

General Counsel Pay Trends

An Equilar Publication

August 2019



Featuring Commentary From
barkergilmore



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CONTENTS

Executive Summary	4
Methodology	6
Key Findings	6
Data Points and Figures	7
Reported Total Compensation	8
Median Total Compensation by Sector	9
Median Ratio of CEO-to-GC Total Compensation by Revenue Range	10
Median GC Pay Components by Year	11
Average Pay Mix by Sector	12
Median Total Compensation by Gender	13
Commentary From BarkerGilmore	14
A Deep Dive: Paying and Retaining Top Legal Talent	14
About the Contributor	16

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Executive Summary

The role of General Counsel (GC) has indeed shifted and evolved over the years. Traditionally seen as the top legal officer of a corporation, General Counsel have taken on greater responsibilities that now entail a mix of strategy and risk management, particularly in the current business climate. General Counsel are no longer limited to the role of the legal watchdog who oversees litigation, but instead play a pivotal role in corporate decision-making. The position requires an expert-level understanding of corporate compliance with U.S. law. The political landscape directly affects corporate operations, and it is the responsibility of the General Counsel to ensure that its corporation follows all relevant jurisdictions appropriately.

As a result of this expanded role, compensation for General Counsel has steadily increased over the years. Of course, with the passage of Dodd-Frank, shareholders have gained the ability to approve—on an advisory basis—the compensation of executives. Despite this relatively new ability, executive compensation has increased absolutely with each year. For instance, median CEO pay across the Equilar 500 increased by 8.0% from 2017 to 2018. Over that same time frame, median General Counsel compensation increased by 3.7%—less than CEO pay, but a significant rise, nonetheless. Perhaps to no surprise, CEOs at companies generating between \$7B and \$10B in revenue received four times the total compensation of the median General Counsel, the highest ratio in the study.

GC Total Compensation Continues Steady Climb, Varies Across Sectors

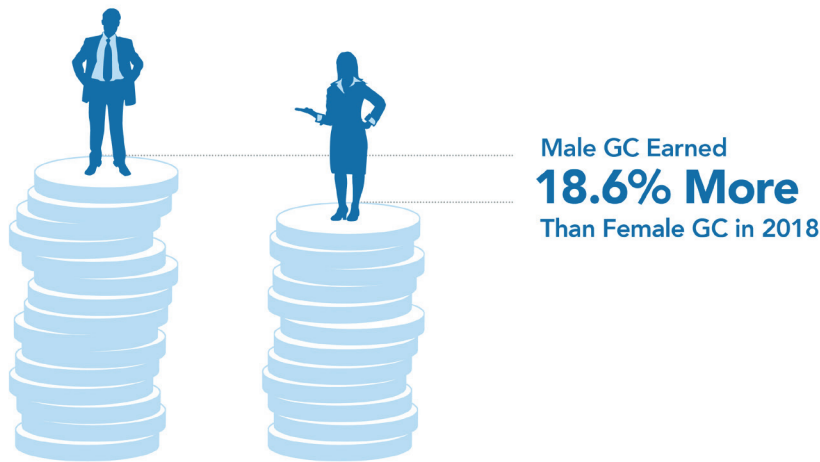
Since 2014, median total compensation for General Counsel increased by 7.4% across the Equilar 500, reaching \$2.6 million in 2018. This subtle, but steady, rise in compensation varied by sector, with the largest year-over-year percentage increase occurring in the financial sector, rising nearly 36.0% from 2017 to 2018. On the other hand, the basic materials sector experienced the largest decrease in pay year-over-year, falling 16.8% from 2017 to 2018.

With regards to pay components, performance incentives accounted for the largest component of pay in 2018—more than twice that of stock awards. When dissecting pay mix on a sector-basis, options constituted the smallest portion of General Counsel pay across all sectors except healthcare in 2018. Meanwhile, performance incentives accounted for more than a third of pay in each of the financial, healthcare and technology sectors.

(continued on next page)

General Counsel Pay by Gender: Male GC Out-Earn Female Counterparts

The gender pay gap has captured the spotlight across corporate America over the last several years. More recently, greater attention has been placed on the gender gap within the C-suite. While numerous factors come into play when analyzing General Counsel pay packages, male General Counsel have out-earned their female counterparts since 2015. On average, male General Counsel earned more than 11.0% than female General Counsel from 2015 to 2018. Interestingly, 2018 saw the highest pay discrepancy in all years of the study at 18.6%. 2014—the first year of this study—was the only year that female General Counsel earned more than male General Counsel, with a pay difference of 1.2%.



As the pay gap continues to be a hot-button issue more and more each year, it will be interesting to see how General Counsel pay will shift with respect to the gender breakdown in the coming years. Of course, many factors will influence this paradigm, such as the prevalence of female GC at large-cap public companies. Regardless, as the role of General Counsel continues to expand, the focus on pay equality is likely to draw greater attention.

Equilar Webinar



General Counsel Pay Trends

Please join Equilar and BarkerGilmore for a webinar in September to discuss the latest trends and considerations for General Counsel pay looking forward into 2020.

www.equilar.com/webinars

Methodology

General Counsel Pay Trends, an Equilar publication, analyzes the compensation of General Counsel (GC) disclosed in the SEC filings by **Equilar 500** companies for the last five fiscal years. The Equilar 500 is comprised of the 500 largest, by reported revenue, U.S.-headquartered companies that trade on one of the three major U.S. stock exchanges (Nasdaq, NYSE or NYSE American), with adjustments to compare to the sector mix of similar large-cap indices. Fiscal year one was defined by companies with a fiscal year ending from March 1, 2018 to February 28, 2019, and earlier years were defined similarly.

Total compensation is defined as the total sum of salary, bonus, non-equity incentive plan compensation, stock awards, option awards and all other compensation as reported in the summary compensation table (SCT). As a way to eliminate actuarial value changes, nonqualified deferred compensation and changes in pension value were excluded from the summation of total compensation. The term “options” includes both options as well as stock appreciation rights (SARs). Similarly, “stock” refers to all full-value shares, including both restricted stock units and restricted stock awards. Performance awards are defined in the report as all incentive compensation vehicles that are linked to a performance metric in some way. Industry sectors for companies in the Equilar 500 are based on the Yahoo! Finance classifications. Though excluded from the sector analysis, companies with the designation of conglomerate were still included in the overall figures.

The data points and figures in the report highlight trends in the compensation of GC over the last two years, and how companies decide to compensate the position. BarkerGilmore has provided an independent analysis to help illustrate why GC are paid as they are and to shed light on the many factors that affect compensation.

Key Findings

1. Median reported total pay among Equilar 500 General Counsel was \$2.6 million, a 3.7% increase from the previous year. GC in the healthcare sector received the highest total compensation.
2. CEOs at companies generating between \$7B and \$10B in revenue received four times the total compensation of the median General Counsel, the highest ratio in the study.
3. Performance incentives accounted for the largest component of General Counsel compensation in value as well as prevalence in 2018. Across the five-year period, performance incentives have also been the fastest growing element of pay.
4. Since 2015, male General Counsel have out-earned their female counterparts by over 11.0%, on average. In the last year, male median total compensation increased by 4.4% while pay for women decreased by 9.4%.

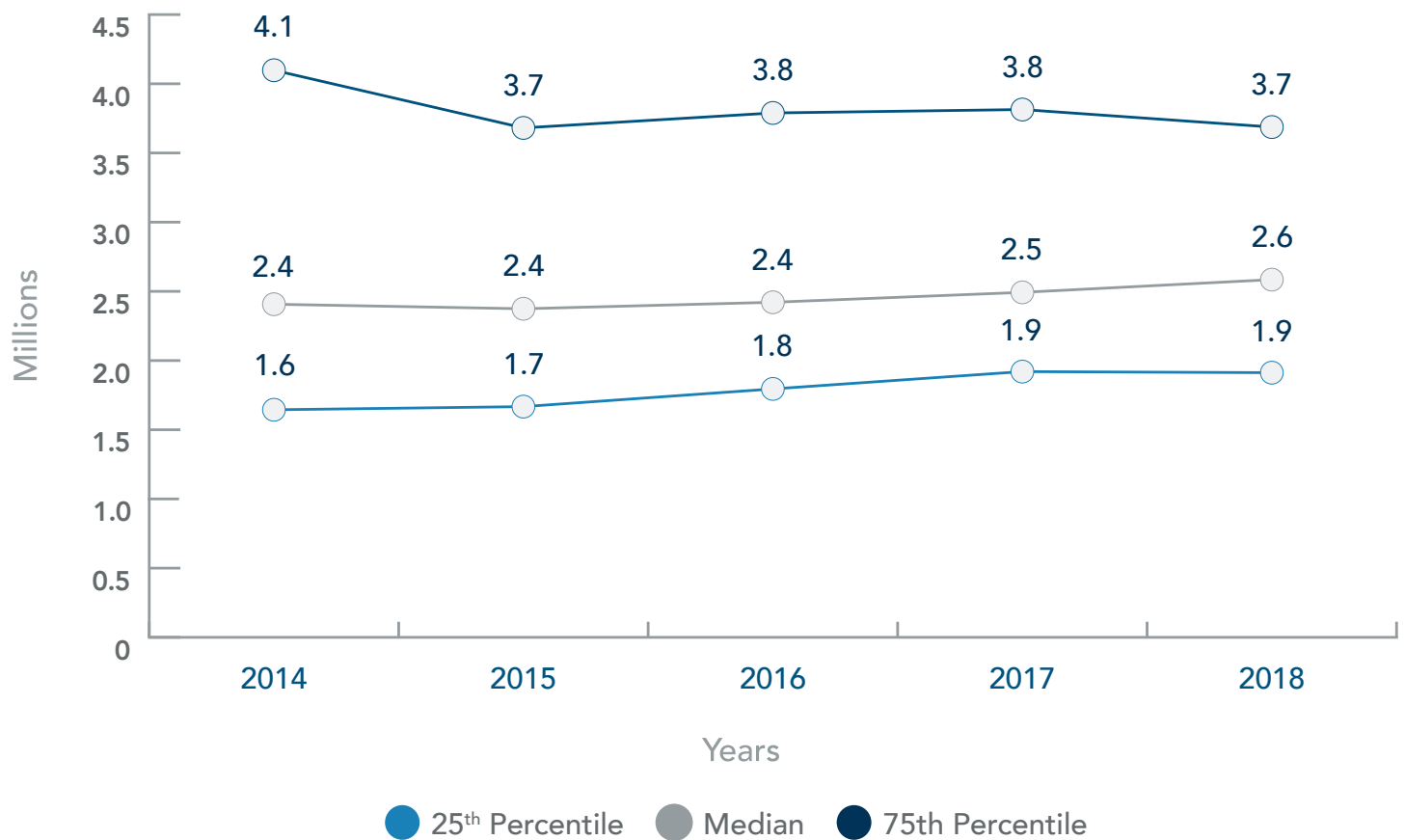
Data Points and Figures

General Counsel Pay Trends 2019



Figure 1

Equilar 500 Reported Total Compensation

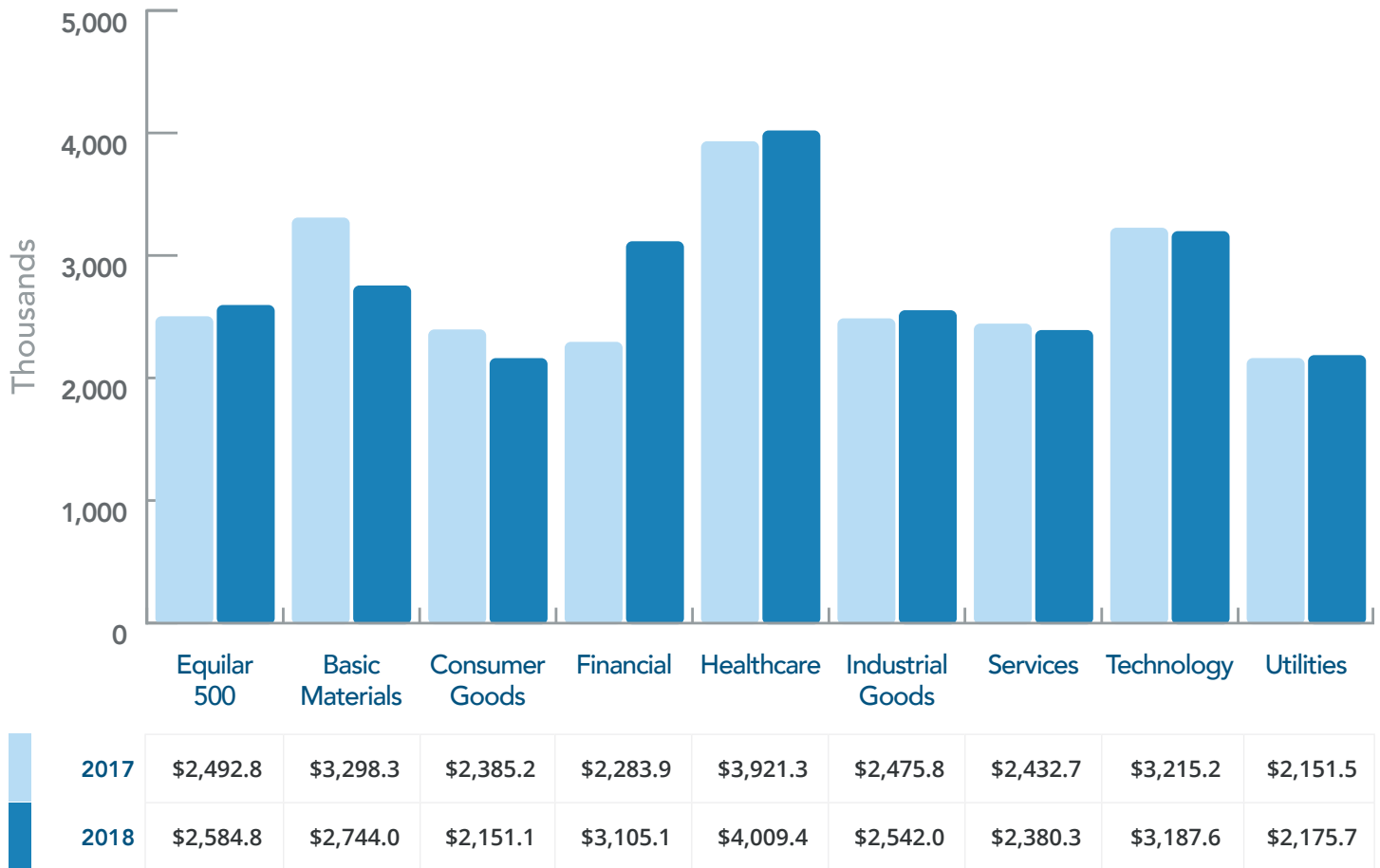


Data Points

- ▶ In the last fiscal year, median reported total compensation among Equilar 500 General Counsel increased by 3.7% to \$2.6 million (*Fig. 1*)
- ▶ Among the 25th percentile, compensation remained constant, while pay actually decreased among the 75th percentile (*Fig. 1*)
- ▶ Over the five-year period, median compensation rose by 7.4% (*Fig. 1*)

Figure 2

Equilar 500 Median Total Compensation by Sector

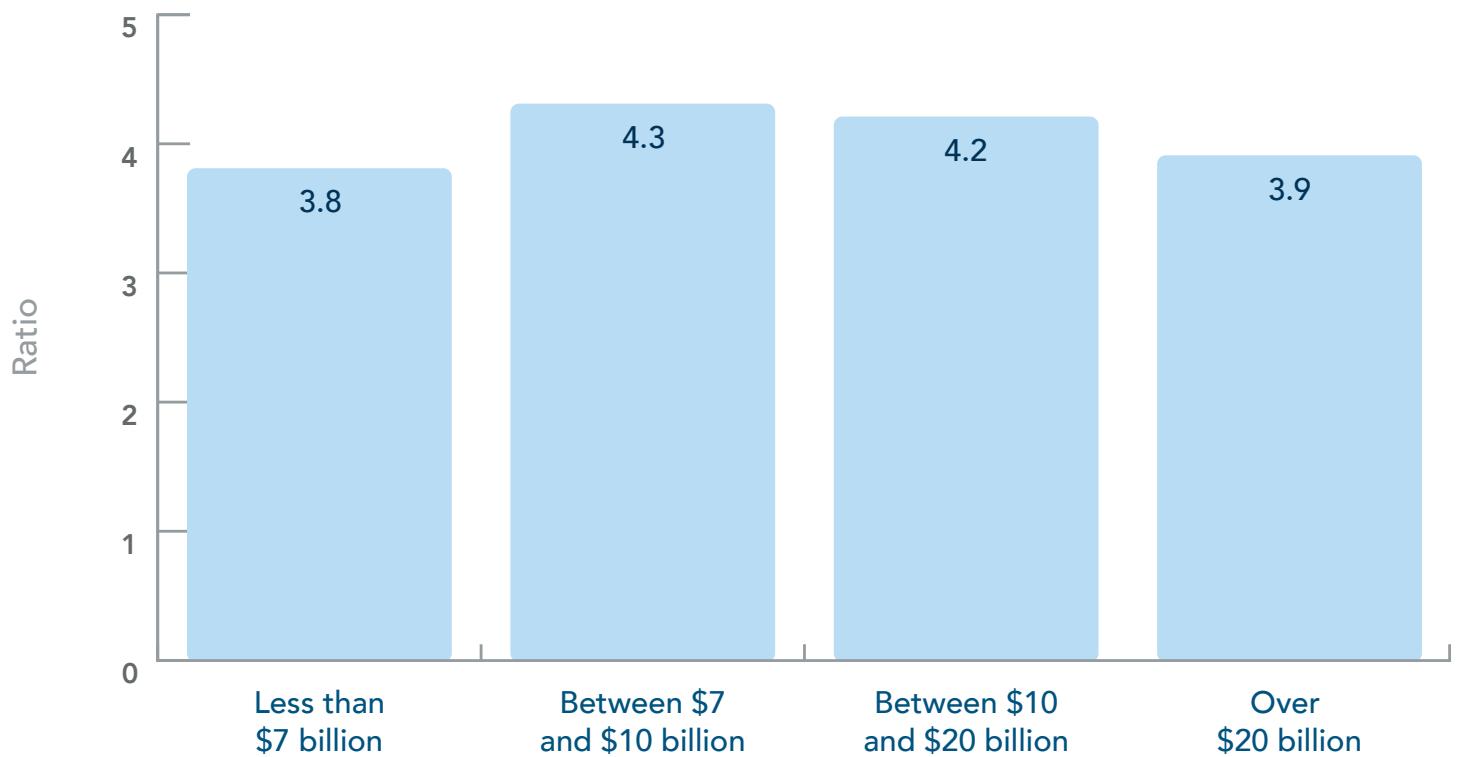


Data Points

- ▶ General Counsel in the healthcare sector continue to receive the highest median total compensation, at just over \$4 million (*Fig. 2*)
- ▶ From 2017 to 2018, compensation in the financial sector experienced a nearly 36.0% increase, the largest across all industries (*Fig. 2*)
- ▶ Consumer goods replaced utilities as the sector with the lowest General Counsel pay in 2018 (*Fig. 2*)

Figure 3

Median Ratio of CEO-to-GC Total Compensation by Revenue Range

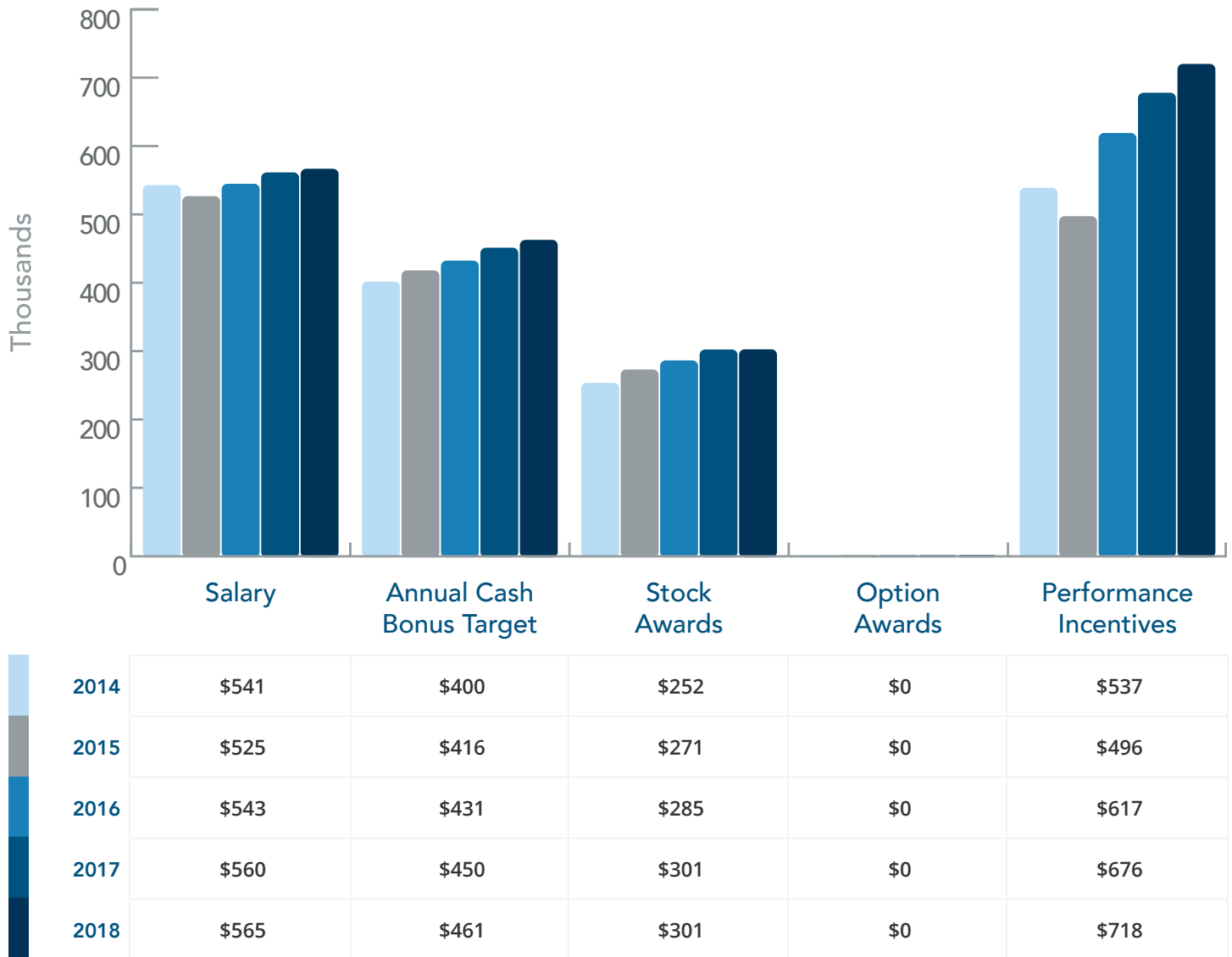


Data Points

- ▶ Equilar 500 companies generating between \$7B and \$10B in revenue held the largest median CEO-to-GC pay ratio, with CEOs earning over four times more than their General Counsel (*Fig. 3*)
- ▶ The pay ratio was smallest between CEOs and General Counsel at companies in the lowest and highest revenue ranges (*Fig. 3*)

Figure 4

Median GC Pay Components by Year

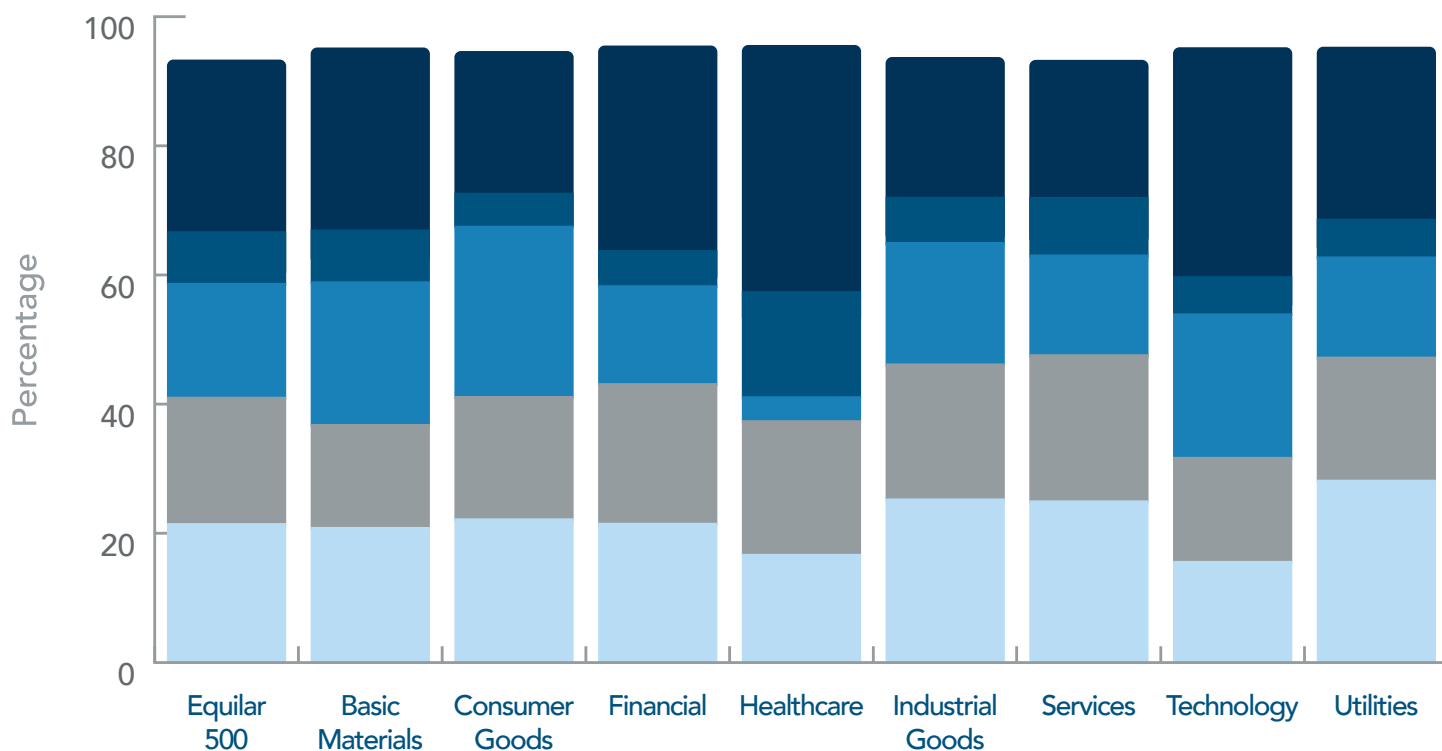


Data Points

- Performance incentives accounted for the largest component of pay in 2018, more than twice that of stock awards (*Fig. 4*)
- The value of each pay component has risen steadily since 2014 (*Fig. 4*)
- Options accounted for a negligible portion of pay across the five-year period (*Fig. 4*)

Figure 5

Average Pay Mix by Sector



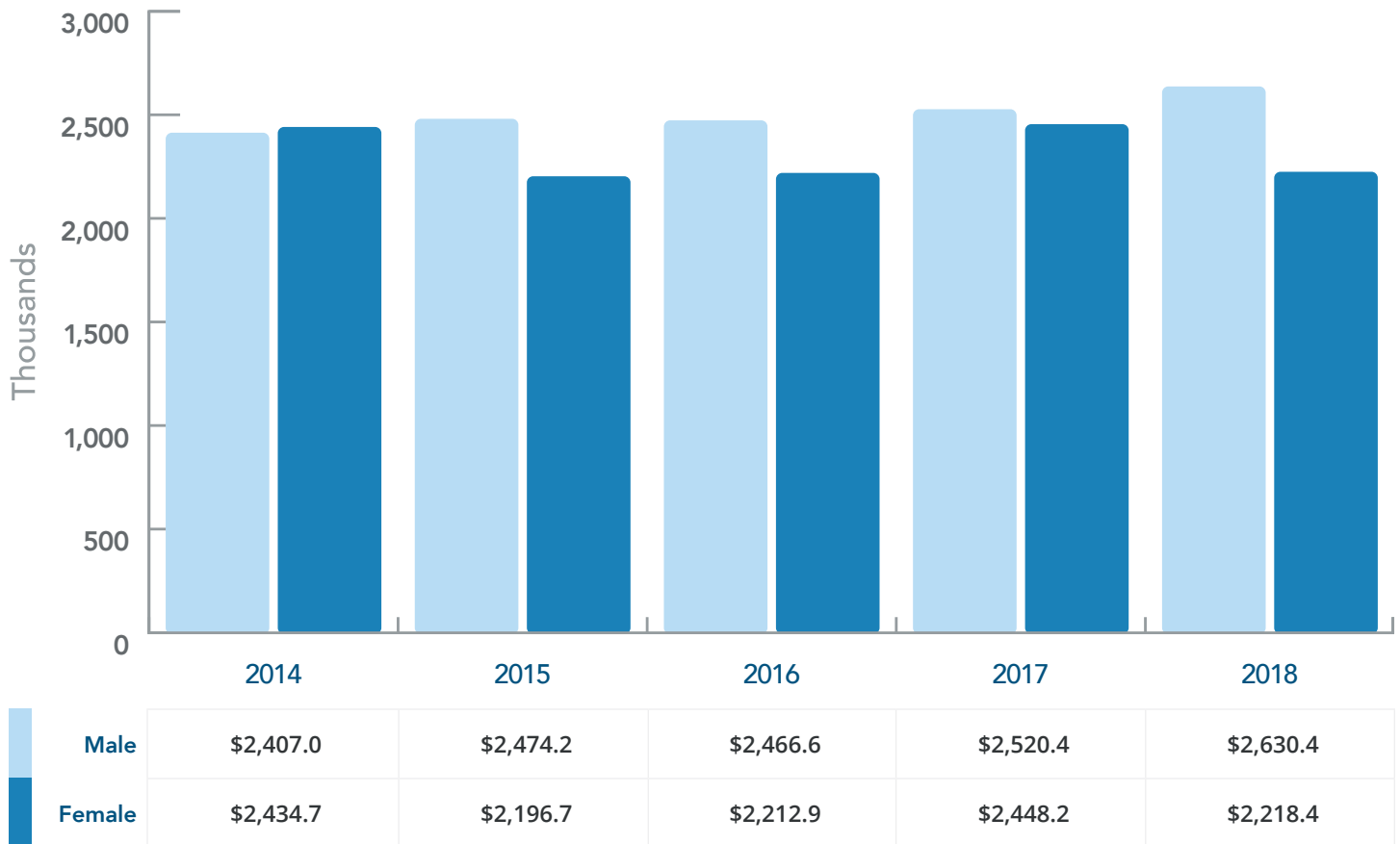
	Equilar 500	Basic Materials	Consumer Goods	Financial	Healthcare	Industrial Goods	Services	Technology	Utilities
Performance Incentives	33.4%	33.2%	27.5%	36.4%	42.7%	28.1%	28.1%	40.4%	31.5%
Option Awards	8.0%	8.0%	5.1%	5.5%	16.3%	7.0%	8.9%	5.8%	5.8%
Stock Awards	17.6%	22.1%	26.4%	15.2%	3.7%	18.8%	15.4%	22.2%	15.5%
Annual Cash Bonus Target	19.6%	16.0%	18.9%	21.6%	20.7%	20.9%	22.6%	16.1%	19.1%
Salary	21.4%	20.8%	22.1%	21.4%	16.6%	25.2%	24.9%	15.5%	28.1%

Data Points

- Options constituted the smallest portion of General Counsel pay across all sectors except healthcare in 2018 (*Fig. 5*)
- The highest prevalence of stock awards was in the consumer goods sector, accounting for 26.4% of all pay (*Fig. 5*)
- Performance incentives accounted for more than a third of pay in each of the financial, healthcare and technology sectors (*Fig. 5*)

Figure 6

Equilar 500 Median Total Compensation by Gender



Data Points

- ▶ Male General Counsel have out-earned female General Counsel from 2015 to 2018 by more than 11.0%, on average (*Fig. 6*)
- ▶ Female General Counsel earned 1.2% more than males in 2014, the only year in the study where pay for women was greater than the pay of their male counterparts (*Fig. 6*)
- ▶ Compensation for male General Counsel has increased nearly every year since 2014, while pay for women has fluctuated year-over-year (*Fig. 6*)

A Deep Dive

Paying and Retaining Top Legal Talent

BarkerGilmore Commentary

It wasn't long ago that a \$1MM compensation package seemed like a lot of money for a General Counsel, yet today's total compensation can be more than ten times that. Long gone are the days when the General Counsel sits in the boardroom as the armchair philosopher of the executive leadership team. Today, the General Counsel is an ambassador to the business and must predict the unexpected. General Counsel don't usually make the business decisions, but they do know the right questions to ask and who to ask to allow the business to make the right decisions. They have the pressure of contributing to short-term business objectives as well as ensuring that negative press stemming from litigation or regulatory matters doesn't make the headlines far into the future. If the General Counsel has done its job, everyone has thought through the impact of their decisions.

Today, hiring women and minorities into the General Counsel seat is a top priority for nearly every company. While there is still room for significant improvement, there are more women and minorities in the top legal spot today than in any other C-suite position. Since Mary Ann Hynes of CCH Inc., the first female General Counsel of a Fortune 500 who was appointed to her role in 1979, the number of female General Counsel of Fortune 500 companies has steadily increased to 15% in 2004 and to 21% in 2011. Today, 30% of Fortune 500 companies' General Counsel are women. Bob Barker, Managing Partner at BarkerGilmore, noted that, in 2018, "55% of BarkerGilmore's placements were women and/or minorities, one of the proudest measures of our success. Our firm is deeply committed to the advancement of others." However, the compensation gap between men and women General Counsel NEOs increased further in 2019 in part because the top six highest-paid General Counsel were men and only four of the top 20 highest-paid were women.

Like other executives, the General Counsel is tasked with identifying and developing a successor. While hiring from the outside can be costly, considering expenses like executive search fees, buying out unvested equity and unpaid bonuses, and relocation, the benefits of promoting an internal candidate to General Counsel are significant. Moreover, there is always a chance that an outside hire will not align with the leadership team or integrate well into the corporate culture. But, if properly mentored, the internal successor should already have a deep understanding of the business, sound relationships intact with the leadership team and board, and alignment with company culture.

In addition to a strong commitment to diversity, BarkerGilmore has a candidate placement stick rate of 96% after a three-year period. Nothing makes us happier than watching the succession-line candidates we've placed accomplish so much for our clients and ultimately be promoted to General Counsel. Focusing on the placement of General Counsel and successors, this success can be attributed to a unique assessment process developed originally for General Counsel assessment and now adopted for all leadership hires. This assessment process has been refined and updated over time to reflect the demands from the CEO and the board. Using a dual lens for strategic hires, the assessment allows for not only the best lawyer to be hired for the position at hand, but it also attracts candidates who have what it takes to develop into a General Counsel. Attempting to develop successors, many General Counsel allow their Deputy General Counsel to manage the day-to-day business of the law department while also providing necessary exposure to high stakes litigation or regulatory matters, sizable transactions and corporate governance matters. Leadership roles on board committees also serve as good development opportunities while gaining trust and visibility from executives.

BarkerGilmore's six-part assessment reveals these necessary qualifications:

- ▶ **High Emotional Intelligence:** humility, good listener, relationship builder, calm under pressure
- ▶ **Judgment:** thoughtful, flawless character, track record of sound decision-making
- ▶ **Business and Legal Acumen:** financial and business savvy, broad legal skills matching the specific needs of the company
- ▶ **Leadership:** purposeful leader and mentor, track record of hiring top talent, low attrition rate
- ▶ **Risk Tolerance:** alignment with leadership risk appetite
- ▶ **Cultural Fit:** personality, chemistry, values

Often, the hiring requirement from Fortune 500 companies that presents the biggest challenge in the search for a new General Counsel is significant public company securities and governance experience. The requirement exists because CEOs are more comfortable hiring a General Counsel with proven experience working closely with the board, thus giving rise to fewer questions that the candidate will be able to handle these relationships successfully. Other specific experience—including regulator interface, international M&A, labor

and employment, litigation, and intellectual property—can be gained while working in the business. Though this experience is unparalleled when hiring a sitting General Counsel with the requisite qualifications, one company celebrates at the expense of another. When there is an opportunity to promote from within or hire a Deputy General Counsel or division General Counsel from outside of the company, the cost of hire decreases, and the candidate pool greatly expands, significantly increasing the likelihood of diversity.

Increased cash compensation and performance equity awards with time-based vesting helps to retain lawyers, of course. However, consistently challenging top performers to push outside their comfort zone, increasing leadership responsibility, supporting MBAs or other advanced training, and allowing access to the executive team and board are much more productive means to get the most out of valued team members and increase overall satisfaction. General Counsel should be encouraged by the opportunity to develop and mentor not only those who are similar to them, but those who can bring something else to the table. For many General Counsel, the proudest measure of their success is not their own personal achievement, but how their legacy lives on.

About the Contributor

BarkerGilmore is a boutique executive search firm dedicated exclusively to the placement of General Counsel, Chief Compliance Officers and their strategic hires. Our niche concentration affords us access to a specialized network of talent, and we have established the relationships that allow us to identify the best legal professionals for any assignment. We are attentive to each of our client's business culture and understand their brand, strategy and leadership needs. We pride ourselves on being able to provide the highest standard of service and at establishing meaningful and long-lasting relationships with our clients.

The hard measures of our operational efficiency keep existing clients returning to the firm and provide our new clients with the peace of mind of knowing the success of their search is inevitable. Our industry leading, audited metrics over the past three years include: a 96% retention rate of placements made, 44% of which are women, 24% ethnically diverse, a 96-day average timeframe to execute a search, and guaranteed results.

www.barkergilmore.com

Contributor | barkergilmore



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BarkerGilmore



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John Gilmore is co-founder and Managing Partner at BarkerGilmore. With three decades of experience in executive search, he has managed the successful placement of General Counsel and Chief Compliance Officers, and helped those leaders build their law departments and compliance organizations. John has a consistent track record of success with companies located nationwide and of all sizes, including Fortune 500 and emerging growth companies.

John is committed to helping his clients build strong and productive legal and compliance departments by taking into consideration a company's current situation as well as its future needs. His unparalleled reputation in executive search and assessment led him to develop the CustomFit process which is employed in every BarkerGilmore search. This innovative tool provides a powerful recruiting solution, and has resulted in candidate placement and diversity and retention rates well above industry average. John's assessment clearly reveals the soft-skills not present on a candidate's resume, but that are critical to candidate selection. Being able to determine the perfect cultural match alongside emotional intelligence and the ability to serve as a strategic, trusted advisor has been integral to his success.

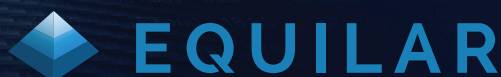
Some of John's recent placements include the General Counsel, Chief Compliance Officer, and entire law department for a Fortune 500 insurance company; the General Counsel and lead M&A lawyer for a Fortune 500 global technology company; the Chief Compliance Officer for a Wall Street investment company; the General Counsel for an international health care provider; and the U.S. General Counsel for an international investment bank.

Effectively Analyze the Voting Patterns of Your Institutional Investors

FUND 2				Year over Year Changes		
	SPLIT	2018 - FOR 2017 - AGAINST	2018 - AGAINST 2017 - FOR	NO CHANGES OVER 3 YEARS		
 BLACKROCK	BlackRock	0	0	25		
	BlackRock Ca					
	BlackRock Ca					
 VANGUARD	VANGUARD					
	VANGUARD					
		0	0	1		
		0	0	33		
		0	0	15		
		0	0	0		
		0	0	24		
		0	0	22		
		0	0	32		
		0	0	26		
		0	0	35		
		0	0	17		

EQUILAR INSIGHT

- ▶ Maximize your engagement by identifying investors who have voted against your recommendations
- ▶ Scan across your industry or peer group to see how investors have voted for similar proposals
- ▶ Seamlessly map investor votes with management and shareholder proposals in proxy filings
- ▶ Analyze year-over-year voting results



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