

Haberdashers' Hall, London

Hewitt

New  
Bridge  
Street

# The future of **Executive Pay**

A conference organised by Hewitt New Bridge Street

Wednesday 1 July 2009

# The Future of **Executive Pay**

The last nine months have not been at all easy for remuneration committees, particularly in banks but also in almost every sector of the economy. Existing remuneration arrangements have had to be reviewed in the light of the changed economic landscape and investor demands for greater restraint, while at the same time offering executives the possibility of some reward in the future if they perform well in a very challenging environment. This has been a difficult balancing act.

Financial organisations have also had to take on board the proposals of the Financial Services Authority to reform pay structures, in particular changes to the mix of the packages and the factoring in of risk.



Faced with these challenges, many companies have responded to reduced share prices and/or profits by freezing salary levels for 2009. Some have gone further and reduced 2009 bonus potential and the size of future long-term share awards. When combined with the diminished value of existing long-term awards, remuneration levels are likely to fall over the next few years. And we should not forget that the value of executive shareholdings has also dropped.

It appears that, despite press reports to the contrary, the 'pay for performance' model is actually working.

Companies have had to react very quickly to events but, once the AGM season is over, we think that remuneration committees will need to consider carefully their future remuneration strategy to ensure that it is fit for purpose over the coming years.

Our half-day seminar will:

- Detail how companies have changed their remuneration policies in 2009, drawing on our experience as advisers to remuneration committees of over 30% of FTSE 350 companies (and a similar proportion of smaller PLCs).
- Explain the implications for companies of the guidance from institutional investors and the FSA and how their views might develop further.
- Consider how remuneration packages might change in the future, in particular in terms of size, structure and performance measurement (and how risk should be handled).
- Explore the implications of the recently announced tax increases and restriction of pension tax relief on executive pay arrangements.

# The Future of **Executive Pay**

One of the key themes in the current debate on executive pay is the need for closer alignment between executive pay strategies and workforce pay generally. We will explore this issue, as well as the impact of the current economic climate on the employment “deal”, which has at the very least been changed and in many cases has been broken. In this context, we will consider the future of wider employee reward and what steps companies should take to rebuild the relationship with their employees.

Executive pay has never been so topical and is now subject to intense scrutiny and general debate by politicians, regulators, shareholders, the media and the public. As a result, we thought now would be an opportune time to hold a general debate on executive pay issues using the BBC “Question Time” format.

We are delighted that we have managed to put together a very distinguished panel, including Peter Blausten, ex-HR Director of BAA, Alex Brummer, City Editor of the Daily Mail, Gerry Grimstone, Chairman of Standard Life and Candover, and David Paterson, Head of Corporate Governance at the National Association of Pension Funds.

Should you have any questions you would like to submit to our “Question Time” panel, please email **[hnbs@hewitt.com](mailto:hnbs@hewitt.com)**.

For many years, there has not been much tax planning around executive pay in most companies. Following the recent Budget this is no longer likely to be the case. The proposals to increase the top rate of income tax and restrict pension tax relief for high earners has made this highly topical. We shall explore how companies and individuals might consider mitigating the effect of these changes and consider the impact on future pension provision.

## Our timetable for the day's activities

- Registration and Coffee  
**8.30 a.m. – 8.45 a.m.**

- Chairman's Introduction  
**8.45 a.m. – 8.55 a.m.**

- Recent Developments in Executive Pay  
**8.55 a.m. – 9.35 a.m.**

Company and shareholder reaction to the economic downturn: impact on salary levels, 2008 bonus payments, 2009 bonus design and LTIP practice; guidance from the NAPF, RiskMetrics, the ABI and others; the FSA proposals and how financial institutions are responding; developments in the EU and the USA.

- Future Executive Pay Strategy  
**9.35 a.m. – 10.15 a.m.**

Looking further ahead: remuneration structures, size and mix; improving pay for performance; the meaning of performance; taking account of risk; eliminating rewards for failure; likely investor 'hot topics'; possible legislation.

- Coffee  
**10.15 a.m. – 10.30 a.m.**

- The Future of Employee Reward and Rebuilding the Employment "Deal"  
**10.30 a.m. – 11.00 a.m.**

Aligning workforce reward to executive reward; assessing the changed employment deal – what's broken? short-term practical fixes; building for the recovery.

- Executive Pay "Question Time"  
**11.00 a.m. – 12.00 p.m.**

Our distinguished panel will answer topical questions asked by attendees in a BBC-style "Question Time" format.

Our panellists include:

**Peter Blausten**, formerly Group HR Director at BAA plc, Research Associate at Ashridge Business School and independent consultant.

**Alex Brummer**, City Editor of the Daily Mail.

**Gerry Grimstone**, Chairman of Standard Life plc and Candover.

**David Paterson**, Head of Corporate Governance at the National Association of Pension Funds.

- Tax and Executive Pay: the Implications of the Recent Budget  
**12.00 p.m. – 12.30 p.m.**

Modifying existing remuneration arrangements to mitigate the tax changes; tax-efficient share based incentives; the future of executive pension arrangements.

- Closing remarks  
**12.30 p.m. – 12.45 p.m.**

- Lunch  
**12.45 p.m. – 2.00 p.m.**

Hewitt New Bridge Street represents the combination of New Bridge Street Consultants and Hewitt to form the UK's leading executive compensation consulting firm.

Hewitt Associates is the world's leading HR consulting and outsourcing firm, operating in over 40 countries with over 24,000 employees. Hewitt's US and global executive compensation team is one of the largest and most respected.

HNBS has been at the leading edge of design and technical innovation, pioneering the use of ESOP trusts, establishing international all-employee share plans for global companies, assisting companies with the move to a performance-related pay culture and advising on the design and establishment of many of the most innovative executive incentive plans.

As a part of Hewitt's HR consulting team we also have access to wider employee remuneration expertise, data and advice as well as broader HR solutions.

If you would like more information on Hewitt New Bridge Street or have a particular issue to discuss then please contact us.

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# The Future of **Executive Pay**

A conference organised by Hewitt New Bridge Street – 1 July 2009

**Haberdashers' Hall,**

18 West Smithfield, London EC1A 9HQ

Please reserve a place for the following:

Name:

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Title:

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Name:

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Title:

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Company:

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Address:

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Post Code:

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Telephone Contact Number:

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Please note that spaces are limited and to ensure maximum opportunity for delegates to attend, please book your complementary place early.

Please return this slip to the address overleaf or email the appropriate details to **hnbs@hewitt.com**.

If you have any questions you would like to submit to our “Question Time” panel, please email **hnbs@hewitt.com** specifying, your name, the organisation you represent, and contact details where we can reach you, should we have a clarification question or two.

AFFIX  
STAMP

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