Deloitte.

Your Guide Directors' remuneration in FTSE 100 companies



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October 2022

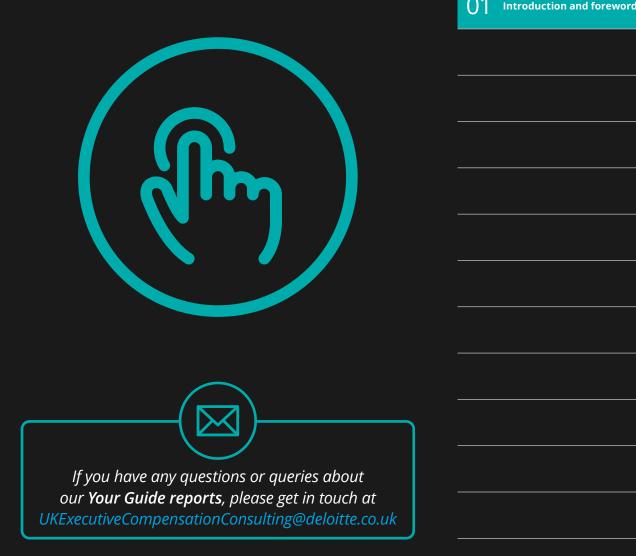
Home



Introduction

Welcome to Your Guide – Directors' remuneration in FTSE 100 companies.

With an interactive format, this report provides detailed analysis of executive and non-executive remuneration in FTSE 100 companies, including base salary, annual bonus and long-term incentives, pensions, shareholding requirements, pay ratios, non-executive director fees and other aspects of remuneration policy. This analysis is based on 96 companies with financial years ending up to and including 3 March 2022.



Foreword

Pay levels rebound post COVID-19

The median FTSE 100 CEO total 'single figure' remuneration for 2021 returned to pre-pandemic levels at £3.62m, following significantly reduced pay out-turns in 2020 in the context of the COVID-19 pandemic. While total CEO pay rebounded in 2021, it has stayed below the peak level seen in recent years, which was a high of £4.04m in 2017.

Higher total remuneration packages were largely driven by annual bonus out-turns returning to above pre-COVID levels in the majority of sectors, with a median FTSE 100 bonus out-turn of 85% of maximum, generally supported by strong recovery in corporate performance. The median long-term incentive vesting level was 58% of maximum (2020: 35% of maximum).

2022 AGM season

The 2022 AGM season saw similar levels of investor support for directors' remuneration reports to date. 10% of FTSE 100 companies received 'low votes' (less than 80% in favour) on their annual remuneration report (2021: 13%), with median support of 94% of votes in favour of the annual remuneration report (2021: 96%).

Around one-third of FTSE 100 companies put a new remuneration policy to a shareholder vote in 2022, with c.20% receiving less than 80% votes in favour, primarily relating to increases to incentive opportunities or alternative arrangements such as one-off incentive awards, with typical voting out-turns of 60%-70% in those cases.

In 2023, around one-half of FTSE 100 companies are expected to seek a triannual binding vote on the remuneration policy.

Introduction and forewore

Foreword

Continued adoption of ESG and climate metrics

Over 90% of FTSE 100 companies now incorporate ESG measures into their incentive plans. Following COP26 and mandatory TCFD reporting for premium listed companies, over 50% of companies include carbon emissions reduction metrics under the annual bonus or long-term incentive, typically linked to Scope 1 and 2 emissions.

Investors are increasingly engaging with UK businesses on their climate ambitions, with a focus on alignment with Paris Agreement goals and the quality of their disclosures. Where ESG measures are linked to pay, investors are raising the bar in terms of the transparency and stretch of targets to ensure pay reflects genuine progress in this area.

A more challenging year ahead

In a challenging economic environment, boards will face heightened scrutiny in the coming year around executive pay decisions and actions taken to support the workforce in light of the deepest squeeze in household living standards in decades.

With rising inflation, we expect to see remuneration committees taking a more considered approach to the annual salary review for executive directors, with early insights suggesting we will see a trend towards executive director increases being lower than the workforce rate. In a period of significant economic and market volatility and narrowing corporate margins, we expect to see a more challenging period ahead, with heightened investor scrutiny of incentive out-turns to ensure that pay decisions reflect the wider stakeholder experience.

Deloitte LLP October 2022 Introduction and foreword

Executive summary

Total 'single figure' remuneration

£3.62m median CEO 'single figure' total remuneration (2020: £2.80m, 2019: £3.33m)

£2.22m median CFO 'single figure' total remuneration (2020: £1.66m, 2019: £1.84m)

81:1 median CEO pay ratio (2020: 59:1, 2019: 75:1)

Fixed pay

3% median CEO salary increase so far in 2022 (>90% in line with or below workforce increase)

14%

implemented a salary freeze for CEO so far in 2022 (2021: 47%, 2020: 55%, 2019: 28%)

Incentive out-turns

5%

of companies paying no annual bonus to CEO for 2021 (2020: 32%, 2019: 7%)

88% of maximum median CEO annual bonus out-turn for 2021 (2020: 39%, 2019: 69%)

58% of maximum median PSP vesting for 2021 (2020: 35%, 2019: 56%)



Executive shareholding requirements

300% median CEO shareholding requirement (% of salary)

c.625% median actual CEO shareholding (% of salary)

>99% of companies have a post-employment shareholding requirement



ESG and incentive plans

c.70% companies incorporating ESG under annual bonus plan

c.45% companies incorporating ESG under long-term incentive plan

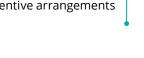


26%

operate non-standard incentive arrangements



of companies now





2022 AGM season

94%

median vote in favour of directors' remuneration report (2021: 96%)

30%

of companies put a new remuneration policy to vote

10% of remuneration reports receiving a 'low vote' (<80% support) (2021: 13%)

c.20% of policies receiving a 'low vote'

(2021: c.25%)

Key issues – remuneration policy • Increases to incentive opportunities

Key issues – remuneration report

Payment of bonus where government

support used/dividends suspended

LTIP outcomes

• Salary increases

• Upward discretion to positively adjust



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Economic and geopolitical environment

Economic and geopolitical environment

Inflation, economy and cost-of-living crisis

- With a growing UK cost-of-living crisis and challenging economic environment, boards will face heightened scrutiny in the coming year around executive pay decisions and actions taken to support the workforce, in light of continued pressure on household living standards and economic uncertainty.
- A recent study by the Institute for Fiscal Studies (August 2022) showed that inflation for the lowest income households is expected to reach c.18% by October 2022, compared to c.11% in the highest income households.

Actions in response to cost-of-living crisis

- Around 25% of FTSE 100 companies have published details of their response to support the workforce through the cost-of-living crisis, and the majority of companies are considering their response in this area.
- Actions include one-off payments (typical range £750 to £1,500) made to employees below an earnings threshold or seniority level, or mid-year salary increases for the lowest paid workers.

Executive versus workforce – salary adjustments

- While executive salary increases have typically tracked a workforce inflation rate of c.2% in recent years, we are seeing remuneration committees take a more considered approach to the annual salary review, including early indications of a 'disconnect' in executive and workforce salary increases in recent months and salary budgets focussed on the lowest paid workers.
- The Investment Association guidance states "any potential increases to the level of salary should be considered in tandem with the effect this will have on overall quantum. Small percentage increases to salary may lead to substantial increases in overall remuneration".
- In recent months we have seen expanded narrative in directors' remuneration reports around executive salary reviews, in the context of wider workforce increases and other cost-of-living actions. Based on recent engagement with institutional investors, this is likely to be a key area of focus during the 2023 AGM season, with shareholders increasingly looking to understand the correlation between pay decisions for executives and broader employees.

Economic and geopolitical environment

The Investment Association's response to enquiries on executive remuneration and Russian Sanctions (March 2022)

The **Russian invasion of Ukraine** continues to present disruption and uncertainty for global business.

In March 2022, the Investment Association set out its views on two core issues – LTIP grant sizes and potential delays to LTIP target setting – as set out below.

To date, no further announcements have been made regarding wider adjustments to incentive plans. However, in general, investors are not supportive of discretionary adjustments to reflect any broader deviation of the global economy from its expected trajectory, or adjustments which may insulate executives from the wider stakeholder experience.

Following a number of enquiries from remuneration consultants, the IA set out its views on two core issues – LTIP grant sizes and delaying LTIP target setting.

LTIP grant sizes	In relation to the impact of the conflict, the IA members expect grant sizes to be scaled back following a share price fall, in line with the IA's Principles of Remuneration.
Delaying target setting for LTIPs by six months	 Many IA members are willing to support a delay in setting performance targets for LTIP awards where the company receives material revenues or profits from their Russian operations. Such delay should be clearly linked to: the statements the company has made on the impact of the current situation, approach to the management of their Russian operations, and overall financial position and performance. The ongoing macroeconomic impact of the Russian invasion, including the increase in energy costs, should not in itself be a reason for delaying target setting.

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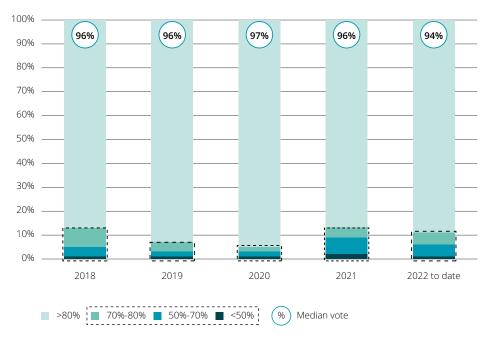
2022 AGM season

2022 AGM season – shareholder voting

Median vote of 94% in favour of remuneration report

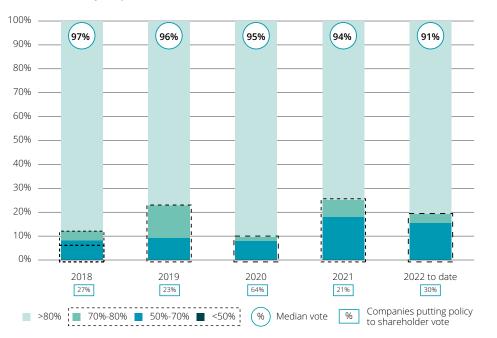
The charts below show the proportion of votes in favour of the annual remuneration report and remuneration policy from 2018 to 2022

Annual remuneration report



Median vote in favour of remuneration report so far: 94% Lowest in five years (typically 96% – 97%) 10% of companies received a 'low' vote i.e. < 80% (2021: 13%)

Remuneration policy



Median vote in favour of remuneration policy so far: 91%

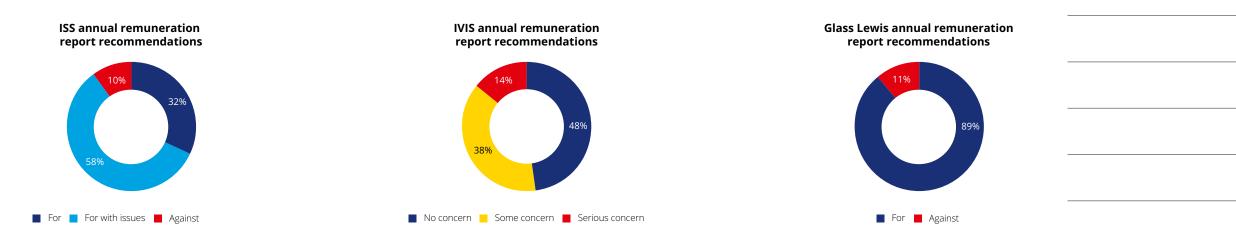
Lowest in five years (typically 94% – 97%)

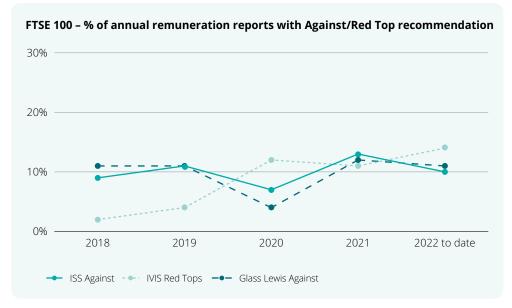
26 companies put a new remuneration policy to shareholder vote

Around a fifth received less than 80% support for the new policy (2021: 28 companies, 25% low votes)

Note: 2022 outcomes published as at 31 July 2022

2022 AGM season – proxy recommendations (remuneration report)





Key issues leading to low votes on annual remuneration report

$\left(igoplus_{1} ight)$ Upward discretion to positively adjust LTIP outcomes

Investors opposed the repeated use of positive discretion to adjust incentive outcomes or targets in two companies.

Salary increases

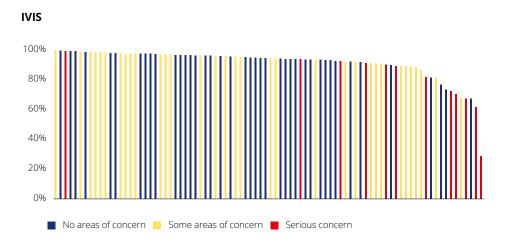
Significant salary increases for executive directors continue to be an area of investor dissent.



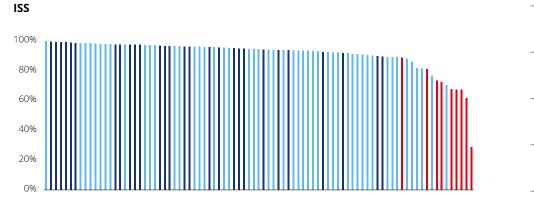
Payment of bonus where government support used/dividends suspended

Two companies received low votes relating to annual bonus payments where government support had been used.

2022 AGM season – proxy recommendations (remuneration report)

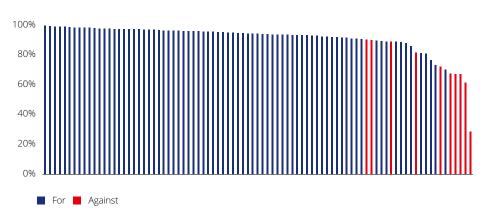


Influence of the proxy agencies on annual remuneration report voting outcomes



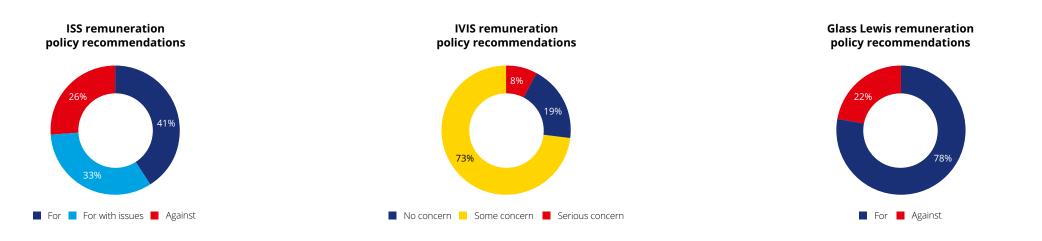


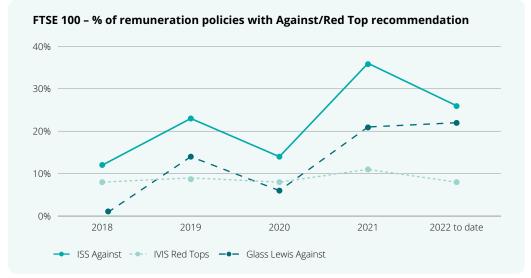
Glass Lewis



Note: 2022 recommendations and outcomes published as at 31 July 2022

2022 AGM season – proxy recommendations (remuneration policy)





Key issues leading to low votes on remuneration policy

(Increases to incentive opportunities

Four companies received less than 80% of votes in favour of the remuneration policy. In all cases, this related to increases to maximum incentive opportunities under annual bonus and/or long-term incentive plans.



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Executive directors' remuneration





Salary increases – Chief executive officer and other executive directors

Around 15% of companies have frozen chief executive salary for FY 2022, compared with over a half last year

FTSE 100 salary increases – Chief executive officer

	FTSE 100	Тор 30
0%	14%	14%
0% - 3%	53%	64%
3% - 5%	27%	22%
5% - 7%	0%	0%
7% – 10%	2%	0%
More than 10%	4%	0%

Lower quartile	2.5%	2.4%
Median	3.0%	2.9%
Upper quartile	3.5%	3.0%

Sample: 84 companies with year ends from September 2021 onwards, whose reports were published as at 12 August 2022. Excludes individuals ineligible for a review due to resignation or being recently appointed.

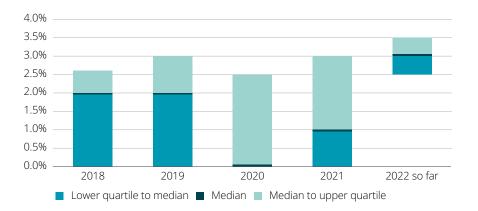
FTSE 100 salary increases – Other executive directors

FTSE 100	Тор 30
15%	11%
52%	67%
20%	15%
5%	7%
3%	0%
5%	0%
	15% 52% 20% 5% 3%

Lower quartile	2.4%	2.5%
Median	3.0%	3.0%
Upper quartile	4.0%	3.0%

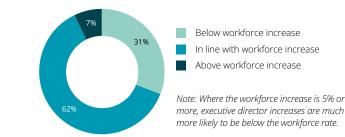
Sample: 81 companies with year ends from September 2021 onwards, whose reports were published as at 12 August 2022. Excludes individuals ineligible for a review due to resignation or being recently appointed.

Chief executive officer salary increase 2018 to 2022



Salary increase versus increase awarded to wider workforce

Where disclosed, the wider workforce salary increase ranges from 2% to 7%, with a median of 3%.



'Shareholders expect companies to show continued restraint. Increases to salary, if necessary, should be in line with changes to the wider workforce. Investors will continue to look closely at how any increases to basic salary or variable pay opportunity are justified and will expect remuneration committees to show restraint in relation to overall quantum.' – The Investment Association 'Glass Lewis may recommend that shareholders vote against the remuneration policy where there is evidence that executive fixed pay and/or total opportunity increases are substantially outpacing employee salary increases.' – Glass Lewis

Salary – Chief executive officer (£)

Chief executive officer

Salary levels by market capitalisation

Market capitalisation	No. of co's	Lower decile	Lower quartile	Median	Upper quartile	Upper decile	Average
£3.3bn-6bn	26	568,100	659,800	769,000	868,800	914,500	751,100
£6bn-9bn	22	568,200	728,200	794,500	875,600	1,012,200	808,500
£9bn-15bn	16	676,400	759,200	870,000	992,500	1,056,000	875,400
£15-36bn	17	966,600	1,045,000	1,135,200	1,217,000	1,384,200	1,139,900
>£36bn	15	1,026,000	1,216,000	1,308,000	1,339,500	1,373,500	1,254,500
FTSE 100	96	621,300	756,600	876,900	1,125,300	1,316,800	932,500
Тор 30	30	999,500	1,064,800	1,233,500	1,333,800	1,390,300	1,199,900
31-100	66	579,400	704,000	804,500	905,500	1,035,000	810,900

The analysis of salary levels is shown by company size based on the average market capitalisation for each company over the twelve months to 1 July 2022.

Caution should be taken when using this information to benchmark salaries for executive director roles, taking careful consideration of such factors as company size, the degree of internationality and complexity of the company, remuneration arrangements across the whole organisation, the individual specifics of roles and economic circumstances, and impact on overall total remuneration.

Salary – Chief financial officer and other executive directors (£)

Chief financial officer

Salary levels by market capitalisation

Market capitalisation	No. of co's	Lower decile	Lower quartile	Median	Upper quartile	Upper decile	Average
£3.3bn-6bn	22	406,300	436,900	490,000	514,100	537,900	478,300
£6bn-9bn	20	397,500	444,300	497,000	606,600	661,700	518,900
£9bn-15bn	16	493,600	521,000	561,700	630,900	718,500	588,300
£15-36bn	17	625,200	700,000	730,000	765,000	836,400	735,200
>£36bn	14	682,500	721,300	796,000	874,100	910,700	801,000
FTSE 100	89	426,000	490,000	569,300	721,000	800,700	607,000
Тор 30	29	647,600	708,000	740,500	818,900	903,100	771,200
31-100	60	410,700	460,300	510,300	583,400	675,000	527,700

Other executive directors (operational and functional roles)

	No. of jobs	Lower decile	Lower quartile	Median	Upper quartile	Upper decile	Average
FTSE 100	29	377,800	410,000	480,000	629,000	772,400	540,300
Тор 30	7	_	-	765,000	-	_	788,300
31-100	22	377,800	382,100	465,400	504,400	596,700	461,300

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Annual bonus plans

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Annual bonus plans – structure

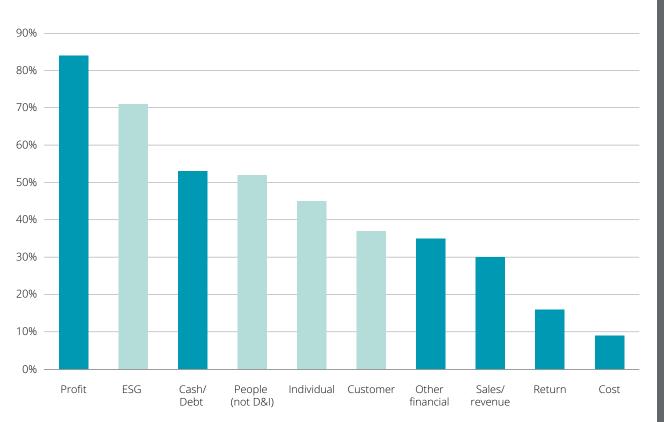
Proportion Deferred Deferral Period 10% 12% 14% 17% 2% 11% 62% 67% Less than a third 📃 A third 📃 A third to half 📃 Half More than half Four years or more Two vears Three years Other

Deferral of 50% of the earned bonus for three years continues to be the most prevalent bonus structure

Four companies do not operate a separate annual incentive. Of the remaining 92 companies, only five do not require deferral of a portion of the bonus earned. The majority of deferred bonus plans now require that at least one-half of any bonus earned is deferred (72% of plans). In a small number of companies, the deferral is expressed as any bonus earned in excess of a specified percentage of salary. Typically in these cases, deferral applies to bonus amounts in excess of 100% of salary. The bonus deferral period is three years or more in 69% of plans in FTSE 100 companies.

Annual bonus plans – performance measures

% of plans using each performance measure



Financial measures Non-financial measures

- We continue to observe increasing support for a more balanced approach to performance assessment under incentive plans.
- In the FTSE 100, annual bonus plans are typically weighted 70% based on financial metrics and 30% based on strategic and personal objectives (most commonly 20% strategic and 10% personal objectives).

"Using a range of financial, non-financial and strategic measures can help ensure that targets are aligned with how the company will deliver value over the long-term in line with company purpose". UK Corporate Governance Code, Guidance on Board Effectiveness

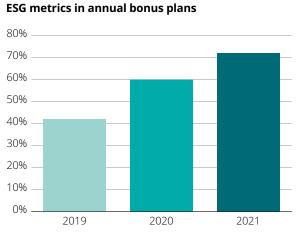
• There has been a significant increase in the adoption of ESG metrics under incentive plans, from around 60% in 2021 to 71% this year, following enhanced focus from investors around how boards are incorporating ESG considerations into the business strategy. Since 2020, institutional investors and proxy agencies have issued updated guidance around the use of ESG metrics under incentive plans.

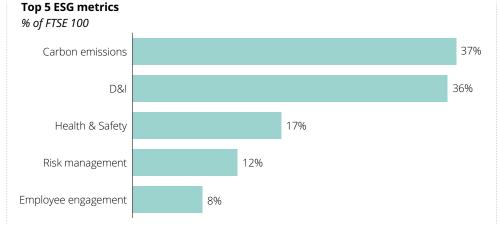
"Remuneration committees should consider including strategic or non-financial performance criteria in variable remuneration, for example relating to ESG objectives, or to particular operational or strategic objectives. ESG measures should be material to the business and quantifiable. In each case, the link to strategy and method of performance measurement should be clearly explained." – Investment Association, November 2020

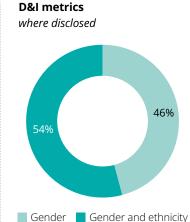
"If the board decides to use ESG-type criteria, these criteria should be linked to material issues and they must be quantifiable, transparent and auditable. These criteria should reflect the strategic priorities of the company." – **Blackrock**, January 2021

Annual bonus plans – Environmental, Social and Governance (ESG) metrics

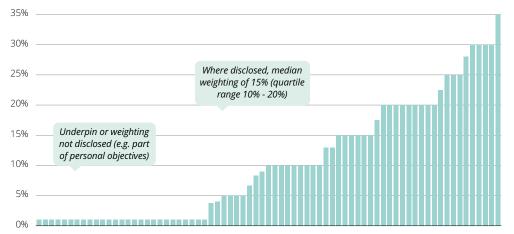
c.70% of FTSE 100 companies use ESG metrics under annual bonus plans







Typical weighting of ESG metric (% of maximum)



"Where companies are incorporating the management of material ESG risks and opportunities into their long-term strategy, the Remuneration Committees should be incorporating the management of these material ESG risks as performance conditions in the company's variable remuneration."

The IA letter to RemCo chairs, November 2021

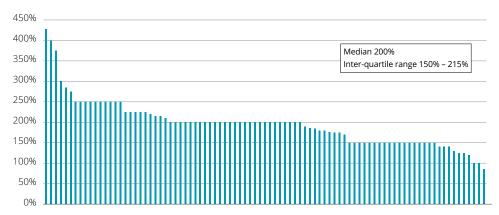
"ESG performance conditions may be used but targets should be material to the business and quantifiable." **ISS guidelines, December 2021**

"Glass Lewis does not require the inclusion of ESG metrics in incentive plans and notes that not all remuneration schemes lend themselves to the inclusion of E&S metrics." Glass Lewis, November 2021

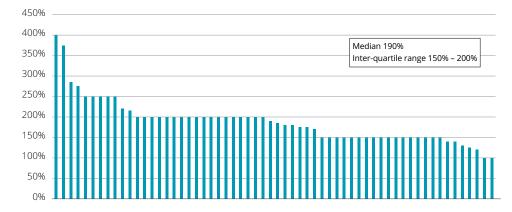
Annual bonus plans – maximum opportunity

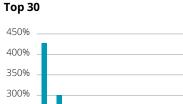
Maximum opportunities (% of salary)

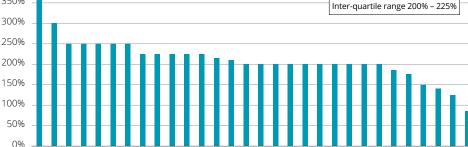
Chief executive officer – FTSE 100



31 – 100







Median 200%

FTSE 100 – Chief executive officer – historical annual bonus maximum 2018-2022 (% of salary)

Chief executive	2018	2019	2020	2021	2022
Upper quartile	200%	200%	210%	215%	215%
Median	200%	195%	200%	200%	200%
Lower quartile	150%	150%	150%	150%	150%

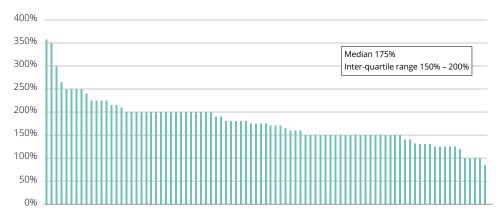
Threshold and target awards

Around 55% of companies disclose the level of payout for threshold performance. In a quarter of these companies, threshold performance earns a zero payout. More typically, around 20% – 25% of the maximum pays out at threshold. Target awards are typically 50% of the maximum, in line with the guidance issued by ISS in 2018.

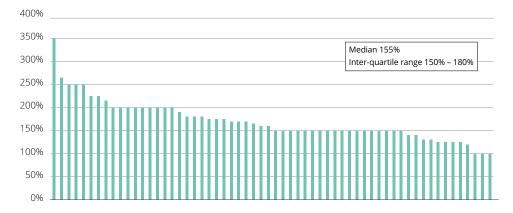
Annual bonus plans – maximum opportunity

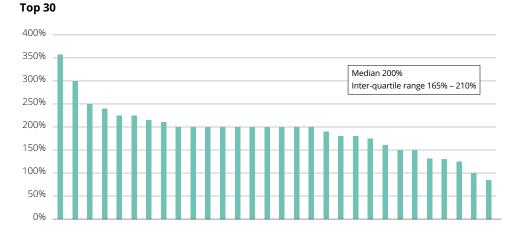
Maximum opportunities (% of salary)

Other executive directors – FTSE 100



31 - 100





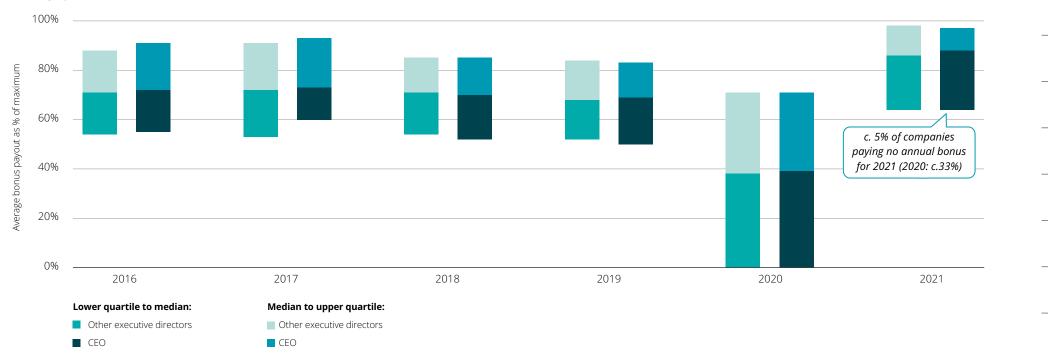
FTSE 100 – Other executive directors – historical annual bonus maximum 2018-2022 (% of salary)

Other executive directors	2018	2019	2020	2021	2022
Upper quartile	200%	200%	200%	200%	200%
Median	160%	160%	165%	165%	175%
Lower quartile	150%	150%	150%	150%	150%

Annual bonus plans – out-turns

2021 payouts at highest level in recent years

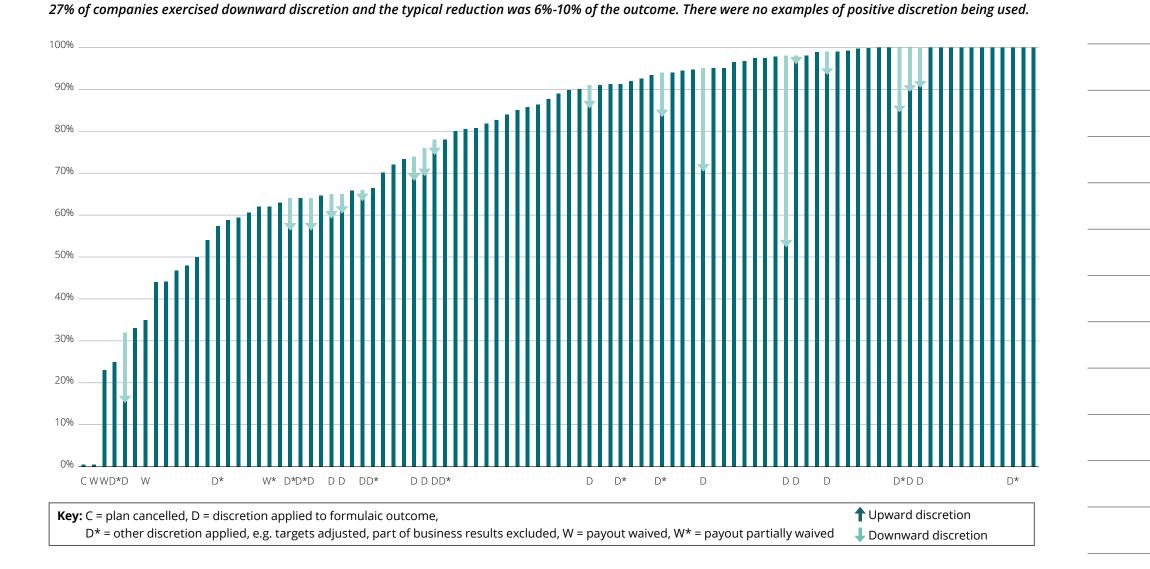
Bonus payout as % of maximum



Payout ranges (% of maximum)

All executive directors	2016	2017	2018	2019	2020	2021
Upper quartile	91%	93%	85%	84%	70%	97%
Median	72%	73%	71%	68%	38%	85%
Lower quartile	54%	59%	53%	51%	0%	64%

Annual bonus plans – impact of discretion and waivers



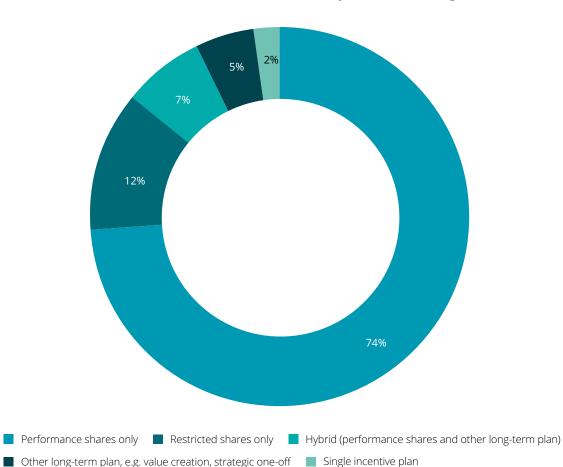
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Long-term incentive plans

Long-term incentive plans – structure





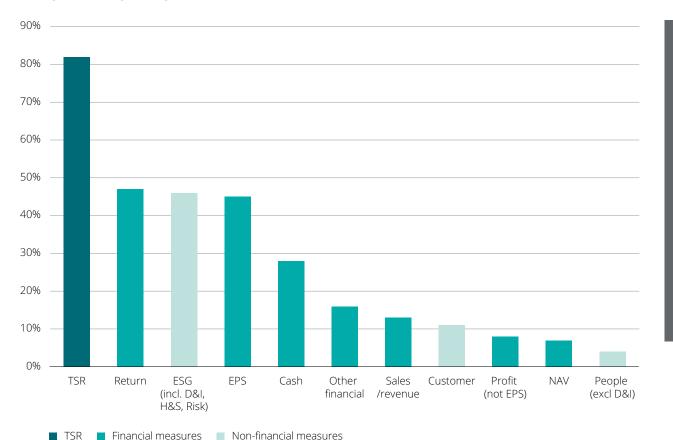
Performance shares continue to be the most prevalent long-term incentive in FTSE 100 companies

Alternative incentive plans

- 25 FTSE 100 companies operate an alternative to a performance share plan:
- A restricted share plan as the only long-term incentive is the most common alternative approach (11 companies).
- 7 companies operate a combination of long-term plans, typically performance shares with either restricted shares or share options.
- 4 companies have implemented either a value creation plan or a strategic one-off long-term plan.
- 3 companies operate a single incentive plan, either making awards based on annual performance which are deferred over more than 3 years, or making awards subject to performance over multiple years.

Performance share plans – metrics

% of plans using each performance measure



Our analysis of measures used in performance share plans (PSPs) is based on disclosures relating to the next awards to be made.

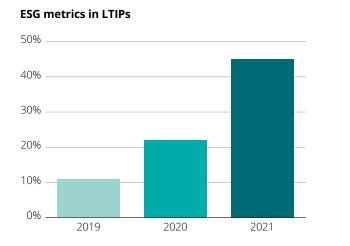
FTSE 100 companies typically base PSPs on two to four performance measures.

TSR continues to be the most common PSP measure (82% of plans), followed by return measures, (used in around one-half of plans). There has been a significant increase in the use of ESG measures from around a quarter in 2021 to almost a half this year.

Around one quarter of plans include an underpin which may relate to financial performance, or in some cases a health and safety or risk metric.

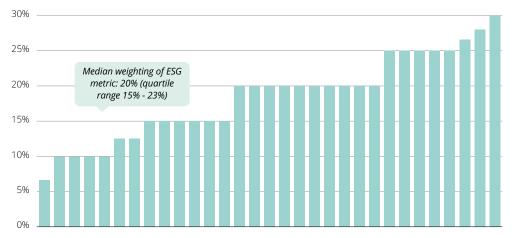
Long-term incentive plans – Environmental, Social and Governance (ESG) metrics

c.45% of FTSE 100 companies use ESG metrics under long-term incentive plans



Top 5 ESG metrics % of FTSE 100 Carbon emissions D&I D&I Image: Deligible of the second second

Typical weighting of ESG metric (% of maximum) where disclosed (excluding underpins)



"Where companies are incorporating the management of material ESG risks and opportunities into their long-term strategy, the Remuneration Committees should be incorporating the management of these material ESG risks as performance conditions in the company's variable remuneration." The IA letter to RemCo chairs, November 2021

29%

"ESG performance conditions may be used but targets should be **material** to the business and **quantifiable**." **ISS guidelines, December 2021**

"Where ESG metrics are included as part of the long-term incentive, we would not expect this to be weighted more than one-third of the total award." LGIM, September 2021

"Glass Lewis does not require the inclusion of ESG metrics in incentive plans and notes that not all remuneration schemes lend themselves to the inclusion of E&S metrics." Glass Lewis, November 2021

Performance share plans – target setting

Measures and target setting - TSR and EPS

The following table sets out typical TSR and EPS measurement approaches in FTSE 100 performance share plans.

Typically, 25% of a performance share award vests for achieving overall threshold performance, rising on a straight line basis, with full vesting at maximum performance.

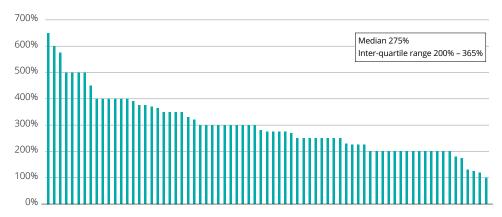
TSR measurement	Prevalence (as % of plans using TSR and disclosing)	Threshold performance	Maximum performance
Ranked vs comparator or broad index only	85%	50 th percentile	75 th percentile (79% of plans) 80 th percentile or above (19% of plans)
Indexed	8%	Equal the index	Typically outperform the index by 6% – 25%
Absolute target only	-	-	_
Combination of types	7%		

EPS measurement	Prevalence (as % of plans using EPS and disclosing)	Threshold performance	Maximum performance	
Expressed as growth target	58%	Typically 4% – 6% p.a.	Typically 10% – 13% p.a.	
Expressed as absolute target	42%	Varies by company based on past performance and future forecasts		

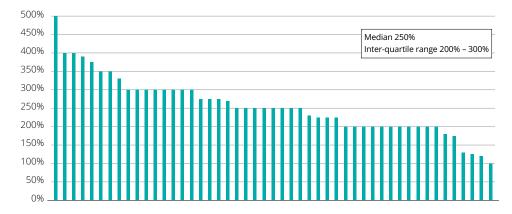
Performance share plans – usual maximum opportunity

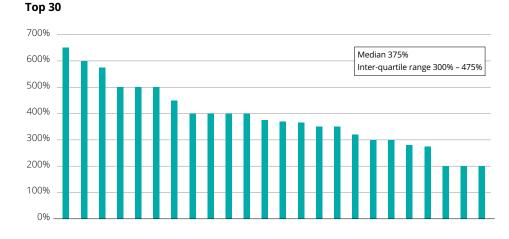
Usual maximum opportunities (% of salary)

Chief executive officer – FTSE 100



31 - 100



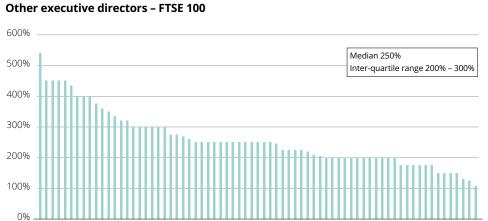


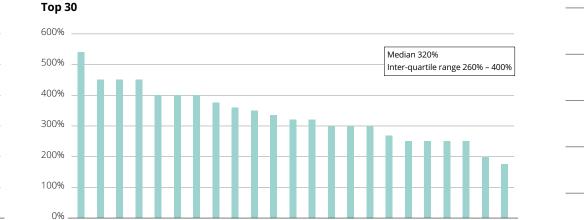
FTSE 100 – Chief executive officer – historical performance share plan usual maximum 2018-2022 (% of salary)

Chief executive	2018	2019	2020	2021	2022
Upper quartile	350%	320%	330%	350%	365%
Median	275%	250%	260%	265%	275%
Lower quartile	200%	200%	200%	200%	200%

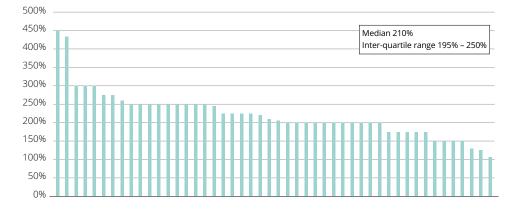
Performance share plans – usual maximum opportunity

Usual maximum opportunities (% of salary)





31 - 100



FTSE 100 – Other executive directors – historical performance share plan usual maximum 2017-2021 (% of salary)

Other executive directors	2018	2019	2020	2021	2022
Upper quartile	300%	275%	300%	300%	300%
Median	230%	225%	225%	225%	250%
Lower quartile	200%	200%	200%	200%	200%

Performance share plans and restricted share plans

PSP - overall policy maximum (% of salary)

Around one-half of FTSE 100 companies have additional headroom in the overall policy maximum for the performance share plan. Where this is the case, the policy maximum is usually in the region of 50%-100% of salary above the usual maximum award level.

Overall policy maximum	FTSE 100			Тор 30			31 - 100		
	2020	2021	2022	2020	2021	2022	2020	2021	2022
Upper quartile	400%	400%	400%	500%	500%	500%	350%	350%	350%
Median	310%	300%	300%	400%	400%	400%	300%	300%	300%
Lower quartile	250%	280%	280%	350%	350%	320%	250%	250%	255%

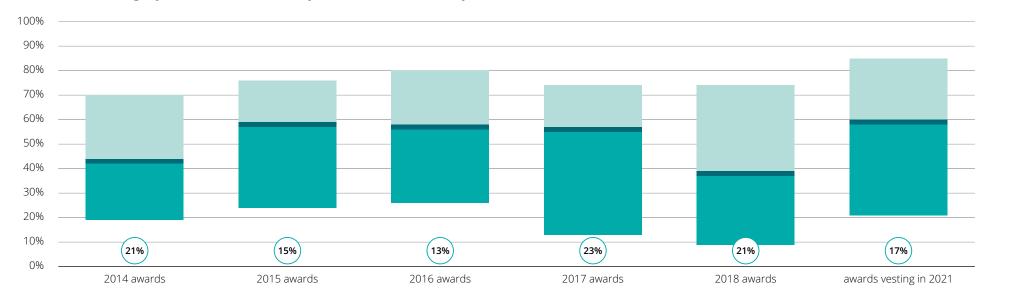
Opportunites under restricted share plans

Restricted share plans continue to grow in prevalence. The typical opportunites we see across FTSE 100 companies range from around 125% of salary up to 165% of salary, with a median annual award of 150% of salary.

RSP – overall policy maximum (% of salary)							
FTSE 100 Top 30 31 – 100							
Upper quartile	200%	230%	165%				
Median	150%	215%	150%				
Lower quartile	125%	190%	125%				

RSP – usual maximum award (% of salary)							
FTSE 100 Top 30 31 – 10							
Upper quartile	165%	205%	150%				
Median	150%	175%	125%				
Lower quartile	125%	150%	65%				

Performance share plans – out-turns



Median vesting of awards in 2021 of 58%, in line with pre-COVID-19 levels

Lower quartile to median 🔳 Median 🔳 Median to upper quartile 🛞 of plans with zero vesting

	2014 awards	2015 awards	2016 awards	2017 awards	2018 awards	Awards vesting in 2021
Upper quartile	70%	76%	80%	74%	74%	85%
Median	43%	58%	56%	56%	35%	58%
Lower quartile	19%	24%	27%	13%	9%	21%

Note: The final column of the chart and table shows vesting of awards in 2021. This is a change in methodology from prior years, where we show the vesting of awards granted three years earlier. We will continue to use the 'vesting in the year' methodology in the future.

For comprison purposes, the median vesting of awards made in 2019 so far (i.e. the previous methodology) would be 45%.



Pensions

Pensions

Contribution rates continue to align with the wider workforce

Pension contribution rates for new hires (% of salary)		2019			2020			2021			2022	
	Lower quartile	Median	Upper quartile									
FTSE 100	11%	15%	25%	9%	11%	15%	9%	10%	14%	9%	10%	13%
Тор 30	13%	20%	25%	10%	10%	15%	10%	10%	10%	10%	10%	14%
31 - 100	11%	15%	25%	9%	12%	15%	8%	10%	14%	8%	10%	13%

All FTSE 100 companies that operate a pension plan for executive directors have aligned the contribution rates with the wider workforce or have committed to do so.

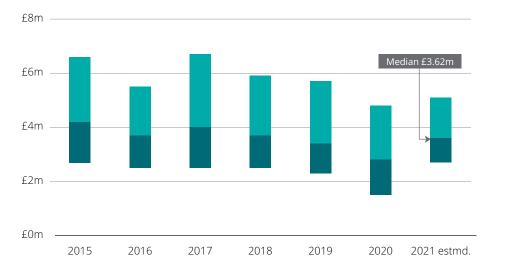


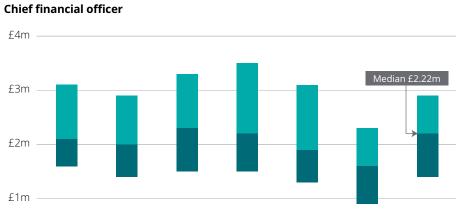
Total compensation and pay ratios

Total compensation

Total 'single figure' remuneration increased back to pre-Covid-19 levels

Chief executive officer





£0m							
	2015	2016	2017	2018	2019	2020	2021 estmd.

Chief executive officer		FTSE 100)		Тор 30			31 - 100)
	2019	2020	2021 estmd.	2019	2020	2021 estmd.	2019	2020	2021 estmd.
Upper quartile	£5.68m	£4.82m	£5.16m	£9.04m	£7.82m	£7.21m	£4.18m	£3.86m	£4.31m
Median	£3.33m	£2.80m	£3.62m	£6.00m	£5.19m	£4.98m	£3.09m	£2.33m	£3.18m
Lower quartile	£2.26m	£1.47m	£2.68m	£4.31m	£3.46m	£4.27m	£2.09m	£1.30m	£2.53m

Chief financial officer		FTSE 100)		Тор 30			31 - 100)
	2019	2020	2021 estmd.	2019	2020	2021 estmd.	2019	2020	2021 estmd.
Upper quartile	£3.06m	£2.39m	£2.88m	£5.87m	£3.46m	£3.81m	£2.11m	£1.87m	£2.43m
Median	£1.84m	£1.66m	£2.22m	£3.74m	£2.60m	£2.88m	£1.54m	£1.15m	£1.65m
Lower quartile	£1.26m	£0.94m	£1.43m	£2.82m	£1.66m	£2.16m	£1.08m	£0.80m	£1.30m

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CEO pay ratios

CEO:Employee pay ratios return to 2019 levels

CEO:Median employee pay ratio 2019-2021



Lower decile to lower quartile Lower quartile to median Median Median to upper quartile Upper quartile to upper decile

CEO pay ratio methodology	% of companies disclosing ratio	2021 (2020)	FTSE 100	Тор 30	31 - 100	Finance & property	Industrial & manufacturing	Retail & services
Option A	63%	Upper decile	168 (166)	189 (197)	152 (121)	87 (91)	153 (129)	212 (179)
Option B	28%	Upper quartile	117 (92)	135 (115)	103 (72)	81 (72)	113 (85)	147 (125)
Option C	6%	Median	81 (59)	90 (83)	76 (43)	55 (54)	76 (62)	100 (70)
Not disclosed	3%	Lower quartile	57 (37)	65 (66)	52 (30)	45 (37)	60 (37)	76 (37)
Number of companies	92	Lower decile	36 (22)	45 (53)	34 (22)	34 (21)	38 (23)	58 (28)



Shareholding requirements, malus and clawback

Shareholding requirements (% of salary)

300%

400%

250%

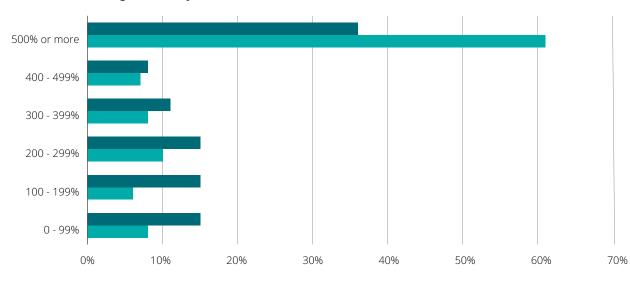
•	,	<i>,</i>				
C	hief executive offic	er	Oth	ner executive direct	tors	
FTSE 100	Тор 30	31 - 100	FTSE 100	Тор 30	31 - 100	
400%	500%	300%	300%	400%	275%	
300%	460%	300%	250%	300%	200%	

200%

Upper quartile

Lower quartile

Median



More than 60% of chief executive officers hold shares worth at least 500% of salary

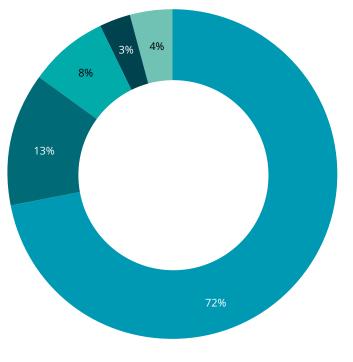
300%

200%

■ Other executive directors ■ Chief executive officer

Post-employment shareholding requirements

Almost three-quarters of companies require executive directors to retain shares equal to their 'in-post' requirement (or their actual holding if lower) for two years post-employment



Almost a half of companies with a formal postemployment shareholding requirement also disclose the mechanism by which the requirement is enforced. In two-thirds of these companies, shares are held in a nominee account, in trust or by a third-party administrator. In around a quarter of companies, there is a formal agreement/ contractual provision to comply, or executives require company consent to trade.

- 100% of shareholding requirement for two years
- 100% of shareholding requirement in year 1, 50% of shareholding requirement in year 2
- Other non-tapered approach (e.g. 50% of shareholding requirement for 2 years)
- Other tapered approach
- Relying on leaver/deferral/holding period provisions

Malus and clawback

Circumstances that trigger malus and clawback provisions in incentive plans

Trigger	% of companies disclosing (2021)
Misstatement of results/error in performance calculation	99% (98%)
Reputational damage	81% (67%)
Corporate failure	49% (42%)
Misconduct	
 gross/justifying summary dismissal 	39% (no change)
not defined	32% (31%)
• serious/material	29% (27%)
Failure of risk management and control	39% (35%)
Performance not sustained	11% (5%)
Other reasons	70% (68%)

Since 2014, eleven companies across the FTSE All-Share have disclosed that they exercised discretion to apply malus and/or clawback to annual bonus and/or long-term incentive awards. Events that triggered the provisions included corporate failings that led to investigations, sanctions arising from the findings of investigations, material misstatements in the accounts, and calculation errors resulting in the overpayment of awards.

Note: common other reasons include fraud or breach of the company's code of conduct

In May 2022, the government published its response to the consultation on strengthening the UK's audit, corporate reporting and corporate governance systems ('Restoring trust in audit and corporate governance').

Under the White Paper, the Financial Reporting Council (FRC) has been invited to consult on how "existing malus and clawback provisions in the Code can be developed to deliver greater transparency and to encourage consideration and adoption of a broader range of conditions in which executive remuneration could be withheld or recovered, beyond that of 'gross misconduct' or 'material misstatements' (which account for the majority of malus and clawback conditions currently). For example, the Code could set out an illustrative set of malus and clawback conditions, taking account of stakeholder feedback on the conditions proposed in the White Paper, which remuneration committees should consider in developing their own arrangements."

The intention is that the revised UK Corporate Governance Code will apply to periods commencing on or after 1 January 2024, with consultation on a revised Code and supporting material from Q1 of 2023.

Non-executive directors' remuneration

Your Guide | Directors' remuneration in FTSE 100 companies

Non-executive director fees

Increase in proportion of companies awarding increases above 10%

Chair fee increases	FTSE 100	Тор 30	31 – 100
0%	49%	59%	44%
0% - 3%	26%	26%	25%
3% - 5%	10%	0%	15%
5% – 7%	1%	0%	2%
7% – 10%	5%	11%	2%
Above 10%	9%	4%	12%
Upper quartile	3.4%	2.4%	3.8%
Median	1.0%	0.0%	3.0%
Lower quartile	0.0%	0.0%	0.0%
Average	4.8%	2.2%	6.0%

NED base fee increases	FTSE 100	Тор 30	31 - 100
0%	52%	56%	51%
0% - 3%	28%	33%	25%
3% - 5%	9%	0%	13%
5% – 7%	1%	0%	2%
7% – 10%	6%	7%	5%
Above 10%	4%	4%	5%
Upper quartile	3.0%	2.5%	3.0%
Median	0.0%	0.0%	0.0%
Lower quartile	0.0%	0.0%	0.0%
Average	2.3%	2.4%	2.3%

Chair fees (£)	Lower quartile	Median	Upper quartile	Average
FTSE 100	344,000	425,000	625,000	479,000
Тор 30	625,000	679,000	761,000	704,000
31 - 100	310,000	375,000	450,000	376,000

NED base fees (£)	Lower quartile	Median	Upper quartile	Average
FTSE 100	66,000	75,000	85,000	78,000
Тор 30	82,000	95,000	99,000	94,000
31 – 100	63,000	70,000	75,000	71,000

Non-executive director fees

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Additional fees for senior independent director and committee chairs

	Senior Independent Director (£)	Remuneration Committee Chair (£)	Audit Committee Chair (£)	Nomination Committee Chair (£)
FTSE 100				
Lower quartile	15,000	17,000	17,000	12000
Median	20,000	21,000	25,000	16,000
Upper quartile	30,000	30,000	35,000	19,000
% of companies	97%	100%	100%	19%
Тор 30				
Lower quartile	27,000	30,000	30,000	-
Median	35,000	35,000	38,000	30,000
Upper quartile	47,000	40,000	53,000	-
% of companies	100%	100%	100%	13%
31 - 100				
Lower quartile	12,000	15,000	16,000	11,000
Median	16,000	20,000	20,000	15,000
Upper quartile	20,000	22,000	25,000	17,000
% of companies	95%	100%	100%	21%

ESG Committee Chairs

Over 50% of FTSE 100 companies now have an ESG committee, with 94% of those companies paying fees to Committee chairs. The median fee paid to the Committee Chair is £21,000 (quartile range £15,350 – £35,000).

Non-executive director fees

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Additional fees for committee members and workforce engagement

	Remuneration Committee Member (£)	Audit Committee Member (£)	Nomination Committee Member (£)	NED designated for workforce engagement (£)
FTSE 100				
Lower quartile	10,000	10,000	7,000	10,000
Median	15,000	15,000	10,000	15,000
Upper quartile	20,000	22,000	15,000	18,000
% of companies	48%	48%	36%	25%
Тор 30				
Lower quartile	15,000	19,000	11,000	10,000
Median	20,000	24,000	15,000	16,000
Upper quartile	30,000	30,000	15,000	23,000
% of companies	67%	67%	57%	27%
31 - 100				
Lower quartile	8,000	9,000	5,000	10,000
Median	10,000	13,000	9,000	13,000
Upper quartile	15,000	15,000	10,000	16,000
% of companies	39%	39%	27%	24%

ESG Committee members

Over 50% of FTSE 100 companies now have an ESG committee, with 58% of those companies paying fees to Committee members. The median fee paid to the Committee member is £15,000 (quartile range £10,000 – £20,000).

Non-executive director fees – shares and shareholding guidelines

Payment in shares and shareholding requirements

	FTSE 100	Тор 30	31 – 100
Part or all of fees must be used to buy shares, or directors encouraged to use fees to buy shares	6%	3%	8%
Required to hold shares or maintain a specified shareholding	21%	30%	17%
Encouraged to hold shares or maintain a specified shareholding	13%	27%	6%

Only around 6% of FTSE 100 companies pay fees in shares or encourage non-executive directors to purchase shares with their fees. Around a third of companies have formal shareholding guidelines in place, although in some cases these are encouraged rather than required. In most cases where guidelines are in place, non-executives are expected to hold their shares until retirement from the board.

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Appendix and contacts

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Appendix

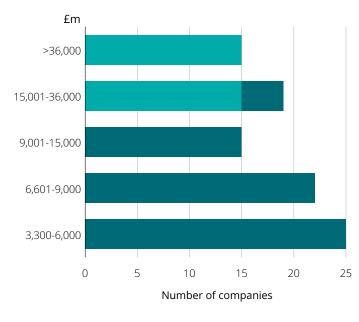
Sample based on constituents as at 1 July 2022

3i Group	DCC
abrdn	Dechra Phari
Admiral Group	Diageo
Airtel Africa	DS Smith
Anglo American	Endeavour N
Ashtead Group	Entain
Associated British Foods	Experian
AstraZeneca	Flutter Enter
Auto Trader Group	GlaxoSmithK
Avast	Glencore
Aveva Group	Halma
Aviva	Harbour Ene
B&M European Value	Hargreaves L
Retail	Hikma Pharm
BAE Systems	Howden Join
Barclays	HSBC Holdin
Barratt Developments	Imperial Brar
Berkeley Group Holdings	Informa
BP	InterContine
British American Tobacco	Group
BT Group	Intermediate
Bunzl	Group
Burberry Group	International
Centrica	Consolidated
Coca-Cola HBC AG	Group
Compass Group	Intertek Grou
CRH	J Sainsbury
Croda International	JD Sports Fas

	Kingfisher		
rmaceuticals	Land Securities Group		
	Legal & General Group		
	Lloyds Banking Group		
Mining	London Stock Exchange		
	Group		
	M&G		
rtainment	Meggitt		
Kline	Melrose Industries		
	Mondi		
	National Grid		
ergy	NatWest Group		
Lansdown	Next		
maceuticals	Ocado Group		
nery Group	Pearson		
ngs	Persimmon		
ands	Phoenix Group Holdings		
	Prudential		
ental Hotels	Reckitt Benckiser Group		
	RELX		
e Capital	Rentokil Initial		
	Rightmove Group		
al	Rio Tinto		
ed Airlines	Rolls-Royce Holdings		
	Royal Dutch Shell		
bup	RS Group		
	Schroders		
ashion	SEGRO		

	Severn Trent
	Smith & Nephew
_	Smiths Group
_	Smurfit Kappa Group
_	Spirax-Sarco Engineering
	SSE
	St James's Place
	Standard Chartered
	Taylor Wimpey
	Tesco
	The British Land
_	Company
_	The Sage Group
	The Unite Group
	Unilever
	United Utilities Group
	Vodafone Group
	Whitbread
	WPP
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Market capitalisation



Top 30 companies Rest of FTSE 100

Sample consists of 96 companies and excludes investment trusts, companies with a dual board structure and those incorporated overseas

Contacts



Sally Cooper Partner 020 7007 2809

sgcooper@deloitte.co.uk



Clare Edwards Partner 020 7007 1997 clareedwards@deloitte.co.uk



Iqbal Jit Partner 020 7303 4101 ijit@deloitte.co.uk



Mitul Shah Partner 020 7007 2368 mitulshah@deloitte.co.uk



John Cotton Partner 020 7007 2345 jdcotton@deloitte.co.uk



Juliet Halfhead Partner 0121 695 5684 jhalfhead@deloitte.co.uk



Katie Kenny Partner 020 7007 2162 katkenny@deloitte.co.uk



Ali Sidat Partner 020 7007 2818 asidat@deloitte.co.uk

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