark" in place for what constitutes effective compensation structures, the third-parties could rip through the data and provide recommendations and suggestions for improvement. One has to be skeptical of recommendations coming from consultants as they will be wary of angering their top clients (i.e., there is a clear conflict of interest).

21 What is needed is for institutional investors to turn into true critics of bad compensation practices. Until that happens, there is not going to be any cure for these practices.

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22 Clear, widely applicable standards that provide a reasonable default option for most executive compensation packages.

23 Overall, it must be tied to performance. If a company's performance is sub-par then executive management should be held accountable for that.

24 Precise line item breakdown for 10-20 top exes, divisional heads and decision makers.

25 Voting on pay is a very bad idea.

26 Need statements of annual goals, then % met, missed or exceeded.

27 The degree to which shareholder voting is, in fact binding, how much revenue the top line employees generated for the firm, and the risks they took to generate that revenue.

28 Clear and concise summary of (all-inclusive, fully disclosed) exec comp calculation.

29 I believe the theory that by including much stock and stock option in the compensation ties management's interest to shareholder's interest has proved valid on the short term (until options are exercisable and stock vested) but not on the long one. Parachutes are protecting management from any wrong doing and hence should not exist.

30 Mind numbingly excessive executive compensation is stealing money from everyone else.

31 Longer term stock returns (up to three years) should be an important factor in setting compensation levels. Many shareholders are still way underwater on their investments of two or three years ago. Management should not be rewarded for a bounce after a stock drops sharply until it regains previously losses.

32 Proxy material should trend toward full disclosure when considering what is appropriate to disclose.

33 The SEC must lead the fight to give shareholders more control of how their money is spent or "given" away to management.

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34 It's a "Catch-22," but the information that would be most useful is the confidential information that the companies don't want to disclose. It's the why's and the what's behind their decisions. If we could see the comp committee's deliberations, things would be much clearer. But I don't see how that can happen.

35 Shareholders need to know compensation contract details BEFORE they are signed. 2 years later when the provisions are triggered and paid out, it's too late for shareholders to say anything.

Options in addition to Yes/No vote on the entire package would be helpful. Perhaps voting on components of pay package would make sense.

36 Better discussion in the CD&A - requirement to show link between pay and performance.

37 Generally speaking, it would be ideal if the modern shareholder was indeed 'ownership,' however I don't know how realistic that is.

38 Information that helps identify proactive changes being made to improve the connection between pay and performance.

39 Clear disclosure from the Company as well as experience in voting in the markets so that there is a build up of knowledge on individual companies. Comparison to other company data is also helpful. History of any issues raised with the Company would also be beneficial so that a vote in any one year is not taken in isolation.

40 Investors need to have this info tightly summarized and "bulletized". We do NOT have time to analyse 20+ page disclosure docs!

41 See TIAA-CREF's 10 questions to be answered in the CD&A.