



# Board Remuneration Support Services

May 2018

People Services



- Various national and international developments have shifted the landscape for Board remuneration. It is, therefore, the ideal time for companies to review their Board remuneration arrangements and redesign them to appropriately match their business strategy, regulatory requirements and best practices. The following are some of the developments:

### Mandatory Disclosure

There is increasing disclosure requirements for Board remuneration globally. In the United States of America (USA) and the United Kingdom (UK), listed companies must disclose the CEO-to-worker pay ratio. This may soon become a mandatory annual reporting requirement for companies in other jurisdictions.

### Shareholders "Say-on-Pay"

Shareholders are also having a say on the reasonableness of the pay being offered executives relative to the performance of the entities managed. In 2002, the United Kingdom (UK) adopted a mandatory non-binding shareholder votes on Directors' compensation for UK incorporated companies, while in 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act introduced say-on-pay in the USA.

### Stock Ownership & Holding Commitment

Globally, executives are required to own a significant proportion of shares through the annual incentive programmes as long as they remain in the employment of the their companies. There is also a post-employment share holding requirement to ensure alignment of interests. This may require the executives to retain at least 50% of the earned shares for one year after leaving.

- The role of the Boards of Directors and the Governance/Remuneration Committees (RemCos) has, therefore, become extremely critical based on these developments. The Boards/RemCos need to ensure that their companies' remuneration strategy is not only coherent and consistent with international remuneration framework, but that also aligns with shareholders' interest.
- KPMG People Services Practice is well positioned to provide guidance on corporate governance, best practices and Non-Executive Director education on executive remuneration matters. The scope of our Board remuneration support services is provided in subsequent slides .



# Board Remuneration Support Services

## -Our Services

KPMG's Board remuneration support services cover the following:

Directors' Remuneration Benchmarking

Directors' Remuneration Strategy and  
Policy Documentation

Review of Directors' Incentive Schemes

Performance Measurement and  
Target Setting

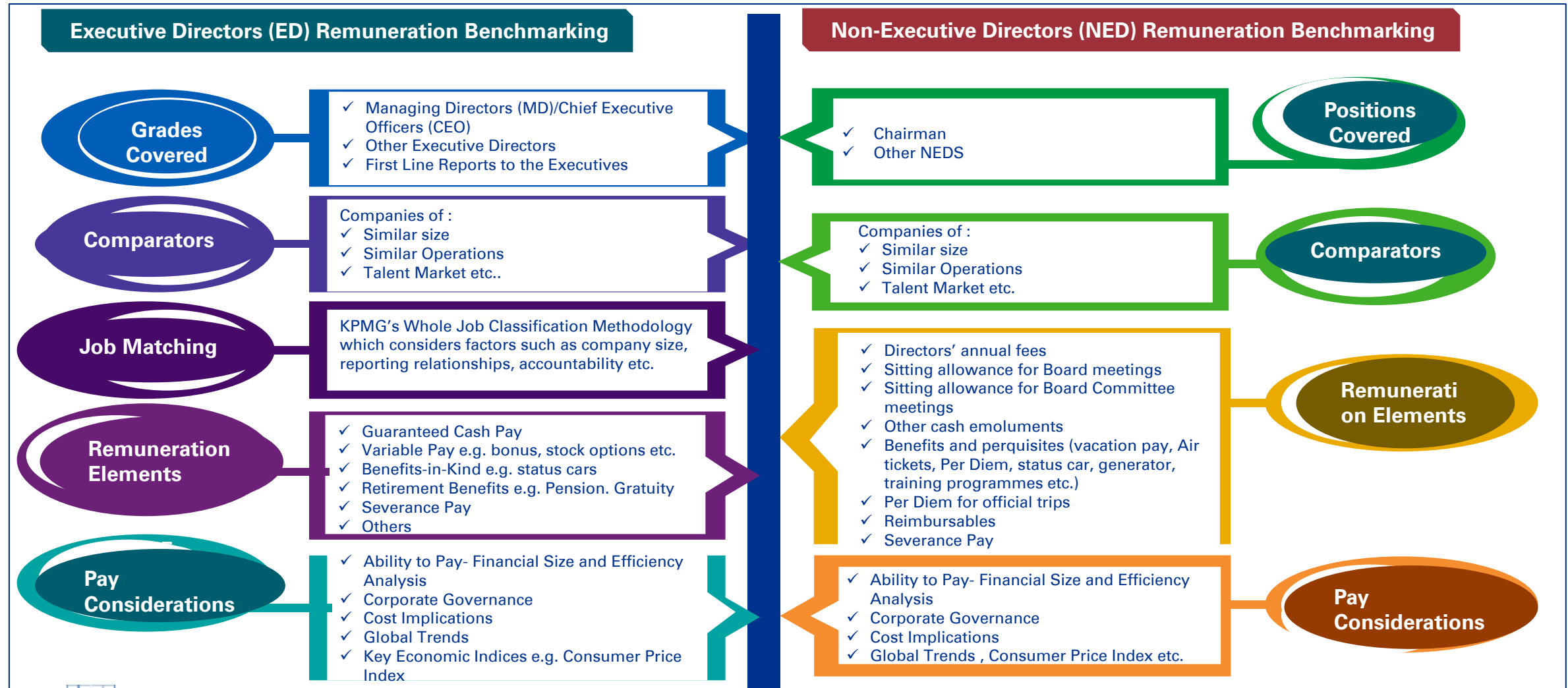
Review of Severance Policy

Details on scope of these services are presented in the slides that follow:

# Board Remuneration Support Services

## - Directors' Remuneration Benchmarking

We provide organisations with reliable market information to assess the competitiveness of their Directors' pay levels and practices. Armed with the right information, organisations can take informed pay decisions, while promoting corporate governance and ensuring alignment with leading edge practices.



# Board Remuneration Support Services

## - Directors' Remuneration Strategy and Policy Documentation

We support organisations in crafting a market-competitive, performance-based remuneration strategy that also aligns with and drives execution of corporate strategy. Our services cover provision of guidelines on the right mix of Variable Pay to Total Remuneration required to drive business objectives and promote alignment of interest. We also provide hands-on support through remuneration policy documentation and board remuneration committee support.

01

### Defining a Pay Philosophy?

Where do you want to anchor pay in the market? e.g. 50<sup>th</sup> Percentile

02

### Defining Comparator Group

Who do you want to benchmark against? e.g. Companies of similar operations and size

03

### Review of Remuneration Framework Components And Mix

Pay Elements and their mix in line with local market practices, global practices and good corporate governance.  
Proportion of Performance-Based Pay to Fixed Pay and Total Remuneration.  
Types of Benefits-in-Kind to be provided

04

### Cost Implications

Wage Bill analysis of migrating to the revised remuneration framework ?

05

### Implementation Guidelines

Migrating Red or Greed Circled Employees to the revised remuneration framework  
Provision of Loaned Staff on need basis

06

### Remuneration Policy Documentation

Detailed Documentation of compensation programs and processes for Directors', including breakdown of benefits.

07

### Compensation Review Process

How often will pay reviews be done?  
What will be the pay review considerations?  
What processes will be involved?

08

### Board Implementation Support

Presentation to the Remuneration and Corporate Governance Committee  
Board Presentation  
Board Strategy Retreat Support



# Board Remuneration Support Services

## - Review of Directors' Incentive Schemes

Given the significant influence Directors wield on company performance and sustainability, we partner with our clients to develop incentive arrangements to drive performance, provide an up-side and align the interest of Directors with Shareholders, while putting in place necessary checks and controls to prevent undesirable behavior and excessive risk taking. We do this via our global knowledge and local experience with short-term and long-term incentive schemes that link Directors' performance to the success of the company.

### Short Term Incentive Scheme

- ❖ Profit Share Schemes
- ❖ Performance Bonus Schemes

### Long Term Incentive Scheme

#### Equity-settled Share-based Payments

- ❖ Share Award Plan
- ❖ Stock Option Plan
- ❖ Share Purchase Plan

#### Cash-settled Share-based Payments

- ❖ Share Appreciation Rights

- ❖ Deferred Bonus Plan\*
- ❖ Phantom Shares (Shadow Equity)\*

*\* Benefits can be paid in cash, stock or both*

### Scheme Features

Scheme Benefits

Vesting

Eligibility

Grant / Grant Cycle

Performance Measurement

Funding

Distribution and Timing

Administration

Clawback Provisions

Deferral



# Board Remuneration Support Services

## - Performance Measurement and Target Setting

Given the significant influence of Executives on performance, growth and sustainability of the businesses they help to manage, it is extremely critical to put in place a framework for defining standards and measuring performance to ensure that they are focused on the right objectives and delivering superior results to grow and sustain shareholder value. This will not only contribute to addressing the Agency problem, but will also serve as a basis for ensuring that reward matches value-creation. Our Performance Measurement and Target Setting Services encompasses the following:

**Performance measure design and selection for short, medium, and long-term incentives**

**Market trend analysis and value-based management**

**Calibration of pay delivery with performance results**

**Evaluation of costs and benefits scenario analysis**

**Expected value analysis, including Black-Scholes and Binomial Lattice calculations**

**Identification of value drivers**

Severance Policies are necessary in Directors' contracts of employment to encourage commitment, loyalty and good faith, while in service, and to discourage litigation or adverse publicity resulting from any dispute relating to unfair removal from office. We assist to put together a robust severance policy that clearly stipulates the circumstances surrounding exits and what the Directors' entitlement will be in each case, if any. Our recommendations on the severance framework are based on market intelligence from the local and leading global practices.

# 01

## Market Intelligence

Survey of Severance Pay Practices

- ✓ Local Market
- ✓ Global Market

# 02

## Recommendations on Severance Pay Practices

Based on the following:

- ✓ Prevalent Local Market Practices & Regulations
- ✓ Global practices
- ✓ Current Company Policy

## Directors' Severance Policy

- Policy objectives and guiding principles
- Severance pay framework and components
- Benefits
- Eligibility and payout formula
- Conditions for cessation of service
- Notice period requirements
- Treatment of company assets
- Framework for future policy review and process for such review
- Administrative and support services and other relevant terms



KPMG's People Services is a one-stop shop for employee compensation, immigration and payroll outsourcing needs of companies. Our suite of services are easily customized to meet your specific needs and circumstances. Our People Services solutions include the following:

## KPMG Business Support

- ❖ Immigration Services
- ❖ Administrative Staff Recruitment and Management of Contract Personnel
- ❖ Country Briefing
- ❖ Home and Office Space Rental
- ❖ Meet and Greet

## Compensation and Benefits

- ❖ Design of Remuneration Strategy
- ❖ Board Remuneration Committee Support
- ❖ Various Rewards Training Programmes
- ❖ Merger & Acquisition Support
- ❖ Gratuity Scheme Review and Management
- ❖ Compensation & Benefits Surveys
- ❖ Design of Short Term Incentives (Bonus, Profit Sharing, etc.)
- ❖ Pay Structure Design
- ❖ Design & Administration of Equity Incentive Schemes
- ❖ Provision of Loan Staff
- ❖ Development of International Assignment Policy

## Payroll & Outsourcing

- ❖ Payroll Management
- ❖ Annual Payroll Reconciliation
- ❖ Filing of Employee & Employer Annual Pay As You Earn (PAYE) Tax Returns
- ❖ Filing of Social Security Returns
- ❖ Processing Employees' Tax Clearance Certificates
- ❖ Registration of Companies for PAYE and Social Security Purposes
- ❖ Tax Audit Services & Social Security Verification Support
- ❖ Personal Income Tax Training Services
- ❖ Employee Compensation Structuring/Restructuring for Tax Efficiency.



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