



# Pearl Meyer

## Offshore Drilling Industry Survey: Responses to Changing Market Conditions

### Executive Summary

*Covering the period October 1, 2015 through March 31, 2016*



# Table of Contents

---

▪ Participation and Methodology	3
▪ Wage Freeze	4
▪ 2015 Reductions in Force (RIF)	5
▪ Base Salary	6
▪ Annual Incentive Plan (AIP) Metrics	7
▪ AIP Payouts	8
▪ 2016 Decisions	9



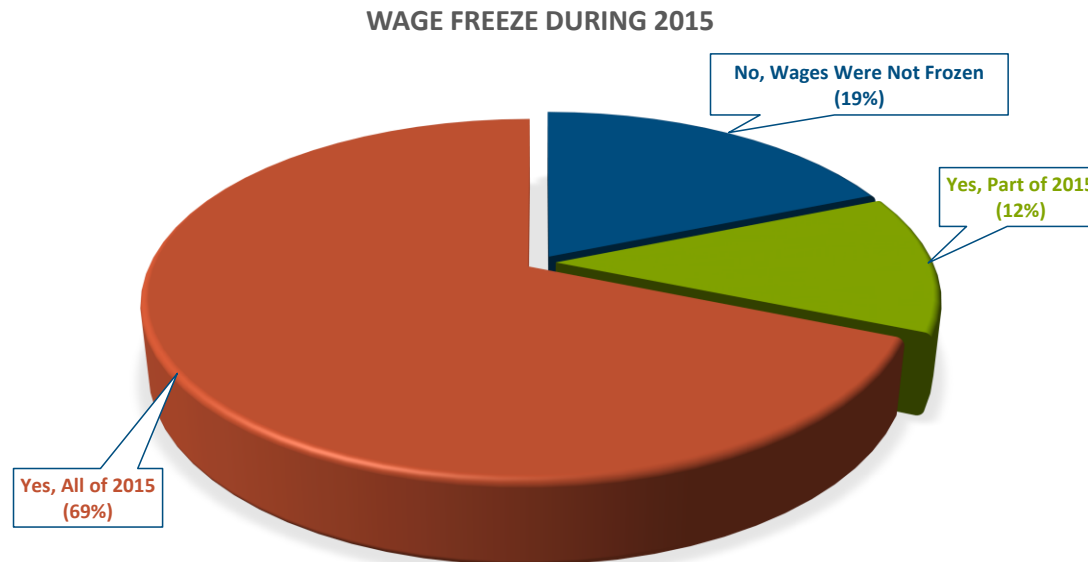
## Participation and Methodology

---

- Participation
  - Sixteen companies responded to this survey
  - All companies also participated in the October 2015 “Changing Conditions” survey
  
- Methodology
  - A questionnaire was distributed in Excel format
  - Participants completed the questionnaire and either returned it via email or uploaded it to the Pearl Meyer secure file transfer site
  - The data was cleaned and consolidated and the aggregate responses summarized in narrative and graphical format

## Wage Freeze

- Eighty-one percent of companies had a wage freeze in effect for all or part of 2015
- The 19% who did not have a formal wage freeze in effect did not have general increases
  - There were increases to selected employees
  - Targeted increases were typically 1%-2% at the low end, but quite varied at the high end with some reaching 10%
- This profile has carried over through the end of Q1 2016



## 2015 Reductions in Force (RIF)

- On average, 33.4% of the rotational offshore workforce experienced one or more RIFs during 2015, with the rest of the workforce experiencing a 20% reduction

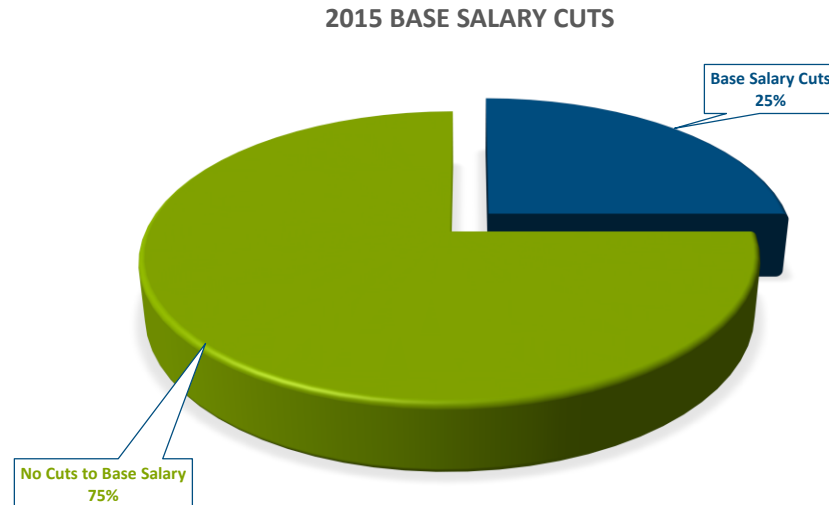
	2015 RIF ACTIONS					
	Percent of Employees Affected					
	Minimum	25th %ile	Median	Average	75th %ile	Maximum
Offshore Rotational	2.6%	10.3%	21.9%	33.4%	45.6%	100.0%
Rest of Workforce	2.1%	9.4%	16.0%	20.0%	29.2%	50.0%

- Workforce reductions seemed to have slowed at the end of 2015 and beginning of 2016

	RIF ACTIONS Q4 2015 - Q1 2016					
	Percent of Employees Affected					
	Minimum	25th %ile	Median	Average	75th %ile	Maximum
Total Workforce	1.5%	5.0%	11.3%	13.5%	14.7%	50.0%

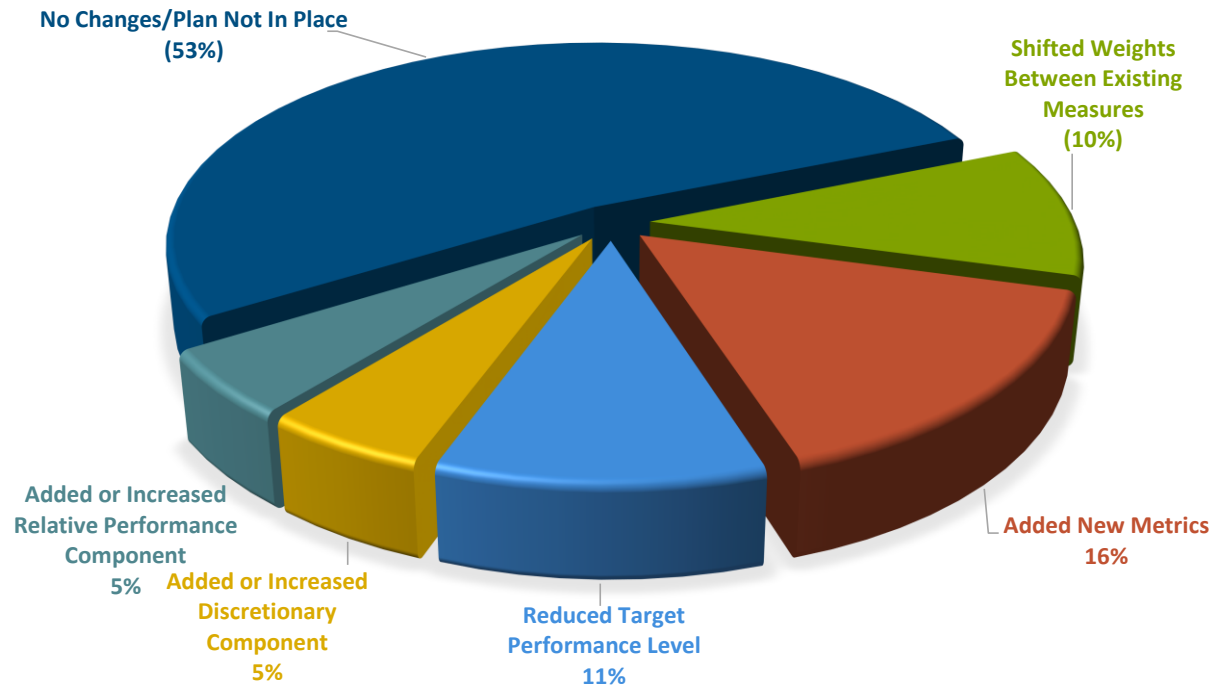
## Base Salary

- One-fourth of companies cut base salary in 2015
- Cuts primarily affected the rotational offshore workforce
  - Cuts were typically across the board and affected all employee groups equally
  - Reported base salary reductions were varied, ranging from 5% to 20%



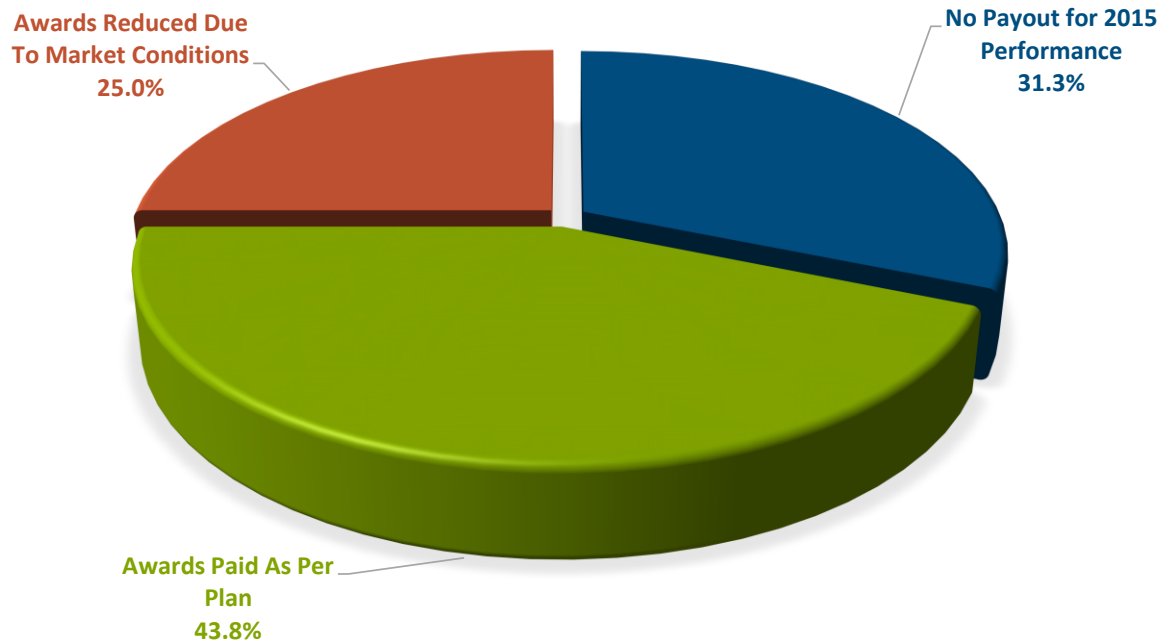
# Annual Incentive Plan (AIP) Metrics

## CHANGES TO 2016 AIP SINCE INITIAL GOALS SET IN Q4 2015



- Almost half of the companies have revisited their 2016 AIP metrics since initially set
- Comments
  - Plan being reworked to better align with business goals
  - Moving away from performance driven bonus to solely company performance
  - Financial metric targets reduced to reflect forecasted performance
  - New safety and environmental metrics replace other metrics

## 2015 AIP PAYOUT STATUS



- Just over 40% of companies made AIP payouts according to plan, while 25% had reduced payouts
- Comments
  - Where awards were reduced, they averaged 50% (reduced by 25% to 80%)
  - One company classified in the “No Payout” group is still considering a payout, but there has been no action to date





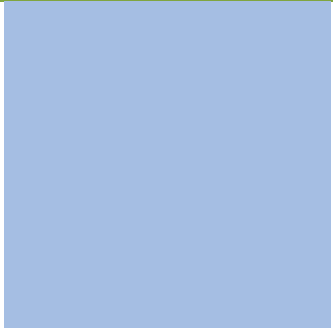
## 2016 Decisions

---

- Forty percent of responding companies have not yet made any decision with regard to 2016 grants
- Two companies have a long term incentive program (LTI) that is 100% discretionary; the others have metric-based plans without a discretionary component
- Six of the 16 companies have not yet made any decisions regarding 2016 grants
- Of the remaining companies:
  - Five have held targeted award values/multiples the same
  - One has shifted more value into cash-based long-term awards (phantom stock or long-term cash awards)
  - Two have requested more shares (or plan to) in a new plan or plan amendment
- Capping performance-based LTI at target if total shareholder return (TSR) is negative
  - Three companies did not respond
  - Seven companies do not have performance-based LTI
  - Six companies have performance-based LTI, but only one has an absolute TSR or stock price collar in their plan



# Pearl Meyer



[www.pearlmeyer.com](http://www.pearlmeyer.com)