



Remuneration on IPO

Transitioning to pay in the listed environment

May 2021

Considering remuneration on IPO

Getting it right from the start

Early 2021 has seen a wave of activity across the global IPO market. This trend has been replicated in the UK, despite previous concerns regarding London's ability to attract new IPOs post-Brexit. Early 2021 saw the biggest listing in London since 2011. As economies emerge from lockdowns, many experts have forecast a period of strong economic growth, which bodes well for this wave continuing for a while longer.

Potential regulatory reform is hot on the agenda as markets seek to evolve and remain globally competitive to a wider range of companies, particularly those in digital and tech industries. This is particularly relevant for the London equity market which has traditionally been dominated by finance, mining and energy sectors.

As companies transition from private to public ownership it is important to consider how senior executives are paid both in the lead up to and post-IPO. There is a stark contrast in how pay is structured in private and public markets, and companies need to be prepared for the transition to a world of greater transparency and external scrutiny from a wider set of investors and stakeholders. Despite this change, the commercial challenges of ensuring that pay arrangements attract the right talent and support the execution of the corporate strategy remains unchanged.

Spending time considering key remuneration issues *before* the IPO can often save companies time and money in the long-run and ensure that the remuneration structures in place effectively support the company's strategy at this critical stage. For many companies the focus is not just on executive pay arrangements but also on how employees across the organisation can share in the future success of the business.

The governance framework for pay in listed companies is made up of a combination of legal, regulatory and best practice rules. Navigating this complexity can often be daunting for companies looking to make the transition for private to public. This report is intended to provide a brief overview of both market practice and the key factors to consider as companies approach IPO.



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Why is it important to get it right?

Recruitment and retention

The ability to recruit and retain high calibre employees to take the business forward in the listed environment is key to securing future growth.

Alignment with strategy

Remuneration arrangements should align executives with the long-term strategy of the business and growth ambitions. IPO provides the opportunity for companies to consider long-term strategy and how best to incentivise management to deliver this.

Motivation for management

Remuneration will likely be a subject close to management's hearts. Post IPO remuneration provides an opportunity to reward and motivate management for the journey ahead.

Alignment with shareholder interests

Potential investors expect arrangements to be in place that align executives' interests with those of shareholders.

Good corporate governance

Investors often see a company's approach to remuneration as a barometer for their approach to corporate governance more generally. Well structured remuneration will send a positive message to shareholders about the company's attitude to risk and governance.

Saves time and money

Once listed, remuneration arrangements will be subject to public and shareholder scrutiny particularly for a Premium listed company. Changes may require shareholder approval. Addressing issues before IPO enables companies to do this in private.

About Deloitte

Our well-established reward practice has been advising companies on executive remuneration for more than 25 years. We currently advise the Remuneration Committees of more than one-quarter of the FTSE 350. In the majority of cases we are the retained independent advisors to the Remuneration Committee, and many of these are long-standing relationships.

- We have **significant experience of assisting companies in the lead up to IPO** and in the aftermath.
- We are known for our **deep expertise and broad range of services which enables us to deliver a tailored approach to your business.**
- We **recognise the importance of listening** – there is not a one-size-fits-all approach to pay, especially on IPO. We seek to understand what is important and unique to the companies we work for, while seeking solutions that are simple and pragmatic.
- **One-stop shop** - our practice combines specialisms such as share schemes, accounting, tax and legal drafting which are often separated in competitor practices. Our practice includes the UK's largest share plan / legal team. This is particularly valuable in the IPO context.
- **Focus on employee engagement** - Stitch, our award winning internal communications agency, is also on hand to support our clients with communicating key changes to their employees and ensure that they get value-for-money from their reward spend.
- **Our deep knowledge of corporate governance and experience of working with investors** places us in a strong position to advise you as you move into an environment where pay is externally scrutinised and understand what is important to the new investors on your new register.



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