



Shift in CEO Pay Delivery Systems May Weaken Ties Between CEO and Shareholder Interests

FOR IMMEDIATE RELEASE

Portland, Maine; February 24, 2010 – A new [report](#) from The Corporate Library, an independent corporate governance research firm, suggests that the interests of CEOs and shareholders have become increasingly misaligned due to a shift in CEO pay delivery systems from stock options to full value stock between 2006 and 2008. Full value stock awards—whether tied to performance targets or not—are far less sensitive to market downturns than stock options because they continue to hold some value even as stock prices drop.

“While some of this shift may be a result of the collapse in stock prices during 2008, leaving many stock options underwater, the very substantial increase in the dollar amount of full value stock awards is a significant factor,” said Senior Research Associate Paul Hodgson, author of the report. “In 2009, we predict that fixed elements of pay as well as those elements of variable pay that are less sensitive to poor performance will continue to gain ground as pay delivery systems.”

In addition to changes in option gains and full value stock awards, the report also examines changes in cash bonuses.

The report, titled “Proxy Season Foresights #4: Shifting Pay Delivery,” is available for \$15 from The Corporate Library’s [online store](#).

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About The Corporate Library

For eleven years, The Corporate Library has been the leading independent research firm providing corporate governance information products, research services and data to a broad variety of clients including institutional investors, corporations, D&O liability insurers, law firms, accounting firms, executive search firms, academic institutions and the media. The Corporate Library 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. The Corporate Library is also a leading publisher of corporate governance reports and studies, including reports on CEO employment contracts, governance practices, mutual fund proxy voting, and executive and director compensation, which its analysts compile using its extensive database of over 3,200 public companies and over 47,000 executives and directors. Additional information on The Corporate Library and its suite of online corporate governance data and analysis products can be found on its website at www.thecorporatelibrary.com.

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