

Trends in Granting Equity



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In a normal year, equity grants are fairly straightforward. However, retention concerns, stock market volatility, inflation, and a host of other external pressures are converging and upending normal “best practices.”

This Quick Poll “*Trends in Granting Equity*” was designed to assess if and how organizations are changing their usual equity practices and to what degree.

We received responses from 187 companies and the data indicate some companies have moved to granting equity deeper in the organization and many are enhancing the equity grants for new hires. Not surprisingly, some companies are also reporting increased equity burn rates. The data indicate an increased use of restricted stock, reflecting a volatile 2021.

However, certain design changes like shorter performance periods and vesting periods were generally not adopted despite being more employee-friendly in a tight labor market. And finally, we learned that only one-third of companies take unvested totals into account when granting additional equity. Although not a prevalent practice today, we see this as an emerging tool to manage compensation.

About the Authors

Pete Lupo is the president of executive compensation and leads the executive and broad-based compensation consulting practices at Pearl Meyer. In this role, Pete works closely with the firm’s senior leaders helping clients build innovative compensation programs that retain, motivate, and reward senior leaders and employees. Pete has worked extensively with compensation committees and management teams on a variety of strategic needs including the development of total compensation programs for the senior leadership team, aligning pay to performance, designing annual and long-term incentive plans, developing board of director pay programs, and advising on change-in-control, executive benefits, perquisites, and governance-related matters.

Aalap Shah is a managing director at Pearl Meyer. With more than 20 years of experience, Aalap advises public and privately held companies on executive compensation issues, with focus on pay governance, pay-for-performance alignment, and incentive plan design. Of particular interest is the intersection between business strategy, people strategy, and compensation strategy, believing alignment of all three is required to design effective programs.

About Pearl Meyer

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