



FEUC FACULDADE DE ECONOMIA  
UNIVERSIDADE DE COIMBRA

Catarina Matias Rodrigues Simões

**Long Term Incentives for Executives:  
Pay for Performance**

Trabalho de Projeto do Mestrado de Continuidade em Economia, na especialidade em  
Economia do Trabalho, apresentado à Faculdade de Economia da Universidade de  
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Orientado por: Professor Doutor Paulino Teixeira

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## **Abstract**

Executive compensation in general, and Executive Variable Pay/Incentives in particular, have been subject to numerous discussions and analysis over the last decades. Especially after 2008-09 global financial crisis, Executives have been blamed for excessive risk-taking and “short-termism” in their decision making (i.e., pressure to produce short-term results) that led into extremely high Incentives payment (both short and long-term incentives) not connected with respective business results.

In this project work I analysed how Executive Compensation, and more specifically, Long Term Incentive Plans (LTIPs), offered in a group of 10 listed companies have been evolving in the last five years towards the Pay for Performance principle, that is, alignment of LTIP payment and positive business results. LTIPs represent a significant portion of Executive Remuneration and as such the most scrutinized element in a company’s Proxy Statement (or Annual Report for companies not listed in the USA). As a result of this study, I am able to confirm that companies’ LTIPs design is increasing the focus on its alignment between Executives incentive payment and business results, specifically: over time, LTIPs’ structure present an higher weight of Performance Shares, one of LTIPs’ most prevalent metric is Total Shareholder Return (TSR) and Executives are paid mainly via variable pay which is dependent on business results.

**Key Words:** executive compensation, long term incentive plans, financial crisis, pay for performance, proxy statements

**JEL Classification:** J33, M54, G18

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**List of Abbreviations**

CEO – Chief Executive Officer

EBIT – Earnings Before Interest and Taxes

EPS – Earnings Per Share

FCF – Free Cash Flow

FMCG – Fast Moving Consumer Goods

FMV – Fair Market Value

H1/H2/H3 – Hypothesis 1/2/3

LTIPs – Long Term Incentive Plans

NTO – Net Turnover

PIBT – Profit Before Interest and Tax

ROACI- Return on Average Total Capital Improvement

RoAFE – Return on Average Funds Employed

ROIC – Return on Invested Capital Increase

ROTA – Return on Total Assets

SEC – Securities and Exchange Commission

SO(s) – Stock Option(s)

TSR – Total Shareholder Return

## **1. Introduction**

In the scope of the Project Work needed to finalise my Master in Economics in Faculdade de Economia da Universidade de Coimbra (FEUC), I analyse in this study how Executive Compensation, and more specifically, Long Term Incentive Plans (LTIPs), offered in a group of 10 listed companies, have been evolving in the last five years towards Pay for Performance. LTIPs represent a significant portion of Executive Remuneration and as such the most scrutinized element in a company's Proxy Statement (or Annual Report for companies not listed in the USA).

The motivation behind this topic choice is provided by the fact that for the last few decades, and especially after 2008-09 global financial crisis, after Executives have been blamed for excessive risk-taking and "short-termism" (i.e. pressure to produce short-term results), the focus of Executive Compensation has been to align Executive pay with company's performance. Modern executive compensation theory holds that senior corporate executives should be compensated to incentivize sustainable growth, value and wealth creation within the cultural, societal and regulatory environment of the company and its industry. The result should be an alignment with shareholders who are the claimants for company's long term value creation. Executives are therefore not only expected to achieve business objectives but also improve company's share price and company's long term value, and managing this balance has become a priority for Executive pay.

Governments around the world put reforms towards more transparency on Executive Compensation in general and on Long Term Incentives in particular, aiming to foster sustainable corporate development and prevent excessive risk taking and myopic decision making. For example, The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 directed Securities and Exchange Commission (SEC) in order to establish rules requiring publicly traded companies in the United States, namely disclosure of a ratio calculation between the CEO's total compensation and the company's median employee's total compensation and Pay for Performance disclosure requirement. As a result, companies and their shareholders are in the midst of an evolution in Executive Pay program design not only due to the need of ensuring alignment with Company's business strategy and shareholders value creation, but also due to its high sensitiveness to external influences such as environmental regulation constant change, currency fluctuation, and

macroeconomic slowdown. Shareholders are therefore constantly monitoring Executive Pay versus business results and value growth aiming for enhanced pay for performance relationship.

To better understand the changing landscape of LTIPs, an analysis of 10 listed companies' Proxy Statements/Annual Reports from 2010 to 2015 was conducted. My main objective is to examine whether the 2010 to 2015 LTIP's metrics have been reviewed and adjusted towards shareholders demand for Executive Pay alignment with Business Results (according to the Pay for Performance principle), namely whether: i) usage of performance-based awards is increasing as opposed to time-vested restricted awards and Stock Options; ii) Relative Total Shareholder Return (TSR) is becoming the most prevalent performance metric; iii) Executive Remuneration is delivered primarily through variable pay, that is, mostly "with risk" as opposed to "guaranteed".

## **2. Literature review**

In the book "Too Much Is Not Enough: Incentives in Executive Compensation," Kolb (2012) argues that corporations act to establish compensation systems that provide their executives with behaviour-guiding incentives. However, some executives find their own, often perverse, incentives in the established pay systems. That is, they find their compensation program rife with incentives that they can exploit for personal gain at the expense of the firm and society. In public perception, executive compensation has always been high.

According to Kolb there are two questions (Why is executive pay so high and Why is executive pay distributed across so many vehicles) that cannot be answered in isolation, with economists providing two basic competing responses: the Optimal Contracting or Incentive Alignment and the Managerial Power theory. The Optimal Contracting (or Agency Theory) approach stresses that the executive compensation must be structured to provide executives the right incentives to manage the firm in a way that maximizes its value, and this required structured necessarily leads to high levels of compensation. The Managerial Power hypothesis asserts that executives capture the pay setting process and essentially write their own excessive pay checks. On the Managerial Power view, the complicated structure of executive compensation serves a key purpose by



disguising or “camouflaging” just how much that total compensation really is. According to this view, powerful CEOs effectively set their own pay, and they devise pay packages for themselves that ensure large rewards no matter how well they perform as managers and without regard to the financial results of the firm.

In “The Theory of the firm: Managerial behaviour, Agency, Costs and Ownership Structure”, Jensen and Meckling (1976) succinctly describe the essential potential conflict between principals and their agents: “We define an agency relationship as a contract under which one or more persons (the principal(s)) engage another person (the agent) to perform some service on their behalf which involves delegating some decision making authority to the agent. If both parties to the relationship are utility maximizers, there is good reason to believe that the agent will not always act in the best interest of the principal.” In turn, Kolb (2012) stresses that reduced to its essence, this particular methodological assumption is that individuals, in particular the managers of the firm, seek to maximize their personal utility. The central tension within agency theory is the realization that owners and managers of the firm are persons with their own desires, goals, and ends for which they strive. The divergence of interests between the owners and the managers of the firm creates an agency problem or agency conflict – the divergence of interests that arises between the principals (shareholders) and their agents (managers).

As the ultimate principal in a corporation, the shareholder must deal with inescapable agency problems. There are two ways to confront the problem of agency: the principal can monitor the agent and correct the agent’s behaviour as necessary, or the principal can establish incentives designed to induce the agent to behave in a manner more to the principal’s liking. This conflict has been recognized for almost 250 years, going back at least to Adam Smith and his “Wealth of Nations”: “the directors of such (joint-stock) companies, however, being the managers rather of other people’s money than of their own, it cannot well be expected, that they should watch over it with the same anxious vigilance with which the partners in a private co-partnery frequently watch over their own. Like the stewards of a rich man, they are apt to consider attention to small matters as not for their master’s honour, and very easily give themselves a dispensation for having it. Negligence and profusion, therefore, must always prevail, more or less, in the management of the affairs of such company” (Smith, 1776; 1904 ed., book V, chapter I, part III, article I).

Kolb summarizes that from this general agency-theoretic perspective the main issue concerns whether the job market for executive talent is efficient in the sense of achieving additional shareholder value for each incremental dollar of pay, given that there will always be some divergence of interests between the executive and the firm. This leads to the critical question of executive compensation from the perspective of agency theory: How well do executive compensation packages perform in aligning principal-agent incentives and, thereby, increasing shareholder wealth net of executive compensation?

Bedchuk and Fried (2005, p. 648) note the following relationships based on a variety of research findings: CEO pay tends to be higher, if: a) the CEO is also the chairman of the board; b) members of the board compensation committee own less stock; c) boards are large (making coordination among board members more difficult); d) the CEO has appointed many of the board members (strengthening bonds of loyalty and affection); and e) the firm has anti-takeover provisions in place (thereby making the CEOs position more secure). In turn, CEO pay is lower, if: a) there is a large outside shareholder (who has a financial stake sufficient to motivate monitoring); and b) a significant portion of the firm is owned by institutional investors (such that their larger stakes provide motivation to monitor the firm's performance and the CEOs compensation). In summary, the managerial power view asserts that CEOs have considerable power over their own pay, and the greater the power, the greater the pay.

Ehrenberg and Smith (2015) corroborate that workers can be viewed as utility maximizers, and "putting forth their best efforts" may entail working hard when they are sick or distracted by personal problems, or it may involve a work pace that they find taxing. Employees can be assumed to do what they feel is in their own interests unless induced to do otherwise by employer's system of rewards. Linking pay to output creates the presumption of strong incentives for productivity, but there are two general problems that incentive pay schemes must confront. One problem is that using output based pay has both benefits and costs to an employer, and both are affected by the extent to which a worker's output is influenced by forces outside his or her control. The second general problem facing pay for performance plans is the need to pick an output measure that coincides with employer's ultimate objective.

As Kenneth Arrow (the 1972 Nobel Laureate in Economic Sciences) once highlighted, "the most important development in economics in the last forty years has been

the study of incentives to achieve potential mutual gains when the parties have different degrees of knowledge.” In “Too Much is Not Enough: Incentives in Executive Compensation,” Kolb (2012) also emphasizes that the virtual obsession with incentives in compensation stems mainly from the 1990 article “CEO Incentives: It’s not How Much You Pay, But How,” by Michael Jensen and Kevin Murphy, in the Harvard Business Review. In this article, Jensen and Murphy called for a method of paying executives that would encourage them to take additional risk and make greater effort. In an idealized system, corporate boards would structure executive compensation such that “they would reward managers for the increased success fostered by greater risk taking, effort and ability”, but boards would also organize compensation in a manner such that “the threat of dismissal for poor performance can be made real”. The cry today is that Executive Compensation is too large and that CEOs take too many risks. One of the most popular explanations of the cause of the financial crisis 2007-2009 has been that financial executives, predominately motivated by self-enrichment, led their firms to take excessive risk. Kolb then argues that from 1992 to 2010, in the earlier portion of this period, CEO compensation accelerated more rapidly than did pay for other managers. From 1992 to 2000, average CEO compensation rose from about \$4 million to a peak of almost \$19 million in 2000 (in 2010 dollars). Ordinary workers have not seen their wages kept up with the increase in the value of the firms they serve. On the face of it, there is no reason why CEOs should be compensated dollar-for-dollar for increasing firm value while other employees of the firm should not.

The Tournament Theory does however conflict with the above description. Sherwin Rosen’s 1986 article (“Prizes and Incentives in Elimination Tournaments”) in The American Economic Review, highlights that there will be an increasing ratio of pay as the individuals move up along the corporate ladder. This is because the value of winning not only is the winner’s prize at that level but also includes the value of the possibility to compete for larger prizes at higher levels. As a consequence, there is a convex relationship between pay and organisational level. Note here that at the final level there is no further prize to be won, and CEOs should, therefore, be given an extra prize. Thus, tournament theory predicts an extraordinarily large pay differential between the CEO and the manager at the level next below.

Eriksson (1999), in his essay “Executive Compensation and Tournament Theory: Empirical Tests on Danish Data” claims that Tournament Theory fits well in with the results of an earlier study using the same data by Eriksson and Lausten (1996), which found only a weak pay for performance relationship. It may well be that executive pay has little to do with the absolute performance of the CEO or other senior managers and that instead the increasing pay differences act as an incentive to provide greater effort.

Kolb (2012) provides some insights into the different instruments as tools of incentive compensation by indicating that of the various elements of pay, salary, bonus and so on, the equity portion is the main vehicle through which the firm seeks to give the executive incentives for long term value maximization. It is identified that Restricted stock in all its various forms (including Performance shares) has become more popular in recent years. The percentage of S&P 500 firms granting restricted stock to their CEOs has increased from about 20% to 80% over the years from 1992 to 2010. Regarding Stock Options (SO), from the point of view of the firm, granting SOs provides powerful incentives for creating firm value, which is exactly what the firm desires. However, option granting and exercising hit a peak in 2000, at the height of the dotcom bubble and in recent years, there have been fewer options granted and much fewer exercises. The diminished exercise activity has been due in large to low stock prices in the aftermath of the financial crisis 2007-9, which made exercise impossible or unattractive if the intrinsic value was actually negative or if the intrinsic value was quite low. Ideally, the right mix of SOs and restricted stock in a pay package can provide the right incentives to incur risk. The potential upside of the SOs pushes the CEO to take risks, but the potential downside restrains excessive risk taking. Awards of Restricted Stock tie the wealth of a CEO to changes in the firm’s stock price, as do grants of SOs. However, a SO grant provides the CEO with heightened exposure not only to the firm’s stock price but also to the risk level of the firm. We have also seen that a compensation tilt toward restricted stock reduces the risk-taking incentives of CEOs. By contrast, a heavy reliance on SOs in the pay package can stimulate risk taking, an outcome that many firms have long regarded as desirable. Merely increasing the riskiness of the firm’s stock increases the value of SOs, but such an increase in risk does not raise the value of the firm or its shares. So the typical firm wants the CEO to amplify firm risk, but only by seeking profitable risky projects that increase firm value.

Concerning legislation and shaping of executive incentives in the wake of the financial crisis 2007-2009, the US Congress enacted new laws designed to reduce the level of executive compensation and to shape the incentives that compensation carries. The Dodd-Frank Wall Street Reform and Consumer Protect Act became law in July 2010, with sweeping implications for the regulation of financial sector, including corporate governance and executive compensation. Some provisions aim at reducing the level of pay. The law requires disclosure of executive compensation and the relationship between executive pay and other levels of the firm (this makes the magnitude of pay more salient). Other provisions of Dodd Frank aim at refining corporate governance. For example, the law requires that firms hold “say on pay” vote on executive compensation at least once during every 3-year period. The Dodd Frank Act also requires that all members of the compensation committee of the board of directors shall be independent director, that is, not officers or other employees of the firm.

Finally, the Dodd Frank Act directs the Securities and Exchange Commission to adopt rules regarding “clawbacks” of executive compensation that the firm judges to have been awarded inappropriately, and the law expressly includes compensation deriving from SOs. Clawback provisions therefore allow firms to recoup executive compensation that were judged – after the fact – to be undeserved.

There is though a lot of scepticism around the Dodd Frank regulation, more specifically on its modesty and increased level of complexity in company’s reporting, as flagged in the Essay “Paying High For Low Performance” by Steven A. Bank and George S. Georgiev (2015). According to these authors, after the recent financial crisis, the Dodd Frank Act of 2010 aimed to embed the “pay for performance” and five years on, we find that the main result has been a thicker executive compensation rulebook, more complex pay structures, and an heavy compliance burden that is only set to increase as a result of major recent SEC activities.

With my analysis over the 10 listed companies’ proxy statements I aim to test some of the above propositions, and highlight that the LTIP design has changed, in 2010-2015, towards an increasing alignment between executive incentives and companies’ performance. Furthermore, and in alignment with Kolb (2012) and Mercer LLC (2009), I also aim to that executive compensation means improving corporate governance. It is clear that the composition of the board of directors matters to a great deal to the level of

executive compensation and to tying executive pay to firm performance. In brief, boards that are more independent of the CEO, boards that do a better job of monitoring the performance of the firm and the CEO, and boards whose members have a personal stake in the fortunes of the firm lead to lower levels of compensation and better corporate performance for each dollar of executive pay. A stronger corporate economic performance for each dollar of executive pay as the result of better corporate governance provides benefits for the entire society. And a tighter actual and perceived linkage between hefty executive pay-checks and corporate performance will at least ameliorate some of the social stress occasioned by the present operation of executive pay system.

### 3. Methodology

#### 3.1. Sample

The analysis is conducted on 10 listed companies' Proxy Statements/Annual Reports from 2010 to 2015: Amcor, British American Tobacco, Colgate-Palmolive, General Mills, Johnson & Johnson, Kelloggs, Kimberly Clark, MacDonalds, Mondelez, and Procter & Gamble.

The 10 companies selected for this sample are listed companies, whose shares are traded on stock exchanges, mostly in the USA (at the New York Stock Exchange; a total of 8) 1 in UK (at the London Stock Exchange); and 1 in Australia, at the Australian Securities Exchange. All these companies are in the Fast Moving Consumer Goods sector (FMCG), which can be characterised by producing goods that represent small-scale consumer purchases, have short shelf lives and have relatively low cost. In general, FMCG sales have low profit margin when compared to other industries, but respective volume of sales makes up for it. As investments, FMCG stocks are a generally low-growth, but safe investments with predictable margins, stable returns and regular dividends. The selected companies are market leaders in their segment, owners of international brands with an Average 2015 annual revenue of USD30 billion, Median of USD19 billion.

#### 3.2 Variables: Definition and Sources

Table 1 below contains all variables and respective sources, analysed throughout this project work. These variables are critical in understanding what characterises, defines and establishes the relationship between Executive variable pay and companies' business results.

**Table 1: Variable Definition and Sources**

<b>Name</b>	<b>Definition and explanation</b>	<b>Source</b>
X1 - Drive Company Performance	Align Executives' remuneration with company results and shareholders interest of company's long term value creation	Annual Reports/Proxy Statements, 2010-2015
X2 - Attract and Retain Executives	Ensuring Executives' remuneration is competitive in the relevant employment market place to support the attraction,	Annual Reports/Proxy Statements, 2010-2015

	motivation and retention of executive talent.	
X3 - Enhance Stock Ownership	Executives are required to maintain or exceed specific levels of equity ownership in order to further align their interests with those of shareholders	Annual Reports/Proxy Statements, 2010-2015
X4 - Relative Total Shareholder Return (TSR)	1) Total Shareholder Return is the stock price plus dividend (reinvested) less the price of the stock over a stated period of time. 2) Relative Total Shareholder Return is the company's total shareholder return (TSR) measured against the TSR of other companies, usually those in a peer group defined by the company"	Ellig (2014). <a href="http://www.mystockoptions.com/">http://www.mystockoptions.com/</a>
X5 - Share Price increase	1) Share is a portion of interest in a company represented by a stock certificate 2) Share Price increase refers to the increase in the price of an individual share in a company"	Ellig (2014) <a href="http://www.collinsdictionary.com">http://www.collinsdictionary.com</a>
X6 - Sales before Tax Operating Profit	Net sales, less the cost of product sold and less selling, general and administrative expense, after adjustments	Procter&Gamble 2010 Proxy Statement
X7 - Return on Total Assets (ROTA)	Operating income divided by average assets	MacDonalds 2010 Proxy Statement
X8 - Return on Average Funds Employed (RoAFE)	Annualised profit before interest, tax and significant items (PBIT) earned by the company during a reporting period, as a percentage of the average funds employed by the company during the	Amcor 2010 Annual Report



	reporting period.	
X9 - Return on Average Total Capital Improvement (ROACI)	A financial ratio that shows profitability compared to investments made in new capital; it is calculated as Average Total Assets - Average Current Liabilities	<a href="http://www.investopedia.com">http://www.investopedia.com</a>
X10 - Organic Revenue Growth	Net revenues growth, excluding the impact of acquisitions, divestitures, and currency	Mondelez 2010 Proxy Statement
X11 - Operational Sales Growth	1) Increase in company's revenue 2) Operating Revenue is the company's income derived from sources related to a company's everyday business operations."	Ellig (2014). <a href="http://www.investopedia.com">http://www.investopedia.com</a>
X12 - Operating Profit Growth	1) Growth of Income before interest and taxes; it is also called EBIT (earnings before interest and taxes) 2) Operating Profit = Operating Revenue - Cost of Goods Sold - Operating Expenses - Depreciation & Amortization"	Ellig (2014). <a href="http://www.investopedia.com">http://www.investopedia.com</a>
X13 - Free Cash Flow (FCF)	Cash in excess of operational and financing available for investment, or, alternatively, cash in excess of operational and investment	Ellig (2014)
X14 - Earnings per Shares (EPS)	Net income divided by the average total number of shares outstanding	Ellig (2014)
X15 - Return on Invested Capital Increase (ROIC)	This measure is also known as "return on capital" and it is used to assess a company's efficiency at allocating the capital under its control to profitable investments; Return on invested capital gives a sense of how well a company is using its money to generate returns; it is	<a href="http://www.investopedia.com">http://www.investopedia.com</a>

	calculated as (Net Income-Dividends)/Total Capital	
X16 - Annual Net Sales Growth	Growth in Gross sales less returns, allowances, and discounts	Ellig (2014)
X17 - Net Turnover (NTO)	Growth in gross turnover less excise, duties and rebates	British American Tobacco 2014 Annual Report
X18 - Performance Shares	A long-term incentive plan with a performance period with the number of shares to be awarded dependent on preset performance criteria, typically a range from threshold to maximum with a target in between	Ellig (2014)
X19 - Stock Options	The right of a person to buy a stated number of shares of common stock of a company at a prescribed price over a specified period of time	Ellig (2014)
X20 - Time Restricted Stock	A stock award that cannot be sold for a specified period of time; stock is forfeited if leaving before the vesting period is complete	Ellig (2014)
X21 – Performance Shares Weighting	Performance Shares’ prevalence in total LTIP structure	Annual Reports/Proxy Statements, 2010-2015
X22 – Stock Options Weighting	Stock Options’ prevalence in total LTIP structure	Annual Reports/Proxy Statements, 2010-2015
X23 – Time Restricted Stock Weighting	Time Restricted Stock’s prevalence in total LTIP structure	Annual Reports/Proxy Statements, 2010-2015
X24-Performance Award Period	The preset length of time for measuring performance	Ellig (2014)

X25 - CEO Performance Based Remuneration	The ratio of CEO Performance Based Remuneration in comparison with overall CEO annual Remuneration/package	Annual Reports/Proxy Statements, 2010-2015
X26 - CEO LTIP Amount (grant value/FMV)	1) Chief Executive Officer's Long Term Incentive grant amount at Fair Market Value (FMV) 2) Fair Market Value (FMV) is the prevailing worth of an item at a point in time. For stocks, it is either the average of the high for a particular day or the closing price.	Annual Reports/Proxy Statements, 2010-2015. Ellig (2014).
X27 - CEO LTIP Amount variance	Annual variance of Chief Executive Officer's Long Term Incentive grant amount at fair market value (FMV)	Annual Reports/Proxy Statements, 2010-2015

### 3.3. Main Hypotheses

With this project work my main objective is to examine whether the 2010 to 2015 LTIP's metrics have been reviewed and adjusted towards shareholders demand for Executive Pay alignment with Business Results (i.e. according to the Pay for Performance principle), namely whether:

H1: Usage of performance-based awards is increasing as opposed to time-vested restricted awards and Stock Options.

H2: Relative Total Shareholder Return (TSR) is becoming the most prevalent performance metric.

H3: Executive Remuneration is delivered primarily through variable pay, that is, mostly "with risk" as opposed to "guaranteed".

The reason why the above conditions are enablers of Pay for Performance is detailed below:

**H1 [usage of performance-based awards is increasing as opposed to time-vested restricted awards and Stock Options]:** Performance shares can be regarded as awards of shares of stock or stock units granted contingent upon achievement of previously

defined performance objectives over a multi-year period. Performance-based incentives are popular with investors and proxy statements' advisors because they create a direct link between pay and performance, as well as alignment with investors. Regarding Stock Options the most significant criticism is related to the fact that the respective trading can be timed (opportunistic cash out), leading to potential wrong, risky and short-term business decisions.

**H2 [Relative Total Shareholder Return (TSR) is becoming one of the most prevalent performance metric]:** Relative Total Shareholder Return (Relative TSR) measures a company's shareholder returns against an external comparative group and is considered to have strong shareholder alignment, to be objective and transparent, and to permit multi-year measurement of performance. As stated in a Radford report (Radford Review – Key Design Considerations When Adopting a Relative TSR Program, 2012), Relative TSR metric offer organizations a multiple of benefits, including:

a) Increasingly, corporate governance organizations like Institutional Shareholder Services (ISS – The Global Leader in Corporate Governance & Responsible Investment) are examining potential pay-for-performance disconnecting by assessing the link between Relative TSR performance and executive compensation. The adoption of awards with a Relative TSR metric can minimize red flags raised by these groups.

b) Internal performance measures may be difficult to manage, especially from the Boardroom. To start, setting internal goals over multiple years can be indeed challenging in an uncertain macro-economic environment, and, secondly, most internal goals are considered confidential and they have the potential to reveal key strategic decisions. On the other hand, a Relative TSR metric requires limited long-term planning and does not threaten to shed light on specific operational tactics.

c) Relative TSR is increasingly recognized by shareholders as a favoured compensation strategy for driving shareholder value creation.

d) Companies in USA find the accounting treatment for Relative TSR awards to be more favourable than other performance plans given their accounting treatment under Accounting Standards Codification.

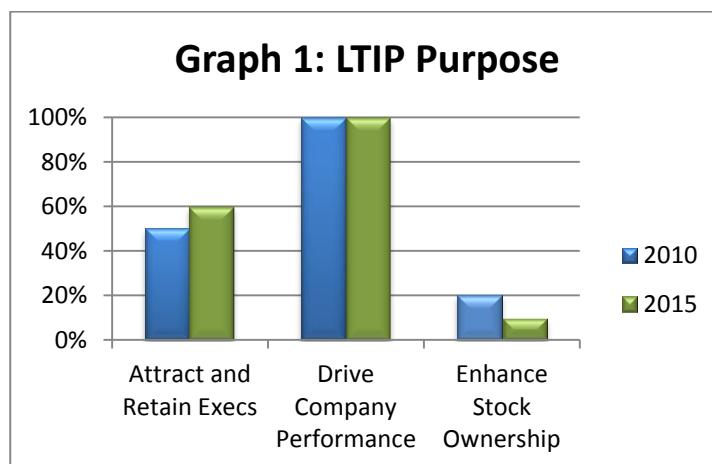
e) Few performance metrics are as easy to communicate and track as Relative TSR, which leads to greater transparency for plan participants and shareholders. Shareholder returns for both the issuer and for the comparative group are fully transparent,

easy to understand and readily accessible, giving plan participants at all levels, and the Board, equal insights into potential results and awards.

H3 [**Executive Remuneration is delivered primarily through variable pay**]: In mature organizations, and industries such as the FMCG sector, executive remuneration is heavily weighted towards variable pay, meaning that a significant portion of the remuneration opportunity involves risk and is contingent upon achieving positive business performance results. In testing this hypothesis, I am looking for the confirmation of this trend which is enhancing the Pay for Performance principle.

#### 4. Results

When defining the purpose of their Long Term Incentive Plans, companies highlight three main objectives: a) attract and retain Executives, b) drive company performance, and c) enhance stock ownership. As highlighted in Graph 1 (LTIP Purpose), the only purpose that is mentioned by all 10 companies is item b) – drive the company performance – which is then a confirmation on how important the Pay for Performance principle is in all organizations' LTIP design.



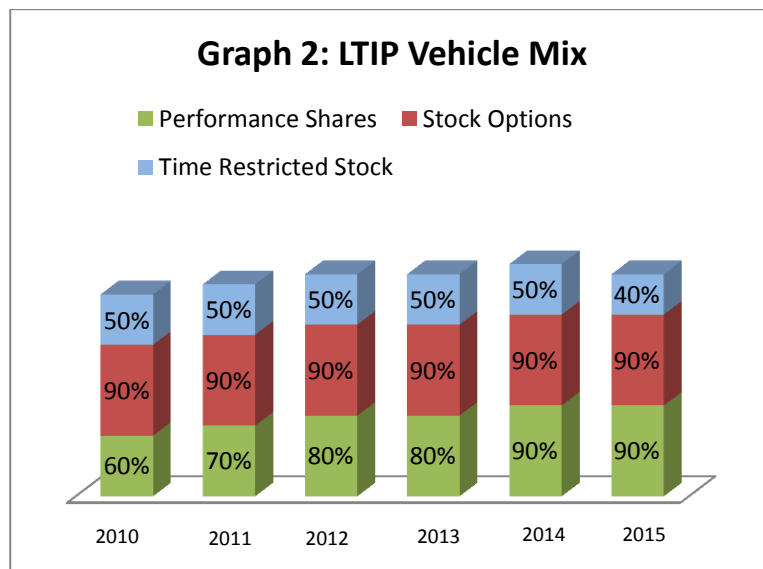
Source: Graph by author, based on 2010-15 proxy statements/annual reports

Testing H1[**usage of performance-based awards is increasing as opposed to time-vested restricted awards and Stock Options**] yields the following results:

a) As shown in Graph 2 (LTIP Vehicle Mix), the usage of Performance Shares as LTI vehicle has increased from 60% of companies in 2010 to 90% in 2015;

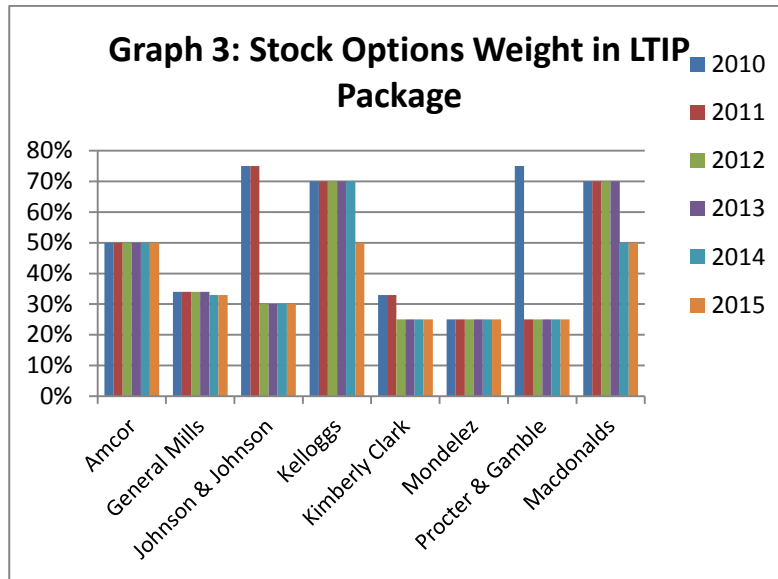
b) Time Restricted Stock is the least prevalent vehicle in LTIP design. In 2015, 40% of companies used this vehicle against 90% of companies offering both Stock Options and Performance Shares (see Graph 2, LTIP Vehicle Mix);

c) Time Restricted Stock usage has decreased from 50% of companies in 2010 to 40% in 2015 (Graph 2, LTIP Vehicle Mix);



Source: Graph by author, based on 2010-15 proxy statements/annual reports

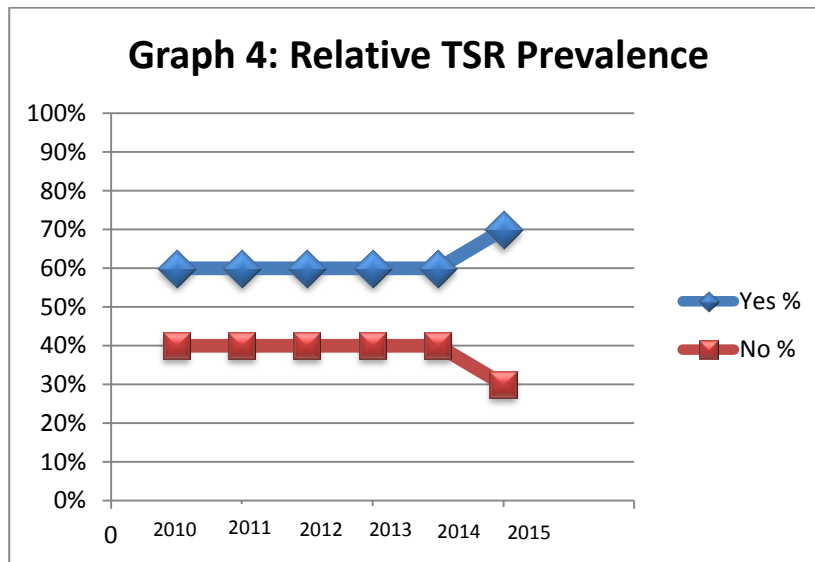
d) Throughout the analysis period, Stock Options have been consistently present in LTIPs. In 90% of the companies, the corresponding share in LTIPs has decreased in 75% of the companies (6 out of 8), being the biggest drop from 75% to 25% (Graph 3, Stock Options Weight in LTIP Package).



Source: Graph by author, based on 2010-15 proxy statements/annual reports

When testing H2 [**Relative Total Shareholder Return (TSR) is becoming one of the most prevalent performance metric**], the observations are the following:

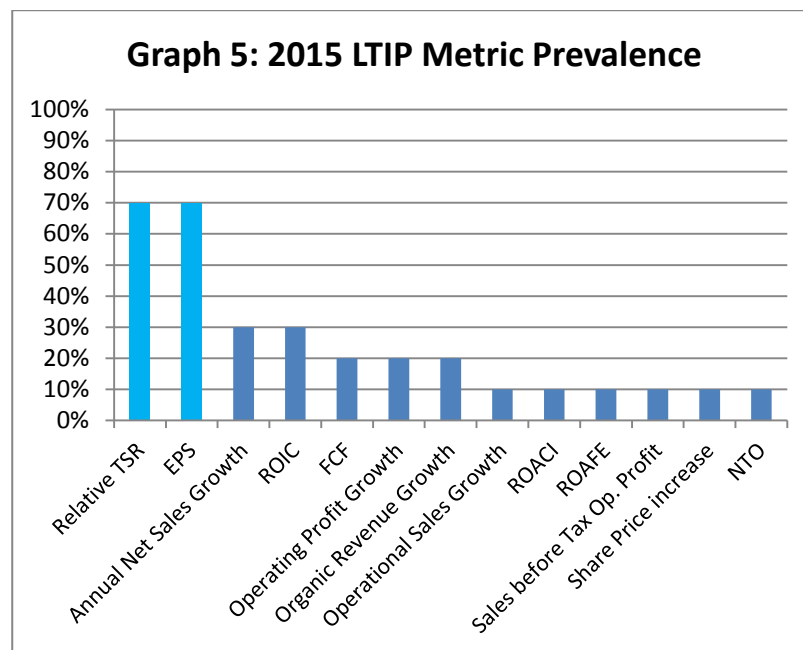
a) 7 in 10 companies (70%) use Relative TSR as of 2015, while this percentage was only 60% in 2010 (Graph 4, Relative TSR Prevalence);



Source: Graph by author, based on 2010-15 proxy statements/annual reports

b) As described in Graph 5 (2015 LTIP Metric Prevalence), since 2010, the most prevalent practices /metrics/ have been TSR and Earnings Per Share (EPS): 70% in both cases in 2015. Note that similarly to TSR, EPS is widely recognized and understood by the investment community and it is a relatively simple and straightforward measure that

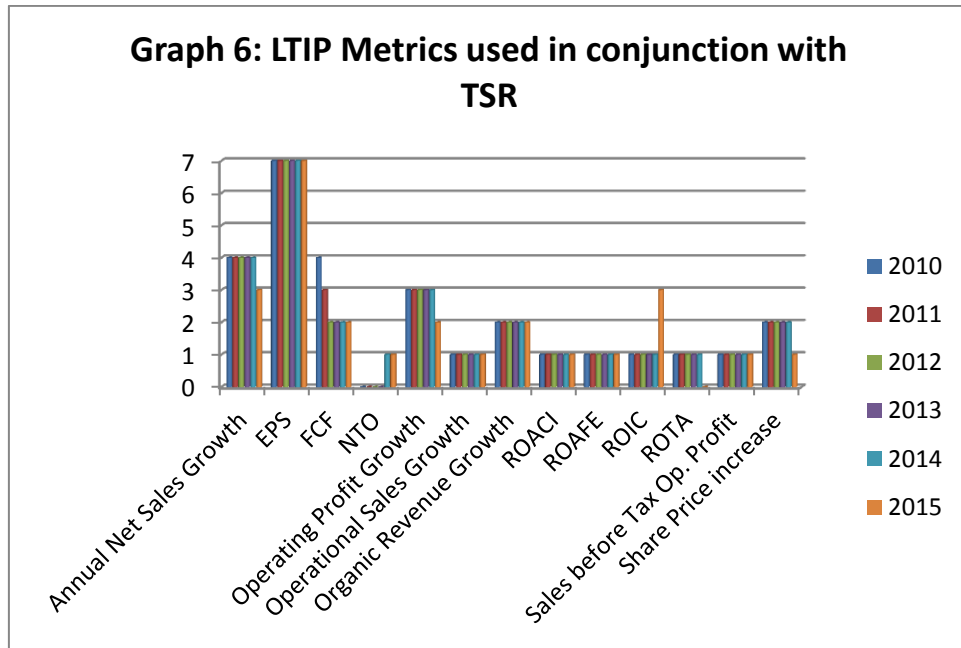
provides clear signalling to individual behaviours. Relative TSR is though considered to provide a greater alignment with shareholder long term value creation than EPS, as the latter, especially when used as single measure, emphasize too much short-term decisions that maximize profits at the expense of building long-term companies' value. For example: EPS can be influenced by share buy-backs, changes in accounting policy such as the way the inventories are tracked, or by shifts in the capital structure of the business;



Source: Graph by author, based on 2010-15 proxy statements/annual reports

c) Organizations using TSR combine it with either EPS or Sales/Revenue/Profit or Capital Efficiency metrics revealing the need for a value creation metric (TSR) with other metrics that reflect business strategy (Graph 6, LTIP Metrics used in conjunction with TSR). This combination provides an effective performance measurement framework by including multiple views on performance (i.e. a mix of financial, operational and strategic measures).





Source: Graph by author, based on 2010-15 proxy statements/annual reports

The preliminary results in testing H3 [**Executive Remuneration is delivered primarily through variable pay**] are:

a) As shown in Table 2 (CEO Performance Based Remuneration), over the sample period, CEO's total remuneration is heavily weighted towards Performance Based components, i.e., short term and long term incentives' payment dependant on the achievement of certain business performance criteria. On average, 84% of CEO remuneration belongs to this category ("at risk"). The remaining percentage refers to annual base salary plus benefits;

b) As also illustrated in Table 2 (CEO Performance Based Remuneration), 60% of the analysed companies (or 6 out of 10), maintained or even increased the weight of Performance Based components in CEOs' total remuneration package.

**Table 2: CEO Performance Based Remuneration**

	2010	2011	2012	2013	2014	2015
<b>Ancor</b>	62%	69%	70%	68%	69%	64%
<b>BAT</b>	66%	63%	64%	64%	64%	64%
<b>General Mills</b>	88%	88%	88%	88%	88%	88%
<b>Colgate Palmolive</b>	90%	90%	90%	90%	90%	90%
<b>Johnson &amp; Johnson</b>	90%	90%	90%	90%	92%	93%
<b>Kelloggs</b>	90%	87%	87%	88%	88%	89%
<b>Kimberly Clark</b>	86%	88%	88%	88%	89%	90%
<b>Mondelez</b>	90%	90%	90%	85%	84%	84%
<b>Procter &amp; Gamble</b>	90%	90%	90%	90%	90%	89%
<b>Macdonalds</b>	88%	85%	85%	89%	91%	90%
<b>Average Performance Based Remuneration</b>	84%	84%	84%	84%	85%	84%

*Source: Table by author, based on 2010-15 proxy statements/annual reports*

c) One more observation that is possible to highlight when analysing Executive variable pay information (from companies' 2010 to 2015 proxy statements and annual reports) is that, for 5 out of 10 companies, CEO LTIPs' payments are lower in 2014/5 than in comparison with similar payments in 2010. This is reflecting the still weak worldwide economic and financial landscape which affects overall companies' performance, and therefore CEO Remuneration, in particular its LTIP component (see Table 3, CEO LTIP Amount)

**Table 3: CEO LTIP Amount**

	YEAR	CEO LTIP Amount (grant date/Fair Market Value)
<b>BAT</b>	2010	£468,592
	2011	£222,937
	2012	£323,176
	2013	£307,000
	2014	£323,000
	2015	n/a
<b>General Mills</b>	2010	\$5,430,954
	2011	\$6,190,116
	2012	\$5,264,914
	2013	\$4,055,033
	2014	\$5,316,063
	2015	\$5,275,695
<b>Colgate Palmolive</b>	2010	\$9,581,819
	2011	\$9,388,100
	2012	\$8,883,317
	2013	\$7,789,709
	2014	\$8,990,054
	2015	\$8,442,538
<b>Mondelez</b>	2010	\$16,315,272
	2011	\$9,489,871
	2012	\$9,688,181
	2013	\$17,949,208
	2014	\$10,407,706
	2015	\$10,397,051
<b>Macdonalds</b>	2010	\$15,439,108
	2011	\$7,667,644
	2012	\$6,525,536
	2013	\$3,866,792
	2014	\$6,437,239
	2015	\$5,634,483

*Source: Table by author, based on 2010-15 proxy statements/annual reports*

In summary, the results of the hypothesis' tests described in this section 4. Results, are confirming that companies have been re-adjusting the structure of their Executives' Long Term Incentives towards an increased alignment between respective payout and business results by: i) providing an higher weight to Performance Shares in the overall LTPIs structure; ii) increasingly using Relative TSR as LTIPs' performance measure; iii) ensuring that Executive Pay is mainly driven by variable pay, that is, pay with risk.

## 5. Conclusion

The corporate governance had changed substantially when it comes to company's executive remuneration. In the past, investors had little voice in executives' pay package structure. In fact, if shareholders were in disagreement with companies' executive pay, they had little choice other than sell their shares in those companies. Similarly, Boards of Directors did not have much influence as typically their degree of independence was very limited.

Today's environment is extremely different. Investors around the globe have substantial influence, claiming for a more power in reviewing executive pay matters. Boards face increased scrutiny from shareholders, the media, and legislators in making sure executive remuneration is in line with investors and shareholders interest in paying executives and management for performance. Governments and stock markets regulators are adopting increased regulations targeting listed companies in the field of executive remuneration and executive incentives.

Governance developments vary by region, but we are experiencing a notable increase in shareholder influence on executive remuneration issues from Europe to North America to Asia Pacific and beyond.

In Europe, shareholders have been leading the change. In 2002, the UK began requiring an advisory shareholder vote on the annual executive and non-executive director compensation practices of UK-incorporated quoted companies that became "binding vote" in 2012. Several countries in continental Europe have also adopted legislation that gives shareholders a voice on executive remuneration matters. Investors in the Netherlands, Sweden, and Norway cast a binding vote on executive pay and some firms in Spain and Switzerland have voluntarily introduced advisory votes. Across Europe, companies are making efforts to improve the disclosure of their executive remuneration programs (e.g. Switzerland approved a binding shareholder vote on executive remuneration effective as of January 2014).

In Australia, a nonbinding vote was implemented on executive remuneration for public companies beginning in 2005.

With regards to the US, in July 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"),

providing for an advisory say-on-pay vote for most large US companies. Furthermore, this law required disclosure of executive compensation and the relationship between executive pay and other levels of the firm and more recently had seen its scope growing by including other provisions: all members of the compensation committee of the board of directors are required to be independent (i.e. non-officers of the firm); adoption of rules regarding “clawbacks” of executive compensation that the firm judges to have been awarded inappropriately; Pay Ratio disclosure; and disclosure of executive pay versus company’s financial performance.

While companies in emerging markets have largely escaped these pressures, many are proactively developing responsible disclosure practices in line with those in more mature markets as described above. Companies in China, India, and other growing economies are also looking for ways to strengthen the link between pay and performance by introducing performance-based incentives in their Executives’ pay packages.

The role of the Boards has also been changing and its accountability is shifting from high-level oversight of the business – including executive remuneration matters – to independent review and verification of corporate strategy and more direct involvement in day-to-day decision making.

The more active roles of governments, stock market regulatory bodies, investors/shareholders and boards in executive remuneration field of listed companies together with the empirical results of my analysis, as described above, are reflecting that the developments in executive remuneration practices are going in the right direction, in the direction of Pay for Performance and interest alignment between shareholders and executives. Boards and governing authorities are acting more and more as “guardian” of shareholder interest and executives have less and less power in setting and defining their own pay, hence helping smoothing the issues identified in executive remuneration by Agency Theory and Managerial Power Theory.

The focus of my analysis was on Fast Moving Consumer Goods industries and in companies mainly listed in the US. As explained throughout this document, the regulation of listed companies depends on respective location (and jurisdiction), and maturity of the relevant market. But, as mentioned, the interest on executive remuneration practices has been globally increasing and therefore I expect to see the same type of demand concerning information disclosure, control and monitoring of executive remuneration towards the pay

for performance principle across the globe. I foresee though a stronger trend in mature markets where executive compensation is mainly driven by equity (e.g. U.S.A. and Europe) and not so much in Latin America or Asia, where executive remuneration is mainly driven by base salary and benefits.

In terms of future research in the field of Executive Pay and its alignment with the principle of Pay for Performance, it would be beneficial and complementary of my project work to analyse the following: i) explore the actual annual LTIPs' payments with actual business results; ii) assess LTIPs design trends in other industry sectors and iii) assess LTIPs design trends in companies listed in other regions of the world not covered by this project work.

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## APPENDIX

The below appendix information refers to information collected from the 2010 to 2015 Proxy Statements/Annual Reports of the 10 companies analysed in this Project Work.

### Appendix 1: What is the purpose of LTIP?

Questions Variables Name	1) Purpose of LTIP?			
	Drive Company Performa nce	Attract and Retain Execs	Enhance Stock Ownersh ip	
ID	YEAR	X1	X2	X3
Amcor	2010	Yes	Yes	No
	2011	Yes	Yes	No
	2012	Yes	Yes	No
	2013	Yes	Yes	No
	2014	Yes	Yes	No
	2015	Yes	Yes	No
BAT	2010	Yes	No	No
	2011	Yes	No	No
	2012	Yes	No	No
	2013	Yes	No	No
	2014	Yes	Yes	No
	2015	Yes	Yes	No
General Mills	2010	Yes	No	No
	2011	Yes	No	No
	2012	Yes	No	No
	2013	Yes	No	No
	2014	Yes	No	No
	2015	Yes	No	No
Colgate Palmolive	2010	Yes	No	No
	2011	Yes	No	No
	2012	Yes	No	No
	2013	Yes	No	No
	2014	Yes	No	No
	2015	Yes	No	No
Johnson & Johnson	2010	Yes	Yes	No
	2011	Yes	Yes	No
	2012	Yes	Yes	No
	2013	Yes	Yes	No
	2014	Yes	Yes	No
	2015	Yes	Yes	No
Kelloggs	2010	Yes	No	No
	2011	Yes	No	No
	2012	Yes	No	No
	2013	Yes	No	No
	2014	Yes	No	No
	2015	Yes	No	No
Kimberly Clark	2010	Yes	No	No
	2011	Yes	No	No
	2012	Yes	No	No
	2013	Yes	No	No
	2014	Yes	No	No
	2015	Yes	No	No
Mondelez	2010	Yes	Yes	Yes
	2011	Yes	Yes	Yes
	2012	Yes	Yes	Yes
	2013	Yes	Yes	Yes
	2014	Yes	Yes	Yes
	2015	Yes	Yes	Yes
Procter & Gamble	2010	Yes	Yes	Yes
	2011	Yes	Yes	Yes
	2012	Yes	Yes	Yes
	2013	Yes	Yes	No
	2014	Yes	Yes	No
	2015	Yes	Yes	No
Macdonalds	2010	Yes	Yes	No
	2011	Yes	Yes	No
	2012	Yes	Yes	No
	2013	Yes	Yes	No
	2014	Yes	Yes	No
	2015	Yes	Yes	No

## Appendix 2: Which Metrics are used in LTIP?

Questions		2) Which metrics used in LTIP?													
Variables Name	Relative TSR	Share Price increase	Sales before Tax Op. Profit	ROTA	ROAFE	ROACI	Organic Revenue Growth	Operational Sales Growth	Operating Profit Growth	FCF	EPS	ROIC	Annual Net Sales Growth	NTO	
ID	YEAR	X4	X5	X6	X7	X8	X9	X10	X11	X12	X13	X14	X15	X16	X17
Amcor	2010	Yes	Yes	No	No	Yes	No	No	No	No	No	No	No	No	No
	2011	Yes	Yes	No	No	Yes	No	No	No	No	No	No	No	No	No
	2012	Yes	Yes	No	No	Yes	No	No	No	No	No	No	No	No	No
	2013	Yes	Yes	No	No	Yes	No	No	No	No	No	No	No	No	No
	2014	Yes	Yes	No	No	Yes	No	No	No	No	No	No	No	No	No
BAT	2010	Yes	No	No	No	No	No	No	No	No	No	Yes	No	No	No
	2011	Yes	No	No	No	No	No	No	No	No	No	Yes	No	No	No
	2012	Yes	No	No	No	No	No	No	No	No	No	Yes	No	No	No
	2013	Yes	No	No	No	No	No	No	No	No	No	Yes	No	No	No
	2014	Yes	No	No	No	No	No	No	No	No	No	Yes	No	No	Yes
General Mills	2010	No	No	No	No	No	Yes	No	No	Yes	No	Yes	No	Yes	No
	2011	No	No	No	No	No	Yes	No	No	Yes	No	Yes	No	Yes	No
	2012	No	No	No	No	No	Yes	No	No	Yes	No	Yes	No	Yes	No
	2013	No	No	No	No	No	Yes	No	No	Yes	No	Yes	No	Yes	No
	2014	No	No	No	No	No	Yes	No	No	Yes	No	Yes	No	Yes	No
Colgate Palmolive	2010	Yes	No	No	No	No	No	No	No	No	No	Yes	No	Yes	No
	2011	Yes	No	No	No	No	No	No	No	No	No	Yes	No	Yes	No
	2012	Yes	No	No	No	No	No	No	No	No	No	Yes	No	Yes	No
	2013	Yes	No	No	No	No	No	No	No	No	No	Yes	No	Yes	No
	2014	Yes	No	No	No	No	No	No	No	No	No	Yes	No	Yes	No
Johnson & Johnson	2010	Yes	No	No	No	No	No	No	Yes	No	Yes	Yes	No	No	No
	2011	Yes	No	No	No	No	No	No	Yes	No	Yes	Yes	No	No	No
	2012	Yes	No	No	No	No	No	No	Yes	No	No	Yes	No	No	No
	2013	Yes	No	No	No	No	No	No	Yes	No	No	Yes	No	No	No
	2014	Yes	No	No	No	No	No	No	Yes	No	No	Yes	No	No	No
Kelloggs	2010	No	No	No	No	No	No	No	No	Yes	Yes	No	No	Yes	No
	2011	No	No	No	No	No	No	No	No	Yes	Yes	No	No	Yes	No
	2012	No	No	No	No	No	No	No	No	Yes	Yes	No	No	Yes	No
	2013	No	No	No	No	No	No	No	No	Yes	Yes	No	No	Yes	No
	2014	No	No	No	No	No	No	No	No	Yes	Yes	No	No	Yes	No
Kimberly Clark	2010	No	No	No	No	No	No	No	No	No	No	No	Yes	Yes	No
	2011	No	No	No	No	No	No	No	No	No	No	No	Yes	Yes	No
	2012	No	No	No	No	No	No	No	No	No	No	No	Yes	Yes	No
	2013	No	No	No	No	No	No	No	No	No	No	No	Yes	Yes	No
	2014	No	No	No	No	No	No	No	No	No	No	No	Yes	Yes	No
Mondelez	2010	Yes	No	No	No	No	No	Yes	No	No	No	Yes	No	No	No
	2011	Yes	No	No	No	No	No	Yes	No	No	No	Yes	No	No	No
	2012	Yes	No	No	No	No	No	Yes	No	No	No	Yes	No	No	No
	2013	Yes	No	No	No	No	No	Yes	No	No	No	Yes	No	No	No
	2014	Yes	No	No	No	No	No	Yes	No	No	No	Yes	No	No	No
Procter & Gamble	2010	No	No	Yes	No	No	No	Yes	No	No	Yes	Yes	No	No	No
	2011	No	No	Yes	No	No	No	Yes	No	No	Yes	Yes	No	No	No
	2012	No	No	Yes	No	No	No	Yes	No	No	Yes	Yes	No	No	No
	2013	No	No	Yes	No	No	No	Yes	No	No	Yes	Yes	No	No	No
	2014	No	No	Yes	No	No	No	Yes	No	No	Yes	Yes	No	No	No
Macdonalds	2010	Yes	Yes	No	Yes	No	No	No	No	Yes	No	Yes	No	No	No
	2011	Yes	Yes	No	Yes	No	No	No	No	Yes	No	Yes	No	No	No
	2012	Yes	Yes	No	Yes	No	No	No	No	Yes	No	Yes	No	No	No
	2013	Yes	Yes	No	Yes	No	No	No	No	Yes	No	Yes	No	No	No
	2014	Yes	Yes	No	Yes	No	No	No	No	Yes	No	Yes	No	No	No
2015	Yes	Yes	No	No	No	No	No	No	No	Yes	No	Yes	No	No	

### Appendix 3: LTIP Vehicles

Questions		3a) LTIP Vehicles			3b) LTIP Vehicles		
Variables Name		Performance Shares	Stock Options	Time Restricted Stock	Performance Shares Weighting	Stock Options Weighting	Time Restricted Stock Weighting
ID	YEAR	X18	X19	X20	X21	X22	X23
Amcor	2010	Yes	Yes	No	50%	50%	0%
	2011	Yes	Yes	No	50%	50%	0%
	2012	Yes	Yes	No	50%	50%	0%
	2013	Yes	Yes	No	50%	50%	0%
	2014	Yes	Yes	No	50%	50%	0%
	2015	Yes	Yes	No	50%	50%	0%
BAT	2010	Yes	No	No	100%	0%	0%
	2011	Yes	No	No	100%	0%	0%
	2012	Yes	No	No	100%	0%	0%
	2013	Yes	No	No	100%	0%	0%
	2014	Yes	No	No	100%	0%	0%
	2015	Yes	No	No	100%	0%	0%
General Mills	2010	No	Yes	Yes	0%	34%	66%
	2011	No	Yes	Yes	0%	34%	66%
	2012	No	Yes	Yes	0%	34%	66%
	2013	No	Yes	Yes	0%	34%	66%
	2014	Yes	Yes	Yes	34%	33%	33%
	2015	Yes	Yes	Yes	34%	33%	33%
Colgate Palmolive	2010	Yes	Yes	No	n/a	0%	n/a
	2011	Yes	Yes	No	n/a	0%	n/a
	2012	Yes	Yes	No	n/a	0%	n/a
	2013	Yes	Yes	No	n/a	0%	n/a
	2014	Yes	Yes	No	n/a	0%	n/a
	2015	Yes	Yes	No	n/a	0%	n/a
Johnson & Johnson	2010	No	Yes	Yes	0%	75%	25%
	2011	No	Yes	Yes	0%	75%	25%
	2012	Yes	Yes	Yes	50%	30%	20%
	2013	Yes	Yes	Yes	50%	30%	20%
	2014	Yes	Yes	Yes	50%	30%	20%
	2015	Yes	Yes	Yes	50%	30%	20%
Kelloggs	2010	Yes	Yes	No	30%	70%	0%
	2011	Yes	Yes	No	30%	70%	0%
	2012	Yes	Yes	No	30%	70%	0%
	2013	Yes	Yes	No	30%	70%	0%
	2014	Yes	Yes	No	30%	70%	0%
	2015	Yes	Yes	No	50%	50%	0%
Kimberly Clark	2010	Yes	Yes	No	67%	33%	0%
	2011	Yes	Yes	No	67%	33%	0%
	2012	Yes	Yes	No	75%	25%	0%
	2013	Yes	Yes	No	75%	25%	0%
	2014	Yes	Yes	No	75%	25%	0%
	2015	Yes	Yes	No	75%	25%	0%
Mondelez	2010	Yes	Yes	Yes	50%	25%	25%
	2011	Yes	Yes	Yes	50%	25%	25%
	2012	Yes	Yes	Yes	50%	25%	25%
	2013	Yes	Yes	Yes	50%	25%	25%
	2014	Yes	Yes	Yes	50%	25%	25%
	2015	Yes	Yes	No	75%	25%	0%
Procter & Gamble	2010	No	Yes	Yes	0%	75%	25%
	2011	Yes	Yes	Yes	50%	25%	25%
	2012	Yes	Yes	Yes	50%	25%	25%
	2013	Yes	Yes	Yes	50%	25%	25%
	2014	Yes	Yes	Yes	50%	25%	25%
	2015	Yes	Yes	Yes	50%	25%	25%
Macdonalds	2010	No	Yes	Yes	30%	70%	0%
	2011	No	Yes	Yes	30%	70%	0%
	2012	No	Yes	Yes	30%	70%	0%
	2013	No	Yes	Yes	30%	70%	0%
	2014	No	Yes	Yes	0%	50%	50%
	2015	No	Yes	Yes	0%	50%	50%

## Appendix 4: LTIP Length of Performance and CEO Pay Mix

Questions	4) Length of Performance	5) CEO Pay Mix
Variables Name	Performance Award Period	CEO Performance Based Remuneration

ID	YEAR	X24	X25
Amcor	2010	4	62%
	2011	4	69%
	2012	4	70%
	2013	4	68%
	2014	4	69%
	2015	3	64%
BAT	2010	3	66%
	2011	3	63%
	2012	3	64%
	2013	3	64%
	2014	3	64%
	2015	3	64%
General Mills	2010	4	88%
	2011	4	88%
	2012	4	88%
	2013	4	88%
	2014	4	88%
	2015	4	88%
Colgate Palmolive	2010	6	90%
	2011	6	90%
	2012	6	90%
	2013	6	90%
	2014	6	90%
	2015	6	90%
Johnson & Johnson	2010	3 & 5	90%
	2011	3 & 5	90%
	2012	3	90%
	2013	3	90%
	2014	3	92%
	2015	3	93%
Kelloggs	2010	3	90%
	2011	3	87%
	2012	3	87%
	2013	3	88%
	2014	3	88%
	2015	3	89%
Kimberly Clark	2010	3	86%
	2011	3	88%
	2012	3	88%
	2013	3	88%
	2014	3	89%
	2015	3	90%
Mondelez	2010	3	90%
	2011	3	90%
	2012	3	90%
	2013	3	85%
	2014	3	84%
	2015	3	84%
Procter & Gamble	2010	3 & 5	90%
	2011	3 & 5	90%
	2012	3 & 5	90%
	2013	3 & 5	90%
	2014	3 & 5	90%
	2015	3 & 5	89%
Macdonalds	2010	3 & 4	88%
	2011	3 & 4	85%
	2012	3 & 4	85%
	2013	3 & 4	89%
	2014	3 & 4	91%
	2015	3 & 4	90%

## Appendix 5: CEO Annual LTIP Grant Value

Questions	6) CEO Annual LTIP grant value	
Variables Name	CEO LTIP Amount (grant date/FMV)	CEO LTIP Amount variance

ID	YEAR	X26	X27
Amcor	2010	\$1,922,774	
	2011	\$2,171,766	13%
	2012	\$2,950,164	36%
	2013	\$2,979,587	1%
	2014	\$3,099,484	4%
	2015		
BAT	2010	£468,592	
	2011	£222,937	-52%
	2012	£323,176	45%
	2013	£307,000	-5%
	2014	£323,000	5%
	2015	n/a	n/a
General Mills	2010	\$5,430,954	
	2011	\$6,190,116	14.0%
	2012	\$5,264,914	-14.9%
	2013	\$4,055,033	-23.0%
	2014	\$5,316,063	31.1%
	2015	\$5,275,695	-0.8%
Colgate Palmolive	2010	\$9,581,819	
	2011	\$9,388,100	-2.0%
	2012	\$8,883,317	-5.4%
	2013	\$7,789,709	-12.3%
	2014	\$8,990,054	15.4%
	2015	\$8,442,538	-6.1%
Johnson & Johnson	2010	\$8,000,601	
	2011	\$7,487,028	-6.4%
	2012	\$6,798,177	-9.2%
	2013	\$4,272,860	-37.1%
	2014	\$8,658,974	102.7%
	2015	\$13,635,519	57.5%
Kelloggs	2010	\$3,491,503	
	2011	\$4,542,748	30%
	2012	\$3,799,442	-16%
	2013	\$3,411,330	-10%
	2014	\$4,563,529	34%
	2015	\$4,918,936	8%
Kimberly Clark	2010	\$4,870,813	
	2011	\$6,133,479	26%
	2012	\$6,314,732	3%
	2013	\$6,245,694	-1%
	2014	\$7,384,434	18%
	2015	\$8,351,532	13%
Mondelez	2010	\$16,315,272	
	2011	\$9,489,871	-42%
	2012	\$9,688,181	2%
	2013	\$17,949,208	85%
	2014	\$10,407,706	-42%
	2015	\$10,397,051	0%
Procter & Gamble	2010	\$8,573,193	
	2011	\$11,771,613	37.3%
	2012	\$10,854,038	-7.8%
	2013	\$10,399,333	-4.2%
	2014	\$12,230,582	17.6%
	2015	\$12,206,839	-0.2%
Macdonalds	2010	\$15,439,108	
	2011	\$7,667,644	-50%
	2012	\$6,525,536	-15%
	2013	\$3,866,792	-41%
	2014	\$6,437,239	66%
	2015	\$5,634,483	-12%