2021 / 2022

OIL AND GAS OILFIELD SERVICES (OFS) COMPENSATION REPORT

ANALYSIS OF COMPENSATION ARRANGEMENTS AMONG THE LARGEST U.S. OFS COMPANIES

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EQUILAR

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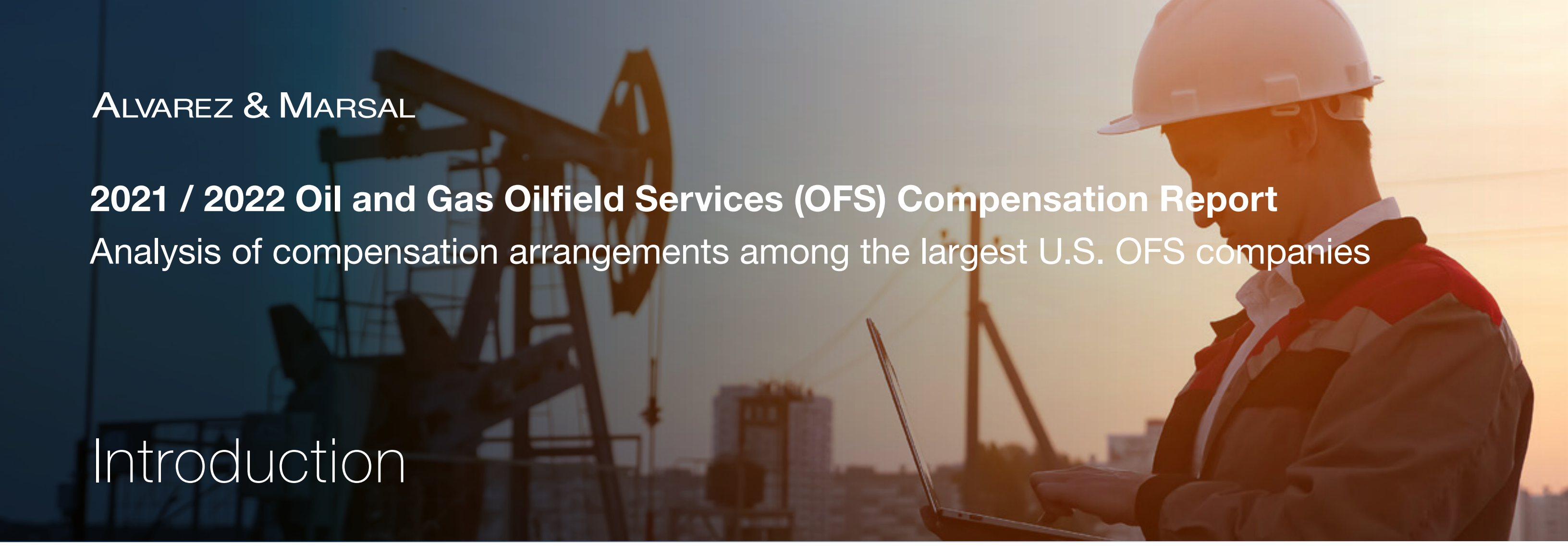


ALVAREZ & MARSAL

2021 / 2022 Oil and Gas Oilfield Services (OFS) Compensation Report

Analysis of compensation arrangements among the largest U.S. OFS companies

Introduction

Effective compensation programs are critical to attract, retain and drive performance of executives. Companies should ensure that their executive compensation programs are aligned with the market throughout each potential phase of a company's life cycle, including initial public offering (IPO), transaction / merger, steady state and bankruptcy.

To understand compensation practices in the energy sector, specifically for oilfield services (OFS) companies, the Compensation and Benefits Practice of Alvarez & Marsal (A&M) examined the 2021 proxy statements of the largest OFS companies in the U.S.

Where possible, this analysis includes only companies with revenue derived primarily from OFS activities (i.e., not primarily exploration, production, refining, etc.).[1] The report excludes companies that did not disclose sufficient data on their compensation programs, such as companies that recently went through an IPO or companies that have recently undergone a restructuring or bankruptcy.

The data presents the plan structures disclosed by these companies. Where warranted, current data is compared to data collected in our prior studies.

***Alvarez & Marsal's Compensation and Benefits Practice** has partnered with **Equilar** and is pleased to provide this latest edition of our study on OFS Compensation.*

Our mission is to help companies understand the current environment surrounding compensation in the OFS sector.

Company Statistics

The 56 companies analyzed in this report are diverse in terms of size. For comparison purposes, we grouped the companies in quartiles based on enterprise value as shown below:

Quartile	Enterprise Value Range*	Median
Top Quartile	$2.0B — $44.9B	$3.9B
Second Quartile	$654M — $1.9B	$987M
Third Quartile	$307M — $610M	$405M
Bottom Quartile	$76M — $284M	$143M

*Enterprise Value as of January 4, 2021.

(1) For an analysis of the top oil and gas exploration & production companies, please see our 2021 / 2022 Oil and Gas Exploration & Production (E&P) Compensation Report.

Equilar Commentary: *Over the past year, companies re-evaluated their incentive plans. Many performance metrics that were set before March 2020 were no longer possible to achieve because of the pandemic, resulting in plan modifications or discretionary increases. In 2021, shareholders might not be as understanding about these changes as the economy continues its recovery. Companies will still have difficulty setting goals that are rigorous enough to account for the bounce back in the economy but not too rigorous as the impact of the pandemic is still evolving.*

2020 Compensation Reductions / Restorations

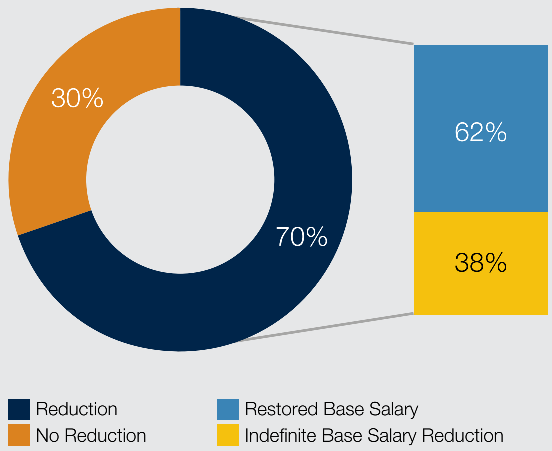
As a result of plummeting oil prices caused by the COVID-19 pandemic and the Russia-Saudi Arabia oil price war, many OFS companies announced changes to their 2020 executive compensation programs. A&M monitored compensation changes announced throughout all industries to ensure clients were staying up-to-date in an ever-evolving market. In the OFS sector, numerous companies announced reductions in executive compensation during 2020 – among those included in this study, 70 percent announced reductions to base salary.

However, as the economy continued to recover and the price of oil and other commodities increased, many OFS companies have announced a return to pre-pandemic levels of compensation. Of the 70 percent of companies that announced base salary reductions in 2020, 62 percent have announced a return to pre-pandemic levels of base salary.

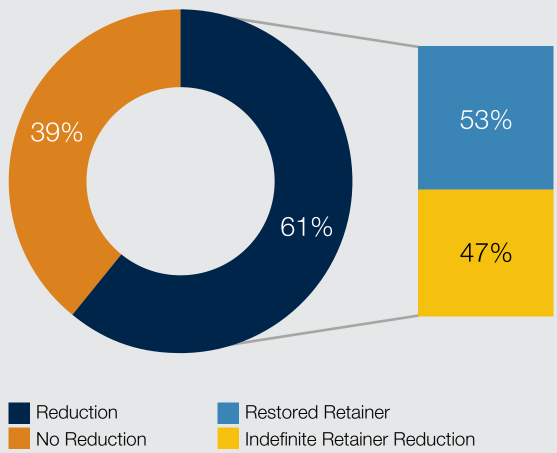
With regard to board of director compensation, in 2020, 61 percent of the OFS companies analyzed announced some type of retainer reduction (typically to the cash retainer).

Of the 61 percent of the OFS companies that reduced board retainers, 53 percent have announced a return to pre-pandemic levels of director compensation. A&M expects board compensation to stabilize or increase in the near future due to cash and/or equity retainers continuing to be restored to pre-pandemic levels.

Executive Base Salary Reductions and Restoration



Director Retainer Reductions and Restoration



Key Takeaways

Total Compensation

- Compared to last year, the average total compensation for CEOs and CFOs decreased slightly, primarily due to the temporary compensation reductions relating to COVID-19 and the Russia-Saudi Arabia oil price war. As the economy and the commodity price environment continue to recover, A&M expects a gradual upward movement in compensation levels.
- For board of director compensation, A&M observed similar reductions in cash and equity retainers for similar reasons as the reductions for CEO and CFO compensation.

Annual and Long-Term Incentive Compensation

- On average, incentive compensation — including annual and long-term incentives — comprises approximately 79 percent of a CEO's and 69 percent of a CFO's total compensation package.
- None of companies in the top two quartiles utilize annual incentive plans (AIPs) where payout is determined on a purely discretionary basis, while approximately 25 percent of companies in the bottom two quartiles utilize totally discretionary performance metrics.
- The types of AIP metrics utilized within the sector are varied and diverse. EBITDA and health / safety / environmental are the most prevalent performance metrics (each 67 percent). The next three most prevalent metrics are cash flow (31 percent), revenue (11 percent) and cost / cost ratio (9 percent). Use of Environmental, Social and Governance (ESG) metrics continues to grow, and the most common weighting for such metrics is 10 percent of the overall AIP.
- The prevalence of LTI awards varies by company size, but time-vesting restricted stock / restricted stock units and performance-vesting awards are most common, utilized by 77 percent and 68 percent of companies, respectively.
- For performance-based LTI awards, relative total shareholder return (TSR) is the most common performance metric — used by 74 percent of companies with performance plans.

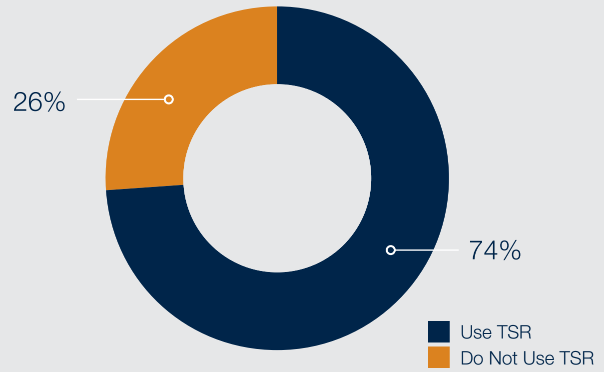
Total Compensation

CEO	CFO
-7%	-6%
Decrease	**Decrease**
2021 Average Compensation $4,363,224	2021 Average Compensation $1,652,940

Incentive Compensation Component

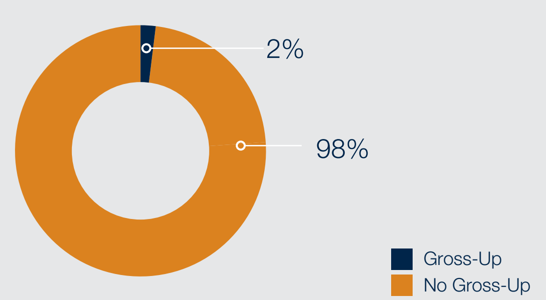
CEO	CFO
79%	69%
Of Total Pay	**Of Total Pay**

TSR Prevalence



Severance and Change in Control Benefits

- Continued uncertainty and consolidation in the OFS industry has brought attention to the need for market-based severance programs for executives.
- The most common non-change in control involuntary termination (Non-CIC Involuntary Termination) cash severance multiples for CEOs are between 2 and 2.99 (applicable to 59 percent of the CEOs) and for CFOs the most common multiples are between 1 and 1.99 (applicable to 72 percent of CFOs).
- The most common change in control involuntary termination (CIC Involuntary Termination) cash severance multiples for CEOs and CFOs are between 2 and 2.99 times compensation (applicable to 58 percent of the CEOs and 62 percent of the CFOs in this report).
- The most valuable benefit received in connection with a Non-CIC Involuntary Termination is cash-based severance equal to a multiple of annual base salary, making up 43 percent and 52 percent of the total severance benefits for CEOs and CFOs, respectively.
- The most valuable benefit received in connection with a CIC Involuntary Termination is accelerated vesting and payout of LTI, making up 47 percent of the total severance benefit for both CEOs and CFOs.
- Double trigger equity vesting (termination required) is most prevalent (64 percent), while single trigger equity vesting (no termination required) is not as common (32 percent).
- As shown below, excise-tax gross-ups are not very prevalent among OFS companies.



Bankruptcy Compensation

- More than 60 OFS companies in the US filed for bankruptcy in 2020, making it the most active year for bankruptcy filings since 2016.
- Incentive programs, when properly structured, can help bridge the compensation gap between the onset of financial hardship and a healthy go-forward restructuring.
- When emerging from bankruptcy, equity awards held by employees pre-bankruptcy generally have no value. Lack of meaningful equity ownership in the go-forward entity, coupled with an uncertain company future, leads to difficulties retaining and motivating key executives post-emergence.
- Emergence equity grants (sometimes referred to as a Management Incentive Plan (MIP)) are a way to ensure that companies retain motivated personnel who are vital to a successful post-emergence entity.

Initial Public Offerings (IPO) – Items to Consider

- As commodity prices have rebounded since 2020, the market for IPOs has seen more private energy companies looking to go public via special purpose acquisition companies (SPACs) or a more traditional IPO route.
- Addressing compensation-related issues is crucial when preparing for an IPO.
  - Plan design – Selecting a peer group, compensation and design benchmarking and governance policies
  - Legal disclosures – Form S-1 compensation disclosure and Form 8-K compensation related disclosure
  - Financial impact – Tax and accounting impact of equity grants and cost of plan changes
  - Plan rules and limits – Amendments to existing plans and expected overhang and dilution rates
  - Special arrangements – Founders' awards, director compensation and change in control arrangements

Equilar Commentary:

Overall we saw a decrease in CEO compensation among Equilar 500 companies in 2020. The median declined 1.5 percent from $12.2 million in 2019 to $12.0 million in 2020. The energy sector saw the largest decline. This was largely a result of salary reductions and lower bonus payouts related to COVID-19. Among companies that granted stock awards, grant date values increased 9.7 percent from $6.1 million in 2019 to $6.7 million in 2020. Given this, it is likely that the decline in CEO compensation will not continue into 2021 as cash compensation returns to pre-COVID-19 levels.

Total Compensation

We captured the summary compensation table data disclosed in the 2021 proxy statement for each company. The most prevalent forms of compensation include base salary, AIP and LTI awards.

The following tables show the average values for each element of compensation broken out by quartile for CEOs and CFOs:

Chief Executive Officer Annual Compensation					
Enterprise Value Rank	**Base Salary**	**Annual Incentives**	**Long-Term Incentives**	**Other Compensation[1]**	**Total**
Top Quartile Average	$927,691	$1,990,148	$5,216,531	$759,173	$8,893,543
Second Quartile Average	$648,564	$834,993	$2,852,419	$114,763	$4,450,739
Third Quartile Average	$585,926	$404,116	$1,492,252	$119,918	$2,602,212
Bottom Quartile Average	$424,785	$399,440	$659,455	$22,721	$1,506,401
2021 – Average	**$646,741**	**$907,174**	**$2,555,164**	**$254,144**	**$4,363,224**
Year-Over-Year Change[2]					**-7%**

Chief Financial Officer Annual Compensation					
Enterprise Value Rank	**Base Salary**	**Annual Incentives**	**Long-Term Incentives**	**Other Compensation[1]**	**Total**
Top Quartile Average	$549,624	$425,068	$1,749,088	$413,711	$3,137,490
Second Quartile Average	$364,873	$408,781	$781,201	$42,505	$1,597,360
Third Quartile Average	$329,004	$179,144	$489,136	$42,852	$1,040,137
Bottom Quartile Average	$275,527	$193,248	$244,624	$13,453	$726,853
2021 – Average	**$382,627**	**$305,833**	**$832,647**	**$131,833**	**$1,652,940**
Year-Over-Year Change[2]					**-6%**

[1] Other Compensation includes: change in pension value, above market earnings, and “all other compensation” as disclosed in each company’s proxy statement.
[2] Includes only executives in both the 2020 / 2021 and 2021 / 2022 studies. Represents median year-over-year change.

The first quartile represents the highest paying quartile by a wide margin, representing nearly half of all compensation paid to CEOs and CFOs in our report.

Compared to compensation disclosed in 2020, total compensation for both CEOs and CFOs slightly decreased due to the challenges in the industry caused by COVID-19 and the Russia-Saudi Arabia oil price war of 2020.

Total Compensation

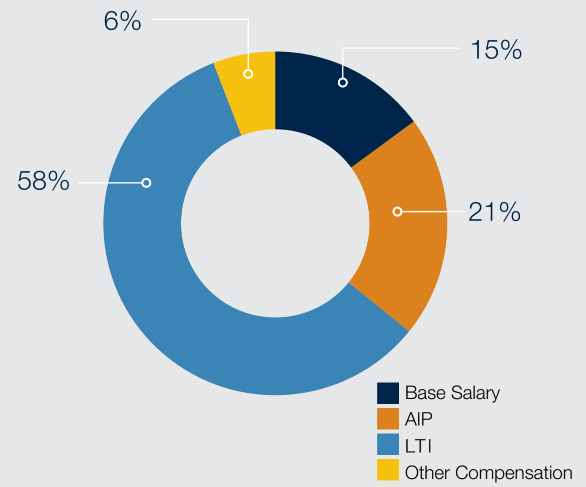
On average, incentive compensation — including annual and long-term incentives — comprises 74 percent of an executive's total compensation package. The charts to the right show the proportion of total direct compensation delivered in base salary, AIP, LTI awards and other compensation for CEOs and CFOs.

Because incentive compensation is such an integral part of the total compensation package for executives at most companies, we examine annual and long-term incentive programs in greater detail later in this report.

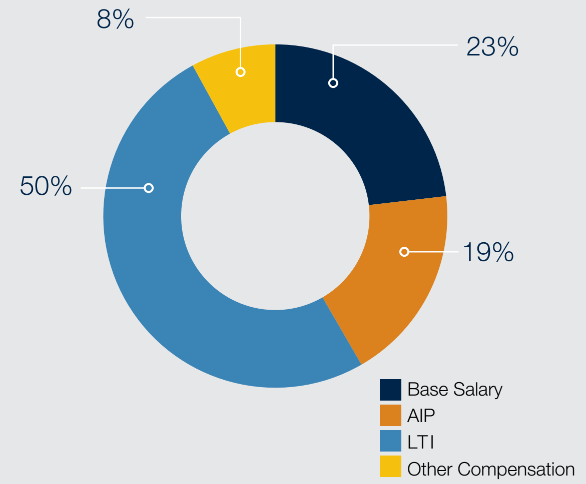
74%

Average portion of an executive's total compensation package derived from incentive compensation

CEO Total Compensation



CFO Total Compensation



CEO Pay Ratio

The SEC's "CEO Pay Ratio" rule took effect for companies with full fiscal years beginning on or after January 1, 2017. Accordingly, proxy statements filed in 2021 mark the fourth time that most companies were required to disclose their CEO pay ratio. The CEO pay ratio is calculated as the total compensation of the CEO divided by the total compensation of the "median" employee of a company.

Various methodologies are permitted to calculate the compensation of the CEO and the median employee. Therefore, companies must evaluate which methodologies make the most sense and consider administrative burden, corporate structure, etc., in their decision making.

The chart below summarizes CEO pay ratio statistics within each quartile:

While it remains unclear what constitutes a "good" CEO pay ratio, the data reflects that a ratio of 50x–200x is most prevalent.

Equilar Commentary:
We've seen ESG related metrics (diversity, employee engagement, environmental and safety) increase in the Equilar 500 from 16.6 percent of AIPs in 2016 to 22.7 percent of AIPs in 2020. Employee engagement and environmental metrics saw the largest percent increase over the five year period.

Annual Incentive Plans

As is the case in most industries, companies in the OFS sector generally provide an opportunity for executives to participate in AIPs, also commonly called bonus programs. AIPs utilize performance metrics that are generally measured over a one-year period.

Discretionary vs. Formulaic

For this analysis, we grouped AIPs into the following three categories based on how the AIP payout is determined:

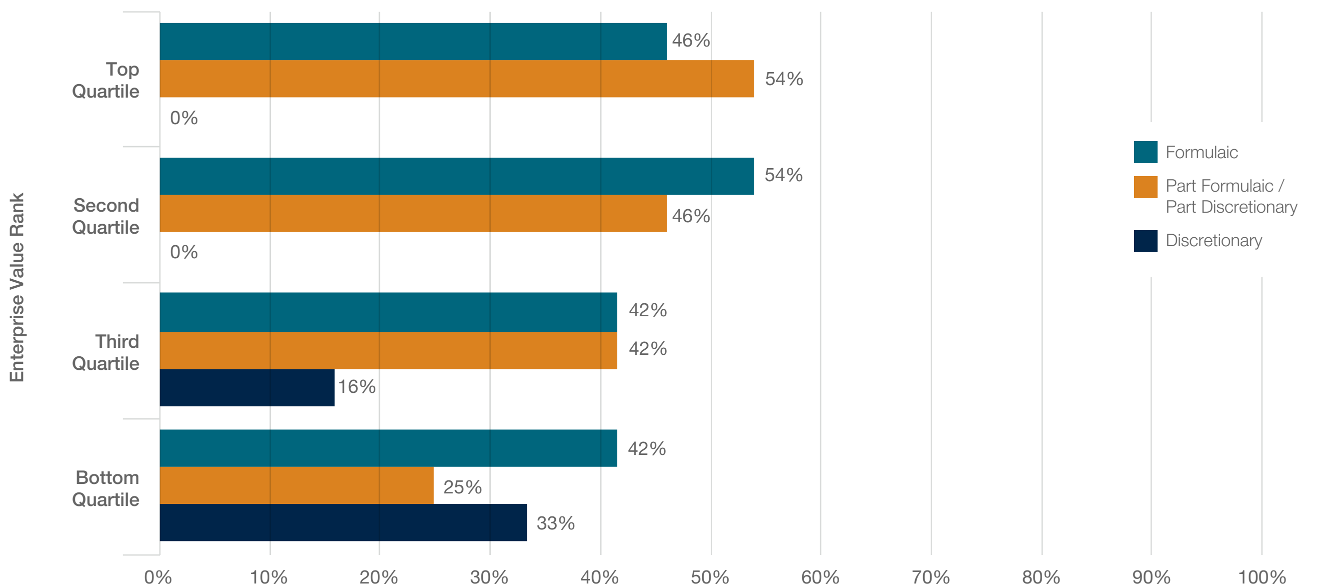
- **Formulaic –** The plan utilizes predetermined performance criteria with established targets that will determine payout, and the compensation committee does not have discretion to adjust payouts (other than negative discretion).
- **Discretionary –** The plan may or may not utilize specific, preestablished performance criteria, but the compensation committee maintains absolute discretion to adjust payout levels upward and downward.
- **Part Formulaic / Part Discretionary –** The plan utilizes certain metrics in which payout is determined formulaically and others in which payout is determined at the discretion of the compensation committee.

As shown in the chart below, between 42 and 54 percent of companies, depending on the quartile, maintain a purely formulaic AIP. Notably, no companies in the top two quartiles use a purely discretionary plan. Forty-two percent of all companies utilize a part formulaic / part discretionary plan.

Section 162(m) of the Internal Revenue Code previously required that compensation in excess of $1 million be performance-based in order to be tax deductible. Although the performance-based exception has been eliminated, we have not seen noticeable shifts by companies toward discretionary plan designs.

Although there is no longer a tax incentive for performance-based plans, companies are continuing to consider input from shareholder advisory firms as well as common market practices when structuring AIPs.

Discretionary vs. Formulaic by Enterprise Value



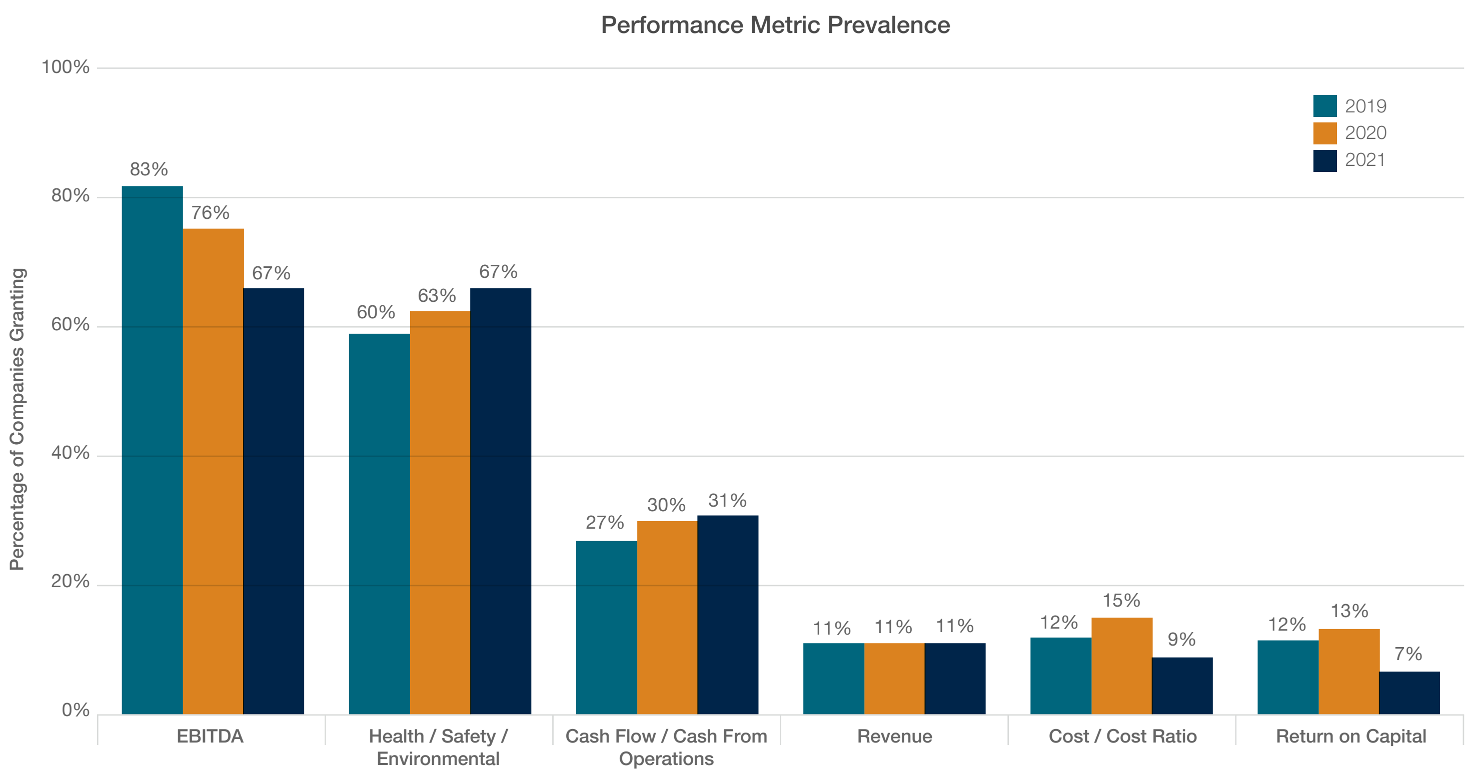
Annual Incentive Plans

Companies utilize formulaic compensation programs to provide clarity to executives and shareholders on how compensation will be determined. Some companies maintain discretion over the payout of AIPs to allow them to adjust the payouts for events that are unforeseen and/or out of the executives' control. Some companies exercise discretion by implementing an AIP with a formulaic trigger (e.g., achieving a certain level of EBITDA or cash flow, etc.) to fund a bonus pool, which can then be allocated at the discretion of the board.

Performance Metrics

Generally, as company size increases, companies have a stronger preference to utilize stated performance metrics. It is important to note that simply because a plan utilizes performance metrics, it may not necessarily be classified as "formulaic." Based on the terms of the plan, it may ultimately be classified as "discretionary" if the board retains full discretion to adjust payouts (higher or lower) under the plan.

The chart below displays the most prevalent metrics used in AIPs. EBITDA and health / safety / environmental are the most prevalent metrics, each utilized by 67 percent of companies. Cash flow is the next most prevalent metric, utilized by 31 percent of OFS companies, followed by revenue, utilized by 11 percent of OFS companies.



The prevalence of performance metrics generally remained consistent with last year's report, with a decrease in the use of EBITDA as a metric and with more focus placed on health / safety / environmental.

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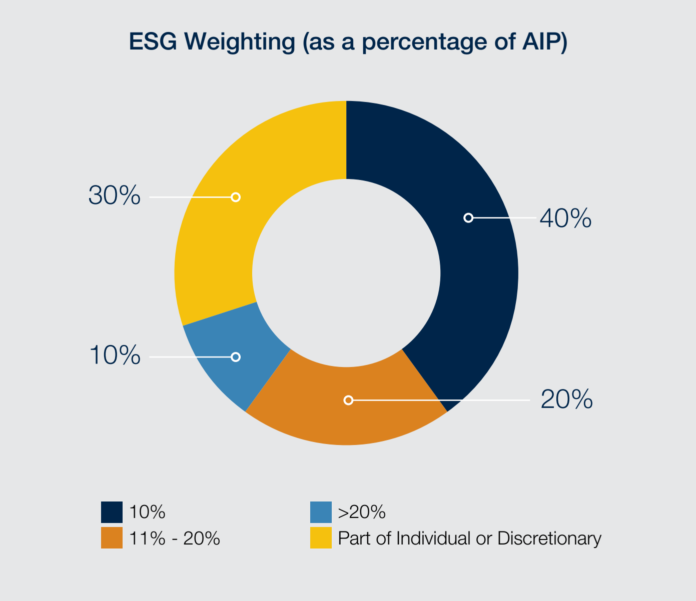
Environmental, Social and Governance Metrics

Due to continued engagement with institutional shareholders, OFS companies have been further evaluating the need for ESG metrics in their executive compensation programs. Of the OFS companies analyzed by A&M, 54 percent have disclosed established ESG targets within their annual incentive programs (67 percent of companies with disclosed established AIP metrics).

While there is a great deal of variation by company on the weighting of ESG metrics, the most prevalent weighting falls around 10 percent of the overall plan. Many companies do not assign a specific weighting to ESG metrics, but instead incorporate elements of ESG into the individual or discretionary performance sections of their AIP.



Payout Multiples

The chart below shows the target level of AIPs as a percentage of base salary for CEOs and CFOs. The median target payout is approximately 105 percent of base salary for CEOs and 80 percent of base salary for CFOs. When disclosed, threshold payout generally ranges from 25 percent to 50 percent of the target, and maximum payout is generally 200 percent of the target.

Equilar Commentary:

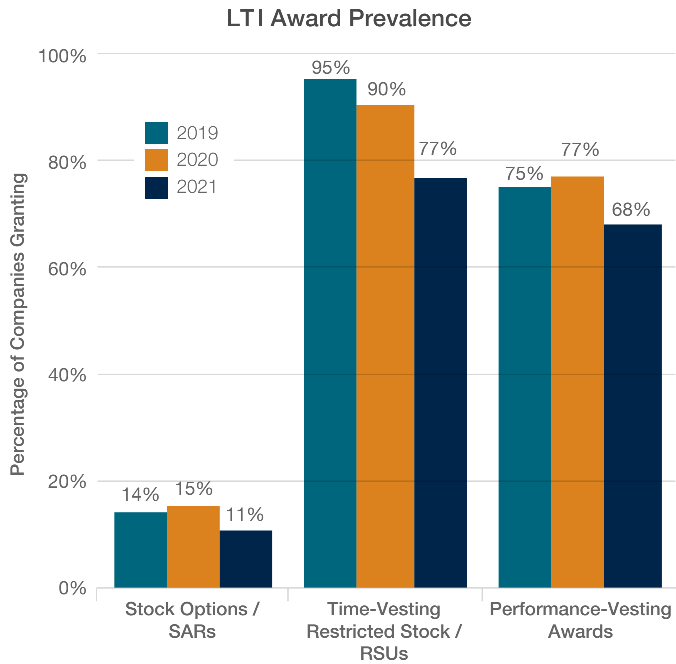
Shareholders typically demand a more formulaic approach to LTI awards compared to annual awards, and accordingly LTI plans have consistently utilized financial and shareholder return metrics that are easily measurable. While the recent growth in ESG metrics has resulted in a few large cap companies adding such metrics in 2020 or 2021, that growth significantly trails the increase in ESG metric usage in annual plans.

Long-Term Incentives

Overview

Companies grant LTI to motivate and retain executives and to align the interests of executives and shareholders. Nearly all of OFS companies analyzed grant some form of LTI award to executives. LTI generally consists of stock options, stock appreciation rights (SARs), time-vesting restricted stock or restricted stock units (RSUs) and performance-vesting awards (i.e., awards that vest upon satisfaction of some performance criteria rather that solely based on the passage of time). For purposes of this analysis, we grouped awards into three categories: (1) stock options and SARs, (2) time-vesting restricted stock and RSUs and (3) performance-vesting awards.

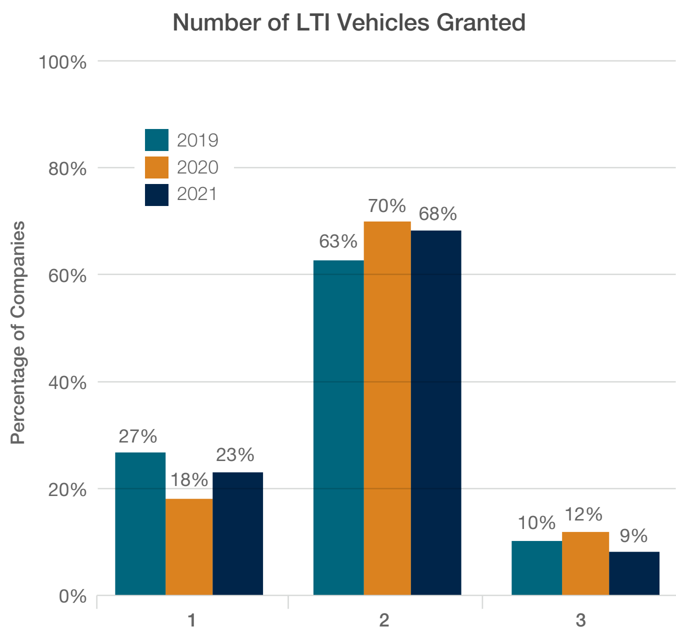
Compared to previous surveys, LTI prevalence decreased in usage. This was due to bankruptcies as well as companies converting to cash-based programs to preserve equity pools. A&M expects an increase in equity usage in subsequent surveys.



Award Type Prevalence

The chart in the top right shows the prevalence of stock options / SARs, time-vesting restricted stock / RSUs and performance-vesting awards for all companies.

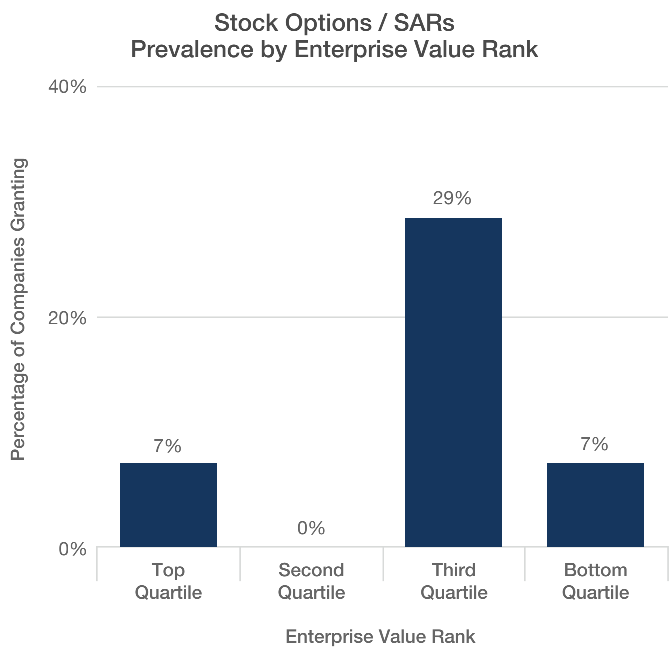
- As previously noted, the prevalence of LTI vehicles was down this year, due primarily to temporary suspensions of LTI programs as a result of macroeconomic conditions and the resulting pressure on stock prices and share reserves.
- Time-vesting restricted stock / RSUs and performance-vesting awards remained the most prevalent vehicles year-over-year.
- Stock options / SARs remained the least prevalent LTI vehicle utilized, as they provide little to no value to an executive in a down or flat market, which reduces (or eliminates) the retentive value of this type of award.
- Most companies that utilize performance-vesting awards or stock options also grant time-vesting restricted stock or RSUs to balance out the retentive goal of their LTI program. The chart to the right shows the number of LTI vehicles granted by each company. Consistent with prior years, a majority of companies (77 percent) grant two or more types of LTI vehicles.



Long-Term Incentives

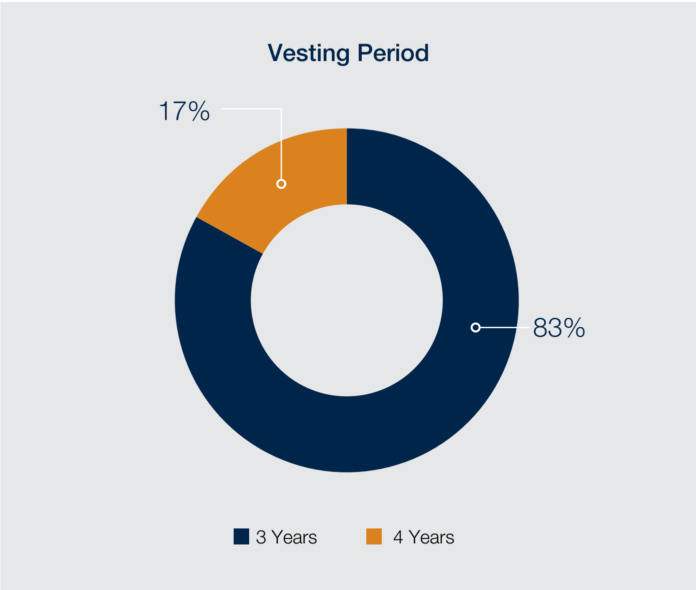
Stock Options / Stock Appreciation Rights

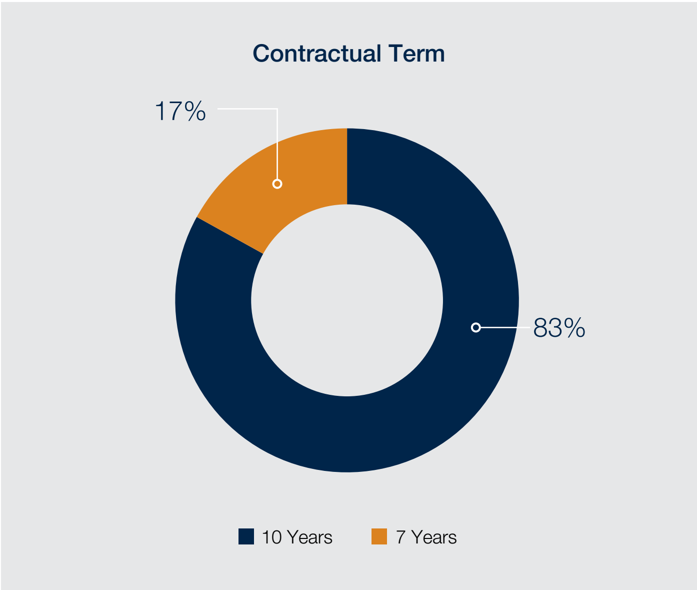
The chart to the right shows the percentage of companies that grant stock options / SARs by enterprise value.



Award Provisions

- Stock option awards predominantly consist of nonqualified stock options rather than tax-favored incentive stock options.
- All the companies granting options in the study utilize ratable vesting (a portion of the award vests each year during the vesting period) versus cliff vesting (the entire award vests at the end of the vesting period).
- The charts below show the prevalence of various vesting periods and contractual terms for companies in our study group that granted stock options:

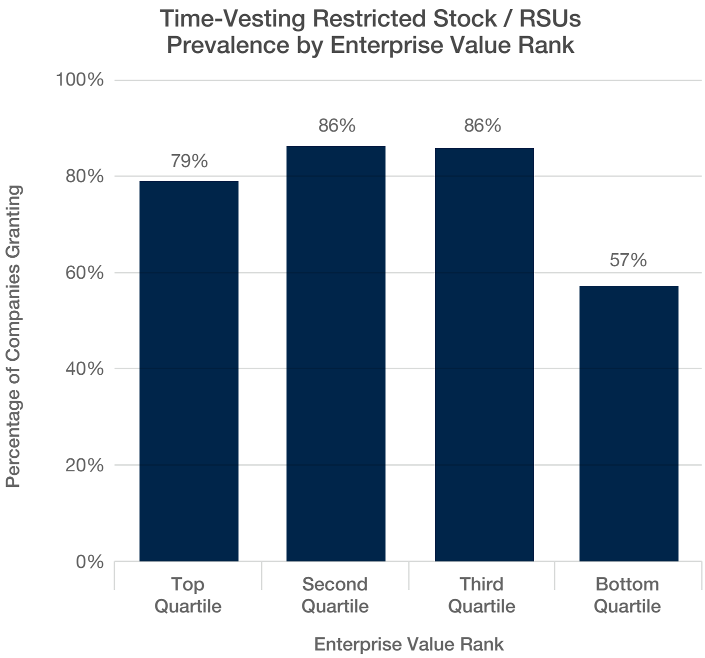




These observations are generally consistent with last year's report.

Time-Vesting Restricted Stock / Restricted Stock Units

The chart to the right shows the percentage of companies that grant time-vesting restricted stock / RSUs by enterprise value. The prevalence is high, with 77 percent of all companies granting restricted stock / RSUs.

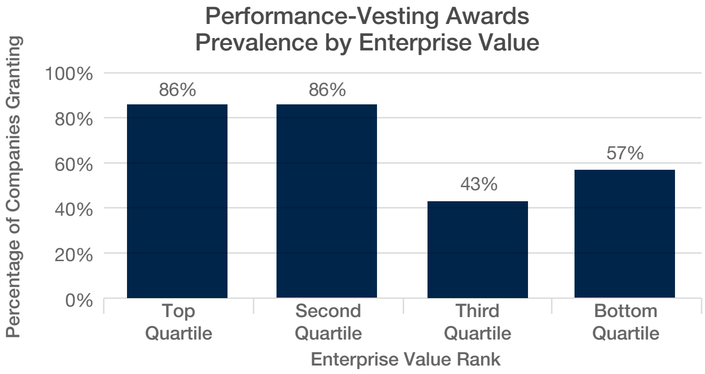


Award Provisions

- Of companies that grant time-vesting restricted stock / RSUs, RSUs are almost one and a half times as prevalent as restricted stock. One of the reasons is that RSUs can give executives the ability to defer payout beyond vesting.
- A three-year vesting period is the most common vesting period (utilized by 84 percent of companies).
- The vast majority of companies continue to utilize awards that vest ratably (93 percent of awards) rather than cliff vest (7 percent of awards).

Performance-Vesting Awards

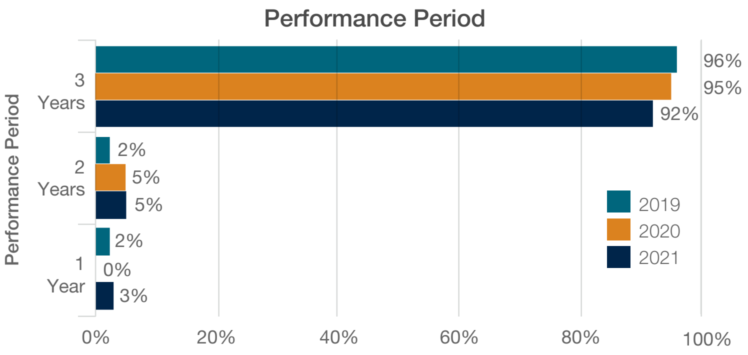
The chart to the right shows the percentage of companies that grant performance-vesting awards by enterprise value. Performance-vesting awards are utilized with regularity across companies of all sizes, with a lower prevalence in the bottom two quartiles of companies.



Performance Period

The performance period is the duration over which the applicable performance metrics are measured. As shown in the chart to the right, the most prevalent performance period for performance-vesting awards, by a wide margin, remained three years (92 percent of awards).

Most companies use three-year performance periods to promote long-term sustainable growth, rather than shorter periods, which tend to focus executives only on short-term performance.



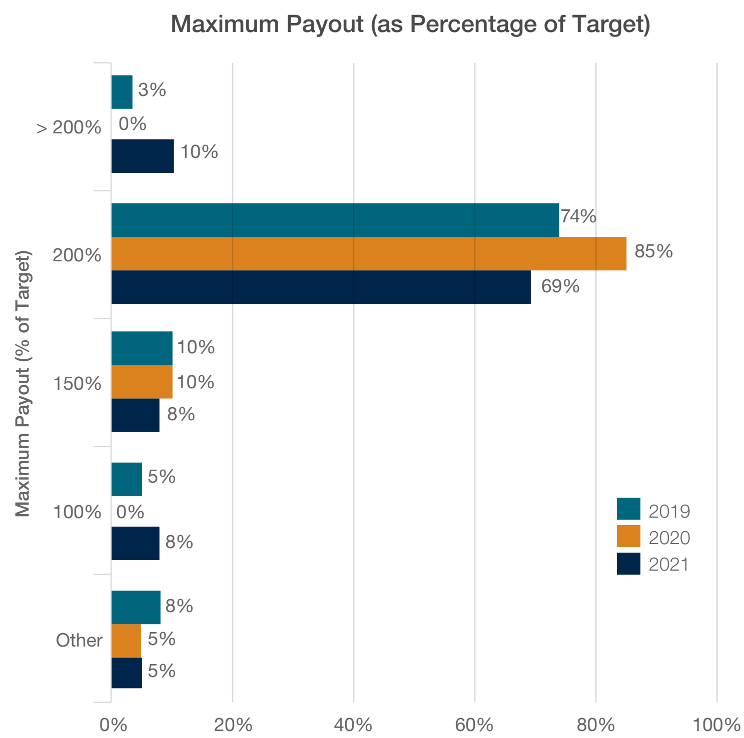
Long-Term Incentives

Maximum Payout

Performance-vesting awards often provide for a range of payouts. For example, if the threshold level of performance is achieved, 50 percent of the award will be earned; if the target level of performance is achieved, 100 percent of the award will be earned; and if the maximum level of performance is achieved, 200 percent of the award will be earned.

As shown in the chart to the right, a majority of performance-vesting awards provide for a maximum payout equal to 200 percent of the target.

Although 200 percent of target payout is the most prevalent maximum payout percentage, each company should examine its own circumstances and determine which payout scale would be most effective for the company's unique situation. For example, an established company that does not expect a sharp growth curve may consider granting more awards with a lower maximum payout. This will allow the company to grant additional awards with lower compensation expense, while preserving value for the executives.

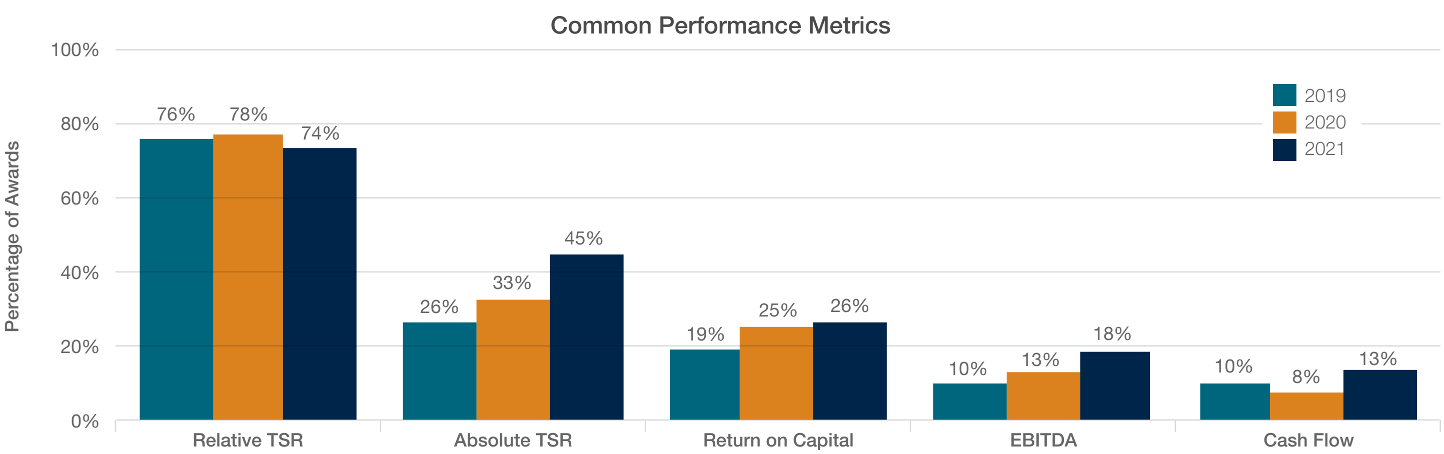


Performance Metrics

The most prevalent metric is TSR relative to a peer group, which is used in 74 percent of performance-vesting awards. The next most prevalent performance metrics are absolute TSR (used primarily to cap relative TSR payout if TSR is negative) and return on capital, utilized by 45 percent and 26 percent of companies, respectively.

Approximately 67 percent of performance-based awards utilize more than one performance metric (absolute TSR is considered a separate metric from relative TSR).

The following chart shows the prevalence of the most common metrics used for performance-vesting awards, which remained consistent with prior years.



Although relative TSR has remained most prevalent, the market continues to evaluate alternatives (like return on capital and EBITDA, which both have seen increased usage over the past few years).

Although the pay-for-performance link for relative TSR awards is fairly straightforward, the valuation of these awards can be complex. The vesting of relative TSR awards is dependent on future market conditions for both the company and its peer group. Therefore, the valuation of these awards requires sophisticated modeling techniques, such as a Monte Carlo valuation.

Dilution and Overhang

While awarding company shares to employees does not create a cash expense, it does dilute the voting power of and earnings to existing shareholders, thus acting as a cost. Measuring potential dilution is a method to measure this cost to shareholders. Potential Dilution is measured using the following formula:

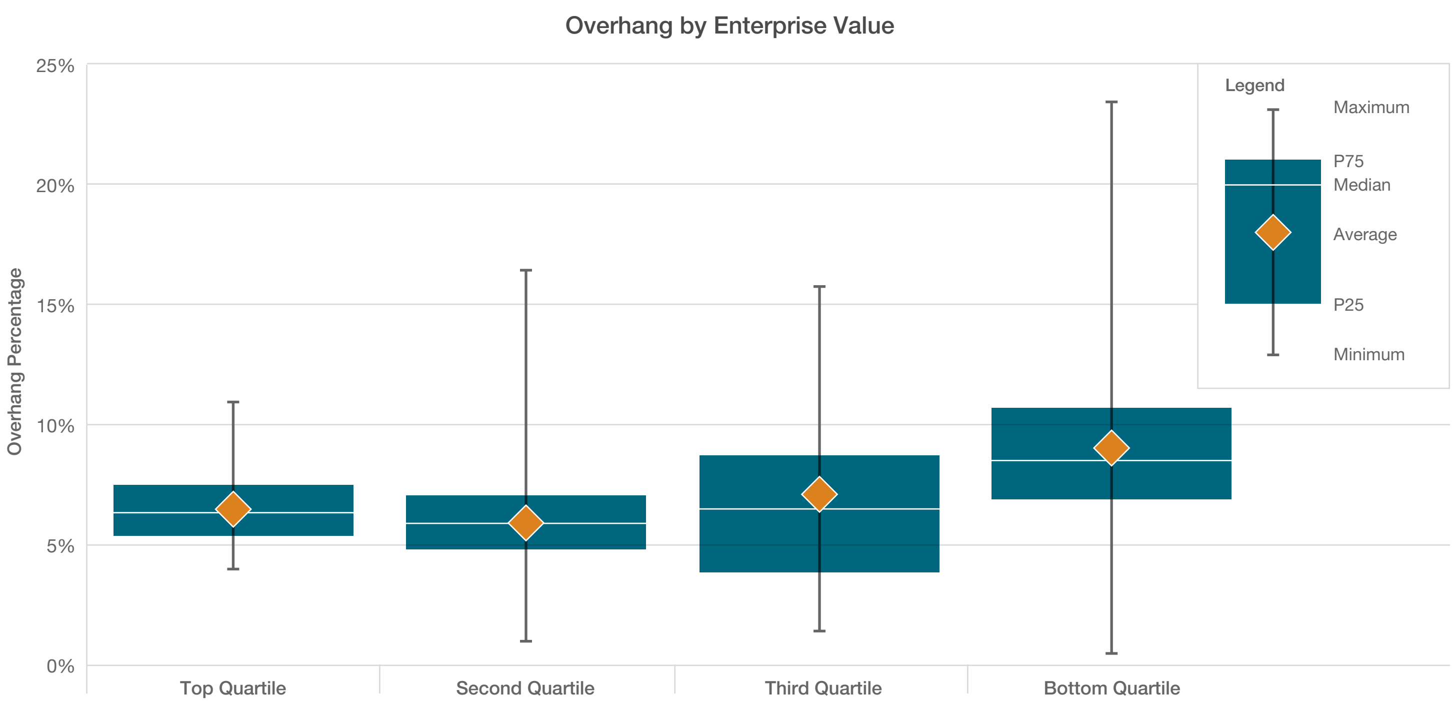
X = Incentive Shares Reserved in Plans but Unissued

Y = Incentive Shares Outstanding (unexercised options and unvested RSUs)

Z = Total Common Shares Outstanding

Potential Dilution (Overhang) = (X + Y) / (X + Y + Z)

Larger companies typically have lower potential dilution due to having higher equity values. Generally, companies like to keep a close watch on overhang to ensure costs to shareholders are kept within acceptable limits. Typically, we see companies with 6 percent to 10 percent of their common shares outstanding issued or available for future issuance under equity programs. The chart below shows potential dilution values by enterprise value.



"In uncertain circumstances, change in control and severance arrangements help to keep executive talent retained and focused, especially in a period of rapid consolidation."

Severance and Change in Control Benefits

Overview

In recent years, external forces have continued to advocate for more transparency and change with respect to executive compensation. With the Say-on-Pay advisory vote, shareholders have a voice with which to communicate their satisfaction or displeasure with the company's compensation programs. Two areas of executive compensation that are often embattled with criticism are benefits provided in connection with Non-CIC or CIC Involuntary Terminations.

Non-CIC Involuntary Termination

Typical Non-CIC Involuntary Termination benefits include severance payments, partial or full accelerated vesting of equity awards and enhanced retirement benefits. The tables below show the average value of Non-CIC Involuntary Termination benefits for CEOs and CFOs:

Non-CIC Involuntary Termination Benefit Values for CEOs

Enterprise Value Rank	Severance	Annual Bonus	Accelerated LTI	Retirement Benefits	Other[1]	Average Total Benefit
Top Quartile	$2,217,350	$307,280	$2,269,208	$1,383,213	$27,149	$6,204,200
Second Quartile	$1,791,501	$360,016	$885,669	$195,349	$18,787	$3,251,322
Third Quartile	$2,525,475	$636,357	$1,344,511	$284,916	$28,094	$4,819,352
Bottom Quartile	$1,434,837	$52,714	$1,969,138	$631,810	$37,646	$4,126,146
2021 – Average	**$1,992,291**	**$339,092**	**$1,617,132**	**$623,822**	**$27,919**	**$4,600,255**

Non-CIC Involuntary Termination Benefit Values for CFOs

Enterprise Value Rank	Severance	Annual Bonus	Accelerated LTI	Retirement Benefits	Other[1]	Average Total Benefit
Top Quartile	$1,112,083	$241,612	$865,847	$255,666	$28,377	$2,503,585
Second Quartile	$686,750	$97,321	$479,484	$171,506	$12,746	$1,447,807
Third Quartile	$608,358	$45,166	$116,654	$3,298	$8,800	$782,275
Bottom Quartile	$394,379	$-	$256,553	$-	$6,919	$657,851
2021 – Average	**$707,764**	**$98,745**	**$438,635**	**$111,542**	**$14,445**	**$1,371,132**

[1] Other includes health and welfare benefit continuation, outplacement services and other benefits received in connection with a Non-CIC Involuntary Termination.

Severance and Change in Control Benefits

Severance and LTI comprise approximately 81 percent of the total value of Non-CIC Involuntary Termination benefits for both CEOs and CFOs.

Cash Severance Payments

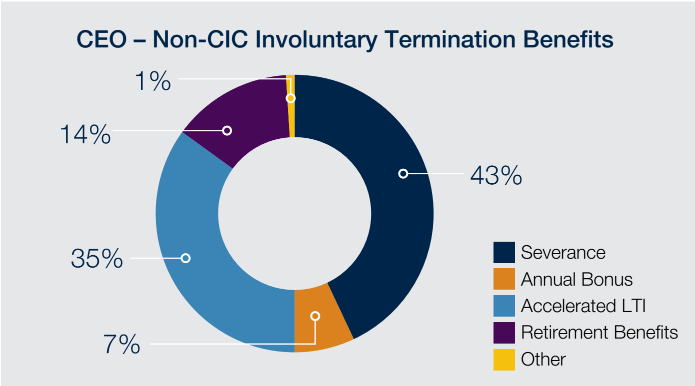
- Most agreements or policies with Non-CIC Involuntary Termination protection provide for a cash severance payment.
- Severance is usually expressed as a multiple of compensation, which varies at different levels within an organization.
- The definition of compensation used to determine the severance amount varies between companies. The two most prevalent definitions of compensation for this purpose are base salary plus annual bonus and base salary only.

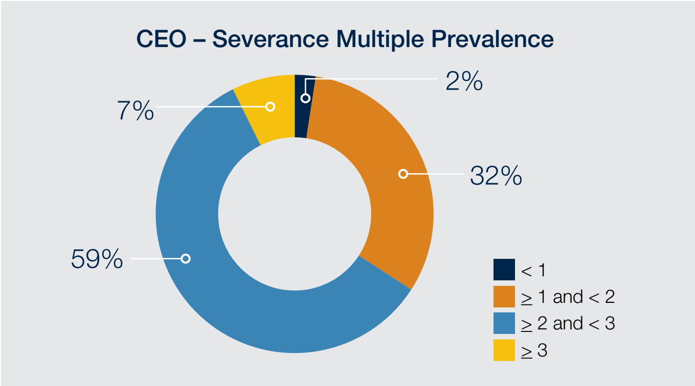
CEOs

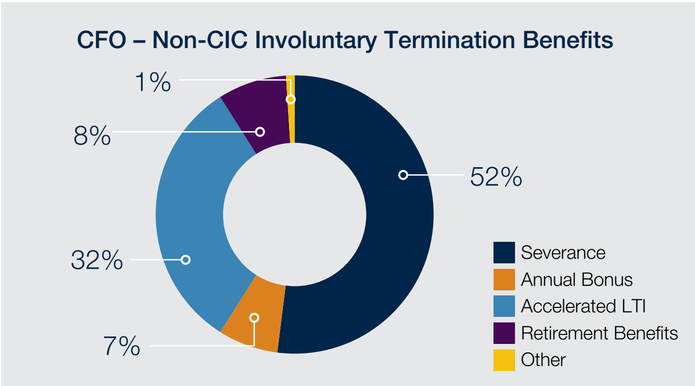
- 79 percent of CEOs are entitled to receive a cash severance payment in connection with a Non-CIC Involuntary Termination.
- The top two charts to the right identify the elements of severance pay and the most common severance multiples provided to CEOs upon a Non-CIC Involuntary Termination.

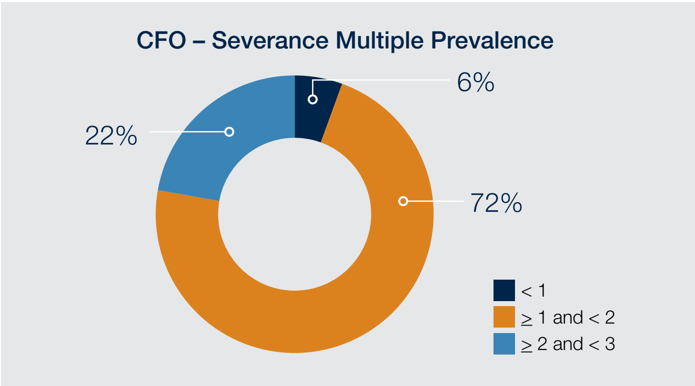
CFOs

- 69 percent of CFOs are entitled to receive a cash severance payment in connection with a Non-CIC Involuntary Termination.
- The bottom two charts to the right identify the elements of severance pay and the most common severance multiples provided to CFOs upon a Non-CIC Involuntary Termination.









CIC Involuntary Termination

Typical CIC Involuntary Termination benefits include severance payments, accelerated vesting of equity awards, enhanced retirement benefits and excise tax protection. The tables below show the average value of CIC Involuntary Termination benefits for CEOs and CFOs:

CIC Involuntary Termination Benefit Values for CEOs							
Enterprise Value Rank	**Severance**	**Annual Bonus**	**Accelerated LTI**	**Retirement Benefits**	**Excise Tax Gross-Up**	**Other[1]**	**Average Total Benefit**
Top Quartile	$4,997,295	$916,062	$8,382,048	$2,524,900	$-	$117,484	$16,937,789
Second Quartile	$4,284,310	$674,914	$4,670,941	$312,069	$-	$49,684	$9,991,918
Third Quartile	$2,405,251	$116,993	$2,522,643	$6,549	$-	$27,524	$5,078,960
Bottom Quartile	$2,692,027	$-	$1,526,642	$-	$-	$11,007	$4,229,676
2021 – Average	**$3,594,721**	**$426,992**	**$4,275,568**	**$710,880**	**-**	**$51,425**	**$9,059,586**
Year-Over-Year Change[2]							**-3.2%**

CIC Involuntary Termination Benefit Values for CFOs							
Enterprise Value Rank	**Severance**	**Annual Bonus**	**Accelerated LTI**	**Retirement Benefits**	**Excise Tax Gross-Up**	**Other[1]**	**Average Total Benefit**
Top Quartile	$1,671,001	$306,203	$2,285,988	$439,677	$-	$51,654	$4,754,522
Second Quartile	$1,294,070	$266,857	$1,430,128	$168,435	$-	$30,364	$3,189,853
Third Quartile	$970,758	$49,974	$857,599	$3,298	$-	$15,585	$1,897,214
Bottom Quartile	$588,776	$-	$685,071	$-	$-	$6,623	$1,280,470
2021 – Average	**$1,144,165**	**$160,602**	**$1,334,821**	**$158,453**	**-**	**$26,610**	**$2,824,651**
Year-Over-Year Change[2]							**-0.4%**

[1] Other includes health and welfare benefit continuation, outplacement services and other benefits received in connection with a CIC Involuntary Termination.
[2] Only includes executives in both 2020 / 2021 and 2021 / 2022 studies. Represents median year-over-year change.

As with compensation in general, the amount of severance benefits payable to CEOs and CFOs varies dramatically based on company size. The amounts payable for a CIC Involuntary Termination versus a Non-CIC Involuntary Termination also vary dramatically, as companies want to ensure executive teams are pursuing value-added transactions, even if they may be working themselves out of a job.

Severance and Change in Control Benefits

Severance and LTI comprise approximately 87 percent of the total value of CIC Involuntary Termination benefits for both CEOs and CFOs.

Cash Severance Payments

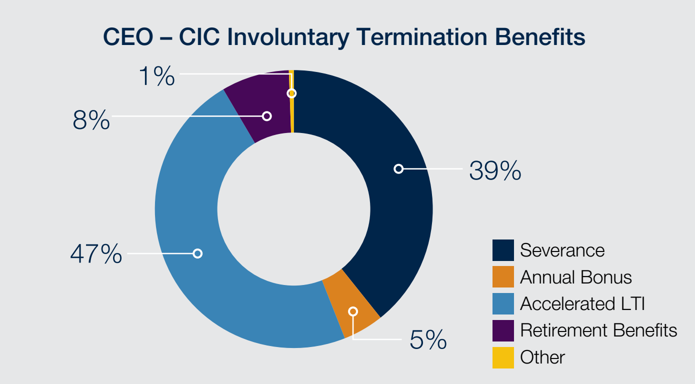
- Most agreements or policies with CIC Involuntary Termination protection provide for a cash severance payment.
- The definition of compensation used to determine the severance amount varies among the companies. The two most prevalent definitions of compensation for this purpose are base salary plus annual bonus and base salary only.

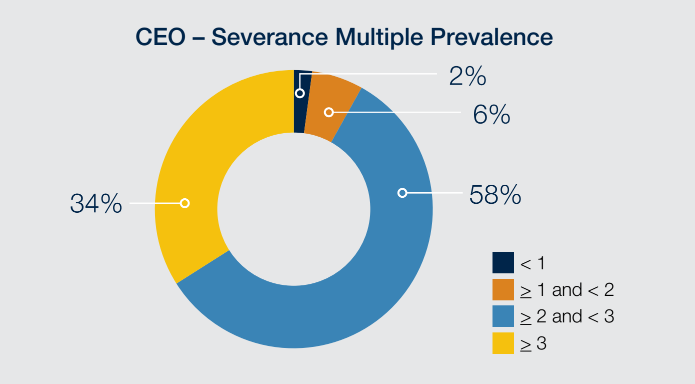
CEOs

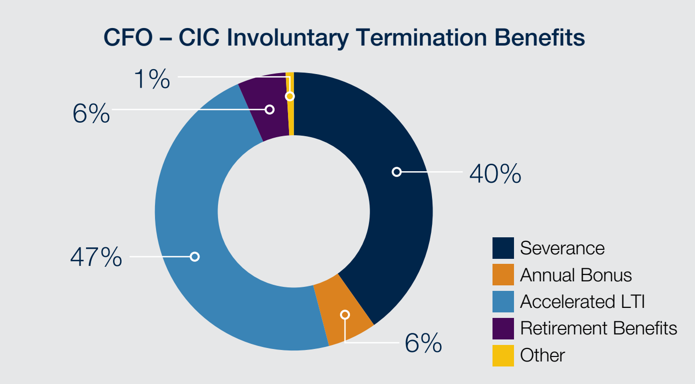
- 84 percent of CEOs are entitled to receive a cash severance payment upon a CIC Involuntary Termination.
- The top two charts to the right identify the elements of severance pay and the most common severance multiples provided to CEOs upon a CIC Involuntary Termination.

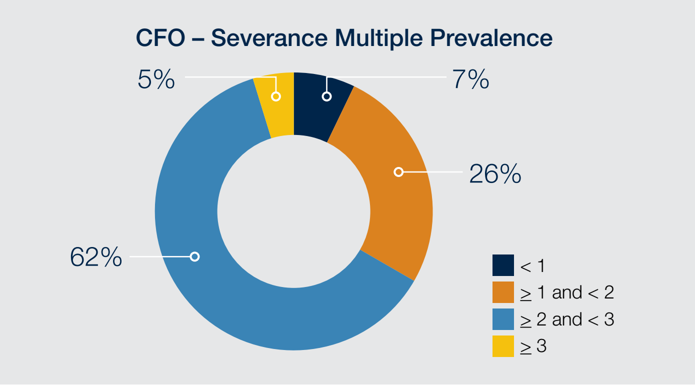
CFOs

- 78 percent of CFOs are entitled to receive a cash severance payment upon a CIC Involuntary Termination.
- The bottom two charts to the right identify the elements of severance pay and the most common severance multiples provided to CFOs upon a CIC Involuntary Termination.









Accelerated Vesting of Long-Term Incentives – Change in Control

There are generally three types of change in control payout triggers for equity awards:

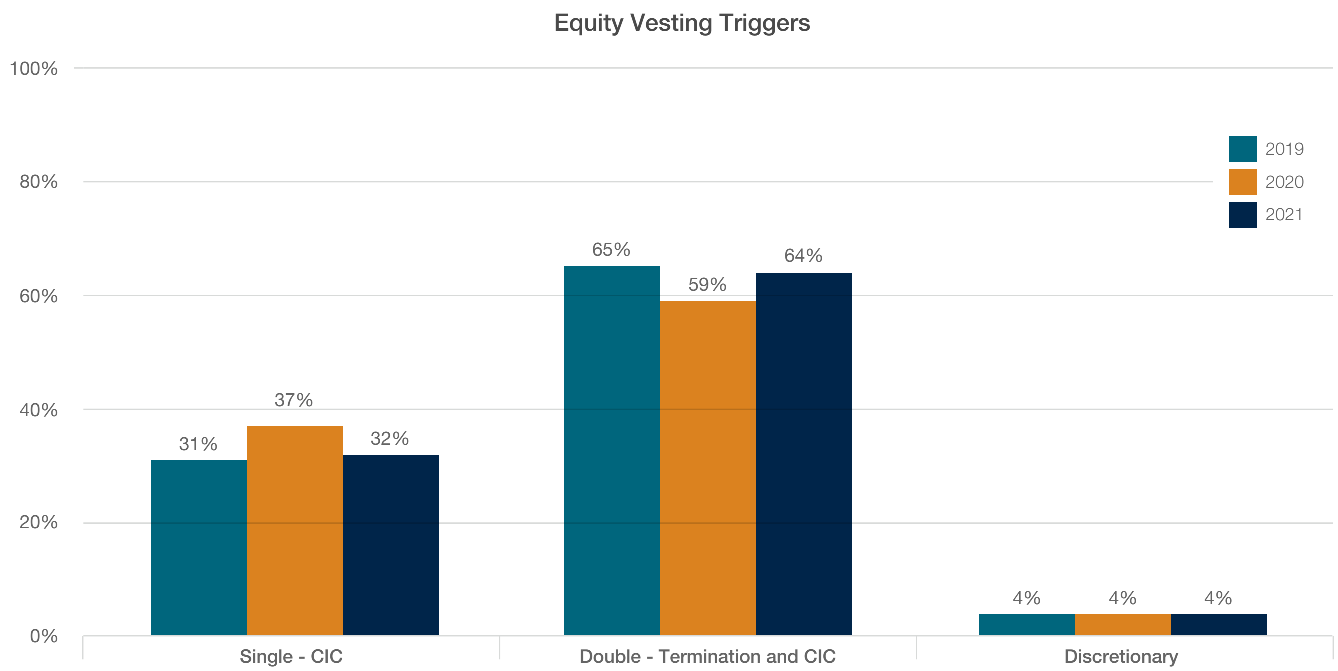
Trigger	Description
Single	Only a change in control must occur for vesting to be accelerated.
Double*	A change in control plus termination without cause or resignation for “good reason” must occur within a certain period before or after the change in control.
Discretionary	The board has the discretion to trigger the payout of an award after a change in control.

* Sometimes companies allow for single trigger vesting if the acquiring company does not assume the equity awards, but require double trigger vesting if the awards are assumed by the acquirer. For the purposes of this study, this treatment was included in the double trigger vesting category.

The most common trigger found in equity plans is double trigger (64 percent), while only 32 percent of companies have at least some outstanding equity awards with a single trigger. Only 4 percent of companies explicitly provide the board with discretion to accelerate the vesting of outstanding equity awards.

We have observed a steady prevalence of double trigger vesting over the years. We attribute the shift toward double trigger vesting to pressure from shareholders and shareholder advisory services. Accordingly, we expect the trend toward double trigger vesting to continue into the future.

The chart below shows the prevalence of change in control triggers for outstanding equity awards of CEOs and CFOs:



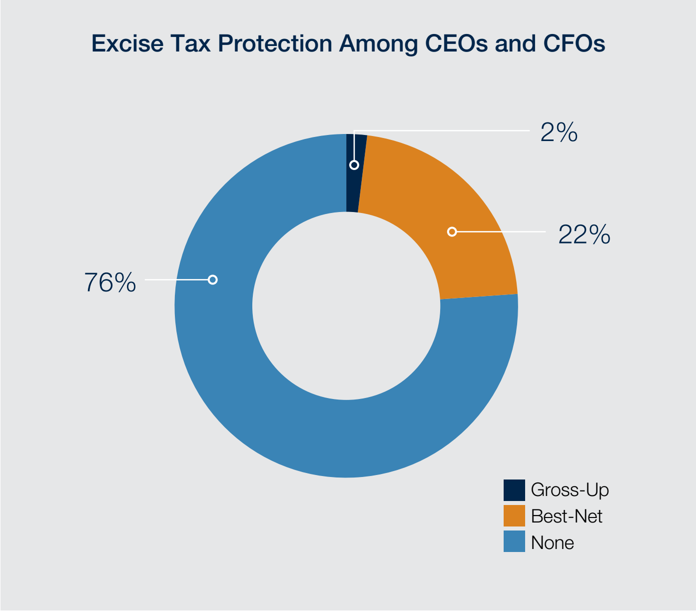
Severance and Change in Control Benefits

Excise Tax Protection

The “Golden Parachute” rules impose a 20 percent excise tax on an executive if the executive receives a parachute payment greater than his or her “safe harbor” limit. Companies may address this excise tax issue in one of the following ways:

Provision	Description
Gross-Up	The company pays the executive the full amount of any excise tax imposed. The gross-up payment thereby makes the executive “whole” on an after-tax basis. The gross-up includes applicable federal, state and local taxes resulting from the payment of the excise tax.
Best-Net (Valley Provision)	The company cuts back parachute payments to the “safe harbor” limit, if it is more financially advantageous to the executive. Otherwise, the company does not adjust the payments and the executive is responsible for paying the excise tax.
None	Some companies do not address the excise tax; therefore, executives are solely responsible for the excise tax.

The prevalence of these provisions for CEOs and CFOs is illustrated in the chart below:



Excise Tax Mitigation Concepts

Since excise tax gross-ups are becoming less common, other excise tax mitigation concepts should be explored. A reasonable compensation analysis is a commonly utilized mitigation concept, whereby a portion of the total parachute payments is attributed to reasonable compensation for services rendered either before or after the CIC. Alternatively, rather than focusing on the value of parachute payments, base amount planning can help increase an executive's safe harbor limit.

Mitigation Alternative	Detail
Pre-Change in Control Reasonable Compensation	Section 280G provides that an excess parachute payment is reduced by the portion of the payment established by clear and convincing evidence to be reasonable compensation for personal services rendered before the date of the change in control. Examples: Prorated annual bonus and performance-based incentives.
Post-Change in Control Reasonable Compensation	Section 280G provides that the amount treated as a parachute payment does not include the portion of a payment established by clear and convincing evidence to be reasonable compensation for personal services to be rendered on or after the date of the change in control. ◦ A common payment that can be treated as post-change in control reasonable compensation is a payment for a covenant not to compete that is intended to keep an individual from competing with their employer after the change in control. An expert valuation of the covenant not to compete should be performed. Other examples: Consulting agreements and retention bonuses.
Base Amount Planning	If it is known far enough in advance that a change in control will occur in a future calendar year, there may be an opportunity for base amount planning. It would be advantageous to include as many payments as possible in a disqualified individual's income in the calendar year prior to the calendar year in which the change in control is expected to occur. This will increase the base amount and Section 280G threshold of the disqualified individual, which can lower or possibly eliminate any excess parachute payments. Limitations imposed by Section 409A should be considered when accelerating any payments.
Private Corporation Shareholder Vote	Private corporations can "cleanse" Golden Parachute payments with a shareholder vote. Executives must disclose their payments and put their payments "at risk" through a binding vote of all shareholders. At least 75 percent of shareholders must approve of the payments in order for the Golden Parachute payments to be paid in full without any adverse impact of Code Sections 280G and 4999.

> "An effective mitigation concept may reduce or eliminate the risk of excise taxes and lost deductions."

Board of Director Compensation

We captured the director compensation table data disclosed in the 2021 proxy statement for each company. Director compensation at public companies is primarily comprised of fees paid in cash (director retainers, committee retainers, meeting fees, etc.) as well as an annual equity retainer.

The following tables show the average values for each element of compensation broken out by quartile for non-employee board chair / lead directors and the average of other directors:

Board Chair / Lead Independent Director			
Enterprise Value Rank	**Cash Fees**	**Equity Awards**	**Total Compensation**
Top Quartile Average	$172,959	$138,486	$311,445
Second Quartile Average	$145,797	$119,997	$265,794
Third Quartile Average	$109,178	$63,431	$172,610
Bottom Quartile Average	$99,377	$35,735	$135,112
2021 – Average	**$132,418**	**$90,388**	**$222,806**
Year-Over-Year Change[1]			**-8%**

Other Directors			
Enterprise Value Rank	**Cash Fees**	**Equity Awards**	**Total Compensation**
Top Quartile Average	$138,320	$116,386	$254,705
Second Quartile Average	$103,413	$105,271	$208,684
Third Quartile Average	$90,729	$67,365	$158,095
Bottom Quartile Average	$75,459	$33,908	$109,367
2021 – Average	**$102,462**	**$81,584**	**$184,046**
Year-Over-Year Change[1]			**-6%**

[1]Only includes directors in both the 2020 / 2021 and 2021 / 2022 studies. Represents median year-over-year change.

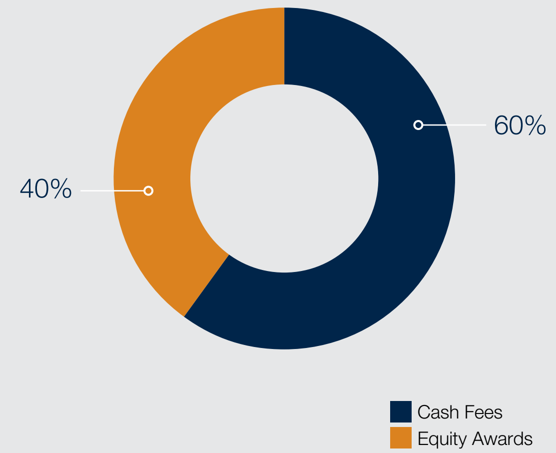
On average, director compensation decreased year-over-year. As many of the board retainer reductions that occurred in 2020 were temporary, we expect board compensation to stabilize or increase in the near future with cash and/or equity retainers being restored to pre-pandemic levels.

On average, cash fees comprise 58 percent of a director's total compensation package. The charts to the right show the proportion of compensation delivered in cash fees (board retainers, committee retainers, meeting fees, etc.) and equity for the chair / lead director and the other directors, respectively.

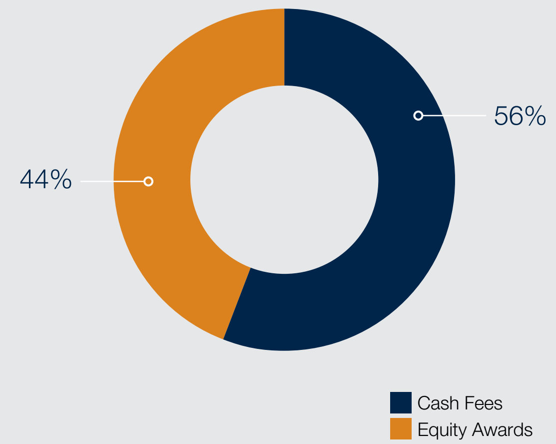
58%

Average portion of a director's total compensation package derived from cash fees

Board Chair / Lead Independent Director Total Compensation



Other Directors Total Compensation



Equilar Commentary:
Median director pay in the Equilar 500 was effectively flat from 2019 to 2020, with a small increase in fees offset by a small decrease from temporary retainer reductions during the early stages of the pandemic that had mostly lifted by the end of 2020. Larger companies with higher cash reserves and more stable revenues were less likely to implement pay reductions compared to smaller, more cash strapped firms. Going forward, companies that have weathered the pandemic are likely to continue increasing annual retainers commensurate with the increased responsibilities and expectations of directors on compensation, governance and other fronts.

Bankruptcy Compensation

If a balance sheet restructuring or bankruptcy filing is on the horizon, there are certain immediate changes to the compensation plans that should be considered to motivate and retain key talent. The company's equity will generally become worthless in the event of a bankruptcy filing. Thus, a common defensive approach is to collapse the AIP and LTI programs into a single cash-based incentive program that pays out over shorter measurement periods based on hitting established performance metrics.

For "non-insiders," companies often utilize Key Employee Retention Plans (KERPs), which pay out retention bonuses based on the employee's remaining employed through a certain date. The Bankruptcy Code greatly restricts a debtor's ability to include "insiders" in a KERP. Therefore, many companies implement Key Employee Incentive Plans (KEIPs) for insiders — performance-based plans that are essentially designed to fall outside of the bankruptcy code's restrictions on the use of KERPs.

Performance Metrics

The AIP / KEIP performance metrics must be carefully chosen and structured to be sufficiently challenging. The metrics should also coincide with the company's business plan or objectives. The amount of potential payout is also a consideration, as it should be sufficiently motivating, but should be reasonable when compared to other similar payments made in bankruptcy.

Below are the suggested steps for installing incentive, retention and severance arrangements for a distressed company evaluating strategic alternatives.

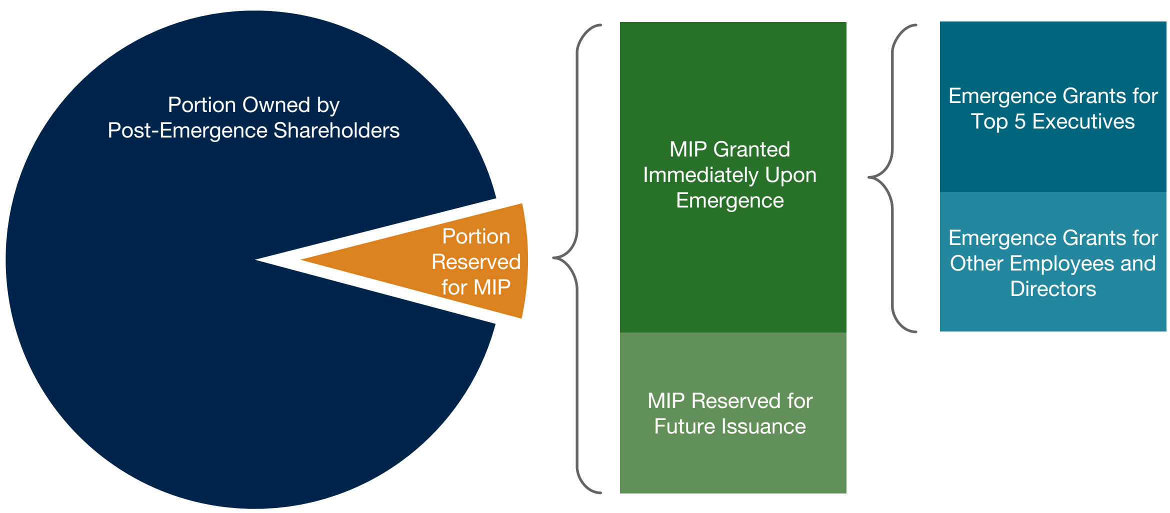
1	Development of KEIP / KERP / severance programs (determine population, cost, performance measures, benchmark to peers, etc.)
2	Discussions with senior / key creditors regarding programs
3	Board or Compensation Committee review and approval (as applicable) of KEIP / KERP / severance programs
4	File motion to request court approval of programs
5	Work to resolve objections by Stakeholders, Creditors Committee, equity representatives and / or U.S. Trustee (both before and after filing motion)
6	Hearing (including expert witness testimony, if necessary) to approve plans
7	Program implementation

Post-Emergence Incentive and Retention

When emerging from bankruptcy, equity awards held by employees pre-bankruptcy generally have no value. Lack of meaningful equity ownership in the go-forward entity, coupled with an uncertain company future, make it difficult to retain and motivate key executives post-emergence. Consequently, emergence equity grants (sometimes referred to as a Management Incentive Plan (MIP)) are a way to ensure that companies retain motivated personnel who are vital to a successful post-emergence entity.

Some key decision points include the type of equity vehicle(s) to utilize as well as the amounts as illustrated in the chart below.

Post-Emergence Equity Value of Company



Initial Public Offerings – Items to Consider

The market for IPOs significantly softened in 2020; however, IPO activity has increased as commodity prices have improved. We have seen more private energy companies looking to go public and/or consolidate via both SPACs or a more traditional IPO process.

Preparing for an IPO involves many different facets of an organization's business including legal, regulatory, financial and operational considerations. Public companies face additional regulations and greater disclosure requirements than private companies, particularly regarding the transparency of a company's executive compensation programs.

Because of these additional requirements, executive compensation has become a relatively complex aspect of preparing for an IPO. However, by forming an IPO roadmap, a company can ensure that its executive compensation programs and policies are:

- Competitive with the market
- Within industry norms
- Compliant with various governance requirements
- Aligned with executive and shareholder interests

PLAN DESIGN	LEGAL DISCLOSURES	FINANCIAL IMPACT	PLAN RULES AND LIMITS	SPECIAL ARRANGEMENTS
▪ Compensation philosophy, market positioning, data and peer groups ▪ Executive benchmarking and post-IPO target pay determination ▪ Salary structures ▪ Incentive compensation plan design, stock purchase plan ▪ New compensation governance policies (stock ownership, clawback, anti-hedging, etc.) ▪ Executive benefits and perquisites policies	▪ Form S-1 compensation disclosure ▪ New incentive compensation plans ▪ Forms 3, 4 and 5 for executive officers and non-employee director stock holdings ▪ Form 8-K for post-IPO compensation related topics	▪ Future compensation plans and financial modeling ▪ Tax and accounting impact of pre-IPO and post-IPO equity grants ▪ Cost of plan changes and any one-time IPO-related compensation ▪ Planning for compensation-related issues from investors	▪ Amendments to existing plans ▪ Post-IPO restrictions on stock sales / option exercises ▪ Post-IPO share overhang and expected annual dilution rates ▪ 162(m) considerations ▪ Expectations of new investors and shareholder advisory firms (ISS, Glass Lewis, etc.)	▪ Founders' stock awards ▪ Board of director compensation ▪ Change in control and severance arrangements

REQUIRES COORDINATION AMONG LEGAL, FINANCE AND HR FUNCTIONS

Companies Analyzed

Archrock, Inc.
Aspen Aerogels, Inc.*
Baker Hughes Company
Basic Energy Services, Inc.
Cactus, Inc.
ChampionX Corporation**
Core Laboratories N.V.
CSI Compressco LP
Cypress Environmental Partners, L.P.*
Diamond Offshore Drilling, Inc.
DMC Global Inc.
Dril-Quip, Inc.
ENGlobal Corporation*
Exterran Corporation
Forum Energy Technologies, Inc.
Frank's International N.V.
FTS International, Inc.
Geospace Technologies Corporation*
Halliburton Company
Helix Energy Solutions Group, Inc.
Helmerich & Payne, Inc.
Independence Contract Drilling, Inc.
ION Geophysical Corporation
KLX Energy Services Holdings, Inc.
Liberty Oilfield Services Inc.
Mammoth Energy Services, Inc.
Nabors Industries Ltd.
Natural Gas Services Group, Inc.*
NCS Multistage Holdings, Inc.*
Newpark Resources, Inc.
NexTier Oilfield Solutions Inc.
Nine Energy Service, Inc.
NOV Inc.
Now Inc.
Oceaneering International, Inc.
Oil States International, Inc.
Patterson-UTI Energy, Inc.
ProPetro Holding Corp.*
Ranger Energy Services, Inc.
RigNet, Inc.*
RPC, Inc.
Schlumberger Limited
SEACOR Marine Holdings Inc.*
Select Energy Services, Inc.
Smart Sand, Inc.*
Solaris Oilfield Infrastructure, Inc.
TechnipFMC plc
TETRA Technologies, Inc.
Tidewater Inc.
Transocean Ltd.
U.S. Silica Holdings, Inc.*
U.S. Well Services, Inc.
USA Compression Partners, LP
Valaris plc
Vantage Drilling International*
Weatherford International plc

*Companies added to 2021 OFS study.

**Formerly Apergy Energy

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Equilar BoardEdge provides structure and transparency to your succession planning process. With BoardEdge, you can quickly and objectively benchmark the composition of your board against your peers and discover the right candidates for your succession planning needs. Broaden your search using the Equilar Diversity Network and find board-ready candidates from leading ethnic and gender diversity organizations. Identify connections by viewing the myriad ways in which you are linked to individuals, including historical connections, to support recruiting and business development.

EQUILAR INSIGHT

Equilar benchmarking solutions within the Insight platform provide unlimited access to the most comprehensive executive and board compensation database available. Equilar TrueView seamlessly integrates high quality, verifiable Top 5 proxy data with the Equilar Top 25 Survey to provide a single, reliable data source unrivaled in the marketplace. Publicly traded companies and top institutional investors rely on the Equilar Pay for Performance analysis to assess and measure alignment. Equilar Shareholder Engagement solutions assist companies with powerful tools to measure, plan and manage how pay strategies are viewed by government entities, institutional investors and the public. In addition, the Incentive Plan Analytics Calculator (IPACsm), recently launched in partnership with the Center On Executive Compensation, provides companies with a better way to design and analyze executive compensation.

ALVAREZ & MARSAL'S COMPENSATION AND BENEFITS PRACTICE

The Compensation and Benefits Practice of Alvarez & Marsal assists companies in designing compensation and benefits plans, evaluating and enhancing existing plans, benchmarking compensation and reviewing programs for compliance with changing laws and regulations. We do so in a manner that manages risks associated with tax, financial and regulatory burdens related to such plans. Through our services, we help companies lower costs, improve performance, boost the bottom line and attract and retain key performers.

ALVAREZ & MARSAL'S EXECUTIVE COMPENSATION SERVICE OFFERINGS

Executive Compensation Advisory Consulting

Mergers, Acquisitions, and IPO Assistance

Bankruptcy Compensation Design

Incentive and Deferred Compensation Design

Golden Parachute Calculations Under Section 280G

Litigation Support Regarding Compensation

EXECUTIVE COMPENSATION

- Executive compensation consulting, including the design of tax-efficient compensation packages and competitive benchmarking
- Preparation of executive compensation disclosures for publicly held entities
- Annual / long-term incentive and deferred compensation design

MERGERS AND ACQUISITIONS

- Pre- and post-merger integration services, including:
  - Executive compensation design
  - Golden Parachute analysis (Section 280G)
  - Due diligence of welfare / pension considerations
  - Severance / retention planning

BANKRUPTCY

- Bankruptcy-related compensation, including:
  - Design of key employee incentive plans, retention plans and severance plans
  - Expert witness testimony
  - Post-emergence management incentive plans

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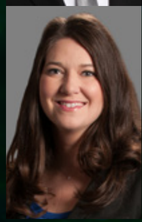

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