

# Linklaters

## Employment & Incentives: what to expect in 2019

Workers' rights, corporate governance and board pay continued to grab the headlines in 2018 – alongside Brexit! We are looking forward to an equally exciting and eventful 2019. Here's what to expect.

### UK listed companies

New legislative rules and Corporate Governance Code provisions apply to financial years from 1 January 2019 onwards. There are also new investors' guidelines.

### Board pay

> Disclosure of **CEO:UK employees pay ratios** in the 2019 reporting year by companies within scope. Any new pay policies will need to disclose potential LTIP outcomes using a projected **50% share price growth**. LTIP awards and bonuses **may need adjusting** to avoid excesses due to share price movements. Share awards to have at least **five year holding periods** with **post-employment holding requirements**. Expanded **malus and clawback** trigger events are needed, as are 'health checks' of policy/plan rules against **service agreements**, to enable enforceability.

### Shareholders' dissent

> Companies receiving **at least 20% opposition** to any resolution in 2018 AGMs are now on the **Public Register**. They need to report on action taken within six months of the AGM, with a final summary in annual reports for 2019.

### Method(s) for engagement with the workforce

> This can be one or more of: a director appointed from the workforce, a workforce advisory panel, a designated non-executive director, or another method considered effective. Companies should establish and implement these for reporting in 2019 annual reports.

### Remuneration committees

> **Terms of reference** to reflect the expanded role to set pay for **senior management** and review workforce pay and related policies to align reward with culture and take them into account when setting board pay. **Committee composition** should be reviewed – has the chair got at least 12 months' prior experience on a remuneration committee? There will be **closer scrutiny of committees' work** in remuneration reports.

Click for our PLC Magazine articles on [CEO pay ratios disclosure](#) and [Corporate Governance Code reforms](#)



### For more information, please contact:

Nicola Rabson, Partner  
[nicola.rabson@linklaters.com](mailto:nicola.rabson@linklaters.com)

Louise Mason, PSL  
[louise.mason@linklaters.com](mailto:louise.mason@linklaters.com)

Alex Beidas, Partner  
[alexandra.beidas@linklaters.com](mailto:alexandra.beidas@linklaters.com)

Mirit Ehrenstein, Counsel PSL  
[mirit.ehrenstein@linklaters.com](mailto:mirit.ehrenstein@linklaters.com)

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This publication is intended merely to highlight issues and not be comprehensive, nor to provide legal advice. Should you have any questions on issues reported here, please contact your regular contact at Linklaters.

Happy New Year



### Financial sector

- > The EU **CRD V** remuneration rules extending the bonus cap, deferral, and non-cash requirements are agreed and will be finalised in 2019. They will come into force in mid to late 2020.
- > Many investment firms will however be subject to separate EU remuneration rules (not including a hard bonus cap) under a new **investment firms regime**. This is expected to be agreed in 2019 so hopefully the new rules will come into force at the same time as CRD V.
- > The **Senior Managers and Certification Regime** is being extended to all FCA-regulated firms. In preparation, firms will need to allocate senior manager functions, ensure all in-scope staff are fit and proper and implement conduct rules.

### All businesses operating in the UK

#### Worker rights

- > **Major reform of worker rights** has been announced. New measures affecting businesses who engage workers, agency workers and self-employed contractors will be introduced.
- > Clarifying the tests for determining employment and **worker status** is high on the government's agenda for 2019. Legislation is to be introduced to simplify the process and penalise businesses which misclassify relationships.
- > **Changes to the IR35 regime** will shift liability for applying correct tax treatment to the end-user company. Companies will need to audit arrangements with contractors and consider the impact on their business.

#### Pay gap reporting

- > **Gender pay gap reports** are due in April 2019. Scrutiny of these reports will be directed at progress on closing the pay gap since year 1. Year 2 narratives should be carefully drafted to address whether progress has been made. Look out for our forthcoming guidance on preparing for year 2 reports.
- > Preparation for **ethnicity pay gap reporting** should begin in 2019. Legislation is likely to follow the government consultation (which closes in early January). Companies which do not hold diversity data should take steps to rectify this.



We will monitor developments in all these areas and on the impact of Brexit. We will keep you posted throughout 2019 and in our monthly **'At a glance'** publication.