

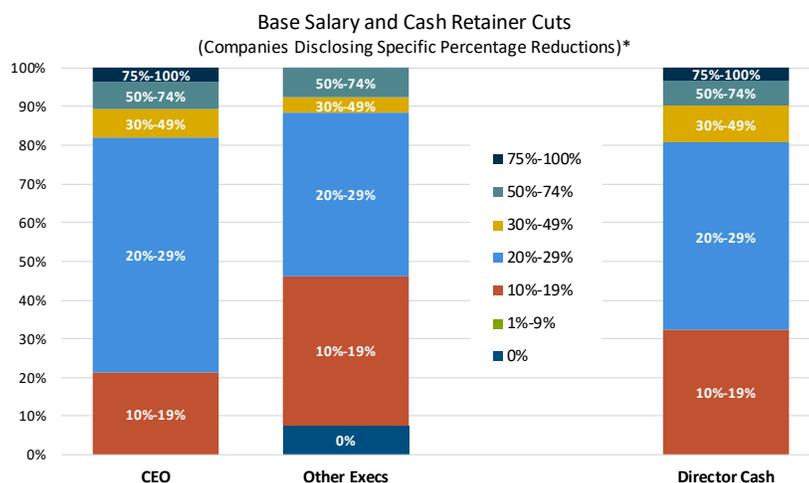
Updated Oil & Gas Industry Executive Pay Actions At-A-Glance

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In reaction to the current oil & gas downcycle, caused by the COVID-19 pandemic combined with oversupply, some O&G companies have temporarily reduced executive and director pay. In April, we summarized material pay reductions disclosed in 8-Ks and proxy statements. Now, as of June 30th, the number of disclosures has almost doubled, but the frequency of new disclosures is slowing.



*Source: 8-Ks and proxies filed 3/1/2020 - 06/30/2020 as collected by Pearl Meyer
(56 CEOs, 48 other execs, 31 directors)

The chart above summarizes data collected from 8-Ks or proxy statements from 58 companies. Our O&G database includes US-traded exploration & production, drilling, oilfield services, midstream, and refining companies.

Current Trends

Pay Reductions

Executive salary reductions are the most prevalent action taken in reaction to the current market conditions. CEO salary reductions are generally aligned with, or higher than, other executive reductions. Director cash reduction amounts are also in line with executive reductions but are less prevalent.

Most O&G Companies That Have Disclosed Reductions are in the Upstream Space

The majority of the disclosures shown above are from companies in the upstream space. We have only seen a handful disclosures in the midstream and downstream spaces. About half of the 56 CEO reductions are by oilfield services companies. A third are exploration & production companies. The remaining disclosures are from drillers and refining companies.

Looking Forward

When Will Salaries Be Reinstated?

Most companies have not disclosed when salaries will be reinstated, since market conditions are uncertain. As companies begin to consider reinstating salaries, it's important to consider the sequence of events that makes the most sense: from potentially reinstating salaries, incentives, and other benefits, to restoring working hours and bringing back furloughed employees. Other industries are beginning to consider when to reinstate salary reductions with a small number already doing so.

How Will Annual Incentives be Impacted?

Most companies have not yet committed to reducing or supplementing annual incentives. The reality is, financial performance achievements for many O&G companies will not warrant any annual incentive payouts for this year.

For some, it may be time to consider re-calibrating annual incentive goals to allow for potential achievement of relatively good outcomes, considering the current environment. Committees may consider applying discretion at the year-end by looking at how the executive team navigated the current environment, focused on preserving value and positioning the company to take advantage of the inevitable upturn.

Either way, managing expectations during this time of uncertainty will be critical. If your organization hasn't already started a dialogue about the potential implications for incentive compensation, we strongly recommend opening that line of discussion sooner rather than later—even if your company isn't planning on making any changes to its plans.

About the Author

Sharon Podstupka is a principal in the New York office of Pearl Meyer. She is a key member of the firm's Thought Leadership team and is focused on executive and broad-based employee pay communication consulting. She works closely with her clients in a wide range of industries to develop internal communications that educate and engage people in their pay programs.

About Pearl Meyer

Pearl Meyer is the leading advisor to boards and senior management on the alignment of executive compensation with business and leadership strategy, making pay programs a powerful catalyst for value creation and competitive advantage. Pearl Meyer's global clients stand at the forefront of their industries and range from emerging high-growth, not-for-profit, and private companies to the Fortune 500 and FTSE 350. The firm has offices in Atlanta, Baltimore, Boston, Charlotte, Chicago, Houston, London, Los Angeles, New York, Raleigh, and San Jose.



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