SERVICES AVAILABLE

Speak to us if you need advice on

- REMUNERATION PLANNING
- BOARD ADVISORY SERVICES
- CEO REWARD STRATEGY
- INCENTIVE PLAN DESIGN
- RETENTION PLAN DESIGN
- EQUITY INCENTIVES
- IPOs

It is important that the work of the many ethical and concerned remuneration consultants is not ignored as a result of uninformed comment. The market has gradually become aware of the benefits that good remuneration advice can bring. This includes providing sophisticated and effective structures of remuneration which acknowledge the interests of the company’s stakeholders, including the wider community.

Remuneration consultants are asked to advise on a wide variety of issues relating to the way in which organisations reward their employees for the work that they do. As business and government become more complex arising from scale, global reach and breadth of jurisdictional influence, so the nature and structure of pay has become more complex. Remuneration advice now has the potential to involve intricate taxation, legal, accounting and commercial questions, as well as the traditional provision of strategic advice supported by comprehensive market data.

There are wide variations in the methods and range of advice sought from consultants and within this group there are specialists providing advice on different sectors and/or levels of corporate seniority. Consultants advising on reward issues are mostly drawn from the ranks of management consultants, human resource practitioners, lawyers, accountants, auditors and actuaries. Today there are very few independent consultants specialising solely in the provision of remuneration and related advice. Those offering advice or providing information on executive remuneration may participate in a diverse array of assignments, including but not limited to:

- executive appointments:
  - advising on market competitive reward, including the balance between fixed annual remuneration, annual incentive and long term incentive payments;
  - advising on unlatching costs of prospective candidates by assessing foregone deferred payments and contract entitlements;
  - confirming estimates of a candidate’s current remuneration;
  - advising on the reasonableness of unlatching strategies under consideration:
    - structuring pay on appointment (fixed annual remuneration, annual and long term incentives, review processes (cash, type of equity, performance considerations));
    - establishing a template for a service agreement, including addressing criticality of termination provisions (for cause, for convenience, for poor performance);
- acting in the capacity of an independent adviser to the Remuneration Committee;
- advising on termination settlement proposals and their reasonableness in the context of corporations law;
- conducting an annual review/market update on executive reward, both domestically and internationally;
- conduct of a review of annual incentive plans and/or the design new plans for the executive team and/or specialist staff groups;
- conduct of a review of long term equity based incentive plans and/or the design new plans for the executive team and/or specialist staff groups;
- offer independent advice in relation to executive entitlements under both annual and long term incentive plans by way of either conducting independent research or auditing proposals prepared by others;
- assist in the preparation of the Remuneration Report for inclusion in a company’s Annual Report;
- assist in the preparation of Notice of Meeting/Explanatory Notes/Q&A for Annual General Meetings;
- attend Annual General Meetings and/or address shareholders as an expert in support of resolutions before an Annual General Meeting;
The role of the remuneration consultant

- assist clients respond to proxy advisers, major investors, Australian Securities Exchange or ASIC queries arising from either Annual Reports or Notices of Meeting;
- advise on remuneration aspects of takeovers, mergers, corporate reconstruction and major staff changes;
- advise on specialist staff reward strategies, including international assignees and secondees.

Less frequent, though important engagements for remuneration consultants also include:

- assessment of income loss;
- advice on arms length reward in private companies for retirement payment purposes and/or shareholder negotiations;
- advice in family law matters on market based remuneration in property and shareholding settlements.

The role of the remuneration consultant will be further influenced by other advisers which the board or the client company has commissioned to assist in any of the above issues. On occasions the remuneration consultant will review the work of others and provide an independent perspective, on some occasions work collaboratively with executive search consultants, independent tax advisers and legal counsel, and occasionally both parties on either side of an acquisition or divestment initiative in advising on a path forward to accommodate different interests or reward policy perspectives.

The nature of engagement will also be influenced by the scale of the organisation and its domestic or international scope which will often impact on jurisdictional challenges in relation to the application of Australian practices which may be less applicable in other jurisdictions. In this context the remuneration consulting practice may be offering what appears to be conflicting advice in relation to the relative apportionment of fixed annual remuneration, cash and equity based bonuses or the provision of employee benefits or other terms and conditions of executive employment.

The remuneration consultant can often fulfill the role as educator, information provider, sole adviser and collaborative adviser with other professional service organisations; and would occasionally find themselves in a position facilitating either employment, retention or termination negotiations, the latter clearly being influenced by the breadth of the consultant’s experience, their intimacy of knowledge of the company and/or the participants to a transaction and their acknowledged skills.

Of critical importance in relation to the engagement of the remuneration consultant is whether management or the board seek data or information to inform their decisions or seek advice. In fulfilling their obligations the methodology which consultants use for providing information and/or advice also becomes critical.

- Do they simply choose organisations with comparable annual revenues?
- Do they include companies with comparable levels of profit, market capitalisation, net or total assets?
- Do they conduct an industry/sector specific review?
- Do they survey international comparators?
- Do they develop customised solutions or only adopt proprietary methods/processes?

A remuneration consultant would normally only address issues raised by a client – occasionally an established adviser to a client will identify related issues requiring consideration. The nature of a consulting brief may be classified in the following expanded terms:

A. Could you provide market data on the following? …..
B. A plus and advice on the most appropriate course of action for our company.
C. A plus B and can you also provide a view as to the likely acceptance of your proposals by major institutional investors and proxy advisers.
D. A plus B and assist with implementation, including preparing board papers, employee communications, tax and legal sign-off.
E. A plus B plus C and brief executives and, if requested, meet with key shareholders/stakeholders.
F. Any of the above, together with briefing the board and/or Remuneration Committee of the board and assist in the preparation of the Remuneration Report to be included in the Directors’ Report of the company’s Annual Report to shareholders.
G. Any of the above and attend the Annual General Meeting of shareholders and respond to shareholder questions if called upon to do so.