

## Dear All,

As 2019 comes to an end, we look back on this year's accomplishments and the challenges we faced. It was a year that brought forth strength and growth as a team. We look forward to the new year with greater confidence, and purpose to continue to be better and provide our clients with outstanding service.

We have some great pieces to share this month that we hope you will find insightful. The first article was the most read on our blog in 2019 – a previously written L&A original on CEO pay ratio caps. Our thoughts on executive pay caps are the same now as they were then: a free market is the best way to determine reasonable compensation for our country's business leaders.

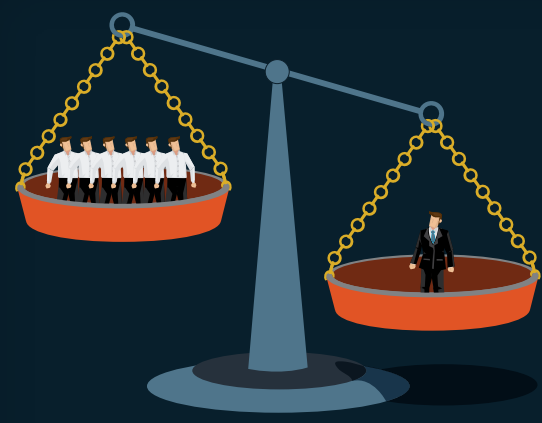
The next article talks about a possible shift in corporate governance, from a shareholder returns driven approach to a stakeholder model where the needs of all employees, shareholders, customers and communities in which the business operates are taken into higher consideration. We believe the increase in ESG concerns is already contributing to this shift as companies become more aware of their environmental and social impact. Non-financial performance metrics measured in the Equilar 500 also suggest this transformation to a stakeholder model is starting to become evident.

While on the subject of ESG, the final article provides useful guidelines and best practices on how companies can enhance their ESG disclosures. With the increased interest in information related to these topics and public companies now being required to report them in their SEC filings, it's important to get a good grasp on how to effectively disclose this information.

We hope you and your loved ones have a Merry Christmas and a Happy New Year! As always, let us know if there is a particular subject you'd like to learn more about or if you have any questions about the topics touched in this L-Blast.

Sincerely,

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



## CEO Pay Ratio Caps Will Not Work

Just last month, L&A's "CEO Pay Ratio – Winter is Coming" article summed up the latest on the controversial pay ratio rule. This month, we dive into a related subject by taking a peek back in time to the mid-1970s. This past week, a 1977 Wall Street Journal article was re-circulated regarding pay ratios and pay caps. Consequently, we thought it was timely to re-address this hot topic.

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## Performance Metrics: Accelerating the Stakeholder Model

On August 19, the Business Roundtable made waves in the corporate governance community by publishing its Statement on the Purpose of a Corporation. By shifting away from a model that emphasizes shareholder return over all other considerations, the Business Roundtable asserted that companies should embrace the "Stakeholder Model," meaning that corporations should balance the needs of all stakeholders in a business: shareholders, employees, customers and the communities in which a business operates.

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## ESG Reporting Best Practices

Policymakers have been debating here in the U.S. as well as globally on how companies should disclose Environmental, Social, or Governance (ESG) information, both to investors as well as other stakeholders. Currently, to the extent that ESG information is material under the U.S. federal securities laws, public companies are already required to include it in their filings with the Securities and Exchange Commission (SEC). However, given the progress that companies have made in regards to voluntary ESG reporting not filed with a particular regulator or government body, we believe more regulatory requirements mandating ESG disclosures are not warranted.

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## A little motivation...

### Words of Wisdom

“Blessed is the season which engages the whole world in a conspiracy of love.”

– HAMILTON WRIGHT MABIE



## Compensation Discussion & Analysis (CD&A) Disclosure Preparations

As we start preparing for proxy season, L&A is ready to assist you in the development and overall structure of your CD&A disclosure. Leveraging extensive experience and knowledge of real-time best practices in the evolving shareholder communication platform, our consultants will help you craft an effective message to your investor audience while fulfilling SEC requirements.

**CONTACT US BELOW TO GET STARTED!**

[GET STARTED](#)

## JOIN US AT UPCOMING EVENTS

### NACD Houston Program- The M&A Landscape: Board Oversight in an Era of Consolidation

Friday, January 24  
7:00 a.m. – 9:15 a.m.

Junior League of Houston  
1811 Briar Oaks  
Houston, TX 77057

M&A activity remains at historic levels. From contested to strategic M&A and divestitures, this is a critical area for board oversight. Join the panelists as they discuss implications for boards, their role in M&A as well as the current landscape.

[REGISTER](#)

### NACD San Antonio Program- Risky Business: The Changing Risk Landscape

Thursday, January 30  
4:00 p.m. – 6:30 p.m.

Hotel Eilan - Sustenio  
18603 La Cantera Terrace  
San Antonio, TX 78256

Join us for a discussion around enterprise risk management. From disruptive business models to cybersecurity to geopolitical risk and culture, we will explore the ever changing risk landscape and risk management at the board level.

[REGISTER](#)

### NACD Houston Program- Audit - Save The Date

Friday, February 14  
Time to be determined

The Junior League of Houston  
1811 Briar Oaks  
Houston, TX 77027

Save the date and check back soon for more details on this program!

[REGISTER](#)

## Let's Work Together

We know what it takes to attract, retain and motivate key talent. Contact us to develop a plan that works for your business.

[GET IN TOUCH](#) 281.378.1350

Compensation Services  
Incentive Plan Design  
Litigation Support  
Strategic & Governance Advisory  
Restructuring Services

## Get to Know Us

**Josh Whittaker**  
SENIOR MANAGER

**How long have you been with L&A?**  
7 years

**Hometown:** Bakersfield, CA

**What do you enjoy most about your job?**  
Helping my team achieve their goals

**Favorite Food:** Thai Curry

