

Cash is not king

CEO annual cash pay raises hit new low with smallest increase in six years

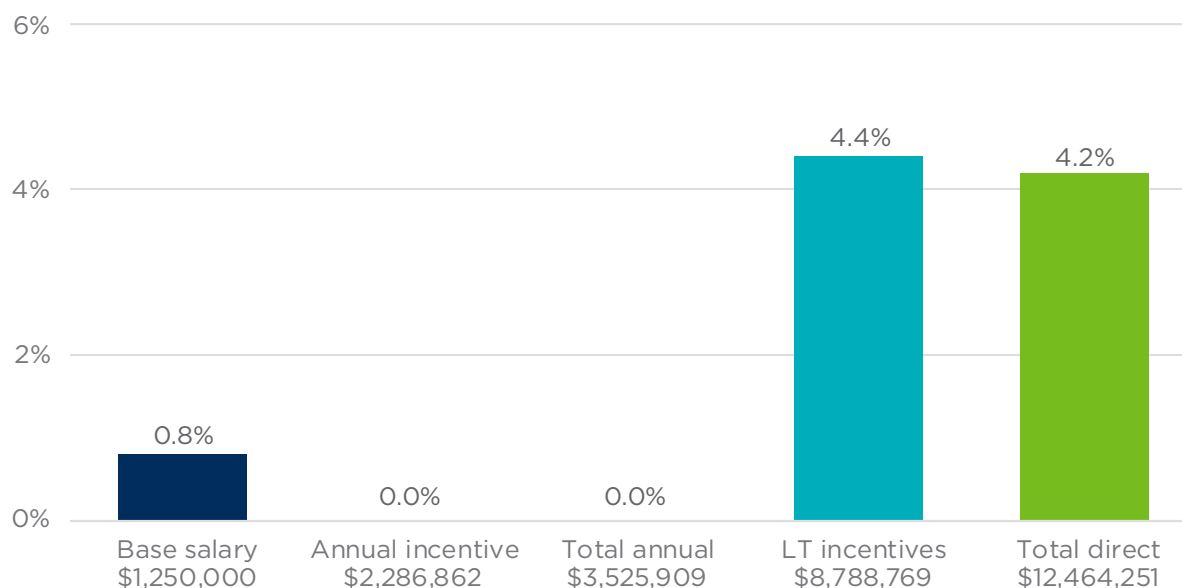
Korn Ferry Hay Group 2016/2017 CEO compensation study

In determining CEO compensation at top public companies in 2016, Boards turned to longer-term CEO compensation vehicles instead of more immediate salary and bonus increases to reward top leaders, new research by Korn Ferry Hay Group finds.

Now in its tenth year, the Korn Ferry Hay Group CEO compensation study examined all forms of pay for CEOs at the 300 largest public companies with revenues of at least \$9 billion in fiscal year 2016.

Overall, CEO total direct compensation increased 4.2 percent to \$12.5 million. However, median annual cash compensation for CEOs was flat at \$3.5 million, including minimal base salary growth of 0.8 percent to \$1.3 million and annual bonus payments remaining flat at \$2.3 million. Stock awards are up 4.3 percent to \$6.3 million and total long-term incentives grew 4.4 percent to a median value of \$8.8 million.

2016 CEO median compensation changes and values



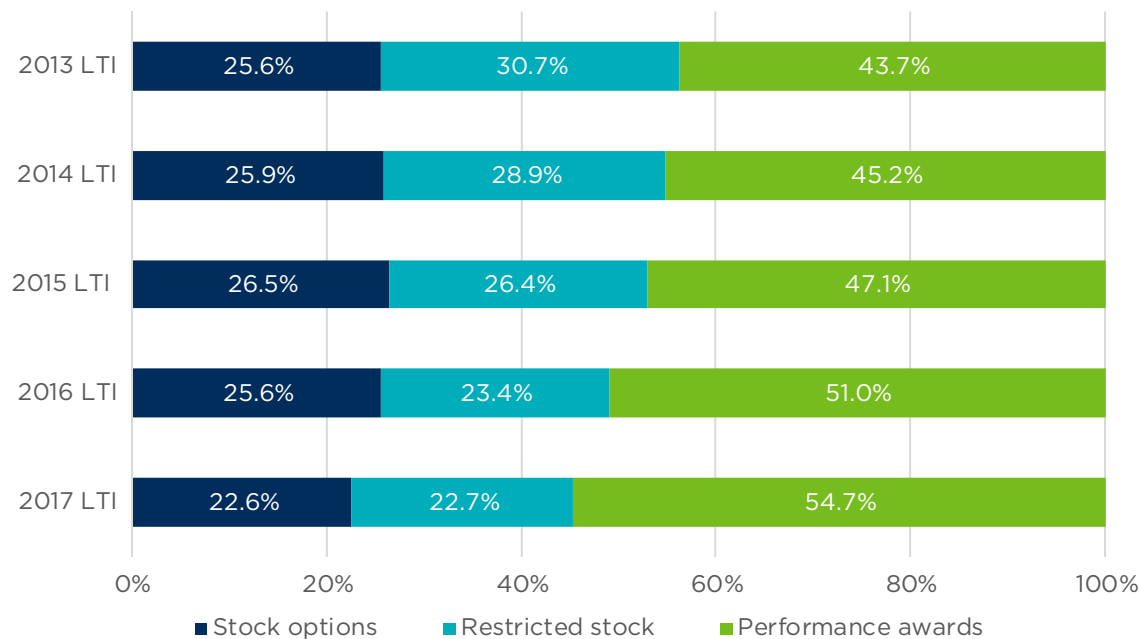


The smallest increase in the past 6 years in CEO annual salary growth corresponded to a relatively good total shareholder (TSR) return of 12 percent, compared to a TSR of 0.1 percent return in 2015. Total revenue was slightly up at 1.6 percent and net income growth among the companies was 2.6 percent.

“Compensation committees recognize the need to reward and retain high-performing CEOs, but with more pressure on year-over-year financial goals and increased scrutiny from governance watchdogs, investors and the media, it’s hard for committees to justify increases in salaries and bonuses,” said Irv Becker, Korn Ferry Senior Client Partner and North American leader of Executive Pay & Governance. “Today, CEOs are being held to incremental goal setting and increased pressure to perform, and instead of immediate rewards, Boards are turning to longer-term, performance-based incentives.”

The emphasis on performance awards as part of the long-term incentive mix increased to its highest level with performance awards accounting for 54.7 percent, followed by restricted stock at 22.7 percent and options at 22.6 percent.

Historical view: Changes in CEO long-term incentives



“It’s an easy decision for Boards to reward CEOs with performance equity,” said Becker. “It incentivizes CEOs to focus on longer-term results and is a positive way to reward CEOs while aligning with shareholders’ interests and giving them confidence that the CEO is focusing on both current and future performance.”

About the Korn Ferry Hay Group 2016/2017 CEO compensation study

The 2016 study focused on the primary elements of compensation for CEOs of the 300 largest public companies by revenue to file their final definitive proxy statements between May 1, 2016 and April 30, 2017.