

FOR IMMEDIATE RELEASE

Compensation Committee - What Does It Do?

Upper Saddle River, NJ – October 2015 – The starting point for a discussion of the role of the Compensation Committee is to understand its make-up, its authority, and, lastly, its duties and responsibilities. In a publicly-traded company, the answer is fairly simple: the Committee consisting of "Independent" Directors is appointed by the Board of Directors and is responsible to the Board (and ultimately to the shareholders) for carrying out their duties, namely, determining and approving the Executive Compensation Package. In Not-for-Profit organizations, the Committee's role is slightly less clear, although they also must comprise Independent Directors; however, they may or may not give the final approval of the compensation components and amounts, depending on the Board's Bylaws and the Committee's specific charter. Similarly, in privately-owned companies, it is generally the owner(s) who determine whether the Committee has final approval authority, or merely recommends to the owners for that decision.

Notwithstanding the question of their recommendation or approval responsibility, the Compensation Committee generally serves in an advisory role to a company's Board of Directors on most Executive Compensation matters, including selection of components of the pay package, the amounts of each component, and the value of the Total Compensation Package. In addition, the Committee is typically responsible for establishing performance measures and specific targets, as well as evaluating the executives' performance against those goal and objectives in conjunction with the determination of their compensation awards. In its capacity, the Committee is responsible for functioning both in a strategic role and in an administrative capacity. Strategically, the Committee must consider how the achievement of overall corporate goals and objectives can best be supported through the use of specific compensation programs. From an administrative standpoint, the Committee must undertake the necessary studies, evaluate alternatives, and select the elements of the Executive Compensation Package. The Compensation Committee has the ultimate responsibility to oversee the development, implementation, and effectiveness of all pay and benefit programs in achieving the intended results, while meeting the specifics and spirit of the various regulations and rules affecting Executive Compensation.

The following are the primary duties and responsibilities typically assigned to the Compensation Committee by the Board:

1. Develop the Compensation Philosophy for the company.
2. Approve any compensation plans in which Officers and Directors are eligible to participate, subject to the review of the full Board and shareholders, as appropriate.
3. Recommends, provides oversight, and approves awards of stock options, other equity, perquisites and other benefits, as well as employment and change of control contracts, subject to Board and shareholder approval, as may be required.
4. Act as liaison between the CEO and Board on all compensation and human resources issues.
5. Recommend and/or approve the CEO's compensation to the Board, as well as the compensation for his/her direct reports.

6. Where appropriate, recommend any changes to the compensation package for Board members, subject to approval by the entire Board.
7. Recommend and/or approve the specific performance metrics and evaluate the performance in relationship to the established targets for use in determining eligibility for compensation awards.
8. Select and employ whatever professional assistance may be required to assist the Committee to accomplish its role, including legal counsel, accounting support, and compensation consultants.
9. In conjunction with the Finance or Audit Committee, approve the company's overall compensation budget and plan concepts, to ensure there are sufficient monies available to fund the company's compensation initiatives.

The Committee should not be involved in the day-to-day matters of compensation plan administration, including setting compensation for non-officer positions, other than from a budgetary and philosophical standpoint. It is inappropriate for the Compensation Committee to "micromanage" the compensation process (i.e., become involved with the specifics of compensation design or planning covering non-officer personnel, unless they carry over from the executive plans, or require Board or shareholder approval).

The Committee must provide meaningful oversight on compensation matters by implementing and supporting appropriate "checks and balances", to ensure that compensation is competitive, commensurate with the level of performance attained, consistent with the organization's business strategy and Compensation Philosophy, and that it fully complies with all legal, tax, and accounting requirements. The Committee must also ensure the transparency required in today's more open and highly legislated business environment, and that all compensation matters are conducted in a completely ethical and highly professional manner.

As the pressures and scrutiny on the Compensation Committee continue to mount, it becomes more apparent that the Committee's responsibilities must be clearly defined so that there is no question as to what it must do, and the authority with which it can carry out its duties.

About **Compensation Resources, Inc. (CRI)**: **CRI** provides compensation and human resource consulting services to mid- and small-cap public companies, private, family-owned, and closely-held firms, as well as not-for-profit organizations. **CRI** specializes in executive compensation, sales compensation, pay-for-performance and incentive compensation, performance management programs, and expert witness services.

Paul R. Dorf, APD
Chairman & Founder
prd@compensationresources.com

Mary A. Rizzuti, CCP, PHR, SHRM-CP
Principal, Chief Executive Officer
mar@compensationresources.com

Compensation Resources, Inc.
877-934-0505 • Fax: 201-934-0737
www.CompensationResources.com

###