

Racing to the Proxy Season Finish Line: Where to Spend Time and Energy in Your CD&A

AUTHOR



Sharon Podstupka
Principal

We are at the height of proxy season and compensation discussion and analysis (CD&A) development is fast and furious. Most of my clients have 90% of their drafts complete and are now waiting on final pay decisions so they can wrap it up. However, there are still many companies out there who are trying to put their narratives together in the eleventh hour.

So, when your proxy filing date is just weeks away and you still have heavy lifting to do, where should you spend your time and energy? There are three key areas:

1. **The Executive Summary** This is the most valuable real estate in your CD&A. It is your two- to three-page opportunity to provide overall context for your pay outcomes, reinforce the strength of your leadership team, emphasize your commitment to shareholder engagement, and underscore your governance practices.
2. **Annual Incentive Plans** The narrative around annual incentive plans is always one of the most challenging to develop. That's not surprising, given that there typically many moving parts: targets and goal-setting, quantitative and qualitative performance metrics, individual performance modifiers, discretionary adjustments, payout results, etc. In general, I encourage companies to tackle this typically longer narrative by breaking it into shorter "sub-sections" of content organized by each of the key areas of your plan. This approach not only helps with the drafting, but also to ensure the final narrative is clear and easy to navigate.
3. **Long-Term Equity Incentives** Demonstrating that your compensation program aligns the interests of executives and shareholders, encourages ownership, and supports your leadership retention objectives can be a tricky balance. It's always a good idea to highlight—even lead with—the role of performance-based equity. Provide strong rationale for your metrics and be clear about the timeframe over which performance is being measured. And, if you've made any type of one-time equity award to any of your named executive officers, go back to number #1 on this

list and think carefully about where it belongs in your executive summary and how you will position it. (Whatever you do, don't try to bury it!)

Of course, this doesn't mean you should give short shrift to other areas of your CD&A. You should make sure the entire narrative is clear and covers all the bases from a compliance perspective. But don't give yourself heartburn over things that generally haven't caused controversy, like the CEO Pay Ratio. It's always okay to leverage and update what you've already been using if it's still relevant, appropriate, and effective. You also don't need to reinvent the wheel on commonly used content, such as the role of the compensation committee or your independent compensation consultant.

We are close to the finish line, folks! I promise, if you focus your development efforts on the three areas above, your CD&A will come together quicker and another proxy season will be in your rear-view mirror.

About the Author

Sharon Podstupka is a principal in the New York office of Pearl Meyer. She is a key member of the firm's Thought Leadership team and is focused on executive and broad-based employee pay communication consulting. She works closely with her clients in a wide range of industries to develop internal communications that educate and engage people in their pay programs.

About Pearl Meyer

Pearl Meyer is the leading advisor to boards and senior management on the alignment of executive compensation with business and leadership strategy, making pay programs a powerful catalyst for value creation and competitive advantage. Pearl Meyer's global clients stand at the forefront of their industries and range from emerging high-growth, not-for-profit, and private companies to the Fortune 500 and FTSE 350. The firm has offices in New York, Atlanta, Boston, Charlotte, Chicago, Houston, London, Los Angeles, Raleigh and San Jose.



Pearl Meyer

NEW YORK
(212) 644-2300
newyork@pearlmeyer.com

ATLANTA
(770) 261-4080
atlanta@pearlmeyer.com

BOSTON
(508) 460-9600
boston@pearlmeyer.com

CHARLOTTE
(704) 844-6626
charlotte@pearlmeyer.com

CHICAGO
(312) 242-3050
chicago@pearlmeyer.com

HOUSTON
(713) 568-2200
houston@pearlmeyer.com

LONDON
+44 (0)20 3384 6711
london@pearlmeyer.com

LOS ANGELES
(213) 438-6500
losangeles@pearlmeyer.com

RALEIGH
(919) 644-6962
raleigh@pearlmeyer.com

SAN JOSE
(669) 800-5074
sanjose@pearlmeyer.com

**For more information on
Pearl Meyer, visit us at
www.pearlmeyer.com or
contact us at (212) 644-2300.**