

RemCom Academy



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GOLD STANDARD



G IS FOR GOVERNANCE

GOVERNANCE

IN THEORY

UK Corporate Governance Code is the basis of the 'rules' on how RemComs operate. The principles are:

*“Executive directors’ remuneration should be designed to promote the long-term success of the company. Performance-related elements should be transparent, stretching and rigorously applied. There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. **No director should be involved in deciding his or her own remuneration.**”*

IN PRACTICE

- TW research shows in 50% of RemComs 'management' propose solutions
- Chairman of company chairs the RemCom
- CEO, FD and other Executive Directors sit in the meeting

O IS FOR OBJECTIVES

OBJECTIVES

REQUIREMENT OF CHAIR OF REMCOM TO:

- To understand the business DNA
- Have the technical ability to understand the science behind pay benchmarking, measuring performance and the various pay vehicles – base, variable both short & long term and benefits

Together, they allow you to make realistic decisions about pay which are tailored to the future of the business – and allow you to judge your own success – or failure.

QUESTIONS TO ASK:

- What do we want to achieve?
- Do we have a decent (i.e. written down, agreed and the numbers are on this planet) strategy?
- Do we want to exit or grow or both?
- How do we value the business now?
- What does success look like?
- How can we measure it? Is it just profit/earnings or is it wider than that?

L IS FOR LEADERSHIP

LEADERSHIP

CHAIR OF REMCOM

High emotional intelligence ability to recognise buy-in of 'heart' as important as 'head.' Understanding the **process requires brokering agreement** between stakeholders. **Strong technical understanding** and willingness to seek advice and alternative thinking.

CEO

Technically **no role on the RemCom** and should be excluded for part of meetings to allow NEDs' private time. In practice **wants big influence** and is **used to getting their own way**.

HR DIRECTOR

A two-fold job, providing technical advice & brokering skills. The design is a day's work – getting us all to 'yes' takes hours of meeting/ facilitation, developing papers/discussing with all concerned. **The relationships you will deal with are not the icing on the cake – they are the cake.**

REMCOM ADVISOR

Check for conflicts. If they are your audit partner they should not be advising you – it's too messy. Should provide sound benchmarking, technical advice and independence. **Align them with your business.** If they mainly deal with FTSE100 companies and you are PE funded high growth, they may bring the wrong solutions.

D IS FOR **DELIVERY**

REMCOM PAPER

Start the paper now by working on operating plan/scheme rules and finding the gaps. Add in issues for discussion.

DETAILED METRICS & NUMBERS

Don't believe the Board when they say they know them. Start modelling up and down scenarios.

KEY STAKE- HOLDER MGMT

Keep the plates spinning – know who your stakeholders are and keep in touch with all through the process.

DELIVERY

ACTION PLAN:

- Timelines – when does it have to be delivered?
- What can you/we deliver and what needs to go to lawyers/finance/accountants/HMRC?
- You have to get a RemCom paper agreed - it's impossible to start the plan without it. Find out dates for RemComs and put them in your diary even if non-execs say they don't need you.
- You will need scheme rules (hard or soft).
- Know your hand-off points to Chair of RemCom and lawyers etc.
- Agree process with everyone.

YOUR AGENDA



KEY STRATEGIC ISSUES

LEGISLATION

GENDER PAY REPORTING



NATIONAL LIVING WAGE

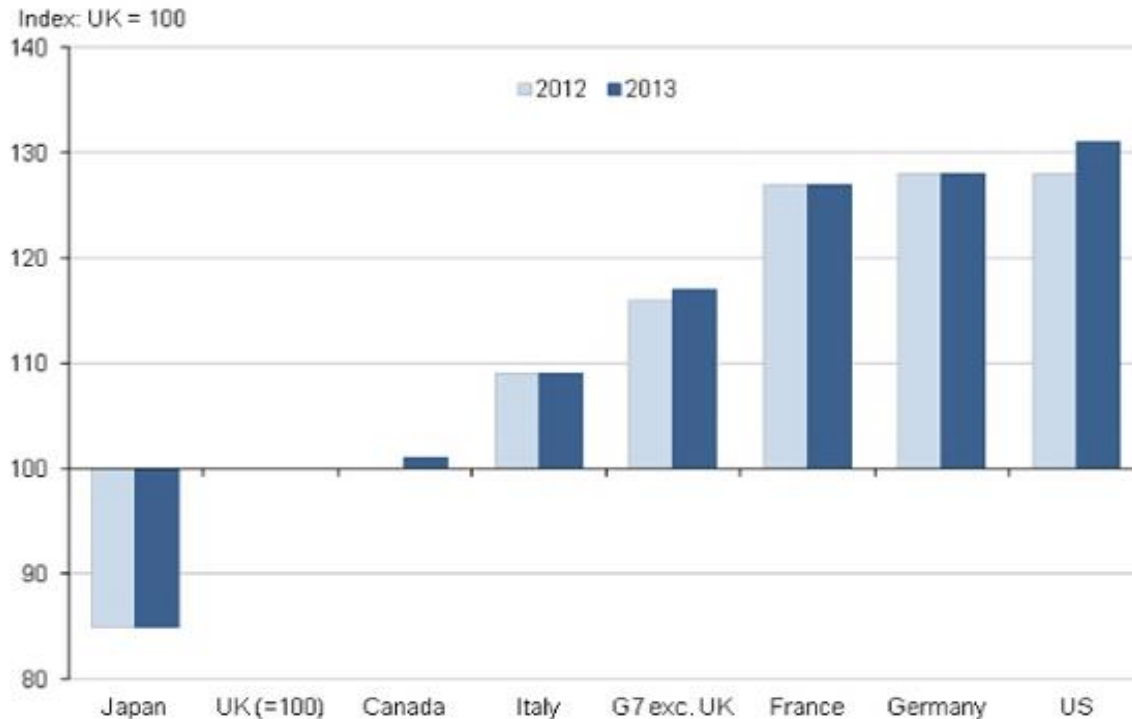


HOLIDAY PAY



PRODUCTIVITY

PRODUCTIVITY



Source: ONS Guardian

- 15% **above** Japan
- 27-31% **below** France, Germany & US
- 17% **below** rest of the G7

The widest productivity gap since 1992

FUTURE PROOFING REWARD

'ASIAN CENTURY'

- 2/3 world population will live in Asia
 - EU = 6.5% of global population
 - Asia = 1st producer and exporter
 - China = 2nd world economic power
- Asia holds scientific and technological supremacy

ENERGY

- World energy demand increased by 50% from 2005
- Oil production stagnating
- EU importing almost 70% of its energy needs



'BORDERLESS'

- International migrations will develop
- Established borders are less relevant
- People are not limited by geography – contribution to global marketplace
- Social groups gain power through shared interests

AGEING POPULATION

- Stabilisation of population growth will begin
- Ageing of European population will mean new markets, services and ways of life
- Increased productivity needed to support

'KNOWLEDGE SHARING'

- Access to information and knowledge for all
- Transparency is the only option in a world where sharing is the norm and privacy is a premium
- Free learning

FUTURE PROOFING REWARD

WHAT IS GOING TO STAY THE SAME

THE BASIC EXCHANGE OF LABOUR FOR PAY

Although how and in what way that labour contributes may well change

ENGAGING PEOPLE IN YOUR BUSINESS

Whatever the contract of employment, people working for your business will need to be engaged & driven to succeed

THE NEED TO ATTRACT TALENT

Making your proposition more compelling than others through your total reward

WHAT IS GOING TO CHANGE

THE RISE OF SOCIAL WORKING

Informal social teams & projects, informal learning (no structured courses, share-based training and development)

TRANSPARENCY

Around base, variable and equal pay

GENDER EQUALITY

Driven by the changing demands of men – not from women or government

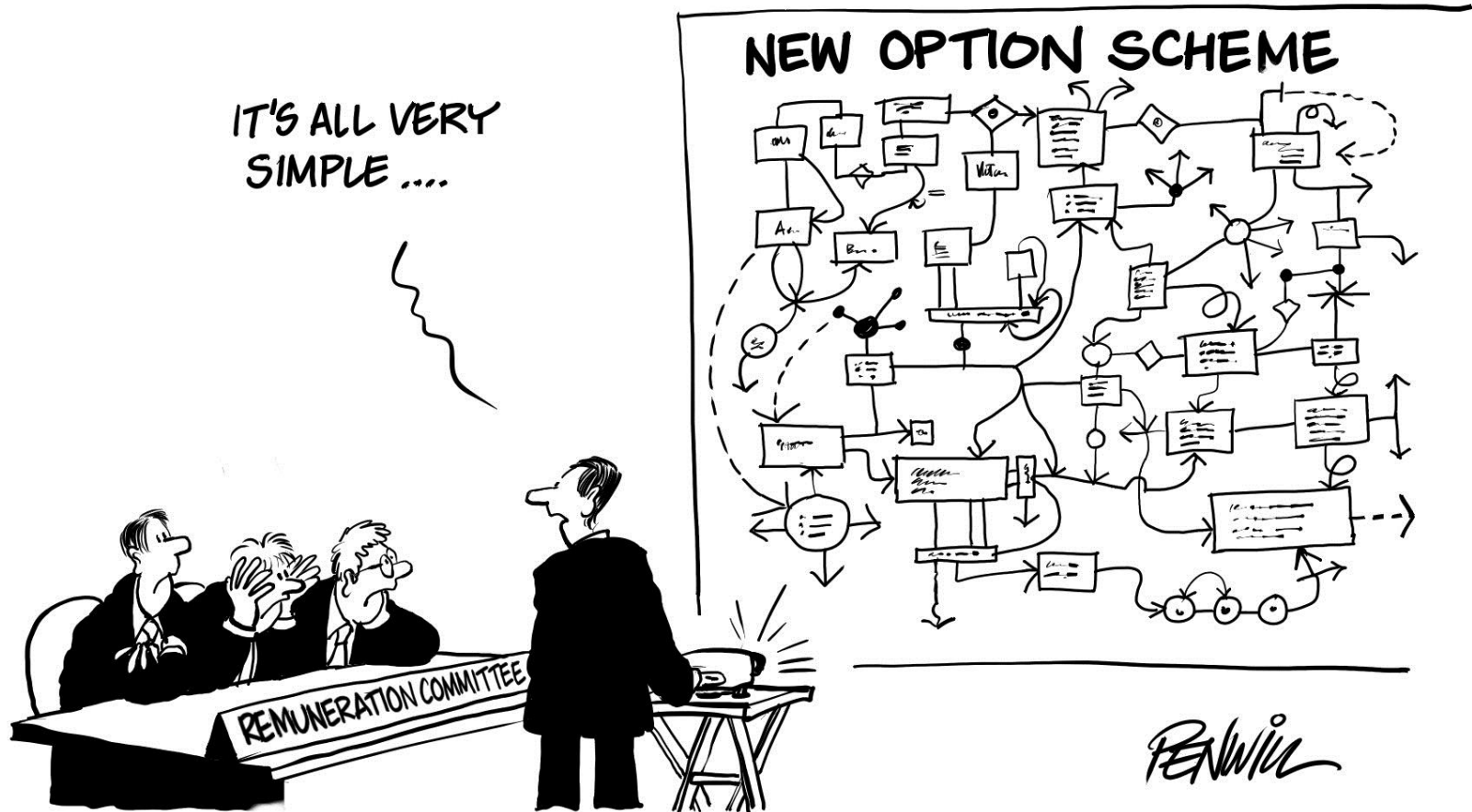
PAYING FOR CONTRIBUTION & VALUE

No base pay, staff remunerated for the contribution they make and value they add to the business

GEN Y

Gen X and Y making the decisions
Baby boomers retired

REMCOM MASTERCLASS



International reward | reward strategy | executive
compensation
employee engagement | pay benchmarking
job evaluation | pay frameworks
reward communications
benefit audit & design | variable pay
sales bonus | remuneration committee support
performance management

OUR CONTACT DETAILS

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We get your pay and reward working harder