

3 Essentials for Drafting a Compensation Committee Calendar

The agenda for each compensation committee meeting follows a natural cadence that aligns with both the company's fiscal year and compensation cycle. As articulated in its charter, the committee is directly accountable for overseeing the company's executive compensation programs. This includes the development of a compensation philosophy that aligns with the company's business strategy, the annual review of company and senior executive performance and its impact on pay, and regular monitoring of the executive compensation programs relative to market and governance trends. Increasingly, the charter is expanding to provide for greater oversight of the company's various human resource programs, including succession planning and talent development.

The first step in drafting the calendar is to confirm that the charter is up-to-date and then to break it down into specific items. A responsibility matrix can be developed to clarify when and how each item needs to be addressed. The matrix includes the role of the committee, management and their advisers on each item, and when each item needs to come forward for input, review, approval and/or recommendation to the board.

The second step is to allocate each item to a specific committee meeting, with some items being brought forward numerous times for input, review and approval. Most committees meet four times per year, and each of the items can generally be aligned with the following timing:

- Q1: review prior year's performance, approve base salary increases, annual incentive awards, long-term incentive grants and other compensation changes, and finalize year-end disclosures
- Q2: review pay program design for effectiveness and compliance, and identify potential areas requiring further review
- Q3: evaluate input received at annual general meeting, review peer groups and benchmarking approach, and identify potential plan design changes for next year
- Q4: review executive compensation benchmarking, approve plan design changes and understand how performance is tracking for the year

The third step is to prioritize the agenda for each meeting to ensure that sufficient time is spent on decision items, with discussion/review items positioned closer to the end of the meeting. In many cases, consent agendas are used to group standard reporting items together without having specific discussion at the meeting, unless questions are raised on these items by committee members.

We then suggest that sufficient time be provided for everyone to prepare and review the materials in advance of the meeting. This includes an initial meeting to review and confirm the agenda items six to eight weeks in advance, draft materials shared with the committee chair two to three weeks in advance and send final materials to the committee one week in advance. Depending on internal review cycles, materials might need to be ready earlier for review by the CEO and executive management.

A committee calendar that articulates the agenda items, timing and responsibilities, ensures that all stakeholders in the process have sufficient time to review and discuss, and that the committee can effectively oversee the process with sufficient input and dialogue with management. **WS**

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