

THE INVESTOR RELATIONS OFFICER

A 2012 SURVEY OF FORTUNE 500 COMPANIES



Introduction

For the third time, Korn/Ferry International's Corporate Affairs Center of Expertise and its Financial Officers Practice have collaborated with the National Investor Relations Institute to survey those working in this critical function and examine how the role is evolving.

Our anecdotal evidence, as well as data that follows, clearly supports the idea that the IR function is continuing to expand in importance, relevance, and value, as reflected by compensation rates. Recent volatile market conditions have only underscored how the battle-tested IRO has become indispensable in protecting the CEO and CFO, and in safeguarding the company's most critical and intangible asset: its reputation with shareholders and other stakeholders.

To provide a clearer picture of the requirements and rewards among the top IROs, Korn/Ferry and NIRI collected responses from 163 investor relations officers in Fortune 500 companies. The majority (73 percent) came from mid- or large-cap companies, 82 percent are NYSE-listed, and 75 percent are covered by 15 or more sell-side analysts. A heavy concentration of respondents came from the manufacturing (29 percent) and financial services/insurance (15 percent) industries. Their responses cover information from the calendar year 2011.

Historically, the investor relations function was regarded largely as a communications role, but today in the Fortune 500, it is more often considered a financial officer position, with a distinct premium placed on deep financial acumen. This is reflected in several key trends we see in the backgrounds of IROs:

- 15 percent are former sell-side/buy-side analysts, up from 10 percent in 2008.
- Only 8 percent came from roles in PR/communications, down from 15 percent just four years ago.
- 21 percent of IROs hold CPA designations, up from 15 percent in 2010.
- 11 percent are pursuing or have gained their CFA designation, up significantly from 6 percent in 2010.

There is also evidence that, perhaps as result of this demand for financial expertise, base salaries are on the rise. The average base salary was \$237,216—and 20 percent reported base compensation above \$300,000. And despite tepid economic conditions, 67 percent of Fortune 500 IROs reported no reduction in any form of compensation since 2010.

Profile of the Fortune 500 investor relations officer

According to the 2012 survey data, the typical Fortune 500 IRO:

- Is male (66 percent)
- Is 40 to 49 years old (43 percent)
- Has worked in two or three different industries during his career
- Has held the top IR position at his company for three to six years (32 percent).

Figure 1
Diversity

There are 4 percent fewer female IROs in the Fortune 500 than just two years ago. Also, only 7 percent of IROs today identify themselves as minorities, down from 9 percent in 2010.

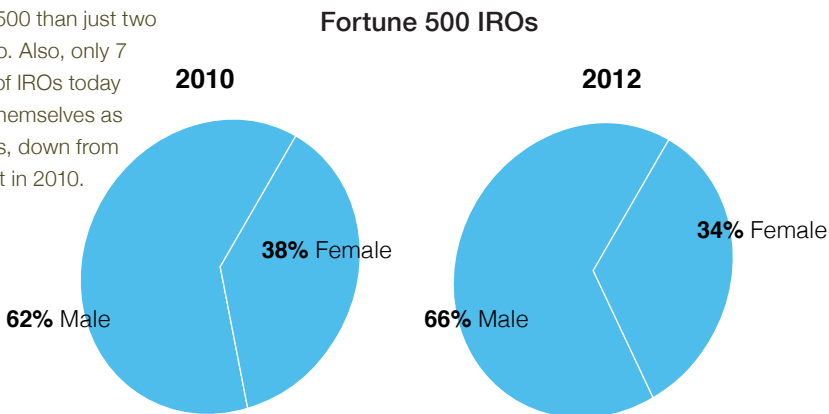
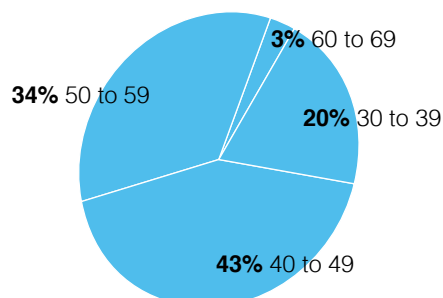


Figure 2
Age

Maturity is rewarded with a top IRO job in the Fortune 500, yet only a small percentage stay in the position past 59 years old.



Background and education

No longer primarily a communications role, serving as an IRO in today's Fortune 500 increasingly means being well versed in finance. The most common precursor to the IRO role is another corporate finance position (38 percent), and other aspects of IROs' backgrounds show the trend breaking toward more corporate finance, accounting, or even investment banking since our 2008 and 2010 surveys.

Figure 3

Former sell-side/buy-side analysts

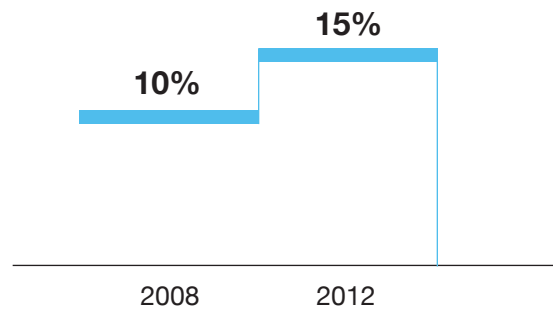


Figure 4

Former PR or communications role

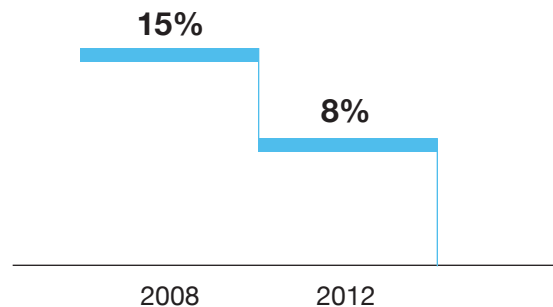


Figure 5

Have CPA designation

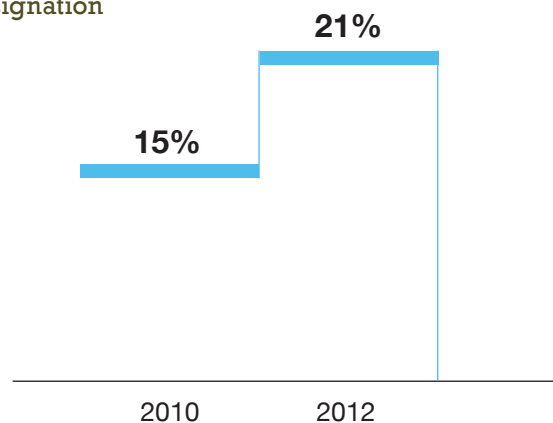
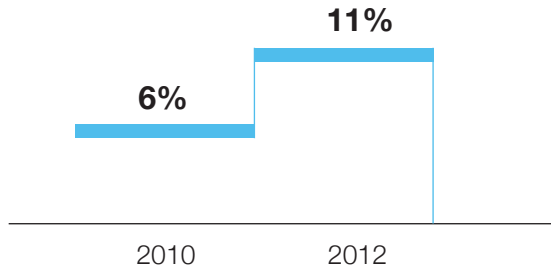


Figure 6

Have or are getting CFA designation



Employment in investor relations

Those whose responses were tabulated for this report are the senior IR professional, ultimately responsible for IR. The majority, 80 percent, are not an officer of the company as defined by Section 16 of the SEC Act of 1934.

Figure 7

Tenure as IRO

A significant number of survey respondents are fairly new to heading up investor relations.

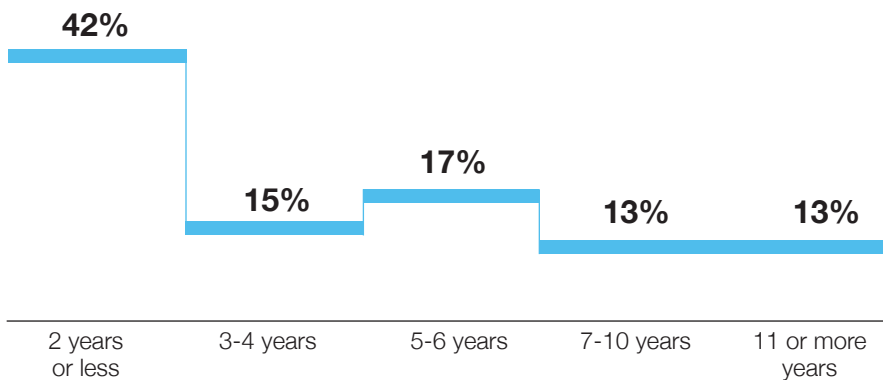


Figure 8

Job title of IRO

The vast majority of IROs carry executive titles; 72 percent are vice presidents or executive vice presidents, while an additional 19 percent are directors.

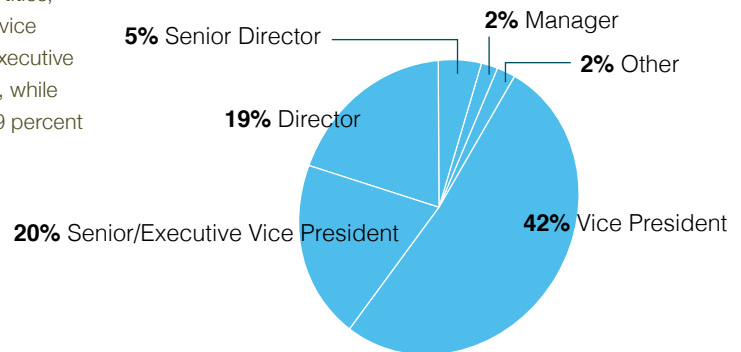


Figure 9

Scope of responsibilities

The IRO role is expanding, with 63 percent reporting that they have responsibilities in addition to investor relations, a jump from the 39 percent who said the same in 2010. Interestingly, 43 percent include financial media relations in their responsibilities, up from 33 percent in 2010, but the same as 2008. The percentage who are responsible for community relations increased, rising from 19 percent in 2010 to 28 percent in 2012.

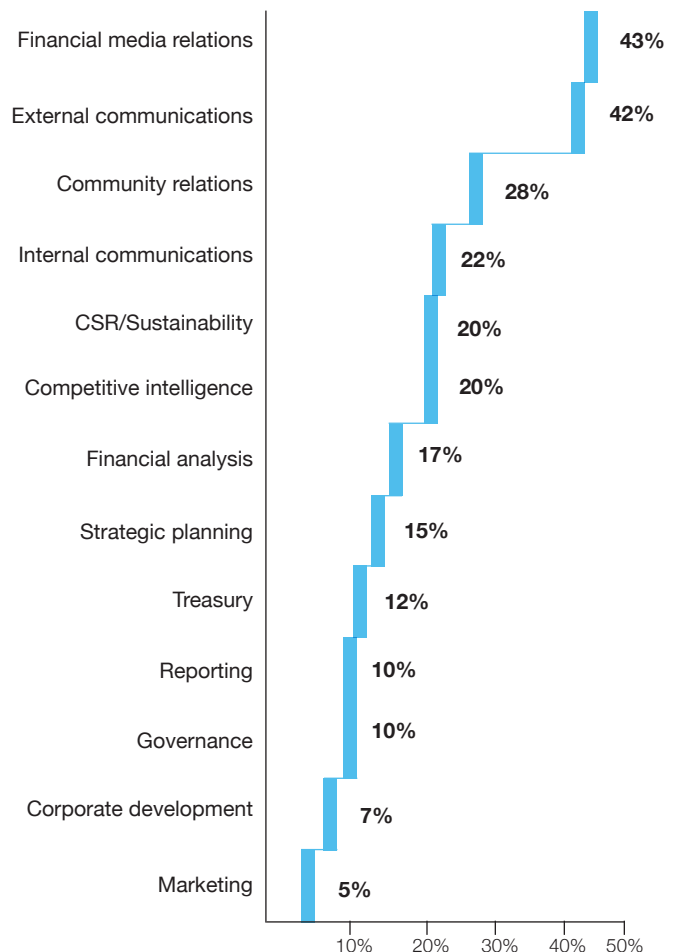


Figure 10

Reporting relationships

As in 2010, an overwhelming majority of IROs surveyed—82 percent—report directly to the CEO or the CFO. For comparison, in 2008 only 72 percent directly reported to the CEO or CFO, a sign of the role's growing importance and seniority.

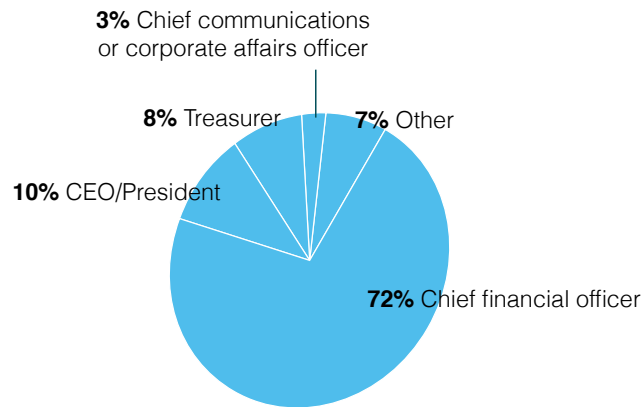


Figure 11

Headcount: IRO's direct reports, excluding administrative staff

In the past two years, 23 percent of survey respondents said the size of the IR staff had increased. Only 8 percent reported decreases in staff size, while 70 percent said it stayed the same.

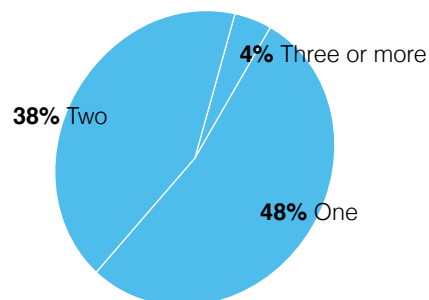


Figure 12

Budgets of investor relations departments

The IR budgets remain virtually unchanged compared to the prior survey: 65 percent of the organizations have budgets over \$1 million in 2012.

Size of budget

Less than \$100,000	1%
\$100,000 to \$499,999	8%
\$500,000 to \$999,999	26%
\$1,000,000 to 2,499,999	48%
\$2,500,000 to \$5,000,000	14%
More than \$5,000,000	3%

Career path

Our data indicates that the top IR spot is being used as a rotational role less frequently compared to previous years. In 2012, the top IRO role is not considered a rotational position by 84 percent of Fortune 500 respondents.

At the same time, only 51 percent define themselves as “career” IROs and are committed to a future in investor relations, down from 61 percent just two years ago.

For those who see the role as transitional, 58 percent expect their next move will be to some leadership role in Corporate Finance. Specifically, 35 percent expect to become CFO next, 5 percent look to a COO position, and 5 percent look advance to Chief Communications Officer. Three percent see their next role as CEO or president of the company.

Compensation and benefits

The median base salary for IROs was \$230,000 but some reported salaries up to \$550,000, higher than in the previous two studies. About 20 percent of surveyed IROs reported a base salary above \$300,000 for last year, and nearly 15 percent reported of a combined salary and bonus above \$500,000.

- Average base salary: \$237,216
- Average bonus: \$125,284
- Average total compensation (salary and bonus): \$362,500

Notably, 67 percent of IROs reported *no* reduction to any form in compensation over the last two years. Of those that did experience a reduction:

- 2 percent saw base salaries reduced
- 3 percent saw bonus targets reduced
- 25 percent had reductions in actual bonus received
- 12 percent saw reductions in equity or long-term compensation
- 9 percent saw reductions in benefits
- 3 percent saw reductions in other areas

Figure 13

Alternate compensation

Nearly all top IROs are granted some type of equity as part of their total compensation. Equity/LTIP remains a key component of total compensation. More IROs receive RSUs than stock options (87 percent v. 60 percent). The number of performance shares given as LTIP rose significantly since 2010 – 14 percent, up from 5 percent.

Benefits remained mostly unaffected, except for automobile/car allowances; 10 percent today receive this benefit, down from 17 percent just two years ago. This shift is consistent with executive compensation trends across all functions in the Fortune 500. In addition, IROs report that they receive other types of benefits beyond cash and equity compensation, including:

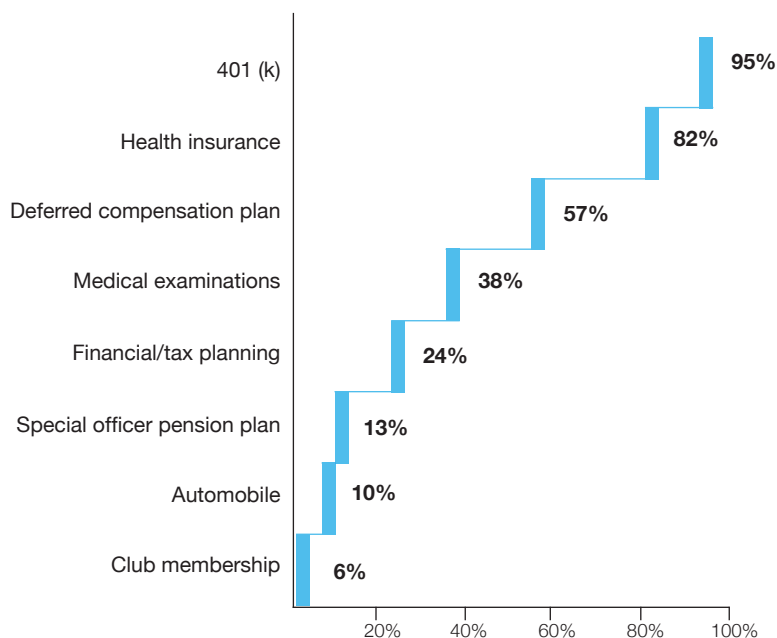


Figure 14

Change of control agreements

A large majority of IROs, 73 percent, do not have a change of control agreement, which would govern terms for deferred compensation and employment in the event a company is bought or sold. Of the remainder who do have them, the duration varies.

Duration	
3 months	1%
6 months	1%
12 months	12%
18 months	3%
More than 18 months	11%

Employment agreements

The vast majority of IROs, 92 percent, don't have an employment agreement. Of those that do, 54 percent have a one-year agreement and 38 percent have an eighteen-month agreement.

Work environment

The vast majority of IROs, 91 percent, report full time to their company's office; 13 percent telecommute or work remotely for part of the week; only one respondent works remotely full time.

Key contacts: Financial Officers Center of Expertise



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About the Korn/Ferry Institute

The Korn/Ferry Institute generates forward-thinking research and viewpoints that illuminate how talent advances business strategy. Since its founding in 2008, the institute has published scores of articles, studies and books that explore global best practices in organizational leadership and human capital development.

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Korn/Ferry International is a premier global provider of talent management solutions, with a presence throughout the Americas, Asia Pacific, Europe, the Middle East and Africa. The firm delivers services and solutions that help clients cultivate greatness through the attraction, engagement, development and retention of their talent.

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