



Compensation  
Advisory Partners

CAPintel // June 8, 2023

# Pay Trends: Spotlight on Chief Financial Officers – 2023 Update

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CAP's report examines compensation outcomes for Chief Financial Officers (CFOs) relative to Chief Executive Officers (CEOs). This analysis summarizes 2022 compensation actions among 175 companies with median revenue of \$13 billion. Additional information on criteria used to develop the sample is included in the Appendix.

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## Study Highlights

### Base Salary

More CFOs and CEOs received increases in 2022 compared to 2021, with the median increase above 2021 increases

- Approximately 10-15% more CFOs/CEOs received base salary increases this past year. Overall, 75% of companies made salary increases for CFOs in 2022 and 56% made increases for CEOs
- Among executives who received salary increases, the median increase was 5.1% for CFOs and 4.7% for CEOs. This increase was above the prior year's increases (4.0% for both CEOs and CFOs) and align with higher salary budgets that we saw in 2022
- Among the total sample, the median increase for CFOs was 3.8%, above last year's 2.5% increase. The median increase for CEOs was 2.9%, well above last year's 0% median when fewer than half of CEOs received increases

### Bonuses

Weaker financial performance in 2022, compared to strong performance in 2021, resulted in lower bonus payouts

- Among our sample, approximately 60% of CEOs and CFOs had lower bonus payouts in 2022. Actual bonuses are down 7.5% at median for CFOs and 11.0% for CEOs
- The bonus payouts were mostly aligned with company performance during 2022. Companies whose operating income fell in 2022 paid bonuses approximately 21% lower than in 2021 for CFOs and 24% lower for CEOs. Companies who improved operating income paid roughly similar bonuses to the prior year (at above-target levels)
- Median target bonus opportunities increased for CEOs to 160% of salary from 150% and remained consistent for CFOs at 100% of salary. 33% of CFOs and 27% of CEOs had an increase in target bonus for 2022

### Long-Term Incentive (LTI)

LTI awards were up in 2022, though not by as much as in 2021, which may reflect continued strong economic conditions at the time of grants in early 2022

- LTI awards increased approximately 7% for CFOs and 5% for CEOs, which reflect a more normalized level of increase and down from increases last year (11% and 12%, respectively)
- LTI awards have increased 7% for CFOs and 6% for CEOs annually on average over a 10-year period from 2013 to 2022

### Total Direct Compensation (TDC)

TDC increased in 2022, driven by higher salaries and long-term incentive awards. Median TDC increased approximately 5% for CFOs and 2% for CEOs

- As in prior years, CFO total compensation continues to approximate one-third of CEO total pay

### Pay Mix

The mix of equity vehicles remained roughly consistent with prior year practices, as companies have implemented plans emphasizing performance- and time-based stock, partially driven by proxy advisor pressure for long-term incentives to be comprised of at least 50% at-risk performance-based pay

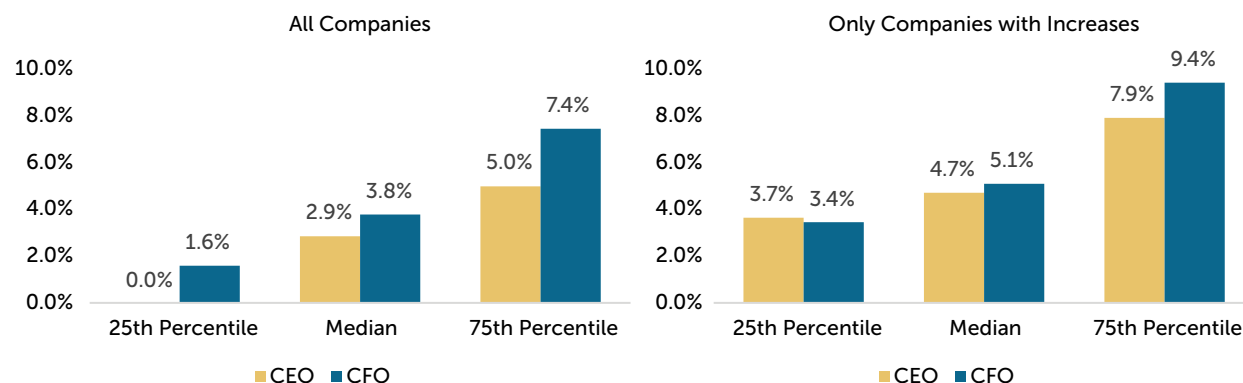
- The emphasis on variable over fixed pay, and performance-based equity over time-based equity continues
- CFO pay consists of approximately 60% long-term incentives (70% for CEOs) and nearly 95% of companies grant performance-based equity

## Study Results

### Salaries

In 2022, prevalence of salary increases rose for both CFOs and CEOs (75% of CFOs and 56% of CEOs received increases in 2022 compared to 62% and 42%, respectively, in 2021). This aligns with higher salary budgets that we saw in 2022. As indicated in the charts below, median 2022 salary increases were 3.8% for CFOs (or 5.1% for those receiving an increase) and 2.9% for CEOs (or 4.7% for those receiving an increase).

#### 2022 Salary Increases



### Changes in Actual Pay Levels

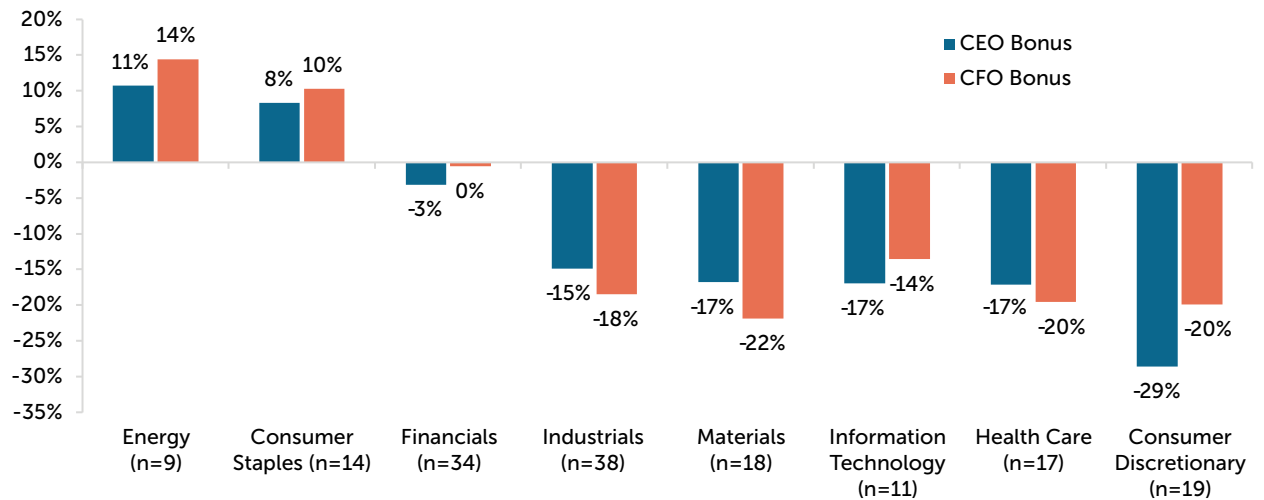
Actual total cash compensation for 2022 decreased among our sample, driven by lower bonus payouts compared to 2021 when many companies had record financial performance. The median change in total direct compensation (including long-term incentives awards) was up slightly for both CEOs and CFOs (2% for CEOs and 5% for CFOs) with CFOs having a higher rate of increase.

Median Percentage Change in Pay Components						
Pay Components	2019 – 2020		2020 – 2021		2021 – 2022	
	CEO	CFO	CEO	CFO	CEO	CFO
Salary	0.0%	2.7%	0.0%	2.5%	2.9%	3.8%
Actual Bonus	0.0%	0.0%	33.5%	34.1%	-11.0%	-7.5%
Long-Term Incentives	5.3%	8.7%	11.8%	11.0%	4.8%	6.7%
<b>Actual Total Direct Compensation</b>	<b>3.3%</b>	<b>4.1%</b>	<b>17.6%</b>	<b>16.7%</b>	<b>1.9%</b>	<b>4.9%</b>

While there was a drop in actual bonus payouts for 2022 TDC increased year over year. Most companies are still paying above-target bonuses, so the decline only reflects slightly tempered payouts from blockbuster results in 2021 for many companies. Median actual bonuses as a percentage of target were 122% for CFOs and 120% for CEOs in 2022. While above target, the actual payouts as a percentage of target are lower than 2021 (160% for CFOs and 152% for CEOs in 2021).

Bonus payouts were generally aligned with performance outcomes for most companies. For companies with lower operating income in 2022, bonus payouts were down 21% at median for CFOs and 24% for CEOs, compared to flat/slightly down for CFOs and CEOs at companies with operating income growth.

### Median Total Cash Compensation Increases by Industry<sup>1</sup>

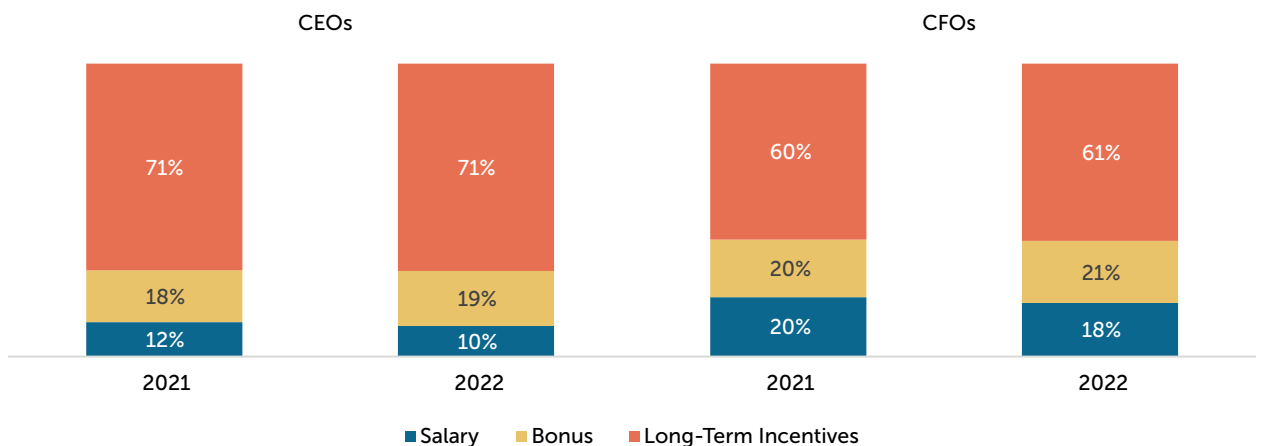


<sup>1</sup> Excludes industries which had a sample of less than five companies. Total cash compensation equals the sum of base salary and actual bonuses awarded for 2022 performance.

Median change in bonus varied by industry. In 2022, CFOs and CEOs at energy and consumer staples companies were the only industries with bonus increases at median. While bonuses were down in many industries, payouts were still above target supported by positive operating income growth.

### Target Pay Mix

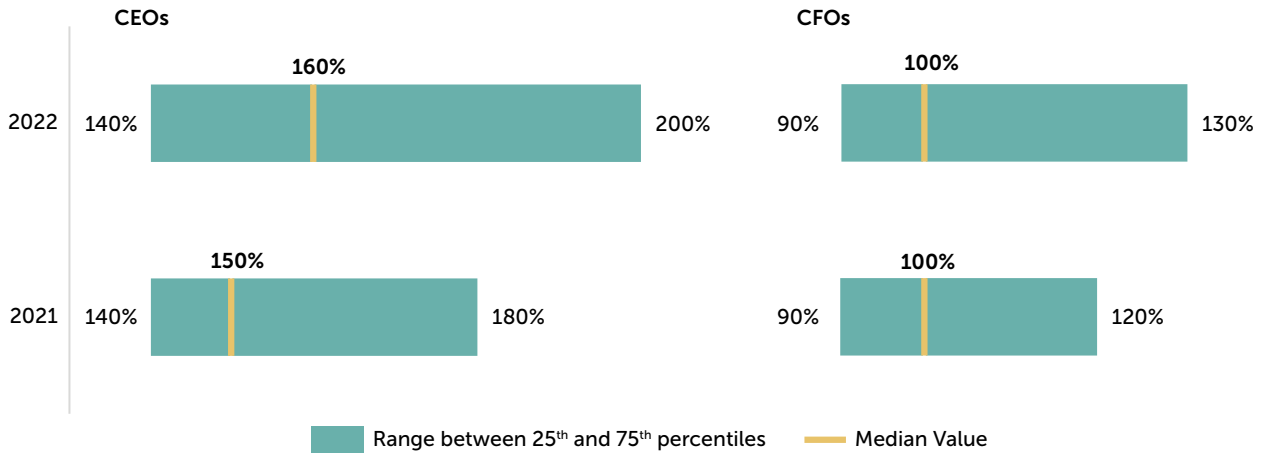
The pay program structure for CEOs and CFOs has remained largely unchanged. CEOs continue to receive less in the form of salary and more in variable pay opportunities, especially LTI, than CFOs. Long-term incentives comprise approximately 60% of total compensation for CFOs and 70% for CEOs.



## Target Bonuses

Median target bonus opportunities as a percentage of salary increased for CEOs to 160% of base salary from 150% but remained consistent for CFOs. 30% of companies increased the target bonus opportunity for CFOs and CEOs in 2022.

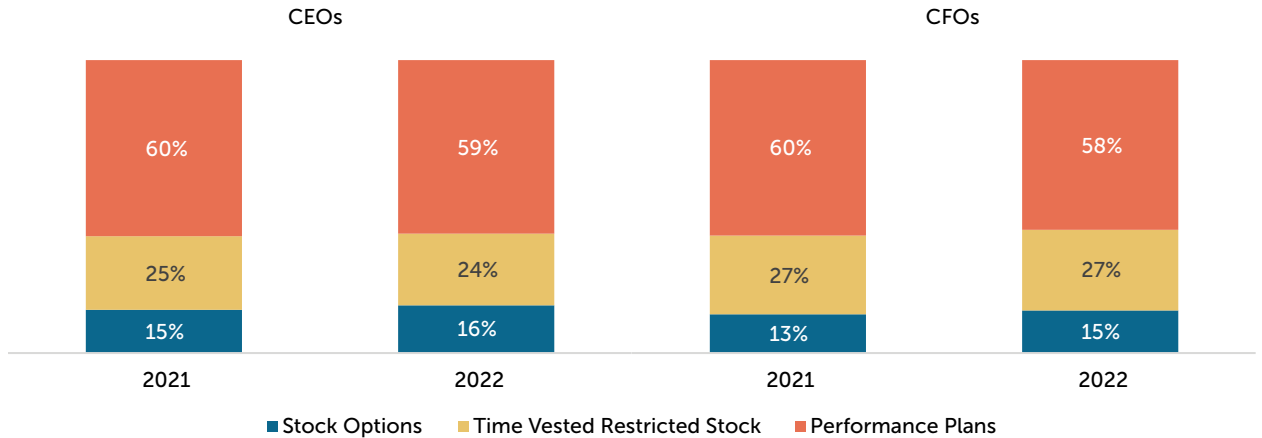
Target Bonus as a % of Base Salary



## Long-Term Incentive (LTI) Vehicle Prevalence and Mix

The majority of companies (approximately 60%) deliver LTI using two different vehicles. Approximately 25% of companies in the sample use stock options, time-based stock awards, and performance plan awards, which reflects a slight decline in prevalence of companies granting three equity vehicles.

The portion of LTI delivered through performance shares, time-based shares and stock options remains relatively consistent.



## Conclusion

2022 was a mixed performance year, with operating profit up approximately 7% at median while 2022 TSR at median was -9.2%. Actual bonus payouts declined from all-time highs in 2021, but still remain above target, generally reflecting financial performance improvement following a very strong performance year in 2021. Actual total direct compensation was up slightly though grew at a slower rate than we have seen on average. Target total compensation continues to grow incrementally each year, with higher salaries and target incentives awarded. 2023 continues to be a dynamic environment due to uncertainty around interest rates, equity market performance and global economic growth. For 2023, we expect to see pay changes in the single digits as Compensation Committees and management teams consider performance and retention when making their pay decisions.

## Appendix

### Sample Screening Methodology

Based on the screening criteria below, we arrived at a sample of 175 public companies with median 2022 revenue of \$13B.

Revenue	At least \$5 billion in revenue for fiscal year 2022
Fiscal year-end	Fiscal year-end between 8/31/2022 and 1/1/2023
Proxy Statement Filing Date	Proxy statement filed on or before 3/31/2023
Tenure	No change in CEO and CFO incumbents in the past three years
Industry	All industries have been considered for this analysis



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