

# Compensation Discussion and Analysis Template



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**Compensation Discussion  
and Analysis Template**



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# Introduction for Issuers Subject to Regulation S-K Item 402<sup>1</sup>

The compensation discussion and analysis (CD&A) portion of the corporate proxy statement has been a point of frustration for both issuers and investors since its adoption by the U.S. Securities and Exchange Commission (SEC) in 2006. The compensation disclosure regime was intended to help both shareowners and boards of directors make more informed decisions concerning appropriate executive compensation practices. However, the CD&A report, in its current format, has often resulted in frustration due to its length and complexity and because such reports often focus on regulatory compliance to the detriment of conveying the company's compensation story in a concise and understandable manner.

CFA Institute, in partnership with the CD&A working group<sup>2</sup> (the "working group") offers this CD&A template as a first step toward making compensation communications clearer and more relevant to investors. To achieve these goals, the working group members agreed that the template should help issuers produce a CD&A that, like any good communications document, tells a story. In this case, the story concerns a company's compensation policies, practices, and decisions. Members of the working group also agreed that the template should guide issuers in creating a document that can be read and understood by average retail investors. Indeed, after reading the CD&A, investors should be able to understand, retain, and effectively apply such information when making investment decisions or casting "say-on-pay" proxy votes.

A number of leading companies are already producing CD&A disclosures that communicate simple and straightforward messages about executive compensation while still conveying adequate detail and depth in the compensation information provided.<sup>3</sup> The working group focused on the approaches these companies took in crafting a concise communications template that provides the primary compensation information investors need in a manner that they can understand and utilize. Unfortunately, many public companies still provide CD&A disclosures that are overly complex, written in a legalistic style, and difficult to understand.

Investors and other stakeholders are looking for much needed improvements, and understandably so. A couple of recent CFA Institute surveys reveal that, although investors want and use this information, they are quite frustrated with the current state of disclosures. For example, 74 percent of CFA Institute members who responded to a survey said they regularly use information about compensation practices and/or pay levels in their investment decision-making process.<sup>4</sup> Importantly, such information is used to assess management's alignment with shareowner interests. When our investor members were asked about their satisfaction with the current CD&A process, they voiced dissatisfaction with the existing CD&A output. In a separate survey of more than 2,300 CFA Institute members in October 2009, just 20 percent of respondents said that U.S. company CD&A disclosures are both transparent and understandable.<sup>5</sup>

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<sup>1</sup>For more information, go to [www.sec.gov/divisions/corpfin/guidance/execcomp402interp.htm](http://www.sec.gov/divisions/corpfin/guidance/execcomp402interp.htm).

<sup>2</sup>Please see the back inside cover for members of the working group.

<sup>3</sup>Please see Appendix A for a list of such companies.

<sup>4</sup>See [www.cfainstitute.org/Survey/executive\\_compensation\\_us\\_report.pdf](http://www.cfainstitute.org/Survey/executive_compensation_us_report.pdf).

<sup>5</sup>See [www.cfainstitute.org/Survey/executive\\_compensation\\_say\\_on\\_pay.pdf](http://www.cfainstitute.org/Survey/executive_compensation_say_on_pay.pdf).

This template, in contrast, offers issuers a concise format for constructing a useful review of compensation policies and decisions that investors can easily understand. The template is intended to comply with SEC requirements concerning CD&A disclosures (see Appendix B).

The sections of the Model CD&A are arranged in order of importance from an investor's perspective, starting with an overview of the company's corporate performance for the previous year and an explanation of the link between that performance and executive pay. The remaining sections go into more detail about elements of compensation and compensation decisions as well as the compensation process, policies, and other areas of interest to investors. Recognizing that this is not a "one-size-fits-all" approach, the working group nevertheless believes that issuers should include, in their own style, all topics raised in the Model CD&A and address them in an order similar to the one proposed in this document. The working group also encourages companies to include hyper-linked section headers in their CD&A to facilitate navigation by investors and at some point XBRL tagging of the data.

Through the use of this Model CD&A template, we hope that issuers and investors alike will benefit from a more concise, cost effective, and useful compensation disclosure. As many stakeholders and markets around the world continue to scrutinize executive pay practices, we hope that this project will improve understanding, serve as a global model for improved investor communications on this important issue, and elevate compensation disclosure beyond an exercise in legal compliance.

## Compensation Discussion and Analysis Template

Each year, a company provides a compensation discussion and analysis that explains both the “how” and “why” of compensation decision making at that company. This template offers companies a guide to help ensure that the CD&A is a clear, concise, and understandable tool for communicating to investors the company’s approach to its executive compensation program, essentially giving insight into the analytical underpinnings of the numbers reflected in the tabular and other disclosures that follow the CD&A.

### Section I. Overview of Previous Year Performance and Compensation

#### *Section Points of Emphasis<sup>6</sup>*

- *Summary of prior year’s business environment and company performance.*
- *How were executives compensated last year relative to company performance?*
- *Any changes in compensation programs?*

The CD&A should commence with an overview of performance for the prior year and how that performance drove executive compensation decisions. This section of the CD&A should describe the compensation and the company’s rationale for paying those amounts and/or for choosing a particular form of compensation (e.g., equity) over others (e.g., cash). In this section, a company should focus primarily on telling the broad story of executive compensation over the past year. Not all points necessary for SEC compliance must be addressed in this section. Full SEC requirements and full details of a company’s compensation story can be fleshed out in later sections of the CD&A.

The CD&A working group offers the following topical outline as a means of organizing the overview section:

1. The crux, or critical points, of the company’s performance over the past year.
2. Backdrop of macroeconomic and business environment (if relevant to performance or pay).
3. Significant changes in compensation practices, if any (not every small change—focus on what’s material).
4. Key compensation decisions made in the past year (a more detailed review comes later).
5. What (by amount and type) was paid or awarded (including awards payable in future periods) to named executive officers, and how each element of pay is linked to performance.
6. How compensation decisions tie into long-term strategic objectives.

Companies may organize this information in the order or format they prefer to communicate the story of their executive compensation over the past year to investors. We wish to emphasize the power of using concise and direct language to convey this message, noting that most CD&A working group members agreed that such a succinct overview message could be conveyed in one to two pages.

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<sup>6</sup>The Points of Emphasis are designed to highlight the most important communication points in each section and can serve as a the starting point for a company’s CD&A.

## Section II. Elements of Compensation for the Past Fiscal Year<sup>7</sup>

### *Section Points of Emphasis*

- *What are the main compensation tools the company uses to incentivize and retain executives?*

The various elements of executive compensation should be defined in this section. A statement disclosing the elements of compensation for the CEO and other named executive officers should be provided. The discussion should give a typical investor a clear understanding as to what each specific element is and what each element is designed to reward. This section aims to simply define the different aspects of the compensation plan. Consideration should be given to presenting this information in an easy-to-read format, such as a table or bulleted list, with the elements of compensation identified, followed by an explanation of the relationship of each element to the overall compensation philosophy and any additional information the compensation committee considers necessary.

## Section III. Performance Targets for Past Year/Performance Period

### *Section Points of Emphasis*

- *What were the company's performance targets, and how did they relate to the company's strategy and operating plan?*

The CD&A should comment on the individual and corporate performance goals selected,<sup>8</sup> why these performance goals were selected, how incentives are tied to these performance goals, and how compensation reflects actual corporate and individual executive performance. Companies should describe how the incentives align with strategic objectives and enhance the company's performance. This discussion should disclose

- In straightforward terms, annual and longer-term performance targets (including specific numeric targets), nonfinancial targets, and the extent to which such targets were achieved.
- Remarks on the company's ongoing business direction and expectations and how they may influence future targets.

## Section IV. Compensation Decisions Made in Past Fiscal Year/ Performance Period

### *Section Points of Emphasis*

- *What was company performance relative to targets?*
- *How did individual and company performance affect compensation?*

A company should discuss the actual compensation decisions made during the previous year to the extent these decisions relate to salary, annual or long-term incentives, or to other material elements of compensation, including

- Any salary or bonus, and to the extent a bonus or salary increase is guaranteed, the reason for the guarantee.
- Any specific performance targets on which each compensation element is based and whether the targets were achieved.

<sup>7</sup>The working group realizes that employment and termination agreements are part of a company's elements of compensation but has decided to cover them in Section VI of this template.

<sup>8</sup>To the extent not competitively sensitive and subject to confidentiality under current SEC rules.



- c. Material increases or decreases in any elements of compensation, with explanation of the changes.
- d. In summary form, any other material types of compensation, such as executive perks, consulting agreements, and death benefits that may result or have resulted in payouts to the executive or the executive's family.
- e. The use of tax gross-ups (if any) and why they are provided.
- f. Discretionary compensation linked to individual executive performance rather than specific quantitative goals and how/why this compensation benefits the company's long-term strategic goals.

Narrative discussion of equity-based and other long-term incentive compensation also should provide a summary of one-off awards and other compensation that may be deemed nonrecurring in nature and why they occurred. The company can also discuss here the realization of gains by key executives from long-term performance targets (such as long-term performance awards that have been earned or vested over a period of greater than a year).

Some companies may choose to combine the discussions of performance targets in Section III and compensation decisions in Section IV into one section, as the conversation about performance targets may naturally flow into the discussion of compensation decisions made in the past year.

## Section V. Compensation Framework: Policies, Process, and Risk Considerations

### *Section Points of Emphasis*

- *What are the principles underlying the company's compensation policies?*
- *What are the company's compensation policies?*
- *What is the company's compensation process?*
- *How does risk factor into compensation decisions?*

**Compensation Policies.** A company should briefly discuss the principles of its executive compensation framework, including the key considerations it makes when setting pay. The working group emphasizes that this discussion should be brief, clearly communicate a company's compensation philosophy, and avoid simple boilerplate language. Some of the considerations a company may address are the emphasis on performance in compensation structure, the emphasis on future pay opportunity versus current pay, the discretionary nature of compensation programs, whether executives have employment contracts, the portion of variable compensation, etc.

In this section a company should discuss its compensation policies to help investors understand the rules the compensation committee and board have established to align management and shareowner interests. The company also should discuss the frequency and results of the company's advisory (or binding) vote on executive pay packages. As of this writing, the SEC had proposed a new requirement that the CD&A disclose what, if any, consideration the company gave to last year's advisory pay votes in shaping its compensation policies, etc.

Any description of policies concerning equity-based and other long-term incentive compensation should summarize

- a. Vesting periods and retention requirements.
- b. The timing and pricing of stock-option grants and other stock-related awards.
- c. The repricing or exchange of stock options or other stock-related awards if it occurred during the last fiscal year, has been approved, or is pending.
- d. Stock ownership guidelines.
- e. Performance targets.
- f. Any material tax or accounting treatment.
- g. Policy on the hedging of company stock by executives.
- h. Clawback provisions.
- i. Policy on the modification of performance targets.

**Compensation Process.** The CD&A should clearly illustrate the process undertaken to link compensation, corporate strategy, and performance and answer the question, Why is this compensation framework right for the company? A company should discuss the process the compensation committee undertook with management, the board, and compensation consultants in setting and implementing executive compensation. This section should allow the investor to obtain a clear sense of how and why compensation targets are determined and awards made. A company also should discuss the level of discretion exercised by the compensation committee, both on the upside and downside, in setting executive compensation. Items covered in the narrative should include

- a. The role of compensation consultants and management in the determination of compensation. The discussion should focus on how any advice from the compensation consultants is reflected in the compensation committee's decisions setting executive compensation.
- b. A statement addressing the independence of the compensation consultants from company management and a discussion of, or cross-reference to, the information concerning how consultants are compensated for this work and other work for the company unrelated to the specific executive compensation engagement.<sup>9</sup>
- c. The use of any benchmarks for remuneration targets.
- d. Whether and how a peer group is used in the determination of compensation for the CEO and other named executive officers. If a peer group is used, selection criteria for that peer group should be discussed. If different peer groups are used for different officers, an explanation should be provided.
- e. Any changes to the list of peer group companies. If there has been a change in the peer group in the last fiscal year, an explanation should be provided.

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<sup>9</sup>As of this writing, the SEC had indicated that it plans additional rule making under the Dodd-Frank Act regarding the independence of both compensation committees and consultants.

**Risk Considerations.** The CD&A can provide an assessment of key risk considerations arising from compensation policies and practices for named executive officers (NEOs) along with the process the company undertakes to assess any risks in compensation policies.<sup>10</sup> Many companies do not provide any disclosure under this item because they have not identified any compensation programs that involve a “material” level of risk. A discussion of any link between risk and compensation can provide information regarding consultations undertaken by the compensation committee with the audit and/or risk committee (as appropriate), internal risk officers, and external risk advisers (if any). The following are key elements to consider:

- a. How executive compensation is aligned with prudent risk taking and risk management.
- b. Is there an internal risk committee, and/or senior risk officers, with whom the remuneration committee consults in determining appropriate performance objectives and incentives? Is this entity a board committee, board subcommittee, or management-level committee?
- c. Although not required in the CD&A, a company may discuss how the risk involved in overall compensation policies across the company is assessed and managed if this discussion is pertinent to NEO compensation.<sup>11</sup>

## Section VI. Employment and Termination Agreements

### *Section Points of Emphasis*

- *What is the guaranteed compensation to executives during employment and in the event of termination/severance?*

The CD&A should disclose whether executive employment and termination agreements are used, as well as the rationale for their use (why they benefit shareowners). This section also should summarize the material terms of executive employment and termination agreements, noting any stipulated salary or bonus guarantees and total payouts resulting from potential termination scenarios. This section can also speak to any connection between these agreements and the other elements of the compensation plan. Specific items to be addressed, if applicable, include

- a. Any guaranteed salaries or bonuses, per employment agreement.
- b. Duration of employment and associated termination issues, as stipulated by the employment agreement.
- c. Description of potential termination circumstances and the resulting outcome.
- d. Payment from post-employment agreements resulting from the triggering of a single event (e.g., change in control) rather than a double trigger (e.g., change in control and subsequent termination).
- e. Rationale for termination payments totaling multiples of annual salary and bonuses.
- f. Accelerated compensation or immediate vesting of otherwise unvested equity incentives and associated retention requirements.

<sup>10</sup>Under SEC Rule 402(s), risks concerning the compensation of NEOs should be discussed in the proxy statement but should not be included in the CD&A.

<sup>11</sup>This information is currently required disclosure outside the CD&A under S-K 402(s).

## Appendix A. Examples of CD&A Disclosures

The CD&A working group hopes the Model CD&A can aid issuers in creating a useful communications document that provides what investors want and need to know from the annual CD&A report. We invite investors to use this document as a source of ideas about what to look for and ask for from the CD&A disclosures that they read.

We believe that both issuers and investors would benefit from real-world examples of companies that are already incorporating the clear and concise disclosures described in this publication in their CD&A reports.

Several examples of each section discussed in this Model CD&A can be found in the Supplemental Material under the title *Compensation Discussion and Analysis Template* at [www.cfapubs.org](http://www.cfapubs.org). The working group decided to include these examples in a separate document because providing multiple examples for each section would more than quadruple the size of this document and overwhelm the content of the document itself.

In this appendix, we provide a list of links to proxy statements from 2010 that contain CD&A reports from companies that do a relatively good job of succinctly summarizing their CD&A processes and policies.

We invite investors to review some of the CD&A disclosures contained in the links below to better understand some of the best practices in CD&A disclosure.

### List of Companies Representing CD&A Disclosures Consistent with the Model CD&A:

3M

[www.sec.gov/Archives/edgar/data/66740/000104746910002668/a2196987zdef14a.htm](http://www.sec.gov/Archives/edgar/data/66740/000104746910002668/a2196987zdef14a.htm)

Advance Auto Parts, Inc.

[www.sec.gov/Archives/edgar/data/1158449/000115844910000037/def14a.htm](http://www.sec.gov/Archives/edgar/data/1158449/000115844910000037/def14a.htm)

American Express Company

[www.sec.gov/Archives/edgar/data/4962/000119312510057324/ddefc14a.htm](http://www.sec.gov/Archives/edgar/data/4962/000119312510057324/ddefc14a.htm)

Analog Devices, Inc.

[www.sec.gov/Archives/edgar/data/6281/000095012310008315/b79097dedef14a.htm#138](http://www.sec.gov/Archives/edgar/data/6281/000095012310008315/b79097dedef14a.htm#138)

Apache Corporation

[www.sec.gov/Archives/edgar/data/6769/000095012909001052/h66132ddef14a.htm](http://www.sec.gov/Archives/edgar/data/6769/000095012909001052/h66132ddef14a.htm)

Cardinal Health, Inc.

[www.sec.gov/Archives/edgar/data/721371/000119312510210678/ddef14a.htm#tx65145\\_30](http://www.sec.gov/Archives/edgar/data/721371/000119312510210678/ddef14a.htm#tx65145_30)

Dover Corporation

[www.sec.gov/Archives/edgar/data/29905/000095012310025180/y83170def14a.htm](http://www.sec.gov/Archives/edgar/data/29905/000095012310025180/y83170def14a.htm)

Eli Lilly and Company

[www.sec.gov/Archives/edgar/data/59478/000095012310021859/c55338ddef14a.htm](http://www.sec.gov/Archives/edgar/data/59478/000095012310021859/c55338ddef14a.htm)

General Electric

[www.sec.gov/Archives/edgar/data/40545/000119312510048722/ddef14a.htm](http://www.sec.gov/Archives/edgar/data/40545/000119312510048722/ddef14a.htm)

Greatbatch Inc.

[www.sec.gov/Archives/edgar/data/1114483/000095012310036040/139077def14a.htm#109](http://www.sec.gov/Archives/edgar/data/1114483/000095012310036040/139077def14a.htm#109)

Green Mountain Coffee Roasters

[www.sec.gov/Archives/edgar/data/909954/000119312510012113/ddef14a.htm](http://www.sec.gov/Archives/edgar/data/909954/000119312510012113/ddef14a.htm)

Illinois Tool Works

[www.sec.gov/Archives/edgar/data/49826/000095012310027523/c57048ddef14a.htm](http://www.sec.gov/Archives/edgar/data/49826/000095012310027523/c57048ddef14a.htm)

Intel Corporation

[www.sec.gov/Archives/edgar/data/50863/000095012310031597/f53675dedef14a.htm#112](http://www.sec.gov/Archives/edgar/data/50863/000095012310031597/f53675dedef14a.htm#112)

Jack Henry

[www.sec.gov/Archives/edgar/data/779152/000092623610000044/jha2010def.htm](http://www.sec.gov/Archives/edgar/data/779152/000092623610000044/jha2010def.htm)

JPMorgan Chase & Co.

[www.sec.gov/Archives/edgar/data/19617/000119312510073533/ddef14a.htm](http://www.sec.gov/Archives/edgar/data/19617/000119312510073533/ddef14a.htm)

Microsoft Corporation

[www.sec.gov/Archives/edgar/data/789019/000119312510221150/ddef14a.htm#tx94643\\_26](http://www.sec.gov/Archives/edgar/data/789019/000119312510221150/ddef14a.htm#tx94643_26)

Morningstar

[www.sec.gov/Archives/edgar/data/1289419/000110465910018876/a09-36478\\_2def14a.htm](http://www.sec.gov/Archives/edgar/data/1289419/000110465910018876/a09-36478_2def14a.htm)

Pfizer

[www.sec.gov/Archives/edgar/data/78003/000119312510057949/ddef14a.htm](http://www.sec.gov/Archives/edgar/data/78003/000119312510057949/ddef14a.htm)

Pride International, Inc.

[www.sec.gov/Archives/edgar/data/833081/000095012310031399/h71916def14a.htm#008](http://www.sec.gov/Archives/edgar/data/833081/000095012310031399/h71916def14a.htm#008)

Prudential Financial

[www.sec.gov/Archives/edgar/data/1137774/000119312510062648/ddef14a.htm#tx38117\\_22](http://www.sec.gov/Archives/edgar/data/1137774/000119312510062648/ddef14a.htm#tx38117_22)

Range Resources Corporation

[www.sec.gov/Archives/edgar/data/315852/000119312510077561/ddef14a.htm](http://www.sec.gov/Archives/edgar/data/315852/000119312510077561/ddef14a.htm)

Ryder Systems, Inc.

[www.sec.gov/Archives/edgar/data/85961/000095012310029209/g22515ddef14a.htm#119](http://www.sec.gov/Archives/edgar/data/85961/000095012310029209/g22515ddef14a.htm#119)

Stericycle

[www.sec.gov/Archives/edgar/data/861878/000119312510084351/ddef14a.htm](http://www.sec.gov/Archives/edgar/data/861878/000119312510084351/ddef14a.htm)

UnitedHealth Group

[www.sec.gov/Archives/edgar/data/731766/000119312510083028/ddef14a.htm#toc14068\\_21](http://www.sec.gov/Archives/edgar/data/731766/000119312510083028/ddef14a.htm#toc14068_21)

## Appendix B. Item 402(b) Elements

The exhibit below lists the required elements of the compensation discussion and analysis according to SEC Rule 402(b). The left-hand column of the exhibit lists the required data, and the right-hand column lists possible places to find the data in this Model CD&A template; you will notice there is often more than one place that each required topic may be discussed.

There are a number of reasons why a required disclosure may be discussed in more than one section. For example, a company may wish to simply touch on an issue from a broad perspective in the overview section (Section I) and go into more detail in a later section. Also, in some cases, required disclosure may be legitimately addressed in more than one section. For example, a discussion concerning *(v) How the registrant determines the amount (and, where applicable, the formula) for each element to pay* may be discussed in both Section IV (Compensation Decisions) and Section V (Compensation Framework) or in only one of these sections, depending on the editorial choice(s) of the CD&A author.

This exhibit is meant as a tool for those drafting or reading a CD&A to help ensure all required materials are covered. We encourage those drafting a CD&A to not submissively follow any checklist or order of discussion points that could compromise the intent of the CD&A to clearly communicate a company's compensation story. The working group encourages CD&A authors to use a concise and clear writing style that best communicates their company's compensation story to shareowners.

Item 402(b) Elements	Where Found in Proposed CD&A Template
(1) Discuss the compensation awarded to, earned by, or paid to the named executive officers. The discussion shall explain all material elements of the registrant's compensation of the named executive officers. The discussion shall describe the following:	
(i) The objectives of the registrant's compensation programs	Section I. Overview
(ii) What the compensation program is designed to reward	Section I. Overview Section III. Performance Targets for Past Year
(iii) Each element of compensation	Section II. Elements of Compensation
(iv) Why the registrant chooses to pay each element	Section I. Overview Section IV. Compensation Decisions
(v) How the registrant determines the amount (and, where applicable, the formula) for each element to pay; and	Section IV. Compensation Decisions Section V. Compensation Framework: Compensation Process
(vi) How each compensation element and the registrant's decisions regarding that element fit into the registrant's overall compensation objectives and affect decisions regarding other elements.	Section II. Elements of Compensation Section V. Compensation Framework

Item 402(b) Elements	Where Found in Proposed CD&A Template
(2) While the material information to be disclosed under Compensation Discussion and Analysis will vary depending upon the facts and circumstances, examples of such information may include, in a given case, among other things, the following:	
(i) The policies for allocating between long-term and currently paid-out compensation	Section V. Compensation Framework: Compensation Policies
(ii) The policies for allocating between cash and non-cash compensation, and among different forms of non-cash compensation	Section V. Compensation Framework: Compensation Policies
(iii) For long-term compensation, the basis for allocating compensation to each different form of award (such as relationship of the award to the achievement of the registrant's long-term goals, management's exposure to downside equity performance risk, correlation between cost to registrant and expected benefits to the registrant)	Section IV. Compensation Decisions Section III. Performance Targets for Past Year
(iv) How the determination is made as to when awards are granted, including awards of equity-based compensation such as options	Section IV. Compensation Decisions Section V. Compensation Framework: Compensation Process
(v) What specific items of corporate performance are taken into account in setting compensation policies and making compensation decisions	Section I. Overview Section III. Performance Targets for Past Year
(vi) How specific forms of compensation are structured and implemented to reflect these items of the registrant's performance, including whether discretion can be or has been exercised (either to award compensation absent attainment of the relevant performance goal(s) or to reduce or increase the size of any award or payout), identifying any particular exercise of discretion, and stating whether it applied to one or more specified named executive officers or to all compensation subject to the relevant performance goal(s)	Section I. Overview Section III. Performance Targets for Past Year Section V. Compensation Framework: Compensation Process
(vii) How specific forms of compensation are structured and implemented to reflect the named executive officer's individual performance and/or individual contribution to these items of the registrant's performance, describing the elements of individual performance and/or contribution that are taken into account	Section I. Overview Section II. Elements of Compensation Section III. Performance Targets for Past Year Section V. Compensation Framework: Compensation Process
(viii) Registrant policies and decisions regarding the adjustment or recovery of awards or payments if the relevant registrant performance measures upon which they are based are restated or otherwise adjusted in a manner that would reduce the size of an award or payment	Section V. Compensation Framework: Risk Considerations

Item 402(b) Elements	Where Found in Proposed CD&A Template
(2) (continued)	
(ix) The factors considered in decisions to increase or decrease compensation materially	Section I. Overview Section III. Performance Targets for Past Year Section IV. Compensation Decisions
(x) How compensation or amounts realizable from prior compensation are considered in setting other elements of compensation (e.g., how gains from prior option or stock awards are considered in setting retirement benefits)	Section V. Compensation Framework: Compensation Process Section VI: Employment and Termination Agreements
(xi) With respect to any contract, agreement, plan, or arrangement, whether written or unwritten, that provides for payment(s) at, following, or in connection with any termination or change in control, the basis for selecting particular events as triggering payment (e.g., the rationale for providing a single trigger for payment in the event of a change in control)	Section VI. Employment and Termination Agreements
(xii) The impact of the accounting and tax treatments of the particular form of compensation	Section V. Compensation Framework: Compensation Process, Compensation Policies
(xiii) The registrant's equity or other security ownership requirements or guidelines (specifying applicable amounts and forms of ownership) and any registrant policies regarding hedging the economic risk of such ownership	Section V. Compensation Framework: Compensation Policies
(xiv) Whether the registrant engaged in any benchmarking of total compensation, or any material element of compensation, identifying the benchmark and, if applicable, its components (including component companies); and	Section V. Compensation Framework: Compensation Process
(xv) The role of executive officers in determining executive compensation.	Section V. Compensation Framework: Compensation Process
<i>Instructions to Item 402(b).</i>	
1. The purpose of the Compensation Discussion and Analysis is to provide to investors material information that is necessary to an understanding of the registrant's compensation policies and decisions regarding the named executive officers.	
2. The Compensation Discussion and Analysis should be of the information contained in the tables and otherwise disclosed pursuant to this Item. The Compensation Discussion and Analysis should also cover actions regarding executive compensation that were taken after the registrant's last fiscal year's end. Actions that should be addressed might include, as examples only, the adoption or implementation of new or modified programs and policies or specific decisions that were made or steps that were taken that could affect a fair understanding of the named executive officer's compensation for the last fiscal year. Moreover, in some situations it may be necessary to discuss prior years in order to give context to the disclosure provided.	Section I. Overview Section IV. Compensation Decisions



Item 402(b) Elements	Where Found in Proposed CD&A Template
<p>3. The Compensation Discussion and Analysis should focus on the material principles underlying the registrant’s executive compensation policies and decisions and the most important factors relevant to analysis of those policies and decisions. The Compensation Discussion and Analysis shall reflect the individual circumstances of the registrant and shall avoid boilerplate language and repetition of the more detailed information set forth in the tables and narrative disclosures that follow.</p>	<p>Section I. Overview</p>
<p>4. Registrants are not required to disclose target levels with respect to specific quantitative or qualitative performance-related factors considered by the compensation committee or the board of directors, or any other factors or criteria involving confidential trade secrets or confidential commercial or financial information, the disclosure of which would result in competitive harm for the registrant. The standard to use when determining whether disclosure would cause competitive harm for the registrant is the same standard that would apply when a registrant requests confidential treatment of confidential trade secrets or confidential commercial or financial information pursuant to Securities Act Rule 406 (17 CFR 230.406) and Exchange Act Rule 24b-2 (17 CFR 240.24b-2), each of which incorporates the criteria for non-disclosure when relying upon Exemption 4 of the Freedom of Information Act (5 U.S.C. 552(b)(4)) and Rule 80(b)(4) (17 CFR 200.80(b)(4)) thereunder. A registrant is not required to seek confidential treatment under the procedures in Securities Act Rule 406 and Exchange Act Rule 24b-2 if it determines that the disclosure would cause competitive harm in reliance on this instruction; however, in that case, the registrant must discuss how difficult it will be for the executive, or how likely it will be for the registrant, to achieve the undisclosed target levels or other factors.</p>	<p>Section III. Performance Targets for Past Year</p>
<p>5. Disclosure of target levels that are non-GAAP financial measures will not be subject to Regulation G (17 CFR 244.100-102) and Item 10(e) (§229.10(e)); however, disclosure must be provided as to how the number is calculated from the registrant’s audited financial statements.</p>	<p>Section III. Performance Targets for Past Year</p>



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