

Compensation Philosophy

ADOPTED:
MAY 14, 2019



This compensation philosophy is intended to provide guidance to the Corporation's Board and other decision makers in structuring employee compensation. This compensation philosophy is not intended nor shall it provide any benefits or rights with regards to any individual employee.

- The compensation structure and systems of our Corporation will support our mission, strategy, and values.
- Western Climate Initiative, Inc. ("WCI, Inc.") will pay for performance, skills and competencies, development and growth, and effective visible commitment to the Corporation.
- The compensation system will encourage recruitment, retention, and motivation of outstanding employees so that the Corporation can achieve its mission and objectives.
- The process for setting compensation will be fair and transparent, and will allow WCI, Inc. to explain its compensation to stakeholders and other interested parties.
- The compensation system will reward truly outstanding performers and provide appropriate feedback to staff members who need improvement.
- The compensation structure may include a mixture of base salary, retirement benefits, and other benefits.
- As applicable, in determining an employee's pay increase, achievement of organizational and individual objectives will be considered. When assessing the competitiveness of its compensation practices, WCI, Inc. will consider all elements of compensation, including base salary, retirement, and any other benefits.
- The compensation system will include periodic adjustments to pay ranges based on changes in the marketplace, subject to financial constraints and the Corporation's capacity to pay. Adjustments to individual base pay will be based on job performance and growth in mastering job competencies. All adjustments to pay will consider inflation, practice in the nonprofit marketplace, and practice of the Participating Jurisdictions.
- Compensation for the Executive Director will be set by a compensation committee of the Board with review by the full Board, which will comply with all applicable legal standards. The compensation committee will regularly review the compensation of the executive director and all other employees considered to be disqualified persons under the Internal Revenue Service (IRS) intermediate sanctions regulations, to ensure compliance with the regulations and any other applicable federal, state, or local rules and regulations to which the Corporation is subject. Executive Director and senior executive compensation must also pass the test of public scrutiny.

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- The compensation system will have a coherent structure based on pay practices consistent with our nonprofit mission and status, but will recognize that parts of our Corporation and certain positions are in different markets and that the compensation for each position must be based on the appropriate marketplace for that professional area or position.
- It is general policy that WCI, Inc. will pay as close as possible to the median (midpoint) of the appropriate external marketplace, subject to adjustment for experience, performance, internal equity, financial constraints and the Corporation's capacity to pay, and other relevant factors.
- The marketplace adequacy of the structure will be judged in terms of total remuneration, including other cash compensation, retirement, benefits and perquisites; with the intent that total package compensation will be competitive with the marketplace.
- The compensation structure will be linked to an effective performance management system with individual growth and development as well as professional achievement goals. The goals will be accompanied by effective benchmarks for measuring success.
 - The Board will review executive director performance on an annual basis. Performance objectives for the coming year will be determined jointly by the executive director and the Board at the annual Board meeting, with the explicit understanding that salary adjustments and any incentive opportunity will be based on performance against these objectives. Salary will be adjusted based on inflation/market movement and performance. The executive director will annually prepare and submit to the Board a self-assessment of performance as input to the performance review.
 - The Board will clearly outline and communicate how executive director performance will be linked to salary adjustments and any incentive opportunity. There will be clear measures for achieving success in each objective, and these will be linked to levels of award. Salary adjustments will be based on market practice. The Board will ensure that no salary adjustment or incentive award will cause total remuneration to exceed amounts that are reasonable for IRS standards.
- The board retains the right to withhold adjustments at its discretion, regardless of performance.
- Compensation will be reasonable and defensible relative to all state, federal, and other legal standards and regulations and stakeholder expectations. In particular, compensation will be fully disclosed as required in the IRS Form 990.
- Executives and staff will receive information on the compensation philosophy and compensation system.