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Witness: Sasha P. Lazor and Marianne H. Eichler
Request from: Public Utilities Regulatory Authority

Question:

(OFFICER VARIABLE COMPENSATION—PAYOUT DISCRETION) Application, Ex. CLP-EMPLOYEE-1, pp. 37–38. Exhibit CLP-EMPLOYEE-1 states that an individual variable-pay award may range from 0% to 200% of target and that supervisors exercise discretion based on individual performance. Explain the criteria, documentation, calibration process, approval hierarchy, and internal controls governing that discretion. In the response, identify:

a. who can increase or decrease an officer/executive award;
b. any limits on discretion;
c. whether ratings or awards are calibrated across managers/business units;
d. the role of senior management and the Compensation Committee;
e. required supporting documentation;
f. circumstances in which an employee can receive an award despite missing one or more stated goals; and
g. the process used to ensure consistency among similarly situated employees.

Response:

Eversource's variable pay program provides leaders with the ability to differentiate awards based on individual performance within established performance rating categories. To support the annual variable, pay process, the HR Consulting and Compensation teams develop, communicate, and administer the program, providing employees and leaders with a regular cadence of communications throughout the cycle (please refer to UPA-010, Attachment 1). A comprehensive suite of resources is available on the company intranet, and training sessions are offered throughout the process: Performance Management Training (please refer to UPA-010, Attachment 2), HRBP Information Sessions (please refer to UPA-010, Attachment 3), and Information Sessions for Leaders. (please refer to UPA-010, Attachment 4).

Annual performance reviews serve as the foundation for the calibration process and ultimately support variable pay recommendations and approvals. The calibration process is designed to promote consistency in the evaluation of similarly situated employees across each department. HR partners with department leaders to prepare for and facilitate calibration sessions, helping to ensure they are productive, effective, and aligned with established guidelines. The following resources are used: Calibration Guidelines (please refer to UPA-010, Attachment 5) and Unconscious Bias (please refer to UPA-010, Attachment 6).

During these discussions, leaders present information supporting their recommendations, and ratings are reviewed in detail. Where appropriate, adjustments are made to ensure consistency and fairness. Once consensus is reached, final ratings are submitted to executive leadership for review.

Each year, the Compensation department establishes and communicates variable pay award guidelines (please refer to UPA-010, Attachment 7: Compensation Cycle Guidelines). Leaders are responsible for submitting variable pay award recommendations through the HRIS system. These recommendations are subject to approval at each level of the management chain, with final approval provided by the Executive Vice President. Throughout the recommendation and approval process, HR Consulting and Compensation monitor proposed awards to ensure recommendations are within established guidelines.

Officer awards are administered through a separate process. Recommendations for officer awards are made by the Senior Vice President or Executive Vice President to whom they report. The Senior Team reviews and approves award recommendations for those officers in their overall organizations. The Board of Trustees Compensation Committee approves award recommendations for the CEO's direct reports, while the CEO's compensation is recommended by the Compensation Committee and approved by the full Board of Trustees.

Employees are evaluated annually against established performance goals as well as broader measures of overall performance and behavior. While a Successful Contributor rating generally reflects achievement of all established goals, there may be circumstances in which an employee does not fully achieve a specific goal but is nevertheless determined to have met overall performance expectations based on the totality of their contributions and performance during the evaluation period. As shown in OCC-201, Attachment 1, employees are rated along a curve, with the general expectation that the majority of employees fall into the Successful Contributor category. The variable compensation payout ranges are defined by employee performance rating, and the manager’s assessment of the individual’s performance informs the individual’s payout generally within the range. Employees who fall below Successful Contributor are expected to demonstrate improved performance over the next and subsequent review periods. Failure to demonstrate improved and sustained performance generally results in the employee being exited from the Company.