



INVESTOR ALERT

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Know Thy Compensation Consultant!

When was the last time you said, “I never heard of that consulting firm, so it must be great!” Or perhaps, “I never heard of that consultant, so he must be highly qualified!” If you don’t recognize the compensation consultant’s name or his firm, that’s a pretty sure bet that the company has hired an inexperienced firm or person. If you can’t find the consultant’s name or firm in the CD&A then the situation could be even worse. It might be that the company has hired a firm or person who is not fully objective and may have other economic interests, such as other projects and revenues from the company that might influence his advice.

Sure, there might be individuals working alone, out of their basements, who are doing a very good job advising an organization on executive compensation program development and execution, we just don’t know of any. And sure, there might be firms who would demand that their compensation consultants act with complete integrity even if it might risk other significant projects and revenues, but why would a company run the risk of an appearance of impropriety?

As an investor you need to feel comfortable that company executives and its board of directors show the resolve to hire compensation consultants who are fully objective.