



CFO Pay at S&P 1500 Companies: 2021

Trends in pay levels and practices

Willis Towers Watson's Global Executive Compensation
Analysis Team

November 2021

Methodology

- **Our analysis is based on 982 S&P 1500 companies with a constant chief financial officer (CFO) incumbent in fiscal years 2019 and 2020, broken down by indices as follows:**
 - S&P large-cap 500: 326 companies
 - S&P mid-cap 400: 266 companies
 - S&P small-cap 600: 390 companies
 - Pay changes in 2019/2020 detailed in this report are compared with findings in last year's S&P 1500 CFO pay report (for 2018/2019). Data for 2019 are based on 996 S&P 1500 companies with a constant CFO incumbent for fiscal years 2018/2019, and data for 2018 is based on 996 S&P 1500 companies with a constant CFO incumbent for fiscal years 2017/2018.
- **Industry breakdowns are based on the 11 Global Industry Classification Standard (GICS) sectors**
- **Pay definitions used within the study:**
 - Total pay (SCT): Total pay reported in the Summary Compensation Table (SCT)
 - Total direct compensation (TDC): Target cash + grant-date value for stock options, restricted stock and performance plans
 - Earned pay: Annual and long-term incentives earned + value of vested and exercised awards

This report was completed by Willis Towers Watson's Global Executive Compensation Analysis Team.
Financial data was sourced from Standard and Poor's Capital IQ.

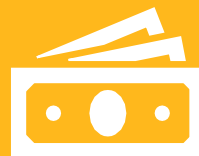
Key findings

Total pay levels



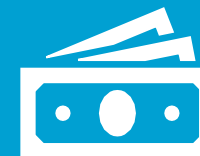
5.3%

Median increase in target total pay for S&P 1500 CFOs, driven by an increase of 6.8% for S&P 500 CFOs. S&P 400 and S&P 600 CFOs received increases of 4.5% and 4.9%, respectively.



3.0%

Median salary increase for S&P 1500 CFOs as well as for CFOs in each of the indices.



8.1%

Median increase in earned pay for S&P 1500 CFOs, down from the 11.3% increase observed in 2019. This downward shift was also reflected in the earned pay for each of the indices.

Key findings

Annual bonuses



3.2%

Increase in target bonus values for S&P 1500 CFOs. Target bonus increases for CFOs among all indices were around 3%.

18%

Percentage of companies that increased their target bonus values in 2019. Those that made an increase did so by 10 percentage points at the median.

80%

Median target bonus value as a percentage of salary for S&P 1500 CFOs, remaining flat compared with the prior year.

98%

Average bonus payout as a percentage of target for S&P 1500 CFOs, a decline from the prior year's average of 104%.

-0.6%

Decrease in bonus payout level values at the median for S&P 1500 CFOs.

Key findings

Long-term incentives (LTI)

223%

Median target LTI value as a percentage of salary.

5.9%

Median increase in target LTI value for S&P 1500 CFOs.

52%

Percentage of target total pay delivered through LTI vehicles.

79%



Percentage of S&P 1500 CFOs that receive a **performance award** as part of their LTI program.

49%



Mix of total target LTI value delivered through **performance awards**. Options (14%) and time-vested restricted stock account (37%) account for the remainder.

An aerial photograph of a dense green forest with a winding asphalt road that has two yellow lines. The road curves from the top left towards the bottom right. The text is overlaid on a white rectangular box in the upper left quadrant.

General pay data

Pay adjustments and levels

The growth in total direct pay for CFOs in 2020 was at a slower rate than in the prior year, while earned pay saw a modest dip due to lower earned LTI values and muted bonus payouts.

Pay element	Median change 2018 – 2019				Median change 2019 – 2020			
	S&P 1500	S&P 500	S&P 400	S&P 600	S&P 1500	S&P 500	S&P 400	S&P 600
Base salary	3.1%	3.1%	3.1%	3.2%	3.0%	3.0%	3.0%	3.0%
Target annual bonus	4.0%	4.0%	4.3%	3.8%	3.1%	3.2%	3.0%	3.3%
Earned bonus	0.0%	0.0%	-0.7%	0.6%	-0.6%	-0.6%	0.4%	-2.7%
Target cash compensation	3.9%	4.0%	4.0%	3.6%	3.1%	3.1%	3.0%	3.1%
Earned cash compensation	2.6%	2.4%	2.1%	3.2%	0.9%	0.3%	1.6%	0.9%
Target long-term incentives	8.2%	8.2%	6.0%	10.8%	5.9%	8.7%	3.3%	4.8%
Earned long-term incentives	19.0%	21.7%	20.4%	14.4%	10.0%	20.6%	5.3%	4.0%
Total pay (SCT)	8.5%	9.3%	7.2%	8.2%	4.4%	4.6%	4.4%	3.9%
Total pay (SCT) - excluding CIP and NQDC*	5.8%	5.9%	4.2%	7.1%	4.3%	4.5%	3.4%	5.1%
Total direct compensation (TDC)	6.9%	6.8%	5.7%	8.2%	5.3%	6.8%	4.5%	4.9%
Earned pay	11.3%	17.1%	10.2%	9.0%	8.1%	11.6%	7.9%	3.6%

* Excludes amounts attributed to change in pension value and/or non-qualified deferred compensation

Median pay opportunity in 2020 for CFOs at the largest companies were over \$3.7 million, \$2.1 million for mid-cap companies and \$1.4 million for small-cap companies.

S&P 500	Base salary	Target annual bonus	Target cash compensation	Earned annual bonus	Earned cash compensation	Target long-term incentives	Earned long-term incentives	Total pay (SCT)	Total direct compensation	Total earned pay
10th percentile	\$500.0	\$406.7	\$931.1	\$107.8	\$740.8	\$1,024.9	\$527.2	\$2,332.1	\$2,297.0	\$1,784.8
25th percentile	\$594.6	\$510.0	\$1,108.5	\$418.9	\$1,004.1	\$1,510.6	\$1,095.5	\$3,186.8	\$2,826.7	\$2,684.0
Median	\$680.0	\$680.0	\$1,360.0	\$700.0	\$1,397.8	\$2,388.3	\$2,626.9	\$4,336.6	\$3,743.3	\$4,200.3
Average	\$723.4	\$833.3	\$1,538.2	\$940.3	\$1,632.6	\$3,256.3	\$5,210.7	\$5,543.3	\$4,792.8	\$6,893.1
75th percentile	\$816.4	\$925.0	\$1,755.0	\$1,139.7	\$1,897.1	\$3,521.0	\$5,565.0	\$6,166.1	\$5,299.3	\$7,732.6
90th percentile	\$975.5	\$1,358.0	\$2,293.5	\$2,000.0	\$2,790.8	\$6,113.6	\$11,705.3	\$10,029.5	\$8,253.8	\$13,507.8

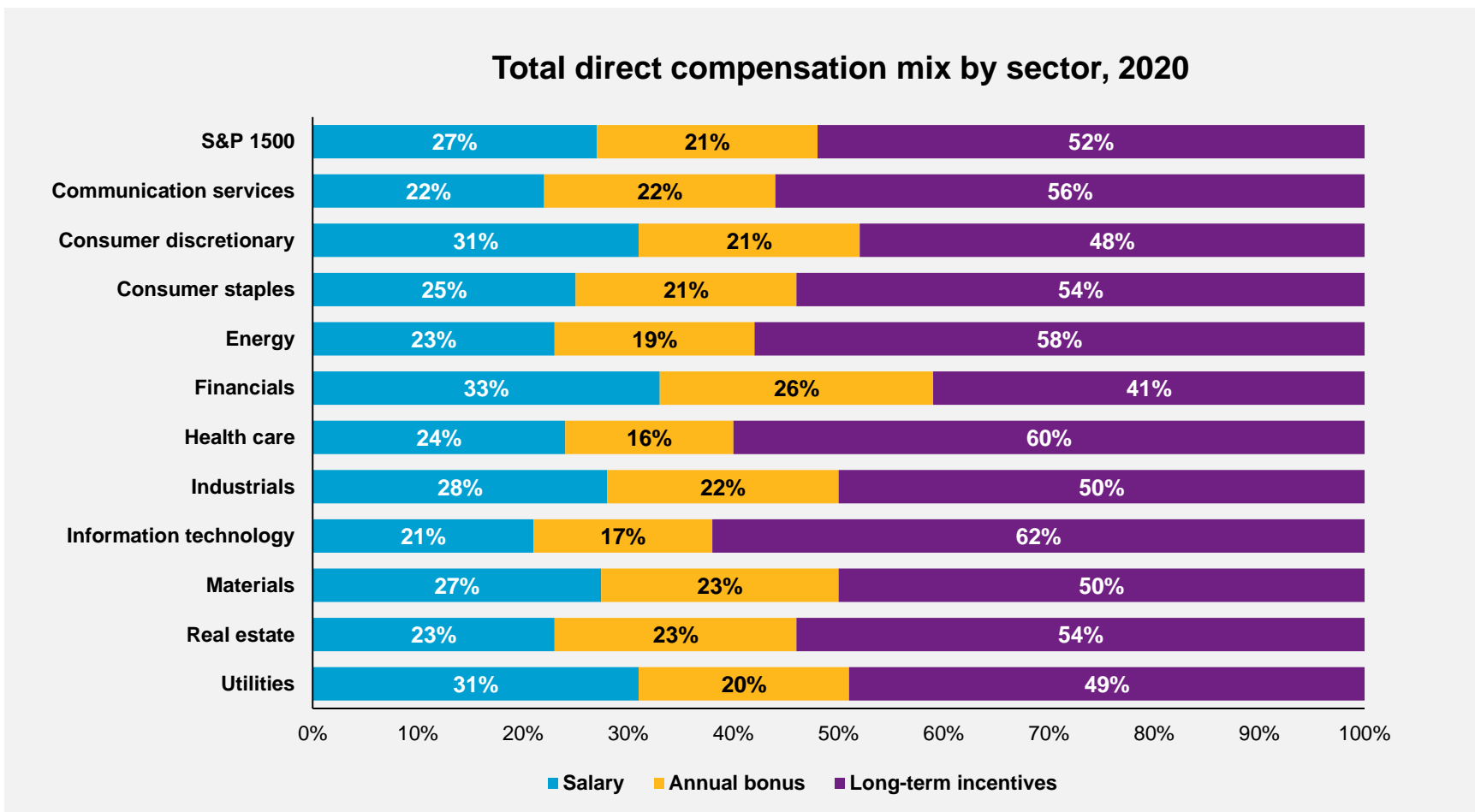
S&P 400	Base salary	Target annual bonus	Target cash compensation	Earned annual bonus	Earned cash compensation	Target long-term incentives	Earned long-term incentives	Total pay (SCT)	Total direct compensation	Total earned pay
10th percentile	\$400.0	\$272.4	\$696.0	\$126.1	\$633.6	\$380.0	\$120.6	\$1,319.3	\$1,209.0	\$976.3
25th percentile	\$460.3	\$341.7	\$819.3	\$279.9	\$741.4	\$675.8	\$469.7	\$1,709.2	\$1,577.9	\$1,353.4
Median	\$525.0	\$440.0	\$972.8	\$430.7	\$972.3	\$1,105.9	\$945.0	\$2,316.0	\$2,179.8	\$1,997.0
Average	\$543.8	\$483.0	\$1,024.3	\$532.1	\$1,062.6	\$1,258.4	\$1,633.4	\$2,623.3	\$2,312.3	\$2,722.1
75th percentile	\$625.0	\$560.5	\$1,196.9	\$640.7	\$1,214.9	\$1,563.0	\$1,827.4	\$3,093.4	\$2,787.3	\$3,291.0
90th percentile	\$700.0	\$752.0	\$1,419.0	\$1,000.0	\$1,639.5	\$2,187.5	\$4,062.4	\$4,001.1	\$3,474.9	\$5,216.4

S&P 600	Base salary	Target annual bonus	Target cash compensation	Earned annual bonus	Earned cash compensation	Target long-term incentives	Earned long-term incentives	Total pay (SCT)	Total direct compensation	Total earned pay
10th percentile	\$325.0	\$173.1	\$510.5	\$0.0	\$400.0	\$142.6	\$36.2	\$793.4	\$778.0	\$555.7
25th percentile	\$385.0	\$239.7	\$633.9	\$126.4	\$520.5	\$365.3	\$143.4	\$1,043.7	\$1,104.6	\$791.2
Median	\$439.6	\$318.2	\$752.5	\$254.6	\$686.7	\$637.6	\$343.9	\$1,391.6	\$1,468.2	\$1,113.3
Average	\$441.3	\$348.6	\$787.4	\$328.3	\$750.7	\$747.5	\$710.3	\$1,604.3	\$1,572.6	\$1,474.2
75th percentile	\$500.0	\$412.0	\$900.0	\$405.8	\$863.5	\$1,037.8	\$711.5	\$2,033.0	\$1,906.8	\$1,633.6
90th percentile	\$567.0	\$511.0	\$1,058.4	\$709.0	\$1,193.0	\$1,492.4	\$1,605.1	\$2,585.2	\$2,533.1	\$2,544.7

* Amounts denoted in \$000's

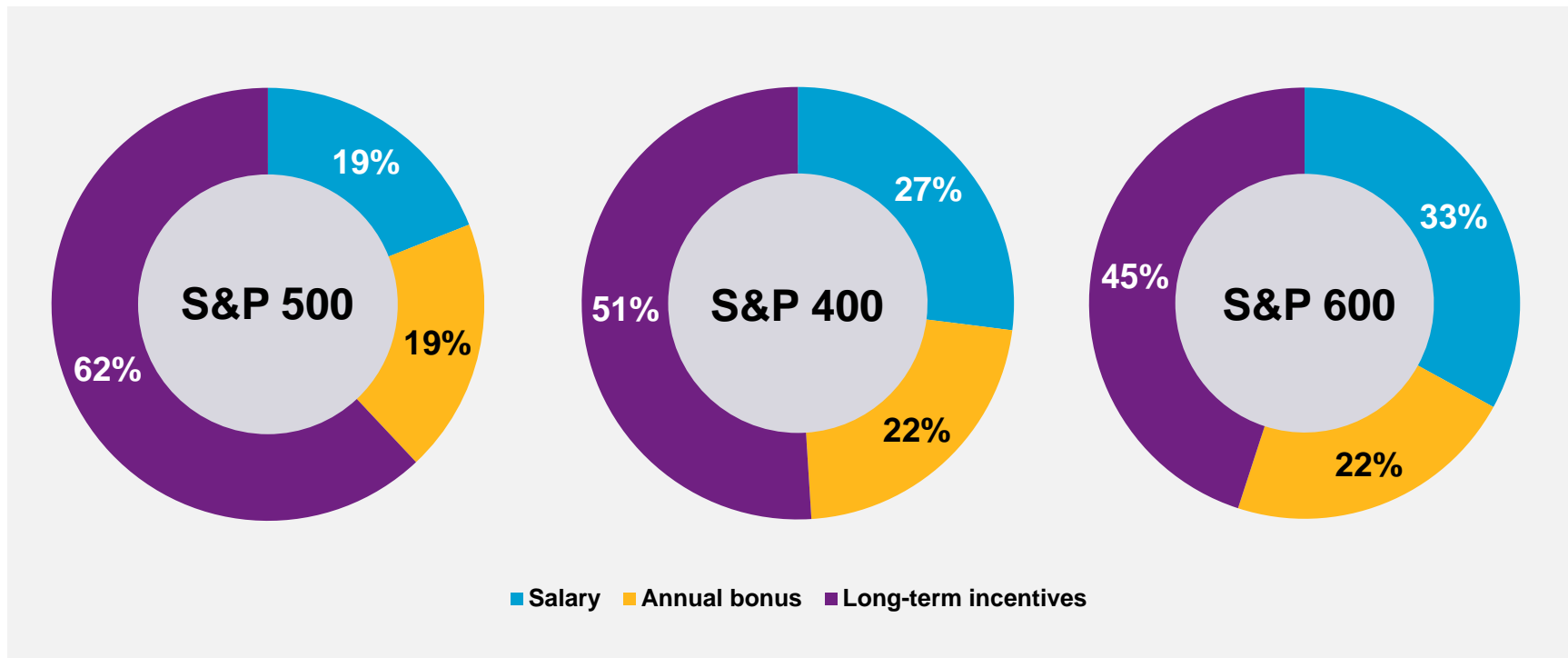
Target total direct compensation mix by sector

Majority of pay for S&P 1500 CFOs is in the form of LTI to varying degrees, ranging from 41% (financials) at the lowest to 62% (information technology) at the highest.



LTI continues to be the primary element for potential pay.

LTI prevalence appears to have a positive correlation with the size of the company.





Short-term incentives

Annual bonus targets and payouts

Annual target bonus opportunities

There was little movement at the median in 2020, with only the small-cap CFOs seeing an increase of five percentage points.

S&P 500	Target bonus as % of base salary		
	2018	2019	2020
10th percentile	75%	75%	75%
25th percentile	80%	80%	80%
Median	100%	100%	100%
Average	103%	103%	107%
75th percentile	110%	110%	121%
90th percentile	150%	150%	153%

S&P 400	Target bonus as % of base salary		
	2018	2019	2020
10th percentile	63%	60%	60%
25th percentile	72%	75%	70%
Median	80%	80%	80%
Average	84%	85%	85%
75th percentile	100%	100%	100%
90th percentile	100%	105%	106%

S&P 600	Target bonus as % of base salary		
	2018	2019	2020
10th percentile	50%	45%	49%
25th percentile	60%	60%	60%
Median	70%	70%	75%
Average	71%	72%	74%
75th percentile	80%	83%	85%
90th percentile	100%	100%	100%

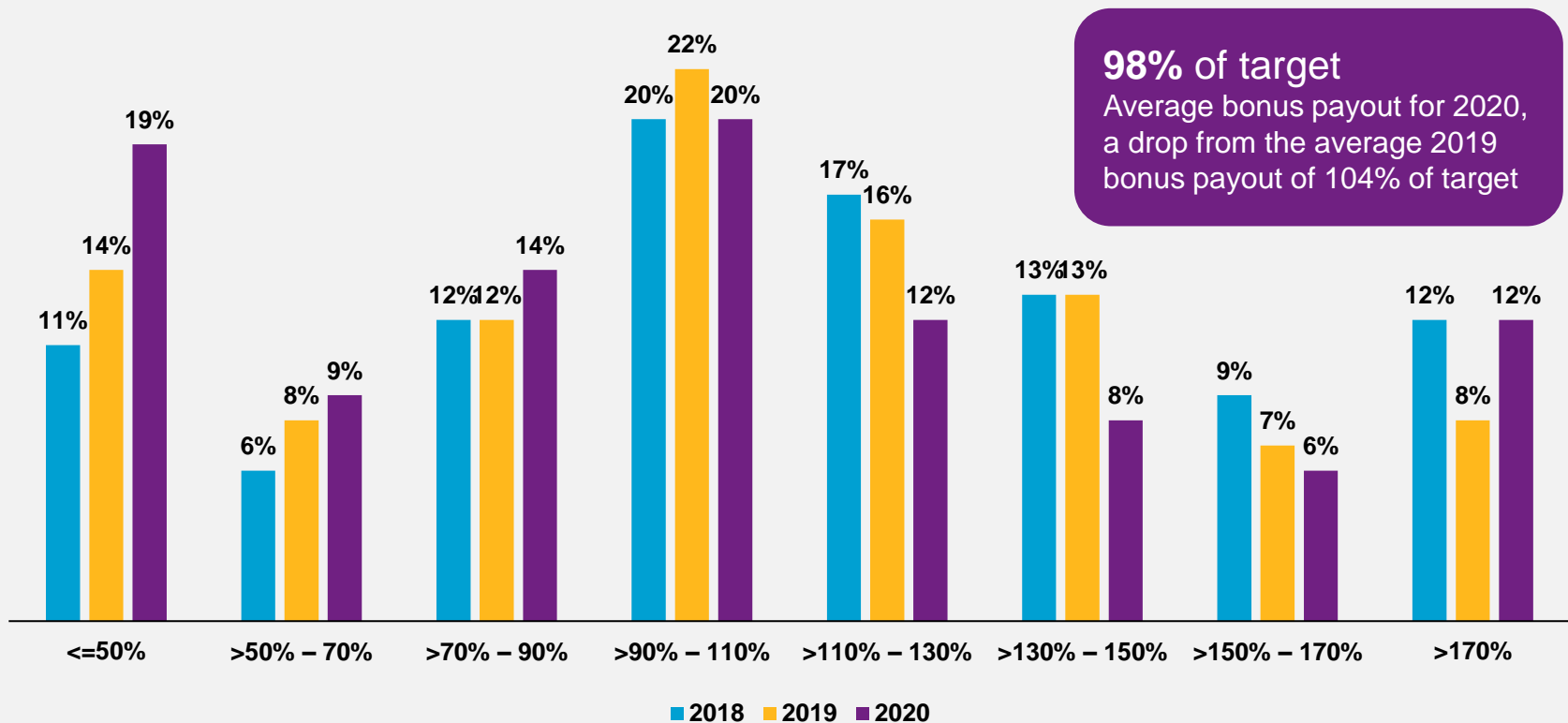
The percentage of companies increasing target bonus potentials as well as the median percentage point of those increases remained relatively flat in 2020 compared with the prior year.

Index	2019		2020	
	Percentage of companies increasing annual target bonus percentage	Median percentage point increase in target annual bonus	Percentage of companies increasing annual target bonus percentage	Median percentage point increase in target annual bonus
S&P 1500	19%	+10	18%	+10
S&P 500	22%	+10	19%	+10
S&P 400	18%	+10	17%	+10
S&P 600	16%	+10	19%	+10

Note: Shift defined as an increase in target bonus greater than or equal to 5%; results exclude companies providing nominal salaries of \$0 or \$1 to their CFO.

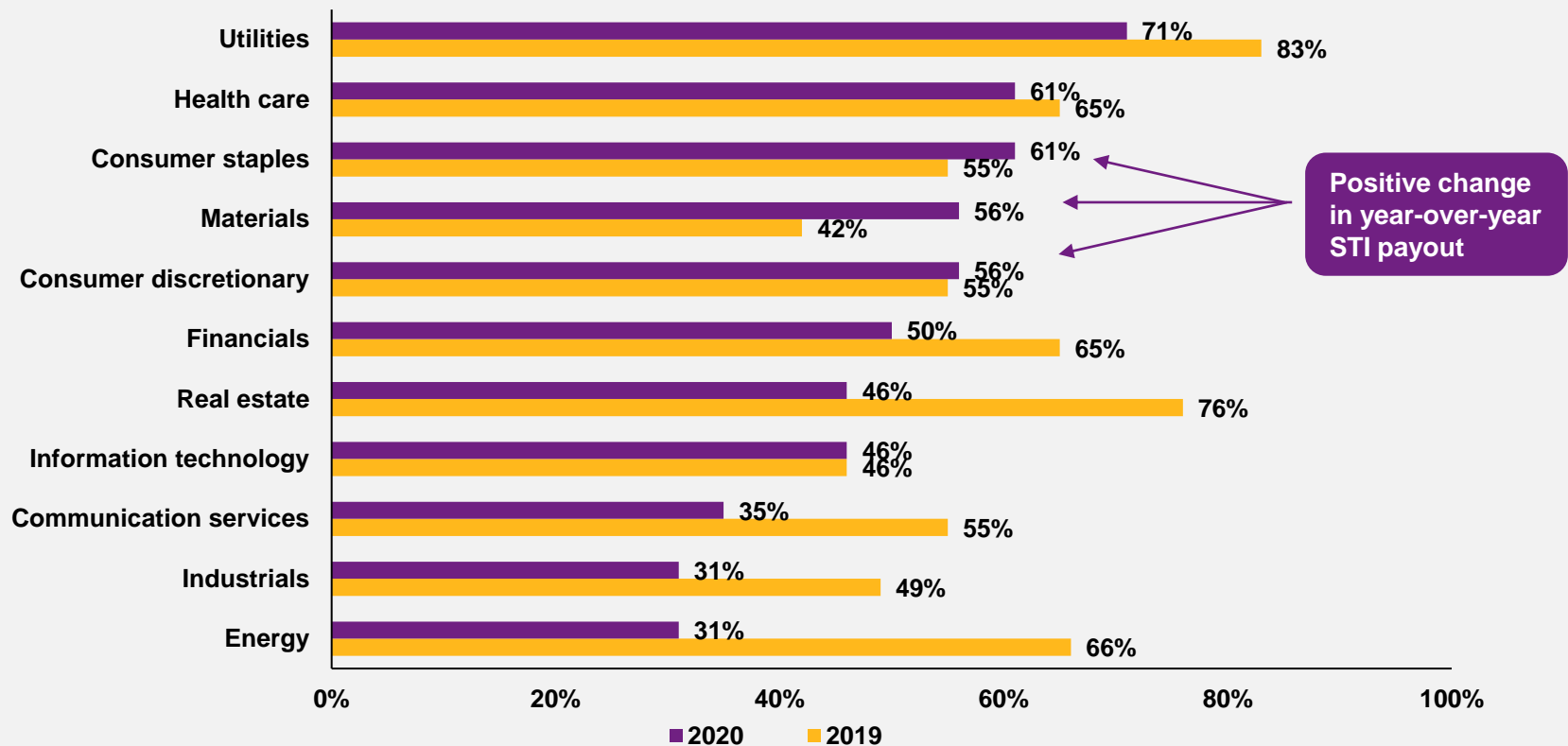
Annual bonus payouts continued the downward trajectory from the prior year, with average payout falling below target.

Percentage of CFOs receiving an actual bonus as a % of target



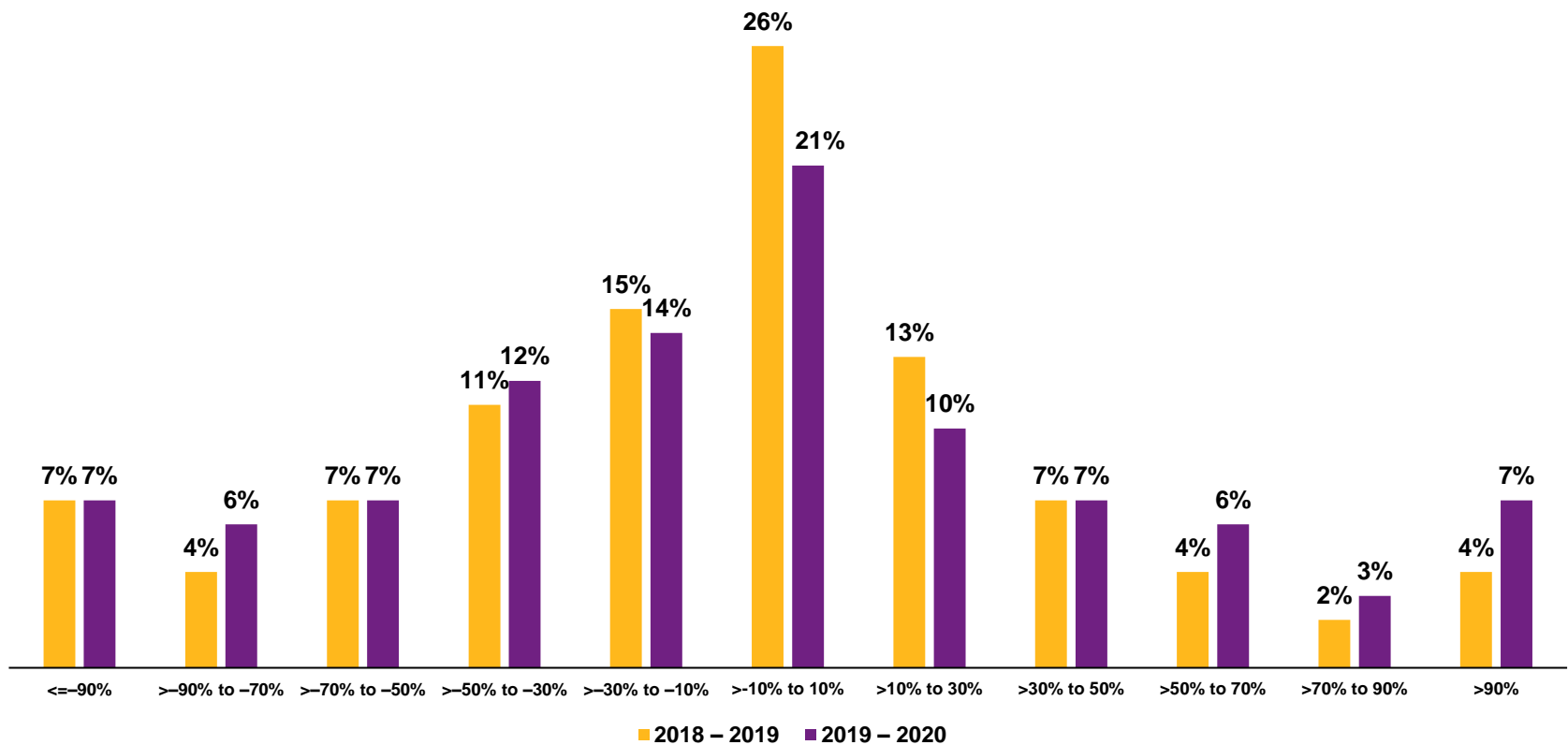
Eight of the industry sectors saw a drop in above-target bonuses, with the largest drop coming from the energy sector.

Percentage of CFO annual bonuses earned at or above target



Greater shifts in actual payouts around and below target bonus resulted in the slight decrease in average bonus payout for 2020.

Percentage change in actual bonus as a % of target





Long-term incentives

Target levels, prevalence and mix

Target long-term incentives

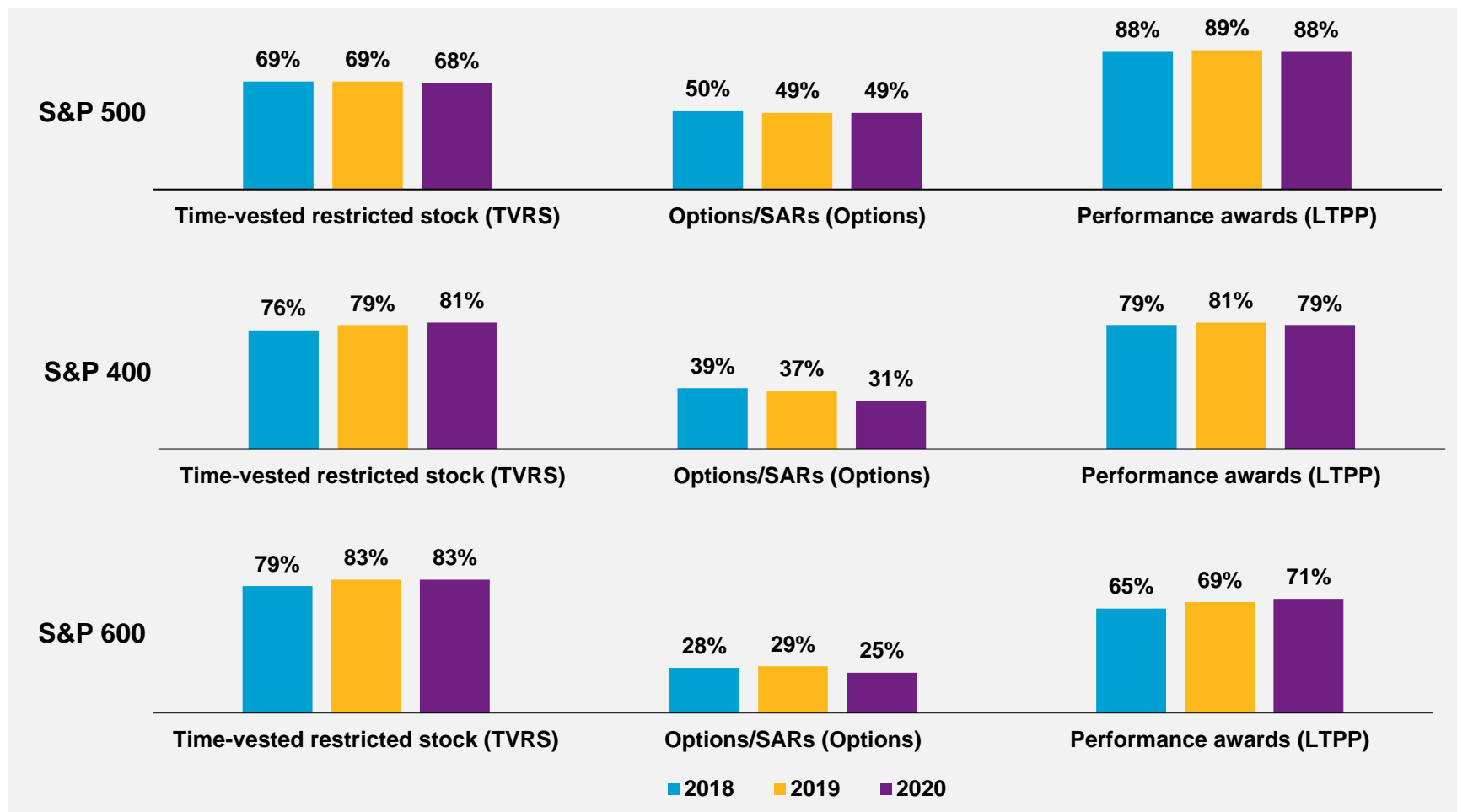
Target LTI relative to base salary remained steady, with large-cap CFOs seeing the largest increase.

S&P 500	Target LTI as % of base salary		
	2018	2019	2020
10th percentile	177%	182%	196%
25th percentile	229%	244%	250%
Median	337%	323%	351%
Average	389%	404%	456%
75th percentile	460%	450%	484%
90th percentile	637%	660%	762%

S&P 400	Target LTI as % of base salary		
	2018	2019	2020
10th percentile	95%	105%	100%
25th percentile	142%	150%	145%
Median	200%	199%	202%
Average	235%	265%	239%
75th percentile	275%	300%	283%
90th percentile	407%	421%	390%

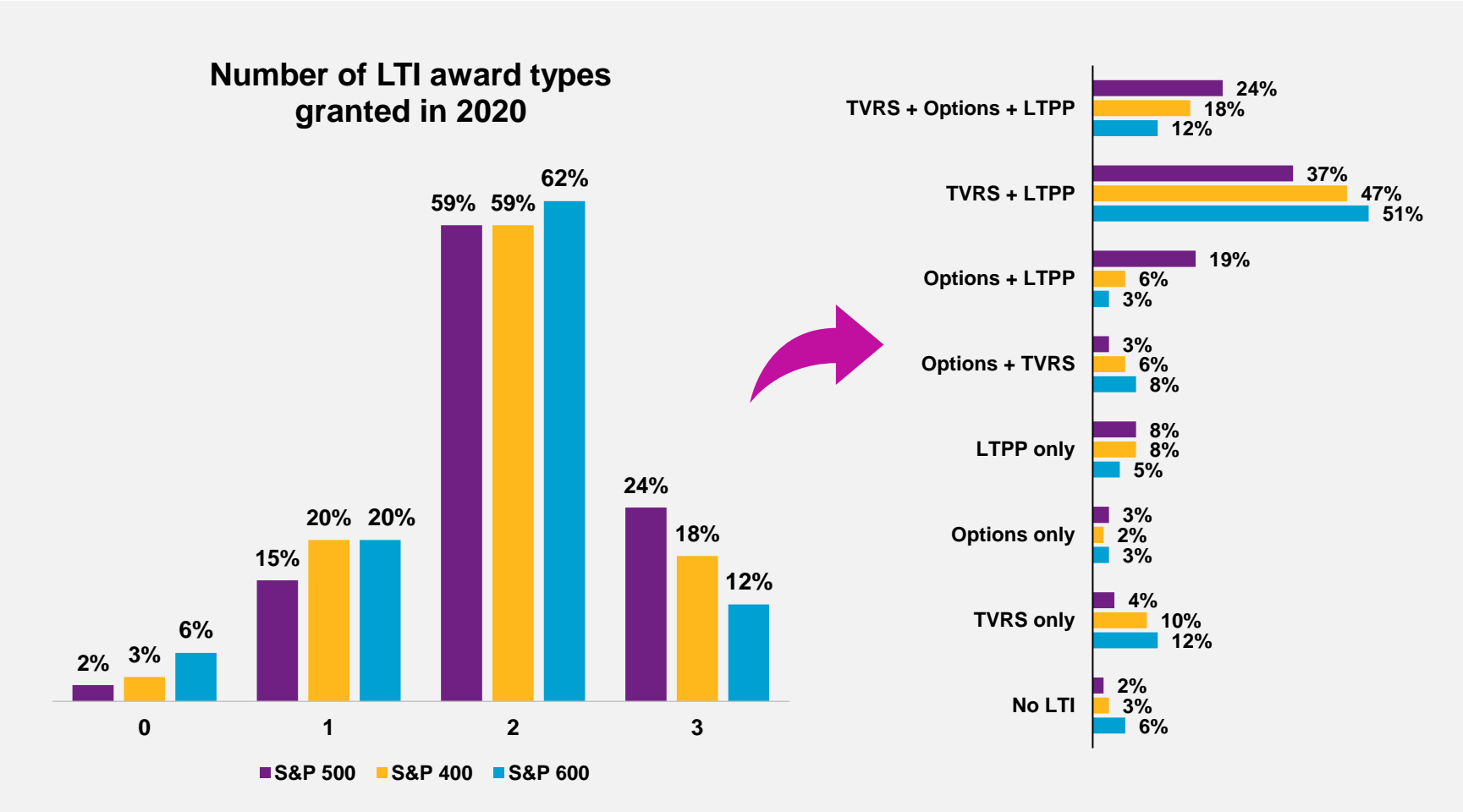
S&P 600	Target LTI as % of base salary		
	2018	2019	2020
10th percentile	44%	54%	55%
25th percentile	84%	88%	93%
Median	142%	148%	154%
Average	165%	185%	178%
75th percentile	212%	213%	225%
90th percentile	312%	333%	333%

Usage of performance awards and time-vested restricted stock are holding steady throughout the indices, with a continued decline in stock option usage among mid-cap and small-cap companies.



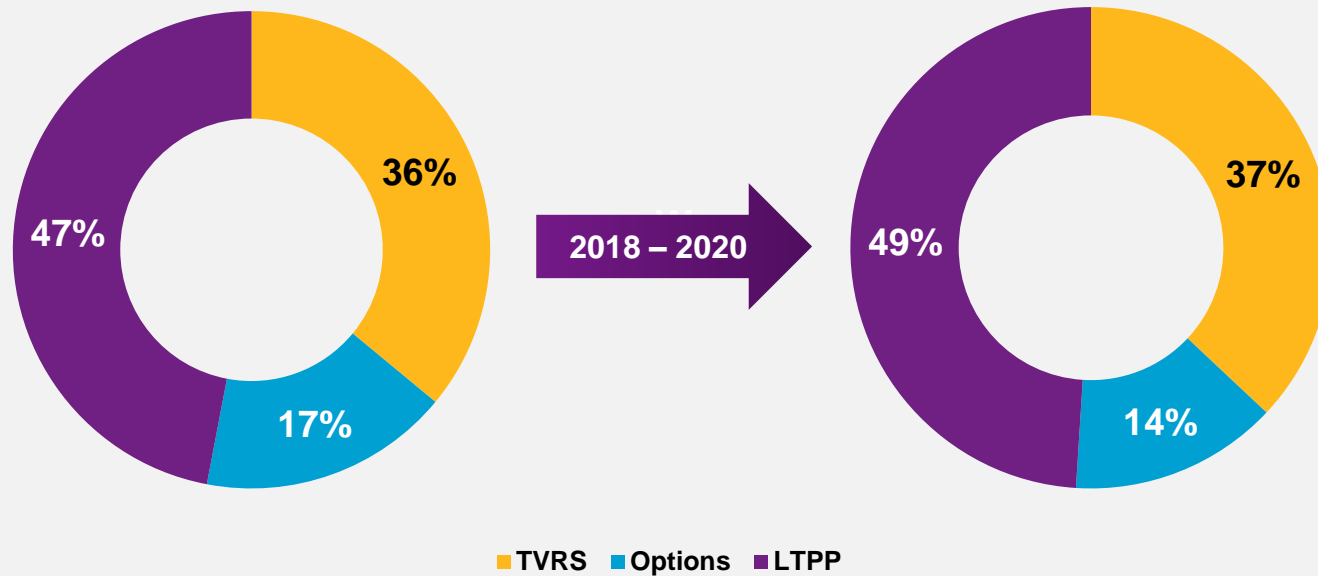
* Charts show percentage of companies granting each LTI vehicle.

A combination of time-vested restricted stock and performance awards remains the most popular vehicle mix for delivering LTI to S&P 1500 CFOs.



LTI pay delivered through performance awards and restricted stock increases slightly while value delivered through options falls.

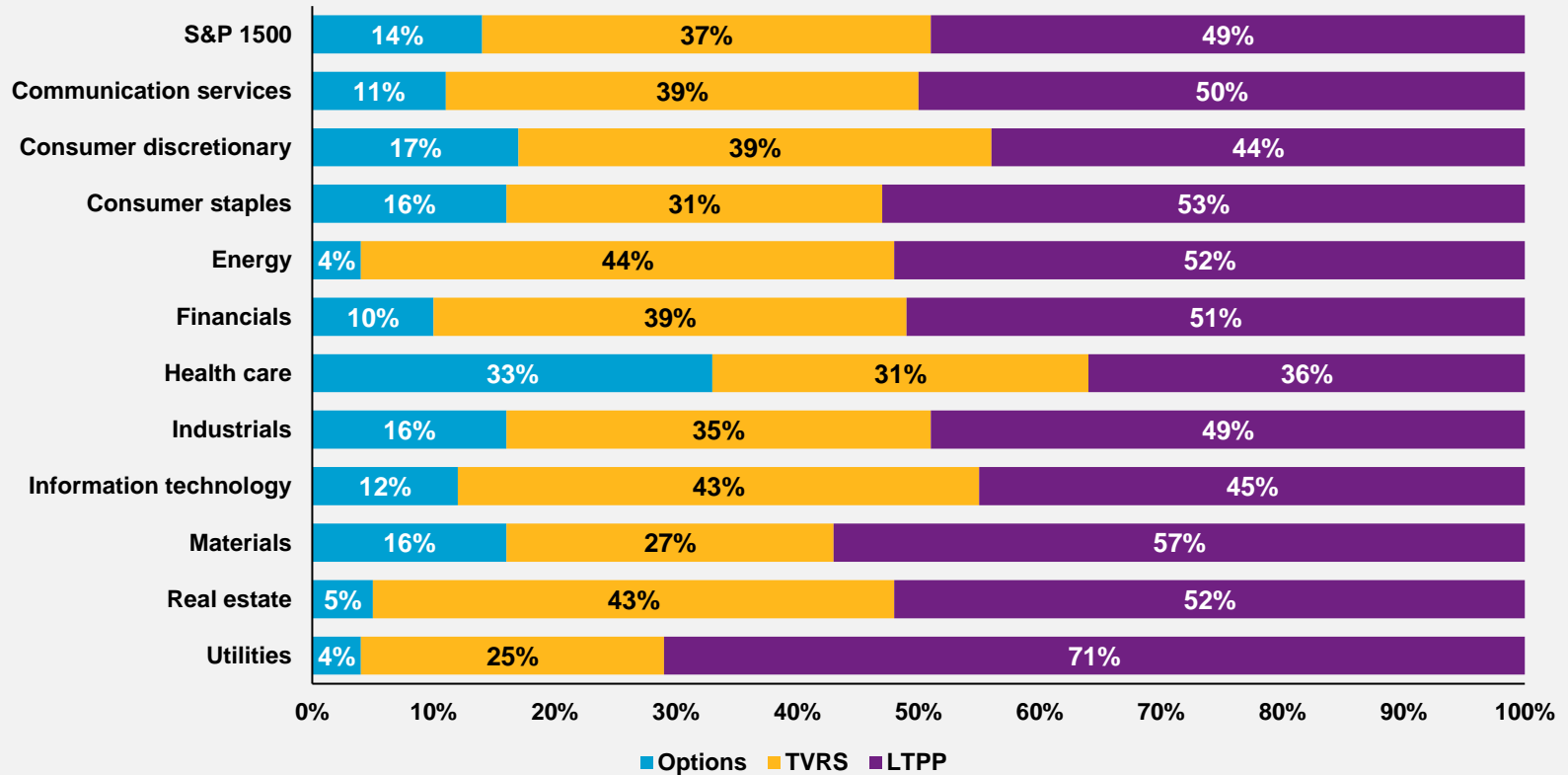
S&P 1500 LTI mix



LTI value mix by sector

Performance awards remain the predominant form of LTI granted in most of the sectors.

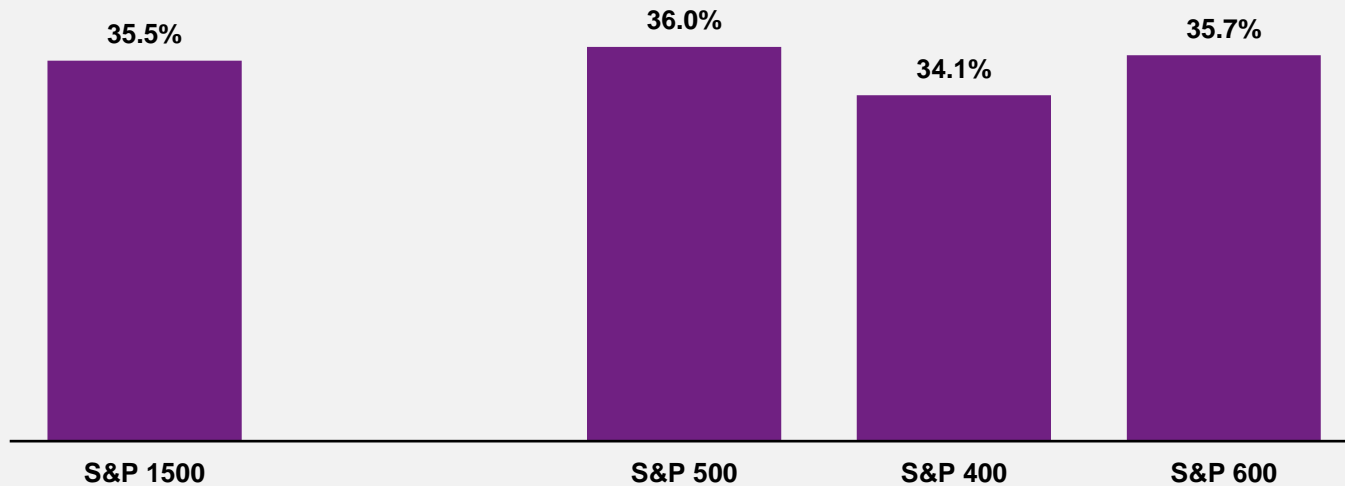
Average LTI value mix by sector, 2020



The target pay for a CFO is about one-third of a CEO's pay

This pay ratio appears to be consistent for companies of all sizes.

CFO target pay as a percentage of CEO pay, 2020*



*Reflects the average pay of the crossover companies from our 2021 S&P1500 CEO pay study and this study. n=673.

Global Executive Compensation Analysis Team (GECAT)

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