



PEOPLE SERVICES

# KPMG's Guide to Directors' Remuneration 2012

[kpmg.co.uk](http://kpmg.co.uk)



# Highlights

The key highlights of this year's guide are:

## Basic salary

Fewer companies froze basic pay than in 2011 but still around 20% of chief executives did not receive a pay rise. Where increases were given, these were more in line with those seen across the broader employee population, with a median of between 3% and 4%.

## Annual bonus and deferred annual bonus

Annual bonus payments remained flat, with some form of deferral being required in most plans. Over the last two years we have seen the structure of deferred bonus plans change, with most now being compulsory and without any form of matching award, essentially operating as a form of clawback.

## Long-term incentives

The level of grants under performance share plans has also remained relatively static, with median awards in excess of 200% of basic salary for directors of FTSE 100 companies and in excess of 100% of basic salary for directors of FTSE 250 companies.

## Regulatory

Proposals on pay disclosure and reporting were published in June 2012. Companies will be required to seek a binding shareholder vote on executive pay policy at least once every three years, with an annual advisory vote on policy implementation. The implementation report must contain a single figure for remuneration for each director, calculated in line with a prescribed methodology.

## Shareholder agenda

Remuneration has remained high on the shareholder agenda as was demonstrated by the 'shareholder spring'. However, the actual story is not one of a mass demonstration of shareholder discontent. Instead, it is best described as the public demonstration of shareholder disapproval towards a limited number of companies relating to specific circumstances and issues. A number of these were not solely pay related, but instead were driven by a combination of dissatisfaction around corporate performance and the leadership of the business. In many cases this year, shareholders really were focusing on the link between pay and performance.

# Summary findings

## FTSE 100

The table below summarises median market practice in FTSE 100 companies for chief executives, finance directors and other executive directors, as reported in this guide.

	Chief Executive	Finance Director	Other Executive Directors
Salary increase	3%	3%	4%
Basic salary (£000s)	830	492	500
Annual bonus			
Maximum bonus (percentage of salary)	180%	150%	160%
Total bonus (percentage of maximum)	77%	76%	72%
Total bonus (percentage of salary)	134%	112%	113%
Most common performance measure	Individual performance/ profit	Individual performance/ profit	Individual performance/ profit
Deferred bonus			
Maximum permitted deferral (percentage of annual bonus) <sup>1</sup>	50%	50%	50%
Typical matching ratio, if applicable	1:1 / 2:1	1:1 / 2:1	1:1 / 2:1
Deferral period	3 years	3 years	3 years
Most common performance measure on matching shares	EPS* growth	EPS* growth	EPS* growth
Performance share plans			
Maximum award (percentage of salary) <sup>1</sup>	200%	200%	200%
Actual award (percentage of salary) <sup>1</sup>	203%	176%	197%
Most common performance measure	TSR** relative to comparator group and EPS growth	TSR** relative to comparator group and EPS growth	TSR** relative to comparator group and EPS growth
Share option plans			
Actual gains (percentage of salary) <sup>2</sup>	39%	62%	42%
Actual grant (percentage of salary) <sup>1</sup>	215%	135%	115%
Most common performance measure	TSR** relative to comparator group and EPS growth	TSR** relative to comparator group and EPS growth	TSR** relative to comparator group and EPS growth
Total earnings			
Total earnings (£000s) <sup>3</sup>	3,092	1,615	1,694

<sup>1</sup> Median face value.

<sup>2</sup> Cash value of any share options exercised in the year.

<sup>3</sup> Includes benefits, total bonus and cash value of PSP awards vested and share options exercised in the year.

\* Earnings per share.








\*\* Total shareholder return.

# FTSE 250

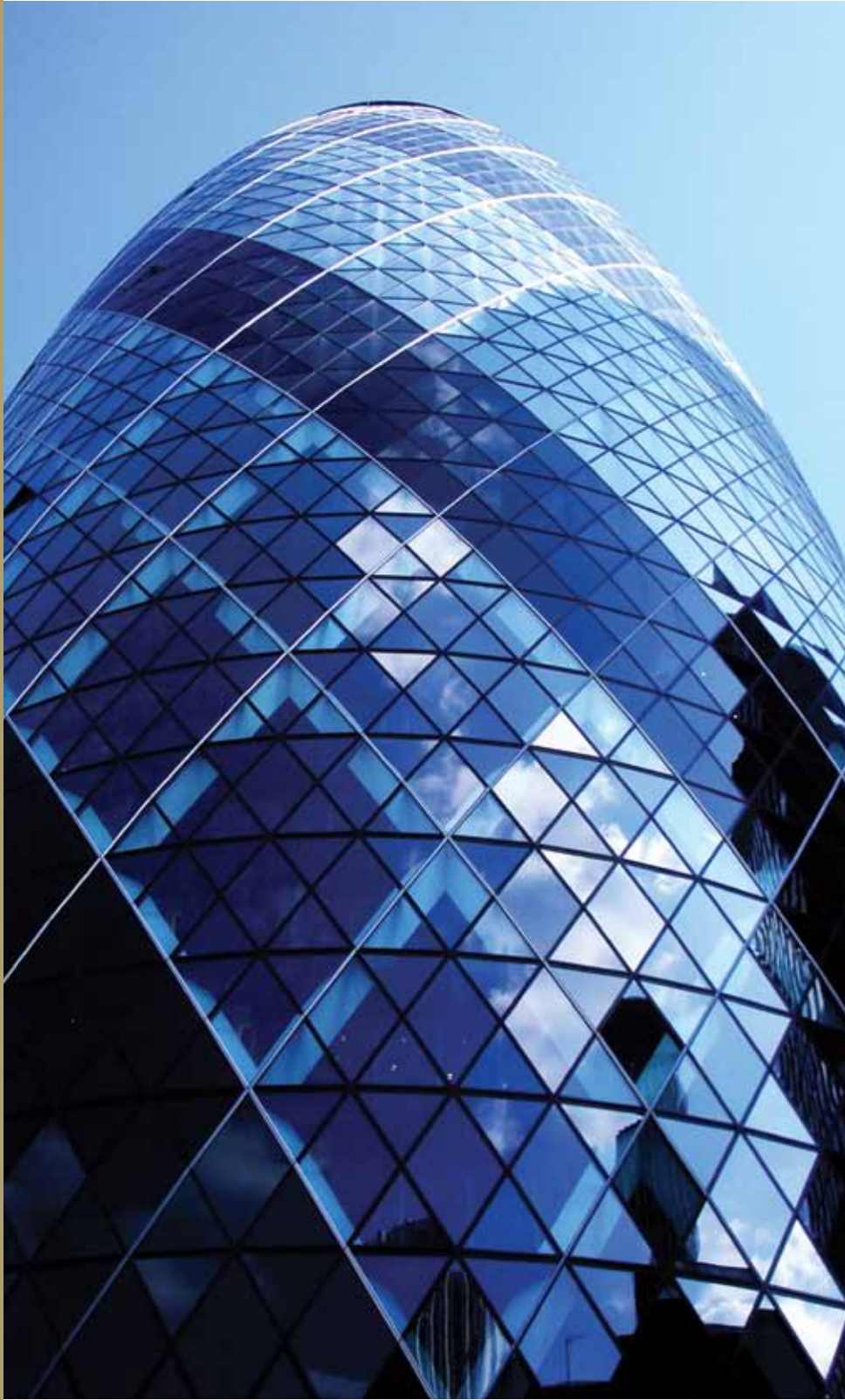
The table below summarises median market practice in FTSE 250 companies for chief executives, finance directors and other executive directors, as reported in this guide.

	Chief Executive	Finance Director	Other Executive Directors
Salary increase	3%	4%	4%
Basic salary (£000s)	450	296	278
Annual bonus			
Maximum bonus (percentage of salary)	115%	100%	100%
Total bonus (percentage of maximum)	67%	67%	56%
Total bonus (percentage of salary)	81%	80%	75%
Most common performance measure	Individual performance/ profit	Individual performance/ profit	Individual performance/ profit
Deferred bonus			
Maximum permitted deferral (percentage of annual bonus) <sup>1</sup>	50%	50%	50%
Typical matching ratio, if applicable	1:1 / 2:1	1:1 / 2:1	1:1 / 2:1
Deferral period	3 years	3 years	3 years
Most common performance measure on matching shares	EPS* growth	EPS* growth	EPS* growth
Performance share plans			
Maximum award (percentage of salary) <sup>1</sup>	150%	129%	129%
Actual award (percentage of salary) <sup>1</sup>	126%	114%	109%
Most common performance measure	TSR** relative to comparator group and EPS growth	TSR** relative to comparator group and EPS growth	TSR** relative to comparator group and EPS growth
Share option plans			
Actual gains (percentage of salary) <sup>2</sup>	59%	40%	53%
Actual grant (percentage of salary) <sup>1</sup>	100%	90%	90%
Most common performance measure	TSR** relative to comparator group and EPS growth	TSR** relative to comparator group and EPS growth	TSR** relative to comparator group and EPS growth
Total earnings			
Total earnings (£000s) <sup>3</sup>	1,051	628	567



	<b>Introduction</b>	<b>6</b>
	<b>The Remuneration Landscape</b>	<b>8</b>
	<b>Market Data Overview</b>	<b>14</b>
	<b>Chief Executive</b>	<b>18</b>
	<b>Finance Director</b>	<b>26</b>
	<b>Other Executive Directors</b>	<b>34</b>
	<b>Non-Executive Directors</b>	<b>42</b>
	<b>Appendix: Methodology</b>	<b>48</b>

## Contents



---

This guide analyses the latest trends in FTSE 350 directors' pay. It covers basic pay and incentives, both short and long-term. We also look at some of the wider factors that impact the executive pay landscape and how these have changed over the year.

This guide is designed to provide you with a comprehensive picture of trends in market practice in remuneration for executive and non-executive directors in FTSE 350 companies.

The guide includes a detailed look at the market in terms of pay, together with information on the wider executive remuneration landscape, including analysis of shareholder activism and trends in new long-term incentive plans.

This guide is structured to show the information by position – namely chief executive, finance director, other executive directors and non-executive directors – to enable all the remuneration components of each position to be considered and discussed together.

Where we show total earnings figures we have, as far as possible based on current disclosures, followed the proposed Department for Business Innovation and Skills (BIS) approach to calculating a single figure for remuneration. This does not include pension figures if they are not currently included in the emoluments table.

This guide is based on data gathered from external data providers (see appendix for more information) and covers companies who published their report and accounts up to 30 June. The analysis of long-term incentive plans includes information from shareholder communications on new plans and amendments to existing plans put forward for approval at AGMs until 31 August 2012. There is also analysis of votes cast on directors' remuneration at AGMs between 01 January 2012 and 31 August 2012.

### Use of this guide

This publication is designed to be a comprehensive guide to directors, management and policy makers to assist in remuneration planning at companies.

Where possible we have broken down the data obtained from the FTSE 350 into groupings by market capitalisation and turnover to increase the relevance.

We recommend that this guide is used in conjunction with other information to ensure the data is interpreted correctly and is relevant.

While data provides a useful guide, it is important to note its historic nature, together with the personal circumstances that are attached to each role and benchmark.

### How KPMG can help

KPMG is one of the UK's leading advisers on employee incentives and executive compensation.

We have a multi-disciplinary team, able to advise on market practice and corporate governance, incentive plan design and the tax, regulatory and accounting aspects of UK and global incentive plans.

We work regularly with clients ranging from FTSE companies and AIM companies to private equity-backed and larger unlisted companies, as well as multinational groups headquartered in and out of the UK. We have significant experience in advising on all of the following matters:

- Executive remuneration strategy and approach
- Executive pay benchmarking
- Remuneration committee governance
- Design and implementation of incentive plans
- Ongoing operation of incentive plans

# 1

## Introduction

The 2012 AGM season was seen as a ‘shareholder spring’ by many. However, analysis shows that the actual story was more complex than a simple rise in shareholder discontent across the board.

### Overview

Executive remuneration has remained high on the agenda this year. There have been two main drivers for this. First, in a process instigated and led by Vince Cable, there has been the development of a wave of new regulation intended to empower shareholders through greater transparency and a binding vote on remuneration. This has yet to be finalised, but is expected to take effect from October 2013. Secondly, at a number of companies, shareholders have expressed dissatisfaction with aspects of executive pay – since termed the ‘shareholder spring’.

As the AGM season draws to a close, we now have at our fingertips a full set of data that enables us to examine what actually happened to executive pay this season and how and why the ‘shareholder spring’ was born.

Looking at the data contained within this guide, one could conclude easily that there wasn’t actually a ‘shareholder spring’ at all. In 2012, 10 companies in the FTSE 100 experienced significant levels of shareholder dissent on remuneration report votes. In 2011, this figure was 34. In addition, the overall average level of support remained above 90 per cent. However, the picture is more complicated than the bare figures suggest.

The actual story of the ‘shareholder spring’ is not one of a mass demonstration of shareholder discontent. Instead, it is best described as the public demonstration of shareholder disapproval towards a limited number of companies relating to specific circumstances and issues. A number of these were not solely pay related, but instead were driven by a combination of dissatisfaction around corporate performance and the leadership of the business. In many cases this year, shareholders really were focussing on the link between pay and performance.

### Number of resolutions with greater than 20% oppose

	FTSE 100	FTSE 100	FTSE 250	FTSE 250
	2011	2012	2011	2012
Remuneration reports	21	6	19	19
New share plan	0	1	2	0
Amendment to share plan	3	1	1	0

### Number of resolutions with greater than 20% oppose and abstain

	FTSE 100	FTSE 100	FTSE 250	FTSE 250
	2011	2012	2011	2012
Remuneration reports	34	10	24	29
New share plan	0	1	5	0
Amendment to share plan	3	1	1	0

Source: PIRC

# 2

## The Remuneration Landscape



## The Remuneration Landscape

The arrival of new regulation and continued shareholder and public attention means that companies will have to approach issues around pay in a considered and pro-active manner. The flexing of shareholder muscle in 2012 may well be a rehearsal for what is to come. As we show in this guide, the last few years have seen only a relatively small number of new long-term incentive plans being proposed to shareholders. In 2012, 26 new plans were proposed, whilst between 2005-2007 on average this was 125. A number of companies have clearly been waiting to understand better the economic and regulatory landscape before formulating new plans and consulting with shareholders. Next year and in 2014, we expect the number of plans proposed to increase significantly and for shareholders to view such requests for approval very carefully.

All this means that companies will need to be comfortable they have dealt with four key areas. These are:

- The governance aspects of pay, including ensuring that the remuneration committee receives the relevant information, performs proper due diligence, and understands investor views and expectations.
- Creating a clear link to strategy by clearly aligning the components of pay with the company's aims and key performance indicators.
- Clearly demonstrating the link between pay and performance, so that success is rewarded and there is no potential for payment for 'failure'.
- Complying with the new regulatory requirements and using the changes as an opportunity to enhance the communication with shareholders and improve the relationship.

The role of the remuneration committees in all of the above is key, and their job will continue to grow and become increasingly more complex.

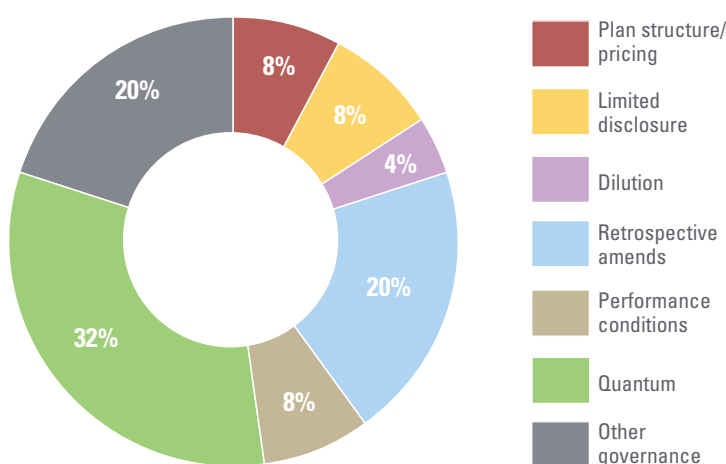


### Shareholder issues

The ABI guidelines have been very influential over a number of years in shaping executive pay, and in particular the design of long-term incentive plans. If we take their voting service as a further guide to shareholder sentiment we can see that the actual number of “red tops” which they have issued so far on remuneration reports in the FTSE 350 during 2012 shows an increase on the comparable number in 2011, but only very slight – 25 versus 22.

The red tops were in response to a number of very specific issues at a small number of companies, suggesting that the majority of companies in the FTSE 350, who are the subject of much of the focus of corporate governance bodies and the media, take their responsibilities seriously and are largely operating within accepted governance standards.

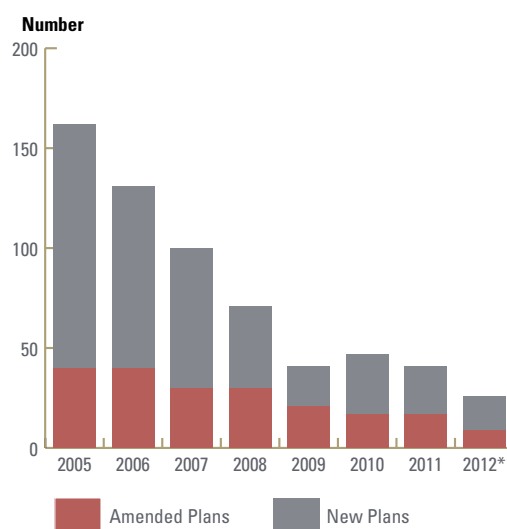
For those companies in the FTSE 350 who have received a red top there was often a combination of issues which led to this. Issues fall into the broad categories noted in the pie-chart below.



## The Remuneration Landscape

### New and amended plans

26 FTSE 350 companies submitted new or significantly amended plans to shareholders for approval during 2012 up to 31 August. This number is down again on the previous year, although there are still a small number of companies who have not yet had their 2012 AGM so the figures may change.



The following new and amended plans were put to shareholders in 2012:

Plans introduced or significantly amended by FTSE 350 companies			
	2012* (No.)	2011 (No.)	2010 (No.)
Performance share plans	18	30	31
Deferred share bonus plans	1	0	1
Share option plans	3	8	9
Co-investment plans	0	1	1
Other long-term incentive plans	4	2	5
<b>Total plans introduced or significantly amended by FTSE 350 companies</b>	<b>26</b>	<b>41</b>	<b>47</b>

This would suggest that the caution around introducing new plans which we have seen during the past two years is continuing. It is also the case that uncertain economic conditions make it difficult for companies to set long-term targets, so the design of new long-term incentive plans becomes harder in terms of aligning awards with strategy. As companies become more reluctant to take new plans to shareholders, the communication and transparency of the plans in operation becomes even more critical. It is vital to ensure that both participants and shareholders see the value in these arrangements.

\* Up to 31 August.

For those companies who amended their LTIPs a change in the performance target was the most common reason.

Reason	Number	%
Increase in size of award	1	11%
Change in performance measure	7	78%
Reduce exercise price by dividends paid	1	11%

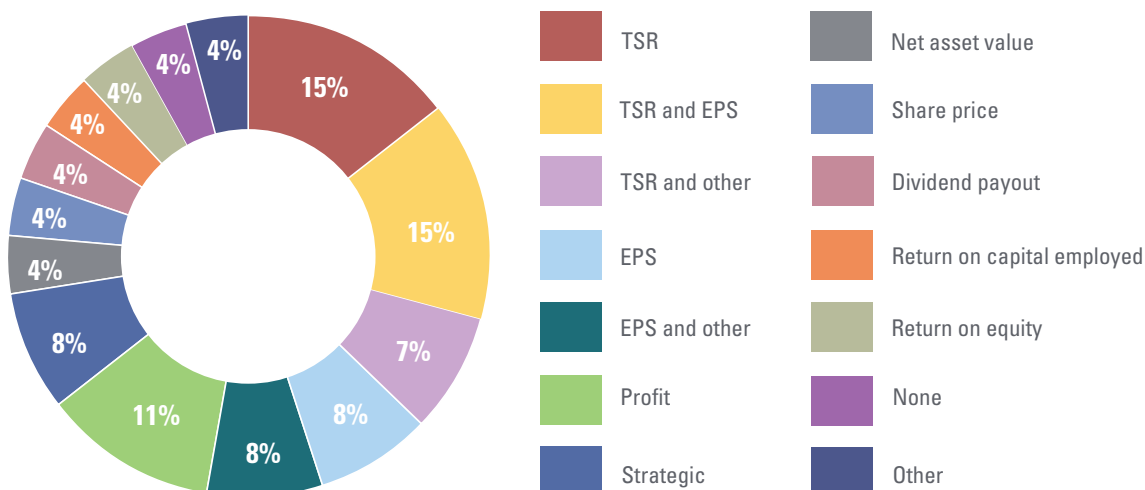
The vast majority of new plans received a blue or amber top, with only four receiving a red top.

	2012 (No.)	2011 (No.)
Blue topped	9	13
Amber topped	13	15
Red topped	4	3

There were a variety of reasons for the red tops including vesting schedules, uncapped awards and dilution issues.

### Performance conditions

The following chart summarises the performance conditions applied to new plans adopted during the year.



This shows an increase in the use of measures other than TSR and EPS for new plans, although these remain the predominant measures when looking across the FTSE as a whole. When considered in conjunction with changes in annual bonus plan measures, it is apparent that this is becoming an area of increasing focus for remuneration committees and companies. This is a change in thinking which should find favour with shareholders if it improves the transparency of the link between pay and performance.



## The Remuneration Landscape



### Looking ahead

Many of the issues which shareholders object to remain the same as they have been for some time, namely:

- The link between pay and performance and payment of large incentives without a demonstrable improvement in shareholder returns
- One-off bonus payments such as transaction/deal-based payments
- Large payments to facilitate recruitment, particularly when there are no performance measures attached
- Significant exit payments for executives whose employment is terminated

However, we are also seeing an increasing focus on other issues including transparency and complexity, and increases in basic pay over and above those given to the broader workforce. The importance of shareholder consultation as part of the ongoing process remains as important as ever, and is critical for companies in ensuring that issues are dealt with at an early stage.

With the new proposals on disclosure and voting due to come into effect for most companies at their AGM in 2014 we expect to see a large number of companies transitioning to these proposals in 2013 in order to assess levels of shareholder support and to ensure as far as possible that any issues are settled before the binding vote on remuneration policy is required. For many companies this will require a change in the level of disclosure but not necessarily a change in policy.

We expect to see the numbers of new LTIPs taken to shareholders to rise. Companies will also need to consider how they intend to take into account the views of the wider workforce when they are considering executive pay, as well as looking at the total pay spend as a proportion of profits and dividends to ensure that they can justify their position to shareholders.

We anticipate that basic pay increases will remain modest, and that the linkage between pay and performance will be the subject of increased discussion at remuneration committee level as the amount of disclosure required increases.

---

Basic salary increases have been relatively modest with a median of between 3% and 4%. With the exception of FTSE 100 chief executives, total earnings have remained at a similar level to 2011 or even fallen slightly.



Companies have continued to take a cautious approach and avoided making drastic changes to remuneration policies and strategies.

The table overleaf summarises the median basic salary, total cash and total earnings in the year for the roles of chief executive, finance director and other executive directors (2011 data in parentheses).

# 3

## Market Data Overview

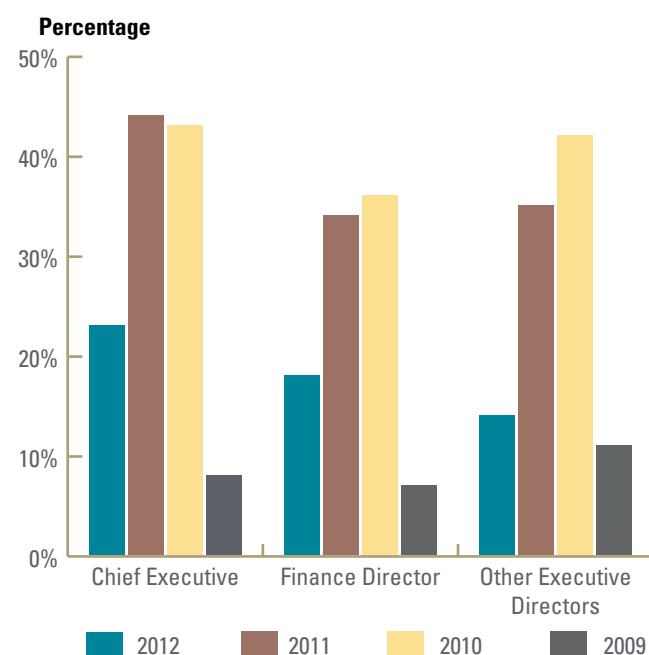
## Market Data Overview

### Median total remuneration

	Basic salary (£000s)	Total cash (£000s)	Total earnings (£000s)
<b>FTSE 100</b>			
<b>Chief Executive</b>	830 (825)	1,820 (1,994)	3,092 (2,702)
<b>Finance Director</b>	492 (491)	1,049 (1,106)	1,615 (1,704)
<b>Other Executive Directors</b>	500 (483)	1,051 (1,093)	1,694 (1,626)
<b>FTSE 250</b>			
<b>Chief Executive</b>	450 (450)	811 (850)	1,051 (1,066)
<b>Finance Director</b>	296 (284)	521 (528)	628 (622)
<b>Other Executive Directors</b>	278 (273)	476 (470)	567 (554)

Median salary increases have been in the range of 3% to 4%, a level slightly above that of last year. Just over 20% of chief executives did not receive a pay increase, and with certain specific exceptions companies have remained cautious in their approach, often matching the increase given to the broader employee population.

### Basic salary freezes



### Salary differentials by reference to role

The table below shows the internal ratio between the salaries of the finance director and other executive director positions as a percentage of the chief executive's salary. These percentages remain broadly consistent with the previous year.

### Annual bonus plans

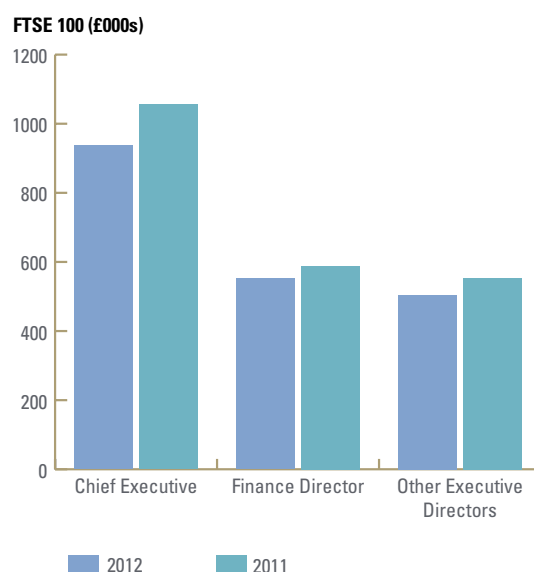
Total annual bonus payments have fallen slightly from 12 months ago, and deferral of at least part of the bonus is now required for the majority of plans.

The table below shows payments made in FTSE 100 and FTSE 250 companies.

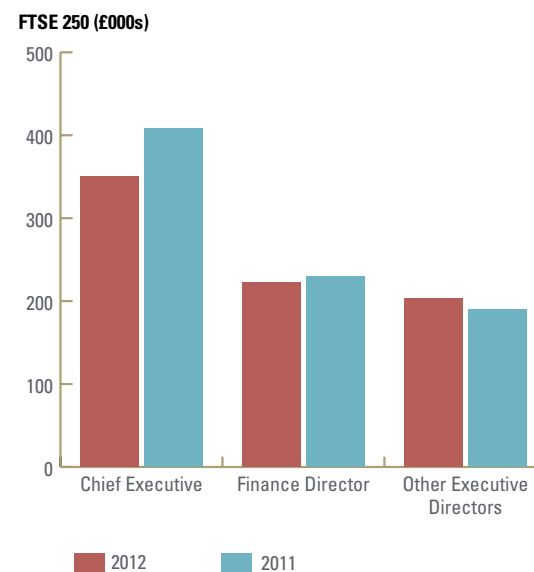
#### FTSE 350 internal ratio of finance director and other executive directors salary expressed as a percentage of the chief executive's salary

		Lower quartile	Median	Upper quartile
FTSE 100	Finance Director	56%	61%	67%
	Other Executive Directors	52%	58%	70%
FTSE 250	Finance Director	59%	65%	72%
	Other Executive Directors	55%	62%	75%

#### Total bonus payouts: FTSE 100



#### Total bonus payouts: FTSE 250

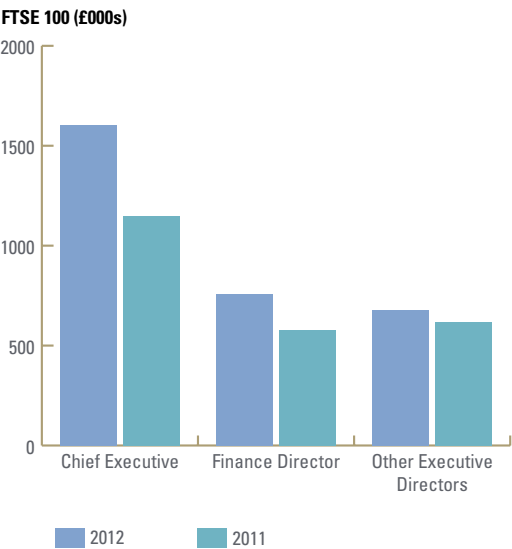




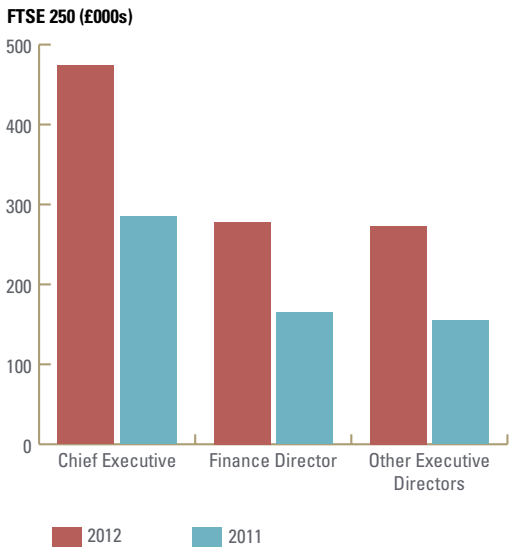
Performance share plans

The value of actual payouts received during the year under PSPs for FTSE 100 and FTSE 250 companies, show an increase across all roles when compared to last year. These payouts are typically based on performance over a 3 year period and so for many companies will reflect awards made at the start of the economic downturn.

Actual cash value of PSP awards vesting in the year as compared to 2011: FTSE 100



Actual cash value of PSP awards vesting in the year as compared to 2011: FTSE 250



The level of total earnings for FTSE 100 chief executives has increased when compared to data from 2011. This appears to be primarily driven by payments under long-term incentive plans. In FTSE 250 companies, total earnings for chief executives have remained flat.



This section provides information on the remuneration of chief executives. This role represents the lead executive director at each company, so actual job titles included are chief executive officer, managing director, executive chairman and CEO, president and CEO.

# 4

## Chief Executive

The table below shows median total remuneration for FTSE 100 and FTSE 250 companies. The methodology used to calculate these figures can be found in the appendix.

## Median total remuneration

Chief Executive	Basic salary (£000s)	Total cash (£000s)	Total earnings (£000s)
FTSE 100	830	1,820	3,092
FTSE 250	450	811	1,051

## Basic salary

As mentioned in the overview, basic salary increases have remained low, with around 20% of companies operating a pay freeze for chief executives. The table below shows basic salary increases in FTSE 100 and FTSE 250 companies for the latest reported financial year, compared with the previous year's figures.

## Basic salary increase

Chief Executive	Lower quartile		Median		Upper quartile	
	2012	2011	2012	2011	2012	2011
FTSE 100	1%	0%	3%	2%	9%	4%
FTSE 250	0%	0%	3%	2%	5%	4%

## Salary position and pay comparator groups

The market capitalisation of a company is highly correlated with basic salary levels for executive directors. This can be seen from the tables below which show basic salary levels by market capitalisation bands and also by turnover bands. Many companies use market capitalisation as a key factor when comparing salary levels, but the volatility in the stock markets has shown that this can potentially create issues. For example, if pay is benchmarked to a group of peer companies selected by market capitalisation in one year, subsequent falls in market capitalisation for the company concerned will then mean it is out of line with current peers.

Turnover can be a less volatile indicator and therefore a prudent approach would be to consider both it and market capitalisation with a combination of other factors. A view can then be formed as to the appropriateness of the data.

Data is shown here for 2012. When compared to the 2011 guide this shows that the median pay has increased for the majority of market capitalisation and turnover groupings of FTSE 100 and FTSE 250 companies.

### Basic salary by market capitalisation

Chief Executive	Market capitalisation	Lower quartile (£000s)	Median (£000s)	Upper quartile (£000s)
FTSE 100	>£10bn	910	1,000	1,206
	£5bn - £10bn	724	823	939
	<£5bn	500	673	803
	All FTSE 100	673	830	996
FTSE 250	>£1.5bn	461	564	664
	£500m - £1.5bn	406	475	549
	<£500m	330	390	461
	All FTSE 250	371	450	550
FTSE 350	All FTSE 350	396	518	716

### Basic salary by turnover

Chief Executive	Turnover	Lower quartile (£000s)	Median (£000s)	Upper quartile (£000s)
FTSE 100	>£10bn	894	996	1,187
	£2.5bn - £10bn	700	808	896
	<£2.5bn	478	618	791
	All FTSE 100	673	830	996
FTSE 250	>£2.5bn	608	683	769
	£500m - £2.5bn	418	506	561
	<£500m	328	391	449
	All FTSE 250	371	450	550
FTSE 350	All FTSE 350	396	518	716



## Annual bonus plans

Nearly all of the companies in the FTSE 100 and FTSE 250 operate annual bonus plans for their executive directors, making it the most common incentive arrangement.

The tables below show the following information for FTSE 100 and FTSE 250 companies:

- The maximum potential bonus
- The total bonus paid as a percentage of salary
- The total bonus paid as a percentage of the maximum
- The total bonus paid in 2012 and in 2011

When compared to last year's report, maximum bonus opportunity has remained at the same level in both FTSE 100 and FTSE 250 companies. As previously mentioned, total bonus payments have decreased from the levels in 2011 but still remain high.

Chief Executive	FTSE 100			FTSE 250		
	Lower quartile	Median	Upper quartile	Lower quartile	Median	Upper quartile
<b>Maximum Bonus Opportunity (percentage of salary)</b>	150%	180%	200%	100%	115%	150%
<b>Total Bonus (percentage of salary)</b>	99%	134%	169%	44%	81%	115%
<b>Total Bonus (percentage of maximum bonus)</b>	61%	77%	91%	37%	67%	86%
<b>2012 Total Bonus (£000s)</b>	659	937	1,497	203	350	543
<b>2011 Total Bonus (£000s)</b>	722	1,055	1,589	200	408	581

The following tables show the same annual bonus information split by market capitalisation and turnover bands for 2012. When compared to last year, it is difficult to identify trends based on size which reflects the company specific nature of performance targets and measurement which bear no relevance to size. However, it can be seen from the data that larger companies have higher maximum bonus opportunity.

#### Median annual bonus by market capitalisation

Chief Executive	FTSE 100			FTSE 250		
Market capitalisation	>£10bn	£5bn–£10bn	<£5bn	>£1.5bn	£500m–£1.5bn	<£500m
Maximum Bonus Opportunity (percentage of salary)	200%	163%	150%	130%	120%	100%
Total Bonus (percentage of salary)	162%	136%	114%	80%	99%	72%
Total Bonus (percentage of maximum bonus)	75%	78%	77%	65%	75%	56%
Total Bonus (£000s)	1,611	1,038	841	397	440	284

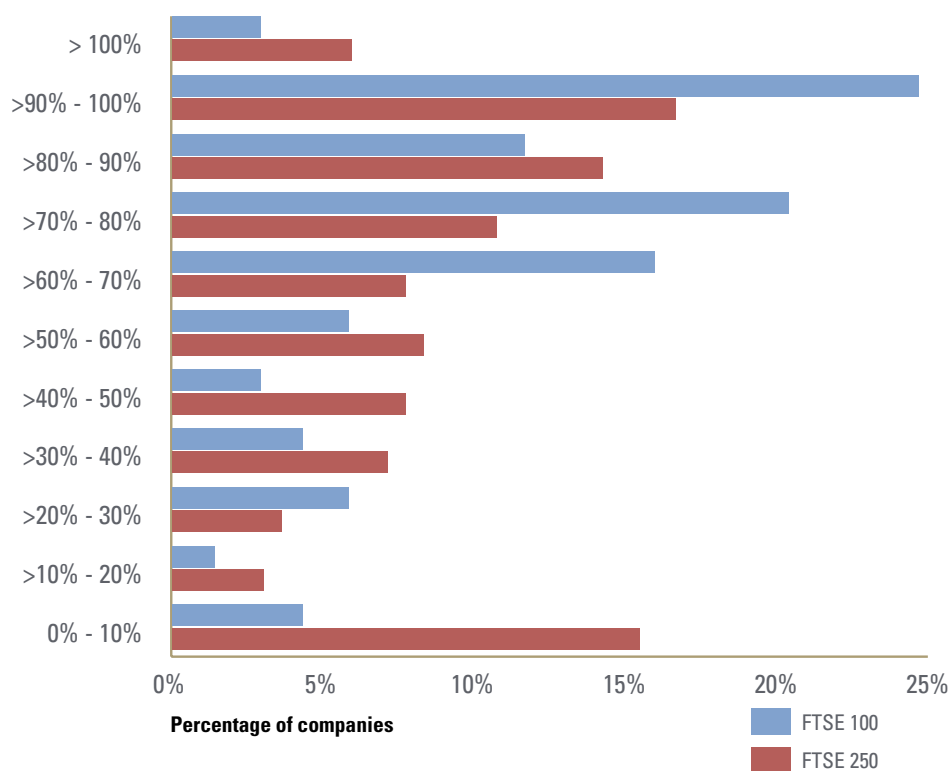
#### Median annual bonus by turnover

Chief Executive	FTSE 100			FTSE 250		
Turnover	>£10bn	£2.5bn–£10bn	<£2.5bn	>£2.5bn	£500m–£2.5bn	<£500m
Maximum Bonus Opportunity (percentage of salary)	200%	160%	150%	125%	120%	100%
Total Bonus (percentage of salary)	159%	109%	150%	79%	78%	94%
Total Bonus (percentage of maximum bonus)	77%	73%	84%	58%	55%	76%
Total bonus (£000s)	1,466	881	841	518	350	338

## Chief Executive

The chart below shows the distribution of total bonuses (as a percentage of maximum bonus opportunity) for FTSE 100 and FTSE 250 companies who have disclosed the maximum bonus opportunity. Approximately 50% of companies have paid 70% or more of the maximum bonus opportunity, with the percentages higher in the FTSE 100 than the FTSE 250.

**Percentage of maximum annual bonus paid by companies**



## Long-term incentives

The following tables show the awards made to chief executives under performance share plans and share option plans.

When looking at both FTSE 100 and FTSE 250 companies there has not been a significant change in the level of grants under PSPs when compared to 2011.

## Performance share plans

The tables below show the following information for 2012:

- The actual awards made (i.e. the face value of shares conditionally awarded) both as a percentage of salary and a monetary amount
- The maximum award as a percentage of salary where this is disclosed
- The actual gains from awards vesting during the year as a percentage of salary

Chief Executive	FTSE 100			FTSE 250		
	Lower quartile	Median	Upper quartile	Lower quartile	Median	Upper quartile
Maximum Award (percentage of salary)	150%	200%	275%	100%	150%	200%
Actual Award (percentage of salary)	187%	203%	338%	99%	126%	179%
Actual Award (£000s)	1,350	1,739	3,296	412	537	863
Actual Gains (percentage of salary)	81%	212%	357%	51%	105%	188%

The same information is shown below for market capitalisation and turnover bands.

## Median PSP awards by market capitalisation

Chief Executive	FTSE 100			FTSE 250		
Market capitalisation	>£10bn	£5bn–£10bn	<£5bn	>£1.5bn	£500m–£1.5bn	<£500m
Maximum Award (percentage of salary)	300%	200%	150%	175%	150%	100%
Actual Award (percentage of salary)	350%	211%	165%	163%	126%	101%
Actual Award (£000s)	3,990	1,746	1,221	863	644	432
Actual Gains (percentage of salary)	306%	276%	102%	104%	140%	76%



## Median PSP awards by turnover

Chief Executive	FTSE 100			FTSE 250		
Turnover	>£10bn	£2.5bn–£10bn	<£2.5bn	>£2.5bn	£500m–£2.5bn	<£500m
Maximum Award (percentage of salary)	275%	200%	138%	175%	150%	100%
Actual Award (percentage of salary)	265%	202%	136%	150%	131%	101%
Actual Award (£000s)	2,553	1,527	971	1,059	603	450
Actual Gains (percentage of salary)	169%	221%	245%	109%	112%	92%

## Share options

The tables below show the following information for share options for 2012:

- The actual awards made (i.e. the face value of share options granted) both as a percentage of salary and a monetary amount
- The actual gains made from the exercise of share options during the year both as a percentage of salary and a monetary amount

The data is shown for completeness but the sample sizes are small due to the low number of companies still operating option plans at the executive level. Therefore it would be misleading to conclude too much from this.

Chief Executive	FTSE 100			FTSE 250		
	Lower quartile	Median	Upper quartile	Lower quartile	Median	Upper quartile
Actual Grant (percentage of salary)	143%	215%	332%	12%	100%	149%
Actual Grant (£000s)	1,241	1,827	2,820	30	387	744
Actual Gains (percentage of salary)	14%	39%	51%	15%	59%	126%
Actual Gains (£000s)	116	257	417	52	241	605

Median total earnings remain relatively flat for finance directors.



This section provides information on the remuneration for the role of finance director.

The table below shows median total remuneration for FTSE 100 and FTSE 250 companies. The methodology used to calculate these figures can be found in the appendix.

#### Median total remuneration

Finance Director	Basic salary (£000s)	Total cash (£000s)	Total earnings (£000s)
FTSE 100	492	1,049	1,615
FTSE 250	296	521	628

# 5

## Finance Director

### Basic salary

As mentioned in the overview, basic salary increases have remained low, at around 1 % or 2 % higher than the prior year. The table below shows basic salary increases in FTSE 100 and FTSE 250 companies for the latest reported financial year, compared with the previous year's figures.

Finance Director	Lower quartile		Median		Upper quartile	
	2012	2011	2012	2011	2012	2011
FTSE 100	2%	0%	3%	2%	8%	4%
FTSE 250	2%	0%	4%	2%	7%	5%

### Salary position and pay comparator groups

The market capitalisation of a company is highly correlated with basic salary levels for executive directors. This can be seen from the tables on the next page which show basic salary levels by market capitalisation bands and also by turnover bands. Many companies use market capitalisation as a key factor when comparing salary levels, but the volatility in the stock markets has shown that this can potentially create issues. For example, if pay is benchmarked to a group of peer companies selected by market capitalisation in one year, subsequent falls in market capitalisation for the company concerned will then mean it is out of line with current peers. Turnover can be a less volatile indicator and therefore a prudent approach would be to consider both it and market capitalisation with a combination of other factors. A view can then be formed as to the appropriateness of the data.

Data is shown here for 2012, when compared to the 2011 report the picture is mixed, which highlights the potential difficulties in following a market point too closely.

### Basic salary by market capitalisation

Finance Director	Market capitalisation	Lower quartile (£000s)	Median (£000s)	Upper quartile (£000s)
FTSE 100	>£10bn	557	677	739
	£5bn - £10bn	449	525	576
	<£5bn	348	393	432
	All FTSE 100	393	492	623
FTSE 250	>£1.5bn	313	347	402
	£500m - £1.5bn	260	300	332
	<£500m	210	255	304
	All FTSE 250	240	296	335
FTSE 350	All FTSE 350	260	325	423

### Basic salary by turnover

Finance Director	Turnover	Lower quartile (£000s)	Median (£000s)	Upper quartile (£000s)
FTSE 100	>£10bn	572	649	736
	£2.5bn - £10bn	391	456	528
	<£2.5bn	340	383	428
	All FTSE 100	393	492	623
FTSE 250	>£2.5bn	337	402	430
	£500m - £2.5bn	271	313	346
	<£500m	220	250	300
	All FTSE 250	240	296	335
FTSE 350	All FTSE 350	260	325	423

## Annual bonus plans

The tables below show the following information for FTSE 100 and FTSE 250 companies:

- The maximum potential bonus
- The total bonus paid as a percentage of salary
- The total bonus paid as a percentage of the maximum
- The total bonus paid in 2012 and in 2011

When compared to last year's report, maximum bonus opportunity has either remained the same or reduced slightly. As previously mentioned, total bonus payments have reduced slightly from the levels in 2011.

Finance Director	FTSE 100			FTSE 250		
	Lower quartile	Median	Upper quartile	Lower quartile	Median	Upper quartile
<b>Maximum Bonus Opportunity (percentage of salary)</b>	125%	150%	200%	100%	100%	150%
<b>Total Bonus (percentage of salary)</b>	83%	112%	150%	47%	80%	104%
<b>Total Bonus (percentage of maximum bonus)</b>	56%	76%	90%	37%	67%	90%
<b>2012 Total Bonus (£000s)</b>	377	552	764	120	223	335
<b>2011 Total Bonus (£000s)</b>	397	589	876	139	230	341



The following tables show the same information split by market capitalisation and turnover bands for 2012. When compared to last year, it is difficult to identify trends based on size. This reflects the company specific nature of performance targets and measurement which bear no relevance to size. However it can be seen from the data that larger companies have higher maximum bonus opportunity.

#### Median annual bonus by market capitalisation

Finance Director	FTSE 100			FTSE 250		
Market capitalisation	>£10bn	£5bn–£10bn	<£5bn	>£1.5bn	£500m–£1.5bn	<£500m
Maximum Bonus Opportunity (percentage of salary)	190%	150%	125%	120%	100%	100%
Total Bonus (percentage of salary)	140%	117%	101%	82%	92%	69%
Total Bonus (percentage of maximum bonus)	76%	81%	72%	80%	75%	55%
Total Bonus (£000s)	805	577	398	284	256	158

#### Median annual bonus by turnover

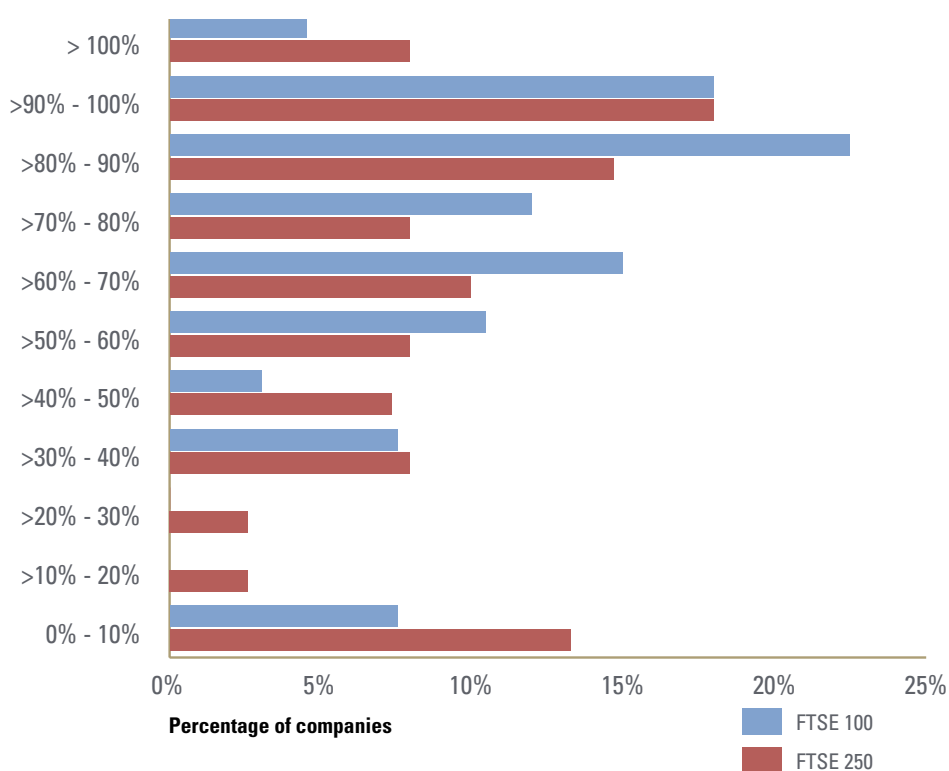
Finance Director	FTSE 100			FTSE 250		
Turnover	>£10bn	£2.5bn–£10bn	<£2.5bn	>£2.5bn	£500m–£2.5bn	<£500m
Maximum Bonus opportunity (percentage of salary)	180%	150%	125%	110%	109%	100%
Total Bonus (percentage of salary)	126%	91%	105%	77%	80%	80%
Total Bonus (percentage of maximum bonus)	77%	66%	85%	63%	63%	77%
Total Bonus (£000s)	770	436	416	273	230	206



## Finance Director

The chart below shows the distribution of total bonuses (as a percentage of maximum bonus opportunity) for FTSE 100 and FTSE 250 companies who have disclosed the maximum bonus opportunity. Approximately 50% of finance directors in the FTSE 100 are receiving 70% or above of the maximum bonus opportunity.

### Percentage of maximum annual bonus opportunity paid



### Long-term incentives

The following tables show the awards made to finance directors under performance share plans and share option plans.

### Performance share plans

The tables below show the following information for 2012:

- The actual awards made (i.e. the face value of shares conditionally awarded) both as a percentage of salary and a monetary amount
- The maximum award as a percentage of salary where this is disclosed
- The actual gains from awards vesting during the year as a percentage of salary

When looking at both FTSE 100 and FTSE 250 companies actual award levels have fallen from the previous year.

Finance Director	FTSE 100			FTSE 250		
	Lower quartile	Median	Upper quartile	Lower quartile	Median	Upper quartile
Maximum Award (percentage of salary)	150%	200%	225%	100%	129%	200%
Actual Award (percentage of salary)	131%	176%	282%	98%	114%	167%
Actual Award (£000s)	364	760	1,349	110	278	574
Actual Gains (percentage of salary)	66%	131%	271%	42%	99%	191%

The same information is shown below for market capitalisation and turnover bands.

### Median PSP awards by market capitalisation

Finance Director	FTSE 100			FTSE 250		
Market capitalisation	>£10bn	£2.5bn–£10bn	<£2.5bn	>£1.5bn	£500m–£1.5bn	<£500m
Maximum Award (percentage of salary)	225%	200%	150%	150%	150%	100%
Actual Award (percentage of salary)	132%	174%	95%	110%	116%	69%
Actual Award (£000s)	919	989	411	369	380	165
Actual Gains (percentage of salary)	132%	174%	95%	110%	116%	69%

## Median PSP awards by turnover

Finance Director	FTSE 100			FTSE 250		
Turnover	>£10bn	£2.5bn–£10bn	<£2.5bn	>£2.5bn	£500m–£2.5bn	<£500m
Maximum Award (percentage of salary)	200%	200%	100%	150%	150%	100%
Actual Award (percentage of salary)	125%	186%	164%	40%	135%	68%
Actual Award (£000s)	760	640	509	156	398	173
Actual Gains (percentage of salary)	125%	186%	164%	40%	135%	68%

## Share options

The tables below show the following information for share options for 2012:

- The actual awards made (i.e. the face value of share options granted) both as a percentage of salary and a monetary amount
- The actual gains made from the exercise of share options during the year both as a percentage of salary and a monetary amount

This data is shown for completeness but the sample sizes are relatively small due to the number of companies still operating option plans at the executive level. Therefore it would be misleading to conclude too much from this.

Finance Director	FTSE 100			FTSE 250		
	Lower quartile	Median	Upper quartile	Lower quartile	Median	Upper quartile
Actual Grant (percentage of salary)	102%	135%	200%	14%	90%	149%
Actual Grant (£000s)	580	664	767	30	256	423
Actual Gains (percentage of salary)	40%	62%	86%	19%	40%	223%
Actual Gains (£000s)	166	333	526	57	125	644

Other executive directors include a variety of roles with different responsibilities, including functional and divisional directors. We have seen total earnings remain relatively flat when compared to last year.



This section provides information on the remuneration for other executive directors.

The table below shows median total remuneration for FTSE 100 and FTSE 250 companies. The methodology used to calculate these figures can be found in the appendix.

#### Median total remuneration

Other Executive Directors	Basic salary (£000s)	Total cash (£000s)	Total earnings (£000s)
FTSE 100	500	1,051	1,694
FTSE 250	278	476	567

## 6

### Other Executive Directors

## Other Executive Directors

### Basic salary

As with chief executives and finance directors, basic salary increases have remained low, with many companies operating a pay freeze at board level. The table below shows basic salary increases in FTSE 100 and FTSE 250 companies for the latest reported financial year, compared with the previous year's figures.

	Lower quartile		Median		Upper quartile	
	2012	2011	2012	2011	2012	2011
Other Executive Directors						
FTSE 100	2%	0%	4%	2%	7%	5%
FTSE 250	2%	0%	4%	3%	7%	5%

### Salary position and pay comparator groups

The market capitalisation of a company is highly correlated with basic salary levels for executive directors. This can be seen from the tables on the next page which show the basic salary levels by market capitalisation bands and also by turnover bands. Many companies use market capitalisation as a key factor when comparing salary levels, but the volatility in the stock markets has shown that this can potentially create issues. For example, if pay is benchmarked to a group of peer companies selected by market capitalisation in one year, subsequent falls in market capitalisation for the company concerned will then mean it is out of line with current peers. Turnover can be a less volatile indicator and therefore a prudent approach would be to consider both it and market capitalisation with a combination of other factors. A view can then be formed as to the appropriateness of the data.



### Basic salary by market capitalisation

Other Executive Directors	Market capitalisation	Lower quartile (£000s)	Median (£000s)	Upper quartile (£000s)
FTSE 100	>£10bn	535	635	761
	£5bn-£10bn	227	466	584
	<£5bn	295	344	450
	All FTSE 100	341	500	637
FTSE 250	>£1.5bn	288	333	427
	£500m-£1.5bn	220	275	325
	<£500m	190	260	303
	All FTSE 250	220	278	330
FTSE 350	All FTSE 350	242	316	450

### Basic salary by turnover

Other Executive Directors	Turnover	Lower quartile (£000s)	Median (£000s)	Upper quartile (£000s)
FTSE 100	>£10bn	545	625	723
	£2.5bn-£10bn	321	420	544
	<£2.5bn	268	304	370
	All FTSE 100	341	500	637
FTSE 250	>£2.5bn	275	350	424
	£500m-£2.5bn	270	308	360
	<£500m	190	226	288
	All FTSE 250	220	278	330
FTSE 350	All FTSE 350	242	316	450



## Other Executive Directors

### Annual bonus plans

The tables below show the following information for FTSE 100 and FTSE 250 companies:

- The maximum potential bonus
- The total bonus paid as a percentage of salary
- The total bonus paid as a percentage of the maximum
- The total bonus paid in 2012 and in 2011

When compared to the 2011 report, maximum bonus opportunity has remained flat. Total bonus payments as a percentage of salary have also remained relatively static at the median in the FTSE 100 and FTSE 250 from the levels in 2011.

Other Executive Directors	FTSE 100			FTSE 250		
	Lower quartile	Median	Upper quartile	Lower quartile	Median	Upper quartile
<b>Maximum Bonus Opportunity (percentage of salary)</b>	125%	160%	200%	100%	100%	150%
<b>Total Bonus (percentage of salary)</b>	77%	113%	159%	46%	75%	97%
<b>Total Bonus (percentage of maximum bonus)</b>	62%	72%	91%	37%	56%	80%
<b>2012 Total Bonus (£000s)</b>	302	504	792	120	203	307
<b>2011 Total Bonus (£000s)</b>	341	553	941	95	190	338

The following tables show the same information split by market capitalisation bands and by turnover bands. When compared to last year it is difficult to identify trends based on size which reflect the company, specific nature of performance targets and measurement which bear no relevance to size. However it can be seen from the data that larger companies have higher maximum bonus opportunity.

### Median total bonus by market capitalisation

Other Executive Directors	FTSE 100			FTSE 250		
Market capitalisation	>£10bn	>£5bn–£10bn	>£5bn	>£1.5bn	£500m–£1.5bn	<£500m
Maximum Bonus Opportunity (percentage of salary)	200%	150%	125%	100%	100%	100%
Total Bonus (percentage of salary)	160%	113%	86%	76%	80%	70%
Total Bonus (percentage of maximum bonus)	78%	72%	67%	62%	58%	53%
Total Bonus (£000s)	965	405	314	238	217	181

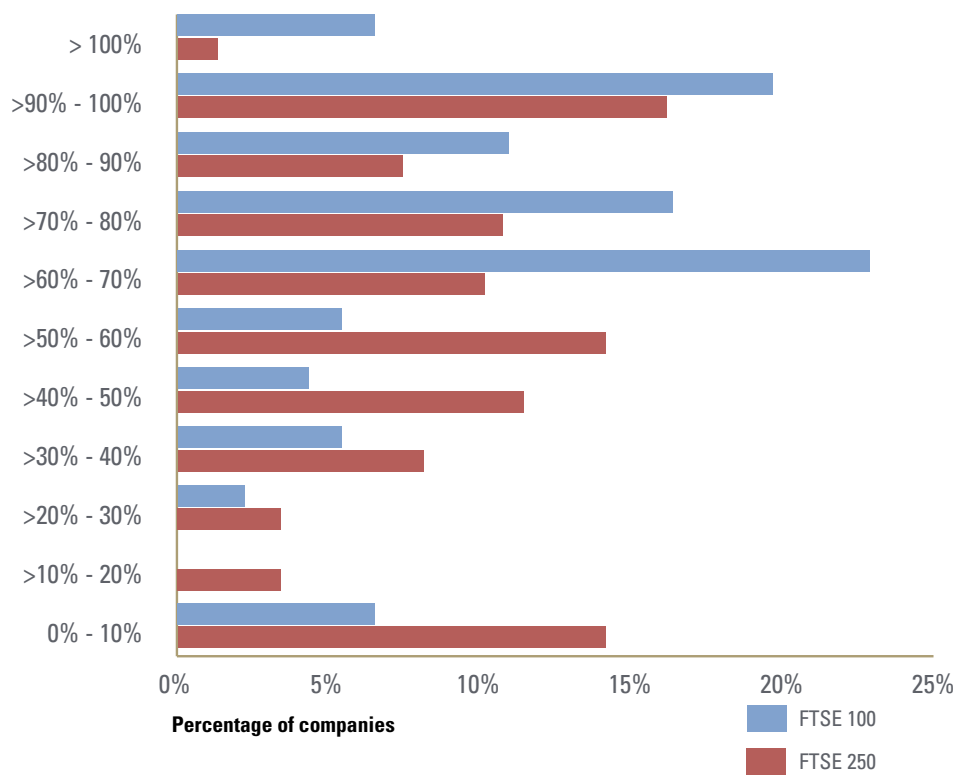
### Median total bonus by turnover

Other Executive Directors	FTSE 100			FTSE 250		
Turnover	>£10bn	£2.5bn–£10bn	<£2.5bn	>£2.5bn	£500m–£2.5bn	<£500m
Maximum Bonus Opportunity (percentage of salary)	180%	125%	130%	120%	100%	100%
Total Bonus (percentage of salary)	146%	77%	102%	70%	63%	83%
Total Bonus (percentage of maximum bonus)	75%	62%	81%	58%	52%	66%
Total bonus (£000s)	836	333	387	173	209	204

## Other Executive Directors

The chart below shows the distribution of total bonuses (as a percentage of maximum bonus opportunity) for FTSE 100 and FTSE 250 companies who have disclosed the maximum bonus opportunity. Approximately 50% of other executive directors in the FTSE 100 are receiving 70% or above of the maximum bonus opportunity.

**Percentage of maximum annual bonus opportunity paid**



### Long-term incentives

The following tables show the awards made to other executive directors under performance share plans and share option plans.

### Performance share plans

The tables below show the following information for 2012:

- The actual awards made (i.e. the face value of shares conditionally awarded) both as a percentage of salary and a monetary amount
- The maximum award as a percentage of salary where this is disclosed
- The actual gains from awards vesting during the year as a percentage of salary

The data that the actual awards made in both the FTSE 100 and FTSE 250 have remained flat at the market median.

Other Executive Directors	FTSE 100			FTSE 250		
	Lower quartile	Median	Upper quartile	Lower quartile	Median	Upper quartile
Maximum Award (percentage of salary)	150%	200%	225%	100%	129%	200%
Actual Award (percentage of salary)	120%	197%	308%	87%	109%	156%
Actual Award (£000s)	516	979	1,747	205	346	465
Actual Gains (percentage of salary)	65%	126%	266%	46%	90%	172%

The same information is shown below for market capitalisation and turnover bands.

### Median PSP awards by market capitalisation

Other Executive Directors	FTSE 100			FTSE 250		
Market capitalisation	>£10bn	£5bn–£10bn	<£5bn	>£1.5bn	£500m–£1.5bn	<£500m
Maximum Award (percentage of salary)	225%	200%	150%	150%	150%	100%
Actual Award (percentage of salary)	303%	170%	145%	146%	118%	97%
Actual Award (£000s)	1,968	749	600	579	372	260
Actual Gains (percentage of salary)	126%	273%	108%	118%	92%	75%

## Other Executive Directors

### Median PSP awards by turnover

Other Executive Directors	FTSE 100			FTSE 250		
Turnover	>£10bn	£2.5bn–£10bn	<£2.5bn	>£2.5bn	£500m–£2.5bn	<£500m
Maximum Award (percentage of salary)	200%	200%	100%	150%	150%	100%
Actual Award (percentage of salary)	203%	200%	139%	148%	109%	101%
Actual Award (£000s)	1,269	817	433	560	386	221
Actual Gains (percentage of salary)	108%	202%	205%	25%	118%	109%

### Share options

The table below shows the following information for share options in 2012:

- The actual awards made (i.e. the face value of options granted) both as a percentage of salary and a monetary amount
- The actual gains made from the exercise of share options during the year both as a percentage of salary and a monetary amount

Data is included for completeness but the sample sizes are relatively small due to the number of companies still operating option plans at the executive level. Therefore it would be misleading to conclude too much from this.

	FTSE 100			FTSE 250		
	Lower quartile	Median	Upper quartile	Lower quartile	Median	Upper quartile
Actual Grant (percentage of salary)	80%	115%	184%	21%	90%	169%
Actual Grant (£000s)	368	577	843	56	199	442
Actual Gains (percentage of salary)	13%	42%	90%	10%	53%	120%
Actual Gains (£000s)	89	188	842	26	165	377

---

This chapter provides information on remuneration for the role of non-executive director.



# 7

## Non-Executive Directors



## Non-Executive Directors

### Fee increases

Traditionally, non-executive director fees were not reviewed annually; it was more common to review fee levels every two or three years. As we have noted previously, anecdotal evidence suggests that some companies have begun to conduct annual reviews in line with the practice for executive directors. However, this still appears to be minority practice.

Over recent years there has been increased scrutiny of non-executive directors and a growing level of responsibility for those in the role. This has resulted in fees increasing with the demands of the role. However, in 2012, more than half of FTSE 100 companies and almost half of FTSE 250 companies kept basic fee levels for non-executive directors unchanged.

Unchanged fee (% of companies)		
	Chairman	Other non-executive directors
FTSE 100	59%	48%
FTSE 250	54%	51%

Where increases have been given these often reflect the fact that a review may not have been carried out for one or two previous years, and as such may be higher than those for executives.

The following tables show the fee increases for FTSE 100 and FTSE 250 companies which did increase fee levels. The figures are based on matched samples of individuals as a percentage of basic fees.

		Lower quartile	Median	Upper quartile
FTSE 100	Non-Executive Chairman	5%	11%	19%
	Other Non-Executive Directors	3%	8%	15%
FTSE 250	Non-Executive Chairman	3%	7%	14%
	Other Non-Executive Directors	4%	8%	17%

### Non-executive chairman

The chairman is responsible for the leadership of the board, ensuring effectiveness in all aspects of its role and setting its agenda. The chairman has ultimate responsibility for the board and so has a role distinct from that of the other non-executive directors. In some companies this may be close to a full-time role. Consequently there is typically a significant fee differential between the chairman and other non-executive directors.

The following tables show the total non-executive chairman fees broken down by market capitalisation and turnover, inclusive of any committee fees and irrespective of time commitment. As would be expected, those chairing the largest companies are paid significantly more than those in companies in lower bands.

#### Chairman fees by market capitalisation

	Market capitalisation	Lower quartile (£000s)	Median (£000s)	Upper quartile (£000s)
FTSE 100	>£10bn	429	550	692
	£5bn - £10bn	335	361	500
	<£5bn	200	270	304
	All FTSE 100	259	348	500
FTSE 250	>£1.5bn	170	238	274
	£500m - £1.5bn	140	165	200
	<£500m	100	125	150
	All FTSE 250	125	157	200

#### Chairman fees by turnover

	Turnover	Lower quartile (£000s)	Median (£000s)	Upper quartile (£000s)
FTSE 100	>£10bn	433	550	680
	£2.5bn - £10bn	273	320	365
	<£2.5bn	169	233	300
	All FTSE 100	259	348	500
FTSE 250	>£2.5bn	164	230	300
	£500m - £2.5bn	145	170	225
	<£500m	113	128	152
	All FTSE 250	125	157	200

## Non-Executive Directors

### Deputy chairman and senior independent director

Most companies now identify a separate role of senior independent director (SID) which generally attracts an additional fee. The SID is responsible for leading the non-executives in their review of the chairman's performance as well as being available to shareholders so as to gain a balanced understanding of the issues and concerns they may have.

In recent years we have seen the number of deputy chairman positions on boards reduce with the SID in a number of organisations fulfilling duties which in the past may have been carried out by the role deputy chairman.

Based on information disclosed, where a company has a deputy chairman the role is still more likely to attract a higher premium than the role of SID. There was insufficient data available to run a quartile analysis for the role of deputy chairman, however the range of fees paid to this role is £40,000 to £160,000. If the two roles are combined and the deputy chairman is also the SID, it is standard practice that no additional fee is paid for the SID role.

### Senior independent director additional fees

The table below shows the additional fees paid to the SID at FTSE 100 and FTSE 250 companies. It should be noted this is in addition to the basic non-executive directors' fee.

Senior Independent Director	Lower quartile (£000s)	Median (£000s)	Upper quartile (£000s)
FTSE 100	10	19	27
FTSE 250	5	6	10



### Other non-executive directors

The following tables show the fees for non-executive directors who are not classified as being a chairman, deputy chairman and/or senior independent director. The figures are broken down by market capitalisation and turnover, and are inclusive of any committee fees and irrespective of time commitment.

#### Non-executive director fees by market capitalisation

	Market capitalisation	Lower quartile (£000s)	Median (£000s)	Upper quartile (£000s)
FTSE 100	>£10bn	66	75	84
	£5bn - £10bn	57	62	65
	<£5bn	50	55	59
	All FTSE 100	55	61	75
FTSE 250	>£1.5bn	45	51	55
	£500m - £1.5bn	40	44	50
	<£500m	35	39	44
	All FTSE 250	39	43	50

#### Non-executive director fees by turnover

	Turnover	Lower quartile (£000s)	Median (£000s)	Upper quartile (£000s)
FTSE 100	>£10bn	69	75	84
	£2.5bn - £10bn	54	60	65
	<£2.5bn	46	53	56
	All FTSE 100	55	61	75
FTSE 250	>£2.5bn	42	50	55
	£500m - £2.5bn	40	45	52
	<£500m	36	40	45
	All FTSE 250	39	43	50

## Non-Executive Directors

### Committee fee practice

Over recent years we have seen a continuing increase in the number of companies paying additional fees for membership and chairmanship of the main board committees. This is to compensate non-executives for the increasing responsibilities and requirements attributed to their roles.

Principally this is seen with the audit and remuneration committees. In the FTSE 100, over 70% of companies disclose an additional audit committee chair fee and a remuneration committee chair fee.

The tables below show the additional fees disclosed for chairing the main committees in FTSE 100 and FTSE 250 companies.

Company size again has an influence over the level of additional fees. The audit committee still commands the highest fee, although we have seen a significant increase in the level of other committee fees over the last couple of years.

It should be noted that the nomination committee is often chaired by the company chairman, and in this situation the role is unlikely to attract additional committee fees.

### Committee chairmanship fees

FTSE 100: Committee chairmanship fee levels	Lower quartile (£000s)	Median (£000s)	Upper quartile (£000s)
Remuneration	12	17	25
Audit	13	20	30
Nomination	13	15	20
Other	13	17	25

FTSE 250: Committee chairmanship fee levels	Lower quartile (£000s)	Median (£000s)	Upper quartile (£000s)
Remuneration	6	8	10
Audit	6	9	10
Nomination	5	6	10
Other	7	10	13

### Committee membership fees

FTSE 100: Committee membership fee levels	Lower quartile (£000s)	Median (£000s)	Upper quartile (£000s)
Remuneration	5	9	15
Audit	6	10	20
Nomination	5	7	10
Other	5	8	15

FTSE 250: Committee membership fee levels	Lower quartile (£000s)	Median (£000s)	Upper quartile (£000s)
Remuneration	4	5	6
Audit	4	5	6
Nomination	4	5	6
Other	5	8	15

---

The analysis in this guide is based on the companies who published their annual report and accounts up to 30 June 2012, as analysed by Incomes Data Services (IDS), an independent research organisation and part of the Thomson Reuters group.

#### **Data sources**

Unless otherwise stated, all graphs and tables in KPMG's Guide to Directors' Remuneration 2012 have been created by KPMG, from data provided by IDS. The data provided by IDS has been further analysed by KPMG, using the methodology outlined below.

In our research we have also drawn on analysis completed by IVIS (Institutional Voting Information Service) and by PIRC (Pensions & Investment Research Consultants).

#### **Data sample**

FTSE constituents and market capitalisation figures are as at July 2012 and turnover figures used for the analysis are as at the relevant reporting date for each company. All FTSE 350 investment trusts are excluded and have been replaced with the next largest companies by reference to market capitalisation.

The positions included in the data sample are: chief executive, finance director, other executive directors and non-executive directors. Other executive director includes any main board position other than the chief executive, finance director, executive chairman and the non-executive directors. This typically includes operational directors, functional directors, chief operating officers and executive deputy chairmen.

## Appendix: Methodology



## Appendix: Methodology

To enable the remuneration components of each position to be analysed they have been split in to the following categories:

### **Basic salary**

Annual salary received over a 12-month period as shown in the accounts (not necessarily set at annual review).

### **Total annual bonus**

Actual annual bonus paid plus any deferred portion of the annual bonus.

### **Total cash**

The sum of basic salary, benefits and total bonuses.

### **Total earnings**

The sum of total cash, the cash value of any PSP awards vested during the year and the cash value of any share options exercised during the year. The final figure may also include some miscellaneous payments not shown in the published tables. These include special payments for pensions, housing assistance, one-off bonuses for particular projects and profit share.

### **LTIP awards**

LTIP awards are considered for the purpose of the guide to be awards where the vesting / performance period is longer than one year and have been categorised in the guide as:

### ***PSP or performance share plan***

A type of long-term incentive in which participants are allocated shares or, more commonly, rights to shares, the vesting of which is subject to the satisfaction of performance targets over a period of more than one year.

### ***Share options***

A type of long-term incentive structured as a call option that gives a right to buy a share some time in the future at a price specified at the outset.

For the actual analysis, the face value of performance shares and share options has been estimated for the individual grants using the share price on award or the exercise price of the option.

### **Median and quartile points**

For the purposes of this guide, median information has been provided where there are four data points or more. Inter-quartile ranges have been provided where there are nine or more data points.

Contact us:

**London**

**David Ellis**

020 7311 2021

david.ellis@kpmg.co.uk

**North**

**Chris Barnes**

0113 231 3929

chris.barnes@kpmg.co.uk

**Scotland**

**Edward Norrie**

0131 527 6724

edward.norrie@kpmg.co.uk

**Editors:**

**Caroline Johnson**

020 7694 1296

caroline.johnson@kpmg.co.uk

**Paul Twist**

0121 335 2561

paul.twist@kpmg.co.uk

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2012 KPMG LLP, a UK limited liability partnership, is a subsidiary of KPMG Europe LLP and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative, a Swiss entity. All rights reserved.

The KPMG name, logo and "cutting through complexity" are registered trademarks or trademarks of KPMG International.

RR Donnelley | RRD- 273060 | October 2012.