

Global Competent Boards Insights

September 18, 2024

Responsible Remuneration: **Modernize Executive Pay**



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Ayman Chowdhury

Director, Advisory & Programs,
Competent Boards

Competent Boards

Our board education programs and advisory services are designed to meet the growing demand from regulators, investors, and other stakeholders to be compliant, resilient, and value-driven



Asia
China
Hong Kong
India
Indonesia
Israel
Japan
Malaysia
Pakistan
Philippines
Qatar
Singapore
Thailand
Vietnam
UAE
Saudi Arabia

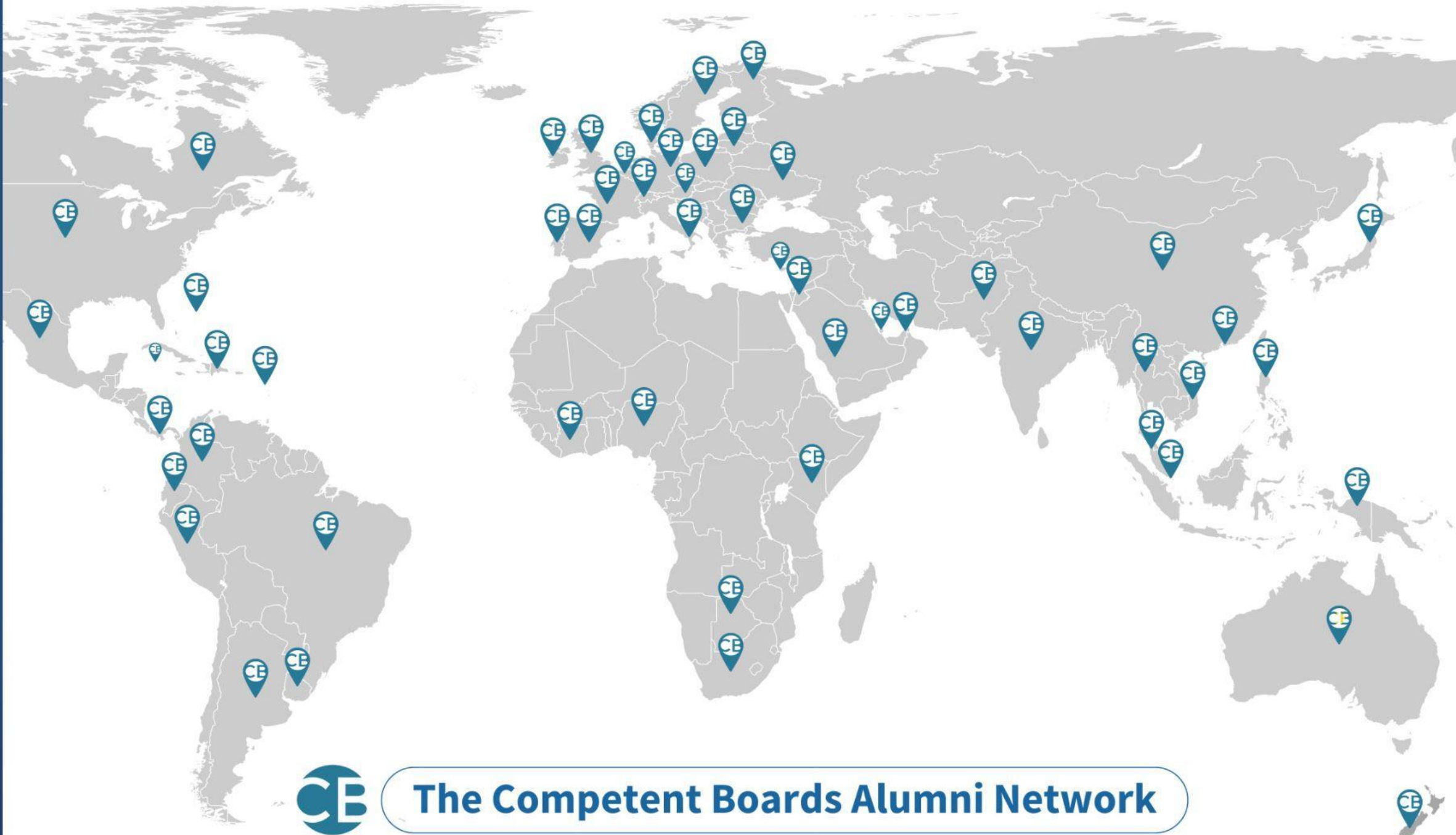
Africa
Botswana
Kenya
Cote d'Ivoire
Nigeria
South Africa

Europe
Austria
France
Denmark
Bulgaria
Cyprus
Finland
Germany
Ireland
Italy
Lithuania
Netherlands
Poland
Portugal
Spain
Sweden
Switzerland
United Kingdom
Ukraine

North America
United States
Canada
Cayman Islands
Dominican Republic
Antigua & Barbuda
Bermuda
Mexico
Panama

Oceania
Australia
New Zealand

South America
Argentina
Brazil
Colombia
Ecuador
Peru
Uruguay



The Competent Boards Alumni Network





The Brightest Minds in the Room

World-class sustainability
and climate education for
and by directors and
executives.

- 180+ faculty
- 60+ countries



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Chair Emeritus,
King Committee on
Corporate
Governance in
South Africa



Joyce Cacho
Board Chair &
Independent
Director, Sistema
Biobolsa



Agnes K Y Tai
Director, Great
Glory Investment
Corporation



Mark Konyn
Group Chief
Investment
Officer, AIA



Robert G. Eccles
Chair, KKR
Sustainability
Expert Advisory
Council



Chad Holliday
Chair, Mission
Possible
Partnership



Jane Diplock
AO Vice President,
Abu Dhabi Global
Market Appeals
Board



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Abouchere**
Director
Sustainable
Investing
(EMEA),
Wellington
Management



Nik Gowing
Founder,
Director,
Co-author
'Thinking the
Unthinkable';
Former Main
Presenter, BBC
World News



Kathleen Taylor CM
Vice Chair, Adecco
Group; Director, Air
Canada; Former
Chair, Royal Bank of
Canada (RBC)



Return on Upskilling

Source:
Alumni Impact Survey



Got a new board seat or board committee appointment following their Designation and Certification.



Believe the multidimensional Competent Boards upskilling process opened their eyes to ways of working and thinking that they hadn't previously considered.



Feel more confident communicating with the board and other stakeholders as a result of taking the program.



Believe they are better equipped to make more informed decisions, resulting in stronger oversight.



Feel they have a wider, deeper insight and are more appropriately equipped for the broader and more intense demands of a board position.



Rate the program's value as high in terms of improving risk management.



Rate the value of the program high in regards to what it has brought them and their company in terms of building their brand.



Would recommend Competent Boards to their network.

CE Program Highlights

Live Learning Programs:



SEPTEMBER 2024
Sustainability & ESG
Designation (GCB.D)
and Certification



OCTOBER 2024
Climate & Nature
Designation (CCB.D)
and Certification

Featured short self-paced certificate courses:



AI from the Top:
Strategic and
Responsible AI
Leadership



Sustainability Governance:
Elevating Oversight of
HCM and DEIB

Asking a Question

To ask questions during the webinar, click the Q&A icon at the bottom of your screen to open the Q&A panel. Type your question in the text box, keeping it concise and relevant, then click "Send."

You can also upvote other questions by clicking the thumbs-up icon next to them. Upvoting helps bring attention to questions you find interesting or relevant, increasing the likelihood that they will be addressed during the webinar. The more upvotes a question receives, the higher its priority in the queue.



Frederic Barge

Founder and Managing Director,
Reward Value



THE WORLD IS FACED WITH ENVIRONMENTAL AND SOCIAL BOUNDRIES.
WE CROSS THEM.

THE WORLD IS NOT DELIVERING PROGRESS AT THE NECESSARY PACE AND SCALE.

IT'S NOT TOO LATE. BUT TRANSFORMATIONAL CHANGE IS NEEDED.

CORPORATIONS ARE THE KEY ACTORS.

BEHAVIOURAL CHANGE IS NEEDED.

REMUNERATION INFLUENCES BEHAVIOUR.

EXECUTIVE REMUNERATION AS A CATALYST FOR CHANGE.

Reward Value Foundation is an independent not-for-profit think tank focused on delivering change through the development of responsible remuneration practices, tools and assessments.

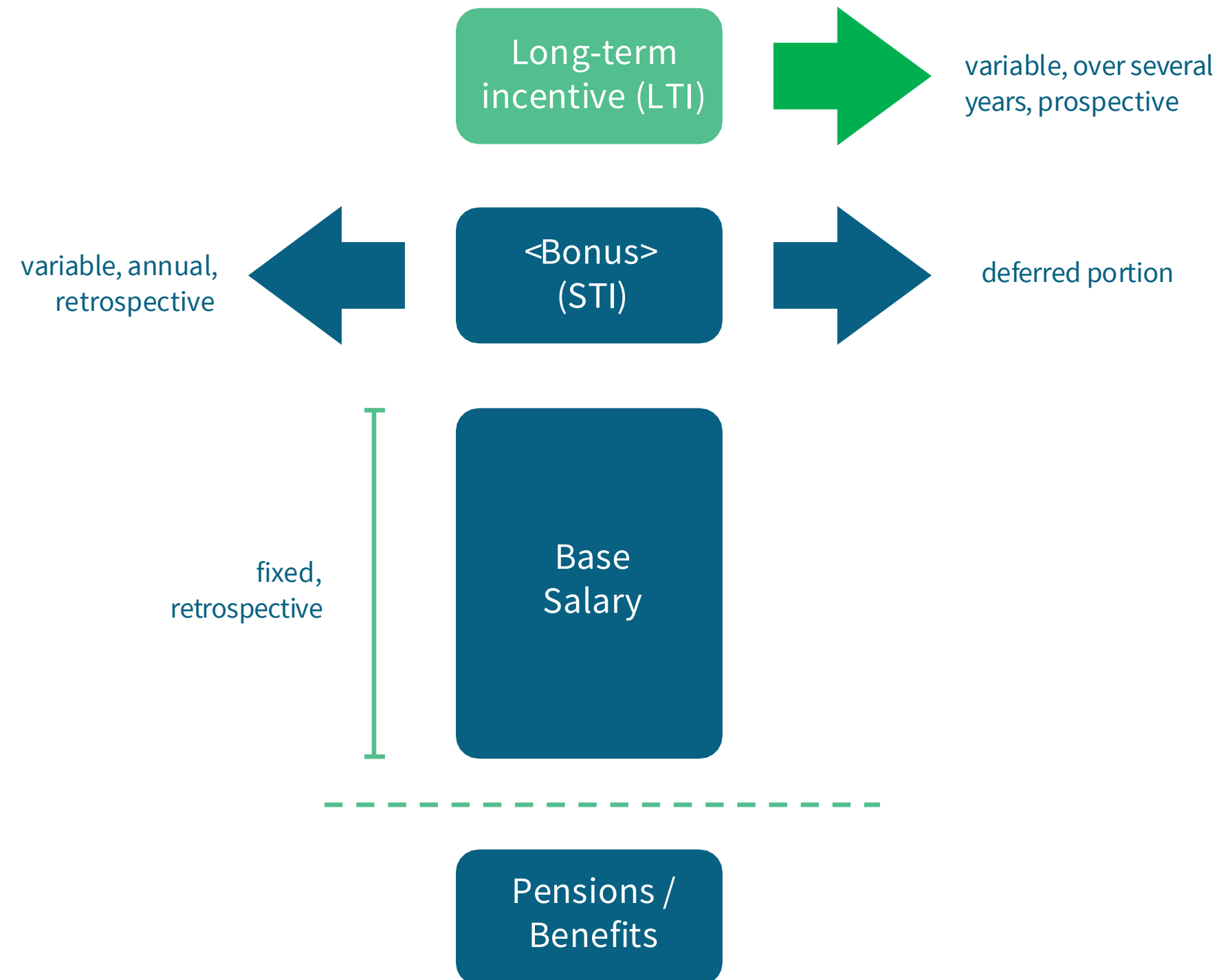
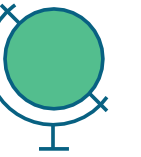


REWARD VALUE



The Role of Executive Remuneration

EXECUTIVE REMUNERATION – A SIMPLIFIED MODEL



INCENTIVES:

Short-Term Incentive («bonus»):

- Performance based
- Cash
- Optional deferral (cash or shares)

Long-Term Incentive:

- Performance based: Performance Shares OR
- Not performance based: Restricted Stock

DEFINITION:

Total (Direct) Compensation comprises of:

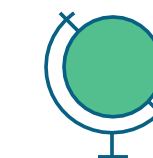
- Base salary
- Short-Term Bonus
- Long-Term Incentive



EXECUTIVE REMUNERATION IS A LEVER FOR
GUIDING CORPORATE BEHAVIOUR



ROLE AND STRUCTURE OF EXECUTIVE REMUNERATION



Role	Attract & retain qualified leaders	Attract & retain + Long-term value creation	Attract & retain + Sustainable long-term value creation + transition
Pay Structure	Fixed pay	Fixed pay + Restricted stock (inc. reasonable long-term horizon)	Fixed pay + Performance-based incentives
Narrative	Attract & retain is the sole purpose. This is aligned with the company's purpose.	Beyond attract & retain, align pay with shareholder interests. The shareholder-centric focus is aligned with purpose	Beyond attract & retain, support the ambition to (transition to) a more sustainable business model

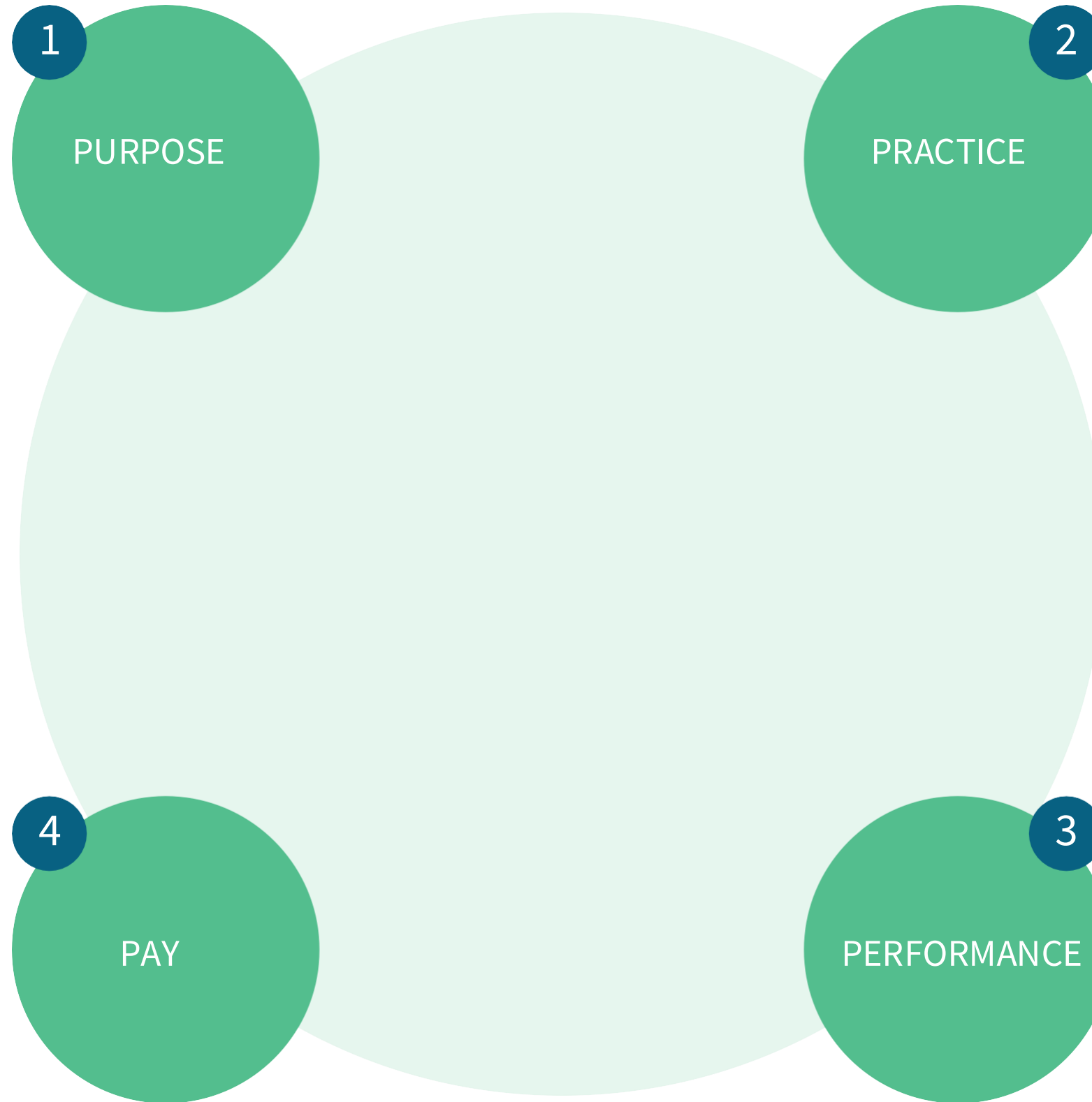


EXECUTIVE REMUNERATION IS THE TRUEST
EXPRESSION OF A CORPORATION'S REAL PRIORITIES

REMUNERATION ASSESSMENT TOOL



CORPORATE AMBITION
/ INTRINSIC
MOTIVATION



INPUT measures taken

- Investments
- Remuneration policy

IMPACT metrics linked to
executive remuneration &
Sustainable Long-Term
Value Creation
(monetized impact
measurement)

OUTPUT / OUTCOME realised

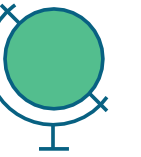
- Return on Financial,
Environmental and Social
capital



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Remuneration Policy Design
an approach



PURPOSE ALIGNMENT

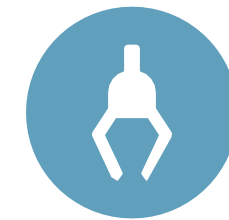
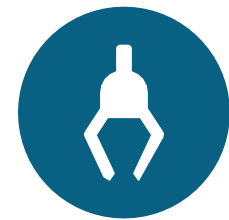
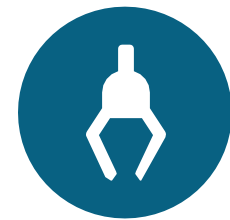
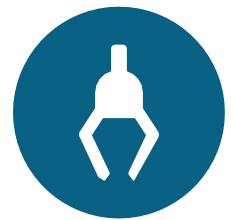
BEHAVIOURAL STEERING

CORPORATE CITIZENSHIP

Topic relevance

Weights

Time horizon



- 1. Pay mix
- 2. Leverage

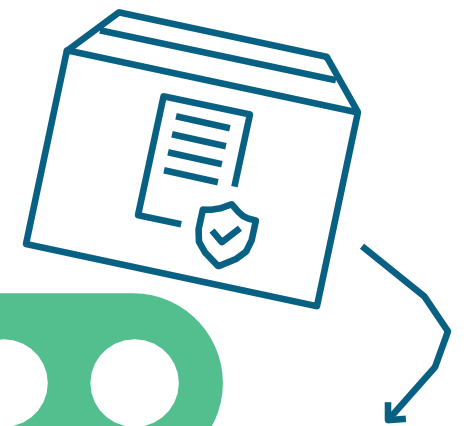


- 3. Targets
- 4. Functionality



Shareholder alignment

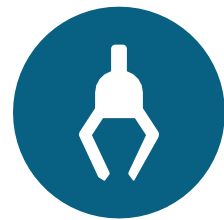
Stakeholder alignment



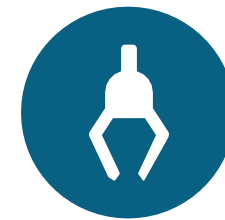


PURPOSE ALIGNMENT

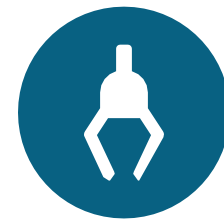
Topic relevance



Weights



Time horizon



PURPOSE



WALK THE WALK

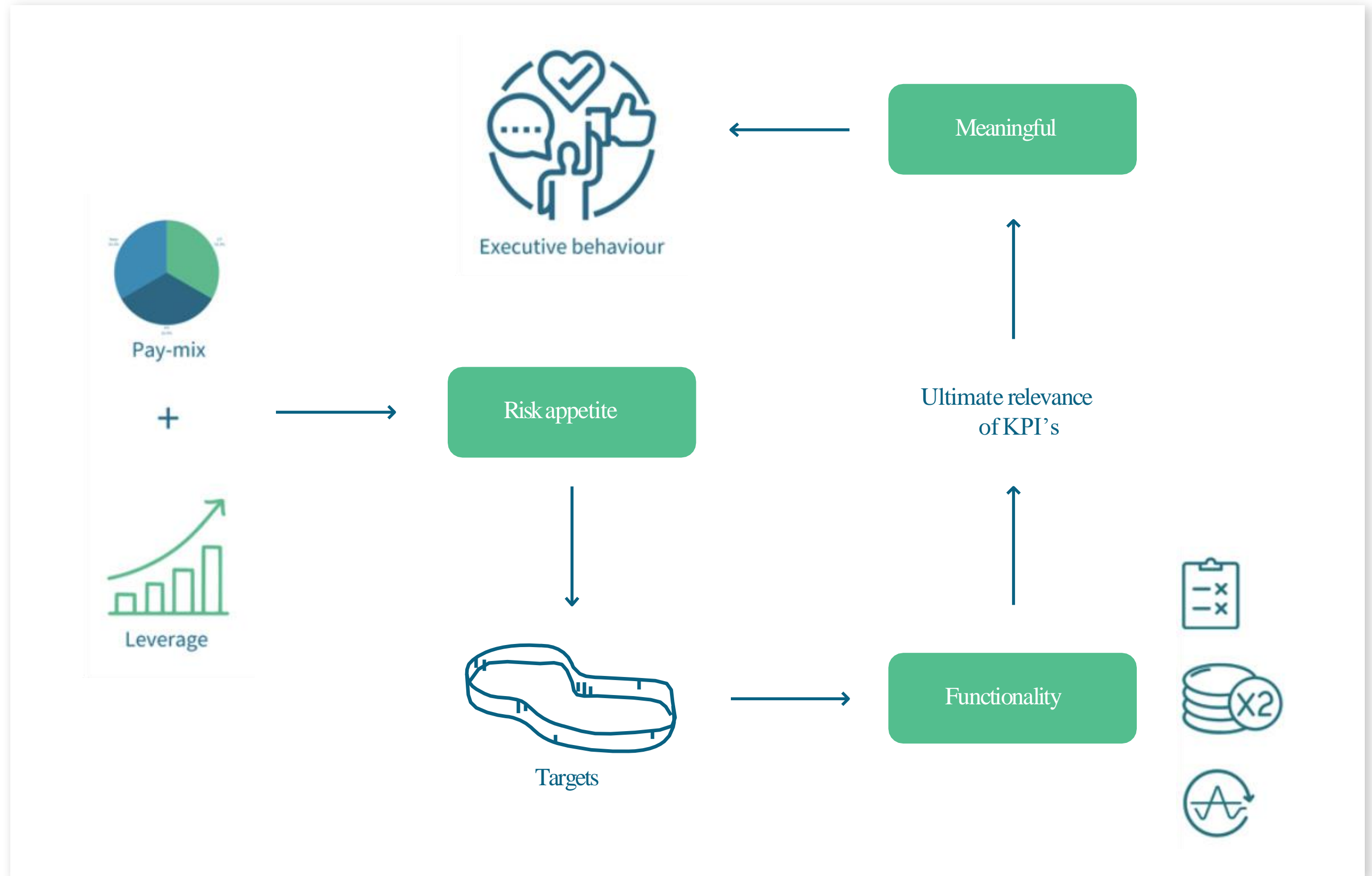


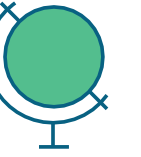
PRACTICE





BEHAVIOURAL STEERING



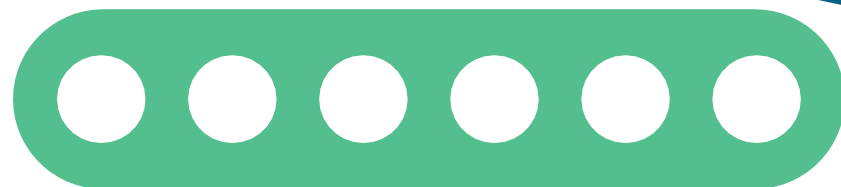


CORPORATE CITIZENSHIP



Shareholder alignment

Stakeholder alignment



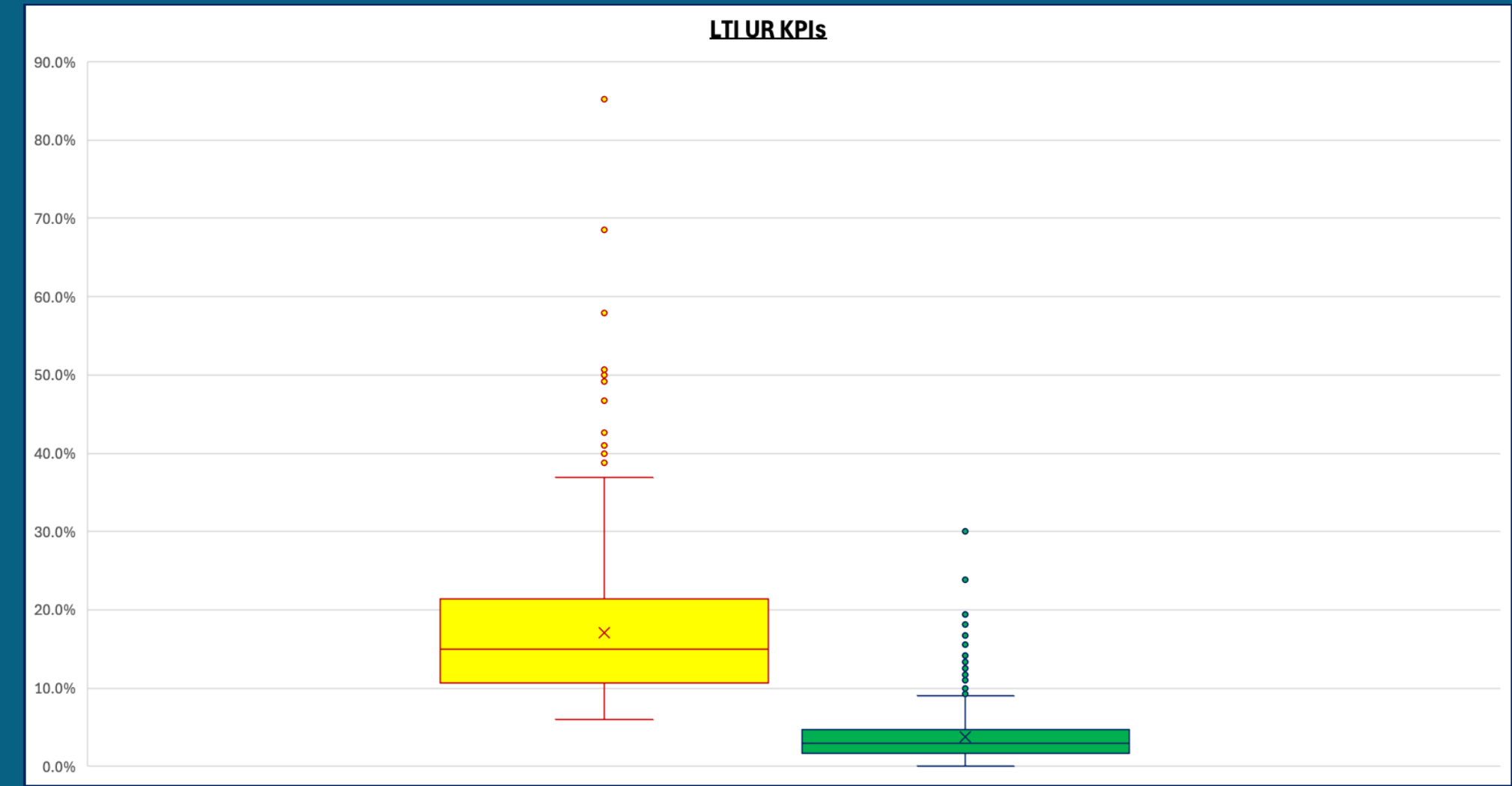
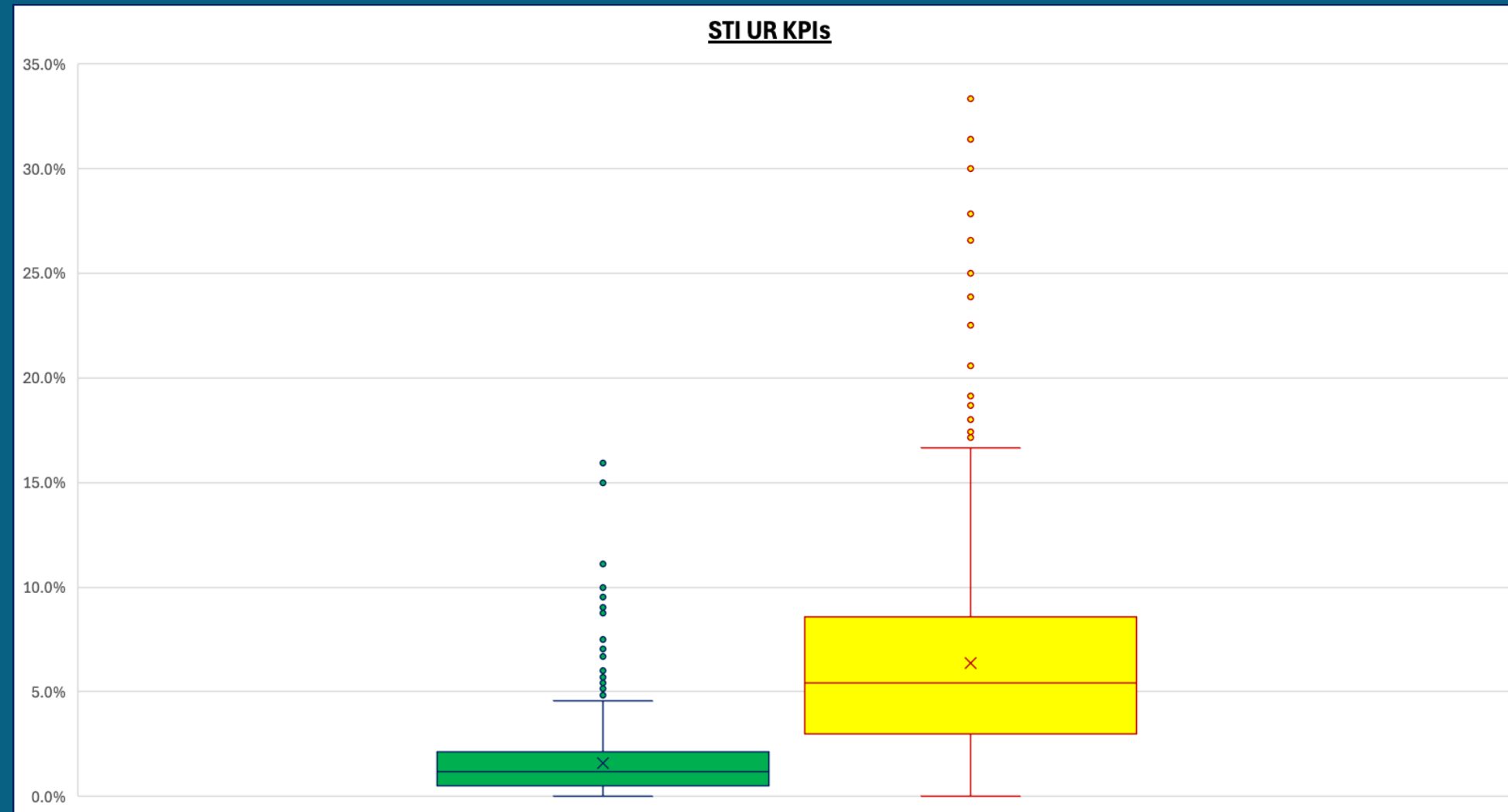
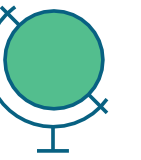


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Market Practice and Better Practice

Ultimate relevance - Market practice



STI	Financial	Non-financial	LTI	Financial	Non-financial
LQ	3.0%	0.5%	LQ	21.4%	4.7%
Mean	6.3%	1.6%	Mean	17.0%	3.8%
HQ	8.6%	2.1%	HQ	10.6%	1.7%



What KPIs should you consider?

- Linked to your top three material topics
- Where possible a relative measure
 - internally (i.e. carbon intensity)
 - externally – compared to peers (monetised impact data become wider available)
- Threshold KPIs when sufficient experience has been accrued

What are the questions to ask?

- Purpose alignment (follow 4Ps-approach)
- Assess performance and progress
- Are you truly stimulating the right behavior?

What are the not to do's?

- Compliance vs Strategic (re-active vs pro-active)
- Don't try to cover everything (apply same rigor as with financial KPIs)
- Don't include non-material KPIs (materiality matters)

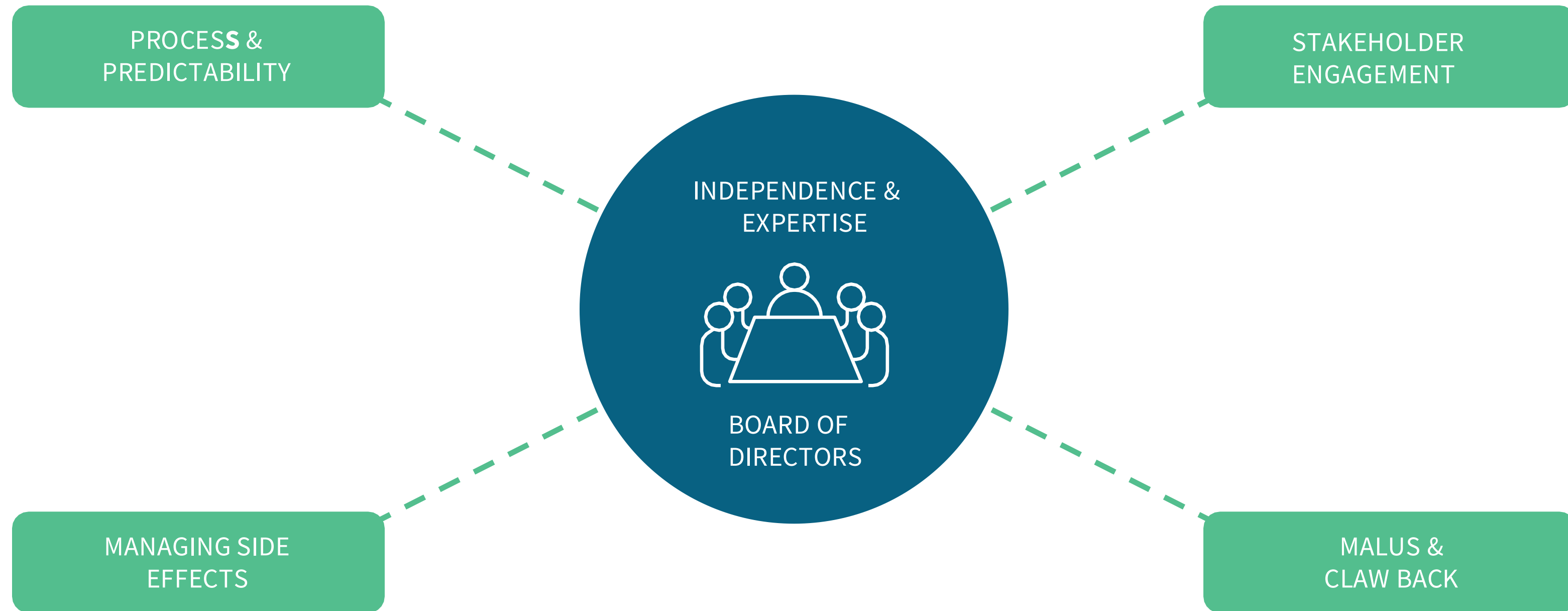


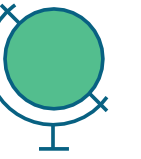
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Governance & Reporting

REMUNERATION CYCLE – PROCESS STEPS & GOVERNANCE





Purpose
Strategy (incl. sustainability strategy) - Define the goal



Performance
Identify metrics - Time horizon
- Weight & Targets



Pay
Performance assessment and remuneration decisions

ALIGNED REPORTING



Financial report



Sustainability report



Remuneration report



- Incentive plan performance input
- Mathematical performance outcome and related incentive payout calculation
- Remuneration committee judgement/discretion
- Final remuneration decision



PRINCIPLES OF RESPONSIBLE REMUNERATION (PRR)

1 PURPOSE

A corporation's remuneration policy will reflect and support its commitment to its stated purpose and values.

2 PERFORMANCE

Remuneration design will include incentives and consequences for achieving or missing the corporation's financial, environmental and social impact goals.

3 IMPACT

Remuneration will focus attention on topics with the greatest potential for impact.

4 LONG-TERM

Remuneration time frames will be chosen to favour long term value creation over short term financial results.

5 ENGAGEMENT

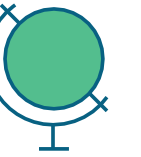
Remuneration decisions will be made by an independent board, with input from those parties whose interests are most impacted by the corporation's activities.

6 TRANSPARENT

Remuneration disclosures will be transparent and comparable.

7 FAIRNESS

Remuneration will be set in full acknowledgement of the company's role as corporate citizen.



Alex Edmans: series on Problems with ESG

- The End of ESG
- A Progressive Case for getting rid of ESG
- Applying Economics – Not Gut Feel – to ESG
- Rational Sustainability

Phillippa O'Connor (PwC) and **Tom Gosling** (LBS)

- Paying for net zero

Reward Value Foundation – www.rewardvalue.org

- Green Paper: Rewarding Stakeholder Long-Term Value Creation
- Principles of responsible Remuneration
- Guidebook Responsible Remuneration

Q&A



We provide **insight**, so you can provide **oversight** – and **foresight!**

For more information on our corporate subscription service please contact:

Ayman Chowdhury

Director, Programs and Advisory

ayman.chowdhury@competentboards.com



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