EXECUTIVE BENCHMARKING PROCESS OVERVIEW

Refer to the steps on the Executive Benchmarking Process Overview marketing collateral piece.

Step 1 – Understand a client's needs, project scope and overall costs: The first step in conducting an executive benchmarking project is to understand the client's needs, project scope and costs associated with performing the work. *Refer to document titled "How to Determine Cost".*

1. Schedule a telephone call or meet in person with the prospective client to gain an understanding of the company and to determine their overall needs and scope of the project.
    a. How many executives will be included in the project?
        i. Does the company have executives located in different cities and states? If yes, how many cities / states and are the employees included in the scope of project?
    b. What are the total number of executive distinct roles to be externally market benchmarked?
        i. Each executive role is considered as a distinct role to be benchmarked.
    c. Does the client have any specific salary surveys and/or 990 information they want to be used in the benchmarking process?
        i. Using a client specific salary survey(s) and/or 990 information impact the overall costs of conducting the actual benchmarking and should be factored in when preparing the client proposal *(see Step 2)*.
    d. Does the client want specific pay recommendations based on the market benchmarking for each executive?
    e. What is the potential client's industry, i.e., financial services, healthcare, nonprofit, etc.?
    f. What are the company's annual revenues, assets, and/or budget?
    g. Does the organization have a current compensation structure / program for its' executives?
        i. If so, when was it designed and last updated?
    h. What are the growth plans for the organization over the next few years in terms of number of employees and financial metrics?
        i. Will they grow modestly or double in size?
    i. Inquire as to whether the organization has current organizational charts.
        i. Organizational charts aid in understanding the relationship of the various executives included in the project.
    j. Lastly, what is desired timeline the client desires to have the work completed? Is the timeline flexible?

Step 2 – Prepare the proposal: Upon gaining understanding of the client's needs, prepare the engagement proposal. The proposal is often called "Scope of Work" or "Scope of Engagement" by some consulting organizations.

1. Determine the project's cost by using the instructions on "How to Determine Cost" template.
2. Once the costs have been determined, send the client the proposal.   See sample "Proposal Letter" template. The proposal should be sent as a PDF file.
   a. A PDF copy of the Executive Benchmarking Process Overview marketing collateral document should accompany the proposal.
   b. Follow-up in a few days to answer any questions on the proposal and try to secure a signed copy returned electronically. If the prospect does not commit right away, follow up approximately once a week until accepted or rejected.
3. Upon receiving the signed proposal, send email #1 "Welcome". (*Refer to email templates.*)

Step 3 – Tracking of Overall Project Work by Client: Throughout the project, the time spent on each project step and activity needs to be recorded via a tracking mechanism. This would include the business owner's time as well as any other employee(s) and/or subcontractor(s) time. *(Refer to "Sample Client Time Tracking Worksheet template".)*

1. Having a record of the time spent on each step of the project by client enables the business to understand the time spent on each project activity.
2. The tracking mechanism can be a valuable resource in estimating future time and cost(s) associated with each of the project's work activities.
3. Employees and/or subcontractors should submit their time on a weekly basis to the business owner.
   a. The employee and/or subcontractor should indicate the word "**NEW**" on the timesheet for each client activity that had not previously recorded.
   b. Having the word "**NEW**" will easily identify time not previously recorded on the Client Time Tracking Worksheet.
   c. After the time has been recorded on the Client Time Tracking Worksheet, inform the employee(s) and/or subcontractor(s) the time has been recorded and "**NEW**" can be removed from his / her on-going timesheet.

Step 4 – Gather client resources: During the kick-off meeting, discuss the items the client is to provide to conduct the project work.

1. Organizational charts
2. Job Descriptions *(See Step 5)*
3. Client specific salary survey(s) and/or 990 information
4. Any other information the client deems helpful in understanding the company and the executive roles included in the project.

Step 5 – Position / Job Information: Often, executive roles are straightforward and may or may not require a formal job description. However, it is important to gain a solid understanding of the role(s) prior to conducting the external market benchmarking.

1. If the client does not have job descriptions, obtain the following information about each role being benchmarked.
   a. To whom does the job report
   b. Summary of job responsibilities
   c. Titles, roles, and number of employees supervised (both direct and indirect reports)
   d. Level of education, years of experience and any certification(s) required for the job.
   e. Is the role a single incumbent role or are there several incumbents performing the role?

Step 6 – Market Data Guidelines: Market data guidelines provide the roadmap or market data scopes for benchmarking the various executive roles included in the project. When the project is to begin, schedule a teleconference to discuss the market data scopes and compensation guidelines. Based on previous information obtained, some of information may enable the guidelines to be started prior to the actual teleconference. *Refer to the "Market Data Guidelines template".*

1. The market data guidelines / market data scopes include the following listed below.
   a. The organization's total number of employees.
      i. This is the total number of employees in the US organization, not total employees for a given department.
   b. Industry such as Government, Nonprofit, Financial Services, Healthcare, etc. for use with the CompAnalyst database.
   c. SIC or NAICS code for use with the Economic Research Institute (ERI) database.
      i. SIC code is a 4-digit code; NAICS is a 6-digit code.
      ii. The client's Finance department is a good resource for obtaining this information.
   d. The geographic area to be used for benchmarking.
      i. The geographic area is generally defined as the city, region, etc. from which the job is typically recruited; a local metropolitan city, regional (Midwest, South, Northeast, etc.) or national [US] data].
      ii. Statewide data is not typically used.
      iii. If executives are in various locations / states throughout the US, the organization may choose to benchmark the role(s) using national survey data, or the organization may choose to benchmark all roles to a central city, e.g., Indianapolis, New York city, etc., and then apply a geographic

differential to the employee when conducting the actual incumbent analysis and/or corresponding pay recommendations *(see Step 11)*.

    e. The relevant financial metric.
- i. For-profit companies tend to utilize revenues as the financial metric.
- ii. Nonprofit companies tend to use employee and/or annual budget size.
- iii. Banking, credit unions and other financial institutions tend to use employee size and/or asset size.
- iv. Generally, the financial metric is the total organization's annual financial revenues, budget, etc. It is not the financial measurement for a specific department, region, sales goal, etc., nor is it a projection of future growth.
- v. If using the ERI survey, most executive level roles will use the financial metric as the scope measurement for a respective role, e.g., Chief Executive Officer $150M Revenues, Chief Financial Officer $150M Revenues, etc.

    f. Compensation Philosophy. Compensation philosophy is the competitive position in the marketplace that the client desires to pay its' executive employees. Because executives tend to have bonus and/or incentive compensation, often the compensation philosophy is based on total cash compensation vs. base pay.
- i. The philosophy can be different for executives, e.g., Vice Presidents may have a compensation philosophy at the total cash compensation 50th percentile and the CEO may have a compensation philosophy at the total cash compensation 75th percentile. *(While utilization of the 75th total cash compensation percentile is rare, it has been used in some highly competitive industries.)*

2. Upon obtaining the needed information, finalize the market data guidelines and send a PDF copy to the client for approval via email.
3. It is important the client understand the market data guidelines drive the rest of the project and any changes after obtaining approval can result in additional project fees.
    a. The client should share the guidelines internally with any board members and/or stakeholders they deem necessary to gain approval.
4. The guidelines must be approved by the client prior to conducting any external benchmarking.
5. Once approval has been obtained, send email #2 "Market Data Guidelines Completed" and proceed to Step 7.

Step 7 –Job Match Review: After obtaining approval on the market data guidelines, and scopes and the job descriptions, the next step in the process is to use the survey database(s) and pull the best survey job descriptor matches for a given job. *(If your agreement permits, Compensation $ense will perform this activity).* Market matches are then sent to the client for review. Some helpful hints for researching and pulling benchmark

matches are included in a separate document titled "Researching and Pulling Benchmark Matches".

1. When sending the market matches to the client for review, provide the client with the verbiage / instructions on "How to Review Market Benchmark Matches" template.
   a. The template is often referred to this as "Job Match Review Guidelines". The template can be copied and pasted into an email, sent as a separate document attached to the email, or embedded into the file which contains the job match review matches.
2. The job matches can be printed from page 2 of the Individual Market Results Template and sent to the client.
   a. Job matches are best sent as a pdf file for review. Include the "Job Match Review Template" as page one of the pdf file after it has been printed.
3. The client should review the matches for each job and provide feedback as to whether they concur the matches align to the job(s) being benchmarked.
   a. Client feedback may be obtained either in person, teleconference or on the job match review sheet itself.
   b. Additional matches may need to be searched if the client feels the job matches provided did not accurately describe the job at least 70%.
4. Once all matches are finalized and approved, proceed to Step 8.

Step 8 – Gathering External Salary Survey Data: It is recommended that actual external salary data from the survey database(s) be recorded on the "Individual Market Result template" as respective job matches are being obtained for review. *(This saves time.)* However, it is acceptable to record the external salary data after the approved benchmark matches are returned.

1. Once job matches have been approved, salary survey job match data is then recorded in the "Individual Market Results template". **This template is for internal use only and is NOT TO BE sent to the client!** The final market data results are provided on the "Consolidated Market Data Summary" document (see Step 11).
2. External market data is typically pulled for the 25th, 50th, and 75th percentiles for both base pay and total cash compensation. Total cash compensation includes any annual bonus, incentives, or commissions.
   a. Ensure the client understands that deferred compensation, equity, and benefit information is excluded from the salary survey data.
   b. Occasionally, a client may request the 90th percentile data.
      i. If a client requests percentile data other than the 25th, 50th, 75th, an additional fee should be charged.

Step 9 – Consolidated Market Data Summary: Once all the market data has been obtained from the various survey(s), return the aggregated data via the report template referred to as the "Consolidated Market Data Summary template".

1. The template includes(s) the title of the survey job(s), education, and years of experience for the job, the respective survey job titles from the approved job matches and other relevant information such as years of experience, revenues, etc.
   a. Survey scope data can be added to the bottom of the template for ease of client reference.
   b. Client copies should have formulas removed and be password protected.

Step 10: Obtain Executive Census: In order to make salary recommendations and/or conduct an incumbent analysis for the various executives, it will be necessary to obtain specific information on each executive included in the study. Use the "Executive Census Template" to obtain the necessary information. The blank census should be prepared and sent to the client at the same time the client is sending company organizational charts and/or is providing job information.

1. The census should contain the following information.
   a. Employee Name.
   b. Position Title.
   c. Current Base.
   d. Actual Bonus Paid-out for Previous Year.
   e. Current Year Target Bonus *(can be either a percentage or dollar figure).*
      i. The bonus / incentive target is not the **actual** payout but is the anticipated amount / percent at 100% of goal attainment.
      ii. If the target amount / percentage is not defined or available, an average bonus / incentive paid out over the past 2-3 years can be used. *(This is not ideal but can serve as an alternative approach for obtaining a relevant bonus / incentive target information.)*
      iii. If multiple year bonus information is needed, add columns into the blank census template to capture the target bonus information.
   f. Original Date of Hire.
   g. [Current date] Time in Current Position (Auto Calcs)– This field will automatically calculate based on the current date and original hire date.
   h. Other Positions Held at Current Company and Tenure - Both title and time in role for each role held at the current company. For example:
      i. CEO, 2 years, COO, 4 years
      ii. CFO, 6 months, Controller, 5 years, Auditor, 4 years
   i. Last Performance Rating.
   j. Age.
   k. Ethnicity.
   l. Sex.
   m. Previous Related Experience - Both title and Tenure for each role – *(This is experience from a prior company; not the current client.)*

2. The blank employee census **must** be password protected prior to being sent to the client as once it is completed and returned, it will contain sensitive confidential employee information.
   a. Be sure to provide the client with the password.
   b. Inform the client the same password will be used for all files throughout the project that contain confidential project and/or employee information.
   c. In that various projects will likely be conducted concurrently, an easy password to use for all clients is the current year and "comp", e.g., 2021comp.
      i. By using this password or similar one, it will avoid having to maintain an on-going list of client passwords.
      ii. It is not uncommon for Clients to contact the business years after completion of the project and inquire as to the password used for a particular file!

Step 10 – Development of Salary Ranges and/or a Base Pay Structure based on a Total Cash Compensation Philosophy: *If the proposal includes making pay recommendations for the various executives, this step may be omitted. Go to Step 11.* As mentioned earlier, the compensation philosophy for executives is typically based on a total cash compensation percentile rather than base pay compensation percentile. Two approaches exist for creating a base pay structure for executive level employees.
   1. Option One: Create separate and distinct salary ranges for each executive included in the study.
   2. Option Two Create a pay structure for those roles whose external market data is closely aligned.
      a. A job family and/or market-based pay structure is most common for executives vs. a traditional pay structure.
   3. The bonus / incentive target information obtained from the completed executive census will be used to create the base pay salary ranges /pay structure for each executive.
   4. If the client has executive bonus /incentive targets that are a <u>percent</u>, create a spreadsheet as illustrated below to determine the new base pay market value which will be used to create the midpoint of the new salary structure.
      a. Using the formula below, convert the client's bonus target percentages to a dollar amount. Once calculated, place the results in column F of the spreadsheet.
         =Total Cash Market Percentile (column E) * Client Bonus Target Percentage (column D)
      b. Once the dollar amount has been calculated, subtract the dollar amount (column F) from the Total Cash Market Percentile (column E). Place the derived figure in Column G of the spreadsheet

A	B	C	D	E	F	G
1	# of Jobs	Title	Client Bonus Target Percent	Total Cash Market 50th Percentile	Client Target Bonus / Incentive Pay Percent as a Dollar Amount	Based Pay Market Data to be Used for Developing Salary Range
4	1	Chief Talent Officer	25%	$173,400	$43,350	$130,050
5	2	Chief Information Officer	25%	$176,465	$44,116	$132,349
6	3	Chief Financial Officer	30%	$299,643	$89,893	$209,750
7	6	Chief Executive Officer	40%	$345,890	$138,356	$207,534

5. If the client has bonus /incentive targets that are <u>dollar amounts</u>, create a spreadsheet as illustrated below to determine the new base pay market value which will be used to create the midpoint for the new salary structure(s).
   a. Using the formula below, subtract the client's bonus dollar amount(s) from the market total cash market data. Once calculated, place the derived figure in column F of the spreadsheet.
   = Total Cash Market Percentile (column E) - Client Bonus Target Dollar (column D).

A	B	C	D	E	F
1	# of Jobs	Title	Client Bonus Target Dollar	Total Cash Market 50th Percentile	Based Pay Market Data to be Used for Developing Salary Range
2	1	Chief Talent Officer	$18,000	$173,400	$155,400
3	2	Chief Information Officer	$18,000	$176,465	$158,465
6	3	Chief Financial Officer	$25,000	$299,643	$274,643
7	4	Chief Executive Officer	$50,000	$345,890	$295,890

6. Once the new market values have been calculated, develop the salary range minimums and maximums for each executive role.
   a. Typically, salary range spreads for executive level roles are 80% wide from minimum to maximum
   b. Use the formula below to create the salary range(s).

Proposed Salary Range Structure Calculations				
Range Width	Minimum	Midpoint	Maximum	Range Width
80%	=(midpoint* 0.71)	$XX,XXX	=(midpoint * 1.28)	=sum(maximum – minimum)/minimum

c. After the salary ranges have been developed, create a pay grade sheet which illustrates the new base pay salary ranges.
   i. The pay grade sheet should contain the Salary Grade nomenclature (E1, E2, etc.), Salary Range Minimum, Salary Range Midpoint, Salary Range Maximum, Salary Range Width and Job Title

Client XYZ					
Executive Pay Grade Sheet					
Date					
Grade	Minimum	Midpoint	Maximum	Salary Range Width	Job Title
E1	$111,465	$156,993	$200,951	80%	Chief Information Officer Chief Talent Officer
E2	$194,997	$274,643	$351,543	80%	Chief Financial Officer
E3	$210,082	$295,890	$378,739	80%	Chief Executive Officer

   ii. Using the example above, the roles of Chief Talent Officer and Chief Information Officer were be combined into a single salary range given the newly calculated midpoints for each job are relatively close to one another. Combining the roles into one salary grade is optional depending upon the client's preferences.

Step 11: Executive Recommendation Template: A common deliverable of an executive compensation study is the development of executive pay recommendations.
1. The Executive Recommendation Template has been developed to serve as a guide to developing an executive pay recommendation(s).
   a. The template serves as a "stand-alone" document which contains the external benchmarking results, client's current base salary, incentive and/or bonus target and actual information for each executive. .
      i. The template is segmented into various sections designed to summarize the external benchmarking results and present the client data in a visual format.
      ii. Information to populate the template is obtained from either the Individual Market Result template (Step 8) or Consolidated Market Data Summary template (Step 9) and the Executive Census (Step 10).
      iii. Most of the fields in the template have been prepopulated with formulas to automatically calculate based on data entered in the template by the Consultant. The Client's organization name should be typed in the respective column heading any place in the template that has "Client Name" in its' header description.

iv. The chart below illustrates the fields completed by the consultant and those fields which will auto calculate.

Segment	Template Heading
External Market Data *Data obtained from either Individual Market Data Sheet or Consolidated Market Data Summary; data entered in the template by Consultant*	• Market Base (25th, 50th & 75th Percentile Data) • Market Total Cash Compensation (25th, 50th & 75th Percentile Data)
Client Information *Data obtained from Executive Census; data entered in the template by Consultant*	• Current Annual Salary • Current Target (Bonus % & Bonus $)
Market Data and Client Information *Fields auto calculate based on data previously entered in the template*	• Market Incentive (25th, 50th & 75th Percentile Data) • Market Pay Mix at 50th P Total Cash/50thP Base • Difference Client Name to Market Base 50thP • Client Name Base as a % of 50th Base Mkt Base • Client Name Current Pay Mix (Base & Incentive) • Current Total Comp • Difference Client Name to Market 50thP Total Cash • Client Name Total Cash as a % of 50th Mkt Total Cash • Market Pay Mix at 50th P Total Cash / 50th P Base (Base & Incentive)
Executive Pay Recommendations *Data entered in template by Consultant*	• Base Salary • Target Bonus Recommendation • Total Cash Recommendation
Executive Pay Recommendations *Fields auto calculate based on data previously entered in the template*	• Base Pay Recommendation (Dollar Change, Percent Change, Client Name Base as a % of 50th Mkt Base) • Target Bonus Recommendation (Dollar Change, Percent Change, Client Name Base as a % of 50th Mkt Base) • Total Cash Recommendation (Dollar Change, Percent Change, Client Name Base as a % of 50th Mkt Base) • Client Name New Pay Mix (Base & Inc.) • Client Name TCC as a % of 50th Mkt TCC
Recommended Base Pay Range *Fields auto calculate*	• Range Min, Range Mid, Range Max, Range Spread

b. Each executive included in the study should have his/her own salary recommendation in a separate worksheet of the excel file. The worksheet tab should be labeled with the title of each executive role, e.g., CEO, VP Finance, etc.

i. A separate worksheet needs to be created in that each executive will have a different salary recommendation.

   ii. If there are 2 executives with the same job title, the worksheet tab should be labeled with the executive's last name and title, e.g., VP Strategy Smith, VP Strategy Jones.

 c. Once completed, copies and select data elements from the Executive Recommendation Template for each executive will be used in the writing of the Final Report Step 13.

 d. Once the client has approved the Executive Pay Recommendations, send email #3 "Market Benchmarking/Initial Recommendations Completed."

Step 12 – Helpful Hints to Developing Executive Pay Recommendations: Determining executive pay recommendations is an "art" which is perfected over time.

1. Knowledge of the clients' pay position and knowledge of the company will assist in guiding the pay recommendations.

 a. What would the client find acceptable in terms of pay recommendations?

 b. Does the client believe they are over or under compensating their executive level employees?

 c. Does the client have the financial resources to implement large pay change recommendations?

   i. Nonprofit clients and/or or smaller sized organizations will likely need to ease into the recommendation over time as they typically do not have the financial resources to implement large pay increase recommendations.

2. General Guidelines Below are some general guidelines on how to determine executive pay recommendations:

 a. Always focus on total cash for executives.

   i. It is important that companies are competitive from a total cash compensation perspective for executives.

   ii. Each company will determine the percent ratio of their pay mix between base and bonus.

 b. Using the completed executive census, understand the competitiveness of each executive in the role as compared to market total cash at the pay philosophy the client has chosen, i.e.,. 50th Percentile Total Cash Compensation or 75th Percentile Total Cash Compensation, etc.

 c. Next, look at the executive's current base pay.

   i. How does the executive's pay compare to the pay philosophy of the client?

   ii. How far below or above that philosophy is the current executive?

   iii. What is the tenure of the executive in his/her present role being benchmarked at their current company, other positions held at that company, and experience at other companies at the same level?

iv. For example, let us assume you are evaluating a Director role. Director level roles typically benchmark at 10-12 years of experience.
   a) If the executive's relative experience (defined as experience at the same level or in the exact same role) is less than 10 years, then the executive's base pay recommendation should be to pay below the 50th Percentile assuming that is the client's compensation philosophy.
   b) If the executive had 10-12 years' related experience, they should be at the pay philosophy percentage the client has established, e.g., at or around the 50th Percentile.
   c) If you have an executive who has 15 or 20 years related experience, make a recommendation which places his/her salary above the client's pay philosophy.
v. It is important to be sensitive to the dollars that a percentage recommendation equates.
   a) A 2% or 3% increase for some executives can equate to a significant amount of dollars.
   b) Therefore, high percentage increases are typically not needed unless an executive is very low to market relative to his/her experience level.
vi. Review the executive's most recent performance rating.
   a) Ensure the executive is performing as expected when making recommendations.
   b) A modest / low and/or no salary increase recommendation should be considered if the executive is underperforming.
d. Placement of the executive's salary within the salary range.
   i. The pay should be in the lower 1/3rd of the pay range if they do not have the relevant experience as compared to how the job benchmarked in terms of years of experience.
   ii. The pay should be in the middle 1/3rd of the pay range if they have the relevant experience as compared to the benchmarked experience.
   iii. The pay should be in the upper 1/3rd of the pay range if they have a large amount of relevant experience as compared to the benchmarked experience.
e. Review bonus/incentive pay in the same manner which was conducted for base pay.
   i. Keep in mind that recommendations to increase bonuses substantially do not always resonate well with clients. Not having a well-structured and/or clearly defined bonus plan may be an attributing factor of the client not wanting to implement significant increases / changes to their bonus / incentive pay structure(s).

> a) Learning of this rationale can create an opportunity for to cross-sell incentive/bonus plan design services.

    f. Lastly, review the total cash compensation recommendation to understand how it compares to the client's pay philosophy. Tweak and/or modify the base or bonus recommendations if the total cash appears to be too low still or too high.

Step 13– Write Final Report: Once the executive salary recommendations have been developed and presented to the client, write the final report for the project. *(Refer to the Word file "Final Report Template").*

1. Two templates have been created:
    a. One for a single position analysis.
    b. A separate template for use when conducting analyses and recommendations for multiple positions.
    c. The final report template(s) has many items highlighted in yellow that must be tailored to each client.
2. Key Metrics: When multiple executives are included in the study, the final report includes a summary chart of Key Metrics *(in Findings Section).*
    a. The chart below must be tailor to and calculated for each client.

Category	2019
Number of jobs included in study	4
Current Executive Pay as % of Total 2019-2020 Payroll Budget	4.8%
Recommended Executive Pay as % of Total 2019-2020 Payroll Budget	5.3%
Current Executive Pay as a % of Total 2019-2020 Budgeted Revenue *(or Previous Year Revenue)*	2.2%
Recommended Executive Pay as a % of Total 2019-2020 Budgeted Revenue *(or Previous Year Revenue)*	2.4%

    b. To calculate the key metrics (above) two pieces of information are needed from the client. ,
    i. Current total payroll budget for the current fiscal year.
    ii. Budgeted revenue and/or revenue from the previous year.
    c. Calculations needed to complete each of the Key Metrics are provided in the table below.

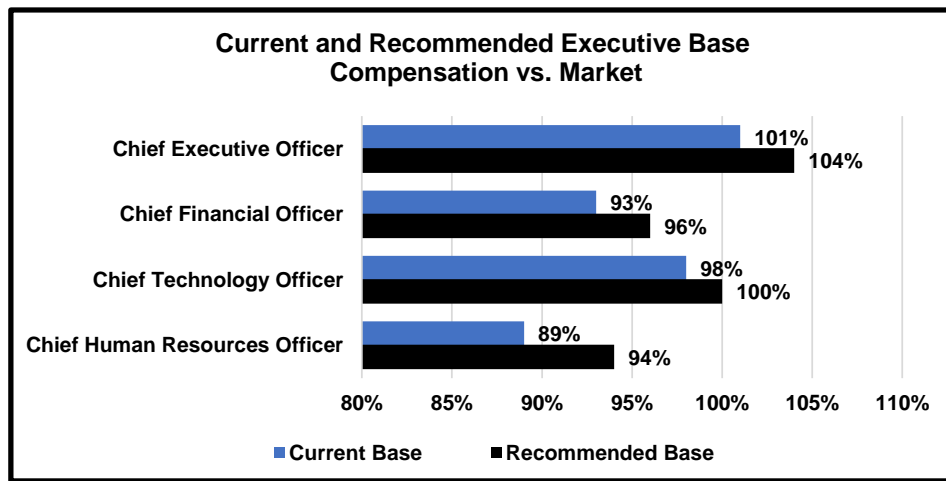| Category	Year (XXXX)
Number of jobs included in study	# of total executives in study
Current Executive Pay as % of Total XXXX - XXXX Payroll Budget	Sum current base and bonuses for all the executives in the study and divide that by the total payroll budget; figure to be expressed as a %
Recommended Executive Pay as % of Total XXXX - XXXX Payroll Budget	Sum the recommended base and bonuses for the executives in the study and divide that by the total payroll budget; figure to be expressed as a %
Current Executive Pay as a % of Total XXXX - XXXX Budgeted Revenue (or Previous Year Revenue)	Sum the current base and bonuses for the executive in the study and divide by the Total Budgeted or *(previous year revenue)*; figure to be expressed as a %
Recommended Executive Pay as a % of Total XXXX - XXXX Budgeted Revenue (or Previous Year Revenue)	Sum the recommended base and bonuses for the executives in the study and divide that by the total budgeted *(or previous year revenue)*; figure to be expressed as a %

    d. If an executive benchmarking study was previously conducted, add another column to the far right of the key metrics chart with the previous reports' calculations. The column will illustrate the degree of change in the calculations over time as compared to the current report calculations.

        i. Boards, executive committees, and compensation committees value having the ability to understand the degree of change in these calculations over time.

        ii. Be sure to indicate the year in which the prior study was conducted as the column heading.

3. Bar Graphs: Three bar graphs are presented in the final report which provide a visual comparison of each executive's compensation as compared to the external market. Data to create the respective bar graphs is obtained directly from the Executive Recommendation Template(s). Also, see Bar Graph Template.

    a. Current and Recommended Executive Base Compensation vs. Market

Position	Current Base	Recommended Base
Chief Executive Officer	101%	104%
Chief Financial Officer	93%	96%
Chief Technology Officer	98%	100%
Chief Human Resources Officer	89%	94%

The table below provides the worksheet rows, column headings, and cells of the Executive Recommendation Template from which the percent figures above are obtained.

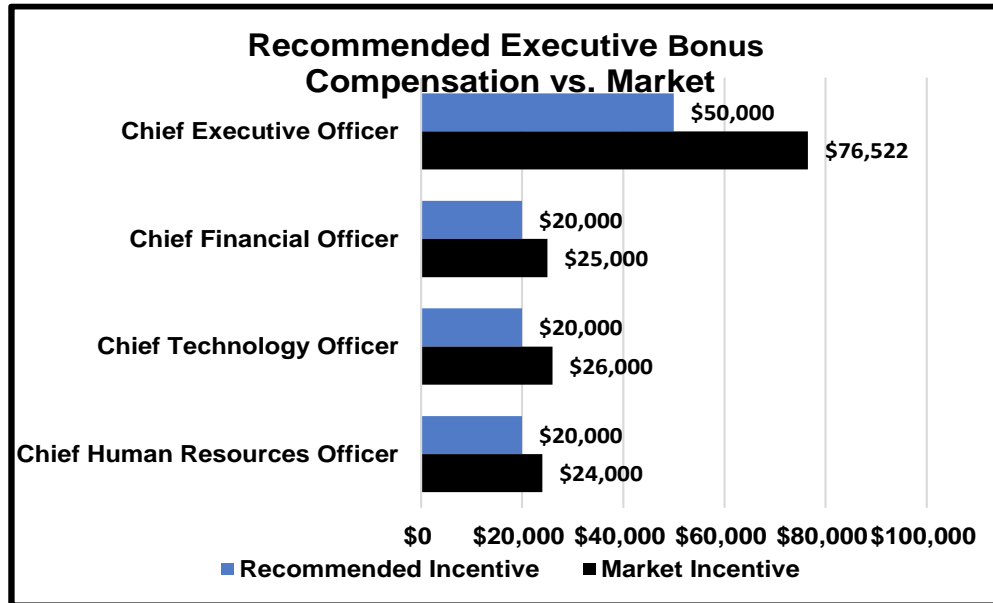| Current Base %	Excel Row / Column / Cell	Recommended Base %	Excel Row / Column / Cell
Client Name Data <u>Comparison</u> Client Name Base as a % of 50th Mkt Base	Row 9, column F (F9)	Client Name Data <u>Comparison</u> Client Name Base as a % of 50th Mkt Base	Row 9, column M (M9)

Current and Recommended Executive Base Compensation vs. Market

Chief Executive Officer — 101% / 104%
Chief Financial Officer — 93% / 96%
Chief Technology Officer — 98% / 100%
Chief Human Resources Officer — 89% / 94%

80% 85% 90% 95% 100% 105% 110%

■ Current Base   ■ Recommended Base

b. Recommended Executive Bonus Compensation vs. Market Incentive

Position	Recommended Incentive	Market Incentive
Chief Executive Officer	$50,000	$76,522
Chief Financial Officer	$20,000	$25,000
Chief Technology Officer	$20,000	$26,000
Chief Human Resources Officer	$20,000	$24,000

The table below provides the worksheet rows, column headings, and cells of the Executive Recommendation Template from which the incentive / bonus dollar figures above are obtained.

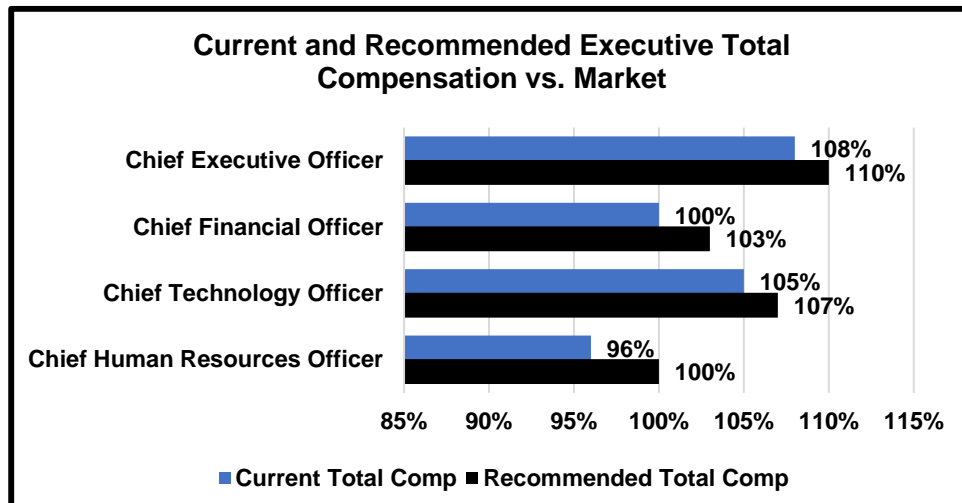| Recommended Incentive	Excel Row / Column / Cell	Market Incentive	Excel Row / Column / Cell
Target Bonus <u>Recommendation</u> Recommended Target Bonus	Row 13, column J (J13)	<u>Market Incentive</u> 50th	Row 13, column B (B13)

Recommended Executive Bonus Compensation vs. Market

Chief Executive Officer	Recommended $50,000 / Market $76,522
Chief Financial Officer	Recommended $20,000 / Market $25,000
Chief Technology Officer	Recommended $20,000 / Market $26,000
Chief Human Resources Officer	Recommended $20,000 / Market $24,000

■ Recommended Incentive   ■ Market Incentive

c. Current and Recommended Executive Total Compensation vs. Market

Position	Current Total Comp	Recommended Total Comp
Chief Executive Officer	108%	110%
Chief Financial Officer	100%	103%
Chief Technology Officer	105%	107%
Chief Human Resources Officer	96%	100%

The table below provides the worksheet rows, column headings, and cells of the Executive Recommendation Template from which the incentive / bonus dollar figures above are obtained.

Current Total Comp	Excel Row / Column / Cell	Recommended Total Comp	Excel Row / Column / Cell
Client Name Data Comparison Client Name Total Cash as a % of 50th Mkt Total Cash	Row 17, column F (F13)	Client Name TCC as a % of 50th Mkt TCC	Row 17, column O (O17)

Current and Recommended Executive Total Compensation vs. Market

Role	Current Total Comp	Recommended Total Comp
Chief Executive Officer	108%	110%
Chief Financial Officer	100%	103%
Chief Technology Officer	105%	107%
Chief Human Resources Officer	96%	100%

■ Current Total Comp ■ Recommended Total Comp

    d. Once the bar graph(s) have been completed, copy the rows and columns of the graph from the excel sheet into the final report.
        i. Use the command "paste special, picture (enhanced metafile) to place the graphs into the template
        ii. Do not copy the company name and position title of the executive.
4. Executive Recommendation Template(s): A copy of the executive recommendation template should be included for each executive in the study.
    a. Prepare a brief statement of the overall competitive position of each specific role benchmarked. *(See example of customized competitive position statement highlighted in yellow in the completed Final Recommendation Template c. below).*
    b. Several areas of the template are color coded to illustrate various comparisons.
        i. Orange represents how the executive role compares to market for base pay.
        ii. Green indicates how the executive role compares to market for bonus / incentive compensation.
        iii. Yellow below indicates how the executive role compares to market for total cash compensation.
    c. An example of completed Final Recommendation Template is illustrated below.

Chief Operating Officer

Market Base			Client Name Data Comparison			Client Name Current Pay Mix			Base Pay Recommendation			
25th	50th	75th	Current Annual Salary	Difference Client Name to Market 50thP	Client Name Base as a % of 50th Mkt Base	Base	Inc		Recommended Annual Salary	Dollar Change	Percent Change	Client Name Base as a % of 50th Mkt Base
$143,141	$189,476	$243,072	$199,861	$10,385	105%	89%	11%		$203,858	$3,997	2.00%	108%

Market Incentive				Current Target		Target Bonus Recommendation			Client Name Inc as a % of 50th Mkt Inc
25th	50th	75th		Bonus %	Bonus $	Recommended Target Bonus	Dollar Change	Percent Change	
$46,859	$77,816	$148,403		0.0%	$25,000	$40,000	$15,000	37.50%	51%

Market Total Cash			Client Name Data Comparison			Market Pay Mix at 50th P Total Cash/50thP Base		Total Cash Recommendation			Client Name New Pay Mix			
25th	50th	75th	Current Total Comp	Difference Client Name to Market 50thP	Client Name Total Cash as a % of 50th Mkt Total Cash	Base	Inc	Recommended Total Cash	Dollar Change	Percent Change	Base	Inc	Client Name TCC as a % of 50th Mkt TCC
$190,000	$267,292	$391,475	$224,861	($42,431)	84%	71%	29%	$243,858	$18,997	8.45%	84%	16%	91%

Recommended Base Pay Range			
Range Min	Range Mid	Range Max	Range Spread
$161,377	$227,292	$290,934	80%

      d. To place a copy the Executive Recommendation Template into the report, use the command "paste special, picture (enhanced metafile) to place the graphs into the template
          i. Do not copy the company name and position title of the executive.
   5. Once the report has been written, send a PDF copy to the client and send email #4 "Report Completed".

Step 13 – Final Meeting and Report Presentation: The last step of the executive benchmarking project is to conduct a meeting and present the final report to the client.
   1. When scheduling the meeting, ask the client if there are any other board members and/or stakeholders they want to attend the final presentation meeting.
   2. Conduct the meeting.
   3. Upon completion of the meeting and report presentation, send final email #5 "All Project Work is Now Complete".