

McDonald receives \$13.1M in 1st year as P & G CEO

DAN SEWELL - AP Business Writer - Associated Press

Procter & Gamble Co. CEO Bob McDonald earned some \$13.1 million in his first year as head of the world's consumer products company, considerably less than his veteran predecessor was paid, according to figures in a regulatory filing.

The filing Friday showed that nearly 90 percent of McDonald's pay was tied to performance. His salary was \$1.4 million, with a \$2.67 million bonus, and stock and options awards valued at \$8.57 million.

P&G's compensation committee explained in the filing that McDonald's initial pay reflects the fact that he was new to the role. It praised his first-year performance, saying he boosted company sales, productivity, and other performance measures during a "seamless transition" in a tough economy. The committee said it has raised his base salary to \$1.6 million for the current year.

Among McDonald's other compensation was \$223,620 for personal use of company aircraft, which P&G said it requires for security reasons. Other perks included tax preparation, a home security system and an annual physical.

McDonald succeeded A.G. Lafley as CEO of the maker of Tide detergent, Pantene shampoo and Pampers diapers at the beginning of the fiscal year that ended June 30. Lafley earned \$23.5 million in the last of his nine years as chief executive, and two years earlier his total pay had topped \$30 million before the recession started biting into P&G sales.

McDonald, who added the chairman title Jan. 1, made \$6.5 million as chief operating officer in the year before his promotion to CEO.

The compensation committee said it considered executive compensation at 25 other large companies across industries, including some with relatively new CEOs such as Wal-Mart Stores Inc., Coca-Cola Co. and Target Corp. It said McDonald's initial compensation was set below the market.

"The committee believes that doing so would adequately compensate Mr. McDonald in his new role, but would also provide him with opportunities to significantly increase his compensation by consistently meeting and exceeding both company and individual performance goals," it stated in the Securities and Exchange Commission filing.

McDonald, 57, is a West Point graduate from Gary, Ind., who joined P&G in 1980.

Since taking over, he has battled shoppers' trading down to cheaper competitors by

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budget-strapped consumers by cutting prices, introducing lower-priced versions of P&G products, rolling out new high-end products such as Gillette Fusion ProGlide razors, and pumping up advertising by more than \$1 billion a year. He also has pledged to dramatically increase P&G business in emerging markets such as China and India.

Among company measures in which P&G topped last year's targets was for core earnings per share, which counted profits from continuing operations while excluding items such as a tax change. Those earnings grew 6 percent, double the high end of the target range, while organic sales growth, which excludes such impacts as acquisitions and currency fluctuations, grew at 3 percent, the top of the target range for the year.

However, the compensation committee noted that the results were still below long-term P&G targets of 10 percent earnings growth and organic sales growth of 4-6 percent.

The company reported that net sales rose 3 percent for the year, to \$79 billion.

P&G's annual shareholders meeting will be Oct. 12 in downtown Cincinnati.

The AP formula is designed to isolate the value the company's board placed on the executive's total compensation package during the last fiscal year. It includes salary, bonus, performance-related bonuses, perks, above-market returns on deferred compensation and the estimated value of stock options and awards granted during the year. The calculations don't include changes in the present value of pension benefits, making the AP total different in most cases from the total reported by companies to the Securities and Exchange Commission.

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