



BOARD QUESTIONS TO ASK TODAY

March 1, 2013

Subject: Compensation Committees

Shareholders are increasingly voicing dissatisfaction with pay practices ... and are looking not only at compensation levels, but also at the use of consultants and peer groups.

It's been said that today's compensation committee is the audit committee of the 2000's. Has your comp committee kept pace?

Six Questions To Discuss

1. In setting the CEO's pay, did the compensation committee look at peer group bench markings – and consider the current controversy over the use of this methodology?
2. In light of new rules relating to compensation committees and the selection of compensation consultants, has the board reviewed an analysis of the independence of all of its advisors?
3. Is your compensation governance TEAD – that is, is the process transparent, and the decisions equitable, accountable and documented?
4. Although there is not yet a Dodd-Frank rule, has the board reviewed the ratio of the CEO's total compensation to the median annual total compensation of all other employees?
5. When is the last time your board tested its pay philosophy against its stated objectives and reviewed the compensation committee's charter to confirm it satisfies all new rules and current best practices?
6. When the compensation committee drafted the company's 2013 executive compensation plans, did the board ask about the following issues?
 - Changes in market "best practices"
 - Suitability of peer group benchmarking
 - Alignment of pay with performance results
 - Appropriateness of the earnings metrics used for annual incentive plans (e.g. EPS, operating income)
 - Appropriateness of long-term performance based plans
 - Implementation of executive stock ownership guidelines
 - Potential new rules for claw back policies
 - Plain English descriptions for employees and in proxy statement disclosures
 - Recommendations from proxy advisory firms
 - Impact of the say-on-pay vote

Ask these questions during the executive session at your next board meeting. The discussion might help your board become more effective and the company stronger.

New questions are posted each month at www.governancesolutionsgroup.com.

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The Governance Solutions Group

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"Good governance is part of every good business solution." Mary Denise Kuprionis