

## Compensation Committee

Institution Name:

SCD:

### Charter & Other Guidance

*The core composition, authorities, and responsibilities of the compensation committee (committee) must be in a written charter. However, institutions may use the charter, bylaws, policies, procedures, or other guidance documents to provide more detailed information. Having detailed guidance for the operation of a committee is a sound business practice and also helps to ensure compliance with regulatory requirements.*

Question	Response	Comment
<p>1. Did the institution establish and maintain a compensation committee by adopting a written charter? <a href="#">620.31</a> (Funding Corporation <a href="#">630.6(b)</a>)</p> <p><i>Note: A board committee performing the duties of the compensation committee, with a charter that satisfies committee requirements, may fill the role of the compensation committee even though it has a different name. Incorporating the compensation committee duties into another committee extends the 620.31 requirements for the compensation committee to the committee taking on compensation duties. <a href="#">Governance FAQ #58</a></i></p>		
<p>2. Does the charter describe the committee's composition, authorities, and responsibilities, including that the committee must report only to the board? <a href="#">620.31</a> (Funding Corporation <a href="#">630.6(b)</a>)</p> <p><i>Note: The charter doesn't have to go into great detail, but must set forth the committee's core composition, authorities, and responsibilities. FCA Bookletter <a href="#">BL-060</a> identifies several specific items to be included. Additional detail in these areas, along with other aspects of committee membership and operations, should be addressed somewhere in the institution's guidance documents (charter, bylaws, policy, procedures, etc.). Rows 3 through 7 below address specific areas that should be addressed. In each case, the charter must identify the minimum composition, authorities, and responsibilities, but either the charter or separate guidance should provide more detailed instructions on:</i></p> <ul style="list-style-type: none"> <li>• <i>How committee members will be identified and determined qualified and independent.</i></li> <li>• <i>How the committee will exercise its authorities, including reporting back to the full board of directors and interaction with institution employees.</i></li> <li>• <i>The scope of committee responsibilities and how it will carry out those responsibilities.</i></li> <li>• <i>How committee duties will be separate and identifiable if the committee's duties are handled by another committee or the full board.</i></li> </ul>		

## Compensation Committee

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<p>3. Does the charter or other written guidance sufficiently describe the following items related to committee composition: 620.31(a), BL-060 (Funding Corporation 630.6(b)(1))</p> <ul style="list-style-type: none"> <li>• Each member of the committee must be a member of the institution's board?</li> <li>• The committee must have a minimum of 3 members?</li> <li>• Each member must be free from any relationships that would impact independence, including any known or potential conflicts of interest with senior officers that could interfere with the exercise of independent judgment?</li> <li>• The technical knowledge and training the members of the committee should have to effectively address the issues before the committee?</li> </ul> <p><i>Note: As a sound business practice, written guidance should also address how committee members may be removed from the committee.</i></p>		
<p>4. Does the charter or other written guidance sufficiently describe the following items related to committee authorities and responsibilities: 620.31(b), BL-060 (Funding Corporation 630.6(b)(2))</p> <ul style="list-style-type: none"> <li>• Reviewing compensation policies and plans for senior officers and employees?</li> <li>• Approving the overall compensation program for senior officers?</li> <li>• Documenting the specific determinations the committee must make in carrying out compensation review and approval responsibilities (as outlined in the regulations)?</li> <li>• Hiring, retaining, and terminating external advisors or outside legal counsel to assist the committee?</li> <li>• Accessing institution resources and personnel, including any advisors management uses on compensation programs or practices?</li> <li>• Reviewing the compensation discussion and analysis disclosures in the annual report?</li> <li>• Having committee executive sessions without management present?</li> <li>• Identifying the role of the committee chair as the committee's key contact person with the board and senior management?</li> <li>• Notifying FCA of any material changes in compensation programs and ensuring timely disclosure of these changes to shareholders?</li> <li>• Keeping records and retaining meeting minutes?</li> <li>• Communicating additional authorities and responsibilities the board has delegated to the committee (beyond those required by FCA regulations and guidance)?</li> </ul>		

## Compensation Committee

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5. Does the charter or other written guidance specify that the committee must maintain records of meetings, including attendance, for at least 3 fiscal years? 620.31 (Funding Corporation 630.6(b))		
6. Does the charter or other written guidance specify the frequency of committee meetings? Sound Business Practice		
7. Does the committee review its charter annually and report to the board on any recommended changes (as needed)? BL-060		

### Membership/Independence

Identify here if the institution's compensation committee membership and independence comply with FCA Regulations and other guidance.

8. Are all committee members board members? <a href="#">620.31(a)</a> (Funding Corporation <a href="#">630.6(b)(1)</a> )		
9. Are there at least 3 committee members? 620.31(a) (Funding Corporation 630.6(b)(1))		
10. Did the board appoint one of the committee members to chair the committee? <a href="#">BL-060</a>		
11. Does the committee receive ongoing training from professionals on compensation trends and updates, including the tax, accounting, and legal implications of compensation programs? BL-060  <i>Note: To effectively carry out its responsibilities, the committee should stay abreast of significant changes in compensation plan mechanisms, as well as marketplace practices and regulatory developments.</i>		
12. Are all members free from any relationship that, in the opinion of the board, would interfere with the exercise of independent judgment as a committee member? 620.31(a) (Funding Corporation 630.6(b)(1))  <i>Note 1: This would include any known or potential conflicts of interest with executive (senior) officers that could interfere with the committee members' exercise of independent judgment. BL-060</i>  <i>Note 2: The institution should identify and document how its committee members meet the independence requirement.</i>		
13. Does the board periodically review committee members' independence, attendance, and completion of training and make membership adjustments accordingly? <a href="#">The Director's Role</a> , pages 16-17  <i>Note: Committee member independence should be monitored on an ongoing basis as independence might change. The institution's standards of conduct process could help facilitate timely identification of changing relationships or circumstances that may affect the independence of committee members.</i>		

## Compensation Committee

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<p><b>Committee Operations</b></p> <p><i>Identify here if the compensation committee is effectively carrying out its duties and responsibilities.</i></p>		
<p>14. Does the committee report only to the board? <a href="#">620.31</a> (Funding Corporation <a href="#">630.6(b)</a>)</p> <p><i>Note: Institution managers can attend portions of committee meetings, but should not be active participants or serve as ex officio members. Committee meetings should include portions of time where only members are in attendance so critical issues can be discussed without management present. <a href="#">BL-060</a> and Sound Business Practice</i></p>		
<p>15. Does the board periodically require reports from the committee? <a href="#">The Director's Role</a>, page 15</p> <p><i>Note: The committee should report its proceedings and recommendations to the board after each of its meetings.</i></p>		
<p>16. Does the compensation committee maintain records of meetings, including attendance, for at least 3 fiscal years? <a href="#">620.31</a> (Funding Corporation <a href="#">630.6(b)</a>)</p> <p><i>Note: The minutes should reflect decisions made at the meeting, issues discussed, and questions raised, with sufficient detail on the reasons for decisions. The minutes should also clearly capture director attendance, voting results, and reference to attachments reviewed or used by the committee. As stated in <a href="#">BL-060</a>, committee members should have ready access to past minutes for reference or review.</i></p>		
<p>17. If the compensation committee consists of the entire board, are separate committee meetings held (e.g. separate agenda, meeting, and minutes)? <a href="#">BL-060</a></p> <p><i>Note: It is essential that directors, when meeting as the compensation committee, maintain a separate agenda and a separate set of minutes so the business of the board and the business of the compensation committee are not mixed. These same expectations apply if another board committee is performing the duties of the compensation committee so that other business of that committee is not mixed with the business of the compensation committee.</i></p>		
<p>18. Did the committee sufficiently evidence that it met its responsibilities to review the compensation policy and plans for senior officers and employees and approve the overall compensation program for senior officers? <a href="#">620.31(b)</a> (Funding Corporation <a href="#">630.6(b)(2)</a>)</p> <p><i>Note: Refer to the next row below for evaluating specific items the committee needs to determine and document when carrying out these responsibilities.</i></p>		
<p>19. In fulfilling its responsibilities to review the compensation policies and plans for all employees and approve the overall compensation program for the CEO and other senior officers, did the committee sufficiently</p>		

## Compensation Committee

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<p>document that it determined each of the following:</p> <p><i>Note 1: The board or the compensation committee, if so delegated, also needs to establish specific compensation levels for the CEO and the chief audit executive (if applicable).</i></p> <p><i>Note 2: BL-060 includes "Key Factors for the Compensation Committee to Consider in Discharging its Duties" that the committee should address when carrying out the four determinations below.</i></p>		
<p>a. The institution's projected long-term compensation and retirement benefit obligations are appropriate to the services performed and not excessive? 620.31(b)(1) (Funding Corporation 630.6(b)(2)(i))</p>		
<p>b. Incentive-based compensation programs and payments are reasonable and proportionate to the services performed and structured so the payout schedule considers the potential for future losses or undue risks to the institution? 620.31(b)(2) (Funding Corporation 630.6(b)(2)(ii))</p>		
<p>c. Senior officer compensation, incentive, and benefit programs support the institution's long-term business strategy and mission, as well as promote safe and sound business practices? 620.31(b)(3) (Funding Corporation 630.6(b)(2)(iii))</p> <p><i>Note: In making this determination, the committee should consider items such as the institution's short- and long-term goals, historical performance, comparisons to peers at comparable institutions, and prior compensation and incentive payments.</i></p>		
<p>d. Compensation programs designed for specific groups of employees, other than senior officers, pose no imprudent risks to the institution? 620.31(b)(4)</p>		
<p>20. Has the institution provided monetary and nonmonetary resources to enable its compensation committee to perform its duties? 620.31(c), BL-060, (Funding Corporation 630.6(b)(3))</p> <p><i>Note 1: While the board should monitor committee resource use, the committee must have sufficient autonomy to carry out its duties.</i></p> <p><i>Note 2: As discussed in BL-060, the committee should be given sufficient access to institution resources and personnel, including any advisors management uses on compensation programs or practices, and be permitted to contract with outside legal counsel and external advisors, if needed. The committee needs to communicate regularly and effectively with management and challenge management and the committee's external advisors on any compensation issues they do not understand, as discussed in the Communication and Collaboration section of BL-060.</i></p>		
<p>21. Did the committee review the annual report compensation discussion and analysis to determine whether it meets the regulatory requirements of <a href="#">620.6</a> and whether the discussion is prominent, inclusive, and understandable? BL-060</p>		

## Compensation Committee

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<p><i>Note 1: The critical question for the committee is whether its decisions with respect to compensation matters are sufficiently transparent so that the reader of the disclosure understands the institution's compensation philosophy and practices.</i></p> <p><i>Note 2: This question is focused on ensuring the committee fulfills its responsibilities. Our evaluation of the annual report disclosures for compliance with 620.6 requirements is addressed separately in our Annual Report to Shareholders workpaper.</i></p>		
<p>22. Did the committee provide prompt notice to FCA of any material changes in the institution's compensation program and then disclose this information to the institution's shareholders in a timely manner? BL-060</p>		
<p>23. Has the committee effectively carried out any additional responsibilities delegated to it by the board, consistent with the committee charter, policies, plans, and procedures? Sound Business Practice</p>		

**Other Comments:**

*This workpaper is not intended to create any rights, substantive or procedural, enforceable at law or in any administrative proceeding. While the workpaper was carefully reviewed for applicability and accuracy, changes may occur in the wording or interpretation of laws and regulations. If a situation arises where the workpaper becomes inconsistent with applicable laws or regulations, the requirement of the laws or regulations will prevail. Examination scope may vary between institutions. On a particular examination activity, the workpaper may not pertain to all factual situations or interpretations, additional concerns or issues may be addressed that are not covered in the workpaper, and some portions of the workpaper may not be used.*