WHAT HAVE WE DONE?!
WE HAVE CREATED A MONSTER

It is time to seriously reconsider the use of performance-based equity awards (PAs) and *consider a return to time-based awards* ***with lower dollar amounts***.

PAs can reward temporary spikes in performance
Shareholder Value Creation Incentive (a "second chance" vesting feature) triggered nearly $200 million payout after stock exceeded $79.96 per share for 3 months in late 2020 early 2021. The stock has since retreated to be below $59 per share.

PAs can trigger a "pile on" of additional awards when first awards do not fully vest due to underperformance
Previous equity award cycles vesting well below target contributed to millions in "one time" special awards granted before prior performance period for prior recently granted special award was over.

General Electric

PA goals can be easily lowered at the Compensation Committee's whim, leading to a potential windfall
When original stock price performance goals for CEO's $46.5 million sign-on award appeared unlikely to be achieved, goals were lowered, causing a windfall. Begs the question: what is the point of setting lofty ***long-term*** goals if they can be adjusted at any time?

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KEY TAKEAWAY/THOUGHT

How "at risk" are performance awards, really? In many cases (not all), companies will find a way to make up for forfeited performance pay sooner or later, in one form or another.

SOLUTION

Shift away from the use of so called "performance equity" and back to time-based equity but with lower dollar amounts based on the premise that there is no or significantly less forfeiture risk.