# Sustained, consistent performance continues to drive long-term incentive plan design


Strengthening the relationship between incentives and continued executive performance is key for long-term incentive (LTI) plan design, according to results from the 2016 Long-Term Incentives, Policies and Practices Survey Report - U.S. conducted by Willis Towers Watson Data Services.

More than 900 participants weighed in, and findings reveal a shift from the traditional plans with stock options to performance-based plans that take a long view, use performance shares as the main award and use total shareholder value as the most prevalent metric.

## LTI plan design: The right fit matters

Most companies are embracing **performance-based LTI plans** that meet five primary objectives:

- **Retain key employees**
- **Align reward program with shareholder expectations**
- **Link rewards to organization success over a multiyear period**
- **Provide wealth accumulation opportunities**
- **Deliver market-competitive total compensation**

## Awards: It's all about diversification

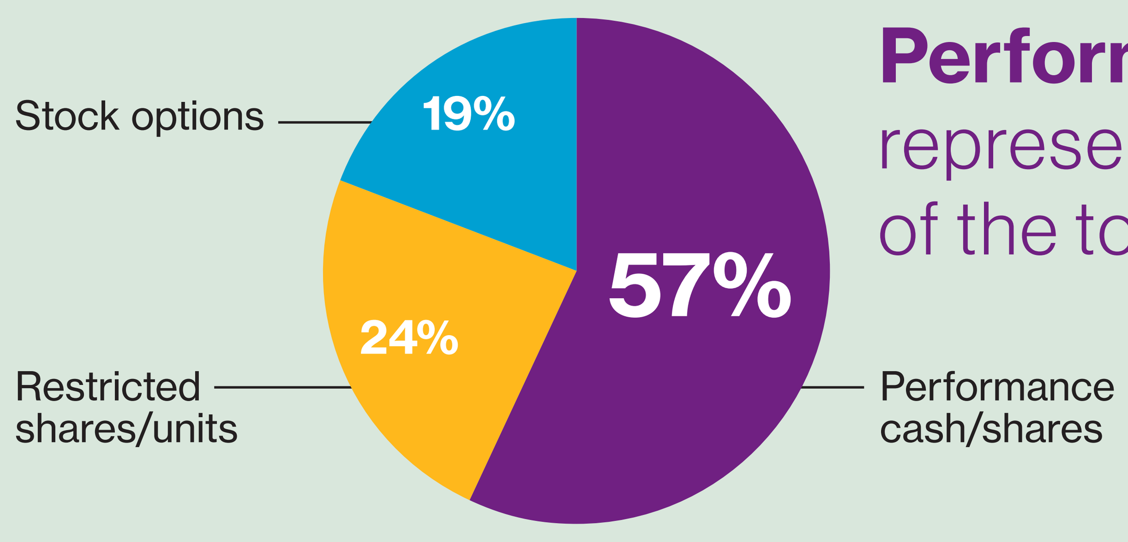
67% of companies are granting a portfolio of incentives that use a **mix of two or more vehicles.**

Performance plans are the **most common award**, particularly for higher paid executives.

Use of **performance shares has more than doubled** in the last 10 years, from 28% to 60%.

Use of **stock options has declined** from 66% to 40%.

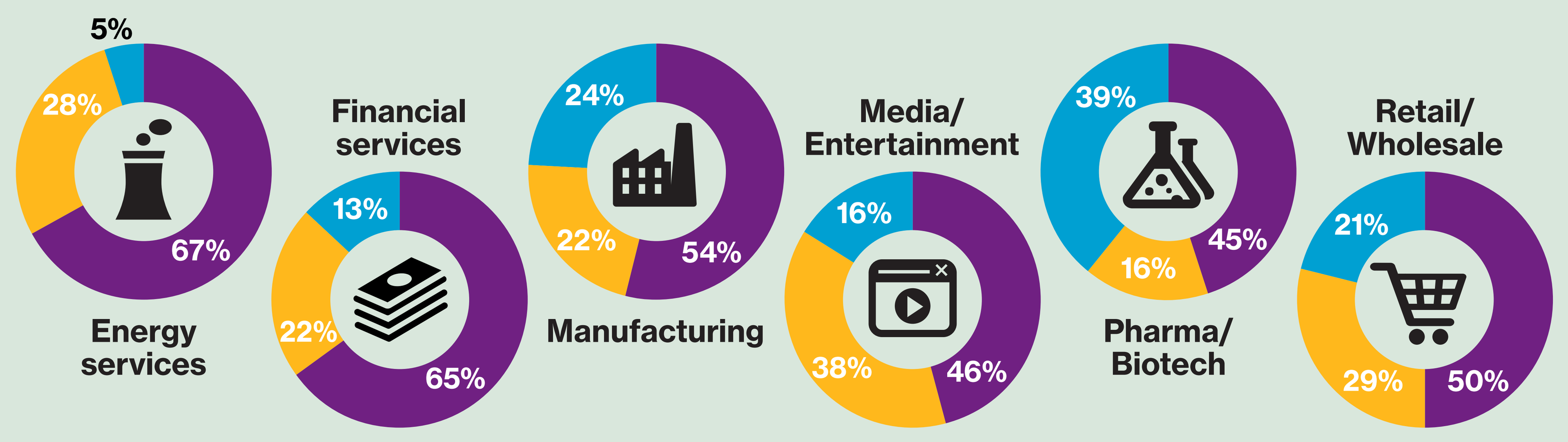
## Trends in LTI mix: CEO




**Performance plans** now represent **more than half** of the total LTI value.

## Trends in LTI mix for CEOs: industry

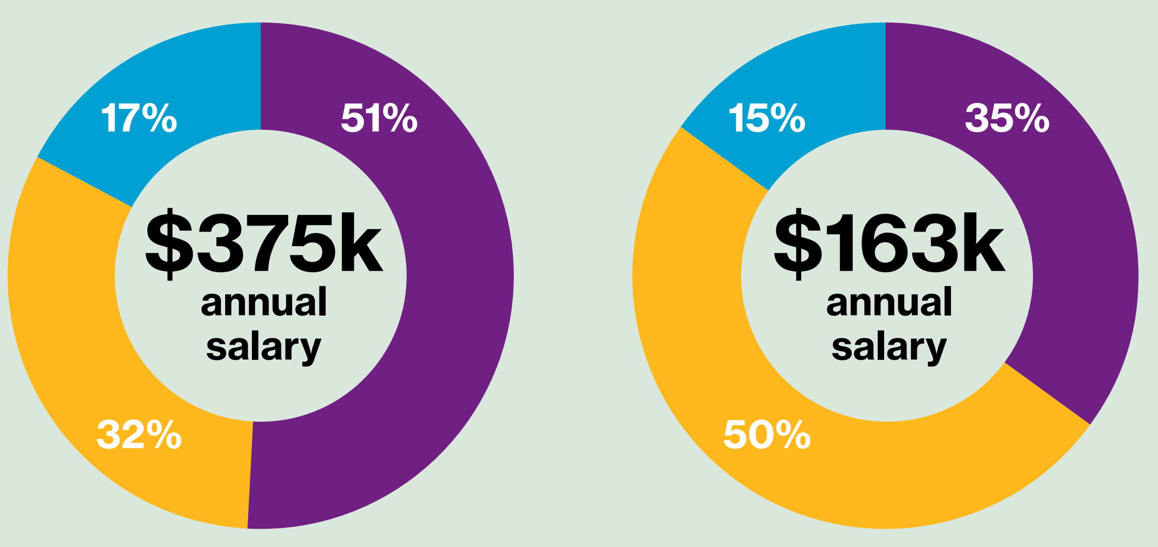
The weighting of options and performance plans varies by industry




Performance cash/shares · Restricted shares/units · Stock options

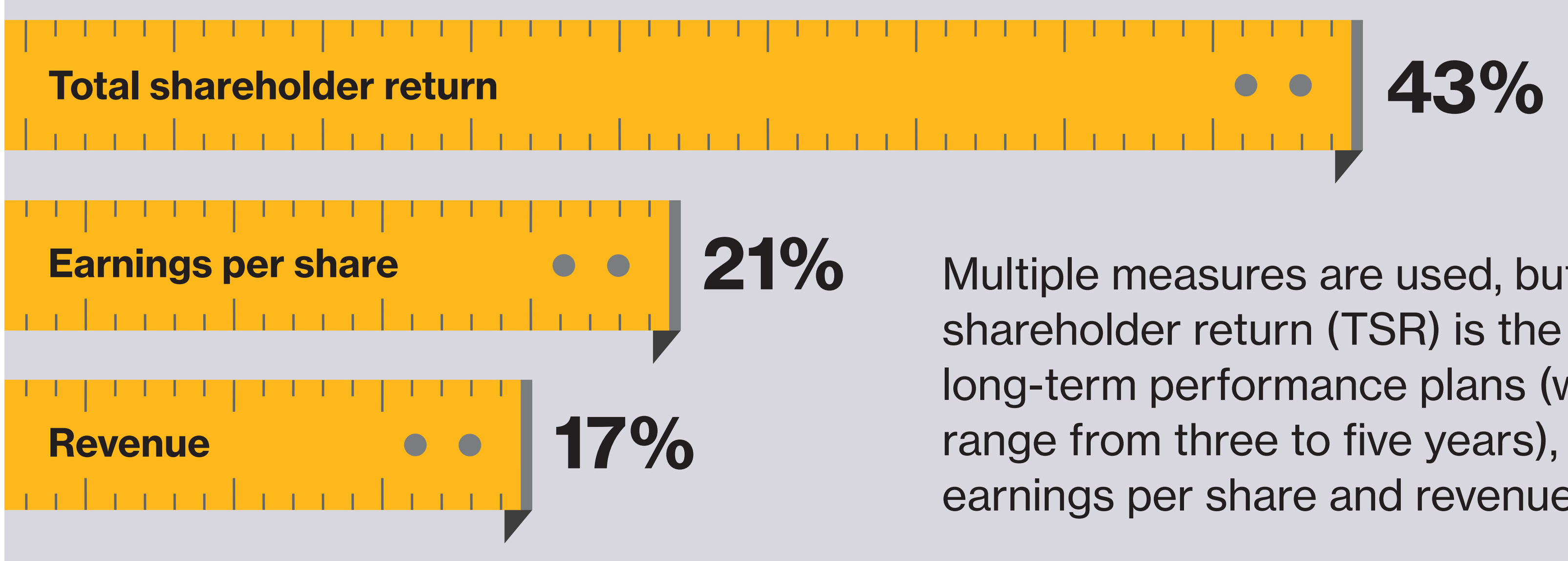
## Trends in LTI mix: participant level

LTI mix often differs for senior executives versus other participants. For top employees, LTI plans are used to foster pay for performance. For other levels, the primary goals are to improve employee retention and offer a competitive total compensation package.




Performance cash/shares · Restricted shares/units · Stock options

## Performance measures: TSR leads




Multiple measures are used, but relative total shareholder return (TSR) is the top measure in long-term performance plans (with goals that range from three to five years), followed by earnings per share and revenue.

## Keep pace with the market

With LTIs comprising such a big portion of executive pay – 68% of CEO pay – it's crucial these plans are designed to motivate top talent, and align with business strategy and shareholder value.

Tap into our **2016 Long-Term Incentives, Policies and Practices Report - U.S.** to compare your organization's offerings with those of your peers and make fact-based recommendations. Go further with help from our executive compensation consulting practice and receive the data interpretations you need to draw meaningful, actionable insights for designing a competitive LTI plan.

### Contact us

For more information and to purchase the reports, please contact our Client Care team at +1 800 645 5771 or wtwusdata@willistowerswatson.com.

### Insights from our 2016 General Industry International Long-Term Incentives Survey Report

**Global consistency matters**

- 95% of organizations offer essentially the same types of LTI plans outside the U.S.
- About half of these companies (49%) need to modify these grants for legal and tax reasons.
- The top challenge (73%) multinationals face is determining the appropriate LTI award size outside the home country.

**The 2016 General Industry International Long-Term Incentives Survey Report** provides market data on how nearly 150 multinationals operate their LTI programs outside their home countries. The report also analyzes collected information on global LTI policies and practices, as well as grant values for 59 countries.

Source: Willis Towers Watson Data Services (2016)