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# Trends and Tensions Putting Executive Compensation Under the Global Microscope

**Chris Galway**, Partner, EY

**Joanna Mak**, Share Plan Senior Manager, Brambles

**Sarah McMaster**, Senior Manager, EY

**Bill Murphy**, Principal, EY

**Sally H. VanZandt**, Executive Compensation & Mobility Senior Director, McCormick & Company, Inc.

## Introduction

- What themes are emerging about executive compensation globally?
- What might long-term incentive (LTI) awards look like in the future?
- How are companies navigating the various stakeholders views in designing effective LTI awards?



# McCormick & Company, Inc.

Our Mission – “Save the World from Boring Food”

- Headquarters in Baltimore, Maryland, US
- 30 brands globally
- Consumer (retail) and industrial (ingredients) segments
- Spices, seasonings, broths, marinades, grilling products, condiments, chilled herbs, dessert products, Hispanic, Asian, and other ethnic foods
- 12,000 employees in 20+ countries
- 2016 net sales = US\$4.4 billion



# McCormick's LTIs

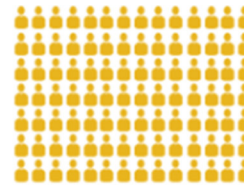
	Long term performance plan (cash + stock)	Stock Options	RSUs
Participants	Named executive officers + sr. executive	Named executive officers + sr. executives + VPs	Directors + VPs
Award size	Target value based on market	Value based on market for NEOs and sr. execs; % of salary for VPs (3 tiers globally)	% of salary (3 tiers globally)
Performance metrics	Cumulative net sales growth (stock) and relative TSR (cash)	N/A	N/A
Vesting period	3 years - cliff	Vest annually over three years	Vest annually over three years
Holding/clawback periods?	Clawback applies	Clawback applies	N/A



# Brambles

- Supply-chain logistics company
- Listed on the Australian Securities Exchange (ASX)
- Operates in more than 60 countries, with its largest operations in North America and Western Europe.

At 30 June 2016, the Group...



Employed more than...

**14,500**

People



And owned...

**550M**

Pallets, Crates & Containers



Through a network of...

**850**

Service Centres

**Brambles**

**CHEP**

**IFCO**



# Brambles' LTI

	<b>Performance Share Plan</b>
Participants	Executive Leadership Team (including CEO) + SVPs
Award types	Performance rights
Award size (% of salary)	Varies by band (ranges from 40% to 130% of base salary)
Performance metrics	(i) Relative TSR (50% of award); and (ii) Sales Revenue and Brambles Value Added ("BVA") growth (BVA represents the value generated by the business over and above the cost of capital used to generate that value) (50% of award).
Vesting period	3 years – cliff
Holding/clawback periods?	Clawback applies



## Key themes globally

- Increased scrutiny from regulatory and investor bodies, and public perception, but inconsistency of views
- Shareholder voting – sufficient levels of engagement?



## Key themes globally (2)

- Link between pay and performance continues to be important – how do we measure / communicate it?
- Question of quantum: the “excessive pay” narrative





## Local themes - USA

- Say on Pay results continue to be widely supportive of executive compensation programs
  - Key area of focus continues to be pay for performance of which equity is a significant element
  - Continued increase in performance based equity in use and as a percentage of the total LTI mix
- Rise of state and local focus on internal pay equity
- Contrast with Trump administration focus on rolling back some Dodd-Frank provisions with pay equity one of the key provisions under review



## Local themes - Australia

- Recent increase in major company 'no' votes on remuneration report
- Investors taking a broad view: 'whole of company' performance
- Companies exploring tailored plans to support business strategy



## Local themes - UK

- Scrutiny wrapped up in wider corporate governance reviews
- More regulatory intervention?
- Drive for simplification – not just tweaking traditional design
- Awards without performance conditions



# Future design of equity compensation

- Revising award design
  - Performance periods and holding periods: extending deferral / vesting / holding periods
  - Design of awards that contemplate clawback arrangements
  - Appropriate performance measures: the continued rise (and fall) of TSR
  - Individual performance adjustments pre-grant
  - Increased use of discretion



## Future design of equity compensation (2)

- Changing award structures
  - Increasing prevalence of performance restricted stock unit awards (USA)
  - Increased use of “restricted shares” (UK)
  - Use of bespoke incentive arrangements (Australia)
- Increased focus on effective communication of awards at grant and throughout the performance period



## Future design of equity compensation (3)

- How to design an LTI program for a global population
- Considerations include:
  - Fixed value based on salary grade/band regardless of location
  - Regionally or country specific value determinations despite or in addition to specific salary grade/band



## Conclusion

- The increasingly global view – developing a consistent yet reasonable approach
- Differences within markets, but clear global themes impacting on equity awards
  - Shareholder activism
  - Proxy advisor impact
  - High public profile of executive compensation



# Questions





# Thank you

**Bill Murphy**  
EY (Cleveland)  
[william.murphy05@ey.com](mailto:william.murphy05@ey.com)

**Chris Galway**  
EY (Sydney)  
[chris.galway@au.ey.com](mailto:chris.galway@au.ey.com)

**Sarah McMaster**  
EY (London)  
[smcmaster1@uk.ey.com](mailto:smcmaster1@uk.ey.com)

**Sally H. VanZandt**  
McCormick & Co., Inc.  
[Sally\\_VanZandt@mccormick.com](mailto:Sally_VanZandt@mccormick.com)

**Joanna Mak**  
Brambles  
[joanna.mak@brambles.com](mailto:joanna.mak@brambles.com)



# Thank You

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