

Long term incentive plans for Middle East businesses

A key asset to any organization is its people, and employers therefore need to have a strategy to ensure that they are attracting and retaining the right talent, and that their objectives are aligned with those of the business over the long term. Leading businesses can seek to optimize the performance of key people by implementing long term incentive plans. These are commonly used to align the interests of employees with those of the business.

The objectives of long term incentive plans should include:

Provide competitive reward

- To retain key talent
- To deliver market competitive reward which is in line with industry best practice

Create alignment and drive business performance

- To align the interest of employees with those of shareholders
- To incentivise employees to deliver long-term performance

Encourage particular behaviours

- To drive certain desired behaviours
- To reward the achievement of key performance indicators ("KPIs")

Impact on the organization

The design of the organization's incentive arrangement can impact a number of stakeholders, for example:

Shareholders

Aligned incentive arrangements would give shareholders the confidence that the business is being run with their interests at heart.

External stakeholders

An organization's incentive and reward structure can powerfully signal an organization's objectives and demonstrate a commitment to achieving certain KPIs, both financial and non-financial.

Chief finance officer (CFO) and finance team

Incentive arrangements have many accounting and statutory reporting implications (notably from IFRS 2 and IAS 19, and potentially FATCA/CRS). The impact of these should be understood before any arrangements are implemented.

Senior management, C-Suite, and key directors

Appropriate incentive arrangements will help ensure that the organization is geared towards long-term value creation, and that its leaders appropriately share in that value creation.

Chief human resources officer (CHRO) and human resources (HR)

Attractive incentive arrangements can make the job of talent acquisition easier. It can also significantly enhance the retention of key people. HR may also play a role in ensuring the benefits of any arrangement are understood by the participants.

Remuneration committee

The purpose of the committee is to determine the strategy and policy in relation to the reward of the organization's key people. They will be key to any major reward decision.

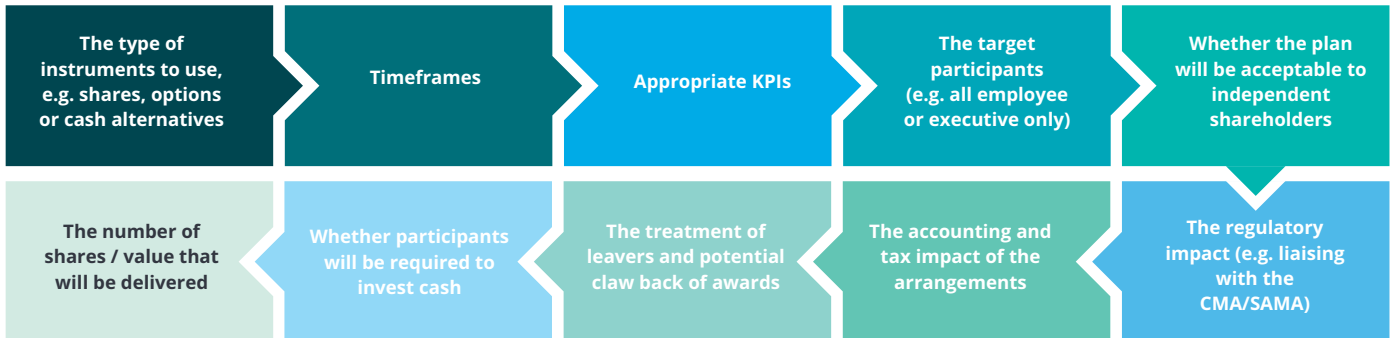
Tax and payroll teams

Individuals may be subject to tax and potentially social security contributions in relation to reward arrangements, which could create employer withholding liabilities. These should be understood to ensure compliance with global tax law.



Getting it right

It is important to get the design elements right. When an organization is successful, a well-designed incentive package is seen as a key contributing factor. Some of the design and structuring considerations when establishing long term incentive plans include:



Deloitte have the experience and global network to assist with the different elements involved.

Why now?

Some of the reasons why the implementation of these types of incentive plans should be considered now are:

1. Long term focus, e.g. government focus on long term visions
2. Immigration law aimed at long term regional talent retention, e.g. 10 year visas
3. Focus on attracting investment
4. Corporate governance / regulator recommendations
5. Global talent competition and best practice
6. Regional nationalization initiatives
7. Increasing number of firms in the region are implementing such plans

Potential steps



Contacts

If you have any comments, please send your queries to: GESreward@deloitte.com or any of the individuals mentioned below:



Alex Law
Partner, Tax
alexlaw@deloitte.com



Aliabbas Virani
Senior Manager,
Global Employer
Services - Reward
alivirani@deloitte.com