

# Roadmap to Improve Executive Compensation Disclosures

While shareholders continue to support executive compensation packages by significant margins, this year several high-profile exceptions thrust “Say on Pay” issues into the headlines. Those that failed, or received significant shareholder opposition, were primarily due to a disconnect between pay and company performance or insufficient disclosure. We anticipate potentially greater scrutiny next year if companies fail to update their disclosures accordingly or if market volatility returns.

So, what can you do?

## **1. Review CD&A disclosure and make enhancements to improve investor perception and accessibility.**

Transparency is critical for investors, particularly if performance is below expectations and the company is vulnerable to criticism. Review your disclosure to determine whether there is a gap in messaging to investors. A confident, detailed narrative should flow through every section of the proxy. Visually, the proxy should be crisply designed, modern-looking and more interesting to read than 100 pages of purely legal language.

## **2. Ensure metrics are easy to find and clearly articulated.**

Enhance the disclosure to provide a compelling rationale for how your metrics are designed, clearly articulating near- and long-term metrics and how those metrics connect to the company’s strategy. If an infographic or other visual representation would make the data more compelling, use them.

## **3. Evaluate and explain your compensation peer set.**

While companies self-select compensation peer sets, it’s important to provide a rationale for the group selected, particularly if the company’s view of its peer group differs from the view of proxy advisory firms. Explain why these companies are included in your list and how reported metrics compare to peers.

## **4. Refresh investor engagement given new 13D/G guidance.**

The offseason is an opportunity to solicit feedback from investors about your executive compensation and disclosures. Proactively engaging with investors regarding the company’s program can help uncover any concerns or gaps in information and understanding. Strive to fill those gaps, demonstrating a responsiveness to investor feedback and helping to get ahead of concerns that may come up at the annual meeting.

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