

THE ANNUAL COMPENSATION CYCLE

From administration to strategic workforce investment

01

MERIT

02

BONUS

03

EQUITY

04

GOVERNANCE

Strategy • Execution • Business partnership • Decision intelligence

DURGA JHA

Global Compensation & Total Rewards | Advisory & Consulting

STRATEGIC FOUNDATION

Before the numbers, understand the business.

Annual compensation decisions should reflect business priorities, workforce risks, and the organization's capacity to invest.

1

BUSINESS PRIORITIES

Growth, productivity, cost discipline

2

TALENT PRIORITIES

Performance, retention, critical skills

3

REWARDS STRATEGY

Competitive, equitable, sustainable pay

4

INVESTMENT DECISIONS

Merit, bonus, promotions, equity

THE ADVISORY QUESTION

Where will our compensation investment create the greatest business value, without compromising fairness or governance?

MERIT PLANNING

Differentiate reward. Protect internal equity.

A disciplined merit approach integrates performance, salary positioning, affordability and consistent decision rules.

ILLUSTRATIVE MERIT DECISION FRAME

EMPLOYEE A**Exceeds expectations**

85% compa-ratio

EMPLOYEE B**Meets expectations**

108% compa-ratio

5.0% example merit**2.5% example merit****BEFORE APPROVAL, CHECK**

- Job comparability and salary range integrity
- Performance calibration and potential equity gaps
- Budget, policy exceptions and legal obligations

Illustrative—not an automatic recommendation for real employees.

BONUS DESIGN

Make incentives measurable and clear.

Bonus programs should connect reward outcomes with relevant business performance—and preserve the discipline to challenge the results.

ILLUSTRATIVE PAYOUT CALCULATION

\$20,000 × 110% × 95%

RESULTING PAYOUT

\$20,900

WHAT THE ADVISOR CHALLENGES

METRICS	Are we rewarding the right outcomes?
FORMULA	Are thresholds, weights and caps appropriate?
CONTROLS	Were eligibility, exceptions and approvals validated?

Model shown for illustration; actual plan rules and payout methods vary.

EQUITY PROGRAMS

Connect awards to long-term strategy.

Equity incentives can support retention, executive alignment and sustainable performance—when designed and governed appropriately.

RSUs / RESTRICTED SHARE UNITS

Often used to support retention and long-term alignment. Review vesting conditions, award values and employee communication.

PSUs / PERFORMANCE SHARE UNITS

Can link executive outcomes to defined long-term performance measures, with appropriate calibration and payout governance.

STOCK OPTIONS

May reinforce longer-term value creation; assess terms, valuation, taxation, dilution and jurisdictional requirements.

KEY ADVISORY CONSIDERATION

Align equity design, accounting, disclosure, tax, administration and human approval—not just grant size.

CYCLE EXECUTION

End-to-end delivery requires a system.

From initial workforce data through executive reporting, the discipline of the cycle is what makes strategy executable.

01

POLICY + BUDGET

Define guidelines and investment guardrails

02

DATA + ELIGIBILITY

Validate population, salary and plan rules

03

MANAGER PLANNING

Support decisions with consistent tools

04

CALIBRATION

Review performance and equity concerns

05

APPROVALS

Document exceptions and decision rights

06

PAYROLL + HRIS

Reconcile files, awards and effective dates

07

REPORTING

Review costs, outcomes and follow-up actions

COMPENSATION AS A STRATEGIC ADVISORY FUNCTION

Sound judgment. Strong execution. Smarter technology.

CORE DELIVERY

Merit, bonus, equity support and full-cycle governance

TRANSFORMATION

Global rewards, job architecture, M&A, scalable processes

INNOVATION

Analytics and AI-enabled decision-support prototypes

WHERE I ADD VALUE

Global compensation expertise • Strong execution • Smarter decisions