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# 10 Keys to Great Compensation Committee Processes

Executive compensation is complex and increasingly under scrutiny by investors and proxy advisors. For compensation committees, effective, efficient processes are essential. A strong process:

- Drives smart, informed decisions.
- Ensures transparent disclosure and clear rationale.
- Minimizes conflicts with management.

## Below are ten key elements for a robust compensation process



### 1. Communicate, Communicate, Communicate

— Clear, direct dialogue among the Committee Chair, CEO, HR and advisors builds trust and supports resolution of tough issues, like setting stretch performance targets.



### 2. Two Bites at the Apple

— Address complex topics over several meetings. First, management presents alternatives for feedback. Then, refined proposals are submitted for final approval.



### 3. Pre-Review of Materials

— Circulate drafts among the Committee Chair, HR and advisors before posting. A pre-meeting call allows for resolution of discrepancies and lets you focus on the key business issues in the committee meeting.



### 4. Do What's Best for the Business

— Do what is right for the business strategy, informed by market practice, investor and proxy advisor policies. Provide clear disclosure of the business rationale for decisions that may be less common in the market.



### 5. In Camera/Executive Sessions

— Kick off and wrap up meetings with an in camera/executive session, including one session with the Committee's advisor alone. This allows the Chair to gauge member views and handle sensitive topics.



## 6. Use an Annual Calendar

- Plan a 12-month cycle aligned with your reporting schedule. Reserve off-cycle meetings for deep dives into incentive design, pay and performance and talent strategy.



## 7. Draft the Disclosure

- For controversial decisions, draft the supporting disclosure. This helps confirm that your rationale is compelling, clear and ready to stand up to scrutiny.



## 8. Avoid 'Surprise' NEOs

- Assess how unusual awards impact Named Executive Officer (NEO) designations. Proactive analysis prevents unexpected complications.



## 9. Maintain a Compensation Dashboard

- Keep an up-to-date dashboard of NEO pay, peer benchmarks and key incentive metrics to make it easy for directors to be on top of compensation decisions.



## 10. Leverage Independent Advisors

- Advisors provide a fresh perspective, insights on investor and proxy advisor expectations and market trends, to help steer the committee through tough calls.

## Conclusion

By implementing these ten keys, Compensation Committees can navigate the complexities of executive pay with confidence and clarity. A robust process drives informed decision-making, fosters transparency and minimizes conflicts. Ultimately, these practices ensure that compensation strategies align with business goals and withstand scrutiny from investors and proxy advisors. Adopting these practices will enable committees to make sound, strategic decisions that support long-term organizational success.

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