

## Conference Board Working Group Establishes Framework for Standardized Supplemental Pay Disclosure

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Disclosure of realizable pay and realized pay may be all the rage, but the fact that a wide range of different practices exists led the Conference Board Working Group on Supplemental Pay Disclosure, working jointly with the Center on Executive Compensation and the Society of Corporate Secretaries and Governance Professionals, to develop a [framework](#) to assist in providing greater consistency and comparability. The current ad-hoc approach by companies have been criticized for diminishing the potential value of the disclosure to investors.

The framework outlines 11 conceptual points, including the need to measure performance using primarily total shareholder return (TSR) given that is how investors assess company performance, but also incorporating other financial metrics that can justifiably demonstrate shareholder value. Realizable pay provides a relative comparison to peers while realized pay provides an absolute comparison focused on only the company. The group advocates for applying disclosure over multiple years and for consistent application year-over-year. In addition, creating a standard that is based on information available in the proxy, the group argues, will limit confusion and establish credibility for the disclosure.

The white paper also describes a recommended approach on a number of issues that generates varying opinions and creates a muddled landscape, including how to value outstanding performance awards and stock options, whether to include options at exercise or vesting, and the treatment of non-performance-related compensation such as signing bonuses, make-whole awards and pension accruals.

Finally, the paper provides a set of proposed definitions for each of the compensation elements that make up realizable pay and realized pay, as well as reader-friendly charts with sample disclosure for both concepts.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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