



'PAY FOR SUCCESS' COMPANIES TRIM BONUSES WHEN PERFORMANCE FALTERS

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Portland, Maine; December 2, 2009 – Companies identified as having a successful pay-for-performance link in 2008 that did not meet target performance either drastically reduced bonuses or eliminated them altogether, according to a new [report](#) from The Corporate Library, an independent corporate governance research firm. The report, “Pay For Success III,” identifies and examines the pay policies of 12 companies where long-term value creation and moderate CEO compensation are clearly linked.

According to the report, all the “[Pay For Success](#)” companies set targets – both annual and long-term – that required significant outperformance of prior year results. Additionally, the companies will only pay out maximum bonuses if performance significantly exceeds targets.

“There are CEOs out there who get paid for success and who have compensation committees that actually do what most boards claim they are doing – set pay responsibly, set challenging performance targets, and provide the CEO with the same benefits that the whole workforce is getting,” said Senior Research Associate Paul Hodgson, author of the report.

Other findings in the report include:

- While most companies in the report used pay surveys, only a few used compensation consultants, with many relying solely on the common sense of the compensation committee to design effective pay policies.
- Many companies approached executive pay much as they approach the pay of other managers and professionals at the company, setting salary ranges, using company-wide bonus plans, etc.
- For many of the same reasons that they use company-wide pay plans, many companies have a “no executive perk” policy.
- Many of the companies included in the report have introduced clawback provisions, while such companies are still in a minority even in the S&P 500.
- Few companies employ executive employment agreements.
- The vast majority of the CEOs and other named executive officers included in the study have significant tenures with the companies.

“Pay For Success III” is available for \$45 from The Corporate Library's [online store](#).

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About The Corporate Library

For ten years, The Corporate Library has been the leading independent research firm offering corporate governance information products, research services and data products. It produces the definitive ratings of U.S. corporate boards of directors, allowing businesses that subscribe to the service to evaluate governance as an element of investment and other risk. Additional information can be found at www.thecorporatelibrary.com.

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