

Sample Executive Compensation Consultant RFP Overview

In light of the new compensation consultant independence criteria required by Dodd-Frank, and a growing overall focus for boards on related governance and disclosure requirements, several Center Subscribers have suggested that the Center develop a sample RFP protocol for the selection of compensation consultants to provide guidance in the selection of new consultants. The resulting work product follows.

The Center reached out to Subscribers for feedback on the practice of using a request for proposal ("RFP") form for compensation consultants and for sample RFPs that have been used in recent years by companies. We received several examples, the main components of which were strikingly similar, although the types of questions and scope of services differed based on individual company needs. The following sample RFP is based on the various examples we received from Subscribers, erring on the side of more rather than fewer questions, thus allowing companies beginning this process to modify the template to suit their needs. The primary components of the RFP are:

1. **Purpose** - A brief summary of the reason for the RFP and the general role the consultant will be expected to play.
2. **Company Profile** - An overview of the company, including key facts regarding size and industry and a link to the company website.
3. **Scope of Services** - A list of the services the consultant will be expected to provide. The Center's template contains an extensive list of possible services drawn from actual RFPs used by Subscribers.
4. **Compensation Committee Calendar** - A common inclusion in consultant RFPs is a calendar (tentative or actual) of compensation committee/board meetings and calls that the consultant will be expected to attend.
5. **Requirements for Consideration** - A description of the information respondents are requested to provide in their response to the RFP. Again, the Center's list, based on actual Subscriber submissions, is quite extensive to give companies the greatest breadth of possibilities available, although most companies will not include every requirement on the list. Some of the requirements may be more effectively used as part of the interview process, depending on the company.
6. **Selection Process** - A brief description of the process the company will use to evaluate responses to the RFP.
7. **Legal Disclaimers** - These will necessarily differ by company, but we have provided samples of the most common disclaimers included by Subscribers in recent RFPs.

[Company Name]

Request for Proposal

Executive Compensation Consultant

[Date]

I. Purpose

The Compensation Committee of the Board of Directors of [Company Name] (“the Company”) is currently reviewing independent compensation consultants to serve as potential advisers to the Committee for its review and approval of executive compensation programs, pay practices and pay decisions for the CEO and named executive officers. *[Note: some companies may desire the committee’s consultant to provide review of executive compensation programs at a broader level, in addition to the CEO and named executive officers. Others may limit the review to the CEO and not include the NEOs. These expectations should be made clear at the start of the selection process to avoid potential misunderstandings.]*

The consultant will be retained solely by and provide services to the Compensation Committee. No work will be performed by the consultant for company management without the express approval of the Committee Chair, although the consultant may be required to coordinate with management on certain executive compensation matters as part of support provided to the Committee.

II. Company Profile

[Insert brief overview of the company including a link to the company’s website -- sample below]

[Sunbright, Inc. *[not a real company]* is a leading producer of soft drinks based in Orlando, Florida. The Company is publicly-held, employs approximately 25,000 employees and had fiscal year revenue of approximately \$5 billion. The Company is listed on the NYSE traded under the symbol SRB. For more information, including recent SEC filings, please visit our website at www.sunbrightinc.com.]

III. Scope of Services

As requested, the compensation consultant is expected to provide the following services to the Compensation Committee:

- Ongoing review and assessment of effectiveness of overall compensation philosophy, pay program design and management recommendations for the CEO and named executive officers
 - Evaluation of alignment of incentive programs to company performance
 - Evaluation of appropriateness of award levels, performance measures, and goals
 - Assessment of incentive plan risk
 - Advice on best practices regarding pay practices such as:
 - Executive employment agreements and severance provisions relative to market
 - Stock ownership and retention guidelines
 - Executive perquisites compared with market trends
- Assessment of competitiveness of compensation and benefit programs for the CEO and named executive officers versus industry peer group and broader general industry competitors
 - Ongoing evaluation of appropriate peer group(s) for pay and performance
 - Provision of market data based upon the markets in which our company competes for market share and talent
- Assessment of risks with regard to proxy advisory firm recommendations and shareholder votes (say on pay, director elections, equity plans, shareholder resolutions) and suggestion of strategies to address adverse recommendations or investor concerns
- Proactive guidance on market trends, regulatory/legislative changes, and corporate governance trends

- Assistance and/or management of ad hoc projects and analyses as needed
- In-person attendance at regular and special Committee meetings
- In-person or telephonic meetings with the Compensation Committee Chair prior to each meeting
- Review and input on draft and final materials distributed to the Committee such as agendas, presentations, program analyses and meeting minutes
- Liaise with HR or other Company staff prior to each Committee meeting to coordinate information provided to the Committee
- Review and input on the Compensation Discussion & Analysis for inclusion in the Company's proxy statement

IV. Compensation Committee Calendar

The Compensation Committee's annual operating calendar is as follows. The compensation consultant will be expected to attend each meeting, supplemented with a personal consultation prior to the meeting generally conducted by phone.

Date	Location	Key Agenda Items
Current Year Compensation Committee Meetings		
Next Year Compensation Committee Meetings		

V. Requirements for Consideration

The Compensation Committee requests a written proposal from each candidate seeking to be considered, including the following items.

Experience and Resources

- Executive summary (1-2 pages) describing how your organization plans to provide the services set forth in this RFP to the Compensation Committee, including a full listing of services provided by your organization and the organizational structure of the team you would propose to deliver these services.
- Description of the key competencies of your organization in providing executive compensation services and the characteristics that differentiate your organization from competitors.
- Detailed information regarding your technical resources, including database depth within the Company's industry and across general industry.
 - If your organization does not maintain its own compensation database, please explain how you will acquire the necessary data to support the Committee.
 - Please include a description of your ability to acquire compensation data outside the United States.

- Description of the experience of your organization and lead consultant in providing similar services to companies comparable in industry, size and performance with the Company, with special note of companies that may be considered director competitors of the Company. Please include any examples of experience working with growth companies or organizations with turnaround strategies, major reorganizations, separation plans or spin-offs. [*customize to the company*]
- Description of industry thought leadership provided by your organization and/or lead consultant to influence and shape trends in executive compensation (e.g., affiliations, relationships, publications, speaking engagements, etc.).
- Examples of your firm's ability to work with management's compensation consultant on matters that may require mutual interaction, coordination or collaboration.

Overall Philosophy

- In your opinion, what are the three biggest issues facing compensation committees with regard to executive compensation and how can you help us face these challenges?
- What best practices are being used by leading compensation committees to monitor the effectiveness of reward programs?
- What is your philosophy in advising committees regarding prioritization of market data vs. internal considerations?
- Provide your assessment and comments on the Company's most recent Compensation Discussion & Analysis.

References and Sample Work Product

- Three client references for the lead consultant from publicly-held clients for whom he/she has provided board level executive compensation services in the last year, including contact information.
- A list of your current key clients in our industry and peer group. [*Note: some companies may not allow their compensation consultant to provide any services to named competitors.*]
- Examples of deliverables or work products your organization has developed for clients with regard to executive compensation analysis, annual or long-term incentive design (it is not required that you name the specific companies for these examples).

Service Details

- Biographical information on all consultants who would work with the Company, including contact information, project roles and office location.
- General fee structure, including hourly rates for the consultants assigned to this engagement, data charges, and an estimate of annual fees to be charged for the services described in this RFP.
- A sample of the consulting contract your firm utilizes for engagements similar to the work covered by this RFP, including confidentiality terms [*or key terms in the consultant contract*].

Independence

- Full disclosure of the business and/or personal relationships your organization and/or individual consultants have with the Company and its officers or directors, including services provided to other companies or boards on which any of the Company's officers or directors serve as an officer or director.
- Description of any policies and procedures your organization has in place to prevent conflicts of interest.

- Description of shares of Company stock owned by individual consultants in your organization, including number of shares and form of ownership.
- Description of any other actual or potential conflict of interest with the Company or any of its subsidiaries, officers, directors or other affiliates.
- Disclosure of what percentage of your firm's revenue is derived from compensation consulting and related services.
- Disclosure of what percentage of your firm's total annual revenue would be derived from providing annual services to the Company's compensation committee as estimated above.

VI. Selection Process

Please provide proposals via email in Microsoft Word format to [email address] by no later than [DATE]. Two to three finalists will be selected based on thought leadership, relevant industry experience, and overall experience to meet with the Compensation Committee or the Committee Chair. The Committee intends to complete its review and select its consultant by [DATE].

[Note: companies may choose to narrow the field of finalists by having HR and management (along with representatives from key departments such as Legal or Procurement) interview candidates using a set of consistent criteria and create a short list for the Committee to interview.]

The Compensation Committee reserves the right in its discretion without incurring any liability to modify or terminate this request for proposal at any time and to accept or reject any proposal for any reason. All expenses of your organization in responding to this request for proposal shall be the responsibility of your organization.

All information presented in this RFP and any information subsequently disclosed by the Company during the proposal process should be considered confidential. Information should not be released to other parties without the written consent of [Company Name]. All proposals submitted pursuant to this RFP will be kept confidential. The selected consulting firm will be required to sign a nondisclosure agreement.