

Sedgwick Review into Remuneration

13 Key Recommendations

Sedgwick's recommendations	What it means
<p>1 Banks remove variable reward payments and campaign related incentives that are directly linked to sales or the achievement of sales targets (including, but not limited to, cross sales, referral targets, and profit and revenue targets).</p>	<p>No bonuses , rewards or incentives directly linked to 'selling things'. No bonuses relying on financial measures to be 'gate openers'.</p>
<p>2 Eligibility to receive any variable reward payment should be based on an overall assessment against a range of factors that reflect the breadth of the responsibilities of each role.</p>	<p>Balanced scorecards to include a range of measures tailored to each role. This can include a financial component .</p>
<p>3 Any financial measures included in an overall assessment consistent with Recommendation 3 should:</p> <ul style="list-style-type: none"> a. Be product neutral (i.e. not encourage the sale of one product over another); and b. In the case of a scorecard, together attract a maximum effective weight of 50 percent as quickly as systems and other changes can be introduced, falling to 33 percent or less by 2020. 	<p>Balanced scorecards should include</p> <ul style="list-style-type: none"> ■ No incentive to sell one product more than another. ■ Initially no more than 50% of the scorecard can be financial measures and this should be no more than 33% in the next three years.
<p>4 All customer measures are genuinely customer-centric and tailored to the role being assessed, and progressively reflect a focus on customer outcomes, not just customer loyalty/ satisfaction.</p>	<p>Customer measures on scorecards are to genuinely reflect customer outcomes based on the role. Customer measures such as NPS or CES should not be the only way to measure customer outcomes.</p>
<p>5 Credible behavioural or equivalent values gateways be applied to determine whether an individual can access any variable rewards to which they might otherwise be entitled.</p>	<p>Behavioural measures on scorecards are not to be code for, or include, financial measures.</p>
<p>6 Variable reward payments no longer include any:</p> <ul style="list-style-type: none"> a. Accelerators related to financial measures; b. Accelerator-like modifiers related to financial measures; c. Other mechanisms related to financial measures that have such an accelerator-like effect on the value of variable rewards available; and d. Financial gateways including, but not limited to, those that relate to number or value of cross sells. 	<p>Bonuses should no longer include accelerators that are linked to meeting financial measures.</p>

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<p>7 Variable reward payments ultimately amount to a relatively small proportion of fixed pay, with a progressive reduction in the maximum variable reward amount payable in any schemes that require a transition period to implement this recommendation.</p>	<p>Bonuses should only make up a small proportion of fixed pay. If bonuses currently make up a high proportion of pay, this should be transitioned down.</p>
<p>8 Each bank formally examine its workplace culture and institute formal processes to redress any conscious or unconscious bias towards sales in preference to ethical behaviour and customer service.</p>	<p>Banks should examine, identify and fix culture and behaviours geared towards a sales culture, rather than ethical behaviour and customer service.</p>
<p>9 Each bank examine its performance management system and make changes as necessary to ensure that the embedded signals and incentives to staff are aligned with Recommendations 2 to 8.</p>	<p>Performance management programs should change to ensure sales culture is not the driving indicator of poor performance.</p>
<p>10 Each bank ensure Managers reflect predominantly an ethical and customer focus when: communicating with staff, exercising any discretion while managing performance, and in allocating variable reward payments.</p>	<p>Managers to focus on customer and ethical behaviour when;</p> <ul style="list-style-type: none"> ■ communicating with staff. ■ managing performance. ■ allocating bonuses.
<p>11 Each bank reconsider what use is made, if any, of leaderboards, recognition programs and campaigns as well as any other methods that have similar effect (such as informally in branches or call centres) and ensure any continuing role in using these methods is consistent with the intention to de-emphasise sales relative to ethical behaviour and customer outcomes.</p>	<p>Leaderboards, recognition programs and campaigns are not to be used to emphasise sales.</p>
<p>12 Consistent with the objectives of the recommendations for frontline staff, the variable reward payment and performance management arrangements of all senior and (retail bank) middle level executives be based on:</p> <ol style="list-style-type: none"> a. Their overall performance against a number of measures that reflect the nature and breadth of their role; with b. Customer oriented, ethical behaviour and non-financial measures accounting for the dominant factors in that assessment. 	<p>Middle and senior managers should receive bonuses for over-all performance. Customer focused, ethical and non-financial measures should be predominant.</p>
<p>13 Banks cease the practice of providing volume based incentives that are additional to upfront and trail commissions</p>	<p>That Mortgage Brokers will continue to receive upfront and trail commissions at the same time incentive schemes for bank employees are overhauled</p>