

Executive stock ownership guidelines at S&P 100 companies: 2015 – 2021

Trends in levels and practices

Willis Towers Watson's
Global Executive Compensation Analysis Team

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Methodology

- This analysis is based on the S&P 100 during 2015, 2019 and 2021.
- Definitions of key terms used within the study:
 - **Stock ownership guidelines (SOGs):** Policies requiring executives to own a specific amount of equity in the company.
 - **Compliance period:** The time frame (number of years) in which executives must attain their ownership goal specified under the stock ownership guidelines.
 - **Qualifying equity vehicles:** The different types of equity vehicles included when measuring an executive's achievement of stock ownership guidelines.
 - **Guideline structure:** The methodology used to measure an executive's level of ownership under the stock ownership guidelines. Typical methods are a (i) multiple of salary, (ii) number of shares, or an (iii) absolute dollar value.
 - **Stock retention requirements:** Policies prohibiting executives from selling shares until a certain time frame has lapsed or until stock ownership guidelines have been achieved.
 - **Guideline-dependent retention policy:** Retention requirements prohibiting an executive from selling shares until the stock ownership guidelines are achieved.
 - **Stand-alone retention policy:** Retention requirements prohibiting executives from selling vested equity awards for a certain time frame. These requirements are separate from the ownership guidelines and apply regardless of the executive's ownership levels.



This report was completed by
Willis Towers Watson's Global
Executive Compensation
Analysis Team.

Key findings

Stock ownership guidelines

2021 stock ownership guidelines		2021 increase/decrease	
		2021 vs. 2019	2021 vs. 2015
Prevalence	96% of companies had ownership guidelines	↑ 2.1%	↑ 3.2%
Structure of guidelines	90% were designed as a multiple of salary	↑ 4.0%	↑ 5.5%
CEO salary multiples	48% of CEO multiples were 6x salary	↓ 4.0%	↓ 2.0%
	42% of CEO multiples were >6x salary	↑ 27.3%	↑ 55.6%
Tier 2: Highest non-CEO salary multiples¹	47% of tier 2 multiples were 3x salary ²	↑ 4.4%	↓ 4.1%
	29% of tier 2 multiples were 4x salary	↓ 9.4%	↑ 20.8%

¹Tier 2 excludes executive chairs of the board.

²Includes one example of 3.5x salary in 2015 and 2021.

Key findings

Stock retention requirements

2021 stock retention requirements		2021 increase/decrease	
		2021 vs. 2019	2021 vs. 2015
Prevalence	71% of the S&P 100 had retention requirements	↑ 1.4%	↑ 18.3%
Structure of retention policy	70% used a guideline-dependent retention requirement only	↑ 2.9%	↑ 16.7%
	17% used both a guideline-dependent and stand-alone retention requirement	↑ 6.3%	↑ 30.8%
	13% used a stand-alone retention requirement only	↓ 18.8%	↓ 51.9%

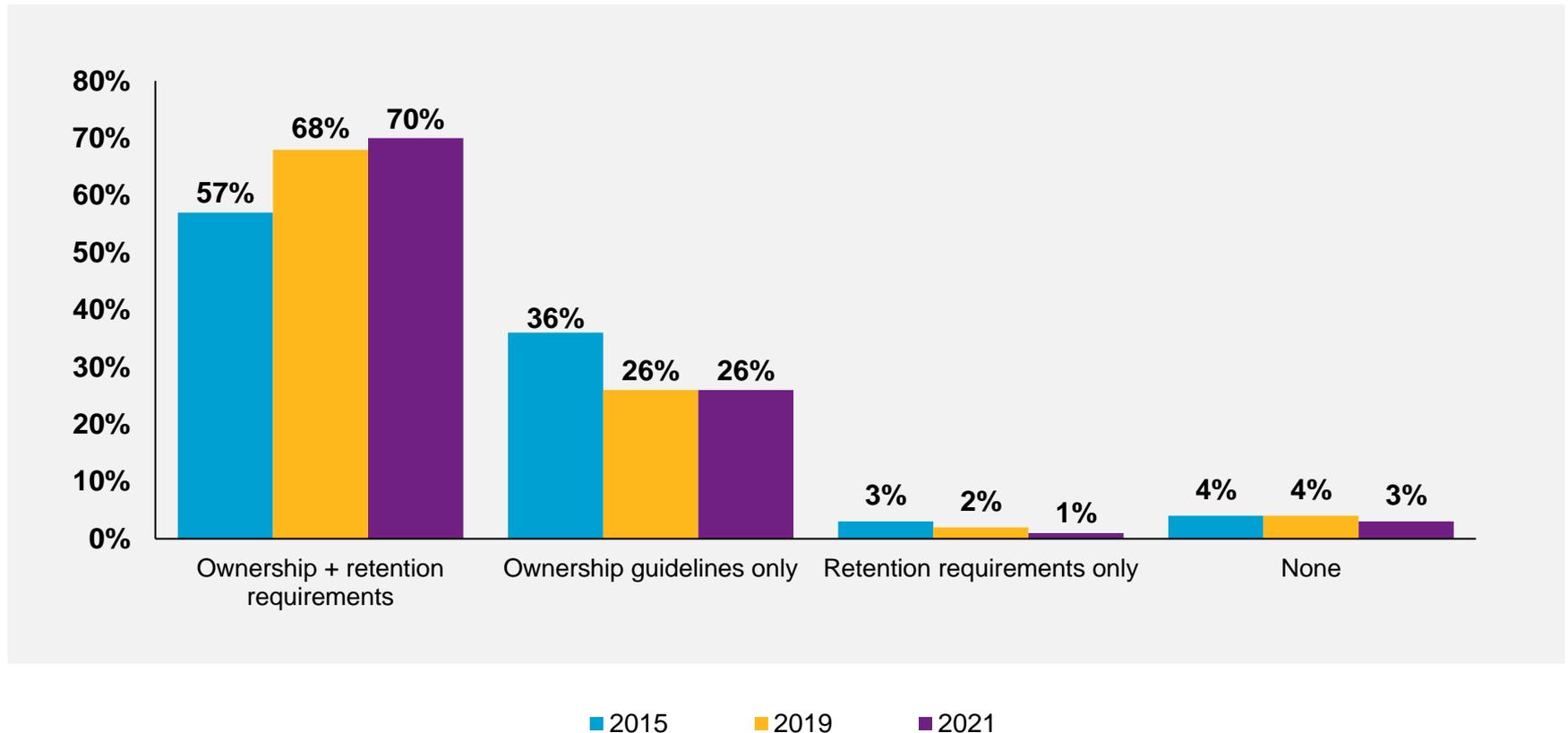
Stock ownership guidelines

Prevalence, ownership targets and design



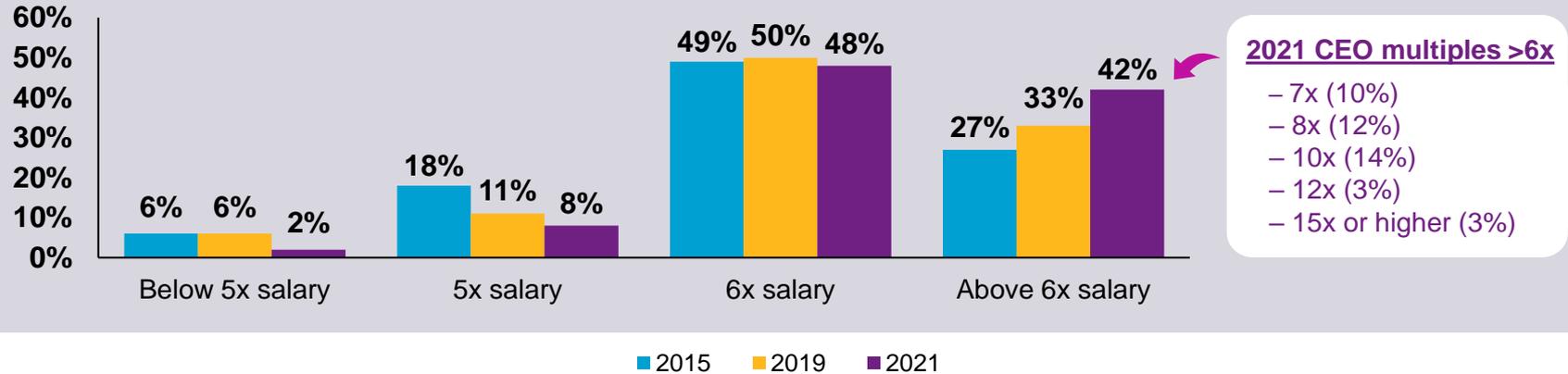
Prevalence of stock ownership guidelines and retention requirements

Companies with both ownership guidelines and retention requirements grew 22.8% over 2015 – 2021, while companies with only ownership guidelines fell by 27.8%.

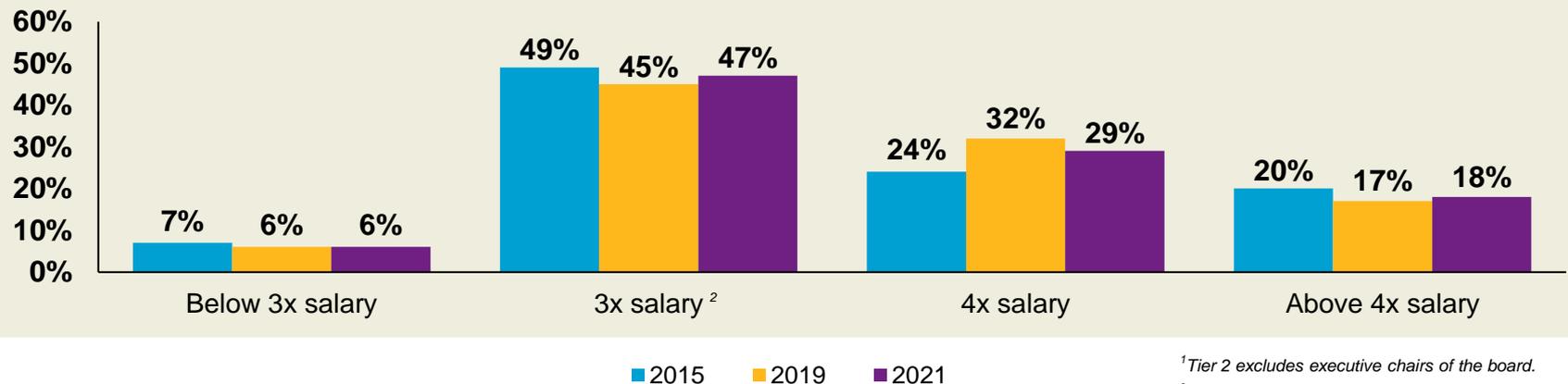


Salary multiples used for ownership guidelines

CEO salary multiples



Tier 2: Highest non-CEO salary multiples¹



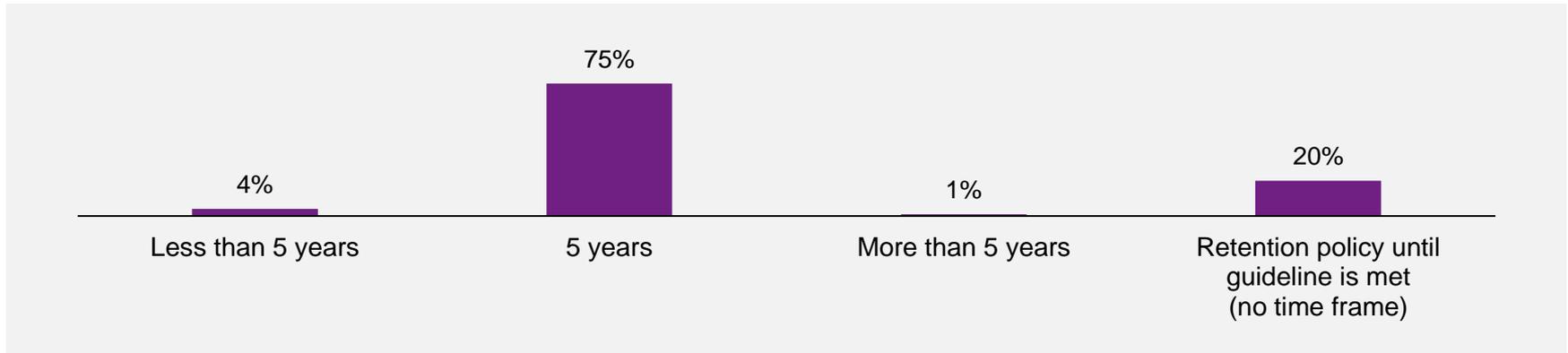
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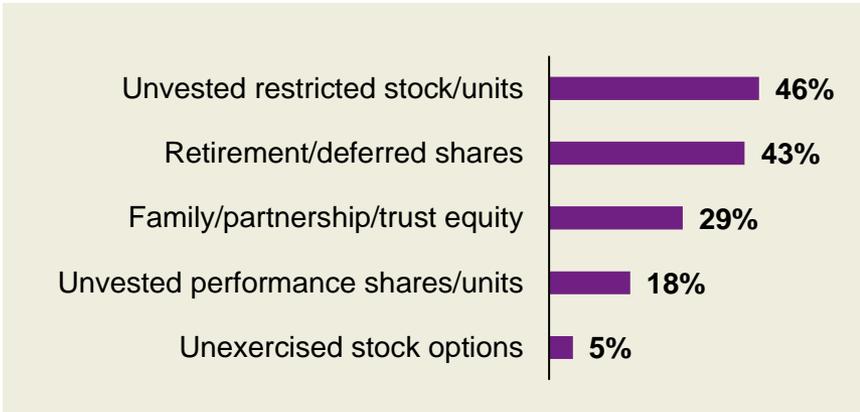
Ownership guidelines design

S&P 100 practices during 2021

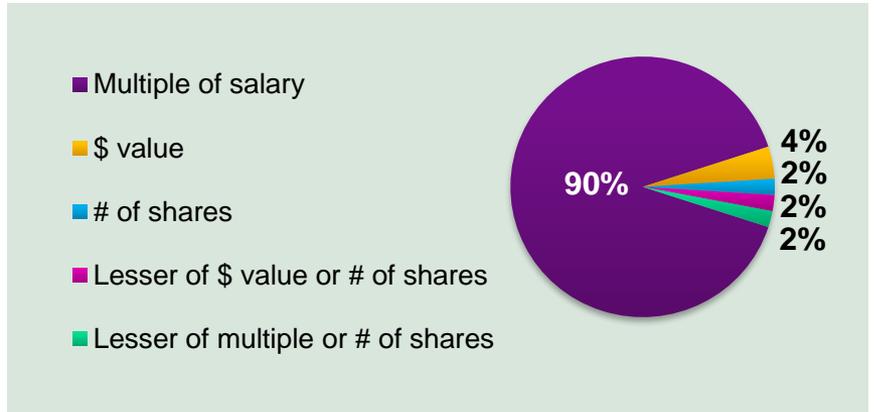
Compliance periods



Qualifying equity vehicles



Guideline structures

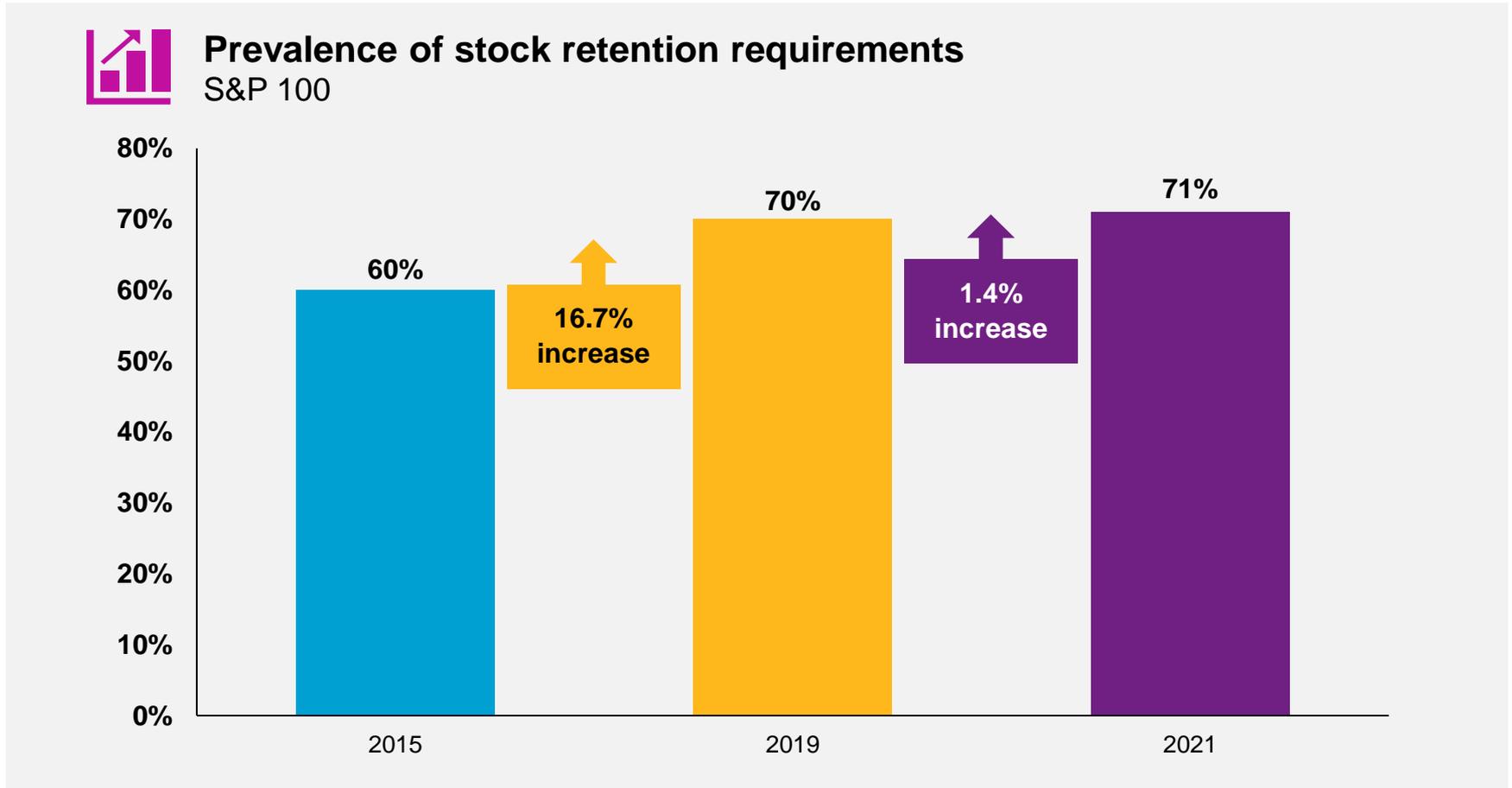


Stock retention requirements

Prevalence and policy structures

Stock retention requirements

Retention requirements have increased 18.3% from 2015 to 2021.



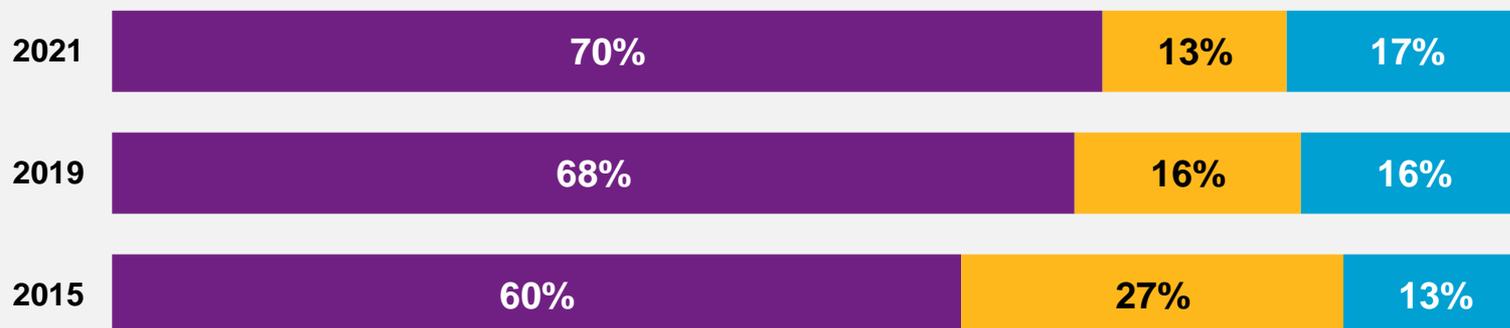
Structure of stock retention requirements

While retention requirements have become more common overall, the number of companies with only a stand-alone retention policy that is not based on ownership guideline achievement has declined by 51.9% since 2015.



Prevalence of retention policy structures

S&P 100



■ Guideline-dependent stock retention policy only ■ Stand-alone stock retention policy only ■ Both: Guideline-dependent + stand-alone stock retention policies

Global Executive Compensation Analysis Team (GECAT)

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