



Energy Insights



TELLING YOUR STORY

How to Prepare an Effective and Compelling Proxy

Posted by Chris Havey on March 1, 2013

Most companies are getting ready to file their 2013 proxy statements and telling the story of their 2012 compensation. Effective proxies share a clear and compelling alignment between performance and pay. For most energy companies, however, compensation does not boil down to a simple formula. The influence of commodity prices and economic activity and the prominent role of discretion in evaluating performance can create challenges in telling a simple and objective story to shareholders.



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The keys to an effective energy industry CD&A include:

- **State the facts:** What business metrics or achievements did the Committee focus on to evaluate performance – whether the company had a stated goal or not? Be specific:
 - *Operational* – e.g., production, efficiency, capital management
 - *Financial* – e.g., earnings, returns, share price
 - *Strategic* – e.g., M&A activity, new exploration prospects, new service lines
- **Connect the dots:** How did those metrics or achievements *directly* relate to pay outcomes for 2012, e.g., salary increases, bonus amounts, long-term incentive grants or payout levels?
- **Share investor feedback:** What did you hear from investors about executive pay and how did that influence your actions?
- **Make it visual:** Incorporate these key points into bullets, summarize them in tables, or illustrate them in charts to help tell your story quickly and clearly.

The CD&A is an opportunity for the company to “sell” the compensation decisions made during the year. Shareholders will understand and “buy” the story when it’s told with facts and clarity.

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