

# 2025 SEC Annual Reporting Workshop – Drafting Effective CD&A and HCM Disclosures

## Key takeaways for Session 4

- **Good CD&A disclosure should explain the “how” and “why” of a company’s executive compensation program.** The compensation discussion and analysis (CD&A) is an opportunity for a registrant to provide context regarding its compensation philosophy, objectives, elements (e.g., salary, short-term and long-term incentives) and process (e.g., metrics setting, benchmarking). It also serves as an important disclosure tool to address potential or past say-on-pay issues. Proxy advisory firms and many institutional investors will take well-disclosed rationale into consideration as possible mitigation to what might otherwise be considered problematic pay practices or quantum.
- **Know who’s reading and what matters to them.** Human capital management (HCM) disclosure should provide information that is industry appropriate and aligned overall with differing stakeholder priorities (e.g., shareholders, employees, unions). It also should be consistent across different types of filings for regulatory compliance. CD&A disclosure should be tailored to a company’s shareholder base, including any information obtained from shareholder engagement and published institutional positions. Remember to highlight good governance practices (cogent graphics are helpful) and provide context for special awards, leadership changes and other optic focus items.
- **Don’t neglect the “pre-season.”** Year-round planning and pre-calendaring drafting deadlines will help avoid last-minute stress and hasty assembly. Keep in mind any human resources or other mid-year events that will need to be addressed in CD&A or HCM disclosure. Make sure all relevant contributors – both internal (e.g., finance, investor relations, legal, HR, corporate communications) and external (e.g., outside counsel, compensation consultants) – know what’s needed of them and when.