



COMPENSATION COMMITTEE EVOLVING TRENDS

TOP TAKEAWAYS

1. Effects of Financial Crisis on Compensation
 - a. Challenges for compensation committees in the current economic environment
 - i. Underwater stock options
 - ii. Missed performance goals
 - iii. Accelerated depletion of shares reserved under equity compensation plans
 - b. Troubled Assets Relief Program (TARP)
 - i. Restrictions on executive compensation under TARP
 - ii. Implications for companies not participating in TARP
 - c. Modifying current executive compensation arrangements and practices
 - d. Retention considerations
 - e. Effects of the current economic environment on executive compensation in Europe
2. Legislation and Shareholder Activism
 - a. Legislative reform relating to executive compensation
 - b. "Say on pay"
 - i. Experience in the United Kingdom
 - ii. Prospects in the United States
 - c. Other shareholder proposals on executive compensation
3. Proxy Statement Disclosure
 - a. Compensation Discussion and Analysis

- i. Trends in year three
 - ii. Continuing focus on the “Analysis” element
 - b. Other proxy statement disclosure
- 4. Issues in Structuring Executive Compensation
 - a. Pay for performance
 - i. Setting performance targets in a difficult and uncertain economy
 - ii. Other trends and best practices in incentive compensation
 - (1) Effects of increased scrutiny and economic environment
 - (2) Implementing effective “clawback” provisions
 - b. Setting pay levels
 - i. Wealth accumulation analysis
 - ii. Internal pay equity analysis
 - iii. Use of comparative pay data
 - c. Separation from service and change of control arrangements
 - d. Equity compensation
 - i. Trends in equity incentive plan features
 - ii. “Hold ‘til retirement” or “hold through retirement” policies
 - iii. Dealing with underwater stock options
 - iv. Equity compensation trends in Europe
- 5. Compensation Consultants
 - a. Independence of compensation consultants
 - b. Appropriate use of compensation consultants
- 6. Best Practices and Trends - Generally
 - a. Executive compensation trends

- b. Best practices for compensation committees
 - i. Dealing with complexity in executive compensation programs
 - ii. Appropriate scope for direct involvement of compensation committee
- 7. Board Compensation
 - a. Appropriate mix of compensation forms
 - b. Best practices in making awards