

Total Reward-Risk vs responsible reward

The management of risk is an inherent element of reward, however it has not always been clearly understood. A consequence of this has been an ongoing evolution in the role of remuneration committee, which is expected to oversee not only the remuneration of executive directors but to have oversight of variable pay policies and benefit structures across the organisation, and especially from a risk perspective.

The most effective solution is for companies to take a holistic view of the total reward program to ensure that, overall the company's reward program can reasonably be expected to drive long term, sustainable performance. The Company performance should not be defined only by shareholders returns. It is also about trust and social responsibility.

This will indicate that companies should be able to demonstrate that the behaviours that are stimulated by a company's reward and incentive programs are aligned with the long-term interests of all its stakeholders. This is known as responsible reward and, at its best, it is a strategy that builds a spirit of partnership to sustain the business, moderates excess and so reduces risk.

A responsible and successful reward strategy includes the following:

- * Enables the long term sustainable success of the company
- * Recognizes that reward is more than pay
- * The company actively, effectively communicates to employees and shareholders
- * Is linked to a number of performance measures that reflect the impact of the activity not only on shareholder value but on the bigger picture
- * The company takes account of the extent to which performance is driven by external factors beyond management or the employee's control
- * To achieve an appropriate balance between individual, team and company performance
- * Is competitive enough to attract the talent the business needs

Company's today is looking to their reward programs to deliver the sustainable performance they need especially due to the talent management challenges that they are facing.