2019 / 2020 EXECUTIVE CHANGE IN CONTROL REPORT
ANALYSIS OF EXECUTIVE CHANGE IN CONTROL ARRANGEMENTS OF THE TOP 200 COMPANIES

EXECUTIVE SUMMARY

Change in control (CIC) arrangements face increased scrutiny from regulators, shareholder activists and others.

The purpose of CIC arrangements is to ensure that executives evaluate every opportunity, including an acquisition, with an eye toward maximizing shareholder value, without considering how such an event will affect their personal circumstances. By addressing CIC provisions in executive compensation packages, boards can be assured that executives will be more likely to approach the intricacies of negotiation without the distraction of personal considerations.

Shareholders have increased concerns regarding corporate governance. By benchmarking and evaluating executive CIC arrangements, boards and their compensation committees can demonstrate a sense of accountability to both shareholders and regulators.

Alvarez & Marsal's Compensation and Benefits Practice *has again partnered with* ***Equilar*** *and is pleased to provide this latest edition of our study on change in control arrangements among the top 200 publicly traded companies in the United States.*

KEY FINDINGS

CEO

$27,886,556 *2019*

$27,871,606 *2017*

0.05% change

CFO

$9,880,993 *2019*

$10,627,357 *2017*

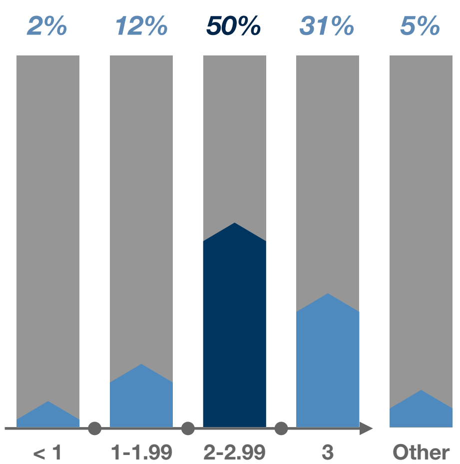
-7.02% change

Average total value of CIC benefits – CFO drop mainly driven by higher turnover rate than CEO.

0.10%

Average total value of CIC benefits for CEOs and CFOs as a percentage of market capitalization.

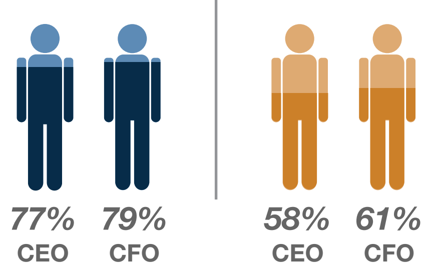
SEVERANCE



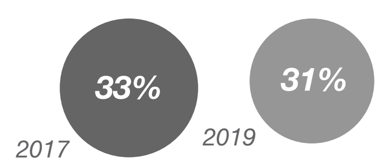
CIC Severance Multiples for CEOs
The most common cash CIC severance multiple for CEOs is between 2 and 2.99 times compensation.

Percent of CEOs and CFOs entitled to receive a cash severance payment upon termination **with a CIC.**

Percent of CEOs and CFOs entitled to receive a cash severance payment upon termination **without a CIC.**



The prevalence of a three times or higher severance multiple for CEOs slightly decreased from 33 percent in 2017 to 31 percent in 2019.



ALVAREZ & MARSAL

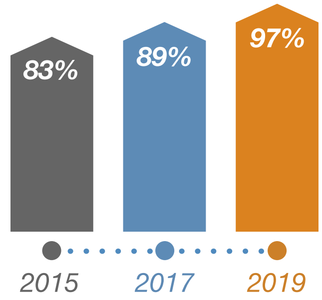
EQUILAR

EQUITY

Accelerated vesting of long-term incentives (LTI) comprises a large portion of the CIC benefits to which CEOs and CFOs are entitled.

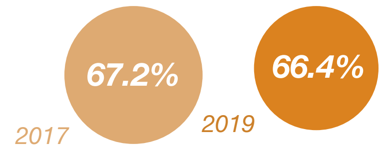
Approximately half of LTI is subject to **time-based vesting.**

The other half is subject to **performance-based vesting.**



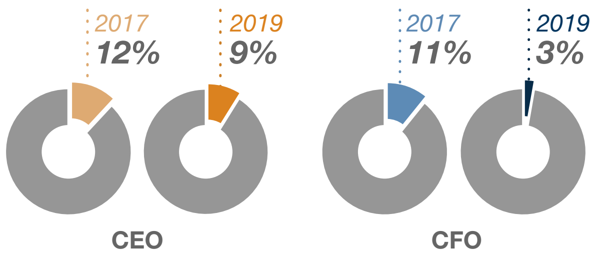
Percent of companies that have unvested equity awards with a **double trigger** (change of control and termination of employment) by year.

Approximately 66 percent of the average 2019 total CIC amounts for CEOs and CFOs is comprised of accelerated vesting of equity awards. This is down slightly from 67.2 percent in 2017.



EXCISE TAX

Percent of CEOs and CFOs that are entitled to excise tax gross-ups. The company pays the executive the amount of any excise tax imposed, thereby making the executive "whole" on an after-tax basis



15%

Percent of top 20 mergers in first 3 quarters of 2019 that added a gross-up for either the CEO or CFO during deal negotiations

RECENT ACTUAL TRANSACTIONS

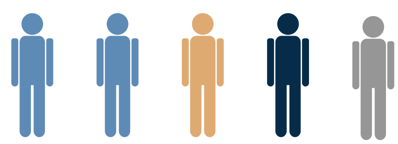
Five notable deals in 2019

1. The Walt Disney Company / Twenty-First Century Fox
2. Occidental Petroleum / Anadarko Petroleum
3. Fidelity National Information Services / Worldpay
4. IBM / Red Hat
5. Fiserv / First Data

$127,964,721

Average of the total CIC payments provided to each company's CEO and CFO combined.

EXCISE TAX PROTECTION



- 2 of the 5 companies had existing gross-ups for their CEOs
- 1 of the 5 companies added a gross-up as part of the deal negotiations
- 1 of the 5 companies offered its CEO a valley provision
- 1 of the 5 companies did not disclose excise tax treatment

Brian L. Cumberland
Managing Director
bcumberland@alvarezandmarsal.com
+1 214 438 1013

J.D. Ivy
Managing Director
jivy@alvarezandmarsal.com
+1 214 438 1028

Full survey will be released in January 2020.

Please use the following link for the latest updates:

http://bit.ly/2JwGGrB

Shane Carroll
Manager of Strategic Partnerships
researchservices@equilar.com
+1 650 241 6670

Charlie Pontrelli
Senior Project Manager
researchservices@equilar.com
+1 650 241 6670

ALVAREZ & MARSAL

EQUILAR