Executive remuneration in FTSE 250 companies

2022 market data report for executive and non-executive directors

December 2022

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This report provides a final update for the 2022 Annual General Meeting (AGM) season on key pay developments this year. It also sets out an overview of executive and non-executive market data for companies in the FTSE 250.

This report includes data sourced from WTW's Global Executive Compensation Analysis Team. This report is based on the FTSE 250 as of 19 September 2022.

Key headlines from the 2022 AGM season

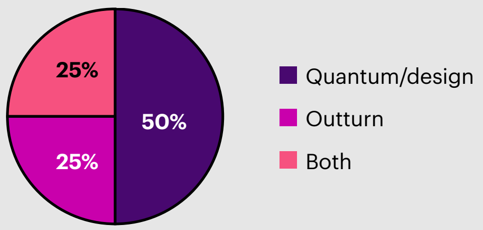
Who changed what?

- Like 2021, 2022 was not a regular policy review year, and consequently we saw a small proportion of companies tabling a new policy for shareholder approval (27%, down from 39% in 2021).
- Around half of these cases were due to expiring policies and, although many proposed changes reflected responses to evolving views from shareholders and proxy agencies, there was no over-riding trend. Companies most frequently proposed:
  - strengthening of clawback/malus clauses (40%);
  - changes to shareholding guidelines (37%), over 80% of which were introducing/strengthening post-cessation guidelines;
  - increases to variable pay opportunities (35%), half of which were in respect of short and half in respect of long-term plans; and
  - changes to annual bonus deferral (33%), almost three-quarters of which were introductions/increases to the proportion of bonus being deferred.

How did proxy agencies react?

- We observed a year-on-year reduction in ISS 'Against' recommendations for both remuneration reports and policies.
- Although the proportion of 'red-topped' reports was broadly unchanged (around one in ten), IVIS highlighted more issues of concern, with the number of 'Amber' recommendations increasing by over 25% this year to just over half. Fewer than two in five companies received a 'Blue-top' in 2022.

Figure 1: **Rationale for a Red/Against remuneration report recommendation**



The major areas of contention are:

- quantum/design:
  - increases to fixed/variable pay where not accompanied by a robust rationale; and
  - lack of pension alignment;
- outturn:
  - insufficient or excessive use of discretion on variable pay outcomes.

- In respect of votes on remuneration policies, the proportion of IVIS 'red-topped' recommendations dropped by around a third, to around one in ten.
- Nearly 50% of negative recommendations from proxy agencies related at least partly to remuneration outcomes being inconsistent with Company performance. While each circumstance varied, the use of upwards discretion on incentive payments was commonly cited. Other reasons for a negative recommendation included significant increases to salary and/or variable pay without robust rationale and a lack of pension alignment (cited by IVIS).
- Areas of contention on policies vary, but include: a long-term incentive performance period shorter than 3 years; a greater proportion of incentive vesting at threshold performance than best practice; the introduction of a restricted share plan (RSP) with lower than 50% discount on grant levels; the possibility of payments outside of policy on recruitment; and CIC provisions allowing for bonuses to pay out without pro-ration.
- The impact of proxy agency views cannot be understated (see *Figure 2*), with ISS 'Against' recommendations being accompanied by a median voting out-turn of 74% and 81% for report and policy votes, versus 96% and 93% respectively where a 'For' recommendation is given.

And what happened at AGMs?

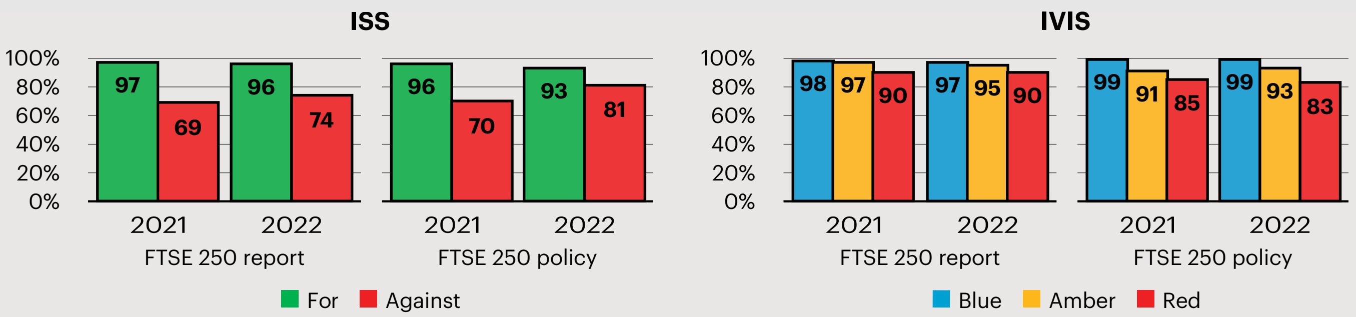
- There was little change in the median AGM voting out-turn, which remained high at 96% for both the remuneration report and policy.
- Two companies lost the vote on their remuneration report and fifteen companies (six fewer than in 2021) attracted votes below 80%. Both lost votes were due to continued shareholder concerns around pay for performance, specifically: (i) insufficient response to prior shareholder dissent in relation to a value creation plan (VCP), in addition to the exercise of discretion to allow accelerated vesting without pro-ration for an out

going CFO's performance share plan (PSP) award; and (ii) insufficient disclosure of bonus metrics and target-setting methodology, and long-term incentive plan (LTIP) grants vesting in the year not being subject to performance conditions.

The issues of contention for the votes below 80% were primarily around excessive variable pay opportunities and pay for performance concerns, in particular the excessive and/or insufficient use of discretion on variable pay outcomes.

- Five proposed remuneration policies also attracted votes below 80%, all for different reasons; this compares to nine last year.

Figure 2: **Proxy Agency recommendations: influence on AGM voting outturns**



Looking ahead to 2023

- We expect a majority of FTSE 250 companies to table a new policy for approval during the 2023 AGM season. As policies are reviewed, we advise these topical issues be borne in mind:
  - **Salary increase alignment** – in recent years, proxy agency and investor expectations have been that executive director (ED) salary increases should be aligned with those offered to the wider workforce. However, with inflation levels in the UK showing no signs of abating, wider workforce increases likely to rise to 5% in the coming months, and an acknowledgement that ED salaries flow through to other pay elements such as bonus and LTI to a much greater extent than for other employees, there has been a growing debate about whether this alignment should continue. In recent weeks, ISS (amongst others) has updated its guidance to reflect the view that salary adjustments should be "lower proportionally than general increases across the broader workforce".
  - **ESG metrics** – over just a few years, there has been a dramatic increase in the prevalence of ESG metrics in executive incentive plans. In principle, this has been positively received by most proxy agencies and investors. However, as companies review and reconsider metrics on a regular basis, we recommend companies challenge themselves to ensure these metrics are specific, tangible, meaningful, measurable and, above all, linked to the individual company's broader strategy on ESG. Investors are increasingly wary of 'greenwashing', companies implementing such metrics simply as a tick-box exercise, and we anticipate further scrutiny in this area.
  - **Energy crisis** – the impact on business of the energy crisis has the potential to be of similar magnitude to the pandemic or financial crisis. As with these events, investors and proxies will expect remuneration committees to assess formulaic pay-for-performance outcomes carefully and to apply judgement and/or discretion where needed to take account of the experiences of key stakeholders and the wider performance context.
- In addition to the above, a reminder of some evergreen critical success factors:
  - **Business first** – we always advocate putting the business first and then reviewing through external market, governance and broader stakeholder lenses to determine if any adjustments are required.
  - **Storytelling is key** – changes accompanied by a robust rationale linked to the strategy are more likely to be supported, even if the changes result in atypical pay structures or metrics. Telling the story concisely and persuasively in both shareholder consultation materials and the remuneration report is important.
  - **Know your audience** – every AGM season flags a number of shareholder and proxy agency 'hotspots' and this year was no different. It is therefore worth being prepared for any challenge/questions you may get on your proposed approach, taking these views into account.
- The engagement process is more time-intensive than ever before with a significant amount of work taking place 'behind the scenes'. Despite the additional workload, the policy review does provide an opportunity for companies to consider their approach to executive pay, to ensure that the approach is right for the business and its executive talent, as well as being appropriately aligned with investors, the wider workforce, and other key stakeholders.

Key trends from the 2022 AGM season

The graphics below provide further detail on the key themes we observed this year.

Fixed pay

Salary

UK inflation rates surged to 11.1% in October, the highest rate in 40 years. Although median salary increases for the wider workforce are currently 3.5%, data from the most recent publications suggest that this is likely to increase in the coming months.

Median CEO salary increase:

3.0%

below wider workforce increases

22%/18% of CEOs/CFOs received no salary increase (2021: 37%/30% respectively)

Of the CEOs that have received increases above 3.0%, two-thirds ranged from 3.1% to 5.0% and were in line with or lower than those provided to the wider workforce.

Pension

The alignment of ED pensions with those of the wider workforce is now almost universal. Median CEO pension:

12% of salary

10% of salary

Long-term incentive plans

23 / 11

Despite this not being a major policy year, one in five companies has made changes to LTI opportunity this year; 23 companies increased and 11 decreased levels.

Increases: one-third of these companies are increasing policy levels; two-thirds are implementing increases under existing policy limits.

Reductions: around 30% of these are companies switching from performance to restricted shares; around another 30% are companies decreasing award levels following significant share price falls; and reasons for the other companies vary.

The most common changes to plan design:

49% changed the target or payout calibration

More than 85% of these changes were to the calibration of metric targets, the majority being made more stretching as companies moved away from pandemic-related uncertainties.

29% changed measures and/or weightings

Three-fifths of companies making these changes are introducing or, more typically, changing/expanding on their ESG metrics

Annual bonus

17 / 2

17 companies have increased bonus opportunities; two have decreased.

Around half of these companies are increasing policy levels; around half are implementing increases under existing policy limits.

The most common changes to plan design:

42% changed measures and/or weightings

Nearly two-thirds of companies making these changes are introducing or, more typically, changing/expanding on their ESG metrics

Pay out-turns and shareholding guidelines

2021 median single figure **£1.30 million**

2022 median single figure **£1.77 million**

The median annual bonus payout as a percentage of maximum has **increased significantly** from 60% last year to **84%** this year, close to long-term upper quartile levels. Median LTIP vesting has also increased back in line with long-term norms, to **52%** of maximum from 29% last year.

Interventions were about as prevalent as last year and remained more likely for the annual bonus than LTI:

- 16% of companies altered formulaic outcomes for bonuses (17% in 2021) with 80% reducing and 20% increasing bonus outcomes; and
- 7% of companies altered formulaic LTI outcomes (4% in 2021) with 58% reducing and 42% increasing vesting outcomes.

Shareholding guidelines

- There has been little movement in the level of in-post shareholding requirements although actual holdings are lower than in recent years.
- Post-cessation shareholding guidelines have now been almost universally adopted with 94% prevalence across the FTSE 250; compliance with the Investment Association (IA) guideline is increasing steadily (now over 60%).

Executive director market data

Salary

- The figures below set out the quartile salary data for CEOs and CFOs in the full FTSE 250, as well as two sub-groups - those companies ranked in the top 50 (FTSE 101-150) and the rest (FTSE 151-350).
- Salary increases were higher this year (up from 1.5% to 3-3.5% across both roles and all peer groups), with a much smaller proportion of companies applying no increase at all (down significantly from nearly 40% last year to around 20% this year). ED increases reflected those awarded to the wider workforce as companies were no longer restricted by pandemic-related cost control measures.
- The median FTSE 250 CEO salary therefore rose to £617,000, from £610,000 in 2021.
- We typically find a salary differential of 60% to 70% for the CFO to CEO role, with a median of 67%.

CEO

Figure 3: **CEO salary data by quartile**

	Lower quartile	Median	Upper quartile
FTSE 101-150	£637,000	£730,000	£820,000
FTSE 151-350	£513,000	£597,000	£675,000
FTSE 250	£526,000	£617,000	£737,000

Figure 4: **CEO median salary increases (incl 0%)**

FTSE 101-150	3.6%
FTSE 151-350	3.0%
FTSE 250	3.0%

Figure 5: **Proportion of companies awarding 0% increase to CEO salaries**

FTSE 101-150	19%
FTSE 151-350	23%
FTSE 250	22%

CFO

Figure 6: **CFO salary data by quartile**

	Lower quartile	Median	Upper quartile
FTSE 101-150	£430,000	£475,000	£528,000
FTSE 151-350	£350,000	£398,000	£440,000
FTSE 250	£364,000	£416,000	£460,000

Figure 7: **CFO median salary increases (incl. 0%)**

FTSE 101-150	3.5%
FTSE 151-350	3.0%
FTSE 250	3.0%

Figure 8: **Proportion of companies awarding 0% increase to CFO salaries**

FTSE 101-150	14%
FTSE 151-350	18%
FTSE 250	18%

Benefits

- The alignment of pensions for existing EDs with the wider workforce by the IA's recommended date of end of 2022 is now almost universal.
- The median pension contribution in FTSE 250 companies has continued to drop, from 12% in 2021 to 10% in 2022.
- While disclosure on car allowance benefits practice is mixed, it continues to be a common benefit for EDs.

Pension contribution

- As shown in *Figures 9 and 10*, pension provision has continued to drop, with median defined contribution/cash allowance benefits amongst the FTSE 250 now representing 10% of salary, down from 12% in 2021.
- All FTSE 250 companies have updated their remuneration policies in the last few years such that pension provision for new ED hires is in line with that offered to the wider workforce, apart from one company where this is not disclosed.
- In line with IA guidance, 93% of companies will also have aligned their provision for existing EDs by the end of 2022. Of the remaining companies:
  - 6 have begun phased reductions, but full alignment will not be achieved by the end of 2022;
  - 2 have EDs with pension provision aligned to 'other employees of long tenure' rather than 'the wider workforce';
  - 2 have not made any commitment to change or review existing ED pension provision;
  - 1 has one or more EDs that are members of legacy DB plans, with no disclosed indication of planned changes; and 1 makes no disclosure regarding the alignment of ED pensions with that of the wider workforce.

Figure 9: **Value of defined contribution/cash allowance for CEO (% of base salary)**

	Lower quartile	Median	Upper quartile
FTSE 101-150	8%	12%	14%
FTSE 151-350	5%	10%	15%
FTSE 250	6%	10%	15%

Figure 10: **Value of defined contribution/cash allowance for CFO (% of base salary)**

	Lower quartile	Median	Upper quartile
FTSE 101-150	8%	10%	14%
FTSE 151-350	6%	10%	15%
FTSE 250	6%	10%	15%

Car allowance

Two-thirds of companies in the FTSE 250 disclose that EDs receive a car benefit or car allowance, although not all explicitly disclose its value. This has decreased since last year (prevalence was nearly 80% in 2021), although this may be due to changes in disclosure rather than a reduction in the prevalence of the benefit itself. *Figure 11* provides data on the value of this benefit for those companies that do disclose the details of the car allowance.

Figure 11: **Value of car allowance benefit**

	CEO	CFO
Upper quartile	£20,000	£16,000
Median	£17,000	£14,000
Lower quartile	£14,000	£12,000

Annual bonus

- The median annual bonus payout has increased to 84% of maximum, from 60% last year.
- Median bonus opportunities have not changed significantly year-on-year, nor have their design: three-year annual bonus deferral is the norm and the structure of that deferral is broadly unchanged from previous years.
- Although the majority of ESG metrics in annual bonus plans continue to fall under the 'People & HR' category, we observe a significant increase in the prevalence of both inclusion & diversity and environmental metrics since last year.

Bonus pay-outs as percentage of maximum

Figure 12: **Bonus pay-outs for CEO (% of maximum opportunity)**

	Lower quartile	Median	Upper quartile
FTSE 101-150	54%	82%	96%
FTSE 151-350	57%	84%	96%
FTSE 250	56%	84%	96%

Figure 13: **Bonus pay-outs for CFO (% of maximum opportunity)**

	Lower quartile	Median	Upper quartile
FTSE 101-150	59%	87%	97%
FTSE 151-350	56%	85%	96%
FTSE 250	56%	85%	96%

Application of discretion

20 instances of remuneration committees applying downward discretion

5 instances of remuneration committees applying upward discretion

We observe slightly fewer instances of downward discretion on annual bonus outcomes (13%, down from 15% last year, including ED waivers) as companies continue to undertake holistic assessments of company performance in relation to the wider stakeholder experience, but the impact of COVID-19 is mostly in the past. Levels of discretionary reduction (where disclosed) ranged from -4% to -100% of the formulaic outcome, with a median of -19%.

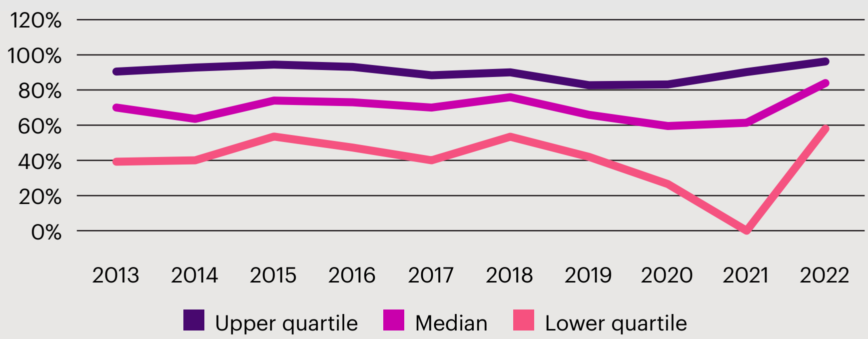
There were no instances of upward discretion last year and the reasons for this year's five cases varied: one was related to the continued impact of COVID-19 on original targets; two followed acquisitions/disposals and two reflected exceptional performance beyond pre-determined targets. For two companies, the discretionary increases were in line with enhanced payouts received by the broader bonus-eligible employee population.

In addition to these cases of upward and downward discretion, made at year end, three companies made adjustments to 'in-flight' bonus targets, prior to year end (down significantly from nine in 2021); most of these followed changes of strategy and/or acquisitions/disposals.

Bonus pay-outs over time

Over the past 10 years, the median annual bonus payout has generally been between 60% and 75% of the maximum opportunity. In 2022, the median payout was somewhat higher than this (at 84% of maximum) and the lower quartile bounced back significantly from 0% to 58% of maximum, the highest level in ten years.

Figure 14: **Bonus pay-outs from 2013—2022 (% of maximum opportunity)**



Maximum bonus opportunity as percentage of salary

Median bonus opportunities for both CEOs and CFOs are broadly unchanged since last year; however, lower and upper quartile levels for FTSE 250 CEOs have increased from 125% and 175% to 150% and 180% of salary, respectively.

Figure 15: **Maximum bonus opportunity for CEO (% of base salary)**

	Lower quartile	Median	Upper quartile
FTSE 101-150	150%	150%	200%
FTSE 151-350	135%	150%	175%
FTSE 250	150%	150%	180%

Figure 16: **Maximum bonus opportunity for CFO (% of base salary)**

	Lower quartile	Median	Upper quartile
FTSE 101-150	140%	150%	170%
FTSE 151-350	125%	150%	150%
FTSE 250	125%	150%	150%

Performance measures

The median split of financial versus non-financial measures is unchanged since last year.

Figure 18 shows that a profit- or income-based measure continues to be the most common measure used in FTSE 250 annual bonus plans. However, over two-thirds of companies now incorporate one or more environmental, social and governance (ESG) measures in their annual bonus plan, up from just over half last year. Excluding underpins and modifiers, the median overall weighting of all ESG measures for the CEO is unchanged at 15% of the annual bonus. *Figure 19* shows that these measures continue to be most often based on people & HR targets, for example employee engagement and succession/ talent management. That said, there has been a significant increase in the prevalence of both inclusion & diversity metrics (up from 4% to 11%) and 'E' metrics, which now contribute to bonus performance measurement at nearly 25% of companies (up from 10% in 2021).

Figure 17: **Median split of performance measures in bonus plans**

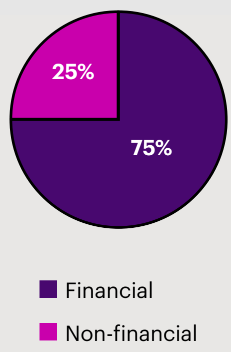


Figure 18: **Prevalence of performance measures (by measure category)**

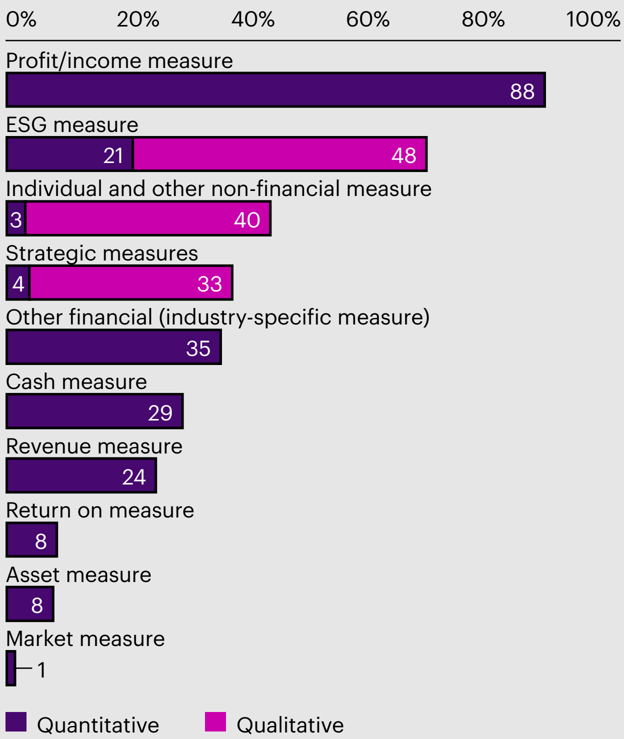
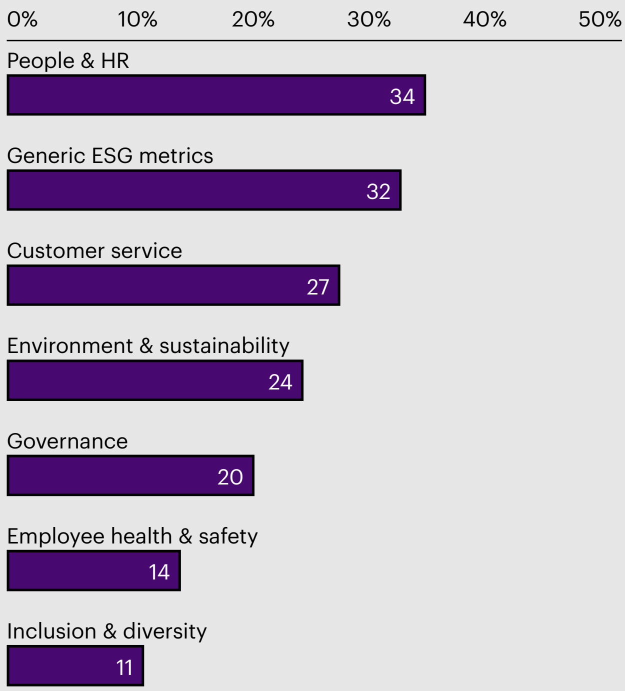


Figure 19: **Prevalence of ESG performance measures**



Annual bonus deferral

Compulsory deferral of some portion of the annual bonus continues to be majority practice (over 90% of the FTSE 250), and the requirement is usually expressed as a percentage of the bonus earned. Deferral periods with cliff vesting have harmonised around two and, most commonly, three years, while the median phased vesting period is 3 years.

Figure 20: **Proportion of bonus deferred**

	% of FTSE 101-150	% of FTSE 151-350	% of FTSE 250
Up to 25.0%	0%	6%	5%
25.1%—33.0%	22%	25%	25%
33.1%—50.0%	31%	32%	32%
50.1%+	8%	8%	8%
No deferral	11%	5%	7%
% in excess of salary/other	28%	22%	23%
Voluntary only	0%	1%	1%

Figure 21: **Deferral mechanism**

	% of FTSE 101-150	% of FTSE 151-350	% of FTSE 250
Deferral with no match	86%	94%	92%
Deferral with match	3%	1%	1%
No deferral	11%	5%	7%

Figure 22: **Deferral time period**

	% of FTSE 101-150	% of FTSE 151-350	% of FTSE 250
Less than two years	0%	2%	2%
Two years	17%	24%	22%
Three years	53%	46%	48%
More than three years	0%	3%	2%
No deferral	11%	5%	7%
Phased	19%	19%	19%

Malus and clawback

Malus and clawback provisions are now ubiquitous in FTSE 250 annual bonus plans:

- 99% of companies have the ability to operate clawback on the cash bonus; and
- 95% have the ability to operate malus on shares that have not yet vested.

The most common practice is for clawback provisions to apply for three years after payment of cash bonuses, and for malus provisions on bonus shares to apply during the deferral period.

Common triggers for both malus and clawback include material misstatement of financial results, damage to reputation, serious misconduct and miscalculation of any performance condition. As last year, we have observed another 10% of companies strengthening clawback/malus provisions and extending their triggers.

Long-term incentive plans (LTIPs)

- Median LTIP vesting levels are back up to long-term norms of 52%, after a significant dip to around 30% of maximum last year.
- While the performance share plan (PSP) continues to be most prevalent, 14% of companies utilise an incentive vehicle that is not a PSP (over 90% of which operate as the EDs' only LTIP).
- The prevalence of companies that incorporate ESG in their PSPs has increased by over 50% since 2021, and over 80% of companies that use ESG metrics have one or more "E" metrics in their plans.

PSP pay-outs as a percentage of maximum

We observe the same pay-outs for the CEO and CFO roles, as they generally participate in the same LTIP with the same performance measures.

Figure 23: **PSP pay-outs (% of maximum opportunity)**

	Lower quartile	Median	Upper quartile
FTSE 101-150	21%	75%	88%
FTSE 151-350	15%	50%	95%
FTSE 250	18%	52%	93%

Application of discretion

7 instances of remuneration committees applying downward discretion

5 instances of remuneration committees applying upward discretion

The reasons given for the instances of downward discretion vary but reflect companies continuing to undertake holistic assessments of company performance in relation to the wider stakeholder experience. Levels of discretionary reduction (where disclosed) ranged from -4% to -32% of the formulaic outcome, with a median of -15%.

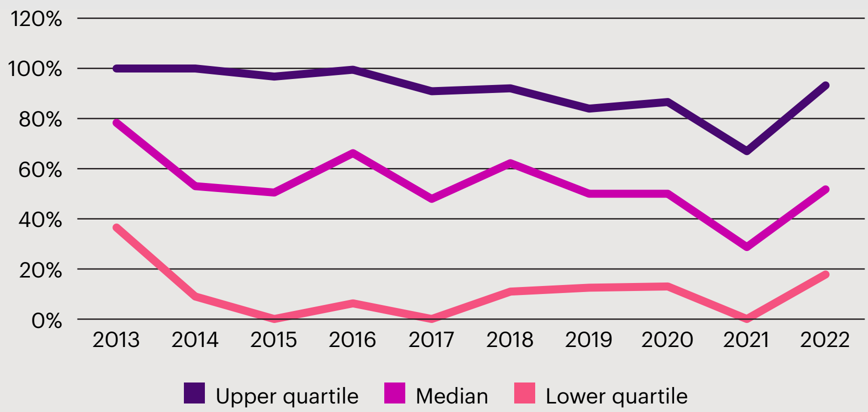
There was an increase in the instances of upward discretion (from two last year): two companies adjusted outcomes to recognise the impact of the pandemic; one made adjustments following an acquisition; one changed the way performance was measured to recognise the significant increase in inflation (as measured by the Retail Price Index); and one compensated for the impact on its pre-disclosed targets of the UK government's decision to reverse planned reductions in corporation tax.

In addition to these cases of upward and downward discretion made at the end of the performance period, four (six in 2021) companies made adjustments to 'in-flight' LTI targets, i.e., for those awards which are still partway through their respective performance periods; all of these followed acquisitions or disposals.

PSP pay-outs over time

A number of PSP pay-outs in the year remained impacted by performance during the pandemic; nevertheless, generally improved out-turns returned quartile levels close to longer-term norms.

Figure 24: **PSP pay-outs from 2013—2022 (% of maximum opportunity)**



Types of plans

The most prevalent long-term incentive plan type continues to be the PSP; 87% of plans operated in the FTSE 250 are PSPs. The next most prevalent are restricted shares (RSP) (9%) with the remainder made up predominantly of single variable (SVP) and value creation (VCP) plans.

Figure 25: **Number of LTIPs operated**

	FTSE 101-150	FTSE 151-350	FTSE 250
No plans	8%	6%	7%
One plan	89%	91%	91%
Two plans	3%	2%	2%

Maximum PSP opportunity

PSP opportunities in FTSE 250 companies are broadly unchanged since last year.

Figure 26: **Maximum PSP opportunity for CEO (% of base salary)**

	Lower quartile	Median	Upper quartile
FTSE 101-150	200%	200%	250%
FTSE 151-350	150%	200%	200%
FTSE 250	150%	200%	236%

Figure 27: **Maximum PSP opportunity for CFO (% of base salary)**

	Lower quartile	Median	Upper quartile
FTSE 101-150	165%	200%	210%
FTSE 151-350	150%	175%	200%
FTSE 250	150%	175%	200%

Exceptional PSP maximums

Thirty percent of companies that operate a PSP in the FTSE 250 disclose an exceptional award maximum in their policy. This is typically 25% to 33% above the usual maximum PSP opportunity.

Maximum RSP opportunity

Figure 28: **Maximum RSP opportunity for CEO (% of base salary)**

	Lower quartile	Median	Upper quartile
FTSE 250	100%	100%	125%

Maximum RSP opportunities are generally in line with investor expectations of a 50% discount from PSP levels.

PSP performance measures

Figure 29 shows that, despite a small dip (down 4% since last year), TSR (or other market-based measures) continues to be the most common measure used in FTSE 250 PSPs. However, thirty-eight percent of companies now incorporate one or more environmental, social and governance (ESG) measures in their PSPs; this represents a 67% increase from 2021. Excluding underpins and modifiers, the median overall weighting of all ESG measures for the CEO is 20% of the PSP, unchanged since last year. Although we observe increased prevalence of almost all ESG categories, this has been most pronounced amongst environment and sustainability metrics which can now be found in almost one-third of FTSE 250 PSPs (*Figure 30*).

Figure 29: **Prevalence of performance measures (by measure category)**

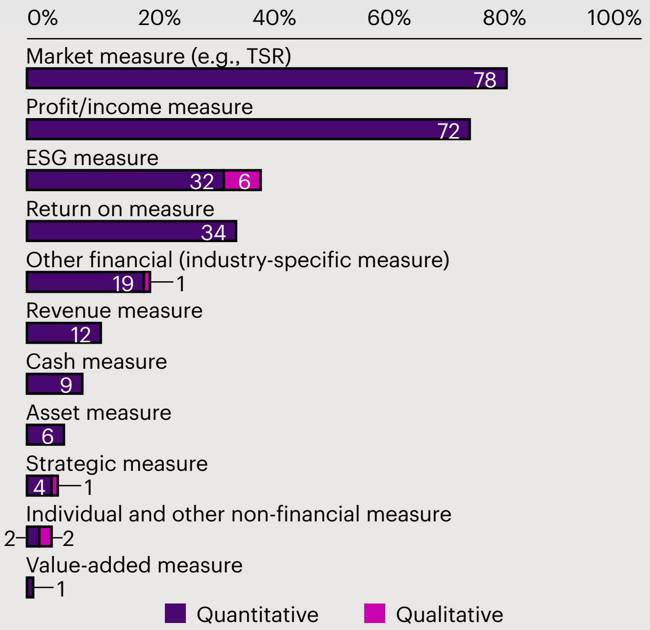
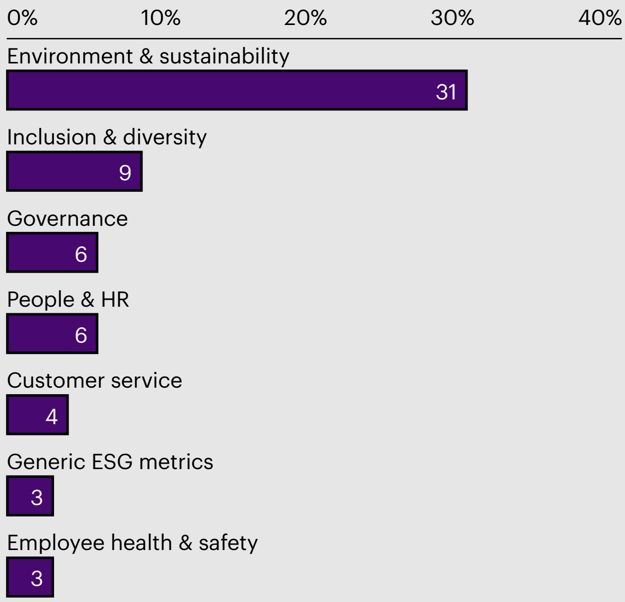


Figure 30: **Prevalence of ESG performance measures**



PSP time horizons

Ninety-eight percent of companies in the FTSE 250 have a total time horizon (i.e., performance plus holding periods) of at least five years. Ninety-nine percent of companies in the FTSE 250 operate a holding period on the PSP.

Figure 31: **Length of performance period**

	FTSE 101-150	FTSE 151-350	FTSE 250
Three years	86%	97%	95%
Four years	4%	0%	1%
Five years	4%	1%	2%
More than five years	7%	2%	3%

Figure 32: **Length of holding period**

	FTSE 101-150	FTSE 151-350	FTSE 250
One year	7%	2%	3%
Two years	89%	96%	95%
Three years	0%	0%	0%
More than three years	0%	1%	1%
Until SOG is met	0%	1%	1%
No holding period	4%	0%	1%

Malus and clawback

Malus and clawback provisions are also virtually universal in FTSE 250 LTI plans:

- 99% of companies have the ability to operate malus; and
- 97% have the ability to operate clawback.

The most common practice is for clawback provisions to be operated for two years after the shares have vested.

Common triggers for malus and clawback closely mirror those of the annual bonus and include misstatement of financial results, damage to reputation, serious misconduct and miscalculation of any performance condition. Similar to last year, we have observed around 10% of companies strengthening clawback/malus provisions and extending their triggers.

Single figure

CEO single figure

The median CEO single figure in the FTSE 250 has increased by 37% since last year and is now above long-term median levels.

We would advise caution in using the single figure as an indication of excess/restraint in relation to quantum, given the significant impact of company performance and share price on the out-turn.

Figure 33: **CEO single figure total compensation in 2022**

	Lower quartile	Median	Upper quartile
FTSE 101-150	£1,603k	£2,571k	£3,859k
FTSE 151-350	£1,208k	£1,696k	£2,515k
FTSE 250	£1,318k	£1,768k	£2,683k

Figure 34: **CEO total remuneration from 2013-2022**

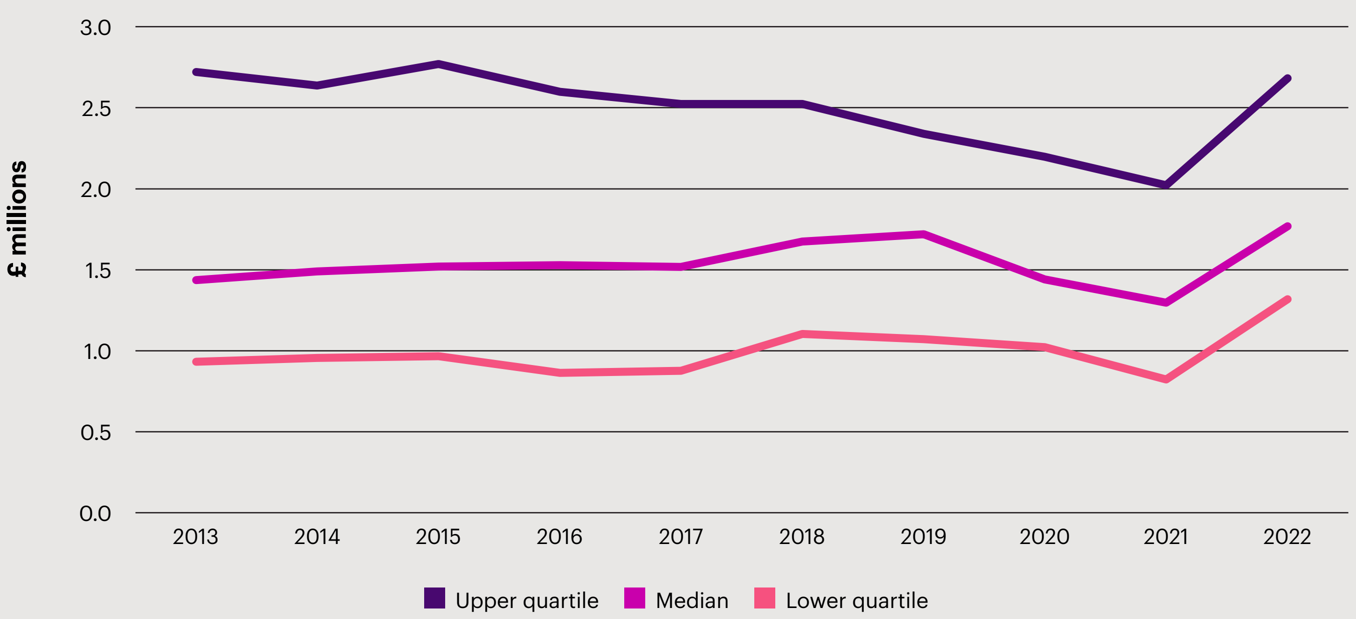
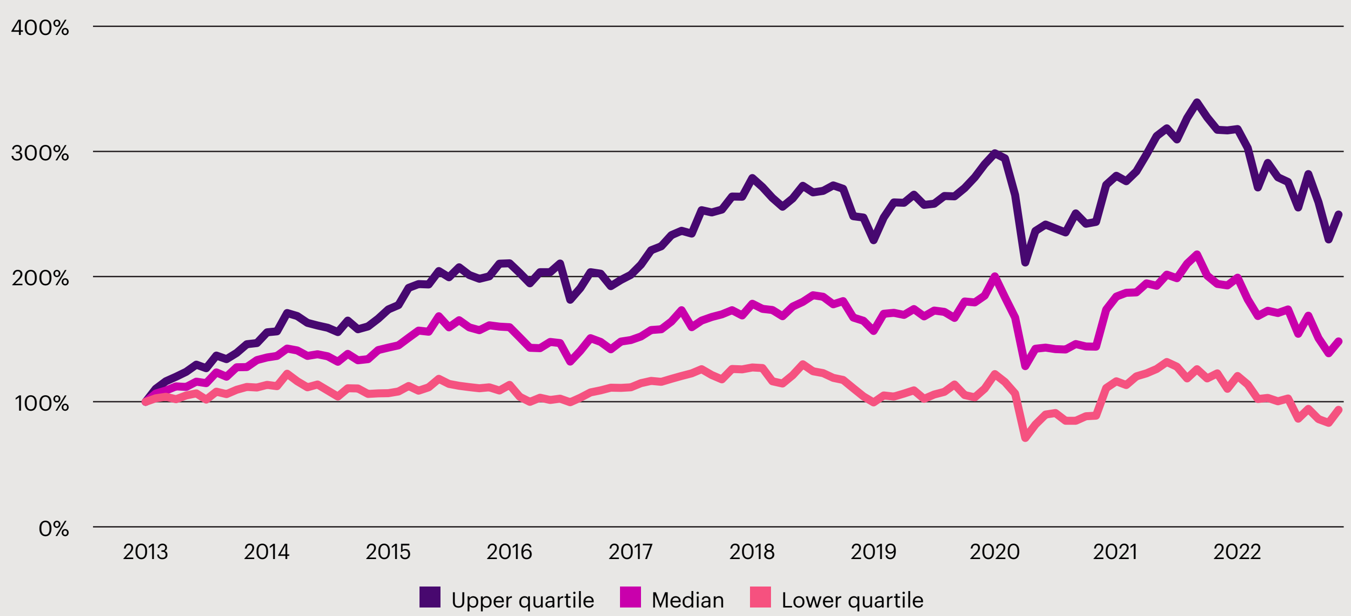


Figure 35: **Total shareholder return (TSR) performance from 2013-2022**



Shareholding guidelines

The figures below set out the level of shareholding guidelines in the FTSE 250, and two sub-sets thereof, for both the CEO and CFO roles; these are virtually unchanged since last year. Around 30% of companies in the FTSE 250 have a higher guideline for the CEO than other EDs.

Around half of FTSE 250 companies disclose a time period over which the shareholding should be built. Of those that disclose this information, the most common time period for compliance is five years (over 85% of companies).

Figure 36: **Shareholding guidelines for CEO role (% of base salary)**

	Lower quartile	Median	Upper quartile
FTSE 101-150	200%	250%	300%
FTSE 151-350	200%	200%	250%
FTSE 250	200%	200%	250%

Figure 37: **Shareholding guidelines for CFO role (% of base salary)**

	Lower quartile	Median	Upper quartile
FTSE 101-150	200%	200%	200%
FTSE 151-350	200%	200%	200%
FTSE 250	200%	200%	200%

Actual median shareholdings

In recent years, median actual shareholdings for FTSE 250 CEOs have generally been higher than the guidelines. However, actual shareholdings this year (*Figure 38*) are lower than last year (around 45% lower in the case of CEOs in the FTSE 101-150) due to a combination of index/incumbent changes and some significant share price falls reducing the value of holdings (as a % of salary).

Figure 38: **Actual median shareholdings for CEOs and CFOs (% of base salary)**

	CEO	CFO
FTSE 101-150	205%	135%
FTSE 151-350	365%	80%
FTSE 250	310%	95%

Post-cessation shareholding guidelines

Around 95% of companies in the FTSE 250 now operate post-cessation shareholding guidelines and around 60% of those are compliant with the IA guideline of 100% of the in-employment guideline (or actual shareholding on departure, if lower) for two years post cessation. Where companies do not comply with the IA guideline, the requirement typically applies on a phased basis (in two-thirds of cases) or the guideline is lower post-cessation than in-employment.

Non-executive director market data

The figures below set out fee levels paid to non-executive directors (NEDs) in the FTSE 101-150, FTSE 151-350 and FTSE 250.

The chairman is typically paid an all-inclusive fee for all responsibilities, based on company size, time commitment and role responsibilities. Chairman fees *(Figure 39)* have typically increased by around 4% at median since last year, a little above increases for the wider workforce.

NEDs are typically paid a base fee for board membership, with additional fees for other responsibilities such as chairing a board committee.

Figure 39: **Chairman fee**

	Lower quartile	Median	Upper quartile
FTSE 101-150	£229,000	£288,000	£347,000
FTSE 151-350	£188,000	£225,000	£266,000
FTSE 250	£194,000	£235,000	£290,000

Figure 40: **Basic non-executive director fee**

	Lower quartile	Median	Upper quartile
FTSE 101-150	£55,000	£63,000	£71,000
FTSE 151-350	£53,000	£57,000	£62,000
FTSE 250	£54,000	£58,000	£65,000

Figure 41: **Senior independent director fee**

	Lower quartile	Median	Upper quartile
FTSE 101-150	£10,000	£11,500	£16,000
FTSE 151-350	£10,000	£10,000	£12,500
FTSE 250	£10,000	£10,000	£14,500

Basic NED fees have increased by around 2-4% at most quartiles, while senior independent director premia are unchanged at median. Audit, Remuneration and Nomination committee chairmanship fees have typically increased by around 4-5%, although their respective membership fees are broadly unchanged.

Whilst ESG committee fees, both chairmanship and membership, are broadly similar to last year, there has been a continued increase in the prevalence of ESG committees; around 40% of FTSE 250 companies now have ESG committees, up from around a quarter in 2021.

Figure 42: **Median committee fee levels and prevalence**

Audit committee				
	Chairman fee	Chairman fee prevalence*	Member fee	Member fee prevalence*
FTSE 101-150	£17,000	95%	£10,000	38%
FTSE 151-350	£11,000	94%	£5,000	21%
FTSE 250	£12,500	94%	£6,500	25%

Remuneration committee				
	Chairman fee	Chairman fee prevalence*	Member fee	Member fee prevalence*
FTSE 101-150	£16,000	92%	£7,500	39%
FTSE 151-350	£11,000	94%	£5,000	22%
FTSE 250	£12,000	93%	£6,000	26%

Nominations committee				
	Chairman fee	Chairman fee prevalence*	Member fee	Member fee prevalence*
FTSE 101-150	£13,500	25%	£6,000	28%
FTSE 151-350	£10,500	33%	£5,000	16%
FTSE 250	£11,500	31%	£5,000	19%

ESG committee				
	Chairman fee	Chairman fee prevalence*	Member fee	Member fee prevalence*
FTSE 101-150	£15,000	94%	£6,000	44%
FTSE 151-350	£12,000	83%	£5,000	22%
FTSE 250	£13,000	86%	£5,000	27%

* Companies paying fees as a percentage of companies with the respective committee in place.

About WTW
At WTW (NASDAQ: WTW), we provide data-driven, insight-led solutions in the areas of people, risk and capital. Leveraging the global view and local expertise of our colleagues serving 140 countries and markets, we help you sharpen your strategy, enhance organisational resilience, motivate your workforce and maximise performance. Working shoulder to shoulder with you, we uncover opportunities for sustainable success — and provide perspective that moves you. Learn more at wtwco.com.

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