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Executive remuneration

Keeping shareholders happy and executives motivated

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Executive remuneration - many points of view



Executive's expectations vary with level of organisational stress

	Anxious organisation	Stressed organisation	Distressed organisation
Organisational priority	Position for recovery	Plan for turnaround	Fight for survival
Executives' reward expectations	<p>Base incentives on revised business plan</p> <p>Get paid for doing the right things</p>	<p>Base incentives on turnaround success</p> <p>Get paid for hard work & making tough decisions</p>	<p>Base incentives on survival milestones</p> <p>Get paid for reputational risk of failure</p>

Reward responses vary with level of organisational stress

	Anxious organisation	Stressed organisation	Distressed organisation
For example	GSK	M&S	RBS
Organisational priority	Position for recovery	Plan for turnaround	Fight for survival
Recent reward changes	Rejected clawback Operational measures added to bonus Cashflow measure added to LTI	Executives returned 'exceptional' LTI award (value £1m+) 25% of bonus now based on individual performance	Substantial bonus (c£2m) & LTI opportunities (£6.4m) if recovery targets are met Bonus paid in three annual instalments
Shareholder reaction			

Dos & don'ts of shareholder consultation

Do

Do explain the connection with business objectives

Do allow enough time to incorporate shareholder feedback

Do spend time preparing the Remuneration Committee

Do describe how a specific proposal fits into the rest of the reward package

Do describe how a specific proposal fits into the rest of the reward package

Don't

Don't present a "baked cake"

Don't presume that shareholders are wedded to TSR and EPS

Don't try to speak to every single shareholder

Don't give different messages to shareholders and executives

Don't let your consultant lead the discussion with shareholders