

CLIENT ALERT

Navigating Compensation Governance

2024 Meridian Corporate Governance and Incentive Design Survey

Meridian's 2024 Corporate Governance and Incentive Design Survey offers insights into key board governance practices, compensation-related proxy disclosures, and annual and long-term incentive design practices of 200 large cap U.S. corporations (with median revenue of \$25 billion and median market cap of \$41 billion). Highlights of the Survey are outlined below.

Highlights

- **Independent Board Chair Remains Common:** 57% of companies maintain a separation between the Board Chair and Chief Executive Officer roles. The prevalence of separating these roles became a majority practice in 2020 and has gradually increased in prevalence the last four years.
- **Companies Cap Outside Board Seats:** Over three-quarters (77%) of companies disclose director overboarding policies, limiting the number of public company board seats an incumbent director may hold.
- **Most Companies Maintain Clawback Provisions Beyond the Dodd-Frank Requirements:** 78% of companies have policies or provisions that exceed the requirements of the mandatory policy. Companies' expanded policies feature additional triggers (i.e., beyond financial restatement), cover a broader employee group or apply to more elements of compensation.
- **Nearly All Companies Reference Shareholder Outreach:** 95% disclosed shareholder outreach efforts, a 13-percentage point increase from five years ago. 53% provide specific detail on feedback received and/or actions taken as a result of the feedback.
- **Earnings Metrics Drive Annual Incentives:** Consistent with prior surveys, 86% of companies include an earnings metric in the annual incentive plan. On average, earnings metrics account for 51% of the overall plan weighting.
- **Relative TSR Remains the Predominant LTI Metric:** 78% of companies include a relative TSR measure in performance awards, on average, accounting for 54% of the overall plan weighting. Most companies (62%) incorporate relative TSR as a weighted measure, rather than a modifier, and most (91%) pair TSR with at least one other performance measure.

Full survey results can be downloaded from Meridian's website, www.meridiancp.com. This survey was authored by Sam Bricker and other consultants. Questions and comments should be directed to Mr. Bricker at sbricker@meridiancp.com or (224) 355-4762.

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