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Total Rewards Association

INCENTIVE PAY PRACTICES 2023

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Methodology

Data for this analysis were collected in fall 2023 via an online survey distributed to all WorldatWork members. A total of 706 organizations participated, including 260 publicly-traded companies, 319 privately-held companies, 94 non-profit organizations and 33 government entities.

Incentive Pay Practices Comparisons and Changes

Short-term Incentives (STIs)

The prevalence of short-term incentive (STI) programs was nearly universal among publicly traded (99%) and privately held (92%) companies but lower among nonprofits (86%) and government organizations (48%) (Tables PU1, PR1, NP1, GV1). Publicly-traded organizations typically offered multiple types of STI plans, with 90% using Annual Incentive Plans (AIP), 45% offering spot awards, and 30% providing retention bonuses (Table PU3). Nearly 40% had only one STI program while 29% reported four or more STI programs (Table PU2).

Privately-held companies' STI plan mix was slightly different: 82% used AIPs, 40% offered spot awards, and 38% used discretionary bonuses (Table PR3). About 40% had only one STI program, and 23% had four or more STI programs (Table PR2).

In non-profits, AIPs were used by 80%, but these organizations leaned more heavily on spot awards (59%), discretionary bonuses (40%) and retention bonuses (40%) (Table NP3), compared to other sectors. About 33% of non-profits had one STI program and 23% had four or more STI programs (Table NP2).

Modifications to STI plans were prevalent across all sectors in 2023. Thirty-five percent of publicly-traded companies reported making or planning changes (Table PU4), including 67% changing performance measures and 39% changing target award levels (Table PU5). Privately-held firms showed similar trends, with 31% planning or making changes (Table PR4), with 62% changing performance measures and 39% changing target award levels (Table PR5). Non-profits were more conservative, with only 24% making or planning changes (Table NP4).

Annual budget allocations for STI awards were consistent across sectors. Publicly-traded companies spent a median of 6% of 2022 operating income on STI awards (Table PU6), privately-held firms also reported a median 6% (Table PR6), and non-profits slightly less at 5% (Table NP5).

Annual Incentive Plans (AIPs)

Eligibility for AIPs was broad across sectors, though coverage varied by employee type. In publicly-traded companies, nearly all executives, managers, and salaried professionals were eligible (Table PU7), whereas only 49% of hourly workers were included. Privately-held companies had similar eligibility patterns, with 94% of executives, 93% of managers, and 86% of salaried professionals included (Table PR7). Hourly workers had slightly higher inclusion at 54% compared to publicly-traded companies. Among non-profits, 94% of executives, 91% of managers, 64% of salaried professionals, and 55% of hourly workers were eligible (Table NP6).

The most prevalent choice for the minimum performance levels that must be met to earn a payout was "greater than 75% of target" for both publicly-traded (31%) and privately-held organizations (35%), while minimum performance levels for non-profits (37%) were "50% of target" (Tables PU12, PR12 & NP10). Across publicly-traded, privately-held and non-profit organizations, AIP performance measures were based on profitability and individual performance.

Publicly-traded companies reported 86% using a profitability measure and 72% using individual performance measures (Table PU14). Privately-held firms showed similar priorities, with 84% for profitability measures and 78% for individual performance (Table PR14). Nonprofits also followed this pattern, with 67% emphasizing profitability measures and 63% focusing on individual performance (Table NP12). Clawback policies varied significantly. Forty-one percent of public companies had clawbacks in place (Table PU20), while privately-held firms reported only 15% coverage (Table PR20). Clawback provisions at non-profits were rare with just 11% applying such policies (Table NP18).

Long-term Incentives (LTIs)

LTIs were most prevalent among publicly-traded companies (93%) but were less common in privately-held companies (57%), non-profits (37%) and government organizations (9%) (Tables PU22, PR22, NP20 & GV2).

The most common LTI vehicles among publicly-traded firms were restricted stock units (RSU) at 91%, performance shares/units at 64%, and stock options at 30% (Table PU23). In contrast, privately-held companies relied heavily on long-term cash plans (34%) and used RSUs and stock options far less (14% each) (Table PR23). Non-profits were even more dissimilar, with 80% using long-term cash plans and virtually no equity-based awards (Table NP21).

Plan changes (adding or modifying an LTI program) in 2023 were reported by 26% of public companies (Table PU25), compared to 16% of privately-held firms (Table PR25) and 25% of non-profits (Table NP23). The most frequent reason cited for prompting the change was to align programs with market practice, reported by 51% of public companies and 44% of privately-held organizations (Tables PU26, PR26). Most public companies used one, two, or three LTI vehicles (31%, 39%, and 24%, respectively) (Table PU29), while privately-held firms were more skewed, with 63% using only one vehicle and 27% using two (Table PR29). Non-profits were also skewed towards one vehicle with over 4/5ths using a single vehicle (Table NP25). Award vesting was similar with the majority of organizations favoring a combined time and performance-based approach: 75% of public companies, 58% of private firms and 61% of non-profits (Tables PU30, PR30, NP26).

Grant frequency was overwhelmingly annual in public firms (90%, Table PU35), compared to 64% in private firms and non-profits (Tables PR35, NP29). Vesting periods were most commonly three years across all sectors—65% for public, 61% for private, and 86% for non-profits (Tables PU36, PR36, NP30). Clawback policies applied to LTI plans in 50% of public companies (Table PU37), compared to 31% of private firms (Table PR37) and only 20% of non-profits (Table NP31).

Performance metrics for LTI awards focused on profitability measures (65%) and total shareholder return (47%) in public firms (Table PU39). Private companies emphasized profitability (68%) and annual sales/revenue (13%) (Table PR39), while non-profits prioritized profitability (74%) and strategic measures (48%) (Table NP32).

Threshold, target, and maximum performance payout levels were specified by most organizations—52%, 74%, and 63% in public firms (Table PU40), compared to 48%, 65%, and 51% in private firms (Table PR40), and 80%, 91%, and 80% in non-profits (Table NP33). Minimum performance level requirements to earn an LTI payout varied: 28% of public firms required “50% of target”, while 21% required “greater than 75%” (Table PU41). Private firms leaned toward higher threshold requirements: 31% required “greater than 75% of target”, while 22% required “50% of target” (Table PR41).

Clawback policies varied significantly. Forty-one percent of public companies had clawbacks in place (Table PU20), while privately-held firms reported only 15% coverage (Table PR20). Clawback provisions at non-profits were rare with just 11% applying such policies (Table NP18).

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Definitions

Short-Term Incentives

Annual incentive plan (AIP): A pay plan that is designed to reward the accomplishment of specific results. Rewards usually are tied to expected results identified at the beginning of the performance cycle. In contrast to discretionary bonus plans, they are not primarily discretionary but may have a discretionary component.

Discretionary bonus plan: A bonus in which management determines the size of the bonus pool and the amounts to be allocated to specific individuals after a performance period. This type of plan has no predetermined formula or promises, and the bonus pool and individual bonus amounts are not guaranteed.

Project bonus plan: A form of additional compensation paid to an employee or department as a reward for achieving a specific project. A project bonus is compensation beyond normal wages and is typically awarded after an appraisal and analysis of the project(s) completed by the employee over a specific period of time.

Profit-sharing plan: A plan providing for employee participation in the profits of an organization. The plan normally includes a predetermined and defined formula for allocating profit shares among participants, and for distributing funds accumulated under the plan. However, some plans are discretionary. Funds may be distributed in cash, deferred as a qualified retirement program or distributed in a cash/deferred combination.

Gainsharing plan: Any one of a number of incentive programs designed to share the results of productivity gains with employees as a group.

Team/small-group incentives: Any incentive program that focuses on the performance of a small group, usually a work team. These programs are most useful when measurable output is the result of group effort and individual contributions are difficult to separate from the group effort.

Spot awards: Spot awards recognize special contributions as they occur for a specific project or task. Spot awards are generally for a special contribution accomplished over a relatively short time period.

Retention bonus plan: A payment or reward outside of an employee's regular salary that is offered as an incentive to keep a key employee on the job during a particularly crucial business event, like a merger or acquisition, or during a crucial production period.



Definitions

Long-Term Incentives

Stock options: A contractual right granted by the company to purchase a specified number of shares of the company's stock at a specified price (the exercise price) for a specified period of time (generally five or 10 years).

Restricted stock/restricted stock units (RSU): Grants of shares or unit value of the company's stock subject to restrictions on sale and risk of forfeiture until vesting requirements are met. After vesting requirements are met, the company distributes shares or the cash equivalent of the number of shares used to value the unit.

Phantom stock: A type of incentive grant in which the recipient is not issued actual shares of stock on the grant date, but receives an account credited with a certain number of hypothetical shares. The value of the account increases or decreases over time based on the appreciation or depreciation of the stock price and the crediting of phantom dividends. Payout may be settled in cash or stock.

Stock appreciation right (SAR): A contractual right that allows an individual to receive cash or stock of a value equal to the appreciation of the stock from grant date to the date the SAR is exercised.

Long-term cash plans: Cash awards where payment is contingent on performance as measured against predetermined financial or strategic objectives over multiple years. Typical incentive periods are three to five years.

Performance shares/units: Grants of shares or unit value of the company's stock for which payment is contingent on performance as measured against predetermined objectives over multiple years. The value paid fluctuates with stock price changes and the number of shares or units earned based on performance against objectives. Payout may be settled in cash or stock.

Nonqualified deferred compensation: An elective or non-elective plan or agreement between an employer and an employee to pay the employee compensation in the future.

Other Terms:

Clawback policy: A provision in which incentives already paid must be returned to the employer or the firm.



PUBLICLY-TRADED COMPANIES



INCENTIVE PAY PRACTICES

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Short Term Incentives

Table PU1: Does your organization have a short-term incentive program?

n=260		
	Yes	99%
	No	1%

Table PU2: How many short-term incentive programs does your organization have?

n=251		
	One	39%
	Two	16%
	Three	17%
	Four or more	29%

Table PU3: Which types of short-term incentive plans does your organization use?

Respondents could select multiple responses. Totals may exceed 100%.

n=258		
	Annual incentive plan (AIP)	90%
	Spot awards	45%
	Retention bonus	30%
	Discretionary bonus	29%
	Profit-sharing plan	15%
	Team/small-group incentives	12%
	Project bonus	10%
	Gainsharing plan	3
	Other	12%

Table PU4: Will your organization make changes to its STI plan(s) in 2023?

n=268	
Yes, we've already made changes in 2023.	29%
Yes, we're implementing changes prior to year-end.	6%
No, we haven't made changes to our STI plan(s) in 2023.	66%

Table PU5: What changes to your STI plan(s) were or will be implemented in 2023?

Respondents could select multiple responses. Totals may exceed 100%.

n=89	
Changing performance measures	67%
Changing target award levels	39%
Adjusting performance goals	38%
Changing threshold triggers (minimum performance result for pool funding)	25%
Changing plan participants	25%
Changing the incentive payout range	24%
Combining plans	11%
Exercising/adding discretion in incentive payouts	9%
Adjusting the performance period	3%
Excluding one-time charges and/or impact of economic factors from performance	3%
Other	9%

Table PU6: What is your organization's approximate total U.S. annual budget / spending for short-term incentives, expressed as a percentage of operating income?

	n	25th Percentile	Median	75th Percentile
Percent 2022 operating income	133	3%	6%	13%
Projected percent of 2023 operating income	123	3%	7%	13%

Table PU7: Which of the following employee types are eligible for AIP in 2023?

n=233	
CEO	91%
Other executives/officers	97%
Managers/supervisors	99%
Salaried professionals	91%
Hourly workers	49%

Table PU8: What is your organization's schedule of payouts for AIP awards?

n=232	
Monthly	0%
Quarterly	2%
Every six months	2%
Once per year	83%
Varies based on employee type	10%
Other	3%

Table PU9: What is the payout schedule per employee type when payout schedule varies by employee type?

	n	Monthly	Quarterly	Every six months	Once per year	Other
CEO	21	0%	0%	5%	95%	0%
Other executives/officers	23	0%	9%	0%	87%	4%
Managers/supervisors	22	5%	18%	5%	45%	27%
Salaried professionals	22	5%	18%	5%	45%	27%
Hourly workers	15	0%	27%	27%	20%	27%

Table PU10: How are AIP awards typically paid to employees?

Respondents could select multiple responses. Totals may exceed 100%.

n=265	
Cash	99%
Voluntary deferrals	7%
Equity	3%
Choice of cash or equity	2%
Mandatory deferrals	1%
Other	1%

Table PU11: Does your organization's incentive program specify threshold, target and/or maximum awards for participants?

n=232	
Threshold	79%
Target	95%
Maximum	85%

Table PU12: What is the required minimum performance level that must be met in order to earn an incentive payout?

n=183	
Less than 25% of target	8%
25% of target	4%
Between 25% and 50% of target	5%
50% of target	22%
Between 50% and 75% of target	9%
75% of target	7%
Greater than 75% of target	31%
No threshold in the plan	3%
Other	10%

Table PU13: What are the target and maximum payouts for your AIP for each employee group?

TARGET				
	n	25th	Median	75th
CEO	152	100%	100%	150%
Other executives/ officers	156	40%	60%	100%
Managers/ supervisors	159	15%	20%	30%
Exempt salaried	151	10%	10%	15%
Hourly	108	0%	5%	10%

MAXIMUM				
	n	25th Percentile	Median	75th Percentile
CEO	162	150%	200%	200%
Other executives/ officers	168	138%	200%	200%
Managers/ supervisors	170	60%	150%	200%
Exempt salaried	160	30%	150%	200%
Hourly	112	8%	120%	200%

Table PU14: Which of the following performance measures are used in your AIP?

Respondents could select multiple responses. Totals may exceed 100%.

	n=231
Individual	
Individual performance (including performance rating, achievement of goals)	72%
Financial	
A profitability measure (net income, EBITDA, operating income, EBIT, earnings per share (EPS))	86%
A return measure (return on equity, assets or invested capital)	8%
Capital efficiency	6%
Cash flow/cash flow growth	22%
Economic profit	5%
Revenue/revenue growth	48%
Other financial	7%
Operational	
Cost reduction/savings	10%
Efficiency	11%
Quality/defects	6%
Volume/orders	8%
Other operational	10%
ESG	
Environmental	16%
Safety/occupational injury	15%
Diversity, equity and inclusion	23%
Customer measures (service, satisfaction, retention, new customers)	12%
Employee measures (satisfaction/engagement/culture)	11%
Other ESG	4%

Table PU15: How many performance measures are used in your annual incentive plan?

n=210		
	Zero measures	0%
	One measure	11%
	Two measures	21%
	Three measures	30%
	Four measures	17%
	Five measures	10%
	Six measures	6%
	Seven measures	3%
	Eight measures	0%
	Nine measures	0%
	Ten or more measures	3%

Table PU16: How much does supervisor discretion/subjectivity play a role in your AIP?

n=232		
	Significantly	13%
	Somewhat	31%
	A small amount	25%
	Not at all	31%

Table PU17: Have you seen a change in the level of discretion applied in your AIP in the last 12 months?

n=258			
	More discretion	No change	Less discretion
CEO	6%	90%	4%
Other executives/officers	7%	89%	4%
Managers/supervisors	10%	86%	4%
Salaried professionals	10%	86%	4%
Hourly workers	6%	91%	2%

Table PU18: How is your AIP funded?

n=253	
Corporate-level financial hurdle or formula	53%
Division- or unit-level financial hurdle or formula	11%
Sum of individual targets	18%
Sum of individual targets with funding hurdle	9%
Discretionary	5%
Other	5%

Table PU19: Is there a minimum level of performance that your organization requires in order to fund the AIP?

n=243	
Yes	68%
No	32%

Table PU20: Are payments made under an AIP subject to a clawback policy?

n=258	
Yes, a single clawback policy for all employees including executive officers.	8%
Yes, a clawback policy that applies only to executive officers.	28%
One clawback policy for executive officers and one for all other employees.	5%
Other	2%
No clawbacks in place for AIPs.	58%

Table PU21: For each of the following groups, under which circumstances may a clawback be made?

	n	For financial restate- ments	For violations of code of conduct	For both
CEO & other "executive officers"	116	23%	5%	72%
Other executives	90	19%	13%	68%
Managers/supervisors	57	23%	32%	46%
Hourly workers	18	11%	50%	39%

Long Term Incentives

Table PU22: Does your organization have a long-term incentive plan/plans?

n=260		
	Yes	93%
	No	7%

Table PU23: What type(s) of long-term incentive programs does your organization offer?

Respondents could select multiple responses. Totals may exceed 100%.

n=241		
Restricted stock/restricted stock units (RSU)		91%
Performance shares/units		64%
Stock options		30%
Nonqualified deferred compensation		15%
Long-term cash plans		13%
Stock appreciation right (SAR)		7%
Phantom stock		3%
Other		1%

Table PU24: Did your organization add or modify a long-term incentive plan for 2023?

n=243		
	Yes	20%
	No	80%

Table PU25: Will your organization make changes to its LTI plan(s) in 2023?

n=242		
Yes, we've already made changes in 2023.		21%
Yes, we're implementing changes prior to year-end.		5%
No, we haven't made changes to our LTI plan(s) in 2023.		74%

Table PU26: If your organization has added or modified a long-term incentive, what prompted it?

Respondents could select multiple responses. Totals may exceed 100%.

n=47	
Align programs with market practices	51%
Regular annual review and update of the plan(s)	36%
Change in strategy	30%
Retention efforts	28%
Changes due to the economic factors	15%
Change in business results	13%
Organizational growth	13%
Changes due to regulatory requirements	2%
Increased focus on environmental, social and governance (ESG) and/or diversity, equity, inclusion, & belonging (DEI/DE&I)	2%
Reorganization, including merger and/or acquisition (M&A)	2%
New ownership/management	0%
Other	9%

Table PU27: What changes did your organization make to your LTI this year?

Respondents could select multiple responses. Totals may exceed 100%.

n=46	
Changing performance measures	35%
Changing target award levels	30%
Changing plan participants	22%
Changing the mix of LTI vehicles	22%
Changing LTI vehicles	17%
Changing the incentive payout range	15%
Changing the vesting period	13%
Adjusting performance goals	13%
Adjusting the performance period	4%
Excluding one-time charges and/or impact of economic factors from performance	2%
Exercising/adding discretion in incentive payouts	0%
Combining plans	0%
Other	13%

Table PU28: What are the top three objectives of your long-term incentive programs?

Respondents could select up to 3 responses. Totals may exceed 100%.

n=240	
Align employee rewards with long-term organization goals	75%
Reduce employee turnover and improve retention	45%
Reward employees	42%
To be competitive with other employers	39%
Focus employees on specific long-term goals	27%
Share the organization's financial success with employees	20%
Promote employee ownership	20%
Recruit qualified employees	16%
Provide participants with a wealth-accumulation opportunity	10%
Other	1%

Table PU29: How many long-term incentive vehicles does your organization use?

n=229	
One	31%
Two	39%
Three	24%
Four	4%
Five or more	2%

Table PU30: Are your long-term incentive awards time-based or performance based?

n=239	
All time based	20%
All performance based	6%
Combination of time and performance	75%

Table PU31: Please indicate which positions are eligible to receive the following long-term incentives.

	CEO	Direct reports of the CEO	Other executives/officers	Managers/supervisors	Salaried professionals	Hourly workers
n	166	157	173	127	88	26
Stock options	81%	77%	61%	28%	22%	4%
Restricted stock/units (RSU)	77%	72%	80%	59%	41%	12%
Phantom stock	50%	2%	100%	25%	0%	0%
Stock appreciation right (SAR)	88%	94%	69%	25%	6%	6%
Long-term cash plans	60%	63%	80%	37%	20%	10%
Performance shares / units	83%	80%	60%	4%	4%	1%
Non-qualified deferred compensation	88%	81%	84%	13%	13%	13%

Table PU32: What percent of employees in each of the following categories actually received LTI awards in 2023?

	n	25th	Median	75th
CEO	205	100%	100%	100%
All other officers/executives	206	36%	80%	95%
Managers/supervisors	176	10%	40%	99%
Salaried professionals	169	0%	5%	34%
Hourly workers	150	0%	0%	0%

Table PU33: What is your target long-term incentive award opportunity, as a percentage of salary, for the following positions?

	n	25th	Median	75th
CEO	133	100%	300%	575%
Direct reports of the CEO	136	62%	123%	200%
Other officers/executives	135	30%	50%	76%
Managers/ supervisors	117	10%	20%	33%
Salaried professionals	97	0%	10%	15%
Hourly workers	81	0%	0%	3%

Table PU34: What is the level of equity overhang in your organization for the most recent completed fiscal year?

(For cash-based plans, value sharing is expressed as % of operating income or EBITDA. For real equity plans, value sharing is expressed as % of shares outstanding (called “equity overhang.”))

n=106	
More than 25%	6%
Between 20% and 25%	8%
Between 15% and 20%	8%
Between 10% and 15%	11%
Between 5% and 10%	23%
Between 0% and 5%	39%
0%	6%

Table PU35: What is the typical grant frequency of long-term incentive awards?

n=239	
Annually	90%
Every two years	1%
Every three years	2%
At hire/promotion	2%
Special one-time grants	0%
Other	5%

Table PU36: What is the most common vesting and/or performance period for your organization's long-term incentive awards?

n=242	
At grant/no vesting	1%
One year	2%
Two years	2%
Three years	65%
Four years	20%
Five or more years	2%
Other	8%

Table PU37: Are payments made under an LTI plan subject to a clawback policy?

n=242	
Yes, a single clawback policy for all employees including executive officers.	17%
Yes, a clawback policy that applies only to executive officers.	26%
One clawback policy for executive officers and one for all other employees.	7%
No clawbacks in place for LTI plans.	47%
Other	4%

Table PU38: For each of the following groups, under which circumstance may a clawback be made?

	n	For financial restatements	For violations of code of conduct	For both
CEO & other "executive officers"	115	17%	10%	72%
Other executives	88	13%	18%	69%
Managers/ supervisors	61	13%	31%	56%

Table PU39: What are the performance measures used to determine the number of shares or units, or the amount of cash earned?

Respondents could select multiple responses. Totals may exceed 100%.

n=162	
A profitability measure (earnings per share (EPS), net income, operating income/EBIT, EBITDA, etc.)	65%
Total shareholder return (TSR)	47%
A return measure (return on equity, assets or investment)	26%
Annual sales/revenue	22%
Cash flow	14%
Stock price	14%
Strategic measure (e.g. growth in channel, product line, geography)	8%
Environmental, social or governance (ESG) measure, except for DE&I	5%
Diversity, equity and inclusion (DE&I) measure	4%
Economic profit or similar	4%
Other	8%

Table PU40: Do your organization's LTI performance awards specify performance thresholds, target payout levels and/or maximum payout levels?

n=242	
Threshold	52%
Target	74%
Maximum	63%

Table PU41: What is the required minimum performance level that must be met in order to earn an incentive payout?

n=119	
Less than 25% of target	8%
25% of target	9%
Between 25% and 50% of target	10%
50% of target	28%
Between 50% and 75% of target	7%
75% of target	6%
Greater than 75% of target	21%
No threshold in the plan	1%
Other	10%

Table PU42: What are the target and maximum payouts for long-term performance awards for each employee group?

TARGET				
	n	25th	Median	75th
CEO	95	100%	270%	575%
Other executives/ officers	99	55%	100%	132%
Managers/supervisors	65	2%	20%	50%
Salaried professionals	46	0%	0%	14%
Hourly workers	42	0%	0%	0%

MAXIMUM				
	n	25th	Median	75th
CEO	103	197%	200%	200%
Other executives/ officers	106	130%	200%	200%
Managers/supervisors	59	50%	128%	200%
Salaried professionals	39	0%	100%	200%
Hourly workers	35	0%	0%	100%

PUBLICLY-TRADED COMPANIES

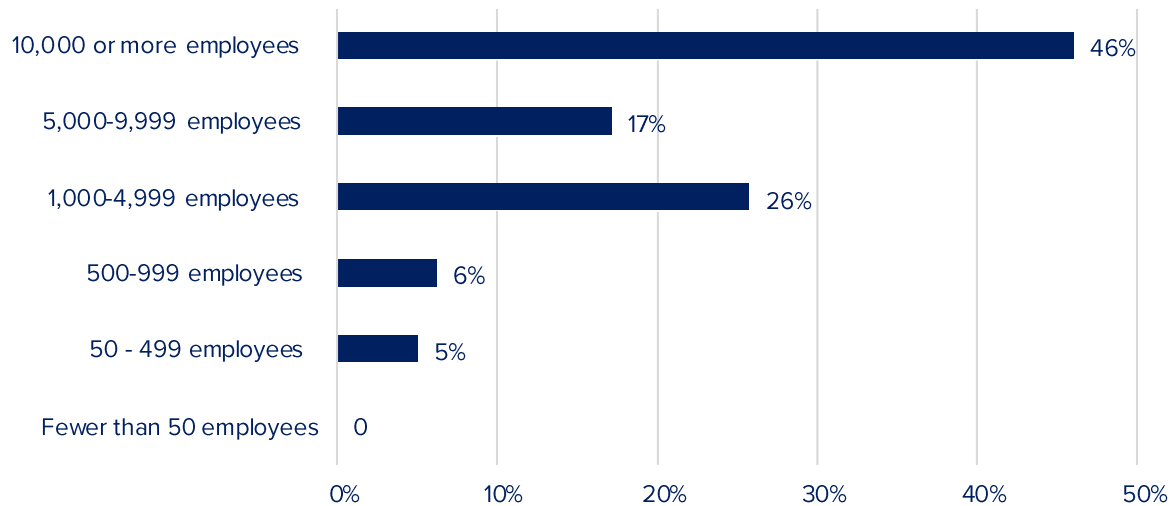
PARTICIPANT DEMOGRAPHICS



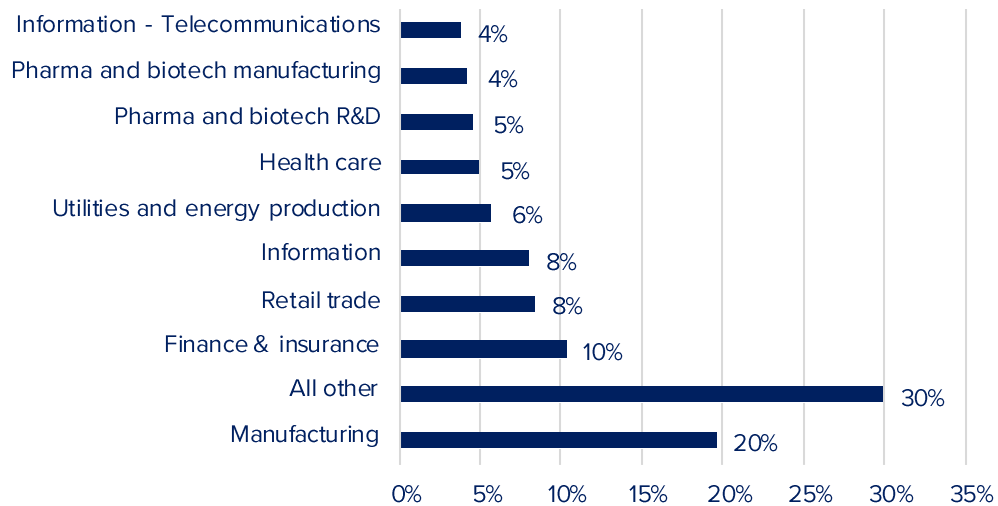
INCENTIVE PAY PRACTICES

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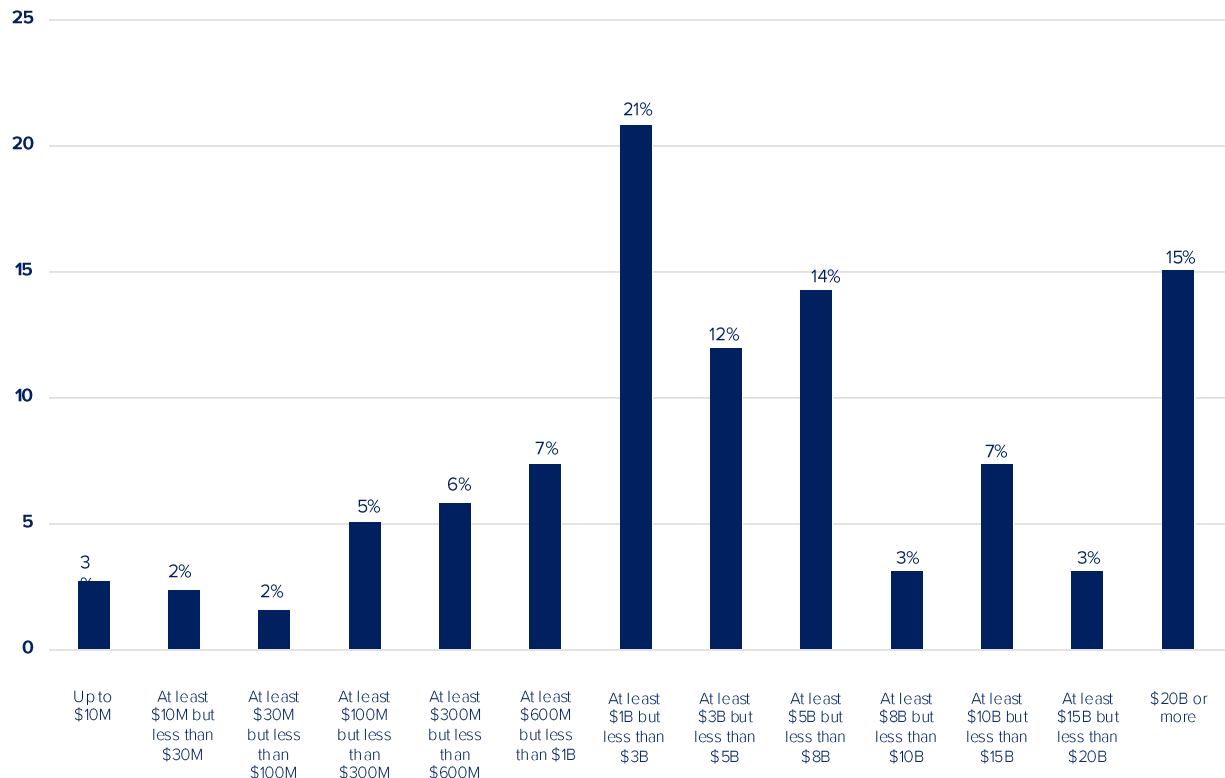
Industry



n=260



Revenue



n=260

PRIVATELY-HELD COMPANIES



INCENTIVE PAY PRACTICES

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Short Term Incentives

Table PR1: Does your organization have a short-term incentive program?

n=319		
	Yes	92%
	No	8%

Table PR2: How many short-term incentive programs does your organization have?

n=287		
	One	39%
	Two	18%
	Three	20%
	Four or more	23%

Table PR3: Which types of short-term incentive plans does your organization use?

Respondents could select multiple responses. Totals may exceed 100%.

n=293		
	Annual incentive plan (AIP)	82%
	Spot awards	40%
	Discretionary bonus	38%
	Retention bonus	25%
	Team/small-group incentives	14%
	Profit-sharing plan	13%
	Project bonus	12%
	Gainsharing plan	4%
	Other	7%

Table PR4: Will your organization make changes to its STI plan(s) in 2023?

n=293	
Yes, we've already made changes in 2023.	24%
Yes, we're implementing changes prior to year-end.	7%
No, we haven't made changes to our STI plan(s) in 2023.	69%

Table PR5: What changes to your STI plan(s) were or will be implemented in 2023?

Respondents could select multiple responses. Totals may exceed 100%.

n=90	
Changing performance measures	62%
Changing target award levels	39%
Adjusting performance goals	38%
Changing plan participants	29%
Changing the incentive payout range	23%
Changing threshold triggers (minimum performance result for pool funding)	17%
Combining plans	13%
Exercising/adding discretion in incentive payouts	12%
Adjusting the performance period	6%
Excluding one-time charges and/or impact of economic factors from performance	4%
Other	12%

Table PR6: What is your organization's approximate total U.S. annual budget / spending for short term incentives, expressed as a percentage of operating income?

	n	25th Percentile	Median	75th Percentile
Percent 2022 operating income	149	2%	6%	13%
Projected percent of 2023 operating income	149	2%	6%	15%

Table PR7: Which of the following employee types are eligible for AIP in 2023?

n=254	
CEO	83%
Other executives/officers	94%
Managers/supervisors	93%
Salaried professionals	86%
Hourly workers	54%

Table PR8: What is your organization's schedule of payouts for AIP awards?

n=241	
Monthly	0%
Quarterly	2%
Every six months	1%
Once per year	85%
Varies based on employee type	7%
Other	3%

Table PR9: What is your payout schedule when payout schedule varies by employee type?

	n	Monthly	Quarterly	Every six months	Once per year	Other
CEO	13	0%	0%	0%	100%	0%
Other executives/officers	17	0%	0%	0%	94%	6%
Managers / supervisors	19	0%	0%	5%	63%	32%
Salaried professionals	19	10%	5%	5%	42%	37%
Hourly workers	16	25%	38%	6%	19%	13%

Table PR10: How are AIP awards typically paid to employees?
Respondents could select multiple responses. Totals may exceed 100%.

n=241	
Cash	100%
Voluntary deferrals	6%
Equity	1%
Mandatory deferrals	0%
Choice of cash or equity	0%
Other	0%

Table PR11: Does your organization's incentive program specify threshold, target and/or maximum awards for participants?

n=241	
Threshold	78%
Target	91%
Maximum	74%

Table PR12: What is the required minimum performance level that must be met in order to earn an incentive payout?

n=187	
Less than 25% of target	2%
25% of target	7%
Between 25% and 50% of target	6%
50% of target	21%
Between 50% and 75% of target	7%
75% of target	11%
Greater than 75% of target	35%
No threshold in the plan	5%
Other	5%

Table PR13: What are the target and maximum payouts for your AIP for each employee group?

TARGET				
	n	25th Percentile	Median	75th Percentile
CEO	125	50%	100%	120%
Other executives/ officers	141	30%	40%	50%
Managers/ supervisors	146	15%	17%	25%
Exempt salaried	137	7%	10%	15%
Hourly	103	3%	5%	6%

MAXIMUM				
	n	25th Percentile	Median	75th Percentile
CEO	120	126%	150%	200%
Other executives/ officers	141	90%	150%	200%
Managers/ supervisors	146	40%	135%	175%
Exempt salaried	137	22%	140%	175%
Hourly	103	8%	110%	150%

Table PR14: Which of the following performance measures are used in your AIP?

Respondents could select multiple responses. Totals may exceed 100%.

n=251	
Individual	
Individual performance (including performance rating, achievement of goals, other)	78%
Financial	
A profitability measure (net income, EBITDA, operating income, EBIT, earnings per share (EPS))	84%
Revenue/revenue growth	41%
Cash flow/cash flow growth	14%
A return measure (return on equity, assets or invested capital)	9%
Economic profit	6%
Capital efficiency	3%
Other financial	6%
Operational	
Cost reduction/savings	11%
Efficiency	11%
Quality/defects	10%
Volume/orders	8%
Other operational	9%
ESG	
Customer measures (service, satisfaction, retention, new customers)	12%
Safety/occupational injury	11%
Employee measures (satisfaction/engagement/culture)	6%
Environmental	5%
Diversity, equity and inclusion	3%
Other ESG	1%

Table PR15: How many performance measures are used in your annual incentive plan?

n=219		
	Zero measures	<1%
	One measure	10%
	Two measures	27%
	Three measures	31%
	Four measures	15%
	Five measures	11%
	Six measures	1%
	Seven measures	2%
	Eight measures	<1%
	Nine measures	1%
	Ten or more measures	1%

Table PR16: How much does supervisor discretion/subjectivity play a role in your AIP?

n=240		
	Significantly	9%
	Somewhat	41%
	A small amount	26%
	Not at all	24%

Table PR17: Have you seen a change in the level of discretion applied in your AIP in the last 12 months?

n=314			
	More discretion	No change	Less discretion
CEO	9%	88%	3%
Other executives/officers	9%	87%	4%
Managers/supervisors	8%	86%	6%
Salaried professionals	6%	87%	7%
Hourly workers	2%	90%	8%

Table PR18: How is your AIP funded?

n=288	
Corporate-level financial hurdle or formula	56%
Division or unit-level financial hurdle or formula	10%
Sum of individual targets	10%
Discretionary	9%
Sum of individual targets with funding hurdle	9%
Other	5%

Table PR19: Is there a minimum level of performance that your organization requires fund the AIP?

n=277	
Yes	77%
No	23%

Table PR20: Are payments made under an AIP subject to a clawback policy?

n=293	
Yes, a single clawback policy for all employees including executive officers.	7%
Yes, a clawback policy that applies only to executive officers.	6%
One clawback policy for executive officers and one for all other employees.	2%
Other	0%
No clawbacks in place for AIPs.	85%

Table PR21: For each of the following groups, under which circumstance may clawback be made?

	n	For financial restate- ments	For violations of code of conduct	For both
CEO & other "executive officers"	68	15%	25%	60%
Other executives	64	12%	25%	62%
Managers/supervisors	57	16%	44%	40%
Hourly workers	28	18%	46%	36%

Long Term Incentives

Table PR22: Does your organization have a long-term incentive plan/plans?

n=319		
	Yes	57%
	No	43%

Table PR23: What type(s) of long-term incentive programs does your organization offer?

Respondents could select multiple responses. Totals may exceed 100%.

n=183		
	Long-term cash plans	34%
	Restricted stock/restricted stock units (RSU)	14%
	Stock options	14%
	Performance shares/units	11%
	Nonqualified deferred compensation	11%
	Phantom stock	7%
	Stock appreciation right (SAR)	6%
	Other	4%

Table PR24: Did your organization add or modify a long-term incentive plan for 2023?

n=182		
	Yes	16%
	No	84%

Table PR25: Will your organization make changes to its LTI plan(s) in 2023?

n=182		
	Yes, we've already made changes in 2023.	11%
	Yes, we're implementing changes prior to year-end.	5%
	No, we haven't made changes to our LTI plan(s) in 2023.	84%

Table PR26: If your organization has added or modified a long-term incentive, what prompted it?

Respondents could select multiple responses. Totals may exceed 100%.

n=27	
Align programs with market practices	44%
Retention efforts	33%
Change in strategy	22%
Organizational growth	30%
Regular annual review and update of the plan(s)	15%
Change in business results	11%
Changes due to the economic factors	7%
Increased focus on ESG and/or DEI	7%
New ownership/management	11%
Changes due to regulatory requirements	4%
Reorganization, including merger and/or acquisition	0%
Other	7%

Table PR27: What changes did you make to your LTI this year?

Respondents could select multiple responses. Totals may exceed 100%.

n=28	
Changing plan participants	46%
Changing target award levels	36%
Changing performance measures	25%
Adjusting performance goals	25%
Changing LTI vehicles	14%
Changing the vesting period	21%
Exercising/adding discretion in incentive payouts	14%
Adjusting the performance period	14%
Changing the mix of LTI vehicles	11%
Changing the incentive payout range	7%
Combining plans	7%
Excluding one-time charges and/or impact of economic factors from performance	0%
Other	14%

Table PR28: What are the top three objectives of your long-term incentive programs?

Respondents could choose up to 3 responses. Totals may exceed 100%.

n=181	
Align employee rewards with long-term organization goals	70%
To be competitive with other employers	45%
Reduce employee turnover and improve retention	39%
Focus employees on specific long-term goals	31%
Reward employees	30%
Share the organization's financial success with employees	25%
Recruit qualified employees	18%
Promote employee ownership	17%
Provide participants with a wealth-accumulation opportunity	10%
Other	1%

Table PR29: How many long-term incentive vehicles does your organization use?

n=169	
One	63%
Two	27%
Three	8%
Four	2%
Five or more	0%

Table PR30: Are your long-term incentive awards time-based or performance based?

n=177	
All time based	28%
All performance based	14%
Combination of time and performance	58%

Table PR31: Please indicate which employee levels are eligible to receive long-term incentives.

n=180	
CEO	89%
Direct reports of the CEO	95%
Other officers/executives	84%
Managers/ supervisors	32%
Salaried professionals	20%
Hourly workers	9%

Table PR32: What percent of employees in each of the following categories actually received LTI awards in 2023?

	n	25th	Median	75th
CEO	142	100%	100%	100%
All other officers/executives	146	100%	100%	100%
Managers/supervisors	109	0%	9%	80%
Salaried professionals	96	0%	0%	25%
Hourly workers	94	0%	0%	0%

Table PR33: What is your target long-term incentive award opportunity, as a percentage of salary, for the following positions?

	n	25th	Median	75th
CEO	88	50%	100%	300%
Direct reports of the CEO	104	38%	60%	100%
Other officers/executives	86	25%	30%	50%
Managers/ supervisors	61	0%	10%	25%
Salaried professionals	54	0%	0%	12%
Hourly workers	45	0%	0%	0%

Table PR34: What is the percentage of total economic value that company owners share with executives and other employees through long-term incentives?

(For cash-based plans, value sharing is expressed as % of operating income or EBITDA. For real equity plans, value sharing is expressed as % of shares outstanding (called “equity overhang.”)

n=97	
More than 25%	10%
Between 20% and 25%	7%
Between 15% and 20%	10%
Between 10% and 15%	12%
Between 5% and 10%	27%
Between 0% and 5%	23%
0%	10%

Table PR35: What is the typical grant frequency of long-term incentive awards?

n=177	
Annually	64%
Every two years	2%
Every three years	12%
At hire/promotion	14%
Special one-time grants	5%
Other	5%

Table PR36: What is the most common vesting and/or performance period for your organization's long-term incentive awards?

n=185	
At grant/no vesting	3%
One year	1%
Two years	2%
Three years	61%
Four years	16%
Five or more years	2%
Other	6%

Table PR37: Are payments made under an LTI plan subject to a clawback policy?

n=184	
Yes, a single clawback policy for all employees including executive officers.	20%
Yes, a clawback policy that applies only to executive officers.	8%
One clawback policy for executive officers and one for all other employees.	3%
Other	4%
No clawbacks in place for LTI plans.	67%

Table PR38: For each of the following groups, under which circumstance may clawback be made?

	n	For financial restatements	For violations of code of conduct	For both
CEO & other "executive officers"	51	4%	22%	75%
Other executives	47	4%	26%	70%
Managers/ supervisors	35	9%	34%	57%

Table PR39: What are the performance measures used to determine the number of shares or units, or the amount of cash earned?

Respondents could select multiple responses. Totals may exceed 100%.

n=105	
A profitability measure (earnings per share (EPS), net income, operating income/EBIT, EBITDA, etc.)	68%
Annual sales/revenue	13%
A return measure (return on equity, assets or investment)	12%
Strategic measure (e.g. growth in channel, product line, geography)	8%
Cash flow	5%
Environmental, social or governance (ESG) measure, except for DE&I	5%
Total shareholder return (TSR)	2%
Economic profit or similar	2%
Diversity, equity and inclusion (DE&I) measure	1%
Stock price	1%
Other	11%

Table PR40: Do your organization's LTI performance awards specify performance thresholds, target payout levels and/or maximum payout levels?

n=184	
Threshold	48%
Target	65%
Maximum	51%

Table PR41: What is the required minimum performance level that must be met in order to earn an incentive payout?

n=86	
Less than 25% of target	5%
25% of target	7%
Between 25% and 50% of target	5%
50% of target	22%
Between 50% and 75% of target	6%
75% of target	14%
Greater than 75% of target	31%
No threshold in the plan	1%
Other	9%

Table PR42: What are the target and maximum payouts for long-term performance awards for each employee group?

TARGET				
	n	25th	Median	75th
CEO	54	50%	100%	200%
Other executives/ officers	57	30%	50%	72%
Managers/supervisors	34	0%	22%	34%
Salaried professionals	24	0%	0%	9%
Hourly workers	20	0%	0%	0%

MAXIMUM				
	n	25th	Median	75th
CEO	50	125%	200%	200%
Other executives/ officers	57	100%	150%	200%
Managers/supervisors	30	10%	100%	150%
Salaried professionals	19	0%	0%	59%
Hourly workers	16	0%	0%	0%

PRIVATELY-HELD COMPANIES

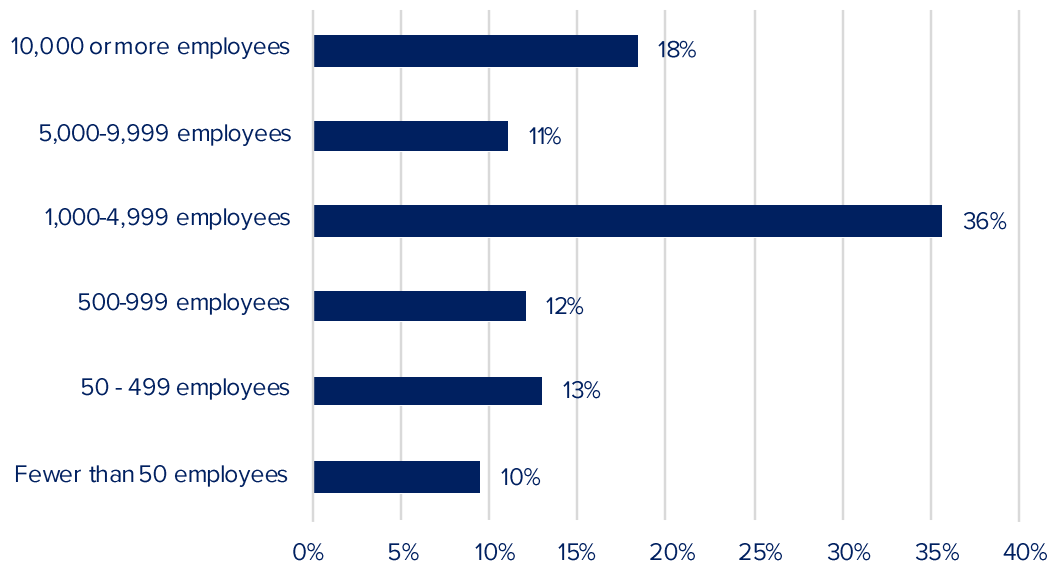
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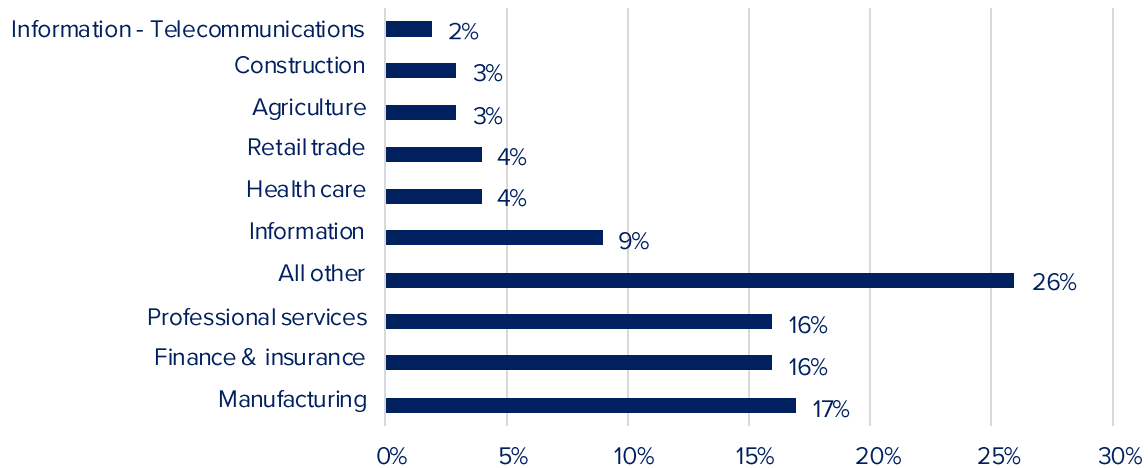
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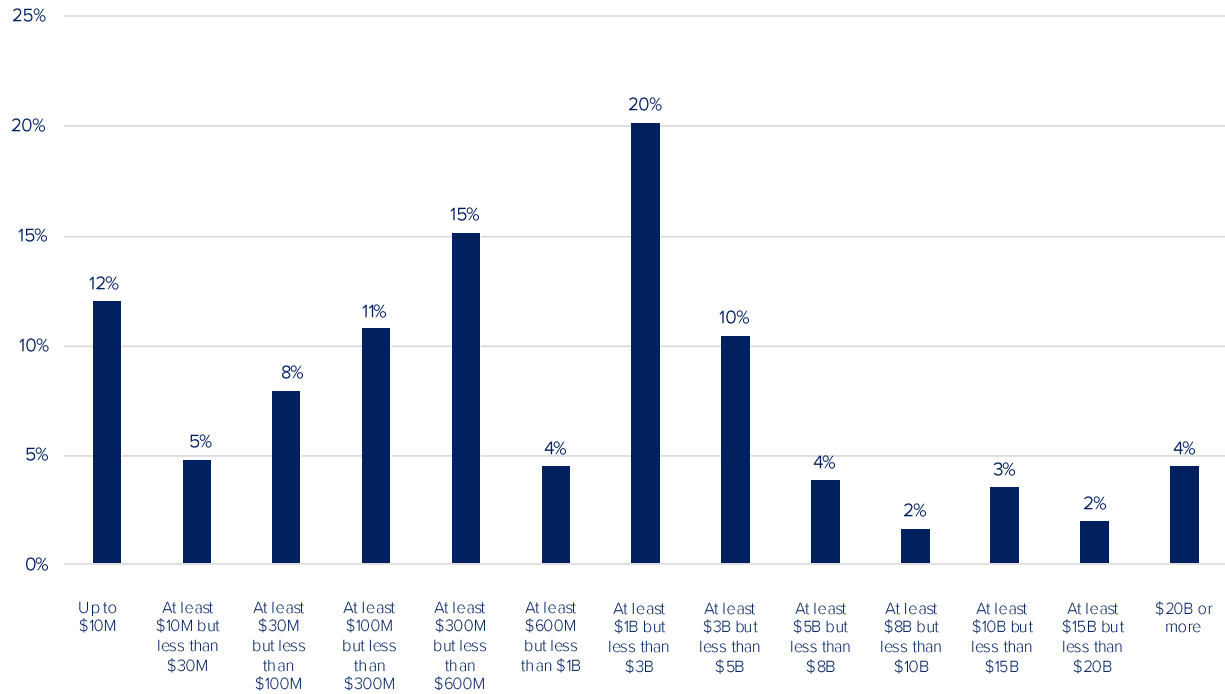
Industry



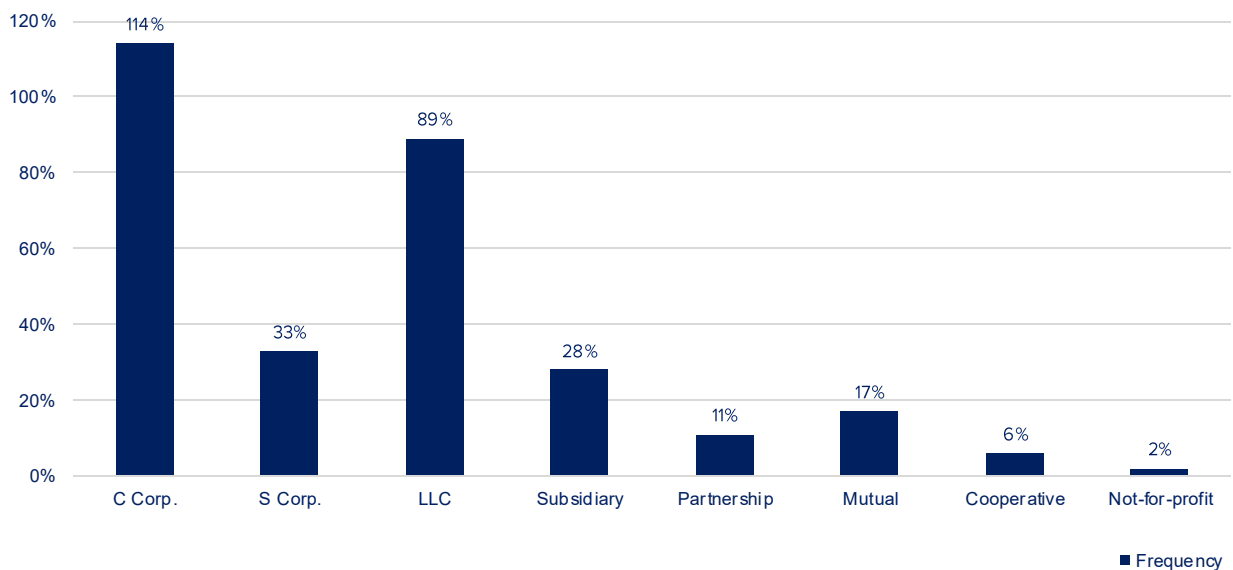
n= 319



Revenue



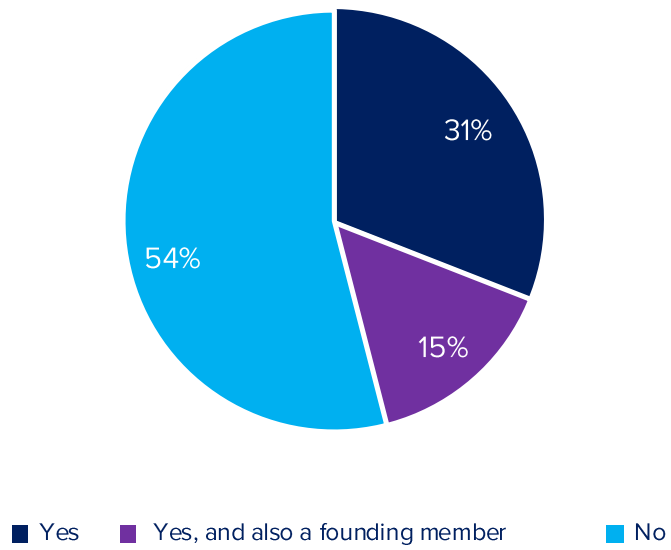
Corporate Status



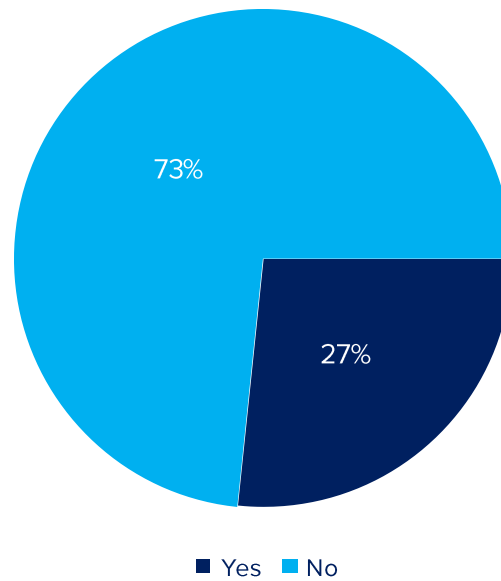
n= 319



Is CEO an owner?

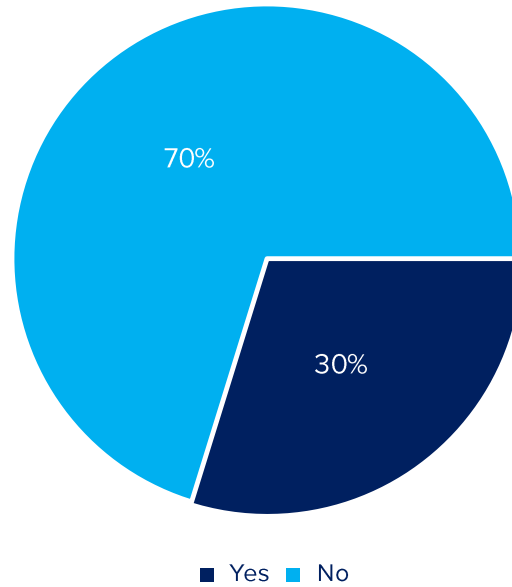


Family-owned?

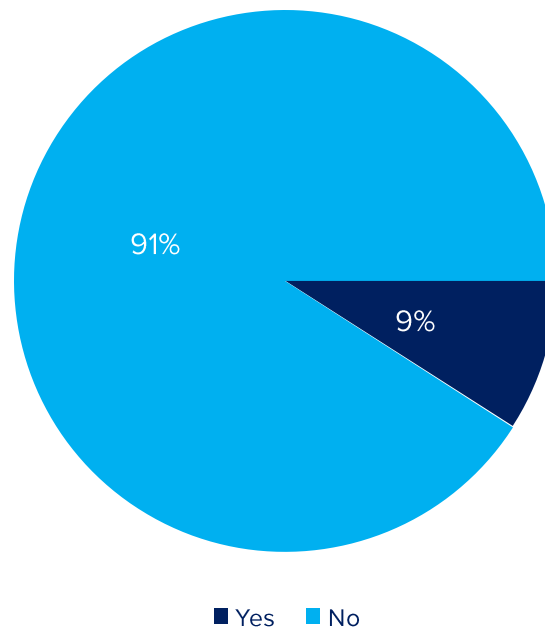


n= 319

Private-equity backed?



Contemplating an initial public offering (IPO)?



NON-PROFIT ORGANIZATIONS



INCENTIVE PAY PRACTICES

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Short Term Incentives

Table NP1: Does your organization have a short-term incentive program?

n=94	
Yes	86%
No	14%

Table NP2: How many short-term incentive programs does your organization have?

n=80	
One	33%
Two	28%
Three	18%
Four or more	23%

Table NP3: Which types of short-term incentive plans does your organization use?

Respondents could select multiple responses. Totals may exceed 100%.

n=81	
Annual incentive plan (AIP)	80%
Spot awards	59%
Discretionary bonus	40%
Retention bonus	40%
Project bonus	8%
Gainsharing plan	7%
Team/small-group incentives	5%
Profit-sharing plan	5%
Other	9%

Table NP4: Will your organization make changes to its STI plan(s) in 2023?

n=81	
Yes, we've already made changes in 2023.	19%
Yes, we're implementing changes prior to year-end.	5%
No, we haven't made changes to our STI plan(s) in 2023.	77%

Table NP5: What is your organization's approximate total U.S. annual budget / spending for short term incentives, expressed as a percentage of operating income?

	n	25th	Median	75th
Percent 2022 operating income	43	3%	5%	12%
Projected percent of 2023 operating income	41	2%	5%	8%

Table NP6: Which of the following employee types are eligible for AIP in 2023?

n=64	
CEO	88%
Other executives/officers	94%
Managers/supervisors	91%
Salaried professionals	64%
Hourly workers	55%

Table NP7: What is your organization's schedule of payouts for AIP awards?

n=65	
Monthly	2%
Quarterly	0%
Every six months	2%
Once per year	88%
Varies based on employee type	5%
Other	5%

Table NP8: How are AIP awards typically paid to employees?

Respondents could select multiple responses. Totals may exceed 100%.

n=65	
Cash	100%
Voluntary deferrals	3%

Table NP9: Does your organization's incentive program specify threshold, target and/or maximum awards for participants?

n=65	
Threshold	74%
Target	91%
Maximum	78%

Table NP10: What is the required minimum performance level that must be met in order to earn an incentive payout?

n=49	
Less than 25% of target	4%
25% of target	6%
Between 25% and 50% of target	6%
50% of target	37%
Between 50% and 75% of target	12%
75% of target	6%
Greater than 75% of target	6%
No threshold in the plan	6%
Other	18%

Table NP11: What are the target and maximum payouts for your AIP for each employee group?

TARGET				
	n	25th	Median	75th
CEO	35	35%	50%	80%
Other executives/ officers	37	20%	30%	48%
Managers/ supervisors	35	10%	12%	15%

MAXIMUM				
	n	25th	Median	75th
CEO	38	66%	103%	150%
Other executives/officers	42	36%	80%	150%
Managers/supervisors	39	17%	33%	150%
Salaried professionals	30	8%	15%	150%

Table NP12: Which of the following performance measures are used in your AIP?

Respondents could select multiple responses. Totals may exceed 100%.

n=63	
Individual	
Individual performance (including performance rating, achievement of goals, other)	63%
Financial	
A profitability measure (net income, EBITDA, operating income, EBIT, earnings per share (EPS))	67%
Revenue/revenue growth	38%
A return measure (return on equity, assets or invested capital)	8%
Cash flow/cash flow growth	5%
Economic profit	3%
Capital efficiency	3%
Other financial	11%
Operational	
Quality/defects	38%
Efficiency	25%
Cost reduction/savings	24%
Volume/orders	14%
Other operational	22%
ESG	
Customer measures (service, satisfaction, retention, new customers)	40%
Employee measures (satisfaction/engagement/culture)	25%
Diversity, equity and inclusion	16%
Safety/occupational injury	10%
Other ESG	3%

Table NP13: How many performance measures are used in your annual incentive plan?

n=58	
One measure	5%
Two measures	14%
Three measures	16%
Four measures	16%
Five measures	26%
Six measures	7%
Seven measures	3%
Eight measures	2%
Nine measures	2%
Ten or more measures	10%

Table NP14: How much does supervisor discretion/subjectivity play a role in your AIP?

n=64	
Significantly	9%
Somewhat	23%
A small amount	20%
Not at all	47%

Table NP15: Have you seen a change in the level of discretion applied in your AIP in the last 12 months?

n=81			
	More discretion	No change	Less discretion
CEO	14%	79%	7%
Other executives/officers	15%	78%	7%
Managers/supervisors	14%	77%	10%
Salaried professionals	9%	84%	7%
Hourly workers	5%	88%	7%

Table NP16: How is your AIP funded?

n=76	
Corporate-level financial hurdle or formula	61%
Discretionary	12%
Sum of individual targets	13%
Sum of individual targets with funding hurdle	5%
Division- or unit-level financial hurdle or formula	5%
Other	4%

Table NP17: Is there a minimum level of performance that your organization requires in order to fund the AIP?

n=75	
Yes	75%
No	25%

Table NP18: Are payments made under an AIP subject to a clawback policy?

n=81	
Yes, a single clawback policy for all employees including executive officers.	11%
Yes, a clawback policy that applies only to executive officers	0%
One clawback policy for executive officers and one for all other employees.	0%
Other	1%
No clawbacks in place for AIPs.	88%

NON-PROFIT ORGANIZATIONS

Table NP19: For each of the following groups, under which circumstance may a clawback be made?

	n	For financial restate- ments	For violations of code of conduct	For both
CEO & other "executive officers"	16	31%	38%	31%
Other executives	14	29%	50%	21%
Managers/supervisors	14	29%	50%	21%
Hourly workers	9	22%	56%	22%

Long Term Incentives

Table NP20: Does your organization have a long-term incentive plan/plans?

n=94		
	Yes	37%
	No	63%

Table NP21: What type(s) of long-term incentive programs does your organization offer?

Respondents could select multiple responses. Totals may exceed 100%.

n=36		
	Long-term cash plans	80%
	Nonqualified deferred compensation	18%
	Performance shares/units	3%
	Stock options	0%
	Restricted stock/restricted stock units (RSU)	0%
	Phantom stock	0%
	Stock appreciation right (SAR)	0%
	Other	0%

Table NP22: Did your organization add or modify a long-term incentive plan for 2023?

n=36		
	Yes	31%
	No	69%

Table NP23: Will your organization make changes to its LTI plan(s) in 2023?

n=35	
Yes, we've already made changes in 2023.	20%
Yes, we're implementing changes prior to year-end.	5%
No, we haven't made changes to our LTI plan(s) in 2023.	75%

Table NP24: What are the top three objectives of your long-term incentive programs?

Respondents could select up to 3 responses. Totals may exceed 100%.

n=33	
Align employee rewards with long-term organization goals	79%
Focus employees on specific long-term goals	58%
To be competitive with other employers	42%
Reduce employee turnover and improve retention	33%
Reward employees	24%
Recruit qualified employees	15%
Share the organization's financial success with employees	9%
Promote employee ownership	6%
Provide participants with a wealth-accumulation opportunity	3%
Other	0%

Table NP25: How many long-term incentive vehicles does your organization use?

n=32		
	One	81%
	Two	9%
	Three	3%
	Four	0%
	Five or more	6%

Table NP26: Are your long-term incentive awards time-based or performance based?

n=33		
	All time based	6%
	All performance based	33%
	Combination of time and performance	61%

Table NP27: Which employee levels are eligible to receive long-term incentives?

Respondents could select multiple responses. Totals may exceed 100%.

n=34		
	CEO	100%
	Direct reports of the CEO	91%
	Other officers/executives	68%
	Managers/ supervisors	6%
	Salaried professionals	6%
	Hourly workers	6%

Table NP25: How many long-term incentive vehicles does your organization use?

n=32		
	One	81%
	Two	9%
	Three	3%
	Four	0%
	Five or more	6%

Table NP26: Are your long-term incentive awards time-based or performance based?

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Table NP27: Which employee levels are eligible to receive long-term incentives?

Respondents could select multiple responses. Totals may exceed 100%.

n=34		
	CEO	100%
	Direct reports of the CEO	91%
	Other officers/executives	68%
	Managers/ supervisors	6%
	Salaried professionals	6%
	Hourly workers	6%

Table NP28: What percent of employees in each of the following categories actually received LTI awards in 2023?

	n	25th	Median	75th
CEO	29	100%	100%	100%
All other officers/executives	28	80%	100%	100%
Managers/supervisors	13	0%	0%	0%
Salaried professionals	13	0%	0%	0%
Hourly workers	13	0%	0%	0%

Table NP29: What is the typical grant frequency of long-term incentive awards?

n=33	
Annually	64%
Every three years	33%
Every two years	3%
At hire/promotion	0%
Special one-time grants	0%
Other	0%

Table NP30: What is the most common vesting and/or performance period for your organization's long-term incentive awards?

n=35	
At grant/no vesting	11%
One year	0%
Two years	0%
Three years	86%
Four years	0%
Five or more years	3%

Table NP31: Are payments made under an LTI plan subject to a clawback policy?

n=35	
Yes, a single clawback policy for all employees including executive officers.	11%
Yes, a clawback policy that applies only to executive officers.	9%
One clawback policy for executive officers and one for all other employees.	0%
Other	3%
No clawbacks in place for LTI plans.	77%

Table NP32: What are the performance measures used to determine the number of shares or units, or the amount of cash earned?

Respondents could select multiple responses. Totals may exceed 100%.

n=31	
A profitability measure (earnings per share (EPS), net income, operating income/EBIT, EBITDA, etc.)	74%
Strategic measure (e.g. growth in channel, product line, geography)	48%
Annual sales/revenue	32%
Diversity, equity and inclusion (DE&I) measure	23%
A return measure (return on equity, assets or investment)	13%
Economic profit or similar	10%
Cash flow	10%
Environmental, social or governance (ESG) measure, except for DEI	13%
Stock price	0%
Total shareholder return (TSR)	0%
Other	10%

Table NP33: Do your organization's LTI performance awards specify performance thresholds, target payout levels and/or maximum payout levels?

n=35	
Threshold	80%
Target	91%
Maximum	80%

NON-PROFIT ORGANIZATIONS

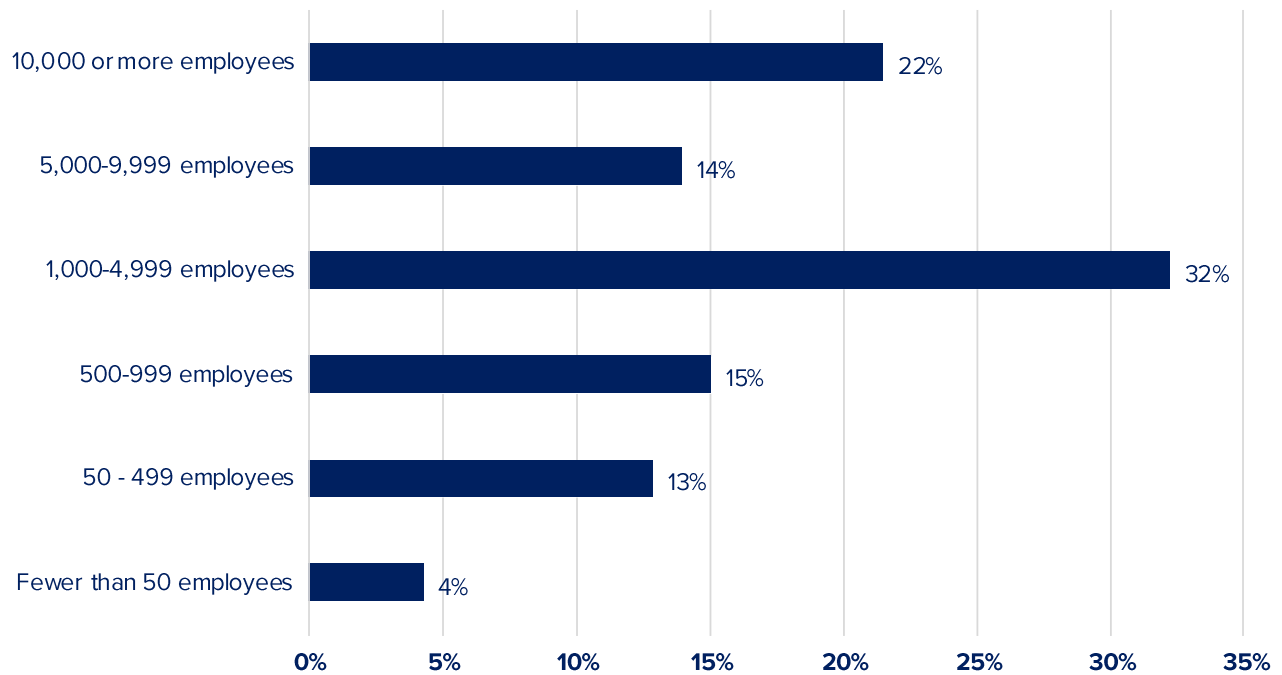
PARTICIPANT DEMOGRAPHICS



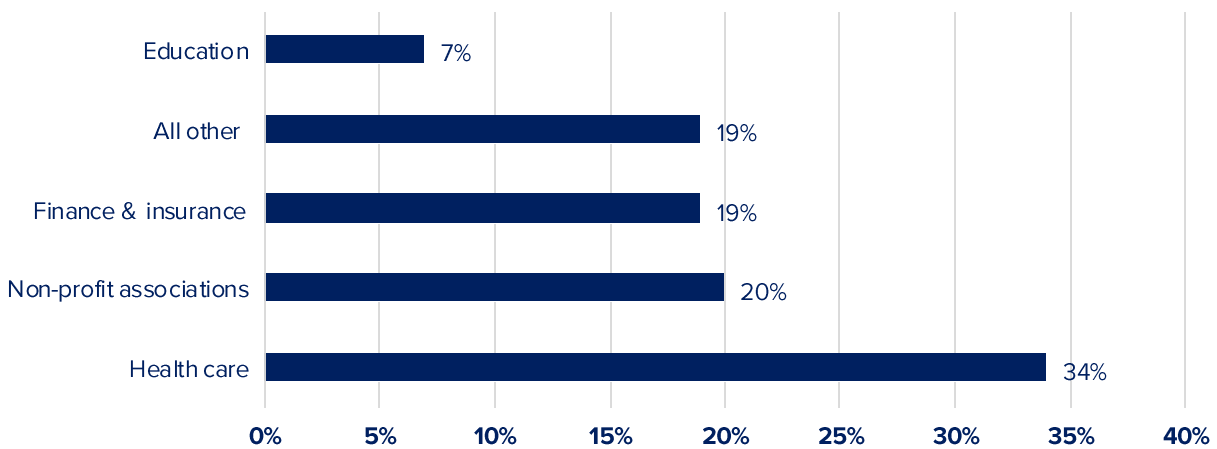
INCENTIVE PAY PRACTICES

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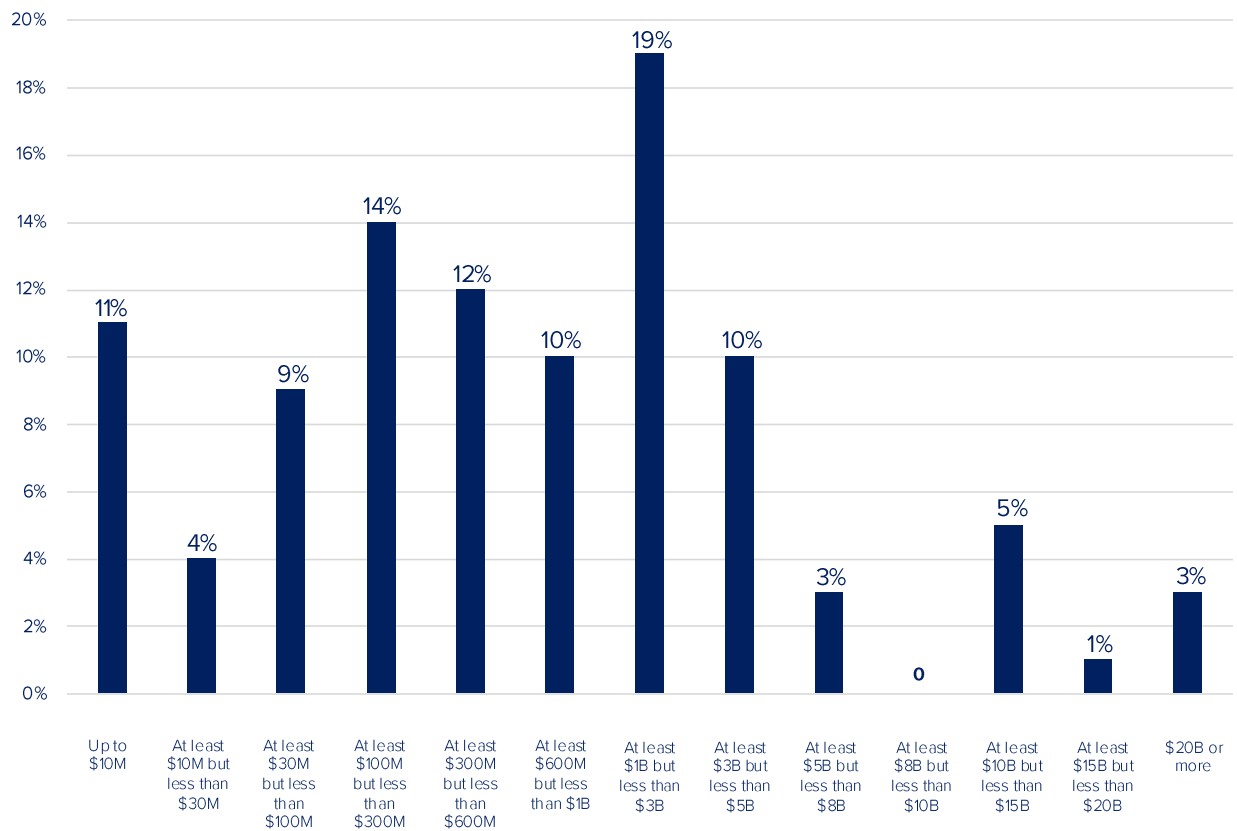
Industry



n= 94



Revenue



n= 94



GOVERNMENT ORGANIZATIONS



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Short Term Incentives

Table GV1: Does your organization have a short-term incentive program?

n=33		
	Yes	48%
	No	52%

Long Term Incentives

Table GV2: Does your organization have a long-term incentive plan/plans?

n=33		
	Yes	9%
	No	91%

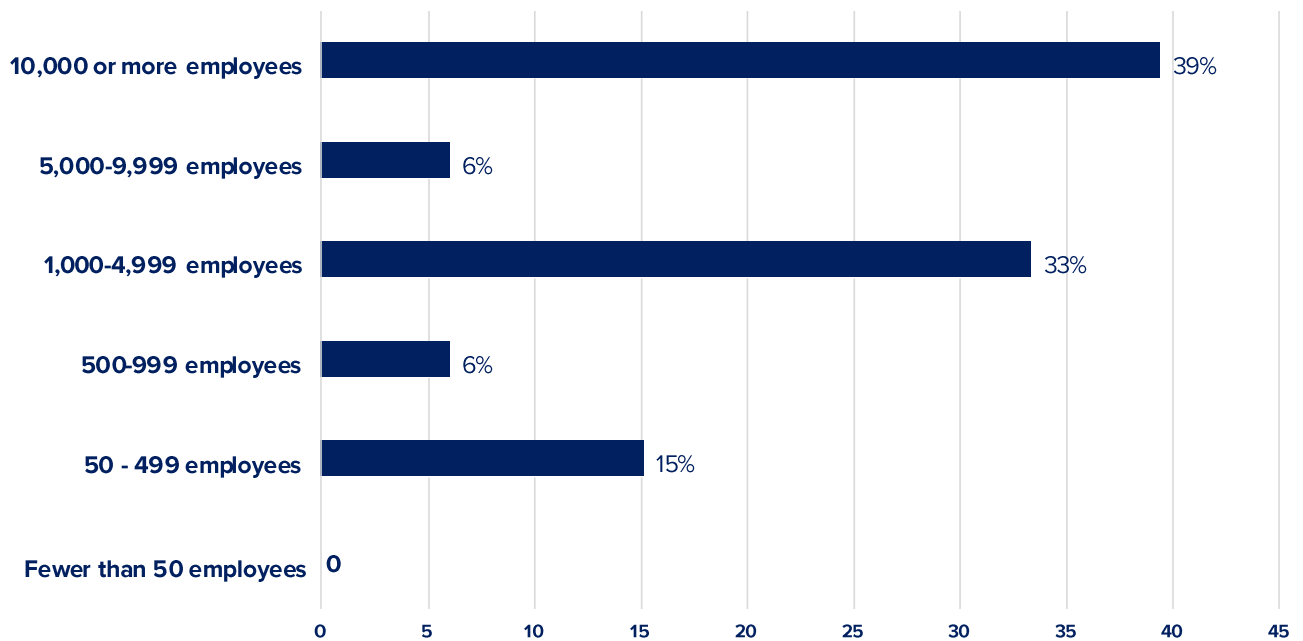
GOVERNMENT ORGANIZATIONS PARTICIPANT DEMOGRAPHICS



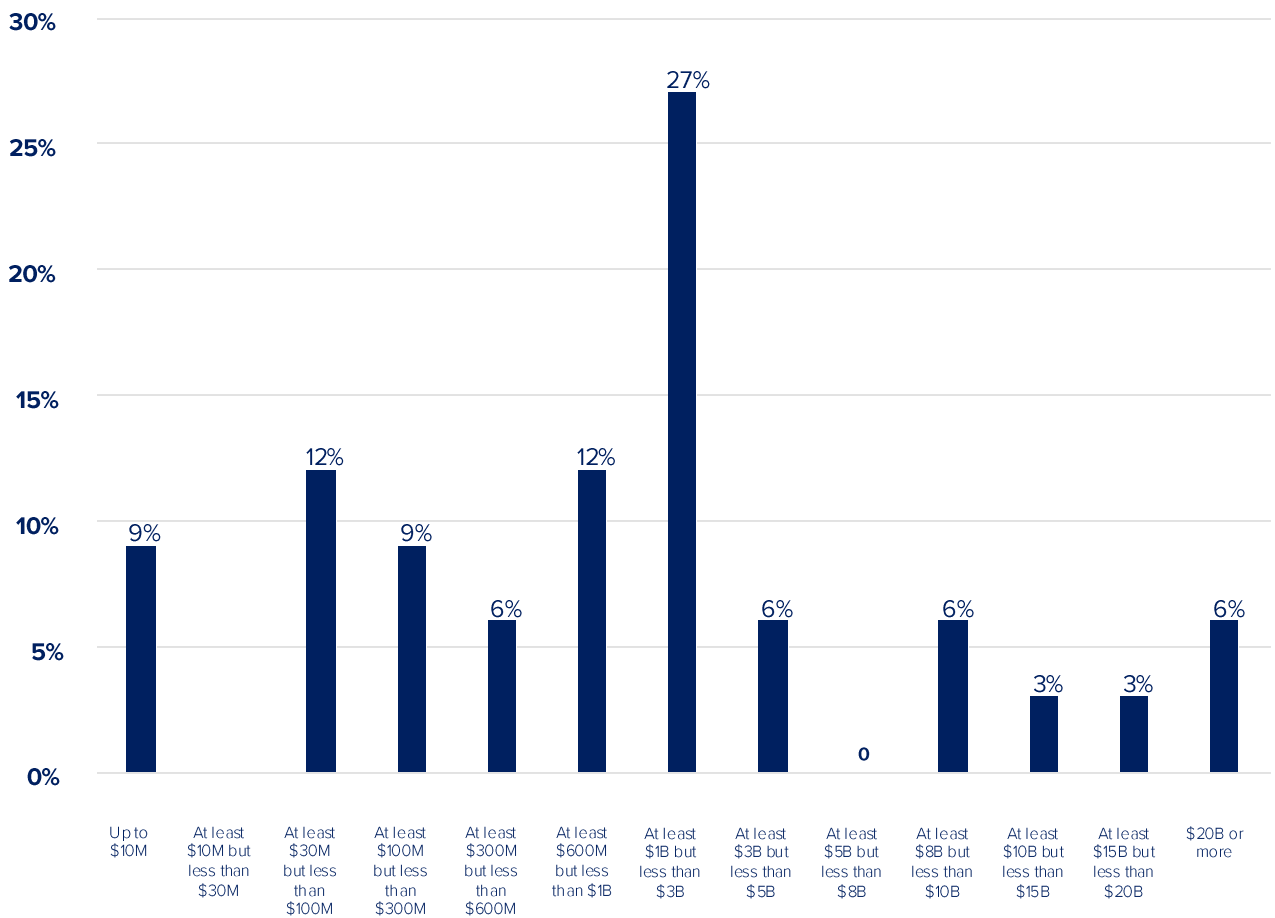
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Size



Revenue



n= 33



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