

What is executive compensation?

New to compensation consulting?
Learn recent history of this complex area of corporate practice.

2008–2011

Legislation and Economic Recession

- The mortgage crisis accelerates to full blown financial meltdown
- The government implements severe restrictions on pay at financial institutions participating in the Treasury's Troubled Asset Relief Program (TARP), e.g., payment of only base salaries and small amounts of restricted stock, no severance pay, etc.
- Congress passes the Dodd-Frank Act, which includes noteworthy reforms to executive compensation and corporate governance

2011–2017

Say on Pay & Increase Prominence of Proxy Advisory Firms

- “Say on Pay” becomes a reality—additional regulations are developed that continue to influence executive pay for the next several years
- Growth of the index fund which started to develop their own policies and became more influential in voting on compensation and governance topics
- All of these led to more standardization, including:
 - Pay for executive level role started to be benchmarked at the 50th percentile
 - Greater focus on formulaic incentive plans with decreased prominence of discretion given the higher disclosure standards
 - Addition of performance awards, move away from options
 - Increased use of Relative TSR

2005

2010

2015

2020

2019–PRESENT

The Rise of the Broader Stakeholder Perspective & Covid-19

- From the Business roundtable to institutional investors, companies face growing pressure to respect all major stakeholders—employees, customers, suppliers, and local communities, as well as investors
- Many companies struggle with how to handle incentive pay in the midst of Covid-19. Some companies face headwinds, others have tailwinds, and yet others experience a mixed impact from the pandemic. In all cases, the broader stakeholder experience starts to play a more prominent role in executive compensation decisions
- The conversation around ESG, HCM, and Diversity, Equity, & Inclusion is accelerated by Covid-19 and rising social justice concerns
- The SEC releases its new HCM disclosure rules designed to provide stakeholders insight into human capital—from the operating model to talent planning, learning and innovation, employee experience, and work environment