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CD&A Narrative: Why Committees Must Lead the Story in 2025



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Proxy statements are crowded with data. Since the US Securities and Exchange Commission (SEC) adopted its Pay Versus Performance rules in 2022, the number of tables and technical disclosures has only grown. Yet amid the formulas and footnotes, one section can rise above the noise and avoid becoming part of the “Frankenstein patchwork” the SEC Chair has warned against: the Compensation Discussion & Analysis (CD&A) narrative.

The SEC tells us what must be addressed under Item 402(b) of Regulation S-K: compensation objectives, elements of pay, how goals are set, the role of discretion, the use of benchmarks, how equity is granted, and so on. But the rules do not dictate how those subjects are explained. That is left to each company, and in practice, to each compensation committee.

A well-crafted narrative demonstrates how pay supports strategy, reflects performance, and shows disciplined oversight. A poorly crafted one often employs one of two approaches: overly generic “boilerplate” text that could have been written for any company, or dense, redundant text that buries the message in detail. Neither approach provides the transparency investors and proxy advisors expect, leaving the messages about executive compensation vulnerable to misinterpretation and creating unwanted negativity from an array of important stakeholder groups.

Why the Committee’s Role Matters

While management and counsel typically own the drafting, the CD&A narrative represents the committee’s voice. Investors and proxy advisors see it as evidence of their executive pay stewardship and read it is an account of how decisions were made for the performance year. If the message becomes vague, defensive, or mired in technical detail, the clarity of that oversight is lost. But when the narrative is straightforward and thoughtful, it affirms the committee’s credibility and the discipline of its decisions.

That’s why committee meetings in the fall (for calendar year filers) are important starting points for CD&A discussions. By the time year-end performance results are finalized in

February, the opportunity to shape the story is gone. Committees that articulate expectations in the fall—what messages they want to emphasize, what sensitivities they anticipate, and how they want judgment calls explained—give their teams the framework to draft a CD&A that reflects board oversight. Committees that wait until Q1 are left to edit someone else's draft.

The 2025 Focus: Where Context and Narrative Converge

Every CD&A should be grounded in business and governance context. In 2025, that context is unusually demanding and it should directly shape how narratives will be drafted. Companies are writing against a backdrop of issues that include economic turbulence, regulatory uncertainty, shifting investor expectations, and in many cases, leadership transitions. These realities don't just color the story; they define which parts of the narrative matter most and how they will be received:

- Economic volatility is forcing companies to make tough calls about incentive payouts. Inflation, supply chain disruption, and tariff headwinds are weighing on margins and complicating how performance is judged. Committees need to ask themselves if the payout is commensurate with performance. If not, adjustments may be necessary and, as a result, the narrative must clearly explain the judgment behind the decision.
- Perquisites and security arrangements are back in the spotlight. The SEC has made perquisite disclosure a clear enforcement priority, particularly around personal use of aircraft, corporate apartments, and executive security. Even where the costs are justified as necessary, they are still perquisites under SEC rules and must be disclosed if they cross certain thresholds. Here, too, the CD&A should avoid spin. Factual statements demonstrate compliance and candor. Overly defensive language, by contrast, tends to raise more questions than it resolves.
- ESG and regulatory change are also altering expectations. Many companies are pulling back on broad Diversity, Equity & Inclusion (DE&I) language, but where Environmental, Social, and Governance (ESG) metrics remain embedded in incentives, they must be specific and clearly tied to business outcomes. Meanwhile, new SEC clawback rules have real consequences. Item 402 requires disclosure of recovery policies and enforcement actions, making this another area where boilerplate language won't suffice. Investors will expect clarity on scope, triggers, and actual application.
- Leadership transitions are also shaping the story. CEO succession and executive turnover remain high, and with them come interim roles, retention grants, or transition packages. These are sensitive moments for disclosure. Silence creates suspicion; defensive over-explanation undermines credibility. The most effective narratives treat them as sensitive decisions that require straightforward explanation of the board's rationale. Acknowledging the need for continuity or leadership stability communicates discipline better than pages of justification.

Together, these forces make 2025 a year where context and narrative discipline are necessarily intertwined. This has a practical implication: drafting cannot wait until the

numbers are in. If the narrative is to reflect oversight, judgment, and candor, it has to be shaped well before final results are available.

A Work Plan for Calendar-Year Filers

Drafting the CD&A is never a one-size-fits-all exercise. Each company has its own governance calendar, committee rhythms, and disclosure sensitivities. Still, experience shows that the strongest narratives come from a disciplined process that begins in the fall and unfolds in stages. The following is an example framework for calendar-year filers:

Timing	Focus	Key Actions
September-October	Audit and Plan	▪ Assign draft responsibilities (HR, legal, IR, counsel) ▪ Review prior CD&A for gaps or overly generic sections ▪ Capture investor feedback, proxy advisor critiques ▪ Identify likely 2025 flashpoints (discretion, leadership transitions, perks/security costs, tariffs, clawbacks)
November	Draft the Backbone	▪ Use late-fall board/committee meetings to set expectations on themes, sensitivities, and tone ▪ Update philosophy, objectives, program design, and compensation governance sections ▪ Cut redundancy and excessive technical detail
December-January	Anticipate Outcomes	▪ Draft executive summary and language around expected results and potential discretion; where applicable, include leadership transitions, one-time awards, or sensitive decisions ▪ Frame business context (tariffs, inflation, restructuring) ▪ Circulate early draft to confirm alignment
February-March	Refine and Approve	▪ Incorporate final 2025 performance results and payouts, including any additional rationale for applying discretion or adjustments to goals ▪ Review near-final draft for clarity and candor ▪ Approve and finalize proxy filing

The CD&A narrative has always been more than a compliance exercise—it is the committee's opportunity to explain how executive pay reflects oversight, discipline, and strategy. What makes 2025 different is that investors and regulators alike will be judging not just the decisions, but the quality of the explanation.

Committees that set the direction early, anticipate sensitive areas, and insist on candor will produce narratives that reinforce credibility. Those that treat the CD&A as a late-stage drafting exercise risk letting others define their story.

About the Author

Sharon brings 25+ years guiding executive and broad-based pay communications and disclosure, helping boards and management manage change and respond to investor and proxy advisor scrutiny.

About Pearl Meyer

Pearl Meyer is the leading advisor to boards and senior management helping organizations build, develop, and reward great leadership teams that drive long-term success. Our strategy-driven compensation and leadership consulting services act as powerful catalysts for value creation and competitive advantage by addressing the critical links between people and outcomes. Our clients stand at the forefront of their industries and range from emerging high-growth, not-for-profit, and private organizations to the Fortune 500.