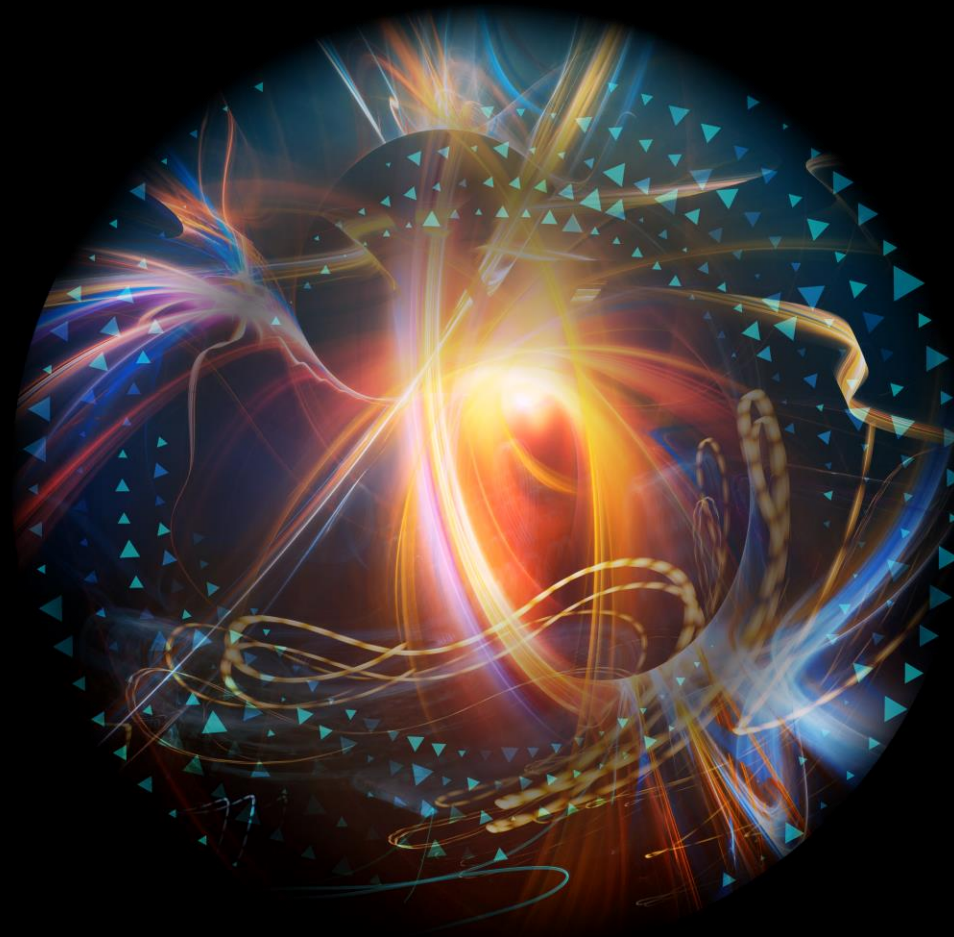


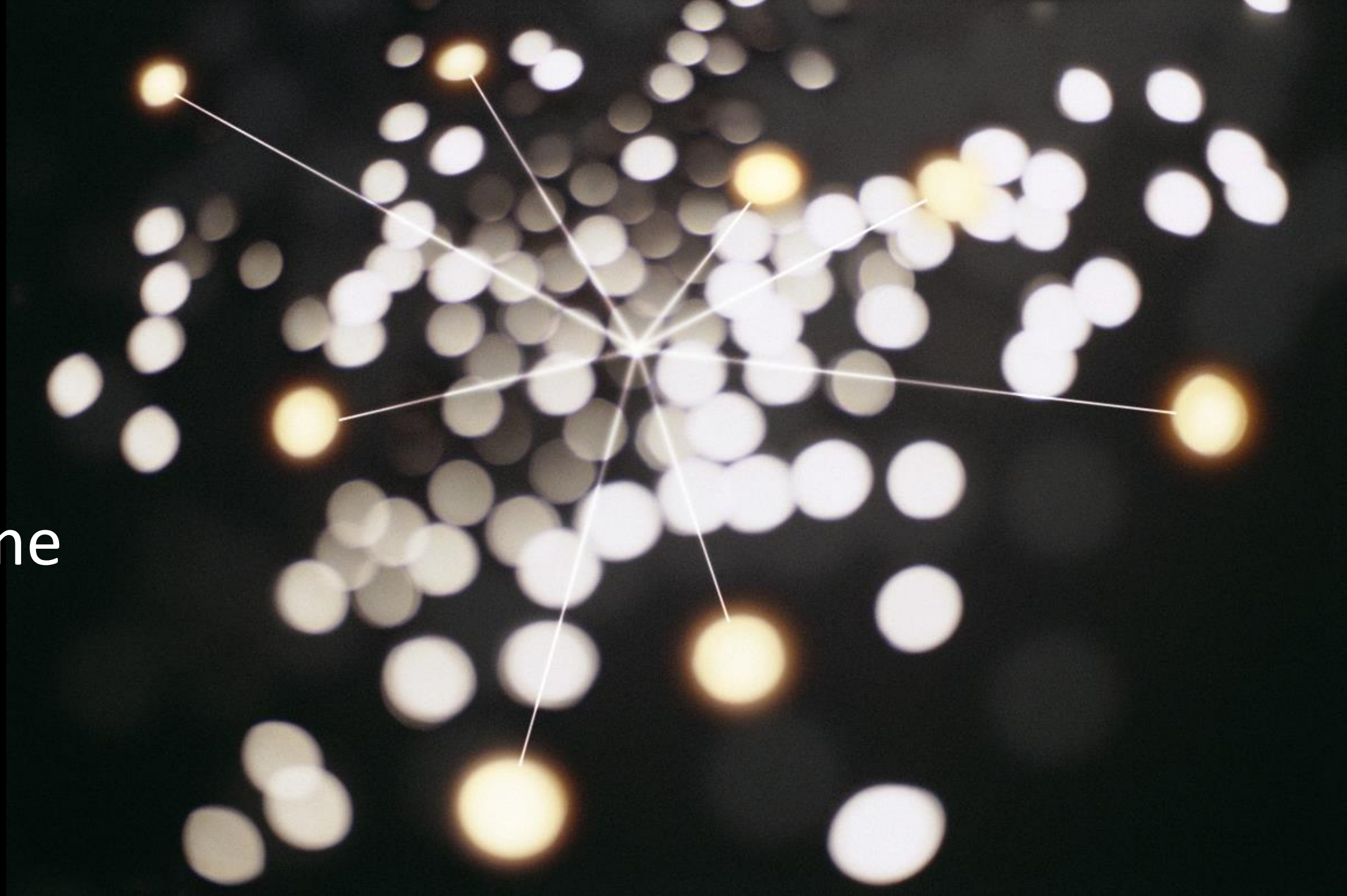
Deloitte.



Annual Remuneration Strategy Conference
Pay in a volatile environment

11 October 2022

Welcome



Conference - Platform login

1. Download App

You can either: Search for and download “CrowdComms” from the App Store or Google Play Store

Or visit:

eventapp.deloitte.com/rsc22/

Or scan this QR code:



2. Enter Code

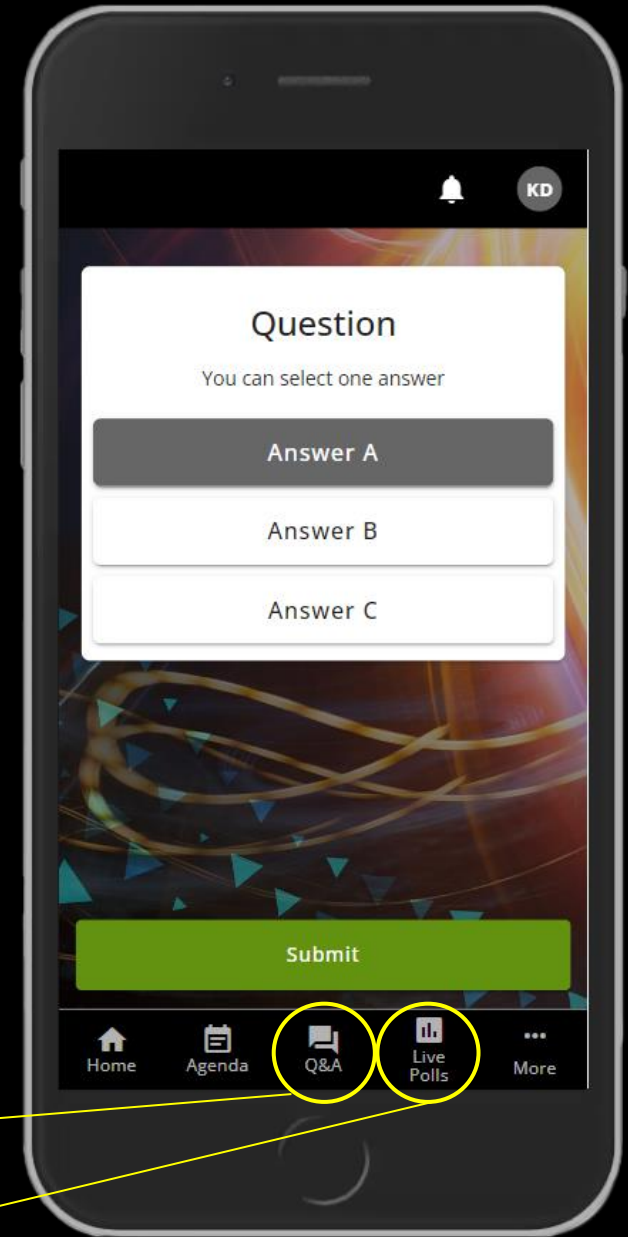
Enter event code: **rsc22**

If you're already logged into an event, you can enter a new event code by opening the right hand menu.

3. Login

External Participants – please enter the email address you registered with to create an account.

Deloitte users can sign in with your Deloitte Microsoft account using Single Sign On.



Submit a question

Participate in live polls

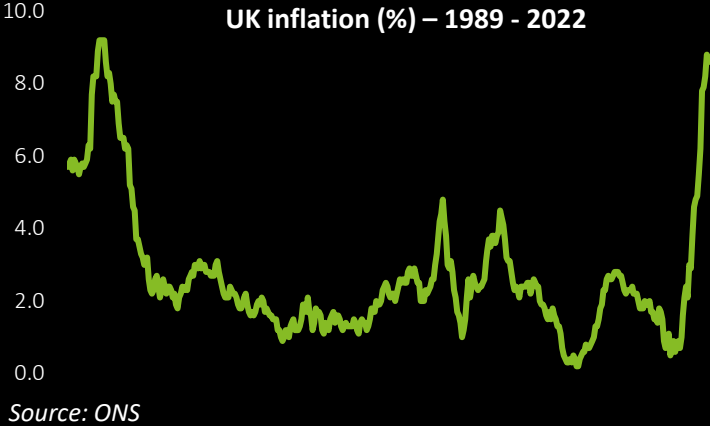
Agenda

Pay in a volatile environment

14:00	Welcome and overview	Mitul Shah, Partner
14:15	The Economic Outlook	Ian Stewart, Chief Economist (Deloitte) Sally Cooper, Partner
14:55	In conversation with....HRD/CPOs	Video discussion with HSBC, Vodafone, Croda, Rolls-Royce, SSP, Premier Foods, IG Group
15.05	Polling questions and reflections	Juliet Halfhead, Partner
15.15	Break	
15.35	Incentivising leadership – a Policy fit for purpose?	Ali Sidat, Partner
15.55	Panel discussion	Vineet Chhibber , Director, Blackrock Annemarie Durbin , Persimmon plc and Santander UK plc Alex Edmans , Professor of Finance, London Business School Ian Tyler , Anglo American plc Chair: Katie Kenny, Partner
16.55	Close	

Pay in a volatile environment

Inflation and cost of living crisis



Recruitment challenges persist

Hot labour markets – peak employment?

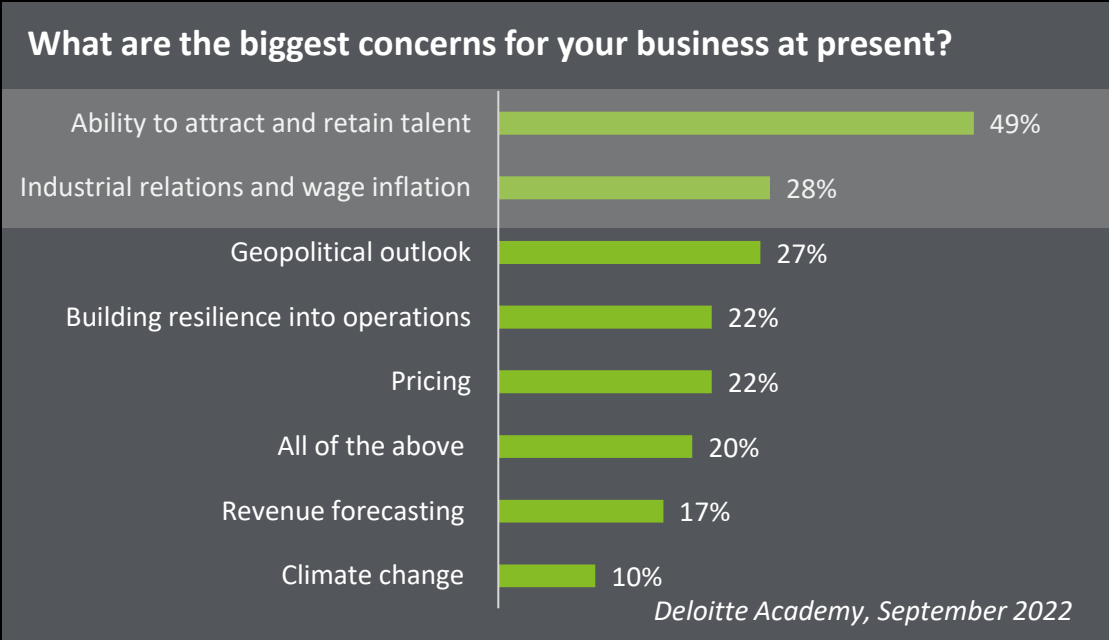
Talent hotspots – digitisation

More uncertainty ahead...

Currency volatility / business costs

Political landscape

'Winter of discontent'?



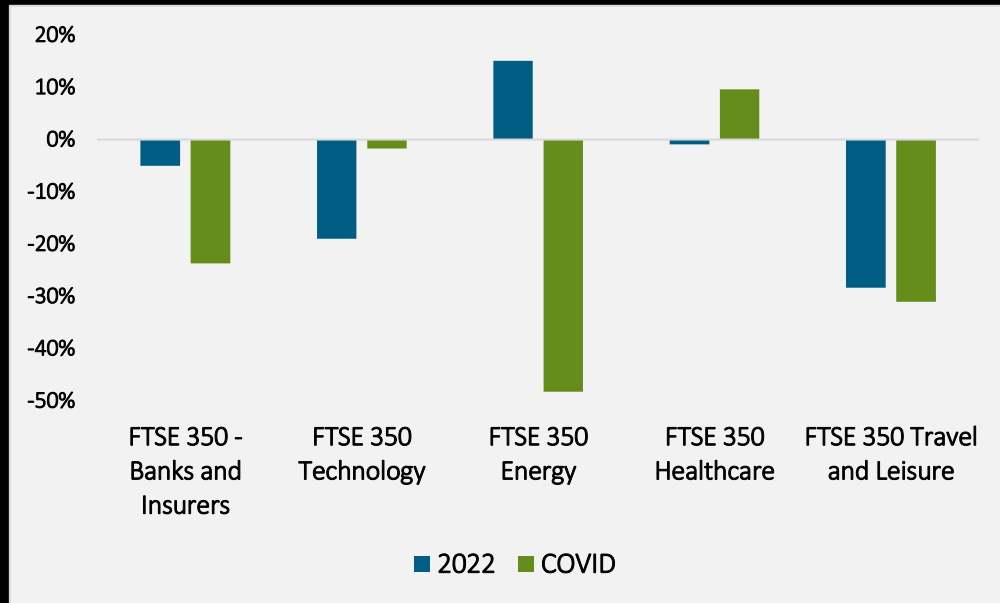
The cost of business crisis hitting UK plc
Financial Times, September 2022

City of London welcomes plan to scrap bankers' bonus cap
Financial Times, September 2022

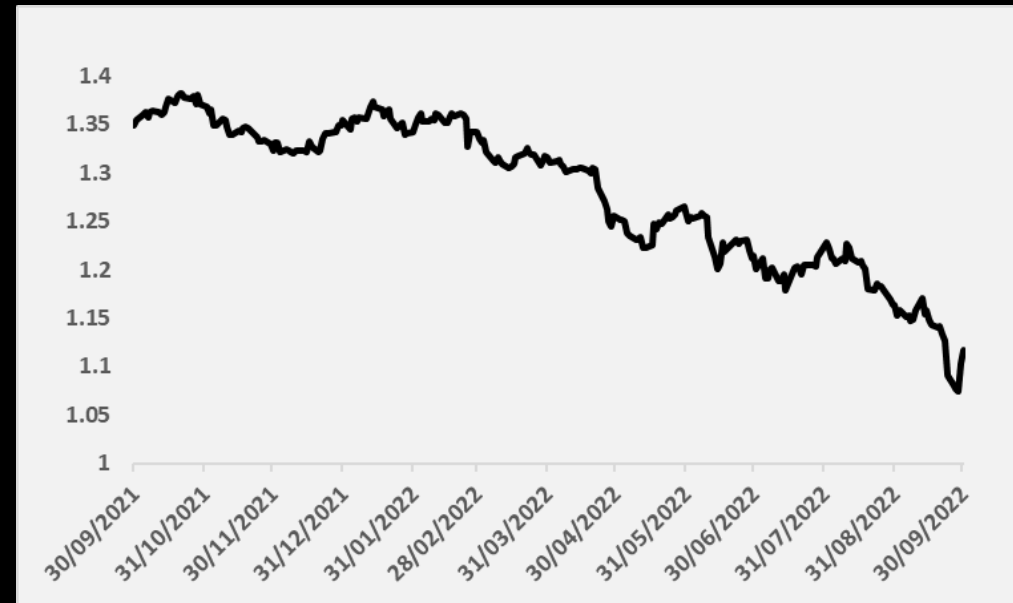
Economists downgrade UK growth forecasts in wake of 'mini budget'
Financial Times, October 2022

Market volatility – different challenges

Significant variance in share price impact by sector



Volatility in FX rates – USD:GBP shown



Talent challenges in hard hit sectors

Prevalence of diverse approaches below board

Still need top talent!

Remuneration committee agenda – a busy year ahead

Growing workforce focus

Market volatility and forecasting

Continued competition for senior talent

Business sustainability and ESG

Global workforce impact
(cost-of-living, hyperinflation)

Incentive out-turns and wider stakeholder experience

Policy review

Energy transition and climate focus

Annual salary review – budgeting and increases

Russia/Ukraine impact?

Incentives structures – increased innovation?

Innovation and investment

Wider talent agenda

Windfall gains
Grant value of awards

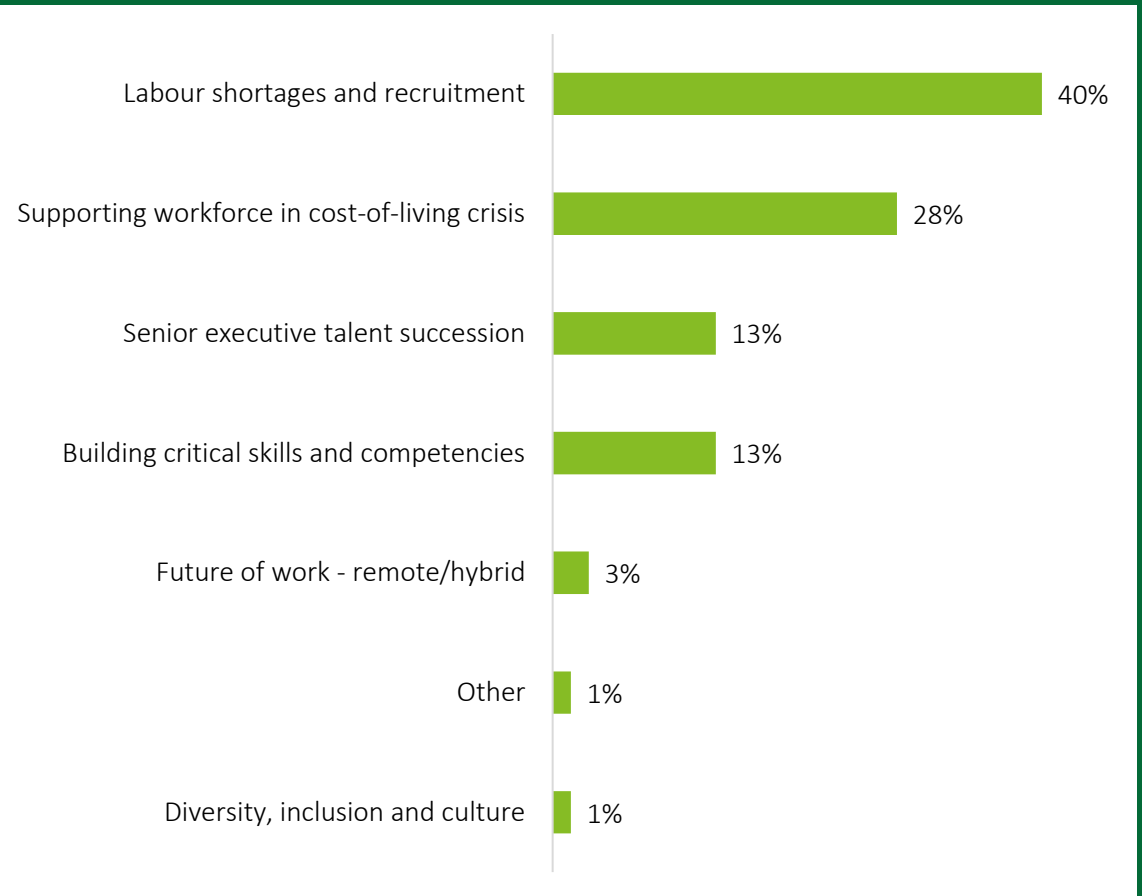
FS – banking bonus cap, further deregulation?

D&I

Question 1:

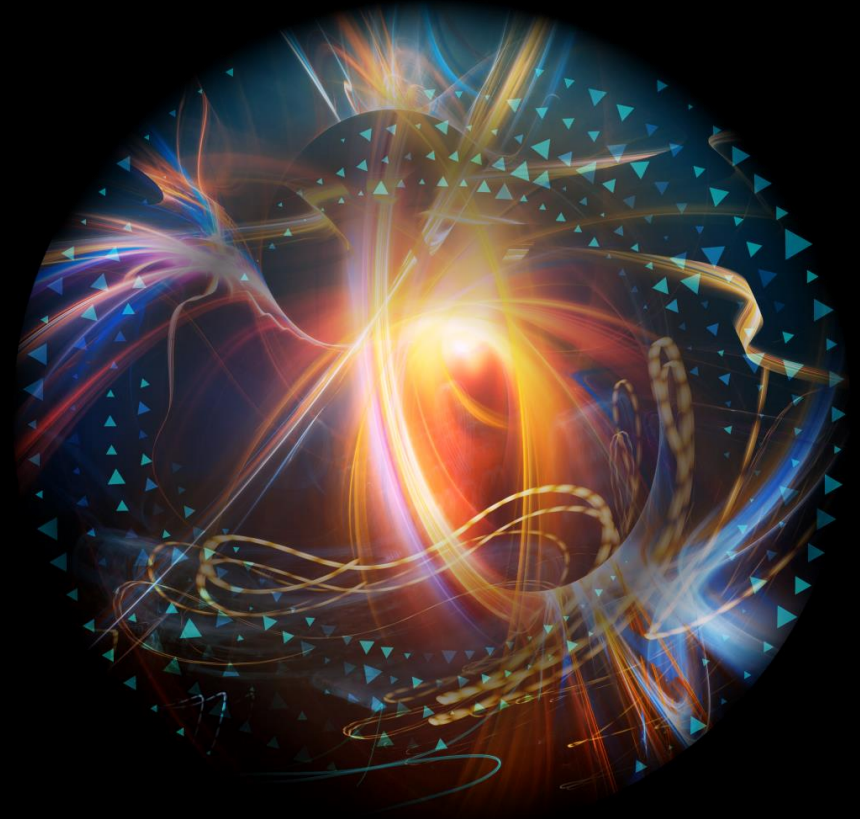
What do you see as the top talent priority for your organisation in the coming year?

- Labour shortages and recruitment
- Building critical skills and competencies
- Future of work - remote/hybrid
- Diversity, inclusion and culture
- Supporting workforce in cost-of-living crisis
- Senior executive talent succession
- Other
- Don't know



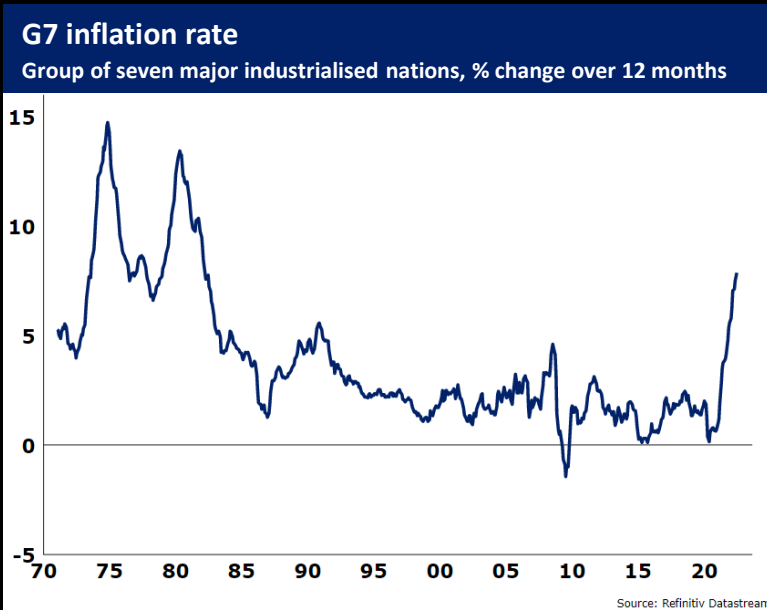
The economic outlook

Ian Stewart, Chief Economist
Sally Cooper, Partner

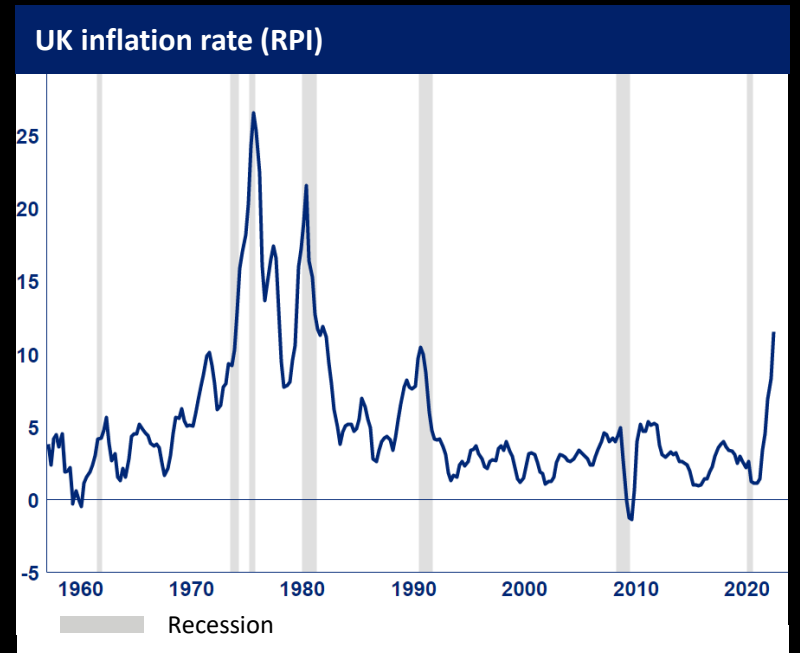


The economic environment

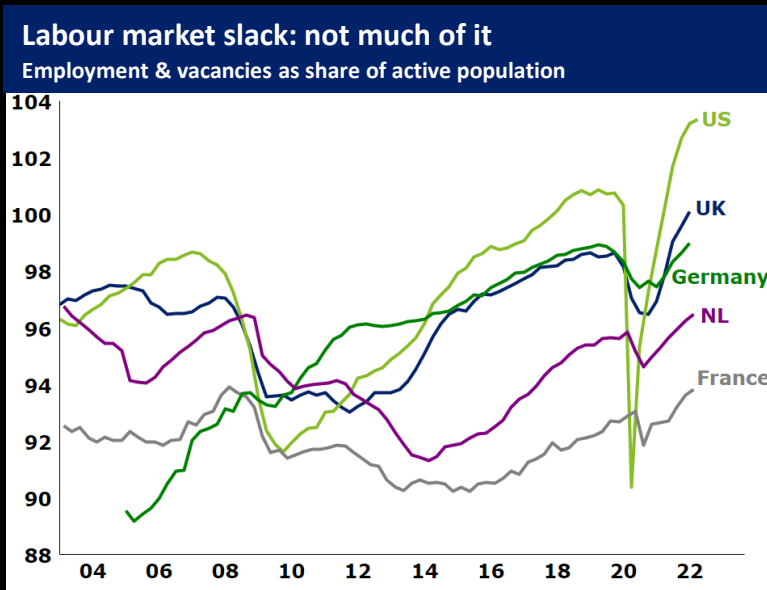
Inflation's back...



UK historical context - inflation associated with recessions



Labour markets are currently strong



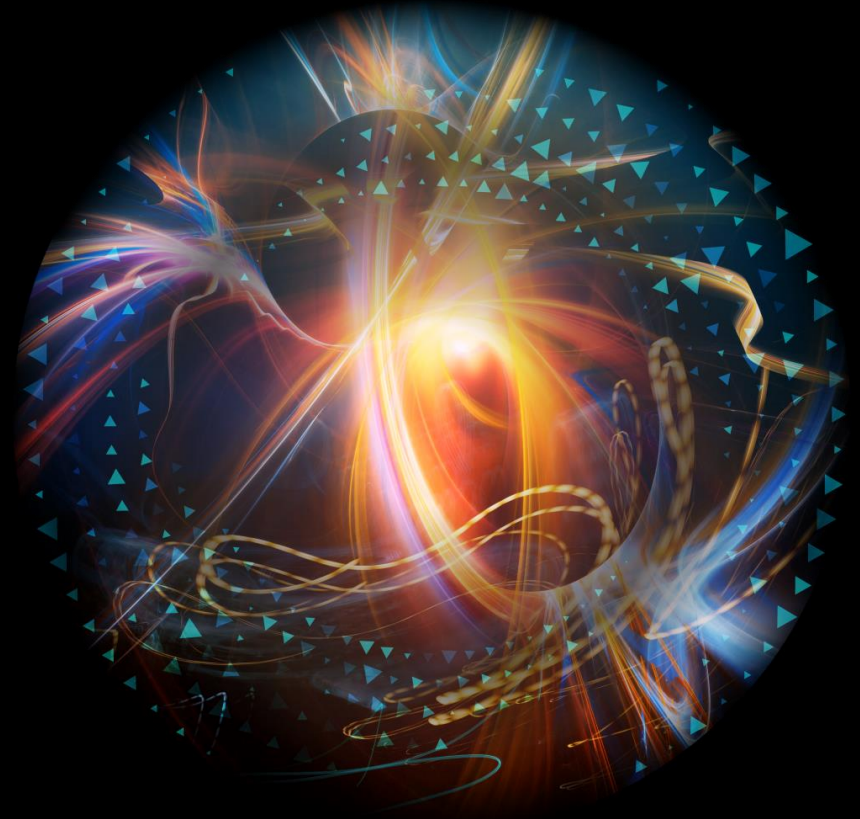
Cost-of-living crisis and rising interest rates

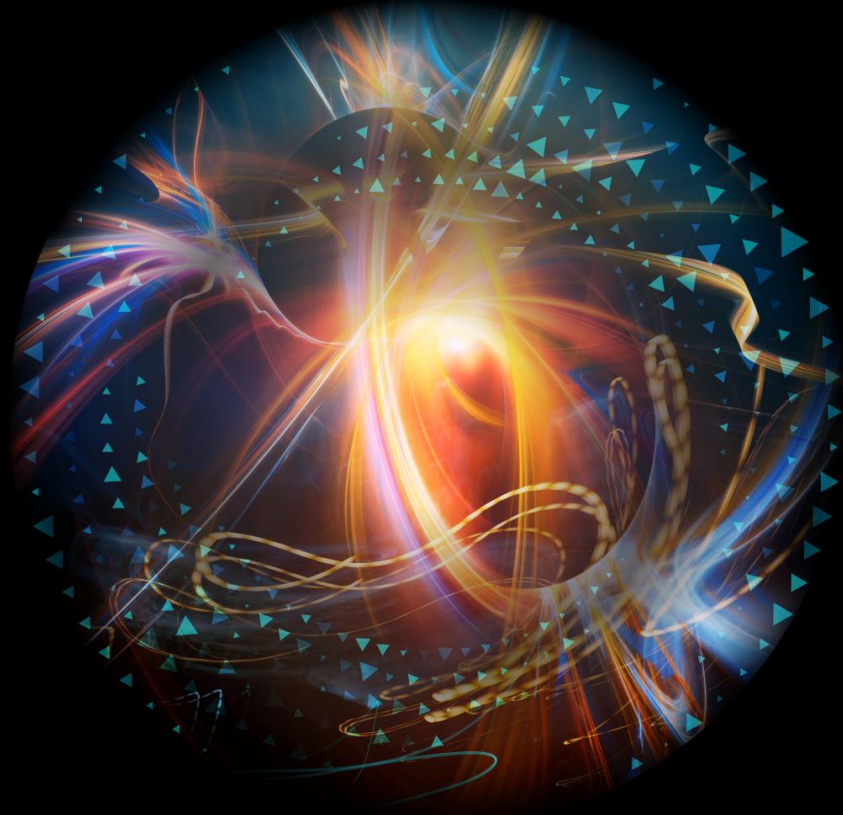
UK interest rates: how high could they go?
BBC News, October 2022

EU plans windfall taxes to counter 'astronomic' energy bills

Liz Truss's Relief for Energy Bills Is Uncapped Liability for UK

Video – In conversation with... HRDs and CPOs





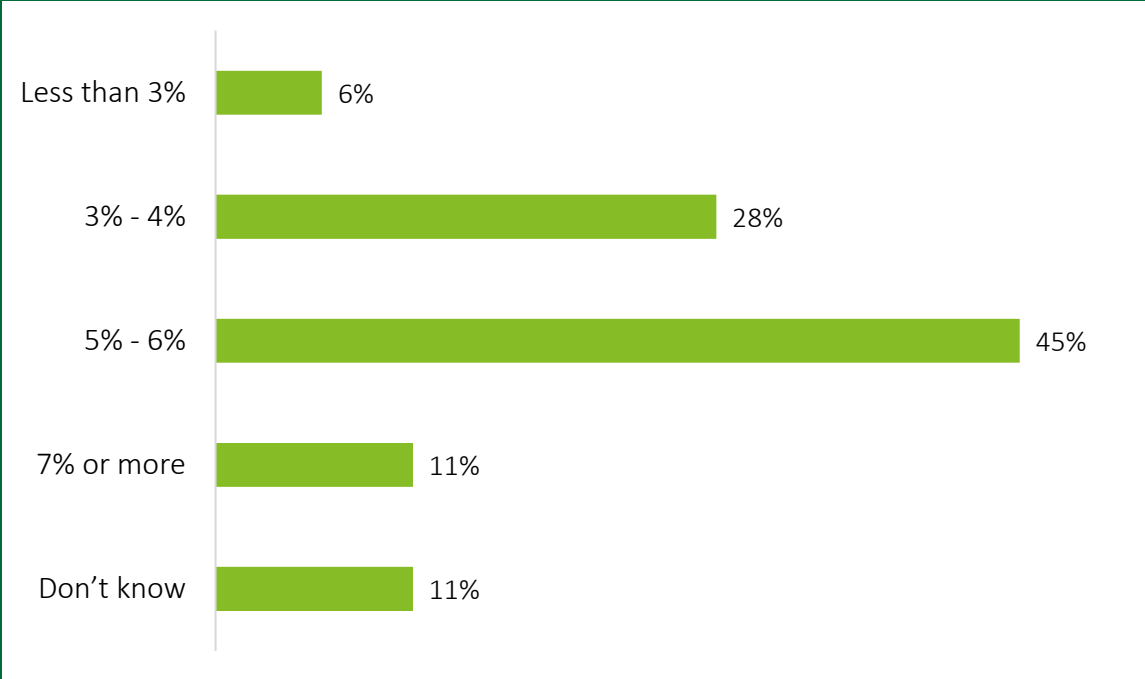
Polling questions and reflections

Juliet Halfhead, Partner

Question 2:

What is your estimated average workforce salary increase for FY23?

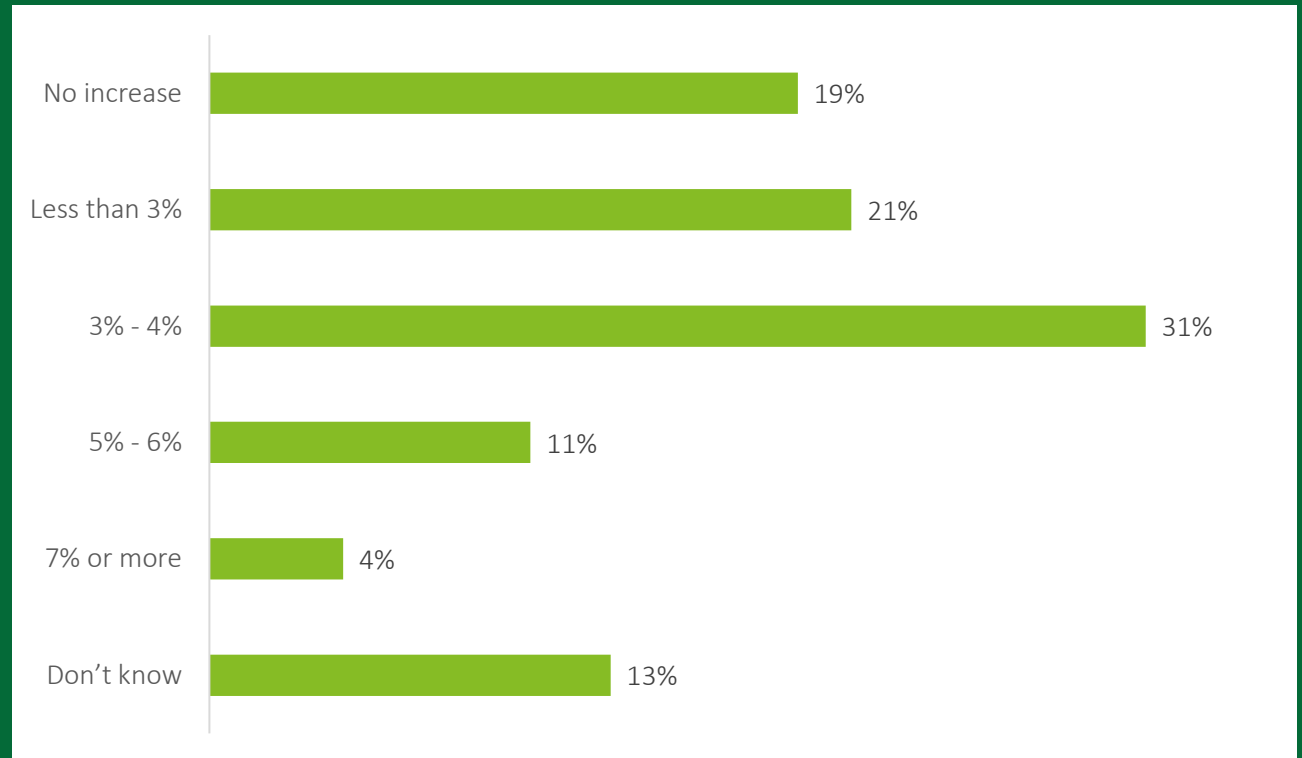
- No increase
- Less than 3%
- 3% - 4%
- 5% - 6%
- 7% or more
- Don't know



Question 3:

What is your estimated CEO salary increase for FY23?

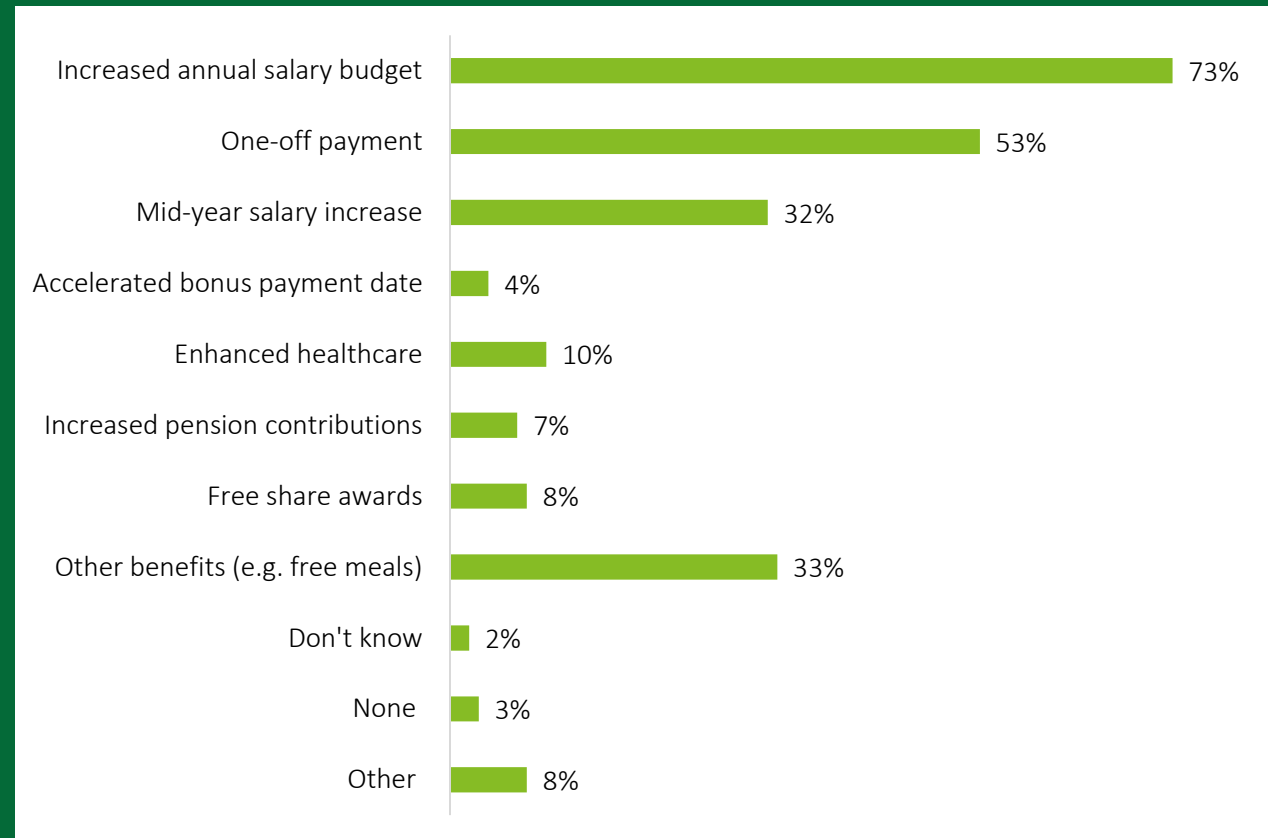
- No increase
- Less than 3%
- 3% - 4%
- 5% - 6%
- 7% or more
- Don't know



Question 4:

Which, if any, of the following cost-of-living actions have you taken or are you like to take across the workforce? (Select all that apply)

- Increased annual salary budget
- One-off payment
- Mid-year salary increase
- Accelerated bonus payment date
- Enhanced healthcare
- Increased pension contributions
- Free share awards
- Other benefits (e.g. free meals)
- Don't know
- None
- Other



Question 5:

Estimate the median value of shares held by a FTSE 100 CEO (as % of salary)?

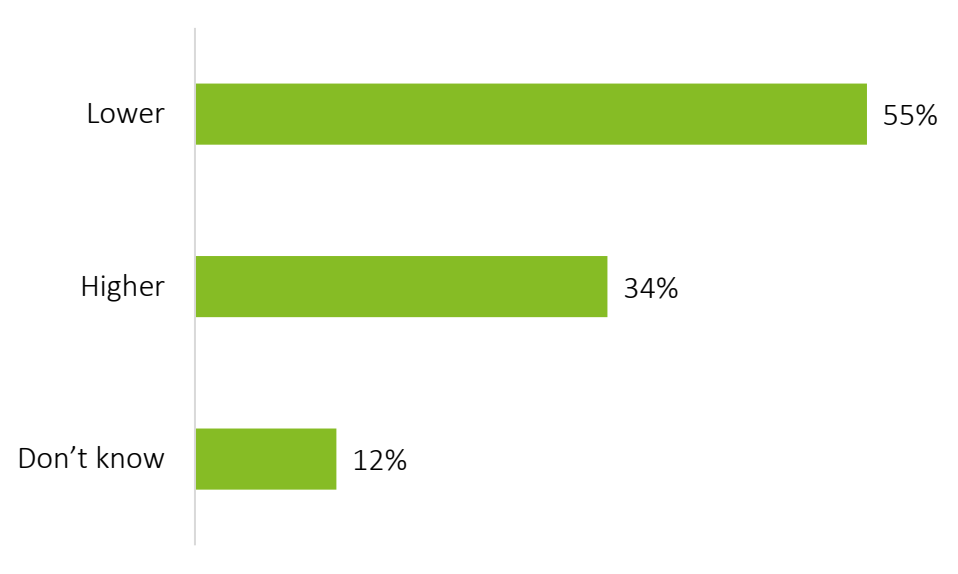
- 0 - 200% of salary
- 200% - 400% of salary
- 400% - 600% of salary
- 600% + of salary
- Don't know

Median 625% of salary
held by a FTSE 100 CEO

Question 6:

Do you expect your executive annual bonus out-turns to be higher or lower this year?

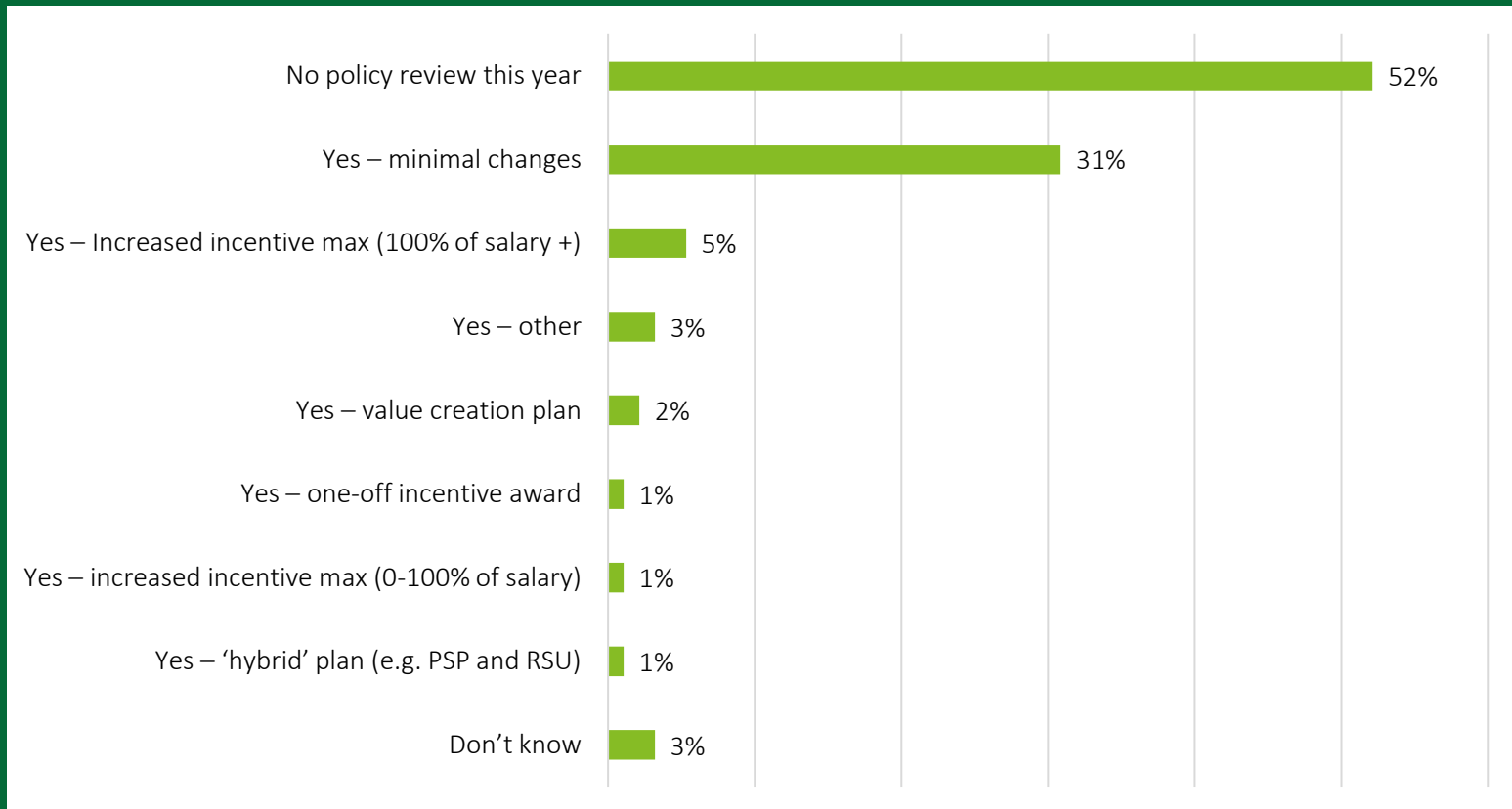
- Higher
- Lower
- Don't know



Question 7:

Are you seeking approval for a new Remuneration Policy in the coming year? If yes, what changes do you currently expect to make?

- No policy review this year
- Yes - minimal changes
- Yes – increased incentive max (0-100% of salary)
- Yes - Increased incentive max (100% of salary +)
- Yes - restricted share plan
- Yes - 'hybrid' plan (e.g. PSP and RSU)
- Yes- value creation plan
- Yes – one-off incentive award
- Yes – other
- Don't know

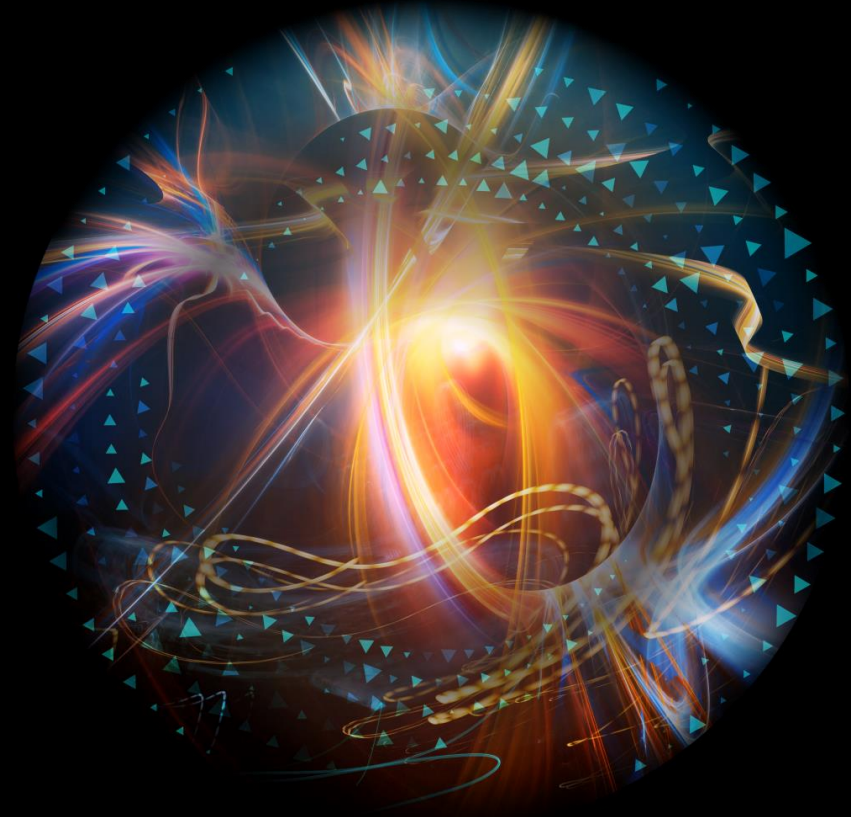


Break

The next session will start at 3.35pm

Incentivising leadership...a policy fit for purpose?

Ali Sidat, Partner



A different type of policy review

BAU Policy Review



Strategic alignment / business phase



Executive talent strategy



Below board (Executive Committee)



Best practice/safeguarding features

Challenges for 2023

Evolving strategy

Hard to set targets

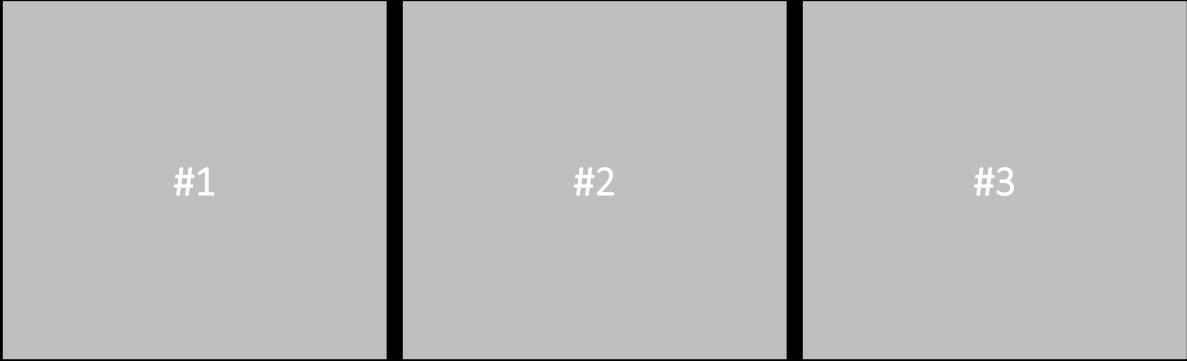
Reward outperformance of market?

Avoid rewards for failure?

Hot talent market

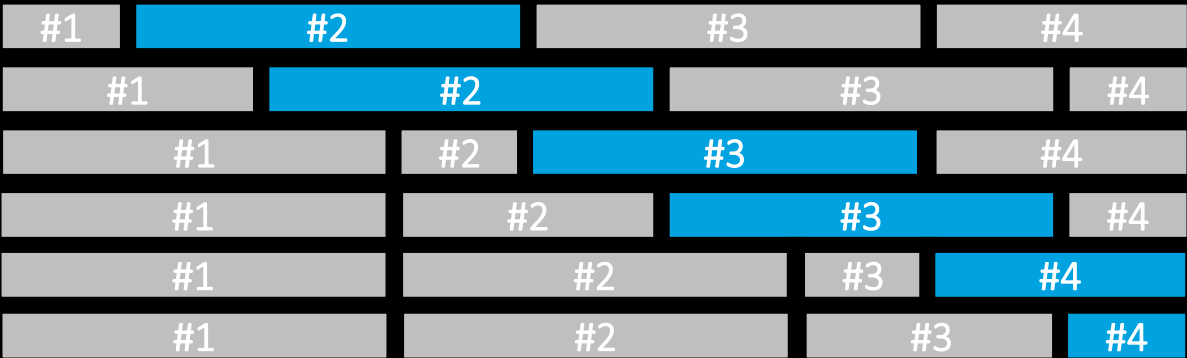
Maintain investor support

Breaking the cycle



c.40%

- Standard 3-year cycle



c.45%

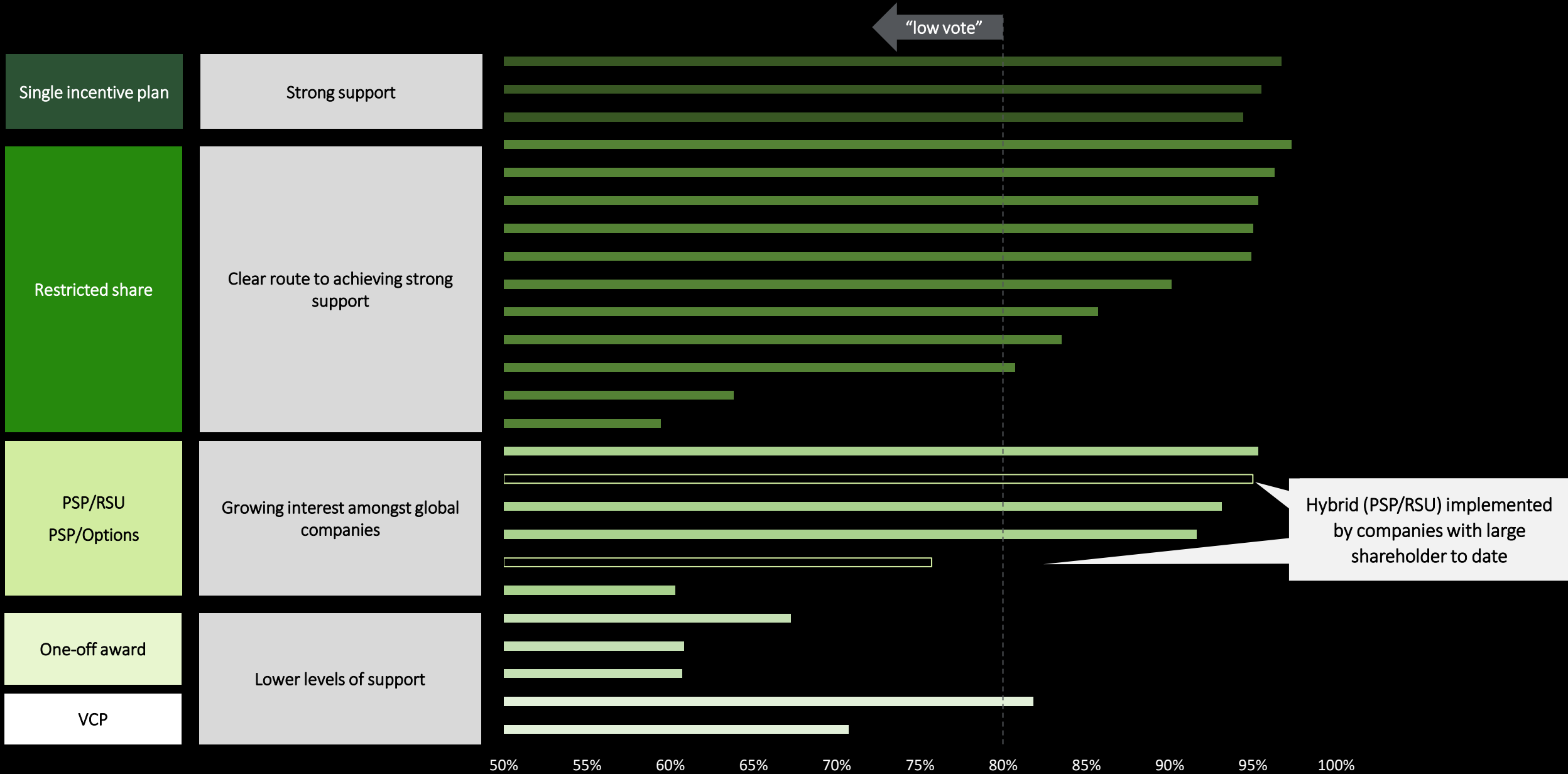
- At least 1 out of cycle Policy renewal



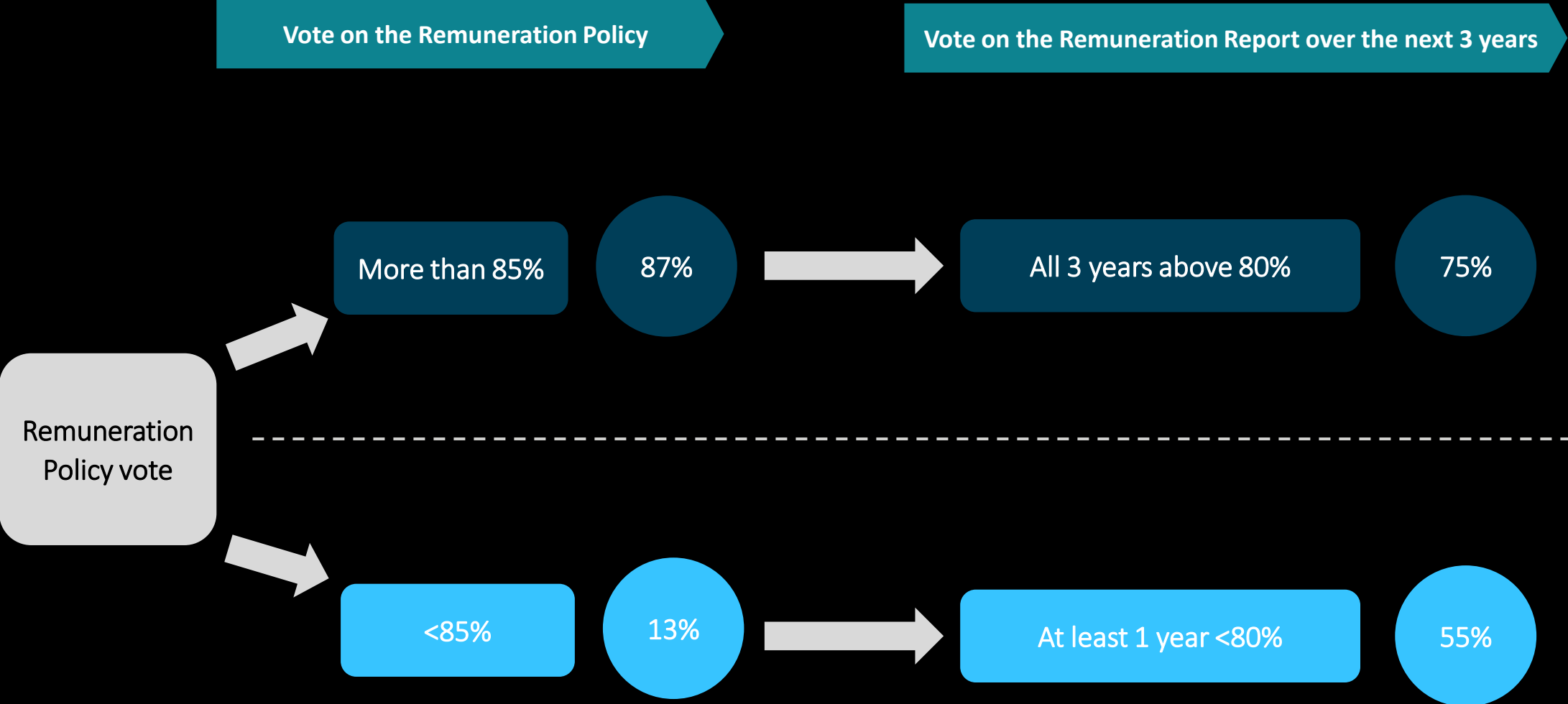
c.15%

- Multiple out of cycle Policy renewals

Alternative incentive structures in FTSE 100 (voting out-turns)



Deploying goodwill



Solution #1 – Restricted Stock

c.10-15% of the market

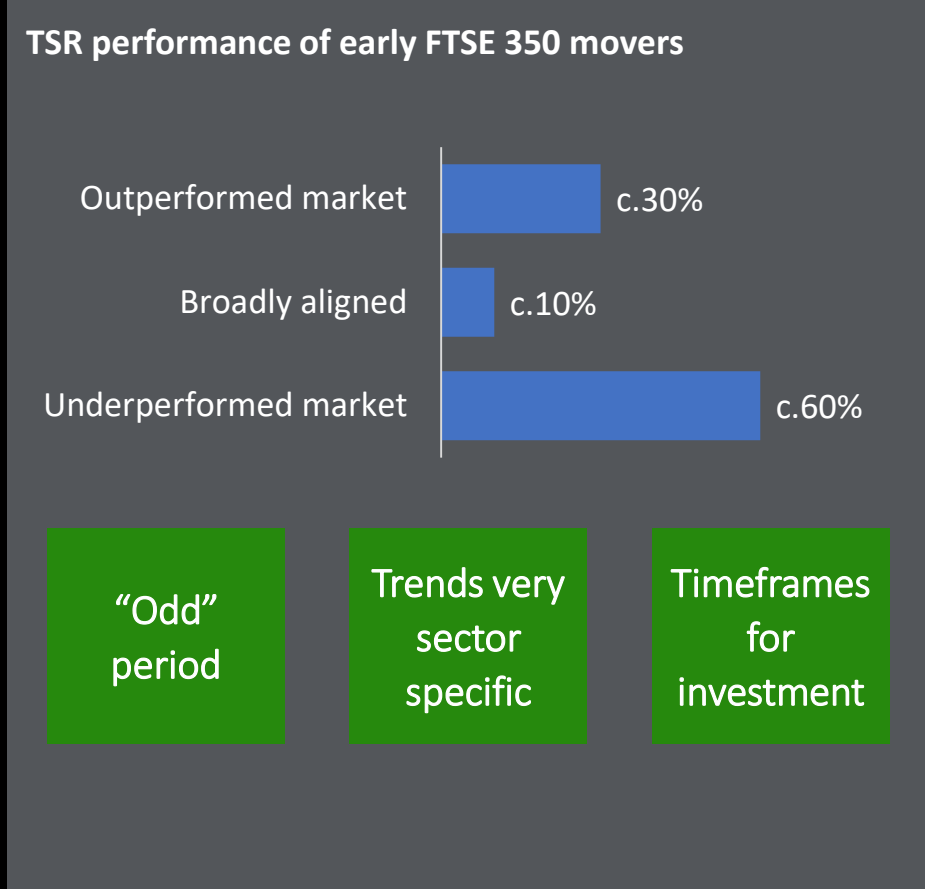
Clear market precedent

Commercial rationale

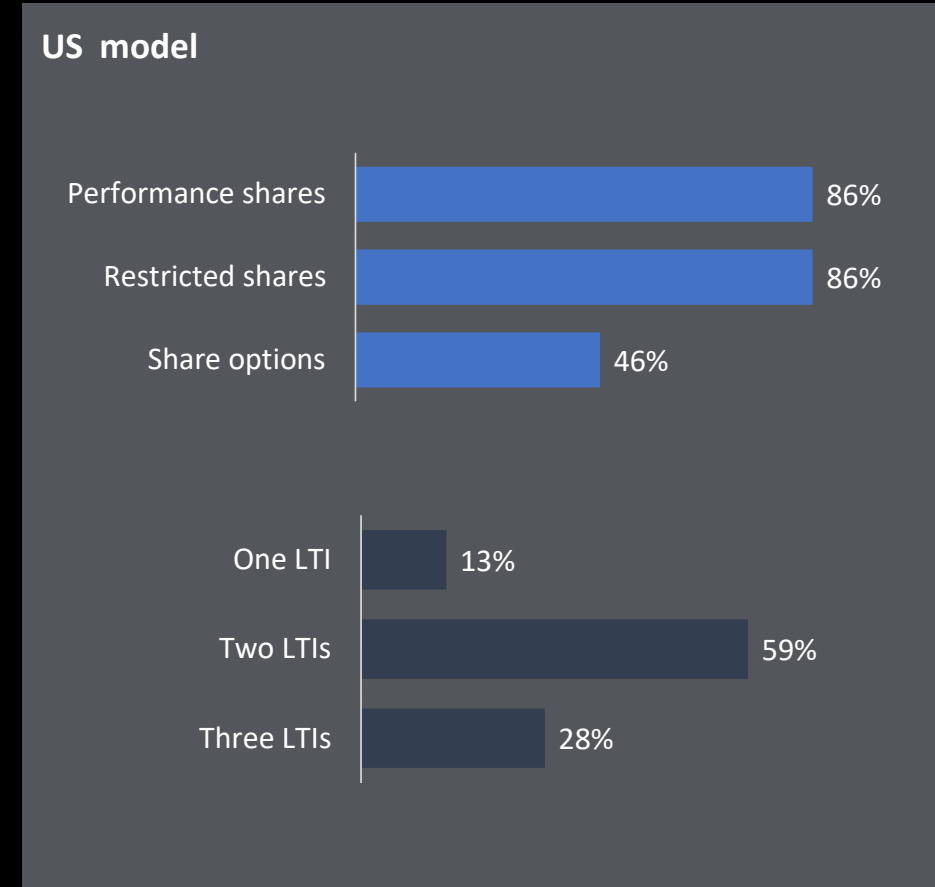
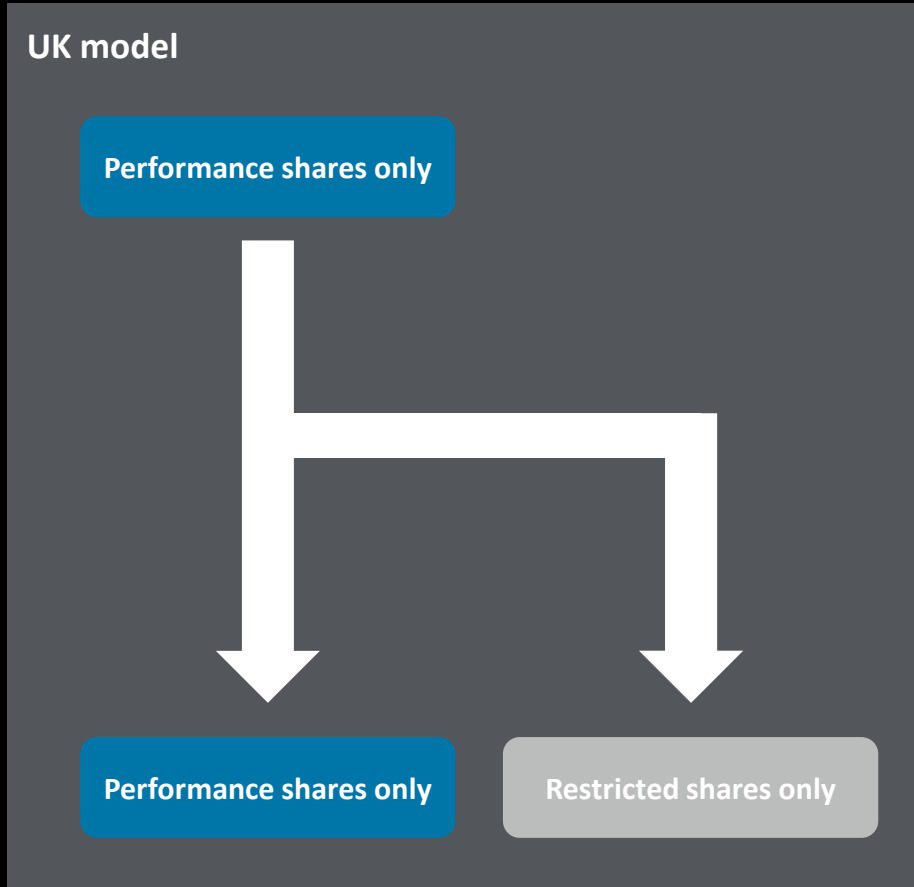
50% discount

5 years

Robust underpin



Solution #2 – Hybrid structure



Solution #3 – More innovative solutions

Medium-term approach – e.g. 2-year performance period?

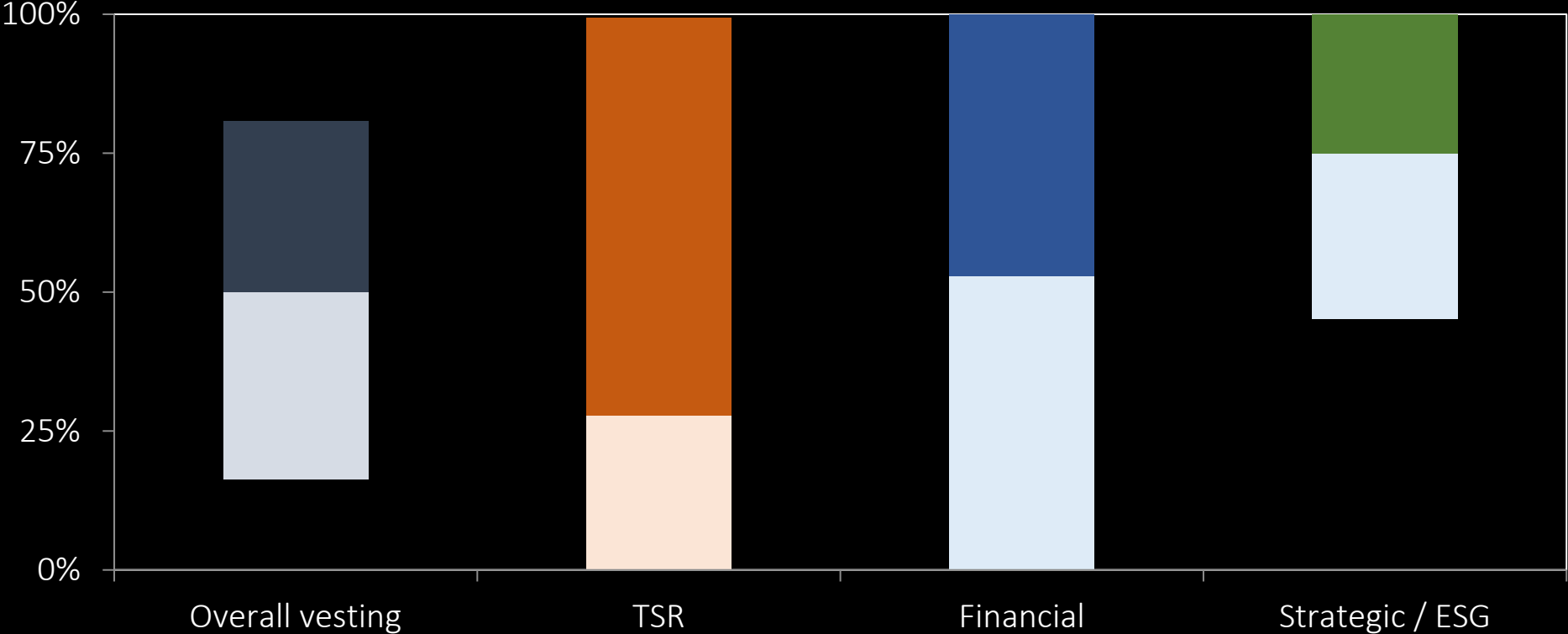
Short-term move to Restricted Stock?

...and many more depending on risk appetite!

Shift focus from LTI to bonus (or vice versa)?

More flexible governance – e.g. relaxed deferral?

Solution #4 – Focus on performance measures



Solution #4 – Focus on performance measures



How do you attract, retain and motivate?

Package A	Package A
200% of salary	160% of salary
75% Relative TSR 25% EPS growth – 10-15% p.a	33% EPS – more realistic targets 33% - 'other' financial 33% - strategic?

Concluding comments



Panel discussion

Annemarie Durbin, Persimmon plc and Santander UK plc

Ian Tyler, Anglo American plc

Alex Edmans, Professor of Finance, London Business School

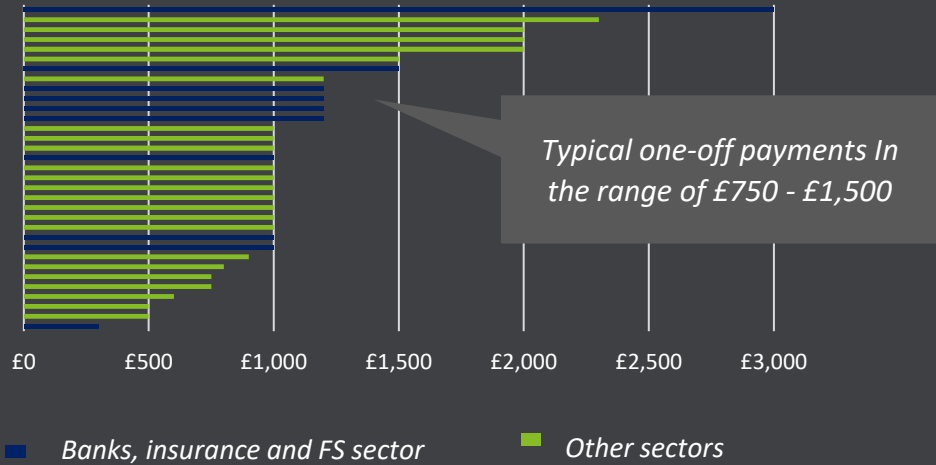
Vineet Chhibber, Director, Blackrock

Chair: Katie Kenny, Partner

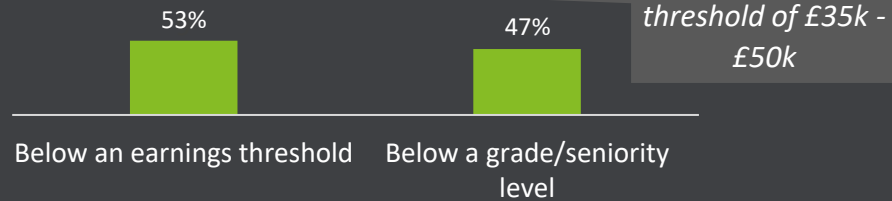
Cost-of-living actions

One-off cost-of-living payments

Payment value (£) – where disclosed



Eligibility basis - where disclosed

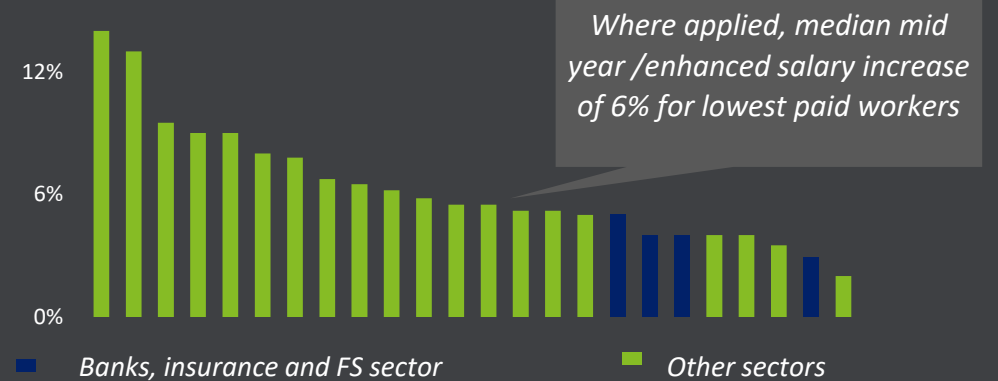


Other actions (where published)

- Additional benefits including financial planning assistance
- Accelerated bonus payment date
- Free share awards
- Increased employer pension contributions
- Enhanced healthcare
- Other benefits (e.g. free meals)

Mid year / enhanced salary increases

Salary increase (%) – where disclosed



Assessing windfall gains

Overall value
at vesting v
prior years

Achievement
of
performance
targets

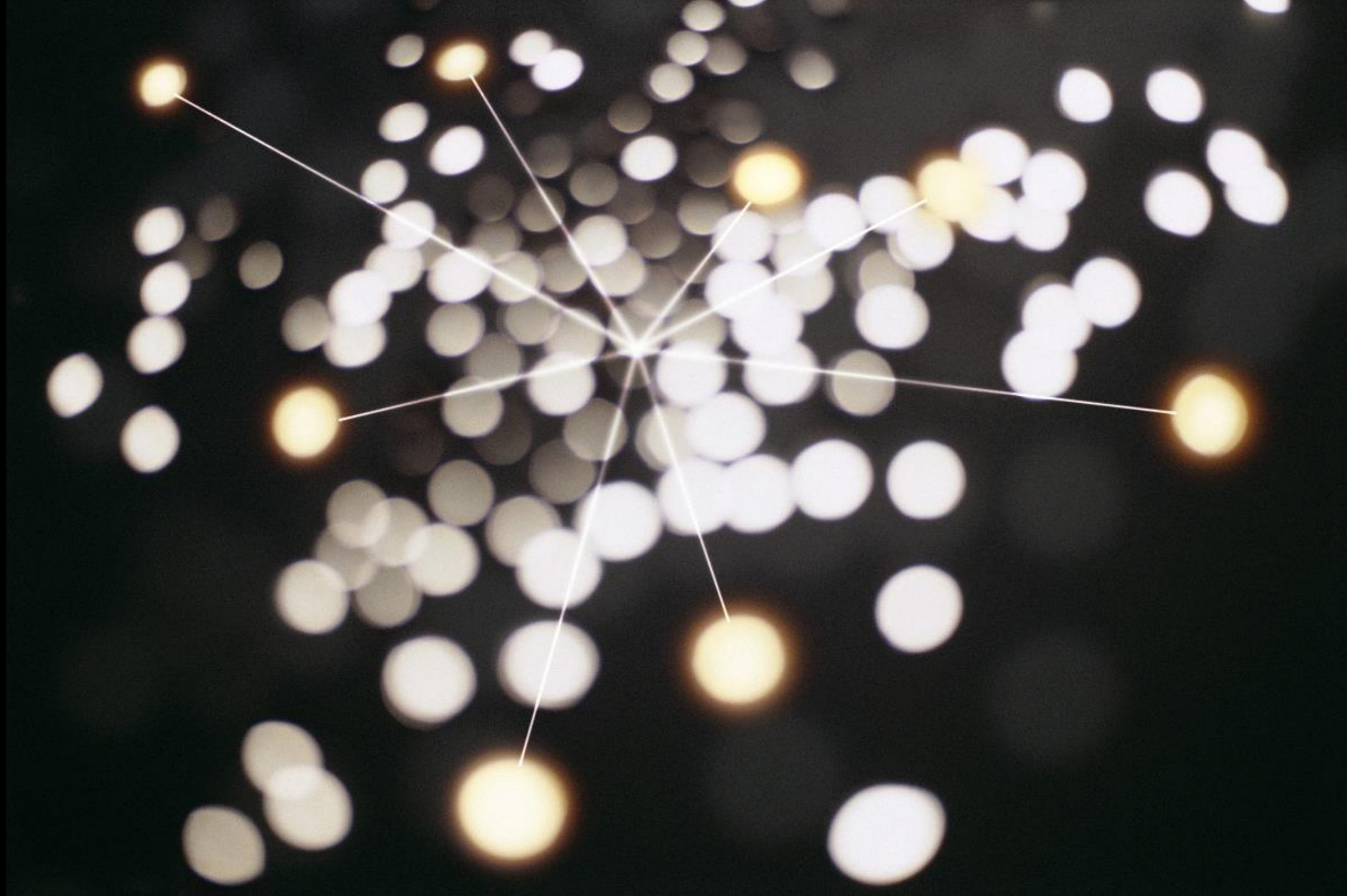
Long-term
share price
movement

Wider
stakeholder
experience

Relative TSR
performance
v peers

Historical
vesting over
performance
period

Close





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