

To All Our Energy Community,

There has never been a time where the energy industry has been in such a state of flux... especially with respect to executive and board compensation. Compensation has, for all intents and purposes, become a "battleground" of sorts.

Still, the oil and gas industry is a major contributor to American prosperity that – according to a study by PWC – has created:

- In excess of 10.3 million jobs
- Almost a billion dollars of labor income
- Over 1.3 trillion of economic benefit or close to 8% of our GDP

Regardless of one's agreement over these statistics, there is no denying that oil and gas is critical to the United States. Not only does it fuel our lives, there is not a single industry that doesn't rely on oil and gas or its byproducts to function.

Two other often overlooked or under-discussed key points are:

1. Our U.S. production is key to our nation's security. Oil and gas dependency on others weakens our nation's ability to be protected. Being an exporter vs. importer mitigates somewhat being tied to the political agendas of other countries – especially those that wish us harm.
2. Oil energy is the foundation of renewable energy. Bottom line, solar, wind and other renewables can only be created because of the technologies oil and gas have given us.

This special L-Blast is intended for those in this great industry to position energy leader compensation the best we can. Everyone has an agenda and/or thoughts to share, some we can agree with and others not. Oliver Wendell Holmes once said, "It is the province of knowledge to speak and it's the privilege of wisdom to listen."

In this L-Blast, L&A is sharing what we are "hearing" in hopes of utilizing these insights to change, upgrade and enhance how executive and board compensation is attacked.

Included in this Energy L-Blast are:

- Longnecker's presentation at the recent TPH Proxy & Governance Conference, along with our key takeaways
- Evercore ISI's presentation: *Energy Shareholder Alignment Review: Leveling the Playing Field*
- SailingStone's recent memo on their thoughts around executive and board governance and compensation

A big thank you to Rachel Nolan from Tudor, Pickering, Holt & Co. and Doug Terreson from Evercore for their great insights and collaboration in putting this piece together.

We hope you find value in the information we share in this L-Blast and as always, don't hesitate to reach out to us if questions arise.

Gratefully submitted,



Brent Longnecker and the L&A Team
Chairman and CEO
Longnecker & Associates

TUDORPICKERING
HOLT & CO. ENERGY INVESTMENT & MERCHANT BANKING

L&A Presentation and Key Takeaways from TPH's Proxy & Governance Conference

THE GOOD, THE BAD & THE UGLY:
A LOOK BEHIND THE COMPENSATION CONSULTANT CURTAIN

Recently, some of the team at L&A was afforded a great opportunity to participate in TPH's Energy Roundtable discussion with multiple constituents involved in the corporate governance landscape within the industry. **TPH (Tudor, Pickering, Holt & Co.)** is an integrated investment and merchant bank providing high quality advice and services to the energy industry and L&A was honored to participate.

We listened and contributed to thoughtful discussions on the current state of the industry, changes that could be put into effect to "right the ship" for the future, and how external stakeholders might view decision-making going forward on compensation.

[VIEW L&A'S PRESENTATION](#)

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EVERCORE ISI – Energy Shareholder Alignment Review: Leveling The Playing Field

Evercore's presentation is excellent. It is arguably one of the best "thought provoking" conversation pieces we have seen. Although L&A may not agree with them on every point, their discussions around peer selection, alignment, pay at risk with STIs and concerns around Relative TSR are points every board and leadership team should be discussing. Their best section is on page 33 where they discuss thoughts around what is needed for investors to rotate back into energy. We do agree with them that change lies ahead. Presentations like this are key if we are to make the right changes while still ensuring that companies are being led by the fiduciaries they have elected and hired. From L&A's perspective, based on all the energy companies we consult with, we have the right leaders in place. We just need to be asking the right questions, challenging more and pulling in the best compensation plans that help differentiate us in how we align with shareholder interests – LONG TERM!

[VIEW PRESENTATION](#)

SAILINGSTONE CAPITAL PARTNERS – Governance & Compensation Memo

SailingStone recently shared a memo outlining key changes to their proxy voting guidelines relating to governance and incentive compensation practices. Below we share our thoughts on each of the changes they will implement in the 2020 proxy season.

GOVERNANCE

Independent Chair:

SailingStone Guideline: Vote against the entire board of a company if the roles of chairperson and CEO are not separated. We will also vote against the chairperson if he or she is not independent.

L&A Opinion: L&A believes this is a strategic decision. Although there are strong arguments either way, if combined, then a strong lead director is key. While independence is critical, context is everything. A board should be free to select the leadership structure that is best suited for the company, taking into account the history of the company, experience of the CEO, board/management relations, who one does business with, and the pool of qualified candidates.

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Thoughts or Questions?

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