AGENDA
EXECUTIVE COMPENSATION COMMITTEE OF THE
EL CAMINO HOSPITAL BOARD OF DIRECTORS

Tuesday, May 5, 2020 – 4:00pm
El Camino Hospital | 2495 Hospital Drive, Mountain View, CA 94040

PURSUANT TO STATE OF CALIFORNIA EXECUTIVE ORDER N-29-20 DATED MARCH 18, 2020, El CAMINO HEALTH **WILL NOT BE PROVIDING A PHYSICAL LOCATION FOR THIS MEETING**. INSTEAD, THE PUBLIC IS INVITED TO JOIN THE OPEN SESSION MEETING VIA TELECONFERENCE AT:

1-866-365-4406, MEETING CODE: 9407053#

PURPOSE: To assist the El Camino Hospital (ECH) Board of Directors ("Board") in its responsibilities related to the Hospital's executive compensation philosophy and policies. The Executive Compensation Committee shall advise the Board to meet all applicable legal and regulatory requirements as it relates to executive compensation.

	AGENDA ITEM	PRESENTED BY		ESTIMATED TIMES
1.	**CALL TO ORDER/ROLL CALL**	Bob Miller, Chair		**4:00 – 4:01pm**
2.	**POTENTIAL CONFLICT OF INTEREST DISCLOSURES**	Bob Miller, Chair		**4:01 – 4:02**
3.	**PUBLIC COMMUNICATION** a. Oral Comments *This opportunity is provided for persons in the audience to make a brief statement, not to exceed three (3) minutes on issues or concerns not covered by the agenda.* b. Written Correspondence	Bob Miller, Chair		**information** **4:02 – 4:05**
4.	**CONSENT CALENDAR** *Any Committee Member or member of the public may remove an item for discussion before a motion is made.* ***Approval*** a. Minutes of the Open Session of the ECC Meeting (4/2/2020) ***Information*** b. Article of Interest	Bob Miller, Chair	*public comment*	**motion required** **4:05 – 4:06**
5.	**ADJOURN TO CLOSED SESSION**	Bob Miller, Chair		**motion required** **4:06 – 4:08**
6.	**POTENTIAL CONFLICT OF INTEREST DISCLOSURES**	Bob Miller, Chair		**information** **4:08 – 4:09**
7.	**CONSENT CALENDAR** *Any Committee Member or member of the public may remove an item for discussion before a motion is made.* ***Approval*** *Gov't Code Section 54957.2:* a. Minutes of the Closed Session of the ECC Meeting (4/2/2020)	Bob Miller, Chair		**motion required** **4:09 – 4:10**

	AGENDA ITEM	PRESENTED BY		ESTIMATED TIMES
8.	*Health & Safety Code 32016(b)* for a report and discussion on health care facility trade secrets; *Gov't Code Section 54957* for discussion and report on personnel performance matters – Senior Management: - Reassessment of FY20 Organizational Performance Incentive Goal Structure and Review of Positioning/Recovery Goals	Dan Woods, CEO		**discussion** **4:10 – 5:00**
9.	**ADJOURN TO OPEN SESSION**	Bob Miller, Chair		**motion required** **5:00 – 5:01**
10.	**RECONVENE OPEN SESSION/ REPORT OUT**	Bob Miller, Chair		**information** **5:01 – 5:02**
	To report any required disclosures regarding permissible actions taken during Closed Session.			
11.	**REASSESSMENT OF FY20 ORGANZATIONAL PERFORMANCE INCENTIVE GOAL STRUCTURE AND REVIEW OF POSITIONING/ RECOVERY GOALS**	Bob Miller, Chair	*public comment*	**possible motion** **5:02 – 5:13**
12.	**CLOSING COMMENTS**	Bob Miller, Chair		**discussion** **5:14 – 5:15**
13.	**ADJOURNMENT**	Bob Miller, Chair	*public comment*	**motion required** **5:15pm**

Upcoming Meetings: Regular Meetings: May 28, 2020

El Camino Health

Minutes of the Open Session of the
Executive Compensation Committee
of the El Camino Hospital Board of Directors
Thursday, April 2, 2020

Pursuant to State of California Executive Order N-29-20 dated March 18, 2020, El Camino Health did not provide a physical location for this meeting. Instead, the public was invited to join the open session meeting via teleconference.

Members Present	Members Absent
Teri Eyre**	None
Jaison Layney**	
Julie Kliger**, Vice Chair	**via teleconference
Bob Miller**, Chair	
George Ting, MD**	
Pat Wadors**	
John Zoglin**	

Agenda Item	Comments/Discussion	Approvals/ Action
1. CALL TO ORDER/ ROLL CALL	The open session meeting of the Executive Compensation Committee of El Camino Hospital (the "Committee") was called to order at 4:00pm by Chair Bob Miller. A verbal roll call was taken. All Committee members were present and participated via teleconference and videoconference pursuant to Santa Clara County's shelter in place order. Pat Wadors joined the meeting at 4:01pm during Agenda Item 2: Potential Conflict of Interest Disclosures. A quorum was present pursuant to State of California Executive Orders N-25-20 dated March 12, 2020 and N-29-20 dated March 18, 2020.	
2. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	Chair Miller asked if any Committee members had a conflict of interest with any of the items on the agenda. No conflicts were noted.	
3. PUBLIC COMMUNICATION	None.	
4. CONSENT CALENDAR	Chair Miller asked if any member of the Committee or the public wished to remove an item from the consent calendar. **Motion:** To approve the consent calendar: Minutes of the Open Session of the Executive Compensation Committee Meeting (11/7/2019); and for information: Progress Against FY20 ECC Goals; Board Approvals: Chief Quality Officer. **Movant:** Ting **Second:** Wadors **Ayes:** Eyre, Kliger, Layney, Miller, Ting, Wadors, Zoglin **Noes:** None **Abstentions:** None **Absent:** None **Recused:** None	***Consent calendar approved***
5. REPORT ON BOARD ACTIONS	Chair Miller referred to the recent Board approvals as further detailed in the packet, including 1) a base salary for a Chief Quality Officer and the addition of the position to the Executive Performance Incentive Plan and 2) a process for the Board to delegate authority to its advisory committees.	
6. REVIEW EXECUTIVE COMPENSATION POLICIES	Chair Miller noted that these policies include the revisions requested by the Committee at its last meeting.	***Revised policies recommended for approval***

	Mr. Layney requested the following changes: **Executive Compensation Philosophy** 1. Page 1, Section C - Definition for Base Salary: targeted at 50% of market data – add “for a specific position plus the geographic differential.” 2. Page 2, Section E(1): refer to “San Francisco Bay Area” rather than Silicon Valley to be consistent throughout the document In response to Mr. Layney’s question, Julie Johnston, Director, Total Rewards, explained that retention and hiring bonuses are included in what is reported under Total Rewards and reported in the Letters of Rebuttable Presumption of Reasonableness. **Salary Administration Policy** 1. Page 1, Section D(1)(a): Move the sentence that “The Committee may elect not to adjust salary ranges…” to Section D(1)(c). Chair Miller clarified that the Committee can make recommendations for salaries outside of the range, which then must be approved by the Hospital Board. Ms. Eyre commented that the sample calculations in the Executive Performance Incentive Plan policy were very helpful and requested that any materials on this topic presented to the Committee also include examples. Chair Miller commented that some items for the Committee’s review have been deferred, but the intent for reviewing the policy changes at this time is to put the new formulas in effect for the next performance year. **Motion:** To recommend that the Board approve the proposed revisions to the Executive Compensation Philosophy, revised as noted above, Salary Administration Policy, revised as noted above, and Executive Performance Incentive Plan policies. **Movant:** Layney **Second:** Eyre **Ayes:** Eyre, Kliger, Layney, Miller, Wadors, Ting, Zoglin **Noes:** None **Abstentions:** None **Absent:** None **Recused:** None	
7. FY21 PLANNING	The Committee discussed potentially developing new goals with different measures of success rather than task-oriented goals measured by deadlines; Chair Miller suggested that Committee members bring suggestions and feedback and requested that the proposed goals be paced for the Committee’s review at its May 2020 meeting. Lisa Stella from Mercer commented that other committees use self-assessments to evaluate their performance. The Committee conducts a self-assessment every other year and will be conducted later in 2020. **Motion**: To approve the proposed FY21 meeting dates. **Movant:** Eyre **Second:** Wadors **Ayes:** Eyre, Kliger, Layney, Miller, Wadors, Ting, Zoglin **Noes:** None	***FY21 Committee goals to be paced for May 2020 meeting*** ***FY21 dates approved***

		Abstentions: None **Absent:** None **Recused:** None	
8.	**ADJOURN TO CLOSED SESSION**	**Motion:** To adjourn to closed session at 4:22pm. **Movant:** Eyre **Second:** Layney **Ayes:** Eyre, Kliger, Layney, Miller, Wadors, Ting, Zoglin **Noes:** None **Abstentions:** None **Absent:** None **Recused:** None	***Adjourned to closed session at 4:22pm***
9.	**AGENDA ITEM 14: RECONVENE OPEN SESSION/ REPORT OUT**	Open session was reconvened at 5:36pm. Agenda items 9-13 were addressed in closed session. During the closed session, the Committee approved the Minutes of the Closed Session of the Executive Compensation Committee Meeting (11/7/2019) by a unanimous vote in favor of all members present by teleconference (Eyre, Kliger, Layney, Miller, Wadors, Ting, Zoglin).	
10.	**AGENDA ITEM 15: FY20 PACING PLAN**	Chair Miller commented that it would be ideal if the Committees reviewing goal subject matter (Quality and Finance) and structure (Executive Compensation) review the organizational goals before they go to the Board.	
11.	**AGENDA ITEM 16: CLOSING COMMENTS**	Chair Miller thanked the Committee for their patience and participation.	
12.	**AGENDA ITEM 17: ADJOURNMENT**	**Motion**: To adjourn at 5:38pm. **Movant:** Wadors **Second:** Eyre **Ayes:** Eyre, Kliger, Layney, Miller, Wadors, Ting, Zoglin **Noes:** None **Abstentions:** None **Absent:** None **Recused:** None	***Meeting adjourned at 5:38pm***

Attest as to the approval of the foregoing minutes by the Executive Compensation Committee and the Board of Directors of El Camino Hospital.

______________________________ ______________________________

Bob Miller
Chair, Executive Compensation Committee

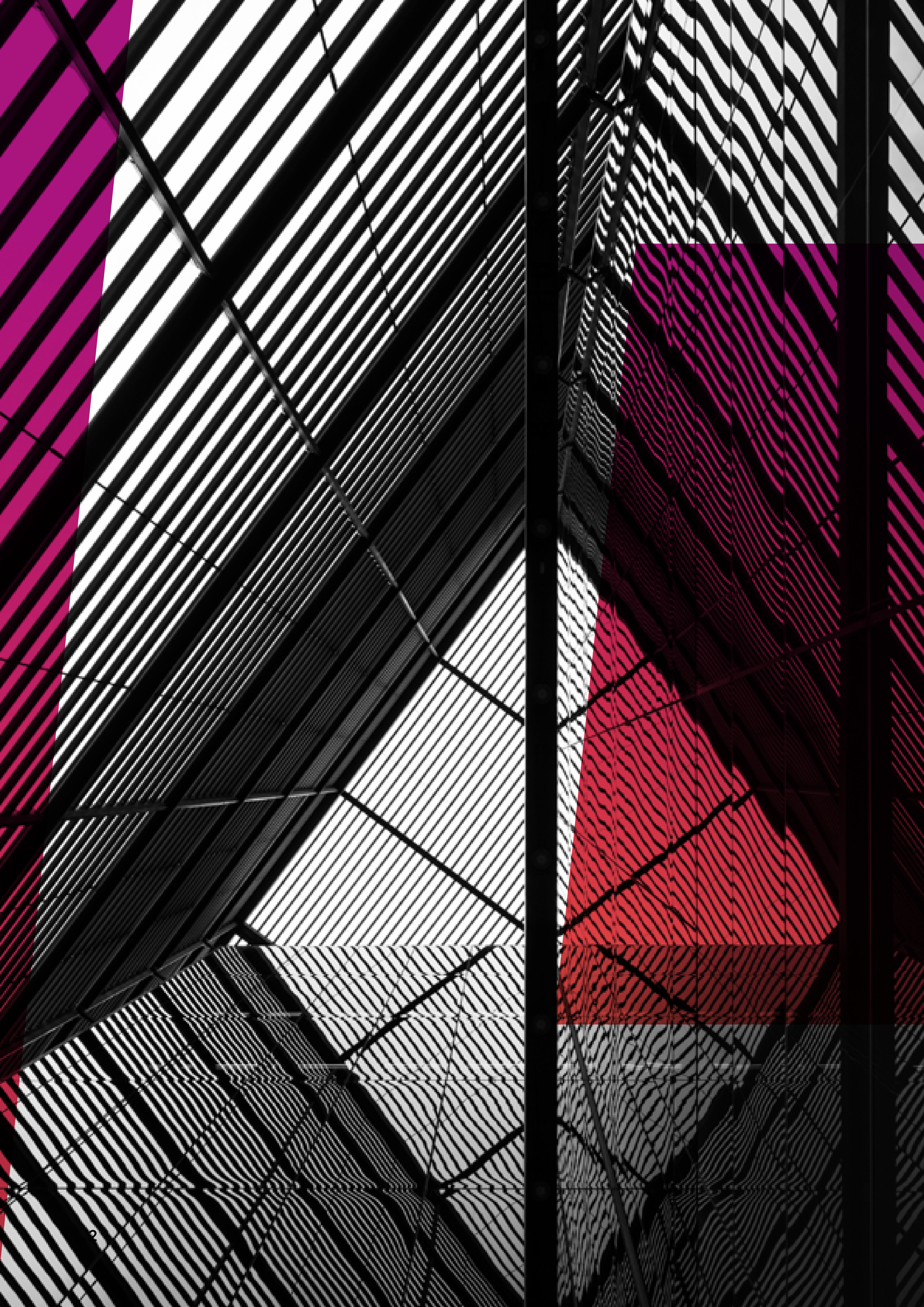
Julia E. Miller
Secretary, ECH Board of Directors

Prepared by: Sarah Rosenberg, Contracts Administrator/Governance Services EA

KORN FERRY'S PERSPECTIVE ON

EXECUTIVE PAY ACTIONS ARISING FROM COVID-19

A new Compensation Committee game plan.



CONTENTS

INTRODUCTION

Not since the Great Depression of the 1930s has the global economy been under so much pressure. While there are echoes of the financial collapse of 2008, the economic pain from the current pandemic is far wider and deeper. Fissures have formed in entire industry sectors and millions of employees have been terminated or furloughed. And yet the biggest casualties of this crisis are the tens of thousands of people who have lost their lives, and the hundreds of thousands more who have been hospitalized.

Given these unprecedented times, corporations around the world have acted in unprecedented ways. They have found ways to create new virtual work arrangements for large segments of their workforce. They have kept employee well-being at the top of their priority list. They have found new ways to stay connected to and interact with their customers.

But the crisis has also taken its toll on the workforce beyond the obvious impact of the health crisis. Companies have been forced to shut down large portions of their operations, if not close their doors altogether. And, as a result, millions of people have been subject to furloughs, job cuts, or hefty pay reductions. Amid this turmoil, executive compensation has naturally come under an even brighter spotlight than usual.

Many CEOs and senior executives in the companies hardest hit by the COVID-19 crisis have announced significant pay reductions of their own, and others will likely follow suit. Cutting pay for executives is a visible and potentially necessary step in stabilizing some companies as they manage through the crisis. It sends a positive message to both employees and shareholders, and could enhance, or at least limit the tarnishing of, the company's reputation. While some outside observers have heralded these early actions, others have opined that they are too few and too limited.

Regardless of one's perspective, make no mistake about it – new approaches must be adopted to deal with executive compensation in our radically altered world. Dusting off playbooks from earlier crises is a waste of time. We need a new game plan to make decisions and to adapt to new rules that are emerging every day (think about the CARES act recently passed by the US Congress).

Just as CEOs and other senior leaders must carefully weigh their decisions and approaches to implement pay cuts for the broad employee population, Compensation Committees must do the same with executive pay. Executive pay involves many more variables, and the approach and consequences (intended or otherwise) of possible changes must be carefully evaluated. While the actions taken by one company or a group of companies may garner favorable reactions, and it may be tempting to copy them, what is "best practice" now is what is best for your company, based on how COVID-19 has affected your business, your overall philosophy and strategy for managing the business, how you foresee eventual recovery, and how you are handling other aspects of cost management. There is no safe harbor in saying "we're just following market practice".

In this brief guide, we share Korn Ferry's perspective and point of view on many of the key questions that Compensation Committees are asking about possible adjustments to executive compensation. At the outset, we recommend four leadership behaviors and guideposts to determine the best course of action. We set these out on page 5.

Leadership guideposts for Compensation Committees navigating the crisis.

BE CALM

There may be pressure for quick action. But the business impact of COVID-19 and the outlook and prospects for a recovery are evolving daily. Stay strategic and above the frantic pace. Try to tune out wild speculation about a protracted depression or a snapback recovery, and deal with available facts. Don't make a rush to judgment.

BE FAIR

Historically, executive pay actions have been disconnected from those for the broader workforce, both in quantum and decision rules. During this crisis, many companies have sought to "flip the equation"; to demonstrate that personal economic pain will be shared, and that CEOs and senior executives will be subject to the first and most significant reductions in pay.

BE DECISIVE

When the time comes for a decision, make it and move on. Companies don't have the luxury of discussing change over multiple quarters. The magnitude of the financial impact on their business doesn't allow it. That said, sometimes the best decision after studying the situation is to decide to act later.

BE GUIDED BY PRINCIPLES

Beyond fairness, companies that have adopted and abide by well-defined compensation strategies and that use systematic approaches to handling crises, exceptions, or discretionary decisions, are the ones that will generally make the best decisions in the long-term interests of the company and its many constituents and stakeholders.

> **"At the outset, we recommend four key leadership behaviors and guideposts to determine the best course of action.**

FORMULATING A GAME PLAN

If your company is already in deep financial stress, you have likely already made significant decisions about some of the executive program elements. All other companies have likely begun to consider the decisions they will need to make in the near future.

We believe it makes sense to organize your planning in the context of when you are likely to have to take various actions. On the following pages we share a suggested approach for addressing possible executive pay issues.

Our suggested approach for addressing executive pay issues.

IMMEDIATE-TERM

01

The Compensation Committee should by now have a clear understanding of company goals for cost management and cash preservation. Management should estimate how much of any cost reduction should come from people costs, and how the people cost saving will be achieved (furloughs, staff cuts, salary freezes, salary cuts, etc.).

Depending on the anticipated timing, duration, and depth of the financial impact, and the associated people cost reductions, this may call for immediate adjustments to executive salaries. CEOs and other top executives should take the largest percentage reductions and for the longest duration, especially if job cuts are anticipated.

OUR POINT OF VIEW

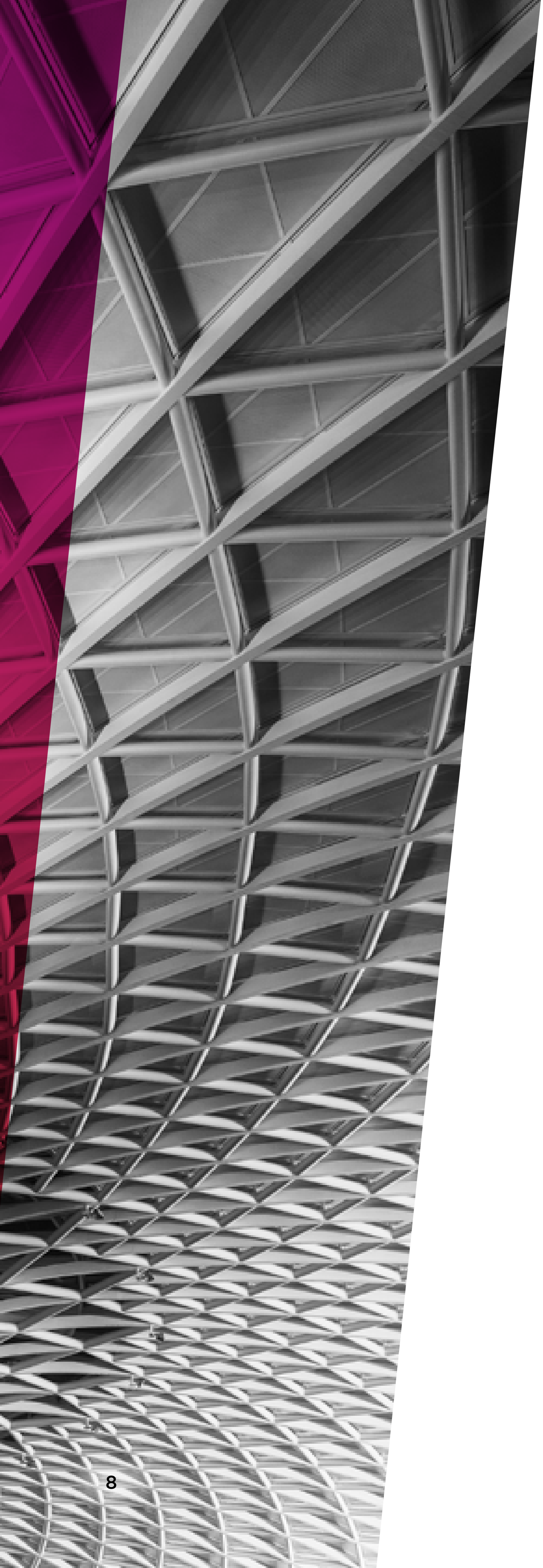
Be bold in identifying executive salary actions and communicate them clearly and broadly, preferably ahead of any broader pay or staffing actions.

02

As you consider executive salary actions, simultaneously review the executive compensation philosophy and strategy for guidance about how to consider and prioritize executive pay actions. Focus especially on the decision-making principles. If they are not current or lack relevance, update them.

OUR POINT OF VIEW

Most executive pay philosophy statements are silent on the issue of "fairness". Now is a good time to consider including a clause addressing how the Committee will assess and assure the fairness of various elements of the executive pay program and the decisions it will need to make each year and over time. How do we define fairness? Relative to what or who? How will this affect the way we approach decisions and how they are communicated?



IMMEDIATE-TERM

03

Prioritize the actions to take and determine the timing for taking them. Adjustments will first involve base salary and any executive perquisites. These are the easy and obvious places to start and will generate cash savings the quickest.

Next in line is the short-term or annual incentive program, where payments are usually and mostly denominated in cash, and then the long-term incentive and stock-based programs (which, by their nature, are measured over more than a year and should be the last area for change). And as any executive pay reductions are contemplated, the Compensation Committee should also assess adjustments to compensation for members of the Board.

OUR POINT OF VIEW

Companies should consider the following sequence in addressing possible executive pay changes:

1. Executive benefits, perquisite 401k contributions, SERPs, or ESPPs.
2. Cash retainers for members of the Board.
3. CEO/senior executive base salaries.
4. Annual incentive
5. Long-term incentive

NEAR-TERM

04

Determine if there is a need or perceived benefit to modifying the short-term incentive plan. Factors to consider are where the plan is in the performance cycle, how significantly the performance metrics are likely to be affected by the business downturn, what portion of target bonus is likely to be available to pay under various performance scenarios, and what the company's needs for cash are likely to be.

Depending on your answers to these questions there are a variety of possible outcomes. If business impact has so far been light, you may decide to wait a quarter before deciding to make any changes. Other companies may decide to adopt a "stub plan" only for the second half of the year when recovery is anticipated and develop metrics and goals and pro-rated awards accordingly. Those facing significant business disruption may scrap their original plans and either commit to determining partial awards on a discretionary basis at year end, or scrap bonuses for 2020 altogether.

OUR POINT OF VIEW

Companies deciding not to scrap their short-term incentive plan, should consider building a framework for determining awards on a discretionary basis using two levers. First, making adjustments to the full-year metrics and second, over-riding the formula-based payouts taking into account a holistic view of company performance.

05

Next up are possible modifications to the long-term incentive plan or equity grants that are mid-cycle.

Performance-based long-term incentives require the same examination as the short-term incentive plan in terms of the likely impact of the financial downturn on the achievement of financial objectives.

Here again, there are a range of possible outcomes, from doing nothing (especially if new performance cycles start each year and new grants are made), to modifying the target performance level for all outstanding performance cycles, to changing the objectives against which performance will be measured and awards calculated (including using performance relative to peers). These plans are long-term in nature, and the company's performance could bounce back significantly post-COVID-19 and during the remainder of the performance cycle.

OUR POINT OF VIEW

We believe, in general, that any existing performance cycles should proceed as is, with the Compensation Committee retaining discretion to determine awards at the end of the performance period. However, if performance metrics are no longer aligned with the current business priorities, consider truncating the current outstanding cycles, and create new "stub plans" for the remaining years of each outstanding grant.

NEAR-TERM

06

The final consideration is any equity or stock-based long-term incentives that have not yet been granted in 2020. Things get a little (or a lot) trickier here.

Some companies need to make decisions now with respect to sizing this year's grants, and it's more complicated now with severely reduced stock prices. There is an array of complex issues to consider, too many to cover in this brief paper (burn rates, type of equity program(s), extent of stock price decline, overall magnitude of "normal" equity grants, portion of total compensation normally delivered through equity grants, etc.).

The main driver of increases in executive pay during the long eleven-year bull market were equity-based long-term incentives. These programs are the most lucrative and, along with performance based LTIs, attract the greatest scrutiny of CEO and senior executive pay. A 50% reduction in a CEO's base pay will look like nothing if the company significantly increases the number of shares granted in the equity program to adjust for the drop in share value (potentially increasing award values by millions of dollars). We suggest instead granting the same number of shares as the prior year or using a stock price equal to an average of the price at the start of the calendar year and the price at the grant date to calculate the number of shares to grant.

OUR POINT OF VIEW

Adopt a carefully measured if not conservative approach in adjusting the size of equity grants due to stock price declines.

"

This is a dynamic situation and requires continuous attention.

MEDIUM-TERM

07

The Compensation Committee should commit to monitoring developments during the year and revisiting decisions made to evaluate if they continue to make sense and the need for any mid-course corrections. This is a dynamic situation and requires continuous attention.

OUR POINT OF VIEW

Compensation Committees should plan to meet/connect more often than in a “typical” year (at least quarterly during the current crisis) to review a scan of market developments and test current plans and processes.

08

Consider adjusting or limiting outsized executive cash incentive awards resulting from spikes in revenue and profit generated by impact of COVID-19. Just as some companies will exercise positive discretion in adjusting awards for the negative impact of COVID-19, we believe those that are positively affected by the health crisis should consider negative discretion to dampen any unexpected windfalls from the positive impact on their business.

OUR POINT OF VIEW

Take a realistic view of how company financial results have been affected. Consider applying “governors” on possible spikes in incentive plan payouts that are generated principally by COVID-19-related spikes in demand and business activity.

09

Consider the likely reactions of institutional investors and those who advise them. Well informed and principled Compensation Committees, supported as needed by capable advisors, are in the best position to render decisions that are in the long-term best interests of the company and its shareholders.

OUR POINT OF VIEW

Be aware of their perspectives and likely reactions but exercise your own best judgment and trust it.

LONGER-TERM

10

Revisit and consider revamping your executive compensation program to fit a new reality. At the outset of this document, we commented that the game has changed, rules have been rewritten and the old playbooks are useless.

With that in mind, we have already reached a point that Compensation Committees are questioning the fundamental thinking that has guided decisions in the past and are contemplating not just reactionary program tweaks but more sweeping adjustments to the structure and mechanics of executive pay programs and associated governance practices.

Do we have the quantum right? Are we paying for the right results? Does our approach to pay align with attracting and rewarding leaders with the right attributes to lead in a new world? Are we encouraging responsible risk-taking? Is our executive pay fair?

OUR POINT OF VIEW

Be bold and willing to challenge conventional wisdom. What worked in the past is no longer a reliable guide to inform future decision-making.

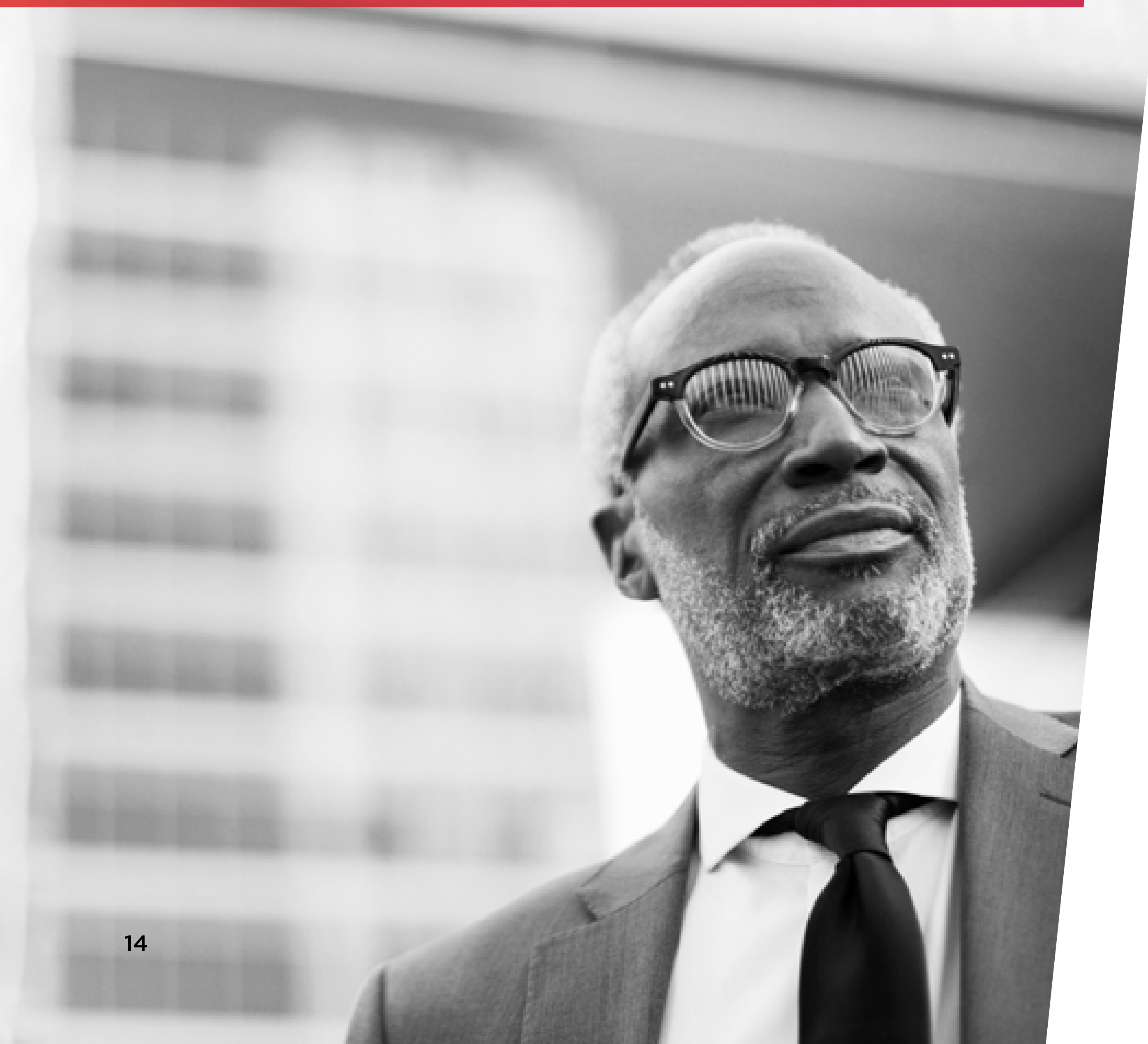
Consider how your company will likely need to evolve to compete on a radically different business landscape. Assess the implications for the kinds of leaders you will need moving forward, and then determine the elements of the new rewards philosophy that aligns with the roles you will need them to play.

Don't wait to see what everyone else is doing. Don't wait for permission from institutional shareholders. Be a leader.

“ **Be bold and willing to challenge conventional wisdom. What worked in the past is no longer a reliable guide to inform future decision-making.**

CONCLUSION

We hope the guidance we have offered in this brief white paper will help guide your planning and deliberations. Korn Ferry believes strongly that adherence to a few key principles, coupled with thoughtful planning and deliberation, and access to relevant data and facts, will produce the best decisions and the right outcomes for each organization.



As a reminder, here are the four key leadership behaviors we believe are key to considering executive pay decisions during this crisis:

BE CALM

BE DECISIVE

BE FAIR

BE GUIDED BY PRINCIPLES.

We are with you all the way and welcome your call if you feel you could benefit from hearing more or by working with one of our Executive Pay and Governance experts.

Your questions answered.

To accompany this whitepaper, we have created a document that brings together the top ten questions we are hearing from clients about executive pay. It provides a helpful summary of our perspective to these questions and the key issues we all need to consider as we work through the complex array of issues generated by this crisis.

[Download your copy here.]

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About Korn Ferry
Korn Ferry is a global organizational consulting firm. We work with organizations to design their organizational structures, roles, and responsibilities. We help them hire the right people and advise them on how to reward, develop, and motivate their workforce. And, we help professionals navigate and advance their careers.