

# Compensation & Benefits – Executive Compensation

## Service overview

Remuneration is at the heart of retaining and motivating the senior management team to deliver the business strategy and create value. Executive remuneration is highly visible and highly emotive and its structure depends not only on the aims and culture of the organisation but is also influenced by increasingly complex corporate governance environments, shareholder pressure and tax changes which vary in each country. Deloitte's executive compensation teams work with companies to create effective strategies which truly support the business goals and can also advise on investor relations, investor and employee communications and corporate governance issues.

## Relevance for you

An effective remuneration strategy runs deeper than the simple statement 'to attract, retain and motivate high calibre individuals'. It must support the effective execution of the business strategy and achievement of the company's goals and reinforce the cultural values of the company. It must be reviewed regularly to ensure it continues to support these aims.

In the past two years the world of executive remuneration has changed significantly across the globe and companies are currently facing:

- The aftermath of a recession, which is likely to be felt for some time yet and may prove to have a long lasting effect on the structure and nature of executive pay.
- Reviews of corporate governance and remuneration across the world, and in particular a focus on risk in remuneration, set in motion by the banking crisis.
- Tax changes which are bringing tax planning further up the agenda.
- Intense pressure from shareholders and the media.

## Our approach

Our executive compensation teams work with remuneration committees, human resource teams and company secretarial departments to help companies meet the challenge of getting the remuneration strategy, policy and structure right for the company.

Where a full review of remuneration is required we will work with the company, and/or its remuneration committee, through the annual cycle in the development and implementation of the remuneration strategy. This will often include a full review of current remuneration arrangements involving the following steps:

- review of all existing share incentive plans;
- market positioning of all elements of remuneration;
- alignment of remuneration with the business strategy;
- review of performance measurement; and
- corporate governance health check.

Where a full review is not necessary we can assist with the following:

- preparation of remuneration committee papers;
- attendance at committee meetings;
- advising on investor relations issues/liaison with investors;
- advising on performance measurement to assist the company in choosing measures which fully support the business objectives, including more complex measures such as EVA and Economic Profit, as well as total shareholder return (TSR) calculations and provision of TSR graphs for inclusion in the directors' remuneration report;
- remuneration benchmarking;
- design of new incentive plans;
- non-executive remuneration arrangements; and
- reviewing, and in some cases drafting, the remuneration report to ensure that they are not only compliant but meet investor expectations on transparency and clarity.



Our team draws on extensive experience from reward specialists, corporate governance experts, accountants, chartered tax advisers and lawyers across the globe. We have access to many sources of market data, supplemented by our own in-depth research in a number of countries. By having such a breadth of knowledge and expertise the team are able to ensure that all solutions are 'fit for purpose' and are thoroughly considered from a commercial, tax, accounting, legal, and where appropriate, corporate governance perspective.

### Example benefits

- Development of an effective remuneration strategy which supports the overall business strategy and value creation.
- Management of the risks associated with remuneration decisions.
- Effective financing and tax planning for all aspects of remuneration.



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