Know the ropes
The remuneration committee knowledge

The Deloitte Academy
When we published our first guide for remuneration committee members a few years ago we mentioned that the work of the remuneration committee had become highly visible and increasingly complex.

Little did we know what was just around the corner. In the wake of the financial crisis the pay of executives became one of the most discussed aspects of the crisis, deemed by many to be the sole cause of all the problems. For many, being a member of a remuneration committee in a UK plc in recent years has not always been a comfortable position.

2013 sees the introduction of new disclosure requirements which represents the biggest change in the reporting of remuneration in over a decade. It also sees the introduction of the binding vote which will, for the first time, make it impossible to make payments to directors which are not mandated by a shareholder approved policy.

This will undoubtedly increase the workload of the committee members as the new requirements and particularly aspects such as the disclosure of recruitment and exit policies will require committees to review and update existing arrangements. It is becoming increasingly important that the remuneration committee has very clear and robust processes in place to ensure that decisions are taken objectively and fairly.

We have written this guide for both new and experienced members. As a new member of a remuneration committee many of the concepts, processes and terms may be unfamiliar and there is a large amount of regulatory and technical information you will need to absorb. As an experienced member you need to keep up to date with current market trends, shareholder views and guidance and changes in tax and accounting, and in the regulatory and governance environment.

The regulatory requirements discussed in this guide, and much of the information relating to the shareholder perspective, apply to companies incorporated and listed on the main market in the UK. However, many of the principles and processes will apply to private companies and companies incorporated outside the UK.

The guide is structured to take you through the knowledge you will need during the annual remuneration cycle. A more seasoned remuneration committee member may find it helpful to dip into it from time to time to refresh the memory.
Guidance is provided on:

- The purpose of executive remuneration and how remuneration is structured.
- The role of the remuneration committee.
- Incentive plan design and implementation.
- Performance measurement and target setting.
- How to benchmark remuneration.
- How to manage shareholder communication.
- Disclosure and the remuneration report.
- What a service contract should include.
- How the committee should appoint and work with advisers.

I would like to thank all the members of the Deloitte executive remuneration team, both past and present, who have contributed to this guide. In particular I would like to thank Rupert McNeil who conceived the original idea for the guide and was one of the authors and contributors of the first edition and Alison Smith without whom we would never have finished the first edition nor taken on the task of producing this second edition.

We hope this guide will become an important addition to your remuneration committee documentation pack.

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November 2013