Agenda
November 27, 2017

Cutting Pay Complexity by Bucking the Performance Share Trend

Several U.K. companies are slashing long-term incentive plans and replacing them with grants of restricted stock with long vesting periods.

Proponents of the shift say it would tamp down swelling executive comp packages while also cutting complexity and focusing CEOs and other executives on the long term. Opponents warn that the move away from performance-based pay would cause misalignment between the interests of shareholders and executives.

The changes could appeal to companies in the U.S. that are concerned about the complexity of LTIPs, and RSUs with longer holding periods and extended vesting are already being used heavily in the broader technology and life sciences industries.

Research by **Main Data Group**, shows that 4% of companies in the Main Data Group database granted only time-based restricted stock to NEOs during fiscal year 2016, while 7% of companies with more than $20 billion in revenues averaged 100% restricted stock to NEOs over the past three years. These companies include Alphabet, Altria Group, Amazon, AstraZeneca, ExxonMobil, Facebook and Sears.

Additionally, roughly 15% of companies with revenues over $20 billion made no performance-based grants to NEOs over the past three years.