



Pearl Meyer & Partners
Comprehensive Compensation®

ON POINT

TIMELY, ACCURATE, INSIGHTFUL

**PM&P On Point:
2010 Executive Pay-for-Performance Survey
Technology Edition**

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Introduction

As part of the heightened scrutiny applied to executive compensation in the current economy, increasingly detailed and pointed questions are being asked by investors, legislators and the media as to how pay and performance are aligned. As management and Boards of Directors consider this critical issue, they need to agree on how best to define “pay-for-performance” for their particular organization.

There are countless performance measures and combinations of measures available and making the right choices can be challenging and confusing. Furthermore, once companies choose the right performance measures, they must then establish appropriate performance goals that entail an appropriate degree of difficulty.

To provide context in making these complex decisions, the Pearl Meyer & Partners survey *PM&P On Point: Executive Pay-for-Performance (Technology)* examines how a wide range of technology companies are approaching performance measure selection and the setting of performance goals. The survey also looks at related practices including:

- The different levels of discretion applied to incentive awards
- Changes in the respective roles of Management and Compensation Committees in performance measure selection and goal-setting
- The adequacy of support provided to Compensation Committees
- Concerns regarding compensation-related risk

The survey represents 124 participants, including 83 who responded as an employee of the firm and 41 who responded as an outside Director. Approximately 78% of participants represent publicly-traded companies and 19% represent private or closely-held companies. The remaining respondents were privately held and tax exempt or government chartered.

The report provides a detailed look at the survey results across a variety of demographics, including employee vs. outside Directors, form of ownership, industry, and company size.

We hope you find this information useful. If you would like to discuss any aspect of these findings, please contact:

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Key Highlights

- A total of 124 respondents participated in the survey. Of these, 20 firms are from Semiconductor and Semiconductor Equipment industry, 51 firms from Hardware and 53 firms from Software or Services.
- Company sizes ranged from less than \$100M in revenue to Fortune 50.
- Profit and top line growth measures are the dominant annual incentive plan metrics across all technology industries.
- Firms in capital intensive industries such as Semiconductors and Hardware were more likely than Software & Services companies to use return-based measures (such as ROA, ROIC and ROE), while Software & Services firms were more likely to use customer experience or satisfaction measures.
- Slightly more Technology firms use a 3-year (37%) vs. 1-year (32%) performance cycles for their long-term incentive (LTI) plans.
- Interestingly, Technology firms were more likely than broader industry firms to use a performance cycle that is shorter than 3 years.
- Semiconductor and Semiconductor Equipment industry firms were the most likely to reference peer practices when selecting performance measures and setting performance goals.
- Semiconductor and Semiconductor Equipment industry firms were also more likely than others to engage in economic modeling of shareholder expectations and consider statistical links between various performance measures and shareholder value when setting performance goals.

Participant Demographics

Table 1

	Total	Technology	Primary Role		Industry Segment		
	All Firms	All Firms	Employee of Firm	Outside Director	Semi and Semi Equip	Hardware	Software or Services
Number of Firms	630	124	83	41	20	51	53
Role							
Employee of the firm	64.8%	66.9%	100.0%		85.0%	62.7%	64.2%
Outside director	35.2%	33.1%		100.0%	15.0%	37.3%	35.8%
Position							
Chief Executive Officer, Chairman	13.0%	8.1%	12.0%			3.9%	15.1%
Chief Financial Officer	3.7%	4.0%	6.0%		5.0%	7.8%	
Top Human Resources	8.6%	7.3%	10.8%		10.0%	5.9%	7.5%
General Counsel	3.5%	4.8%	7.2%		10.0%	3.9%	3.8%
Other Executive	6.0%	5.6%	8.4%		10.0%	2.0%	7.5%
A member of the Compensation function	26.5%	35.5%	53.0%		50.0%	37.3%	28.3%
A member of HR (not in the Compensation function)	3.5%	1.6%	2.4%			2.0%	1.9%
Chair / Member of the Compensation Committee	24.8%	21.8%		65.9%	10.0%	23.5%	24.5%
Chair / Member of the Board (not on Comp Committee)	10.5%	11.3%		34.1%	5.0%	13.7%	11.3%
Form of ownership							
Publicly Held; For Profit	59.7%	78.2%	79.5%	75.6%	95.0%	84.3%	66.0%
Closely Held; For Profit	3.5%	2.4%	1.2%	4.9%		2.0%	3.8%
Privately Held; For Profit	24.3%	18.5%	18.1%	19.5%	5.0%	13.7%	28.3%
Mutual, Cooperative, or membership organization	6.3%						
Tax Exempt or Government Chartered, including 501(c)(3), FFRDC	6.2%	0.8%	1.2%				1.9%

Firm Demographics

Table 2

	Total	Technology	Primary Role		Industry Segment		
	All Firms	All Firms	Employee of Firm	Outside Director	Semi and Semi Equip	Hardware	Software or Services
Number of Firms	630	124	83	41	20	51	53
Industry Group							
Industrials / Materials	23.2%						
Consumer Discretionary / Staples / Services	14.1%						
Health Care	9.8%						
Financials	18.9%						
Info Tech / Telecomm Services	20.6%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Energy / Utilities	8.9%						
Research Labs / University / Other	4.4%						
Scope reflects revenue, asset size category, or operational budget							
Revenue	82.2%	99.2%	98.8%	100.0%	100.0%	100.0%	98.1%
Assets	12.9%						
Operational Budget	4.9%	0.8%	1.2%				1.9%
Revenue / Asset / Operating Budget							
Under \$100 million	23.8%	23.4%	21.7%	26.8%	5.0%	17.6%	35.8%
\$100 million to less than \$300 million	14.0%	20.2%	16.9%	26.8%	20.0%	17.6%	22.6%
\$300 million to less than \$1 billion	18.6%	25.0%	22.9%	29.3%	35.0%	31.4%	15.1%
\$1 billion to less than \$3 billion	20.2%	13.7%	15.7%	9.8%	10.0%	13.7%	15.1%
\$3 billion to less than \$10 billion	14.3%	9.7%	12.0%	4.9%	30.0%	7.8%	3.8%
\$10 billion to less than \$20 billion	4.1%	5.6%	7.2%	2.4%		7.8%	5.7%
\$20 billion to less than \$30 billion	2.4%	0.8%	1.2%			2.0%	
\$30 billion or greater	2.7%	1.6%	2.4%			2.0%	1.9%
Reporting entity							
Parent/Stand Alone	94.0%	95.2%	92.8%	100.0%	95.0%	96.1%	94.3%
Subsidiary	3.5%	2.4%	3.6%			2.0%	3.8%
Division	2.5%	2.4%	3.6%		5.0%	2.0%	1.9%

Annual Incentive Plan Performance Measures
Table 3

	Total	Technology	Primary Role		Industry Segment		
	All Firms	All Firms	Employee of Firm	Outside Director	Semi and Semi Equip	Hardware	Software or Services
Number of Firms	630	124	83	41	20	51	53
Profit (e.g., EPS, net income, operating income)							
Percent Using Measure	87.8%	93.8%	92.0%	97.4%	88.9%	93.5%	95.9%
Absolute	83.8%	89.6%	87.0%	94.6%	75.0%	97.7%	87.2%
Relative	16.2%	10.4%	13.0%	5.4%	25.0%	2.3%	12.8%
Margins or profit ratios (e.g., gross margin, operating margin, combined ratio)							
Percent Using Measure	55.5%	67.4%	69.6%	63.3%	81.3%	60.0%	68.6%
Absolute	66.0%	77.6%	74.4%	84.2%	69.2%	76.2%	83.3%
Relative	34.0%	22.4%	25.6%	15.8%	30.8%	23.8%	16.7%
Top line growth (e.g., revenue or volume)							
Percent Using Measure	70.2%	88.6%	89.6%	86.8%	94.1%	82.9%	91.5%
Absolute	70.7%	79.6%	75.0%	87.9%	68.8%	82.4%	81.4%
Relative	29.3%	20.4%	25.0%	12.1%	31.3%	17.6%	18.6%
Returns on . . . (e.g., ROA, ROIC, ROE)							
Percent Using Measure	46.3%	47.6%	46.2%	50.0%	50.0%	52.9%	41.7%
Absolute	59.3%	67.5%	62.5%	75.0%	57.1%	77.8%	60.0%
Relative	40.7%	32.5%	37.5%	25.0%	42.9%	22.2%	40.0%
Economic profit (e.g., NOPAT - Equity, EVA)							
Percent Using Measure	28.5%	26.0%	25.5%	26.7%	25.0%	23.3%	28.6%
Absolute	56.2%	50.0%	25.0%	87.5%	33.3%	42.9%	60.0%
Relative	43.8%	50.0%	75.0%	12.5%	66.7%	57.1%	40.0%
Business-specific operational measures							
Percent Using Measure	72.0%	70.9%	70.4%	71.9%	64.3%	64.7%	78.9%
Absolute	69.1%	72.1%	71.1%	73.9%	88.9%	68.2%	70.0%
Relative	30.9%	27.9%	28.9%	26.1%	11.1%	31.8%	30.0%

Annual Incentive Plan Performance Measures
Table 3

	Total	Technology	Primary Role		Industry Segment		
	All Firms	All Firms	Employee of Firm	Outside Director	Semi and Semi Equip	Hardware	Software or Services
Number of Firms	630	124	83	41	20	51	53
Safety							
Percent Using Measure	29.8%	9.5%	10.9%	7.1%	0.0%	13.3%	9.4%
Absolute	65.6%	57.1%	60.0%	50.0%		25.0%	100.0%
Relative	34.4%	42.9%	40.0%	50.0%		75.0%	
Customer experience or satisfaction							
Percent Using Measure	45.5%	39.0%	38.3%	40.0%	23.1%	26.7%	55.9%
Absolute	54.7%	50.0%	50.0%	50.0%	33.3%	50.0%	52.6%
Relative	45.3%	50.0%	50.0%	50.0%	66.7%	50.0%	47.4%
Strategic measures							
Percent Using Measure	63.7%	63.1%	61.5%	65.6%	46.2%	58.8%	73.0%
Absolute	60.7%	64.2%	62.5%	66.7%	66.7%	65.0%	63.0%
Relative	39.3%	35.8%	37.5%	33.3%	33.3%	35.0%	37.0%
Business unit or functional measures							
Percent Using Measure	60.9%	61.4%	63.8%	56.7%	57.1%	54.3%	69.2%
Absolute	65.9%	64.8%	64.9%	64.7%	87.5%	63.2%	59.3%
Relative	34.1%	35.2%	35.1%	35.3%	12.5%	36.8%	40.7%
Individual performance							
Percent Using Measure	79.3%	76.3%	75.8%	77.4%	66.7%	74.4%	81.0%
Absolute	67.9%	67.6%	70.2%	62.5%	62.5%	69.0%	67.6%
Relative	32.1%	32.4%	29.8%	37.5%	37.5%	31.0%	32.4%
Other							
Percent Using Measure	28.8%	18.3%	17.9%	19.0%	25.0%	18.2%	15.4%
Absolute	68.4%	81.8%	71.4%	100.0%	66.7%	75.0%	100.0%
Relative	31.6%	18.2%	28.6%		33.3%	25.0%	

Annual Incentive Plan Discretion
and Metric Review Cycle

Table 4

	Total	Technology	Primary Role		Industry Segment		
	All Firms	All Firms	Employee of Firm	Outside Director	Semi and Semi Equip	Hardware	Software or Services
Number of Firms	630	124	83	41	20	51	53
Level of discretion permitted in calculating annual incentive awards							
No discretion	27.9%	41.5%	41.5%	41.5%	50.0%	30.0%	49.1%
Less than +/- 5 %	12.1%	13.8%	17.1%	7.3%	10.0%	16.0%	13.2%
+/- 5 %	8.7%	7.3%	6.1%	9.8%	5.0%	10.0%	5.7%
+/- 10 %	12.6%	11.4%	12.2%	9.8%	10.0%	20.0%	3.8%
+/- 15 %	4.8%	4.9%	4.9%	4.9%		8.0%	3.8%
Greater than +/- 15 %	33.9%	21.1%	18.3%	26.8%	25.0%	16.0%	24.5%
Level of discretion permitted compared to two years ago							
More	10.2%	7.3%	6.1%	9.8%	5.0%	10.0%	5.7%
Less	13.9%	17.9%	20.7%	12.2%	10.0%	20.0%	18.9%
About the same	75.9%	74.8%	73.2%	78.0%	85.0%	70.0%	75.5%
In future, plan level of discretion likely to be allowed							
More	9.1%	6.6%	6.1%	7.5%	10.0%	2.0%	9.4%
Less	10.8%	15.6%	12.2%	22.5%		20.4%	17.0%
About the same	80.1%	77.9%	81.7%	70.0%	90.0%	77.6%	73.6%
Concerns likely to trigger a change in the level of discretion permitted							
Executive performance considered too complex to reduce to a few specific	24.3%	32.3%	28.9%	39.0%	30.0%	29.4%	35.8%
Fairness	43.7%	41.1%	39.8%	43.9%	20.0%	35.3%	54.7%
Lack of confidence or trust in management goal-setting	17.9%	19.4%	21.7%	14.6%	15.0%	17.6%	22.6%
Excessive rewards resulting from over-reliance on formulas	22.1%	19.4%	20.5%	17.1%	15.0%	25.5%	15.1%
Other	11.1%	10.5%	10.8%	9.8%	5.0%	17.6%	5.7%
Frequency Review Performance Measures for Annual Incentive Plan							
More than 1x / Year	15.0%	20.5%	18.5%	25.0%	26.3%	20.8%	18.0%
Annually for Each New Plan Year or Cycle	81.2%	77.8%	79.0%	75.0%	68.4%	79.2%	80.0%
Every Other Year	2.1%	0.9%	1.2%				2.0%
Every 3 Years	1.4%	0.9%	1.2%		5.3%		
Every 4 Years or More	0.3%						

**Long Term Incentive (LTI) Plan
Performance Measures**

Table 5

	Total	Technology	Primary Role		Industry Segment		
	All Firms	All Firms	Employee of Firm	Outside Director	Semi and Semi Equip	Hardware	Software or Services
Number of Firms	630	124	83	41	20	51	53
Profit (e.g., EPS, net income, operating income)							
Percent Using Measure	63.6%	68.8%	64.5%	77.4%	69.2%	68.6%	68.9%
Absolute	73.6%	75.0%	75.0%	75.0%	66.7%	79.2%	74.2%
Relative	26.4%	25.0%	25.0%	25.0%	33.3%	20.8%	25.8%
Margins or profit ratios (e.g., gross margin, operating margin, combined ratio)							
Percent Using Measure	37.5%	50.6%	48.1%	55.2%	64.3%	40.6%	54.1%
Absolute	56.1%	61.9%	61.5%	62.5%	44.4%	76.9%	60.0%
Relative	43.9%	38.1%	38.5%	37.5%	55.6%	23.1%	40.0%
Top line growth (e.g., revenue or volume)							
Percent Using Measure	49.1%	52.7%	53.3%	51.6%	61.5%	42.9%	58.1%
Absolute	60.7%	66.7%	62.5%	75.0%	50.0%	80.0%	64.0%
Relative	39.3%	33.3%	37.5%	25.0%	50.0%	20.0%	36.0%
Returns on . . . (e.g., ROA, ROIC, ROE)							
Percent Using Measure	44.8%	32.1%	25.5%	43.3%	41.7%	31.3%	29.7%
Absolute	52.2%	50.0%	46.2%	53.8%	60.0%	60.0%	36.4%
Relative	47.8%	50.0%	53.8%	46.2%	40.0%	40.0%	63.6%
Economic profit (e.g., NOPAT - Equity, EVA)							
Percent Using Measure	28.5%	29.6%	31.4%	26.7%	36.4%	30.3%	27.0%
Absolute	51.3%	45.8%	37.5%	62.5%	50.0%	60.0%	30.0%
Relative	48.7%	54.2%	62.5%	37.5%	50.0%	40.0%	70.0%
Business-specific operational measures							
Percent Using Measure	41.3%	41.0%	36.7%	48.3%	54.5%	32.3%	44.4%
Absolute	60.8%	59.4%	66.7%	50.0%	50.0%	50.0%	68.8%
Relative	39.2%	40.6%	33.3%	50.0%	50.0%	50.0%	31.3%

**Long Term Incentive (LTI) Plan
Performance Measures**

Table 5

	Total	Technology	Primary Role		Industry Segment		
	All Firms	All Firms	Employee of Firm	Outside Director	Semi and Semi Equip	Hardware	Software or Services
Number of Firms	630	124	83	41	20	51	53
Safety							
Percent Using Measure	14.6%	3.9%	4.2%	3.6%	0.0%	6.7%	2.9%
Absolute	50.0%						
Relative	50.0%	100.0%	100.0%	100.0%		100.0%	100.0%
Customer experience or satisfaction							
Percent Using Measure	27.2%	23.4%	22.9%	24.1%	18.2%	13.3%	33.3%
Absolute	45.5%	44.4%	45.5%	42.9%	50.0%		58.3%
Relative	54.5%	55.6%	54.5%	57.1%	50.0%	100.0%	41.7%
Strategic measures							
Percent Using Measure	42.2%	45.1%	37.3%	58.1%	41.7%	39.4%	51.4%
Absolute	58.1%	62.2%	47.4%	77.8%	40.0%	69.2%	63.2%
Relative	41.9%	37.8%	52.6%	22.2%	60.0%	30.8%	36.8%
Business unit or functional measures							
Percent Using Measure	31.0%	33.8%	34.7%	32.1%	45.5%	20.0%	41.7%
Absolute	47.6%	50.0%	41.2%	66.7%	40.0%	66.7%	46.7%
Relative	52.4%	50.0%	58.8%	33.3%	60.0%	33.3%	53.3%
Individual performance							
Percent Using Measure	46.2%	48.8%	49.1%	48.4%	63.6%	47.2%	45.9%
Absolute	58.2%	58.5%	57.7%	60.0%	57.1%	58.8%	58.8%
Relative	41.8%	41.5%	42.3%	40.0%	42.9%	41.2%	41.2%
Other							
Percent Using Measure	27.3%	14.3%	17.8%	8.0%	20.0%	21.4%	6.3%
Absolute	47.5%	30.0%	37.5%		50.0%	33.3%	
Relative	52.5%	70.0%	62.5%	100.0%	50.0%	66.7%	100.0%

LTI Plan Vesting, Discretion, and
Metric Review Cycle

Table 6

	Total	Technology	Primary Role		Industry Segment		
	All Firms	All Firms	Employee of Firm	Outside Director	Semi and Semi Equip	Hardware	Software or Services
Number of Firms	630	124	83	41	20	51	53
Performance measurement period or plan cycle for long-term awards.							
Less than 1 Year	1.7%	2.0%	3.0%			2.2%	2.5%
1 Year	30.6%	32.4%	31.3%	34.3%	37.5%	32.6%	30.0%
2 Years	6.7%	12.7%	11.9%	14.3%	6.3%	10.9%	17.5%
3 Years	47.3%	37.3%	40.3%	31.4%	43.8%	37.0%	35.0%
Longer than 3 Years	13.7%	15.7%	13.4%	20.0%	12.5%	17.4%	15.0%
Level of discretion permitted in calculating long-term awards							
No discretion	51.2%	54.3%	60.0%	42.9%	43.8%	55.3%	57.1%
Less than +/- 5 %	10.4%	8.6%	7.1%	11.4%	6.3%	8.5%	9.5%
+/- 5 %	6.3%	5.7%	7.1%	2.9%	6.3%	4.3%	7.1%
+/- 10 %	7.8%	11.4%	7.1%	20.0%	12.5%	12.8%	9.5%
+/- 15 %	4.9%	3.8%	4.3%	2.9%		4.3%	4.8%
Greater than +/- 15 %	19.4%	16.2%	14.3%	20.0%	31.3%	14.9%	11.9%
Frequency Review Performance Measures for Long-Term Incentive Plans							
More than 1x / Year	7.0%	4.6%	5.5%	2.9%	11.1%	4.3%	2.3%
Annually for Each New Plan Year or Cycle	77.5%	80.6%	78.1%	85.7%	61.1%	84.8%	84.1%
Every Other Year	6.4%	7.4%	8.2%	5.7%	11.1%	6.5%	6.8%
Every 3 Years	6.1%	5.6%	5.5%	5.7%	11.1%	4.3%	4.5%
Every 4 Years or More	2.9%	1.9%	2.7%		5.6%		2.3%

Factors Used to Select Performance Measures

Table 7

	Total	Technology	Primary Role		Industry Segment		
	All Firms	All Firms	Employee of Firm	Outside Director	Semi and Semi Equip	Hardware	Software or Services
Number of Firms	630	124	83	41	20	51	53
CEO/CFO opinion							
Always	81.4%	84.5%	88.8%	75.0%	100.0%	74.5%	88.0%
Sometimes	15.0%	14.7%	11.3%	22.2%		23.4%	12.0%
Never / NA	3.6%	0.9%		2.8%		2.1%	
HR opinion							
Always	38.6%	42.3%	52.1%	19.4%	66.7%	31.7%	42.2%
Sometimes	34.1%	38.5%	37.0%	41.9%	22.2%	51.2%	33.3%
Never / NA	27.3%	19.2%	11.0%	38.7%	11.1%	17.1%	24.4%
Board/Committee opinion							
Always	84.3%	88.1%	87.7%	89.2%	95.0%	83.3%	90.0%
Sometimes	10.9%	10.2%	9.9%	10.8%	5.0%	14.6%	8.0%
Never / NA	4.8%	1.7%	2.5%			2.1%	2.0%
Consultant/Outside Advisor opinion							
Always	34.3%	38.5%	37.3%	41.2%	50.0%	46.5%	26.1%
Sometimes	46.4%	45.9%	46.7%	44.1%	50.0%	37.2%	52.2%
Never / NA	19.3%	15.6%	16.0%	14.7%		16.3%	21.7%
Legal Counsel							
Always	19.2%	26.3%	36.8%	3.2%	47.1%	20.0%	23.8%
Sometimes	40.2%	41.4%	35.3%	54.8%	35.3%	47.5%	38.1%
Never / NA	40.6%	32.3%	27.9%	41.9%	17.6%	32.5%	38.1%
Company strategy							
Always	64.8%	65.7%	73.6%	48.5%	82.4%	55.8%	68.9%
Sometimes	26.5%	29.5%	23.6%	42.4%	17.6%	39.5%	24.4%
Never / NA	8.7%	4.8%	2.8%	9.1%		4.7%	6.7%

Factors Used to Select Performance Measures

Table 7

	Total	Technology	Primary Role		Industry Segment		
	All Firms	All Firms	Employee of Firm	Outside Director	Semi and Semi Equip	Hardware	Software or Services
Number of Firms	630	124	83	41	20	51	53
Review of comparable companies' practices							
Always	34.5%	42.2%	42.7%	41.2%	68.4%	37.8%	35.6%
Sometimes	54.4%	49.5%	50.7%	47.1%	21.1%	55.6%	55.6%
Never / NA	11.1%	8.3%	6.7%	11.8%	10.5%	6.7%	8.9%
Review of company performance against peers for current and potential performance measures							
Always	34.9%	39.0%	36.2%	44.4%	68.4%	30.2%	34.9%
Sometimes	44.5%	47.6%	52.2%	38.9%	26.3%	55.8%	48.8%
Never / NA	20.5%	13.3%	11.6%	16.7%	5.3%	14.0%	16.3%
Specific analysis of link between performance measures and shareholder value (e.g., statistical studies)							
Always	20.2%	20.6%	21.5%	18.8%	31.3%	13.2%	23.3%
Sometimes	42.4%	44.3%	41.5%	50.0%	50.0%	50.0%	37.2%
Never / NA	37.5%	35.1%	36.9%	31.3%	18.8%	36.8%	39.5%
Analysis of possible changes to standard calculation of performance metrics (e.g., adjustments to GAAP measures)							
Always	14.8%	17.5%	21.0%	11.4%	31.6%	17.9%	10.3%
Sometimes	46.6%	46.4%	46.8%	45.7%	31.6%	46.2%	53.8%
Never / NA	38.6%	36.1%	32.3%	42.9%	36.8%	35.9%	35.9%
Other							
Always	3.4%	4.5%	7.5%		20.0%		3.4%
Sometimes	16.9%	13.4%	12.5%	14.8%	10.0%	7.1%	20.7%
Never / NA	79.7%	82.1%	80.0%	85.2%	70.0%	92.9%	75.9%

Factors Used to Set Performance

Goals

Table 8

	Total	Technology	Primary Role		Industry Segment		
	All Firms	All Firms	Employee of Firm	Outside Director	Semi and Semi Equip	Hardware	Software or Services
Number of Firms	630	124	83	41	20	51	53
Management's annual operating plan or budget							
Not Currently Considered	4.3%	3.5%	3.8%	2.9%	5.0%	2.2%	4.3%
Somewhat Important	9.4%	8.8%	11.5%	2.9%	5.0%	8.7%	10.6%
Very Important	86.3%	87.6%	84.6%	94.3%	90.0%	89.1%	85.1%
Management's long-range business or strategic plan							
Not Currently Considered	3.9%	5.3%	5.1%	5.7%	10.0%	2.2%	6.4%
Somewhat Important	19.1%	24.8%	26.9%	20.0%	20.0%	28.3%	23.4%
Very Important	76.9%	69.9%	67.9%	74.3%	70.0%	69.6%	70.2%
Historical performance							
Not Currently Considered	14.7%	20.8%	15.3%	32.4%	16.7%	23.3%	20.0%
Somewhat Important	54.2%	55.7%	62.5%	41.2%	55.6%	53.5%	57.8%
Very Important	31.1%	23.6%	22.2%	26.5%	27.8%	23.3%	22.2%
Comparable companies' performance							
Not Currently Considered	22.7%	22.5%	22.9%	21.9%	5.3%	26.2%	26.8%
Somewhat Important	53.4%	53.9%	55.7%	50.0%	47.4%	57.1%	53.7%
Very Important	23.9%	23.5%	21.4%	28.1%	47.4%	16.7%	19.5%
Specific business unit plans (e.g., "bottom-up" plans)							
Not Currently Considered	17.9%	18.9%	20.0%	16.7%	16.7%	18.9%	20.0%
Somewhat Important	39.0%	43.2%	43.1%	43.3%	33.3%	48.6%	42.5%
Very Important	43.0%	37.9%	36.9%	40.0%	50.0%	32.4%	37.5%
Forecasts by external analysts							
Not Currently Considered	52.6%	53.3%	53.2%	53.6%	33.3%	65.7%	51.4%
Somewhat Important	40.5%	40.0%	40.3%	39.3%	61.1%	31.4%	37.8%
Very Important	6.8%	6.7%	6.5%	7.1%	5.6%	2.9%	10.8%

Factors Used to Set Performance Goals

Table 8

	Total	Technology	Primary Role		Industry Segment		
	All Firms	All Firms	Employee of Firm	Outside Director	Semi and Semi Equip	Hardware	Software or Services
Number of Firms	630	124	83	41	20	51	53
Financial guidance given by company to external analysts ("Street")							
Not Currently Considered	52.7%	47.1%	36.1%	75.0%	38.9%	53.1%	45.7%
Somewhat Important	30.9%	34.1%	39.3%	20.8%	38.9%	31.3%	34.3%
Very Important	16.4%	18.8%	24.6%	4.2%	22.2%	15.6%	20.0%
Statistical links between performance measures and shareholder value							
Not Currently Considered	39.8%	44.6%	41.0%	51.6%	33.3%	58.3%	36.8%
Somewhat Important	35.5%	38.0%	37.7%	38.7%	33.3%	38.9%	39.5%
Very Important	24.7%	17.4%	21.3%	9.7%	33.3%	2.8%	23.7%
Financial modeling of plan performance on long-term stock price (e.g., expectations analysis; value modeling)							
Not Currently Considered	46.2%	55.6%	48.3%	70.0%	33.3%	63.9%	58.3%
Somewhat Important	35.5%	25.6%	31.7%	13.3%	33.3%	30.6%	16.7%
Very Important	18.3%	18.9%	20.0%	16.7%	33.3%	5.6%	25.0%
Expected variance or volatility of actual vs. planned performance (e.g., in determining threshold-to-maximum range)							
Not Currently Considered	31.2%	36.6%	33.3%	43.3%	22.2%	50.0%	30.8%
Somewhat Important	46.5%	47.3%	47.6%	46.7%	55.6%	38.9%	51.3%
Very Important	22.3%	16.1%	19.0%	10.0%	22.2%	11.1%	17.9%
Value-sharing implications (e.g., X% of profits, value, etc. at threshold/target/max)							
Not Currently Considered	34.4%	45.1%	42.4%	50.0%	26.3%	54.1%	45.7%
Somewhat Important	39.7%	31.9%	33.9%	28.1%	42.1%	29.7%	28.6%
Very Important	25.9%	23.1%	23.7%	21.9%	31.6%	16.2%	25.7%

Relative Influence of Management and Board**Table 9**

	Total	Technology	Primary Role		Industry Segment		
	All Firms	All Firms	Employee of Firm	Outside Director	Semi and Semi Equip	Hardware	Software or Services
Number of Firms	630	124	83	41	20	51	53
Relative influence of management and the Board in selecting executive performance measures over the past three years							
Management has gained influence	8.8%	4.2%	4.9%	2.7%		6.3%	3.9%
The Board has gained influence	47.2%	47.9%	32.9%	81.1%	35.0%	45.8%	54.9%
No change	44.0%	47.9%	62.2%	16.2%	65.0%	47.9%	41.2%
Relative influence of management and the Board in setting performance targets over the past three years							
Management has gained influence	10.7%	9.9%	9.2%	11.4%	10.0%	8.9%	10.9%
The Board has gained influence	42.8%	41.4%	30.3%	65.7%	20.0%	46.7%	45.7%
No change	46.5%	48.6%	60.5%	22.9%	70.0%	44.4%	43.5%

**Pay for Performance Views -
Executive Pay Should . . .**

Table 10

	Total	Technology	Primary Role		Industry Segment		
	All Firms	All Firms	Employee of Firm	Outside Director	Semi and Semi Equip	Hardware	Software or Services
Number of Firms	630	124	83	41	20	51	53
Reflect financial and/or stock price performance against absolute goals							
Strongly Agree	36.1%	38.2%	34.2%	47.1%	31.6%	35.6%	43.5%
Agree	48.4%	45.5%	50.0%	35.3%	52.6%	48.9%	39.1%
Neutral	9.2%	9.1%	9.2%	8.8%	10.5%	11.1%	6.5%
Disagree	5.3%	7.3%	6.6%	8.8%	5.3%	4.4%	10.9%
Strongly Disagree	1.1%						
Reflect financial and/or stock price performance relative to peers or overall market							
Strongly Agree	21.9%	23.6%	22.4%	26.5%	31.6%	20.0%	23.9%
Agree	49.4%	46.4%	44.7%	50.0%	47.4%	46.7%	45.7%
Neutral	22.0%	26.4%	28.9%	20.6%	15.8%	31.1%	26.1%
Disagree	5.8%	3.6%	3.9%	2.9%	5.3%	2.2%	4.3%
Strongly Disagree	0.9%						
Reflect strategic performance, even if it's at odds with current financial and/or stock price performance							
Strongly Agree	17.7%	19.6%	15.1%	29.4%	15.8%	14.0%	26.7%
Agree	57.9%	45.8%	46.6%	44.1%	31.6%	51.2%	46.7%
Neutral	18.1%	25.2%	27.4%	20.6%	36.8%	25.6%	20.0%
Disagree	5.9%	8.4%	11.0%	2.9%	15.8%	7.0%	6.7%
Strongly Disagree	0.4%	0.9%		2.9%		2.3%	
Reflect the efforts of executives, regardless of results							
Strongly Agree	3.5%	0.9%		2.9%			2.2%
Agree	23.5%	21.8%	21.1%	23.5%	26.3%	13.3%	28.3%
Neutral	22.2%	24.5%	27.6%	17.6%	26.3%	26.7%	21.7%
Disagree	39.9%	39.1%	38.2%	41.2%	31.6%	51.1%	30.4%
Strongly Disagree	10.9%	13.6%	13.2%	14.7%	15.8%	8.9%	17.4%

**Pay for Performance Views -
Executive Pay Should . . .**

Table 10

	Total	Technology	Primary Role		Industry Segment		
	All Firms	All Firms	Employee of Firm	Outside Director	Semi and Semi Equip	Hardware	Software or Services
Number of Firms	630	124	83	41	20	51	53
Allow executives to earn millions, as long as shareholders make billions							
Strongly Agree	9.8%	8.6%	7.0%	11.8%	16.7%	4.5%	9.3%
Agree	32.6%	36.2%	33.8%	41.2%	16.7%	38.6%	41.9%
Neutral	25.9%	29.5%	29.6%	29.4%	33.3%	29.5%	27.9%
Disagree	23.3%	21.0%	25.4%	11.8%	27.8%	22.7%	16.3%
Strongly Disagree	8.4%	4.8%	4.2%	5.9%	5.6%	4.5%	4.7%
Include some limits on absolute compensation, regardless of results							
Strongly Agree	14.8%	12.3%	9.7%	17.6%	11.1%	9.1%	15.9%
Agree	50.0%	52.8%	50.0%	58.8%	50.0%	56.8%	50.0%
Neutral	14.5%	17.9%	22.2%	8.8%	27.8%	20.5%	11.4%
Disagree	14.5%	12.3%	12.5%	11.8%	11.1%	11.4%	13.6%
Strongly Disagree	6.2%	4.7%	5.6%	2.9%		2.3%	9.1%

Changes in Pay for Performance Views Over Past Several Years

Table 11

	Total	Technology	Primary Role		Industry Segment		
	All Firms	All Firms	Employee of Firm	Outside Director	Semi and Semi Equip	Hardware	Software or Services
Number of Firms	630	124	83	41	20	51	53
Reflect financial and/or stock price performance against absolute goals							
More Emphasis	43.5%	45.9%	43.4%	51.4%	42.1%	44.4%	48.9%
Less Emphasis	17.9%	14.4%	13.2%	17.1%	15.8%	15.6%	12.8%
Unchanged	38.6%	39.6%	43.4%	31.4%	42.1%	40.0%	38.3%
Reflect financial and/or stock price performance relative to peers or overall market							
More Emphasis	47.0%	49.5%	45.5%	58.8%	47.4%	37.8%	61.7%
Less Emphasis	14.6%	10.8%	11.7%	8.8%	5.3%	17.8%	6.4%
Unchanged	38.3%	39.6%	42.9%	32.4%	47.4%	44.4%	31.9%
Reflect strategic performance, even if it's at odds with current financial and/or stock performance							
More Emphasis	44.8%	39.6%	36.8%	45.7%	31.6%	33.3%	48.9%
Less Emphasis	18.5%	22.5%	25.0%	17.1%	26.3%	22.2%	21.3%
Unchanged	36.7%	37.8%	38.2%	37.1%	42.1%	44.4%	29.8%
Reflect the efforts of executives, regardless of results							
More Emphasis	13.0%	9.8%	9.1%	11.4%	10.5%		19.1%
Less Emphasis	42.8%	44.6%	46.8%	40.0%	47.4%	50.0%	38.3%
Unchanged	44.2%	45.5%	44.2%	48.6%	42.1%	50.0%	42.6%
Allow executives to earn millions, as long as shareholders make billions							
More Emphasis	9.1%	8.9%	7.8%	11.4%	5.3%	6.5%	12.8%
Less Emphasis	40.3%	38.4%	37.7%	40.0%	31.6%	30.4%	48.9%
Unchanged	50.5%	52.7%	54.5%	48.6%	63.2%	63.0%	38.3%
Include some limits on absolute compensation, regardless of results							
More Emphasis	44.4%	44.0%	41.9%	48.6%	27.8%	41.3%	53.3%
Less Emphasis	12.2%	12.8%	13.5%	11.4%	5.6%	15.2%	13.3%
Unchanged	43.5%	43.1%	44.6%	40.0%	66.7%	43.5%	33.3%

Support Provided to Committee

Table 12

	Total	Technology	Primary Role		Industry Segment		
	All Firms	All Firms	Employee of Firm	Outside Director	Semi and Semi Equip	Hardware	Software or Services
Number of Firms	630	124	83	41	20	51	53
Level of support provided to the Committee by management in making performance measure and goal-setting decisions.							
No support is needed	3.5%	0.9%	1.3%		2.3%		
Not enough support	7.9%	5.4%	5.3%	5.7%	2.3%		10.6%
Less support than desired	5.3%	3.6%	3.9%	2.9%	2.3%		6.4%
Sufficient support	81.0%	86.5%	86.8%	85.7%	100.0%	88.6%	78.7%
Too much support	2.3%	3.6%	2.6%	5.7%	4.5%		4.3%
Level of support provided to the Committee by its outside consultants in making performance measure and goal-setting decisions.							
No support is needed	17.5%	17.3%	17.3%	17.1%	15.0%	11.6%	23.4%
Not enough support	8.8%	5.5%	6.7%	2.9%	4.7%		8.5%
Less support than desired	7.0%	5.5%	5.3%	5.7%	4.7%		8.5%
Sufficient support	63.4%	69.1%	68.0%	71.4%	85.0%	76.7%	55.3%
Too much support	3.4%	2.7%	2.7%	2.9%	2.3%		4.3%

Risk Assessment

Table 13

	Total	Technology	Primary Role		Industry Segment		
	All Firms	All Firms	Employee of Firm	Outside Director	Semi and Semi Equip	Hardware	Software or Services
Number of Firms	630	124	83	41	20	51	53
Conduct an explicit risk assessment of executive compensation programs							
Yes	36.4%	38.2%	38.7%	37.1%	38.9%	43.5%	32.6%
No	47.4%	39.1%	37.3%	42.9%	38.9%	32.6%	45.7%
Not Sure	16.2%	22.7%	24.0%	20.0%	22.2%	23.9%	21.7%
Confident that the Compensation Committee fully understands the compensation program risks							
Yes	63.9%	72.1%	71.1%	74.3%	77.8%	71.7%	70.2%
No	15.5%	13.5%	13.2%	14.3%	11.1%	13.0%	14.9%
Not Sure	20.6%	14.4%	15.8%	11.4%	11.1%	15.2%	14.9%

**Importance of Compensation
Related Risks**

Table 14

	Total	Technology	Primary Role		Industry Segment		
	All Firms	All Firms	Employee of Firm	Outside Director	Semi and Semi Equip	Hardware	Software or Services
Number of Firms	630	124	83	41	20	51	53
Excessive payouts for actual performance							
Average Response	3.2	3.0	3.0	3.0	2.5	3.0	3.1
Excessive payouts, regardless of performance							
Average Response	3.7	3.5	3.4	3.7	3.0	3.7	3.5
Under-compensation as a result of poor formulaic results							
Average Response	3.1	2.9	3.0	2.8	2.6	3.0	3.0
Misalignment of short-term performance assessment with long-term strategy or goals							
Average Response	3.6	3.6	3.5	3.7	3.2	3.6	3.7
Need for special or discretionary considerations							
Average Response	2.9	2.8	2.7	2.9	2.5	3.0	2.8
Motivation of inappropriate risk-taking							
Average Response	3.4	3.2	3.1	3.5	2.7	3.3	3.3
Unduly rejecting valuable opportunities as too risky							
Average Response	3.0	2.9	2.7	3.1	2.7	3.0	2.8
Negative impact on retention and recruitment							
Average Response	3.4	3.3	3.3	3.4	3.2	3.5	3.2
Excessive "exit" payouts							
Average Response	3.2	3.2	3.1	3.5	3.2	3.3	3.2

1 = No Impact, 5 = Critical

**Importance of Compensation
Related Risks**

Table 15

	Total	Technology	Primary Role		Industry Segment		
	All Firms	All Firms	Employee of Firm	Outside Director	Semi and Semi Equip	Hardware	Software or Services
Number of Firms	630	124	83	41	20	51	53
Excessive payouts for actual performance							
No Impact	14.4%	21.9%	21.1%	23.5%	35.3%	18.6%	20.0%
Low Impact	13.5%	13.3%	14.1%	11.8%	17.6%	18.6%	6.7%
Neutral	26.4%	25.7%	26.8%	23.5%	17.6%	25.6%	28.9%
Somewhat Critical	25.7%	21.9%	22.5%	20.6%	17.6%	16.3%	28.9%
Very Critical	20.0%	17.1%	15.5%	20.6%	11.8%	20.9%	15.6%
Excessive payouts, regardless of performance							
No Impact	14.8%	20.4%	19.2%	22.9%	29.4%	15.6%	21.7%
Low Impact	7.9%	9.3%	11.0%	5.7%	17.6%	11.1%	4.3%
Neutral	12.8%	11.1%	15.1%	2.9%	11.8%	8.9%	13.0%
Somewhat Critical	20.5%	19.4%	23.3%	11.4%	5.9%	17.8%	26.1%
Very Critical	44.0%	39.8%	31.5%	57.1%	35.3%	46.7%	34.8%
Under-compensation as a result of poor formulaic results							
No Impact	9.8%	9.4%	11.3%	5.7%	17.6%	6.8%	8.9%
Low Impact	18.3%	22.6%	18.3%	31.4%	29.4%	18.2%	24.4%
Neutral	34.3%	38.7%	36.6%	42.9%	35.3%	45.5%	33.3%
Somewhat Critical	27.3%	22.6%	23.9%	20.0%	11.8%	22.7%	26.7%
Very Critical	10.3%	6.6%	9.9%		5.9%	6.8%	6.7%
Misalignment of short-term performance assessment with long-term strategy or goals							
No Impact	4.8%	5.6%	5.6%	5.7%	17.6%	4.4%	2.2%
Low Impact	9.0%	9.3%	9.7%	8.6%	11.8%	11.1%	6.7%
Neutral	29.3%	27.1%	31.9%	17.1%	17.6%	28.9%	28.9%
Somewhat Critical	35.6%	37.4%	33.3%	45.7%	35.3%	33.3%	42.2%
Very Critical	21.2%	20.6%	19.4%	22.9%	17.6%	22.2%	20.0%
Need for special or discretionary considerations							
No Impact	10.6%	10.4%	12.7%	5.7%	29.4%	9.1%	4.4%
Low Impact	23.8%	28.3%	29.6%	25.7%	23.5%	22.7%	35.6%
Neutral	37.2%	37.7%	33.8%	45.7%	23.5%	40.9%	40.0%
Somewhat Critical	21.7%	17.9%	19.7%	14.3%	17.6%	18.2%	17.8%
Very Critical	6.7%	5.7%	4.2%	8.6%	5.9%	9.1%	2.2%

**Importance of Compensation
Related Risks**

Table 15

	Total	Technology	Primary Role		Industry Segment		
	All Firms	All Firms	Employee of Firm	Outside Director	Semi and Semi Equip	Hardware	Software or Services
Number of Firms	630	124	83	41	20	51	53
Motivation of inappropriate risk-taking							
No Impact	12.2%	13.2%	15.5%	8.6%	23.5%	9.1%	13.3%
Low Impact	14.6%	15.1%	15.5%	14.3%	29.4%	13.6%	11.1%
Neutral	23.7%	26.4%	29.6%	20.0%	11.8%	36.4%	22.2%
Somewhat Critical	24.3%	28.3%	23.9%	37.1%	23.5%	20.5%	37.8%
Very Critical	25.2%	17.0%	15.5%	20.0%	11.8%	20.5%	15.6%
Unduly rejecting valuable opportunities as too risky							
No Impact	11.0%	11.3%	12.7%	8.6%	11.8%	4.5%	17.8%
Low Impact	21.0%	22.6%	22.5%	22.9%	29.4%	20.5%	22.2%
Neutral	34.6%	38.7%	45.1%	25.7%	41.2%	47.7%	28.9%
Somewhat Critical	25.0%	21.7%	16.9%	31.4%	11.8%	20.5%	26.7%
Very Critical	8.4%	5.7%	2.8%	11.4%	5.9%	6.8%	4.4%
Negative impact on retention and recruitment							
No Impact	7.4%	6.5%	8.3%	2.9%	17.6%	2.2%	6.7%
Low Impact	12.2%	11.2%	6.9%	20.0%		13.3%	13.3%
Neutral	30.2%	34.6%	38.9%	25.7%	41.2%	33.3%	33.3%
Somewhat Critical	33.5%	36.4%	34.7%	40.0%	23.5%	35.6%	42.2%
Very Critical	16.8%	11.2%	11.1%	11.4%	17.6%	15.6%	4.4%
Excessive "exit" payouts							
No Impact	15.3%	15.9%	16.7%	14.3%	17.6%	15.6%	15.6%
Low Impact	15.7%	13.1%	12.5%	14.3%	23.5%	11.1%	11.1%
Neutral	23.2%	25.2%	31.9%	11.4%	11.8%	26.7%	28.9%
Somewhat Critical	22.0%	25.2%	22.2%	31.4%	17.6%	24.4%	28.9%
Very Critical	23.8%	20.6%	16.7%	28.6%	29.4%	22.2%	15.6%

About Pearl Meyer & Partners

For more than 20 years, PM&P has served as a trusted independent advisor to Boards and their senior management in the areas of compensation governance, strategy and program design. The firm provides comprehensive solutions to complex compensation challenges through the development of programs that align rewards with business goals to create long-term value for all stakeholders: shareholders, executives and employees. The firm maintains offices in New York, Atlanta, Boston, Charlotte, Chicago, Houston, Los Angeles and San Jose.

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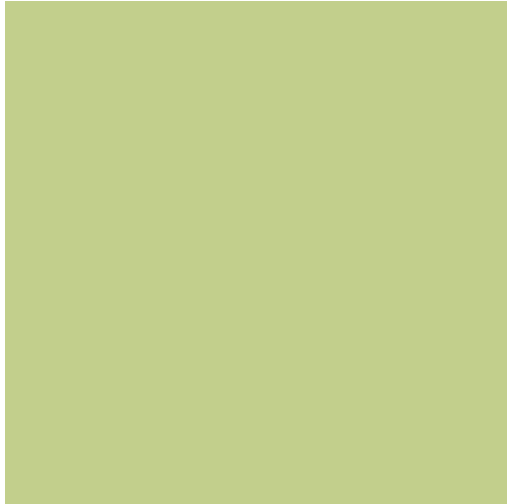
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