HR Executive Pay Trends

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Featuring Commentary From

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CONTENTS

Executive Summary

The top Human Resources (HR) executive position—typically the Chief Human Resources Officer (CHRO)—has evolved into a more essential part of corporate operations, particularly at the largest companies. The ability to balance short-term goals, such as meeting immediate talent management objectives, with long-term strategy is a critical aspect of the position, especially in the ever-changing business climate in which companies are currently operating. As a result, compensation paid to HR executives illustrates the unique and important role the HR department plays within a company.

According to data compiled for this report, as companies achieve larger revenues, pay for top HR executives is also higher. For example, the median total compensation for CHROs at companies with revenues greater than $15 billion was $2.1 million in 2016, while the median pay for HR executives at companies in the smallest revenue range—less than $1 billion—was just over $560,000. This difference in pay is likely due to the fact that as companies grow larger in size and perform a wider functional scope, HR executives will be asked to manage more moving parts and larger employee teams.

Despite CHRO total compensation differing between company sizes, the structure of pay bridges the gap between the smallest and largest of companies. Across the study, companies designed pay practices to incentivize HR executives to invest in the long-term future of the company as a whole. Though total compensation for CHROs is less dependent on performance incentives than that of a CEO, the data clearly depicts that pay for performance strategies apply to the entire C-suite, including the top HR executives.

HR Pay Parallels Company Revenue (p. 12)

Median total direct compensation (TDC) for HR executives correlated to company revenue. This study analyzed companies in four distinct revenue ranges, and when revenues were larger, indeed compensation for top HR executives had greater value as well. For example, HR executives at companies with revenue less than $1 billion received median pay of about $560,000, while companies with revenue between $1 billion and $5 billion paid their HR executives at just over $940,000 in 2016. HR executives received median pay of approximately $1.4 million and $2.1 million in the $5 billion and $15 billion and greater than $15 billion revenue ranges, respectively.

Median pay also increased year-over-year for three of the four revenue ranges. Companies with revenue between $5 billion and $15 billion saw the largest percentage change—a 9.2% increase from 2015 to 2016—while also awarding the largest absolute value increase. Pay packages for HR executives at these companies were approximately $128,000 higher than the previous year at the median. The largest companies saw the only decline in median TDC year over year, shrinking 2.6% from 2015 to 2016.

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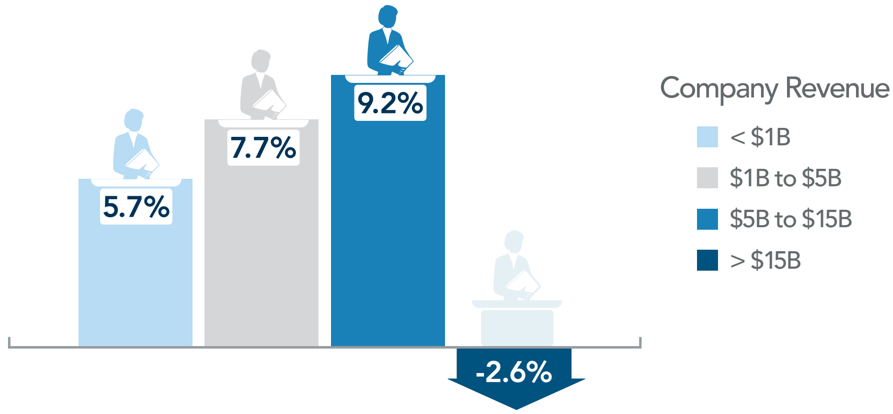
Year-Over-Year Change in CHRO Pay

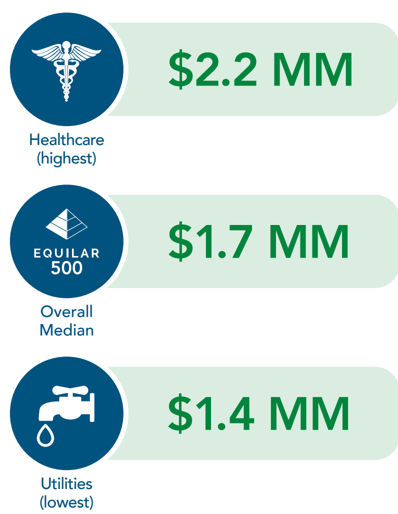


Though there has been an increase in year-over-year HR executive pay for the most part, it remained much lower than median CEO pay in each revenue range. The smallest ratio of CEO-to-HR executive pay, at 3.7-to-1, appeared for the smallest companies. At companies larger in size, the CEO to HR pay ratio jumped to more than 5-to-1. The largest disparity between CEO pay and HR pay occurred at companies in the $5 billion to $15 billion revenue range.

HR Executive Compensation Varies by Sector (p. 13)

Breaking HR executive pay down by sector paints a more detailed picture as well. The healthcare sector had the highest median in 2016 at $2.2 million, while the utilities sector experienced the biggest change between 2015 and 2016, with about 15% growth. The industrial goods sector saw the smallest increase in median pay values from 2015 to 2016, increasing approximately $41,000.

CHRO Pay Varies by Sector at Large-Cap Companies



Furthermore, analyzing the average pay mix by sector depicts specific pay tendencies to HR executives. For example, five sectors featured performance incentives as the most prevalent pay component, led by the utilities sector with 42.2% of average HR compensation.

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HR Executive Pay Trends Webinar

Join Equilar and Allegis Partners for a webinar to discuss how Human Resources executives have become increasingly integral to corporate operations, particularly at larger companies. The increased complexities of the position are reflected by the increasing pay for top HR employees.

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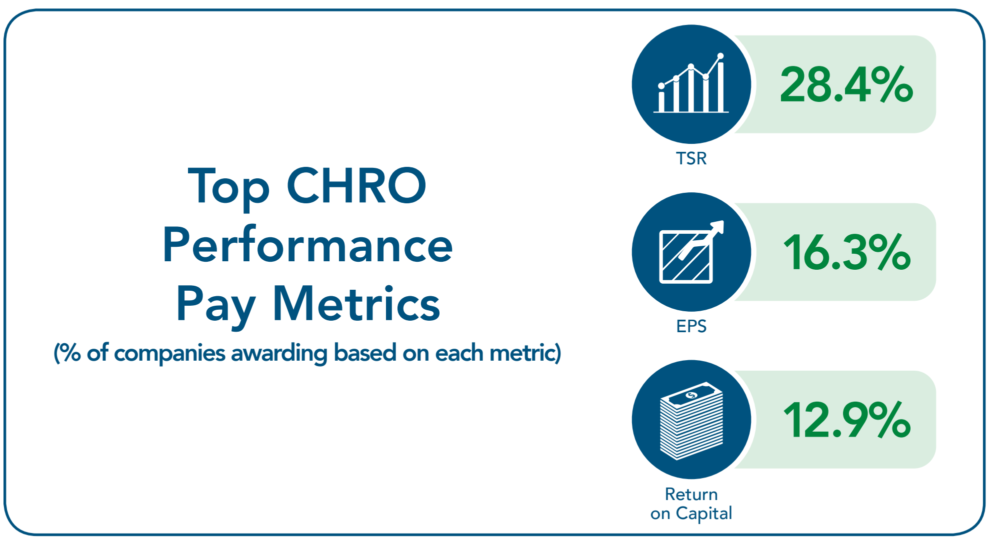
Conversely, time-vested options were the least prevalent pay component among four sectors, with utilities companies, in conjunction with the heightened usage of performance incentives, having only 1.6% of HR pay feature options.

TSR Leads as the Top Long-Term Performance Metric (p. 23)

As companies continue to move away from time-based, long-term incentive awards, performance awards have become more prominent. For example, performance awards for HR executives made up a greater percentage of compensation on average than base salary at the largest companies in the study. For companies in the revenue ranges below $15 billion, base salary still made up the largest portion of HR executive compensation, yet performance incentives contributed to at least 10% of the pay mix, on average.

Performance awards can be part of long-term incentive plans (LTIP) that stretch over multiple years, or short-term incentive plans (STIP), which are generally annual performance periods. To account for the nature and length of these differing awards, specific metrics are used to evaluate performance. Relative total shareholder return (TSR) was the most prevalent long-term incentive plan performance metric for CHROs in 2016, used to determine LTIP payouts by 28.4% of companies in the study. While no other long-term performance metric was close in prevalence to relative TSR, both earnings per share (EPS) and return on capital/return on invested capital (ROC/ROIC) eclipsed 10% total usage, at 16.3% and 12.9%, respectively. Nearly one-third of companies assigned revenue as a short-term performance metric, making it the most common STIP measurement. Non-financial measurements and earnings before interest, taxes, depreciation and amortization (EBITDA) were also used by more than 20% of companies to determine short-term performance awards.



Likely due in part to the fact that three-year relative TSR was the most common performance metric, long-term performance awards issued to HR executives in 2016 overwhelmingly featured performance periods of three years. Three-year performance periods for LTIPs appeared for at least 84% of companies in all revenue ranges, eclipsing 90% prevalence for the largest companies in the study.

Beyond the Numbers

A Q&A With Allegis Partners

The role of top HR executives at public companies has evolved over the past few years, and with that, compensation levels have increased and pay structures have been reimagined. Equilar spoke with Michael Bergen, Robert Lambert, Keith Meyer and Paul Williams of Allegis Partners, a global executive search firm focused on identifying diverse, top talent for human resources, board, CEO and other executive roles, about the forces that are driving significant changes in today's environment and how that affects recruiting and compensation for top HR talent.

Equilar: What are the most significant changes in the past few years to top HR executive roles? What are some areas of responsibility HR leaders have taken on that they may not have been accountable for in past years?

Allegis Partners: While many companies still view the HR function in traditional terms, progress continues to be made, and increasingly, there are opportunities for top CHROs to assume additional responsibilities. There has been a fundamental reframing of how many executives view the potential of the HR function. Organizations are starting to view their CHROs from a far more strategic perspective and see their senior HR leaders capable of taking on broader roles.

High-performing CHROs have taken on adjacent responsibilities, such as communications, public relations, facilities and real estate, etc. Some are being tapped to lead businesses and even fill CEO roles, and we see this trend accelerating.

Thirty years ago, there were basically two companies that were consistently viewed as having best-in-class, strategic HR: General Electric and PepsiCo. Since then, this positive trend has accelerated as alumni of those two global companies have branched out, extending their HR ecosystem into other organizations and bringing their progressive approach to strategic HR with them.

Today, many private equity firms have a more business-centric expectation for the HR function and recognize that strategic HR and investing in world-class talent is imperative for growth. As these PE firms make additional investments and add new companies to their portfolio, the CHRO is often the next strategic hire after a new CEO is put in place.

Equilar: How have these changes affected compensation?

Allegis Partners: When HR responsibilities increase, there is the normal expectation that compensation will also increase, and, as the Equilar data supports, this upward trend has continued. In tandem, all C-suite compensation has increased with the sustained strong economy of the last several years—a rising tide floats all boats. As HR becomes a more valued (and visible) function, companies and boards are forced to adjust their compensation structure to attract a strategic leader who can drive changes through to the bottom line.

"As HR becomes a more valued (and visible) function, companies and boards are forced to adjust their compensation structure to attract a strategic leader who can drive changes through to the bottom line."

It is still a rarefied group of CHROs who have broken out of the traditional framing of their roles and been able to demonstrate to the board that they should be viewed differently, as strong business leaders. For these bold executives, the CHRO role has breadth and depth as never before, and this is reflected in their compensation. Many of the most important challenges boards are dealing with today—culture management, diversity, talent risk and large scale organizational change—have direct and serious implications for the entire organization, not just the HR function.

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Beyond the Numbers (continued)

Equilar: In what ways have talent management and retention become a greater focus at public companies, and how has this affected the CHRO role? How have recruitment strategies changed from the top down in HR?

Allegis Partners: Boards and CEOs are becoming far more aware of, and focused on, the macro trend of what Allegis Partners refers to as "talent risk"—not having the right people in the right roles at the right cost and not being proactive when it comes to longer-range, strategic talent management. Talent risk integrates talent management, performance management, retention and total rewards practices. This is a critical opportunity that CHROs should be driving at the board level.

Due to its importance as part of the overall business strategy, talent risk must move away from being solely an HR initiative and become a shared responsibility across the C-suite and the board of directors.

Equilar: The challenges of organization culture and diversity & inclusion are becoming a larger focus among employees and investors alike. How are HR executives responding, and how does that impact recruiting and retention?

Allegis Partners: Diversity and culture certainly should be top of mind for all CEOs, CHROs and board members. While diversity and culture overlap to some degree, these are actually two very different and essential components of any great organization. Traditionally they've been lumped together as HR's domain to handle. But rather than focusing on diversity as just another program, savvy business leaders and boards look beyond the compliance approach to meeting diversity goals and objectives, and take a very strategic approach, matching their talent with the composition of their market in order to drive business results.

> ***"While diversity and culture overlap to some degree, these are actually two very different and essential components of any great organization."***

The way that boards have looked at issues pertaining to an organization's culture is changing rapidly—culture should and will remain a top priority for boards in 2018 and beyond. This is not a new priority, but as of late, it has received a new level of intense focus and attention. Boards need to really get smart on culture. They need to take a proactive role in defining what culture means and what it looks like today.

Equilar: How does the number of employees in HR departments and composition of workforce play into compensation and recruiting for HR execs?

Allegis Partners: Under the old rules, HR leaders were compensated to some extent by the size of the company they supported and their department headcount—the latter was often hoarded. Today's more forward-leaning and future-focused companies have flatter organizational structures, and HR technology platforms continue to automate the most routine HR work, which in theory, should reduce headcount. CEOs should be rewarding the CHRO for more efficiently aligning headcount and increasing efficiencies that drop to the bottom line.

There has been an ongoing shift in how the overall talent landscape is defined. The traditional model saw human resources focused on recruiting, responding to openings, etc. The most effective CHROs are true talent architects who are responsible for overseeing a broad talent continuum—what we refer to as the "human capital operating system"—and talent management has taken on a more holistic approach to include onboarding of senior executives, developing high potential employees, succession planning and working with the board of directors.

Equilar: How much overlap and transferability of skills is there for HR execs from industry to industry or company to company? What are companies looking for if they are recruiting new HR execs from the outside?

Allegis Partners: Human resources is predominantly an agnostic function that should be capable of cutting across industries. Most of Allegis Partners' clients are very open to interviewing HR leaders who have experience across a variety of industries because they bring new perspectives to the table and challenge underlying assumptions.

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Beyond the Numbers (continued)

These CHROs can be a great catalyst for innovation and creativity, helping companies break out of old habits, methods and patterns.

Progressive CEOs and boards see value in diversity of thought and experiences around business issues, and we have seen capable CHROs transfer their skill sets and experiences from another industry relatively quickly. While many CEOs still find safety in "sameness," at Allegis Partners we challenge our clients to take a broader, more strategic view of what the HR function should be in their organization.

"Human resources is predominantly an agnostic function that should be capable of cutting across industries."

CEOs should look for CHRO candidates who bring learning agility with the ability to come up to speed on their industry and business, especially the unique challenges they are facing. They seek HR executives with a strong commitment to the talent agenda, opening new avenues for attracting talent in order to upgrade the organization and bring creative thought to developing leadership talent once it is acquired. Finally, organizations look for HR leaders who are adept at quickly establishing trust and credibility with their peers as well as the CEO and board. It goes without saying that a new CHRO must ensure the operational aspects of HR are operating efficiently and effectively to support the organization.

Equilar: How has the relationship between HR executives, other C-level management and the board evolved? What about the relationship with outside advisers like compensation and governance consultants as issues have become more scrutinized by shareholders?

Allegis Partners: We've come a long way from the days when it was rare for a CHRO to be invited into the boardroom or simply present to the compensation committee. Today, CHROs who have built and earned business-based credibility, trust and respect with the CEO, their peers in the C-suite and the board, have a unique opportunity to develop into a broader role of both senior adviser and coach, helping to ensure healthy dynamics at the most senior level of an organization.

Many of these CHROs now actively participate in the boardroom, right alongside the CFO and General Counsel.

The challenge for HR leaders is how to progress along this continuum of career development. Business-oriented CHROs who interact with the board on more than merely compensation and succession planning issues are expected to develop offline relationships with those individual directors. If CHROs can lead the conversation around talent risk, CEO succession and corporate culture, and build this into their responsibilities, they will be seen as very valuable to their organizations. Increasingly, these same CHROs are serving as independent directors on public company boards.

The relationships with external consultants, to include executive compensation, governance and audit consultants, have become increasingly critical. These are no longer limited to project-based or scheduled check-ins in preparation for board meetings. Instead, the best CHROs develop proactive relationships with these advisers to stay ahead of the trends and challenges yet to come for their organizations. The board and shareholders have expectations of building a sustainable organization with the right governance, strategy and risk management systems. Progressive companies that have already focused on these areas are likely to be good investment vehicles.

About Allegis Partners

Allegis Partners is the global executive search firm that delivers a boutique, high-touch approach to talent management. Focused on identifying diverse, top talent for human resources, board, CEO and other executive and senior management roles across industries, Allegis Partners brings deep expertise and insight into each relationship. Each search is customized within the global market to pair candidates with deep skills and knowledge to the unique needs of clients. The firm is backed by the extensive resources of the Allegis Group, the global leader in talent solutions.

To learn more about Allegis Partners, visit www.allegis-partners.com.

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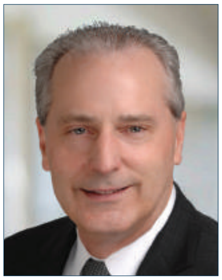

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Methodology

HR Executive Pay Trends, 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 843 individuals for fiscal year 2015 and 869 individuals for 2016. Proxy data was used when available, accounting for 274 executives in 2015 and 259 in 2016. Equilar Top 25 Survey was used to supplement proxy data and accounted for 569 executives in 2015 and 610 executives in 2016. Proxy data was prioritized over data provided from surveys when both were available for a given company. Collected according to SEC disclosure guidelines, the Equilar Top 25 Survey data is blended together with the Top 5 data from proxies to create the Equilar TrueView methodology, which is featured throughout the report as the primary data sampling. The appendices include breakdowns for each data sample.

This report includes additional TrueView analysis on Equilar 500 companies by industry sector. The Equilar 500 was chosen for this analysis in order to normalize the data by company type and size, and included a total of 234 companies in 2015 (including 55 companies from proxy data and 179 from Equilar Top 25 Survey) and 214 companies in 2016 (including 43 from proxy data and 171 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 portions of this report identify trends and findings in the compensation of top-paid HR executives at their respective companies. Allegis Partners has offered independent commentary to illustrate how companies recruit and compensate their top human resources executives.

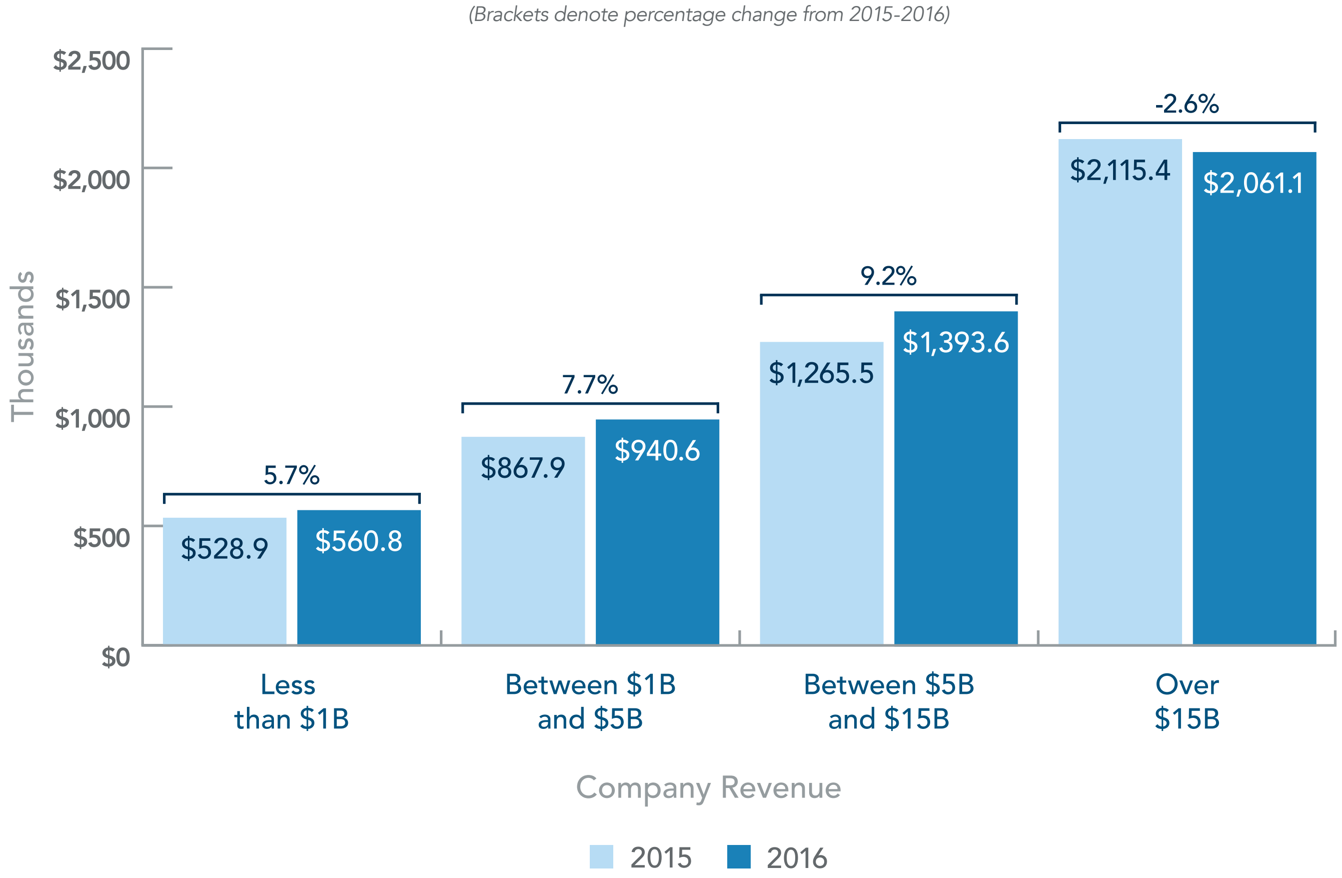
Key Findings

1. Median pay increased year-over-year for most companies in the study, and those with revenue between $5 billion and $15 billion saw the largest total value and percentage change growth—up $128,000, a 9.2% increase. The largest companies saw the only decline in median TDC year over year, shrinking 2.6% from 2015 to 2016.
2. The healthcare sector saw the largest median HR total direct compensation value, growing from $1.9 million in 2015 to $2.2 million in 2016. The utilities sector awarded the lowest median pay values in the study at just under $1.4 million.
3. Performance incentives accounted for a higher percentage of compensation on average than any other pay component at the largest companies, while base salary was the leading component in all other revenue ranges.
4. Relative total shareholder return (TSR) was the most prevalent long-term incentive plan performance metric, provided to HR executives at 28.4% of companies in 2016. Revenue was the most common short-term incentive plan metric, tied to HR executive awards at 31.6% of companies in the study.
5. Long-term performance awards issued to HR executives in 2016 predominantly featured performance periods of three years, appearing for at least 85% of companies across all revenue ranges.

Total Direct Compensation

HR Executive Pay Trends

Figure 1 HR Executive Median Total Direct Compensation, by Revenue Range



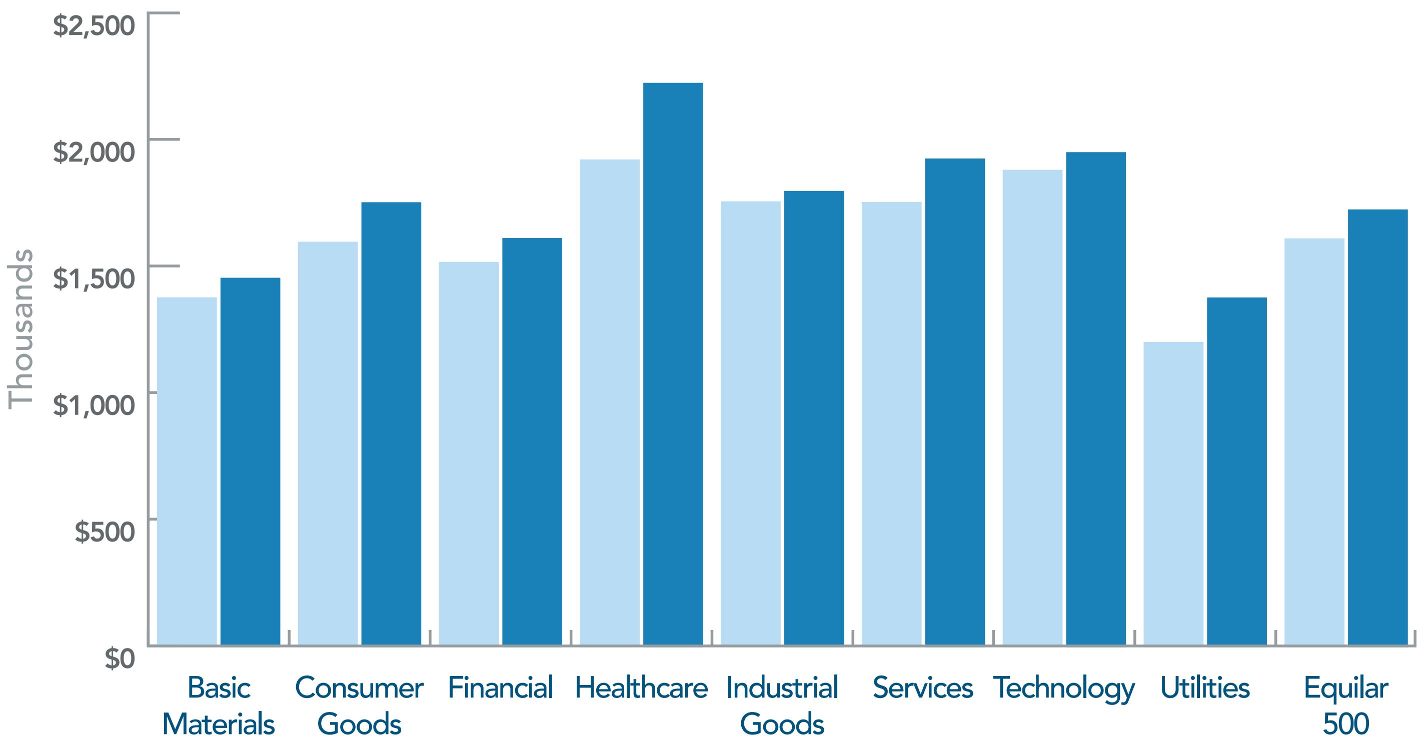
Data Points

- HR executives at companies with revenues between $5 billion and $15 billion saw a $128,000 median pay increase from fiscal year 2015 to 2016, the largest differential in the study *(Fig. 1)*
- Though values differed, three of the four revenue ranges saw an increase in the median total direct compensation from 2015 to 2016, with the exception being companies over $15 billion in revenue *(Fig. 1)*
- Median total direct compensation for HR executives at companies above $15 billion in revenue was nearly $2.1 million in 2016, more than three-and-a-half times greater than the median TDC for HR executives at companies with less than $1 billion in revenue *(Fig. 1)*

Allegis Partners Commentary

Executive compensation continues to increase across the C-suite including the Chief HR Officer. While a small group of truly deserving CHROs have seen significant increases in their direct compensation, wider ranging increases for the HR function will only come when CHROs are ready to lead boardroom conversations. Many HR executives are not yet ready and able to deliver on the sophisticated business demands that corporate America is placing on them.

Figure 2 Median Total Direct Compensation, Equilar 500 Companies by Sector



	Basic Materials	Consumer Goods	Financial	Healthcare	Industrial Goods	Services	Technology	Utilities	Equilar 500
2015	$1,370.7	$1,590.3	$1,510.6	$1,915.4	$1,750.0	$1,747.3	$1,874.3	$1,194.6	$1,603.7
2016	$1,448.0	$1,746.4	$1,605.0	$2,217.8	$1,791.0	$1,919.0	$1,944.2	$1,370.3	$1,717.9

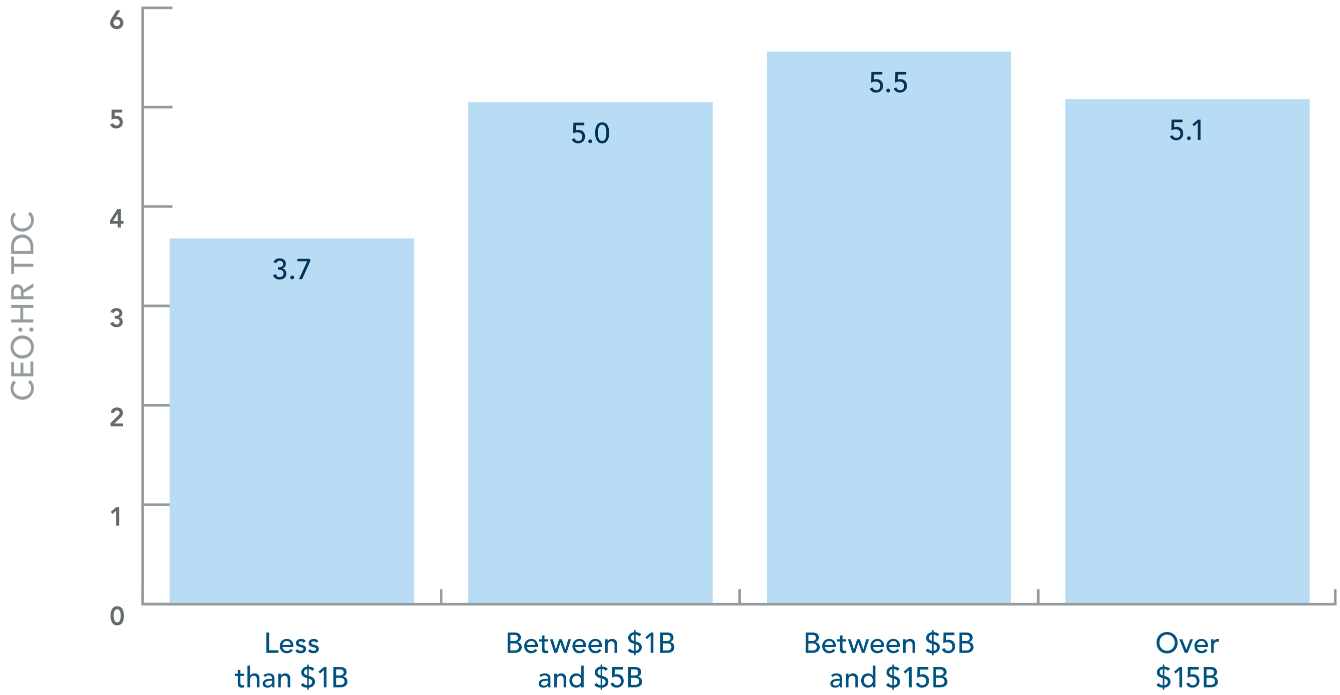
Data Points

- Overall, median total direct compensation for HR executives at Equilar 500 companies in 2016 was $1.7 million—up from $1.6 million in 2015 *(Fig. 2)*
- The healthcare sector saw both the largest increase in median total direct compensation from 2015 to 2016 — more than $300,000—as well as the highest pay overall, reaching $2.2 million in 2016 *(Fig. 2)*
- The utilities sector in the Equilar 500 saw the lowest median TDC in 2016, at $1.4 million, about 25% lower than the median for the Equilar 500 overall *(Fig. 2)*
- The utilities sector experienced the biggest change between 2015 and 2016, at about 15%, while the industrial goods sector had the smallest gain in median total direct compensation from 2015 to 2016 *(Fig. 2)*

Allegis Partners Commentary

There has been a dramatic increase in the number of CEOs and boards that are paying attention to the rapidly emerging strategic issues of diversity, culture and talent risk. Addressing these opportunities is the right thing to do, but they also directly impact an organization's bottom line. We tend to find these enlightened companies that have raised the bar on HR in the technology, healthcare and consumer sectors, where talent acquisition has always been competitive. The healthcare sector is the most complex, and has raised the bar on every executive role due to rapid changes and external disruption impacting their business models, particularly pertaining to technology and legislation. A CHRO can add the most value at an organization experiencing internal disruption.

Figure 3 Median Ratio of CEO-to-HR TDC, by Revenue Range in 2016



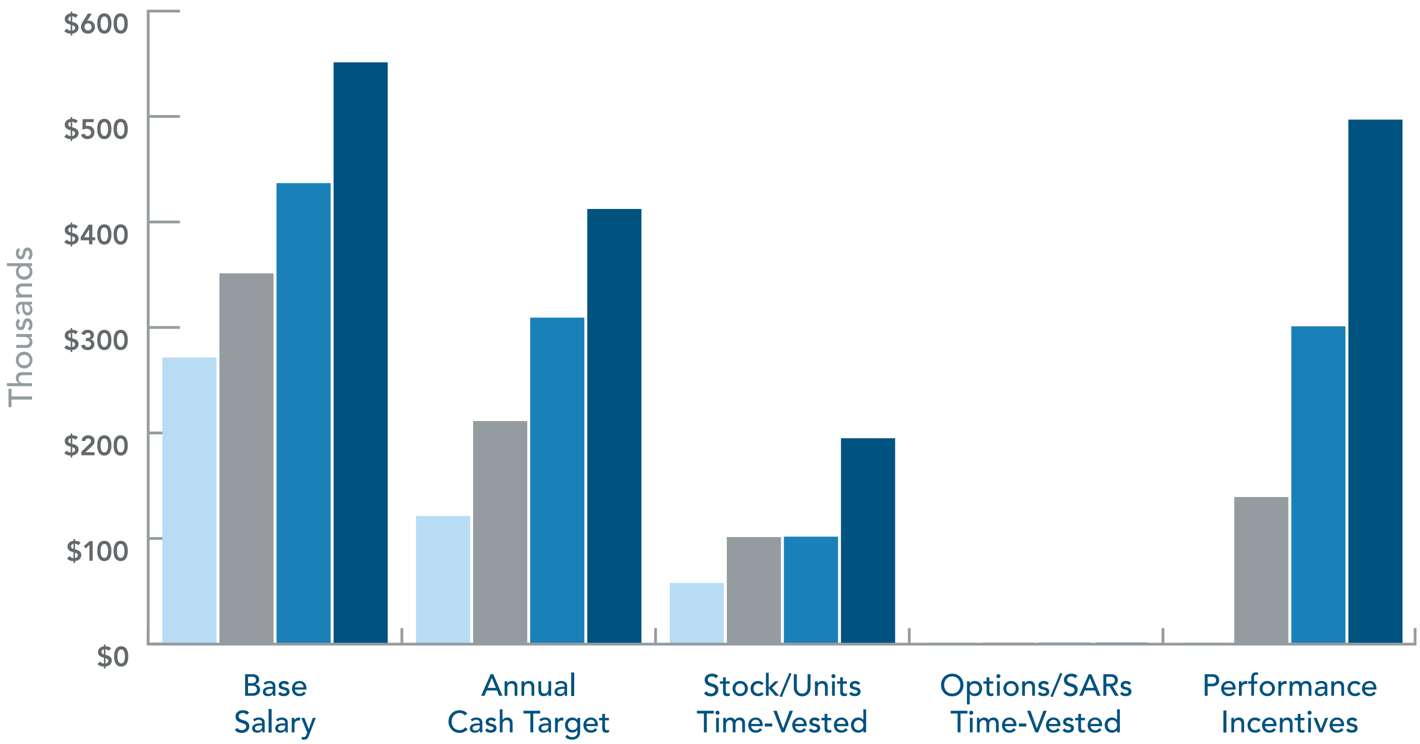
Data Points

- Despite paying the most to both CEOs and HR executives, companies with the highest revenues (above $15 billion) had a median pay ratio similar to that of companies with revenue between $1 billion and $5 billon *(Fig. 3)*
- Companies with revenues that fell between $5 billion and $15 billion saw the largest ratio between CEO and HR pay *(Fig. 3)*
- Companies with the least revenue saw the smallest pay gap *(Fig. 3)*

Pay Components

HR Executive Pay Trends

Figure 4 Median Pay Components, by Revenue Range in 2016

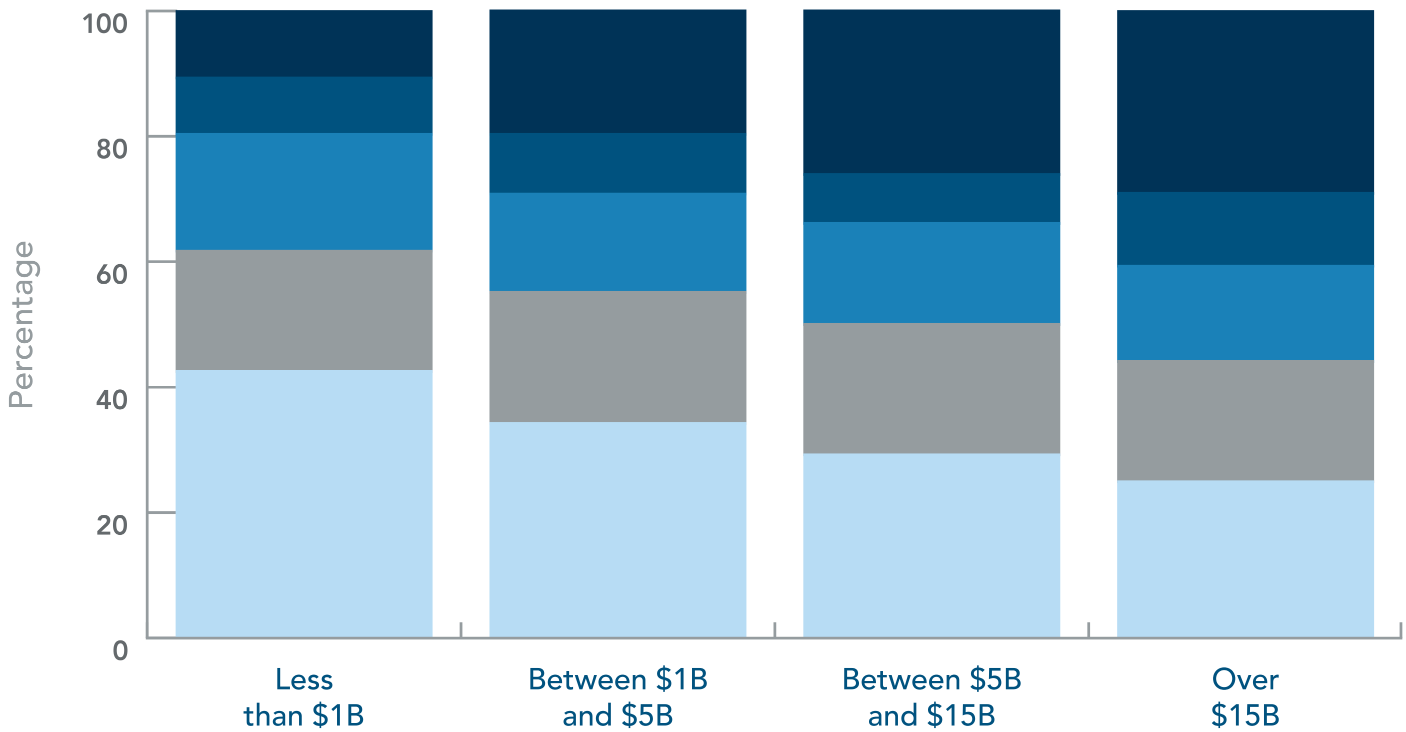


	Base Salary	Annual Cash Target	Stock/Units Time-Vested	Options/SARs Time-Vested	Performance Incentives
< $1B	$270.2	$120.0	$56.5	$0.0	$0.0
$1B - $5B	$350.0	$210.0	$100.0	$0.0	$138.0
$5B - $15B	$435.5	$308.0	$100.4	$0.0	$299.8
>$15B	$550.0	$411.0	$193.7	$0.0	$495.7

Data Points

- Similar to total compensation values, the median value of each individual pay component was larger as company revenues increased *(Fig. 4)*
- After salary, annual cash bonus had the highest median values at all companies except those above $15 billion in revenue, where performance incentives were the second-largest pay component *(Fig. 4)*
- While some companies awarded options to their top HR executives, the median value was zero across the study, meaning that more than half of companies in all revenue ranges did not include options in pay packages *(Fig. 4)*
- The value of time-vested stock awarded by companies in the $1 billion to $5 billion and the $5 billion to $15 billion revenue ranges was nearly identical—however, companies in the higher revenue range awarded far more in salary, bonus and performance incentives *(Fig. 4)*

Figure 5 Average Pay Mix, by Revenue Range in 2016

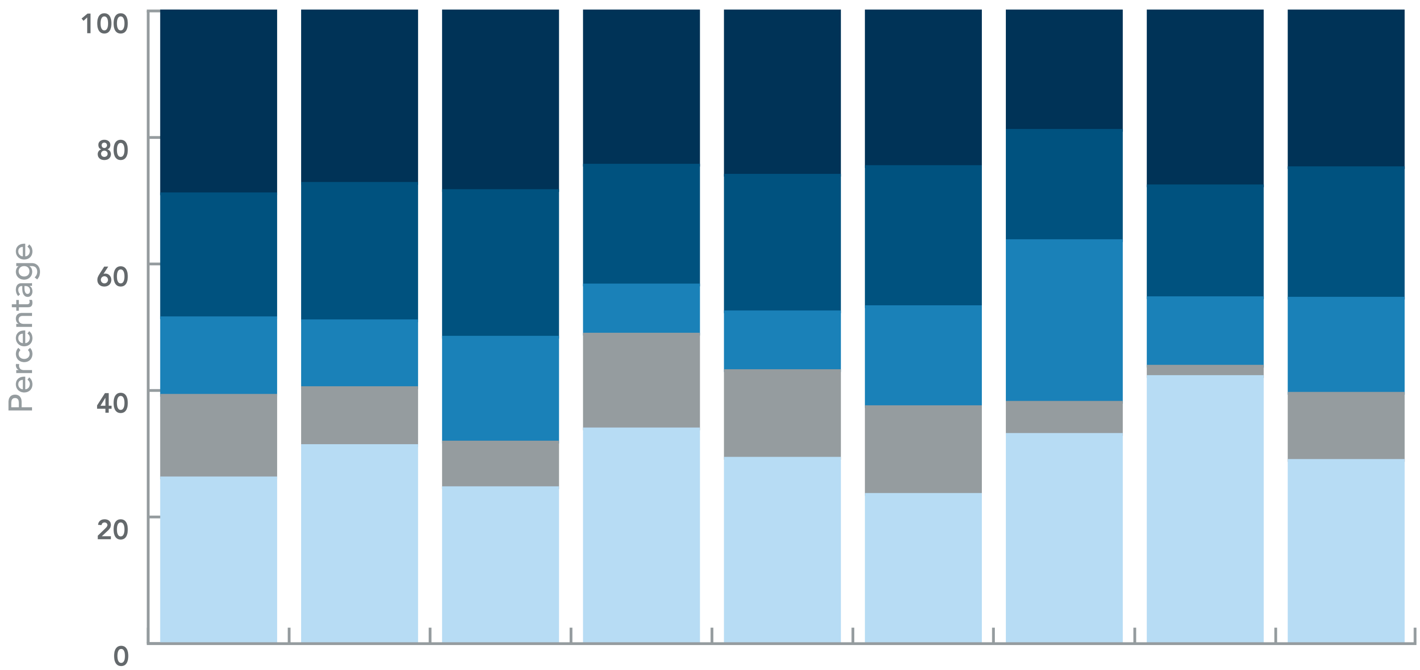


	Less than $1B	Between $1B and $5B	Between $5B and $15B	Over $15B
Salary	42.5%	34.2%	29.2%	24.9%
Annual Cash Target	19.2%	20.9%	20.8%	19.2%
Stock/Units Time-Vested	18.6%	15.7%	16.1%	15.2%
Options/SARs Time-Vested	9.0%	9.5%	7.8%	11.6%
Performance Incentives	10.6%	19.7%	26.1%	29.0%

Data Points

- HR executives were awarded about one-fifth of their total compensation in annual cash bonus awards across all revenue ranges *(Fig. 5)*
- Performance incentives were more prevalent as a pay component for HR executives at companies with higher revenues *(Fig. 5)*
- Companies with less than $1 billion in revenue awarded the highest percentage of total compensation in salary at 42.5% of the average pay mix—salary became a progressively smaller proportion of overall pay mix as revenue size increased *(Fig. 5)*

Figure 6 Average Pay Mix, Equilar 500 Companies by Sector in 2016



	Basic Materials	Consumer Goods	Financial	Healthcare	Industrial Goods	Services	Technology	Utilities	Equilar 500
Salary	28.9%	27.3%	28.4%	24.4%	26.0%	24.6%	18.9%	27.6%	24.8%
Annual Cash Target	19.6%	21.7%	23.2%	18.9%	21.6%	22.2%	17.4%	17.7%	20.6%
Stock/Units Time-Vested	12.3%	10.6%	16.6%	7.8%	9.3%	15.8%	25.6%	10.8%	15.0%
Options/Sars Time-Vested	13.1%	9.2%	7.2%	15.0%	13.9%	13.9%	5.1%	1.6%	10.6%
Performance Incentives	26.2%	31.3%	24.6%	33.9%	29.3%	23.6%	33.1%	42.2%	28.9%

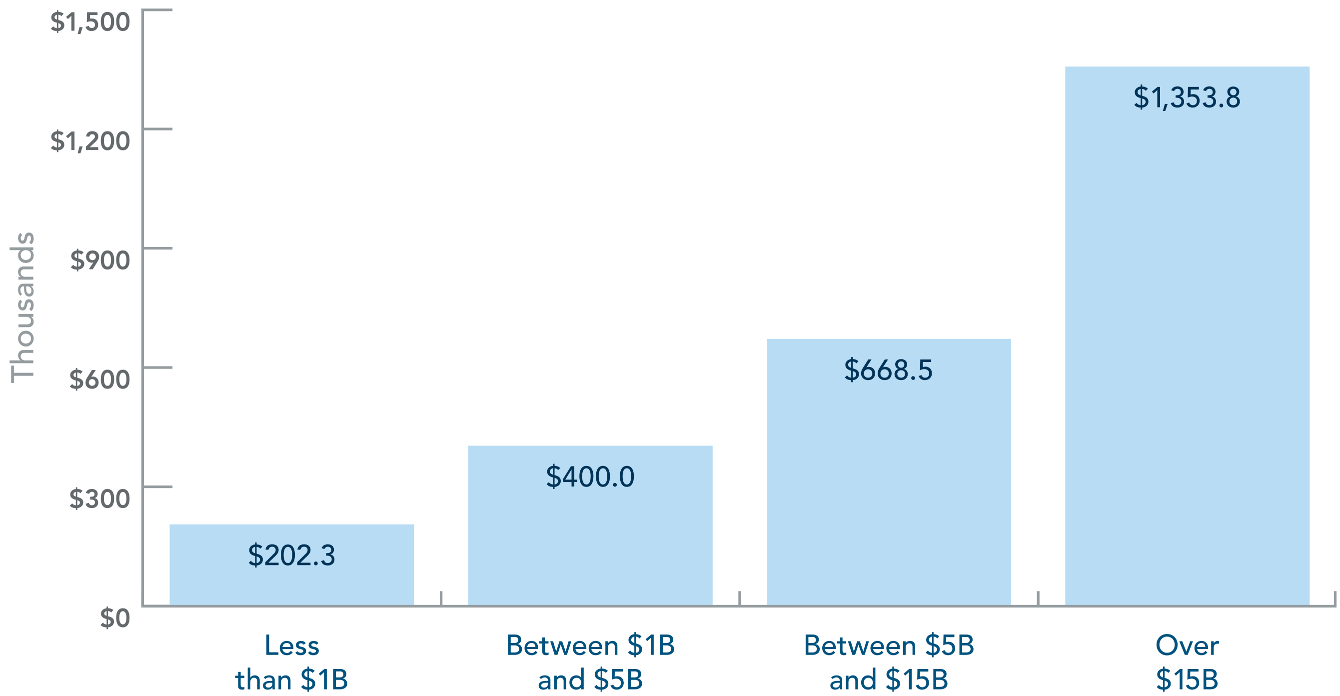
Data Points

- Financial companies offered the most cash as a percentage of total compensation, with 51.6% of total compensation coming from salary or a cash bonus—no other sector offered the majority of total compensation in cash *(Fig. 6)*
- Technology companies offered the largest average mix of time-vested stock—outpacing other sectors by a margin of at least 9.8 percentage points—while industrial goods and healthcare companies granted less than 10% of the average pay mix in the form of time-vested stock *(Fig. 6)*
- Technology (63.8%) and healthcare (56.7%) offered the largest mix of equity (the sum of stock, options and performance incentives) as a percent of average total compensation *(Fig. 6)*

Equity and Incentive Plans

HR Executive Pay Trends

Figure 7 Median Long-Term Incentive Target Values, by Revenue Range in 2016



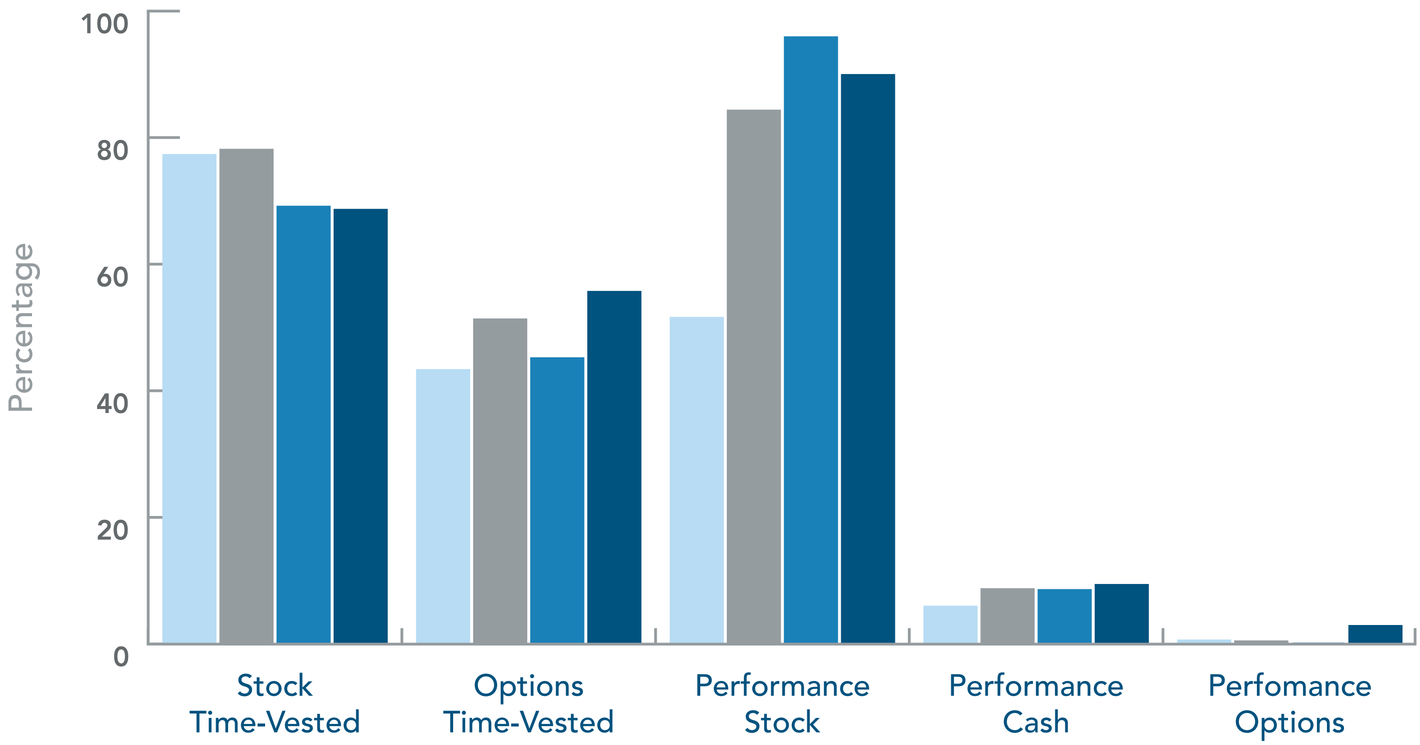
Data Points

- As companies earn more revenue, they tend to grant more long-term incentives (LTI) to their HR executives *(Fig. 7)*
- The median target LTI value was $1.4 million at companies above $15 billion in revenue, more than double the median target LTI granted by companies with revenue between $5 billion and $15 billion, and nearly seven times as large as the smallest companies in the study *(Fig. 7)*

Allegis Partners Commentary

Companies that believe in investing in people—as an asset to be developed versus only seeing them as a cost to be managed—find a direct correlation with revenue and total shareholder return. One of the biggest HR trends today is workforce analytics. New capabilities allow HR leaders to more accurately measure the return on investment for their initiatives, disrupting decades-old performance metrics that drive turnover, promotions, the annual bonus etc. Allegis Partners believes that more work needs to be done to design and development HR performance metrics that measure the longer range potential of strategic HR initiatives.

Figure 8 Long-Term Incentive Plan Vehicle Prevalence, by Revenue Range in 2016



	Stock Time-Vested	Options Time-Vested	Performance Stock	Performance Cash	Perfomance Options
< $1B	77.2%	43.2%	51.5%	5.8%	0.5%
$1B - $5B	78.0%	51.2%	84.2%	8.6%	0.3%
$5B - $15B	69.0%	45.1%	95.8%	8.5%	0.0%
>$15B	68.5%	55.6%	89.8%	9.3%	2.8%

Data Points

- Companies with less than $1 billion in revenue were the most likely to award time-vested stock, with 77.2% of HR executives receiving such an award, in comparison to 68.5% of companies with more than $15 billion in revenue, the lowest prevalence in the study *(Fig. 8)*
- Performance stock was the most prevalent form of equity at companies with more than $1 billion in revenue, whereas time-vested stock was most used at companies with less than $1 billion in revenue *(Fig. 8)*
- Performance options were rarely awarded across the study, and at 2.8%, the $15 billion and above revenue range had the highest prevalence of companies awarding this type of incentive *(Fig. 8)*

Effectively Assess the Metrics in Your Incentive Plans

Equilar and the Center On Executive Compensation have partnered to develop the Incentive Plan Analytics Calculator (IPAC[sm]), which encompasses Financial Metric Correlation and Incentive Plan Design. With IPAC, you can assess the robustness of your incentive plan metrics compared to the metrics used by your peers, allowing you to adequately motivate your executives while satisfying investor interests.

Learn more: www.equilar.com/IPAC

Data Points

- Graded vesting accounted for 91.7% of all options granted to HR executives in the study in the most recent fiscal year *(Fig. 9)*
- Graded-vesting schedules over three years (44.9%) and four years (38.4%) were the most prevalent of all options granted *(Fig. 9)*
- Less than 2% of all options granted had vesting periods less than three years, with an equal amount of those having cliff-vesting and graded-vesting schedules *(Fig. 9)*
- Most cliff-vesting stock awards vest after three years, with 19.6% of all stock awards vesting on that schedule—other cliff-vesting awards comprised 10.1% of all stock awards *(Fig. 10)*
- Comparatively, graded-vesting schedules over three or four years combined for 60.8% of all stock awards *(Fig. 10)*

Figure 9 Options Vesting Schedules in 2016

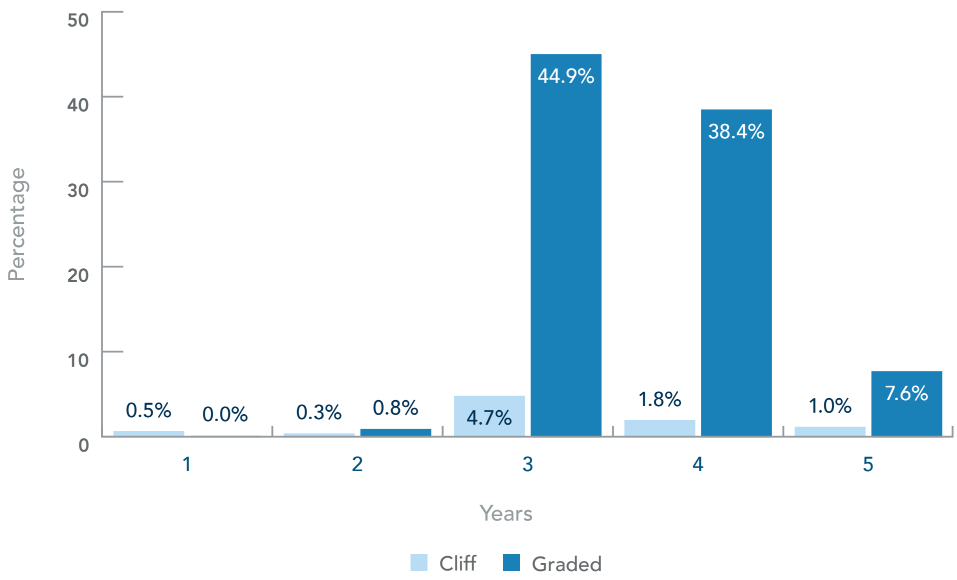
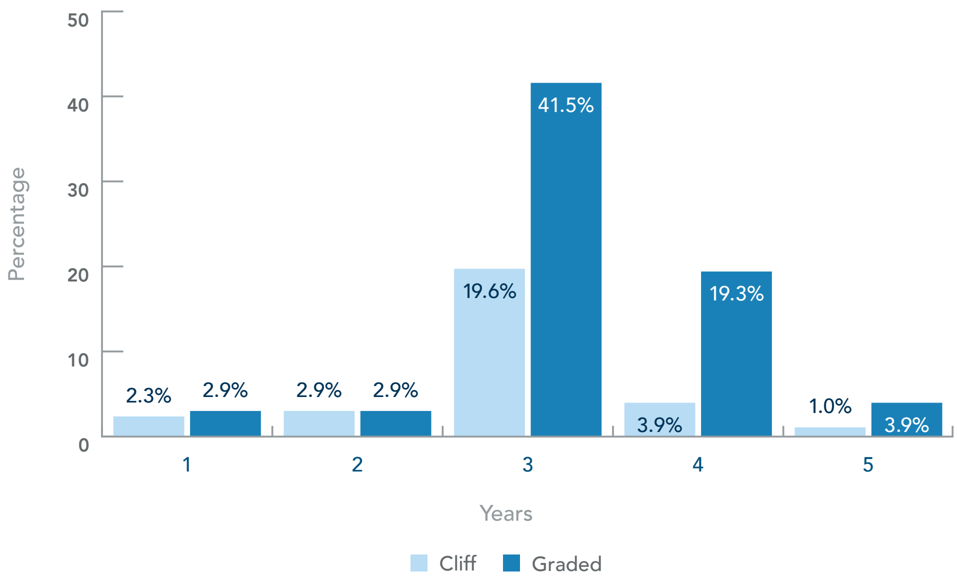


Figure 10 Stock Vesting Schedules in 2016



Data Points

- Similar to long-term incentive plan metrics for other C-suite executives, relative TSR was the most prevalent long-term performance measure for top HR leaders *(Fig. 11)*
- 28.3% of companies used other non-financial metrics to measure performance in their short-term incentive plans, but only 4.2% of companies did so for long-term incentive plans, potentially the result of difficulty measuring goals like customer or employee satisfaction over multiple years *(Figs. 11 & 12)*
- EPS is strongly tied to both short-term incentive plans (18.5%) and long-term incentive plans (16.3%) *(Figs. 11 & 12)*

Figure 11 LTIP Performance Metrics in 2016

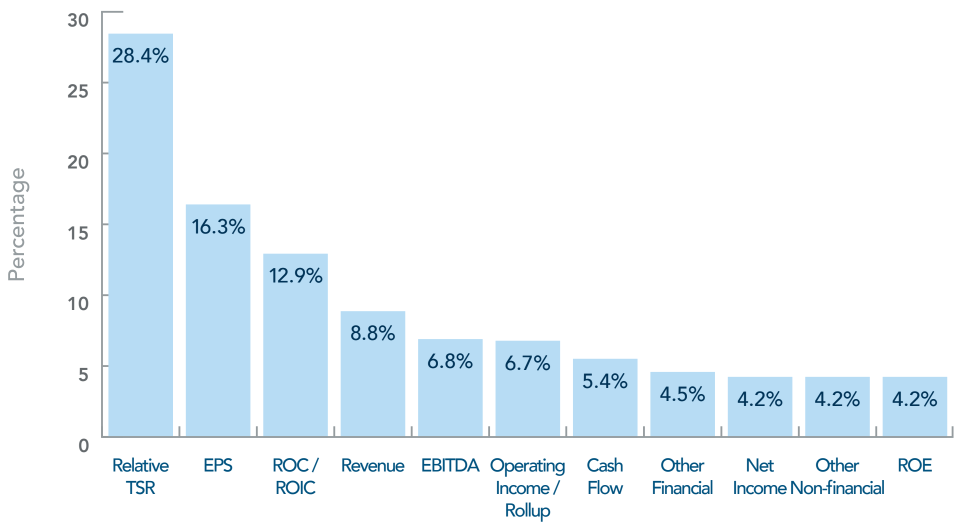
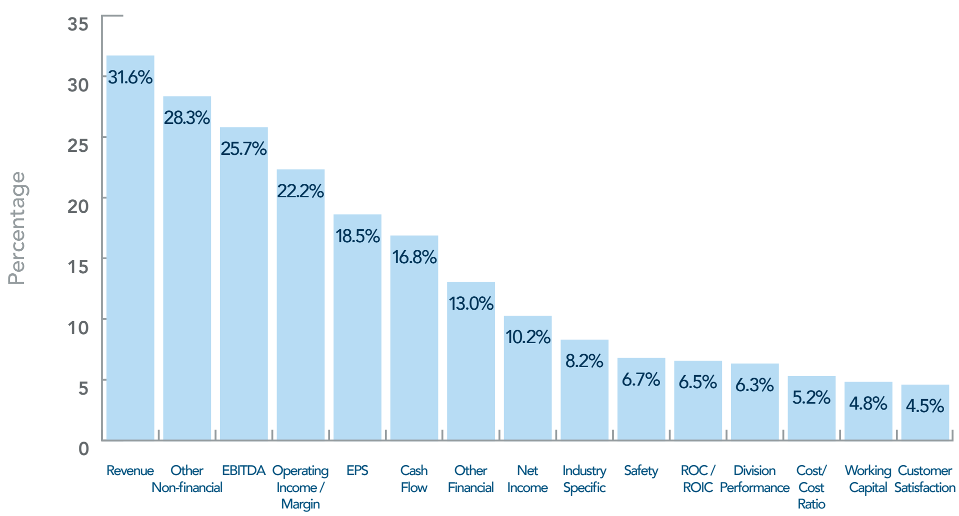


Figure 12 STIP Performance Metrics in 2016



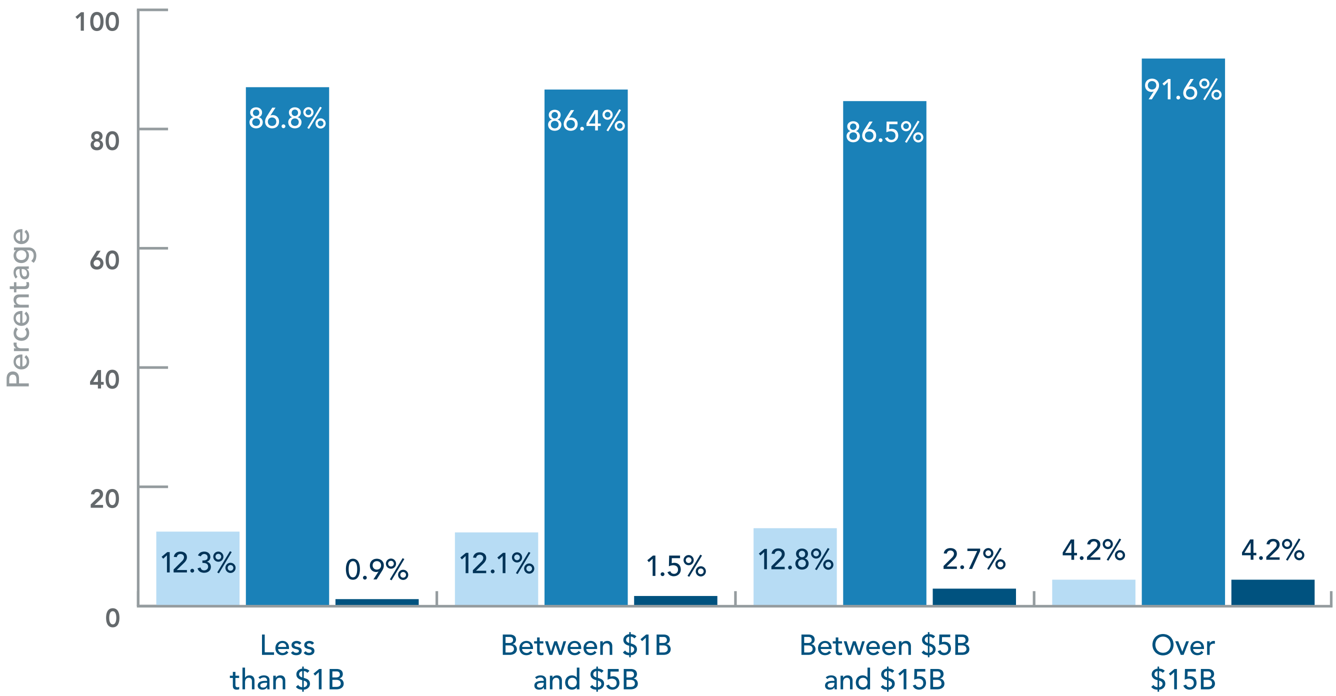
Allegis Partners Commentary

The biggest driver of TSR, EPS and return on capital is the effectiveness and efficiency of an organization's human capital.

CHROs recruiting new talent from outside are obviously looking to hire someone who is going to raise the bar and drive higher levels of performance in the company. Yet, when we meet with clients and discuss what they are looking for, we usually hear a very traditional role being described. They are still thinking current state, the next 90 days, versus thinking about how the organization is going to change (and it will) and how to think about future talent requirements and potential.

Our job is to challenge these assumptions and ask: How have you measured the performance of HR and how will you going forward? What are the conditions that created the need to hire talent from outside versus promoting an internal candidate? If the client is seeking a new CHRO from outside their organization, we drive the CEO very hard to consider candidates who are first and foremost great business thinkers and leaders, who also happen to be in HR. We ask them to consider this: What would it mean for them to have an HR leader who is just as business savvy and strategic as their CFO or CMO—why would you not want this?

Figure 13 LTIP Performance Periods, by Revenue Range in 2016



Data Points

- Likely due to the fact that the typical total shareholder return measurement is based over three years, the performance periods for each revenue range were predominantly three years in length *(Fig. 13)*
- Just 4.2% of companies with more than $15 billion in revenue offered LTI awards with performance periods that were less than three years, whereas more than 12% of companies in all other revenue ranges did so *(Fig. 13)*
- Performance periods greater than three years had a positive correlation with revenue, and 4.2% of companies with $15 billion and more in revenue employed such a plan, in comparison to 0.9% of companies with less than $1 billion in revenue *(Fig. 13)*

Appendix A

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

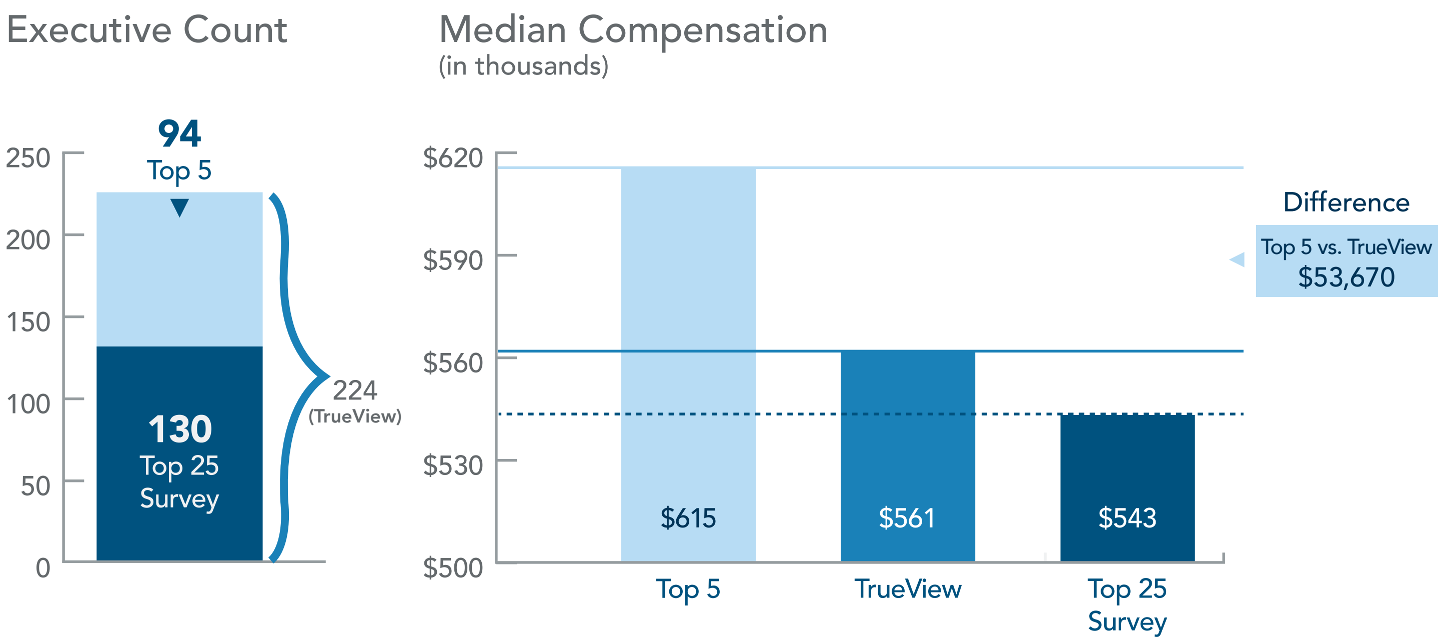
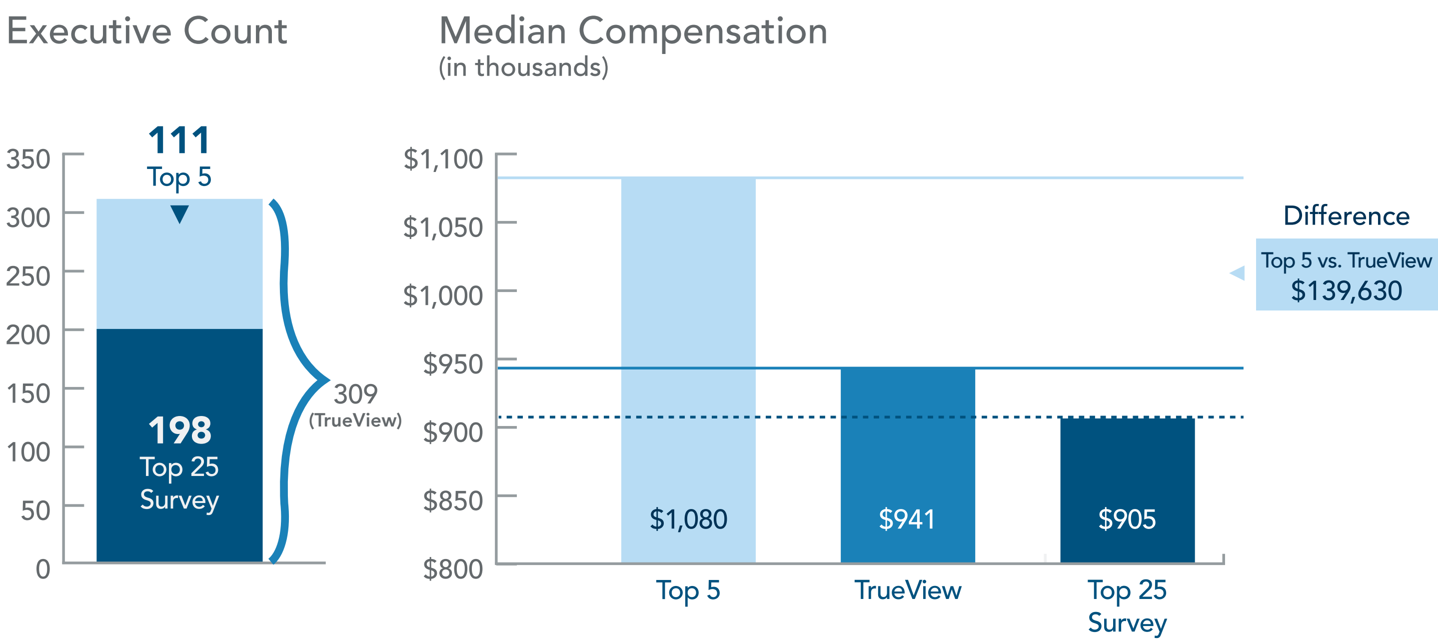


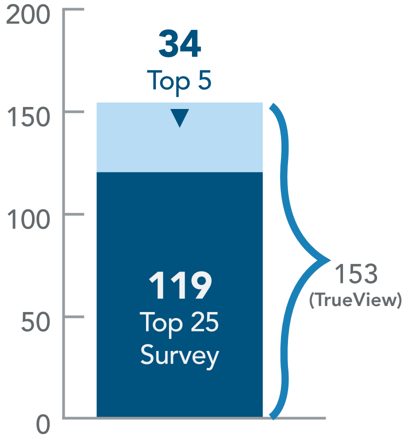
Figure A2 Total Direct Compensation at Companies between $1B and $5B in Revenue



Appendix A

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

Executive Count



Median Compensation
(in millions)

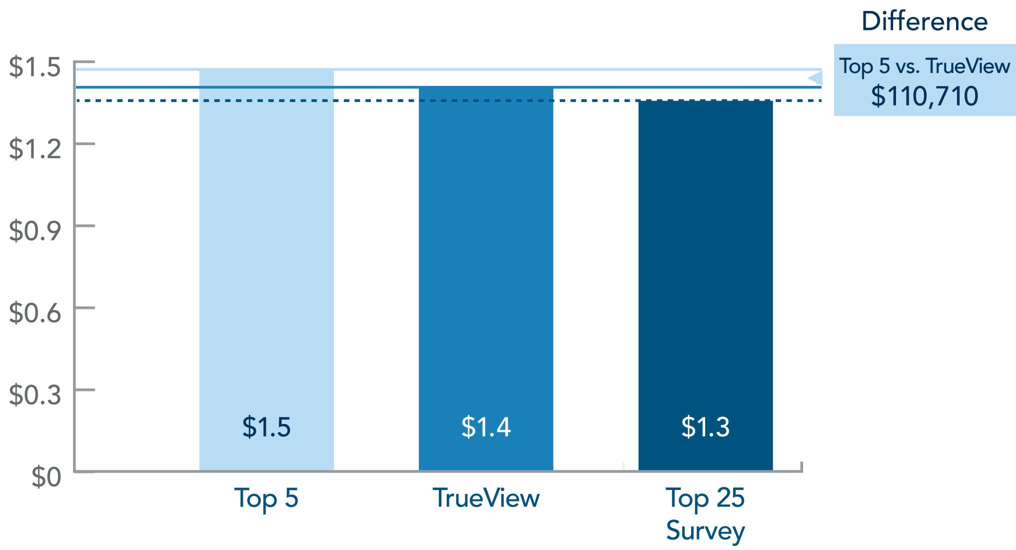
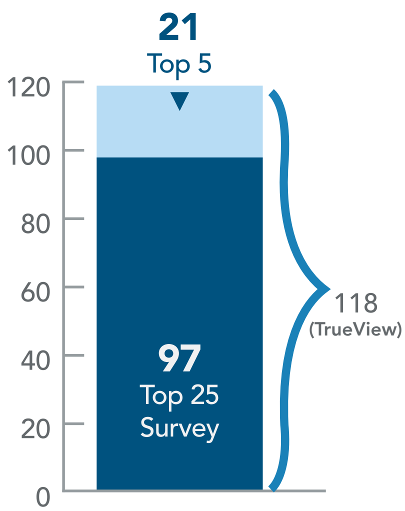
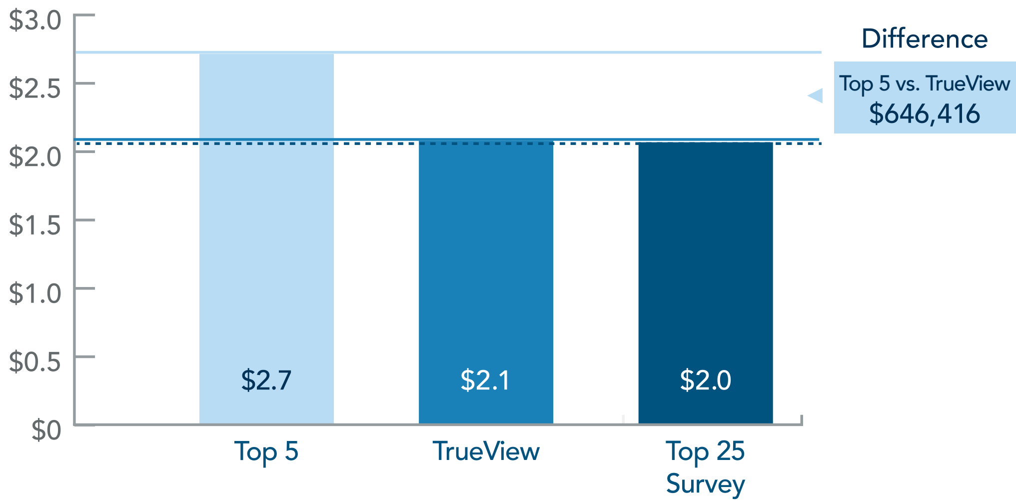


Figure A4 Total Direct Compensation at Companies over $15B in Revenue

Executive Count

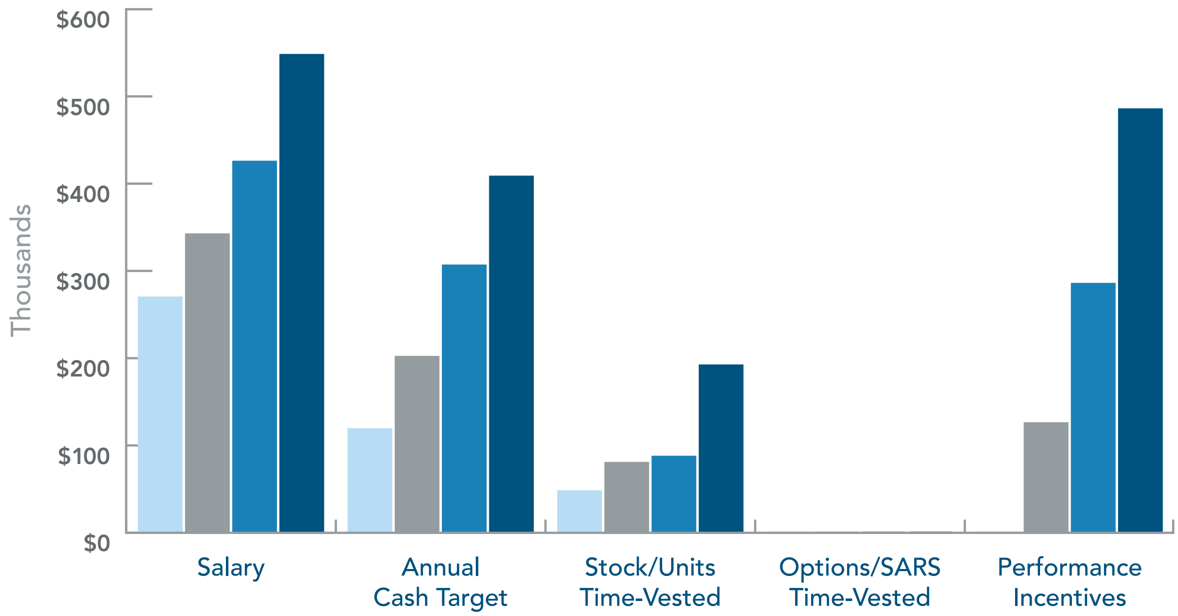


Median Compensation
(in millions)



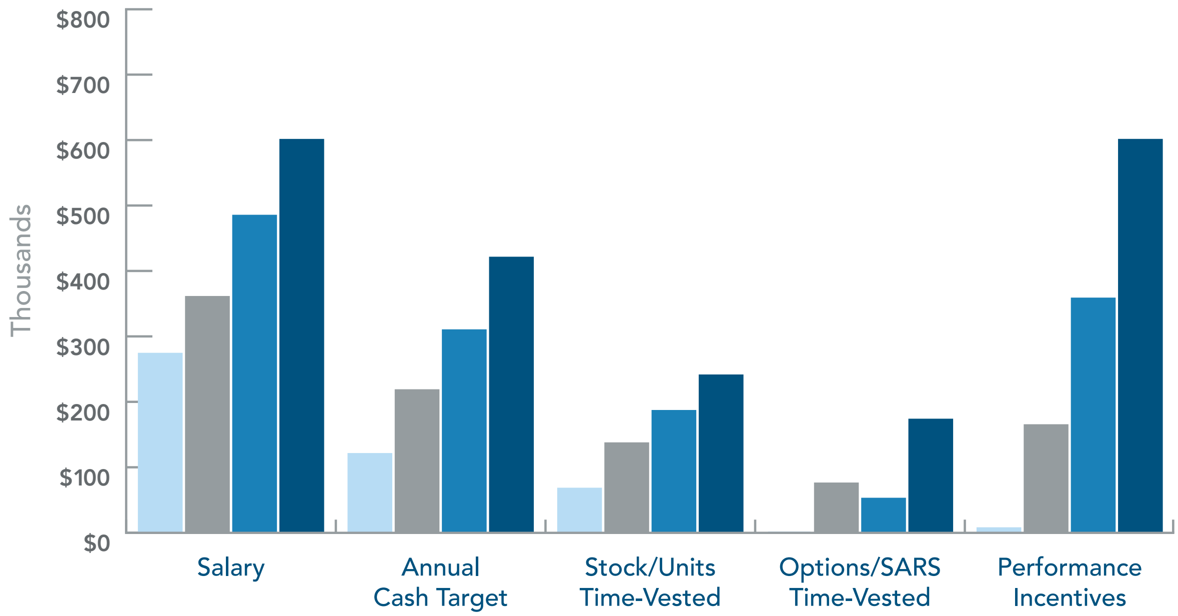
Appendix B

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



	Salary	Annual Cash Target	Stock/Units Time-Vested	Options/SARS Time-Vested	Performance Incentives
< $1B	$269.3	$118.5	$47.3	$-	$-
$1B - $5B	$341.8	$201.3	$79.8	$-	$125.3
$5B - $15B	$425.0	$306.0	$86.9	$-	$285.0
>$15B	$547.4	$407.9	$191.5	$-	$485.0

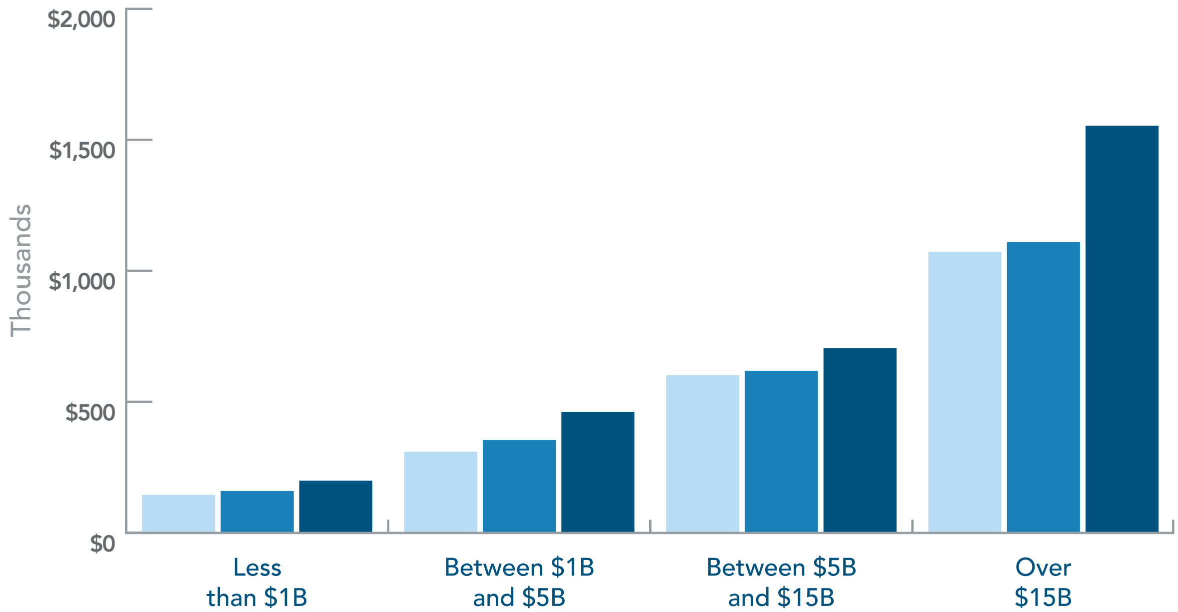
Figure B2 Median Pay Components, Proxy by Revenue Range



	Salary	Annual Cash Target	Stock/Units Time-Vested	Options/SARS Time-Vested	Performance Incentives
< $1B	$273.2	$120.0	$67.0	$-	$6.5
$1B - $5B	$360.0	$217.5	$136.3	$75.0	$164.0
$5B - $15B	$484.1	$309.0	$185.8	$51.7	$357.5
>$15B	$600.0	$420.0	$240.1	$172.5	$600.0

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	$140.2	$305.1	$596.8	$1,067.7
TrueView	$155.7	$350.0	$614.1	$1,105.3
Proxy	$194.5	$457.4	$700.0	$1,549.2

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