

Advisory Pay Vote Gets Boost from Investment Professional Group's Survey

Survey results show that 76 percent of responding CFA Institute investment professionals support non-binding advisory votes on annual proxy statement.

(Read [The Corporate Governance of Listed Companies: A Manual for Investors](#))

(See [CFA Institute Centre Official Positions](#))

NEW YORK, March 30, 2007 – The CFA Institute Centre for Financial Market Integrity, the standard-setting and advocacy arm of CFA Institute, today released preliminary survey results showing strong member support for requiring public companies and their boards of directors to submit their annual executive compensation plan to shareowners for an advisory vote.

The results of the survey show:

- 76 percent of respondents support proposals that call for non-binding advisory shareowner votes on executive compensation plans as part of the annual proxy process.
- Of this group, 58 percent believe that companies should attempt to adopt this input into the current year or next year's compensation plans. Interestingly, only 32 percent believe that companies should actually treat the vote as advisory.
- Respondents – 68 percent – are opposed to mandating advisory votes through legislative action.

“Such votes are seen as creating and ensuring a transparent dialogue on executive compensation,” said Kurt Schacht, CFA, managing director of the CFA Institute Centre. “Even though they are advisory, knowing such a vote will be taken sharpens directors’ attention to and explanation of executive compensation practices. Investors are tired of learning after the fact about ‘golden parachutes’ and executives whose pay isn’t tied to performance. Our survey respondents strongly supported the direct and proven mechanism of an advisory shareholder vote to express their views on the matter.”

Schacht added that more than 60 U.S. companies are scheduled to consider the issue of an advisory vote in upcoming annual meetings of shareowners. In addition, the U.S. House of Representatives is expected to vote on the “Shareholder Vote on Executive Compensation Act” later this week. However, a significant majority of survey respondents did not support formal legislative intervention on the matter.

The U.S. proposals mirror the advisory-vote mechanisms already in place in the United Kingdom and Australia, where shareowners cast annual votes on companies’ executive compensation plans. Investment professionals in these markets indicate the vote requirement has enhanced the level of communication between investors and the boards of directors of these companies, and have created a more shareholder-accountable compensation environment.

Distributed on March 13, 2007, the three-question survey had received responses from 2,239 CFA Institute members as of March 30. The survey will remain open until Monday, April 2.

In 2005, the CFA Institute Centre released *The Corporate Governance of Listed Companies: A Manual of Investors* to raise awareness among individual investors, the investment profession, and corporations about the inherent risks of certain corporate governance practices. It states that “investors should analyze both the amounts paid to key executives for managing the Company’s affairs, and the manner in which compensation is provided to determine whether compensation paid to its executives is commensurate with the executives’ level of responsibilities and performance, and provides appropriate incentives.” The *Manual* also encourages investors and corporations to examine the following:

- Share-based compensation terms;
- Stock-option expensing;
- Performance-based compensation;
- Option repricing;
- Share ownership of management;

CFA Institute Centre for Financial Market Integrity

The CFA Institute Centre develops timely, practical solutions to global capital market issues, while advancing investors’ interests by promoting the highest standards of ethics and professionalism within the investment community worldwide. The CFA Institute Centre builds upon the CFA Institute 40-year history of standards and advocacy work, especially its *Code of Ethics* and *Standards of Professional Conduct* for the investment profession, which were first established in the 1960s.

Media Contacts:

pr@cfainstitute.org