



Pearl Meyer

Prepping for the Fall: Top Takeaways from the Proxy Season

A Compensation Committee Series Webinar

July 29th, 2025



Presenters



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Housekeeping



- Submit a question and receive your answer directly from the presenters, either during today's webinar or as a follow-up. You will also be opted-in to receive future executive compensation thought leadership from Pearl Meyer.
- Presentation slides are available today at www.pearlmeyer.com/prepping-for-the-fall-top-takeaways-from-the-proxy-season
- The replay will be available early next week at www.nacdonline.org/webinars and www.pearlmeyer.com/prepping-for-the-fall-top-takeaways-from-the-proxy-season

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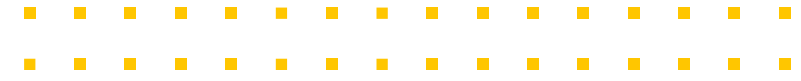
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Executive Compensation in 2025: *What's Driving the Conversation*

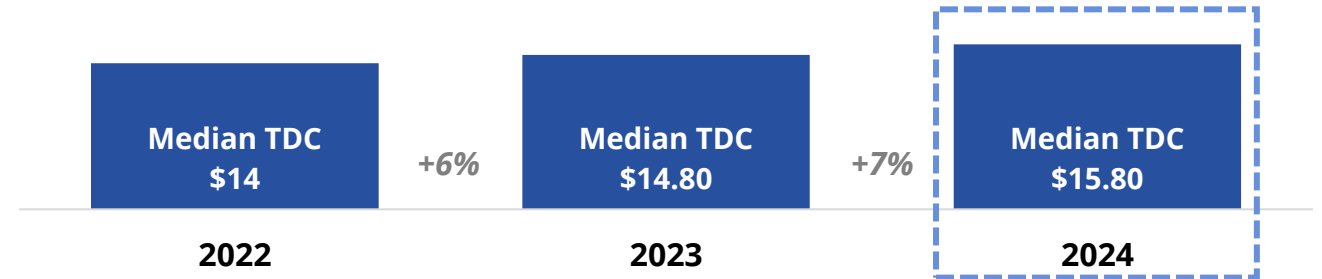
- Economic uncertainty is testing STI plans
 - *Volatility is making performance targets harder to set — and harder to explain*
- Stakeholders are watching more closely
 - *Say-on-pay support can shift fast if pay doesn't align with results*
- Security is now a boardroom topic
 - *Personal protection perks are drawing attention — and SEC scrutiny*
- Disclosure rules may be changing
 - *The SEC is questioning whether current pay disclosures are doing their job*



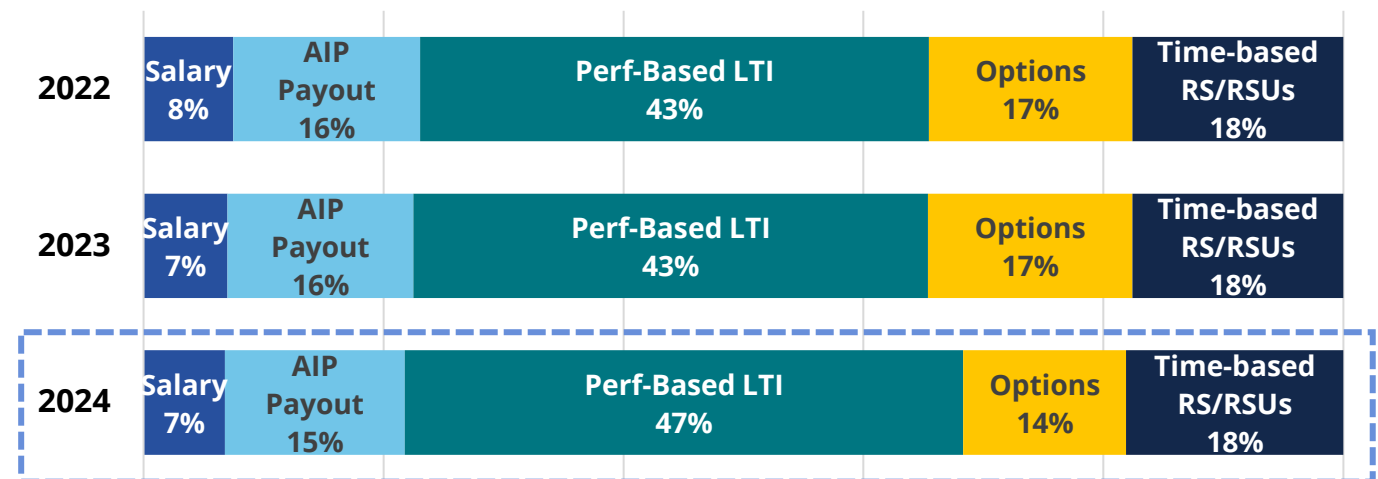
Level Setting on CEO Pay – No Big Surprises

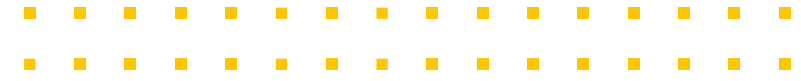
- Year-over-year CEO pay levels and mix stayed consistent
 - Median CEO total direct compensation rose moderately
 - LTI is heavily performance-based, with modest shift from options

CEO YOY Pay Levels (\$M)



CEO YOY Pay Mix

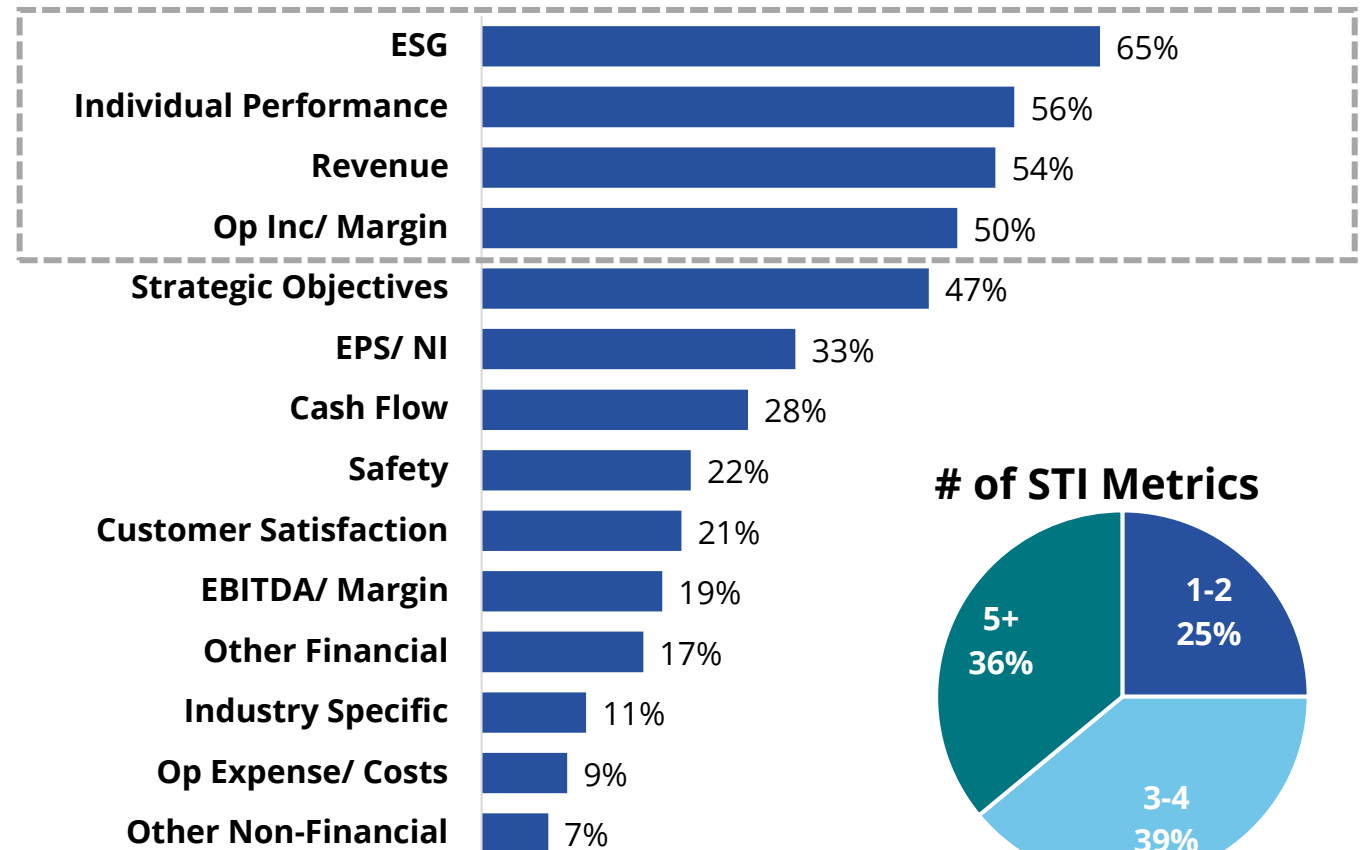




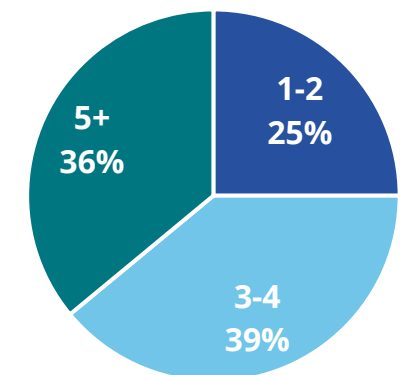
STI Metrics – No Major Surprises

- Companies appear to be refining, not reinventing, their STI frameworks
 - ESG and Individual Performance continue to top the list
 - Traditional financial metrics remain foundational
 - Mix reflects a balanced approach – financial rigor paired with strategic alignment

STI Metric Prevalence



of STI Metrics





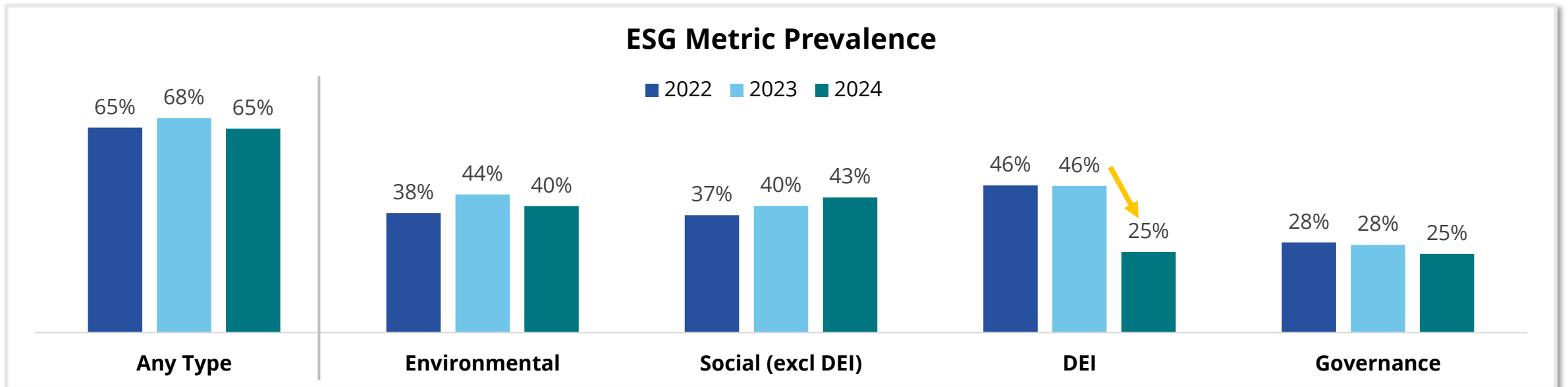
Has your organization taken any of the following actions as it relates to Diversity, Equity & Inclusion (DEI) metrics within the executive STI plans?

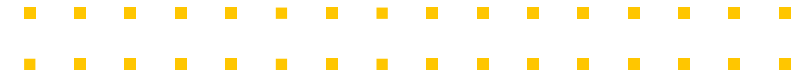
1. Removed DEI metrics
2. Some changes to DEI metrics
3. No changes to DEI metrics
4. Never used DEI metrics / no plans to include



ESG Metrics Are Holding Their Ground, *But Not All Are Equal*

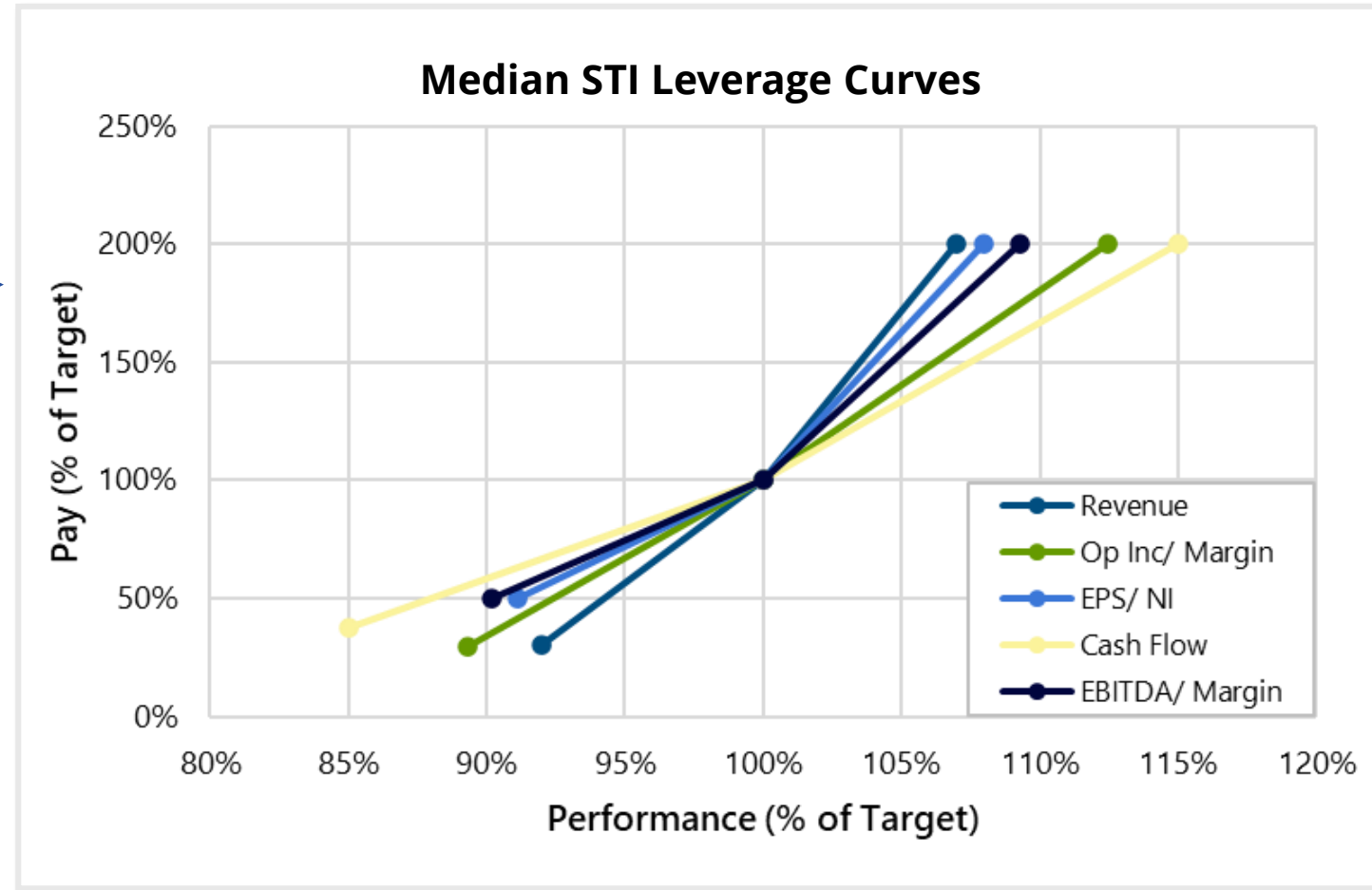
- ESG goals remain common
- Decline in DEI metrics signals a broader strategic shift
 - Pullback driven by legal, political, and reputational risks

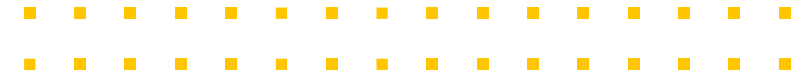




STI Resilience – *Volatility Calls for Flexibility*

- Diversified metrics
- Flexible performance ranges and inclusion of “strike zones”
- Calibrated payout thresholds and maximums
- Custom leverage curves by metric
- Judicious use of discretion





How confident are you that participants understand what drives STI payouts?

1. Very confident
2. Somewhat confident
3. Not very confident
4. Not at all confident

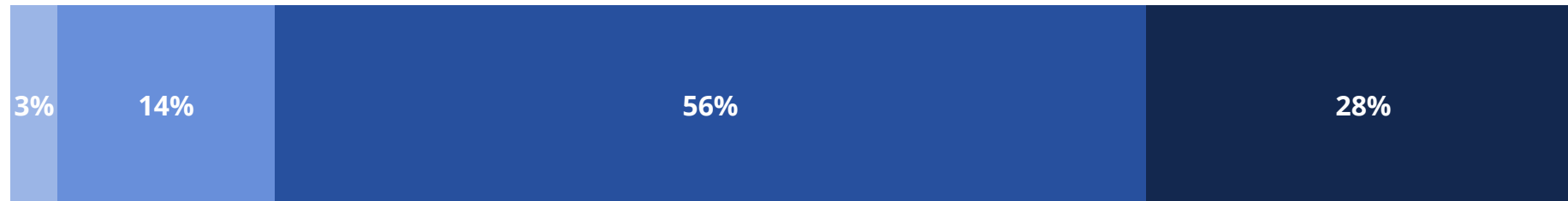


Key Insight for Directors

- Most companies express moderate confidence – suggesting communication can go further to clarify plan mechanics and impact

Confidence in Participant Understanding of Payout Drivers

■ Not at all Confident
■ Not Very Confident
■ Somewhat Confident
■ Very Confident



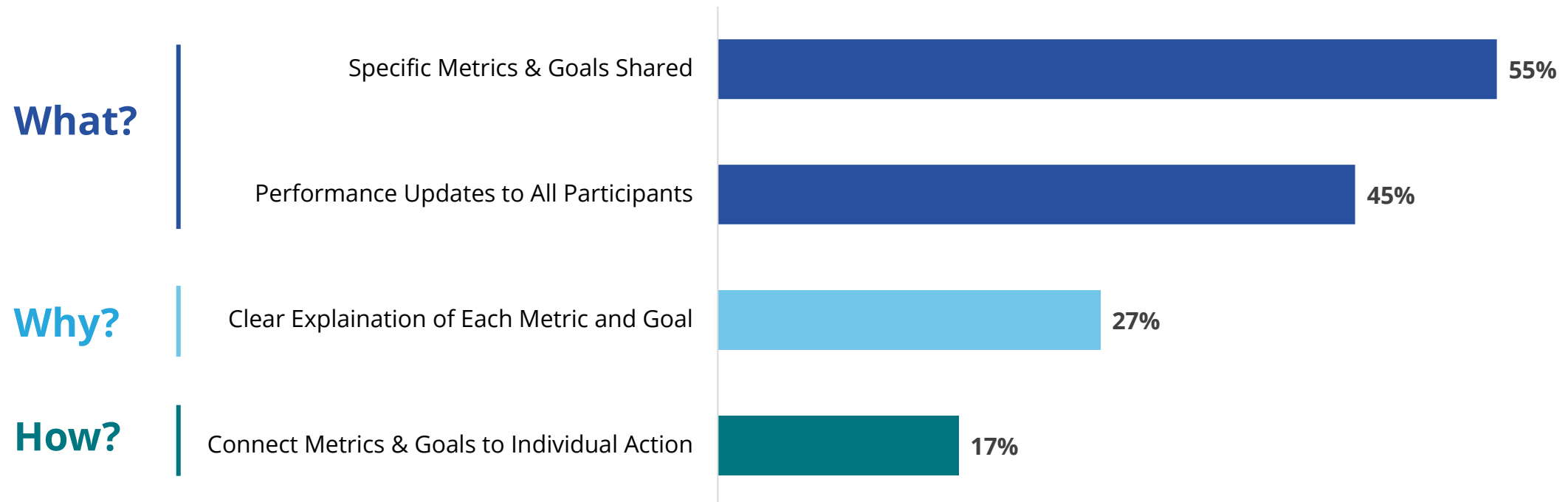
————— *Increasing Confidence* —————→

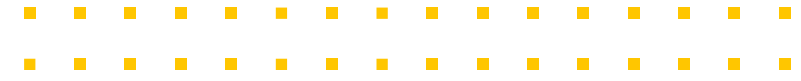
Survey conducted in June 2025. Includes 278 respondents – mix of public, private, and nonprofit companies



Most Companies Communicate the “What” but Not the “Why” or “How”

Opportunities for Improvement





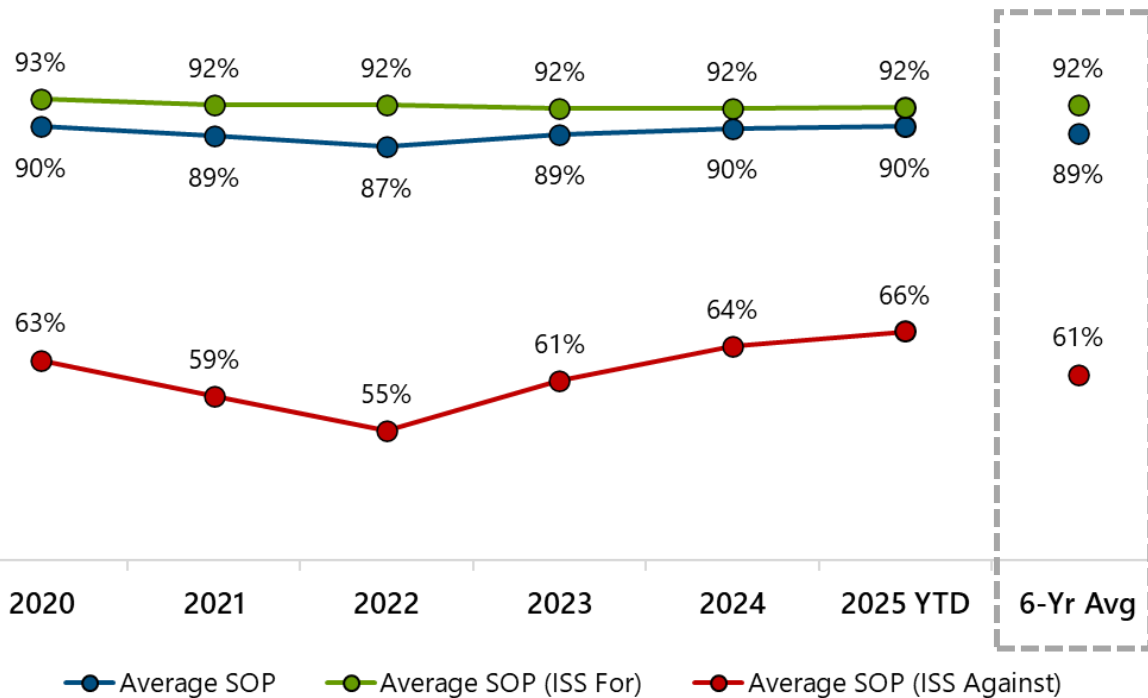
**Has one of your companies ever
received < 80% support on its Say-on-
Pay vote?**

1. Yes
2. No



An ISS “Against” Cuts Average Support by 30–40+ Points

Historical Say-On-Pay Results



- An “Against” vote recommendation can lead to investor fallout
- Directors should:
 - Proactively assess pay-risk triggers (e.g., high comp without performance alignment)
 - Sharpen disclosure and narrative rationale
 - Demonstrate responsiveness to any prior low SOP



Are you talking about security perquisites in your boardroom?

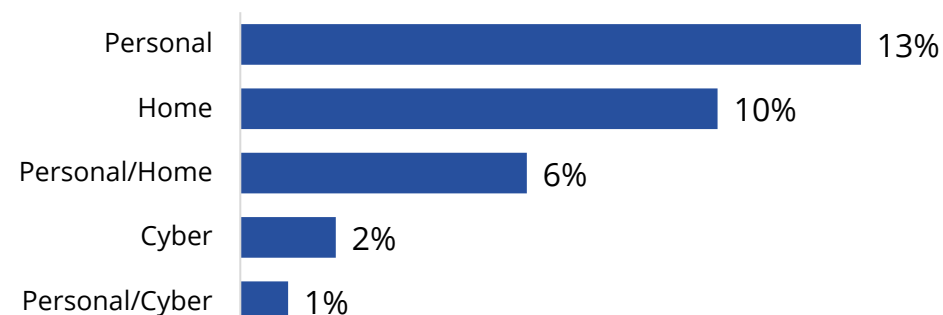
1. Yes
2. No



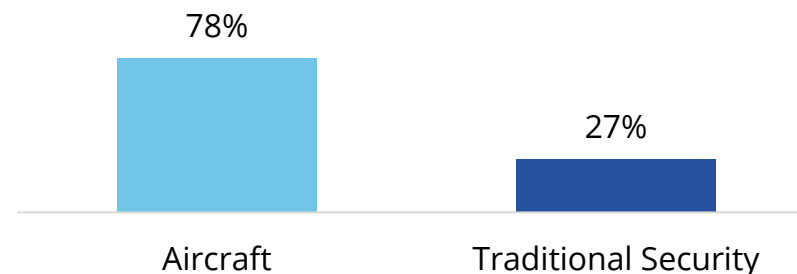
Executive Security is a Growing Board-Level Issue

- Rising risks are making executive security a board-level concern
- SEC treats personal security (e.g., home, travel) as disclosable perks
 - Business justification does not exempt current disclosure requirements
 - Boards must document a clear business rationale and consider how benefits may be perceived
- The SEC is reviewing existing rules, but current disclosure requirements remain in effect
- Until guidance changes, transparency and compliance are essential

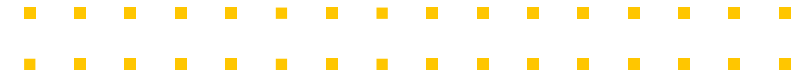
Overall Prevalence (~34% of S&P 500): Traditional Security Perks



CEO Security Perk Values >\$100k Prevalence



Median	\$210K	\$680K
Avg.	\$285K	\$1,300K
Max	\$2.5M	\$11M



SEC Roundtable Highlights – Key Issues Discussed

Disclosure Overload

- Current rules viewed as overly complex, producing long and technical proxies

Focus on Materiality

- Push to prioritize investor-relevant information vs. “check-the-box” data

Recent Rule Critiques

- Pay-Versus-Performance (PVP) seen as costly and confusing; clawbacks noted for breadth but limited practical impact

Executive Security Disclosure Concerns

- Regulators questioned whether treating necessary protection as a “perk” may discourage companies from providing it (and adverse impact that providing too much disclosure about security further jeopardizes executives)



The Potential Path Forward

- **Simplified CD&A and Tables**
 - Emphasis on plain-English disclosures
 - Possible streamlining of Regulation S-K Item 402
- **Pay-Versus-Performance (PvP) Fixes**
 - SEC is reviewing CAP calculations
 - Principles-based or flexible reporting may be introduced
- **Perquisite (“Perk”) Clarification**
 - Reevaluation of the 2006 “perk” test
 - Security benefits potentially could be reclassified or exempted
- **Other Dodd-Frank Rules**
 - CEO Pay Ratio and Clawbacks potentially could be simplified

Anticipated Public Input and Timeline

Now: comment file open



Comments are posted on the SEC website at <https://www.sec.gov/comments/4-855/4-855.htm>



Late 2025: proposal expected



Mid-2026: final rules likely



2026 – 2027: potential impact on proxy season



Bringing It Back to the Boardroom

(1)

STI Plans Under Pressure: Can Ours Withstand Volatility?

Boardroom Action:

- ☐ Evaluate whether our STI design uses a diverse set of metrics and thoughtfully structured leverage curves to remain effective even in turbulent performance years

(2)

Communication Gaps: Do Participants Understand the “How” Behind Payout Drivers?

Boardroom Action:

- ☐ Ask management to assess how well plan goals and mechanics are communicated and identify areas of improvement

(3)

Say-on-Pay Risk: Are We Vulnerable to a Proxy Advisor “Against”?

Boardroom Action:

- ☐ Review pay-for-performance alignment and sharpen the CD&A narrative now to avoid surprises; *be especially proactive if past votes were under 80%*

(4)

Executive Security: Are We Balancing Safety with Scrutiny?

Boardroom Action:

- ☐ Ensure the board has a clear rationale and documentation for any executive protection perks
- ☐ Confirm disclosures are in line with SEC expectations



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December 4th, 2025

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