

**20/20 COMPENSATION: THE VISION
FOR FUTURE COMPENSATION TRENDS**

HR HOUSTON'S GULF COAST SYMPOSIUM

May 10, 2018

Brent Longnecker

Chairman & CEO



LONGNECKER

& ASSOCIATES

ALL IN.



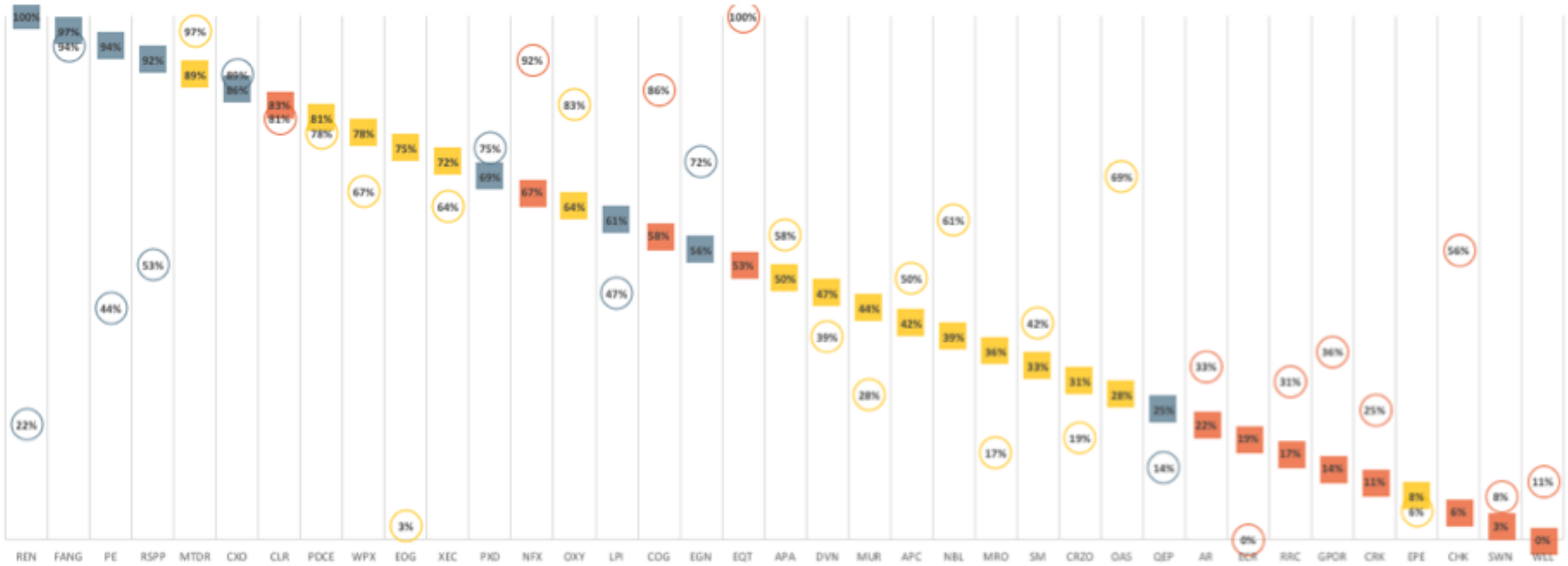
HOW TO DEFINE TRUE PAY FOR PERFORMANCE

- Goal setting vs. assessment
- How to evaluate working harder in down years
- Quantitative vs. qualitative assessment
- Corporate vs. individual performance
- **2020 TAKEAWAY: Boards are taking a tougher view of true pay and performance, get ahead of them**

	Permian	Permian-Exposed	Non-Permian
Median 3yr TSR	51%	-30%	-67%
Median CEO's 3yr average annual incentive payout as a percentage of target	126%	124%	110%
Percentage of companies with negative 3yr TSR	22%	63%	83%
Percentage of companies with CEO's 3yr average annual incentive payout at or above target	89%	81%	75%

3YR AVERAGE AI PAYOUT (AS A% OF TARGET) VS. 3YR TSR

PERCENTILE RANKING



RETURNS BASED INCENTIVE PLANS

HOW IT IS SHAPING UP FOR THE FUTURE

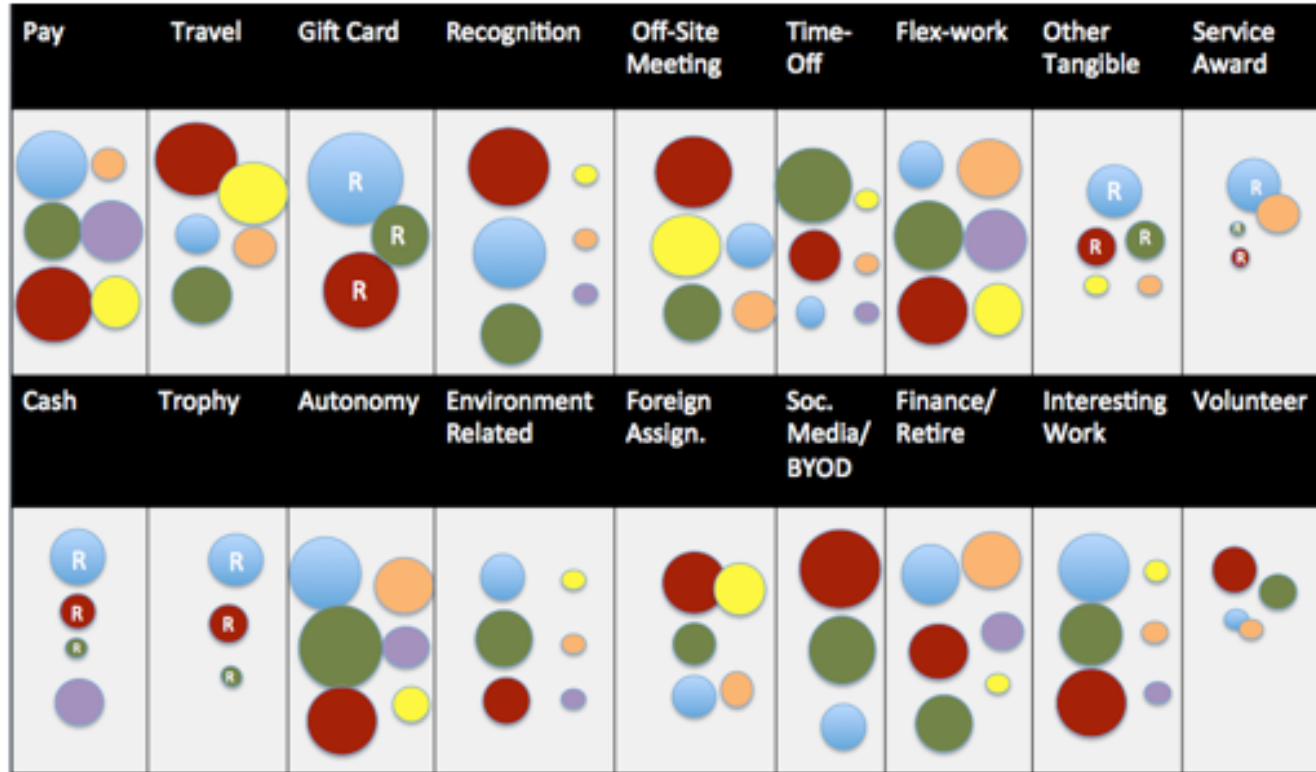


- Significant move of energy companies to “return” on metrics
- 2020 outlook > more will come
- Payouts will center more around target because of additional measures
- Payouts will tie closer to commodity price moments
- Fewer people will understand how it works
- **2020 TAKEAWAY: Consider thoughtful adoption of “returns-based” incentive metrics but don’t expect great things... it’s more for the investor smiley face**

LEAVE ME ALONE...

PTO, FLEX-TIME, AUTONOMY WILL BE THE NEW CURRENCY OF CHOICE

The bigger the circle, the more it matters

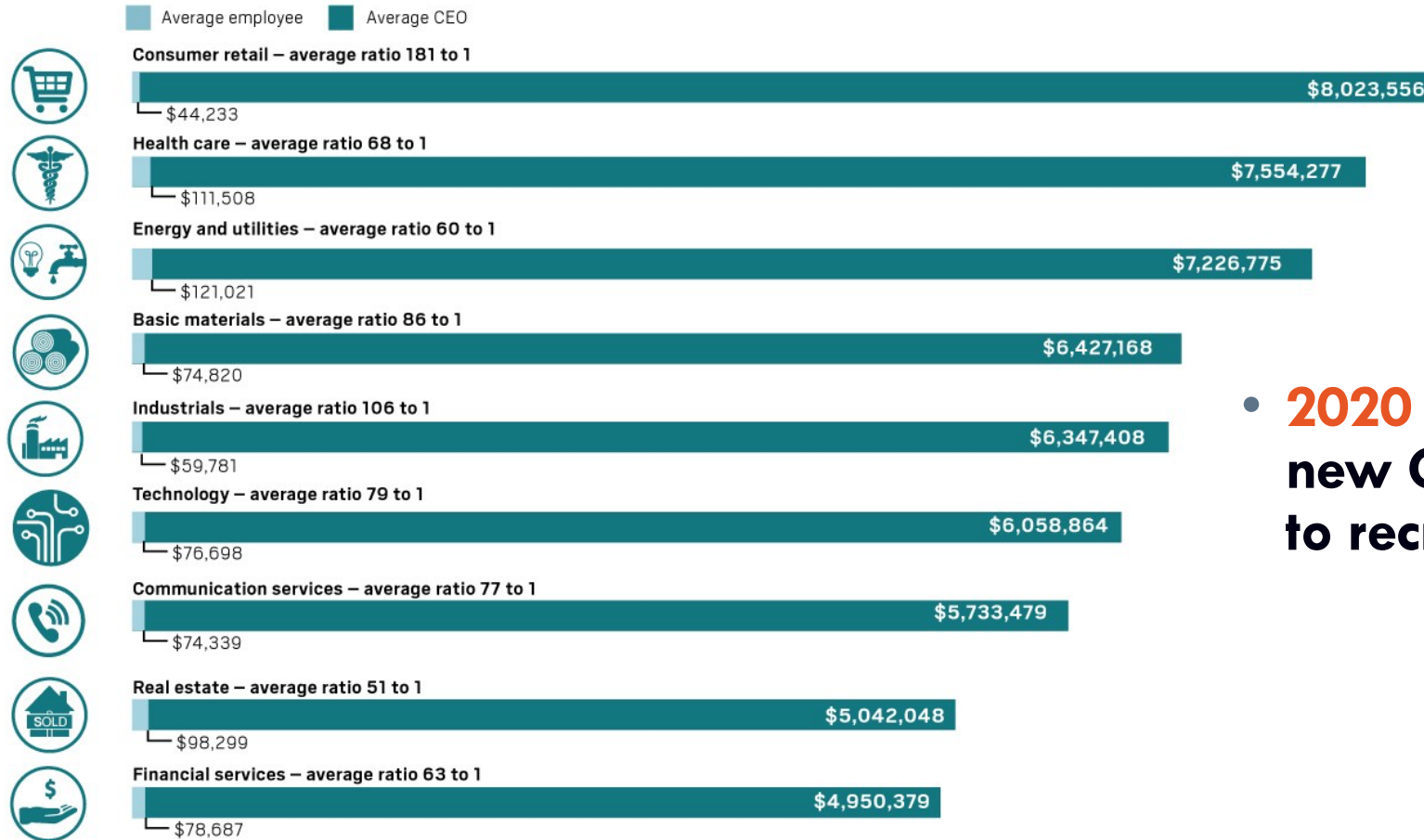


Generation: ● Boomer ● X ● Millennial
 Life Stage: ● Single, no children ● Married with Children ● Approaching Retirement/ Empty Nest

- 2020 TAKEAWAY:** PTO, Flex-time and autonomy should be a significant consideration for the Total Rewards offering and a significant way to differentiate

CEO PAY RATIO

THE NEW RECRUITING TOOL FOR ENERGY & HEALTHCARE

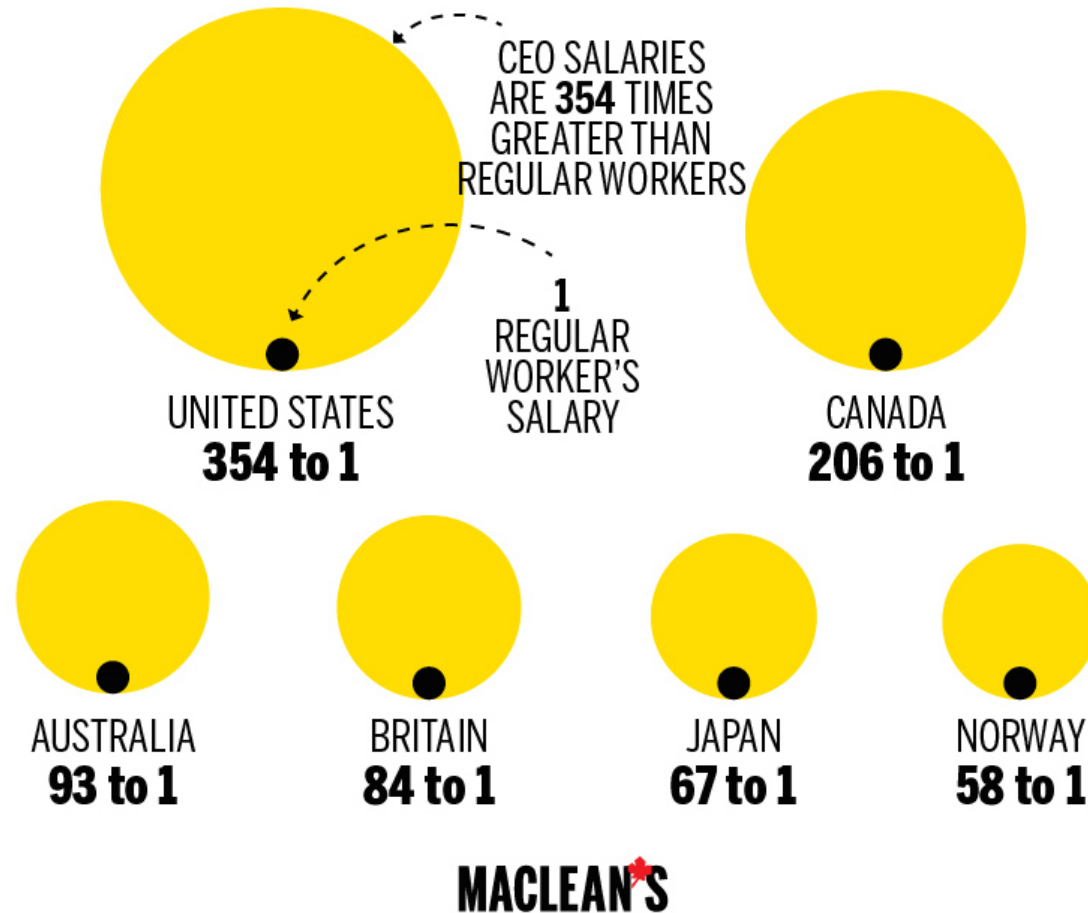


Source: Proxy Insight

- **2020 TAKEAWAY:** Start using the new CEO Pay Ratio statistics ASAP to recruit on college campuses

GLOBAL CEO-TO-WORKER PAY RATIOS

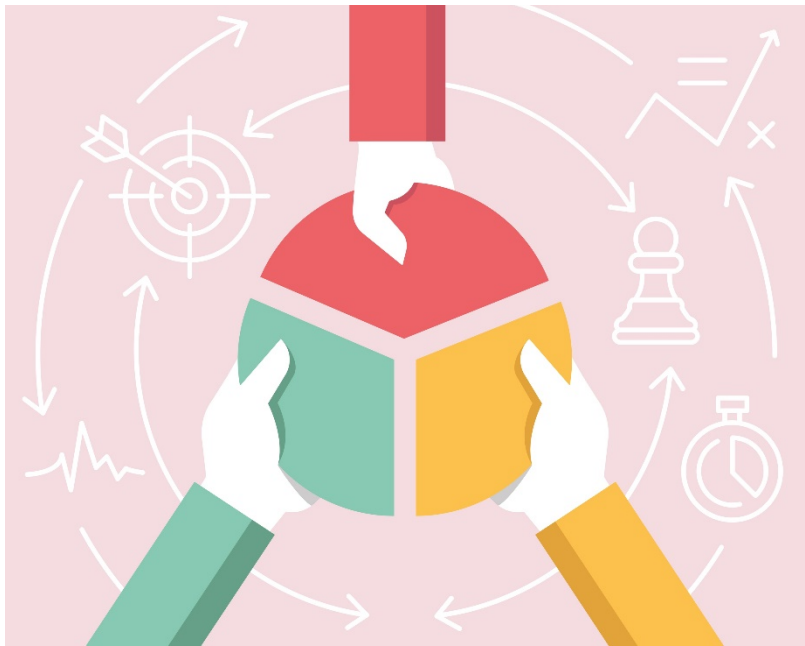
How many average workers' salaries would it take to pay an average CEO salary? Canada has one of the highest ratios in the world.



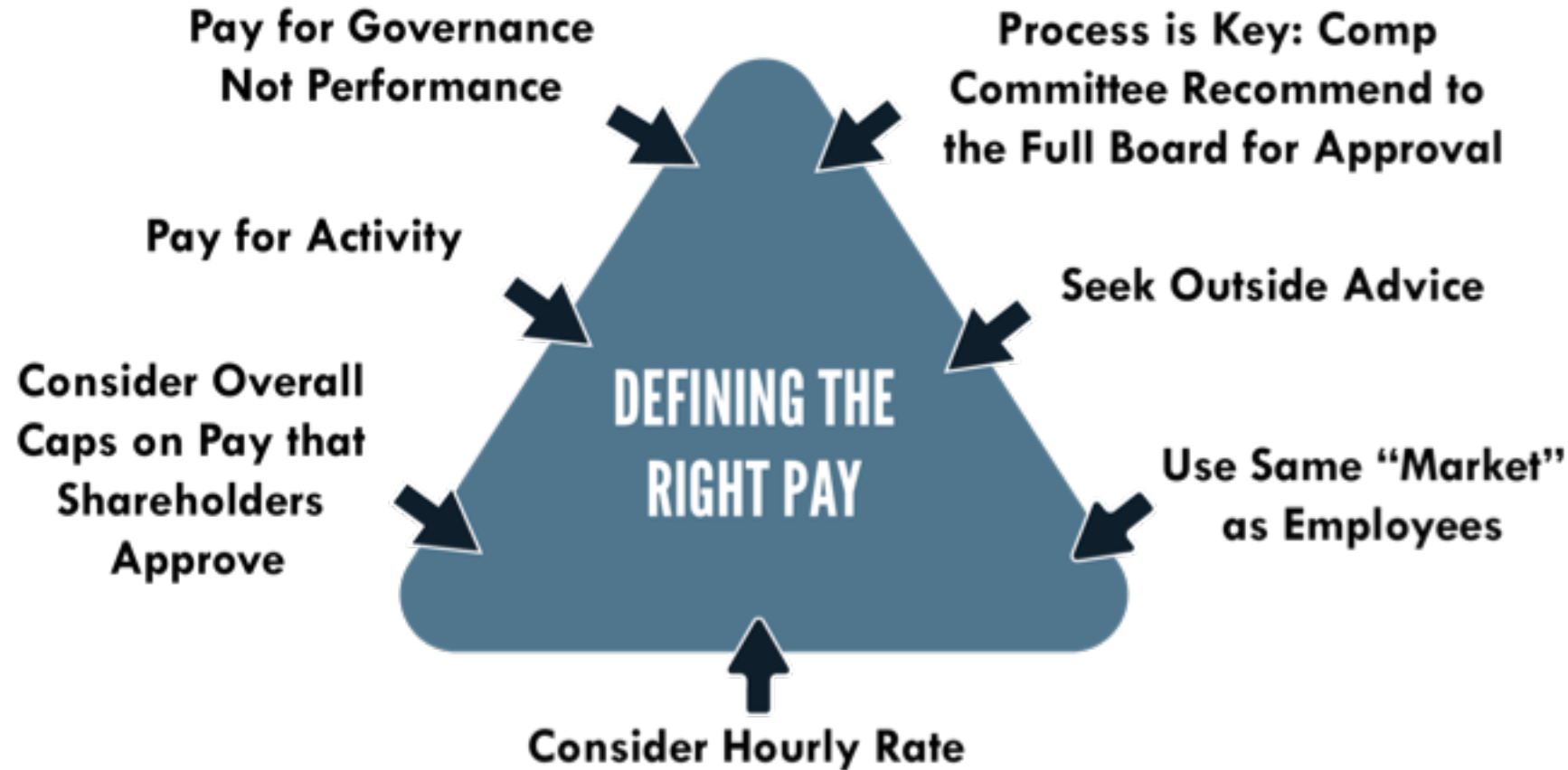
SOURCES: AFL-CIO; U.S. BUREAU OF LABOR STATISTICS; OECD; NATIONAL STOCK MARKETS

- **2020 TAKEAWAY:** More pressure coming from international CEO Pay Ratio

SHAREHOLDER OUTREACH & THE IMPACT ON PAY

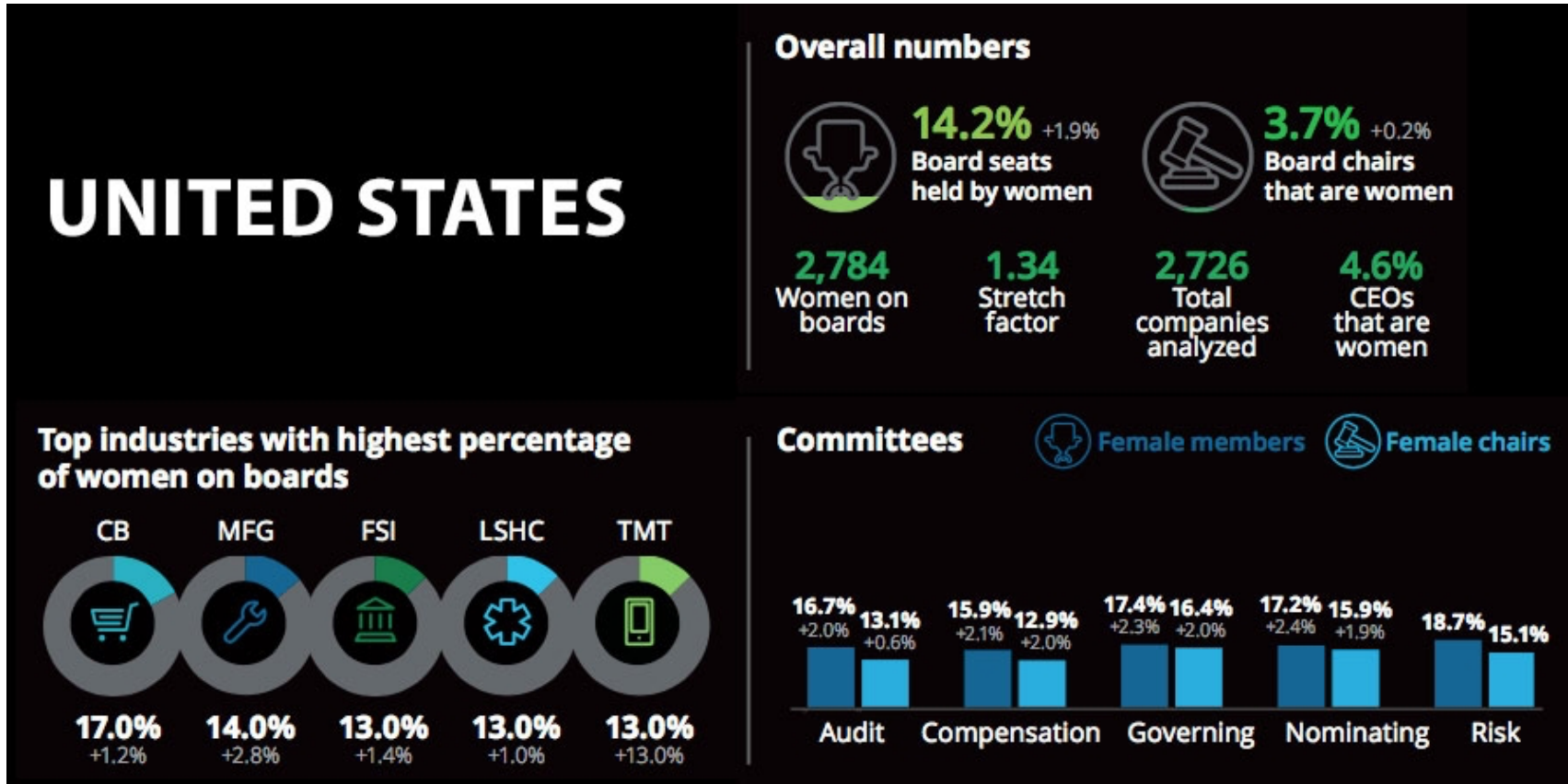


- ISS
- Institutional activism on pay
- Proxy fights and elections
- Say on Pay voting
- **2020 TAKEAWAY:** Companies are going to care a lot more about these 4 and they will influence executive and employee compensation



- **2020 TAKEAWAY:** Get independent advice and pay them market competitive compensation

WOMEN IN THE BOARDROOM

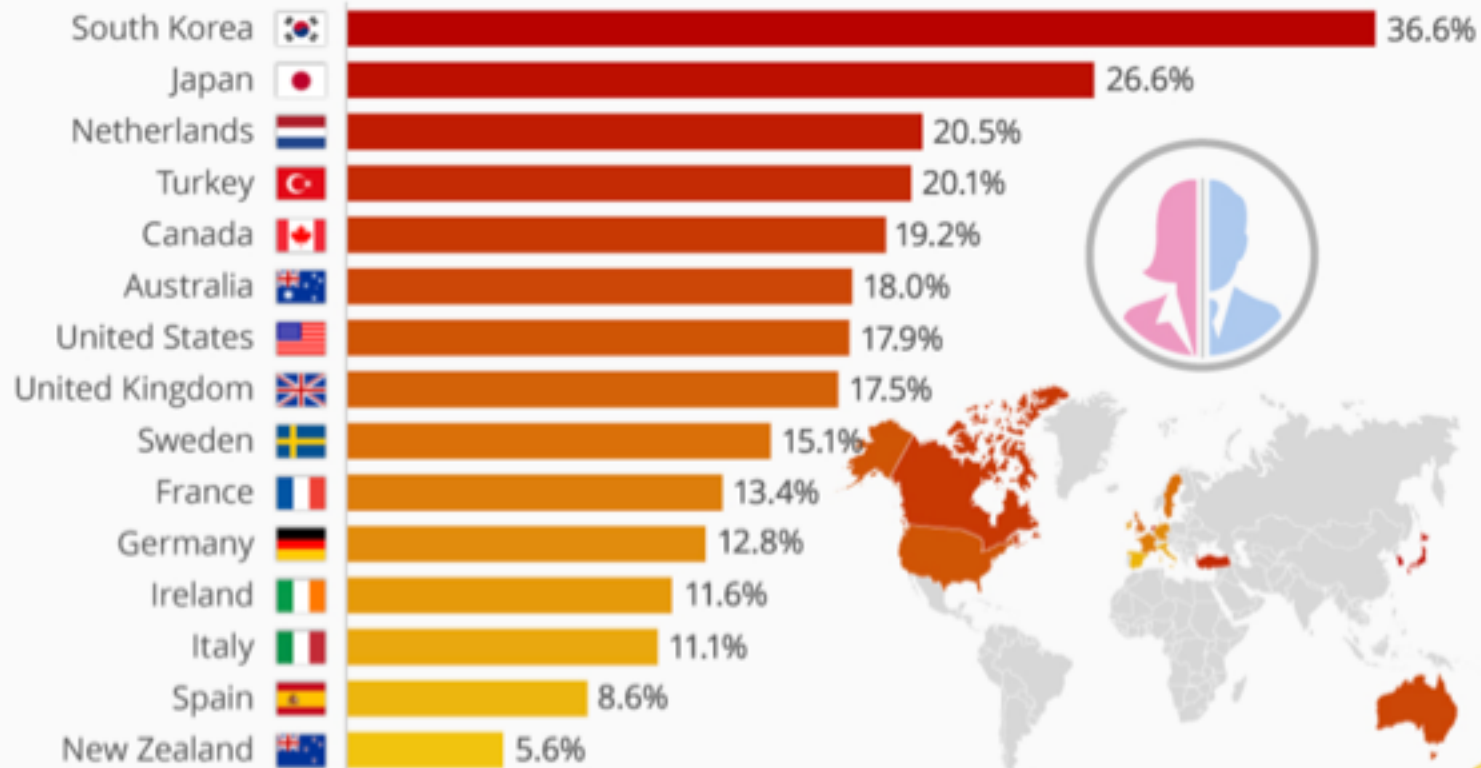


- **2020 TAKEAWAY:** While more women are entering the boardroom, the key will be finding deep industry and technical expertise

GENDER PAY GAP

The Gender Pay Gap In Developed Nations Visualized

% difference in full-time earnings between men/women in selected OECD nations*



- **2020 TAKEAWAY:** The faster you get ahead of the gender pay equality curve and publish your good works, the better



- Total Rewards App
- Use of salary.com
- Glassdoor
- Work from home and compensation offsets
- Social media comparisons and sharing: that greener grass may be artificial turf
- **2020 TAKEAWAY: constantly monitor the most effective delivery and perception of total rewards**

QUESTIONS?

Brent Longnecker | Chairman & CEO
281.378.1350 | Longnecker.com

Longnecker & Associates

