



# **Plan Design in the Emerging Business Model**

**Rewards NW 2016**

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## ***Our Discussion Today***

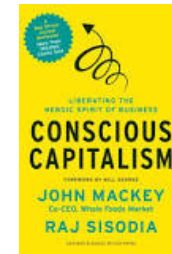
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- What is the emerging business model?
- Does a company's form of organization and ownership affect adoption of this model?
- Are companies reflecting their position on sustainability and corporate social responsibility in their rewards programs?
- Are rewards issues discussed in this context at companies?
- Is there a convergence among current trends toward progressive benefits and perquisites and questions about traditional methods of rewards?

# ***What is the Emerging Business Model? (Buzzwords)***

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- Corporate Social Responsibility (CSR)
- Sustainability
- ESG (Environment, Social, Governance)
- Social Impact
- Triple Bottom Line
- Conscious Capitalism®
- Responsible Investing
- Impact Investing



## ***BECU***

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- Two minute intro

## ***Mentor Graphics***

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- Two minute intro

## ***Perkins Coie***

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- Two minute intro

## *Simple*

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- Two minute intro

## ***Compensation Venture Group, SPC***

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- Compensation consulting and impact investment firm
- Washington Social Purpose Corporation
- Certified B Corporation
- Executive, incentive, and equity compensation
- Expert witness services
- Based at Impact HUB
- Current clients from Singapore to NYC, mostly West Coast





## ***Characteristics of the Emerging Business Model***

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- Multi-stakeholder perspective
  - Integration of strategy to customers, employees, suppliers, investors, government, community
- Mission-driven and purpose-driven
- Longer investment timeframes
- Beyond compliance to impact
- Broader view of risk management
- Expanded disclosures
- Permeable employment boundaries

## ***Some Notable Statements***

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- Paul Polman, CEO, Unilever

"I don't think our fiduciary duty is to put shareholders first. I say the opposite. What we firmly believe is that if we focus our company on improving the lives of the world's citizens and come up with genuine sustainable solutions, we are more in synch with consumers and society and ultimately this will result in good shareholder returns."

- "Big Money Is Moving To Socially Responsible Investing"

"...two of California's largest pension funds (CalPERs & CalSTRs) have recently made environmental, social and governance (ESG) issues a major theme to their investment process."

## The Reconstruction of Executive Incentives: STI Example

2012 Corporate Goal	% Weight	Key Performance Indicator	Threshold	Target	Maximum	Actual	% Payout
Operational Excellence	15%	System Average Interruption Duration Index	86-90	80-85	75-79	78	150%
	15%	Unplanned Outage Rage (UOR)	7.4	6.4	5.4	5.4	150%
Value to the Customer	15%	Public Safety Index	50	100	150	135	135%
	15%	Customer Value (Survey Rating)	80-82%	83-85%	86-88%	85%	100%
Employee Safety and Engagement	15%	OSHA Recordable Event Rate	1.90	1.55	1.28	1.47	150%
	5%	Employee Engagement (Survey Rating)	70	80	90	80	100%
Environmental Leadership	20%	Demand-Side Management (GWh)	775	814	853	973	150%

Source: Annual Proxy Statement, Xcel Energy, 2013

Uniform step-ups in performance levels

## The Reconstruction of Executive Incentives: LTI Example

Grant Type	% Weight	Performance Measure	Threshold	Target	Maximum
Performance Units (60%)	67%	EPS Growth	12%	15%	18%
	33%	Clean Energy-Competitive Price: Retail Average Rate vs. Peers	35 <sup>th</sup> percentile	50 <sup>th</sup> percentile	75 <sup>th</sup> percentile
Performance Shares (40%)	100%	3-year Relative TSR vs. Peers (n = 50)	35 <sup>th</sup> percentile	50 <sup>th</sup> percentile	75 <sup>th</sup> percentile



Max payout at 75<sup>th</sup> percentile performance

Source: Annual Proxy Statement, Xcel Energy, 2013

## ***Contact Information***

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