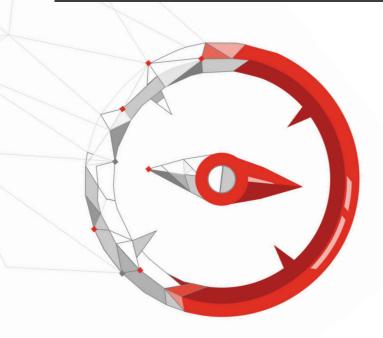
Managing Reward through challenging times

Practical actions companies can take now - checklist tool

The checklist below may be a helpful tool to guide a program of work for reward leaders, in conjunction with Remuneration Committee chairs, as companies seek to stabilise at this point of the pandemic.

There will obviously be a different set of reward and performance tasks to undertake when companies, the sharemarket, and the broader economy starts to recover.



Salary adjustments and reviews

- Consider if adjustment is required to fixed annual remuneration (FAR) to ensure affordability and alignment to current circumstances and/or expectations including:
 - temporary or longer term FAR adjustments
 - whether FAR increase will occur in the following year.
- Consider whether approach will be segmented for employees with different demands (e.g. critical roles where there is a significant increase to hours).
- Model the financial impact of potential changes to FAR and incentives.
- Determine approach/response to any hardship issues.

Adjustment of targets for FY20

- ☐ Review performance to date/forecast performance against key STI and LTI metrics.
- Attempt to explain the degree of variance attributable to COVID-19 business impacts vs. BAU performance.
- Determine the degree to which current performance metrics and associated targets remain relevant and appropriate.
- If adjustments are deemed appropriate, develop a clear decision making process and rationale for any changes.

Optimising total reward offering

- Review existing benefit arrangements.
- Remove/suspend benefits that no longer have value e.g. airline clubs.

This content is accurate as at 31 August 2020. This content is for general information purposes only, and should not be used as a substitute for consultation with our professional advisors. If you wish to understand the potential implications of COVID-19 for your business, please get in touch. To find an advisor and to see more of our general COVID-19 guidance for businesses, please visit www.pwc.co.nz/covid-19.

Executive remuneration and its related issues are complex, and are subject to interpretation. This publication is intended as a guide only and should not be relied upon or used as a substitute for professional advice. No liability is accepted for loss or damage incurred by any persons who rely on on this report without consulting a PwC Executive Reward Services practitioner.

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Payment of bonuses – including executive bonuses

- ☐ Analyse current incentive schemes to determine likely payments/vesting based on year-to-date performance.
- Consider the broader implication of reduced or no STI payment and vesting of LTI on foot of executive bonuses, and consider FY20 bonuses in context of FY21 – including any need to 'smooth' outcomes.
- ☐ Identify roles or employee segments where differential treatment may be warranted either decreased, or increased bonuses (e.g. frontline staff facing additional pressures and risks).
- Determine whether reductions in bonuses are warranted given business performance; industry; community and employee impacts; and/or stakeholder expectations.
- Consider if the basis on which bonuses will be paid should be reviewed, e.g. remove the focus on individual performance to a team/collective bonus.
- Revisit governance and risk management (e.g., deferral, gateways/modifiers, holding locks) and determine any necessary changes.
- Consider reviewing STI minimum and maximum payout ranges.

How can PwC assist?

To have a deeper discussion about these issues, please contact:



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Setting of targets for FY21

Consider the appropriateness of setting targets in the current environment, explore other options.

Award of LTIPs

- Analyse upcoming LTI grants based on projected share price to determine the magnitude of difference in number of instruments granted compared to historical grants.
- If share price has moved significantly (e.g. more than 25%) on prior grant:
- consider reducing value of grant
- consider delaying LTI grant
- determine appropriateness of targets and metrics.
- Review executive minimum shareholding requirements (if in place) to determine impact of recent share price movement on executive holdings.
- Reduce/review eligibility or adjust performance periods.
- Determine whether it is beneficial to suspend longerterm awards and replace them with new grants with targets more relevant to the new operating context.

Stakeholder engagement

- ☐ Determine critical stakeholders: employees, regulators, investors and proxies, external market, NZX.
- Develop consistent messages given decisions made on prior listed topics.
- Agree engagement strategy and timing, including compliance with legal obligations.
- ☐ Where required, engage with relevant parties to discuss any variation on contracts and enterprise agreements, and understand external stakeholder perspectives on pay.

Governance

☐ Review existing framework and guidelines around the application of discretion (including malus and clawback) and target setting to ensure they are robust. If such a framework does not currently exist, consider developing one to support the Board/remuneration committee's decision-making.

