HRPA HR POLICY ASSOCIATION CENTER ON EXECUTIVE COMPENSATION

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VIA EMAIL

RE: Center On Executive Compensation Response to 2024 Glass Lewis Policy Survey

The Center On Executive Compensation ("Center") is pleased to submit its responses to and qualitative comments on Glass Lewis' 2024 Global Policy Survey on behalf of its members.

The Center is a research and advocacy organization that seeks to provide a principles-based approach to executive compensation policy from the perspective of the senior human resource officers of leading companies. The Center is a division of HR Policy Association, which represents the chief human resource officers of 360 large companies, and the Center's over 160 subscribing companies are HR Policy members who represent a broad cross-section of industries. Because senior human resource officers play an important role in supporting the compensation committee, we believe that our members' views are particularly helpful in better understanding how executive compensation plans are developed and executed. Consistent with the Center's mission, our comments and survey responses reflect the input of our members and are primarily focused on Glass Lewis' survey questions regarding executive compensation.

Our comments focus on the following survey questions: the use make whole grants (question 21), time-based awards with extended vesting (question 22), and perquisites (question 25).

<u>The use of make whole grants</u>

Recruiting executive talent externally requires a case-by-case approach that considers many nuanced elements from the individual executive's perspective as well as the company. Complex considerations such as the nature of the business challenge, the reputation of the company and leadership team, and long-term career potential for the candidate are key factors that the company and executive must evaluate during the compensation negotiation process. Our members indicate that the forfeited value of an equity award is considered in context of the candidate's current total compensation package alongside the company's overall pay philosophy and projected future potential growth opportunities. The value and terms of a make-whole award are an important, although not the only, mechanism used to attract new talent and must be considered relative to the unvested incentives that would be forfeited and total structure of the offer of employment. Our members believe that current grant disclosures required in the proxy are sufficient and additional award details will not reveal additional material insights to investors.

Time-based awards with extended vesting

The evolution of executive compensation design represents an effort by Compensation Committees to provide competitive levels and forms of compensation, and effectively balance the expectations of investors, key stakeholders, and regulators with company performance objectives. Long-term incentive plans are designed to encourage sustained value creation that aligns management with the interests of shareholders as well as appropriately attract and retain critical talent. It is imperative that Compensation Committees have the flexibility to develop incentives that are specific to each Company's unique business strategies and talent needs. To that end, Compensation Committees use a mix of equity vehicles, including time-based awards, performance awards and stock options to achieve their pay objectives.

The Center certainly agrees that companies should not be penalized for using time-based awards rather than performance awards if the Compensation Committee believes that is the best form of incentive to achieve goals. However, we believe that each individual company's Compensation Committee should determine the vesting period that is appropriate for the time-vested equity awards, holding requirements and share ownership guidelines consistent with each company's individual circumstances. Committees may determine that vesting periods of three, five, or even a longer number of years are appropriate. The Center supports such flexibility on the part of Compensation Committees and would expect the rationale for the vesting period, and corresponding holding period or ownership requirements, be clearly explained in the proxy disclosure and logically support the specific circumstances which the company's long-term incentive arrangements were intended to address.

Perquisites

According to Willis Towers Watson's Global Executive Compensation research review of proxy disclosures of S&P 500 companies for 2023, 81% of the S&P 500 provided at least one perk to their Named Executive Officer. The median aggregate spend for all Named Executive Officer perks was $223,000 annually. Personal use of corporate aircraft, used primarily for security and efficiency purposes is the most prevalent and costly CEO perquisite, with a median value of $132,000 annually.

Our member companies review their executive perquisites programs regularly to ensure the benefits meet their talent needs and are appropriate for their business. We believe there is sufficient disclosure of perquisites in the proxy and companies can readily address any specific shareholder concerns about these programs through their normal engagement process.

The Center On Executive Compensation appreciates the opportunity to submit its views on the 2024 policy process and welcomes the chance to provide the corporate perspective on Glass Lewis' policies. Please do not hesitate to contact me at mwolf@hrpolicy.org if you have any questions about our comments or would like to discuss them further.

Sincerely,

Megan M Wolf

Megan Wolf
Director, Practice