

# Global Top 250 Compensation Survey 2021/2022

**Compensation of Chief Executives  
and Chief Financial Officers**

# GLOBAL TOP 250 COMPENSATION SURVEY 2021/2022

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FW Cook, FIT Remuneration Consultants, and Pretium Partners have worked in association together for several years. The association between the three affiliated firms, based in the US, Europe, and Asia, allows us to provide our clients with a global perspective.

We are proud to present the second edition of our Global Top 250 compensation survey.

# 2021/2022 GLOBAL TOP 250 COMPENSATION SURVEY

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# INTRODUCTION

## Welcome to our second Global Top 250 Compensation Survey.

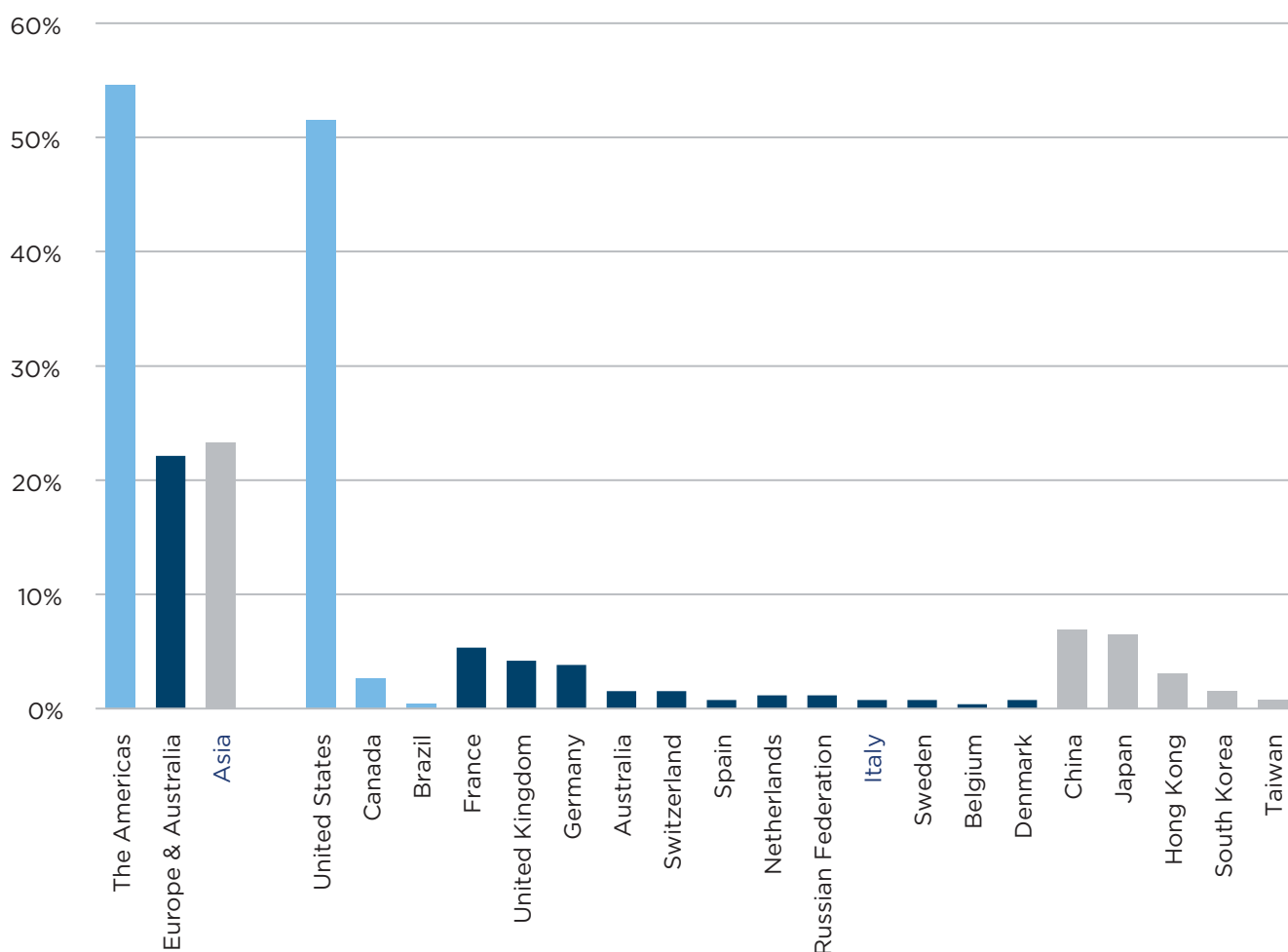
This report presents information on compensation levels for the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), the design of long-term incentives (LTI) and share usage at the 250 largest listed companies globally.

## Constituents of the Global Top 250

The Global Top 250 is made up of the largest 250 listed companies worldwide by market capitalisation (as of December 31, 2020). Based on geographic region (as determined by primary exchange listing), 55% of the constituents are made up of companies from the Americas, 22% from Europe & Australia and 23% from Asia. We categorise Europe and Australia together as pay practices in Australia have historically lent more on European (particularly the UK) than of Asia. There is only one African company (from South Africa) in the sample and we have, therefore, not provided a separate analysis of African companies.

These broad categories mask nuances of remuneration within continents, but such categorization provides for a fair overall picture of differences between each group.

**Geographic Breakdown of the Global Top 250**



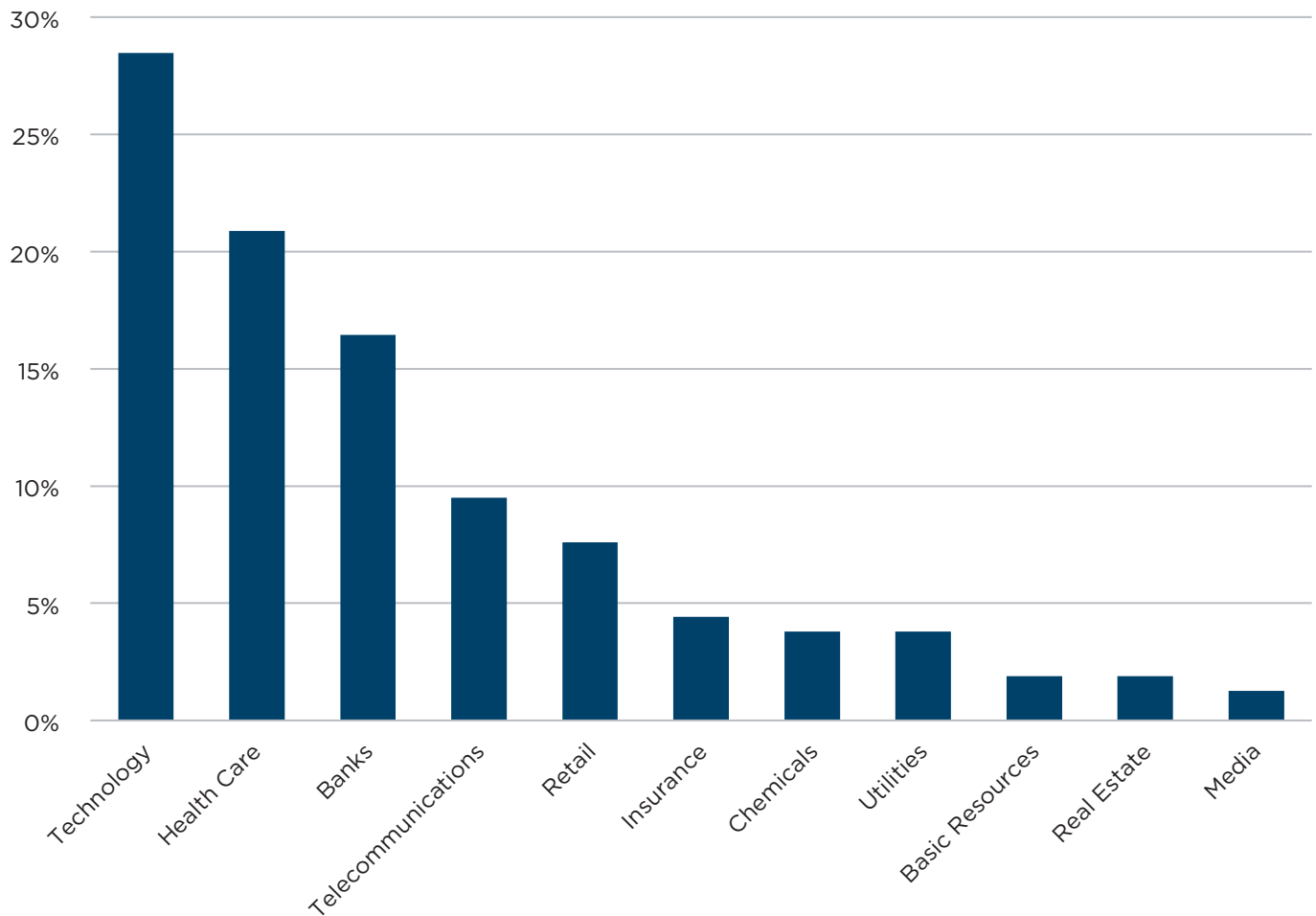
To provide an overview of how compensation practice varies between jurisdictions, we have analysed practices and levels between these three regions and also provided data, where available, on the jurisdictions with the most companies in the group. Note that the data points among some Chinese companies are limited as pay levels of the senior executive team are either disclosed in aggregate or only total compensation is reported on an individual basis.

# INTRODUCTION

Notably, some companies have not presented the compensation of their CEO and/or CFO in their most recent disclosures, and we have excluded these companies from the analysis where appropriate.

The following illustration below provides a breakdown of the constituents by industry classification.

**Industry Breakdown of the Global Top 250**



# INTRODUCTION

The median market capitalisation of the companies within each region and within the largest jurisdictions are shown below.

## Market capitalisation (U.S. dollar millions)

Percentile	Market capitalisation <sup>1</sup> 50th
The Americas	\$100,313
Europe & Australia	\$92,154
Asia	\$80,250
United States	\$104,106
China	\$120,174
France	\$91,840
United Kingdom	\$105,481
Japan	\$74,965
Germany	\$82,001
Canada	\$78,123
Hong Kong	\$132,450

<sup>1</sup> Reflects market capitalisation and currency conversion rates as of December 31, 2020.

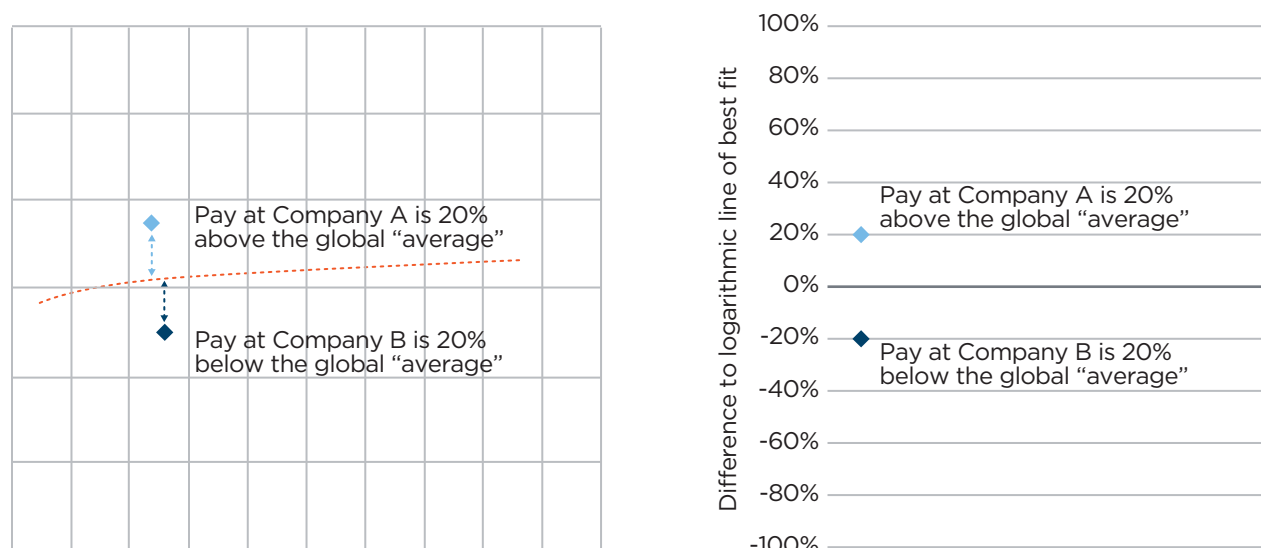
# INTRODUCTION

## Data Presentation

In much of the analysis that follows, we have presented a quartile analysis of the data, broken down by region and jurisdiction. We have labelled these as the 25th percentile (lower quartile), 50th percentile (median) and 75th percentile (upper quartile). To ensure statistical accuracy, medians are presented only when at least three data points are available, and the upper and lower quartiles are presented only when there are at least five data points.

Because the companies vary in size, comparing pay levels across different geographies can be misleading. To adjust pay data to reflect scale, we prepared a line of best fit<sup>2</sup> which provides a more comparable and balanced view on compensation differences between jurisdictions.

Data points above the line of best fit represent companies that pay above the global “average” level after adjusting for size and those below the line of best fit represent companies that pay below this level. An illustration follows:



The chart to the above left shows the compensation element regressed against the market capitalisation of each company, along with the size-adjusted line of best fit. The chart to the above right shows the percentage difference between actual compensation paid at each company and the line of best fit.

A line of best fit analysis provides a broad assessment based on the relative size of companies, but additional factors should be considered when analysing market pay levels across geographies. Factors to consider include industry, revenue and profitability, growth trajectory, cost of living and other company-specific criteria.

Refer to the “Methodology” section for further details on the data presented in this report.

## Retirement Benefits

Retirement benefits vary considerably between jurisdictions, both in terms of the specific arrangements and value. The position is further complicated as the costs of such provision may not directly be borne by the employer, with some countries providing largely uncapped arrangements through social security provision. Given the differing levels of disclosure, such arrangements have been excluded, which should be borne in mind when considering the analysis.

<sup>2</sup> The “line of best fit” shows the implied compensation level across the range of market capitalisations based on the logarithmic regression trend line that is formed by plotting the compensation and market capitalisation data against each other.

# EXECUTIVE SUMMARY

While pay practices vary significantly between and within jurisdictions, we have been able to identify certain patterns in the compensation of CEOs and CFOs between the Americas, Europe & Australia and Asia.

- Pay levels in the Americas are overall higher than in the other jurisdictions, although this is not driven from base salaries, which are more modest than in Europe & Australia. The greater emphasis on performance related pay and in particular, the size of the long-term awards for U.S. executives, that drives the higher total compensation.
- In general, base salaries in Europe & Australia are higher than in other jurisdictions, with total cash compensation (i.e., base salary plus annual bonus) only marginally below those seen in the Americas, which is consistent with the trend observed in the previous iteration of our study. Long-term incentives are considerably more modest in Europe & Australia, and total pay is significantly lower than the Americas as a result.
- Pay levels and structure among some of the Asian companies in the Global Top 250 are not fully reflective of the market as several of the largest companies in China and Hong Kong are state-owned enterprises and pay is regulated in these companies. This means that base salaries and bonuses are more modest among these companies and long-term incentives are generally not provided.
- In the Americas, there exists variation in pay structure and pay mix between CEOs and CFOs, with CEOs having greater emphasis on variable pay, particularly long-term incentives. This is reflective of the “star culture” in the US, where the CEO is often considered to be the main driving force behind a company’s strategy and performance and is, therefore, highly incentivised.
- Conversely, pay structure is broadly similar between CEOs and CFOs in Europe & Australia, with base salary being the main differentiator (other elements of pay being driven off that level). This is partly led by the United Kingdom, where the CFO is typically on the Board, and by limited disclosure in other jurisdictions where this is less likely to be the case.
- In Asia, pay is generally similar between CEOs and CFOs in terms of structure, compensation mix, and levels given collective accountability in key decisions. The lack of long-term incentives in Asia is due to the heavy influence of state-owned enterprises in China whereby equity-based incentives are strictly regulated.

Below, we outline some of the key features of CEO and CFO compensation between the three regions.

## The Americas



Base salaries are typically below the global “average” level when adjusting for company size.



Annual bonus levels are higher than in the other jurisdictions, particularly for the CEO but are in line with Europe & Australia for the CFO.



Total cash compensation is typically in line with the global “average” level when adjusting for company size.



Long-term incentive value is significantly higher for both the CEO and CFO than in other jurisdictions. LTIs take the form of stock options, restricted stock, or performance awards and typically some mix of these.



Total direct compensation is typically above the global “average” level when adjusting for company size.



At median, a CFO’s base salary is 61% of the CEO’s whereas a CFO’s total direct compensation is 35% of the CEO’s due to lower annual bonus and long-term incentive awards.

Total pay levels are higher in the Americas than in Europe & Australia or Asia, although at median a significant portion of the total package (92% for the CEO and 86% for the CFO) is tied to annual bonus and long-term incentives, and the majority of the package (78% for the CEO and 71% for the CFO) is weighted towards long-term incentives.



# EXECUTIVE SUMMARY

## Europe & Australia



Base salaries are typically above the global “average” level when adjusting for company size.



Annual bonus levels are more modest than in the Americas for both the CEO and CFO.



Total cash compensation is typically in line with the global “average” level when adjusting for company size.



Long-term incentive value is typically significantly lower than in the Americas, although the majority of companies do operate an LTI program. These typically take the form of performance awards.



Total direct compensation is typically below the global “average” level when adjusting for company size.



At median, a CFO’s base salary is 59% of the CEO’s and a CFO’s total direct compensation is 52% of the CEO’s due to slightly lower annual bonus and long-term incentive awards.

Total pay levels are lower in Europe & Australia than in the Americas (but higher than those in Asia) and, although at median a significant portion of the total package (70% for the CEO and 68% for the CFO) is performance-linked, this is a much smaller proportion than is the case in the Americas, with pay at median split almost evenly between base salary, annual bonus and long-term incentives.

## Asia



Base salaries are typically significantly below the global “average” level when adjusting for company size.



Annual bonus levels are lower than in the other jurisdictions for both the CEO and CFO.



Total cash compensation is typically significantly below the global “average” level when adjusting for company size.



Long-term incentives are considerably less common in Asia than in the Americas or in Europe & Australia. Where LTIs are provided, they typically take the form of stock options.



Total direct compensation is typically significantly below the global “average” level when adjusting for company size.

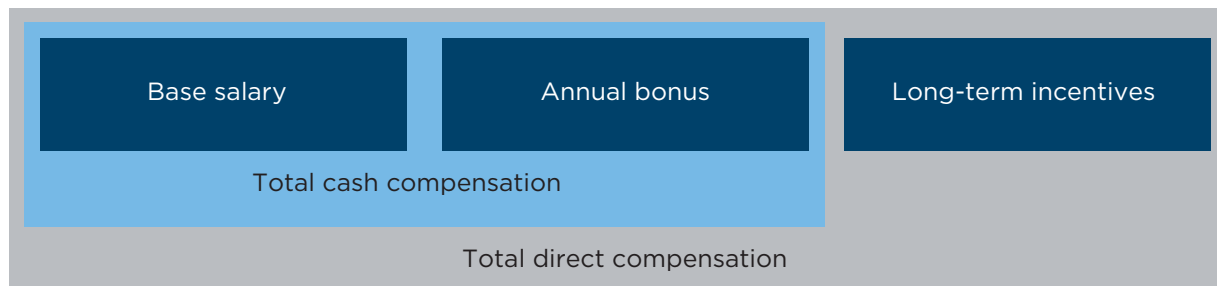


At median, a CFO’s base salary is 42% of the CEO’s and a CFO’s total direct compensation is 26% of the CEO’s.

Total pay levels are, therefore, lower in Asia than in the Americas and Europe & Australia. At median, the weighting of the total package is roughly equal between fixed and performance-linked elements.

# COMPENSATION LEVELS

Total direct compensation is comprised of base salary and annual bonus (together, total cash compensation) and long-term incentives. The analysis which follows considers each element of total direct compensation individually and in aggregate.



## Base Salary

Setting the base salary at an appropriate level is important, as institutional investors and proxy advisory firms heavily scrutinise perceived unwarranted increases and above-market pay levels. Base salary should be considered in the context of the total compensation package as an increase to base salary can often flow through into the annual bonus opportunity and the value of long-term incentive awards (i.e., variable incentives are oftentimes denominated as a percentage of base salary).

The table below presents a quartile analysis of base salary, broken down into the three regions and shown for the largest jurisdictions. This data has not been adjusted to reflect the differing market capitalisations.

### Base Salary (\$'000)

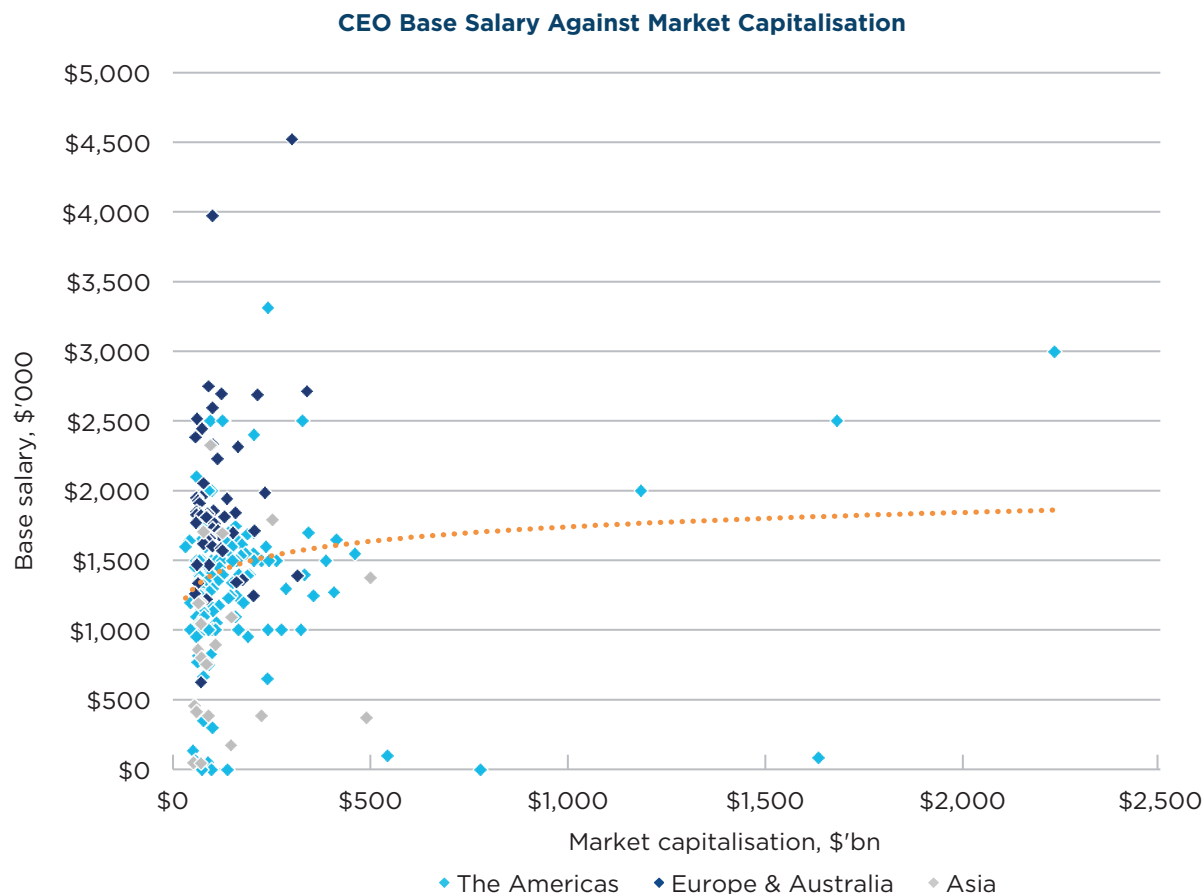
Percentile	CEO			CFO		
	25th	50th	75th	25th	50th	75th
The Americas	\$1,030	\$1,351	\$1,550	\$624	\$770	\$955
Europe & Australia	\$1,628	\$1,819	\$2,038	\$960	\$1,076	\$1,211
Asia	\$395	\$876	\$1,334	\$252	\$429	\$564
United States	\$1,055	\$1,391	\$1,550	\$650	\$800	\$975
France	\$1,498	\$1,636	\$1,819	—	—	—
United Kingdom	\$1,666	\$1,764	\$1,819	\$1,013	\$1,077	\$1,156
Japan	\$671	\$1,119	\$1,720	—	\$572	—
Germany	\$1,895	\$2,337	\$2,483	\$1,075	\$1,192	\$1,293
Canada	\$718	\$815	\$1,053	\$408	\$486	\$568
Hong Kong	\$460	\$1,092	\$1,201	—	—	—
China	—	—	—	—	—	—

# COMPENSATION LEVELS

The median CEO base salary at companies in Europe & Australia is 35% higher than in the Americas, despite the median market capitalisation being 8% lower. The median CEO base salary in Asia is 35% lower than in the Americas.

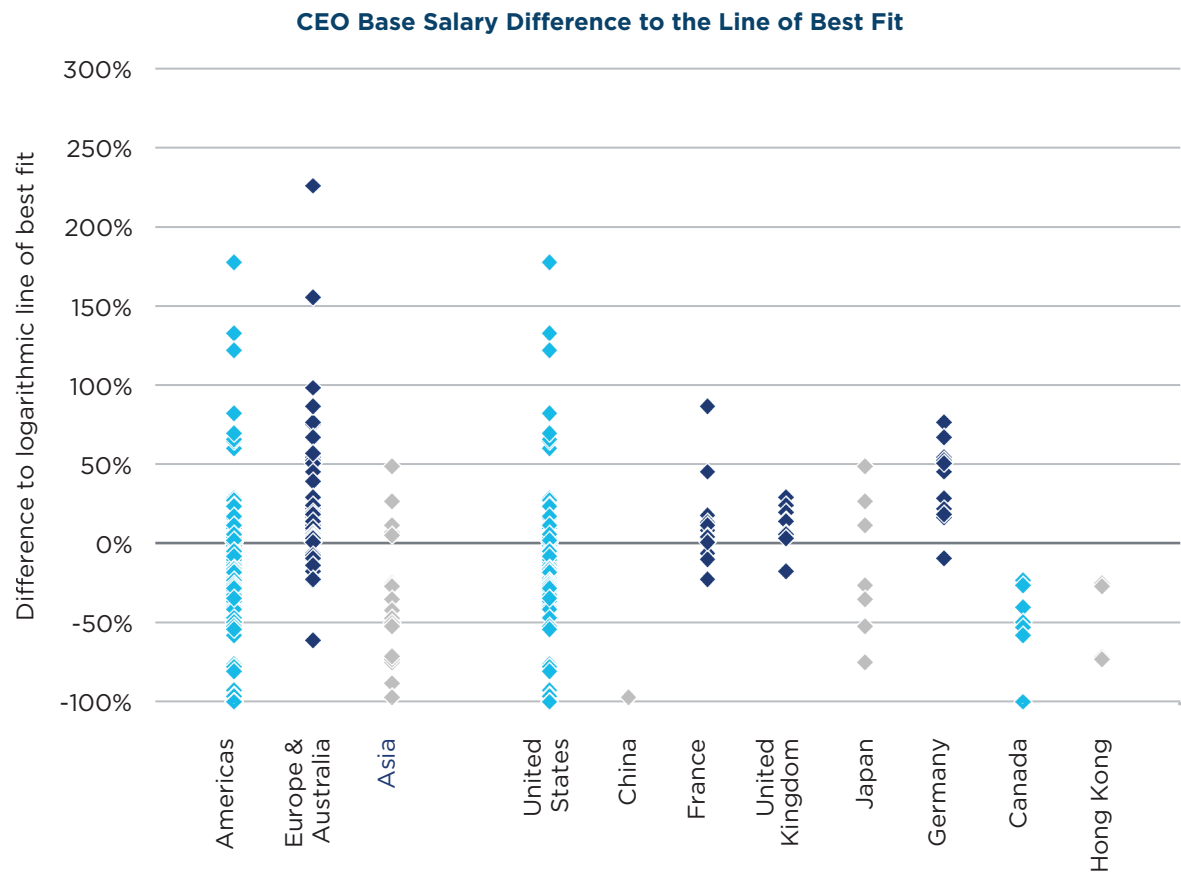
This same pattern is reflected for CFOs, with median base salary for CFOs in Europe & Australia being 40% higher than in the Americas and the median base salary in Asia being considerably lower than the other two regions.

The chart below shows the base salary paid to the CEO against the market capitalisation of each company, along with the size-adjusted line of best fit. Data points which are shown above the line of best fit represent companies which pay above this global “average” level and those which are shown below the line of best fit represent companies which pay below this level.



# COMPENSATION LEVELS

The chart below shows the average percentage difference between actual salary paid at each company and the line of best fit.



83% of companies in Europe & Australia pay base salaries which are above the line of best fit, compared with only 32% of companies in the Americas and 27% of companies in Asia. In other words, among the Global Top 250, after adjusting for size, companies in Europe & Australia typically have higher CEO base salaries than companies in the Americas, and companies in Asia typically have lower CEO base salaries than both regions.

# COMPENSATION LEVELS

Both internal and external factors play a key role in the setting of compensation levels, with internal relativities being an important input into a compensation review. The following table analyses the relationship between the salary of the CEO and the CFO.

## CFO Base Salary Expressed as a % of CEO Base Salary

Percentile	CFO as % of CEO <sup>1</sup>
	50th
The Americas	61%
Europe & Australia	59%
Asia	42%
United States	61%
China	—
France	—
United Kingdom	61%
Japan	50%
Germany	54%
Canada	52%
Hong Kong	20%

The median relationship is similar in the Americas and Europe & Australia at 61% and 59% respectively. In Asia, the median relationship is 42%, which is quickly approaching global peer levels as there are more technology companies among the largest companies in Asia.

<sup>1</sup> Only companies which disclose the base salaries of both the CEO and CFO are included in this analysis

# COMPENSATION LEVELS

## Annual Bonus

Annual bonus plans are common among companies in the Global Top 250. Most commonly, individual bonuses are subject to an annual limit which is expressed as a percentage of salary. Several Global Top 250 companies (particularly in Europe & Australia) now defer a portion of any annual bonuses into shares, so it is important to look at both the cash and deferred elements when examining annual award levels. Annual bonus deferral remains less prevalent in the Americas and Asia.

The table below shows the target annual bonus opportunity for CEOs and CFOs as a percentage of their base salaries, broken down into the three regions and shown for the largest jurisdictions. Where the annual bonus opportunity is not disclosed (as is often the case in Asia), we have taken the average bonus paid over the last three years as a proxy for the target level.

### Target Annual Bonus (% of Base Salary)

Percentile	CEO			CFO		
	25th	50th	75th	25th	50th	75th
The Americas	150%	175%	200%	100%	111%	150%
Europe & Australia	80%	100%	125%	79%	100%	103%
Asia	69%	104%	231%	69%	97%	135%
United States	150%	178%	200%	100%	111%	150%
China	—	—	—	—	—	—
France	100%	100%	124%	—	—	—
United Kingdom	104%	120%	125%	100%	100%	111%
Japan	60%	91%	101%	—	79%	—
Germany	92%	108%	123%	82%	100%	111%
Canada	139%	143%	149%	93%	113%	134%
Hong Kong	52%	105%	181%	—	—	—

The highest target bonus levels for CEOs and CFOs (as a percentage of salary) are seen in the Americas. Median bonus levels are lower in Europe & Australia, although these are typically driven off higher base salaries. In Asia, median bonus levels are comparable with Europe & Australia but we see a wider interquartile range of bonuses, with the 25th percentile being lower than that in the Americas or Europe & Australia, but the 75th percentile being near or above that of CEOs and CFOs in the Americas.

CFO bonuses are distributed differently than those of CEOs, as median levels between the Americas, Europe & Australia, and Asia are similar (111% of salary, 100% and 97% of salary, respectively).

# COMPENSATION LEVELS

## Total Cash Compensation

Total cash compensation consists of base salary and annual bonus and historically represented compensation paid during (or soon after) the end of the financial year. The term “cash compensation” has become a misnomer in many jurisdictions, as shareholders and legislators (particularly in Europe & Australia) increasingly look to companies to defer a portion of their annual bonus into shares. Such deferred elements are included within the analysis.

The table below shows a quartile analysis of target total cash compensation (i.e., base salary plus the target annual bonus – or three-year average bonus where target bonus opportunity is not disclosed), broken down into the three regions and shown for the largest jurisdictions. This data has not been adjusted to reflect the differing market capitalisations.

### Target Total Cash Compensation (\$000)

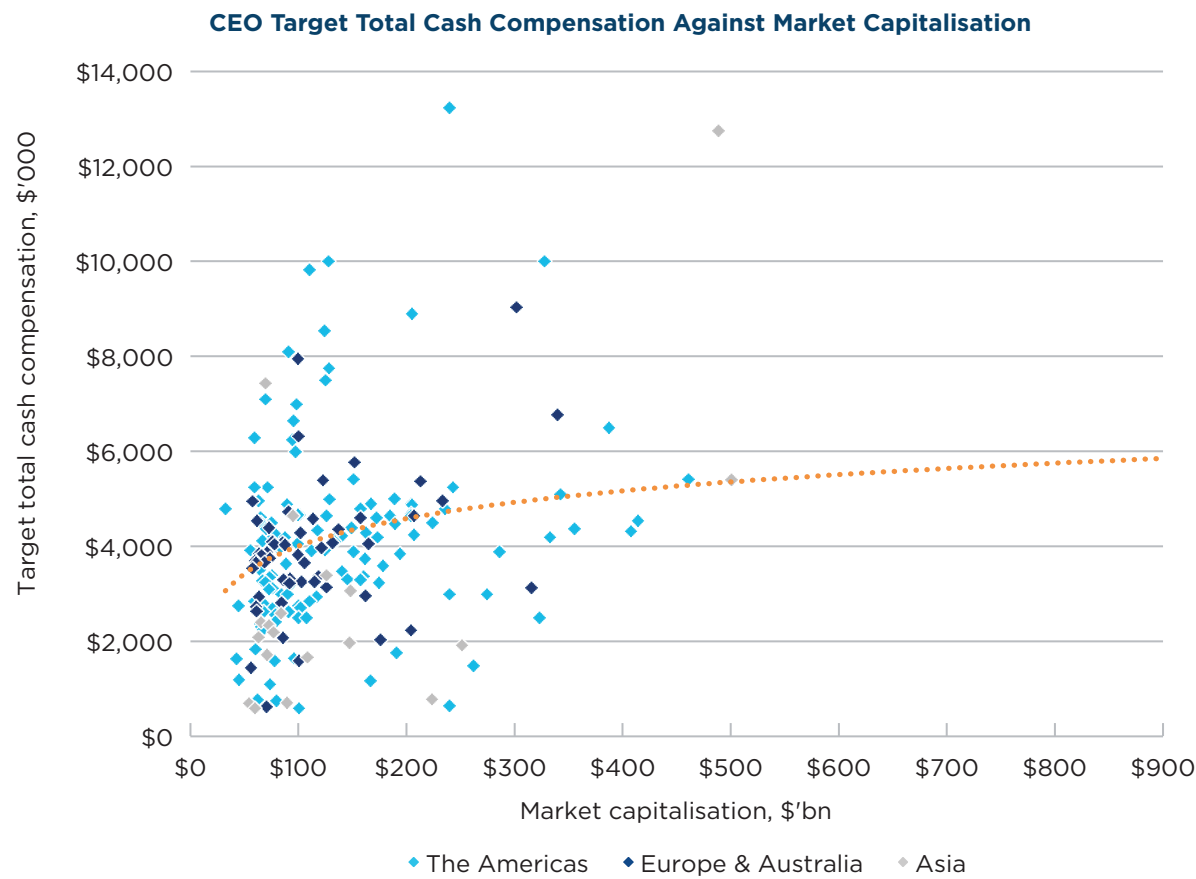
Percentile	CEO			CFO		
	25th	50th	75th	25th	50th	75th
The Americas	\$2,707	\$3,920	\$4,684	\$1,234	\$1,787	\$2,256
Europe & Australia	\$3,234	\$3,826	\$4,502	\$1,584	\$2,082	\$2,247
Asia	\$1,012	\$2,145	\$3,312	\$616	\$929	\$1,273
United States	\$2,832	\$4,002	\$4,797	\$1,318	\$1,848	\$2,275
China	—	—	—	—	—	—
France	\$3,156	\$3,424	\$3,936	—	—	—
United Kingdom	\$3,332	\$3,878	\$4,225	\$2,024	\$2,154	\$2,307
Japan	\$1,472	\$2,163	\$2,797	—	\$1,102	—
Germany	\$4,072	\$4,402	\$4,803	\$1,960	\$2,143	\$2,693
Canada	\$1,185	\$2,316	\$2,547	\$760	\$875	\$1,065
Hong Kong	\$791	\$3,072	\$7,437	—	—	—

The median CEO target total cash compensation at companies in Europe & Australia is 2% lower than in the Americas; whereas the median base salary was 35% higher among companies in Europe & Australia. Total cash compensation for the CFO is 17% higher in Europe & Australia than in the Americas which is consistent with a 40% higher median base salary.

The median in Asia is significantly lower than in the Americas or Europe & Australia for both the CEO and CFO.

# COMPENSATION LEVELS

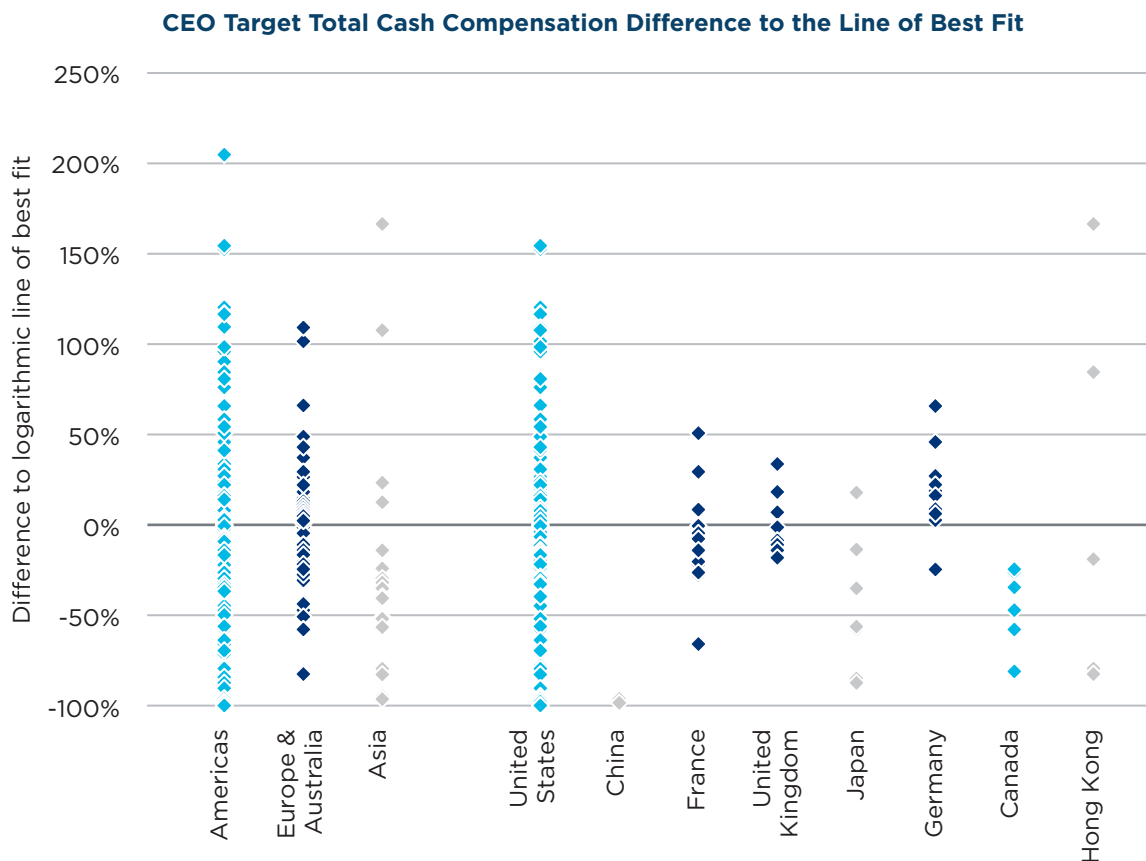
The chart below shows the target total cash compensation paid to the CEO against the market capitalisation of each company, along with the line of best fit.





# COMPENSATION LEVELS

The chart below shows the average percentage difference between target total cash compensation paid at each company and the line of best fit.



59% of Global Top 250 companies in Europe & Australia have total cash compensation above the line of best fit, compared with 49% of companies in the Americas and 23% of companies in Asia. In other words, among the Global Top 250, after adjusting for size, companies in Europe & Australia have target total cash compensation for CEOs which is broadly in line with (although slightly higher than) those of companies in the Americas, and companies in Asia typically have lower CEO total cash compensation than the other two regions. When performing the same analysis on base salaries, those in Europe & Australia were highest.

# COMPENSATION LEVELS

The following table analyses the relationship between the target total cash compensation of the CEO and the CFO.

## CFO Target Total Cash Compensation Expressed as a % of CEO Target Total Cash Compensation

Percentile	CFO as % of CEO <sup>1</sup>
	50th
The Americas	47%
Europe & Australia	55%
Asia	28%
United States	46%
China	—
France	—
United Kingdom	61%
Japan	50%
Germany	51%
Canada	51%
Hong Kong	—

The median relationship is 47% for companies in the Americas, compared with 61% for base salaries. This is reflective of the material difference in target annual bonuses as a percentage of salary between CEOs and CFOs in the Americas (175% of salary at median for CEOs, compared with 111% for CFOs).

In Europe & Australia, the difference is far smaller (55% for total target cash compensation and 59% for base salaries), where median target annual bonuses are the same (100% of salary for CEOs and CFOs).

In Asia, the median relationship is 28%, compared with 42% for base salary (the median CEO bonus is 104% and the median for CFOs is 97% of salary).

To some extent, the European data is influenced by the inclusion of United Kingdom companies. In the U.K., it is typical for the CFO to serve on the board, which impacts overall pay packages and narrows the ratio between CEO and CFO compensation.

This suggests that, among companies in Europe & Australia, CEOs and CFOs have structurally similar cash compensation (with differences primarily driven from base salaries) whereas, in the Americas, CEOs receive higher target annual bonus levels compared to CFOs.

<sup>1</sup> Only companies which disclose the Total Cash Compensation of both the CEO and CFO are included in this analysis

# COMPENSATION LEVELS

## Long-Term Incentives

In addition to annual bonus plans, the majority of companies in the Global Top 250 provide long-term incentives. We separately discuss key long-term incentive design features and performance measures, and how these vary by jurisdiction in a later section – see “Long-Term Incentive Design”.

The table below presents a quartile analysis of the value of LTI awards to the CEO and CFO.

For consistency in the valuation of LTI awards across regions, we made the following assumptions:

- Performance-based stock options were valued at 20% of the exercise price.
- Time-based stock options were valued at 30% of the exercise price.
- Performance awards were valued at 100% of the target payout. In situations where only the maximum opportunity is disclosed, performance awards were valued at 50% of the maximum payout.
- Restricted stock was valued at 100% of the grant date closing stock price.
- LTI grants were averaged over three years to mitigate the impact of irregular grant practices.

### Target Value of LTI Awards (% of Base Salary)

Percentile	CEO			CFO		
	25th	50th	75th	25th	50th	75th
The Americas	726%	906%	1132%	355%	474%	691%
Europe & Australia	87%	135%	222%	95%	123%	211%
Asia	106%	232%	534%	71%	140%	169%
United States	732%	925%	1136%	358%	476%	690%
China	—	—	—	—	—	—
France	86%	117%	188%	—	—	—
United Kingdom	188%	253%	276%	194%	204%	235%
Japan	125%	138%	181%	—	111%	—
Germany	107%	126%	164%	99%	112%	126%
Canada	683%	752%	979%	358%	410%	770%
Hong Kong	—	473%	—	—	50%	—

# COMPENSATION LEVELS

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In both the Americas and Europe & Australia it is most common to make LTI awards on an annual basis. LTI awards are less common in Asia and, when made, are most likely to be awarded sporadically and linked to strategic events such as initial public offering, five-year plans or a change of leadership team.

The highest target values of LTI for CEOs as a percentage of salary are seen in the Americas, with LTI levels significantly higher than annual bonus levels (906% of salary at median, compared with 175% of salary for the annual bonus). In Europe & Australia, the median LTI and median annual bonus are more similar, at 135% of salary and 100% of salary at median, respectively.

The same pattern is seen for CFOs, although the effect is less pronounced as the median for CFOs is approximately half of the CEO value in the Americas. In Europe & Australia, the median LTI fair value as a percentage of salary is similar, at 135% of salary for CEOs and 123% of salary for CFOs.

In Asia, LTI programs are not as prevalent as the other regions. For companies that grant LTI, the overall grant size is usually tied to a percentage of the outstanding shares and then allocated among the senior team. LTI is usually granted on an irregular basis and tied to a new strategic plan or growth initiatives. Given the irregularity with which LTI is granted among Asian companies, the sample for the Asia region excludes zeroes as a means of presenting actionable compensation data.

# COMPENSATION LEVELS

## Total Direct Compensation

Total direct compensation is the aggregate of total cash compensation (being base salary and target annual bonus) and the value of long-term incentives. When determining the suitability of a compensation package (or any element of a package) it is imperative that the potential levels of total compensation are considered. A modest increase in base salary can result in significant increases in total direct compensation if the annual bonus opportunity and the long-term incentive awards are determined as a percentage of base salary.

Examining the value of all elements of pay in aggregate allows stakeholders to value a compensation package. When calculating total direct compensation, it is important to remember that the targeted values attributed to a package and the actual levels of compensation received are unlikely to be the same. The actual level of total compensation is dependent on performance outcomes for the annual bonus and long-term performance awards and share price movement.

As a reminder, it should be noted that our analysis ignores the value of retirement benefits although this can be significant (especially when defined benefit pension arrangements are available) and this likely understates the value of packages. This was due to both relatively poor levels of disclosure and the complexity of deciding whether to only include employer sponsored benefits or also generous state plans financed through high social security charges. However, companies should be aware of the impact of such arrangements, as it can have a material impact on data. Other perquisites have also been excluded.

The table below shows a quartile analysis of target total direct compensation, broken down into the three regions and shown for the largest jurisdictions. This data has not been adjusted to reflect the differing market capitalisations.

### Target Total Direct Compensation (\$000)

Percentile	CEO			CFO		
	25th	50th	75th	25th	50th	75th
The Americas	\$13,122	\$17,226	\$23,841	\$4,777	\$6,017	\$8,322
Europe & Australia	\$5,130	\$6,833	\$8,457	\$2,909	\$3,980	\$4,498
Asia	\$381	\$2,198	\$5,401	\$775	\$1,841	\$2,200
United States	\$13,966	\$17,707	\$23,984	\$4,809	\$6,139	\$8,540
China	\$88	\$109	\$170	—	—	—
France	\$4,627	\$5,526	\$6,632	—	—	—
United Kingdom	\$7,288	\$8,260	\$8,691	\$4,144	\$4,449	\$4,860
Japan	\$2,416	\$2,876	\$4,458	—	\$2,050	—
Germany	\$6,813	\$7,226	\$8,082	\$3,342	\$3,664	\$4,378
Canada	\$7,038	\$8,138	\$11,141	\$2,915	\$3,269	\$4,230
Hong Kong	\$2,808	\$8,024	\$15,617	—	—	—

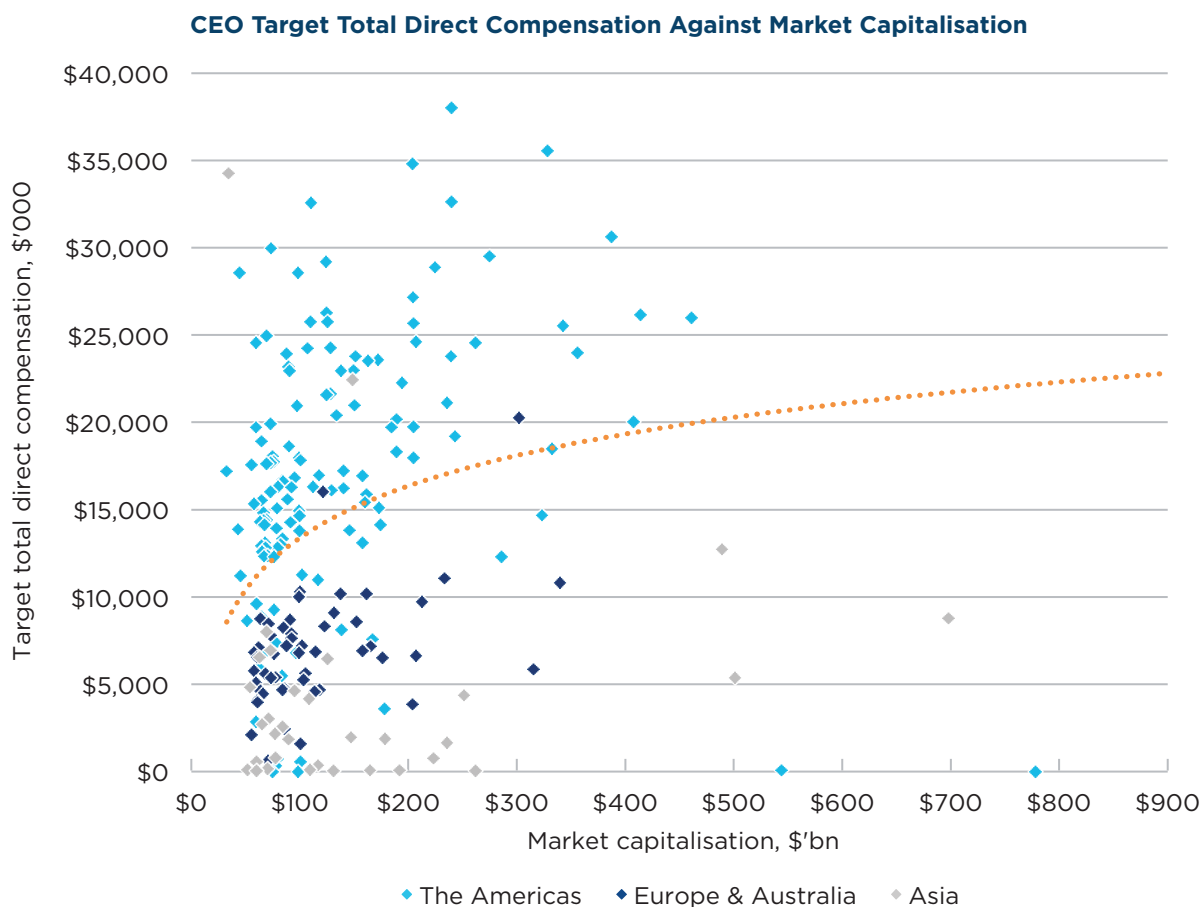
# COMPENSATION LEVELS

The median CEO target total direct compensation in Europe & Australia is 60% lower than in the Americas. By contrast, total cash compensation is 2% lower and base salaries are 35% higher.

The median CFO target total direct compensation in Europe & Australia is 34% lower than in the Americas. Total cash compensation is 17% higher and base salaries are 40% higher.

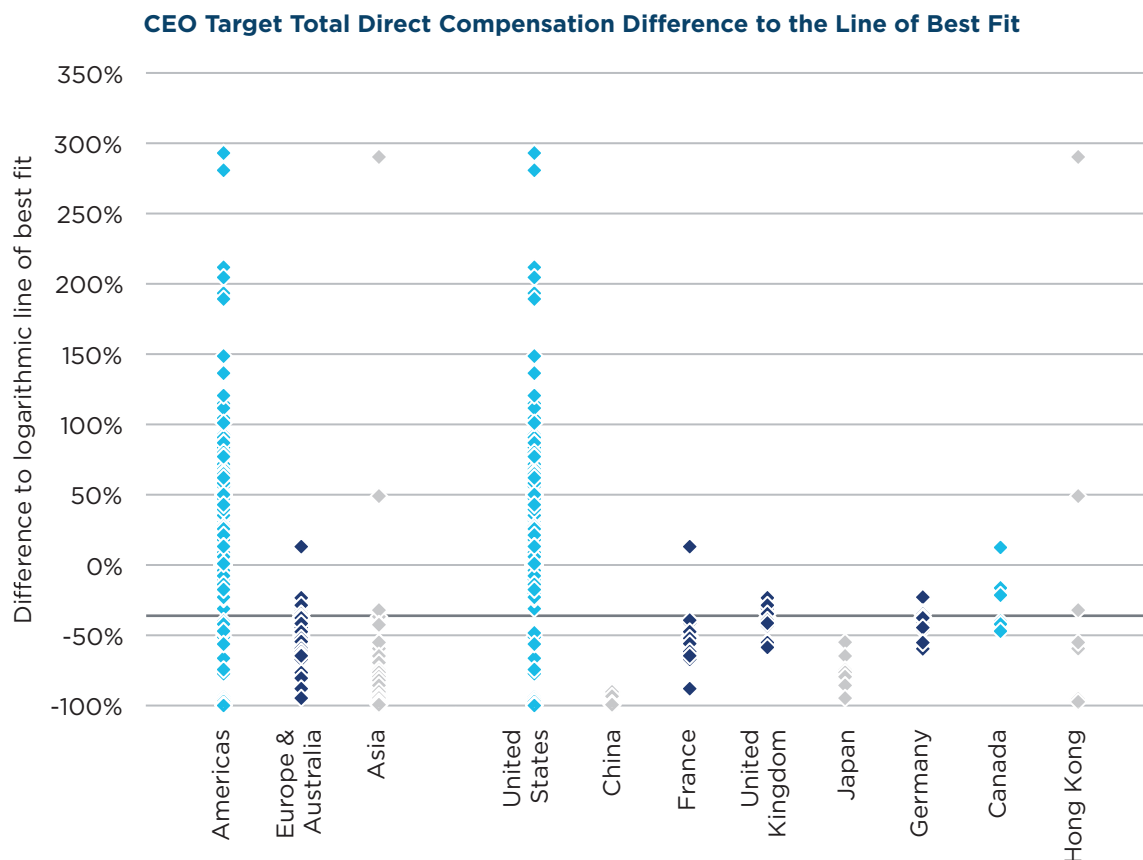
In several jurisdictions, there are companies that disclose total direct compensation but do not provide a breakdown of individual pay components. As a result, the total direct compensation data above represents a slightly broader sample than offered in the earlier analysis of cash compensation.

The chart below shows the target total direct compensation for the CEO against the market capitalisation of each company. We have restricted the axis to show compensation of up to \$40 million, although there are a handful of companies (all in the Americas) with higher levels of compensation.



# COMPENSATION LEVELS

The chart below shows the average percentage difference between total direct compensation at each company and the line of best fit.



78% of companies in the Americas have packages for the CEO that are above the line of best fit, compared with 6% of companies in Asia and 4% of companies in the Europe & Australia. In other words, among the Global Top 250, after adjusting for company size, companies in the Americas have target total direct compensation that is higher than in Asia and Europe & Australia, which are broadly aligned. This contrasts with base salaries, where Europe & Australia were highest, and target total cash compensation, where the Americas and Europe & Australia were similar.

# COMPENSATION LEVELS

The following table analyses the relationship between the target total direct compensation of the CEO and the CFO.

## CFO Target Total Direct Compensation Expressed as a % of CEO Target Total Direct Compensation

Percentile	CFO as % of CEO <sup>1</sup>
	50th
The Americas	35%
Europe & Australia	52%
Asia	26%
United States	35%
China	—
France	—
United Kingdom	58%
Japan	51%
Germany	49%
Canada	31%
Hong Kong	—

The median relationship is 35% for companies in the Americas, compared with 47% for total cash compensation and 61% for base salaries. This is reflective of the material difference in the value of LTI as a percentage of salary between CEOs and CFOs in the Americas (906% of salary at median for CEOs, compared with 474% for CFOs).

In Europe & Australia, the difference is far smaller (52% for target total direct compensation, 55% for target total cash compensation and 59% for base salaries), where median values of LTI as a percentage of salary are more similar for CEOs and CFOs (135% of salary and 123% of salary, respectively).

This suggests that, among companies in Europe & Australia, CEOs and CFOs have structurally more similar total direct compensation (with differences primarily driven from base salaries) whereas, in the Americas, CEOs receive higher variable pay levels.

The median relationship is 26% for companies in Asia, compared with 28% for target total cash compensation and 42% for base salaries. The volatility in these ratios between base salaries, total cash and total direct compensation is largely due to changes in sample size between the three analyses resulting from differing levels of disclosure.

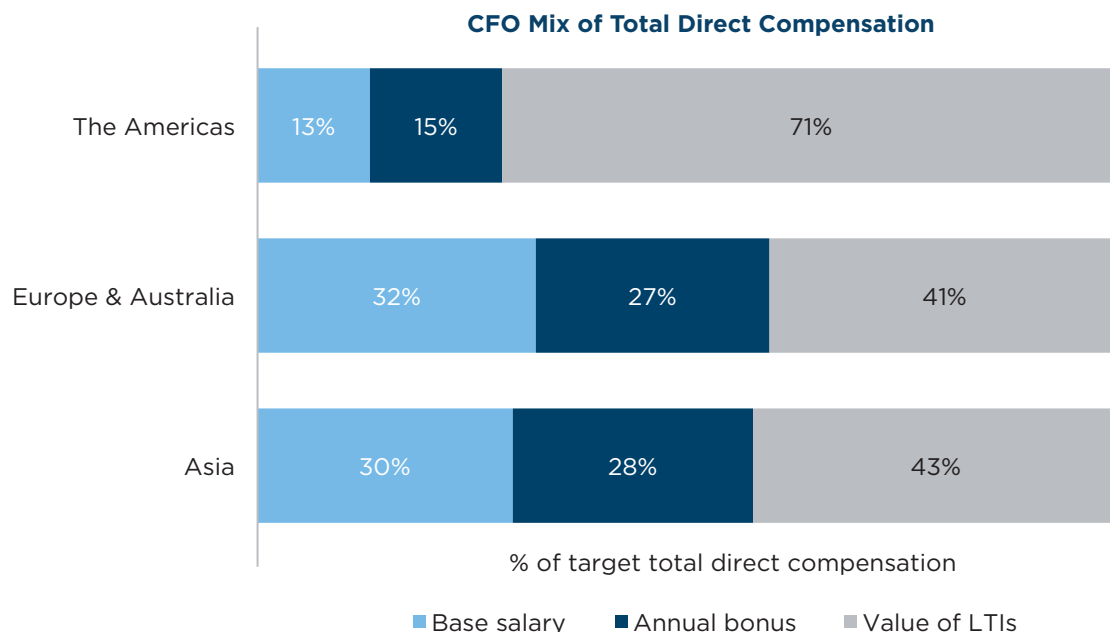
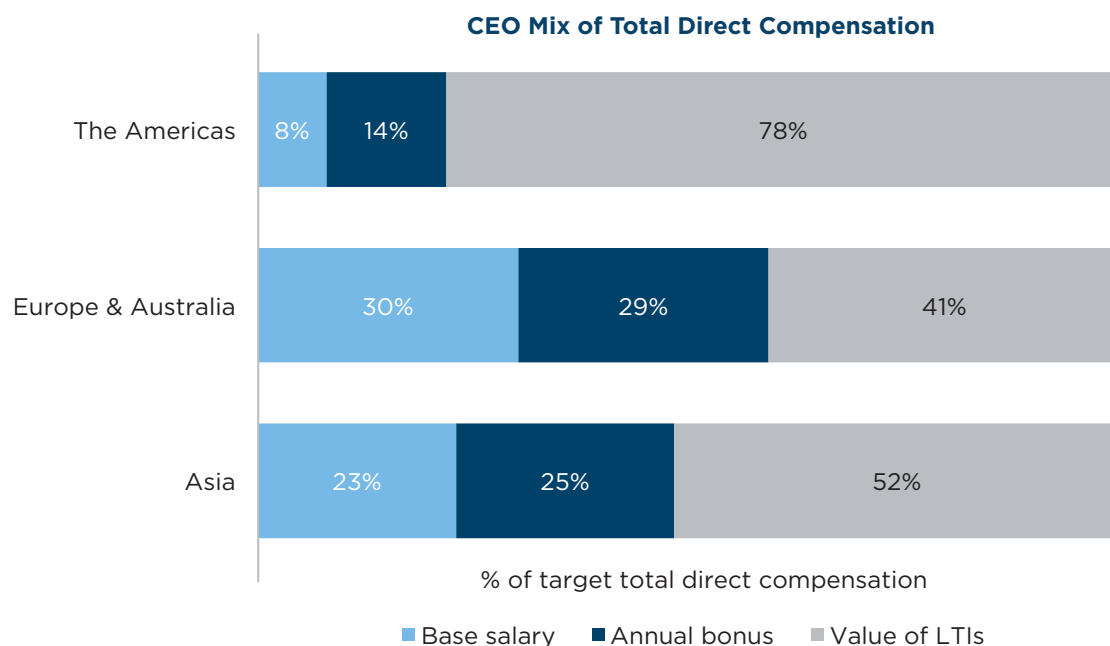
<sup>1</sup> Only companies which disclose the Total Direct Compensation of both the CEO and CFO are included in this analysis



# COMPENSATION LEVELS

## Compensation Mix

The charts below show the median mix of target total direct compensation between base salary, target annual bonus, and the target value of LTI for CEOs and for CFOs, broken down into the three regions.



# COMPENSATION LEVELS

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This highlights two key points:

- Compensation is considerably more weighted towards long-term incentives in the Americas, with pay components more evenly spread between base salary, annual bonus, and long-term incentives in Europe & Australia and Asia (weighted more towards long-term incentives). These observations on weightings are consistent with our previous study where the higher weighting on variable compensation in the Americas was also highlighted.
- On average, the structure of compensation does not differ materially between CEOs and CFOs in Europe & Australia or in Asia. Among companies in the Americas, 8% of the total package is base salary for CEOs and 13% is base salary for CFOs. While this difference may not sound large, it is significant as it means that the multiples of salary used for the annual bonus and LTIs are considerably lower for CFOs.

# LONG-TERM INCENTIVE DESIGN

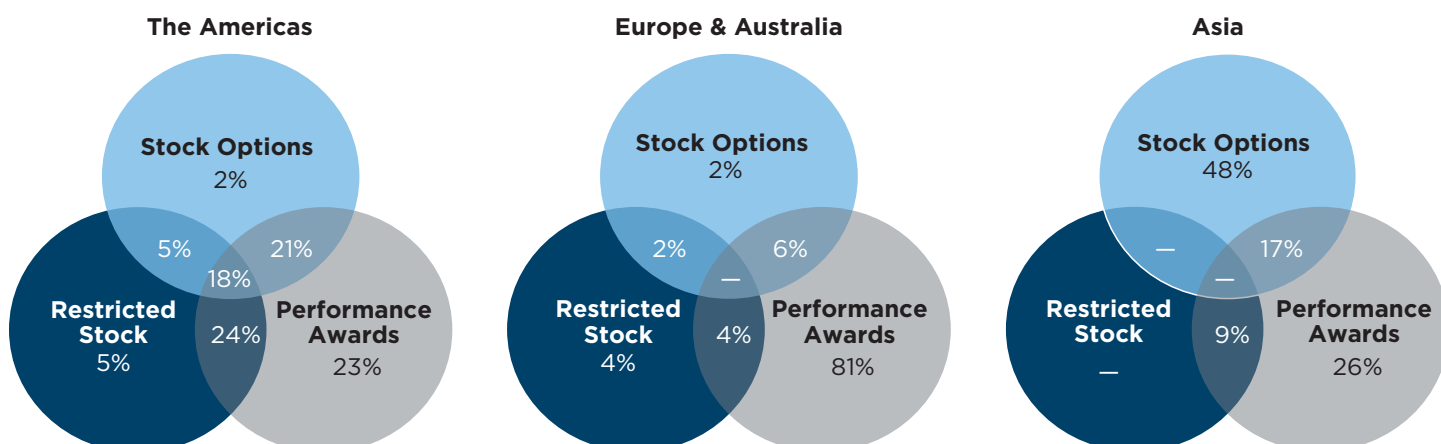
In this section, we discuss key long-term incentive design features and performance measures, and how these vary by jurisdiction. We categorise the LTI structures as follows:

- **Stock Options** – grants of stock options or stock appreciation rights (“SARs”) with the strike price based on the market price at grant; typically not subject to pre-vest performance conditions.
- **Restricted Stock** – grants of stock or stock units that vest based on time only and are not subject to performance conditions.
- **Performance Awards** – grants of stock, stock units, or long-term cash that vest based on time and are subject to performance conditions.

A significant proportion of companies in the Global Top 250 grant more than one type of LTI vehicle to their CEO and/or CFO. In the Americas, it is common practice to grant a portfolio of equity vehicles (69% of LTI programs combine at least two of stock options, restricted stock and, most commonly, performance awards) to balance the benefits and drawbacks of each award type. Level of LTI disclosure varies between (and within) jurisdictions and, in certain jurisdictions (such as, China and South Africa), it is uncommon for companies to disclose the operation of LTIs at all.

The Venn diagrams below show the prevalence of different LTI structures, where an LTI is granted and disclosed, broken down by region. 95% of companies in the Americas and 89% of companies in Europe & Australia disclosed the operation of an LTI program, compared with only 42% of companies in Asia.

## Long-Term Incentives Available to the Chief Executive Officer and Chief Financial Officer



In the Americas, performance awards are most common, with 87% of companies granting the award type. Restricted stock is the second most common (53%), followed by stock options (47%).

In Europe & Australia, it is almost universal practice to grant performance awards, with 91% of companies with an LTI program granting such awards. There are only limited examples of restricted stock (11%) or stock options (11%).

# LONG-TERM INCENTIVE DESIGN

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Conversely, in Asia (although we note that the sample is small) 65% of companies with an LTI are granting stock options, compared with only 52% granting performance awards and 9% granting of restricted stock.

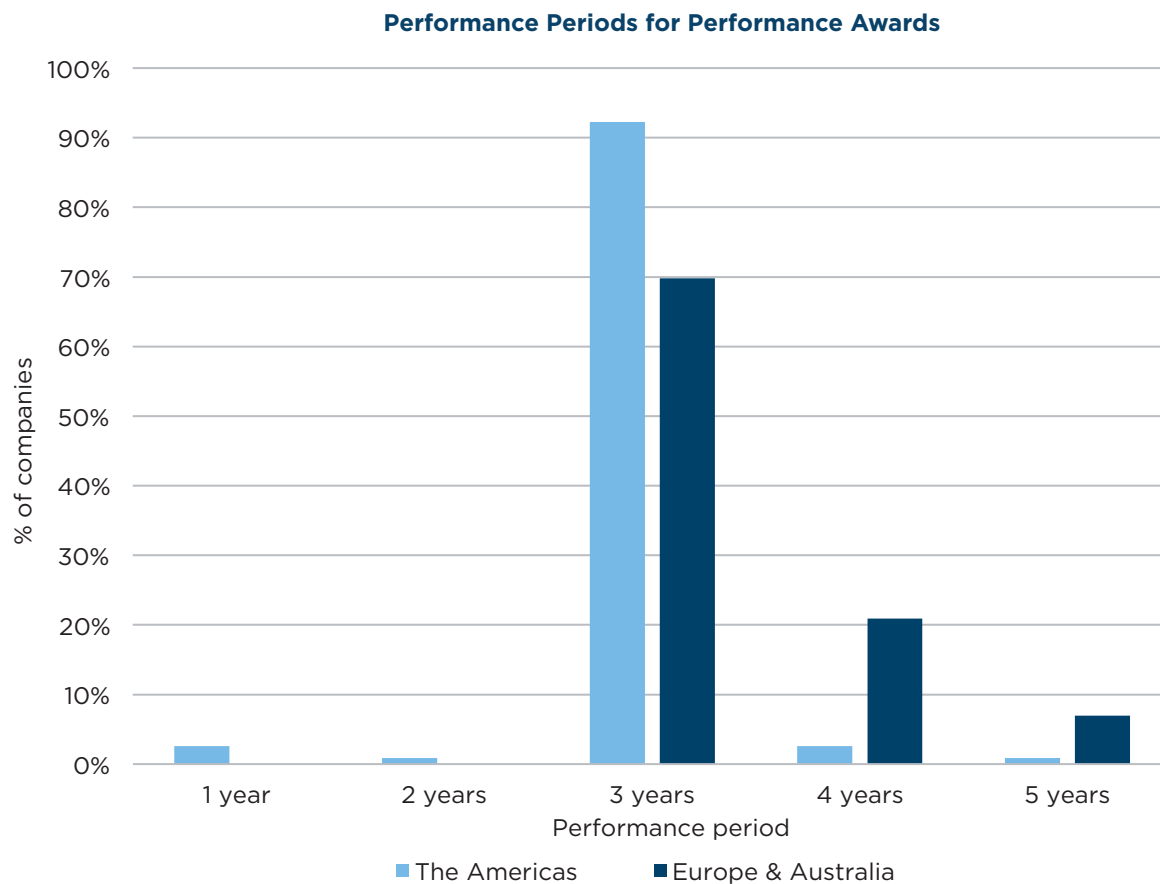
Equity award type prevalence percentages in the United States reflect the ongoing emphasis on performance-based LTI structures. Conversely, in the United Kingdom & Australia, there has been movement in the other direction, away from the perceived “high” and volatile payouts associated with performance awards and towards more stable restricted stock, although their detailed design differs from the U.S. as such awards will typically be subject to some basic level of performance underpin which would not be common in the U.S.

The way in which companies determine and disclose performance award values vary significantly between jurisdictions. In the United States, the largest jurisdiction in the Global Top 250, companies typically determine a “target” award level, with a threshold and a maximum defined as a percentage of the target (for example, from 50% to 200% of target). In other jurisdictions (e.g., the United Kingdom) an award is made over a maximum number of shares with vesting between, for example, 25% and 100% of the maximum value. While the precise wording differences could be dismissed as semantics, this is reflective of a genuine design difference; among United Kingdom companies (and many others in Europe) no “target” level is defined for long term incentives. This also tracks into performance measures with American companies typically permitting relative TSR vesting over a lower quartile to upper quartile range, whereas European & Australian companies typically operate over a median to upper quartile range.

# LONG-TERM INCENTIVE DESIGN

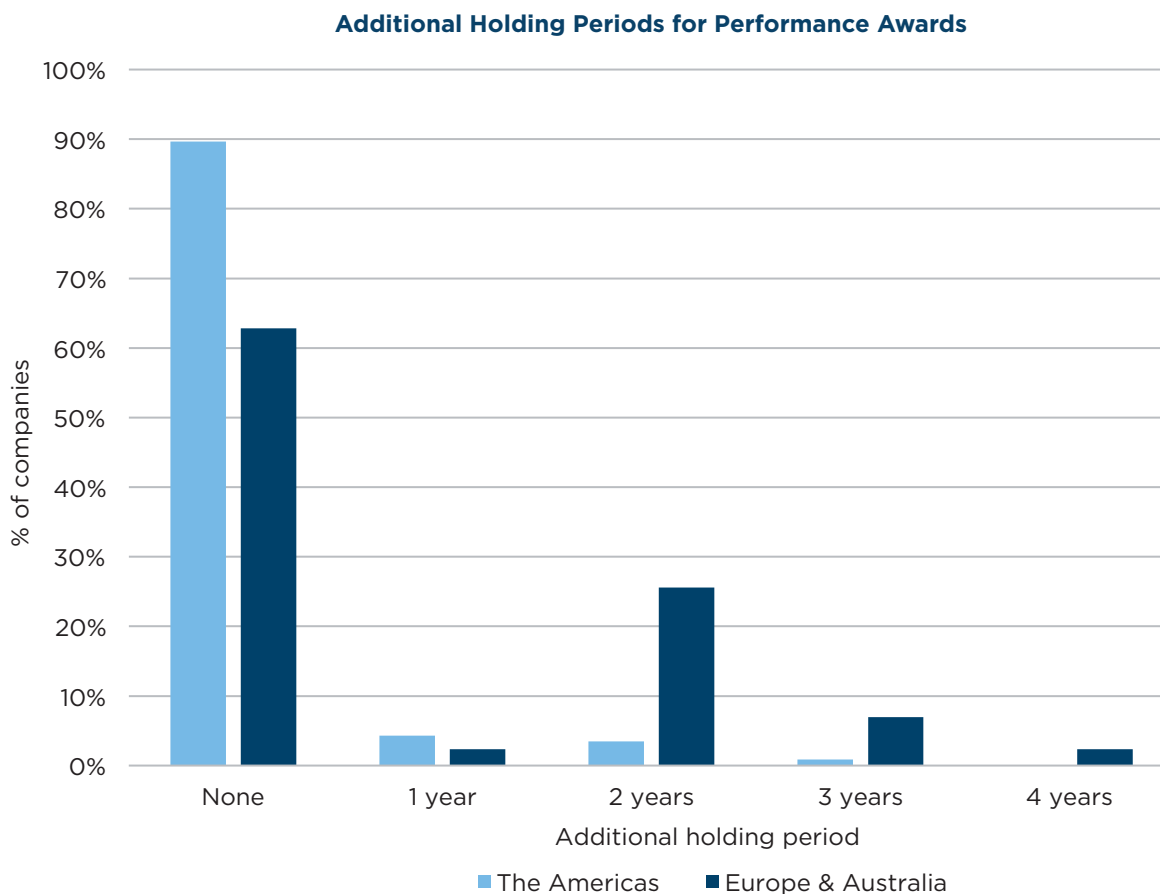
## Performance Award Vesting Schedules

The following chart shows a breakdown of the vesting periods for performance awards. Performance awards are considerably more common among companies in the Americas and in Europe & Australia than among companies in Asia; accordingly, companies in Asia have been excluded from this analysis.



# LONG-TERM INCENTIVE DESIGN

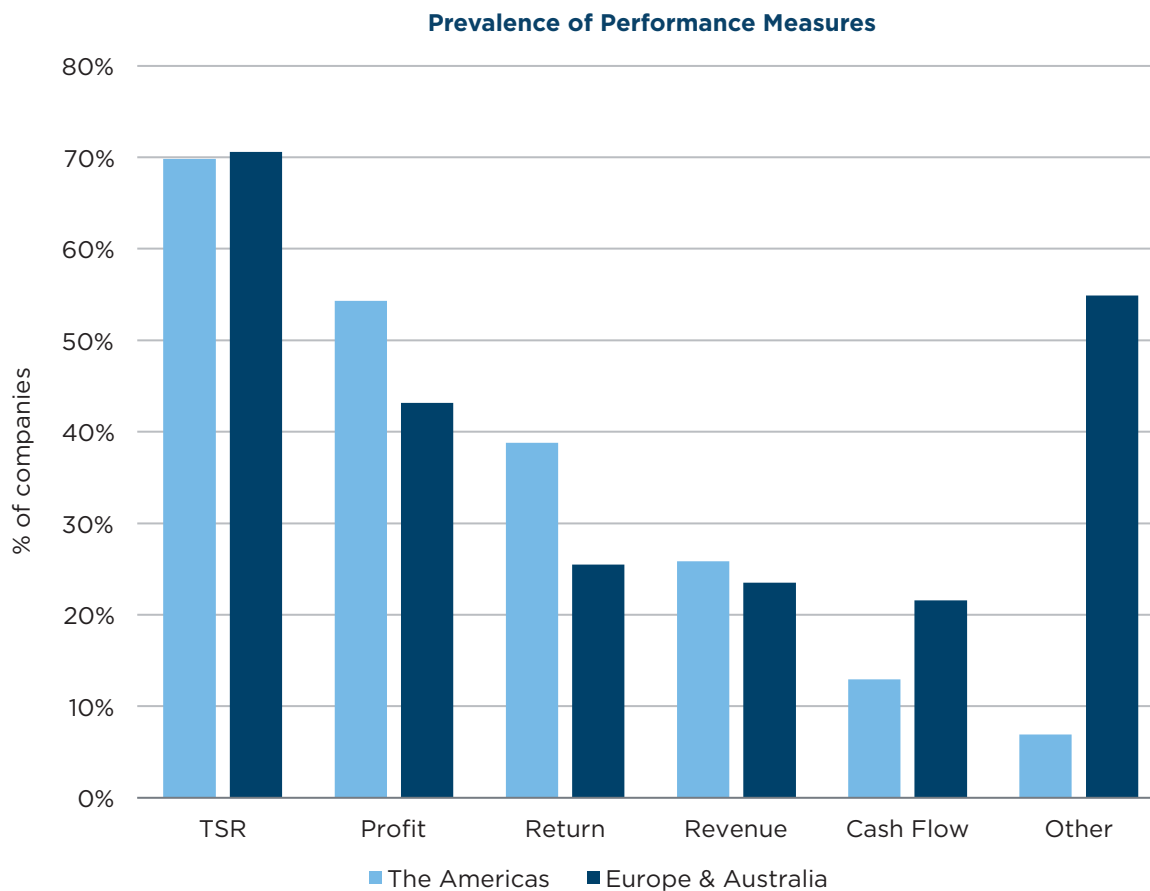
In addition to the performance periods, a number of companies operate further “holding periods” on performance awards which mean that performance awards do not vest, or cannot be sold, for a period after the end of the performance period. This is minority practice in the Americas but is more common among companies in Europe & Australia.



# LONG-TERM INCENTIVE DESIGN

## Measuring Long-Term Performance

68% of companies in the Global Top 250 disclose grants of performance awards. The chart below shows the prevalence of performance measures used in these plans. As only a few of these companies are in Asian jurisdictions, we have excluded Asia from this analysis.

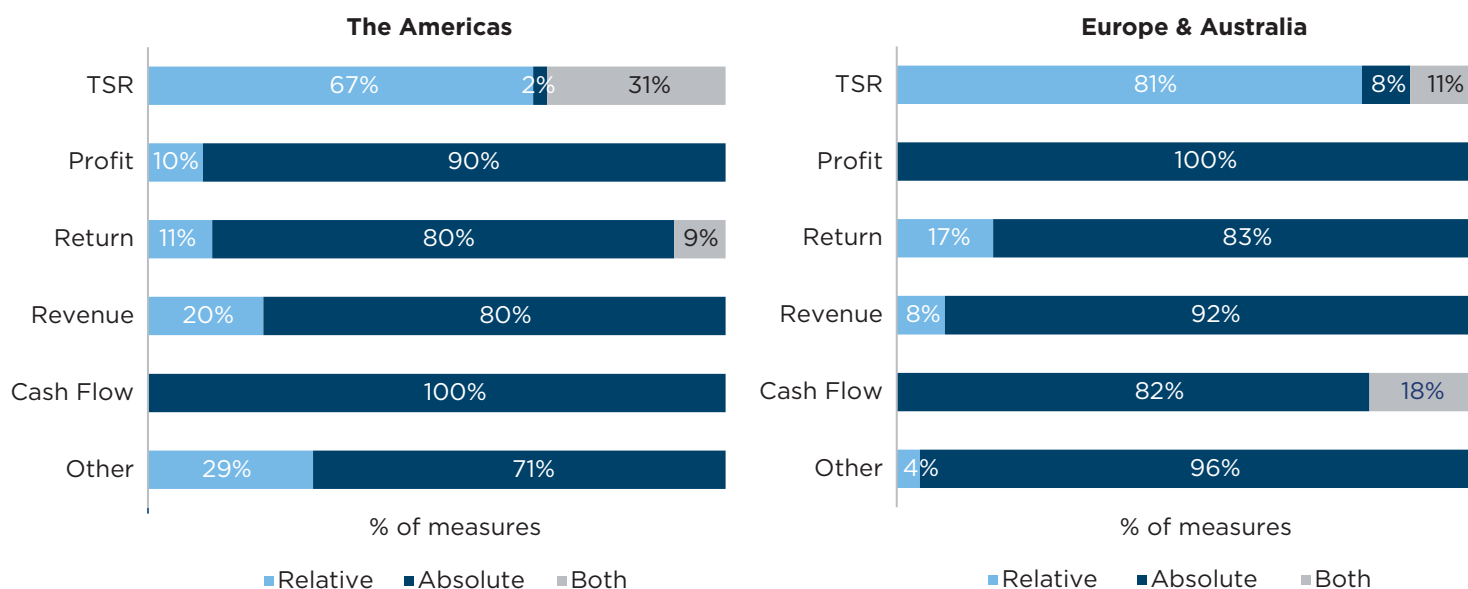


Total Shareholder Return (“TSR”) and profit measures (such as earnings per share) are the most common performance measures in both the Americas and Europe & Australia.

# LONG-TERM INCENTIVE DESIGN

With the exception of TSR, it is most common for companies to measure their performance on an absolute basis. The charts below show the percentage of companies measuring each performance measure on a relative basis, an absolute basis and on both bases.

**Basis of Performance Measurement**



In the Americas, 67% of companies with a TSR performance measure use only a relative measure, while 31% measure TSR on both basis and only 2% measure TSR on an absolute basis only. In Europe & Australia 81% measure on a relative basis only, 8% on an absolute basis only and 11% measuring on both bases.

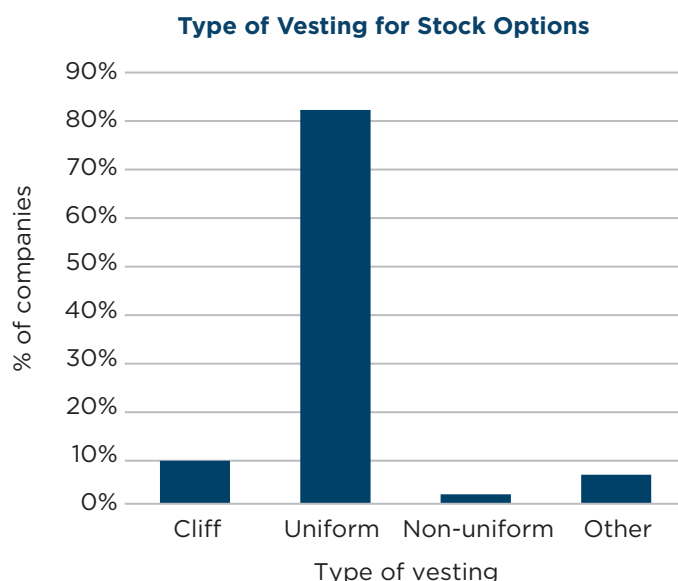
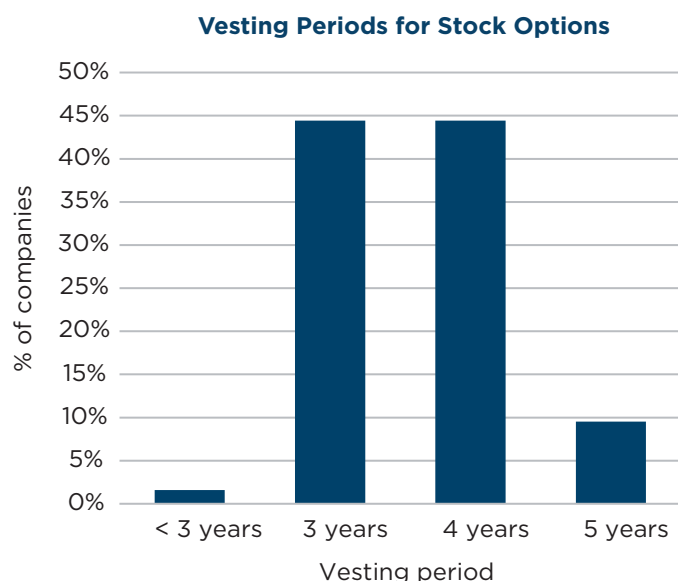
This suggests that relative TSR is the most common measure both in the Americas and in Europe & Australia. However, as noted earlier, the same scales do not apply globally. In the U.S., it would be typical for the vesting scale to be wider (with lower quartile being the threshold and upper quartile being the maximum against a target payout at median) while in Europe & Australia the most common scales range from median to upper quartile. Further, the proportion of maximum payable for achieving a median level of performance varies from, typically, 50% in the Americas (and also in Australia) to 25% in much of Europe.



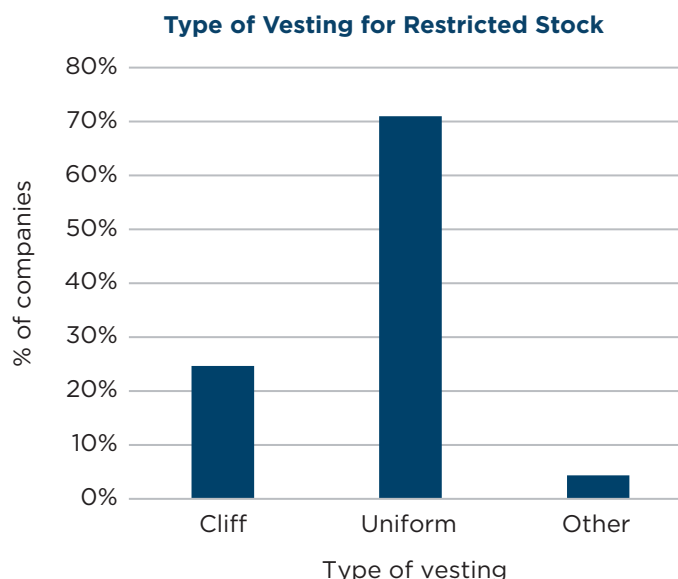
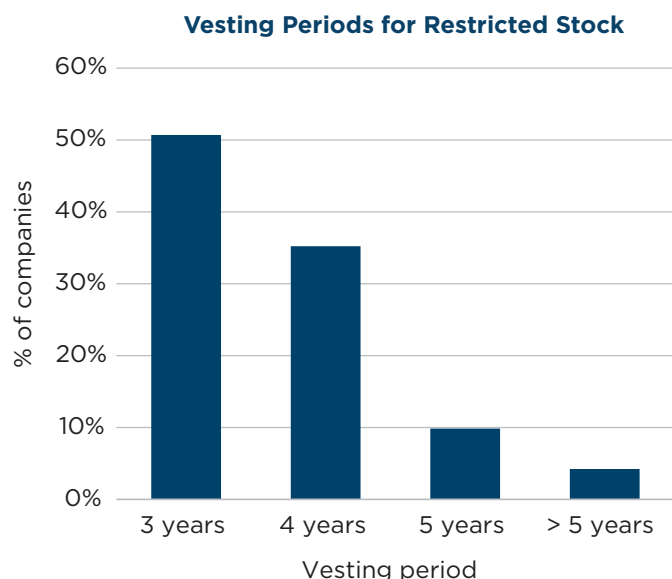
# LONG-TERM INCENTIVE DESIGN

## Stock Options and Restricted Stock Vesting Schedules

The charts below show a breakdown of the vesting periods for stock options and whether vesting occurs all at once (“cliff vesting”) or in tranches, either “uniform” (e.g., vesting in equal increments; such as 25% per year over a four-year term) or “non-uniform” (e.g., 50% after 3 years, 25% after 4 years and 25% after 5 years). Due to the lack of stock option awards among companies in Europe & Australia and a lack of disclosure among companies in Asia, this analysis is shown only for companies in the Americas.



The following charts show a breakdown of the vesting periods for restricted stock and whether vesting is cliff or in uniform or non-uniform tranches. Again, due to the lack of restricted stock awards among companies in Europe & Australia and Asia, this analysis is shown only for companies in the Americas.



# SHARE USAGE

Share usage is a significant concern to shareholders of companies that grant stock awards, due to the dilutive impact of such grants (as well as the company's potential to incur an accounting charge. The amount of stock issued or purchased each year as a percentage of total issued share capital is called the "run rate". In order to provide a more representative analysis, we have analysed the average run rate over the last three years.

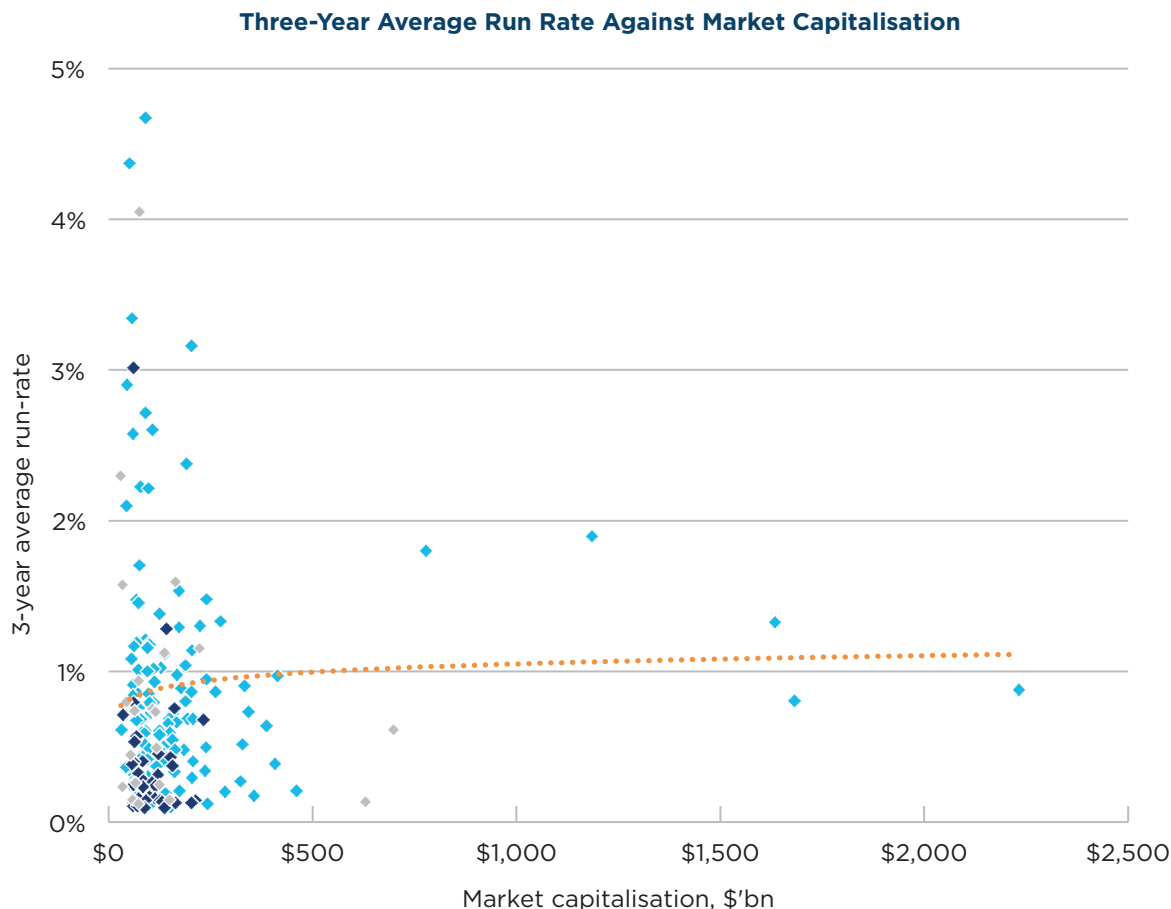
The table below shows a quartile analysis of the 3-year run rate at each company (excluding companies where no shares have been disclosed to be issued or purchased), broken down into the three regions and shown for the largest jurisdictions. This data has not been adjusted to reflect the differing market capitalisations.

## Three-Year Average Run Rate (% of total issued share capital)

Percentile	Run Rate		
	25th	50th	75th
The Americas	0.34%	0.68%	1.06%
Europe & Australia	0.10%	0.16%	0.40%
Asia	0.01%	0.14%	0.74%
United States	0.36%	0.68%	1.06%
China	0.20%	0.94%	1.71%
France	0.13%	0.26%	0.39%
United Kingdom	0.14%	0.19%	0.35%
Japan	0.01%	0.03%	0.05%
Germany	0.10%	0.16%	0.40%
Canada	0.12%	0.37%	0.75%
Hong Kong	0.37%	0.56%	0.84%

# SHARE USAGE

The chart below shows the three-year average run rate against the market capitalisation of each company, along with the line of best fit. We have restricted the axis to show a run rate of up to 5% of issued share capital, although there are a few isolated examples of companies with higher run rates. Given the emphasis placed on long-term incentives within companies in the Americas, it is unsurprising that run rate values are multiples that of their Europe & Australia and Asia counterparts.



# METHODOLOGY

The Global Top 250 reflects data as of December 31, 2020. We have sourced the data used in this report from publicly-available company filings and have included the latest publication as of 31 March 2021.

We have obtained data for the following roles:

**CEO** – this is the CEO or closest equivalent; and

**CFO** – this is the most senior financial executive.

New joiners are included within the analysis when the company provided sufficient information to calculate on-going total direct compensation.

In analysing the data, we have used the following methodology:

Element of Compensation	Methodology
<b>Base salary</b>	Reported, unadjusted current salary or salary paid in the prior year.
<b>Target annual bonus</b>	Based on the target level, if disclosed. If the target level is not disclosed, we have used 50% of the maximum. If neither is disclosed, the average bonus paid over the last 3 years was assumed to be at the target level.
<b>Target total cash compensation</b>	The aggregate of base salary and the target annual bonus.
<b>Target value of long-term incentives</b>	Long-term incentives reflect a three-year average of actual grants to minimise the impact of irregular grant practices across regions/jurisdictions. Target levels have been assumed to be 20% of exercise price for performance-based stock options, 30% of exercise price for time-based stock options, 100% of grant date fair value for target payout of performance awards (we have assumed target to be 50% of maximum where only a maximum award has been disclosed) and 100% of grant date closing price for restricted stock.
<b>Target total direct compensation</b>	The aggregate of target total cash compensation and the target value of long-term incentives.
<b>Exchange rates</b>	All data in this report are expressed in US\$. Where disclosures are in an alternative currency, the exchange rate as of December 31, 2020 has been used.

*This report is intended to be a summary of key issues but is not comprehensive and does not constitute advice. No legal responsibility is accepted by any of the contributing firms as a result of reliance on the contents of this report.*

# FIRM PROFILES

## FW Cook

FW Cook is an independent consulting firm specializing in executive and director compensation and related corporate governance matters. Formed in 1973, the firm has served more than 3,000 companies of divergent size and business focus from our offices in New York, Chicago, Los Angeles, San Francisco, Atlanta, Houston and Boston. It currently serves as the independent advisor to the compensation committees at a substantial number of the most prominent companies in the U.S.

## FIT Remuneration Consultants

FIT Remuneration Consultants is one of Europe's largest independent remuneration consultancies. The firm was founded in 2011 and is run by its eight partners, each having an average 20 years' experience in executive remuneration. FIT advises some of Europe's largest listed companies, mutuals and other organisations from its offices in London.

## Pretium Partners

Pretium is an independent management consulting firm that helps accelerate clients' growth, increase profitability and transform the company through effective reward, performance and strategic human resources strategy. Pretium advises Asian clients on the people aspects during transformation, with reference to business needs, the latest market data, corporate governance trends and best practices.

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# COMPANIES IN THE 2021/2022 GLOBAL TOP 250

3M Company	Bmw	Deutsche Telekom
Abb	Bnp Paribas	Diageo
Abbott Laboratories	Booking Holdings Inc.	Duke Energy Corporation
Abbvie Inc.	Bp	Eli Lilly And Company
Accenture Plc	Bristol-Myers Squibb Company	Enbridge Inc.
Activision Blizzard, Inc.	British American Tobacco	Enel
Adidas	Broadcom Inc.	Essilorluxottica
Adobe Inc.	Brookfield Asset Management Inc.	Exxon Mobil Corporation
Advanced Micro Devices, Inc.	Byd 'H'	Facebook, Inc.
Adyen	Canadian National Railway Company	Fast Retailing
Agricultural Bk.Of Chin. 'H'	Caterpillar Inc.	Fedex Corporation
Aia Group	Ch Evergrande New Energy Vehicle 'G'	Fidelity National Information Services, Inc.
Air Liquide	Charter Communications, Inc.	Fiserv, Inc.
Airbnb, Inc.	Chevron Corporation	Gazprom
Airbus	China Con.Bank 'H'	General Electric Company
Al Rajhi Bank	China Life Insurance 'H'	General Motors Company
Alibaba Group Holding ADR 1:8	China Merchants Bank 'H'	Gilead Sciences, Inc.
Allianz	China Mobile	Glaxosmithkline
Alphabet Inc.	China Ptl.& Chm. 'H'	Hca Healthcare, Inc.
Altria Group, Inc.	China Shenhua En.Co.'H'	Hdfc Bank
Amazon.Com, Inc.	Christian Dior	Hermes International
American Express Company	Chubb Limited	Hindustan Unilever
American Tower Corporation (Reit)	Chugai Pharm.	Hon Hai Precn.Ind.
Amgen Inc.	Cigna Corporation	Honeywell International Inc.
Anheuser-Busch Inbev	Cisco Systems, Inc.	Hong Kong Exs.& Clear.
Anthem, Inc.	Citigroup Inc.	Housing Development Finance Corporation
Apple Inc.	Cme Group Inc.	Hsbc Holdings
Applied Materials, Inc.	Colgate-Palmolive Company	Iberdrola
Asml Holding	Comcast Corporation	Illinois Tool Works Inc.
Astrazeneca	Commonwealth Bank Of Australia	Inditex
At&T Inc.	Conocophillips	Indl&Coml.Boc.'H'
Atlas Copco	Costco Wholesale Corporation	Infosys
Autodesk, Inc.	Crown Castle International Corp. (Reit)	Intel Corporation
Automatic Data Processing, Inc.	Csl	Intercontinental Exchange, Inc.
Axa	Csx Corporation	International Business Machines Corporation
Baidu Ads 1:8	Cvs Health Corporation	Intuit Inc.
Bank Of America Corporation	Daiichi Sankyo	Intuitive Surgical, Inc.
Bank Of China 'H'	Daikin Industries	Investor
Basf	Daimler	Jd Com ADR 1:2
Becton, Dickinson And Company	Danaher Corporation	Johnson & Johnson
Berkshire Hathaway Inc.	Deere & Company	Jpmorgan Chase & Co.
Bhp Group	Dell Technologies Inc.	Kddi
Bilibili	Deutsche Post	
Blackrock, Inc.		
Blackstone Inc.		

# COMPANIES IN THE 2021/2022 GLOBAL TOP 250

Kering	Pfizer Inc.	Texas Instruments Incorporated
Keyence	Philip Morris International Inc.	The Bank Of Nova Scotia
Lam Research Corporation	Ping An Insurance (Group) Of China 'H'	The Boeing Company
Lg Chem	Postal Savings Boc.'H'	The Charles Schwab Corporation
Linde Plc	Prologis, Inc.	The Coca-Cola Company
Lockheed Martin Corporation	Prosus	The Estée Lauder Companies Inc.
L'Oreal	Qualcomm Incorporated	The Goldman Sachs Group, Inc.
Lowe'S Companies, Inc.	Raytheon Technologies Corporation	The Home Depot, Inc.
Lvmh	Reckitt Benckiser Group	The Pnc Financial Services Group, Inc.
Marsh & McLennan Companies, Inc.	Recruit Holdings	The Procter & Gamble Company
Mastercard Incorporated	Reliance Industries	The Saudi National Bank
Mcdonald'S Corporation	Rio Tinto	The Sherwin-Williams Company
Medtronic Plc	Roche Holding	The Southern Company
Meituan	Roku, Inc.	The Tjx Companies, Inc.
Mercadolibre, Inc.	Royal Bank Of Canada	The Toronto-Dominion Bank
Merck	Royal Dutch Shell B	The Walt Disney Company
Merck & Co., Inc.	S&P Global Inc.	Thermo Fisher Scientific Inc.
Micron Technology, Inc.	Salesforce.Com, Inc.	T-Mobile Us, Inc.
Microsoft Corporation	Samsung Electronics	Tokyo Electron
Mitsubishi Ufj Finl.Gp.	Sanofi	Total
Mondelez International, Inc.	Sap	Toyota Motor
Morgan Stanley	Saudi Arabian Oil	Truist Financial Corporation
Murata Manufacturing	Saudi Basic Industries	Twilio Inc.
Naspers	Saudi Telecom	U.S. Bancorp
National Australia Bank	Sberbank Of Russia	Uber Technologies, Inc.
Naver	Schneider Electric	Unilever
Nestlé	Servicenow, Inc.	Union Pacific Corporation
Netease Adr 1:5	Shin-Etsu Chemical	United Parcel Service, Inc.
Netflix, Inc.	Shopify Inc.	Unitedhealth Group Incorporated
Nextera Energy, Inc.	Siemens	Vale S.A.
Nidec	Sk Hynix	Verizon Communications Inc.
Nike, Inc.	Snap Inc.	Vinci
Nintendo	Snowflake Inc.	Visa Inc.
Nio Adr 1:1	Softbank Group	Vmware, Inc.
Nippon Telg. & Tel.	Sony Group	Volkswagen
Norfolk Southern Corporation	Square, Inc.	Walmart Inc.
Novartis	Starbucks Corporation	Wells Fargo & Company
Novo Nordisk	Stellantis	Westpac Banking
Nvidia Corporation	Stryker Corporation	Workday, Inc.
Oc Rosneft	Taiwan Semicon.Mnfg.	Wuxi Biologics Cayman
Oracle Corporation	Target Corporation	Xiaomi
Ørsted	Tata Consultancy Svs.	Zoetis Inc.
Paypal Holdings, Inc.	Tencent Holdings	Zoom Video Communications, Inc.
Pepsico, Inc.	Tesla, Inc.	
Petrochina 'H'		