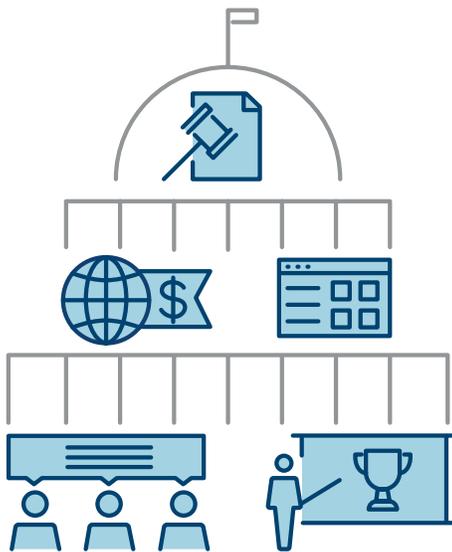


McLagan Presents

Five Quick Tips for Tackling Compensation Governance in Today's Economy

In response to changes in compensation and a heightened focus on corporate governance, bank boards, particularly compensation committees and executive management, must continue to partner and work closely together.

Here are five quick tips to help financial services firms stay on top of the rising expectations of regulators and investors in today's ever-shifting economic and regulatory environment.



“ The desire for high quality talent is fierce and the market is so competitive that compensation programs and dollars being spent are on the move every single day. ”

*Gayle Appelbaum
Partner, McLagan*

1 Establish sound processes and practices to exercise oversight about incentive plan arrangements and balancing risk.

Utilize solid documentation, strong processes, and clear procedures. You should regularly:

- Communicate the details of all plans to participants
- Conduct annual risk reviews and share expectations with employees
- Outline how pay and performance are aligned

2 Stay on your toes, despite the strong economy.

Don't take a back seat! Even though our current economy is strong, avoid relaxing and becoming complacent.

3 Understand investor expectations to make aligned decisions.

Shareholder advisory firms have their own scorecards and standards, which are important to consider when making decisions that attempt to line up with investor expectations.

4 Keep up with evolving regulatory demands.

Regulators are expected to examine factors they've never looked at before. Therefore, it's crucial to make sure you have good processes in place, are balancing risk, and conducting thorough risk reviews.

5 Practice heightened corporate governance.

Boards and compensation committees must be open to change and new practices resulting from increasingly stringent laws and oversight. Examine the following concepts at play:

- How are you managing risk?
- Are you aligning pay with performance and setting expectations with executives and employees?
- Do you understand how to effectively exercise discretion in incentive plan decisions?
- What is your equity compensation strategy? For instance, have you talked about how you vest your equity and is it aligned with market expectations?

As regulatory changes continue to evolve, remember to stay diligent and ensure you have the right structure and framework in place. For additional guidance and support, please email info@mcclagan.com.