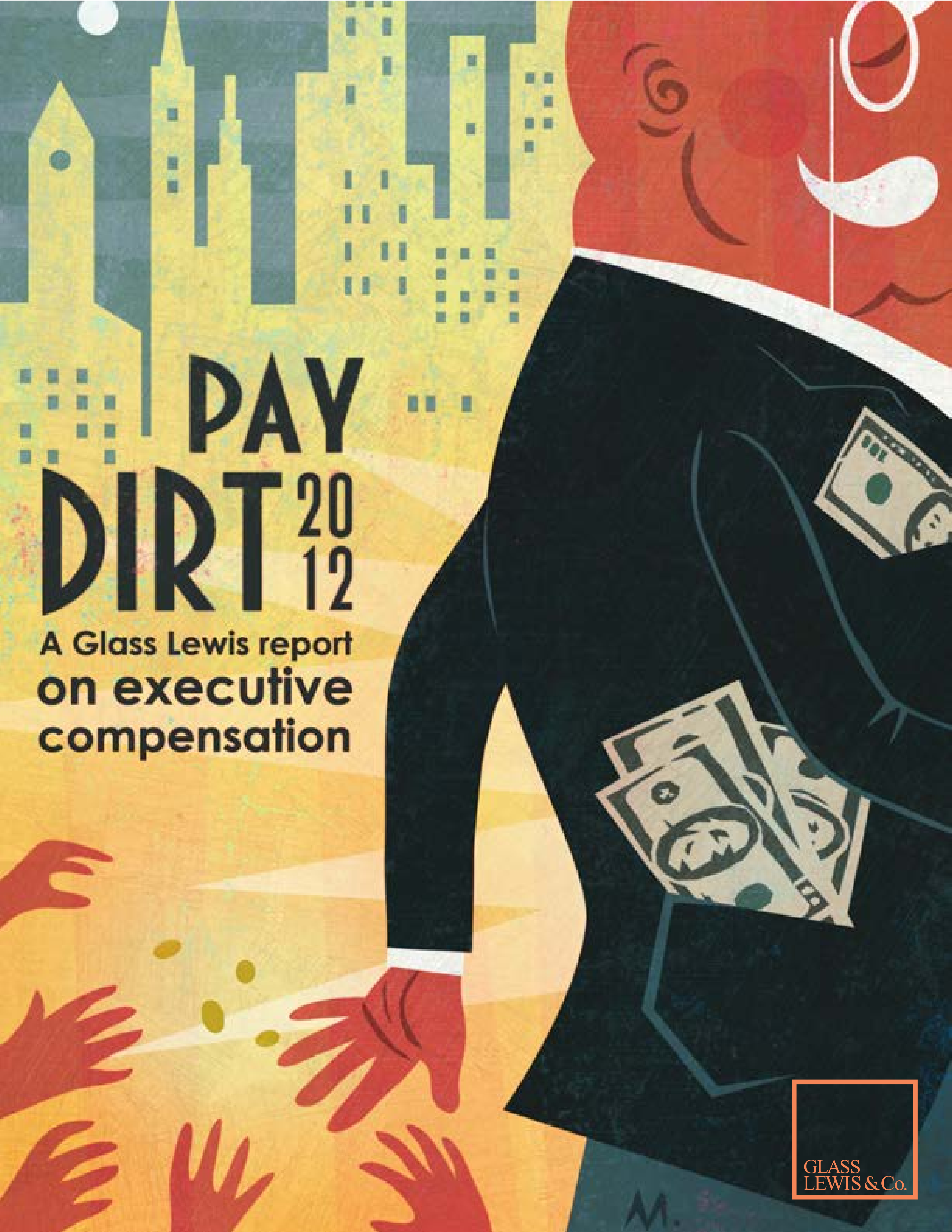

PAY
DIRT 2012
A Glass Lewis report
on executive
compensation
GLASS
LEWIS & Co.

ABOUT this report

This report provides an overview of the most overpaid and underpaid companies, as identified by our proprietary pay-for-performance model, in the S&P 500 and Russell 3000 indices. This report compares and contrasts pay-setting and incentive plan design processes and provides additional information on shareholder reaction and vote results. We also review pay practices among the highest or most overpaid companies in Brazil, Canada, the UK and Continental Europe with a special focus on the chief executives of 20 large, systemically important banks.

All voting results referred to are calculated as "For" votes as a percentage of "For," "Against" and "Abstain" votes, unless otherwise noted.

EDITORS AND CONTRIBUTORS

David Eaton
Sam Gao
Carter Moar
Victoria Nguyen
Kamil Kaczynski
Alex Miller
True McKee

Gregory Waters
Alicia Ritcey
Katherine Chen
Kern McPherson
Glen Perry
Andrew Debnar
Vanessa Iriarte

Jonathan Hansen-Granger
Dimitri Zagoroff
Nadia Boro
Kevin Liu
Reuben Edelson

ARTWORK BY MARTIN WICKSTROM

http://www.WickIllustration.com/

LAYOUT AND DESIGN BY JARON SCHNEIDER

TABLE OF CONTENTS

INTRODUCTION & key findings

Nearly all companies claim a commitment to aligning pay with performance. As the leading independent proxy advisory firm, our mission is to put their claims to the test. With the use of our pay-for-performance (P4P) model, shareholders can quantitatively assess whether the compensation committee has fulfilled its promise.

Pay Dirt 2012 focuses on three areas: overpaid, underpaid and, simply, highest paid executives, each spotlighted for a different reason. The overpaid and underpaid executives represent the most extreme disparities between pay and performance according to our P4P model. While such lists are determined quantitatively, a subjective assessment and analysis of these companies is just as vital, bringing more clarity and insight into what may be driving extreme misalignments of pay and performance. With this in mind, we posed these questions: (1) What, if any, structural deficiencies within the compensation programs of the "overpaid" executives promote the extreme misalignment between pay and performance; and (2) Do compensation frameworks (or the lack of them) for "underpaid" executives lead to other long-term problems, such as retention or sustainability? When it comes to those executives who simply made our highest paid lists, shareholders may ask a different, though related question: When is pay simply too much, no matter what performance results are achieved?

With the advent of mandatory say-on-pay proposals in the United States, as discussed throughout this report, shareholders have had a greater opportunity to voice displeasure over executive pay. Though only 56 companies failed to receive majority shareholder support for their say-on-pay proposal, we believe shareholders are greatly influencing and shaping executive pay design. Have pay levels declined? Well, the short answer is no. Within the universe of companies in our pay-for-performance model, median change in S&P 500 CEO pay from 2010 to 2011 was 4.3%. Moreover, the median change in CEO pay of companies in the S&P 500 Overpaid 25 reached an alarming 46.7%. While shareholders may fear CEO pay skyrocketing to astronomical levels, there are some positive notes: The median change in CEO pay of the Underpaid S&P500 25 was actually negative 17.2%.

Pay Dirt, much like compensation practices and disclosure, has evolved over time. This year, with greater focus and discussion on executive compensation globally, not just in the United States, we included a section highlighting CEO pay issues in other markets. While we do not yet have a comprehensive pay-for-performance model for these markets, we have utilized available data to develop a rudimentary look at CEO pay levels and performance in Brazil, Canada, United Kingdom and Continental Europe. Finally, we've added a section focusing on CEO pay at major global financial institutions. Perhaps it will come as little surprise that when comparing pay and performance at these banks, the biggest disconnect appeared at Citigroup. The banking giant had the most high-profile say-on-pay failure of 2012 as well as the recent news of the abrupt departure of CEO Vikram Pandit, an event some observers have linked, at least indirectly, to investor angst regarding executive pay issues.

KEY FINDINGS

- The misalignment between pay and performance is most glaring in the Russell 3000 Overpaid 25, with a median change in CEO pay of positive 15.5% and median change in EPS growth of negative 15.21%. The list also includes the most companies — nearly one-third – whose say-on-pay proposals failed to earn majority support.
- For all but one company reappearing on the Overpaid lists, at least 35% of voters said nay on pay at their last annual meeting, and some companies that have appeared on the list for an incriminating third-year run (Abercrombie & Fitch, Lockheed Martin Corp, and Allegheny Technologies) have earned particular scrutiny.
- It did not appear that Overpaid companies relied heavily on the compensation committee's (presumably generous) discretion when determining plan-based bonuses. In fact, half as many Underpaid companies determined long-term incentives in a formulaic manner as Overpaid ones.
- Similarly, companies on the Underpaid lists are less likely to grant performance-based short-term incentives (in the case of the Russell 3000 Underpaid list, much less likely). Furthermore, twice as many Underpaid companies left bonuses entirely up to the compensation committee's discretion. We found that 65% of the companies on the S&P 500 Overpaid list disclose payout limits greater than 500% of base salary for performance-based long-term incentive (LTI) awards. On the other hand, no companies on the Russell 3000 Underpaid list have maximum LTI payouts that exceed 500% of base salary.
- Companies on the S&P 500 Underpaid list seem less vulnerable to the problems that internal pay inequity imply, with 84% of its CEOs receiving less than three times the average named executive officer (NEO) pay during the past fiscal year. A closer look at the S&P 500 Overpaid list revealed that whenever a CEO appeared on this list did receive far more than his/her management team, he/she happened to be the recipient of a generous non-recurring award this year.
- In our analysis of twenty large banks, U.S. CEOs were the highest paid, followed respectively by the UK, Canada and Europe. Moreover, each of the five most overpaid CEOs was employed at banks in the U.S. or United Kingdom. In addition, using our three-year weighted average of TSR, the three banks with the widest pay-for-performance disconnects have returned -24%, -23% and -9% to shareholders, respectively.

PAY DIRT 2012
the UNITED STATES
UNDERPAID & OVERPAID COMPANIES

S&P 500: UNDERPAID 25

1. WHOLE FOODS MARKET INC.	
2. Amazon.com Inc.	14. ConAgra Foods Inc.
3. Public Service Enterprise Group Inc.	15. FMC Technologies Inc.
4. DIRECTV	16. O'Reilly Automotive Inc.
5. Fossil Inc.	17. U.S. Bancorp
6. Intuitive Surgical Inc.	18. CMS Energy Corp.
7. MasterCard Inc. Cl A	19. Joy Global Inc.
8. Perrigo Co.	20. Visa Inc.
9. Fastenal Co.	21. Caterpillar Inc.
10. Costco Wholesale Corp.	22. priceline.com Inc.
11. Berkshire Hathaway Inc. Cl A	23. M&T Bank Corp.
12. CenterPoint Energy Inc.	24. Pall Corp.
13. Nordstrom Inc.	25. Cliffs Natural Resources Inc.

FIGURE 1.1

S&P 500: OVERPAID 25

1. HEWLETT-PACKARD CO.	
2. Dean Foods Co.	14. Amgen Inc.
3. Citigroup Inc.	15. Allegheny Technologies Inc.
4. Valero Energy Corp.	16. Leucadia National Corp.
5. Abercrombie & Fitch Co. Cl A	17. Pitney Bowes Inc.
6. Lockheed Martin Corp.	18. E*TRADE Financial Corp.
7. Safeway Inc.	19. United States Steel Corp.
8. J.C. Penney Co. Inc.	20. LSI Corp.
9. Hospira Inc.	21. Huntington Bancshares Inc.
10. Bank of New York Mellon Corp.	22. PG&E Corp.
11. Robert Half International Inc.	23. Sherwin-Williams Co.
12. Nabors Industries Ltd.	24. Marathon Oil Corp.
13. Newell Rubbermaid Inc.	25. Quest Diagnostics Inc.

FIGURE 1.2

UNDERPAID & OVERPAID COMPANIES

RUSSELL 3000: UNDERPAID 25

1. KODIAK OIL & GAS CORP.	
2. Green Mountain Coffee Roasters Inc.	14. Credit Acceptance Corp.
3. VMware Inc.	15. Aruba Networks Inc.
4. Opko Health Inc.	16. Merge Healthcare Inc.
5. Gold Resource Corp.	17. Fortinet Inc.
6. VirnetX Holding Corp.	18. Endologix Inc.
7. Sauer-Danfoss Inc.	19. Ulta Salon Cosmetics & Fragrance Inc.
8. MBIA Inc.	20. Pernix Therapeutics Holdings Inc.
9. Amerco	21. Oplink Communications Inc.
10. Gulfport Energy Corp.	22. Penns Woods Bancorp Inc.
11. Paramount Gold & Silver Corp.	23. Universal Display Corp.
12. NewMarket Corp.	24. PriceSmart Inc.
13. Cardtronics Inc.	25. HealthStream Inc.

FIGURE 1.3

RUSSELL 3000: OVERPAID 25

1. RADIAN GROUP	
2. Gentiva Health Services Inc.	14. Investment Technology Group Inc.
3. EnergySolutions Inc.	15. CIBER Inc.
4. Office Depot Inc.	16. ITT Corp
5. Avid Technology Inc.	17. Griffon Corp.
6. Cenveo Inc.	18. SandRidge Energy Inc.
7. ManpowerGroup	19. Tutor Perini Corp.
8. Harsco Corp.	20. Comstock Resources Inc.
9. Shaw Group Inc.	21. Level 3 Communications Inc.
10. Callaway Golf Co.	22. OM Group Inc.
11. GenOn Energy Inc.	23. Healthways Inc.
12. Geron Corp.	24. Digital River Inc.
13. Meritor Inc.	25. 1-800-Flowers.com Inc. Cl A

FIGURE 1.4

the BIG FISH

Glass Lewis' list of the most eye-popping pay packages of 2012 contains many of the usual names, with the vast majority making the cut because of time-vesting equity grants. In fact, the only company not to have been featured on the Highest Paid list in the past two years is J.C. Penney's Ronald Johnson, whose inducement equity awards amounted to nearly $70 million. The aggregate compensation received by the nation's 25 highest-earning executives skyrocketed from approximately $1 billion in 2010 to $1.6 billion in 2011, though more than half of the increase can be attributed to the gargantuan equity grant to Apple CEO Tim Cook.

Other companies to make the top 10 because of newly appointed or departing CEOs were Google and Hewlett-Packard. Leslie Moonves of CBS Corp., Larry Ellison of Oracle Corp., Mario Gabelli of GAMCO Investors and David Zaslav of Discovery Communications are returnees from last year. Simon Property Group tied its CEO David Simon to a new long-term employment contract that included a retention award of 1 million LTIP units, valued at nearly $120 million.

HIGHEST PAID CEOs

Apple Inc.	Timothy D. Cook*	$376,346,522
Simon Property Group Inc.	David Simon	$144,824,748
Google Inc. Cl A	Eric E. Schmidt**	$101,152,829
J.C. Penney Co. Inc.	Ronald B. Johnson and Myron E. Ullman, III	$73,932,994
CBS Corp (Cl B)	Leslie Moonves	$70,115,269
Oracle Corp.	Lawrence J. Ellison	$65,738,852
Discovery Communications Inc. Series A	David M. Zaslav	$63,157,149
GAMCO Investors Inc. Cl A	Mario J. Gabelli	$61,693,390
Hewlett-Packard Co.	Margaret C. Whitman and Léo Apotheker	$51,729,505
Abercrombie & Fitch Co. Cl A	Michael S. Jeffries	$46,625,535

*Steven P. Jobs also served as CEO, but received just $1 in total compensation
**Larry Page also served as CEO, but received just $1 in total compensation

FIGURE 2.1

HIGHEST PAID CEOs
EXCLUDING ONE-TIME GRANTS AND COMPANIES WITH MULTIPLE CEOs

CBS Corp.	Leslie Moonves	$70,115,269
Oracle Corp.	Lawrence J. Ellison	$65,738,852
Discovery Communications Inc.	David M. Zaslav	$63,157,149
GAMCO Investors Inc.	Mario J. Gabelli	$61,693,390
Abercrombie & Fitch Co.	Michael S. Jeffries	$46,625,535
Herbalife Ltd.	Michael O. Johnson	$45,432,330
Viacom Inc.	Philippe P. Dauman	$41,582,500
Honeywell International Inc.	David M. Cote	$37,577,369
Iconix Brand Group Inc.	Neil Cole	$37,424,782
Valeant Pharmaceuticals International Inc.	J. Michael Pearson	$37,281,067

FIGURE 2.2

QUANTITATIVE LOOK AT THE UNDERPAID VS. OVERPAID

Simply put, companies in the Underpaid 25 lists maintain high financial performance while providing executive pay in the bottom percentile of their peers while companies in the Overpaid 25 lists award extravagant compensation packages to NEOs despite marginal – or many cases, distressingly poor – corporate performance. As demonstrated in figures 3.1 and 3.2, there is a notable gap in median CEO pay and diverging stock price performance among the Overpaid 25 and Underpaid 25 companies. The severe misalignment between pay and performance is most glaring in the Russell 3000 Overpaid 25. The list includes the most companies whose say-on-pay proposals failed, at nearly one-third.

In addition to deviation in stock price performance, shareholders may find it interesting to compare CEO pay as a percentage of last fiscal year (LFY) net income. The median CEO compensation as a percent of net income was 0.31% for S&P 500 Underpaid 25, while the S&P 500 Overpaid 25 had a median CEO pay-to-net-income ratio of 1.4%. One of the biggest offenders is Leucadia National Corp., which paid its CEO, Ian M. Cumming, 166% of the Company's LFY net income.[1]

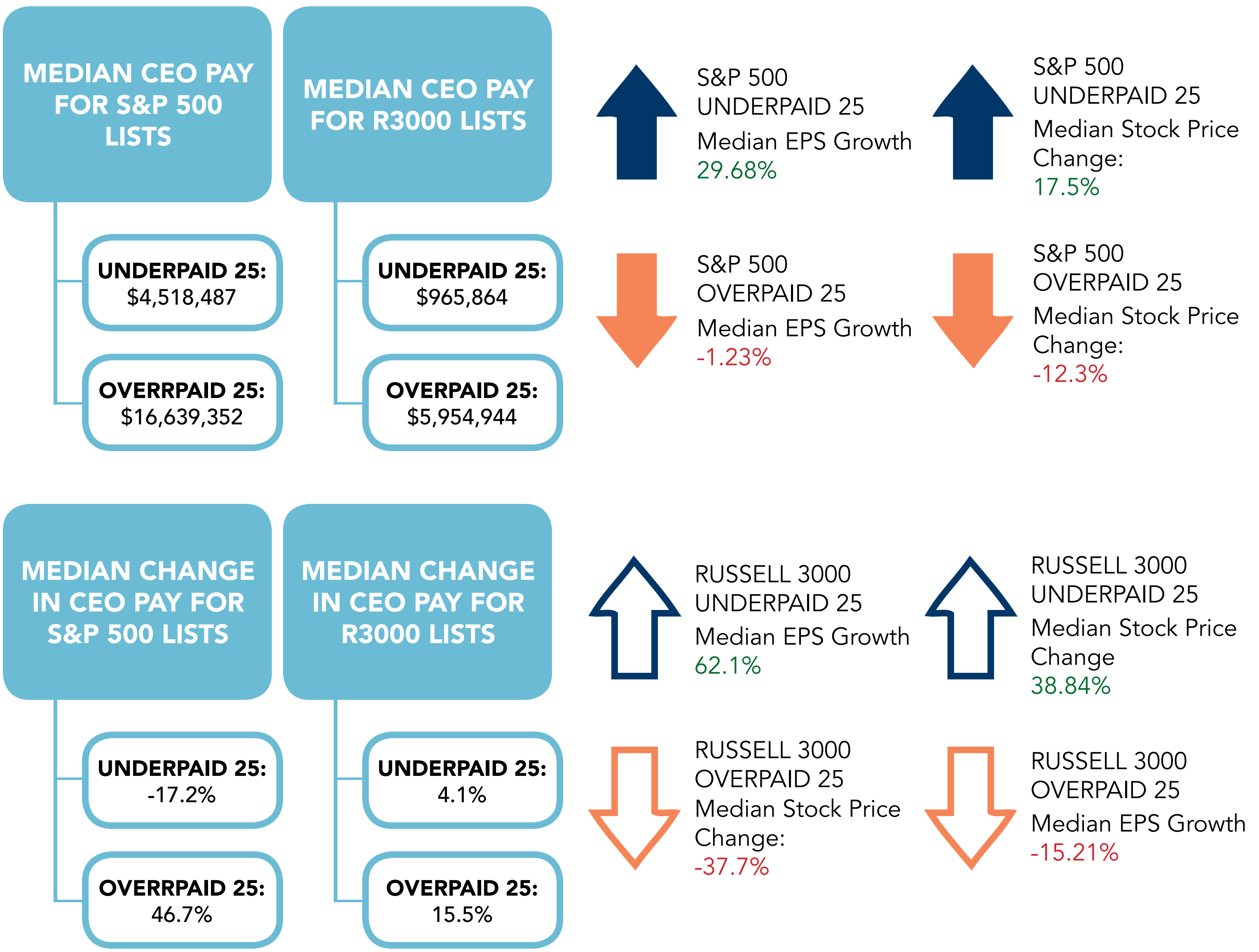


FIGURE 3.1

1 Mr. Cumming's compensation package for 2011 was $28 million. The Company's LFY net income was $17 million.

REPEAT OFFENDERS & VOTE RESULTS: THE OVERPAID 50

After another year of generous pay packages awarded despite poor corporate performance, some companies on the last year's Overpaid lists found themselves ranked again among the most overpaid in the U.S.. We've got to ask: How have shareholders responded to the repeated offense, and do they even care? It turns out they do: For the last two years of say on pay, these overpaid companies have suffered significant shareholder opposition for sustaining a significant disconnect between pay and performance. In fact, the companies that climbed up the rankings on our Overpaid list correspondingly received an increase in against votes, as seen in figure 4.1. For all but one reappearing company on the overpaid list, at least 35% of voters said nay on pay at their last annual meeting[2], and some companies that have appeared on the list for an incriminating third-year run (Abercrombie & Fitch, Lockheed Martin Corp., and Allegheny Technologies) have earned particular scrutiny.

ABERCROMBIE & FITCH

The retail company has been known to partake in rather unorthodox and increasingly dubious pay packages, including paying CEO Michael Jeffries $4 million to stop using the company jet in 2011. Since its crippling fall in 2009 (nearly breaking even with a net income of $254,000), the company's return to profitability has been slow. Shareholders seized their first opportunity to express disapproval, with 44% of shares refusing to support the 2010 pay program. This year, the compensation committee, claiming that Jeffries is "effectively the founder" of modern day Abercrombie & Fitch, approved yet another unconventional feature in the executive's employment agreement that made him eligible for semi-annual grants of stock appreciation rights (SARs), which vest based on total shareholder return (TSR) over a modest six-month period. Although these awards are now underwater (as the proxy notes) due to the Company's falling stock price, the aggregate grant value of these SARs awards was $43.2 million (according to our calculations, that's enough to purchase 3 million pairs of Abercrombie & Fitch socks—sock appreciation rights, if you will). As part of an "ongoing dialogue" with its shareholders,

2 The exception is Valero Energy (VLO), which got the thumbs down from 25% of voting shares.

REPEAT OFFENDERS	RANK IN LIST		SOP VOTE RESULTS	
S&P	2011	2012	2011	2012
VLO	7	↑ 4	67.5%	↓ 76.9%
ANF	10	↑ 5	55.9%	↑ 23.7%
LMT	14	↑ 6	65.5%	↑ 64.4%
SWY	23	↑ 7	52.8%	↑ 50.3%
JCP	20	↑ 8	70.9%	↑ 56.9%
BK	13	↑ 10	79.1%	↑ 58.0%
ATI	6	↓ 15	55.4%	↓ 59.1%
X	21	↑ 19	66.0%	↑ 64.6%
R3000	2011	2012	2011	2012
CVO	22	↑ 6	40.4%	↓ 56.2%
SD	3	↓ 18	70.4%	No Vote Held

FIGURE 4.1

this award was part of ANF's initiative to increase its reliance on performance-based long-term awards. Perhaps the combined strength of Jeffries' "founder status" rationale and various other changes to the program were simply not enough to pacify disgruntled shareholders; only 23.7% supported the pay program at ANF's June 14 meeting.

LOCKHEED MARTIN CORPORATION

Chastised by a 65.5% say-on-pay approval rating during the first year of say on pay, Lockheed Martin gathered feedback from 26 of its largest investors and made a number of changes to its compensation program, including amending CEO Robert Stevens' option grant to contain performance metrics and revising its peer group. In its proxy statement, the aerospace and defense company states it was unable to find a uniform explanation for the negative votes and a consistent recommendation for changes to be made. However, LMT actually raised overall executive compensation in 2011, with the average NEO's pay increasing 33% from the previous year. Setting challenging goals under its incentive plans seems to be a problem for Lockheed Martin; the aforementioned amendment to the option grant sets hurdles for 2012 lower than those applied in 2011, and restricted stock units (RSUs) granted under the LTIP can vest if the company achieved a TSR at or above the 35th percentile – basically rewarding executives for underperforming its peers. Despite the concerted effort to address major shareholder concerns, LMT received similar say-on-pay support as the previous year, gaining 64.4% approval at its annual meeting.

ALLEGHENY TECHNOLOGIES INCORPORATED

After squeaking by its first say-on-pay proposal, Allegheny pored over its compensation program and found some fat to trim, not particularly surprising since it has received poor pay-for-performance grades since 2008. It discontinued a retention long-term incentive program, reduced payouts under another long-term program, eliminated certain perquisites and expanded its stock ownership guidelines. Despite those measures, total compensation increased for each NEO except Richard Harshman, the retiring CEO, albeit not to the extent seen at Lockheed Martin. Taking another page from Lockheed Martin's book, Allegheny set its target operating cash flow goal at an ambitious $-35 million—down $406 million from 2011. Perhaps inspired by the Company's ability to crush both of its short-term financial goals (adjusted operating cash flow was $30 million), 59% of voting shares approved of its 2011 compensation program, a 6.66% improvement.

AN ANALYSIS OF SAY-ON-PAY VOTE RESULTS

Since the implementation of say-on-pay two years ago, most observers agree that the primary driver of failed say-on-pay resolutions is the bottom line: Shareholders will often support even the most ludicrously designed executive pay packages as long as stock price (shareholder return) checks out. Taking a closer look at companies appearing on this year's Overpaid, Underpaid and Highest Paid lists, we can see that this adage also rings true. Truly, it is hardly surprising that all companies on our Underpaid list, which provided moderate – and sometimes minuscule – compensation packages while maintaining strong financial performance, earned the staunch support of their shareholders, averaging approval from 95.8% of shares. At the same time, more than half of Overpaid companies (which averaged 65.2% approval) endured significant shareholder disapproval[3] with their advisory vote.

SHAREHOLDER REACTION TO HIGHEST PAID CEOS

Interestingly, of the companies with the country's top 10 highest paid CEOs, only six held advisory votes on executive compensation during 2012. Of those, four received majority shareholder approval. Simon Property Group Inc. and Abercrombie & Fitch both found themselves opposite of shareholder sentiments, with paltry support levels below 30%; J.C. Penney encountered substantial opposition but narrowly avoided failing.

3 Glass Lewis considers "significant amount of negative votes" less than 75% approval of the executive compensation program.

DISTRIBUTION OF FAVORABLE SAY-ON-PAY VOTES

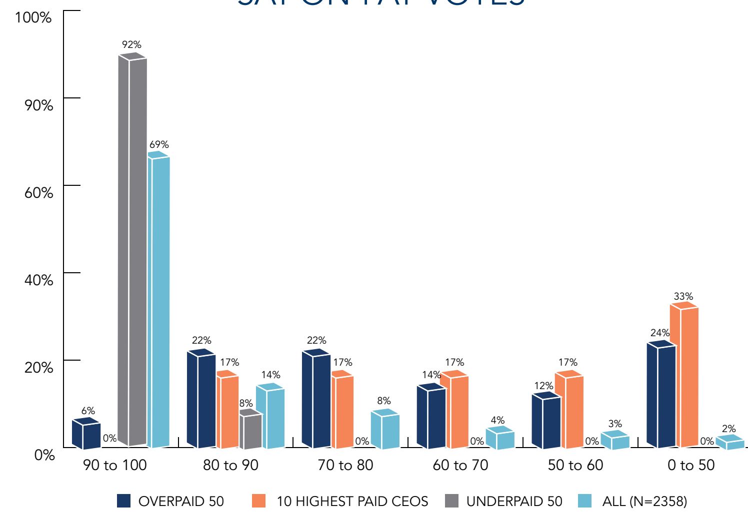


FIGURE 5.1

The four companies in the top 10 that did not hold say-on-pay votes were Google, CBS, Discovery Communications Inc. and GAMCO. In 2011, shareholders in these companies approved proposals to hold votes on executive compensation every three years rather than annually. Unsurprisingly, each of these companies has shareholders with control of more than 20% of the company's voting power, with Google, CBS and GAMCO all majority-controlled by management.

PAY SETTING

PEER GROUPS AND BENCHMARKING

The pay determination process often begins with the compensation committee compiling a peer group. Sometimes with the assistance of a compensation consultant, a company's choice in its peers and its decision on where to benchmark can have a tremendous impact on the size and structure of an executive's compensation program. As shown below in figure 6.1, while a large majority of S&P 500 companies use a peer group to help guide compensation decisions, many choose to review peer data to gain an understanding of general pay levels and then use discretion in setting target compensation.

Our analysis indicates that companies in our S&P 500 Overpaid 25 were more likely than their Underpaid counterparts to benchmark pay levels to a peer group, and above the market median with more frequency.

	S&P 500 UNDERPAID 25	S&P 500 OVERPAID 25	S&P 500 COMPANIES (n= 470)
HAVE PEER GROUP	76.0%	88.0%	79.1%
BENCHMARK TO PEER GROUP?	52.6%	54.5%	55.6%
BENCHMARK AT/AROUND MEDIAN	47.4%	31.8%	34.1%
BENCHMARK ABOVE MEDIAN	5.3%	22.7%	20.7%

FIGURE 6.1

This analysis also demonstrates that the Overpaid list was slightly more likely to set pay levels above the market median than our general survey of S&P 500 companies. However, the narrowness of this margin could suggest that benchmarked pay levels were not necessarily the driving factor for the presence of these companies on their respective lists; rather, poor corporate performance, along with incentive structures that did not provide for a corresponding reduction in payments, are likely larger sources of concern.

THE USE AND ABUSE OF "ASPIRATIONAL" PEER GROUPS

Some companies might have a legitimate reason to benchmark pay levels above the median of their

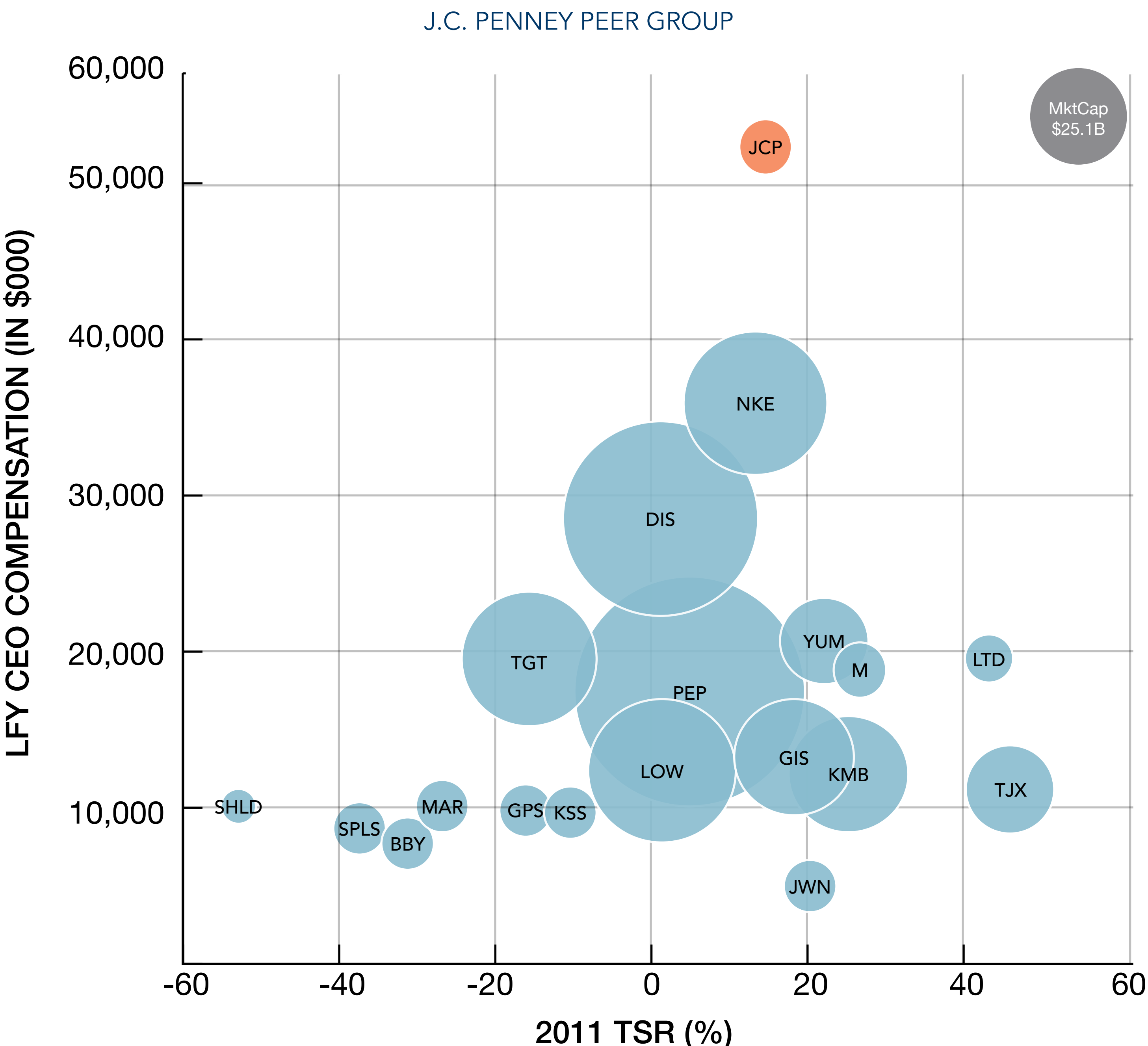


FIGURE 6.2

peers due to their size or possibly greater executive responsibilities. Conversely, benchmarking to the median of any given peer group, while acceptable or desirable on the surface, may lead to excessive pay levels: Peer groups can be "cherry picked" to include other companies with handsomely paid executives, or companies that are much greater in size.

Peer group selection is by no means a science, with vast discretion afforded to the compensation committee and its consultants in determining an appropriate group of companies. While many committees will actively take steps to place their company roughly at the midpoint of a peer group, a closer look at certain companies in our S&P 500 Overpaid 25 list of CEOs finds some low-hanging fruit in terms of problematic peer group selection and benchmarking. J.C. Penney (JCP) may be the most obvious example (see figure 6.2): At the beginning of 2011 calendar year (likely close to the time the compensation committee would have constructed its peer group), JCP was the smallest company measured by market capitalization, with revenues at roughly the 35th percentile of its selected peer group.

Given JCP's ambitious plan to become "America's favorite store," shareholders might forgive the compensation committee for benchmarking pay to the median of its peer group in order to attract top executive talent. Companies also are not able to influence the size of their main competitors, nor the amount of appropriate comparable companies. However, the committee's decision to target compensation of its new executive team to the 75th percentile of such an aspirational group (the most eye-catching member of which was Pepsico, Inc., whose revenues and market cap dwarf those of JCP) is much harder to justify. Eventually, JCP's one-time equity grants to its new CEO meant that total compensation was in fact the highest in its peer group, vastly overshooting the already questionable benchmark.

COMPENSATION CONSULTANTS

Companies may seek advice (or a rubber stamp) from compensation consultants when establishing pay practices and quantities. Companies on the Overpaid and Underpaid lists widely sought the counsel of compensation consultants. No consultant dominated the field, though; in fact, the 50 Overpaid and Underpaid companies of the S&P 500 used 20 different consulting firms (those of the Russell 3000 used 19). Given such a wide range of firms, it is difficult to pinpoint trends. We have noticed, however, that companies on the Underpaid lists employ consultants less often, substantially less often in the case of the Russell 3000; 88% of the Russell 3000 Overpaid companies engaged a consultant while only 56% of their underpaid counterparts did.

> We would like to believe that good planning practices could avoid misuse of company resources found at **J.C. Penney Co. Inc. (JCP)** and **PG&E Corp. (PCG)**.
>
> J.C. Penney dished out $137.9 million in make-whole equity awards, time-vesting awards and cash bonuses to four external executives. This sum does not include plan-based compensation or the departing CEO's severance payments and is well over 50 times what Amazon.com (a retailer with more than 20 times J.C. Penney's market capitalization) paid its entire NEO team for fiscal 2011. Seemingly incongruous with the Company's new plan, these equity awards also vest upon a change in control.
>
> PG&E went through a similar, although smaller, management overhaul, paying $4.9 million in severance to two departing executives and $8.4 million in sign-on payments to two new ones. The $13.4 million in aggregate transition payments (enough to buy 86.7 million KWh of residential electricity in California, PG&E's home state, as of July 2012, see footnote 6) played a role in PG&E's jump from number 16 on the 2011 S&P 500 Underpaid list to number 22 on the 2012 S&P 500 Overpaid list.

TRANSITION PAYMENTS AND GUARANTEED BONUSES

Companies sometimes enter into special agreements outside of their established pay structures. These agreements, generally related to changes in leadership, can play a significant role in inflating a company's management bill. There are often unforeseen costs that are tacked on to planned compensation expenses. Inducement awards, or sign-on bonuses, are frequently used to attract outside executives. Severance agreements are commonly used to recognize successful careers and can also serve to attract and retain executives and limit the distractions a potential termination may create. Guaranteed bonuses generally set a payout floor, usually in connection with initiating employment.

Sign-on bonuses are not uncommon and are generally reasonable in both size and nature. Concerns can arise, however, when their values become excessive or when they lack performance or continued employment conditions. In these instances, sign-on bonuses may represent an inefficient use of company resources or reveal poor succession planning practices.

Similar to sign-on bonuses, severance packages[4] are often reasonable. Concerns arise when they become too large, though, especially given their intrinsically performance-insensitive nature; an executive will find it hard to improve the performance of a company where he or she no longer works. Egregious severance payments can indicate serious succession planning issues, especially when coupled with excessive sign-on bonuses. In fact, we found that roughly half of the companies that paid sign-on bonuses we identified as excessive also granted egregious severance payments. Such appearances betray a last-ditch effort to revamp a management team at a higher cost.

The Russell 3000 Overpaid list was the only one to feature guaranteed bonus provisions; three of the four occurrences fixed bonus payouts at no more than 100% of base salary. We rarely look upon these bonuses favorably given their performance-insensitive nature. **SandRidge Energy, Inc. (SD)**, however, takes the cake with its agreement with CEO Tom Ward (who also co-founded Chesapeake Energy, no corporate governance sweetheart). Mr. Ward's agreement mandates that he receive at least $16,250,000 in restricted stock each January (or approximately 182,000 barrels of West Texas Intermediate as of January of 2011)[5,6] and is automatically extended on an annual basis.

4 Our P4P model does not include severance payments. We review them here because they are often linked with excessive sign-on bonuses, which are included in the model, and may be indicative of further egregious pay practices.
5 U.S. Department of Energy, "Cushing, OK WTI Spot Price FOB (Dollars Per Barrel)," http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=RWTC&f=M, accessed October 11, 2012.
6 U.S. Department of Energy, "U.S. Energy Information Administration – EIA – Independent Statistics and Analysis," http://www.eia.gov/beta/state/data.cfm?sid=CA#Prices, Last accessed October 11, 2012.

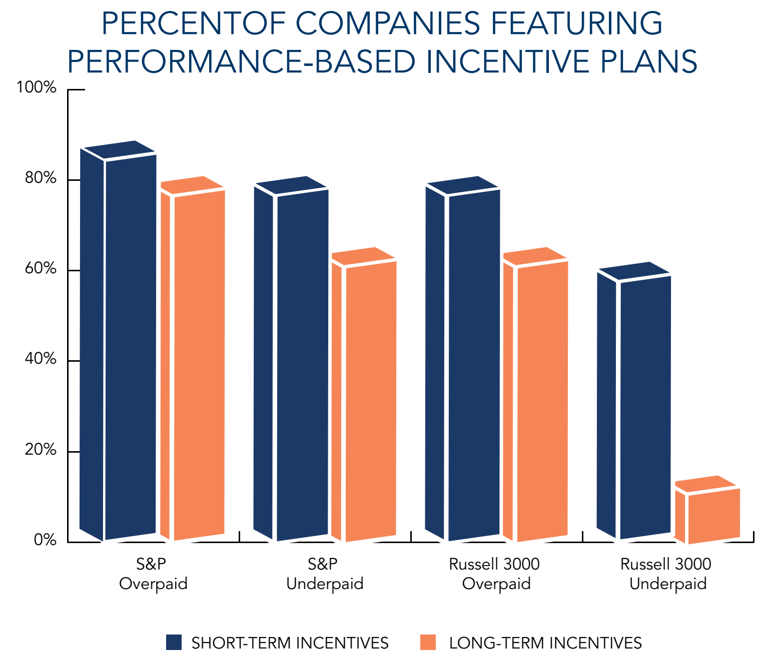


FIGURE 7.1

INCENTIVE PLAN DESIGN

Given that the bulk of NEO pay generally comes in the form of variable pay, the quality of a company's incentive plans can play a major role in determining the compensation of an executive team. For this reason, we prefer to see objective, transparent and formulaic plans. It does not appear to be the case, however, that Overpaid companies relied heavily on the compensation committee's (presumably generous) discretion when determining plan-based bonuses. In fact, half as many Underpaid companies determined long-term incentives in a formulaic manner as Overpaid ones. Similarly, companies on the Underpaid lists are less likely to grant performance-based short-term incentives (in the case of the Russell 3000 Underpaid list, much less likely).

Furthermore, twice as many Underpaid companies left bonuses entirely up to the compensation committee's discretion. While we recognize that entirely formulaic plans may fall short in completely reflecting either the performance of a company or the achievements of its executives, but we prefer the majority of variable pay to be determined in a transparent, objective manner in order to forge a tight link between pay and performance. In this case, however, compensation committee discretion may have played a role in reducing overall payouts.

COMMITTEE DISCRETION

As the roles and responsibilities of top executives expand in scope, the challenge of designing a pay program that accounts for a company's unique circumstances becomes increasingly difficult – there can be no "one size fits all" approach to plan design. In order to ensure that the compensation committee members charged with designing effective plans are empowered to account for a company's unique circumstances, committee members are afforded varying degrees of discretion to grant compensation, sometimes even granting awards beyond the pre-established metrics and formulas of their short- and long-term plans. The level of discretion exercised by compensation committee members can be a revealing indication of the effectiveness of a company's overall compensation program.

Among the S&P 500 Overpaid 25, we found that the executive teams often benefit from committee discretion in varying forms, including heavy subjective weightings in performance formulas, adjustments to performance targets, discretionary changes to plan payouts, and additional awards granted outside of a pre-established plan. We noted such forms of discretion at 14 of the 25 S&P 500 Overpaid companies, including seven companies where the committee exercised authority to alter performance targets and payouts. One **Hewlett-Packard Co.** (HPQ) NEO who benefitted from a 15% boost to his annual bonus and all five NEOs at J.C Penney (JCP) had annual bonuses adjusted to a floor payout at the discretion of the compensation committee. At **LSI Corporation** (LSI), an annual bonus pool funded based on a single metric (non-GAAP operating income) would have resulted in payouts to the NEOs equaling approximately 68% of target. However, the committee cited the negative impact on its operations caused by flooding in Thailand in late 2011 and exercised its discretion to increase the bonus pool and award each NEO at 95% of target.

Committee discretion was not limited to the Overpaid lists. We identified moderate to high levels of discretionary authority permitted by plans in 12 of the 25 S&P 500 Underpaid companies. Of these 12 companies, five operate incentive plans that grant the committee the specific authority to make upward adjustments to awards, including **Whole Foods Market Inc.** (WFM), which permits bonus adjustments of up to 30% of base salary, **ConAgra Foods Inc.** (CAG), which permits up to 25% upward modifications, and **Perrigo Co.** (PRGO), where awards can be increased by up to 50%. In each of these instances, potentially problematic committee discretion did not result in excessive payouts—Whole Foods, ConAgra and Perrigo appeared at numbers 1, 8 and 14, respectively, on our S&P 500 Underpaid 25 list. While shareholders should be aware of the potentially problematic reliance on committee subjectivity, they can be reassured that the resulting payouts were justified by the company's positive performance.

When excessive, we remain highly critical of committee discretion to modify payouts originally governed by performance formulas. Heavy reliance on committee discretion erodes shareholders' ability to assess how performance translates into payouts and undermines the legitimacy of a pay-for-performance philosophy. Well-designed short- and long-term compensation plans establish a palpable link between achievements and payouts.

PAYOUT LIMITS

Simply looking at the quantity of performance-based plans does not paint the full picture, though. The quality of the plan is key. The potential payout range, for example, can have a considerable effect on the alignment of compensation and performance. When a compensation committee allows for a high, or worse yet no payout ceiling, incentive awards can reach excessive levels. Perhaps the worst of the overpaid lot, Robert Half International Inc. (RHI) allowed for dramatically outsized payouts under its

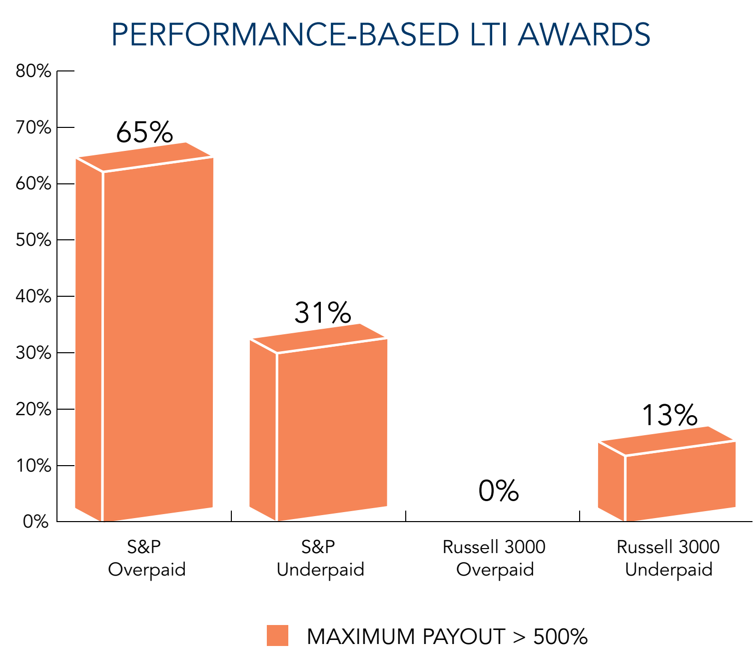


FIGURE 7.2

CEO INFORMATION				COMPANY INFORMATION			
NAME	SALARY	TOTAL COMP	BENEFICIAL OWNERSHIP	COMPANY TICKER	1-YR TSR*	3-YR TSR*	LIST
Kosta N. Kartsotis	$0	$0	10.40%	FOSL	12.6%	375.0%	SP500 U25
Mario J. Gabelli	$0	$61,693,390	< 1% of Cl. A; 99.35% of Cl. B	GBL	-7.2%	78.6%	Highest Paid CEOs
Margaret C. Whitman	$1	$16,518,930	< 1%	HPQ	-37.9%	-26.8%	SP500 O25
Lawrence J. Ellison	$1	$65,738,852	22.40%	ORCL	-17.5%	48.0%	Highest Paid CEOs
Jeffrey P. Bezos	$81,840	$1,681,840	19.50%	AMZN	-3.8%	237.6%	SP500 U25
Warren E. Buffett	$100,000	$491,925	37.5% of Cl. A; 2.4% of Cl. B	BRK.A	42.2%	210.0%	SP500 U25

* All TSR figures in this page are as of December 31, 2011. Source:Thomson One Banker
** Companies that did not have a say-on-pay vote at their most recent annual meeting are listed as N/A

FIGURE 8.1

short-term incentive plan. The CEO's target award was approximately 620% of his base salary and the maximum was twice that. In addition, there were similarly sized long-term incentives –about 1133% of base salary.

Recognizing this as a concern for shareholders, Glass Lewis generally notes when payout limits exceed 500% of an executive's base salary or if there are no limits. We found that 65% of the companies on the S&P 500 Overpaid list disclose payout limits greater than 500% of base salary for performance-based long-term incentive (LTI) awards. On the other hand, no companies on the Russell 3000 Underpaid list have maximum LTI payouts that exceed that level.

INCENTIVE STRUCTURE OF HIGHEST PAID CEOS

In light of the enhanced shareholder scrutiny and media attention that accompany such large awards, one might assume that they would come with testing performance conditions. However, our analysis suggests that the top 10 highest paid CEOs fell behind the standard set by a majority of established public companies with regard to "at risk" pay. For example, four of the short-term incentive payments made to CEOs were classified by Glass Lewis as entirely discretionary. While Mario Gabelli of GAMCO appears to be the only CEO in the top 10 whose cash incentive opportunity is unlimited, the amount of discretion afforded to the compensation committees is notably greater than standard; our analysis of roughly 1,500 companies in our 2012 Say on Pay Season Review suggests that about 84% of companies maintained short-term incentive compensation plans that were performance-based.

The lack of performance conditions on the long-term incentive awards granted to the country's 10 highest paid executives is even more prominent. Of the grant-date fair value of approximately $870 million in equity awards granted to these CEOs, our analysis indicates that only about 11% of the shares were tied to specific performance criteria. The remainder of these awards vests solely over the passage of time—although it must be said that the 10- and 8-year service requirements of Apple's Tim Cook and SPG'S David Simon are substantial.

"SYMBOLIC" SALARIES: CEOS WITH BASE SALARIES OF $100,000 OR LESS

SALARY
$1.00

CEO: Mr. Ellison
TOTAL COMPENSATION: $65,738,852
COMPANY: Oracle Corporation
LIST: Highest Paid CEOs

In our review of the Underpaid, Overpaid and Highest Paid lists, we found a minority of CEOs who have accepted a "small" base salary. Opting for a "smaller" salary can demonstrate a CEO's pledge to the long-term interest of the company. But are these "small" base salaries truly a bargain? We identified seven companies in our Pay Dirt lists whose CEO had a base salary of $100,000 or less[7] (see figure 8.1). As seen in figure 8.1, however, the majority of these CEOs received additional larger payments on the side, through means such as equity grants, perquisites or cash incentives. On the other hand, all of these CEOs – except Meg Whitman, who recently

7 While $100,000 is by no means "small" to the average household, the median S&P 500 salary is nearly $1 million. All companies in figure 8.1 are in the S&P 500 Index, and for the purpose of this analysis, we believe 10% of the median salary is relatively "small."

SALARY
$0.00

CEO: Mr. Gabelli
COMPANY: GAMCO Investors Inc
TOTAL COMPENSATION: $61,693,390
LIST: Highest Paid CEOs

joined the underperforming Hewlett-Packard – impressed shareholders and investors with a strong 3-year TSR.

In fiscal 2011, after receiving base salaries of $250,000 in 2010 and $1 million in 2009, Oracle Corporation's Larry Ellison opted for a three-figure base salary – in pennies. However, shareholders already know Mr. Ellison is not one of the highest paid CEOs and richest people in the world from this marginal salary. In addition to his $13 million annual bonus, he received 7 million stock options, which we valued at $50,851,037. According to the latest proxy filed on September 21, 2012, it appears that Mr. Ellison yet again received a $1 base salary, but was granted another 7 million options for fiscal 2012. Oracle Corporation received 66% support from voting shares with regard to its say-on-pay vote; however, we note that Mr. Ellison beneficially owns more than one-fifth of the Company's common stock, which only appears set to climb given the considerable size of the option grants he receives every year. Unless Mr. Ellison has a sudden change of heart, shareholders can certainly expect him to use his significant ownership to support his pay package at every annual meeting.

Despite receiving no base salary at all, Mr. Gabelli of GAMCO Investors Inc. made our Highest Paid CEOs list. With arguably the most "compact" compensation discussion and analysis section of any company on this list, GAMCO's compensation committee evidently felt that its executive compensation program could be explained in slightly fewer than two pages. The footnotes to the summary compensation table, however, give us some clues about his total pay: $9.4 million of Mr. Gabelli's cash payment consisted of the "Incentive Management Fee as CEO and Other of GAMCO;" $16.3 million was for "acting as portfolio manager and/or attracting and providing client service to a large number of GAMCO's separate accounts;" $26.5 million for "creating and acting as portfolio manager of several open-end GAMCO and Gabelli Funds;" and $9.2 million for "creating and acting as portfolio manager of the closed-end Gabelli Funds." So long as Mr. Gabelli continues to control roughly 99% of GAMCO through his ownership of Class B shares, shareholders are unlikely to receive substantially improved disclosure in this area.

SALARY
$0.00

CEO: Mr. Kartsotis
COMPANY: Fossil Inc.
TOTAL COMPENSATION: $0
LIST: S&P 500 Underpaid 25

All Fossil Inc. employees can take pride in boasting they received a larger total direct compensation than their CEO. Mr. Kartsotis declined all forms of compensation, earning $0 direct total compensation from the compensation committee for the last four years. According to the Company's most recent proxy statement, "For fiscal 2011, Mr. Kartsotis, [the] CEO, continued to refuse all forms of compensation, expressing his belief that, given his level of stock ownership, his primary compensation is met by continuing to drive stock price growth, thereby aligning his interests with stockholders' interests." Shareholders can certainly take this statement for a fact - the Company has rewarded its shareholders with a 1-year and 3-year TSR of 12.6% and 375%, respectively[8]. Mr. Kartsotis beneficially owns 10.4% of the Company's shares, ensuring that he does have a significant stake and that his interests are quite aligned with those of the shareholders.

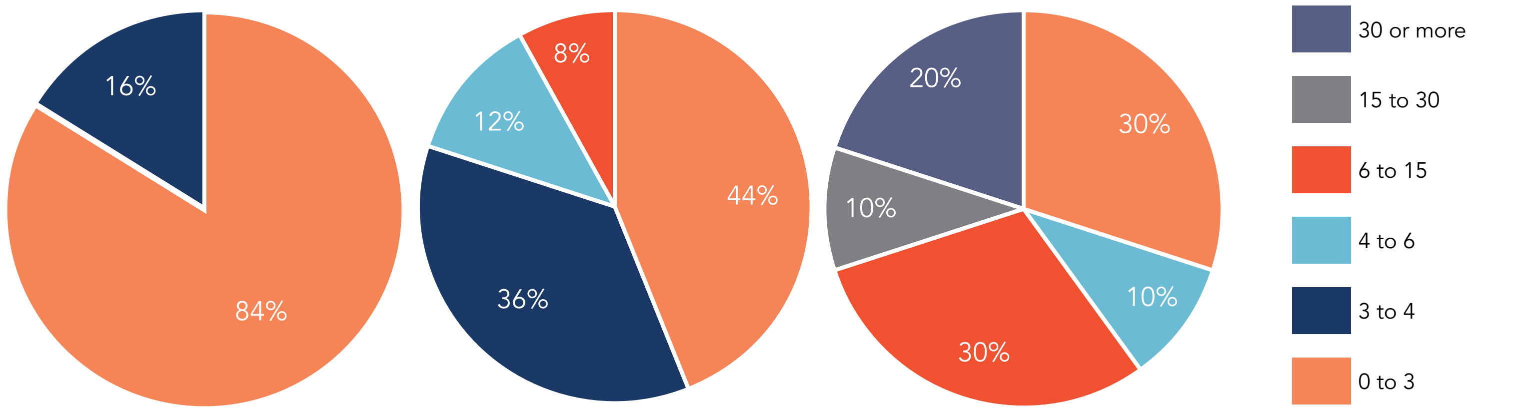
INTERNAL PAY (IN)EQUITY

According to Harvard University studies on pay distribution among management teams[9], generous servings of the executive pay pie handed out to

8 TSR figures in this page are as of December 31, 2011. Source:Thomson One Banker

9 Bebchuk, Lucian, Cremers, Martijin, and Peyer, Urs, "The CEO Pay Slice" and "Pay Distribution in the Top Executive Team," last revised October 2009.

UNDERPAID SP500 CEO TO AVG NEO PAY RATIO | **OVERPAID SP500** CEO TO AVG NEO PAY RATIO | **HIGHEST PAID CEOS** CEO TO AVG NEO PAY RATIO



Average CEO to NEO Pay Ratio	Average CEO to NEO Pay Ratio	Average CEO to NEO Pay Ratio
2.39	**3.51**	**14.45**

CEOs can prove revealing (and risky) associations with firm and CEO characteristics. Shareholder rights, for instance, seem to be weaker when the CEO pay slice (CPS) is higher, and CPS is correlated with lower profitability and lower returning acquisition decisions. Firms with higher CPS tend to provide their CEOs with opportunistically timed options and tend to increase CEO compensation following positive industry stocks. The incriminating list goes on. Of course, an inequitable distribution of pay between the CEO and other NEOs can arise in a number of ways – an all-powerful CEO with unmitigated influence over the board of directors being the most obvious – but it is clear that the materialization of internal pay inequity is never a good sign.

Glass Lewis finds that compensation committees that are mindful of internal pay equity when setting pay can increase the involvement of other executives and prepare them for future transition into the role of CEO. As seen below, companies on the S&P 500 Underpaid list seem less vulnerable to the problems that internal pay inequity imply, with 84% of their CEOs receiving less than three times the average NEO pay during the past fiscal year.

A closer look at the S&P 500 Overpaid list drew an interesting conclusion: Whenever a CEO appearing on the S&P 500 Overpaid list did receive far more than his/her management team, he/she happened to be the recipient of a generous non-recurring award this year. Newell Rubbermaid had entered into an employment transition agreement with its new CEO that awarded him more than $15 million in equity awards; Hospira Inc. had recently recruited CEO F. Michael Ball with copious make-whole payments; and Anthony Earley joined PG&E with a one-time equity mirroring his annual LTI award, but three times the amount. In fact, eight out of the 13 Overpaid companies that exhibited an inequitable equity award distribution between CEOs and other NEOs had granted a huge non-recurring award to their CEO. We find this somewhat unsurprising: Companies that may be performing the same (or slightly better) than last year can very well exhibit significant pay-for-performance disconnects when they dramatically increase total compensation this year. In these cases, such increases come from substantial sign-on bonuses or retention awards, and it makes sense that these awards earned these companies their first appearance on the Overpaid list. Though such awards are generally non-recurring, they also tend to be unfettered by peer comparison or benchmarking processes, lack performance conditions, and, as in these cases, are handed egregiously (and exclusively) to the CEO.

The Highest Paid CEO list, however, elicited more divergent results. Some companies with internal pay inequity had a more rooted tradition of favoring CEOs, including Leslie Moonves from CBS Corp., who routinely receives more than four times (6.0 in 2011, 5.9 in 2010, and 4.4 in 2009) the average NEO on his management team. The same can be said for Gamco Investors (which gives mysterious cash grants of upwards of $35 million to CEO Mario Gabelli every year) and Discovery Communications (which entered into a preferential employment agreement with David Zaslav, securing him a payday more than four times the next highest paid management team member for the last two years). On the other hand, Tim Cook (Apple), David Simon (Simon Property Group), Eric Schmidt (Google) and Michael Jefferies (Abercrombie and Fitch) all received enormous one-time awards ($376 million in RSUs, $120 million in LTIP units, $94 million in options and GSUs, and $43 million in SARs, respectively) resulting in inequitable pay distributions within their management teams.

The Harvard studies had another interesting conclusion: CEO turnover after bad performance is lower if CEO pay slice is higher. It suggests that while inequitable CEO pay slices expose shaky spots in corporate governance structures, when times go bad, at least the hefty serving makes the CEO stick around.

PAY DIRT 2012: AN INTERNATIONAL PERSPECTIVE

In overdue recognition that executive compensation has truly become a global flashpoint for investor action and reaction, Glass Lewis has added a new feature to Pay Dirt this year – a look at CEO pay in select global markets. Brazil, Canada, the UK and Continental Europe, were reviewed because they have provided sufficient disclosure of compensation levels and practices to enable a worthwhile analysis of pay and performance.

While we do not yet have a pay-for-performance model for these markets, we have analyzed the highest paid executives (Brazil) as well as some of the more overpaid CEOs in other markets using a simplified approach to measuring performance. Due to reasons explained in greater detail below, many Brazilian companies have been deemed exempt from disclosing CEO pay figures, making a true comparison of pay across market peers very difficult. For other markets, we analyzed the largest companies and compared each firm's last fiscal year CEO pay and recent financial performance to those of companies of similar sector and size. As a bonus, we selected each market's five largest banks (by market capitalization) and pitted them against each other to determine which earned the title of "most overpaid bank." We note again that the methodologies used in this section are not as robust as the U.S. pay-for-performance model and, as a result, we do not claim that these companies have the most overpaid CEOs of their respective home markets. Nevertheless, we use this opportunity to present some of the most notable pay-for-performance disconnects and highest paid CEOs among these selected global markets.

BRAZIL

Brazil is undoubtedly the beacon of executive "say-on-pay" among its capital market peers in Latin America. Currently, the Brazilian Securities Regulator (CVM) instructs issuers to provide a description of the pay policies of their boards of directors, management boards, supervisory councils and committees; key performance indicators considered when assessing variable pay; a breakdown of fixed, short-term variable pay and long-term share-based pay recognized by each administrative body; a description of long-term equity-based schemes; and the highest, lowest and average salaries paid to directors and executives. This disclosure, found in Section 13 of each company's annual Formulário de Referência ("Reference Form"), has been standardized by CVM Instruction 480. However, due to the lack of regulation legally requiring issuers to disclose even the minimum specifications of the CVM's Instruction, many Brazilian issuers provide vague, boilerplate descriptions and explanations of their remuneration structure and policies or entirely omit crucial remuneration information, such as the highest,

did you know?

"Brazil adopted say on pay one year before the United States."

BRAZIL: 10 HIGHEST PAID EXECUTIVES*

RANK	TICKER	COMPANY	FYE MARKET CAP (MILLIONS BRL)	FYE	CEO**	HIGHEST INDIVIDUAL REMUNERATION (BRL)	HIGHEST INDIVIDUAL REMUNERATION (USD)***
1	AMBV4	Companhia de Bebidas das Américas (AMBEV)	R$ 187,536.37	12/31/11	João Mauricio Giffoni de Castro Nieves	R$ 16,430,619	$8,821,809
2	OSXB3	OSX Brasil S.A.	R$ 3,226.62	12/31/11	Luiz Eduardo Guimarães Carneiro	R$ 14,962,673	$8,033,650
3	TRPN3	OGX Petróleo e Gás Participações S.A.	R$ 44,043.68	12/31/11	Eike Fuhrken Batista	R$ 14,279,774	$7,666,993
4	LREN3	Lojas Renner S.A.	R$ 5,945.77	12/31/11	José Galló	R$ 10,843,562	$5,822,047
5	BVMF3	BM&FBOVESPA S.A.	R$ 19,404.00	12/31/11	Edemir Pinto	R$ 10,805,969	$5,801,863
6	MPXE3	MPX Energia S.A.	R$ 6,357.52	12/31/11	Eduardo Karrer	R$ 10,447,471	$5,609,381
7	TRPN3	Tarpon Investimentos S.A.	R$ 698.81	12/31/11	José Carlos Reis de Magalhães Neto	R$ 8,105,879	$4,352,150
8	LLXL3	LLX Logística S.A.	R$ 2,336.39	12/31/11	Otávio de Garcia Lazcano	R$ 7,316,089	$3,928,102
9	BRPR3	BR Properties S.A.	R$ 3,330.07	12/31/11	Claudio Bruni	R$ 7,299,980	$3,919,452
10	CTIP3	CETIP S.A. - Mercados Organizados	R$ 6,845.09	12/31/11	Luiz Fernando Vendramini Fleury	R$ 6,522,115	$3,501,807

Source: Glass Lewis, Company Filings, Capital IQ.
* Amounts reported for highest, lowest and average individual remuneration include all fixed annual compensation (salary, direct or indirect benefits, compensation for participation in committees, etc.), variable compensation (annual bonuses in cash or shares, profit sharing, compensation for participation in meetings, commissions, sign-on bonuses, etc.), retirement benefits, job termination benefits and equity or stock-based compensation. We assume the highest paid executive is the CEO.
** Through December 31, 2011.
*** R$1.00 = US$0.5369 (exchange rate as of December 31, 2011).

FIGURE 10.1

lowest and average salaries paid to executives. Despite being the first in Latin America to give shareholders a vote on executive remuneration policies, the Brazilian capital market has a long way to go to achieve actual, sweeping transparency and disclosure, not to mention aligning disclosure and pay policies with international best practice.

Unfortunately, there has been and continues to be significant issuer opposition to the CVM's executive remuneration disclosure requirements. Issuers, primarily banking institutions (e.g. Itaú Unibanco, Banco Santander (Brasil)), state-affiliated/owned entities (e.g. Petrobras, CEMIG), those controlled by families, entities or groups of shareholders acting in concert (e.g. Vale, Lojas Americanas) and associates of the Rio chapter of the Instituto Brasileiro de Executivos de Finanças, have been exempt by Brazilian federal or superior court judges from the obligation to disclose the highest, lowest and average executive remuneration. They claimed that by disclosing the amounts received by the highest paid executive they would be implicitly disclosing the CEO's total remuneration. This was upheld on the grounds that the requirement to disclose individual remuneration violates executive privacy and confidentiality guaranteed by Brazilian Law 6,385; therefore, only a law could force them to disclose the information instructed by the CVM.

With the issues surrounding say-on-pay in Brazil, the lack of a breakdown of individual executive remuneration and inconsistencies with respect to issuer disclosure, Brazilian CEO overpaid and underpaid comparisons are difficult to make. As a result, we focused on the top 10 highest paid executives for Brazil. Further, our analysis is limited to annual general meetings (AGMs) we reviewed between January 1 and October 1, 2012, and to issuers that disclosed the highest, lowest and average salaries paid to executives.

Notably, the gap between the two highest paid executives was only R$1,467,946 (US$ 788,159) but the difference in their market cap was a staggering R$184.3 billion (US$99 billion). In fact, AMBEV was the only company in the BM&FBOVESPA with a market cap of over R$100 billion to disclose executive remuneration figures.

Additionally, only three companies in the top 10 reported net losses for fiscal year 2011, those controlled by Eike Batista – OGX Petróleo e Gás Participações (OGX), MPX Energia (MPX) and LLX Logística (LLX) – all of which also experienced a significant decline in EPS growth over fiscal year 2011. A look at OGX's Section 13 reveals that there is no relationship between the company's remuneration policy and its short- or long-term performance; short-term incentives (STIs) are non-existent and long-term incentives (LTIs) are solely based on time-vesting options. It is no wonder that OGX's CEO throughout 2011 (which coincidentally, or not, was Eike Batista himself) received a handsome R$14.3 million (US$7.7 million) after leading the company to a loss of R$482.17 million (US$253.88 million), 290.34% decline in EPS growth, 31.90% drop in share price and 5.63% decline in ROE.

On the other hand, the remuneration structure of AMBEV, which is also controlled, has a more balanced approach to performance-based pay. Although its LTIs are solely based on time-vesting options, unlike OGX, AMBEV has STIs based on a variety of KPIs. The pay mix of AMBEV is 17.47% fixed salary, 15.42% STIs and 62.33% LTIs, compared to OGX's 19% fixed salary and 81% LTIs.

CANADA

While CEO compensation in Canada has not historically been a major concern for shareholders, an increased desire to link executive compensation and company performance, combined with ever-increasing executive compensation levels around the world, has intensified Canadian shareholders' scrutiny of executive compensation. After reviewing and analyzing the CEO compensation levels of the 100 largest companies in Canada by market capitalization compared to the performance of those companies, based on performance metrics including TSR and EPS, we uncovered 15 companies with notable discrepancies between pay and performance.

Although the average total CEO compensation on our list was approximately C$9.5 million— more than 60% higher than the average CEO compensation for the 100 largest companies in Canada— the individual figures ranged from as little as C$2.8 million to a whopping C$17.1 million, reflecting that major pay-for-performance disconnects were not strictly seen at companies with massive CEO compensation packages, but also at companies with smaller compensation packages, awarded through plans that failed to align compensation and company performance.

The company with the largest disconnect was Encana Corp. (Encana), where CEO Randall Eresman received a compensation package valued at C$9.3 million. Approximately 24.2% of Encana's shareholders expressed their discontent with Mr. Eresman's pay package by voting against the company's say-on-pay proposal. The largest component of Mr.

CANADA'S NOTABLE PAY-FOR-PERFORMANCE DISCONNECTS

COMPANY NAME	INDUSTRY	MARKET CAP (C$MM)*	CEO TOTAL COMP (C$)	WEIGHTED AVERAGE TSR	SAY-ON-PAY RESULTS**
Encana Corp.	Oil & Gas Production	$16,132	$9,336,068	-21.1%	75.8%
Shaw Communications Inc.***	Broadcasting & Cable	$8,944	$33,089,779	8.0%	N/A
Manulife Financial Corporation	Insurance (Life)	$21,508	$10,330,779	-22.7%	82.6%
Trilogy Energy Corp	Oil & Gas Operations	$2,414	$5,277,509	133.1%	N/A
Cameco Corporation	Other Metals/Minerals	$7,393	$5,720,571	-23.4%	88.2%
Enerplus Corporation	Oil & Gas Production	$3,165	$2,767,672	6.3%	N/A
Talisman Energy Inc.	Oil & Gas Operations	$13,177	$7,353,464	-14.6%	87.5%
Agnico-Eagle Mines Ltd.	Precious Metals	$8,644	$9,989,017	-25.3%	64.1%
Ivanhoe Mines Limited	Metal Mining	$8,571	$17,141,812	-0.7%	N/A
Nexen Inc.	Oil & Gas Production	$13,409	$3,589,202	-16.6%	87.2%
Kinross Gold Corp.	Precious Metals	$11,381	$6,863,566	-24.7%	78.5%
Sun Life Financial Inc.	Insurance (Life)	$13,847	$6,639,038	-17.3%	96.1%
Thomson Reuters Corp	Financial Publishing	$23,211	$8,102,065	-8.1%	94.0%
Eldorado Gold Corp.	Gold Producers	$9,804	$9,641,386	-0.9%	N/A
Shoppers Drug Mart Corporation	Retail (Drugs)	$8,474	$6,909,467	0.3%	91.7%
AVERAGES		**$11,338**	**$9,516,760**	**-1.8%**	**84.57%**

* Based on Thomson Financial
** With regards to say-on-pay, companies that did not have a say-on-pay vote at the most recent annual meeting are listed as N/A
*** The amount listed for CEO compensation reflects portions paid to multiple individuals who served as CEO during the fiscal year.

FIGURE 11.1

Eresman's compensation was C$6.6 million in long-term incentive awards, made up of RSUs, PSUs and share options. Under Encana's LTIP, RSUs vest over a three-year period while PSUs vest based on Encana's "recycle ratio." Despite Encana's failure to meet certain recycle ratio targets established for awards granted in 2010, the compensation committee excercised its discretion to lower these targets based on "more recent comparative data and changes in commodity prices," resulting in vesting for 65% of the second tranche of these awards (none would have vested under the original targets). Glass Lewis is skeptical of any retroactive reduction in performance targets, and we place the onus on the compensation committee to provide a cogent rationale in justification of any changes; in Encana's case, the committee failed to do so.

One of the most contentious CEO compensation packages during the year was the C$10.0 million package awarded to Sean Boyd, CEO of Agnico-Eagle Mines Ltd. (Agnico), where 35.9% of shareholders voted against the company's say-on-pay proposal. Mr. Boyd received a bonus of approximately C$1.2 million despite the Company's weighted average total return performance of -25.3%, well below its peers. Among the several flaws in Agnico's executive compensation program was a failure to tie any long-term incentive award vesting to company performance. We also raised concerns with Agnico's base salary positioning, set at the 75th percentile of the Company's peers without any justification for paying well above the peer median.

UNITED KINGDOM

Companies listed on the main market of the London Stock Exchange (LSE) have been required to submit non-binding say-on-pay proposals for shareholder approval since 2003. Despite its strong regulatory regime, pay in the UK has been on an upward trajectory for the past two decades. Recently announced government reforms attempt to address this through the introduction of binding shareholder votes. Binding votes will apply to forward-looking remuneration policy from October 2013, while annual advisory votes will remain in place for the actual remuneration paid over the previous year. The binding votes on policy, including exit payments, will be held every three years, or when the remuneration

UNITED KINGDOM'S NOTABLE PAY-FOR-PERFORMANCE DISCONNECTS

COMPANY NAME	INDUSTRY	MARKET CAP (£MM)	CEO TOTAL COMP (£MM)	WEIGHTED AVERAGE TSR	SAY-ON-PAY RESULTS
WPP Group plc	Advertising	£10,540.39	£30.40	25.9%	40.5%
Barclays plc	Diversified Banks	£20,349.86	£11.26	-8.6%	68.5%
Aviva plc	Multi-line Insurance	£8,503.19	£4.75	-8.4%	41.4%
Lloyds Banking Group plc	Diversified Banks	£21,335.91	£10.20*	-22.6%	95.1%
Centrica plc	Multi-Utilities	£16,420.89	£5.48	13.2%	83.8%
Royal Bank of Scotland Group plc (The)	Diversified Banks	£23,805.42	£7.26	-20.0%	98.9%
RSA Insurance Group plc	Property & Casualty Insurance	£3,979.19	£6.08*	-2.1%	91.2%
BG Group plc	Integrated Oil & Gas	£42,835.78	£10.21	19.0%	92.1%
ICAP plc	Investment Banking & Brokerage	£2,057.09	£6.21	6.7%	87.7%
Vodafone Group plc	Wireless Telecommunication Services	£89,776.32	£12.70	12.3%	95.8%
SSE plc	Electric Utilities	£12,279.03	£2.35	2.1%	96.0%
British Land Company plc (The)	Diversified REIT's	£4,740.31	£3.99	0.6%	92.3%
BAE Systems plc	Aerospace & Defense	£10,028.21	£6.18	1.0%	88.7%
Land Securities Group plc	Diversified REIT's	£6,199.09	£2.13	-6.0%	97.1%
BHP Billiton	Diversified Metals & Mining	£68,579.37	£6.82*	12.5%	95.6%

* The amount listed for CEO compensation reflects portions paid to multiple individuals who served as CEO during the fiscal year.

FIGURE 12.1

policy is altered. Should a binding policy vote not be approved, the company will be required to submit its policy for binding shareholder approval again the following year.

We compared CEO pay and company performance in the FTSE 100 relative to market capitalization and industry peers to generate a list of 15 companies with notable discrepancies between pay and performance. Unsurprisingly, several of these companies saw significant shareholder opposition during the 2012 proxy season.

WPP is on the list largely due to the potential £23.6 million payout under a matching share award. However, even excluding long-term incentives, chief executive Sir Martin Sorrell still received total compensation of £6.77 million, in part reflecting a controversial 30% increase to his salary during the year. In total, Sir Martin's remuneration significantly exceeded peers, and despite strong performance his substantial pay sparked shareholder anger and subsequent rejection of the company's remuneration report.

Several other companies also made the list based primarily on excessive pay levels rather than underperformance. In the cases of Vodafone and BG Group, the absence of pronounced growth despite high pay levels is largely mitigated by steady returns. By contrast, companies such as British Land, SSE, RSA Insurance and Land Securities Group have restrained pay structures, but have significantly underperformed. The biggest underperformer was Aviva, which saw shareholders reject its remuneration report and force the departure of CEO Andrew Moss. Although Mr. Moss' pay was on par with pay at similarly sized companies, it exceeded industry peers and the company's performance was below peers in all categories.

CONTINENTAL EUROPE

As it is elsewhere in the world, executive compensation has been a hot topic across Continental Europe. Companies must adjust to ever-evolving regulations and recommendations handed down by national and supranational authorities spurred by increased attention and scrutiny from a variety of stakeholders. Though curbing excessive compensation is one of the ultimate aims of the say-on-pay vote, European countries have approached this goal in a multitude of ways. One such area where approaches differ is the level of disclosure of executive pay required by law.

While disclosure of pay varies significantly from market to market due to regulations, it also may vary within markets based on a company's size and industry. Consequently, shareholders are not always equipped with all the relevant information necessary to fully evaluate CEO pay packages through a quantitative lens. Though our compensation analysis in Continental Europe is centered on a qualitative assessment due to these limitations, we have gathered CEO compensation data from markets where disclosure is relatively consistent and complete to provide a glimpse into the European landscape of CEO compensation.

The average CEO pay data in Figure 13.1 does not include CEO pay of all of the components of the

AVERAGE CEO PAY BY BLUE CHIP INDEX

INDEX NAME	COUNTRY	FIXED	STI	LTI	OTHER/ BENEFITS	TOTAL
DAX	Germany	€ 1,315,263	€ 2,577,218	€ 1,233,182	€ 155,862	€ 5,281,525
SMI 20	Switzerland	€ 1,524,685	€ 1,739,122	€ 1,804,052	€ 178,137	€ 5,245,996
FTSE MIB	Italy	€ 1,457,646	€ 1,040,927	€ 584,454	€ 593,024	€ 3,676,051
CAC 40	France	€ 1,096,800	€ 1,234,061	€ 1,209,277	€ 72,480	€ 3,612,619
IBEX 35	Spain	€ 1,530,185	€ 1,509,494	€ 379,681	€ 90,864	€ 3,510,224
AEX	Netherlands	€ 859,974	€ 560,434	€ 1,151,440	€ 78,642	€ 2,650,490
BEL 20	Belgium	€ 831,564	€ 537,623	€ 350,305	€ 98,214	€ 1,817,706
STOCKHOLM 30	Sweden	€ 1,075,008	€ 341,559	€ 168,875	€ 44,646	€ 1,630,088
OBX	Norway	€ 631,981	€ 211,705	€ 90,689	€ 39,920	€ 974,295

Note: Average amounts do not reflect pay amounts for all components of the index due to discrepancies in disclosure.

FIGURE 13.1

HIGHEST PAID CEOs*

COMPANY	COUNTRY	FIXED	STI	LTI	OTHER/ BENEFITS	TOTAL
Volkswagen AG	Germany	€ 1,886,206	€ 11,040,000	€ 3,670,000	€ 0	€ 16,596,206
SAP AG**	Germany	€ 2,429,900	€ 7,206,700	€ 3,540,000	€ 515,600	€ 13,692,200
Rexel SA**	France	€ 1,019,400	€ 1,191,890	€ 10,453,345	€ 284,365	€ 12,949,000
Finmeccanica**	Italy	€ 2,433,000	€ 965,000	€ 0	€ 9,490,000	€ 12,888,000
Novartis AG	Switzerland	€ 1,575,860	€ 1,447,078	€ 8,806,102	€ 87,883	€ 11,916,923
Banco Santander SA	Spain	€ 4,037,687	€ 7,019,000	€ 0	€ 548,000	€ 11,604,687
Telecom Italia**	Italy	€ 3,035,000	€ 2,109,000	€ 5,849,687	€ 379,000	€ 11,372,687
Telefónica SA	Spain	€ 2,930,800	€ 4,015,440	€ 3,928,695	€ 295,255	€ 11,170,190
Dassault Systèmes SA	France	€ 968,000	€ 1,113,200	€ 8,924,880	€ 32,463	€ 11,038,543
Pirelli	Italy	€ 3,600,439	€ 4,530,000	€ 2,109,821	€ 4,531	€ 10,244,791

** For a complete table of the highest paid CEOs for each country, see Appendix J.*
***The amount listed for the CEO compensation reflects portions paid to multiple individuals who served as CEO during the fiscal year*

FIGURE 13.2

blue chip indices due to incomplete and inconsistent disclosure. However, we found that the data is representative of the pay structures prevalent in the markets reviewed.

In the Netherlands, where say-on-pay was introduced in 2004 and is most established, CEO compensation is weighted more toward long-term incentive awards. In addition, while pay at Swedish and Norwegian companies generally comes primarily in the form of fixed pay, at German and Spanish companies, pay is weighted more toward annual bonuses.

There also appear to be significant differences in total average pay; German CEOs receive total pay that is more than five times higher than their Norwegian counterparts. Though this can be attributed to the difference in size and scope of the companies in the markets, the comparison is striking nevertheless.

When looking at total CEO pay in the markets with relatively consistent disclosure:

- Three Italian companies appeared on the list, more than any other country.
- The two highest paid CEOs were at German companies.
- The companies with the two highest paid CEOs in France are not part of the CAC40 index.

We compared CEO pay and company performance relative to industry and market cap peers to generate a standout list of companies with high disconnects between pay and performance.

- No Swedish CEOs appeared on our High Pay-for-Performance Disconnect list
- Three of the CEOs on the highest paid list also appear among the High Pay-for-Performance Disconnects.

HIGHEST PAY-FOR-PERFORMANCE DISCONNECTS

COMPANY NAME	COUNTRY	INDUSTRY	MARKET CAP(MM)	CEO TOTAL COMP (EUR)	WEIGHTED AVERAGE TSR	SAY ON PAY RESULTS
Technicolor SA	France	Movies & Entertainment	€ 259	€ 2,331,073	N/A	N/A
AMG Advanced Metallurgical Group	Netherlands	Diversified Metals & Mining	€ 209	€ 3,705,212	-32.4%	N/A
Grontmij NV	Netherlands	Construction & Engineering	€ 112	€ 1,470,000	-33.4%	1
Stada Arzneimittel AG	Germany	Pharmaceuticals	€ 1,133	€ 2,349,043	-2.3%	N/A
Telefónica SA	Spain	Integrated Telecommunication Services	€ 59,962	€ 11,170,190	-1.8%	0.6007

FIGURE 13.3

FOCUS ON FINANCIALS: CEO PAY AT GLOBAL BANKS

A look at CEO pay at the top banks in North America, the United Kingdom and Europe

Compensation at the world's largest and most systemically important banks has become a hot button issue around the globe, with regulators, media and the public blaming poor incentive structures and spiraling executive pay for paving the way for the global financial crisis.

Issues ranging from the mortgage fiasco in the United States to the debt crisis in Europe have dramatically affected many of these institutions to different degrees and in various ways. In this analysis, we focused on the CEO pay at five of the largest banks in Europe, Canada, the United Kingdom and the United States to see how the numbers stack up several key financial metrics, including TSR, EPS growth, ROE and ROA. It is important to note that this is a list of the five largest banks in four distinct markets and that a CEO who is overpaid or underpaid on this list may not be considered overpaid or underpaid when compared to peer groups in their home country.

Overall, U.S. banking CEOs were the highest paid, followed by the UK, Canada and Europe, respectively. The five most overpaid CEOs were employed at banks in the U.S. or United Kingdom, reinforcing the intense spotlight on executive pay in these markets and the "shareholder spring" witnessed this past proxy season. Our results reveal some wide disconnects between CEO pay and performance as well as some interesting differences in the wide range of amounts paid, and in the composition of remuneration packages.

It is important to recognize that in certain cases the analysis does not capture the complete picture, since some of these banks have gone through major changes or introduced new CEOs in an effort to revive sagging share prices. Indeed, shareholders have responded to these pay packages using their say-on-pay vote to very different degrees, likely based not only on bank performance and shareholder returns, but also the individual circumstances affecting these companies as they navigate the financial crisis.

Using our three-year weighted average of TSR, the three banks with the widest pay-for-performance disconnects have returned -24%, -23% and -9% to shareholders, respectively, providing ample fuel for the high "Against" votes noted above. While Bank of America shareholders have seen the worst three-year returns of all the banks on this list at -29%, shareholders can take solace in the fact that its CEO's 2011 pay of $7.5 million mirrored the decline to a far greater extent than the $20.8 million received by Citigroup CEO Vikrim Pandit, who took the top spot on our list.

Following predecessor Charles Prince's resignation amid heavy mortgage-backed security losses, Mr. Pandit was appointed CEO of Citigroup in 2007. After overseeing the 2010 repayment of $45 billion in government TARP funds (one of the largest of any U.S. bank), Mr. Pandit was granted total 2011 compensation of approximately $20.8 million— a

DISCONNECT RANK	COUNTRY	COMPANY	CEO PAY (USD MM)	3 YEAR TSR	MARKET CAP (USD MM)	SAY ON PAY RESULTS
1	U.S.	Citigroup	$21	-24%	$101,903.8	45.3%
2	UK	Lloyds Banking Group*	$16	-23%	$44,897.5	95.1%
3	UK	Barclays	$18	-9%	$45,680.3	68.5%
4	U.S.	JP Morgan Chase	$23	1%	$158,104.1	91.5%
5	UK	Royal Bank of Scotland	$11	-20%	$48,418.0	98.9%
6	Europe	Banco Santander	$15	-7%	$75,916.8	88.4%
7	U.S.	Bank of America	$7	-29%	$98,285.8	85.2%
8	U.S.	Wells Fargo	$18	0%	$180,914.9	94.0%
9	Europe	UBS*	$9	-4%	$47,363.4	60.1%
10	Europe	Deutsche Bank	$8	1%	$38,816.6	94.3%
11	Canada	Royal Bank of Canada	$11	0%	$83,784.3	84.9%
12	Canada	Bank of Nova Scotia	$10	10%	$62,229.8	94.4%
13	UK	Standard Chartered	$11	26%	$55,332.9	89.7%
14	Canada	Toronto-Dominion	$11	12%	$75,554.5	93.7%
15	UK	HSBC Holdings	$9	1%	$173,843.2	86.3%
16	Europe	BNP Paribas*	$4	-1%	$61,869.5	N/A
17	Europe	Banco Bilbao Vizcaya Argentaria	$5	-7%	$41,189.9	96.3%
18	Canada	Bank of Montreal	$9	12%	$38,598.9	90.9%
19	U.S.	US Bancorp	$10	5%	$63,909.5	95.0%
20	Canada	Canadian Imperial Bank of Commerce	$10	16%	$31,680.3	97.5%

FIGURE 14.1

figure that didn't sit well with shareholders, who reacted by rejecting the Company's 2012 advisory vote on executive compensation. In October 2012, after five years and an approximate 90% share price decline, Mr. Pandit unexpectedly announced his resignation from the Company.

At number two is Lloyds Banking Group's António Horta-Osório, who, despite declining his bonus, was offered a handsome sum to turn around the struggling bank when he was recruited from Banco Santander. Given the state of the bank when Mr. Horta-Osório took the helm, it is premature to ascertain whether pay and performance at the UK bank will return to a more aligned state. However, it is worth noting that his joining arrangements, including long-term incentives worth £8.1 million ($12.59 million), were widely supported at the 2012 annual meeting, with more than 95% of shareholders voting in favor of the bank's remuneration report.

The third spot on our list belongs to Barclays, where shareholders emphatically objected to the terms of newly appointed CEO Bob Diamond's joining arrangements, which included a £5.75 million ($8.94 million) tax equalization payment (not represented in the table above) for relocating to the UK. In addition to a £1.35 million salary, Mr. Diamond was granted a £2.7 million bonus and received long-term incentives

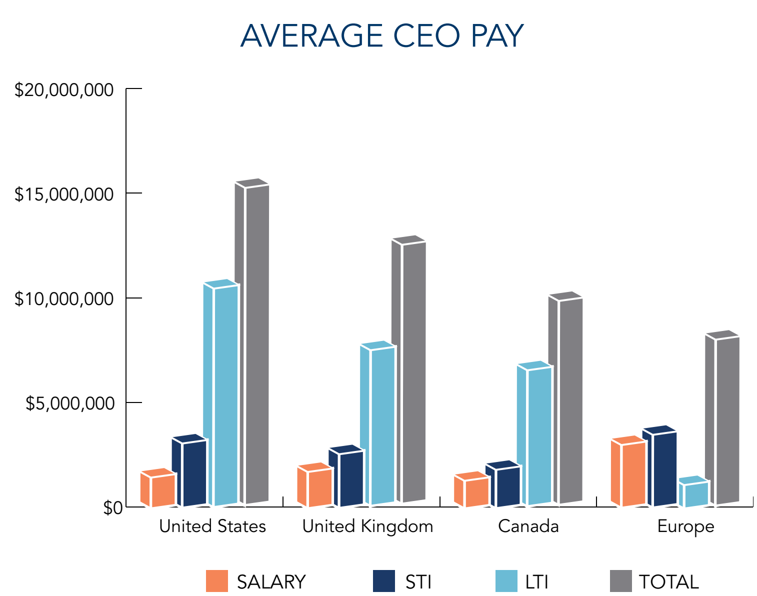


FIGURE 14.2

CANADA BANK CEO PAY (C$M)

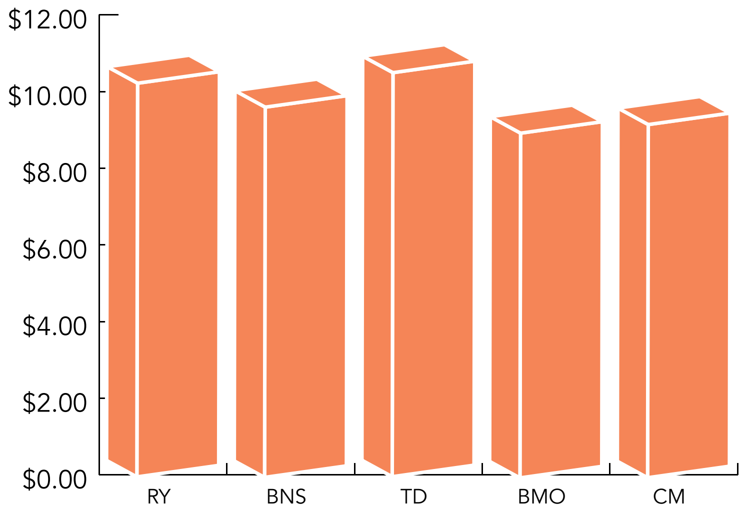


FIGURE 14.3

with a value of £6.74 million at grant. Following criticism from shareholders, additional performance requirements were attached to some of Mr. Diamond's awards. But despite the concessions, nearly one-third of shareholders refused to support the bank's remuneration report, mirroring the sentiment associated with the 33% decline in Barclays' share price during the year. Shortly thereafter, both the chairman of the board and Mr. Diamond were forced to resign following revelations of Barclays' role in the LIBOR rigging scandal.

PAY COMPOSITION

A look at the top banks in these markets reveals some interesting trends: At nearly $3.2 million (refer to figure 14.2), the average base salary of the European CEOs is nearly twice that of the other banks examined. Furthermore, their short-term incentive awards, which have historically been largely cash-based, were also the largest of the banks we examined and twice the size of the UK sample.

However, their long-term incentive awards — which typically make up the lion's share of total compensation — are significantly smaller than the awards seen in other markets. At $1.2 million, the average CEO's long-term incentive award was a mere 11% of the generous equity heaped on U.S. bank CEOs; those in this sample received an average award of $10.9 million, while the biggest winner was the CEO of JPMorgan Chase, with $16.8 million.

PAY SIMILARITIES AMONG CANADIAN CEOS

Although Canada's top banks have weathered the financial crisis in superior fashion compared with their international peers, we have found very little variation in CEO pay at Canadian banks. Despite some clear disparities in shareholder returns, it is worth noting that using Glass Lewis' valuation methodology, the CEOs of the major Canadian banks all received pay packages between C$9.35 million and C$10.96 million – a paltry spread when compared to the wide range in compensation levels at other companies. While these banks have all performed well compared to their international peers, it is interesting to see that such little difference exists among these CEOs, particularly given the variance in the size of these companies.

BIBLIOGRAPHY

Bebchuk, Lucian, Cremers, Martijin, and Peyer, Urs. "The CEO Pay Slice" and "Pay Distribution in the Top Executive Team." Last revised: October 2009.

U.S. Department of Energy. "U.S. Energy Information Administration – EIA – Independent Statistics and Analysis." http://www.eia.gov/beta/state/data.cfm?sid=CA#Prices. Last accessed October 11, 2012.

---. "Cushing, OK WTI Spot Price FOB (Dollars Per Barrell)." http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=RWTC&f=M. Last accessed October 11, 2012.

APPENDIX A

HOW GLASS LEWIS' PAY-FOR-PERFORMANCE MODEL WORKS

GICS-BASED PAY-FOR-PERFORMANCE MODEL[10]

Glass Lewis believes management's primary duty is to maximize shareholder value through sustainable corporate performance. We view executive compensation practices as a window into the performance of that duty, and believe compensation practices should align the interests of management with those of shareholders, within reasonable and ethical boundaries, and ultimately link pay to company and stock performance. Many factors that affect company performance also affect the company's industry. Compensation should be closely tied to how well a company performs relative to its peers; executives should be rewarded for their company's ability to outperform its competitors.

Our GICS code-based model compares seven performance[11] and two compensation metrics[12] against those of a company's peers, which are bucketed into four groups: industry, sector of similar size (both based on GICS codes), similar market capitalization and same geographic region of incorporation. Each peer group is assigned a weight in the analysis, based principally on the market capitalization of the subject company. In most instances, geographic peer groups play a very small role in the overall calculation, while industry peers of similar size are a significant factor.

The model then calculates a weighted-average executive compensation percentile and a weighted-average performance percentile. For example, a company might be in the 85th percentile in executive compensation relative to its peers and the 65th percentile in performance. Based on these percentile scores, we calculate a final numeric score we call the "pay-for-performance gap." In the example above, the gap would be 20, representing the difference between the compensation and performance percentiles. We place the gap scores on a forced curve so that the companies with the largest gaps can be identified as those that have done a poor job of linking compensation with performance. Each company is assigned a letter grade ("A" to "F"), based on this curve, with 10% of the companies we analyze receiving an "A" and 10% receiving an "F."

TYPES OF COMPENSATION NOT CAPTURED BY THE MODEL

Any pay-for-performance grading system will have its shortcomings and ours is no exception. Since the Glass Lewis model focuses squarely on compensation awarded in the most recent fiscal year, it fails to account for significant amounts of pay that had been awarded in prior years and accumulated in value, sometimes resulting in substantial windfalls. Pension compensation and pay realized through stock option exercises are prime examples of this deficiency in our model.

Our approach to estimating stock option valuations seeks to determine the cost of the awards as a compensation cost to the company, using the fair value of the awards at their grant dates. To estimate these expenses, Glass Lewis uses the Black-Scholes valuation methodology, taking into consideration the volatility of the stock and the time value of money. For consistent comparability across peers, we do not rely on company estimates, but instead apply proprietary assumptions in order to eliminate valuation fluctuations resulting from companies selecting Black-Scholes inputs favorable to executives. This model does not reflect the actual cash an executive may realize upon exercising the options, which may vary significantly.

10 This report considers companies with annual meetings between August 15, 2011 and July 27, 2012. Companies with meetings after July 27, 2012 were evaluated using our new pay-for-performance model, which is discussed in greater detail below.
11 The performance indicators considered are stock price change, change in book value per share, change in operating cash flow, earnings per share growth, total shareholder return, return on equity and return on assets. Achievement in these categories is calculated based on a weighted average of one-, two- and three-year data with the largest weighting given to the annualized three-year performance data.
12 We consider the total pay of the chief executive and of the top five executives.

THE MARKET-BASED PAY-FOR-PERFORMANCE MODEL[13]

Our enhanced pay-for-performance model uses the same basic methodology to compare the compensation of a company's top five executives to its performance, with a few exceptions. Our model now evaluates five indicators of shareholder wealth and business performance — change in operating cash flow, EPS growth, total shareholder return, return on equity and return on assets — against peers selected using Equilar's market-based peer groups. Rather than comparing one-year compensation to one-, two- and three-year performance, pay and performance are now both measured using a three-year weighted average. Additionally, the model also no longer assigns companies letter grades based on a forced curve; grades are now strictly determined by the size of the pay-for-performance "gap."

PEER SELECTION PROCESS

SEC regulations require companies to list firms compared for executive compensation benchmarking. Equilar uses this disclosed company relationship information to build a peer network. The peer network consists of companies and their disclosed peer connections. The Equilar algorithm extracts this information to identify the strength of relationships between two companies. The stronger the correlation, the higher the peer is ranked.

By looking directly at market data, this approach avoids the limitations of arbitrary financial cut-offs or discrete industry groupings and better represents the complex relationships that exist in a competitive marketplace.

13 The market-based pay-for-performance model was not used in determining companies for Pay Dirt 2012; it applies to companies with annual meetings on July 28, 2012 and later.

APPENDIX B

S&P 500 UNDERPAID 25

Source: Glass Lewis, Company filings.

COMPANY NAME	FISCAL YEAR END	TOTAL CEO COMPENSATION	TOP 5 TOTAL COMPENSATION	STOCK PRICE CHANGE (1 FY %)	LFY NET INCOME (MILLIONS)	EPS GROWTH (1 FY)
Whole Foods Market Inc.	Sep-11	$1,012,457	$3,717,387	76.0%	$342.60	35.2%
Amazon.com Inc.	Dec-11	$1,681,840	$2,407,709	-3.8%	$631.00	-46.0%
Public Service Enterprise Group Inc.	Dec-11	$2,667,156	$7,942,681	3.8%	$1,407.00	-9.6%
DIRECTV	Dec-11	$5,735,758	$22,185,732	7.1%	$2,609.00	39.8%
Fossil Inc.	Dec-11	$-	$7,812,548	12.6%	$294.70	21.7%
Intuitive Surgical Inc.	Dec-11	$6,469,439	$21,965,116	79.6%	$495.10	29.7%
MasterCard Inc. Cl A	Dec-11	$8,989,740	$23,551,218	66.4%	$1,906.00	5.8%
Perrigo Co.	Jun-11	$5,755,208	$12,460,419	48.8%	$340.60	50.2%
Fastenal Co.	Dec-11	$3,258,911	$8,933,239	45.6%	$357.90	34.8%
Costco Wholesale Corp.	Aug-11	$2,230,356	$14,262,099	39.0%	$1,462.00	12.8%
Berkshire Hathaway Inc. Cl A	Dec-11	$491,925	$1,566,675	-4.7%	$10,254.00	-21.6%
CenterPoint Energy Inc.	Dec-11	$5,240,854	$12,352,491	27.8%	$770.00	67.7%
Nordstrom Inc.	Jan-12	$4,036,405	$15,748,160	19.9%	$683.00	14.2%
ConAgra Foods Inc.	May-11	$5,654,208	$14,729,756	5.2%	$828.50	35.2%
FMC Technologies Inc.	Dec-11	$3,146,726	$14,290,350	17.5%	$399.80	7.2%
O'Reilly Automotive Inc.	Dec-11	$3,777,577	$9,392,390	32.3%	$507.70	24.6%
U.S. Bancorp	Dec-11	$10,001,809	$26,799,095	0.3%	$4,872.00	41.5%
CMS Energy Corp.	Dec-11	$4,518,487	$10,118,235	18.7%	$413.00	9.9%
Joy Global Inc.	Oct-11	$6,899,395	$16,685,561	22.9%	$631.00	34.5%
Visa Inc.	Sep-11	$11,450,967	$28,735,860	15.4%	$3,650.00	25.3%
Caterpillar Inc.	Dec-11	$14,375,615	$36,520,155	-3.3%	$4,928.00	78.7%
priceline.com Inc.	Dec-11	$9,099,767	$26,483,118	17.1%	$1,056.40	93.4%
M&T Bank Corp.	Dec-11	$2,571,038	$10,791,351	-12.3%	$859.50	11.5%
Pall Corp.	Jul-11	$2,369,765	$10,250,666	29.7%	$315.50	31.8%
Cliffs Natural Resources Inc.	Dec-11	$6,521,293	$15,890,384	-20.1%	$1,637.60	54.5%
Mean:		$5,118,268	$15,023,696	21.7%	$1,666.10	27.3%
Median:		$4,518,487	$14,262,099	17.5%	$770.00	29.7%

APPENDIX C

S&P 500 OVERPAID 25

Source: Glass Lewis, Company filings.

COMPANY NAME	FISCAL YEAR END	TOTAL CEO COMPENSATION	TOP 5 TOTAL COMP (PUBLISHED)	STOCK PRICE CHANGE (1 FY %)	LFY NET INCOME (MILLIONS)	EPS GROWTH (1 FY)
Hewlett-Packard Co.	10/2011	$51,729,505	$113,679,689	-36.7%	$7,074.0	-10.6%
Dean Foods Co.	12/2011	$9,032,733	$17,974,544	26.7%	$(1,579.2)	
Citigroup Inc.	12/2011	$20,604,996	$76,922,206	-44.4%	$10,955.0	1.0%
Valero Energy Corp.	12/2011	$17,060,760	$32,955,524	-9.0%	$2,097.0	127.3%
Abercrombie & Fitch Co. Cl A	01/2012	$46,625,535	$60,869,600	-8.9%	$126.9	-14.4%
Lockheed Martin Corp.	12/2011	$20,962,707	$41,969,172	15.7%	$2,667.0	10.6%
Safeway Inc.	12/2011	$9,723,283	$22,620,019	-6.4%	$516.7	-3.5%
J.C. Penney Co. Inc.	01/2012	$73,932,994	$183,644,814	29.6%	$(152.0)	
Hospira Inc.	12/2011	$17,910,135	$23,922,335	-45.5%	$(9.4)	
Bank of New York Mellon Corp.	12/2011	$17,497,849	$60,722,604	-34.1%	$2,516.0	-3.8%
Robert Half International Inc.	12/2011	$8,591,024	$25,125,638	-7.0%	$149.9	135.7%
Nabors Industries Ltd.	12/2011	$15,981,684	$34,491,931	-26.1%	$344.1	32.4%
Newell Rubbermaid Inc.	12/2011	$24,483,981	$32,470,835	-11.2%	$134.6	-55.1%
Amgen Inc.	12/2011	$20,410,722	$52,194,140	17.0%	$3,683.0	-15.6%
Allegheny Technologies Inc.	12/2011	$17,515,542	$36,833,460	-13.4%	$214.3	188.2%
Leucadia National Corp.	12/2011	$28,177,211	$61,230,546	-22.1%	$17.0	-99.1%
Pitney Bowes Inc.	12/2011	$7,690,208	$15,407,474	-23.3%	$351.3	15.4%
E*TRADE Financial Corp.	12/2011	$6,681,633	$18,178,458	-50.3%	$156.7	
United States Steel Corp.	12/2011	$6,767,933	$14,540,028	-54.7%	$(53.0)	
LSI Corp.	12/2011	$8,457,495	$22,314,589	-0.7%	$90.0	185.4%
Huntington Bancshares Inc.	12/2011	$11,585,176	$23,935,807	-20.1%	$542.6	207.0%
PG&E Corp.	12/2011	$16,217,944	$28,055,273	-13.8%	$858.0	-26.3%
Sherwin-Williams Co.	12/2011	$8,700,969	$19,158,885	6.6%	$441.9	-1.2%
Quest Diagnostics Inc.	12/2011	$10,517,023	$24,860,818	7.6%	$472.1	-27.8%
Mean:		$19,869,127	$43,503,266	-13.5%	$1,317.3	34.0%
Median:		$16,639,352	$30,263,054	-12.3%	$347.7	-1.2%

APPENDIX D

RUSSELL 3000 UNDERPAID 25

Source: Glass Lewis, Company filings.

COMPANY NAME	FISCAL YEAR END	TOTAL CEO COMPENSATION	TOP 5 TOTAL COMP (PUBLISHED)	STOCK PRICE CHANGE (1 FY %)	LFY NET INCOME (MILLIONS)	EPS GROWTH (1 FY)
Kodiak Oil & Gas Corp.	Dec-11	$1,452,300	$4,761,614	43.9%	$3.90	
Green Mountain Coffee Roasters Inc.	Sep-11	$3,701,173	$7,999,425	198.0%	$199.50	125.7%
VMware Inc.	Dec-11	$1,565,625	$10,946,797	-6.4%	$723.90	97.1%
Opko Health Inc.	Dec-11	$469,800	$1,609,200	33.5%	($6.50)	
Gold Resource Corp.	Dec-11	$1,200,000	$2,930,026	-27.7%	$60.10	
VirnetX Holding Corp.	Dec-11	$1,862,442	$2,197,114	68.1%	($17.30)	
Sauer-Danfoss Inc.	Dec-11	$1,511,629	$4,500,442	28.2%	$229.90	7.7%
MBIA Inc.	Dec-11	$700,000	$7,385,502	-3.3%	($1,319.00)	
Amerco	Mar-11	$871,242	$2,805,326	78.7%	$183.60	220.9%
Gulfport Energy Corp.	Dec-11	$753,221	$2,672,572	35.8%	$108.40	106.0%
Paramount Gold & Silver Corp.	Jun-11	$391,394	$1,174,436	150.8%	($28.50)	
NewMarket Corp.	Dec-11	$1,573,592	$4,838,114	60.6%	$206.90	24.6%
Cardtronics Inc.	Dec-11	$2,055,499	$6,054,989	52.9%	$70.20	64.1%
Credit Acceptance Corp.	Dec-11	$982,350	$3,197,031	31.1%	$188.00	23.5%
Aruba Networks Inc.	Jul-11	$933,432	$4,684,485	35.2%	$70.70	
Merge Healthcare Inc.	Dec-11	$693,775	$1,730,618	30.0%	($5.50)	
Fortinet Inc.	Dec-11	$2,048,713	$7,315,742	34.8%	$62.50	39.7%
Endologix Inc.	Dec-11	$965,865	$2,909,829	60.6%	($28.70)	
Ulta Salon Cosmetics & Fragrance Inc.	Jan-12	$4,105,682	$6,427,113	105.6%	$120.30	63.0%
Pernix Therapeutics Holdings Inc.	Dec-11	$629,104	$1,815,986	53.1%	$8.30	-12.5%
Oplink Communications Inc.	Jun-11	$383,020	$1,748,533	29.9%	$48.50	355.0%
Penns Woods Bancorp Inc.	Dec-11	$360,359	$690,745	-2.6%	$12.40	13.1%
Universal Display Corp.	Dec-11	$1,221,767	$5,667,220	19.7%	$3.20	
PriceSmart Inc.	Aug-11	$863,107	$2,384,296	153.6%	$61.80	24.9%
HealthStream Inc.	Dec-11	$325,750	$1,978,850	129.5%	$6.90	62.1%
Mean:		$1,264,834	$4,017,040	55.7%	$38.55	81.0%
Median:		$965,865	$2,930,026	35.8%	$60.13	62.1%
Source: Glass Lewis, Company filings.						

APPENDIX E

RUSSELL 3000 OVERPAID 25

Source: Glass Lewis, Company filings.

COMPANY NAME	FISCAL YEAR END	TOTAL CEO COMPENSATION	TOP 5 TOTAL COMPENSATION	STOCK PRICE CHANGE (1 FY %)	LFY NET INCOME (MILLIONS)	EPS GROWTH (1 FY)
Radian Group Inc.	Dec-11	$8,636,184.00	$16,573,945.05	-71%	$302.15	
Gentiva Health Services Inc.	Dec-11	$4,329,935.48	$10,607,747.56	-75%	($458.84)	
EnergySolutions Inc.	Dec-11	$4,889,317.28	$10,388,043.72	-45%	($196.18)	
Office Depot Inc.	Dec-11	$7,356,935.00	$15,752,094.06	-60%	$95.69	
Avid Technology Inc.	Dec-11	$4,856,502.00	$14,114,760.65	-51%	($23.79)	
Cenveo Inc.	Dec-11	$9,631,864.00	$15,614,821.03	-36%	($1.03)	
ManpowerGroup	Dec-11	$10,875,105.84	$24,774,787.80	-43%	$251.60	
Harsco Corp.	Dec-11	$5,952,467.06	$14,460,488.04	-27%	($9.45)	
Shaw Group Inc.	Aug-11	$7,918,781.73	$17,777,476.44	-28%	($175.02)	
Callaway Golf Co.	Dec-11	$5,156,995.71	$8,771,784.81	-31%	($171.82)	
GenOn Energy Inc.	Dec-11	$7,803,393.45	$16,717,167.27	-31%	($189.00)	
Geron Corp.	Dec-11	$4,195,924.40	$8,756,417.00	-71%	($96.85)	
Meritor Inc.	Sep-11	$5,954,944.60	$12,736,124.64	-55%	$65.00	318%
Investment Technology Group Inc.	Dec-11	$3,117,574.55	$9,570,899.64	-34%	($179.79)	
CIBER Inc.	Dec-11	$2,985,084.00	$11,416,370.86	-18%	($52.13)	
ITT Corp	Dec-11	$7,912,995.97	$15,969,434.99	12%	($578.00)	
Griffon Corp.	Sep-11	$13,212,241.00	$17,858,676.00	-33%	($7.43)	
SandRidge Energy Inc.	Dec-11	$25,261,502.20	$44,146,236.20	11%	$108.07	-75%
Tutor Perini Corp.	Dec-11	$10,748,547.60	$16,843,401.29	-42%	$86.15	-15%
Comstock Resources Inc.	Dec-11	$6,897,429.00	$13,021,959.00	-38%	($33.47)	
Level 3 Communications Inc.	Dec-11	$10,212,359.54	$28,621,957.30	16%	($827.00)	
OM Group Inc.	Dec-11	$4,874,718.15	$9,988,748.33	-42%	$37.96	-55%
Healthways Inc.	Dec-11	$3,300,725.05	$6,822,478.36	-39%	($157.69)	
Digital River Inc.	Dec-11	$5,016,133.83	$9,171,188.47	-56%	$17.17	11%
1-800-Flowers.com Inc. Cl A	Jun-11	$2,751,955.34	$7,742,708.69	50%	$5.72	
Mean:		$7,353,985	$15,128,789	-33.48%	($87.52)	36.81%
Median:		$5,954,945	$14,114,761	-37.70%	($23.79)	-15.21%

APPENDIX F

HIGHEST PAID CEOs

Source: Glass Lewis, Company filings.

Ticker	Company Name	CEO Name	Salary	Bonus and NEIP	All Other	Restricted Stock	Option Value	Total Compensation
AAPL	Apple Inc.	Timothy D. Cook*	$75,002	$75,000	$16,520	$376,180,000	$-	$376,346,522
SPG	Simon Property Group Inc.	David Simon	$1,211,538	$4,000,000	$15,239	$139,597,971	$-	$144,824,748
GOOG	Google Inc. Cl A	Larry Page*	$234,376	$1,500,000	$65,921	$55,643,040	$43,709,493	$101,152,829
JCP	J.C. Penney Co. Inc.	Ronald B. Johnson*	$1,527,083	$2,111,302	$502,730	$65,145,435	$4,646,444	$73,932,994
CBS	CBS Corp (Cl B)	Leslie Moonves	$3,500,000	$27,500,000	$1,605,433	$8,499,978	$29,009,857	$70,115,269
ORCL	Oracle Corp.	Lawrence J. Ellison	$1	$13,341,994	$1,545,820	$-	$50,851,037	$65,738,852
DISCA	Discovery Communications Inc. Series A	David M. Zaslav	$2,961,539	$4,837,719	$430,379	$20,301,093	$34,626,419	$63,157,149
GBL	GAMCO Investors Inc. Cl A	Mario J. Gabelli	$-	$-	$61,693,390	$-	$-	$61,693,390
HPQ	Hewlett-Packard Co.	Margaret C. Whitman*	$1,152,770	$6,400,000	$5,249,816	$24,781,718	$14,145,200	$51,729,505
ANF	Abercrombie & Fitch Co. Cl A	Michael S. Jeffries	$1,500,000	$1,188,000	$719,182	$-	$43,218,353	$46,625,535
CMG	Chipotle Mexican Grill Inc.	Steve Ells*	$2,361,538	$4,896,000	$320,760	$-	$38,734,076	$46,312,374
HLF	Herbalife Ltd.	Michael O. Johnson	$1,230,000	$3,690,000	$100,543	$15,000,000	$25,411,787	$45,432,330
VIA	Viacom Inc. Cl A	Philippe P. Dauman	$3,500,000	$20,000,000	$262,636	$9,207,040	$8,612,824	$41,582,500
CFN	CareFusion Corp.	Kieran T. Gallahue*	$1,193,457	$1,988,233	$301,914	$27,860,624	$9,775,170	$41,119,398
HON	Honeywell International Inc.	David M. Cote	$1,800,000	$23,300,000	$428,499	$-	$12,048,870	$37,577,369

**The amount listed for CEO compensation reflects portions paid to multiple individuals who served as CEO during the fiscal year.*

APPENDIX G

BRAZIL

Source: Glass Lewis, Company filings.

RANK	TICKER	COMPANY NAME	FYE MARKET CAP (MILLIONS BRL)	FYE	CEO NAME²	HIGHEST INDIVIDUAL REM (BRL)	HIGHEST INDIVIDUAL REM (USD)³	STOCK PRICE CHANGE – 1 FY	TSR CHANGE – 1 FY	LFY NET INCOME (MILLIONS BRL)	1YR EPS GROWTH
1	AMBV4	Companhia de Bebidas Das Américas (AMBEV)	R$ 187,536.37	12/31/11	João Mauricio Giffoni de Castro Nieves	R$ 16,430,619	$8,821,809	33.2%	38.2%	R$ 8,640.98	13.6%
2	OSXB3	OSX Brasil S.A.	R$ 3,226.62	12/31/11	Luiz Eduardo Guimarães Carneiro	R$ 14,962,673	$8,033,650	-40.5%	-40.5%	R$ 7.57	109.2%
3	TRPN3	OGX Petróleo e Gás Participações S.A.	R$ 44,043.68	12/31/11	Eike Fuhrken Batista	R$ 14,279,774	$7,666,993	-31.9%	-31.9%	(R$ 482.17)	-290.3%
4	LREN3	Lojas Renner S.A.	R$ 5,945.77	12/31/11	José Galló	R$ 10,843,562	$5,822,047	-14.2%	-11.0%	R$ 336.91	8.9%
5	BVMF3	BM&FBOVESPA S.A.	R$ 19,404.00	12/31/11	Edemir Pinto	R$ 10,805,969	$5,801,863	-25.4%	-21.3%	R$ 1,048.00	-6.0%
6	MPXE3	MPX Energia S.A.	R$ 6,357.52	12/31/11	Eduardo Karrer	R$ 10,447,471	$5,609,381	76.5%	76.5%	(R$ 408.55)	-59.4%
7	TRPN3	Tarpon Investimentos S.A.	R$ 698.81	12/31/11	José Carlos Reis de Magalhães Neto	R$ 8,105,879	$4,352,150	-16.2%	-2.6%	R$ 109.50	-30.7%
8	LLXL3	LLX Logística S.A.	R$ 2,336.39	12/31/11	Otávio de Garcia Lazcano	R$ 7,316,089	$3,928,102	-28.8%	-28.8%	(R$ 39.39)	-724.9%
9	BRPR3	BR Properties S.A.	R$ 3,330.07	12/31/11	Claudio Bruni	R$ 7,299,980	$3,919,452	1.9%	2.5%	R$ 335.41	-66.6%
10	CTIP3	CETIP S.A. - Mercados Organizados	R$ 6,845.09	12/31/11	Luiz Fernando Vendramini Fleury	R$ 6,522,115	$3,501,807	14.2%	15.6%	R$ 220.52	75.5%

RANK	TICKER	COMPANY NAME	FYE MARKET CAP (MILLIONS BRL)	FYE	CEO NAME²	HIGHEST INDIVIDUAL REM (BRL)	ROE	HIGHEST INDIVIDUAL REM AS % OF NET INCOME	CONTROLLED?	HAS REM/NOM COMMITTEE?	LISTING SEGMENT
1	AMBV4	Companhia de Bebidas Das Américas (AMBEV)	R$ 187,536.37	12/31/11	João Mauricio Giffoni de Castro Nieves	R$ 16,430,619	34.6%	0.2%	Yes, Subsidiary	Yes	Conventional
2	OSXB3	OSX Brasil S.A.	R$ 3,226.62	12/31/11	Luiz Eduardo Guimarães Carneiro	R$ 14,962,673	0.2%	197.8%	Yes, Individual	No	NM
3	TRPN3	OGX Petróleo e Gás Participações SA	R$ 44,043.68	12/31/11	Eike Fuhrken Batista	R$ 14,279,774	-5.6%	N/A	Yes, Individual	No	NM
4	LREN3	Lojas Renner S.A.	R$ 5,945.77	12/31/11	José Galló	R$ 10,843,562	31.0%	3.2%	No	Yes	NM
5	BVMF3	BM&FBOVESPA S.A.	R$ 19,404.00	12/31/11	Edemir Pinto	R$ 10,805,969	5.4%	1.0%	No	Yes	NM
6	MPXE3	MPX Energia S.A.	R$ 6,357.52	12/31/11	Eduardo Karrer	R$ 10,447,471	-26.2%	N/A	Yes, Individual	No	NM
7	TRPN3	Tarpon Investimentos S.A.	R$ 698.81	12/31/11	José Carlos Reis de Magalhães Neto	R$ 8,105,879	316.9%	7.4%	Yes, Group	Yes	NM
8	LLXL3	LLX Logística S.A.	R$ 2,336.39	12/31/11	Otávio de Garcia Lazcano	R$ 7,316,089	-5.7%	N/A	Yes, Individual	No	NM
9	BRPR3	BR Properties S.A.	R$ 3,330.07	12/31/11	Claudio Bruni	R$ 7,299,980	10.5%	2.2%	No	No	NM
10	CTIP3	CETIP S.A. - Mercados Organizados	R$ 6,845.09	12/31/11	Luiz Fernando Vendramini Fleury	R$ 6,522,115	20.7%	3.0%	No	Yes	NM

¹ Amounts reported for highest, lowest and average individual remuneration include all fixed annual compensation (salary, direct or indirect benefits, compensation for participation in committees, etc.), variable compensation (annual bonuses in cash or sha
² Through December 31, 2011.
³ R$1.00 = US$0.5369 (exchange rate as of December 31, 2011).

APPENDIX H

CANADA

Source: Glass Lewis, Company filings.

COMPANY NAME	INDUSTRY	MARKET CAP (C$MM)*	CEO TOTAL COMP (C$)	WEIGHTED AVERAGE TSR	WEIGHTED AVERAGE EPS	WEIGHTED AVERAGE OCF	SAY-ON-PAY VOTE HELD	SAY-ON-PAY RESULTS**
Encana Corp.	Oil & Gas Production	$16,132	$9,336,068	-21.1%	-77.0%	-2.7%	Yes	75.8%
Shaw Communications Inc.***	Broadcasting & Cable	$8,944	$33,089,779	8.0%	-2.9%	-6.0%	No	N/A
Manulife Financial Corporation	Insurance (Life)	$21,508	$10,330,779	-22.7%	-70.1%	-9.3%	Yes	82.6%
Trilogy Energy Corp	Oil & Gas Operations	$2,414	$5,277,509	133.1%	-66.8%	17.9%	No	N/A
Cameco Corporation	Other Metals/ Minerals	$7,393	$5,720,571	-23.4%	-9.6%	15.7%	Yes	88.2%
Enerplus Corporation	Oil & Gas Production	$3,165	$2,767,672	6.3%	-28.3%	-14.6%	No	N/A
Talisman Energy Inc.	Oil & Gas Operations	$13,177	$7,353,464	-14.6%	-27.9%	-14.5%	Yes	87.5%
Agnico-Eagle Mines Ltd.	Precious Metals	$8,644	$9,989,017	-25.3%	N/A	84.1%	Yes	64.1%
Ivanhoe Mines Limited	Metal Mining	$8,571	$17,141,812	-0.7%	N/A	N/A	No	N/A
Nexen Inc.	Oil & Gas Production	$13,409	$3,589,202	-16.6%	-22.7%	-0.4%	Yes	87.2%
Kinross Gold Corp.	Precious Metals	$11,381	$6,863,566	-24.7%	N/A	37.8%	Yes	78.5%
Sun Life Financial Inc.	Insurance (Life)	$13,847	$6,639,038	-17.3%	N/A	4.6%	Yes	96.1%
Thomson Reuters Corp	Financial Publishing	$23,211	$8,102,065	-8.1%	N/A	N/A	Yes	94.0%
Eldorado Gold Corp.	Gold Producers	$9,804	$9,641,386	-0.9%	30.7%	63.8%	No	N/A
Shoppers Drug Mart Corporation	Retail (Drugs)	$8,474	$6,909,467	0.3%	3.4%	21.7%	Yes	91.7%
Averages		$11,338	$9,516,760	-1.8%	-27.1%	15.2%		84.6%

* Based on Thomson Financial
** With regards to say-on-pay, companies that did not have a say-on-pay vote at the most recent annual meeting are listed as N/A
*** The amount listed for CEO compensation reflects portions paid to multiple individuals who served as CEO during the fiscal year.

APPENDIX I

UNITED KINGDOM

Source: Glass Lewis, Company filings.

COMPANY NAME	MARKET CAP (£MM)	CEO TOTAL COMP (£MM)	WEIGHTED AVERAGE TSR	WEIGHTED AVERAGE EPS	ROA	ROE	SAY ON PAY RESULTS
WPP Group plc	£10,540.39	£30.40	25.9%	29.8%	4.4%	12.6%	40.5%
Barclays plc	£20,349.86	£11.26	-8.6%	-13.4%	0.2%	5.4%	68.5%
Aviva plc	£8,503.19	£4.75	-8.4%	-71.0%	0.1%	1.8%	41.4%
Lloyds Banking Group plc	£21,335.91	£10.20*	-22.6%	N/A	0.4%	-6.1%	95.1%
Centrica plc	£16,420.89	£5.48	13.2%	-10.9%	2.4%	7.5%	83.8%
Royal Bank of Scotland Group plc (The)	£23,805.42	£7.26	-20.0%	N/A	0.1%	-2.7%	98.9%
RSA Insurance Group plc	£3,979.19	£6.08*	-2.1%	-22.9%	2.2%	9.3%	91.2%
BG Group plc	£42,835.78	£10.21	19.0%	1.7%	7.6%	13.9%	92.1%
ICAP plc	£2,057.09	£6.21	6.7%	-3.5%	0.2%	11.7%	87.7%
Vodafone Group plc	£89,776.32	£12.70	12.3%	12.1%	5.1%	9.0%	95.8%
SSE plc	£12,279.03	£2.35	2.1%	-33.3%	0.3%	1.9%	96.0%
British Land Company plc (The)	£4,740.31	£3.99	0.6%	-36.5%	5.9%	9.4%	92.3%
BAE Systems plc	£10,028.21	£6.18	1.0%	-1.8%	6.2%	29.3%	88.7%
Land Securities Group plc	£6,199.09	£2.13	-6.0%	-39.9%	4.8%	7.3%	97.1%
BHP Billiton	£68,579.37	£6.82*	12.5%	-1.8%	12.5%	23.6%	95.6%

*The amount listed for CEO compensation reflects portions paid to multiple individuals who served as CEO during the fiscal year.

APPENDIX J

CONTINENTAL EUROPE

Source: Glass Lewis, Company filings.

		FIXED	STI	LTI	OTHER	TOTAL
Europe	European Average for Blue Chip Indices	€ 1,199,961	€ 1,217,238	€ 839,460	€ 177,568	€ 3,434,228
Switzerland	SMI 20 Average	€ 1,524,685	€ 1,739,122	€ 1,804,052	€ 178,137	€ 5,245,996
	(5) Novartis AG	€ 1,575,860	€ 1,447,078	€ 8,806,102	€ 87,883	€ 11,916,923
	Roche Holding Ltd.	€ 3,288,752	€ 1,921,934	€ 2,896,945	€ 86,052	€ 8,193,683
	ABB Ltd.	€ 1,637,532	€ 2,776,364	€ 2,361,036	€ 698,669	€ 7,473,601
	UBS AG1	€ 2,948,458	€ 3,032,229	€ 758,057	€ 190,272	€ 6,929,016
	Nestle S.A.	€ 1,644,376	€ 3,067,341	€ 2,034,902	€ 23,748	€ 6,770,367
Germany	DAX 30 Average	€ 1,315,263	€ 2,577,218	€ 1,233,182	€ 155,862	€ 5,281,525
	(1) Volkswagen AG	€ 1,886,206	€ 11,040,000	€ 3,670,000	€ 0	€ 16,596,206
	(2/1) SAP AG1	€ 2,429,900	€ 7,206,700	€ 3,540,000	€ 515,600	€ 13,692,200
	Daimler AG (fka DaimlerChrysler)	€ 2,008,000	€ 4,076,000	€ 2,570,000	€ 0	€ 8,654,000
	Siemens AG	€ 2,000,000	€ 3,947,602	€ 2,675,030	€ 29,594	€ 8,652,226
	RWE AG	€ 2,700,000	€ 3,708,000	€ 0	€ 2,037,000	€ 8,445,000
Spain	IBEX 35 Average	€ 1,530,185	€ 1,509,494	€ 379,681	€ 90,864	€ 3,510,224
	(6/6) Banco Santander SA	€ 4,037,687	€ 7,019,000	€ 0	€ 548,000	€ 11,604,687
	(8/5) Telefónica SA	€ 2,930,800	€ 4,015,440	€ 3,928,695	€ 295,255	€ 11,170,190
	Repsol-YPF SA	€ 3,096,188	€ 3,109,000	€ 1,553,000	€ 280,000	€ 8,038,188
	Ferrovial SA1	€ 2,100,000	€ 3,222,840	€ 2,402,400	€ 6,640	€ 7,731,880
	ACS Actividades de Construcción y Servicios, S.A.	€ 1,932,000	€ 2,519,000	€ 0	€ 13,000	€ 4,464,000
France	CAC40 Average	€ 1,096,800	€ 1,234,061	€ 1,209,277	€ 72,480	€ 3,612,619
	(3) Rexel SA1 2	€ 1,019,400	€ 1,191,890	€ 10,453,345	€ 284,365	€ 12,949,000
	(9) Dassault Systèmes SA2	€ 968,000	€ 1,113,200	€ 8,924,880	€ 32,463	€ 11,038,543
	LVMH Moët Hennessy Louis Vuitton SA	€ 1,728,399	€ 2,200,000	€ 4,354,194	€ 618,464	€ 8,901,057
	SCOR S.E.2	€ 1,200,000	€ 865,500	€ 4,836,813	€ 42,800	€ 6,945,113
	Sanofi	€ 1,200,000	€ 2,280,000	€ 2,965,517	€ 8,287	€ 6,453,804
Italy	FTSE MIB Average	€ 1,457,646	€ 1,040,927	€ 584,454	€ 593,024	€ 3,676,051
	(4) Finmeccanica1	€ 2,433,000	€ 965,000	€ 0	€ 9,490,000	€ 12,888,000
	(7/8) Telecom Italia1	€ 3,035,000	€ 2,109,000	€ 5,849,687	€ 379,000	€ 11,372,687
	(10) Pirelli	€ 3,600,439	€ 4,530,000	€ 2,109,821	€ 4,531	€ 10,244,791
	Salvatore Ferragamo S.p.A.	€ 703,000	€ 7,682,802	€ 0	€ 16,000	€ 8,401,802
	Eni	€ 1,430,000	€ 2,110,000	€ 3,234,000	€ 15,000	€ 6,789,000
Netherlands	AEX Average	€ 859,974	€ 560,434	€ 1,151,440	€ 78,642	€ 2,650,490
	Unilever NV	€ 1,058,000	€ 1,429,000	€ 4,543,526	€ 180,000	€ 7,210,526
	Wolters Kluwer	€ 1,023,000	€ 1,115,000	€ 2,975,417	€ 259,000	€ 5,372,417
	Heineken	€ 1,050,000	€ 1,764,000	€ 1,617,489	€ 0	€ 4,431,489
	Reed Elsevier	€ 1,227,841	€ 1,224,157	€ 1,726,844	€ 34,130	€ 4,212,972
	ASML Holding NV	€ 787,000	€ 586,709	€ 2,510,228	€ 136,765	€ 4,020,702

(#/#) Indicates Rank on European Highest Paid/Overpaid List 1Multiple CEOs 2Not Blue Chip

				PERFORMANCE					
COMPANY NAME	COUNTRY	MARKET CAP(MM)	CEO TOTAL COMP (EUR)	WEIGHTED AVERAGE TSR	WEIGHTED AVERAGED EPS	WEIGHTED AVERAGED ROE	WEIGHTED AVERAGE ROA	SAY-ON-PAY VOTE HELD	SAY ON PAY RESULTS (% FOR)
Technicolor SA	France	€ 259	€ 2,331,073	N/A	N/A	-209.0%	-9.5%	No	N/A
AMG Advanced Metallurgical Group	Netherlands	€ 209	€ 3,705,212	-32.4%	-57.1%	3.6%	0.9%	No	N/A
Grontmij NV	Netherlands	€ 112	€ 1,470,000	-33.4%	N/A	-61.5%	-7.5%	Yes*	100.0%
Stada Arzneimittel AG	Germany	€ 1,133	€ 2,349,043	-2.3%	-38.2%	2.6%	1.6%	No	N/A
Telefónica SA	Spain	€ 59,962	€ 11,170,190	-1.8%	-13.9%	25.0%	4.2%	Yes	60.1%

*Amendment Proposal

APPENDIX K

GLOBAL BANKS

Source: Glass Lewis, Thompson Financial

COUNTRY	COMPANY	MARKET CAP (US$)	CEO PAY USD[1]	TOTAL RETURN (%)	EPS GROWTH (%)	ROE 2011/12 (%)	ROA 2011/12 (%)	ROIC (%)	SAY-ON-PAY
U.S.	Citigroup	$101,903.79	$20,760,000	-24.0%	N/A	6.4%	0.6%	2.4%	45%
UK	Lloyds Banking Group*	$44,897.46	$15,854,510	-23.0%	N/A	-6.1%	0.4%	1.2%	95%
UK	Barclays	$45,680.31	$17,509,530	-9.0%	-13.0%	5.7%	0.4%	1.2%	69%
U.S.	JP Morgan Chase	$158,104.13	$22,832,000	1.0%	70.0%	10.1%	1.0%	2.9%	91%
UK	Royal Bank of Scotland	$48,418.02	$11,283,136	-20.0%	N/A	-2.7%	0.1%	0.4%	99%
Europe	Banco Santander	$75,916.84	$15,038,920	-7.0%	-25.0%	6.8%	1.0%	2.4%	88%
U.S.	Bank of America	$98,285.79	$7,482,000	-29.0%	N/A	0.0%	0.4%	1.0%	85%
U.S.	Wells Fargo	$180,914.86	$17,915,000	0.0%	53.0%	12.0%	1.5%	5.7%	94%
Europe	UBS*	$47,363.44	$9,012,404	-4.0%	-15.0%	8.3%	0.6%	2.0%	60%
Europe	Deutsche Bank	$38,816.60	$8,390,266	1.0%	1.0%	7.9%	0.3%	1.4%	94%
Canada	Royal Bank of Canada	$83,784.31	$10,736,156	0.0%	10.0%	12.9%	0.7%	5.4%	85%
Canada	Bank of Nova Scotia	$62,229.77	$10,096,004	10.0%	17.0%	17.1%	0.9%	N/A	94%
UK	Standard Chartered	$55,332.94	$10,599,885	26.0%	11.0%	11.6%	N/A	4.3%	90%
Canada	Toronto-Dominion	$75,554.55	$11,017,843	12.0%	23.0%	13.9%	1.0%	7.7%	94%
UK	HSBC Holdings	$173,843.23	$9,331,041	1.0%	48.0%	10.4%	N/A	4.4%	86%
Europe	BNP Paribas*	$61,869.54	$4,239,105	-1.0%	-5.0%	7.7%	0.5%	2.5%	N/A
Europe	Banco Bilbao Vizcaya Argentaria	$41,189.91	$4,765,407	-7.0%	-15.0%	8.1%	1.1%	2.6%	96%
Canada	Bank of Montreal	$38,598.86	$9,400,759	12.0%	18.0%	14.3%	1.0%	5.6%	91%
U.S.	US Bancorp	$63,909.48	$10,084,000	5.0%	24.0%	16.0%	1.7%	5.8%	95%
Canada	Canadian Imperial Bank of Commerce	$31,680.28	$9,630,880	16.0%	23.0%	21.3%	0.9%	7.5%	97%

*The amount listed for total compensation reflects portions paid to multiple individuals who served as CEO during the year.

[1] Exchange rates: £ = 1.5541, € = 1.2959, CHF = 1.0694

SAN FRANCISCO
Headquarters
Glass, Lewis & Co., LLC
One Sansome Street
Suite 3300
San Francisco, CA 94104
Tel: +1 415-678-4110
Tel: +1 888-800-7001
Fax: +1 415-357-0200

NEW YORK
Glass, Lewis & Co., LLC
48 Wall Street
15th Floor
New York, N.Y. 10005
Tel: +1 212-797-3777
Fax: +1 212-980-4716

AUSTRALIA
CGI Glass Lewis Pty Limited
Suite 8.01, Level 8,
261 George St
Sydney NSW 2000
Australia
Tel: +61 2 9299 9266
Fax: +61 2 9299 1866

IRELAND
Glass Lewis Europe, Ltd.
6th Floor, Riverpoint
Bishop's Quay
Limerick, Ireland
Phone: +353 61 404700
Fax: +353 61 404711

GLASS LEWIS & Co.