

**NACD Northwest
Program Takeaways
2017-2018**

**Compensation Committee Roundtable: Impact of Business Volatility on Executive Compensation
Program Design**

December 7, 2017

Portland, OR

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Presenters: Linda Steffen & Matthew Isakson of Meridian Compensation Partners

This Program was held as a Roundtable for Members who serve on Compensation Committees. Meridian Compensation Partners kicked off the discussion with a presentation of their analyses of over 400 companies' relationship of stock price volatility with their executive compensation plan outcomes.

A variety of pertinent market data was also shared.

The discussion then moved to the means, by which to calculate the range of Total Direct Compensation outcomes from various share performance assumptions.

Other discussion points included the key impacts of the expected Tax Reform legislation, and member descriptions of their Boards' compensation philosophies and practices.

Best practices included:

1. Plans should generally allow participants to achieve maximum payout levels once or twice per 10 years.
2. Plans should payout at target level 40-60% of the time.
3. Compensation & Audit Committees should meet jointly for annual plan reviews.
4. Plan design should not be subject to frequent change nor reactive to the prior year.
5. Full upside plan potential should be carefully stress tested to ensure that cost to shareholders represents an appropriate plan participant risk/return relationship that is aligned with shareholder value creation.