



Compensation  
Advisory Partners

# Corporate Compensation and Human Capital Actions in Response to COVID-19

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Sample as of October 31, 2020

# Compensation Advisory Partners (CAP) is tracking COVID-19 actions for the S&P 500 (500 largest U.S. public companies by market cap), S&P MidCap 400 and S&P SmallCap 600

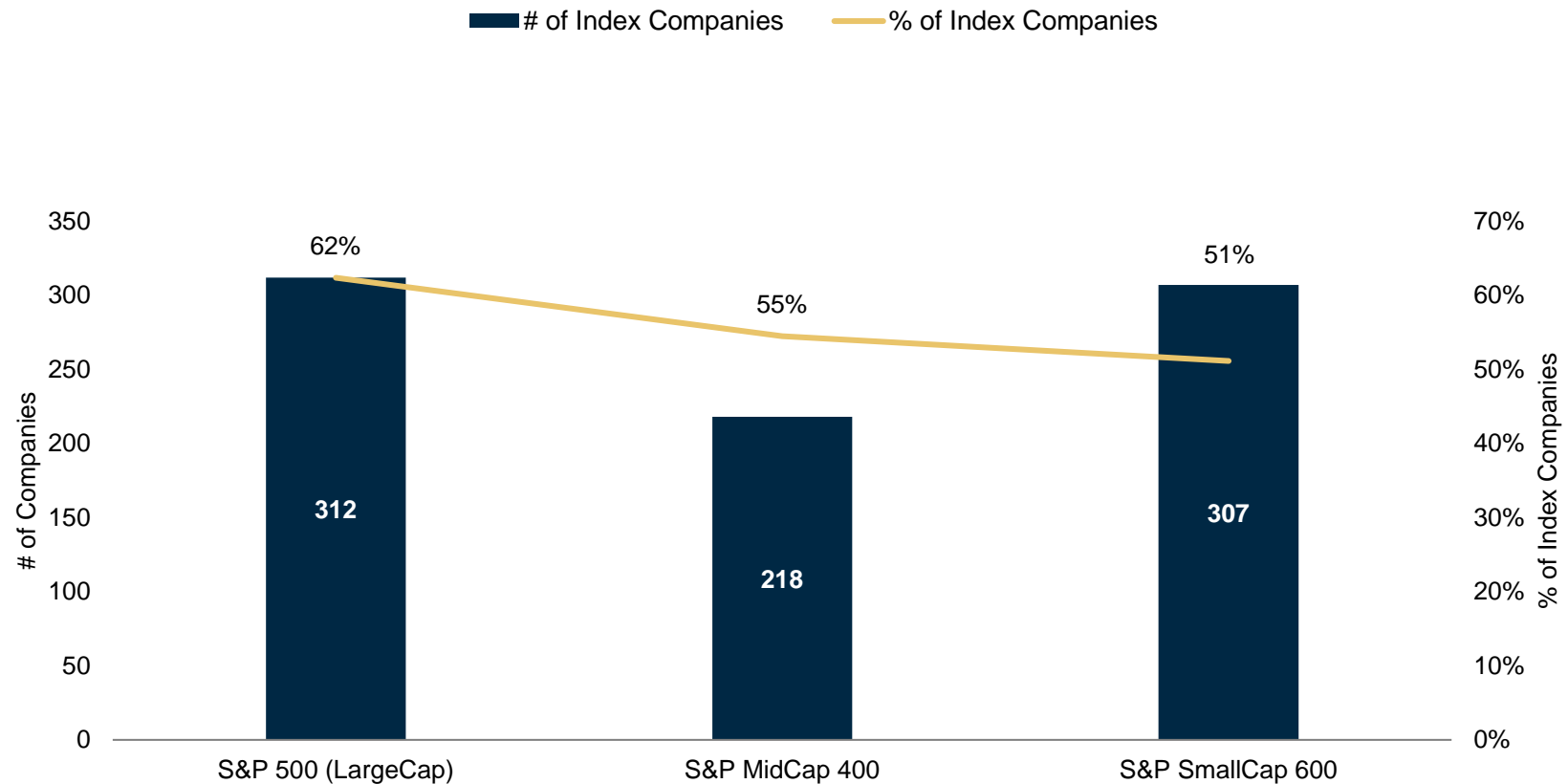
- CAP is monitoring corporate public announcements to compile a database of pay actions taken in response to the COVID-19 pandemic:
  - Compensation actions for chief executive officers (CEOs), other executives, boards of directors and employees
  - Annual and long-term incentive design changes, such as changed metrics, adjusted measurement period, etc.
  - Workforce reductions and expansions
  - Changes in dividend policy and share buybacks (not covered in this document)
- Corporate actions are made to help companies conserve cash, ensure employee safety, and meet the changing economic environment caused by the pandemic
- The three S&P indices were selected because 1) they allow for size comparisons and 2) they make up the S&P Composite 1500 index, which covers approximately 90 percent of the market capitalization of U.S. public companies

<b>S&amp;P 500 (Large Cap)</b>	<b>S&amp;P MidCap 400</b>	<b>S&amp;P SmallCap 600</b>	<b>S&amp;P Composite 1500</b>
500 largest U.S. publicly traded companies by market capitalization	400 U.S. publicly traded companies with a market cap of \$2.4 billion to \$8.2 billion at the time of addition to the index	600 U.S. publicly traded companies with a market cap of \$600 million to \$2.4 billion at the time of addition to the index	U.S. publicly traded companies in the S&P 500, 400 and 600 indices; index covers 90 percent of U.S. market cap
Companies must meet financial viability requirements for inclusion in all indices			

Company details, as well as more than 650 additional U.S. and non-U.S. companies, are available through CAP's [COVID-19 Resource Center](#).

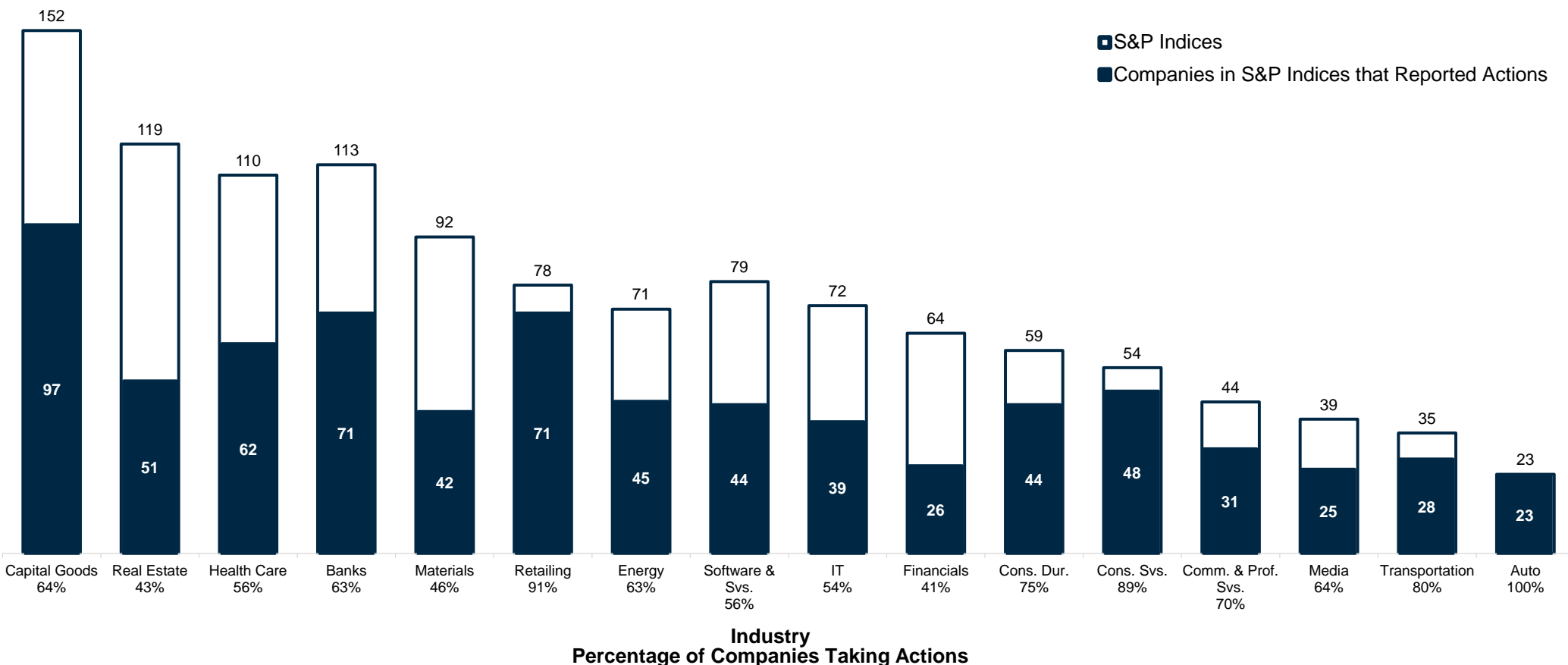
# Over half of S&P 1500 companies have announced compensation and human capital actions in response to COVID-19

## Companies Taking Action in Response to COVID-19



# All auto companies have taken COVID-related human capital actions. The retailing and consumer services industries also are nearing 100 percent prevalence of COVID-19 actions

**Number of Companies Taking Compensation and Human Capital Actions by Industry vs. Number of S&P 1500 Companies in Each Industry**



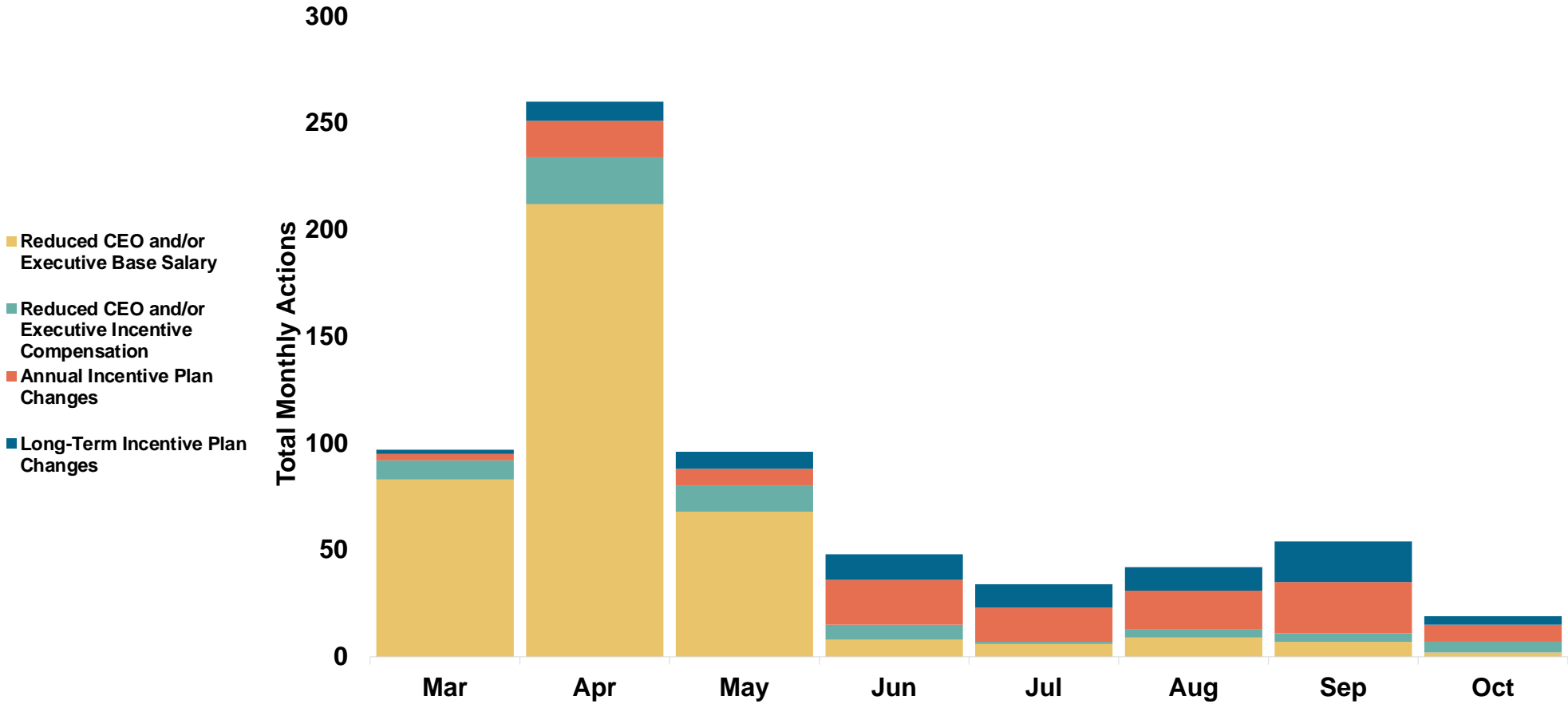
**Notes:**

- The capital goods sector, also known as industrials, includes manufacturing, aerospace and defense, engineering and construction. The consumer services sector refers to services sold to individuals as opposed to organizations. Examples include auto maintenance and home security.
- Bar chart excludes industries with few compensation and human capital actions in response to COVID-19
- A reconciliation of industry and industry sector appears in the Appendix

Sample as of October 31, 2020

# Initial actions focused on conserving cash through executive salary cuts. Over the summer, pay actions began to focus on annual and long-term incentives

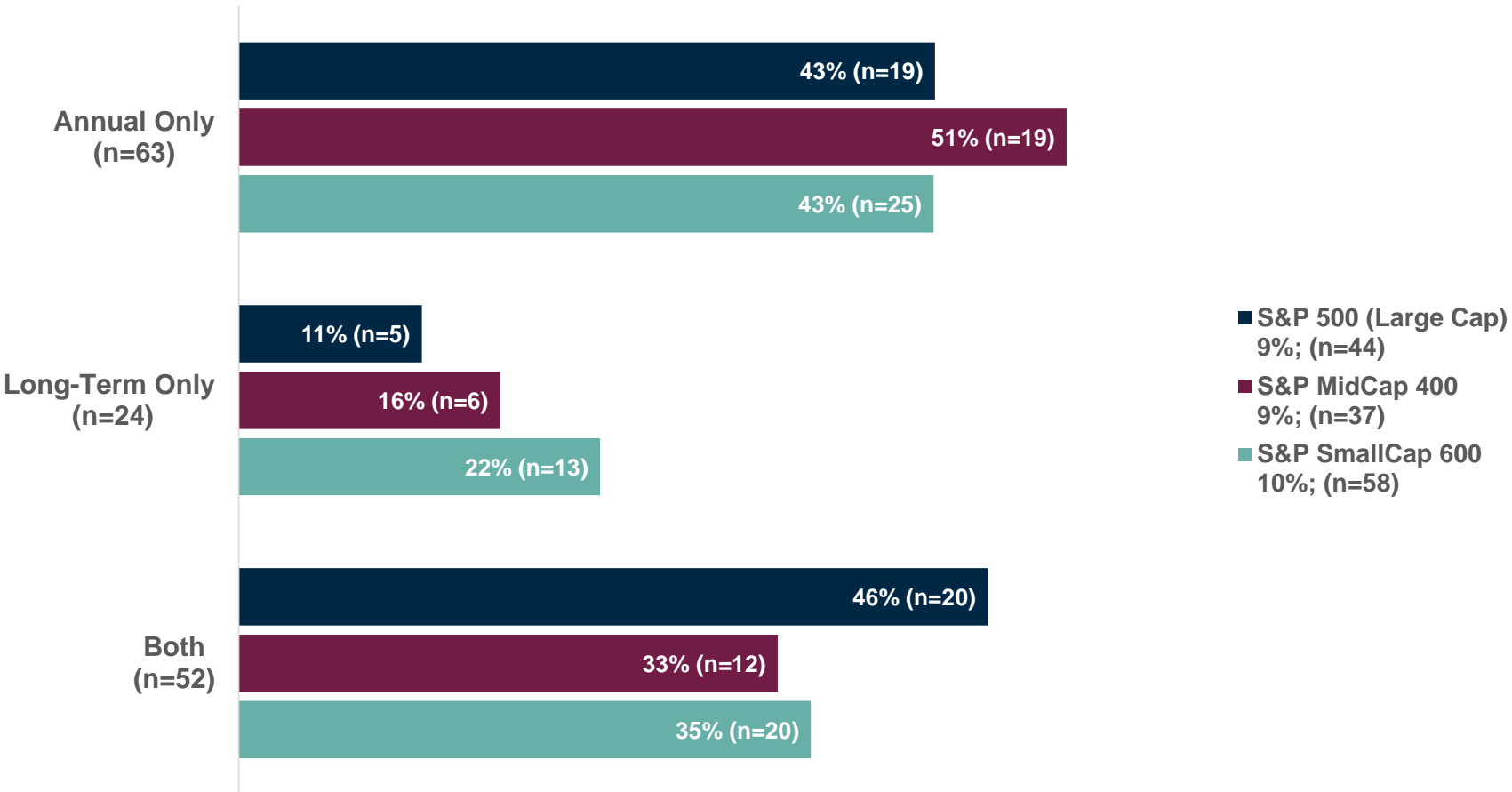
Number of S&P 1500 Executive Pay Actions Because of COVID-19  
By Month of Announcement and Type of Action



Sample as of October 31, 2020

# Most companies that reported COVID 19-related pay actions adjusted their annual incentive plan or both their annual and long-term incentive plans

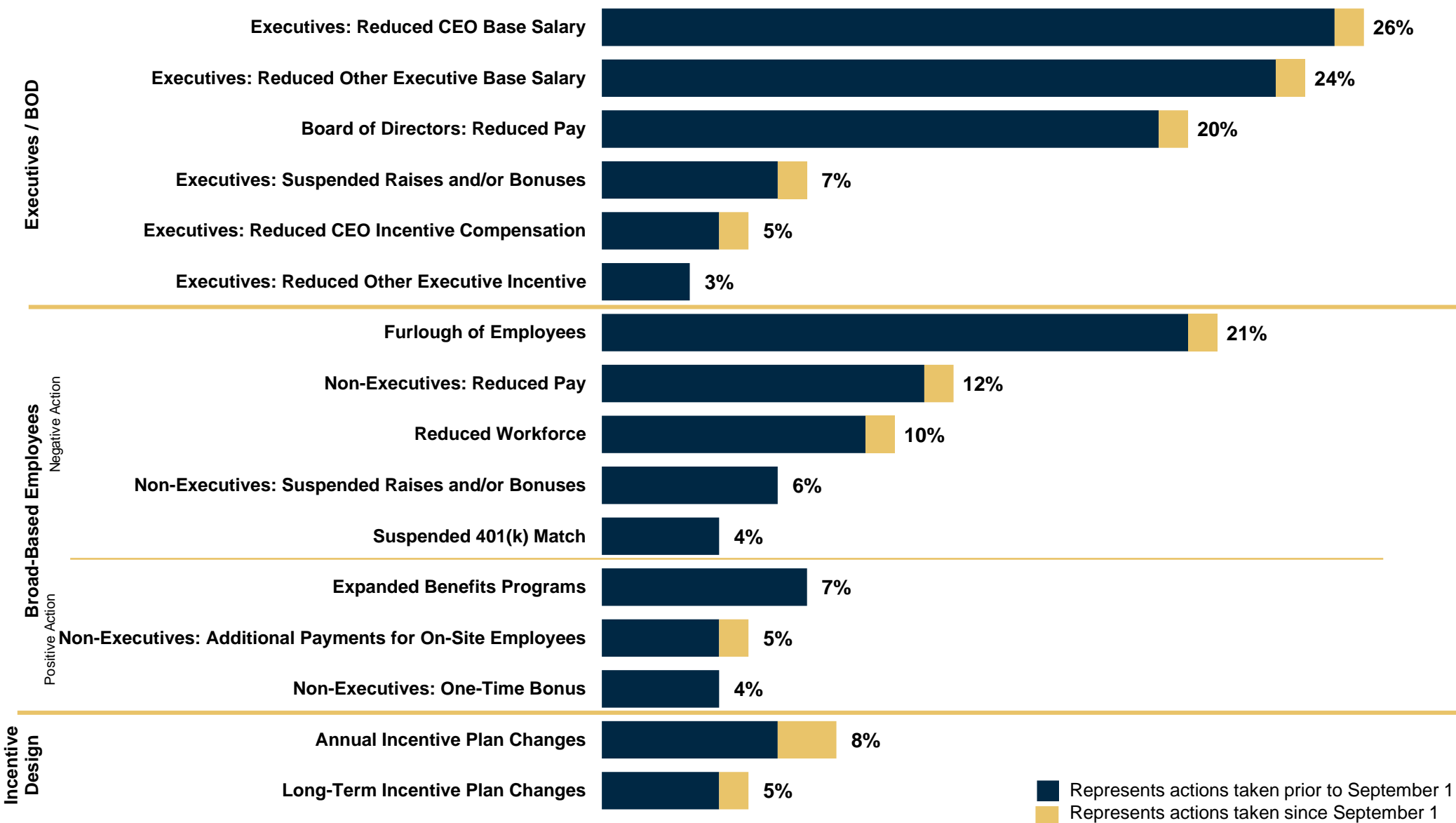
Annual and Long-Term Incentive Actions in Response to COVID-19



CAP's [report](#) on incentive actions by June fiscal-year-end companies provides an early look at pay decisions being made by compensation committees across corporate America.

# What are Companies Doing Right Now?

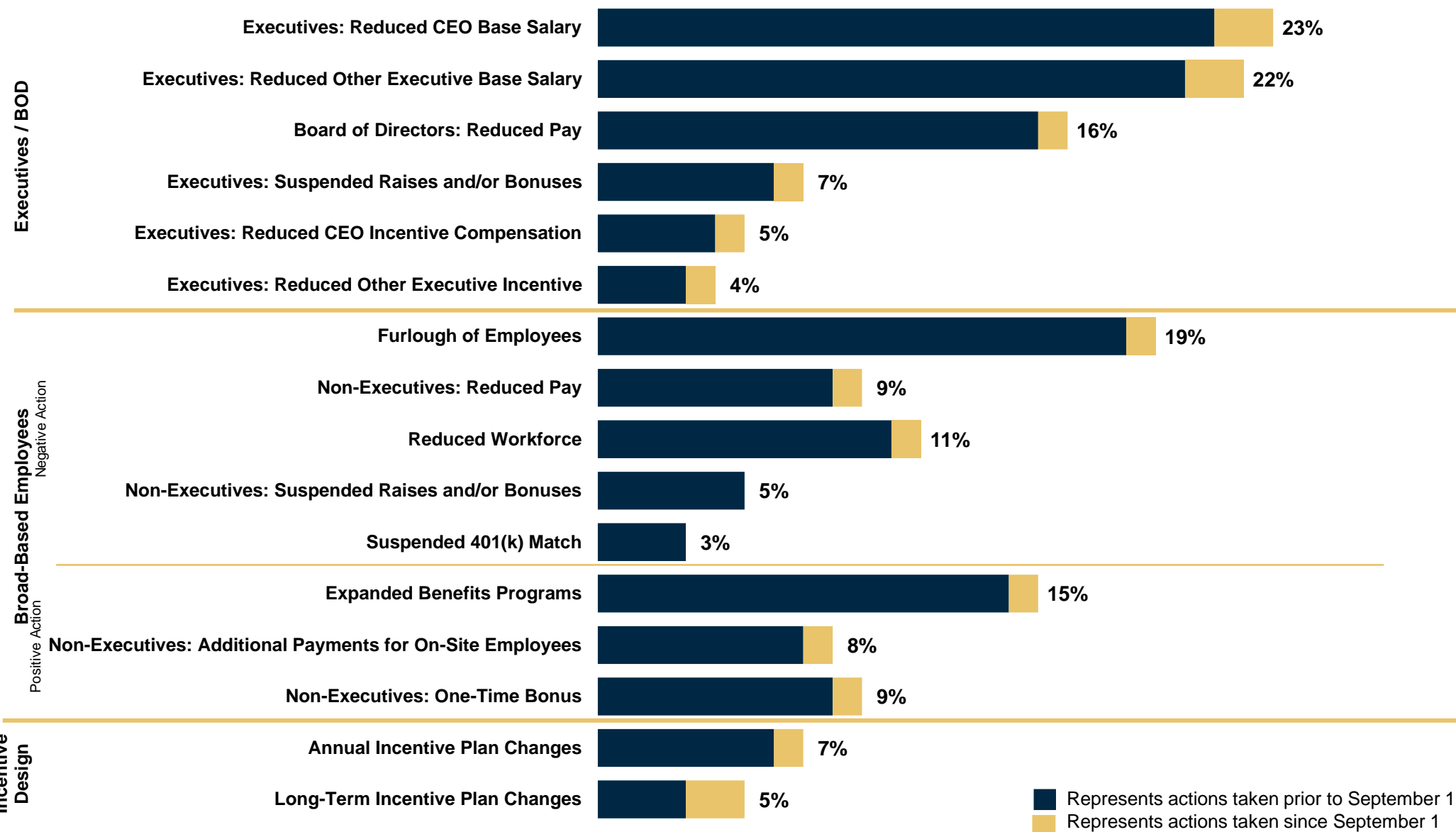
## S&P 1500 (n=1500)



Sample as of October 31, 2020

# What are Companies Doing Right Now?

## S&P 500 (Large Cap) (n=500)

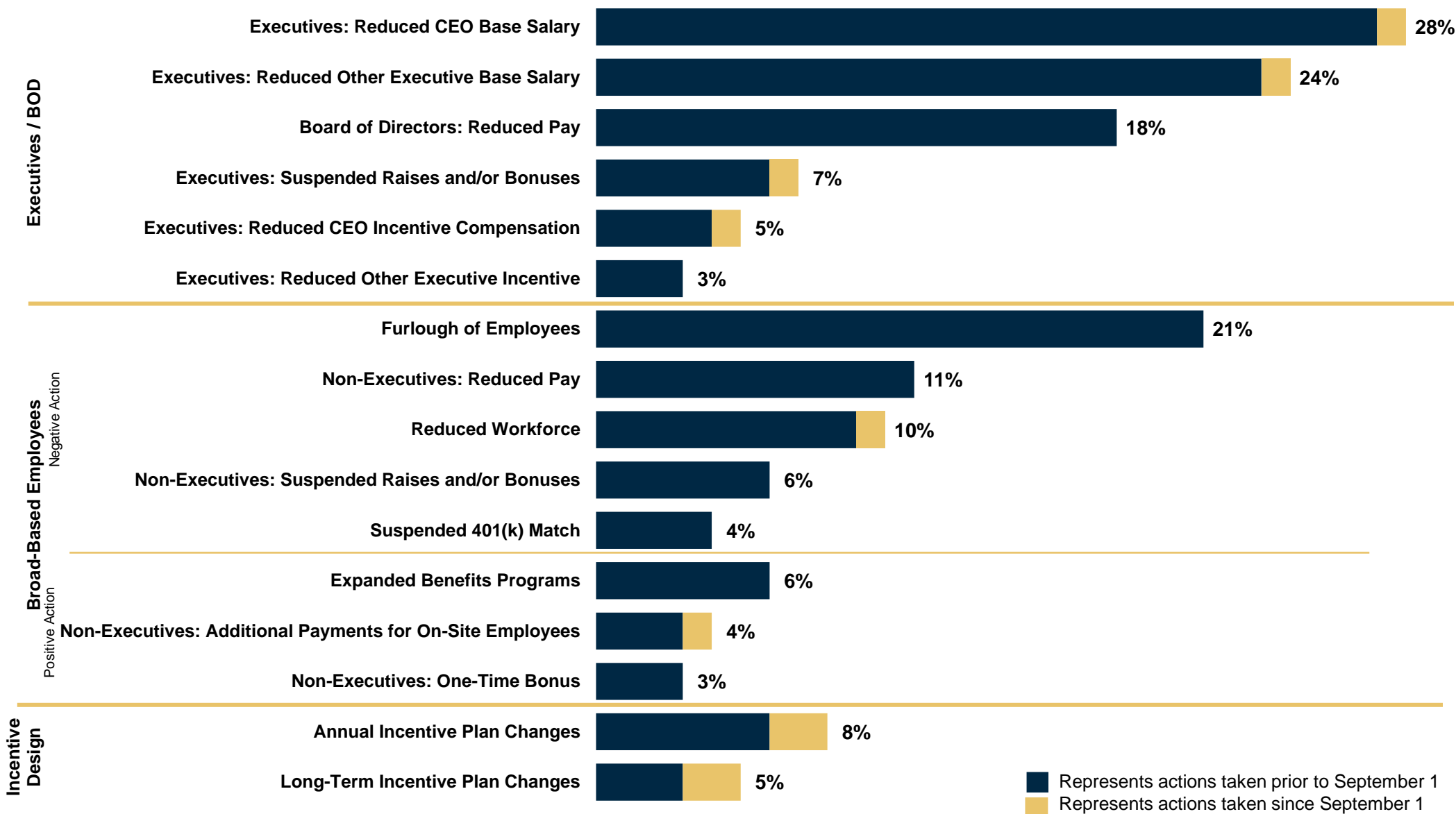


Sample as of October 31, 2020



# What are Companies Doing Right Now?

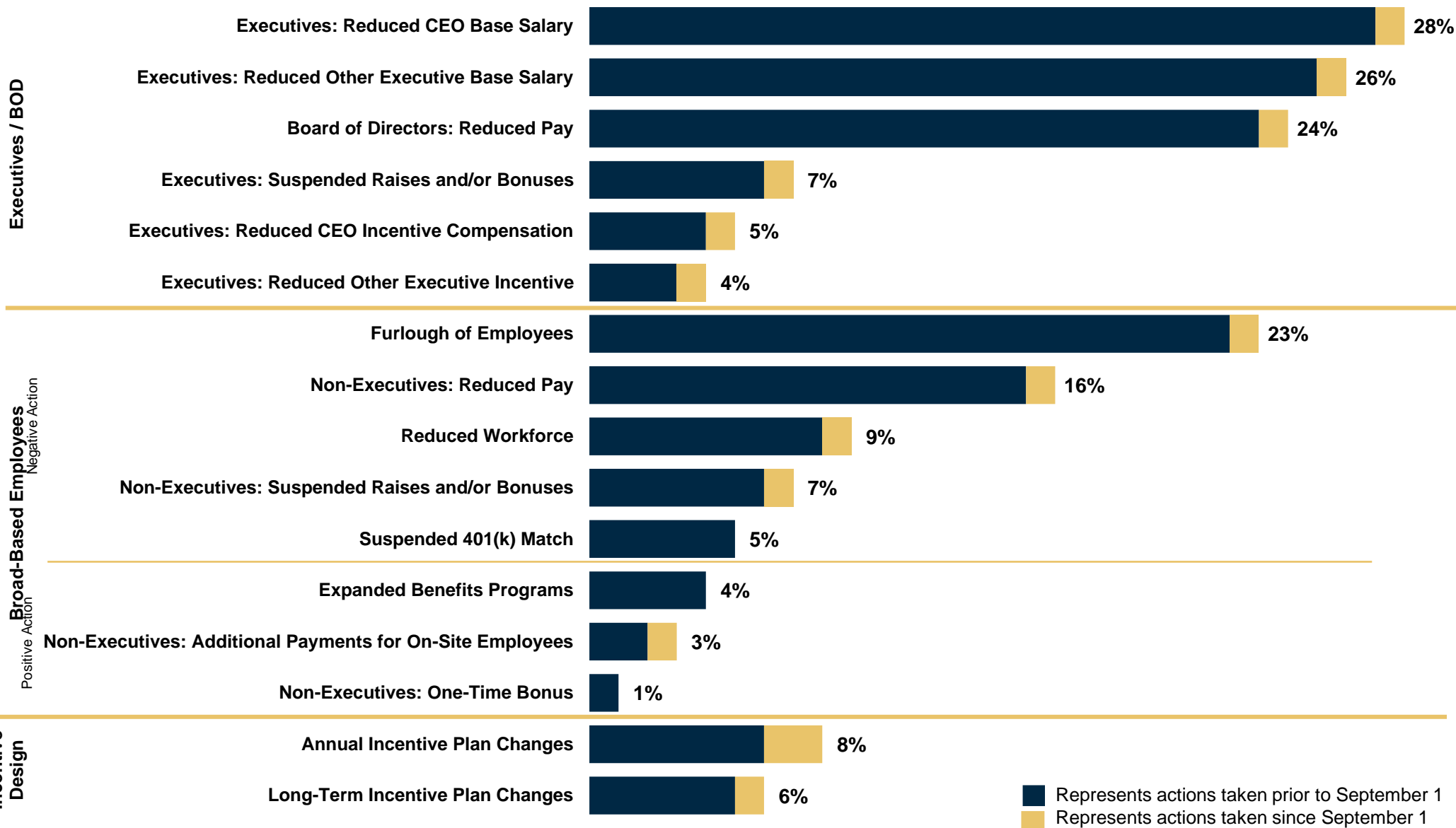
## S&P MidCap 400 (n=400)



Sample as of October 31, 2020

# What are Companies Doing Right Now?

## S&P SmallCap 600 (n=600)



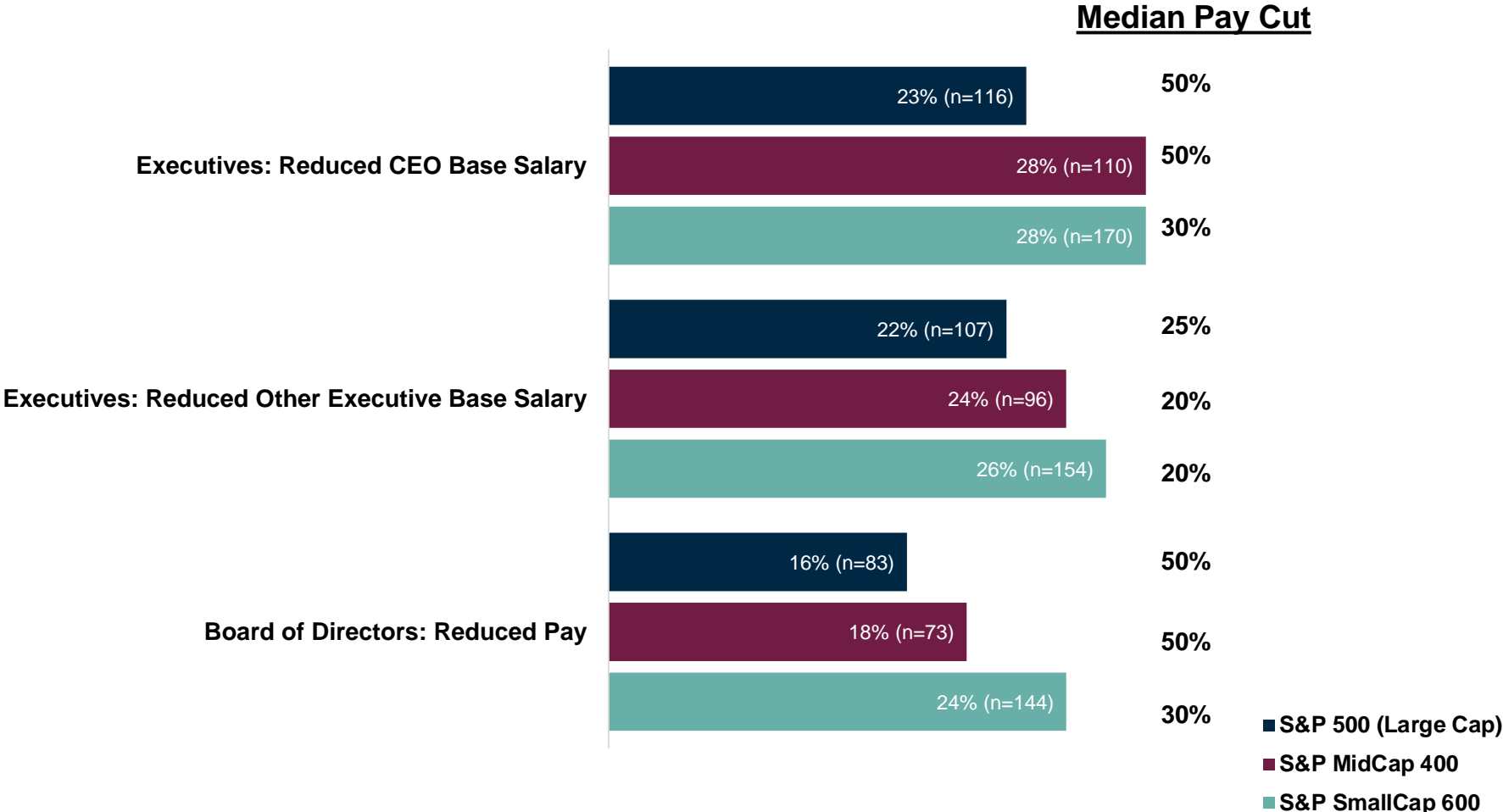
Sample as of October 31, 2020



# Appendix

# CEO and executive pay cuts were made by one in four firms, while board pay cuts were made by about one in five. Large- and mid-cap companies have been less likely to cut board pay

CAP believes that some companies have refrained from cutting board pay because of the increase in the workload for the board and the need for management to have external advice. While S&P 600 companies have been more likely to cut director pay, the size of the pay cuts has been smaller.



Sample as of October 31, 2020

# The prevalence of adverse broad-based employment actions spans the three indices, with furloughs being most common

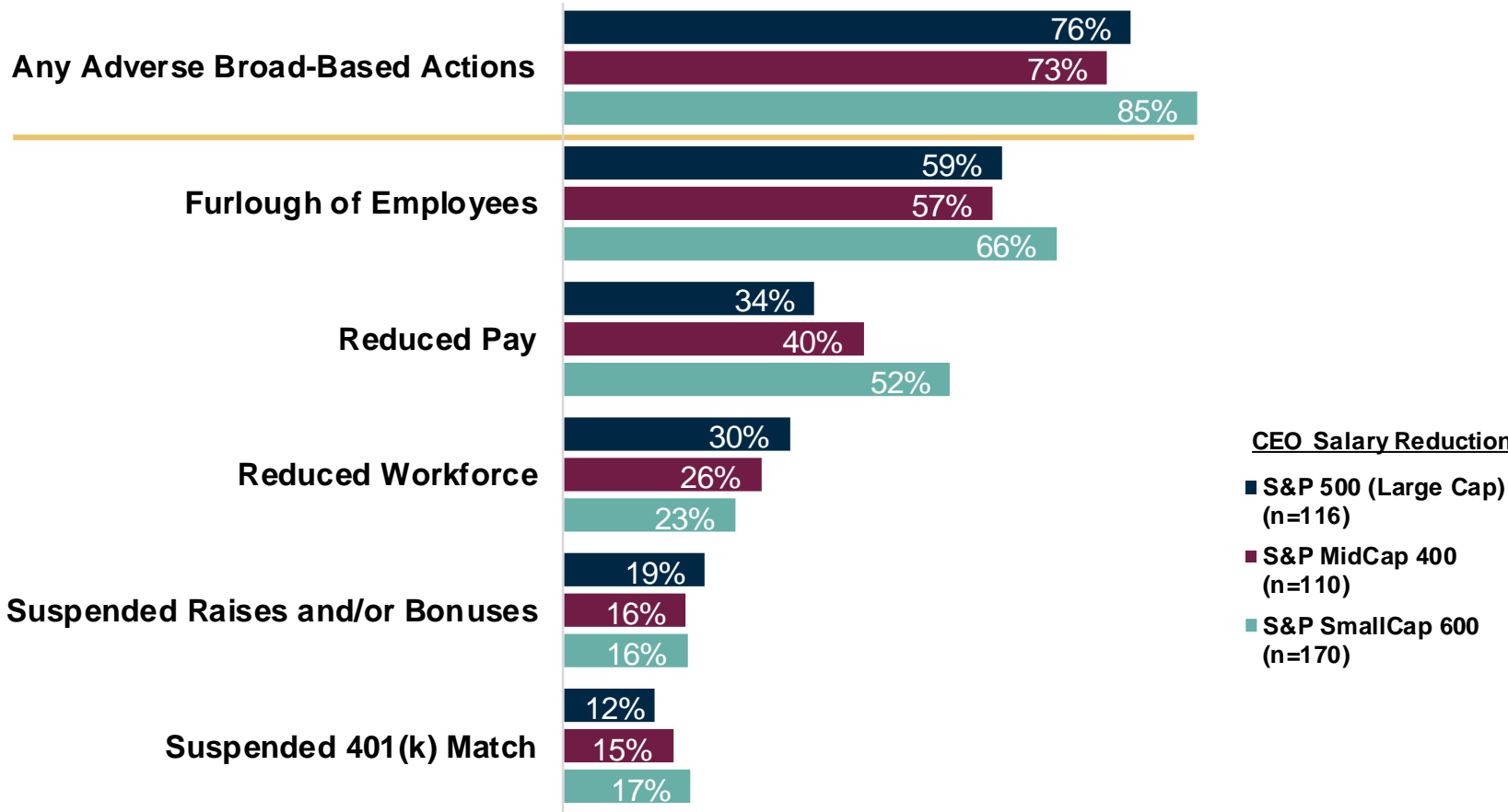
## Broad-Based Adverse Employment Actions Because of COVID-19

	<b>S&amp;P 500 (Large Cap)</b>	<b>S&amp;P MidCap 400</b>	<b>S&amp;P SmallCap 600</b>
<b>Total companies taking adverse actions</b>	<b>27% (n=136)</b>	<b>27% (n=108)</b>	<b>30% (n=178)</b>
Furlough of employees	19%	22%	23%
Reduced workforce	11%	10%	8%
Reduced pay	9%	11%	15%
Suspended raises and/or bonuses	6%	6%	6%
Suspended 401(k) match	4%	4%	6%

**Note:** “Furlough” refers to a temporary unpaid leave for a certain length of time, while “reduced workforce” is a permanent action.

# A cut in CEO pay is often coupled with actions that adversely affect the broader employee population to communicate that “we are in this together”

**Prevalence of Adverse Broad-Based Actions at Companies that Cut CEO Pay**



Sample as of October 31, 2020

# Large firms have been much more likely to take positive actions, such as expanded benefits and additional compensation for front-line employees, than smaller peers

## Broad-Based Positive Employment Actions Because of COVID-19

	S&P 500 (Large Cap)	S&P MidCap 400	S&P SmallCap 600
<b>Total companies taking positive actions</b>	<b>26% (n=132)</b>	<b>13% (n=50)</b>	<b>7% (n=41)</b>
Expanded benefits programs	15%	6%	4%
One-time bonus	9%	3%	1%
Additional pay for on-site employees	8%	3%	3%
Guaranteed pay continuity	8%	5%	2%
Expanded workforce	4%	0%	0%

**Note:** Expanded benefits include actions such as additional paid time off and paid medical coverage for COVID-19

# Sector Breakdown by Industry

Communication Services	Media & Entertainment, Telecommunication Services
Consumer Discretionary	Automobiles & Components, Consumer Durables & Apparel, Consumer Services, Retailing
Consumer Staples	Household & Personal Products, Food, Beverage & Tobacco, Food & Staples Retailing
Energy	Energy
Financials	Banks, Diversified Financials, Insurance
Healthcare	Health Care Equipment & Services, Pharmaceuticals, Biotechnology & Life Sciences
Information Technology	Semiconductors & Semiconductor Equipment, Software & Services, Technology Hardware & Equipment
Materials	Materials
Real Estate	Real Estate
Industrials	Capital Goods, Commercial & Professional Services, Transportation
Utilities	Utilities



# Creative Solutions From a Dedicated Team



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