

Ensco plc
Form DEFA14A
May 10, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE 14A

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE
SECURITIES EXCHANGE ACT OF 1934

Filed by the registrant

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Check the appropriate box:

Preliminary Proxy Statement

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Definitive Proxy Statement

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Ensco plc

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Additional Information Concerning the 2012 Annual General Meeting of Shareholders of Ensco plc

to be Held on 22 May 2012

INTRODUCTION

We are writing to ask for your support at the annual general meeting of shareholders by voting FOR our proposal 10 regarding the Non-Binding Advisory Vote to Approve the Compensation of our Named Executive Officers (Say on Pay). Please note that proxy advisory firms Glass Lewis and Egan-Jones have recommended a vote FOR this proposal. Glass Lewis specifically noted in its report that Ensco's compensation programs should be evaluated in comparison to peers with revenues and market capitalizations similar to Ensco's following Ensco's acquisition of Pride International a transaction that nearly doubled our size. Institutional Shareholder Services (ISS), however, has recommended a vote against this proposal, due primarily to its decision to use a peer group with revenues and market capitalizations similar to Ensco's prior to its acquisition of Pride International.

We agree with the Glass Lewis and Egan-Jones recommendations FOR the proposal and strongly disagree with the ISS recommendation.

The ISS recommendation results from its new Pay for Performance methodology, which led it to select a peer group for Ensco that inexplicably omits four of our key competitors and significantly understates Ensco's current business scope and financial size. Specifically, we have the following objection to the methodology employed by ISS in their review:

The ISS peer group is undersized and inappropriate for comparison to Ensco.

The Compensation Discussion and Analysis (CD&A) section starting on page 24 of our proxy statement explains in detail our emphasis on pay for performance and shareholder alignment in our executive compensation program, including the following positive aspects (several of which were highlighted by Glass Lewis in their review):

Performance-based LTI: 50% of target long-term incentive award value for our named executive officers (NEOs) is performance-based.

Emphasis on long-term incentive compensation: 70% of target total compensation for our CEO (63% for our other NEOs) was provided in the form of equity incentive compensation in 2011.

Clawback policy for NEOs: our NEOs are subject to clawback of incentive compensation (including equity incentive awards) in cases of financial restatements or violations of our Code of Business Conduct. In its report, ISS erroneously indicates that we do not have a clawback policy, even though the policy is summarized in our CD&A on page 34.

Share ownership guidelines: our NEOs and our nonemployee directors are subject to share ownership requirements expressed as a multiple of salary or annual retainer.

ISSUE SUMMARY

The ISS evaluation is fundamentally flawed because the peer group is significantly undersized for comparison to Ensco.

ISS's peer selection methodology does not give full effect to Ensco's size following the acquisition of Pride International, which was completed almost a year ago. Against the peer group selected by ISS, Ensco ranks at the:

§ **92nd percentile** in terms of 2011 revenues using pro-forma numbers that include both Pride International and Ensco for a full year; and

§ **97th percentile** in terms of market cap at December 31, 2011.

The ISS peer group does include 5 of the 13 companies in our own executive compensation peer group, but leaves out key drilling industry competitors Noble Corp., Nabors Industries, Rowan Companies, and Transocean.

Executive officer pay opportunities established during 2011 were based upon the post-acquisition size of Ensco, reflecting responsibility for managing a much larger post-acquisition business in terms of financial size, complexity, and global scope. Evaluating our 2011 pay decisions in comparison to a peer group of companies with much smaller and less complex businesses, while excluding key industry-specific competitors, is inappropriate.

ISS SELECTED PEER GROUP

| | | Revenues Most Recent Fiscal Year (\$MM) | Market Cap 12/31/2011 (\$MM) | | |
|----|------------------------------------|--|---|---------------------------|----|
| >> | FMC Technologies, Inc. | FTI | 5,099 | 12,445 | |
| | Oil States International, Inc. | OIS | 3,479 | 3,913 | << |
| | McDermott International, Inc. | MDR | 3,445 | 2,705 | |
| | Diamond Offshore Drilling, Inc. | DO | 3,322 | 7,683 | |
| | Patterson-UTI Energy, Inc. | PTEN | 2,566 | 3,110 | |
| | Helmerich & Payne, Inc. | HP | 2,544 | 6,253 | |
| | Dresser-Rand Group Inc. | DRC | 2,312 | 3,755 | |
| | Oceaneering International, Inc. | OII | 2,193 | 4,984 | |
| | SEACOR Holdings Inc. | CKH | 2,142 | 1,932 | |
| | Superior Energy Services, Inc. | SPN | 2,070 | 2,271 | |
| | Key Energy Services, Inc. | KEG | 1,847 | 2,332 | |
| | Complete Production Services, Inc. | CPX | 1,561 | 2,661 | |
| | Unit Corporation | UNT | 1,209 | 2,234 | |
| | <i>75th Percentile</i> | | <i>3,322</i> | <i>4,984</i> | |
| | <i>MEDIAN</i> | | <i>2,312</i> | <i>3,110</i> | |
| | <i>25th Percentile</i> | | <i>2,070</i> | <i>2,332</i> | |
| >> | Ensco plc (pro-forma 2011) | ESV | 3,504 | 10,821 | << |
| | <i>Ensco percentile rank</i> | | <i>92ndile</i> | <i>97thile</i> | |

Companies shaded in gray are also part of Ensco's executive compensation peer group.

ISS EVALUATION USING CORRECTED PEER GROUP

As an alternative to the ISS review, we have prepared an analysis that combines their selected peer group with our own executive compensation peer group, for a total of 21 companies:

13 companies selected as peers by ISS; and

8 additional companies from our compensation peer group who are not already included in the ISS group (companies which also happen to be the next seven largest public companies available in Ensco's GICS Industry Group - Energy Equipment & Services).

As shown in the table, adding these additional peer companies leaves Ensco in the top quartile (75%ile) for year-end market cap, and significantly above the median (65%ile) for revenues relative to the combined group (i.e., Ensco is still large in comparison to the median peer). Nevertheless, as shown in the chart below, by making this one change we find that Ensco falls within the acceptable range in the ISS model.

ISS & ENSCO PEER GROUPS COMBINED

| | | Revenues Most Recent Fiscal Year (\$MM) | Market Cap 12/31/2011 (\$MM) | |
|------------------------------------|------|--|---|----|
| Baker Hughes Inc. | BHI | 19,831 | 21,230 | |
| National Oilwell Varco Inc. | NOV | 14,658 | 28,817 | |
| Weatherford International Ltd. | WFT | 12,990 | 11,040 | |
| Transocean Ltd. | RIG | 9,142 | 14,018 | |
| Cameron International Corp. | CAM | 6,959 | 12,061 | |
| Nabors Industries Ltd. | NBR | 6,060 | 4,986 | |
| >> FMC Technologies, Inc. | FTI | 5,099 | 12,445 | |
| Oil States International, Inc. | OIS | 3,479 | 3,913 | << |
| McDermott International, Inc. | MDR | 3,445 | 2,705 | |
| Diamond Offshore Drilling, Inc. | DO | 3,322 | 7,683 | |
| Noble Corp | NE | 2,696 | 7,895 | |
| Patterson-UTI Energy, Inc. | PTEN | 2,566 | 3,110 | |
| Helmerich & Payne, Inc. | HP | 2,544 | 6,253 | |
| Dresser-Rand Group Inc. | DRC | 2,312 | 3,755 | |
| Oceaneering International, Inc. | OII | 2,193 | 4,984 | |
| SEACOR Holdings Inc. | CKH | 2,142 | 1,932 | |
| Superior Energy Services, Inc. | SPN | 2,070 | 2,271 | |
| Key Energy Services, Inc. | KEG | 1,847 | 2,332 | |
| Complete Production Services, Inc. | CPX | 1,561 | 2,661 | |
| Unit Corporation | UNT | 1,209 | 2,234 | |
| Rowan Companies, Inc. | RDC | 939 | 3,791 | |
| <i>75th Percentile</i> | | <i>6,060</i> | <i>11,040</i> | |
| <i>MEDIAN</i> | | <i>2,696</i> | <i>4,984</i> | |
| <i>25th Percentile</i> | | <i>2,142</i> | <i>2,705</i> | |
| >> Ensco plc (pro-forma 2011) | ESV | 3,504 | 10,821 | << |
| <i>Ensco percentile rank</i> | | <i>65%ile</i> | <i>75%ile</i> | |

Companies shaded in gray are Ensco compensation peers we have added to the group for illustration.

| | TSR Pctl Rank [A] | Pay Pctl Rank [B] |
|--------------------|--------------------------------------|--------------------------------------|
| 1 year (40%) | 47% | 70% |
| 3 year (60%) | 36% | 66% |
| Wtd Avg | 40% | 67% |
| SCORE | | |
| ([A] - [B]) | | -27% |

LEVEL OF
CONCERN

LOW

- 3 -

CONCLUSION

The ISS approach provides an inaccurate evaluation of relative pay and performance, not only because of clear flaws in their peer group selection, but because of several other shortcomings, the most important of which are:

Evaluation of pay opportunities rather than pay outcomes: ISS is evaluating targeted pay levels reflecting opportunities that can only be fully realized if certain levels of financial, operational or shareholder return performance are achieved.

Mismatch of performance and pay periods: ISS is evaluating pay decisions made at the beginning of a year in light of performance through the end of that year. In addition, depending upon when peer companies file their proxy statement, the ISS review may include 2011 pay data for some companies and 2010 pay data for others.

Despite these other shortcomings, for 2012, ISS would have arrived at the correct recommendation for Ensco had they merely taken a more rigorous and careful approach to peer group selection. We speculate that ISS's decision to forego a more thoughtful evaluation for Ensco may have been based on a need to maintain a rigid approach that they could easily replicate for all companies they evaluate. However, in the case of a transaction like Ensco's acquisition of Pride International, we would have expected ISS to exercise greater judgment in selecting the appropriate inputs to their model.

In considering your vote, we urge you to review the Glass Lewis and Egan-Jones reports as well as our CD&A beginning on page 24 of our proxy statement. This detailed information clearly demonstrates that our Compensation Committee maintains a compensation program that has aligned executive compensation effectively with shareholder interests and that ISS's inappropriate peer group selection has led them to an incorrect conclusion in assessing the relationship between pay and performance for Ensco.

THE BOARD OF DIRECTORS RECOMMENDS THAT

SHAREHOLDERS VOTE FOR PROPOSAL 10:

NON-BINDING ADVISORY VOTE TO APPROVE THE
COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS