

Stress Free Proxy Season: An Oxymoron?

As the proxy season moves into full swing, I find myself thinking about what's new and relevant to equity compensation professionals this year. I remember in the days when I worked in-house for corporations, there seemed to be so much tension looming in the air until the financial statements and proxy were filed. And the anxiety level is exponentially higher in years where there are voluminous new requirements, like last year. The good news is there are no new disclosure requirements for this proxy season. Thank goodness. Okay, so even though there are no new disclosure requirements, there are new initiatives, such as Say on Pay. It seems there are constantly 'new' things that we need to understand and implement. So I am compelled to ask - is there really, truly, possibly any way to have a stress-free proxy season?

I'd love to come out of proxy season with a smile on my face, stress-free. As I was thinking about the "how" to accomplish that part of the equation, the content from this month's webcast ["Tackle your Proxy with Moxie"](#) comes to mind. There are many things that can be done to make the proxy process, at least from an equity compensation perspective, flow as smoothly as possible. With that I offer my **Top 5** list of suggestions to minimize stress and maximize efficiency during the proxy season.

5. Learn the disclosure requirements. The saying "Knowledge is Power" applies in spades here. Yes, the legal advisors and finance team may already know the requirements, but having knowledge within the equity department only serves to increase efficiency and avoid misunderstandings. Have you ever completed a request for proxy from your legal team, only to find out the requestor meant something slightly, or not so slightly, different? The problem is that even the slight difference means doing the work all over again. Knowing exactly what is required will help you work smarter, even when not communicated optimally by the requestor.

4. Keep abreast of changes and network. Yes, change monitoring and networking are combined into this tip. Why? Because new changes mean figuring out what needs to be done, and a great way to do this is to network with peers and colleagues to find out how they are tackling the same requirement. Being on the forefront of a change, offering information and expertise to your internal team may serve to increase your value proposition to the organization as well.

3. Determine Named Executive Officers ("NEOs") from scratch each year. This is an area where we see common mistakes. Some companies tend to have the same general population of officers included in the proxy each year. It's tempting to start with that list and evaluate compensation from there. This may have been a more predictable path before the determining 'compensation' included things like the fair value of equity awards. It's best to start fresh each year, evaluating all officers, because you never know when a single award or other compensation element will tip someone into the NEO category. Just thinking about the extent of 'do-over' that would result from incorrectly determining the NEOs the first time gives enough headaches to warrant avoiding that trap altogether.

2. Plug yourself into the process up front. This is the time to be proactive; don't wait for someone to come to you and ask for the relevant disclosure inputs. Get out there and own it. Find out exactly what will be needed from you and when. Insert yourself into planning meetings; if there are no planning meetings, schedule one. Assert yourself so that you are not at the mercy of the process. Synchronize with internal business partners on the plan for various narrative components and footnote requirements.

1. Get the context for every request and save backup! When someone from legal, finance or other areas ask you for information, the first priority should be to understand what disclosure it relates to and the specific context for their need. Having completed Tip #5 (Learn the Disclosure Requirements) will come in handy here. For example, the term "value" can mean different things, depending on the disclosure. Is it a 'fair value' for the Summary Compensation Table? Or, is it the 'intrinsic value' necessary for the Options Exercised and Stock Vested Table? Or, did someone decide that a footnote was necessary

on a certain table? If so, save the provided instructions (email?) along with your resulting output. Sometimes it's helpful to jot down a few comments about the 'why' so that you can refer to it later. If someone provides you with information that you utilize for a disclosure or other important component, save the written back up with a copy of the relevant proxy page attached so that it's easy to answer future questions about the origin of information used in the disclosures.

While there are no guarantees to achieving a stress-free life (if there were, I'd have a lot less gray hair by now), taking steps to insert yourself into the proxy process and gain expertise in that area can certainly minimize the stress of the proxy season. It may not take all the pain away, but will surely give you many more reasons to smile once you've completed the process in a more efficient and stress-free manner. I'll toast to that.

Questions or comments? Please email us at xtra@sos-team.com

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