

Your Guide

Directors' remuneration in FTSE 250 companies

October 2022

Home



Introduction



01 Introduction and foreword

Welcome to Your Guide – Directors' remuneration in FTSE 250 companies.

With an interactive format, this report provides detailed analysis of executive and non-executive remuneration in FTSE 250 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 168 companies with financial years ending up to and including 28 February 2022.



*If you have any questions or queries about our **Your Guide** reports, please get in touch at UKExecutiveCompensationConsulting@deloitte.co.uk*

Foreword



Pay levels rebound post COVID-19

The median FTSE 250 CEO total 'single figure' remuneration for 2021 returned to at or above pre-pandemic levels at £1.79m, following significantly reduced pay out-turns in 2020 in the context of the COVID-19 pandemic.

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 250 bonus out-turn of 85% of maximum, generally supported by strong recovery in corporate performance. The median long-term incentive vesting level was 40% of maximum (2020: 20% of maximum).

2022 AGM season

The 2022 AGM season saw similar levels of investor support for directors' remuneration reports to date. 11% of FTSE 250 companies received 'low votes' (less than 80% in favour) on their annual remuneration report (2021: 13%), with median support of 95% of votes in favour of the annual remuneration report (2021: 97%).

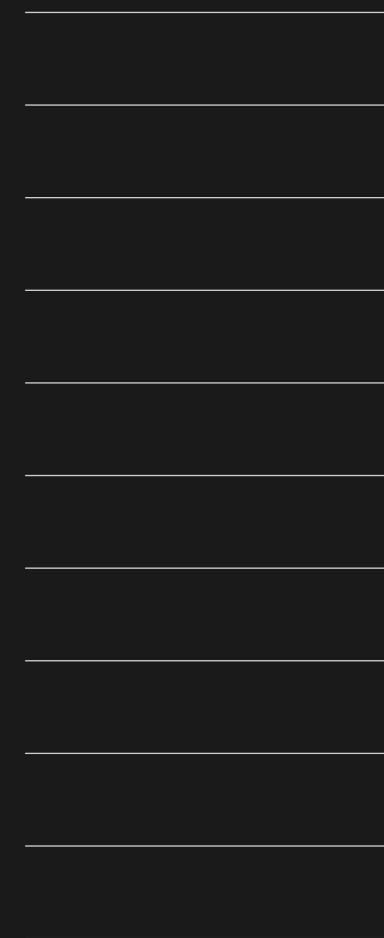
Around one-quarter of FTSE 250 companies put a new remuneration policy to a shareholder vote in 2022, with c.8% receiving less than 80% votes in favour, primarily relating to increases to incentive opportunities.

In 2023, around one-half of FTSE 250 companies are expected to seek a triannual binding vote on the remuneration policy.

Continued adoption of ESG and climate metrics

Over 70% of FTSE 250 companies now incorporate ESG measures into their incentive plans. Following COP26 and mandatory TCFD reporting for premium listed companies, companies have increasingly included carbon emissions reduction metrics under the annual bonus or long-term incentive, typically linked to Scope 1 and 2 emissions. We continue to see a wide range of ESG metrics being adopted in line with key strategic areas, including gender and ethnic diversity, workforce safety and biodiversity impact.

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.



Foreword



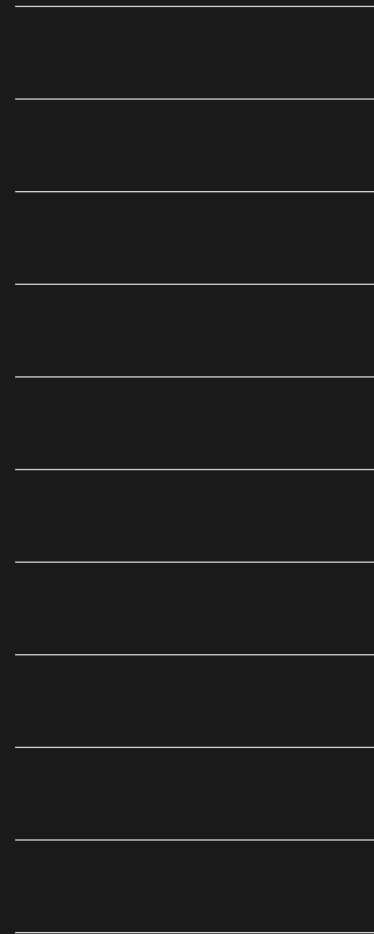
A more challenging year ahead

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

01 Introduction and foreword



Executive summary



Total 'single figure' remuneration

£1.79m

median CEO 'single figure' total remuneration
(2020: £1.22m, 2019: £1.52m)

£0.99m

median CFO 'single figure' total remuneration
(2020: £0.71m, 2019: £0.98m)

43:1 median CEO pay ratio (2020: 28:1, 2019: 36:1)



Fixed pay

3%

median CEO salary increase so far in 2022 (84% in line with or below workforce increase)

24%

implemented a salary freeze for CEO so far in 2022
(2021: 53%, 2020: 44%, 2019: 33%)



Incentive out-turns

c.9%

of companies paying no annual bonus to CEO for 2021
(2020: 38%, 2019: 10%)

85%

of maximum median CEO annual bonus out-turn for 2021
(2020: 34%, 2019: 61%)

40%

of maximum median PSP vesting for 2021
(2020: 20%, 2019: 40%)



Executive shareholding requirements

200%

median CEO shareholding requirement
(% of salary)

c.310%

median actual CEO shareholding
(% of salary)

>95%

of companies have a post-employment shareholding requirement



ESG and incentive plans

73%

companies incorporating ESG under annual bonus plan

30%

companies incorporating ESG under long-term incentive plan



Alternative incentives

24%

of companies now operate non-standard incentive arrangements



2022 AGM season

95%

median vote in favour of directors' remuneration report
(2021: 97%)

11%

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

1/4

of companies put a new remuneration policy to vote

8%

of policies receiving a 'low vote'
(2021: 16%)

Key issues – remuneration report

- Upward discretion to positively adjust LTIP outcomes
- Payment of bonus where government support used/dividends suspended
- High level of incentive payout
- Salary increases
- Quantum of incentives

Key issues – remuneration policy

- Increases to incentive opportunities
- Lack of alignment to wider workforce



Economic and geopolitical environment



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.

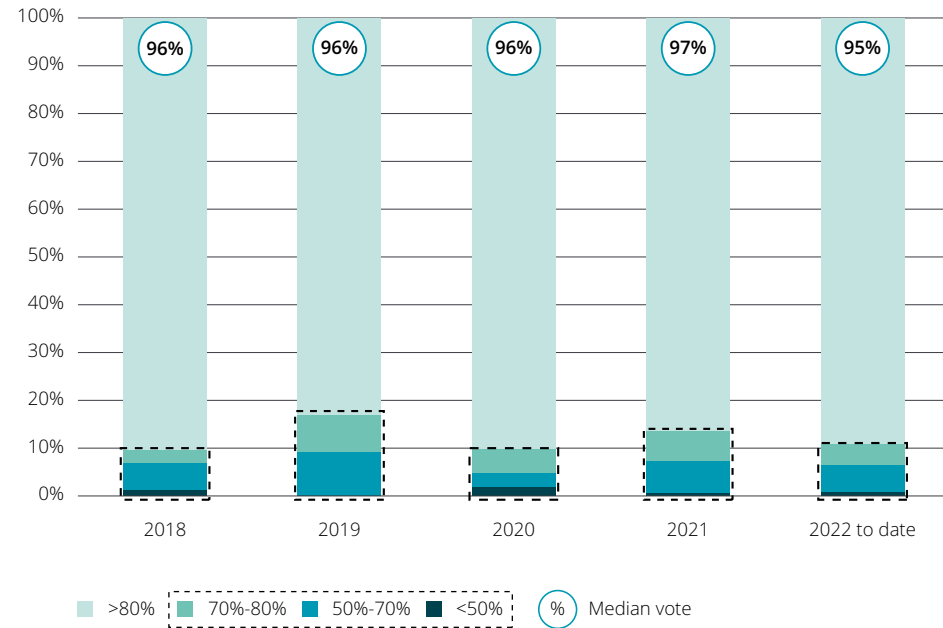
The ongoing macroeconomic impact of the Russian invasion, including the increase in energy costs, should not in itself be a reason for delaying target setting.

2022 AGM season – shareholder voting

Median vote of 95% 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

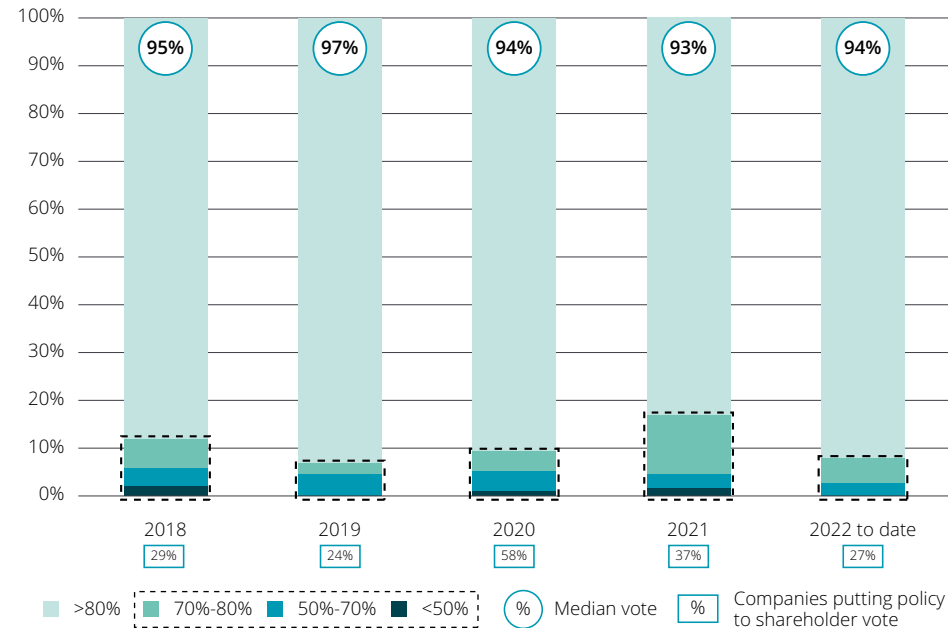
Annual remuneration report



Median vote in favour of remuneration report so far: 95%
 Lowest in five years (typically 96% – 97%)
 11% of companies received a 'low' vote i.e. < 80% (2021: 13%)

Note: 2022 outcomes published as at 31 July 2022

Remuneration policy



Median vote in favour of remuneration policy so far: 94%

In line with the five year range of 93% – 97%

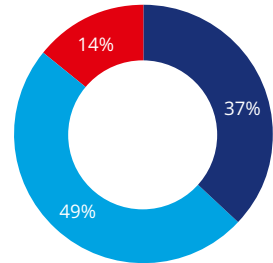
38 companies put a new remuneration policy to shareholder vote

Three companies (8%) received less than 80% support for the new policy (2021: 67 companies, 16% low votes)

2022 AGM season – proxy recommendations (remuneration report)

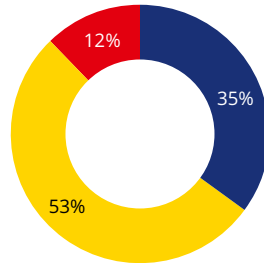


ISS annual remuneration report recommendations



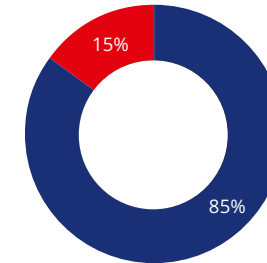
■ For ■ For with issues ■ Against

IVIS annual remuneration report recommendations



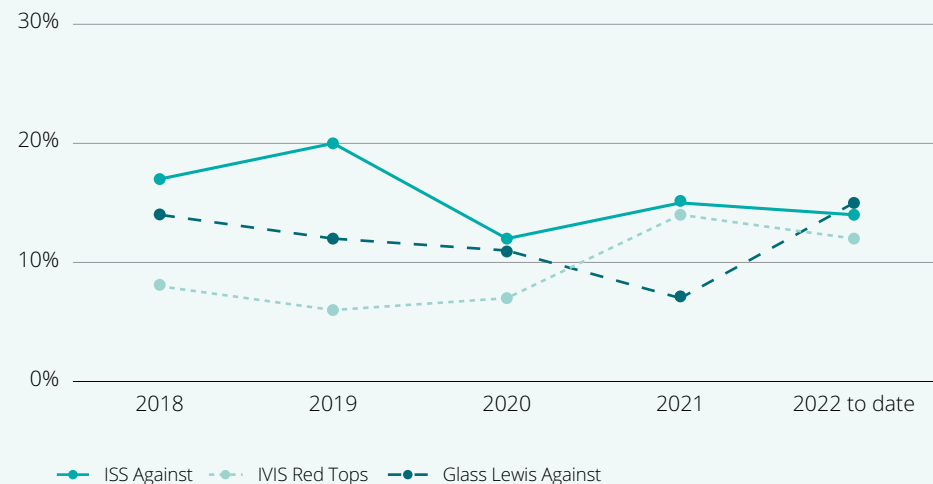
■ No concern ■ Some concern ■ Serious concern

Glass Lewis annual remuneration report recommendations



■ For ■ Against

FTSE 250 – % of annual remuneration reports with Against/Red Top recommendation



Key issues leading to low votes on annual remuneration report



Upward discretion to positively adjust LTIP outcomes

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



Payment of bonus where government support used/dividends suspended

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



High level of incentive payout

Significant payouts from one-off incentive arrangements, or in spite of poor business performance, or an uncapped discretionary bonus all attracted a negative shareholder response in four companies.



Salary increases

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



Quantum of incentives

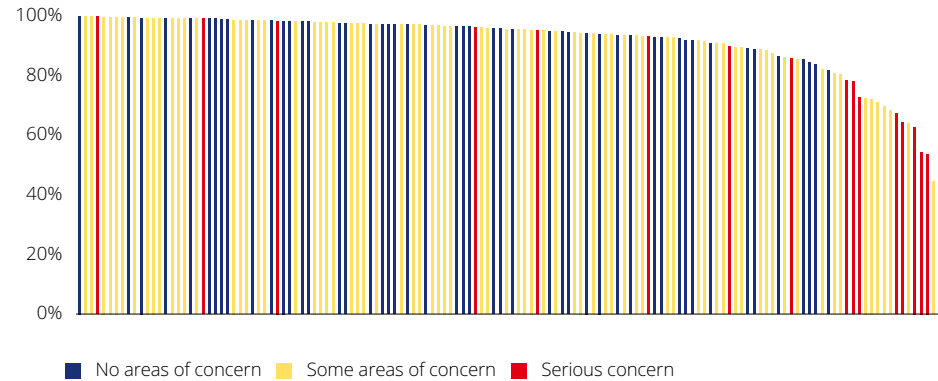
Four of the companies criticised for the level of incentive out-turns also attracted dissent for the size of the incentive awards.

2022 AGM season – proxy recommendations (remuneration report)

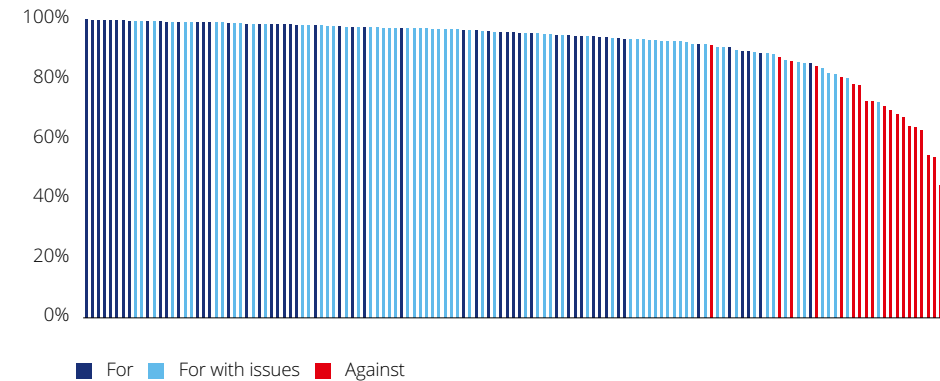


Influence of the proxy agencies on annual remuneration report voting outcomes

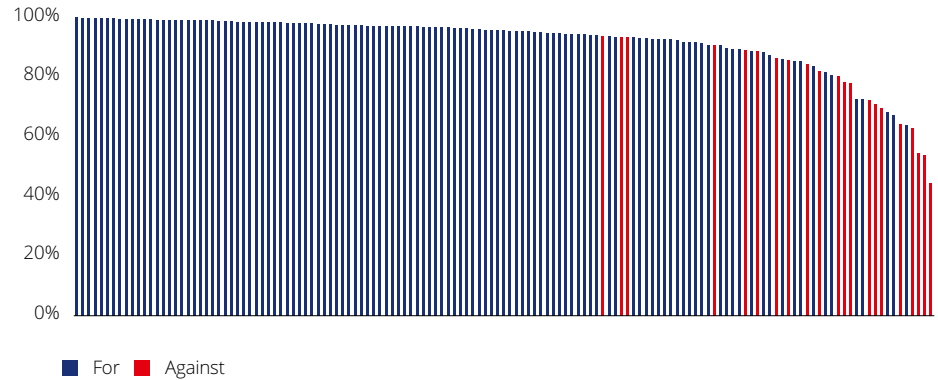
IVIS



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Glass Lewis



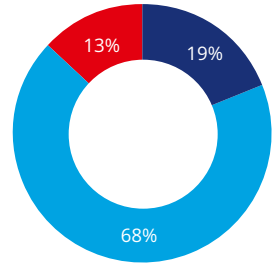
Note: 2022 recommendations and outcomes published as at 31 July 2022



2022 AGM season – proxy recommendations (remuneration policy)

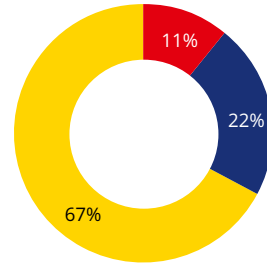


ISS remuneration policy recommendations



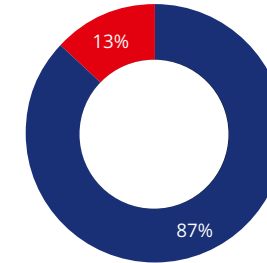
■ For ■ For with issues ■ Against

IVIS remuneration policy recommendations



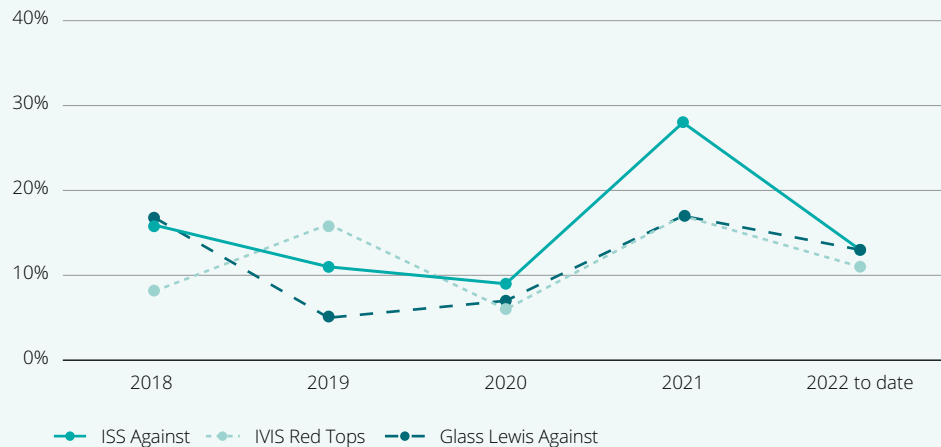
■ No concern ■ Some concern ■ Serious concern

Glass Lewis remuneration policy recommendations



■ For ■ Against

FTSE 250 – % of remuneration policies with Against/Red Top recommendation



Key issues leading to low votes on remuneration policy



Increases to incentive opportunities

Two companies received less than 80% votes in favour of increases to maximum incentive opportunities under annual bonus and/or long-term incentive plans.



Lack of alignment to wider workforce

One company was criticised for localising executive directors' salary increases and pension contributions by country of residence, rather than aligning to the wider workforce.

Note: 2022 recommendations published as at 31 July 2022

Salary



Salary increases – Chief executive officer and other executive directors

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

FTSE 250 salary increases – Chief executive officer

	FTSE 250	Top 50
Decrease	1%	0%
0%	24%	30%
0% – 3%	34%	24%
3% – 5%	26%	33%
5% – 7%	4%	3%
7% – 10%	6%	5%
More than 10%	5%	5%

Lower quartile	2.0%	0.0%
Median	3.0%	3.0%
Upper quartile	4.0%	4.0%

Sample: 125 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.

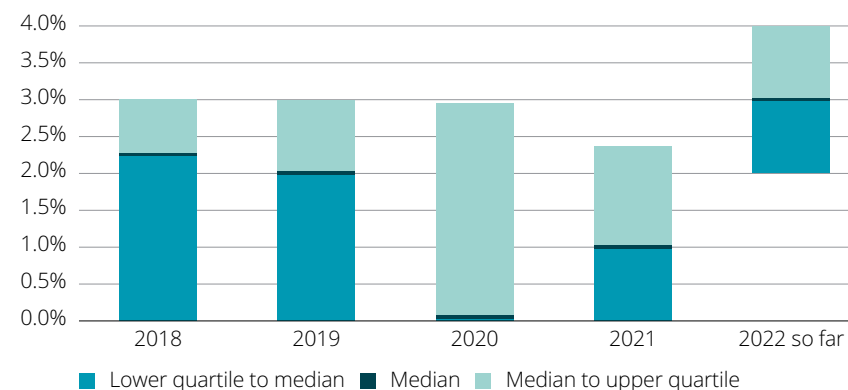
FTSE 250 salary increases – Other executive directors

	FTSE 250	Top 50
Decrease	0%	0%
0%	15%	13%
0% – 3%	40%	39%
3% – 5%	28%	29%
5% – 7%	6%	3%
7% – 10%	8%	13%
More than 10%	3%	3%

Lower quartile	2.5%	2.3%
Median	3.0%	3.0%
Upper quartile	4.4%	4.0%

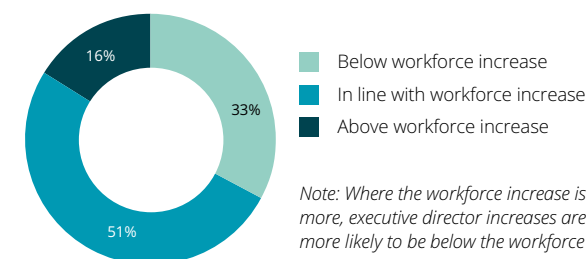
Sample: 120 companies with year ends from September 2021 onwards, whose reports were published as at 12 August 2022. Excludes individuals ineligible for a review due to resignation or being recently appointed.

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 9%, with a median of 3%.



Note: Where the workforce increase is 5% or more, executive director increases are much more likely to be below the workforce rate.

'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
£450m-850m	15	409,200	490,500	550,000	686,400	726,200	564,800
£850m-1.25bn	44	442,000	502,800	575,000	631,600	713,800	575,500
£1.25bn-1.9bn	43	434,000	537,100	615,000	737,200	843,200	626,500
£1.9bn-3.2bn	41	466,300	543,000	625,000	700,000	827,500	627,400
>£3.2bn	25	545,100	630,400	711,000	855,300	988,600	747,800
FTSE 250	168	448,400	525,100	611,600	711,000	848,300	625,900
Top 50	50	523,600	587,500	680,200	812,500	893,100	698,900
151-350	118	431,500	500,900	591,900	672,400	788,200	594,900

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
£450m-850m	12	255,800	321,100	360,200	404,000	457,000	366,200
£850m-1.25bn	42	310,800	336,600	375,100	419,500	448,600	378,200
£1.25bn-1.9bn	40	332,500	372,000	416,100	445,700	512,400	411,500
£1.9bn-3.2bn	41	314,500	390,300	418,200	454,000	533,200	422,800
>£3.2bn	23	362,900	397,100	493,500	510,700	597,800	471,300
FTSE 250	158	311,400	351,600	411,600	450,000	526,600	410,800
Top 50	48	358,700	393,800	449,300	505,300	545,200	452,600
151-350	110	307,100	346,000	394,600	433,900	501,100	392,600

Other executive directors (operational and functional roles)

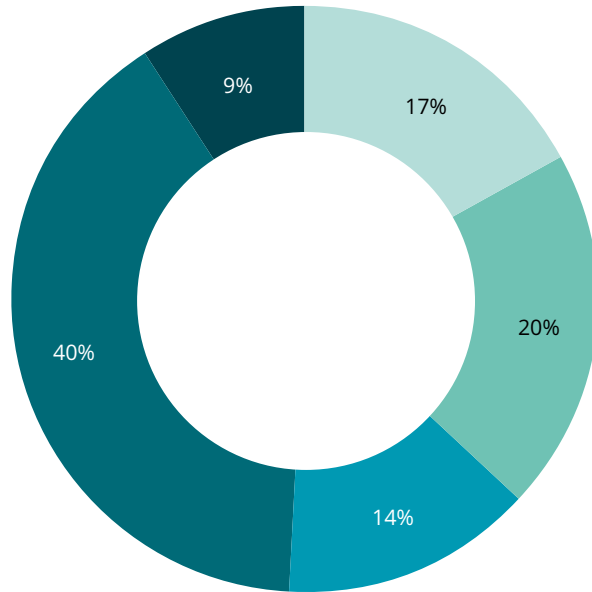
	No. of jobs	Lower decile	Lower quartile	Median	Upper quartile	Upper decile	Average
FTSE 250	38	272,500	323,500	381,000	452,300	517,600	397,600
Top 50	13	379,000	383,000	450,000	519,000	745,000	486,900
151-350	25	255,800	289,000	342,000	424,200	458,000	351,200

Annual bonus plans – structure

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

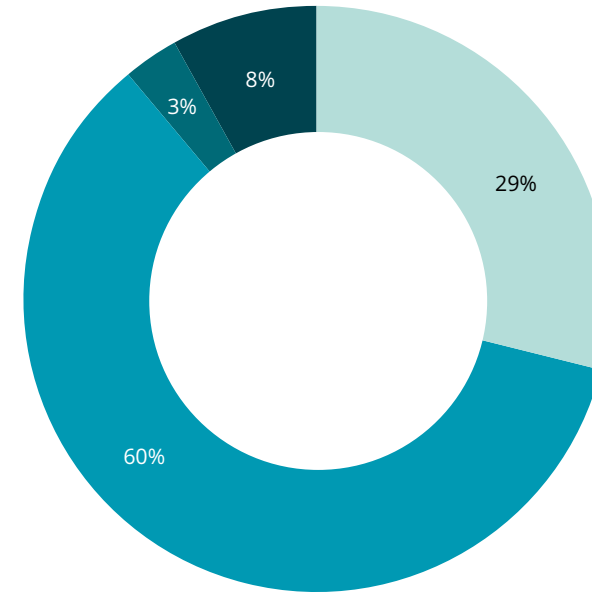


Proportion Deferred



Less than a third A third A third to half Half More than half

Deferral Period



Two years Three years Four years or more Other

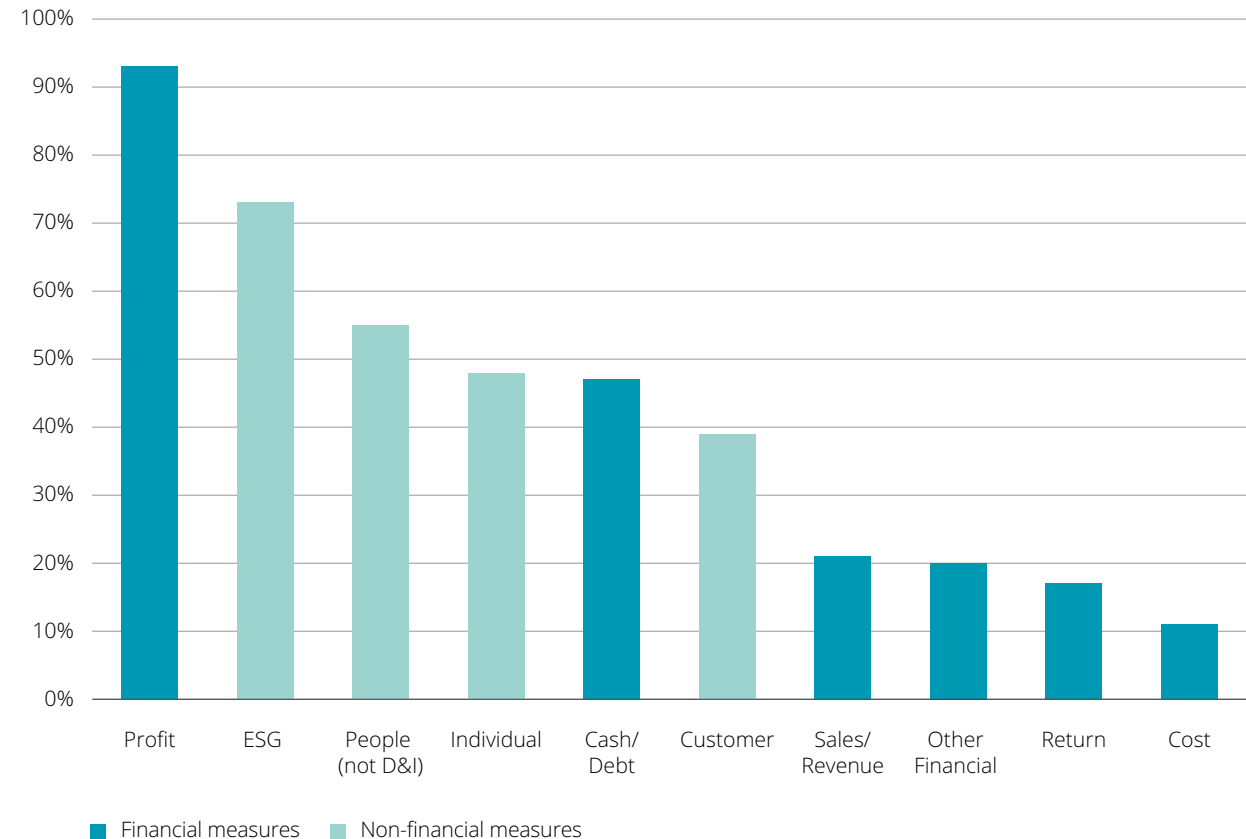
Nine companies do not operate a separate annual incentive. Of the remaining 159 companies, only six do not require deferral of a portion of the bonus earned. The majority of deferred bonus plans now require that at least one third of any bonus earned is deferred (88% of plans).

In c.20% of plans 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 65% of plans in FTSE 250 companies.

Annual bonus plans – performance measures

% of plans using each performance measure



- We continue to observe increasing support for a more balanced approach to performance assessment under incentive plans.
- In the FTSE 250, annual bonus plans are typically weighted 75% based on financial metrics and 25% based on strategic and personal objectives (most commonly 20% strategic and 10% personal objectives).
- There has been a significant increase in the adoption of ESG metrics under incentive plans, from around 60% in 2021 to 73% 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 plan

“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

“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**

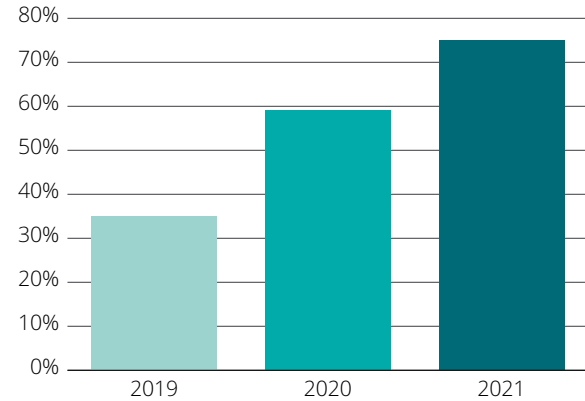
“If the board decides to use ESG-type criteria, these criteria should be linked to material issues and they must be quantifiable, transparent and auditable. These criteria should reflect the strategic priorities of the company.” – **Blackrock, January 2021**

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

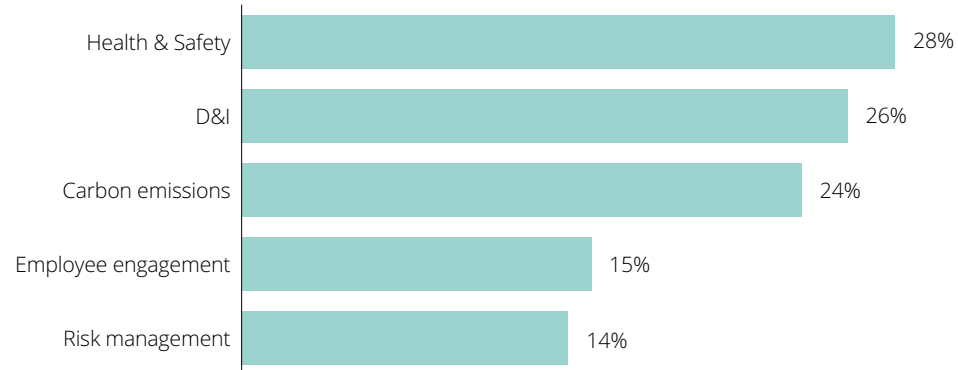


Over 70% of FTSE 250 companies use ESG metrics under annual bonus plans

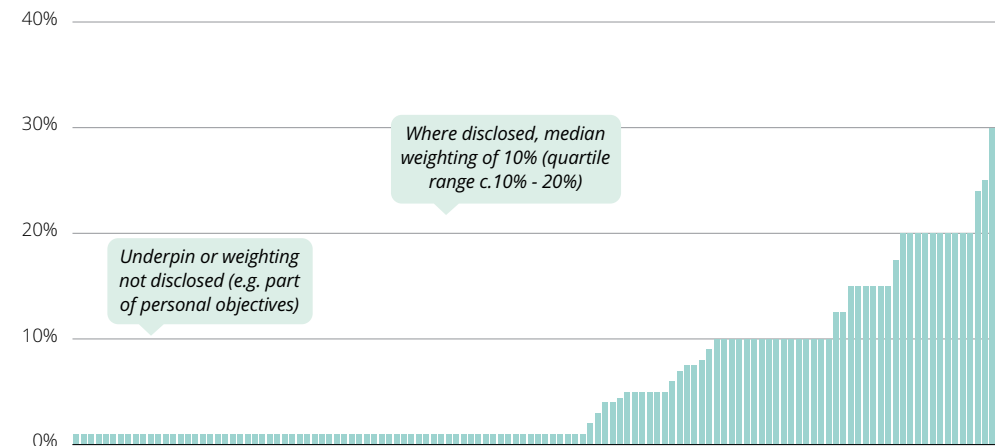
ESG metrics in annual bonus plans



Top 5 ESG metrics
% of FTSE 250



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.”

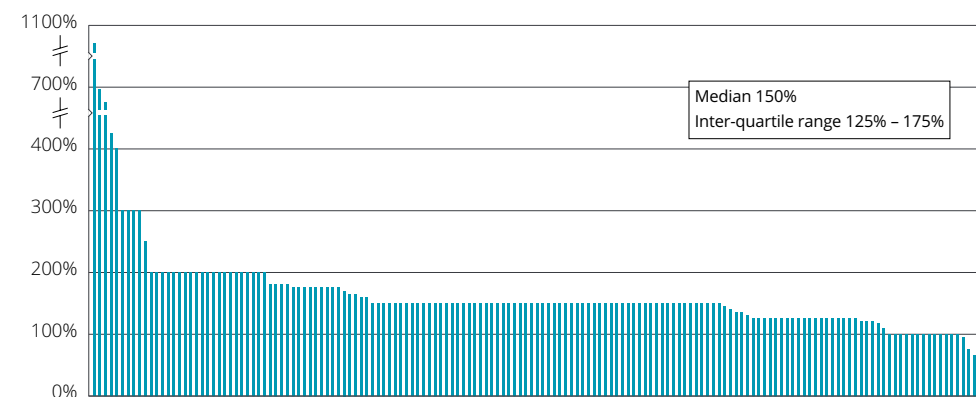
Glass Lewis, November 2021

Annual bonus plans – maximum opportunity

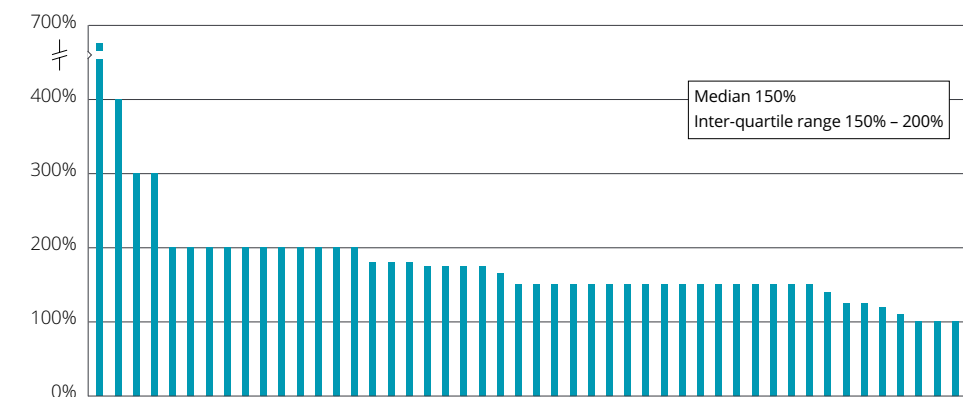


Maximum opportunities (% of salary)

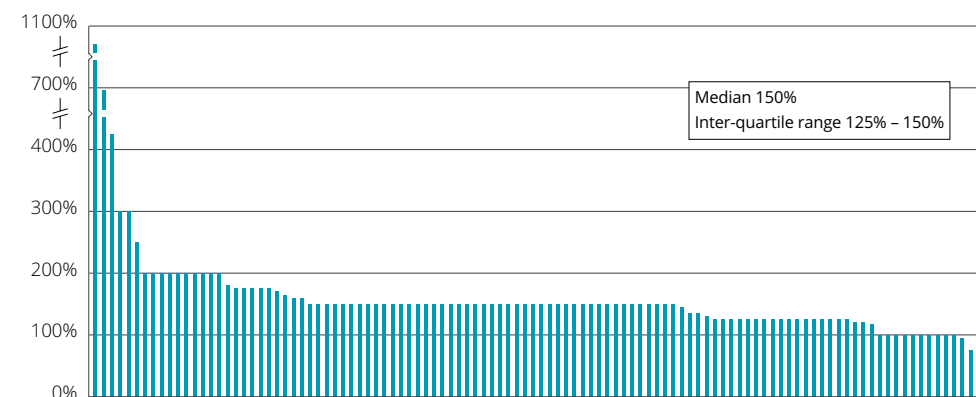
Chief executive officer – FTSE 250



Top 50



151 – 350



FTSE 250 – Chief executive officer – historical annual bonus maximum 2018-2022 (% of salary)

FTSE 250	2018	2019 to 2022
Upper quartile	170%	175%
Median	150%	150%
Lower quartile	125%	125%

Threshold and target awards

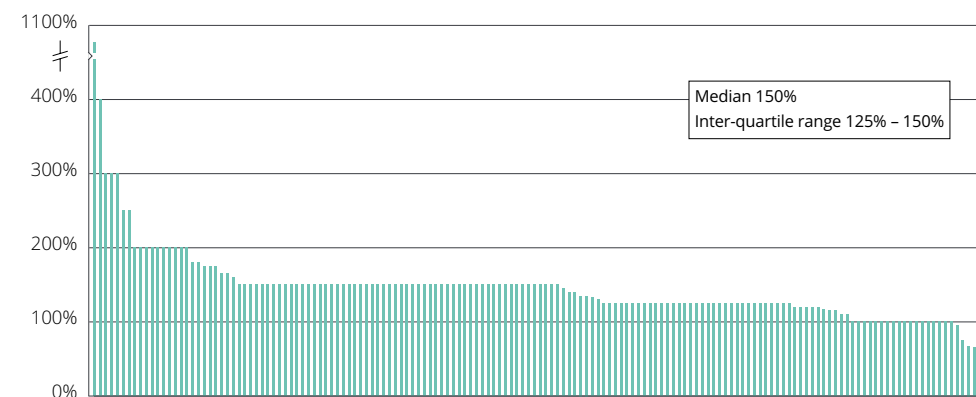
Around a half of companies disclose the level of payout for threshold performance. In a third of these companies, threshold performance earns a zero payout. More typically, around 20% of the maximum pays out at threshold. Target awards are typically 50% of the maximum, in line with the guidance issued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

Annual bonus plans – maximum opportunity

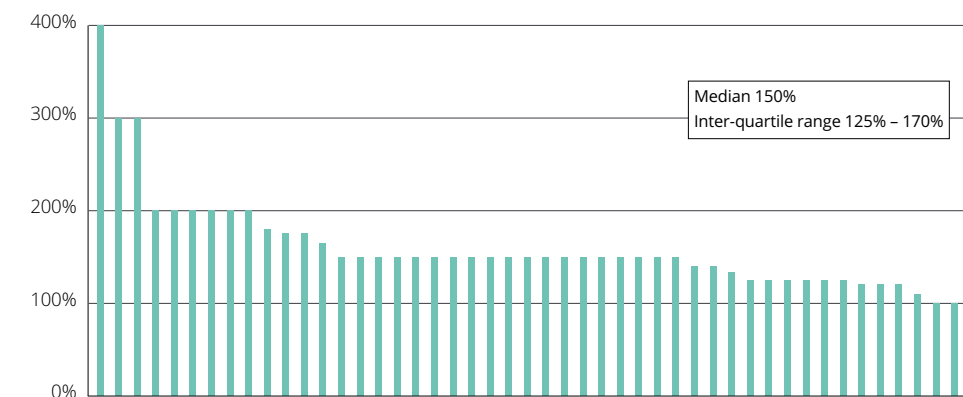


Maximum opportunities (% of salary)

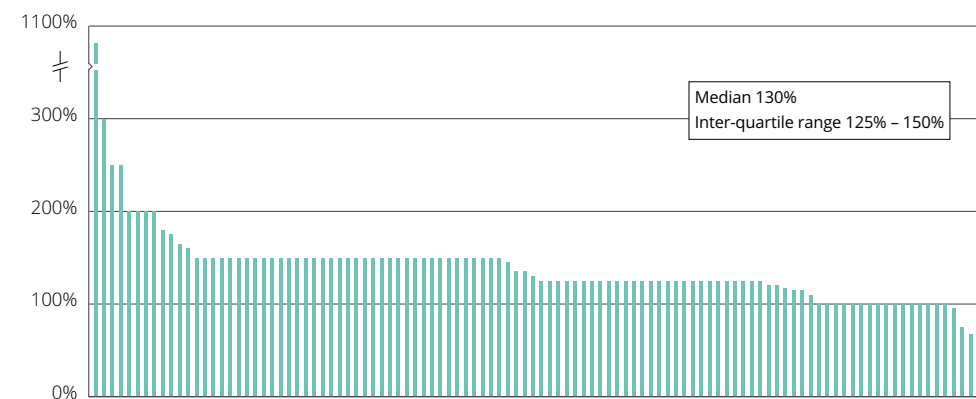
Other executive directors – FTSE 250



Top 50

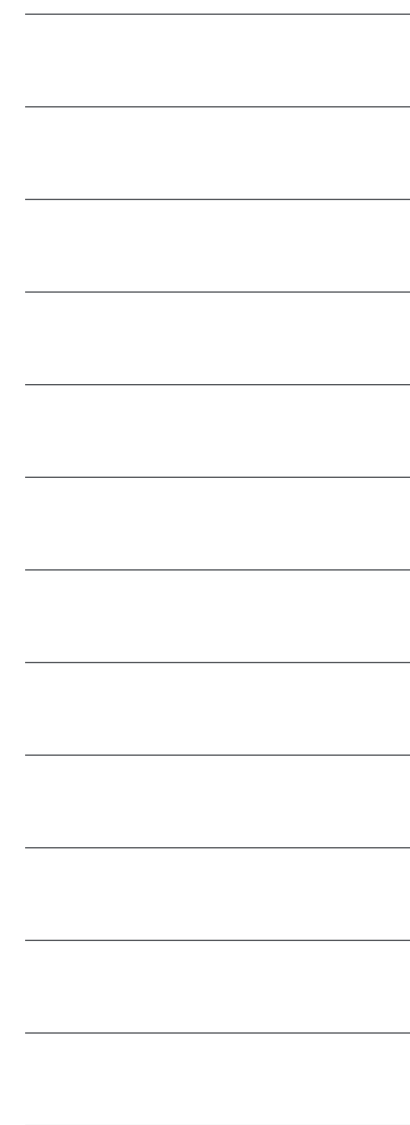


151 – 350



FTSE 250 – Other executive directors – historical annual bonus maximum 2018-2022 (% of salary)

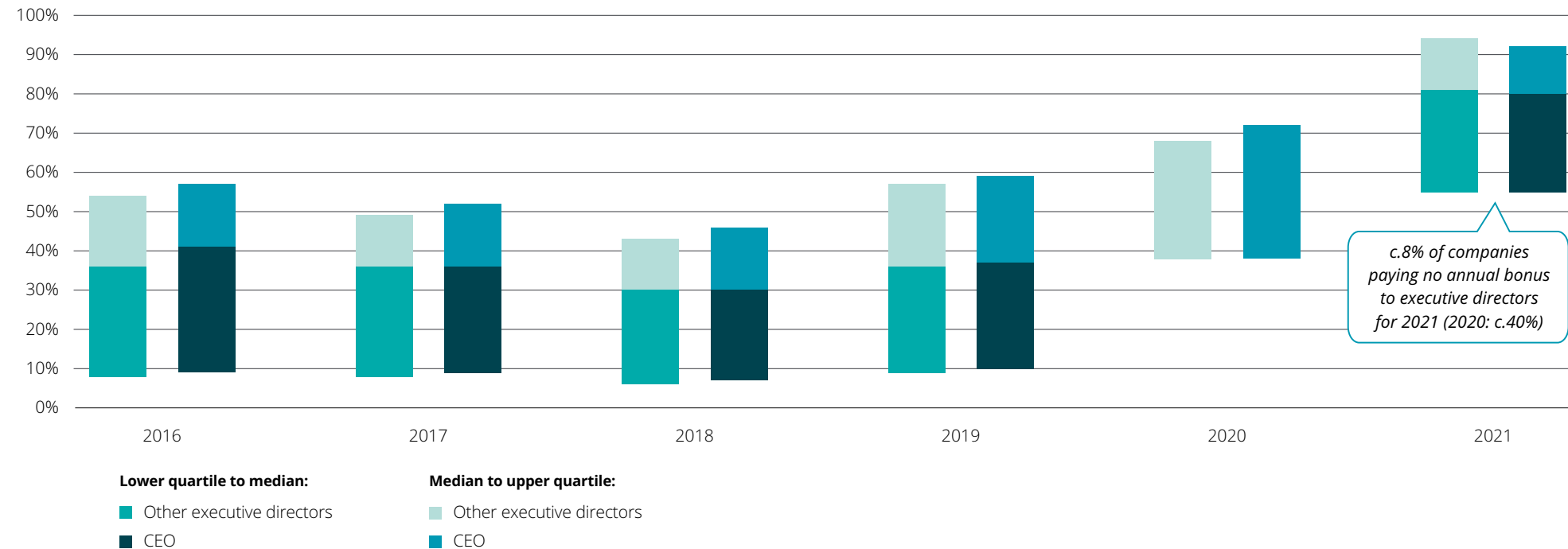
FTSE 250	2018	2019 & 2020	2021	2022
Upper quartile	150%	150%	150%	150%
Median	135%	150%	145%	150%
Lower quartile	115%	120%	120%	125%



Annual bonus plans – out-turns

2021 payouts at highest level in recent years

Bonus payout as % of maximum

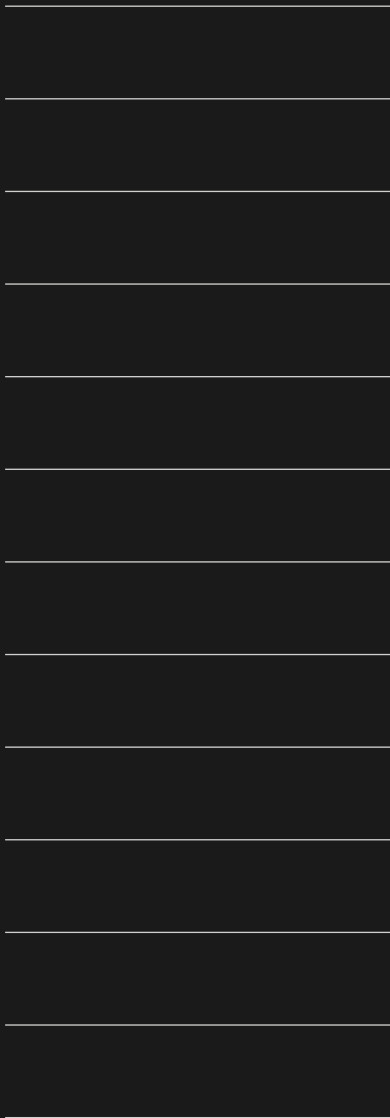


Payout ranges (% of maximum)

All executive directors	2016	2017	2018	2019	2020	2021
Upper quartile	87%	89%	82%	83%	73%	97%
Median	70%	75%	67%	61%	28%	85%
Lower quartile	40%	47%	44%	34%	0%	59%



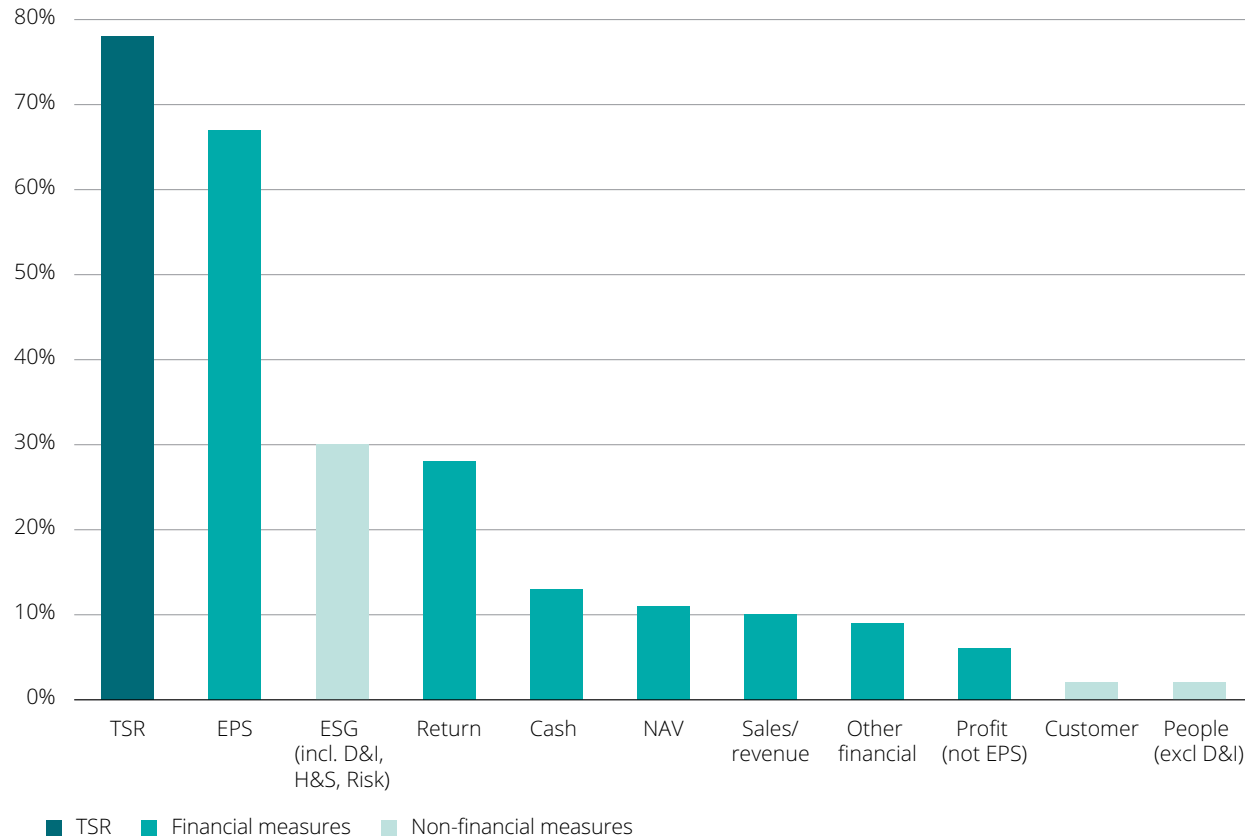
Long-term incentive plans



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 250 companies typically base PSPs on two to four performance measures.

TSR continues to be the most common PSP measure (78% of plans), followed by EPS (67% of plans). There has been a significant increase in the use of ESG measures, from around 15% in 2021 to almost a third this year.

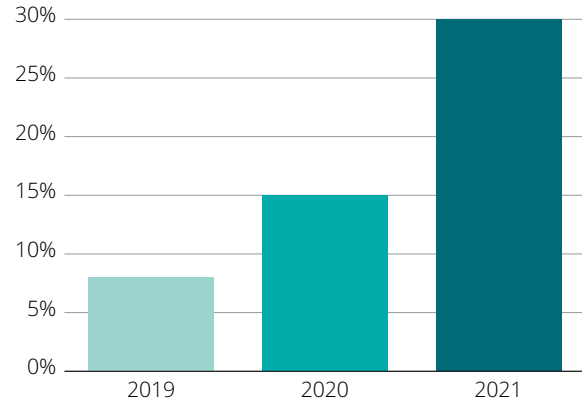
Around a fifth of plans include an underpin which may relate to financial performance, or in some cases a health and safety or risk metric.

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

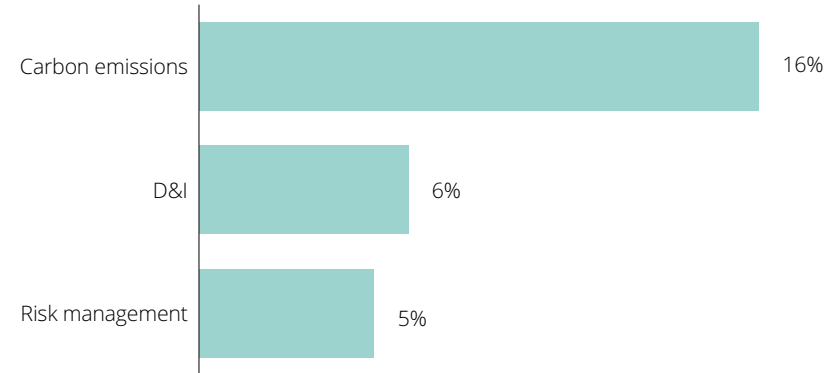


30% of FTSE 250 companies use ESG metrics under long-term incentive plans

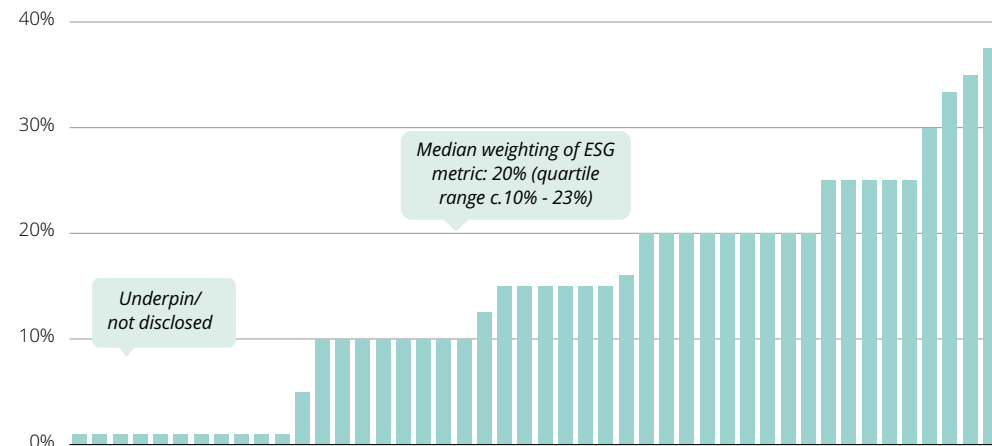
ESG metrics in LTIPs



Top 3 ESG metrics
% of FTSE 250



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

“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 250 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	82%	50 th percentile	75 th percentile (88% of plans) 80 th percentile or above (12% of plans)
Indexed	8%	Equal the index	Typically outperform the index by 8% – 15%
Absolute target only	5%	Typically 9% p.a.	Typically 15% p.a.
Combination of types	5%		

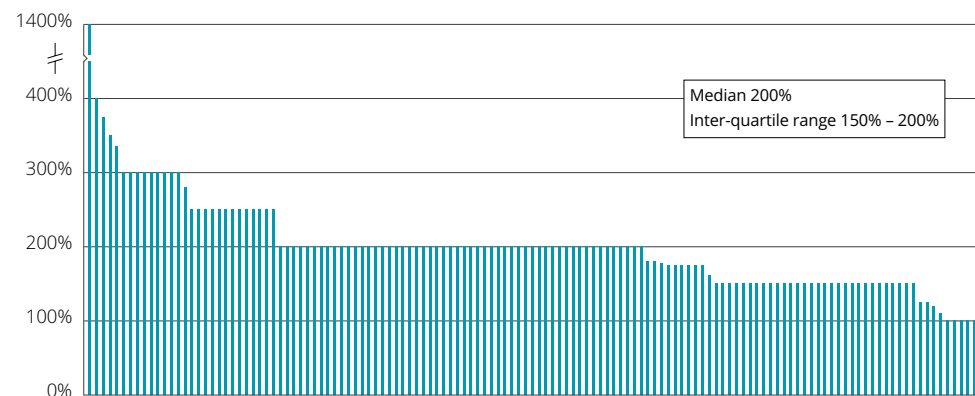
EPS measurement	Prevalence (as % of plans using TSR and disclosing)	Threshold performance	Maximum performance
Expressed as growth target	48%	Typically 4% – 6% p.a.	Typically 10% – 14% p.a.
Expressed as absolute target	52%	Varies by company based on past performance and future forecasts	

Performance share plans – usual maximum opportunity

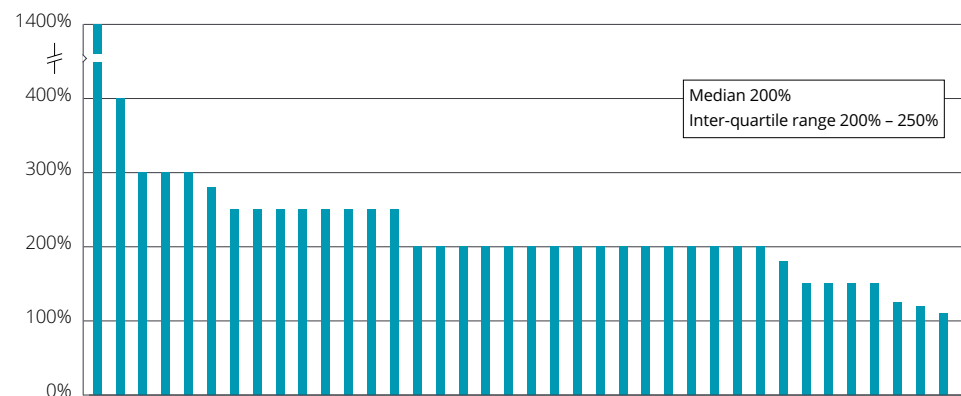


Usual maximum opportunities (% of salary)

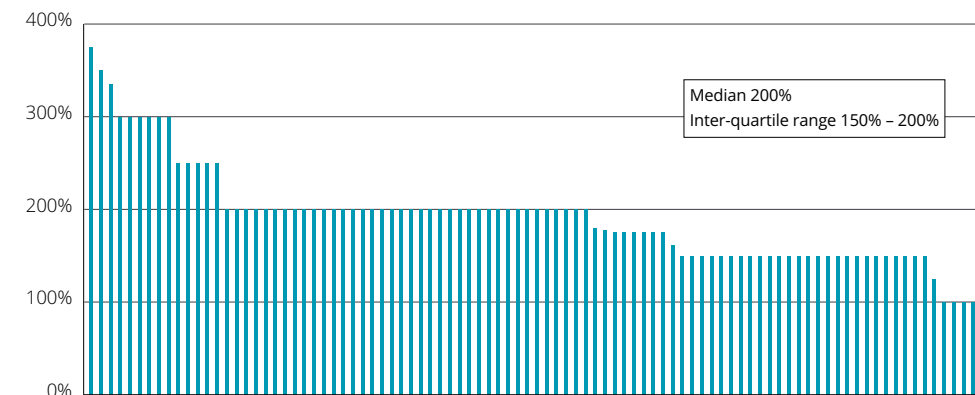
Chief executive officer – FTSE 250



Top 50

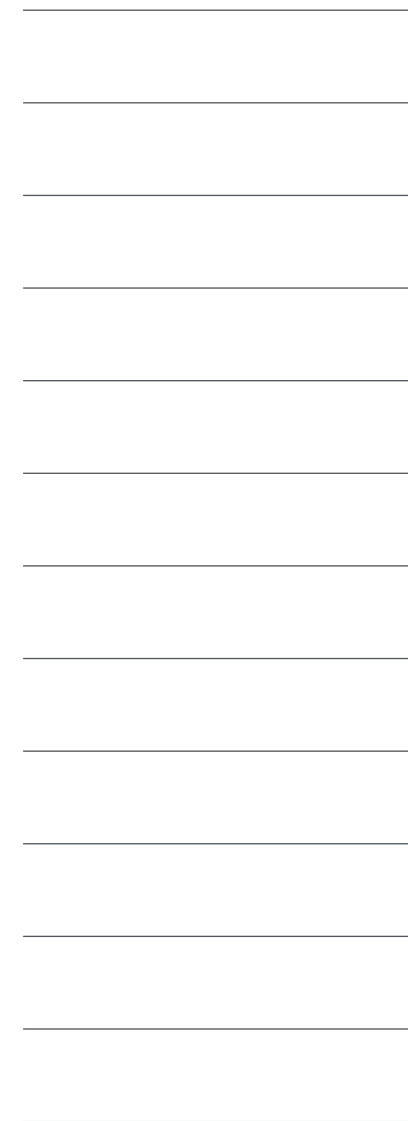


151 – 350



FTSE 250 – Chief executive officer – historical performance share plan usual maximum 2018-2022 (% of salary)

Chief executive officer	2018 – 2022
Upper quartile	200%
Median	200%
Lower quartile	150%

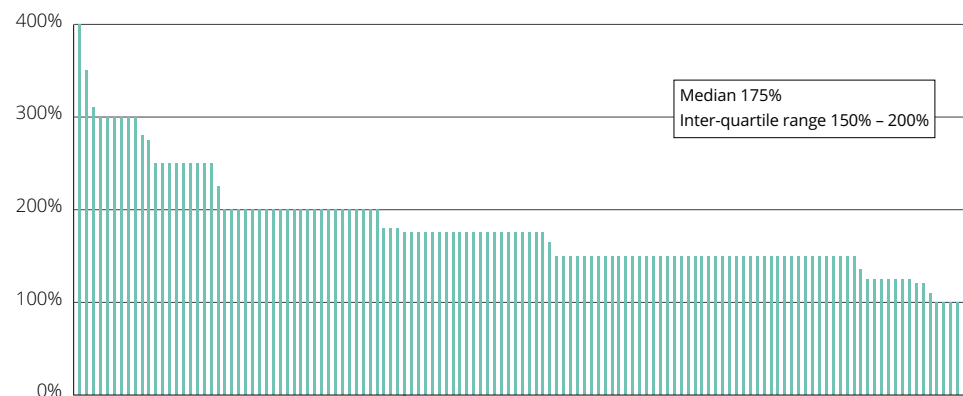


Performance share plans – usual maximum opportunity

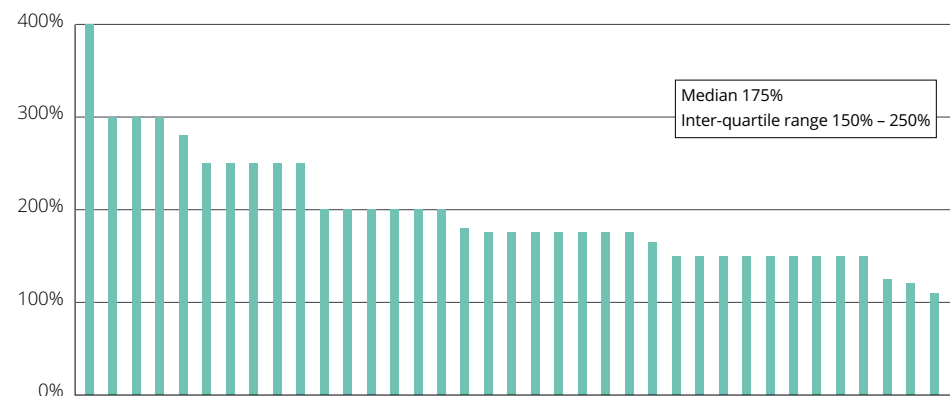


Usual maximum opportunities (% of salary)

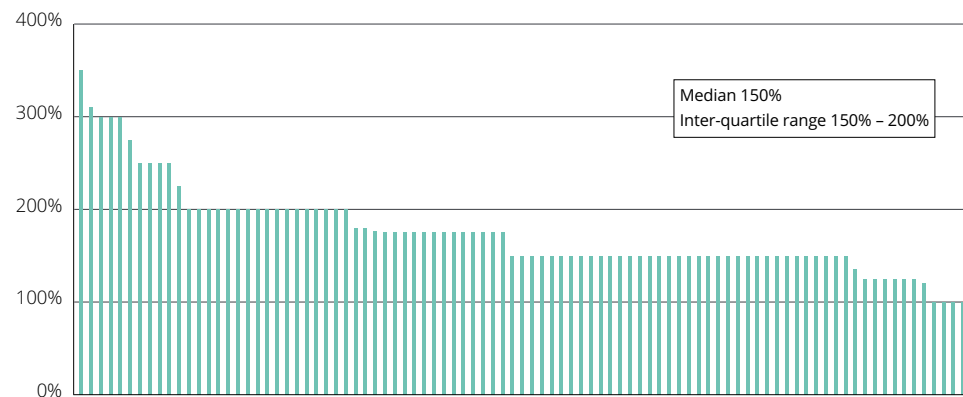
Other executive directors – FTSE 250



Top 50



151 – 350



FTSE 250 – Other executive directors – historical performance share plan usual maximum 2018-2022 (% of salary)

Other executive directors	2018 & 2019	2020	2021 & 2022
Upper quartile	200%	200%	200%
Median	150%	170%	175%
Lower quartile	150%	150%	150%

Performance share plans and restricted share plans



PSP – overall policy maximum (% of salary)

Almost one-half of FTSE 250 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 250	Top 50	151-350	
	2020 – 2022	2020 – 2022	2020 – 2021	2022
Upper quartile	300%	300%	300%	250%
Median	200%	250%	200%	200%
Lower quartile	200%	200%	200%	200%

Opportunities under restricted share plans

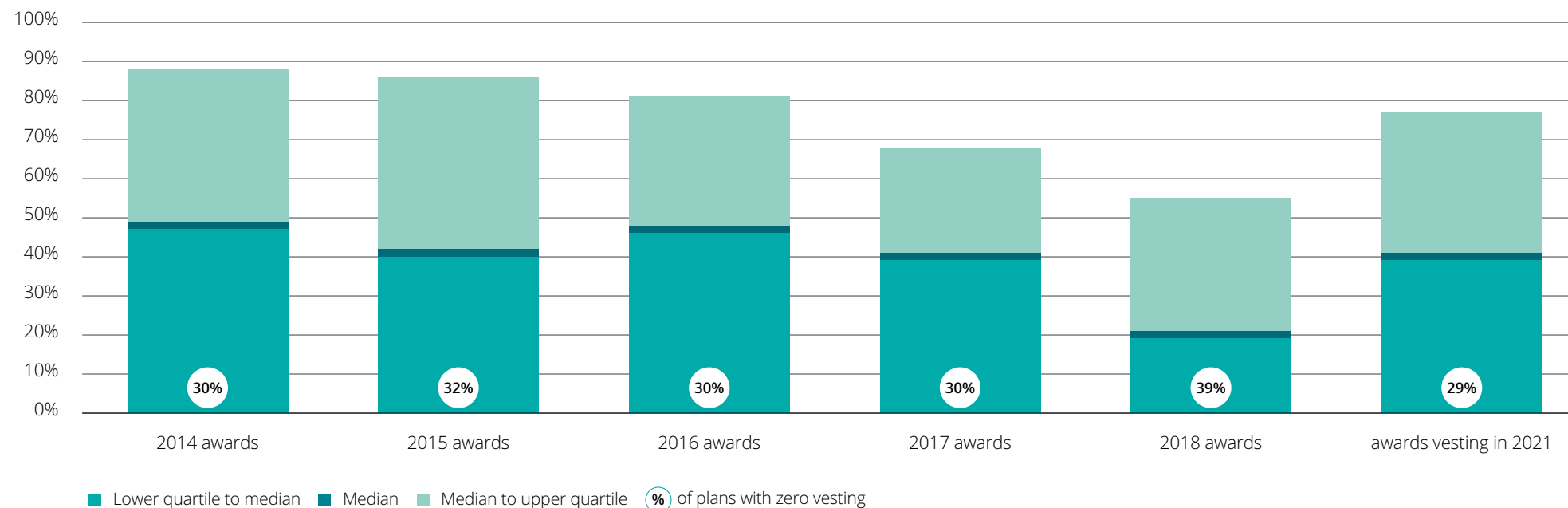
Restricted share plans continue to grow in prevalence. The typical opportunities we see across FTSE 250 companies range from around 100% of salary up to 125% of salary, with a median annual award of 115% of salary.

RSP – overall policy maximum (% of salary)			
	FTSE 250	Top 50	151 – 350
Upper quartile	150%	170%	125%
Median	125%	140%	100%
Lower quartile	100%	125%	100%

RSP – usual maximum award (% of salary)			
	FTSE 250	Top 50	151 – 350
Upper quartile	125%	135%	100%
Median	115%	125%	100%
Lower quartile	100%	125%	75%

Performance share plans – out-turns

Median vesting of awards in 2021 of 40%, in line with pre-COVID-19 levels



	2014 awards	2015 awards	2016 awards	2017 awards	2018 awards	Awards vesting in 2021
Upper quartile	88%	86%	81%	68%	55%	77%
Median	48%	41%	47%	40%	20%	40%
Lower quartile	0%	0%	0%	0%	0%	0%

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.

Pensions



Pension contribution rates for new hires (% of salary)

Pension contribution rates for new hires (% of salary)	2019			2020			2021			2022		
	Lower quartile	Median	Upper quartile	Lower quartile	Median	Upper quartile	Lower quartile	Median	Upper quartile	Lower quartile	Median	Upper quartile
FTSE 250	10%	15%	20%	5%	10%	14%	6%	9%	10%	5%	8%	10%
Top 50	12%	15%	20%	8%	10%	14%	6%	9%	10%	6%	10%	11%
151 – 350	10%	15%	20%	5%	10%	14%	6%	8%	10%	5%	7%	10%

All but four FTSE 250 companies that operate a pension plan for executive directors have aligned the contribution rates with the wider workforce or have committed to do so.

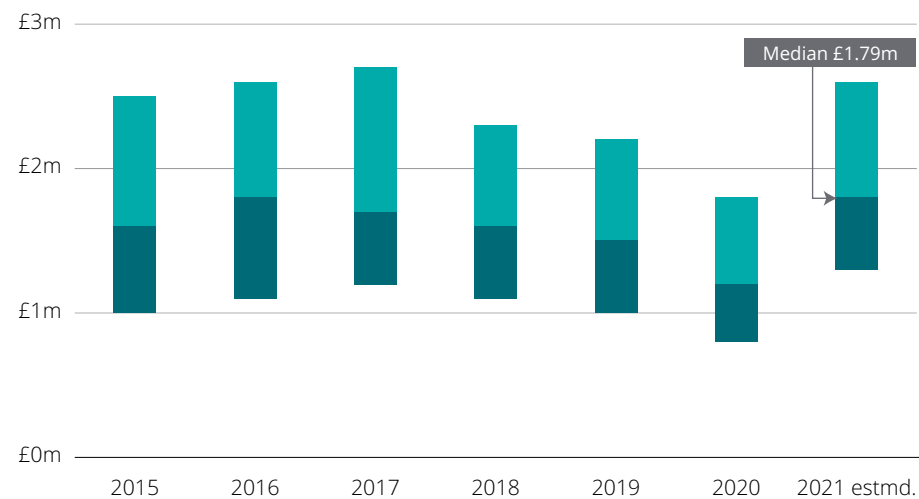


Total compensation and pay ratios

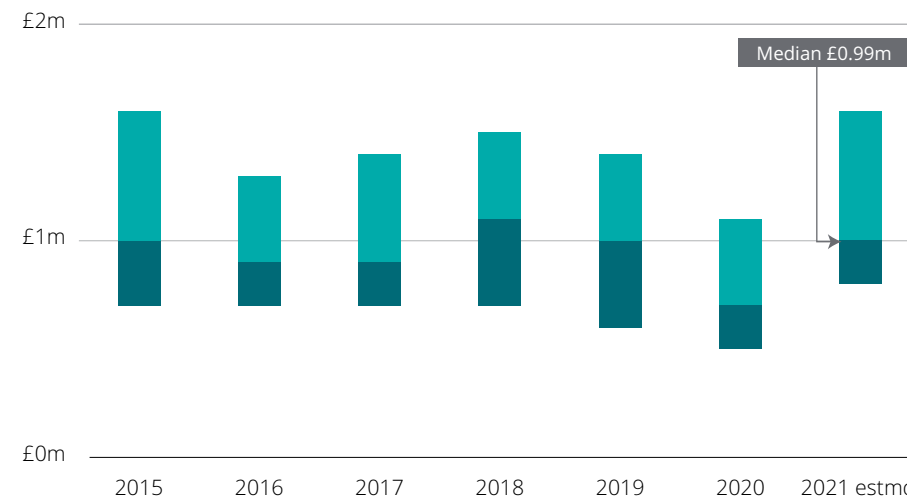
Total compensation

Total single figure remuneration returns to at or above pre-COVID-19 levels

Chief executive officer



Chief financial officer



Chief executive officer

	FTSE 250			Top 50			151 - 350		
	2019	2020	2021 estmd.	2019	2020	2021 estmd.	2019	2020	2021 estmd.
Upper quartile	£2.25m	£1.87m	£2.64m	£2.85m	£2.43m	£3.82m	£2.18m	£1.70m	£2.35m
Median	£1.52m	£1.22m	£1.79m	£1.92m	£1.40m	£2.57m	£1.41m	£1.17m	£1.69m
Lower quartile	£1.0m	£0.79m	£1.26m	£1.17m	£0.94m	£1.53m	£0.91m	£0.75m	£1.16m

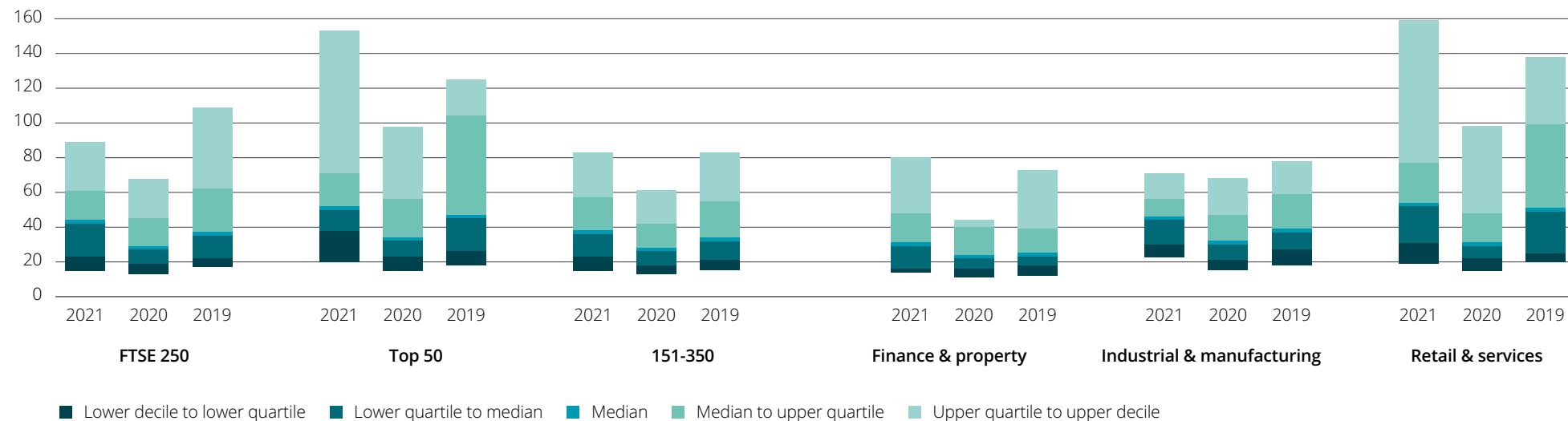
Chief financial officer

	FTSE 250			Top 50			151 - 350		
	2019	2020	2021 estmd.	2019	2020	2021 estmd.	2019	2020	2021 estmd.
Upper quartile	£1.37m	£1.08m	£1.59m	£1.72m	£1.43m	£1.79m	£1.25m	£1.02m	£1.51m
Median	£0.98m	£0.71m	£0.99m	£1.19m	£0.77m	£1.30m	£0.89m	£0.69m	£0.95m
Lower quartile	£0.62m	£0.49m	£0.77m	£0.80m	£0.54m	£0.93m	£0.55m	£0.48m	£0.72m

CEO pay ratios

CEO:Employee pay ratios increased compared with last year

CEO:Median employee pay ratio 2019-2021



CEO pay ratio methodology	% of companies disclosing ratio	2021 (2020)	FTSE 250	Top 50	151 - 350	Finance & property	Industrial & manufacturing	Retail & services
Option A	75%	Upper decile	89 (68)	154 (98)	83 (61)	79 (43)	69 (68)	159 (97)
Option B	20%	Upper quartile	61 (45)	71 (56)	57 (42)	47 (39)	55 (47)	76 (48)
Option C	4%	Median	43 (28)	51 (33)	37 (27)	29 (23)	44 (31)	53 (30)
Not disclosed	1%	Lower quartile	23 (19)	38 (23)	23 (18)	15 (16)	30 (21)	31 (23)
Number of companies	147	Lower decile	15 (13)	20 (15)	15 (13)	14 (11)	23 (15)	19 (15)



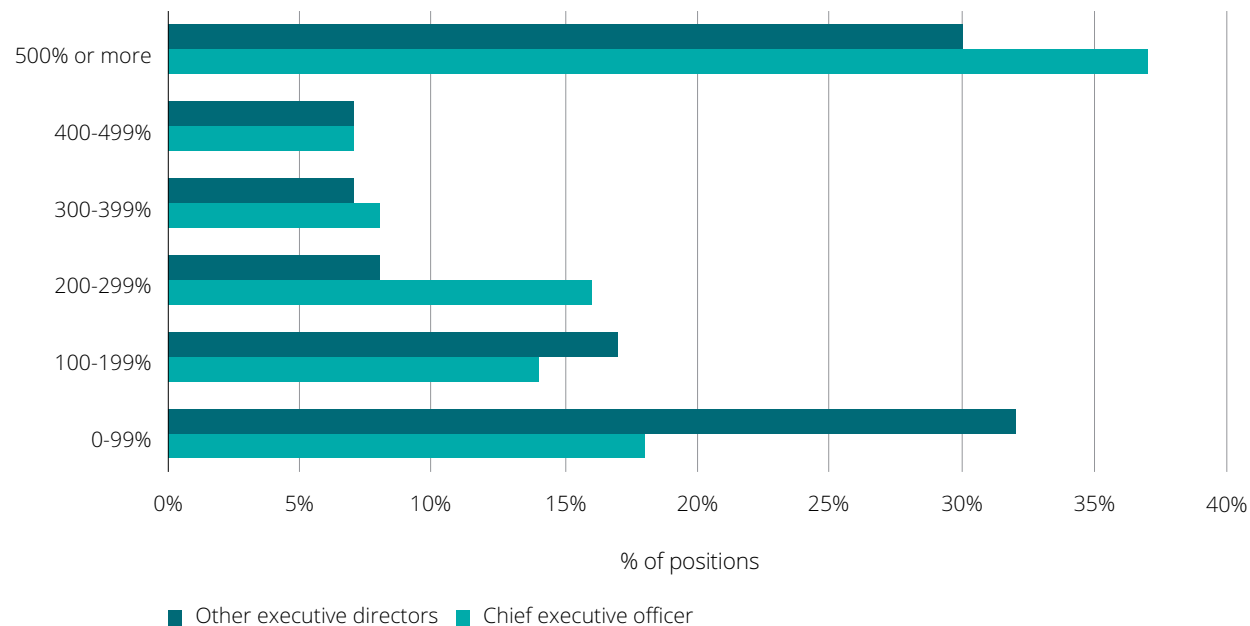
Shareholding requirements, malus and clawback

Shareholding requirements (% of salary)



	Chief executive officer			Other executive directors		
	FTSE 250	Top 50	151 - 350	FTSE 250	Top 50	151 - 350
Upper quartile	250%	300%	250%	200%	300%	200%
Median	200%	250%	200%	200%	200%	200%
Lower quartile	200%	200%	200%	200%	200%	200%

Value of shareholding (% of salary)



Almost 40% of chief executive officers hold shares worth at least 500% of salary

Malus and clawback



Circumstances that trigger malus and clawback provisions in incentive plans

Trigger	% of companies disclosing
Misstatement of results/error in performance calculation resulting in awards being made	99%
Reputational damage	81%
Corporate failure	59%
Misconduct	
• gross/justifying summary dismissal	59%
• serious/material	19%
• not defined	21%
Failure of risk management and control	47%
Performance not sustained	5%
Other reasons	58%

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

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 investigation findings, material misstatements in the accounts, and calculation errors resulting in the overpayment of awards.

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 director fees

Increase in proportion of companies awarding increases above 10%

Chair fee increases	FTSE 250	Top 50	151 – 350
Reduction	1%	2%	0%
0%	54%	40%	59%
0% – 3%	21%	31%	17%
3% – 5%	12%	14%	11%
5% – 7%	1%	2%	1%
7% – 10%	2%	2%	2%
Above 10%	9%	7%	9%
Upper quartile	3.0%	3.2%	3.0%
Median	0.0%	2.0%	0.0%
Lower quartile	0.0%	0.0%	0.0%
Average	3.6%	4.1%	3.4%

Chair fees (£)	Lower quartile	Median	Upper quartile	Average
FTSE 250	200,000	235,000	296,000	246,000
Top 50	226,000	278,000	330,000	283,000
151 – 350	189,000	227,000	274,000	232,000

NED base fee increases	FTSE 250	Top 50	151 – 350
Reduction	1%	2%	0%
0%	47%	40%	50%
0% – 3%	26%	32%	23%
3% – 5%	14%	13%	15%
5% – 7%	2%	0%	3%
7% – 10%	3%	2%	3%
Above 10%	7%	11%	6%
Upper quartile	3.1%	3.1%	3.1%
Median	1.0%	2.0%	0.0%
Lower quartile	0.0%	0.0%	0.0%
Average	3.0%	3.3%	2.8%

NED base fees (£)	Lower quartile	Median	Upper quartile	Average
FTSE 250	53,000	58,000	65,000	60,000
Top 50	55,000	60,000	66,000	60,000
151 – 350	52,000	57,000	63,000	60,000

Non-executive director fees



Additional fees for senior independent director and committee chairs

	Senior Independent Director (£)	Remuneration Committee Chair (£)	Audit Committee Chair (£)	Nomination Committee Chair (£)
FTSE 250				
Lower quartile	10,000	10,000	10,000	10,000
Median	10,000	12,000	12,000	11,000
Upper quartile	15,000	15,000	17,000	15,000
% of companies	90%	94%	94%	30%
Top 50				
Lower quartile	10,000	11,000	12,000	10,000
Median	11,000	15,000	16,000	12,000
Upper quartile	15,000	17,000	20,000	15,000
% of companies	94%	94%	95%	26%
151 - 350				
Lower quartile	9,000	10,000	10,000	10,000
Median	10,000	11,000	11,000	10,000
Upper quartile	13,000	15,000	15,000	15,000
% of companies	89%	94%	94%	31%

Non-executive director fees



Additional fees for committee members and workforce engagement

	Remuneration Committee Member (£)	Audit Committee Member (£)	Nomination Committee Member (£)	NED designated for workforce engagement (£)
FTSE 250				
Lower quartile	5,000	5,000	4,000	5,000
Median	5,000	6,000	5,000	8,000
Upper quartile	10,000	10,000	10,000	10,000
% of companies	27%	27%	19%	28%
Top 50				
Lower quartile	5,000	5,000	5,000	6,000
Median	7,000	8,000	6,000	10,000
Upper quartile	10,000	10,000	9,000	12,000
% of companies	30%	30%	20%	30%
151 - 350				
Lower quartile	5,000	5,000	4,000	5,000
Median	5,000	5,000	5,000	8,000
Upper quartile	9,000	9,000	10,000	10,000
% of companies	25%	25%	19%	28%

Non-executive director fees – shares and shareholding guidelines



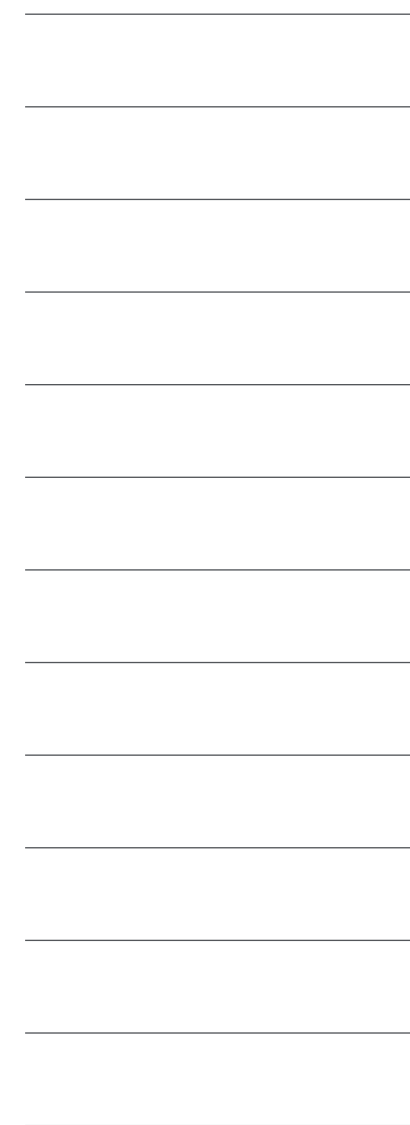
Payment in shares and shareholding requirements

	FTSE 250	Top 50	151 – 350
Part, or all, of fees must be used to buy shares or the directors are encouraged to use fees to buy shares	2%	4%	2%
Required to hold shares or maintain a specified shareholding	5%	10%	3%
Encouraged to hold shares or maintain a specified shareholding	8%	12%	7%

Only around 2% of FTSE 250 companies pay fees in shares or encourage non-executive directors to purchase shares with their fees.

Around 15% 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.





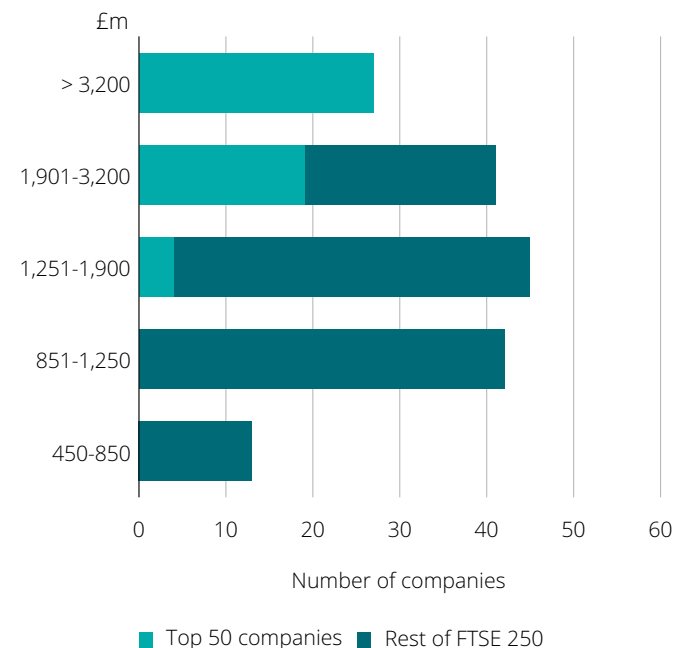
Appendix and contacts

Appendix

Sample based on constituents as at 1 July 2022

4imprint Group	Cranswick	Hochschild Mining	OSB Group
888 Holdings	Crest Nicholson Holdings	Homeserve	Oxford Instruments
AJ Bell Holdings	Currys	Ibstock	PageGroup
Ascential	Darktrace	IG Group Holdings	Paragon Banking Group
Ashmore Group	Derwent London	IMI	Pennon Group
ASOS	Diploma	Inchcape	Petrofac
Assura Group	Direct Line Insurance Group	Indivior	Pets At Home Group
Aston Martin Lagonda Global Holdings	discoverIE Group	Integrafin Holdings	Playtech
Auction Technology Group	Diversified Energy Company	Investec	Premier Foods
Babcock International Group	Domino's Pizza Group	IP Group	Provident Financial
Balfour Beatty	Dr Martens	ITV	PZ Cussons
Bank of Georgia	Drax Group	IWG	Qinetiq Group
Beazley	Dunelm Group	J D Wetherspoon	Quilter
Bellway	Easyjet	John Wood Group	Rathbones Group
Biffa	Elementis	Johnson Matthey	Redde Northgate
Big Yellow Group	Energiean	JTC	Redrow
Bodycote	Essentra	Jupiter Fund Management	Renishaw
Brewin Dolphin Holdings	Euromoney Institutional Investor	Just Group	RHI Magnesita
Bridgepoint Group	FDM Group Holdings	Kainos Group	Rotork
Britvic	Ferrexpo	Lancashire Holdings	Royal Mail
Bytes Technology Group	FirstGroup	Liontrust Asset Management	Safestore Holdings
C&C Group	Frasers Group	LondonMetric Property	Sanne Group
Caledonia Investments	Future	Man Group	Savills
Capital & Counties Properties	Games Workshop Group	Marks and Spencer Group	Serco Group
Capricorn Energy	Genuit Group	Marshalls	Shaftesbury
Carnival	Genus	Mediclinic International	Sirius Real Estate
Centamin	Grafton Group	Micro Focus International	Softcat
Chemring Group	Grainger	Mitchells & Butlers	Spectris
Clarkson	Great Portland Estates	MITIE Group	Spire Healthcare Group
Close Brothers Group	Greencore Group	Molten Ventures	Spirent Communications
CLS Holdings	Greggs	Moneysupermarket.com Group	SSP Group
CMC Markets	Hammerson	Moonpig Group	Synthomer
Coats Group	Hays	Morgan Advanced Materials	Tate & Lyle
Computacenter	Helios Towers	Morgan Sindall Group	TBC Bank Group
ContourGlobal	Hill & Smith Holdings	National Express Group	Telecom Plus
ConvaTec Group	Hilton Food Group	NCC Group	The Law Debenture Corporation
Countryside Partnerships	Hiscox	Network International Holdings	TI Fluid Systems
		Ninety One	

Market capitalisation



TP ICAP Group	Vivo Energy
Trainline	Volusion Group
Travis Perkins	Watches of Switzerland Group
Tullow Oil	Weir Group
Tyman	WH Smith
Ultra Electronics Holdings	Witan Investment Trust
Vesuvius	Wizz Air Holdings
Victrex	Workspace Group
Virgin Money UK	XP Power
Vistry Group	

Sample consists of 168 companies and excludes investment trusts, companies with a dual board structure and those incorporated overseas

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