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HR Executive Pay Trends 2016

An Equilar Publication

Featuring Commentary by Allegis Partners

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Executive Summary

Human Resources (HR) executives have become increasingly integral to corporate operations, particularly at larger companies. In order to balance their responsibilities within the context of overall business strategy, a successful HR executive must meet immediate talent management objectives while remaining cognizant of long-term goals and the current business climate. The complexities of this demanding and pivotal role in a company are reflected by the compensation paid to top HR employees.

Data shows that the scale for HR executive pay increases in correlation to company revenue. As such, median total compensation of HR executives at companies over $15 billion in revenue was $2.2 million in 2015, compared to $528,492 at companies with revenue below $1 billion. Though not universally true, this likely has to do with the fact companies with higher revenue will also employ larger organizations and require more moving parts for an HR leader to manage.

Regardless of size, companies are focused on ensuring that top HR executives are invested in the long-term performance of the company, which is reflected in the way pay is structured. Though their compensation is less performance-dependent than CEOs and CFOs, data on HR executive pay clearly shows that the pay for performance philosophy is prevalent throughout the C-suite.

The most common performance metric used to measure long-term performance for HR executives was relative total shareholder return (TSR), suggesting companies are interested in aligning HR executive interests with those of shareholders. However, by using a combination of pay vehicles, companies continue to balance performance pay with long-term, time-based equity so that compensation reflects HR executives' influence on company performance while not penalizing them for results that fall outside of their control.

HR Executive Pay Trends 2016 details the state of HR executive compensation in fiscal years 2014 and 2015, and considers differences across multiple categories, including breakdowns by company revenue and sector. The report analyzes data from annual proxy filings combined with the Equilar Top 25 Survey to provide information on a comprehensive sample of more than 700 top-paid HR executives. The findings provide insight into strategies public companies employ to pay the executives entrusted with hiring and guiding their talent bases.

Allegis Partners Commentary

Today's HR leaders possess a broader and deeper skill set than was expected or seen 10 years ago. The most effective CHROs have a strong general management orientation and approach their roles and responsibilities from a more strategic bottom-line oriented framework. They should have evolved marketing capabilities in order to create attractive employer value proposition and a deeper technology skill set to better interpret and leverage the people analytic data now available to them in a predictive way. Diversity and inclusion, corporate social responsibility and sustainability, and workforce analytics may now fall under the purview of the CHRO. The board and CEO are realizing the added value a strong HR leader brings to an organization, viewing CHROs as true business leaders and giving them broad access to participate in operational and strategic initiatives.

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Methodology

HR Executive Pay Trends 2016, an Equilar publication, analyzes compensation data for the top-paid Human Resources (HR) executives at their respective companies who served the entire fiscal year, including 748 individuals for fiscal year 2014 and 706 individuals for fiscal year 2015. Proxy data was used when available, accounting for 275 executives in 2014 and 263 in 2015. The Equilar Top 25 Survey was used to supplement proxy data and accounted for 473 executives in 2014 and 443 executives in 2015. Proxy data was prioritized over survey when both were available for a given company. Collected according to SEC disclosure guidelines, Top 25 Survey data is blended together with proxy data to create the Equilar TrueView methodology, which is featured as the primary data sampling throughout this report.

The report includes additional TrueView analysis on S&P 500 companies by industry sector. The S&P 500 was chosen for this analysis to normalize by company size and type, and included a total of 204 companies in 2014 (including 48 from proxy data and 156 from Equilar Top 25 Survey) and 212 companies in 2015 (including 53 from proxy data and 159 from Equilar Top 25 Survey).

HR pay levels, or total direct compensation (TDC), were calculated by summing base salaries paid, incentive awards valued at target and the grant date fair value of equity awards, and excluded pension, deferred compensation and perquisites. Grants of restricted stock and restricted stock units are combined under the "stock" category. Similarly, stock options and stock-appreciation rights (SARs) are combined under the "options" category.

The narrative portion of this report identifies trends in the compensation of top-paid HR executives at their respective companies. Allegis Partners has offered independent commentary to provide color and context to how companies recruit and compensate their top HR executives.

Key Findings

1. Median total direct compensation (TDC) for HR executives at companies below $1 billion in revenue totaled $528,492 in 2015, compared to $927,594 at companies with revenue between $1 billion and $5 billion, $1.4 million at companies between $5 billion and $15 billion, and $2.2 million at companies with more than $15 billion.

2. Performance incentives outpaced base salary at the median for companies above $15 billion in revenue, while for companies in all other revenue ranges, base salary was the largest pay component for HR executives in the study.

3. On average, performance incentives accounted for 12.8% of TDC at the smallest companies and 29.9% at the largest companies—conversely, base salary was 42.6% of total pay for the smallest companies and 23.5% for the largest.

4. Relative TSR was the most common long-term incentive plan (LTI) metric and revenue was the most common short-term incentive plan (STI) metric, featured in 29.8% and 31.8% of LTI and STI plans, respectively.

5. The study included data from 212 S&P 500 companies, which awarded a median total compensation of $1.6 million to HR executives, down from $1.7 million in 2014.

6. The S&P 500 healthcare sector offered the largest median pay package to HR executives at $2.3 million in 2015, while utilities offered the smallest at $1.1 million.

Total Direct Compensation

HR Executive Pay Trends 2016

Compensation by Revenue Range

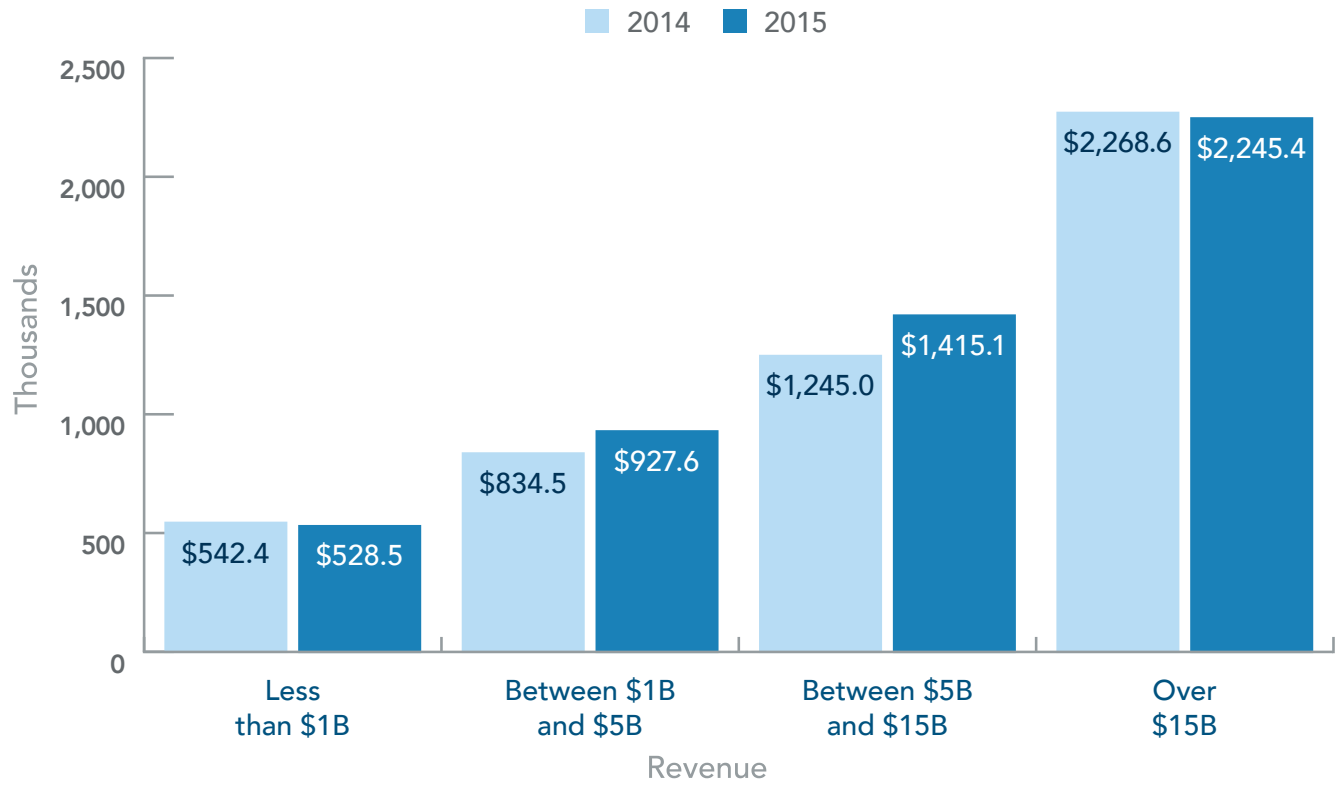
Grouping companies into four revenue ranges to analyze pay among like companies, it's clear that there is a strong positive relationship between company revenue and total direct compensation (TDC) awarded to top HR executives. Though pay levels varied from year to year—slightly up in some revenue ranges and slightly down in others—as companies pull in more revenue, the amount they paid at the median to their heads of HR increases as well. For companies bringing in revenue of more than $15 billion in 2014 and 2015, HR executives were awarded more than four times as much at the median than their counterparts employed by companies with less than $1 billion in revenue.

Data Points

- HR executives at companies over $15 billion in revenue earned a median $2.2 million in 2015, a slight dip from $2.3 million in 2014 *(Fig. 1)*
- Median TDC for HR executives at companies with revenues below $1 billion were awarded a median $528,492 in 2015, down from $542,423 in 2014 *(Fig. 1)*
- Median TDC at companies with revenues between $1 billion and $5 billion was $927,594 in 2015, up from $834,540 in 2014, 75.5% higher than those at companies under $1 billion in revenue *(Fig. 1)*
- Median TDC at companies with revenues between $5 billion and $15 billion was $1.4 million in 2015, 52.6% higher than those at companies with revenues between $1 billion and $5 billion *(Fig. 1)*
- Year over year, median TDC grew 13.7% for companies between $5 billion and $15 billion in revenue, the largest differential in the study *(Fig. 1)*

Please see Appendix A for a complete breakdown of sample sizes and median pay for each revenue range, including for companies that reported human resources executive pay in proxy statements and those that provided information through the Equilar Top 25 Survey.

Figure 1 HR Executive Total Direct Compensation, by Revenue Range



HR Executive Compensation in the S&P 500

Equilar also examined top HR executive pay at the S&P 500 companies included in the study to normalize company type and size for additional comparisons. The sample of executives included a total of 204 companies in 2014 (including 48 from proxy data) and 212 companies in 2015 (including 53 from proxy data).

Overall, median TDC for S&P 500 companies was $1.6 million in 2015—down slightly from $1.7 million in 2014—most closely aligned with companies in the $5 billion to $15 billion revenue range. However, median pay levels ranged widely across various industries sectors.

In the S&P 500, the healthcare sector saw both the largest increase in median TDC from 2014 and the highest HR pay in 2015, reaching $2.3 million. The utilities sector in the S&P 500 saw the lowest median TDC in 2015, at $1.1 million, 28.8% lower than the median for the S&P 500 overall. *(Fig. 2)*

Considering service at their company, the median S&P 500 HR executive with tenure between one and three years received approximately $1.4 million in TDC, the median TDC for executives with tenures between three and 10 years was 13.0% higher, at just below $1.6 million. Executives with tenure of 10 or more years also received slightly more than $1.6 million, just 1.1% more than HR executives with tenure of three to 10 years. *(Fig. 3)*

Figure 2 Total Direct Compensation, S&P 500 Companies by Sector

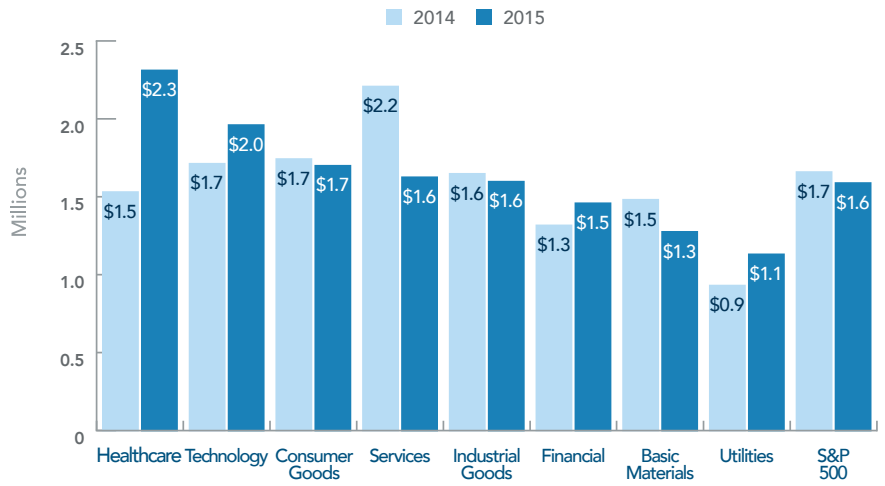
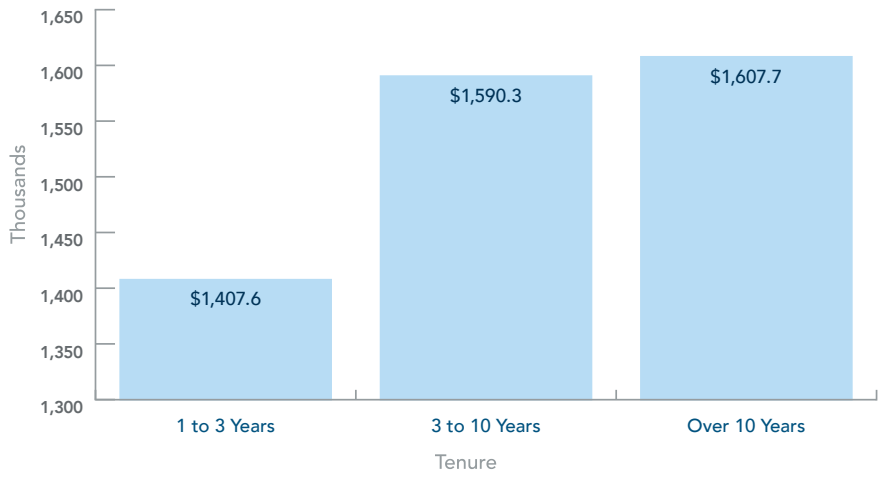


Figure 3 Total Direct Compensation, S&P 500 Companies by Tenure



Allegis Partners Commentary

While most industries have been changing at an accelerated rate and disruptive change is now the norm—nowhere is this more apparent than the healthcare sector. Whether driven by legislation like the Affordable Care Act (ACA), or by rapidly advancing technology, disruptive change is accelerating at an unprecedented rate. This is a new fact of life and has created new and exciting opportunities for HR executives in this field.

The most enlightened CEOs understand that they now must lead their organizations into new and uncharted territory, and they are cultivating leadership teams with exceptional talent from far outside their traditional industries. One major healthcare company recently recruited a senior executive from a consumer company who is a recognized expert in technology-driven, direct-to-consumer experience and a new CHRO with large-scale transformation change credentials.

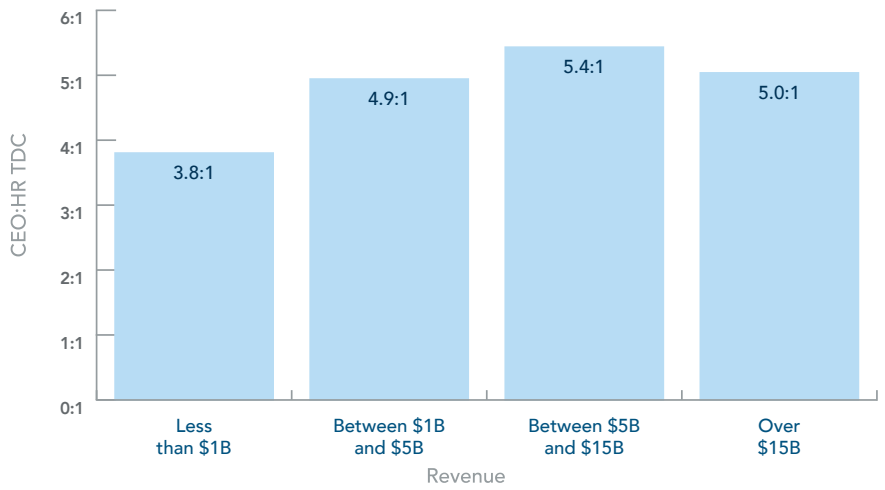
Again, the demand for this caliber of leadership far outstrips supply, and we are now seeing correspondingly higher total compensation packages. Boards and CEOs are taking no chances with these critical hires and getting very creative in their attempts to attract the very best HR talent.

Internal Pay Equity

Discourse surrounding internal pay equity typically centers on CEO pay compared to the other NEOs, or to all employees at the company if referencing the SEC rule—naturally, since these are the figures already (or soon-to-be) publicly available. However, stakeholders are also interested to know whether compensation to executives of all levels is proportional to their relative influence on the performance of the firm. In addition, lower ratios of internal pay equity have been linked to "bench strength," or the relative preparedness of internal talent available for CEO succession and/or refreshment of other top executive roles.

Equilar compared the ratio of CEO and top HR executive pay at each company in the study and took the median for each revenue range. The highest median CEO-to-HR executive pay ratio was for companies with revenues between $5 billion and $15 billion, with a ratio of 5.4-to-1. Despite paying the most to both CEOs and HR executives, companies with the highest revenues (above $15 billion) had a lower median pay ratio than those at companies with revenue between $5 billion and $15 billion, and approximately equal to those between $1 billion and $5 billion, indicative of even wider gaps in CEO pay between these groups. Companies in the lowest revenue range also had by far the lowest CEO-to-HR executive pay ratio at 3.8-to-1. *(Fig. 4)*

Figure 4 Median Internal Pay Equity (CEO:HR TDC), by Revenue Range



Allegis Partners Commentary

For years, boards and CEOs mostly expected their HR leadership to simply execute on requests regarding the people side of the business. Now, boards are involving more of the executive team in their process, including CHROs. Boards are, and should be, seeking a higher level of accountability from the CEO on all issues regarding talent. To this end, boards may also be more involved in the hiring of the CHRO. The traditional role of a CHRO attending board meetings to discuss executive compensation plans or leadership succession has rapidly given way to a broader, deeper and more strategic role in the overall strategy and execution capability of the company.

While CHROs are often asked to provide an informed and balanced point of view on the effectiveness and performance of executive team members, they should also have a point of view and voice on strategy as well as operational issues. Many CHROs today will play the role of facilitator for the C-level team, managing the dynamics of how senior leaders interact with each other and the CEO. It is the responsibility of HR leaders to develop, coach and provide counsel to their peers in a way no other executive would be expected to do, apart from the CEO. For example, if the CFO requires feedback for personal career development, he or she often looks to the CHRO first. The most effective CHRO will serve as a liaison, or a bridge, between the board and CEO as well as with outside advisors on many issues. Given the necessity for board independence, outside consultants are used by each side, and the CHRO can provide meaningful links with an independent point of view. This role has led to much stronger connections and relationships between CHROs and consulting firms.

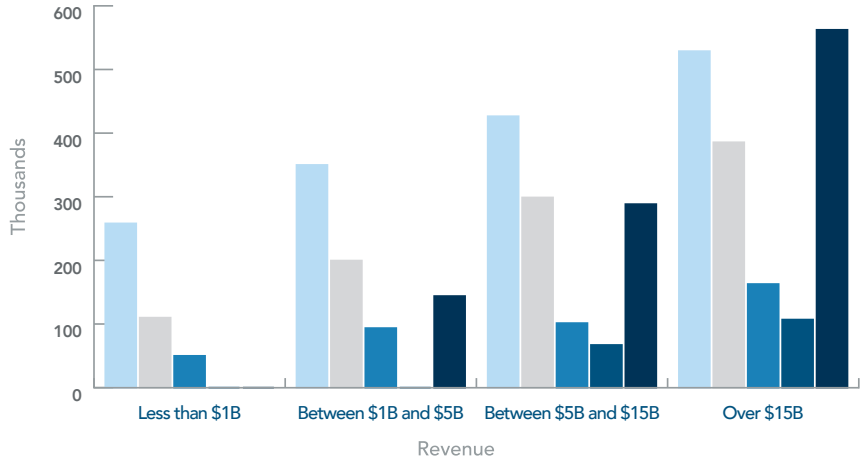
Pay Components

Companies use a variety of compensation vehicles to ensure executives receive an appropriate balance of fixed and variable compensation. As with compensation packages received by CEOs and CFOs, HR executive pay has been increasingly awarded in the form of performance incentives, while time-vesting stock options make up a relatively small part of HR pay.

Consistent with the relationship between TDC and company revenue, HR executives at companies with higher revenues also received higher values of each pay component at the median.

Although higher values of each pay component correlated with higher revenue, the median value of performance incentive awards was most variable across the revenue ranges. At companies with revenue below $1 billion, the median value of performance incentives was $0 at target. Meanwhile, HR executives at companies with revenue above $15 billion received a target performance incentive value of $562,385 at the median. Companies with smaller revenues appear to have relied more heavily on annual cash incentive plans than long-term incentive awards. The median annual cash target exceeded the long-term incentive target at each revenue range, with the exception of companies over $15 billion in revenue.

Figure 5 Median Pay Components, by Revenue Range



	Less than $1B	Between $1B and $5B	Between $5B and $15B	Over $15B
Base Salary	$258.1	$350.0	$426.5	$528.8
Annual Cash Target	$110.0	$199.7	$298.9	$385.6
Stock/Units Time-Vested	$50.0	$93.6	$101.4	$162.9
Options/SARs Time-Vested	$0.0	$0.0	$67.1	$107.0
Performance Incentives	$0.0	$144.0	$288.4	$562.4

Data Points

- Target long-term performance incentives comprised the largest pay component for companies with revenues over $15 billion, while salary was the largest pay component for all other revenue ranges *(Fig. 5)*
- The median value of performance incentives and options was $0 at companies with revenue below $1 billion, compared to median base salary of $258,118 *(Fig. 5)*
- Time-vested options/SARs was the smallest pay component at the median for all companies in all revenue ranges *(Fig. 5)*

Please see Appendix B for a complete breakdown of pay components for each revenue range as reported in proxy statements and provided through the Equilar Top 25 Survey.

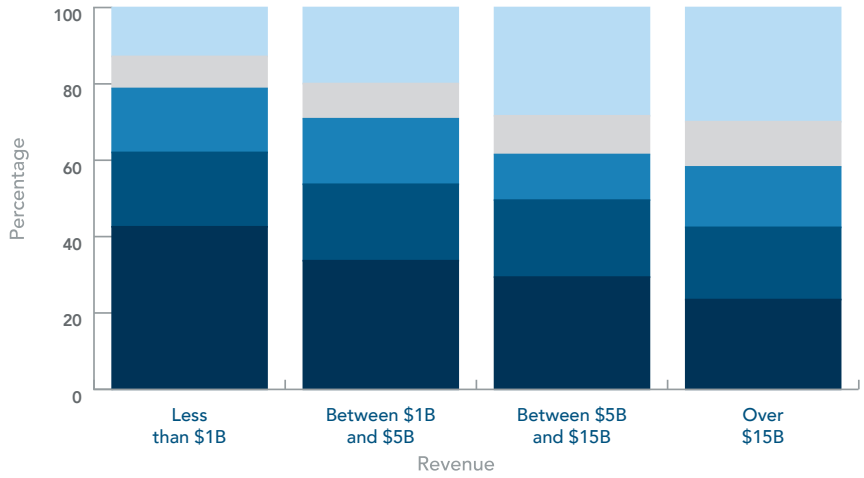
Average Pay Mix

In addition to higher absolute pay levels, HR executives at companies with higher revenues also received a higher percentage of compensation in performance incentives in 2015. HR executives at companies below $1 billion in revenues were paid an average of 42.6% of compensation in base salary and 12.8% in the form of performance incentives, compared to 23.5% and 29.9%, respectively, at companies with revenues above $15 billion.

Data Points

- Across all revenue ranges, HR executives were awarded about one-fifth of their total compensation in the form of annual cash incentives *(Fig. 6)*
- A majority of HR executive pay was awarded in the form of long-term incentives for companies above $5 billion in revenue—50.5% for companies between $5 billion and $15 billion, and 57.6% for companies above $15 billion *(Fig. 6)*
- Companies with revenues between $1 billion and $5 billion awarded the highest percentage of total compensation in time-vested stock or units at 17.2% of average pay mix *(Fig. 6)*

Figure 6 Average Pay Mix, by Revenue Range



	Less than $1B	Between $1B and $5B	Between $5B and $15B	Over $15B
Performance Incentives	12.8%	19.9%	28.4%	29.9%
Options/Sars Time-Vested	8.4%	9.2%	10.1%	11.8%
Stock/Units Time-Vested	16.8%	17.2%	12.0%	15.8%
Annual Cash Target	19.5%	20.0%	20.2%	18.9%
Salary	42.6%	33.7%	29.4%	23.5%

Allegis Partners Commentary

With its focus on overall performance of the company and its ability to effectively execute the company's strategy, the board should understand the critical importance of talent, at all levels, across the organization. Boards of directors are now measuring CEOs on their ability to attract, develop and retain the most effective leadership talent and to have clear, meaningful succession in place for all key positions. Many boards now consider "talent risk," not having the best possible people in the most critical roles, and an effective succession plan in place for these roles just as critical as many of the other risk factors boards deal with.

More sophisticated strategic workforce planning capabilities and dramatic advances in workforce analytics have brought a new interest and awareness on performance to the forefront, as this information provides more actionable intelligence and insight into performance and retention, and gives the ability to be predictive about how to prepare for future success. HR now has access to detailed information and must be able to dissect and analyze this in such a way that they can pinpoint reasons for turnover or suggest ways to align the talent to the company portfolio.

The CHRO should be viewed as a genuine transformational leader and now has tools and the capability to better understand and anticipate change. Business strategies can shift, sometimes dramatically and in short order, thus human capital strategies need to adjust from one year to the next. Progressive organizations must have a CHRO who is thinking well ahead of the curve.

S&P 500 Average Pay Mix

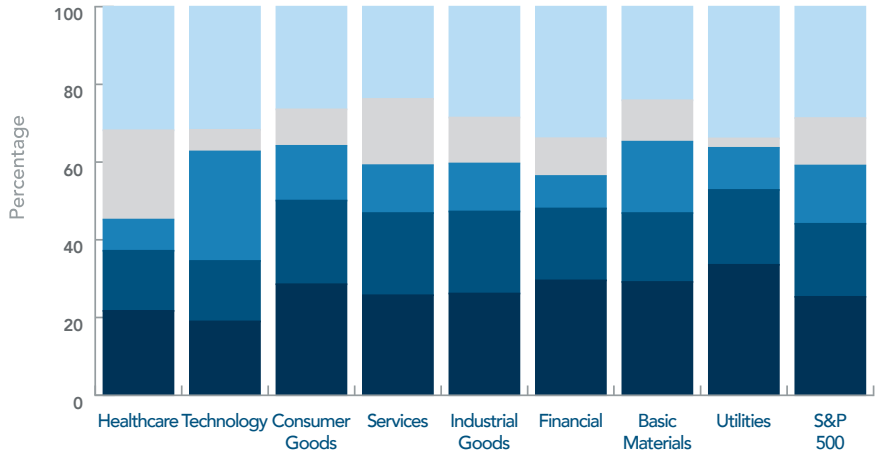
In the S&P 500, average pay mix for HR executives tracked most closely to the $15 billion and above revenue range. Among these companies, 55.9% of total compensation was awarded in equity grants, and approximately half of all equity was delivered via performance incentives. This contrasts with the fact that median total compensation for S&P 500 companies in the study most closely aligned with the $5 billion to $15 billion range.

When examining S&P 500 companies by sector, financial and utilities companies granted the most performance-based equity to their top HR executives, at 33.9% of average total compensation. The healthcare sector granted significantly more average total compensation in options—23% of the total—than any other sector.

Data Points

- The S&P 500 utilities sector also offered the most annual cash on average, joining consumer goods as the only sectors with a majority of the percentage in salary and annual cash incentives *(Fig. 7)*
- Technology companies granted the largest percentage of time-vested stock, while financial and healthcare companies granted the smallest *(Fig. 7)*
- Utilities companies granted the smallest average mix of time-based equity compensation *(Fig. 7)*
- After the healthcare sector, services companies granted the largest percentage in options, at 17.1% of TDC *(Fig. 7)*
- The technology and healthcare sectors granted the largest combined mix of equity and long-term performance incentives, at 65.4% and 62.8% of average total compensation, respectively *(Fig. 7)*

Figure 7 Average Pay Mix, S&P 500 Companies by Sector



	Healthcare	Technology	Consumer Goods	Services	Industrial Goods	Financial	Basic Materials	Utilities	S&P 500
Performance Incentives	31.8%	31.7%	26.4%	23.7%	28.5%	33.9%	24.1%	33.9%	28.7%
Options/ Sars Time-Vested	23.0%	5.6%	9.4%	17.1%	11.8%	9.7%	10.7%	2.4%	12.2%
Stock/Units Time-Vested	8.0%	28.2%	14.1%	12.3%	12.4%	8.4%	18.4%	10.8%	15.0%
Annual Cash Target	15.5%	15.6%	21.5%	21.2%	21.1%	18.5%	17.7%	19.3%	18.8%
Salary	21.7%	19.0%	28.6%	25.7%	26.2%	29.6%	29.1%	33.6%	25.3%

Allegis Partners Commentary

One of the most difficult challenges facing CEOs today is how to build a culture of innovation, creativity and disciplined execution. A savvy CEO understands that this requires building a diverse executive team that is not only open to but also seeks new ideas and best practices from outside its industry—one that respects difference over sameness. Most CEOs today understand this, but all too often, a quick review of their executive team reveals a pattern of sameness—executives from similar backgrounds and similar if not identical industry experiences.

At Allegis, we believe that the CHRO role is a CEO's best opportunity to begin the process on introducing differentiated thought leadership to an executive team. A CHRO with the proven business acumen, intellectual horsepower, learning agility and adaptability, financial skills, etc., can seamlessly transition from one industry to another. This is no different than any other function, such as marketing, technology or finance. Marketing executives can market a car just as well as an educational platform—if they have the right skills and the curiosity to learn a new industry and/or company quickly. The reality is that identifying the highest caliber HR executive takes top priority. Familiarity with a particular industry, in general, is not a priority.

Companies hiring from outside their organization and/or industry benefit from a fresh perspective on their business and people strategy. Every executive looks alike if they have the requisite skills, so companies are going outside their traditional comfort zones and bringing in someone new when they want to achieve a creative advantage.

Equity and Long-Term Incentives

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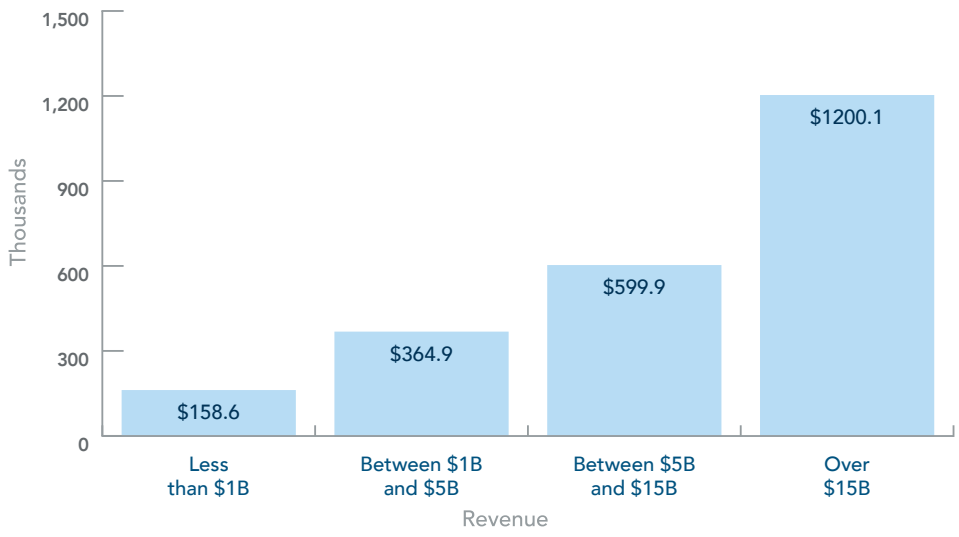
Long-term incentive (LTI) awards, typically in the form of equity but sometimes in cash, play an important role in creating the balance of retaining and incentivizing management. Restrictions placed on LTI awards differentiate the types of grants and their purpose. For example, vesting conditions placed on time-based equity encourage retention by requiring executives to continue their service. Performance conditions, on the other hand, align the interests of shareholders and executives via the execution of strategic goals.

Companies in higher revenue ranges generally grant more of both time- and performance-based LTI equity. The result of these granting practices was a median LTI value of $1.2 million at companies above $15 billion in revenue. This figure was only half as large among companies with $5 billion to $15 billion in revenue at about $600,000.

Figure 8 Median Long-Term Incentive Target Values, by Revenue Range



Data Points

- Companies with revenues over $15 billion offered over 600% more equity and long-term incentives at the median than companies with revenues below $1 billion *(Fig. 8)*
- Companies with revenues between $1 billion and $5 billion awarded a median $364,860 in long-term incentives *(Fig. 8)*
- Companies with revenues below $1 billion offered just $158,578 in equity and incentives at the median, less than half than the median for the $1 billion to $5 billion revenue range *(Fig. 8)*

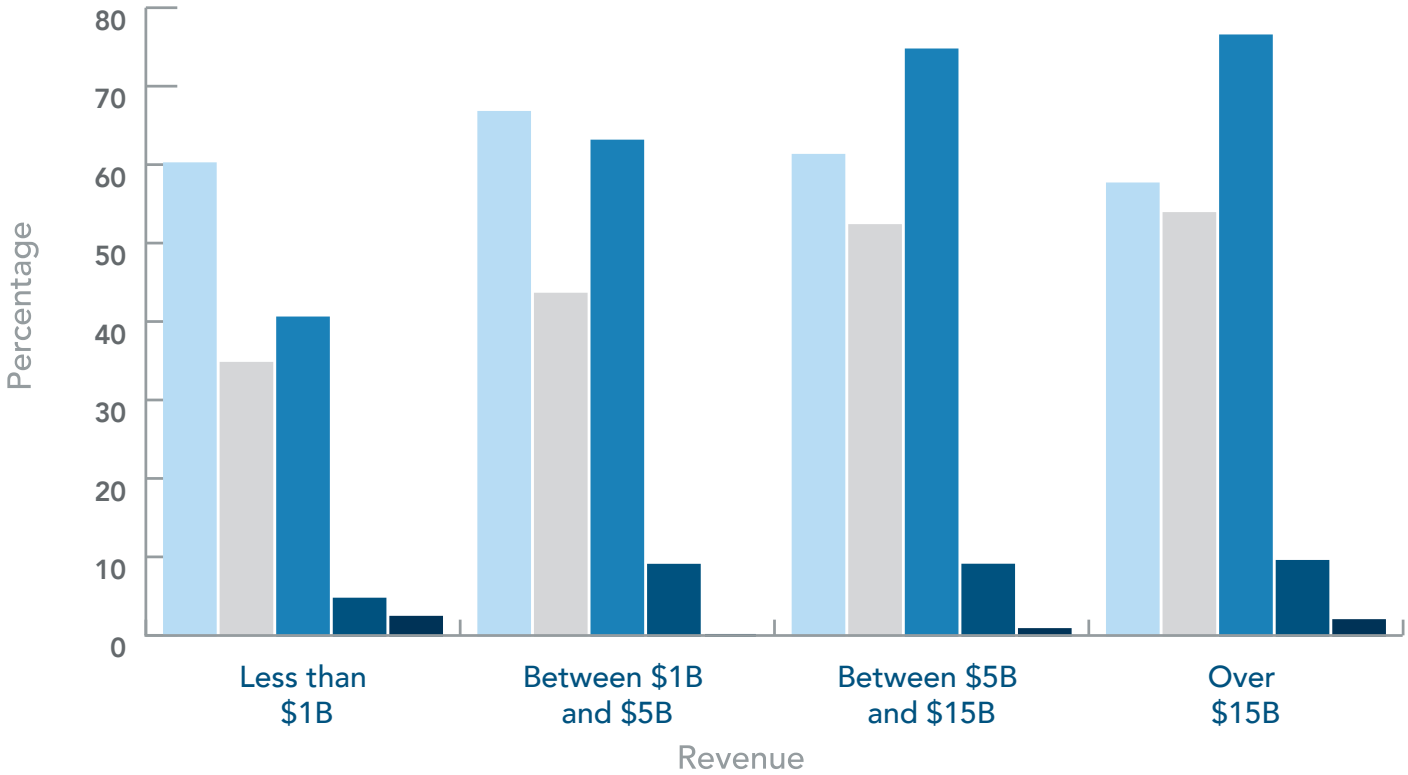
Please see Appendix C for a comparison of equity and long-term incentives for each revenue range as reported in proxy statements and provided through the Equilar Top 25 Survey.

Allegis Partners Commentary

The best human resources leaders have always been great business leaders and thinkers. However, over the past 20 or so years, the demand for exceptional talent at all levels of an organization has both demanded and accelerated the transformation of the HR function from tactical and reactionary to strategic and proactive. If you were to really examine the characteristics of organizations that have consistently delivered market-leading performance for decades, you will find progressive and proactive human resources leadership. We are now in a global economy where demand and competition for game changing talent is at an all-time high. It should therefore not be surprising that these executives not only participate in but also play a critical role in transformation of the business model, the approach to the marketplace, and overall responsibility for making sure the right talent is in place throughout the organization to proceed toward the businesses goals. Total compensation packages for the very best HR leaders are in alignment with other C-suite roles. The demand for exceptional HR leadership that truly understands and drives business strategy is at an all time high, and the supply is limited. CEOs and boards are raising the bar and becoming far more savvy about what they want in their HR leaders, so and they are willing to pay what is needed to attract and retain these leaders.

Equity types generally saw greater prevalence as revenue increased, with the exception of time-vested stock and performance options. Time-vested stock had the highest prevalence at companies between $1 billion and $5 billion in revenue, at 66.7% of companies. The widest difference in grant prevalence between high-revenue and low-revenue companies was with performance stock. While more than 75% of companies with revenue greater than $15 billion granted performance stock, such grants were made by only 40.5% of companies with revenue below $1 billion. Performance-based cash remained relatively steady across companies above $1 billion in revenue, with about 9% of companies granting it. Performance options were an extremely rare form of equity compensation across the study. *(Fig. 9)*

Figure 9 Long-Term Incentive Components, by Revenue Range



	Less than $1B	Between $1B and $5B	Between $5B and $15B	Over $15B
Stock Time-Vested	60.1%	66.7%	61.2%	57.5%
Options Time-Vested	34.7%	43.5%	52.2%	53.8%
Performance Stock	40.5%	63.0%	74.6%	76.4%
Performance Cash	4.6%	8.9%	9.0%	9.4%
Performance Options	2.3%	0.0%	0.7%	1.9%

Equity Vesting Schedules

Time-based LTI equity awards are not typically immediately available to recipients as full-value and unrestricted shares, which could be sold on the open market. These equity awards only become available, or vest, over a specified vesting period. Some equity vests all at once (cliff vesting), while some equity vests incrementally over the vesting period (graded vesting). Most options are granted with graded vesting schedules—more than 90%. In particular, graded vesting schedules over three or four years were most common, at 42.7% and 40.8% of all option awards granted, respectively. Less than 1% of options granted had vesting periods below three years.

Three- and four-year graded vesting schedules were also popular for stock grants. However, three-year cliff vesting was additionally a common feature for stock awards. Of all stock awards granted to HR executives, 25.9% cliff vest after three years versus just 4.7% of options. Three-year graded vesting was also the most popular vesting schedule for stock awards, at 41.6%.

Figure 10 Options Vesting Schedules

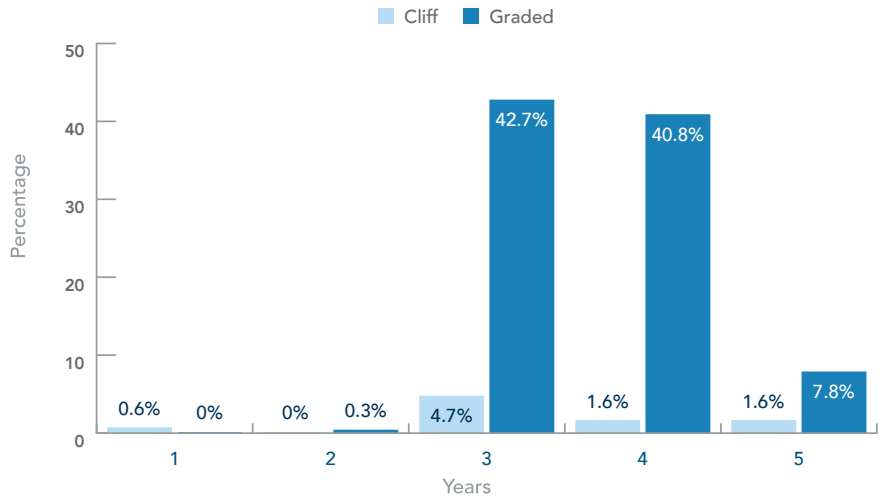
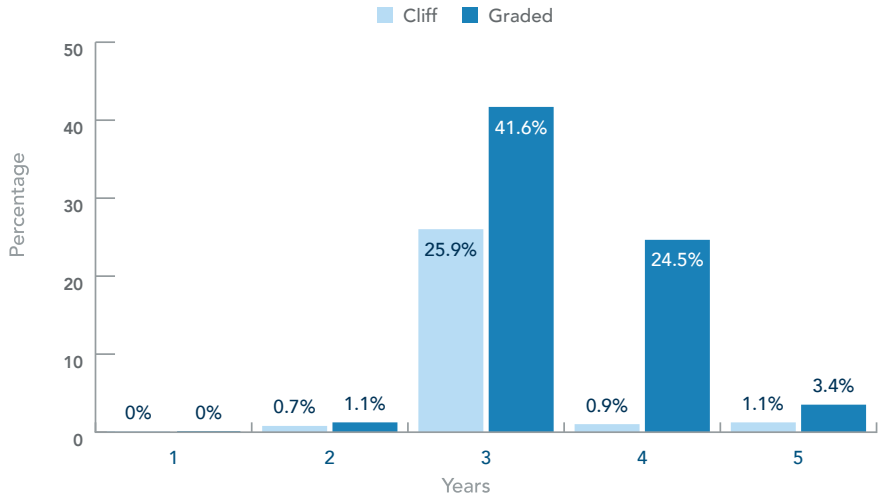


Figure 11 Stock Vesting Schedules



Data Points

- With the exception of three- and four-year graded vesting, no other options vesting schedule had a prevalence over 8% *(Fig. 10)*
- Almost all cliff-vesting stock awards vest after three years, with 25.9% of all stock awards carrying that vesting schedule. Two-, four- and five-year cliff vesting schedules each apply to approximately 1% of all awards *(Fig. 11)*
- Graded vesting schedules over three or four years combine for 66.1% of all stock awards *(Fig. 11)*

Measuring HR Executive Performance

Shareholders may be less concerned with tying top HR executive pay to company financials than ensuring an alignment between CEO or CFO pay with performance, yet incentive-based compensation remains a substantial component of total pay for HR executives nonetheless. Companies used a variety of metrics to measure performance, both in annual cash short-term incentive plans (STIP) and for long-term incentive plans (LTIP). The most popular metric in LTI plans was relative total shareholder return (TSR), used by nearly 30% of companies. In STI plans, revenue, non-financial and EBITDA were all used by at least one-quarter of companies.

Data Points

- Revenue and relative TSR were the most common performance metrics used to determine HR incentive award payouts, used for 31.8% of STIP and 29.8% of LTIP, respectively *(Figs. 12 and 13)*
- Non-financial metrics, which includes qualitative and strategic measures of performance, were a common feature of top HR executive STI plans, with 31.1% of companies using them *(Fig. 13)*

Figure 12 LTIP Performance Metrics

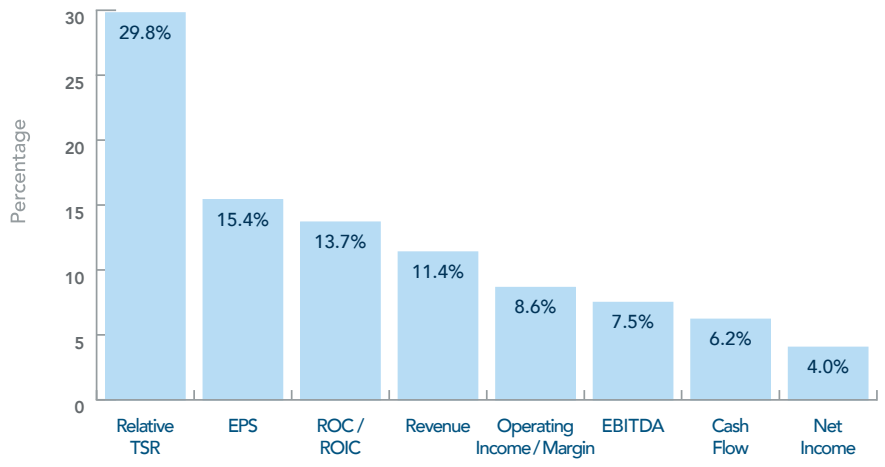
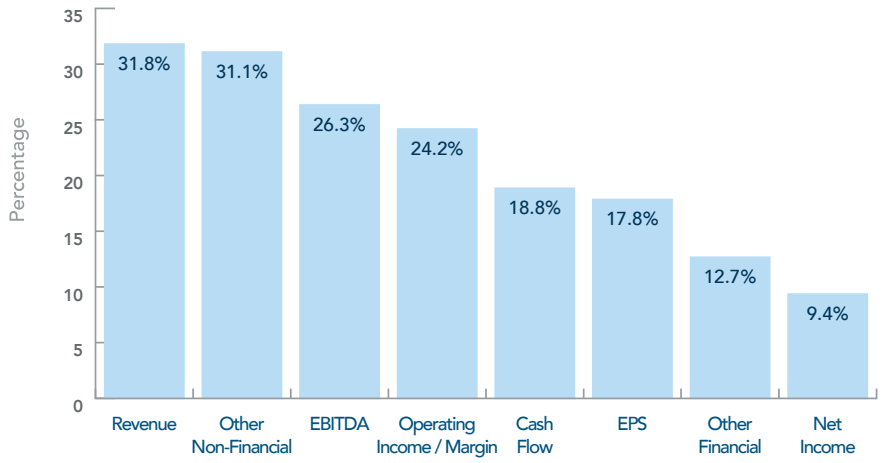


Figure 13 STIP Performance Metrics



Allegis Partners Commentary

CHROs should no longer be compensated by traditional measures—the number of employees, composition of the workforce, size of the company—but rather by the complexity of the organization and the challenges it is facing. This shift has resulted in a need for a CHRO that has the agility to execute in this type of environment—a CHRO who can look at both the competitive and global landscape and understand how these changes will affect human capital requirements and adjust accordingly, rapidly.

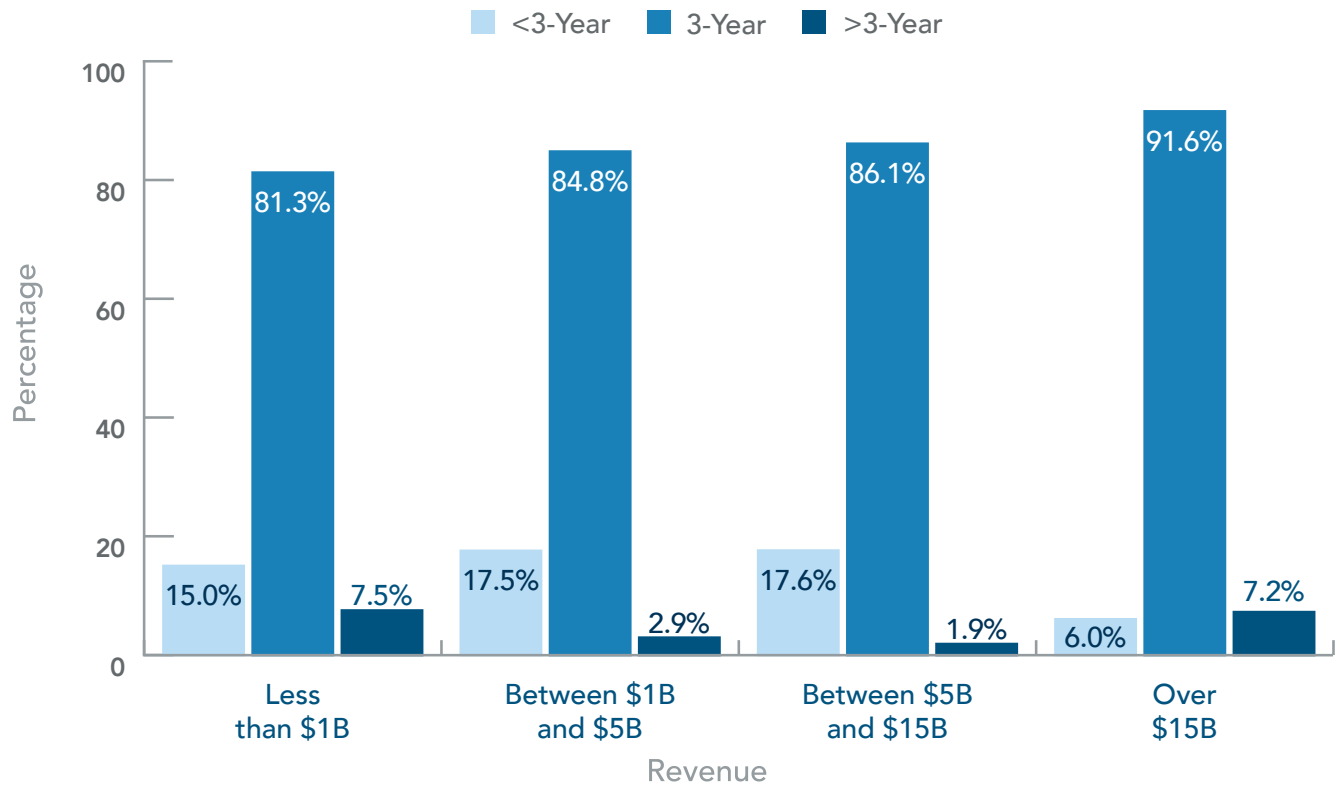
We are also seeing a continued shift towards measuring the CHRO performance against the business results first and the HR results second. As compensation schematics for HR executives becoming increasingly aligned with the other key C-suite executives—including the CFO and division-level presidents—HR leaders are expected to have an talent-centric point of view and be capable of critically assessing the organization's business strategy, external market competitive forces and their organizations ability to execute its strategy as much as the talent, development and rewards strategies traditionally associated with their roles as the subject matter expert on Human Resources.

Among companies that granted performance-based LTI, a three-year performance period was most common. At least 80% of companies that offered performance incentive plans attached a three-year period to at least one LTI award for top HR executives, a figure that increased with company revenue. Performance periods other than three years were significantly less common, with the next most popular being less than three years at companies between $5 billion and $15 billion in revenue.

Data Points

- 91.6% of companies above $15 billion in revenue that offered performance-based LTI used a three-year performance period *(Fig. 14)*
- While more than 15% of companies in each revenue range below $15 billion used one- or two-year performance periods, that prevalence dropped to 6% for the largest group of companies in the study *(Fig. 14)*
- Performance periods greater than three years were most prevalent at the smallest (below $1 billion) and largest (above $15 billion) companies by revenue, while less than 3% of companies in the intermediate revenue ranges used performance periods greater than three years *(Fig. 14)*

Figure 14 LTIP Performance Periods, by Revenue Range



Build Incentive Plans That Pay for Performance

Equilar has compiled the most comprehensive and sophisticated data set on incentive plans with 78 data points covering performance-based annual incentive plans (AIP) and long term incentive plans (LTIP). Analyses include in-depth features and metrics, such as performance period and payout leverage, to assure the most accurate assessment. Equilar research experts have completed over 200 incentive plan related custom research projects in the past decade, making Equilar the most trusted source for executive compensation data.

Learn More: www.equilar.com/incentive-plan-analysis

About Allegis Partners, LLC

Allegis Partners is the global executive search firm that delivers a boutique, high-touch approach to talent management. With a focus on identifying diverse, top talent for human resources, board and CEO roles, Allegis Partners brings deep expertise and insight into each relationship, customizing each search within the global market to pair candidates with deep skill and knowledge to the unique needs of their clients. We're backed by the extensive resources and knowledge of the Allegis Group, an $11+ billion privately held global human capital organization. To learn more about Allegis Partners, visit www.allegis-partners.com

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Appendix A

Figure A1 Total Direct Compensation at Companies under $1B in Revenue

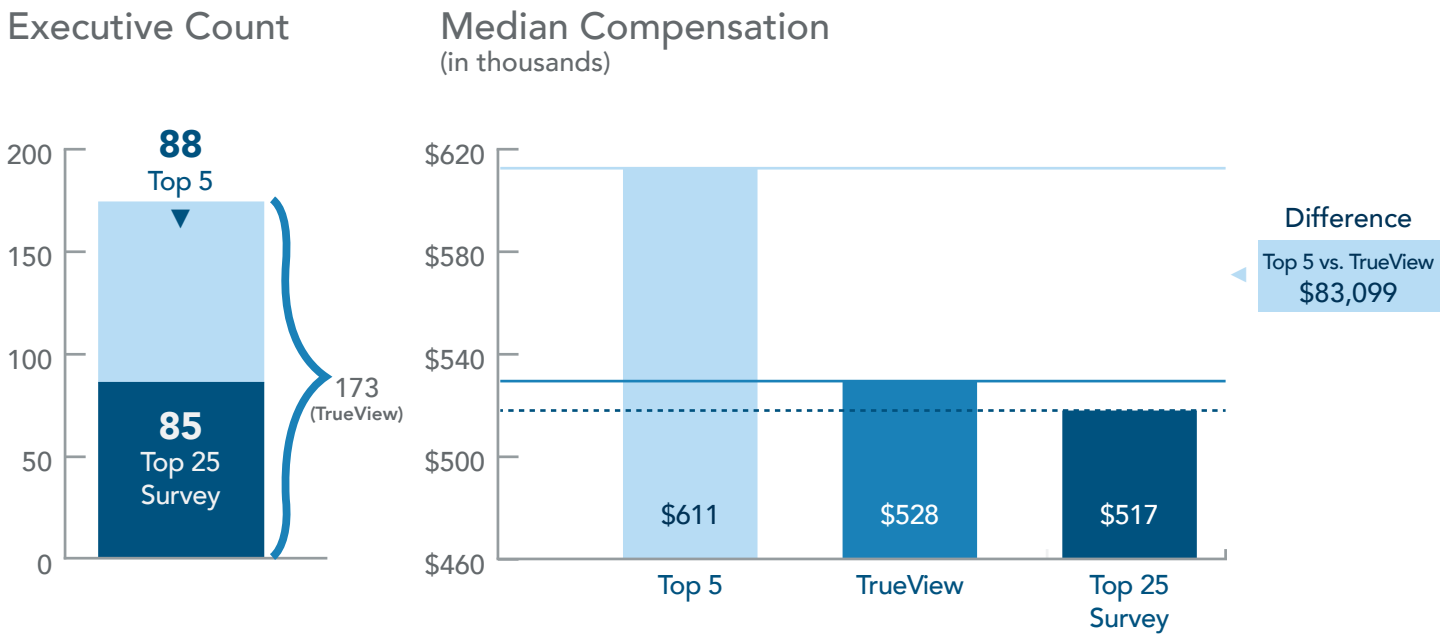


Figure A2 Total Direct Compensation at Companies between $1B and $5B in Revenue

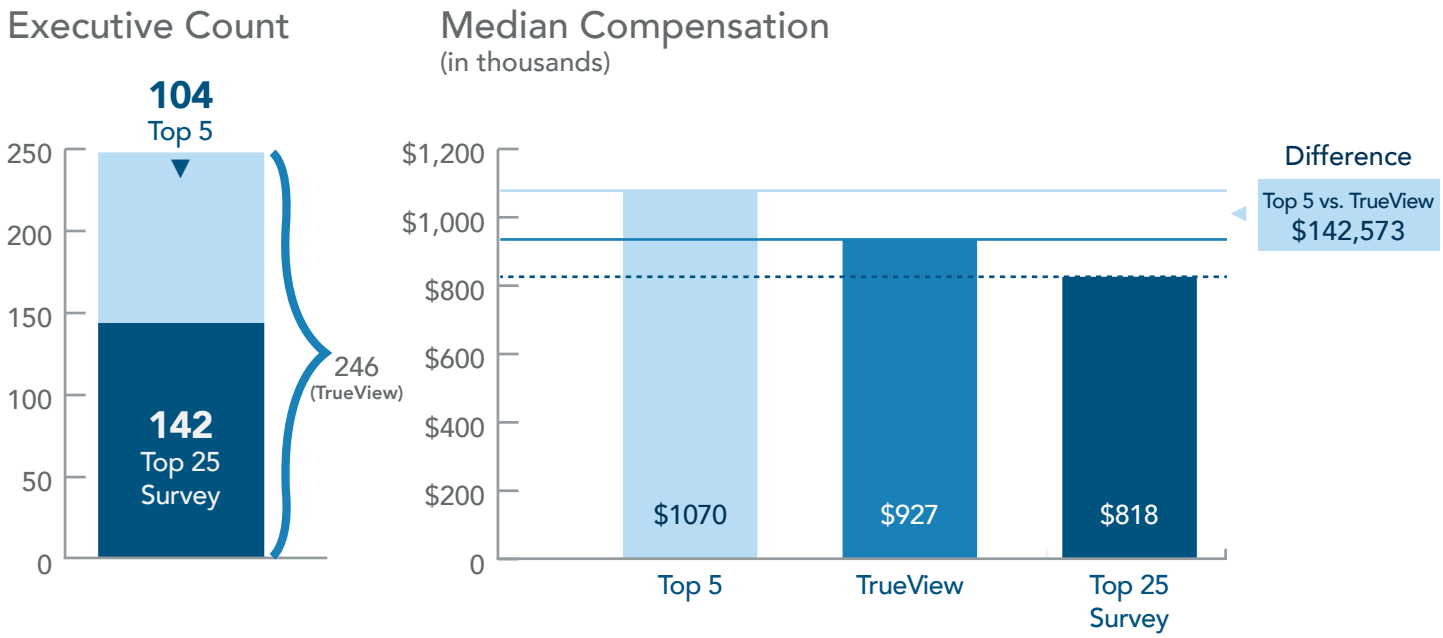


Figure A3 Total Direct Compensation at Companies between $5B and $15B in Revenue

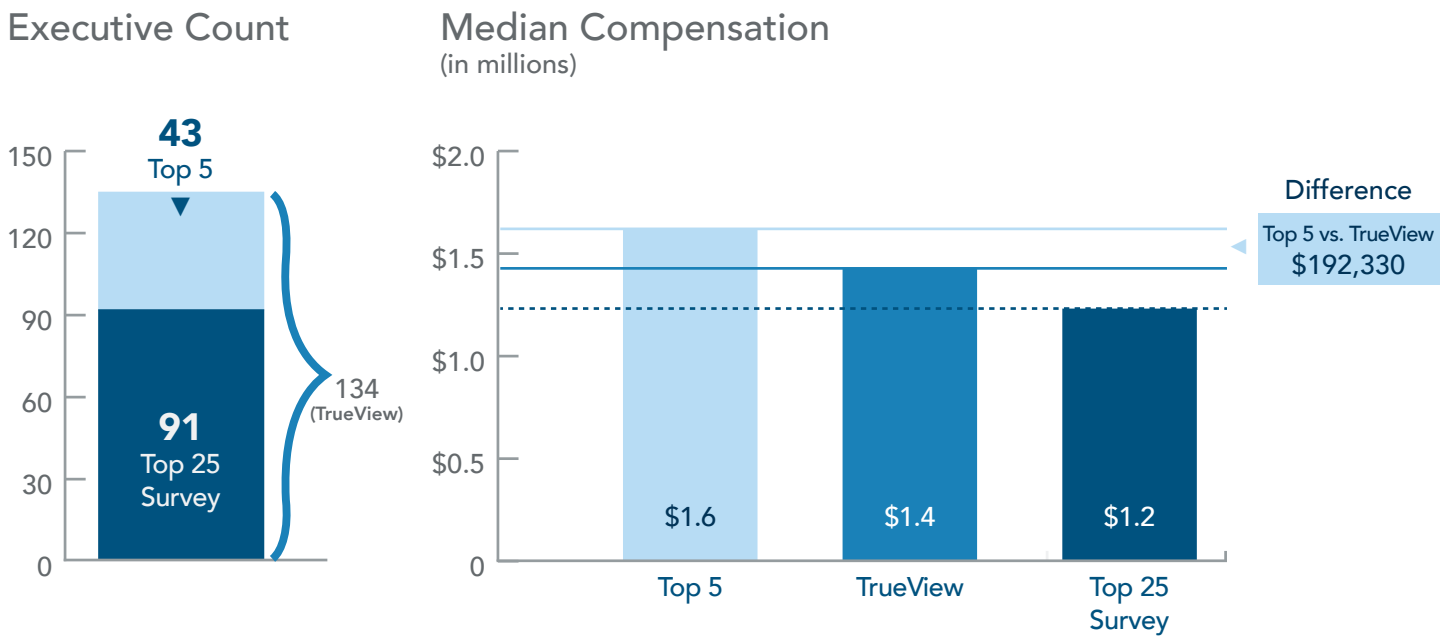
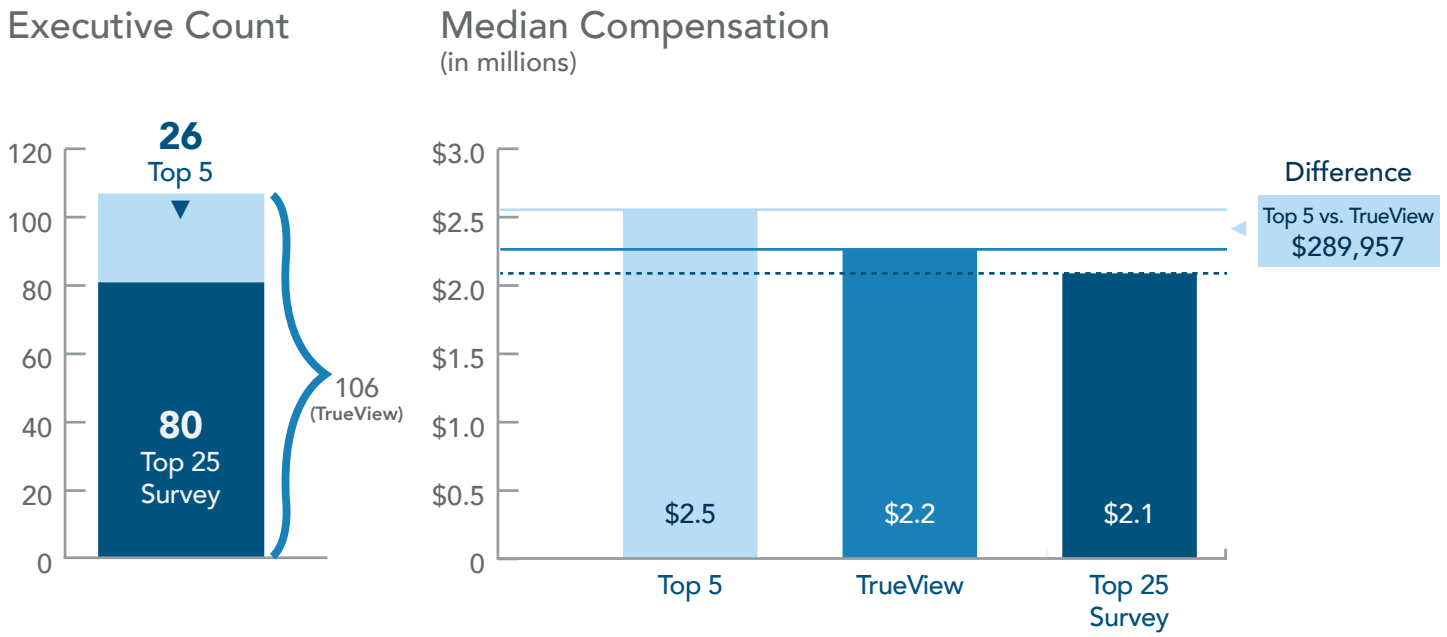
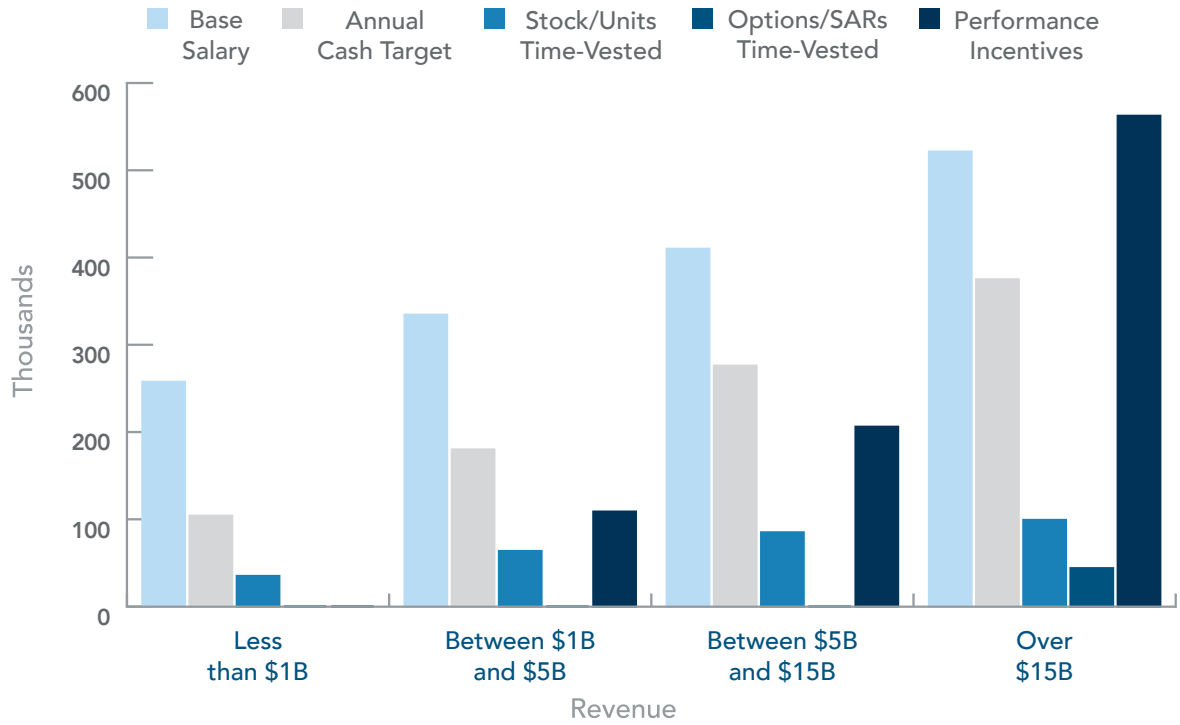


Figure A4 Total Direct Compensation at Companies over $15B in Revenue



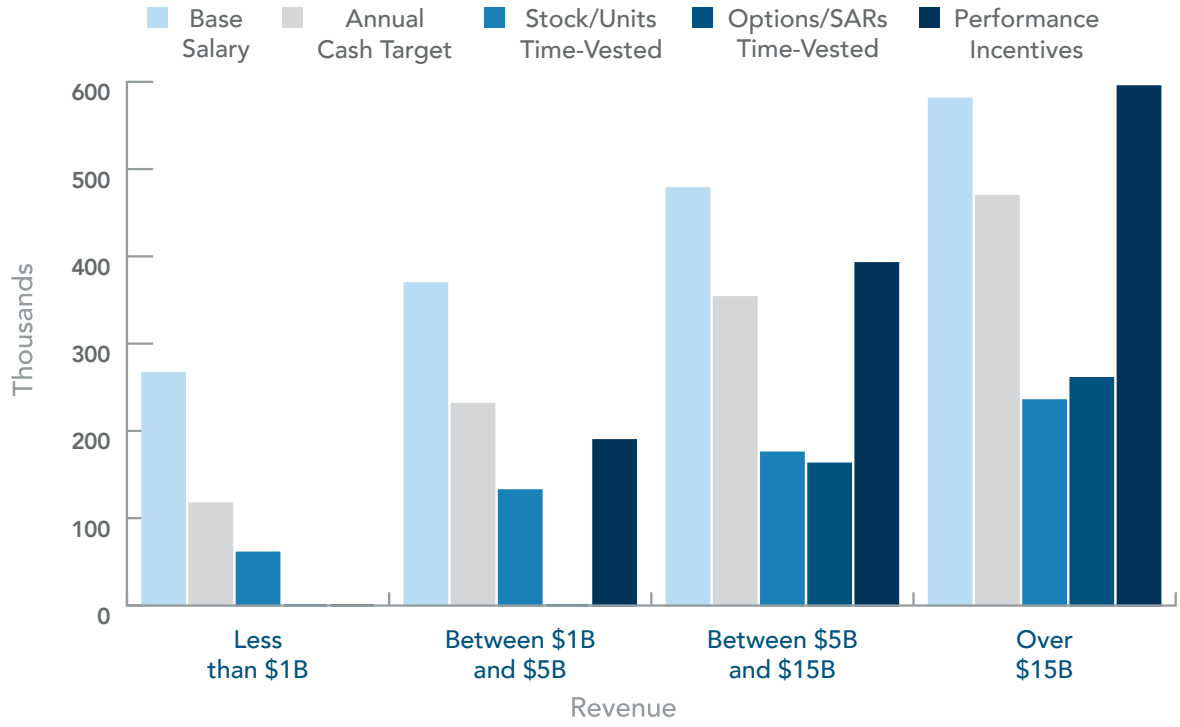
Appendix B

Figure B1 Median Pay Components, Top 25 Survey by Revenue Range



	Less than $1B	Between $1B and $5B	Between $5B and $15B	Over $15B
Base Salary	$258	$334	$410	$521
Annual Cash Target	$104	$180	$276	$375
Stock/Units Time-Vested	$35	$64	$85	$99
Options/SARs Time-Vested	$0	$0	$0	$44
Performance Incentives	$0	$109	$206	$562

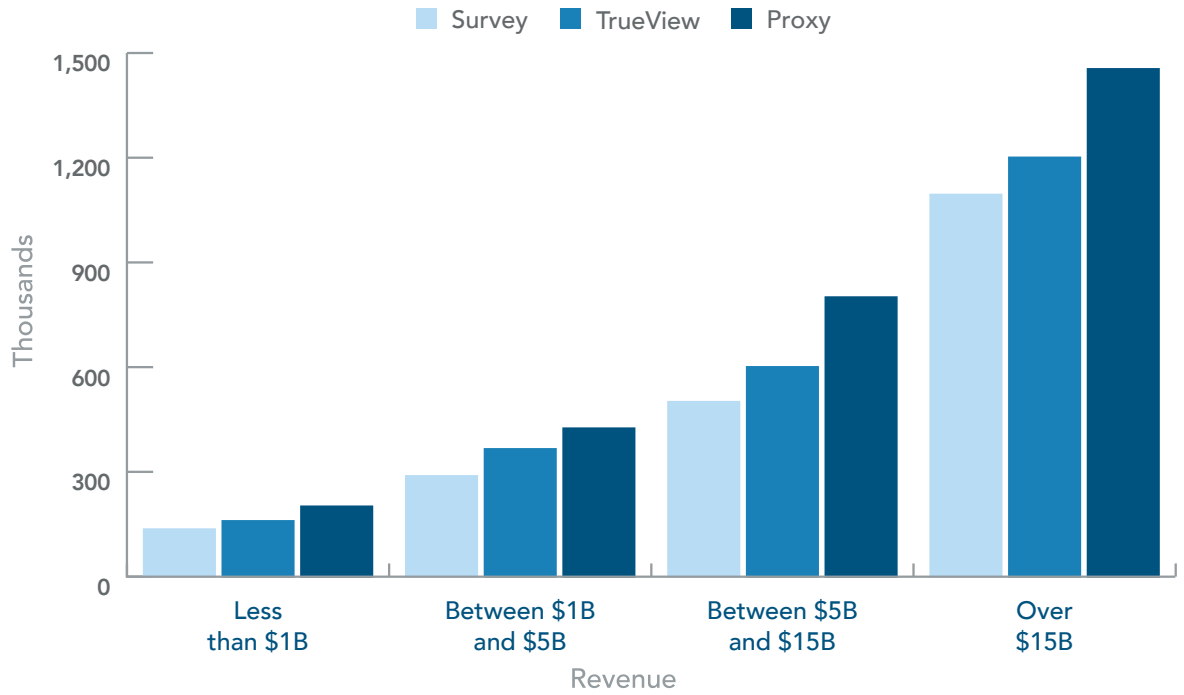
Figure B2 Median Pay Components, Proxy by Revenue Range



	Less than $1B	Between $1B and $5B	Between $5B and $15B	Over $15B
Base Salary	$266	$369	$478	$581
Annual Cash Target	$117	$231	$353	$469
Stock/Units Time-Vested	$60	$132	$175	$235
Options/SARs Time-Vested	$0	$0	$162	$260
Performance Incentives	$0	$189	$392	$595

Appendix C

Figure C1 Median Long-Term Incentive Target Values, by Revenue Range



	Less than $1B	Between $1B and $5B	Between $5B and $15B	Over $15B
Survey	$135	$288	$500	$1,094
TrueView	$159	$365	$600	$1,200
Proxy	$200	$424	$800	$1,454

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