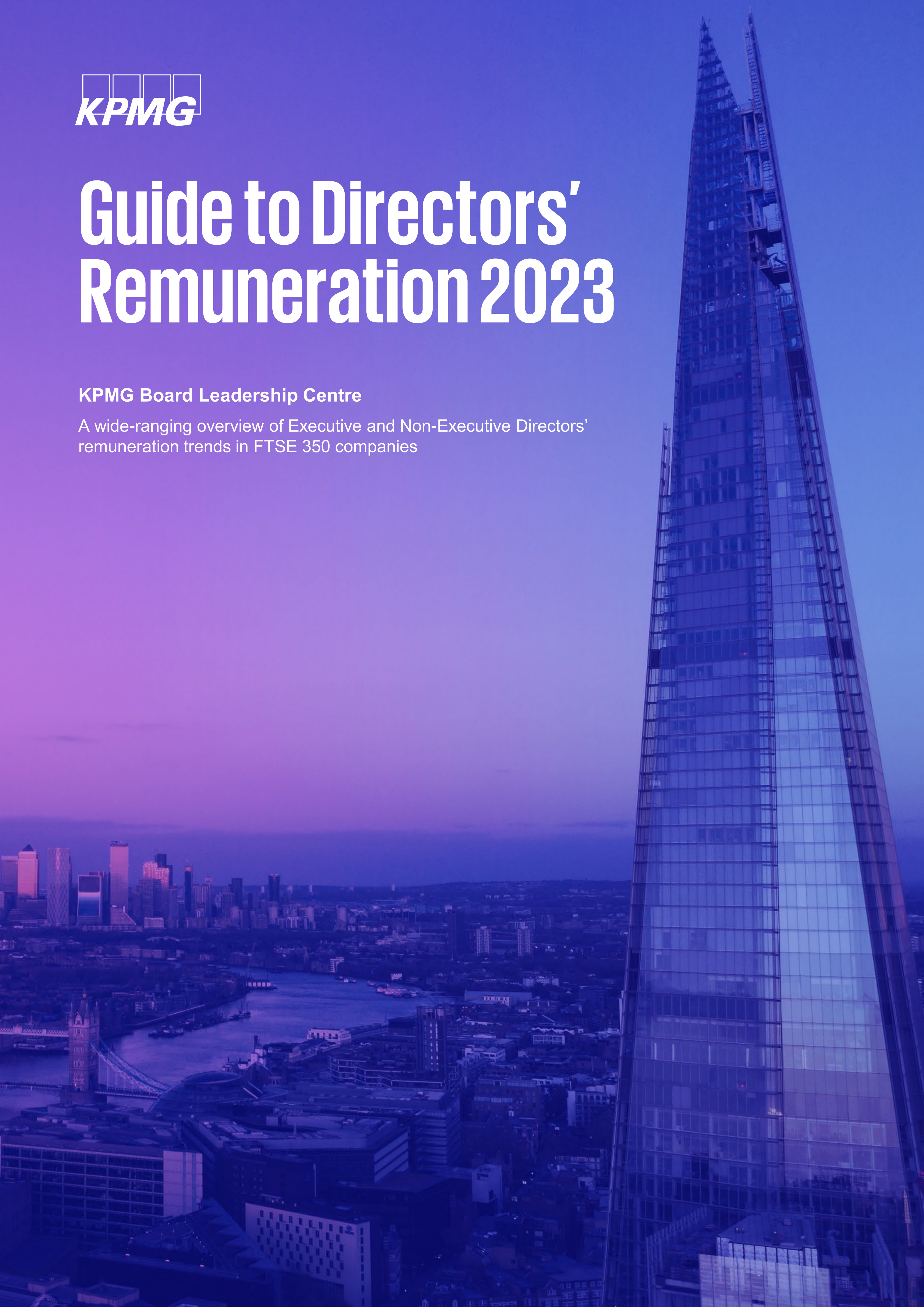
Guide to Directors' Remuneration 2023

KPMG Board Leadership Centre

A wide-ranging overview of Executive and Non-Executive Directors' remuneration trends in FTSE 350 companies



Summary findings

The table below summarises median market practice in FTSE 100 companies for Chief Executives, Finance Directors and Other Executive Directors.

FTSE 100	Chief Executive	Finance Director	Other Executive Directors
Salary increase	3%	5%	3%
Basic salary (£'000s)	893	554	510
Annual Bonus			
Maximum potential bonus (percentage of salary)	200%	200%	200%
Total bonus paid (percentage of salary)	142%	121%	105%
Long Term Incentive			
Maximum award (percentage of salary) [1]	250%	250%	250%
Pension			
Contribution limits (percentage of salary) [2]	12%	12%	15%
Shareholding Requirements			
Minimum shareholding requirement (percentage of salary)	313%	270%	250%
Total earnings[3] (£'000s)	3,962	2,039	1,802

Notes: This guide is based on data gathered from external data providers (see methodology appendix for more information) and covers companies with financial year ends up to and including 31 July 2023.

1) Face value of award.
2) This is the median pension contribution limit across all roles.
3) Includes benefits, total bonus and cash value of share awards vested in the year.

The table below summarises median market practice in FTSE mid 250 companies for Chief Executives, Finance Directors and Other Executive Directors.

FTSE mid 250	Chief Executive	Finance Director	Other Executive Directors
Salary increase	4%	5%	5%
Basic salary (£’000s)	619	417	383
Annual Bonus			
Maximum potential bonus (percentage of salary)	150%	150%	150%
Total bonus paid (percentage of salary)	107%	94%	103%
Long Term Incentive			
Maximum award (percentage of salary) [1]	200%	200%	200%
Pension			
Contribution (percentage of salary) [2]	10%	10%	14%
Shareholding Requirements			
Minimum shareholding requirement (percentage of salary)	200%	200%	200%
Total earnings[3] (£’000s)	1,766	1,034	820

Notes: This guide is based on data gathered from external data providers (see methodology appendix for more information) and covers companies with financial year ends up to and including 31 July 2023.

1) Face value of award.
2) This is the median pension contribution limit across all roles.
3) Includes benefits, total bonus and cash value of share awards vested in the year.

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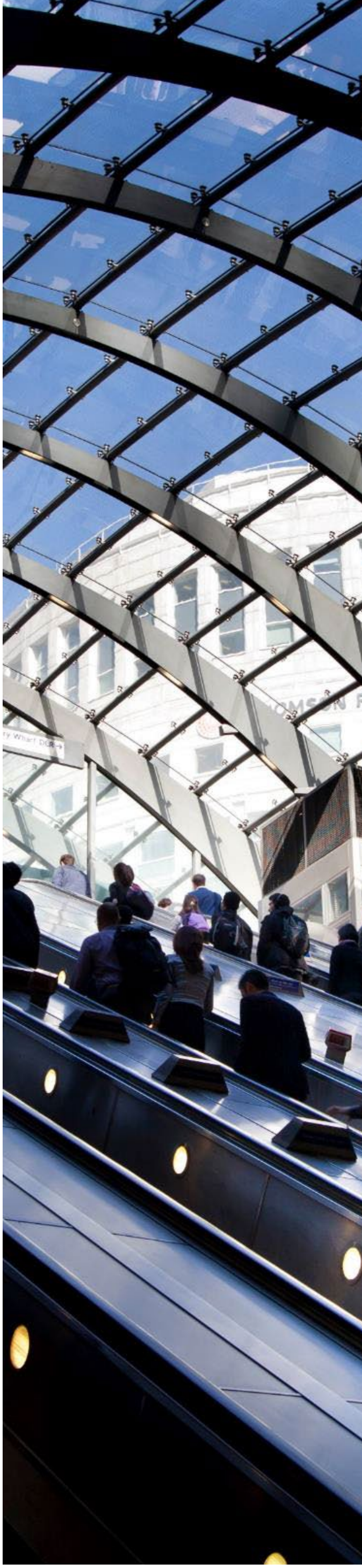

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Introduction

Use of this guide

This guide analyses the latest trends in FTSE 350 directors' pay. It covers basic salary, incentives and pensions. We also look at the wider factors that impact executive pay and how these have changed over the year.

This publication is designed to be a wide-ranging guide to support remuneration planning at companies. Where possible, we have categorised the data obtained from the FTSE 350 into groupings by market capitalisation to increase the relevance to readers of this guide.

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

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

This guide is designed to provide a broad view of remuneration trends for Executive and Non-Executive Directors in FTSE 350 companies (broken down by FTSE 100 and FTSE mid 250).

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 long term incentive plans.

This guide is structured to show 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 based this on current disclosures, following the methodology for the single figure table for remuneration in Directors' Remuneration Reports. Additional information on pensions and plan design for short and long term incentives is shown separately.

This guide is based on data gathered from external data providers (see methodology appendix for more information) and covers companies with financial year ends up to and including 31 July 2023.

How KPMG can help

KPMG is one of the UK's leading advisers on employee incentives and executive remuneration. We are a member of the Remuneration Consultants Group (RCG) and signatory to its Code of Conduct. We have a multi-disciplinary team, able to advise on market practice, corporate governance, incentive plan design, tax, regulatory and accounting aspects of UK and global incentive plans.

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

- Reward strategy and approach
- Pay structuring and benchmarking
- Remuneration committee advisory and Directors' Remuneration Reports
- Legal, regulatory and pay governance
- Design, implementation and on-going operation of incentive plans
- Corporate transactions
- Accounting, compliance, valuations and modelling
- Performance
- Job evaluation, grading and architecture design
- Benefits, wellbeing and Employee Value Proposition

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The remuneration landscape

Overview

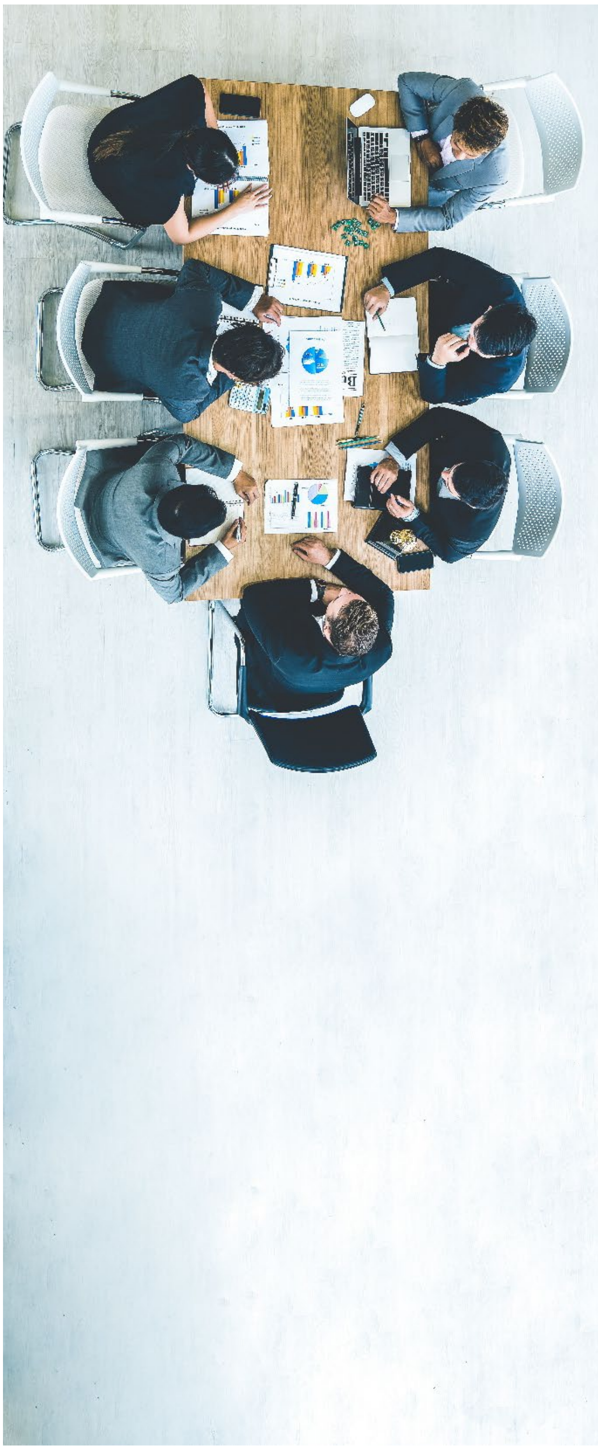
As firms plan for 2024 and beyond, they are facing an ongoing period of global economic uncertainty due to the continued cost of living crisis and geopolitical unrest.

The business and risk environment continues to change, with significant geopolitical instability, inflation, high interest rates, and unprecedented levels of disruption and uncertainty.

Against this backdrop, firms will need to focus on ensuring that performance and reward frameworks continue to attract, retain, and motivate while maintaining alignment with shareholder expectations as they make pay decisions and plan for 2024 and beyond.

Workforce planning and reduction will be on the agenda for many companies given the current economic environment, so firms will need to take this and the cost of living challenge facing the workforce into account when determining the level of variable pay awards.

"At a time when many employees face a cost of living crisis, many employers also face a 'cost of doing business' crisis" according to Charles Cotton, senior reward advisor with the Chartered Institute of Personnel and Development.



Competitiveness of UK remuneration practices

The Investment Association (IA)

The Investment Association (the "IA") issued a letter to the chairs of all FTSE 350 Remuneration Committees on 23 February 2024. This letter provides "an update on the IA's Principles of Remuneration and emerging views on the issues which are likely to be important to IA members during the 2024 AGM season."

Firstly, the IA has clarified that its "Principles of Remuneration are not rules, but guidelines that aim to foster good practice and align with investor expectations. They are designed to be flexible and adaptable to the unique circumstances of individual companies. Companies should choose the remuneration structure most appropriate for their business, strategy and choose the remuneration approach which the directors consider will deliver business performance and long-term returns to shareholders."

Additionally, and importantly, the IA also acknowledges the considerable debate on "the competitiveness of the UK listing environment and UK remuneration practices." They state that their members "want a competitive UK listing environment that attracts appropriate companies to list and operate in the UK. As a fundamental principle, to support higher potential pay levels, there needs to be clear alignment between pay and performance." This is a clear statement by the IA that they acknowledge the potential need for higher pay levels to drive competitiveness in the UK.

In September 2023, the IA met with nearly 100 companies in the FTSE 350 to discuss their Principles of Remuneration and their views on the competitiveness of remuneration in the UK. Three themes were highlighted by companies:

1. "Need to increase pay opportunities through LTIP grant levels some companies highlighted the challenges in attracting US executives and competing in the US market, particularly for the UK's largest companies and those that have a significant US presence or revenues. They felt there was a need for more flexibility to offer higher LTIP awards to create a competitive remuneration structure."

2. "Use of Hybrid schemes some companies want to use hybrid schemes which incorporate both performance and restricted shares. Global companies are able to use such schemes in the US and other jurisdictions and feel such structures should be used for their executives."

3. "Requirements in the UK Corporate Governance Code reduce the perceived value of remuneration the UK Corporate Governance Code has introduced a number of requirements which extend the long term perspective of directors through remuneration such as increased holding periods, shareholding guidelines, post employment shareholding guidelines and malus and clawback. Individually, they are accepted as a means to increase the long term alignment of executives and shareholders but in aggregate there is a view from some companies that the perceived impact on the value of remuneration received is disproportionate."

Whilst the IA has not yet updated their Principles of Remuneration, some firms are actively reviewing their executive pay packages in consideration of the above and are consulting with shareholders. This brings a number of considerations in relation to executive pay, including the potential wider pay implications beyond C-suite.

Investor guidelines

Institutional Shareholder Services (ISS)

In early 2024, the ISS published its latest Proxy Voting Guidelines report which will apply for AGMs held from 1 February 2024. This report is intended to provide investors with an insight into how ISS reviews companies in the UK and Irish markets. Within this report ISS states their expectation for the structure and content of Remuneration Policies, and Reports published by remuneration committees for 2024. This report addresses each element of an AGM voting process, however for the purposes of this report we have principally concentrated on those themes associated with executive remuneration.

Simplicity

As for last year, ISS notes that investors are concerned that remuneration has become too complex and question its effectiveness in motivating management. They encourage remuneration committees to adopt simpler remuneration structures. In particular, the introduction of new share award schemes on top of existing plans is likely to be viewed sceptically. Remuneration arrangements should be clearly disclosed with sufficient detail provided about the performance conditions adopted in order to allow shareholders to make their own assessment of whether they are appropriate. Bringing a remuneration policy into line with accepted good market practice should not be used as justification for an increase in the size of the overall package.

Serious breach of good practice

In cases where a serious breach of good practice is identified, and typically where pay issues have been raised over a number of years, the chair of the remuneration committee (or, where relevant, another member of the remuneration committee) may receive a negative voting recommendation.

Board Diversity

ISS has updated both the Board Gender and Ethnic Diversity policy to simplify "the policy language and remove transitory provisions, as the Financial Conduct Authority's (FCA) diversity rules now apply to all companies, irrespective of when their financial year falls". ISS believes that standard and premium listed companies should meet the reporting requirements of the FCA Listing Rules, ensuring that:

- "At least 40% of the board are women;
- At least one of the senior board positions (Chair, CEO, Senior Independent Director or CFO) is a woman; and,
- At least one member of the board is from a minority ethnic background."

If companies do not meet the reporting requirements of the FCA listing rules or the targets listed above, then "ISS may consider recommending against the chair of the nomination committee (or other directors on a case by case basis)."

Investor guidelines

Glass Lewis Policy Update

Glass Lewis have published their 2024 guidance in respect of proxy voting policies. Whilst no significant changes have been made to remuneration-related policies, Glass Lewis have made a number of clarifications which are summarised below:

Executive shareholding requirements

In a new section of the guidelines, Glass Lewis have outlined their view that companies should generally adopt minimum executive share ownership requirements that should apply for the duration of an executive's tenure, and for a period of time post employment.

Remuneration relative to ownership structure

Glass Lewis have advised that where a significant award is granted to an executive with a significant shareholding, they will closely scrutinise the appropriateness of the vesting terms and conditions of such award. Factors that may mitigate their concerns when assessing such grants (or remuneration policies allowing for them) include "challenging targets attached to an adequately diverse performance metric set; disclosure of feedback from shareholders on this specific topic; a clause stipulating that the major shareholder will not vote or will abstain from voting on the relevant proposal; or commitment that shareholder dissent expressed on the proposal will be taken into account."

Remuneration relative to peers

Glass Lewis have added additional detail advising that when assessing a firm's remuneration policy, structure and the levels of granted and realised pay, they will take into consideration the firm's own benchmarking peer set, if disclosed, in addition to local and regional industry peers, based on relevant stock market indices, market cap, industry and liquidity. They therefore encourage firms to be transparent in their disclosure and justification of individual peers selected by the remuneration committee when setting pay levels, plus the criteria used.

Regulatory perspectives

Financial Reporting Council ("FRC")

On 22 January 2024, the FRC published its much-anticipated revisions to the UK Corporate Governance Code (the "Code"). The changes reflect the approach set out in the FRC's November 2023 Policy Update which streamlined the revisions to include only a small number of the original proposed changes and revised the FRC's original proposals on internal controls. The 2024 Code will apply to financial years beginning on or after 1 January 2025, with first reporting in 2026 (with the exception of Provision 29 – relating to the board's declaration on the effectiveness of internal controls – which will apply to financial years beginning on or after 1 January 2026). The 2018 Code will apply until such time.

Malus and clawback

A new Provision 38 (malus and clawback) expands information in the annual report to include a description of its malus and clawback provisions, including the circumstances in which malus and clawback provisions could be used, a description of the period for malus and clawback and why the selected period is best suited to the organisation and whether the provisions were used in the last reporting period (in which case, a clear explanation of the reason should be provided in the annual report).

Prudential Regulation Authority ("PRA") / Financial Conduct Authority ("FCA")

Whilst the focus of the PRAs/ FCAs comments is the financial services sector, it is informative for other sectors as it provides interesting insights into the wider direction of travel in these areas.

Customer focus

In October 2023 the UK FCA wrote to remuneration committee chairs in the financial services sector on points for them to consider over the coming two years. An area which may be of interest to other industries is the FCA's view that remuneration committee chairs should ensure that remuneration policies and practices continue to incentivise a consumer centric approach that ensures good outcomes for consumers across all products and services. This includes consideration of how firms can use relevant related risk metrics and performance criteria to help inform both individual and firm wide remuneration decisions.

Diversity and inclusion (D&I)

The UK financial services regulators have recently published their much anticipated consultation papers on D&I. The proposals seek to promote D&I through specific target and disclosure measures and embed express accountability for D&I within the regulatory and individual accountability framework. The proposals address many policy areas including non financial misconduct, D&I strategies, data reporting, D&I disclosure obligations and setting D&I targets. The proposals are wide ranging and require consideration from several, multi disciplinary, cross functional perspectives.

Diversity & Inclusion

Overview

2024 is anticipated to be a significant year for the focus on D&I in the workplace. Recognising the immense value and the role D&I plays in fostering innovation and growth, many firms are prioritising the development of inclusive and diverse strategies and frameworks.

Nhlamu Dlomu, (Global Head of People, KPMG International) states in KPMG's 2023 CEO Outlook "This year's challenging global landscape underscores the pressures CEOs feel to make decisions on a variety of critical issues — and they impact how CEOs plan to support and attract talent over the next three years.

While there is broad alignment on the importance of inclusion, diversity and equity, there continues to be concern around the pace of progress. Two-thirds of global CEOs (66 percent) maintain that progress on inclusion and diversity has moved too slowly in the business world and a strong majority (72 percent) say that achieving diversity in workplaces requires implementing a change across the senior leadership level."

FTSE Women Leaders

The latest edition of the FTSE Women Leaders ("FWL") review was published on 27 February 2024. This review is, in part, sponsored by KPMG and its purpose is to achieve gender equality across the workplace. In order to complete their review, the FWL analyses both executive and non-executive populations, and 'Direct Report' positions (being defined as employees classified as sub-board level senior management). We have summarised some of the key findings of the FWL review below.

FTSE 100

The FTSE 100 has made reasonable progress overall this year, with stronger progress at Executive Committee level. The number of women in the Combined Executive Committee & Direct Reports has increased to 35.2%, up from 34.3% last year. The appointment rate of women has remained constant at 41% of all available roles in the year going to women. Against a backdrop of reductions in the overall population of Executive Committee & Direct Reports for the second year running, and a lower turnover, an increase in the representation of women is welcome news.

FTSE 250

The FTSE 250 has made similar progress this year, with the number of women in the Combined Executive Committee & Direct Reports increasing to 33.9%, up from 32.8% last year. There has been some churn in the FTSE 250 Index, but with the number of Investment Trusts reasonably stable at 86 this year, the sharp increases in previous years appear to be plateauing. As for drivers of progress, the turnover has remained relatively high, but there has been a disappointing drop in the appointment rate of women with 36% of all available roles in the year going to women, and a reducing year-on-year overall Executive Committee & Direct Reports population.

FTSE 350

The number of All-Male Executive Committees in the FTSE 350 has reduced to just nine this year, down from an astonishing 54 in 2017. In a familiar story, progress for women in the CEO role across the FTSE 350 has remained flat, with marginal gains offset by losses elsewhere. Over half of all FTSE 350 companies have met or are well on their way to meeting the 40% target for Women in Leadership. That leaves just under half with still some way to go, and a re-doubling of effort required in the next two years.

The FWL set out 4 expectations and aspirational goals in the final stage of the journey to gender-balanced Boards, and gender-balanced Leadership teams by the end of 2025.

1. The voluntary target for FTSE 350 Boards, and for FTSE 350 Leadership teams is increased to a minimum of 40% women's representation, by the end of 2025.
2. FTSE 350 companies should have at least one woman in the Chair or Senior Independent Director role on the Board, and/or one woman in the Chief Executive Officer or Finance Director role in the company by the end of 2025.
3. Key stakeholders, such as the Investment community and corporate governance agencies should continue to set best-practice guidance, or have in place alternative mechanisms as appropriate, to encourage any FTSE 350 board that has not yet achieved the 33% target for 2020, to do so.
4. The scope is extended beyond FTSE 350 companies to include the largest 50 private companies in the UK by sales. This will provide consistency of regulatory approach and drive further progress across British business.

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Market data overview

Total earnings

The following tables show the median basic salary, total cash and total earnings for the executive directors of FTSE 100 and FTSE mid 250 constituents.

Across both FTSE 100 and FTSE mid 250, median basic salary for Chief Executives has increased by 3% from 2022. In FTSE 100, Finance Directors have seen a 1% increase, while in FTSE mid 250, Finance Directors' salaries have gone up by 7%. Conversely, salaries for Other Executive Directors have reduced by up to 7%.

Other Executive Director category encompass many different roles, suggesting that changes in the composition of the executive boards have likely influenced the observed salary adjustments.

Total cash for Chief Executives and Finance Directors remains broadly aligned with 2022 figures. In contrast, there is a notable decrease of up to 12% for Other Executive Directors across both FTSE 100 and FTSE mid 250.

In total earnings, which include both total cash and share-based awards, FTSE 100 Chief Executives have seen a substantial increase of 18%. Conversely, their counterparts in FTSE mid 250 experienced a modest 2% increase. Total earnings for Finance Directors closely align with 2022 figures for FTSE 100, and there is a decrease of 6% for FTSE mid 250. Other Directors have encountered a noteworthy decrease of approximately 20% in total earnings across both FTSE 100 and FTSE mid 250.

Generally, total earnings for executives are predominantly influenced by performance bonuses and share-based awards. This approach not only aligns executive compensation with shareholder interests but also fosters a results-driven culture, where remuneration is contingent upon achieving strategic objectives and delivering sustained value to stakeholders.

Chief Executive	Basic Salary (£'000)	Total Cash (£'000)	Total Earnings (£'000)
FTSE 100	893	2,416	3,962
FTSE mid 250	619	1,326	1,766

Finance Director	Basic Salary (£'000)	Total Cash (£'000)	Total Earnings (£'000)
FTSE 100	554	1,382	2,039
FTSE mid 250	417	814	1,034

Other Executive Director	Basic Salary (£'000)	Total Cash (£'000)	Total Earnings (£'000)
FTSE 100	510	1,167	1,802
FTSE mid 250	383	690	820

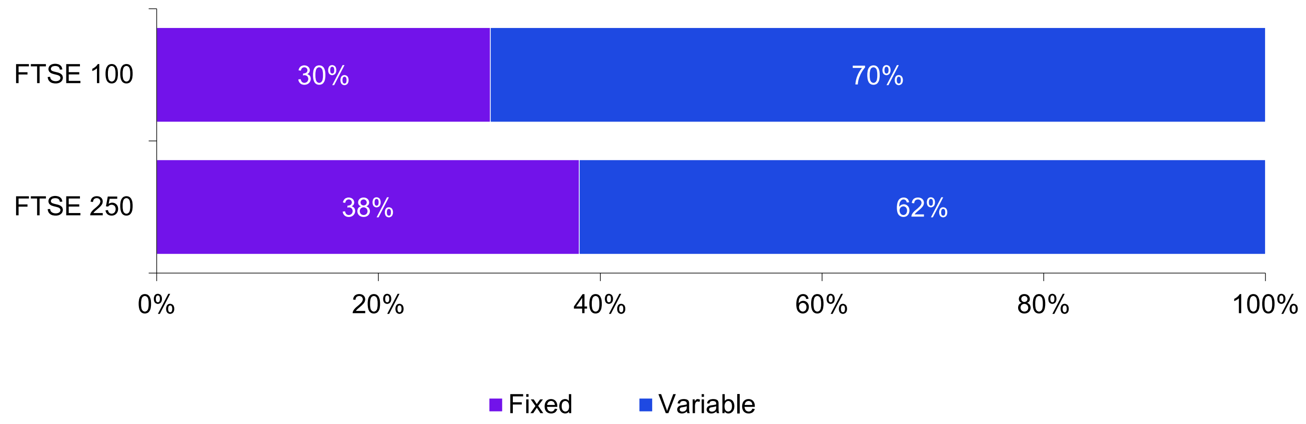
Remuneration mix

The charts below show the mix between fixed and variable remuneration as well as the short-term and long-term remuneration mix for Chief Executives. These are based on median total earnings received within the review period.

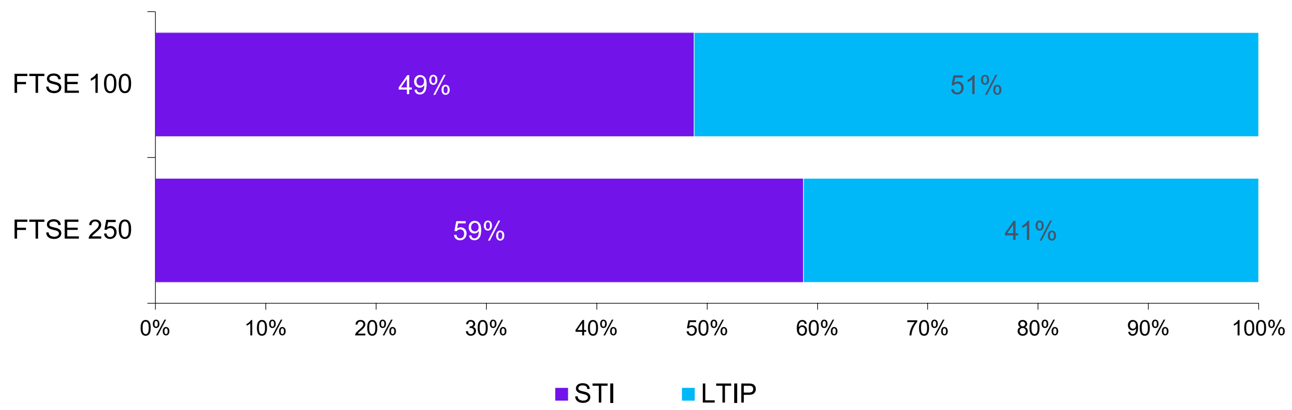
The proportion of remuneration delivered via fixed and variable pay elements remains largely unchanged compared to 2022, across both FTSE 100 and FTSE mid 250.

Incentive mix, which includes short-term incentives (STI) and long-term incentives (LTIP), has increased by 3% for both FTSE 100 and FTSE mid 250, indicating a slight move towards performance-driven long-term remuneration.

Total earnings mix



Incentive mix



Remuneration mix

The charts below show the median remuneration mix for Chief Executives split by pay elements, as reported in the single figure table contained within the annual report and accounts published by each surveyed company.

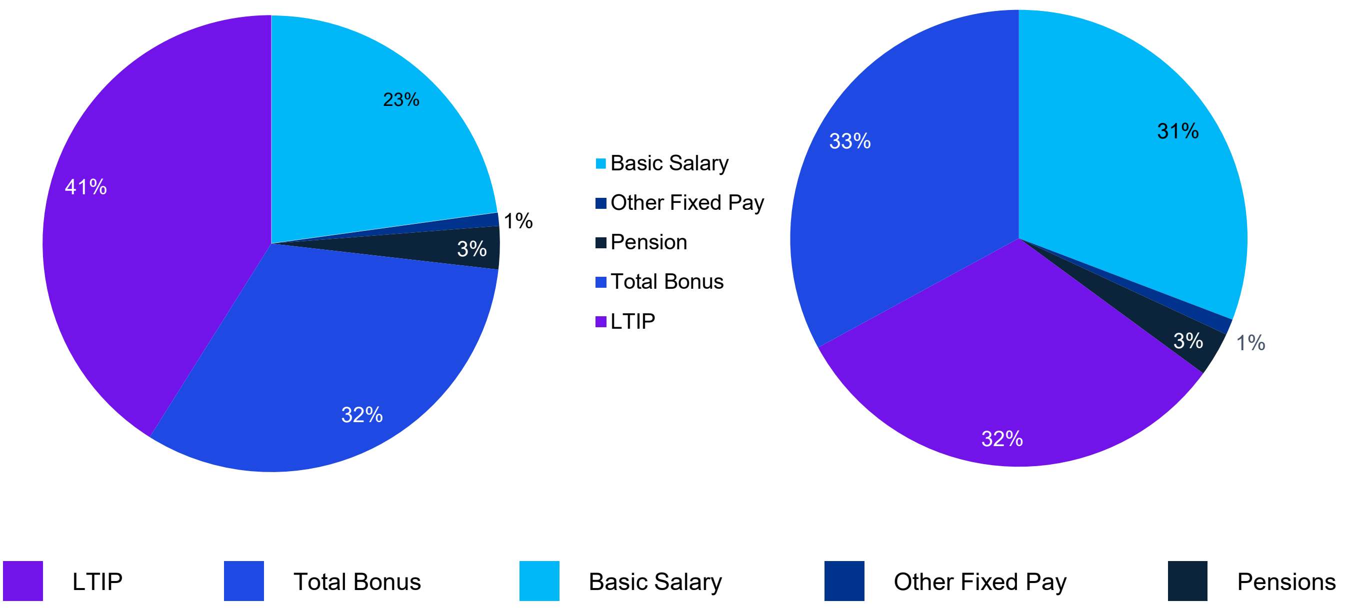
The charts below show a mix of fixed and variable remuneration components for Chief Executives designed to incentivise long-term company performance while aligning their interests with those of shareholders, resulting in a larger part of remuneration being delivered through variable remuneration components.

Across both FTSE 100 and FTSE mid 250, LTIP has made up the largest portion of the remuneration mix of 41% and 33% respectively, followed by bonus and basic salary.

When compared to the 2022 edition of this survey, remuneration mix for FTSE 100 and FTSE mid 250 Chief Executives remains largely the same with up to 3% variances in the figures for each of the outlined remuneration elements.

Chief Executive Remuneration mix

FTSE 100 **FTSE mid 250**



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Salary

Basic salary increases

The table below shows the median basic salary increase in the FTSE 100 and FTSE mid 250 for the Chief Executive, Finance Director and Other Executive Director (for both 2023 and the previous year).

We've seen more modest basic salary increases for executives in 2023 relative to the previous year. The focus for many organisations has been on protecting junior, mid-level populations and top performers given the cost of living rise and high-inflationary environment.

Across both FTSE 100 and FTSE mid 250, median basic salary increases of 3% to 5% can be observed for executive roles which is a return to pre-2022 levels.

	Chief Executive		Finance Director		Other Director	
	2023	2022	2023	2022	2023	2022
FTSE 100	3%	8%	5%	12%	3%	11%
FTSE mid 250	4%	9%	5%	9%	5%	4%

Salary differentials by reference to role

The table below shows the ratio between the salaries of the Finance Director and Other Executive Director positions as a percentage of the Chief Executive's salary.

The figures remain broadly consistent with previous years, while salary differentials for FTSE mid 250 Other Executive Directors have changed from 63% to 50%. This shift is likely to be due to the varied nature of the roles within Other Executive Director category.

Salary differentials by reference to role

	Position	Lower quartile	Median	Upper quartile
FTSE 100	Finance Director	59%	62%	72%
	Other Executive Director	58%	65%	76%
FTSE mid 250	Finance Director	61%	67%	75%
	Other Executive Director	50%	63%	79%

Salary position and pay comparator groups

Market practice is for the size of a company to correlate with the level of basic salary awarded to their executive directors. This trend is supported by the data within this survey, which shows an increase in basic salary awarded to Chief Executives as the market capitalisation of each surveyed company increases.

Many companies use market capitalisation as a key criteria when comparing salary levels, but volatility in the stock markets has shown that this can lead to unintended consequences. 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 appears out of line with its revised peer group.

The tables below show basic salary levels by market capitalisation.

CEO	Market Capitalisation	Lower quartile	Median	Upper quartile
FTSE 100	>15bn	1,046	1,219	1,373
	£5bn – £15bn	757	828	1,009
	<£5bn	531	741	820
	All FTSE 100	741	893	1,100
FTSE mid 250	>£2bn	600	712	779
	£1bn – £2bn	528	636	751
	<£1bn	507	566	626
	All FTSE mid 250	529	619	731
FTSE 350	All FTSE 350	557	682	875

CFO	Market Capitalisation	Lower quartile	Median	Upper quartile
FTSE 100	>15bn	711	762	828
	£5bn – £15bn	467	536	617
	<£5bn	411	461	502
	All FTSE 100	470	554	738
FTSE mid 250	>£2bn	409	490	520
	£1bn – £2bn	379	420	466
	<£1bn	335	361	420
	All FTSE mid 250	362	417	484
FTSE 350	All FTSE 350	383	452	554

OD	Market Capitalisation	Lower quartile	Median	Upper quartile
FTSE 100	>15bn	628	655	851
	£5bn – £15bn	452	462	504
	<£5bn	389	389	389
	All FTSE 100	446	510	636
FTSE mid 250	>£2bn	443	602	714
	£1bn – £2bn	354	418	511
	<£1bn	243	312	339
	All FTSE mid 250	326	383	502
FTSE 350	All FTSE 350	343	452	580

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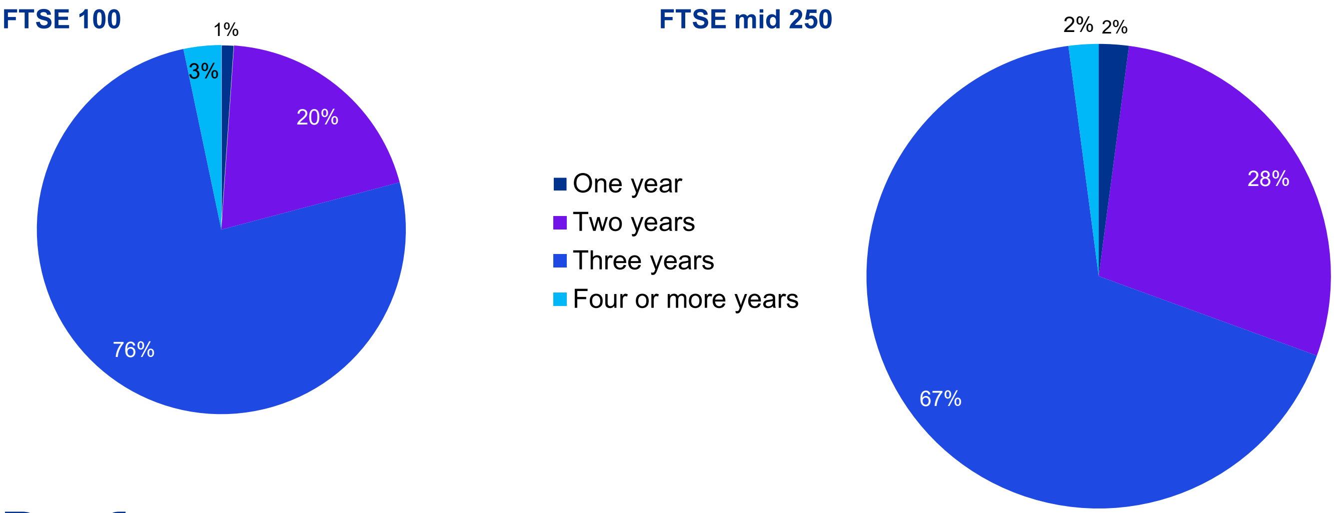
Annual bonus plans

Deferral periods

A deferred annual bonus plan involves the compulsory or voluntary deferral of some or all of an annual bonus into company shares, which the participant is restricted from disposing of for a period of time.

The charts below show the length of deferral period used by FTSE 100 and FTSE mid 250 companies which have disclosed this information. In line with the analysis complied within the previous edition of this survey, the most common deferral period is 3 years, followed by 2 years. In addition to this, we have seen a further modest shift from 73% to 76% for constituents of FTSE 100 to adopt a three-year deferral period, while the figures for FTSE mid 250 remain consistent with 2022.

The typical proportion of a bonus which is deferred into shares in the FTSE 350 is 50%.

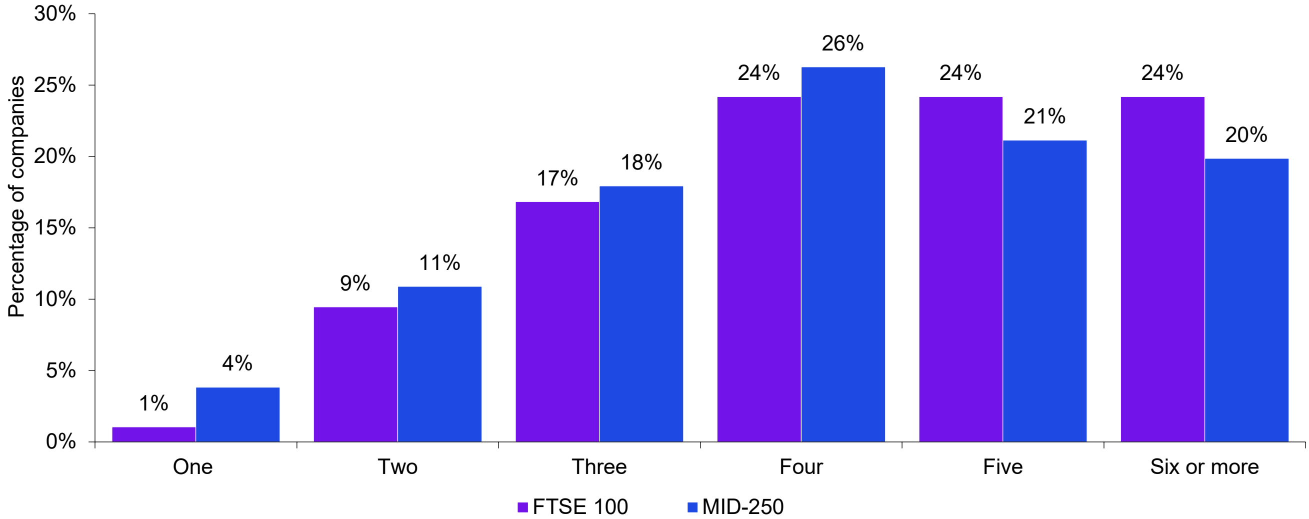


Performance measures

The chart below shows the number of performance measures applied to annual bonus awards made to executives at FTSE 100 and FTSE mid 250 companies.

The most common number of performance measures used in annual bonus plans within the FTSE 350 is four and is consistent with last year's results. There have seen slight changes in the popularity of each choice, but the trend is largely the same.

Number of measures in annual bonus plan

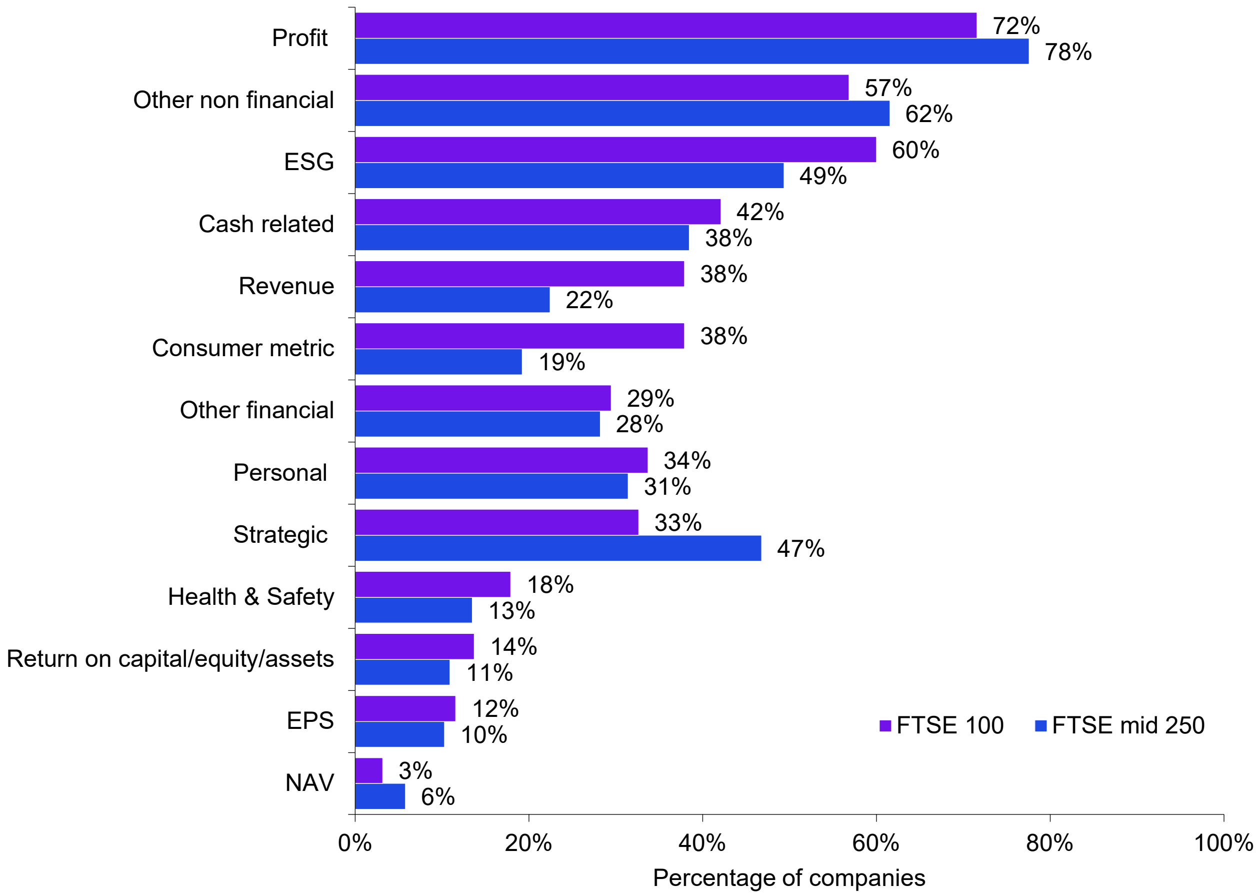


Performance measures

The chart below shows performance measures typically used in FTSE 100 and FTSE mid 250 companies. This chart displays the percentage of companies who have chosen each performance measure as part of their annual bonus award performance metric.

As with prior years, the most common combination is some form of profit measure in conjunction with a non-financial metric and individual personal objectives. ESG continues to be a mainstay of annual bonus metrics with just less than two-thirds of surveyed FTSE 100 companies explicitly including an ESG performance measure.

Performance measures in annual bonus plans



The table below summarises, where disclosed, the pay-out levels for 'threshold' and 'target' performance for annual bonuses across the FTSE 350.

Consistent with previous years, the typical on-target performance will deliver 50% of the maximum annual bonus opportunity to executive directors and threshold performance will typically deliver 0% of the annual bonus opportunity to vest. Ordinarily an annual bonus award will be structured to vest on a straight line basis between these two figures.

Annual bonus – threshold and 'on target' awards for CEO

	On target		Threshold award	
	FTSE 100	FTSE mid 250	FTSE 100	FTSE mid 250
Upper Quartile	50%	50%	25%	20%
Median	50%	50%	0%	0%
Lower Quartile	50%	50%	0%	0%

Bonus levels

The tables below provide an overview of the bonus opportunity and actual bonus provided to Chief Executives, Finance Directors and Other Executive Directors in FTSE 100 and FTSE mid 250 companies.

Across the FTSE 350, median maximum bonus opportunities are the same for all executive roles and remain consistent with the figures from 2022.

We've seen a decrease in the percentage of actual bonus payments, partly influenced by the economic situation.

	FTSE 100			FTSE mid 250		
CEO	**Lower Quartile**	**Median**	**Upper Quartile**	**Lower Quartile**	**Median**	**Upper Quartile**
Maximum Bonus opportunity (% of Salary)	175%	200%	225%	150%	150%	200%
Total Bonus (% of salary)	98%	142%	180%	76%	107%	149%
Total Bonus (% of maximum bonus)	50%	74%	88%	46%	65%	85%
Total bonus (£'000)	808	1,256	1,949	410	643	960

	FTSE 100			FTSE mid 250		
Finance Director	**Lower Quartile**	**Median**	**Upper Quartile**	**Lower Quartile**	**Median**	**Upper Quartile**
Maximum Bonus opportunity (% of Salary)	150%	200%	203%	125%	150%	175%
Total Bonus (% of salary)	87%	121%	153%	63%	94%	125%
Total Bonus (% of maximum bonus)	46%	62%	79%	39%	63%	80%
Total bonus (£'000)	462	650	989	254	383	498

	FTSE 100			FTSE mid 250		
Other Director	**Lower Quartile**	**Median**	**Upper Quartile**	**Lower Quartile**	**Median**	**Upper Quartile**
Maximum Bonus opportunity (% of Salary)	150%	200%	200%	125%	150%	163%
Total Bonus (% of salary)	82%	105%	145%	79%	103%	122%
Total Bonus (% of maximum bonus)	51%	61%	90%	52%	67%	79%
Total bonus (£'000)	370	630	764	251	359	461

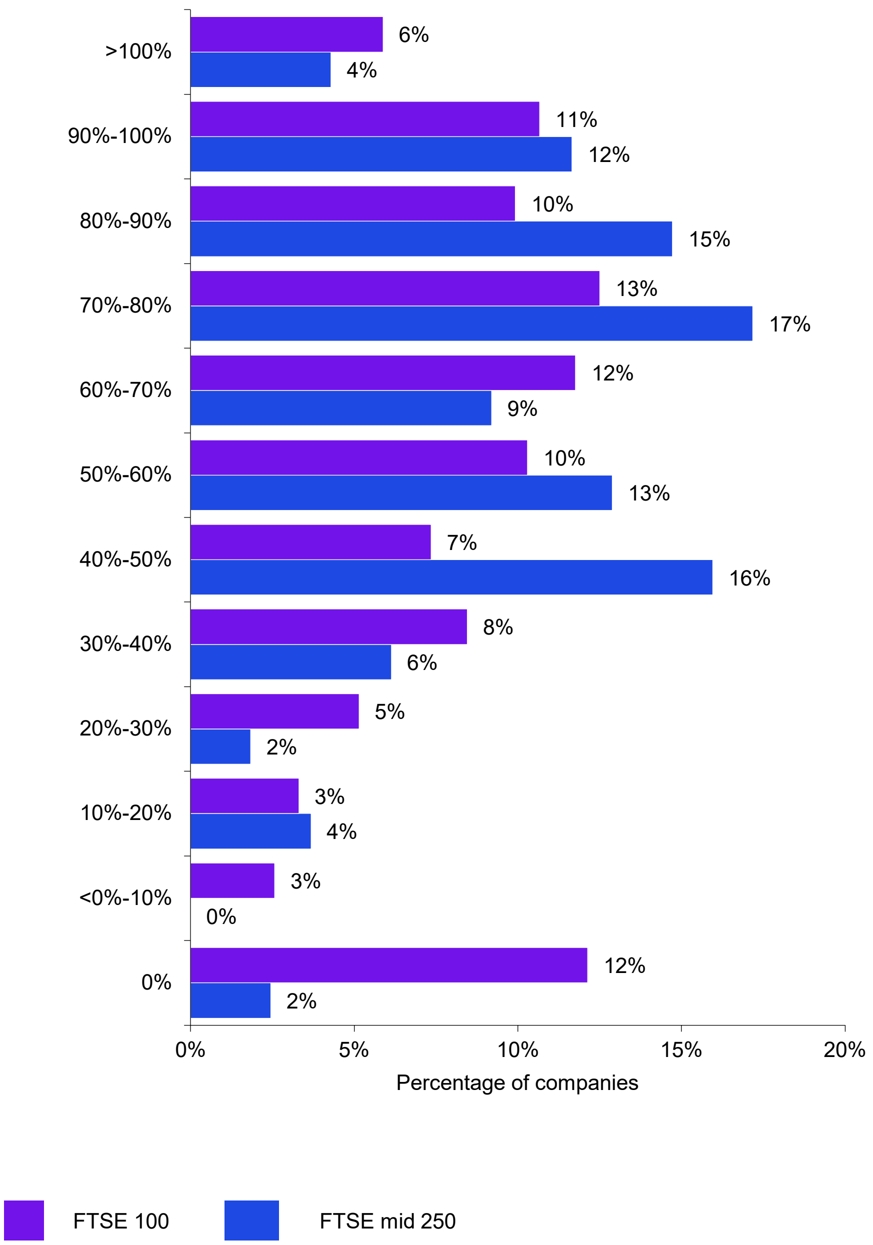
Bonus levels

Across FTSE 350 firms, there has been a decrease in value received by executive directors under the term of their annual bonus awards.

The chart below is distinctly different compared to the bonus payout chart from 2022, with a larger proportion of executives receiving an annual bonus award ranging from 70% to 80% of the annual bonus opportunity.

Notably, 12% of FTSE mid 250 companies refrained from paying annual bonus awards to their executive directors.

Bonus payout for all directors across the FTSE 350



06

Long term incentive plan

Structure

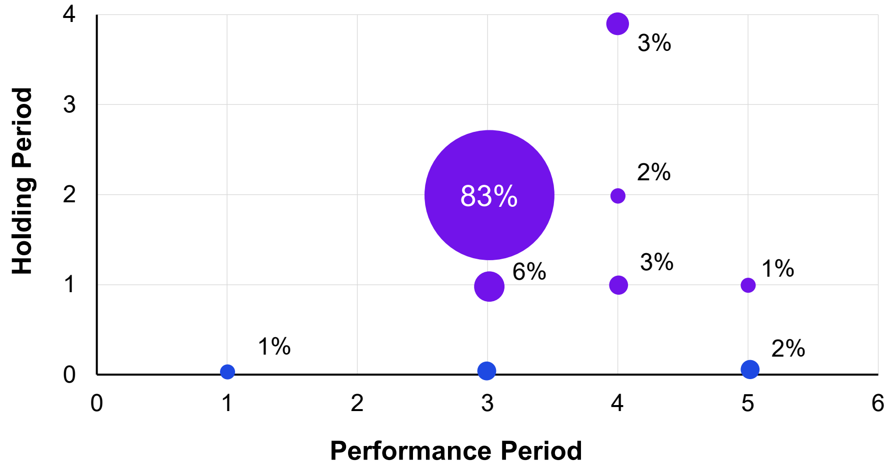
Performance Share Plans (PSPs) remain the most prevalent form of LTIP operated by FTSE 350 companies and we expect this to continue for the foreseeable future. This section of the report therefore concentrates on traditional PSP Long Term incentive arrangements.

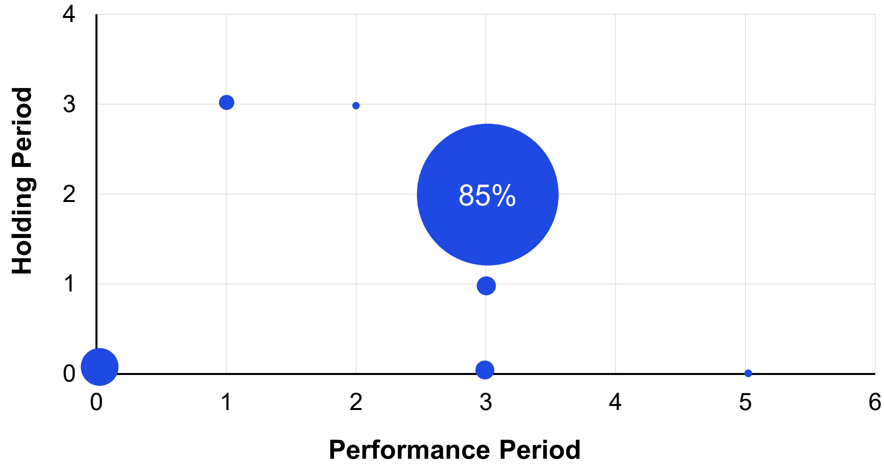
Time horizons

A total vesting and holding period of five years (or more) is now a requirement of the UK Corporate Governance Code. This year we have continued to see companies in the FTSE 350 introduce or strengthen their post-vesting holding periods.

The chart below shows the time period over which companies in the FTSE 350 operate their LTIPs. For these purposes, we have included PSPs, RSPs and performance on grant schemes. The Performance Period' is the period over which performance is measured and the 'Additional Period' reflects the aggregate of any further holding period and/or any additional service period during which awards vest. Please also note that for RSPs we have reflected a performance period of 0' years (on the basis that any performance measure is an underpin only).

A performance period of three years and a holding period of two years is the most prevalent combination for LTIPs operated by both FTSE 100 and FTSE mid 250 companies.



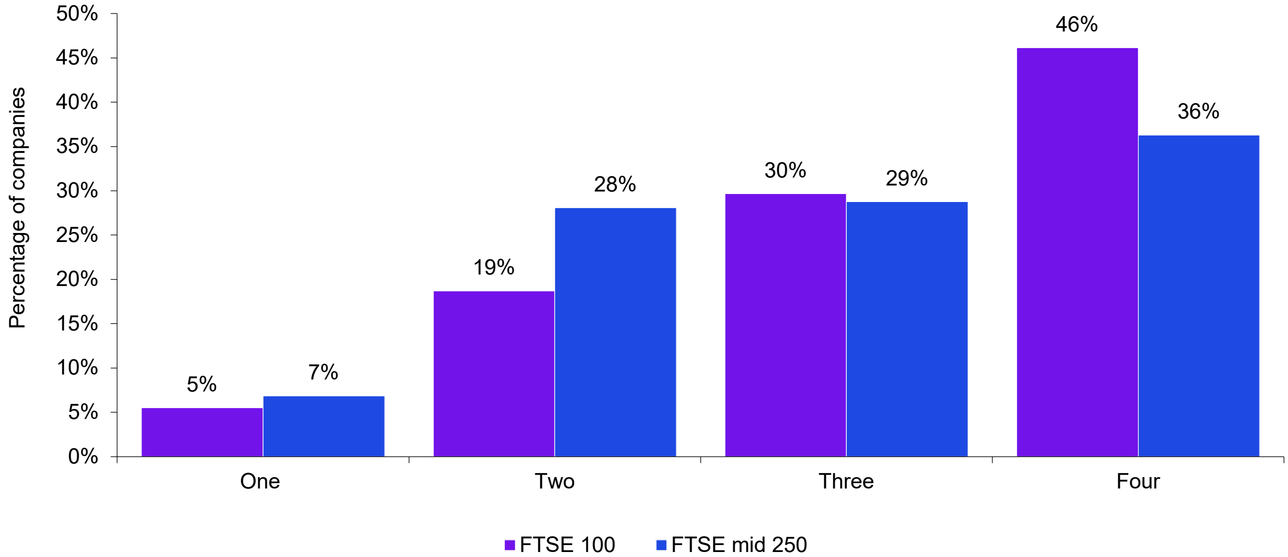


Performance share plans

The following chart shows the number of measures that are currently in use across the FTSE 350.

The profile of this chart has remained broadly the same when compared with the previous edition of this survey. Some notable changes include a fall in the number of companies operating a single performance measure, and an increase in the number of companies opting to apply four performance measures.

Number of measures in performance share plans

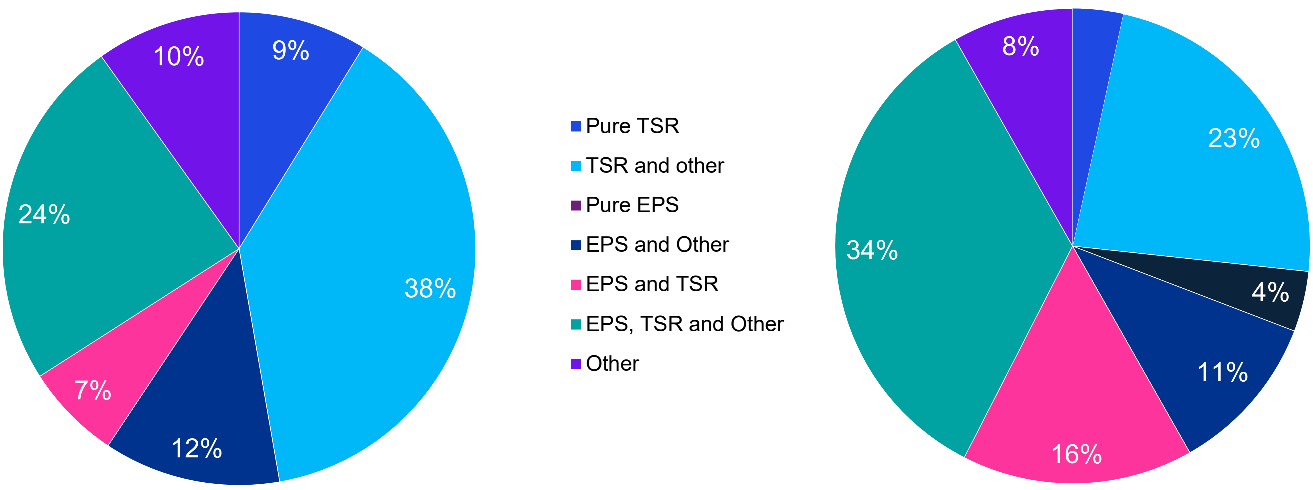


The following charts show the measures that are currently in use

The use of some form of Total Shareholder Return (TSR) measure, either as a single measure or in conjunction with another metric, continues to be the most popular measure across the FTSE 350. The profile of the below charts has remained broadly similar with that shown in the previous edition of this survey.

FTSE 100

FTSE mid 250



LTIP opportunity & payout

The tables below provide an overview of the long-term incentive opportunity and actual payment provided to Chief Executives, Finance Directors and Other Executive Directors in FTSE 100 and FTSE mid 250 companies.

The maximum award which can be made under the terms of the long-term incentive policy implemented by each surveyed company remains consistent with the prior year analysis.

The actual award figures have not changed for Chief Executives and Chief Finance Directors relative to 2022, while there is a decrease of 12.5% related to payouts for Other Directors, likely due to the varied nature of roles in Other Executive Director category.

	FTSE 100			FTSE mid 250		
CEO	**Lower Quartile**	**Median**	**Upper Quartile**	**Lower Quartile**	**Median**	**Upper Quartile**
Maximum Award (% of salary)	200%	mid 250%	400%	150%	200%	mid 250%
Actual Award (% of salary)	200%	mid 250%	373%	150%	200%	mid 250%
Actual award (£'000)	1,623	2,378	3,787	845	1,157	1,800
Actual gains (% of salary)	84%	196%	331%	45%	118%	228%
Actual Gains (£'000)	810	1,731	3,839	276	701	1,612

	FTSE 100			FTSE mid 250		
Finance Director	**Lower Quartile**	**Median**	**Upper Quartile**	**Lower Quartile**	**Median**	**Upper Quartile**
Maximum Award (% of salary)	200%	mid 250%	350%	150%	200%	mid 250%
Actual Award (% of salary)	150%	225%	300%	150%	175%	200%
Actual award (£'000)	823	1,226	2,041	524	667	918
Actual gains (% of salary)	78%	147%	241%	31%	95%	180%
Actual Gains (£'000)	446	837	1562	84	375	802

	FTSE 100			FTSE mid 250		
Other Director	**Lower Quartile**	**Median**	**Upper Quartile**	**Lower Quartile**	**Median**	**Upper Quartile**
Maximum Award (% of salary)	200%	mid 250%	350%	150%	200%	mid 250%
Actual Award (% of salary)	156%	213%	288%	150%	150%	200%
Actual award (£'000)	584	1,210	1,474	381	551	992
Actual gains (% of salary)	79%	199%	421%	43%	83%	148%
Actual Gains (£'000)	403	1,025	1,639	137	254	565

07

Pensions

Executive pensions

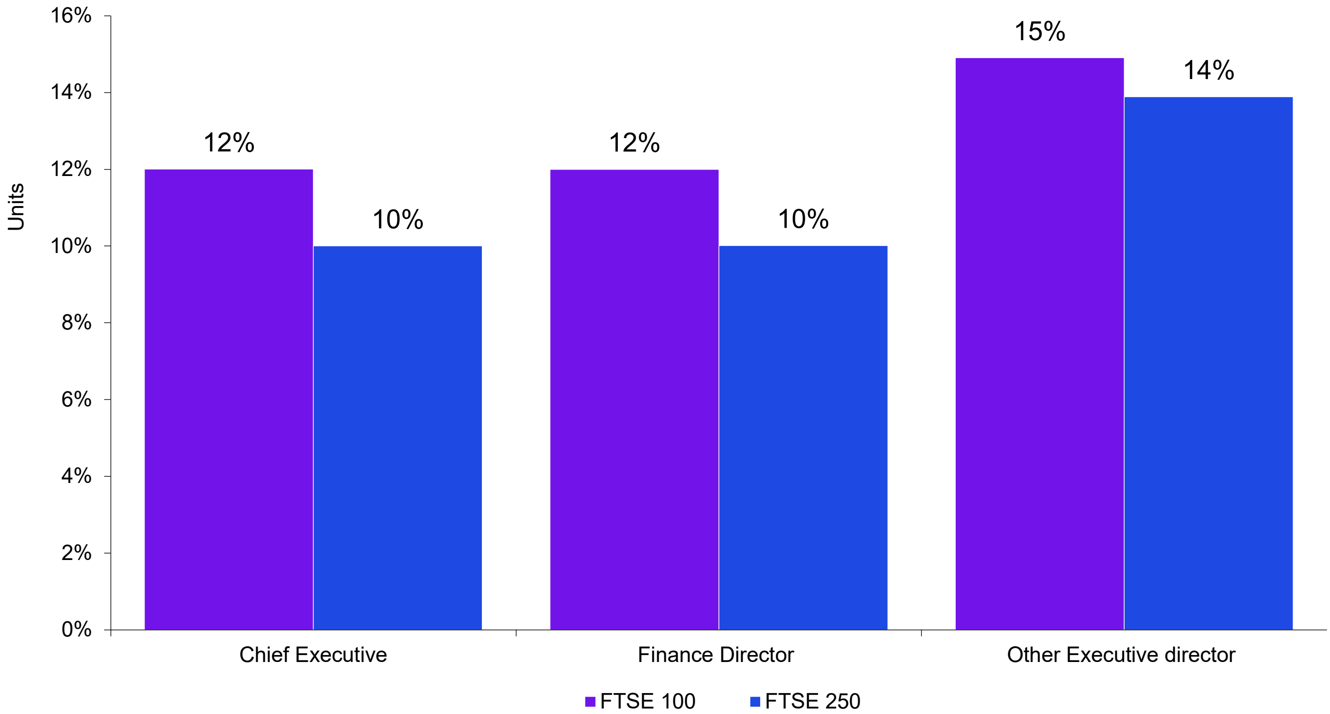
The table below summarises the cap on defined contribution rates and cash in lieu of contributions for new directors in the FTSE 100 and FTSE mid 250. As with last year, across the FTSE 350, the median cap on pension contributions and cash in lieu of contributions for new hires is now 10% for the FTSE 100 and 9% for the FTSE mid 250.

Contribution limits for new hires

	FTSE 100			FTSE mid 250		
	Lower Quartile (%)	Median %	Upper Quartile (%)	Lower Quartile (%)	Median %	Upper Quartile (%)
DC pension maximum	9	10	13	5	9	11
Pension supplement maximum	8	10	13	6	9	11

The chart below shows the median pension contributions (and cash in lieu payments) expressed as a percentage of basic salary. It is important to note that this data is backwards looking' as it is taken from single figure table data for the most recent year and, taken in isolation, should be treated with some caution.

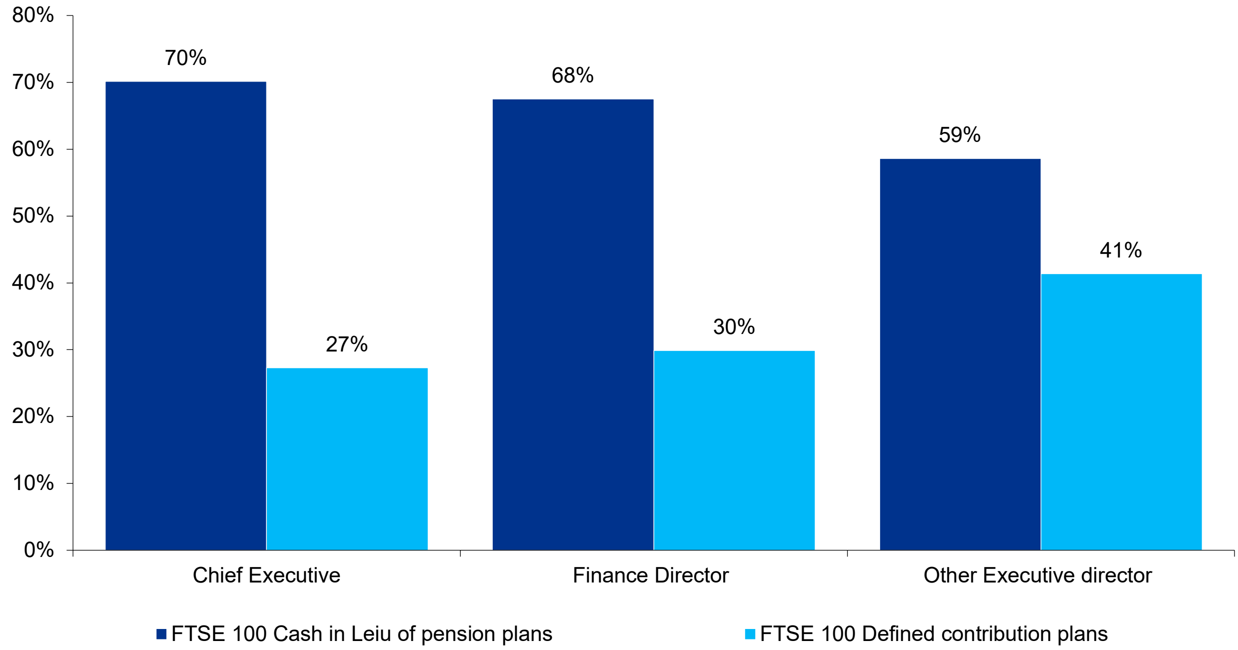
Median pension contributions/cash in lieu for all schemes as a percentage of Basic Salary



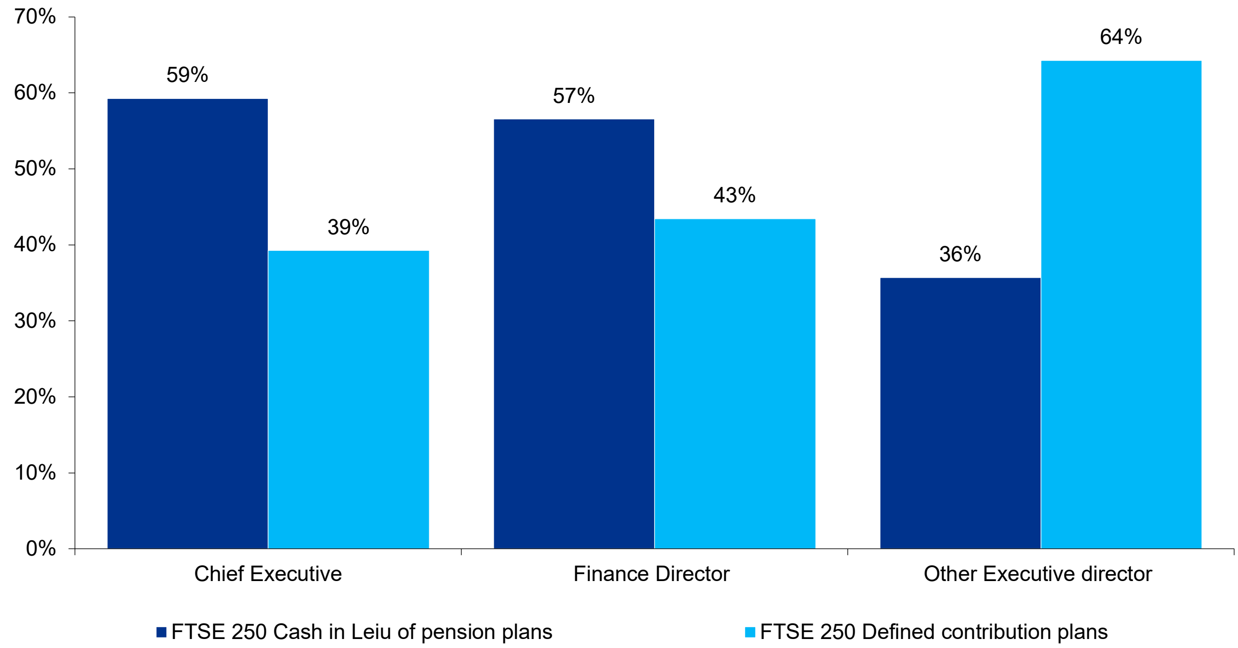
Pension arrangements

The following charts show that the use of cash in lieu of pension is generally the most popular arrangement for Chief Executives and Finance Directors, followed by defined contribution plans. For FTSE mid 250 Other Executive Directors, defined contribution plans are the most common.

FTSE 100 pension arrangements



FTSE mid 250 pension arrangements



08

Shareholding requirements

Median shareholding requirements

Having a minimum shareholding requirement is now an expected practice for FTSE 350 companies.

Executive Directors are encouraged to build up significant holdings in their company's shares to demonstrate alignment with shareholders. To further strengthen this alignment, the Code now includes a requirement for remuneration committees to develop a post employment shareholding requirement.

The table below sets out the median in service' shareholding requirement for companies in the FTSE 350 by role.

Minimum Shareholding Requirements (% of salary)

	FTSE 100	FTSE mid 250
Chief executive	313%	200%
Finance Director	270%	200%
Other Executive Director	250%	200%

Median number of years to build shareholding requirements

The time limit which remuneration committees set for executives to meet this level of shareholding is typically 5 years. This figure is the same for companies in both the FTSE 100 and FTSE mid 250.

What counts towards the holding?

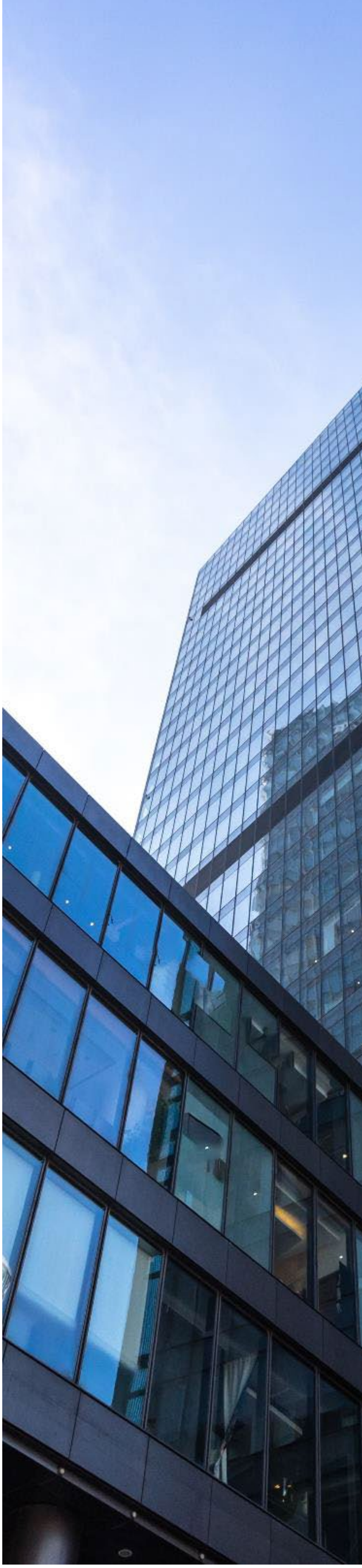
In its Principles of Remuneration, the Investment Association provides guidance on what should count towards the minimum shareholding requirement:

Shares should only count towards the requirement if vesting is not subject to any further performance conditions;

- Unvested shares, which are not subject to a further performance condition, may count but on a net of tax basis;
- Shares which have vested but remain subject to a holding period or clawback may count towards the shareholding; and
- Shares vested from a long term incentive award but still in the holding period can also be used to meet the shareholding requirement.

Retention of incentive shares

Whilst executives are encouraged to purchase company shares with their own resources, there is inevitably a link between executive share plans and minimum shareholding requirements. Companies are increasingly specifying a proportion of incentive gains which must be retained until the minimum shareholding requirement is achieved. Where there is such a requirement, the typical proportion which must be retained is around 50% of the shares which vest (net of tax).



Post-employment shareholding requirements

The IA’s guidelines state that the post-employment shareholding requirement should apply for at least two years at a level equal to the lower of:

- The shareholding requirement immediately prior to departure; or
- The actual shareholding on departure.

Currently, the majority of FTSE 350 require the normal shareholding level to be held for two years after employment. However, a significant minority do still have less stringent approaches representing either a fraction of their normal shareholding requirement or a shorter period than two years, or both. Additionally, where companies are not IA compliant, many are implementing a phased approach allowing a director who has left the company to reduce shareholding incrementally over a specified time period. The Investment Association expect post-shareholding requirements to be established at the earliest opportunity and at a minimum by the company’s next policy vote, to avoid receiving a red-top.

Policing the requirements

Where shareholding and, in particular, post-employment shareholding requirements apply, it is important that the company puts in place arrangements that will help it to monitor and police these holdings. Such arrangements should be established and agreed with each director before any shares vest and are acquired under any share plan to which a holding period applies.

One of the most administratively straightforward ways of holding and monitoring a director’s shareholding both pre- and post-employment is to set up a nominee arrangement either with the trustees of the company’s EBT or with the company’s registrars under which shares acquired following the vesting or exercise of share awards are automatically held by the nominee (as legal owner) on behalf of the director (as beneficial owner). Once the director is free of any holding requirements, the legal title can be transferred to the individual.

Market practice is yet to emerge on the preferred way of policing these rules. However, as we have outlined above, in their updated guidelines the IA have highlighted that Remuneration Committees should be providing clear details on the structure or policy which detail how companies will enforce the post-employment shareholding requirement.

09

Non-Executive Director

Fee increases

This section provides information on remuneration for the role of Non Executive Chairman and Non Executive Director

The table below shows the percentage of FTSE 100 and FTSE mid 250 companies which increased fee levels for the Non-Executive Chairman and other Non-Executive Directors.

Less than half of all FTSE 350 companies increased fee levels for both the Non-Executive Chairman and for other Non-Executive Directors, which is slightly lower compared to last year's results.

Percentage of companies increasing fees

	Non executive chairman	Other non executive director
FTSE 100	43%	39%
FTSE mid 250	42%	44%

Fees are not typically reviewed or increased on an annual basis and as such increases may initially appear to be higher than those for executive directors.

The following table shows the median fee increases for the FTSE 100 and FTSE mid 250 for companies which increased fee levels.

Median fee increases

		Median
FTSE 100	Non-executive chairman	3.69%
	Other non-executive directors	4.04%
FTSE mid 250	Non-executive chairman	5.00%
	Other non-executive directors	4.50%

Non-Executive Chairman

The Non-Executive Chairman is responsible for the leadership of the board, ensuring effectiveness in all aspects of its role and setting the agenda.

The Non-Executive 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 Non-Executive Chairman and other Non-Executive Directors.

The following tables show the total Non Executive Chairman fees broken down by market capitalisation and turnover. As would be expected, those chairing the largest companies are paid significantly more than those in smaller companies.

Compared with last year, the fees have increased for all companies except for FTSE 100 companies with a market capitalisation of less than £6bn, where fees have slightly decreased

Non-Executive Chairman fees by market capitalisation

	Market capitalisation	Lower Quartile (£'000s)	Median (£'000s)	Upper Quartile (£'000s)
FTSE 100	>£10bn	579	684	780
	£6bn-£10bn	359	424	475
	<£6bn	301	343	400
	All FTSE 100	350	436	636
FTSE mid 250	>£2bn	245	300	361
	£1bn-£2bn	200	250	296
	<£1bn	182	209	237
	All FTSE mid 250	200	235	300

	Turnover	Lower Quartile (£'000s)	Median (£'000s)	Upper Quartile (£'000s)
FTSE 100	>£10bn	526	660	734
	£2.5bn-£10bn	335	407	467
	<£2.5bn	288	335	385
	All FTSE 100	350	436	636
FTSE mid 250	>£2.5bn	254	297	339
	£500m-£2.5bn	213	250	312
	<£500m	126	188	229
	All FTSE mid 250	200	235	300

Deputy Chairman and Senior Independent Director

Most companies now identify a Senior Independent Director ("SID") which generally attracts an additional fee. The SID is responsible for leading the Non-Executive Directors in their review of the Non-Executive 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.

As reported in previous years, we have seen the number of Deputy Chairman positions on boards reduce in recent years, with the SID in a number of organisations fulfilling duties which, in the past, may have been carried out by the Deputy Chairman.

Based on the 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. If the two roles are combined and the Deputy Chairman is also the SID, then it is standard practice that no additional fee is paid for the SID role.

We have seen a moderate increase in the Deputy Chairman fees across both FTSE 100 and FTSE mid 250 companies relative to the previous year.

Deputy chairman fees

	Lower Quartile (£'000s)	Median (£'000s)	Upper Quartile (£'000s)
FTSE 100	147	184	205
FTSE mid 250	85	120	148

The table below shows the additional fees paid to SIDs for the FTSE 100 and FTSE mid 250. It should be noted this is in addition to the basic Non Executive Directors fee. The SID fees remain in line with last year..

Senior independent director additional fees

	Lower Quartile (£'000s)	Median (£'000s)	Upper Quartile (£'000s)
FTSE 100	16	20	32
FTSE mid 250	10	11	15

Workforce engagement – Designated NED

Following the introduction of the 2018 Corporate Governance Code, in which there is a strong focus on boards considering the views of the wider workforce before making decisions, we are seeing an increasing number of designated Non-Executive Directors who are responsible for workforce engagement. The role of a designated Non-Executive Director will typically attract an additional fee and the table below shows the fees paid to designated Non-Executive Directors for the FTSE 100 and FTSE mid 250.

	Lower Quartile (£'000s)	Median (£'000s)	Upper Quartile (£'000s)
FTSE 100	10	15	20
FTSE mid 250	5	8	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 SID.

The figures are broken down by market capitalisation and turnover and remain broadly unchanged from last year, however the fees for companies with a market capitalisation in excess of £10bn has increased.

Non-Executive Director fees by market capitalisation

	Market capitalisation	Lower Quartile (£'000s)	Median (£'000s)	Upper Quartile (£'000s)
FTSE 100	>£10bn	83	95	104
	£6bn-£10bn	70	72	78
	<£6bn	65	69	76
	All FTSE 100	70	78	95
FTSE mid 250	>£2bn	58	65	75
	£1bn-£2bn	55	61	68
	<£1bn	54	57	60
	All FTSE mid 250	55	60	68

Non-Executive Director fees by Turnover

	Turnover	Lower Quartile (£'000s)	Median (£'000s)	Upper Quartile (£'000s)
FTSE 100	>£10bn	79	88	102
	£2.5bn-£10bn	67	73	83
	<£2.5bn	65	70	74
	All FTSE 100	70	78	95
FTSE mid 250	>£2.5bn	59	62	75
	£500m-£2.5bn	57	60	70
	<£500m	50	56	61
	All FTSE mid 250	55	60	68

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. The Corporate Governance Code published by the government in July 2018, which took effect from 1 January 2019, states that "before appointment as chair of the remuneration committee, the appointee should have served on a remuneration committee for at least 12 months".

Company size, again, has an influence over the level of additional fees. In line with previous years, the risk committee still commands the highest additional fees for members, which may be related to the increased pressure on large companies to be socially responsible.

The chairman and membership fees have broadly remained unchanged with a slight increase relative to the previous year across both the FTSE 100 and FTSE mid 250.

It should be noted that the nomination committee is often chaired by the company Non-Executive Chairman albeit certain companies may appoint a different Non-Executive Director based on their own specific circumstances. Where the Non-Executive Chairman does take on the role, it would typically not attract additional committee fees.

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

FTSE 100 Committee chairmanship fee levels

	Lower Quartile (£'000s)	Median (£'000s)	Upper Quartile (£'000s)
Remuneration	18	21	35
Audit	19	23	35
Nomination	14	15	21
CSR	15	25	35
Risk	24	40	74
Other	20	27	40

FTSE mid 250 Committee chairmanship fee levels

	Lower Quartile (£'000s)	Median (£'000s)	Upper Quartile (£'000s)
Remuneration	10	13	17
Audit	19	23	35
Nomination	14	15	21
CSR	15	25	35
Risk	24	40	74
Other	10	11	15

The tables below show the fees disclosed for being a member of the main committees in FTSE 100 and FTSE mid 250 companies.

Almost all FTSE 350 companies pay additional fees for membership of the main board committees.

FTSE 100 Committee membership fee levels

	Lower Quartile (£'000s)	Median (£'000s)	Upper Quartile (£'000s)
Remuneration	10	16	20
Audit	10	18	25
Nomination	8	10	15
CSR	10	15	17
Risk	18	25	34
Other	10	16	20

FTSE mid 250 Committee membership fee levels

	Lower Quartile (£'000s)	Median (£'000s)	Upper Quartile (£'000s)
Remuneration	5	7	10
Audit	5	7	10
Nomination	5	5	8
CSR	6	8	11
Risk	5	10	12
Other	5	5	10

Time commitment

There is insufficient disclosure in companies' annual reports with respect to the time commitment required of a Non-Executive Chairman or Non-Executive Director role to perform any robust analysis. However, prior experience tells us that a Non-Executive Chairman role typically demands around two full days a week. This will vary depending on the size of the company.

Other Non-Executive Director roles will require less time commitment, and this is reflected in the reduced fees. However, due to increased scrutiny of boards and directors, the time commitment required by a Non-Executive Director has increased in recent years. The number of board meetings will vary depending on company size and complexity; however, we would typically expect companies to hold approximately 10 meetings a year (including ad-hoc meetings). Most Non-Executive Directors will be chairs or members of at least one committee as well and these meetings will be in addition to the board meetings.

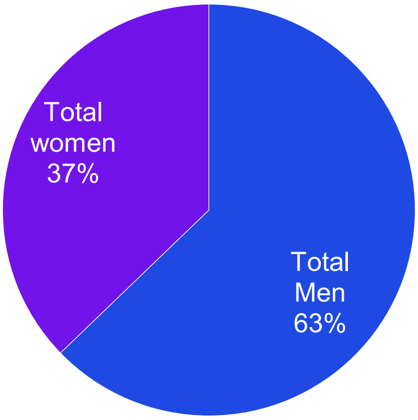
10

Diversity

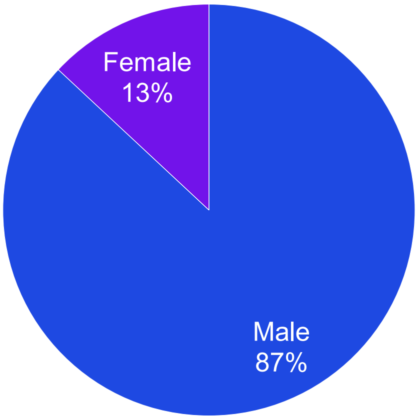
Executive Director Diversity

The charts below shows the composition of Boards in the FTSE 350 by gender within the latest survey review period.

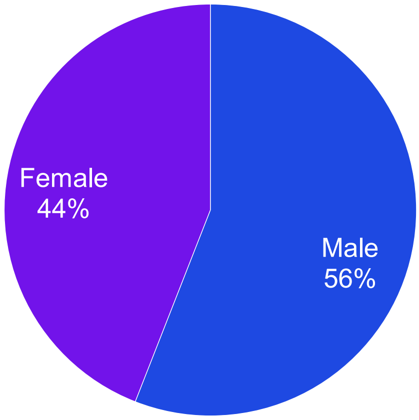
Board diversity by gender



Executive Director positions



Non Executive Director positions



The charts above demonstrate an increase in proportion of the female population across Board, Executive Director and Non Executive Director positions. We've seen an increase from 31% to 37% for women comprising FTSE 350 boards. Additionally, the proportion of female Executive Directors and Non-Executive Directors has increased by 1% and 2% respectively.

It should, however, be noted that, as executive remuneration practices are the primary focus of this survey, the above percentages have been compiled from the annual report and accounts for the FTSE 350 within the period ending, 31 July 2023. In addition, as part of the data collection process, certain individuals who have taken up new director positions will have been excluded from this analysis (in order to collect comparable annual figures). The above data therefore reflects a historical viewpoint at a moment in time.

The table below, segmented by company turnover, shows median Basic Salary, Annual Bonus and Total Earnings by gender in the latest reported financial year.

		Chief Executive		Finance Director		Other Executive Director	
		Male (£'000)	Female (£'000)	Male (£'000)	Female (£'000)	Male (£'000)	Female (£'000)
FTSE 100	Salary	893,058	921,500	572,500	538,000	538,500	329,000
FTSE 100	Bonus	1,265,000	1,008,324	672,500	576,000	644,540	389,767
FTSE 100	Total	4,025,015	4,229,150	2,304,500	1,405,000	2,089,000	1,438,000
FTSE mid 250	Salary	621,000	601,000	420,000	401,300	383,000	394,500
FTSE mid 250	Bonus	582,400	702,000	371,343	357,900	162,100	343,100
FTSE mid 250	Total	1,757,000	1,895,000	1,158,350	940,000	819,500	945,100

11

Methodology & assumptions

Data sources

Unless otherwise stated, all graphs and tables have been created by KPMG, from data provided by E-reward. The data provided by E-reward has been further analysed by KPMG, using the methodology outlined below.

Data sample

FTSE constituents and market capitalisation figures are as at 31 July 2023 and turnover figures used for the analysis are as at the relevant reporting date for each company.

The positions included in the data sample are: Chief Executive, Finance Director, Other Executive Directors and Non-Executive Directors. Other Executive Directors 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.

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

Basic salary

Annual salary received over a 12 month period as shown in the accounts and in the single figure pay table (not necessarily set at annual review)

Total cash

The sum of basic salary, benefits and total bonus as shown in the single figure pay table

Pensions

The value of all pension related benefits including payments in lieu of retirement benefits and all retirement benefits in year from participating in pension schemes

Total earnings

The sum of total cash, the value of any share-based awards vested during the year and the cash value of pension arrangements. The final figure may also include some miscellaneous payments such as special payments for pensions, one-off bonuses for particular projects and profit share.

Total bonus

Actual annual bonus paid shown in the single figure pay table plus any deferred portion of the annual bonus

Unless stated otherwise, 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 performance share plans – a type of long-term incentive in which participants are allocated free shares or nil cost options 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.

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.

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