



# Determining Leadership Level COMPENSATION IS A COMPLEX PUZZLE

When deciding on the right mix of salary and incentives, you'll find value in proactively driving strong pay-for-performance alignment that pleases both execs and shareholders.

**LET THE TIPS GUIDE YOU THROUGH THIS PROXY SEASON.**

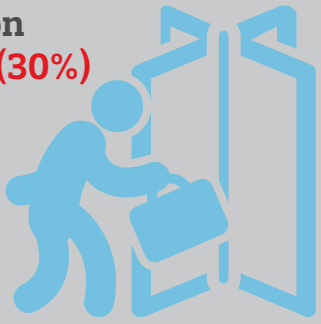
## Areas of Focus

When it comes to leadership, US firms focus nearly equally on

**Retention (27%)**

**Recruitment (25%)**

**Succession Planning (30%)**



Source: 1



## Keep Benchmarks Current

Comparing yourself to the competition? **9-in-10 do annual reviews** of compensation but only 50% look at benefits & perks!



Source: 1

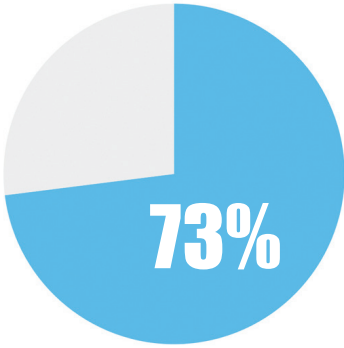
## Comparing Perks?

Nearly 65% of businesses allow personal use of a corporate jet, but **only 1-in-5 let spouses travel free.**

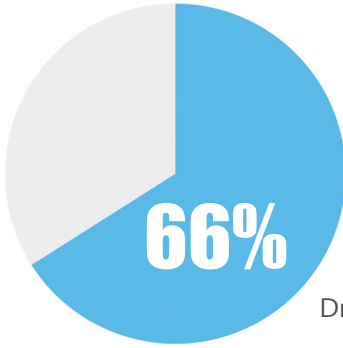
Source: 2

## What is Most Important?

Total Comp Competitiveness is **Priority #1**



AMONG COMPANIES



FOR EXECUTIVES

### CORPORATE PRIORITIES

- Total Compensation Competitiveness
- Impact of new regulations
- Peer group development
- Getting POV from shareholders
- Drafting proxy/CD&A disclosures

### EXEC PRIORITIES

- Total Compensation Competitiveness
- Competitiveness of 'earned' pay
- Negotiating an attractive base salary
- Meeting share ownership requirements
- Loss of benefits and perks

Source: 1

## Options Lose Luster

Of the Fortune 500, **less than 2/3 use stock options** as incentives. While in fact, 9-in-10 businesses use performance-based awards.



## LTI's Gain Favor

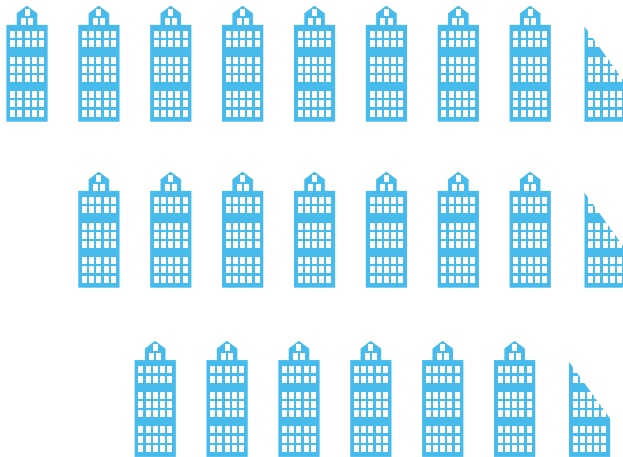
Shareholders love them, but long-term incentives make compensation unpredictable. In 2013, **LTI's made up 1/3 of the average CEO's pay**, half of which are performance-based.



Source: 4

## Prepare Pay Ratios

Until the SEC defines how to calculate CEO pay, **only 25% of public companies address pay ratio disclosure.**



**87%** Outline data collection plans

**76%** Identify data challenges

**65%** Prepare pay ratio estimates

Source: 1

## Listen To Shareholders

Corporate America certainly benefits from listening to the concerns of shareholders, especially when preparing to have Say-on-Pay proposals approved.

**35%** of public companies **speak with shareholders**

**84%** say these **discussions are positive**

**14%** **modify programs** based on shareholder concerns after a Say-on-Pay vote

Source: 1

## Their Support is Growing

In 2014, US firms in the Russell 3000 generated 15% more proposals than the previous year. Overall there was a record **92% shareholder support**. With proxy advisors giving fewer negative voting recommendations, less than 3% failed to win majority shareholder backing.

Source: 5



## Know The Red Flags

The ISS typically votes 'against' proposals with these themes:

- Discretionary based incentives
- Lack of performance goal rigor
- Benchmarking to outsized peers
- Underperforming company with CEO pay above median
- Mega grants / retention awards
- Performance awards are 100% time based
- Goals not disclosed or transparent

Source: 5

## Anticipate or Mitigate

Say-on-Pay season always brings new challenges!

**Stay Focused.** Don't get rattled by share-holder activists. **Be Proactive.** Hear investor concerns in advance of challenging votes. **Learn From The Past.** Compensation-related litigation is well documented. Know what works and what doesn't. **Be Prepared.** Dodd-Frank Regulations go into effect soon, so prepare for full disclosure now. **See The Big Picture.** Respect ISS policies, but don't let small details distract from your goals.

Source: 6

## TAKE CONTROL OF COMPENSATION AND GOVERNANCE

Compensation professionals must consider business needs and shareholder concerns—all while addressing unexpected issues that arise.

To help, AON Hewitt created CG Pro, a feature-rich, budget-friendly benchmarking and planning tool that provides access to the very same guidance and data solutions used by our experts.

**See what CG Pro can do for you.**  
Request a free demo today.  
Call 1-800-441-3078 or visit [www.globalcompensation.net](http://www.globalcompensation.net)

Sources:  
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2: "CEO Pay Levels Soar, Along with Shareholder Value", SHRM, 2014, <http://bit.ly/159p1P3>  
3: "Governance Challenges 2014 and Beyond", National Association of Corporate Directors, <http://bit.ly/1J04igm>  
4: "On The Way Up," WSJ/May 2013 CEO Compensation Survey, 2014, <http://bit.ly/1C0Sf8>  
5: "Say-on-Pay Support Hits Record High in 2014", SHRM, 2014, <http://bit.ly/189Z2W5>  
6: "Compensation Season 2015", Harvard Law School, HLS Forum on Corporate Governance and Financial Regulation, 2015

