

**RECALIBRATING YOUR EMPLOYEE COMPENSATION STRATEGY**

# Company Z's Executive Compensation Philosophy

**EXAMPLE #1**

At Company Z we strive to create a highly collaborative work environment. We hold each other accountable to our core values of commitment, empowerment, innovation, respect, rewards, safety and trust. As an employee owned company, we focus on succeeding together and are transparent about the company's performance. We value company leadership and recognize it as one of the keys to our success. As such, we have designed our Executive compensation package to retain a high quality, highly motivated leadership team.

We provide our Executives with competitive base pay ranges in relation to the labor market in which we compete for talent. Knowledge, skills, experience, attitude, productivity, accuracy and performance are driving factors for base pay decisions. In addition to competitive base pay, Company Z provides Executives with two short-term incentive opportunities. The first is the company-wide bonus plan and the second is the opportunity to earn a discretionary bonus at the end of the year based on individual accomplishments. We strive to offer an above average total cash compensation package when salaries and short-term incentives are considered together.

In addition to rewarding for short-term success, we also emphasize future planning and success through our mid-term and long-term incentives. Mid-term incentives are provided in the form of Stock Appreciation Rights (SARS), which provide an incentive to enhance share value. Company Z Executives have two long-term incentive opportunities, the first of which is the Employee Stock Ownership Plan (ESOP). The ESOP can generate tremendous value for Executives as they accumulate stock awards and their value increases over time. Long-term incentives are also provided in the form of ownership in the real-estate partnership that leases property to the company. This long-term incentive is designed to reward and retain Executives through its equity generation and quarterly cash distributions.

Finally, we offer our Executives a competitive benefits package and development opportunities that challenge them to grow. With this growth Executives increase their value to the company, resulting in greater personal income potential.