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FOR IMMEDIATE RELEASE

New Executive Compensation Tool Measures ‘Drive, Discipline and Speed’
Pay Governance LLC assessment tool helps companies quantitatively assess the motivational power of executive reward programs

NEW YORK (December 4, 2014) – With the increasing homogenization of executive compensation programs designed to fit within shareholder advisory firm requirements, increasing numbers of compensation committees are questioning whether the motivational power of these programs has been blunted. Pay Energy®, a new proprietary assessment tool developed by Pay Governance LLC, helps companies consider the “drive, discipline and speed” inherent in current programs and in alternative designs that may be evaluated. Pay Governance is one of the nation’s premier independent compensation consulting firms.

“The fundamental philosophy of executive compensation is to ‘attract, retain and motivate’ a talented management team. So it’s concerning when you hear incentive awards are just put in desk drawers until plans mature,” said Pay Governance managing partner John England. “A sense of urgency to achieve goals that build shareholder value is not created if executives are in the dark as to what they need to do to achieve outcomes.”

This proprietary method scores individual components of an executive compensation program that are aggregated into a company’s overall Pay Energy® score. The tool evaluates nearly 50 program design features through one specific lens: “*What is the degree to which a pay element motivates ‘drive, discipline and speed’ in delivering results and growing shareholder value?*”

A Pay Governance study of S&P 100 companies with non-founder CEOs found that 46 scored below a median 100-point baseline on the Pay Energy® tool, while 49 scored above 100. Twelve scored above 150. This same study found that S&P 100 companies with high relative total shareholder return tended to be scored with high levels of Pay Energy®.

“The Pay Energy® tool makes no judgment as to whether a particular executive compensation

program is good or bad,” said Jeffrey W. Joyce, partner, Pay Governance LLC. “The sole objective is to look at the major components of an executive pay package and weigh them according to their ability to influence drive, discipline and speed.”

The Pay Energy[®] measurement index was developed using decades of executive compensation consulting experience and verified by conjoint analysis from chief human resources officers and compensation and benefits professionals. No other consulting tool exists to help a company consider how much “drive, discipline and speed” is created by its executive compensation programs or how different design choices may influence these desired motivations.

“Setting out to only maximize a Pay Energy[®] score would never be recommended, as many inputs are needed to design a company-specific executive compensation program. We believe Pay Energy[®] joins other diagnostic tools that can be deployed when designing or assessing executive compensation programs,” said Joyce. “Combined with multiple other forces impacting final design, the degree to which a pay program or specific pay element motivates ‘drive, discipline and speed’ in delivering results and growing shareholder value should be an important influencer of final decisions on pay design.”

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For more details on this Pay Governance study or to schedule an interview, please call Don Rountree at 770.645.4545.

About Pay Governance

Pay Governance LLC is an independent consulting firm focused on delivering advisory services to compensation committees. The consultancy also advises the management of companies in situations in which the firm does not serve as the independent committee advisor. With a staff of 50 consultants, Pay Governance has locations throughout the United States in locations such as New York, Boston, Detroit, Philadelphia, Pittsburgh, Chicago, St. Louis, Dallas, Cleveland, San Francisco and Los Angeles. The firm also has strategic affiliate relationships with Pay Governance Japan and Pay Governance Korea. For more information, visit www.paygovernance.com.