

EXECUTIVE REMUNERATION 2015: GLOBAL TRENDS

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Questions

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TO "ALL PANELISTS."

Agenda

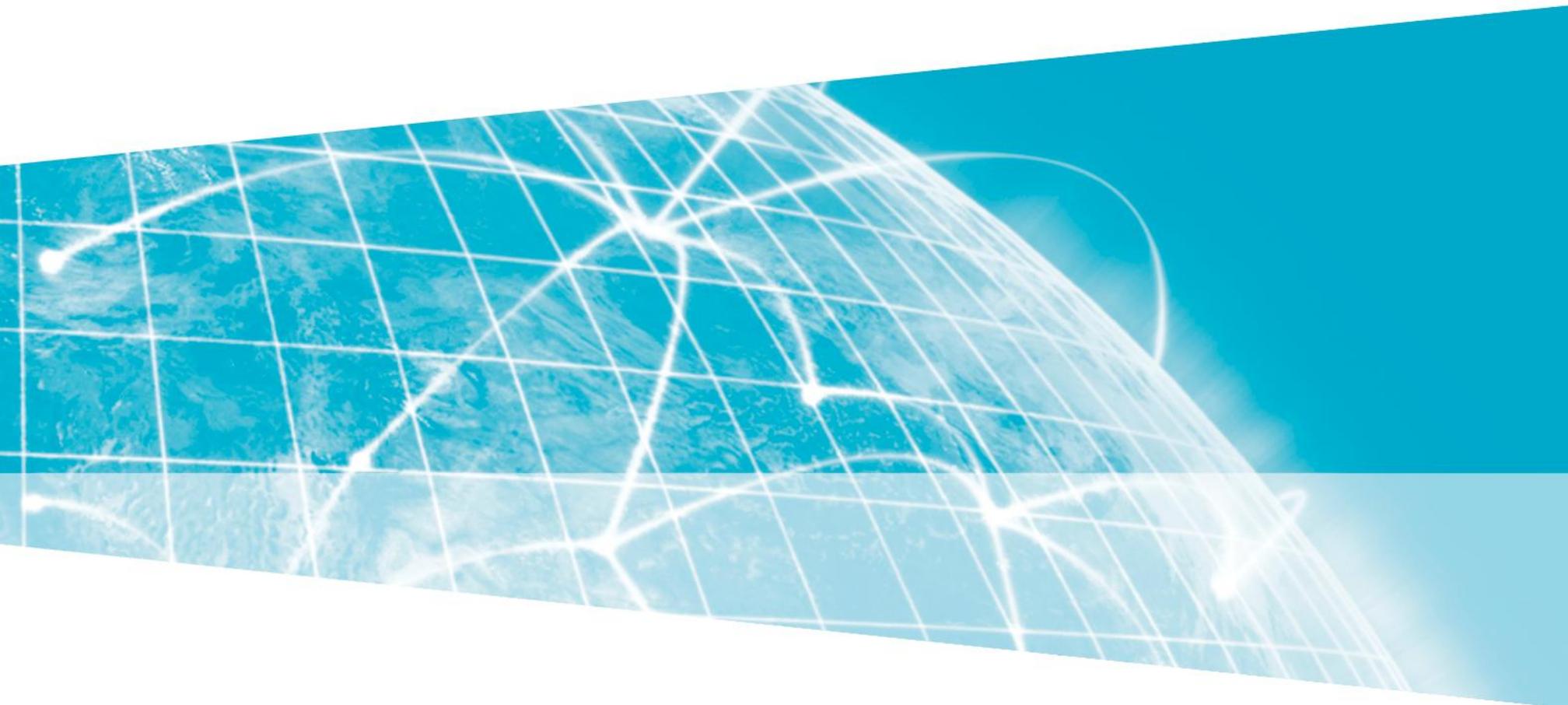
PART 1 – GOVERNANCE

- What's on the mind of CHROs
- Executive Rewards – What's Trending?
- What's on the Agenda for 2015

PART II – GLOBAL PAY TRENDS

Q&A

PART 1 – GOVERNANCE



What's on the Mind of CHROs

Will our programs withstand external scrutiny?

How do we address the increasingly **strong voice of shareholders** and proxy advisors?

How do we balance between compliance, governance and the needs of the company?

Is TSR the right measure for all?

Executive pay and income inequality – **how much is too much?**

How do we **avoid homogenization** of our pay programs?

Executive Rewards – What's Trending?



Shareholder voice on pay and governance

Executive pay and income inequality

Role of TSR

“One Size Fits All” Pay Programs

What's Trending – Shareholder Voice on Pay and Governance

Increasingly
Strong Voice of
Shareholders
Influencing Pay
Programs

North America

Nonbinding vote on executive pay in the US; voluntary votes in Canada – fear of negative voting has strong influence on pay programs

Europe

There has been movement towards an EU-wide mandate, in addition to UK mandates, requiring a binding vote on pay

Asia

No mandates but ownership profile determines type engagement

Australia

Nonbinding on pay however Two-Strikes rule adds punitive element to voting results

What's Trending – Shareholder Voice on Pay and Governance

Snapshot of
Shareholder Say
on Pay Voting
Mandates
Globally

Non-Binding Votes or No Voting
Mandate



US



Japan



China



Germany



Australia



UK



France



Italy
Non-financial
Services



Netherlands



Italy
Financial
Services only



Switzerland



Spain
Proposed

Binding Vote Mandates

What's Trending – Shareholder Voice on Pay and Governance



Engaging With Institutional Investors

Mercer has been conducting research on the viewpoints of non-executive directors and institutional investors on engagement, the following is what we have learned

Non-Executive Directors

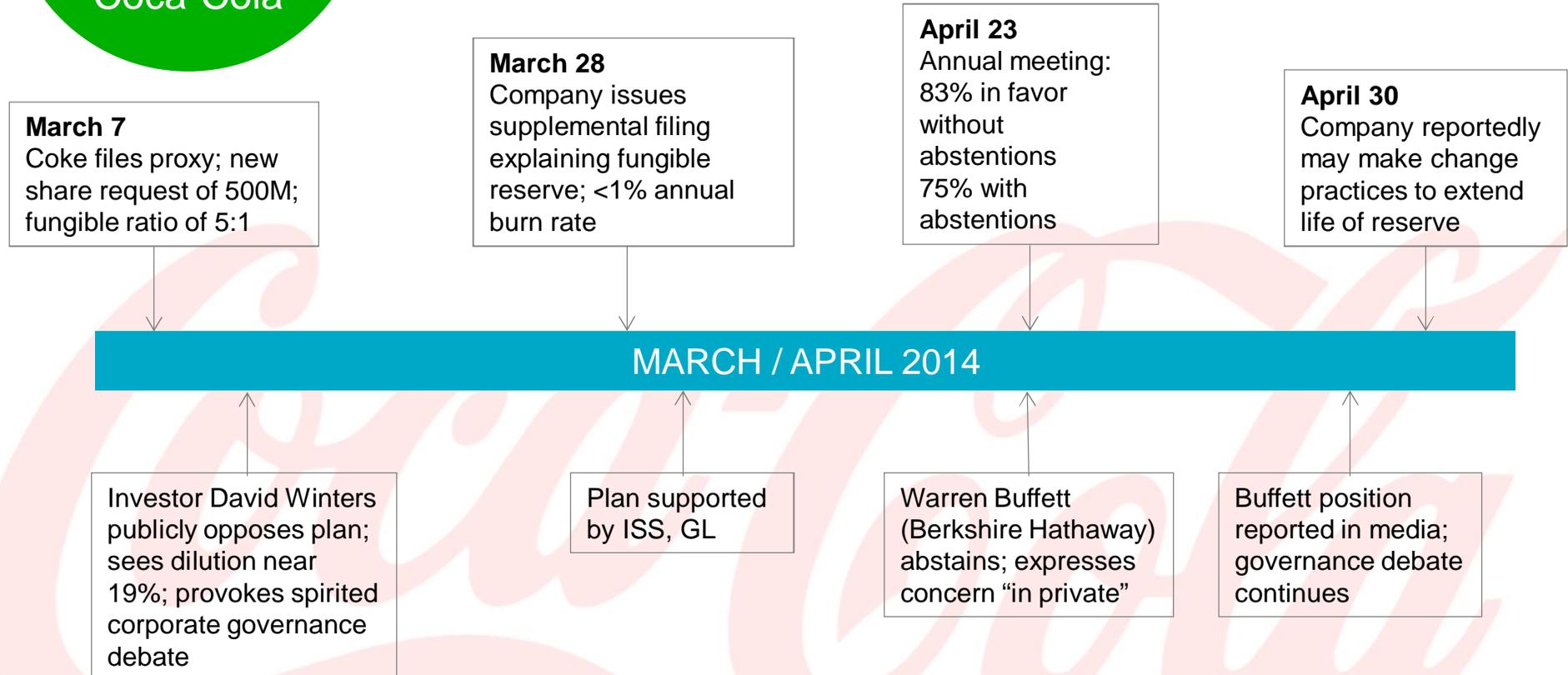
- Board members on the whole value this interaction highly and would like to see increased levels

Institutional Investors

- Engagement around sensitive issues should be happening early and often so that potentially divisive issues are not coming as a surprise
- Do not want to be treated like a sounding board – Companies should be able to develop acceptable proposals without large amounts of input

What's Trending – Shareholder Voice on Pay and Governance

Engaging With Institutional Investors – A Case Study on Coca-Cola



What's Trending – Shareholder Voice on Pay and Governance

Engaging With Institutional Investors – A Case Study on Coca-Cola

“Shareowner engagement has produced positive results for our Company on a variety of fronts, including on compensation matters. Shareowner input on this important topic has directly led to the development of these new Guidelines, which are in line with the long-term interests of shareowners.”

*Maria Elena Lagomasino,
Chair of the Compensation
Committee for Coca-Cola*

- In a press release released on October 1, 2014, the Coca-Cola company announced that it would be adopting Equity Stewardship Guidelines for the Company's existing 2014 Equity Plan
- The guidelines were issued in response to criticism from Warren Buffett and other key shareholders
- The Guidelines:
 - Extend the years shares will last by using fewer shares each year
 - Increase transparency about equity awards
 - Formalize practice of share repurchases to minimize dilution
 - Renew commitments and open a dialogue with shareowners on compensation matters

What's Trending – Executive Pay and Income Inequality

Pay Ratio
Proposals/
Mandates

US
CEO's pay versus
pay of median
employee

Europe
Average directors'
pay divided by
average pay for
other employees

Asia / Australia
No mandates

What's Trending – Role of TSR

What is the role of TSR in pay programs?

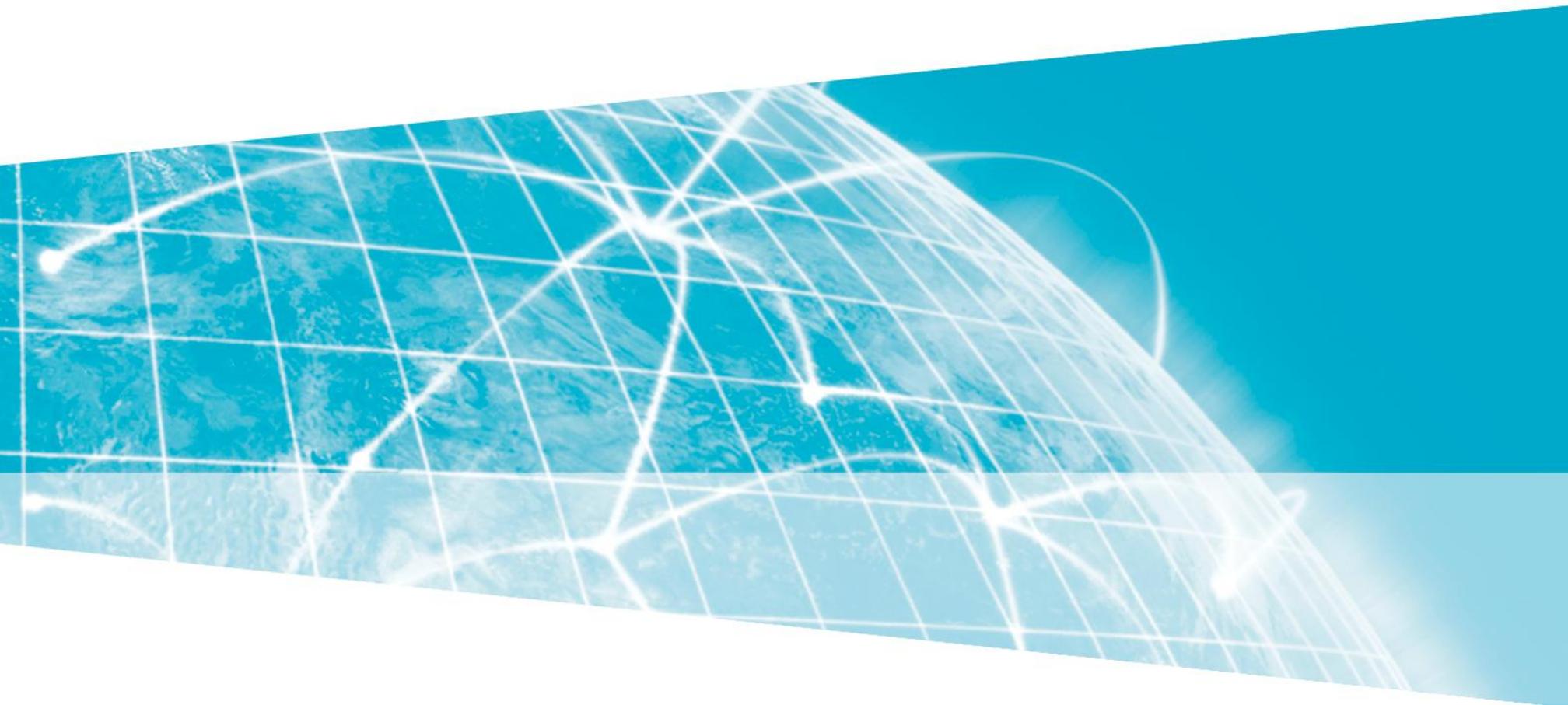
- In response to external pressure from shareholders, shareholder advisors and institutional investors, many organizations have adopted incentive plans based on TSR
- Today, TSR is now one of the most prevalent measures used in incentive plans globally
- Across organizations however, there is a growing sentiment that TSR-based plans are not a cure-all for the alignment of pay and performance
- For these and other reasons, organizations globally have been considering if the focus on TSR has skewed too high and if other measures of sustainable, long-term performance are a better fit for their organization

What's Trending – “One Size Fits All” Pay Programs

Pressures from regulators, shareholders, media etc. have led to homogenized approaches to pay

- Faced with heightened scrutiny of pay programs and practices, many companies attempt to stay ‘under the radar’ by adopting “one size fits all” executive pay programs
- Companies adopt these programs and practices because they require lower levels of explanation, justification and provide lower risk of outside scrutiny
- Unfortunately, this approach can lead to suboptimal results as it fails to support unique business strategies and circumstances and thereby does little to stimulate real, long-term value creation

WHAT'S ON THE AGENDA FOR 2015



What's on the Agenda for 2015

Strategically engage with shareholders and proxy advisors

Prepare for pay ratio disclosure

Clarify the pay story by leveraging global best practices for disclosure

What's on the Agenda for 2015

Strategically
engage with
shareholders
and proxy
advisors

- Develop action plan to set investor expectations
- Start early to establish dialogue and communication
- Provide visually appealing and transparent disclosures of executive compensation arrangements
- Understand shareholder base and their voting pattern
- Identify and understand investor hot buttons, red flags, and expectations
- Disclose the engagement process

What's on the Agenda for 2015



Prepare for pay ratio disclosure

- Proactively plan for and manage how the organization pay ratio will be perceived with both internal and external audiences
- Develop preliminary calculations of the ratio
- Begin investigation of your organization's readiness
- Consider improvements to the global compensation & benefits structure needed to efficiently calculate these types of ratios

What's on the Agenda for 2015



Clarify the pay story by leveraging global best practices for disclosure

- Be concise, explain the rationale for pay decisions, present qualitative and quantitative information
- Disclose changes from year to year, and impact of corporate developments
- Make it a messaging document, tell your pay and performance story
- Work with inter-disciplinary task-force to prepare, and give Committee a sense of timing and illustrative examples
- Don't focus only on the "What", "When", "How", while forgetting the "Why"
- Don't make the disclosure too long and repetitive

Components:

- Objectives of the compensation program
- What is it designed to reward?
- Describe each element of compensation
- How is the amount for each element determined?
- How do the Committee's decisions fit into the company's overall compensation objectives
- What are the performance criteria
- Decisions taken in last year

What's on the Agenda for 2015

General Electric 2014 Pay elements table

Clarify the pay story by leveraging global best practices for disclosure - Illustrations

PRIMARY COMPENSATION ELEMENTS						
PAY ELEMENT	SALARY	BONUS	LTPAs	PSUs	OPTIONS	RSUs
WHO RECEIVES	All named executives			CEO	All named executives except CEO	
WHEN GRANTED	Reviewed every 18 months	Annually in Feb. for prior year	Generally every 3 years	Generally annually		Non-recurring off-cycle grants
FORM OF DELIVERY	Cash			Equity		
TYPE OF PERFORMANCE	Short-term emphasis		Long-term emphasis			
PERFORMANCE PERIOD	Ongoing	1 year	3 years	4 or 5 years	Generally vest over 5 years or longer	
HOW PAYOUT DETERMINED	MDCC Judgment		Formulaic; MDCC verifies performance		Formulaic; depends on stock price on exercise/vest date	
MOST RECENT PERFORMANCE MEASURES	N/A	Mix of disclosed financial, strategic, operational goals	EPS, cash generation, Industrial Earnings %, ROTC	Cash generation, operating margin, relative TSR	Stock price appreciation	

What's on the Agenda for 2015

ExxonMobil

12-page brochure "Executive Compensation Overview 2014"

Clarify the pay story by leveraging global best practices for disclosure - Illustrations

EXXONMOBIL 2014 EXECUTIVE COMPENSATION OVERVIEW

CEO Compensation

A substantial portion of the compensation granted by the Compensation Committee to the CEO and reported in the Summary Compensation Table represents an incentive for future performance, not current cash compensation. This long-term incentive pay will not actually be received by the CEO for many years in the future and remains at risk of forfeiture.

2013 REPORTED PAY

7 CEO Reported and Adjusted Pay – 2013 vs. 2012

	2012	2013	2013 vs. 2012
Total Reported Pay	\$ 40,266,501	\$ 28,138,329*	-30%
Negative Pension Adjustment ⁽¹⁾	\$ —	-\$ 6,340,556	—
Total Adjusted Pay	\$ 40,266,501	\$ 21,897,773	-46%

*No change in number of equity award granted.

8 CEO Reported Pay vs. TSR – 2006 to 2013

The relationship between change in ExxonMobil CEO's reported pay and ExxonMobil's total shareholder return (TSR) throughout the CEO's tenure is as shown.

REALIZED PAY VS. REPORTED PAY

9 CEO Realized and Reported Pay – 2006 to 2013

Year of Compensation	Realized Pay	Reported Pay	Realized Pay vs. Reported Pay	Realized Pay as a Percentage of Reported Pay
2013	\$15,768,829	\$28,138,329	-\$12,369,500	56%
2012	\$ 15,561,163	\$ 40,266,501	-\$ 24,705,338	39%
2011	\$ 24,692,196	\$ 34,920,566	-\$ 10,228,370	71%
2010	\$ 14,227,609	\$ 28,952,558	-\$ 14,724,949	49%
2009	\$ 8,530,165	\$ 22,168,817	-\$ 13,638,652	39%
2008	\$ 10,212,091	\$ 32,211,079	-\$ 21,998,988	32%
2007	\$ 12,884,308	\$ 25,152,280	-\$ 12,267,972	47%
2006	\$ 6,712,435	\$ 22,440,807	-\$ 15,728,372	30%
			Average	44%

*Assumed last stock options granted in 2001 that would have expired in 2011. No stock options granted since 2001.

For definitions of the terms "reported pay" and "realized pay" as used in this Overview, as well as a list of our compensation benchmark companies, see Frequently Used Terms on page 10. (1) In 2013, the change in pension value was negative (\$6.34 million), but under SEC reporting rules, a negative change in pension value must be shown in the Summary Compensation Table as zero. This shows the impact the full negative pension valuation would have if applied to total compensation. (2) TSR represents annualized returns measuring dividends not reinvested when paid. (3) Reported pay values shown correspond to the company with the highest, median, and lowest realized pay values. (4) Financial data estimated based on publicly available information. Market capitalization is as of December 31, 2013. (5) Trailing twelve months (TTM) includes excise taxes and other excise-based fees, if applicable. (6) Excludes General Electric due to lack of comparability resulting from how assets are quantified and reported for its financial business. (7) Trailing twelve months (TTM).

10 CEO Realized Pay vs. Compensation Benchmark Companies – 2012

Comparator Companies	Realized Pay ⁽¹⁾	Reported Pay ⁽²⁾	Realized Pay as a Percentage of Reported Pay
Highest	\$ 68,443	\$ 20,956	327%
Median	\$ 23,989	\$ 19,280	124%
Lowest	\$ 6,008	\$ 10,977	55%
ExxonMobil	\$ 15,561	\$ 40,267*	39%
ExxonMobil – Position	11 of 13	1 of 13	

*\$28 million in 2013; 2013 comparator company data not available at time of publication.

ExxonMobil CEO's realized pay ranked 11th among the compensation benchmark companies. The benchmark companies' median is almost \$24 million and the high is just over \$68 million.

11 CEO Realized Pay vs. Compensation Benchmark Companies – Cumulative

Comparator Companies	Cumulative TSR	Realized Pay
Median	74%	\$ 144
ExxonMobil	80%	\$ 93
ExxonMobil – Multiple of Median	1.1x	0.6x

ExxonMobil's cumulative TSR for the CEO's tenure is 1.1 times the compensation benchmark companies' median versus 0.6 times for cumulative realized pay.

12 CEO Realized Pay vs. Compensation Benchmark Companies – Annual

ExxonMobil CEO's realized pay is below the compensation benchmark companies' median for most of his tenure.

13 Scale of ExxonMobil vs. Compensation Benchmark Companies⁽¹⁾

Comparator Companies	Revenue ⁽²⁾	Market Capitalization	Assets ⁽³⁾	Net Income ⁽⁴⁾	Capital Expenses ⁽⁵⁾
Median	\$ 93	\$ 190	\$ 143	\$ 134	\$ 4.3
70th Percentile	\$ 147	\$ 256	\$ 274	\$ 219	\$ 20.5
ExxonMobil	\$ 390	\$ 439	\$ 347	\$ 324	\$ 42.5
ExxonMobil Rank (Percentile)	100	100	100	100	100
ExxonMobil – Multiple of Median	4.2x	2.3x	2.4x	2.4x	9.9x

In determining compensation levels, the Compensation Committee places the most emphasis on individual performance and business results. Size and complexity of ExxonMobil are considered among several factors.

What's on the Agenda for 2015

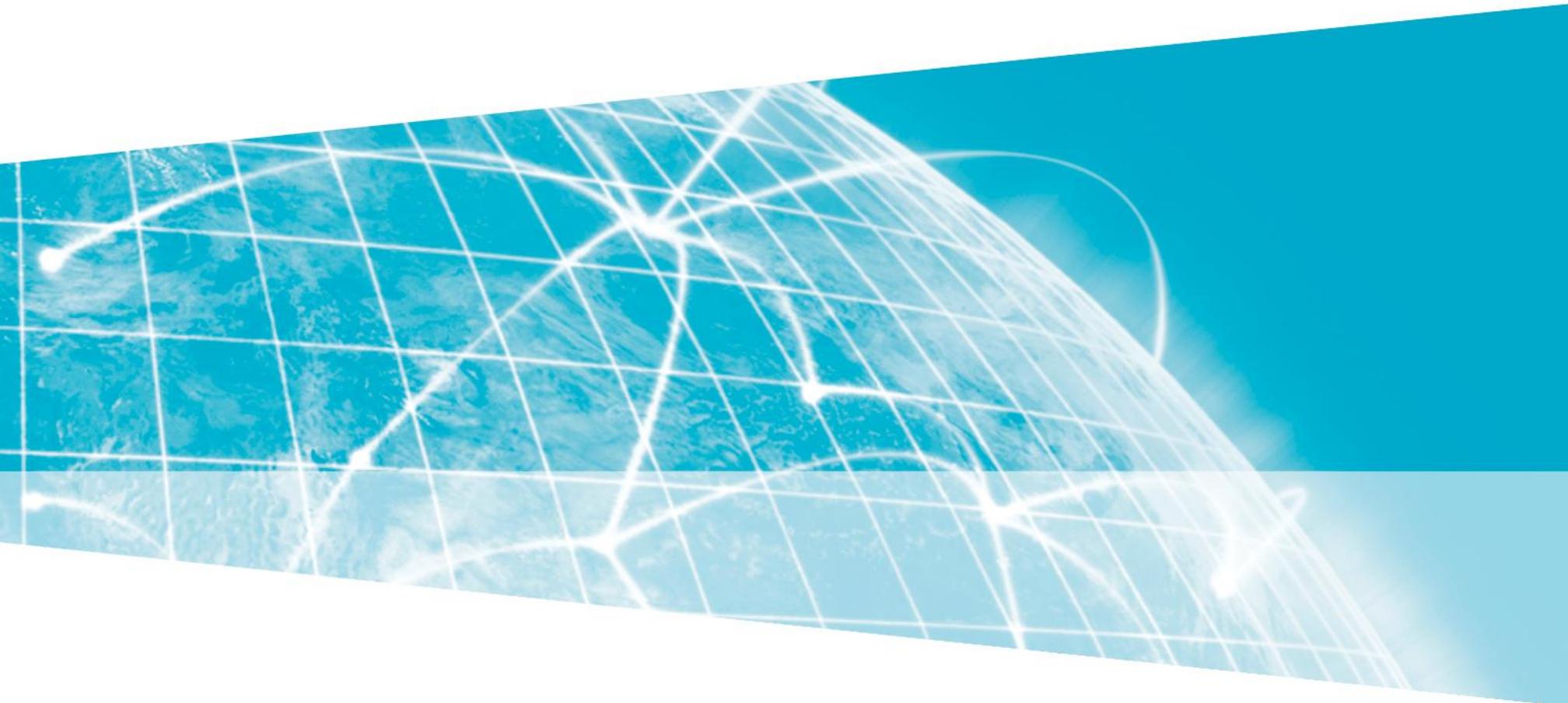
Chesapeake Energy

Graphics include ring for at-risk pay elements to demonstrate how much pay is performance-based and aligned with shareholders

Clarify the pay story by leveraging global best practices for disclosure - Illustrations



PART II - GLOBAL PAY TRENDS



Global Pay Trends



Base Salary

North America

- Base salaries are expected to increase by 3.0% in 2015

Europe

- Base salaries are expected to increase by 0% to 3% in 2015
- Base salary increases, as in years past, are lower than in other regions of the world

Australia

- Increases for 2015 are likely to be lower than the average 3.5% increase in 2014

Asia

- Base salary increases in 2015 are expected to be lower than in prior years when increases ranged from 2% to 13%
- On average, executive salaries in Asia have overtaken those of their European and US counterparts

Global Pay Trends

Short-Term Incentives

North America

- Actual bonus payments have increased slightly when compared to the prior year

Europe

- Actual bonus payments have increased marginally when compared to the prior year

Australia

- Focus by shareholder advisory firms on the use of performance measures (e.g. underlying earnings) that are opaque

Asia

- Target bonus opportunities (as a percent of base) are generally on the rise
- Hong Kong saw a year over year uptick of nearly 5%

Global Pay Trends

Long-Term Incentives

North America

- Use of performance share plans are increasing
- Use of stock options is on the decline but still prevalent

Europe

- Majority of companies have an LTI plan
- Continued movement towards simplification with most companies using only one LTI vehicle

Australia

- Focus on methodologies used to allocate LTI awards – there is concern that the current approach used understates award value

Asia

- LTI award levels are low when compared to other markets however, current levels are increasing

Global Pay Trends – Long-Term Incentives

Long term incentive plan vehicles

	Europe	United States	Asia Pacific
Share Options			
Restricted Stock (Service Based)			
Performance-Based Awards			

In Conclusion

Governance = Dialogue & Trust Building

- Dialogue and Engage with your Compensation Committee Members and Shareholders
- Plan ahead for possible changes such as the pay ratio and the binding vote
- The process around design decisions is often iterative so listening to interested parties and being flexible is important

Executive Compensation = Agent of Change

- Executive pay programs can be a source of competitive advantage if you can clearly show why your company's strategy deserves a different approach to compensation

To Change = To Remain the Same

- Businesses are going through an extraordinary amount of change so having a compensation strategy that stands still is untenable
- Scenario plan for major changes to your business and the impact that will have on compensation

Q&A



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