

Re-appraising Executive Incentive Plans

by Jon Roberts

RESULTS OF APRIL WEB POLL

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Our recent web poll indicated that a majority of responding companies are considering measures to address concerns over both annual and long-term incentive plans in the current environment.

With regard to annual incentive plans, the two most reported initiatives being considered were increased use of "discretion" in assessing the performance of individuals and/or reducing the target financial performance hurdles within the plan.

The introduction of a deferred element to the short-term incentive plan was also being deliberated upon by a number of companies, with equity rather than deferred cash being the most popular delivery vehicle. Please note that these views were expressed prior to the May budget announcements.

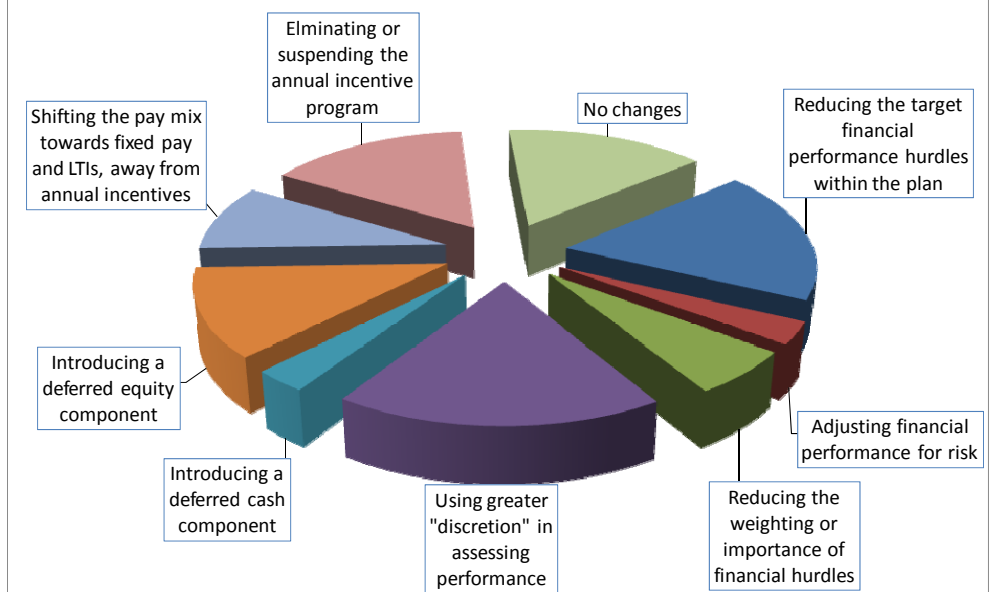
It is also worth noting that the number of organisations which were not planning on changing their STI plans is similar to the number considering suspending or eliminating their plans.

In relation to long-term incentive programs, a majority of companies were considering adjusting their programs with future allocations in mind. The most frequently reported modification was the performance hurdles to be used for prospective allocations.

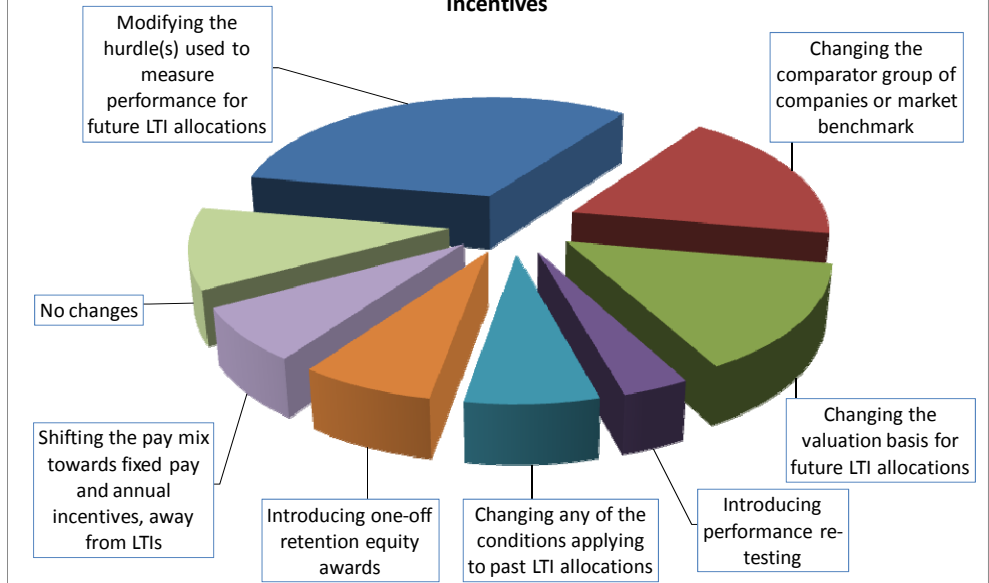
Fewer, but still significant numbers of companies, were contemplating either changing the comparator group of companies/market benchmark or changing the valuation basis for future allocations.

Our next web polls will report on current and expected increases in fixed pay for executives and then the impact of the budget announcements.

Initiatives that organisations are considering with regard to annual incentives



Initiatives that organisations are considering with regard to long-term incentives



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