



Fair or Unfair? getting to grips with executive remuneration

Summary

Executive remuneration is an important driver of behaviour and therefore of the way values are perceived throughout a company. However, current approaches to the way executive pay is set are very complicated with outcomes that are uncertain and a process that is tough for boards to manage. There is a widespread view that the present system in the UK does not deliver the right incentives, and may even be fundamentally broken.

This IBE Board Briefing, the third in the series, looks at the difficult and complex task of the remuneration committee.

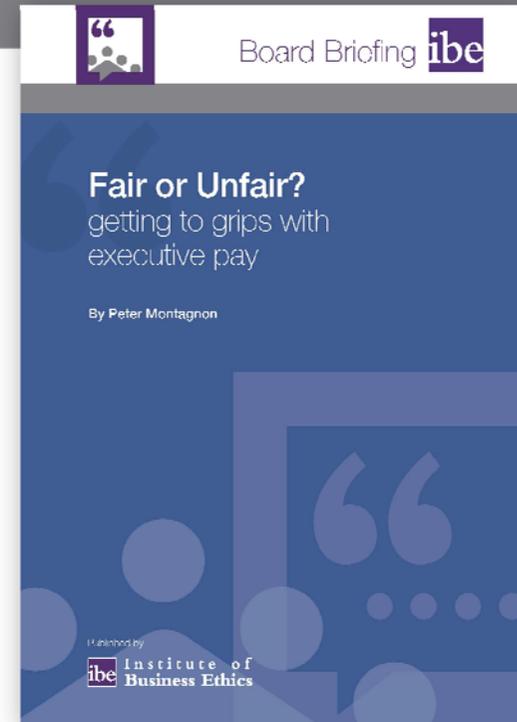
It aims to help remuneration committees identify and respond to the ethical challenges they face.

Fairness and simplicity are the two themes which run through *Fair or Unfair? Getting to grips with executive pay*. The Board Briefing suggests that two requirements are paramount. First, remuneration committees must have a clear sense of the value of what is being awarded. Second, remuneration committees need to do more to justify the amount they have set.

Along with practical advice it offers some pointers for reform particularly around the need not only to be clear about the value of what is being awarded but also the pace at which remuneration is earned.

The Board Briefing offers a practical response to seven challenges facing today's remuneration committee:

1. Does the remuneration committee know the value of the rewards being delivered?
2. Will the performance conditions really promote the desired behaviour?
3. Who really sets the bonus and long-term performance targets?
4. Does succession planning reduce the pressures?
5. Should executives receive a bonus for good management in a crisis or downturn where shareholders have lost money and jobs have been lost?
6. What account should remuneration committees take of pay and conditions elsewhere in the company?
7. Should remuneration be linked to culture and behaviour?



“Fair or Unfair? getting to grips with executive remuneration” by Peter Montagnon

Available from www.ibe.org.uk >>

Price: £27.50 incl p&p (IBE subscribers £22.50)

Publication date: February 2016