Investor Scrutiny of Executive Remuneration Set to Continue, According to FTI Consulting

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- *Greater Board Independence and Oversight Central to Protecting Shareholder Interests and Enterprise Value*
- *Shareholders Demand Greater Transparency and More Face-to-Face Communication on Governance*

LONDON & BRUSSELS--(BUSINESS WIRE)--May. 29, 2012-- Publicly held companies will be subject to increased investor pressure on executive remuneration through and beyond the "shareholder spring", according to the latest research from FTI Consulting, Inc. (NYSE:FCN), the global business advisory firm dedicated to helping organisations protect and enhance their enterprise value.

Survey Highlights ' Principal Investor Issues

1. Executive compensation remains high on the investor's agenda.
2. An annual say-on-pay vote on executive compensation is increasingly important.
3. Investors expect greater board independence as the basis to protect shareholder interests, provide quality oversight and ensure effective governance.
4. Investors expect portfolio companies to engage in annual corporate governance road shows.

Executive Remuneration ' Investor Perspectives

Eighty-eight percent of the more than 170 global institutional investors polled by FTI Consulting say that executive compensation is important to their investment decision, with 62% wanting an annual say-on-pay vote. While some of the investors support a variable cash compensation cap of 100% of salary (18%), the ability to claw back payments (38%) and a deferral of variable compensation into shares (58%), even more are asking for greater transparency: Sixty-seven percent want disclosure of specific performance targets for variable compensation. The research found that, on the issue of remuneration, investors are starting to use their voting power to communicate dissatisfaction with performance to their portfolio companies and to better align pay with performance and shareholder returns. Seventy-two percent of investors think that a threshold of below 30% of shareholders opposing executive compensation is enough to warrant a corporate response, while 15% believe that 10% or less is enough for a corporate response. This clearly signals a shift in shareholder power where, historically, companies often would receive votes in excess of 90% for most, if not all, resolutions put to a shareholder vote.

"Investor focus on executive remuneration is not confined to a few high-profile cases nor to a single region or market," said Mark Kenny, Managing Director in the Strategic Communications practice of FTI Consulting. "We surveyed investors across all major financial centres and found they expect greater transparency from companies on executive remuneration and will exercise their votes to address any variance between executive compensation and performance.

"These findings support our own experience of working with companies, institutional investors and proxy advisors that corporate governance, and executive remuneration in particular, is a subject that requires greater transparency, disclosure and dialogue. We believe that the long-term interests of companies and their owners are best served through constructive and continuing dialogue."

Investors Demanding Greater Engagement on Corporate Governance

The FTI Consulting research found that board directors no longer can rely solely on written communications with shareholders. Ninety-two percent of the investors surveyed say that companies need to engage in corporate governance road shows with major shareholders, with over half (58%) expecting it once a year. Moreover, shareholders want to hear more from the chairman. Fifteen percent expect the chair to be constantly accessible, and a further 52% expect to hear from him or her at least once a year.

"The requirement, under best practice governance guidelines, that a board understands the views of major shareholders is strongly endorsed by investors. This appears to place a more affirmative obligation on a board to actively engage, through established channels, with principal shareholders," said Kenny.

"It is also becoming established practice for issuers to undertake corporate governance road shows. An annual governance road show is increasingly seen as best practice even in circumstances where there are no perceived governance issues or contentious resolutions for the annual meeting."

About the Research

The Strategy Consulting and Research team at FTI Consulting surveyed more than 170 institutional investors based in Europe, North America, Asia and Latin America between 16 April and 4 May 2012 on issues that include corporate governance, shareholder stewardship, and investment trends and expectations for 2012.

Sixty percent of respondents were portfolio managers at institutional investment firms. A further 25% of respondents were hedge funds, and the remaining respondents were private wealth managers and other investors. The average assets under management of respondents were USD $30 billion, and more than 60% of respondents managed funds in excess of USD $1 billion. Almost 90% of respondents were based in Europe and North America, with other respondents being based in Latin America and Asia.

About FTI Consulting

FTI Consulting, Inc. is a global business advisory firm dedicated to helping organisations protect and enhance enterprise value in an increasingly complex legal, regulatory and economic environment. With more than 3,800 employees located in 24 countries, FTI Consulting professionals work closely with clients to anticipate, illuminate and overcome complex business challenges in areas such as investigations, litigation, mergers and acquisitions, regulatory issues, reputation management, strategic communications and restructuring. The company generated $1.56 billion in revenues during fiscal year 2011. More information can be found at http://www.fticonsulting.co.uk.

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