

2011 PROXY SEASON: PRACTICAL GUIDANCE ON IMPLEMENTING "SAY-ON-PAY"

KEY TAKEAWAYS

- Ensure your proxy disclosure clearly demonstrates a clear relationship between company performance and compensation paid or awarded
- Ensure your compensation plans, programs and designs clearly facilitate the achievement of your company’s strategic objectives and that this is explained in your CD&A
- Ensure your compensation disclosures in your proxy highlight the “good” or “best practices” that your company has embraced
- Ensure your compensation disclosures deal head-on with any controversial or “hot-button” pay practices and give your company’s rationale for maintaining such practices
- Look at whether your compensation disclosures could be improved by the addition of tables, charts and graphics; **but**, test tables, charts and graphics to ensure they tell the proper story
- Use your compensation disclosures to tell your story to shareholders, i.e., after reading your proxy disclosures it should be obvious why shareholders should support your say on pay vote
- Understand your key shareholders’ perspectives on compensation issues, including say on pay and the frequency of the say on pay vote, as well as where you might come up short
- If your company recommends a say on pay vote frequency other than annual, be prepared to engage your top shareholders and present your case for **why** another frequency makes sense for your company
- Watch for developments in the area of say on pay and say on pay vote frequency as more companies file proxies with these in them and institutional shareholders have more of these to review and refine their thinking on these issues—sources include www.say-on-pay.com and www.compensationstandards.com
- Keep your compensation disclosures short, simple and in plain English and test their understandability with non-technical folks to ensure shareholders will be able to understand what you are trying to tell them about your compensation plans, programs, and designs



MILW_10811825.1

CO-SPONSORS



IN-KIND SPONSORS

