

Contents

1. Mercer's International Position Evaluation System (IPE)	4
2. Job Matching Methodology	5
2.1. Steps to Job Matching in Mercer Job Library	5
2.2. Executive Jobs Matching	5
2.2.1. Executive Framework - Levels Structure	5
2.2.2. Executive Role Type	6
2.2.3. Executive/Director Role Organization Type	6
2.2.4. Geographic Scope of Role	7
2.2.5. Job Matching Validation	8
3. About the Report	9
4. Survey Results	12
4.1. Mercer WIN®	12
4.2. Mercer Job Library	14
4.3. Mercer Job Library Code	15
4.4. Career Streams and Levels	16
4.4.1. Executives	16
4.4.2. Management	16
4.4.3. Professional	18
4.4.4. Para-Professional	20
4.5. Job Descriptions	22
4.6. Aggregated Data Roll-ups	22
4.6.1. Core Job (CJ)	22
4.6.2. Mercer Combined Job (MCJ)	23
5. Standards	24
5.1. Data Confidentiality Standards	24
5.1.1. Summary of Market Data Masking Approaches	24
5.1.2. Market Data Masking Criteria	25
5.1.3. Peer Group Confidentiality	25
5.2. Questionnaire Design	26
5.3. Participation Solicitation	26
5.4. Data Collection	26
5.5. Data Analysis	27
5.6. Data Reporting	27
5.7. Aging Standards	28
5.8. Treatment of Zeros	29

5.9. Treatment of Negative Values	29
5.10. Exchange Rates	29
5.11. Total Direct Compensation and Total Remuneration – Number of Incumbents.....	29
5.12. Core-based Statistical Areas (CBSA)	29
6. Statistics.....	30
6.1. Descriptive Statistics	30
7. Market Regression Trend Lines	32
7.1. Summary.....	32
7.2. Business Rules	32
7.3. Bands, Line Segments	33
7.4. Regressions for Combined Position Classes	33
8. Year Over Year Market Pay Trends	34
8.1. Overall Market Pay Trends	34
8.2. Changes in Market Results (Actual Data)	34
8.3. Changes in Market Results (Regressed Data).....	35
8.4. Detailed Year Over Year Results.....	36
9. Aggregate Compensation Values.....	40
10. Compensation Items	42
10.1. Base Salary Items	42
10.2. Guaranteed Cash Items	43
10.3. Total Cash Items	43
10.4. Total Direct Compensation Items	45
10.5. Survey specific items.....	45
11. Non-compensation Items.....	46
11.1. Incumbent items.....	46
11.2. Volume Size items.....	47
12. Long-Term Incentives Definitions	49
13. Long-Term Incentives Valuation Methodology	50
13.1. Black-Scholes Method.....	50
13.2. Accounting Cost Method	52
13.3. Binomial Method.....	53

Disclaimer

While Mercer strives to provide the most reliable and insightful data and analysis possible it is important to understand that statistical analysis involves certain assumptions and limitations. The results presented in the survey are intended to provide a general understanding and should be interpreted with caution.

The following points should be considered while working with remuneration survey results:

- Limitations of statistical analysis: Statistical analysis relies on various assumptions and simplifications. It may not capture all the complexities and nuances of the underlying data or the real-world context.
- Margin of error: Results obtained through statistical analysis may have a margin of error. This means that the presented figures may deviate from the true values to some extent.
- Individual variability: Statistical analysis is based on aggregated data and may not account for individual variations or unique circumstances. It is important to consider specific factors that may affect your situation.
- Future uncertainty: The future is inherently uncertain, and statistical analysis cannot predict with absolute certainty how events will unfold. It is important to regularly reassess and update organization's strategies based on new information.

We recommend consulting with a qualified professional or seeking additional advice before making any significant decisions based solely on the presented survey results.

Survey Methodology and Definitions

1. Mercer's International Position Evaluation System (IPE)

Mercer IPE is a proven approach to position evaluation and is used by thousands of organizations around the world. As Mercer is dedicated to continuous quality improvements, the IPE methodology is reviewed regularly based on input and feedback from users and consultants worldwide.

Mercer IPE evaluations are based on the application of five factors and twelve dimensions to an organization's jobs. The factors and dimensions include:



Impact

- Organization
- Impact
- Contribution



Communication

- Communication
- Frame



Innovation

- Innovation
- Complexity



Knowledge

- Knowledge
- Team
- Breadth



Risk

- Risk
- Environment

Mercer IPE facilitates comprehensive and consistent comparisons between positions, as job titles alone can be misleading. For example, the title “finance manager” in one organization may describe a position that has greater operational responsibilities as compared to a finance manager in another organization with more strategic responsibilities. In other words, the scope and content of a finance manager position could be broad in some organizations and limited in others.

By using the IPE methodology, we can further isolate similar positions and responsibilities.

The information in this survey is presented to allow a rapid and precise measurement of salary levels. It is important to remember that, when conducting job matching and position evaluations, it is the “position” that is being matched and not the person holding that position. The qualifications and the performance of the present position holder may differ from what is required by the position.

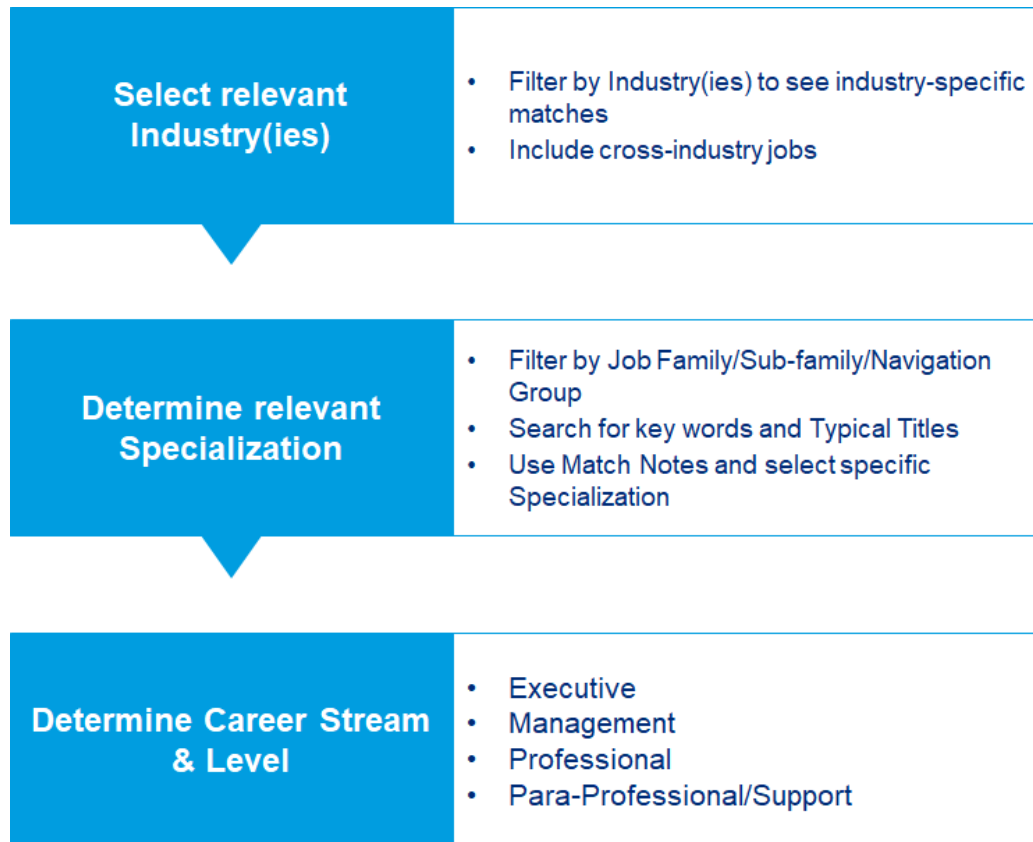
Position evaluation is not just a tool for salary comparisons but is instrumental in determining job architecture, assessing organization structure, creating rewards structure, informing job titling and underpinning an organization's overall career framework.

The Mercer IPE methodology is available for internal use in organizations based on licensee terms and conditions. Mercer IPE is supported by the Job Architecture Tool, a web-based tool and Mercer consultants offer a fee-based in-house training and position evaluation expertise in most countries and languages.

Position Class – The Mercer level produced using Mercer's International Position Evaluation (IPE) system.

2. Job Matching Methodology

2.1. Steps to Job Matching in Mercer Job Library



2.2. Executive Jobs Matching

Job Matching of Executive Roles follows the same logic as for all other jobs in Mercer Job Library. At the same time Mercer Job Library Executive Framework includes additional features listed below that should be considered to enhance the job matching process accuracy.

2.2.1. Executive Framework - Levels Structure

In Mercer Job Library Executive Framework there are 5 Career Levels (3 Executive Tiers and 2 Director Levels) available across **Executive and Management Career Streams**.

Executive Career Stream is focused on strategy development and setting organization direction. It Includes following Career Levels:

- Executive Tier 1 (ET1)
- Executive Tier 2 (ET2)
- Executive Tier 3 (ET3)

Management Career Stream supports strategy development and focuses on strategy execution. Following Management Career Levels belong to the Executive Framework:

- Senior Director (M60)
- Director (M50)

2.2.2. Executive Role Type

Type of Executive Role is an additional Executive Framework feature which helps to determine Specialization/Job's executive scope. Each executive Specialization and Job is associated with one of three unique Executive Role Types (applies only to jobs matched to one of Executive Framework levels (ET1, ET2, ET3, M60 and/or M50):

- **Head of Organization:** Associated specializations are focused on leading entire Organization, selected entity, or line of business. Selecting Executive Tier depends mostly on the organization's parameters. Following Tiers may be included ET1, ET2, ET3.
- **Head of Major Function:** Associated specializations are focused on leading broad umbrella of associated functions. Incumbents in those roles lead multiple other Executives and Directors, typically matched to different specializations within the same Job Family. Following Tiers/Levels may be included: ET1, ET2, ET3, M60.
- **Head of Function:** Associate specializations are typically responsible for a single business function or part of a function. If role leads any other Executive or Director, matching will most likely be within the same specialization. Following Tiers/Levels may be included: ET2, ET3, M60, M50

Note: For Head of Function specializations levels lower than M50 may be also available.

2.2.3. Executive/Director Role Organization Type

Executive/Director Role Organization Type specifies the Type of Organization within role's scope of responsibility. This information is collected via a separate field in the **Employee Data Section**. Following responses are available:

- **Parent/Corporate:** The highest reporting entity without any organization above it. Typically, management is responsible to either the board of directors and shareholders or to the owners for overall organization performance (Organizations structured as Joint Ventures should report themselves as Parent/Corporate).

Note: Organizations structured as Joint Ventures should report themselves as Parent/Corporate.

- **Subsidiary:** The Subsidiary is a separately incorporated legal entity with majority interest held by a Parent/Corporate entity; it can have multiple business divisions and is responsible for most organization functions. Although a Subsidiary may ultimately roll up into a Parent/Corporate entity, management performs most functions of a stand-alone organization and is accountable to the Parent/Corporate organization for operations and financial performance.

Note: Hospitals who are majority owned by a college or university and organizations whose parent is structured as a holding company should report themselves as a Subsidiary.

- **Division(s)** includes:
 - **Multi-Division:** A major segment of an organization that is composed of related products/services or lines of business that are measured for purposes of financial performance. Is held accountable to either a Parent/Corporate or Subsidiary entity. Does not have a Board of Directors and is not a separately incorporated legal entity.
 - **Division:** A unit of a Parent/Corporate, Subsidiary, or Multi-Division organization that operates as a profit center. May comprise most functions of a fully integrated business and/or some functions may be supported by Shared Service Centers. Does not have a Board of Directors and is not a separately incorporated legal entity.

2.2.4. Geographic Scope of Role

Geographic Scope of Role determines what geographical area falls under Executive Role's scope of responsibility. This information is collected via a separate field in the Employee Data Section. Following responses are available:

- **Global:** worldwide; the position holder is responsible for the full organization's global geographic scope
- **Multi-Regional:** the position holder is responsible for two or more Regions, e.g., EMEA, Americas, Latin America and APAC, APAC, and Middle East
- **Regional:** the position holder is responsible for a continental region or commonly accepted geopolitical area e.g., Asia, EMEA, North America, ASEAN, Europe, Middle East
- **Multi-Country:** the position holder is responsible for 3 to 8 countries within a region, e.g., Western or Eastern Europe, ASEAN, North Asia
- **In-Country:** the position holder is responsible for a single country, or neighboring countries with a similar culture e.g. China, India, Singapore & Malaysia, UK & Ireland
- **District:** the position holder is responsible for a geographically significant area within a country; typically used in large geographically diverse countries, e.g., Beijing, Shanghai, Guangdong, Chengdu-Chongqing, Mumbai, New Delhi, East Java, West Java, etc.

2.2.5. Job Matching Validation

Below tables show typical leveling for combinations of **Executive/Director Role Organization Type, Geographic Scope of Role**, and **Executive Role Type***. They may be used to support the validation of the Executive Framework job matching process.

Executive Framework – Typical Leveling

PARENT ORGANIZATION**			
Geographic Scope of Role***	Head of Organization	Head of Major Function	Head of Function
Global / Multi-Regional	ET1	ET1	ET2
Regional / Multi-Country	ET1	ET2	ET3
In-Country/District	ET2	ET3	M60

NON-PARENT ORGANIZATION** (Subsidiary/ Division(s))			
Geographic Scope of Role***	Head of Organization	Head of Major Function	Head of Function
Global / Multi-Regional	ET1	ET2	ET3
Regional / Multi-Country	ET2	ET3	M60
In-Country / District	ET3	M60	M50

* For definitions of Executive Role Type refer to section 2.2.2

** For definitions of Organization Types refer to section 2.2.3

*** For definitions of Geographic Scope of Roles refer to section 2.2.4

3. About the Report

The survey results are presented in a set of predefined reports described below and published to Mercer WIN®. Refer to 4.1. Mercer WIN® section to learn more about the platform and its endless report customization options.

Availability of individual reports may vary depending on a survey and country.

Report name: Overview

File format: PDF

A starting point to the survey providing overall information on the survey database size as well participant organizations profile including sector, parent organization nationality, revenue and employment. This report also offers an overview of the market pay trends relative to the prior year. Contact to Mercer representative responsible for the survey is included as well.

Report name: Survey Methodology and Definitions

File format: PDF

The report where you can find data type of descriptions and clarifications as well as information how remuneration statistics are calculated and displayed in the reports, or how to understand remuneration components. Moreover, detail information on job matching methodology, including Mercer Job Library and Mercer's International Evaluation System (IPE), is available. Finally, Mercer WIN®, an online platform where Mercer remuneration survey results are delivered on, is talked about.

Report name: Participant List

File format: Excel

This report presents which companies took part in the survey in the current year providing also information on the participant organizations' Group name, industry super sector and sector. Participant organization with "(Corporate)" in the name is Executive sub-population from the given entity. Industry List tab provides Mercer's general industry classification with a breakdown by super sector, sector, and subsector.

Report name: Policy and Practice Reports

File format: PDF

A summary of organizations' remuneration policies, which includes salary budget forecasts, compensation mix by employee groups, short-term and long-term incentive practices, as well as benefits. The report delivers information on the labor market current trends. In the report you will find data for employee groups such as rotation, hot jobs, types of agreements offered by the companies. There is also a separate section dedicated to variable pay with data covering type and frequency of the bonus, group of employees eligible, pay out criteria, company cars, most prevalent benefits that employers offer such as: flexible benefits, insurance and retirement plans, medical care, mobile phones or sport cards. Note that content of the report is subject to local differences

with some remuneration elements not being reported in the given country and some specific to the market being reported nowhere else.

Report name: Library Jobs Detailed Report – Complete PC

File format: Excel

This formatted detailed report includes actual market data analysis by Jobs, Core Jobs and Mercer Combined Jobs in an Excel format that allows for quick filtering, importing and systematic data retrieval. The market data is segmented by Job Family (each family has its own tab) and presents a comprehensive list of compensation elements and key statistics. Additionally, this report includes job descriptions and has been presented/sorted in a manner that highlights the relationships between Jobs, Core Jobs and Mercer Combined Jobs. A handy guide tab has been included that allows you to further drill down into Job Families and Sub-Families while presenting the relationship between Jobs, Core Jobs and Mercer Combined Jobs. Embedded hyperlinks in the guide tab will take you directly to the market data.

Report name: Library Jobs Detailed Report – Grouped by PC

File format: Excel

This formatted detailed report includes actual market data analysis by Jobs, Core Jobs and Mercer Combined Jobs grouped by Position Class ranges (e.g., 2 or 3) in an Excel format that allows for quick filtering, importing and systematic data retrieval. The market data is segmented by Job Family (each family has its own tab) and presents a comprehensive list of compensation elements and key statistics. Additionally, this report includes job descriptions and has been presented/sorted in a manner that highlights the relationships between Jobs, Core Jobs and Mercer Combined Jobs. A handy guide tab is included that allows you to further drill down into Job Families and Sub-Families while presenting the relationship between Jobs, Core Jobs and Mercer Combined Jobs. Embedded hyperlinks in the guide tab will take you directly to the market data.

Report name: Library Jobs Summary Report

File format: Excel

This formatted summary report includes actual market data analysis by Jobs, Core Jobs and Mercer Combined Jobs in an Excel format that allows for quick filtering, importing and systematic data retrieval. The data is segmented by Job Family (each family has its own tab) and presents key compensation elements (e.g., Base Salary, Total Cash Actual) and statistics. A handy guide tab is included with embedded hyperlinks that will take you directly to the referenced Job Family data. For additional compensation elements not included in this report, please refer to the Library Jobs Detailed Report referenced above.

Report name: Year over Year Trends

File format: Excel

This formatted report presents trends in Base Salary, Total Guaranteed Cash and Total Cash (Actual) by benchmark Jobs and IPE Position Classes through a comparison analysis to last year's data. The analysis is performed at the same incumbent level, same organization/job level and all organization/market level. In addition to including both incumbent and organization weighted actual market data, this report also includes analysis using regressed market data.

Report name: Excel Download of Actual and Regressed Data

File format: Excel

This unformatted report includes actual and regressed market data for benchmark Jobs, Core Jobs and Mercer Combined Jobs as well as IPE Position Classes in an Excel format that allows for quick filtering, importing and systematic data retrieval. Data is presented in both a summary format, consisting of key compensation elements, and a more detailed format consisting of all compensation elements. Additionally, this report presents both incumbent and organization weighted.

Report name: Mercer Job Library – Jobs and Roll-ups Catalog

File format: Excel

This formatted report includes all benchmark Jobs, Core Jobs and Mercer Combined Jobs in a single file along with their key attributes (e.g., titles, descriptions). The file also includes the relationships between Jobs and Core Jobs as well as the relationship between Jobs and Mercer Combined Jobs.

Report name: Supplementary Materials

File format: PDF

This formatted report provides supplemental information important to the survey.

4. Survey Results

4.1. Mercer WIN®

Mercer remuneration survey results are delivered in Mercer WIN, an online platform* that allows you to efficiently organize and analyze your data. Mercer WIN makes it easy to combine jobs and Position Classes (PC) to better represent your organization and compare it against selected markets. Now you're free to explore, interpret and formulate insights on important human capital decisions and investments. As more data becomes available, Mercer WIN will continue to grow in value and convenience.

Mercer WIN consolidates data and analytics, plus intelligence from other sources, to give you the comprehensive data needed to confidently make compensation decisions. This comprehensive and highly intuitive cloud platform turns relevant information into robust intelligence. Workforce databases, benchmarks, analytics and insights are more accessible on our user-centric, configurable interface. Search and guided navigation are completely intuitive and all the tools and data necessary to drive decision-making are integrated into one simple homepage. Plus, our global support network is comprised of software specialists and compensation management professionals to answer any questions that may arise.

With Mercer WIN, you can:

- Set-up customized reports that will be ready to download each time your survey results are published.
- Customize the data by geography, industry, company size, and more parameters.
- Compare job descriptions side-by-side.
- Change pay elements to support the right level of analysis.
- Perform function and career-level analysis.
- Export the data for integration into other systems or download Excel files.
- Run presentation-quality detailed or summary reports.
- Instantly compare your data against selected markets.
- Create peer groups functionality.
- Perform data aging and currency conversions (normalization) of market data.
- Access and run statistics on more relevant data via the aggregated roll-ups providing clearer job relationships, using data that reflect your company.
- Access published reports (for select surveys).

In addition, as a survey participant you can:

- Establish an unlimited number of custom queries based on any combination of survey scope variables, such as querying for which organizations in selected industries have sales volume within a specific range.
- Request custom peer group databases by organization name.
- Specify custom percentile statistics for the compensation variables you need (for example, querying for the 65th percentile base salary and total cash compensation).
- Include or exclude your organization's data in the generation of statistics.
- Display your organization's competitive position in the market.
- Display "my data" in aggregate or by position.
- Include the Accounting Cost or Binomial Long-term Incentive value instead of the Black-Scholes value in the calculation of Total Direct Compensation.

NOTE: To ensure the confidentiality of all data, statistics are generated only if a data selection includes a predefined minimum number of organizations.

Mercer WIN not only makes information easily accessible, but also readily convertible into specific charts, graphs and reports. It provides flexibility in arranging, plotting and exporting data by industry, country or other criteria. For further details, visit [Mercer Resources Center](#).

Together with Mercer WIN we are delighted to invite every user to [Mercer Resources Center](#) (<https://resources.mercer.com/>) to access a comprehensive library of user enablement material as well as the Mercer surveys and HR terms glossary with [+1600 definitions](#).

*Supports all most popular browsers including Chrome, Firefox, Edge, and Safari.

4.2. Mercer Job Library

Mercer Job Library is periodically refreshed to ensure content is reflective of today's job market. When accessing survey results, refer to the **Mercer Job Library – Jobs and Roll-ups Catalog** excel file available from the Homepage with your Market Views under Published Reports tab. For further details, visit www.imercer.com/win or consult your local Mercer contact.

Mercer Job Library is a comprehensive, global job catalog organized using nature of work Families / Sub-families to:

- Provide a common framework for similar work performed in different industries and organizational settings.
- Enable clients to see the relationships between similar industry-specific and cross-industry jobs.

In the Mercer Job Library, two concepts meet to form a “job”: Nature of Work and Hierarchy of Work.

Nature of Work:

	Family	Sub-family	Navigation Group*	Specialization**
Example	Engineering & Science (ENS)	Engineering (03)	Design Engineering	Electronics Product Design Engineering (061)

* Navigation Group – an aid in searching for Specializations, breaking them into natural groupings of types of work within a Sub-Family.

** Specialization – the specialized work within a Sub-Family.

Hierarchy of Work:

Mercer Job Library is structured around four Career Streams: Executive, Management, Professional and Para-Professional/Support, within which multiple Career Levels are available for matching.

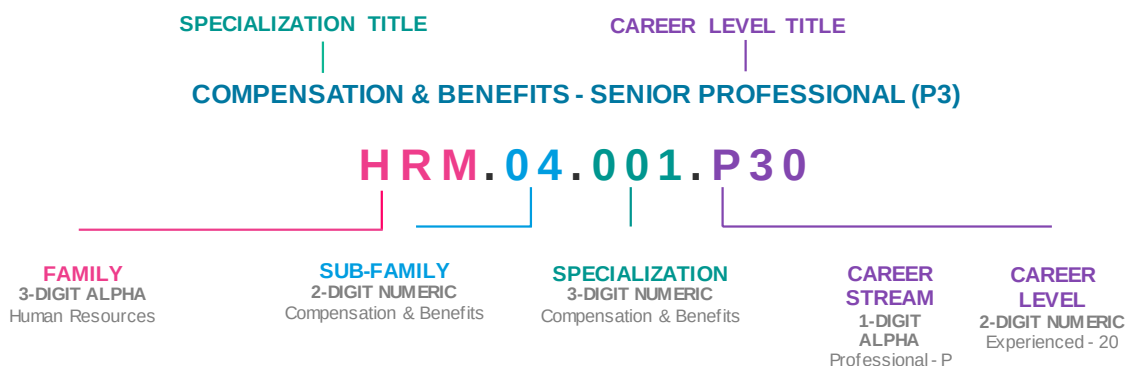
	Career Stream	Career Level
Example	Professional	Senior Professional (P3)

4.3. Mercer Job Library Code

The Mercer Job Library Job Codes consist of and categorizes positions by:

- 3-digit Family - alpha
- 2-digit Sub-family - numeric
- 3-digit Specialization - numeric
- 1-digit Career Stream - alpha
- 2-digit Career Level - numeric

Example:



Family and Sub-family – The family and sub-family are defined in the first five digits of the code. For example, the code HRM.04 represents the Human Resources family (HRM) and the Compensation & Benefits sub-family (04). Additional sub-families within Human Resources (e.g. Mobility, Payroll, Talent Acquisition, etc.) are represented with unique sub-family codes. These are used to ensure each position in the survey contains a unique code. The system has been designed with enough flexibility to allow future positions to be added to the survey.

Specialization – The specialized work within a sub-family. The combination of a Specialization and a Career Level makes up a Job that an employee performs, which is what participating organizations match for survey submission purposes.

Career Stream and Level – The three last digits within the position code. Defines the level within the organization hierarchy and the knowledge and competency requirements.

4.4. Career Streams and Levels

4.4.1. Executives

Includes executive roles providing strategic vision and direction, leading organization, or its business function. The scope of responsibilities includes entire organization and/or selected line of business/business entity. Most of the time is spent overseeing area of responsibility directing the responsibilities of employees. Goal achievement is typically accomplished through performance of direct and/or indirect reports.

► ET1 - EXECUTIVE TIER 1

Positions are top corporate executives who determine ultimate direction of the entire multinational/global organization. Establish and implement long-term strategy of the enterprise. Include Head of Organization as well as Head of Major Function roles in organization's top entities (Corporate/Group). May include leaders of the largest business/regional units. Typically lead multiple Tier 2 and Tier 3 executives.

► ET2 - EXECUTIVE TIER 2

Positions are top executives typically responsible for a business unit/regional business function. Participate in the development of corporate strategy with specific input to their functional area and line of business. Include corporate function executives reporting to the executive officers of the entire organization. Tier 2 Head of Organization leads a regional business or a local independent company. Typically oversee multiple Tier 3 executives and other Tier 2 executives within their respective function.

► ET3 - EXECUTIVE TIER 3

Positions are executives leading a major function within local entity/business unit or a part of a regional/global business function. They participate in strategy development as it applies to functional area. Tier 3 Head of Organization usually leads local subsidiaries/divisions. Typically lead directors and managers but may also lead other Tier 3 executives.

4.4.2. Management

Management professionals focusing on tactical and operational activities within a specified area. Positions typically have three or more direct reports. Management career stream includes three main level groups:

- **Directors** (M60 & M50) focus on strategy execution and leading business function, in cooperation with executive roles
- **Managers** (M40 & M30) focus on leading experienced professionals including team leaders and other managers.
- **Team Leaders** (M20 & M10) focus on supervising professional and para-professional employees.

Most of the time is spent overseeing area of responsibility, planning, prioritizing and/or directing the responsibilities of employees. Goal achievement is typically accomplished through performance of direct and/or indirect reports.

► M6 SENIOR DIRECTOR

A Senior Director (M6) is responsible for strategy execution and operational direction of a business function within local entity/business unit or at the regional level. They may participate in strategy development for their functional area. Works closely with executive leadership concerning matters of significance to the organization. Typically manages multiple teams led by directors and senior managers.

► M5 DIRECTOR

A Director (M5) is responsible for strategy execution and operational direction of a business function or a part of a function within local entity/business unit. Supports strategy development for their functional area. Interacts with executive leadership concerning matters of significance to the organization. Typically manages multiple teams led by senior managers and managers.

► M4 SENIOR MANAGER

A Senior Manager (M4) typically manages a department or small unit that includes multiple teams led by Managers and/or Team Leaders. Responsibilities typically include:

- Ownership of **short to mid-term (1-3 years) execution of functional strategy** and the operational direction of the Department.
- Problems faced are often complex and require extensive investigation and analysis.
- Requires the ability to influence others to accept practices and approaches, and the ability to communicate and influence executive leadership.

► M3 MANAGER

A Manager (M3) manages experienced professionals who exercise latitude and independence in assignments. Responsibilities typically include:

- Policy and strategy implementation for **short-term results (1 year or less)**.
- Problems faced are difficult to moderately complex.
- Influences others outside of their own job area regarding policies, practices, and procedures.

► M2 TEAM LEADER (PROFESSIONALS)

A Team Leader (M2) supervises **professional-level employees** (typically entry or experienced level) and may also supervise some para-professional employees. Responsibilities typically include:

- Setting goals and objectives for team members for the achievement of operational results.

- Problems faced may be difficult but typically are not complex.
- Ensures policies, practices and procedures are understood and followed by direct reports, customers, and stakeholders.

► M1 TEAM LEADER (PARA-PROFESSIONALS)

A Team Leader (M1) supervises **para-professional employees**. Responsibilities typically include:

- Setting day-to-day operational objectives for the team.
- Problems faced may be difficult but typically are not complex.
- Ensures policies, practices and procedures are understood and followed by direct reports, customers, and stakeholders.

4.4.3. Professional

Individual contributors with responsibility in a professional or technical discipline or specialty but may manage two or fewer employees. May direct the work of other lower-level professionals or manage processes and programs. Most of the time is spent overseeing the design, implementation or delivery of processes, programs and policies using specialized knowledge and skills typically acquired through advanced education (3 – 4-year University degree).

► P6 PRE-EMINENT PROFESSIONAL

A Pre-eminent Professional (P6) is recognized **both within and outside the organization** as a thought leader in their area of expertise. Responsibilities typically include:

- Recommending operational strategies and plans with a direct impact on results.
- Influencing business decisions made by leadership.
- Problems are complex and multi-dimensional.
- Requires communication with executive leadership on matters of strategic importance.

]

► P5 EXPERT PROFESSIONAL

An Expert Professional (P5) is a recognized **master in professional discipline** typically obtained through advanced education and work experience. Responsibilities typically include:

- Establishing operational plans for their job area.
- Developing and implementing new products, processes, standards or operational plans that will have an impact on the achievement of functional results.
- Requires communication with leadership.

► P4 SPECIALIST PROFESSIONAL

A Specialist Professional (P4) is a recognized **subject matter expert** in their job area typically obtained through advanced education and work experience. Responsibilities typically include:

- Managing large projects or processes with limited oversight from manager.
- Coaching, reviewing and delegating work to lower level professionals.
- Problems faced are difficult and **often complex**.

► P3 SENIOR PROFESSIONAL

A Senior Professional (P3) applies **advanced knowledge** of their job area typically obtained through advanced education and work experience. Responsibilities typically include:

- Managing projects/ processes, working independently with limited supervision.
- Coaching and reviewing the work of lower level professionals.
- Problems faced are difficult and **sometimes complex**.

► P2 EXPERIENCED PROFESSIONAL

An Experienced Professional (P2) applies **practical knowledge** of their job area typically obtained through advanced education and work experience. Responsibilities typically include:

- Works independently with general supervision.
- Problems faced are difficult but **typically not complex**.
- May influence others within the job area through an explanation of facts, policies, and practices.

► P1 ENTRY PROFESSIONAL

An Entry Professional (P1) applies **broad theoretical job knowledge** typically obtained through advanced education. Responsibilities typically include:

- Work is closely supervised.
- Problems faced are **not typically difficult or complex**.
- Explains facts, policies, and practices related to their job area.

4.4.4. Para-Professional

Individual contributors who provide organizational related support or service (administrative or clerical) OR roles operating in a “hands-on” environment in support of daily business activities (e.g. technical, production or craft levels). Most of the time is spent in the delivery of support services or activities, typically under supervision. Work typically requires a high school degree or 1 – 2 year vocational training/associates degree.

► S4 SPECIALIST PARA-PROFESSIONAL

A Specialist Para-Professional (S4) requires **advanced knowledge of operational procedures** and tools obtained through extensive work experience and **may require vocational or technical education**. Responsibilities typically include:

- Working under limited supervision for **non-routine situations and may be responsible for leading daily operations**.
- Training, delegating and reviewing the work of lower level employees.
- Problems are typically difficult and non-routine but not complex.

► S3 SENIOR PARA-PROFESSIONAL

A Senior Para-Professional (S3) requires a **broad knowledge of operational procedures and tools** obtained through extensive work experience and **may require vocational or technical education**.

Responsibilities typically include:

- Works under limited supervision for **routine situations**.
- Provides assistance and training to lower-level employees.
- Problems typically are not routine and require analysis to understand.

► S2 EXPERIENCED PARA-PROFESSIONAL

An Experienced Para-Professional (S2) requires a **basic knowledge of job procedures and tools** obtained through work experience and **may require vocational or technical education**.

Responsibilities typically include:

- Works under moderate supervision.
- Problems are typically of a routine nature but may at times require interpretation or deviation from standard procedures.
- Communicates information that requires some explanation or interpretation.

► S1 ENTRY PARA-PROFESSIONAL

An Entry Para-Professional (S1) is an entry-level position typically **requiring little to no prior knowledge or experience**. Responsibilities typically include:

- Work is routine or follows standard procedures.
- Work is closely supervised.
- Communicates information that requires little explanation or interpretation.

This table is for illustration purposes and represents the typical correlation between Career Levels, within each of the Mercer Job Library Career Streams. It is based on the median position classes associated with the underlying IPE evaluations for a mid-sized organization.

The alignment of Career Levels may differ somewhat between organizations depending on various factors, in particular organization size, but also industry, activities, geographic scope, etc. For more information, speak to your Mercer consultant.

Career Level alignment based on Mercer's International Position Evaluation (IPE) system

	CAREER STREAM			
	EXECUTIVES	MANAGEMENT	PROFESSIONALS	PARA-PROFESSIONALS
CAREER LEVEL	Executive Tier 1			
	Executive Tier 2			
	Executive Tier 3			
		Senior Director (M6)		
		Director (M5)	Pre-Eminent (P6)	
		Senior Manager (M4)	Expert (P5)	
		Manager (M3)	Specialist (P4)	
		Team Leader - Professionals (M2)	Senior (P3)	
		Team Leader - Para-Professionals (M1)	Experienced (P2)	
			Entry (P1)	Specialist (S4)
				Senior (S3)
				Experienced (S2)
				Entry (S1)

4.5. Job Descriptions

Mercer Job Library consists of Specialization descriptions and Career Level descriptions. Career Level descriptions are applied consistently across all Jobs at the same Career Level. Typical Titles and matching notes are also available to support the job matching process.

4.6. Aggregated Data Roll-ups

Mercer Job Library presents two types of aggregated roll-ups: **Mercer Combined Jobs** and **Core Jobs**. Both are reported in survey results and in Mercer WIN®, based on the combination of available data for the underlying Jobs.

Aggregated roll-ups present clearer relationships between jobs and offers the ability to view data that best reflects jobs and labor markets – from deeply specialized roles within one industry to combinations of related jobs within the broader talent pool.

4.6.1. Core Job (CJ)

An aggregate of underlying Jobs within a Sub-Family at a specific Career Level.

Example:

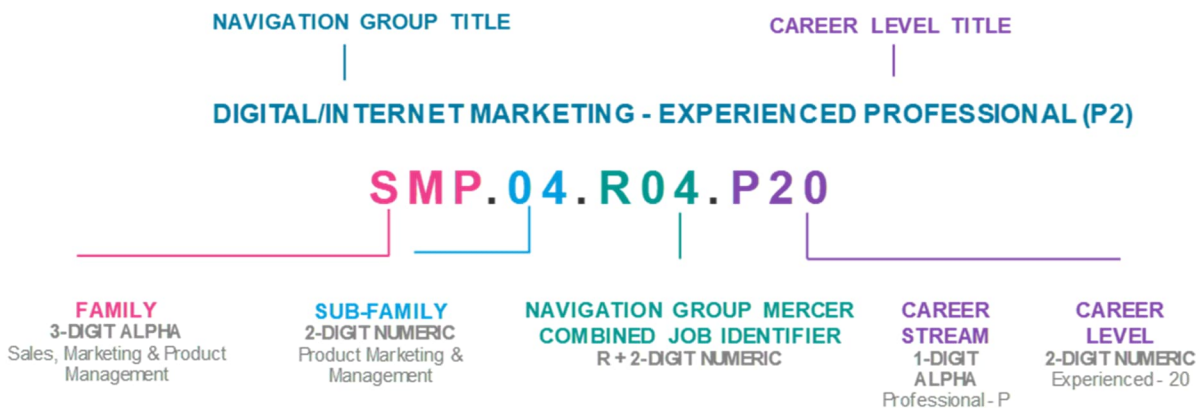


4.6.2. Mercer Combined Job (MCJ)

An additional job combination and aggregated data set, prepared by Mercer. Two sets of Mercer Combined Jobs are available for consistent use across all Library products:

Navigation Group Mercer Combined Job (NG MCJ) – Combination of available data from all jobs within a Navigation Group at a specific Career Level. The data set is broader than Job but not as broad as Core Job data. A minimum of two jobs at the same Career Level within a Navigation Group must exist before a Mercer Combined Job will be created.

Example:



Executive & Director Mercer Combined Job (E&D MCJ) – Combination of available executive and director level jobs (ET1, ET2, ET3, M60 and M50) for a Specialization.

Example:



5. Standards

5.1. Data Confidentiality Standards

Mercer uses several market data masking rules in this report and in Mercer WIN® to guarantee client data confidentiality and to ensure the reported market data is as meaningful and useful as possible.

5.1.1. Summary of Market Data Masking Approaches

1. A minimum number of incumbents, organizations and distinct organizations are required to present remuneration statistics. If these minimums are not met, the market data is suppressed (“masked”) to protect confidentiality.
 - Incumbents represent the number of distinct employees (i.e. observations) that are used to present mean, median and percentile remuneration statistics.
 - An organization is defined as any entity or operating unit (e.g. divisions, subsidiaries, parent organizations) providing unique incumbent remuneration data to the survey.
 - A distinct organization is defined as either a standalone organization or a parent organization with multiple entities (i.e. divisions and/or subsidiaries). Multiple entities may provide survey data and be part of the same distinct organization which is counted only once.

Masking rules may vary across different countries and products due to different local laws and regulations.

2. We gauge whether an organization “dominates” the analysis, i.e. if an organization’s incumbents represent a disproportionate share of the sample. We test for and report on two tiers of dominance.
 - Tier 1 organization dominance alert – at this level, we alert the data user that a certain threshold of organization dominance has occurred and recommend that the user takes this into account and/or also considers switching to organization weighted statistics.
 - Tier 2 organization dominance masking – at this level we mask (suppress) all statistics except mean and median.

Organization dominance criteria thresholds

	Tier 1 Alert	Tier 2 Data Masking
Percent of Incumbents from One Organization	25% – 50%	50% +
Dominance Indicator (Symbol)	Single Asterisk “ * ”	Double Asterisk “ ** ”

Note: The dominance indicators are displayed to the left of the “num orgs” column in Mercer WIN. Some PDF/Excel reports do not display the indicators although the Tier 2 masking is applied. In case of Tier 1 domination, additionally to the organization dominance criteria above, if at least two percentiles are equal to each other, all percentile results are suppressed other than the median. This type of masking will also be indicated with a Double Asterisk “ ** ”

5.1.2. Market Data Masking Criteria

Minimum counts to display statistics

Statistic	Number of Incumbents	Number of Organizations	Number of Distinct Organizations
Mean (Average) and Frequency Percents	5	5	5
50 th Percentile (Median)	5	5	5
25 th and 75 th Percentile	7	7	7
10 th and 90 th Percentile	10	7/10*	7

* 7 organizations if the statistics are incumbent weighted; 10 if they are organization weighted.

Note: Masked data is indicated in this report and Mercer WIN® with a double hyphen, i.e. “--”.

5.1.3. Peer Group Confidentiality

Peer groups (client-defined subsets of this survey’s participants) may be created in Mercer WIN. To protect the confidentiality of survey participants, the following rules apply to creating and modifying peer groups.

Peer group minimums

Criteria	Minimum Number
Number of Organizations	10
Number of Distinct Organizations	8
Number of Organizations Peer Groups to Vary by	4

5.2. Questionnaire Design

The survey materials are reviewed and revised annually to incorporate participant and survey advisor suggestions, where possible.

5.3. Participation Solicitation

Mercer takes several steps to secure survey commitment. This is necessary in order to ensure a robust and consistent sample of participating organizations.

- A participation alert e-mail is sent to past participants and purchasers prior to distribution of invitation to participate.
- An invitation to participate is sent via e-mail with the instructions for accessing the online data submission through Mercer Data Connector.
- Participants are sent automatic reminders at specific intervals (three weeks, one week, two days and last day to submit) to participate prior to final submission date.
- Two weeks before the submission deadline, a participation reminder e-mail is issued to all targeted participants to remind them of the approaching deadline.
- An additional notice is sent to non-responding organizations indicating there is still time to participate and requesting the organizations confirm participation.
- Follow-up phone calls are made to past participants to ensure their participation and minimize year-over-year data fluctuations.

5.4. Data Collection

Participants provide financial data and information about employment policies, practices, and compensation levels through the Mercer Data Connector portal, which:

- Validates data and alerts users to potential errors in real time, so they can be addressed on the spot.
- Enables users to upload files; enter, validate and submit data; and order products all through one online portal.
- Uses proprietary algorithms and machine learning to suggest job matches.
- Saves responses year to year, so users can build upon their work instead of re-entering data.
- Is subject to Mercer's strict confidentiality policies; protecting information by encrypting data transmissions, controlling access to servers and restricting access to administrators selected by the organization.

5.5. Data Analysis

All survey data are validated to ensure accuracy and reasonableness. The database is then compiled and further analysis is conducted for quality assurance and market representation.

- Computerized diagnostic programs are used to identify statistical anomalies (such as responses that are significantly above or below all other responses) that could skew the survey results and decisions are made regarding their inclusion in the results.
- Irregularities found in year-over-year analyses for repeat participants are researched.
- Anomalies are explained by supplemental data that are collected in follow-up phone calls. Mercer may exclude data that are considered invalid, could not be verified by the participant, do not represent the market, or may result in a breach of confidentiality for any survey participant.

5.6. Data Reporting

A comprehensive analysis of the survey data is performed. Where appropriate, analyses are completed based on size, type of organization, organizational structure, geographic region, or a combination of one or more of these factors.

A few survey reporting notes include the following:

- Percentages in columns may not add up to 100% when organizations are given the option to provide more than one response to a specific question. Those responses are valid and are further explained after each table.
- For questions that provide a percentage response, the percentage is calculated based on the number of organizations that responded to each question and not the total number of survey respondents.
- Mercer reminds participants to exercise caution in drawing definitive conclusions using data for which sample sizes are small (for example, fewer than 10 organizations). This could potentially represent an insufficient sample size and may not be an accurate reflection of the marketplace.

5.7. Aging Standards

Since the data were collected for these results, changes may have occurred in the marketplace. Predictions regarding your organization's salary increase budgets can be used to "age" the data over the course of a year.

The following example ages data from April 1 to December 1 and assumes an annual salary increase budget of 3%.

1. Determine the monthly salary increase budget:

$$\frac{3\% \text{ Annual Increase}}{12 \text{ Months}} = 0.0025$$

This is the prorated monthly salary increase projection (MSIP).

2. Multiply the prorated MSIP by the number of months since the effective date of the report to obtain the aging factor. To age the data to December 1 multiply the MSIP (0.0025) by the 8 months elapsed time.

$$0.0025 \times 8 = 0.02$$

This is the aging factor.

3. To calculate the 8-month salary increase, multiply the chosen base salary by the aging factor and add this amount to the chosen base salary.

$$(\text{Base Salary} \times \text{Aging Factor}) + \text{Base Salary} = \text{Aged Salary}$$

This approach is a reasonable predictor of salary growth when the economy is relatively stable. Where the economy fluctuates significantly (inflation/recession), figures should be adjusted to reflect those economic trends.

In Mercer WIN, you may age all the remuneration elements in your view. All remuneration elements will be aged using the client supplied aging factor and dates. Aging calculation is based on compound interest principle in case of aging for multiple periods with different aging factors. The following formula for aging option is used in Mercer WIN:

Aging Factor = $(1 + R_1 * T_1) * (1 + R_2 * T_2)$, where:

- R_1 is an annual salary movement percentage for survey publication year.
- R_2 is an annual salary movement percentage for next year(s).
- T_1 is a number of days remaining in the next year(s) divided by the total number of days in a year (365).
- T_2 is a number of days remaining in the next year(s) divided by the total number of days in a year (365).

Clients who have purchased the survey results via Mercer's reporting tool should refer to the "Set Aging" screen in order to apply an aging factor to the survey data. In Mercer's reporting tool, the following fields can be aged: base salary, annual and sales incentives, profit-sharing amounts, total incentives, target total cash, target total direct, total cash compensation, and total direct compensation.

For salary planning budget information, QuickPulse™ US Compensation Planning Survey provides comprehensive data to assist companies. The results are identified by four main employee groups analyzed by industry group: All Employees, Executives, Non-Executives (Salaried), and Non-Executives (Hourly). For more information, please visit our website at www.imercer.com.

5.8. Treatment of Zeros

Throughout the reports, zeros have not been used in the calculations unless otherwise specified.

5.9. Treatment of Negative Values

Throughout the reports, negative values have not been used in the calculations unless otherwise specified.

5.10. Exchange Rates

When there is a need to change the currency in which data is provided, for low inflation countries Mercer uses the average rate of the last trade rate between January 1 and March 31 of the survey year. In the case of countries with consumer price inflation (CPI) rates equal or higher than 20% in survey currency, updated rate is used for surveys with effective dates starting with 1st October and later. This additional rate is based on September monthly average currency rate.

5.11. Total Direct Compensation and Total Remuneration – Number of Incumbents

The total number of recipients reported for these remuneration types may be less than for other cash compensation aggregates because there may be organizations that only submitted cash compensation.

5.12. Core-based Statistical Areas (CBSA)

Data are reported by core-based statistical areas within a region. A core-based statistical area is a U.S. geographic area defined by the Office of Management and Budget (OMB) that consists of one or more counties (or equivalents) anchored by an urban center of at least 10,000 people plus adjacent counties that are socioeconomically tied to the urban center by commuting.

6. Statistics

6.1. Descriptive Statistics

10th Percentile (10th %ile) – The data point that is higher than 10% of all other data in the sample when ranked from low to high.

25th Percentile (25th %ile) – The data point that is higher than 25% of all other data in the sample when ranked from low to high. Also known as the first quartile.

Median – The data point that is higher than 50% of all other data in the sample when ranked from low to high. Also known as the 50th percentile.

75th Percentile (75th %ile) – The data point that is higher than 75% of all other data in the sample when ranked from low to high. Also known as the third quartile.

90th Percentile (90th %ile) – The data point that is higher than 90% of all other data in the sample when ranked from low to high.

Mercer WIN application allows also for calculation of custom percentiles for actual data.

Frequency Count (Freq Count) - The number of occurrences reported for a variable. Statistics for this variable can be obtained through Mercer WIN®.

Frequency Percent (Freq %) - The percentage of occurrences reported for a variable. Statistics for this variable can be obtained through Mercer WIN®. Referred to as FreqPct when results are exported from Mercer WIN®.

Mean – The sum of all data reported divided by the number of observations in the sample. Also known as the average.

Number of Observations (Num Obs) - The number of incumbents for whom data are reported for the variable.

Number of Organizations (Num Orgs) - The number of organizations reporting data for a variable. Note that each variable, such as Base Salary or incentive amount, is analyzed individually using the data reported for that variable only. The organization and observations counts that are listed in the report provide the number of observations used in the calculations for each variable. If an organization could not provide complete data for a position, that organization's information would not be included in the calculations requiring those data. Therefore, the organization/observations counts may differ by variable.

Receiving Item (Count Obs/Orgs) – The number of employees/organizations receiving the compensation or benefit item. Each item, such as base salary or incentive amount, is analyzed individually using the data reported for that item only. If an organization did not provide a piece of data for a position, this organization's information is not included in the calculation of the statistics. Therefore the number receiving the item may differ per item.

Incumbent-weighted statistics – These statistics are calculated directly at the incumbent data level. This means that each incumbent data point has an equal impact (weight) on the calculation of the market statistics. For example, if there are 20 organizations with a total of 100 incumbents in a data sample, each incumbent has an impact of 1% on the calculation of market statistics. Additionally, an organization with 15 incumbents will have an impact of 15% on the final market results. An organization with 2 incumbents will only have an impact of 2%.

Organization-weighted statistics – These statistics are calculated on organizational averages, which are initially calculated on the incumbent data of an organization. This means that each participating organization's data has an equal impact (weight) on the calculation of market statistics. For example, if there are 20 organizations with a total of 100 incumbents in a data sample, each organization's data points will have an impact of 5% on the calculation of market statistics. Additionally, an organization with 15 incumbents will only have an impact of 5% on the final market results. An organization with 2 incumbents will also have an impact of 5%.

7. Market Regression Trend Lines

Mercer uses statistical regression analysis to create market trend lines that depict the relationship between remuneration and Position Class (PC). Regression market trend lines are published in this report and are also available in Mercer WIN® on the entire market and on combinations of job families, peer groups and other market refinements. The Mercer regression market trend line methodology is described below.

7.1. Summary

- Mercer market regression lines are created from actual data results.
- The actual data results are organization weighted.
- The Mercer market regression line is the market median.
- Mercer surveys use bands (i.e. line segments) to optimally depict the different pay patterns that exist by job level.

The Mercer regression methodology is executed as follows:

- Market statistics (quartiles, mean and median) are calculated for each Position Class in the chosen market (organization weighted).
- An exponential regression on the actual market median is computed.
- Quartile lines are computed:
 - At each PC, ratios between the quartile and median market value are calculated.
 - An exponential equation is calculated using all the quartile-median ratios.
 - The resulting ratio formula is applied to each regressed median value to arrive at the regressed quartile value.

7.2. Business Rules

There are stringent data density checks to calculate market regression lines:

- There must be sufficient market data to produce medians (i.e. a minimum of 4 data points is required to produce a median).
- There can be no more than 2 sequential PCs without data.
- The minimum number of PCs with data to produce a line is 5.
- Negative slopes are not permitted.

- Results are reviewed to identify and correct relationships between remuneration type and line segments – i.e. regression values for:
 - higher remuneration types (e.g. Total Compensation) exceed values for lower remuneration types (e.g. Total Guaranteed Compensation).
 - the 2nd band exceeds the values for the 1st band.
 - 75th Percentile > 50th Percentile (Median) > 25th Percentile.

Note that the Mercer Market Regression Lines are organization weighted median as described above. However, Mercer WIN® provides the analytical flexibility to obtain incumbent weighted regressions and to use regressed means as well.

7.3. Bands, Line Segments

Mercer market regression trend lines consist of two or three “bands” or line segments to better capture the different pay patterns (i.e. relationships between pay and job level as depicted by Position Class) that exist between different job levels.

There are exceptions however in general, bands are globally consistent contingent on the maximum Position Class with reported median results (table below).

Maximum Position Class With Median Reported	1 st Band	2 nd Band
60 to 66	40 to 52	53 to end PC
67 to 74	40 to 54	55 to end PC
75 or Greater	40 to 56	57 to end PC
Less than 60 or Less than 15 Total PCs in the Survey	No Bands	

Note: Bands may begin at a PC higher than 40.

For the purposes of maintaining year over year continuity, bands that have been used prior to implementing the global standards have been retained in some countries.

7.4. Regressions for Combined Position Classes

Mercer WIN applications also allow for the calculation of regression results for user-defined grades based on selected combinations of Position Class, using “Combine PCs” functionality. In the case of grouped PCs, regular business rules presented apply also to combined data. Sufficient data should be available for each specific combination of Position Classes, as well as a minimum of 5 custom grades that need to be present in range to produce valid regressed results. Additionally, banding may be applied also to combined data.

8. Year Over Year Market Pay Trends

Despite challenges in measuring market pay trends, Mercer can provide meaningful insights around market pay change for surveyed markets. This chapter discusses in detail the applied approaches and their implications.

8.1. Overall Market Pay Trends

Inflation Forecast – This macroeconomic variable has a high-level influence on salary budgets, especially in countries with high inflation. Mercer's analysis includes this variable to understand its relation to salary budgets.

Changes in Salary Increase Budgets – Salary increase budget estimates indicate the percentage amount that surveyed organizations plan to increase their compensation spending over a specified period (usually the current and upcoming years). They depict how the overall market is expected to change based on the projected change in annual salary spending by surveyed organizations. The salary budget statistics are helpful for setting baseline expectations of how the overall surveyed market will change.

8.2. Changes in Market Results (Actual Data)

Mercer uses the following methodologies to determine year-over-year changes in market pay trends:

All Organizations – This approach compares the overall market pay of benchmark positions or position classes to the previous year, using all organizations that provided data. As no attempt is made to control for data sample changes, the result is the change in the median base salary from the two published surveys. This approach also provides the number and percentage change in organizations and employee/incumbent counts to ascertain the impact of the data sample change. Fluctuations can be the combined result of multiple factors, such as:

- Salary budgets and market pay changes
- Job matching and IPE evaluation changes
- Survey composition changes
- Incumbent changes in and out of benchmark positions.

Same Organizations and Jobs – This approach compares the overall market pay of benchmark positions or position classes to the previous year, using only organizations that provided data for the same benchmark position in both years. This approach controls the composition of organizations

and jobs on a year-to-year basis. The change in median market pay, using only the same organizations/jobs, is presented for each benchmark position.

The number of same organizations and the employee/incumbent counts indicates the sample size and stability, and potentially identify emerging, declining, or changing jobs within an organization. It is important to note that this method is still subject to fluctuations caused by:

- Incumbent changes in and out of benchmark positions (both internal and external)
- Job matching and IPE evaluation changes

Same Incumbents – This approach compares the overall market pay of benchmark positions or position classes to the previous year, using only those organizations that provided the same incumbents in the same position for both years. This approach is the optimal way to determine actual salary increases awarded to individuals in benchmark jobs in that it controls the composition and stability of organizations, jobs, benchmarks, and incumbents on a year-to-year basis. The median of the pay changes, using only the same organizations with the same incumbents in the same jobs, is presented for each benchmark position. However, it is important to understand that this approach may not fully capture changes in the market pay levels caused by incumbent changes (both internally and externally to different jobs or organizations).

8.3. Changes in Market Results (Regressed Data)

As described in chapter 7, the first step in regression computation is a calculation of actual organization weighted market statistics (quartiles, mean and median) for each Position Class in the chosen market. This calculation is executed according to 3 methodologies described in the section above on changes in market results (actual data).

The next step is an exponential regression calculation on the actual market data. For the purpose of year-over-year reporting, this calculation is optimized to provide the best possible estimate of year-over-year trends in the data. In order to present the most accurate information on the underlying market trends, adjustments have been factored that may lead to cases where there are differences with a simple static comparison of survey results between the years. These differences may stem from technical computation changes (e.g. data consistency adjustments, changes to calculation standards, available data ranges) as opposed to market forces, and therefore have been minimized through the adjustments.

8.4. Detailed Year Over Year Results

Detailed results illustrate the year-over-year change in benchmark position, using each of the Mercer pay trends approaches.

Year Over Year Trends by Benchmark Position – As illustrated in the example below, information about changes is provided for each of the Mercer pay trends approaches.

Using this Information – This example is for the Head of Corporate Compliance & Legal - Executive Tier 3 (ET3), typically a single incumbent position in each organization. Conclusions drawn from the data on this position are:

- Eight organizations reported any incumbents to this position in both the current and previous survey edition.
- Eight organizations reported eight same incumbents in this position in both years.
- The base salary median level changed by 4.4% when measuring the market, using only organizations that reported this position both the years.
- The median of base salary increases awarded to these identified incumbents was 3.6%.

Job Code	Job Title	Same Incumbent - Percentage Change in Compensation											Same Organization, Same Job - Percentage Change in Compensation				
		No. of		Median Inc Wtd % Change of:			Average Inc Wtd % Change of:			% Change in Inc Wtd Median:			No. of		% Change in Inc Wtd Median:		
		Orgs	Obs	Base Salary	Total Guaranteed Cash	Total Cash (Actual)	Base Salary	Total Guaranteed Cash	Total Cash (Actual)	Base Salary	Total Guaranteed Cash	Total Cash (Actual)	Orgs	Obs	Base Salary	Total Guaranteed Cash	Total Cash (Actual)
LCA.01.001.ET3	Head of Corporate Compliance & Legal - Executive Tier 3 (ET3)	8	8	3.6	2.0	2.0	4.0	4.0	2.0	4.0	4.0	1.0	8	11	4.4	0.1	-1.6

In this survey 8 same incumbents from 8 organizations were matched to this position in both years.

Incumbent Weighted Median/Average of individual Base Salary/Total Guaranteed Cash/Total Cash (Actual), increases awarded to identified incumbents reported in this position, in both years, was respectively 3.6%/2.0%/2.0% for median increase and 4.0%/4.0%/2.0% for average individual increase.

In this survey 8 organizations matched this position in both years for 11 incumbents in total.

% Change in Incumbent Weighted Median of Base Salary/Total Guaranteed Cash/Total Cash (Actual), reported by organizations providing this job match in both years, was 4.4%/0.1%/-1.6% respectively. Market pay data is obtained by only using the 8 same organizations to calculate the market % change.

“% Change of” calculates the % change for each incumbent in the sample, then takes the median or average of those % changes.

“% Change in” calculates the median of the sample in each year, then takes the % change of those two medians.

Calculation Example – The below table depicts Mercer’s approaches for calculating the market pay trends in the above example. Columns *Incumbent ID*, *Current Year Org ID* and *Previous Year Org ID* represent the incumbents and organizations supplying data in the current year (11 organizations and 14 incumbents total) and previous year (10 organizations and 12 incumbents total). Columns *Current Year Base Salary (000’s)* and *Previous Year Base Salary (000’s)* represent their pay for the position each year. Column *% Change in Base Salary* shows each individual incumbent’s change in pay. Note that individual organization pay change calculations are only performed on the 8 organizations supplying the data for the position in both years. Individual incumbent calculations are only performed for incumbents identified as participating in both years. The table shows market totals (that is, the number of organizations and market pay levels and changes) at the bottom of the columns.

Incumbent ID	Current Year Org ID	Previous Year Org ID	Current Year Base Salary (000's)	Previous Year Base Salary (000's)	% Change in Base Salary	
A_1	1	1	71	68	4.4	ALL ORGANIZATIONS MARKET CHANGE 11 organizations matched the job in the current year. This year's published market median is 4.3% higher than the previous survey market.
A_2	2	2	72	68	5.9	
A_3	3	3	74	72	2.8	
A_4	4	4	70	67	4.5	
A_5	5	5	66	65	1.5	
A_6	6	6	80	80	0.0	
A_7	7	7	74	72	2.8	
A_8	8	8	68	64	6.3	
A_9	8	--	68	--	--	SAME ORGANIZATIONS MARKET CHANGE 8 of the 11 organizations in the survey participated in the survey and matched the job in both survey years. The median pay for the job in these 8 organizations of 71000 is 4.4% higher than it was the previous year.
A_10	8	--	68	--	--	
A_11	8	--	74	--	--	
A_12	9	--	72	--	--	
A_13	10	--	74	--	--	
A_14	11	--	76	--	--	
A_15	--	12	--	75	--	
A_16	--	13	--	74	--	
A_17	--	13	--	70	--	
A_18	--	13	--	68	--	
Calculations:						
No. of Orgs	11	10	--	--	--	
No. of Obs	14	12	--	--	--	
No. of Orgs – Same Org and Job	8	8	--	--	--	SAME INCUMBENTS MARKET CHANGE 8 incumbents in 8 companies were identified as matched to the job in both years. The median awarded salary increase is 3.6%.
No. of Obs – Same Org and Job	11	8	--	--	--	
Base Salary Median – All Data	--	--	72	69	--	
% Change in Median Base Salary – All Data	--	--	4.3	--	--	
Base Salary Median – Same Org and Job	--	--	71	68	--	
% Change in Median Base Salary – Same Org and Job	--	--	4.4	--	--	
Median % Change in Base Salary – Same Incumbent	--	--	--	--	3.6	

9. Aggregate Compensation Values

These values may appear in either, or both, Mercer WIN® and PDF/Excel reports.

Base Salary – Includes annualized base salary (equivalent to full-time employment). Calculation for employees receiving an hourly wage: Hourly Rate x 52 x Standard Work Week (capped at 60 hours; or equal to 40 hours if not provided or below).

Base Salary Incentive Eligible – Base Salary statistics are calculated using incumbents who are eligible for any incentive, including Short-Term Incentive (bonus), Sales Incentive (commission), or Profit Sharing. In an instance when an incumbent is eligible for one type of incentive and not another, that incumbent is included in this calculation. NOTE: Because Short-Term Incentive eligibility is captured at the incumbent level, in some instances incumbents within the same position and organization may be eligible for an incentive while others may not, which may be reflected in the organization counts.

Base Salary Not Incentive Eligible – Base Salary statistics are calculated using incumbents who are not eligible for any incentive, including Short-Term Incentive (bonus), Sales Incentive (commission), and Profit Sharing. In an instance when any one of these incentive eligibility variables was not reported for an incumbent, that incumbent is not included in this calculation. NOTE: Because Short-Term Incentive eligibility is captured at the incumbent level, in some instances incumbents within the same position and organization may be eligible for an incentive while others are not, which may be reflected in the organization counts.

Total Guaranteed Cash Compensation – Includes **Base Salary** plus the annualized value of guaranteed allowances.

Total Cash Compensation (Actual) – Includes **Total Guaranteed Cash Compensation** plus the annualized value of any actual Short-term Incentive, Sales Incentive, Profit Sharing, or Other Incentive awards paid out on performance over a period of 12 months or less. The figures reported reflect the actual amounts of the awards received over the last 12 months.

- All incumbents in the survey database are included in this calculation.

Total Cash Compensation (Target) – Includes **Total Guaranteed Cash Compensation** plus the annualized value of any target Short-term Incentive, Sales Incentive, Profit Sharing, or Other Incentive awards. The figures reported reflect the target amounts applicable to the incumbent.

- All incumbents for whom we have a valid response to any incentive target amount are included in this sample.
- Incumbents that are not eligible for any incentive award and have no target data provided are included in this calculation. In these cases, Total Cash Compensation (Target) is equal Total Guaranteed Cash Compensation.

Total Cash Compensation (Actual) – Receivers – Includes **Total Guaranteed Cash Compensation** plus the annualized value of any actual Short-term Incentive, Sales Incentive, Profit Sharing, or Other Incentive awards calculated only when such awards were received. The figures reported reflect the actual amounts of the last awards received.

- Only incumbents who have any actual incentive amount that is greater than zero are included in this sample.

Total Cash Compensation (Target) – Receivers – Includes **Total Guaranteed Cash Compensation** plus the annualized value of any target Short-term Incentive, Sales Incentive, Profit Sharing, or Other Incentive awards calculated only when such targets were provided. The figures reported reflect the target amounts applicable to the incumbent.

- Only incumbents that are reported as eligible for any incentive award and report a target percentage greater than zero for those plans are included in this sample.
- The incumbent does not have to receive an actual incentive award to be included in this calculation – only eligibility and target are factored in.

Total Direct Compensation (Actual) – Includes **Total Cash Compensation (Actual)** plus the annualized value of any Long-term Incentive awards. In Mercer WIN®, Total Direct Compensation (Actual) is followed by the valuation methodology in parenthesis (Black-Scholes, Accounting Cost, Binomial). Reference the LTI methodology section for more details.

- All incumbents in the survey database are included in this calculation.

Total Direct Compensation (Target) – Includes **Total Cash Compensation (Target)** plus the annualized value of any Long-term Incentive awards. In Mercer WIN®, Total Direct Compensation (Target) is referred to as Total Direct Compensation (Target) followed by the valuation methodology in parenthesis (Black-Scholes, Accounting Cost, Binomial).

- This calculation uses the same sample as Total Cash Compensation (Target).
- This calculation DOES NOT use the LTI Target field, i.e. “target” refers to target as defined in Total Cash Compensation (Target).
- Sample may include incumbents who did not receive an LTI grant.

Total Direct Compensation (Actual) – Receivers – Includes **Total Cash Compensation (Actual)** plus the annualized value of any Long-term Incentive awards for all incumbents receiving a long-term incentive grant. In Mercer WIN®, Total Direct Compensation (Actual) - Receivers is referred to as Total Direct Compensation (Actual) followed by the valuation methodology in parenthesis (Black-Scholes, Accounting Cost, Binomial), Receivers. Reference the LTI methodology section for more details.

- This calculation includes only incumbents that received a long-term incentive grant.

Total Direct Compensation (Target) – Receivers – Includes **Total Cash Compensation (Target) – Receivers** plus the annualized value of any Long-term Incentive awards. In Mercer WIN®, Total Direct Compensation (Target) - Receivers is referred to as Total Direct Compensation, Target followed by the valuation methodology in parenthesis (Black-Scholes, Accounting Cost, Binomial), Receivers. Reference the Long-Term Incentive methodology section for more details.

- This calculation begins with taking the sample as defined in Total Cash Compensation (Target) – Receivers.
- The sample is then further limited to incumbents who received an LTI grant.
- This calculation DOES NOT use the LTI Target field.

10. Compensation Items

Annual Base Salary	Monthly base salary times the number of months guaranteed.
Total Guaranteed Cash	Base salary plus the annualized value of guaranteed allowances.
Annual Total Cash Compensation	Total guaranteed cash compensation plus the annualized value of short-term incentive, sales incentive, profit sharing or other incentive awards.
Total Direct Compensation	Total cash compensation plus the annualized value of any long-term awards, valued using the Black-Scholes methodology for appreciation-based awards.

These values may appear in either, or both, Mercer WIN® and PDF / Excel reports.

10.1. Base Salary Items

Hourly Base Salary - Incentive Eligible – Base Salary statistics are calculated using incumbents who are eligible for any incentive including: Short-Term Incentive (bonus), sales incentive (commission), or Profit Sharing. In an instance when an incumbent is eligible for one type of incentive and not another, that incumbent is included in this calculation. NOTE: Since Short-Term Incentive eligibility is captured at the incumbent level, in some instances incumbents within the same position and organization may be eligible for an incentive while others are not, which may be reflected in the organization counts.

Hourly Base Salary - Not Incentive Eligible – Base salary statistics calculated using incumbents who are not eligible for any incentive including: short-term incentive (bonus), sales incentive (commission), or profit sharing. In an instance when an incumbent is eligible for one type of incentive and not another, that incumbent is included in this calculation. NOTE: Since incentive eligibility is captured at the incumbent level, in some instances incumbents within the same position and organization may be eligible for an incentive while others are not, which may be reflected in the organization counts.

Hourly Rate – Hourly wage. Calculation for employees paid an annual salary: $\text{Base Salary} / (52 \times \text{Standard Work Week})$. Standard Work Week is capped at 60 hours; or defaulted to 40 hours if not provided.

Pay Type – Is this employee paid an annual salary or an hourly wage.

Salary Range - The Salary Range is the minimum, midpoint, and maximum reported for the incumbents in the position by organizations with a formal salary structure for the position. Data for organizations that reported a broadband for the position are excluded from range calculations.

Standard Work Week – Number of hours in a standard full-time work week (exclude overtime).

10.2. Guaranteed Cash Items

Offshore Allowance – Annual amount of compensation for employees for working offshore.

Shift Allowance – Annual guaranteed cash allowance for working unsociable hours (e.g. night work). Includes rotational assignment allowances, night shift premiums or other compensation determined based on planned non-standard schedules.

Total Guaranteed Allowances – Offshore Allowance, plus Shift Allowance, plus Transportation Allowance, plus Other Guaranteed Allowances.

Transportation Allowance – The annual guaranteed cash allowance given to incumbents who are not eligible for a company car to subsidize transportation expenses to and from the workplace or other business-related travel requirements (e.g. to take up public transport, gasoline consumption, road tax, parking, etc.).

Other Guaranteed Allowances – Any annual guaranteed cash allowance not specified above.

10.3. Total Cash Items

Percentage of Short-Term Incentive (Actual) that is Mandatory Deferred – Portion of a bonus award for a last performance year which is not delivered on the company's bonus payment date but is payable in the future based on a mandatory vesting schedule longer than 1 year. Deferred awards can be granted in deferred cash or equity-based vehicles.

Profit Sharing Plan Eligibility – Indicator that the incumbent is eligible for a Profit Sharing award. Blank values are populated with "Yes" if incentive values or grant information are provided for the employee. In all other cases, blank values are populated with "No".

Profit Sharing (Actual) – This represents the actual Profit Sharing payments made to the incumbents in the most recently completed fiscal year.

Profit Sharing (Actual) as percent of Base Text – The Profit Sharing amount received is presented as a percentage of Base Salary for all incumbents who received a payment.

Sales Incentive Eligibility – Indicator that the incumbent is eligible for a Sales Incentive award. Blank values are populated with "Yes" if incentive values or grant information are provided for the employee. In all other cases, blank values are populated with "No".

Sales Incentive (Actual) – All sales incentive amounts earned (but not necessarily paid out, e.g. deferrals) in the most recently completed 12-month incentive performance period ending on the data effective date, which is associated only with sales achievement.

Sales Incentive (Actual) as Percent of Base – The Sales Incentive (Actual) expressed as a percentage of Base Salary.

Sales Incentive (Target) – The target amount of the Sales Incentive award, associated with sales achievements over the next 12-month period.

Sales Incentive (Target) as Percent of Base – The Target Sales Incentive award, associated with expected sales performance over the next 12-month period, expressed as a percentage of Base Salary.

Short-term Incentive Eligibility – Indicator that the incumbent is eligible for a Short-term Incentive award. Blank values are populated with “Yes” if incentive values or grant information are provided for the employee. In all other cases, blank values are populated with “No”.

Short-term Incentive (Actual) – All incentive amounts earned (but not necessarily paid out, e.g. deferrals) in the most recently completed 12-month incentive performance period ending on the data effective date, which is associated with the individual, team, and/or corporate performance.

Short-term Incentive (Actual) as Percent of Base – The Short-Term Incentive (Actual) expressed as a percentage of Base Salary.

Short-term Incentive (Maximum) as Percent of Base – The Maximum Short-term Incentive award, associated with the expected individual, team, and/or corporate performance over the next 12-month period, expressed as a percentage of Base Salary.

Short-term Incentive (Target) – The target amount of the Short-term Incentive award, associated with the expected individual, team, and/or corporate performance over the next 12-month period.

Short-term Incentive (Target) as Percent of Base – The Target Short-Term Incentive award, associated with the expected individual, team, and/or corporate performance over the next 12-month period, expressed as a percentage of Base Salary.

Short-term Incentive (Threshold) as Percent of Base – This is the threshold is the minimum incentive payout based on minimum performance requirements as a percentage of Base Salary.

Short-term Incentive Status for Non-Receivers – This is the primary reason why incumbents eligible for a Short-Term Incentive did not receive a payout amount.

Sign-on Bonus – This bonus is utilized to attract top talent employees to the organization or to pay out an incentive or allowance the employee is losing to transfer to organization.

Total Retention Bonus – This bonus is used to retain top talent and is usually a one-off, non organization-wide bonus. Enter the amount of retention bonus granted in the most recently completed fiscal year. Even if the amount is spread over multiple payments, please enter the total value.

Total Short-term Incentive (Actual) – This includes the sum of Short-Term Incentive (Actual), Sales Incentive (Actual) and Profit Sharing (Actual).

Total Short-term Incentive (Actual) as percent of Base – This includes the actual incentives (Short-Term Incentive, Sales Incentive and/or Profit Sharing) granted to incumbents, reported as a percentage of Base Salary, for those incumbents who received an award.

Total Short-term Incentive (Target) – This includes the sum of Short-Term Incentive (Target) and Sales Incentive (Target).

Total Short-term Incentive (Target) as percent of Base – This is the target Short-Term Incentive plus Sales Incentive for the position as a percentage of Base Salary for all incumbents who are eligible for a short-term and/or Sales Incentive and have a formal incentive target.

10.4. Total Direct Compensation Items

Long-term Incentive Eligibility – Indicator that the incumbent is eligible for a Long-Term Incentive award. Blank values are populated with “Yes” if incentive values or grant information are provided for the employee. In all other cases, blank values are populated with “No”.

Long-term Incentive – The annualized value of all LTI awards received over the 12-month period ending on the data effective date, which is associated with the individual, team, and/or corporate performance over a period longer than one year. Organization matches to Short-Term Incentive deferrals are included in the grant data. In Mercer WIN®, Long-Term Incentive is referred to as “Long-Term Incentive” followed by the valuation methodology in parentheses (Black-Scholes, Accounting Cost, Binomial). For details regarding the option pricing models and methodology, please see the Long-Term Incentives Valuation Methodology Section.

Long-term Incentive as Percent of Base – The Long-Term Incentive Amount expressed as a percentage of the Annual Base Salary. In Mercer WIN®, Long-Term Incentive as Percent of Base is followed by the valuation methodology in parenthesis (Black-Scholes, Accounting Cost, Binomial). For details regarding the option pricing models and methodology, please see the Long-Term Incentives Valuation Methodology Section.

Long-Term Incentive Status for Non-Receivers – This is the primary reason why incumbents eligible for a Long-Term Incentive did not receive a payout amount.

10.5. Survey specific items

Base Salary Plus Total Short-Term Incentive (Actual) – This metric includes Base Salary plus Short-Term Incentive (Actual), Sales Incentive (Actual), and Profit Sharing (Actual).

Base Salary Plus Total Short-Term Incentive (Target) – This metric includes Base Salary plus Short-Term Incentive (Target), and Sales Incentive (Target).

Percent of STI Eligible Receiving - This is the percentage of incumbents in the position who are Short-Term Incentive eligible and received an actual payout.

Stock/Share Ownership Guidelines - The percentage of incumbents for which Stock Ownership Guidelines are in place or are not in place. Stock ownership guidelines refer to a formal guideline requiring individuals in a position to own a minimum number of shares of organization stock. Reported only for incumbents who are eligible for Long-Term Incentives.

11. Non-compensation Items

11.1. Incumbent items

Geographic Region – The following states are covered in each region.

- North Central: IA, IL, IN*, KS, KY*, MI, MN, MO, MT, ND, NE, OH*, SD, WV*, WI, WY
- Northeast: CT, DC, DE, MA, MD, ME, NH, NJ, NY, PA, RI, VA*, VT, WV*
- South Central: AR*, AZ*, CO, LA, NM, OK, TX, UT
- Southeast: AL, AR*, FL, GA, IN*, KY*, MS, NC, OH*, SC, TN, VA*, WV*
- West Coast: AK, AZ*, CA, HI, ID, NV, OR, WA

*State is split between regions

Graduation Year – This is the year in which the employee first graduated from a post-secondary institution. This is the year the employee graduated with a bachelor's degree from a university or year of diploma/certificate graduation from a college, trade or technical institution. In Mercer WIN®, this is referred to as Year of Graduation.

Hourly 2nd shift premium rate (hourly employees only) – The hourly differential rate of pay the employee receives for working a non-weekend second shift (evening shift). This refers to premium rate of pay associated with working nonstandard shifts. The figures reported reflect differentials only, not full shift amounts. In Mercer WIN®, this is referred to as Hourly 2nd Shift Premium.

Hourly 3rd shift (night shift) premium rate (hourly employees only) – The hourly differential rate of pay the employee receives for working a non-weekend third shift (night shift). This refers to premium rate of pay associated with working nonstandard shifts. The figures reported reflect differentials only, not full shift amounts. In Mercer WIN®, this is referred to as Hourly 3rd Shift Premium.

Hourly weekend 1st shift (day shift) premium rate (hourly employees only) – The hourly differential rate of pay the employee receives for working a weekend first shift (day shift). This refers to premium rate of pay associated with working nonstandard shifts. The figures reported reflect differentials only, not full shift amounts. In Mercer WIN®, this is referred to as Hourly Weekend 1st Shift Premium.

Hourly weekend 2nd shift (evening shift) premium rate (hourly employees only) – The hourly differential rate of pay the employee receives for working a weekend second shift (evening shift). This refers to premium rate of pay associated with working nonstandard shifts. The figures reported reflect differentials only, not full shift amounts. In Mercer WIN®, this is referred to as Hourly Weekend 2nd Shift Premium.

Union Status – The percent of incumbents in the position that are in a labor union.

FLSA Status – The percentage of organizations indicating the position's classification based on the Fair Labor Standards Act.

Geographic Scope of Role – This is the percentage of observations for which the incumbent has Global, Multi-regional, Regional, Sub-regional, In-country, or District responsibility. This is for Executive positions only.

Tenure – Organization – This is the number of years the incumbents have been with the organization. In Mercer WIN®, this is referred to as Tenure In Organization.

Tenure - Position – This is the number of years the incumbent has worked in their current position. In Mercer WIN®, this is referred to as Tenure in Current Position.

Technician Certified – In Mercer WIN, this is referred to as Technician Certified.

Workplace Model – This reflects the employee's workplace model, e.g. on-site/office, hybrid or remote. Hybrid means a regular, flexible part-time on-site/in the office and part-time remotely. In Mercer WIN®, this is referred to as Workplace Model.

11.2. Volume Size items

Average Weekly Script Volume per Pharmacy - In Mercer WIN, this is referred to as Average weekly pharmacy script volume for all pharmacies for this entity.

Number of Pharmacies - In Mercer WIN, this is referred to as Number of Pharmacies.

Assets – Assets represents the total assets, as listed on the organization's balance sheet. Note: Organizations in the Securities Industry should not report Assets Under Management as their total assets. Most applicable to organizations in the Banking/Financial Services and Insurance/Reinsurance Industry Super Sectors.

Gross Premiums – This is the net premium plus operating and miscellaneous expenses and agents' commissions. Most applicable to organizations in the Insurance/Reinsurance Industry Super Sector.

Operating Expenses/Budget – This represents fiscal expenditures made by the organization (excluding capital expenditures). This amount is reported on the organization's annual income statement and reflects the annual cost of running the organization. Note: Education organizations who are majority owners of a hospital or other healthcare organization should include the Operating Expenses/Budget of the hospital/healthcare organization in the total Operating Expenses/Budget. Public Administration organizations should include the payroll. Business-type activities include, but are not limited to, utilities, public transportation, port facilities, etc. Most applicable to organizations in the Government/Public Administration and other Civic, Social Political or Religious Industry Sector, and institutions in the Education Industry Sector that are Not-for-Profit.

Net Sales Revenue – This is the Total income that the organization has received from the sale of products and the provision of services plus any other income received and associated with the primary operation(s) of the organization reduced by cash discounts, trade discounts, and returned sales and allowance for which credit is given to customers. Applicable to organizations across all industries. Net Sales Revenue is referred to as "Net Revenue (Annual)" in Mercer WIN®.

Number of Employees (Full-Time Equivalents) – This is the total number of full-time equivalents (FTEs) including locals, local plus, expatriates, union/non-union personnel, and contract staff, but excluding seasonal employees. For Parent/Independent Company, please report global number.

Net Revenue (Healthcare Organizations Only) – This is the total of all operating and non-operating revenue minus charity care and contractual allowances. Net Revenue (Healthcare Organizations Only) is referred to as “Total Net Revenue Healthcare (Annual)” in Mercer WIN®.

12. Long-Term Incentives Definitions

Stock/Share Options – Stock/Share Options allow for the purchase of stock at a fixed price over a specified period. The exercise price is typically equal to the market price on the date of grant, but maybe less than (with discount) or greater than (with premium) the market price on the date of grant.

Share Appreciation Rights (SARs) – Share Appreciation Rights provide an incumbent with an appreciation in the market value of the share. They may be paid out in cash, stock, or a combination of cash and stock. No investment on the part of the incumbent is required. Share Appreciation Rights include Phantom Appreciation Shares. Phantom Appreciation Shares are an award denominated in hypothetical shares, the value of which is based on an increase in actual share value or another measure of organization value (e.g. book value).

Service-Based Restricted Shares/Share Units – Conditional grants of notional, actual, or phantom shares of stock with vesting contingent upon employment for a specified period of time. The value of each share depends upon the market value of the share at the end of the vesting period.

Performance-Based Shares/Share Units – Conditional grant of notional or actual shares, with payment or vesting contingent upon achievement of specified performance goals over a multi-year performance period. While the number of Performance-Based Shares/Share Units earned depends on the extent to which the performance goals are achieved, the value of each Performance-Based Share/Share Unit depends upon the market value of the share at the end of the performance period.

Performance Cash Units – Conditional grant denominated in units other than notional or actual shares, with payment contingent upon achievement of specified performance goals over a multi-year performance period. Performance Cash Units are cash-denominated and not tied to the price of a share of stock. Although units are usually cash-denominated, their value may also be based on other constructs, such as dividends or EPS (Earnings Per Share). Where the value of each unit is equal to 1.00, the incentive type is also known as “Long-Term Cash.”

Long-term Cash – A pre-determined cash amount paid out contingent upon achievement of specified performance goals over a multi-year performance period (performance-based vesting) or upon employment for a specified period (service-based vesting).

13. Long-Term Incentives Valuation Methodology

Grant data provided by the survey participants was used to calculate the value of Long-Term Incentives (LTI) such that the result is a fair, monetary-based measure that can be used with other compensation amounts to determine Total Direct Compensation (i.e., Comp 4). Company matches to Short-term Incentive Deferrals are included in the grant data. In this report, long-term incentive values have been calculated using Mercer's Black-Scholes, Accounting Cost and Binominal Methodologies.

13.1. Black-Scholes Method

Under the Black-Scholes methodology, certain LTI awards are discounted for required performance conditions. A performance discount is applicable to all plan types if vesting is designated as performance-based and the plan structure is defined as "All or Nothing" or Defined Maximum. Performance-contingent awards with these plan structures are discounted by 20% to 50% to reflect the risk that the award will not vest or be paid out. A 20% discount is applied if the performance measure does not include Relative Total Shareholder Return. Other discounts, ranging from 35% to 50%, are applied depending upon the degree to which Relative Total Shareholder Return is used as the performance measure. Otherwise, LTI values generally have not been adjusted to reflect any discounts for service-based vesting, lack of transferability, or risk of forfeiture.

"All or Nothing" awards do not have a downside or upside potential. For example, these might include awards where a participant will receive 100 shares if an EPS (Earnings Per Share) goal is met and nothing if the goal is not met.

Defined Maximum awards include a "maximum" number of shares/share units corresponding to performance. The number of shares awarded may be less based upon performance. "All or Nothing" and Defined Maximum plans contrast with Defined Target Plans.

Defined Target awards include a "target" number of shares/share units corresponding to target performance. The number of shares awarded be based upon actual performance (e.g. payouts maybe 0% to 200% of target). Defined Target awards are valued at the "target" level with no discount.

Appreciation Based Incentives – These plans include Stock/Share Options and Share Appreciation Rights (SARs). The valuation is based on the following factors:

- Annual Dividend Yield – based on dividends paid in the 12 months preceding the date of the grant. For grant dates later than December 31, 2024, the annual dividend yield is based on the dividends paid from January 1, 2024, to December 31, 2024.
- Estimated Option Term – an assumed estimated term, based on SEC safe harbor accounting rules. The estimated term is the sum of the option term as reported by survey participants and an assumed 3-year vesting period, divided by 2. For example, an option with a reported term of 10 years will have an estimated option term of 6.5 years $(10+3)/2$. If a participant does not provide an option term, then we assume an estimated option term of 6.5 years.

Risk-free Rate of Return – this value is based on the rate of return for the country in which the stock for the LTI grant trades. For all countries other than the United States, Canada, and Australia, the Risk-free Rate is based on the available bond yield data using an estimated 7-year rate, as of December 31, 2024. Risk-free Rates for the United States, Canada, and Australia are established using the following values:

- United States – Monthly U.S. Treasury rates in place on the date of the grant, rounded to the nearest year.
- Canada – Monthly Bank of Canada Bond Yields in place on the date of the grant, rounded to the nearest year.
- Australia – Monthly Reserve Bank of Australia Capital Market Yields – Government Bond rates in place on the date of the grant, rounded to the nearest year.

Annualized Volatility of Stock Prices – this factor is based on the daily closing prices for the 36 months preceding the date of the grant. For grant dates later than December 31, 2024 the stock price volatility is based on the daily closing prices from January 1, 2022, to December 31, 2024. If the underlying stock has not existed for three years, then the volatility is calculated for an abbreviated time frame. Stock Price Volatility is capped at 50%.

The survey value is equal to the product of: (1) the per-share Black-Scholes value, (2) the number of shares granted in the most recent grant and (3) where applicable, discounts detailed above for certain performance-contingent awards to reflect the risk that the award will not vest or be paid out. The result is adjusted for the frequency of awards, as appropriate, to annualize the result (e.g. if awards are made every two years, then the product is divided by two).

For privately held companies, we assume that the per-share Black-Scholes value of an appreciation based incentive is equal to 33% of the market price of the underlying shares on the date of the grant as reported by the survey participants.

Stock/Share-Based Incentives – These plans include Service-Based Restricted Shares/Share Units and Performance-Based Shares/Share Units. The survey value is equal to the product of: (1) the per-share value on the date of the grant as reported by the survey participants, (2) the number of shares granted in the most recent grant and (3) where applicable, discounts detailed above for certain performance-contingent awards to reflect the risk that the award will not vest or be paid out. The result is adjusted for the frequency of awards, as appropriate, to annualize the result (e.g. if awards are made every two years, then the product is divided by two).

Cash Denominated Incentives – These plans include Performance Cash Units and Long-Term Cash. For Performance Cash Units the survey value is equal to the product of: (1) the per-unit value on the date of the grant as reported by the survey participants, (2) the number of units payable for performance granted in the most recent grant and (3) where applicable, discounts detailed above for certain performance-contingent awards to reflect the risk that the award will not vest or be paid out.

The result is adjusted for the frequency of awards, as appropriate, to annualize the result (e.g. if awards are made every two years, then the product is divided by two). For Long-Term Cash, the survey value is equal to the product of the monetary value payable for performance reported by the survey participants and where applicable, discounts detailed above for certain performance-contingent awards to reflect the risk that the award will not vest or be paid out. This amount is adjusted for the frequency of awards, as appropriate, to annualize the result (e.g. if awards are made every two years, then the value is divided by two).

13.2. Accounting Cost Method

We have provided this methodology as a comparison point to that of the Black-Scholes Methodology. Survey participants were asked to report their total accounting cost per share on the date of grant, under either FAS 123R or IFRS2. Long-Term Incentives under the Accounting Cost Method are not discounted for performance conditions. However, for plans without accounting cost per share provided values calculated under the Black-Scholes Method will be used for reporting under this method.

Appreciation Based Incentives – These plans include Stock/Share Options and Share Appreciation Rights (SARs). The survey value is equal to the product of: (1) the accounting cost on the date of the grant as reported by the survey participants and (2) the number of shares granted in the most recent grant. The result is adjusted for the frequency of awards, as appropriate, to annualize the result (e.g. if awards are made every two years, then the product is divided by two). Note: If an Accounting Cost is not provided by a survey participant for an Appreciation Based Incentive, an assumed value is equal to the value obtained with the Black-Scholes Method.

Stock/Share Based Incentives – These plans include Service-Based Restricted Shares/Share Units and Performance-Based Shares/Share Units. The survey value is equal to the product of: (1) the accounting cost on the date of the grant as reported by the survey participants and (2) the number of shares granted in the most recent grant. The result is adjusted for the frequency of awards, as appropriate, to annualize the result (e.g. if awards are made every two years, then the product is divided by two).

Note: If an Accounting Cost is not provided by a survey participant for a Stock/Share-Based Incentive, an assumed value is equal to the value obtained with the Black-Scholes Method.

Cash Denominated Incentives – These plans include Performance Cash Units and Long-Term Cash. For Performance Cash Units the survey value is equal to the product of: (1) the accounting cost on the date of the grant as reported by the survey participants and (2) the number of units payable for performance granted in the most recent grant. The result is adjusted for the frequency of awards, as appropriate, to annualize the result (e.g. if awards are made every two years, then the product is divided by two).

Note: If an Accounting Cost is not provided by a survey participant for a Performance Cash Units, an assumed value is equal to the value obtained with the Black-Scholes Method.

For Long-Term Cash, the survey value is equal to the product of the monetary value payable for performance reported by the survey participants and where applicable, discounts detailed above for certain performance-contingent awards to reflect the risk that the award will not vest or be paid out. This amount is adjusted for the frequency of awards, as appropriate, to annualize the result (e.g. if awards are made every two years, then the value is divided by two).

13.3. Binomial Method

Under the Binomial methodology, certain LTI awards are discounted for required performance conditions. A performance discount is applicable to all plan types if vesting is designated as performance based and the plan structure is defined as "All or Nothing" or Defined Maximum. Performance-contingent awards with these plan structures are discounted by 20% to 50% to reflect the risk that the award will not vest or be paid out. A 20% discount is applied if the performance measure does not include Relative Total Shareholder Return.

Other discounts, ranging from 35% to 50%, are applied depending upon the degree to which Relative Total Shareholder Return is used as the performance measure. Otherwise, LTI values generally have not been adjusted to reflect any discounts for service-based vesting, lack of transferability, or risk of forfeiture.

"All or Nothing" awards do not have a downside or upside potential. For example, these might include awards where a participant will receive 100 shares if an EPS (Earnings Per Share) goal is met and nothing if the goal is not met.

Defined Maximum awards include a "maximum" number of shares/share units corresponding to performance. The number of shares awarded may be less based upon performance. "All or Nothing" and Defined Maximum plans are in contrast to Defined Target Plans.

Defined Target awards include a "target" number of shares/share units corresponding to target performance. The number of shares awarded may be more or less based upon actual performance (e.g. payouts maybe 0% to 200% of target). Defined Target awards are valued at the "target" level with no discount.

Appreciation Based Incentives – These plans include Stock/Share Options and Share Appreciation Rights (SARs).

In addition to the inputs described for the Black-Scholes method, we made the following assumptions:

- Multiple of Exercise Price to Sell = 1.75 (a vested gain-based incentive will be exercised whenever the projected share price of the incentive is greater than or equal to the Exercise Price of the incentive)
- Forfeiture Decrement = 5.0% (probability each year that an incentive holder will terminate employment and lose non-vested gain-based incentives)
- Early Exercise Decrement = 5.0% (probability each year that an incentive holder will terminate employment and exercise vested gain-based incentives)

- As a further enhancement to the usefulness of these calculations, we also recognize the vesting provisions associated with each individual grant.

The survey value is equal to the product of: (1) the per-share Binomial value, (2) the nonvested forfeiture rate and (3) the number of shares granted in the most recent grant. The result is adjusted for the frequency of awards, as appropriate, to annualize the result (e.g. if awards are made every two years, then the product is divided by two).

For privately held companies, we assume that the per-share Binomial value of an appreciation based incentive is equal to 33% of the market price of the underlying shares on the date of the grant as reported by the survey participants.

Stock/Share Based Incentives – These plans include Service-Based Restricted Shares/Share Units and Performance-Based Shares/Share Units. The survey value is equal to the product of: (1) the per-share value on the date of the grant as reported by the survey participants, (2) the number of shares granted in the most recent grant and (3) where applicable, discounts detailed above for certain performance-contingent awards to reflect the risk that the award will not vest or be paid out. The result is adjusted for the frequency of awards, as appropriate, to annualize the result (e.g. if awards are made every two years, then the product is divided by two).

Cash Denominated Incentives – These plans include Performance Cash Units and Long-term Cash. For Performance Cash Units the survey value is equal to the product of: (1) the per-unit value on the date of the grant as reported by the survey participants, (2) the number of units payable for performance granted in the most recent grant and (3) where applicable, discounts detailed above for certain performance-contingent awards to reflect the risk that the award will not vest or be paid out. The result is adjusted for the frequency of awards, as appropriate, to annualize the result (e.g. if awards are made every two years, then the product is divided by two).

For Long-term Cash, the survey value is equal to the product of the monetary value payable for performance reported by the survey participants and where applicable, discounts detailed above for certain performance-contingent awards to reflect the risk that the award will not vest or be paid out. This amount is adjusted for the frequency of awards, as appropriate, to annualize the result (e.g. if awards are made every two years, then the value is divided by two).