

# Meridian Client Update

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## RiskMetrics Group Shortens Time Period to Revise Single Trigger Change-in-Control Benefits

RiskMetrics Group (RMG) considers **any** benefits paid or provided solely upon a change in control (i.e., single trigger) to be a problematic pay practice. Rarely is cash severance payable upon a single trigger. However, large public companies often provide other benefits solely upon a change in control, such as acceleration of vesting of equity awards and waiving of incentive plan awards' performance conditions.

The presence of a problematic pay practice may directly impact RMG's vote recommendations on management say on pay proposals, compensation committee members and equity-based incentive plan proposals under certain limited circumstances. Generally, RMG vote recommendations are based on the preponderance of problematic practices. However, certain practices carry more weight and on a stand-alone basis may result in a negative vote recommendation. A company's practice of providing single trigger benefits is one of those practices that alone may affect RMG's vote recommendation (the payment of a target bonus under an incentive plan upon a change in control is not considered a single trigger benefit).

A company may avoid a negative vote recommendation if it commits to eliminate all single trigger benefits or to make such benefits contingent upon a termination of employment following a change in control. Generally, RMG has accepted a company's commitment to make such change within 24 months. However, RMG has informally revised this policy and now requires a company to commit to make the necessary changes within 6 months.

Regardless of the duration of the cure period, eliminating or modifying single trigger benefits is not a simple undertaking. Generally, any modification or elimination of a single trigger benefit for existing awards will require the consent of the covered executive. Obtaining such consent may prove difficult or awkward for many companies, despite the potentially adverse impact this may have on RMG's vote recommendations. Changes to future equity incentive award agreements do not need executive consent per se; however, the merits of single vs. double trigger designs for equity incentive grants still should be rigorously evaluated before a decision is made to change what is currently a majority practice

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