

FTSE 250 and SmallCap Companies Non-Executive Director Fees in 2017

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Foreword

Welcome to PwC's 2017 review of Non-executive Director (NED) fees in FTSE 250 companies and FTSE SmallCap companies (SMC). This report provides a summary of fee levels and fee increases for Chairman, NEDs, Committee Chairman and Committee Members.

In previous years, we stated that although companies are moving towards annual reviews resulting in lower NED base fee increases, the rise in compliance, governance and accountability that continue to impact on NEDs' time commitment, will eventually have an upward pressure on fees. Our latest analysis indicates that there may be a movement towards this trend in the FTSE 250 companies. In 2017, base NED fees increased by a median of 4%, rising from 3% in 2016. We also found that of the 50% of the FTSE 250 companies that increased NED fees in 2016, one-half also increased fees in 2017. Conversely, median NED base fee in SMC companies increased only to 2%, having remained static at 3% both in 2016 and in 2015. Median total fee of SMC Chairmen, on the other hand, improved from 3% in 2016 to 5% in 2017.

Government are increasing pressure on organisations to demonstrate an understanding of and responsiveness to, developments in society in areas such as diversity & inclusion and with reference to 'fairness'. The Financial Reporting Council (FRC) is currently consulting on a number of proposals that could add another layer to NEDs' responsibilities. For example, if the proposal goes through, NEDs serving on remuneration committees will be expected to do more to demonstrate that they consider not only the pay of executive directors and senior employees but also take account of pay within the company. Moreover, they will need to actively explain the differentials on quantum and the format of remuneration for executive directors and employees as a whole. Clearly, to avoid a boilerplate, minimum compliance approach, NEDs will need to rethink remuneration issues and analyse company pay data.

As well as fee rates, this report looks at female representation in NED positions in FTSE 250. Although progress has been slower than their FTSE 100 counterparts, the proportion of female NEDs increased to 28% last year from 26% in 2016. There is no doubt that gender imbalance at board level is being addressed, but there is still a way to go before such diversity filters through to some of the key senior NED positions. For example, we found, that while the number of women chairing Remuneration Committees has improved in FTSE 250, less than 5% held the position of Non-executive Company Chairman. However, board diversity is not just about gender and ethnicity. It also includes talent, experience and skills. For example, companies are increasingly considering requirements for new board members and how they ensure they have candidates with the appropriate technological and digital skills.

The past decade has seen the role of NED evolve rapidly and the speed of change seems likely to increase. During this journey, the concept of the generalist non-executive director may change as the number and weight of the tasks they undertake multiply. NEDs may have to specialise to cope with this workload and to help manage their personal risk. One consequence of this could be that NEDs have fewer but better remunerated appointments.

This report sets out a summary of NED fees data as well as trends which I hope you will find helpful. Should you require tailored data to benchmark Non-executive Directors in your company, please do not hesitate to contact me or any of my colleagues.



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Data Snapshot

This report provides an analysis of Non-Executive fee levels and trends in FTSE 250 and SMC companies in 2017.

The following roles are covered:

- Chairman
- Deputy Chairman
- NED
- Senior Independent Director (SID)

Committee chairmanship and membership fees are also presented. Unless otherwise stated, all figures shown are median values. Where '-' is shown there is insufficient information to show market data.

Summary of fee levels and fee increases in FTSE 250 companies in 2017

FTSE 250 role	£'000 median fee level	% Median increase (where made)*
Chairman (total fee)	210	5
Deputy Chairman (total fee)	125	-
NED (base fee)	53	4
SID (additional fee)	10	20
Audit Committee Chairman (additional fee)	10	11
Remuneration Committee Chairman (additional fee)	10	13
Nomination Committee Chairman (additional fee)	10	35
Risk Committee Chairman (additional fee)	14	22
Other Committee Chairman (additional fee)	12	25
Audit Committee Member (additional fee)	5	11
Remuneration Committee Member (additional fee)	5	20
Nomination Committee Member (additional fee)	5	20
Risk Committee Member (additional fee)	5	-
Other Committee Member (additional fee)	8	20
% of companies increasing Chairman fees		48
% of companies increasing NED base fees		47
Summary of fee levels and additional fees are shown on page 9		

Summary of fee levels and fee increases in SMC companies in 2017

SMC role	£'000 median fee level	% Median increase (where made)*
Chairman (total fee)	135	5
Deputy Chairman (total fee)	79	-
NED (base fee)	44	2
SID (additional fee)	6	2
Audit Committee Chairman (additional fee)	8	9
Remuneration Committee Chairman (additional fee)	8	20
Nomination Committee Chairman (additional fee)	8	-
Audit Committee Member (additional fee)	4	-
Remuneration Committee Member (additional fee)	4	-
<p><i>*Insufficient number of companies provided Nomination Committee Member fees to calculate median fee levels and median % increase.</i></p> <p><i>Summary of fee levels and additional fees are shown on page 14.</i></p>		



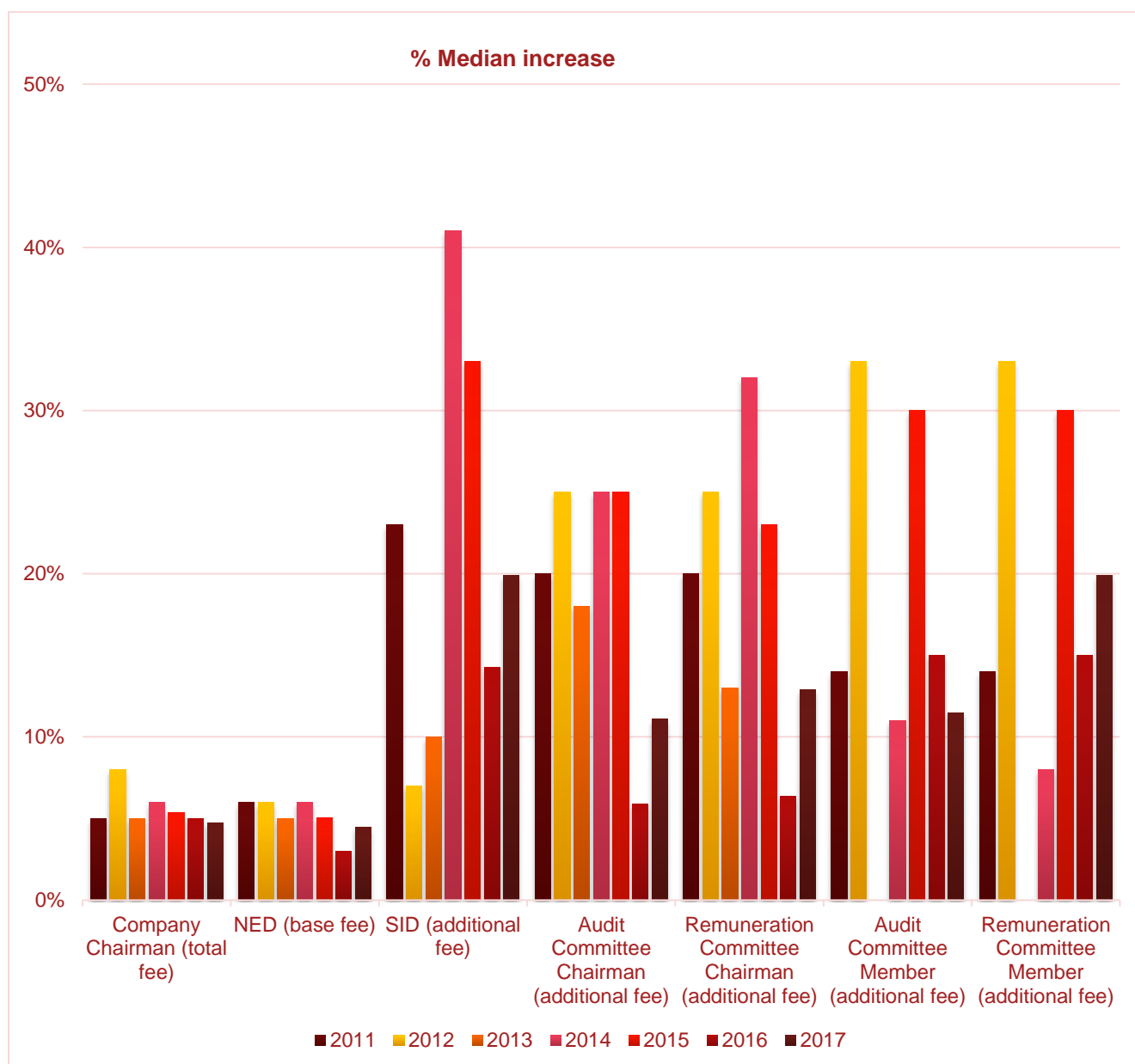
Fee increases in financial (FS) and non-financial (ex-FS) services sectors in FTSE 250

A breakdown of fee increases by NED roles in FS and ex-FS shows that in 2017, Company Chairmen received higher increases in FS compared with their ex-FS counterparts. Conversely, increases in SIDs' and Remuneration Committee Chairmen additional fees were higher in ex-FS compared to the FS sector.

% Median increase where made*						
	2017			2016		
FTSE 250 role	250	FS	Ex-FS	250	FS	Ex-FS
Company Chairman (total fee)	5%	15%	4%	5%	8%	4%
NED (base fee)	4%	5%	4%	3%	3%	3%
SID (additional fee)	20%	7%	20%	14%	4%	18%
Audit Committee Chairman (additional fee)	11%	12%	11%	6%	4%	6%
Remuneration Committee Chairman (additional fee)	13%	7%	18%	6%	8%	6%
Audit Committee Member (additional fee)	11%	-	20%	15%	9%	-
Remuneration Committee Member (additional fee)	20%	-	20%	15%	9%	-

FTSE 250 fee increases over the past seven years

The following chart shows median fee increases (where increases have been made) for selected Non-Executive roles in FTSE 250 companies over the last seven years. This shows that the lowest level of median fee adjustments for NED base fees and additional fees for Chairmen of Audit and Remuneration committees, were in 2016.

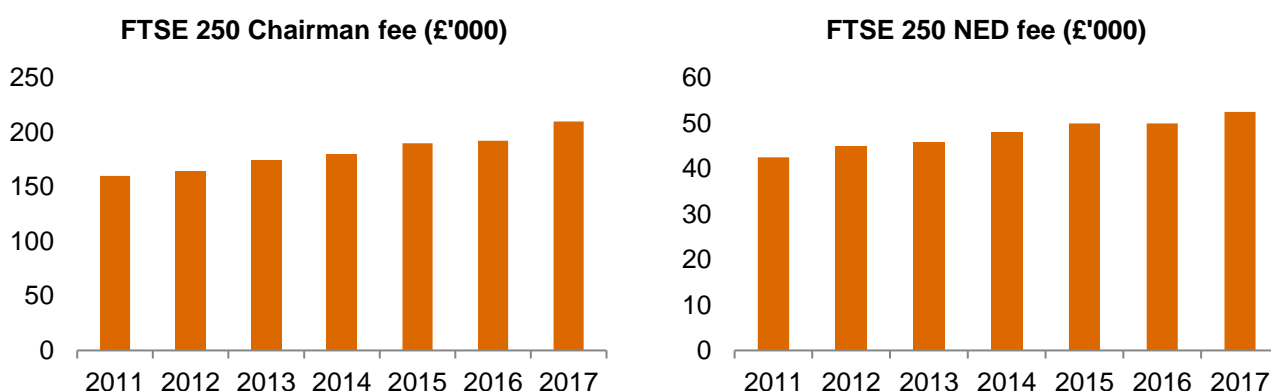


**Insufficient number of companies provided increase levels for Audit Committee Member fee and Remuneration Committee Member fee in 2013.*

FTSE 250 fee levels over the past 7 years

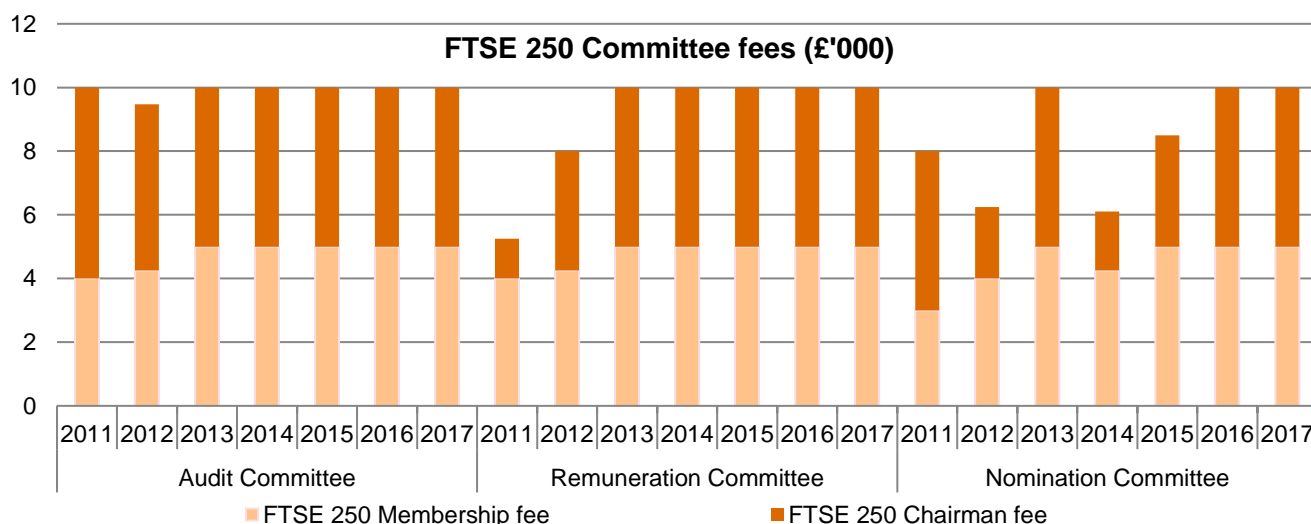
Chairman and NED base fees

The following charts show median fee levels for Non-Executive roles in FTSE 250 companies over the last seven years. Chairman fees show a significant increase in 2017 on prior years, while NED base fee levels increased slightly having remained static over the previous two years.



Committee fees

Committee Chairmanship and Membership fees in FTSE 250 companies have remained static in 2017.



Summary of fee levels and additional fees in FTSE 250

An aggregate summary of NED fee levels and additional fees for extra responsibilities in 2017 are shown in the tables below.

Fee levels and additional fees for main Non-Executive positions			
Position	Lower quartile £'000	Median £'000	Upper quartile £'000
Chairman	170	210	271
NED (base fee)	49	53	60
SID (additional fee)	6	10	12

Committee Chairman's additional fees			
Position	Lower quartile £'000	Median £'000	Upper quartile £'000
Audit Committee	10	10	15
Remuneration Committee	9	10	13
Nomination Committee	8	10	12
Risk Committee	10	14	20
Other Committee	10	12	15

Committee Member's additional fees			
Position	Lower quartile £'000	Median £'000	Upper quartile £'000
Audit Membership	5	5	10
Remuneration Membership	5	5	10
Nomination Membership	4	5	6
Risk Membership	5	5	10
Other Membership	5	8	10

Other information

Shareholding requirements and payment in shares in FTSE 250

The Investment Association's (IA) Principles of Remuneration encourages Non-Executive Directors to own shares in the company on whose board they sit. The IA also states that NEDs may receive part of their fees in shares bought at market price.

Based on our analysis of disclosed information, 11 FTSE 250 companies have shareholding requirements for the Chairman and 10 for NEDs. The requirement ranges from 50% to 200% of fees and 55% of these companies set their requirement at 100% of fees.

Only five FTSE 250 companies pay a percentage of fees (between 20% and 50%) in shares.

Benefits policy

The percentage of companies in FTSE 250 that provide additional benefits are detailed in the table below.

FTSE 250	Eligibility (% of companies)	
	Chairman	NED
Bonus	0	0
LTIs	1	1
Pension	0	0
Medical insurance	9	2
Permanent health insurance	1	0
Life assurance	2	0
Financial advice	1	1
Car benefit	7	2

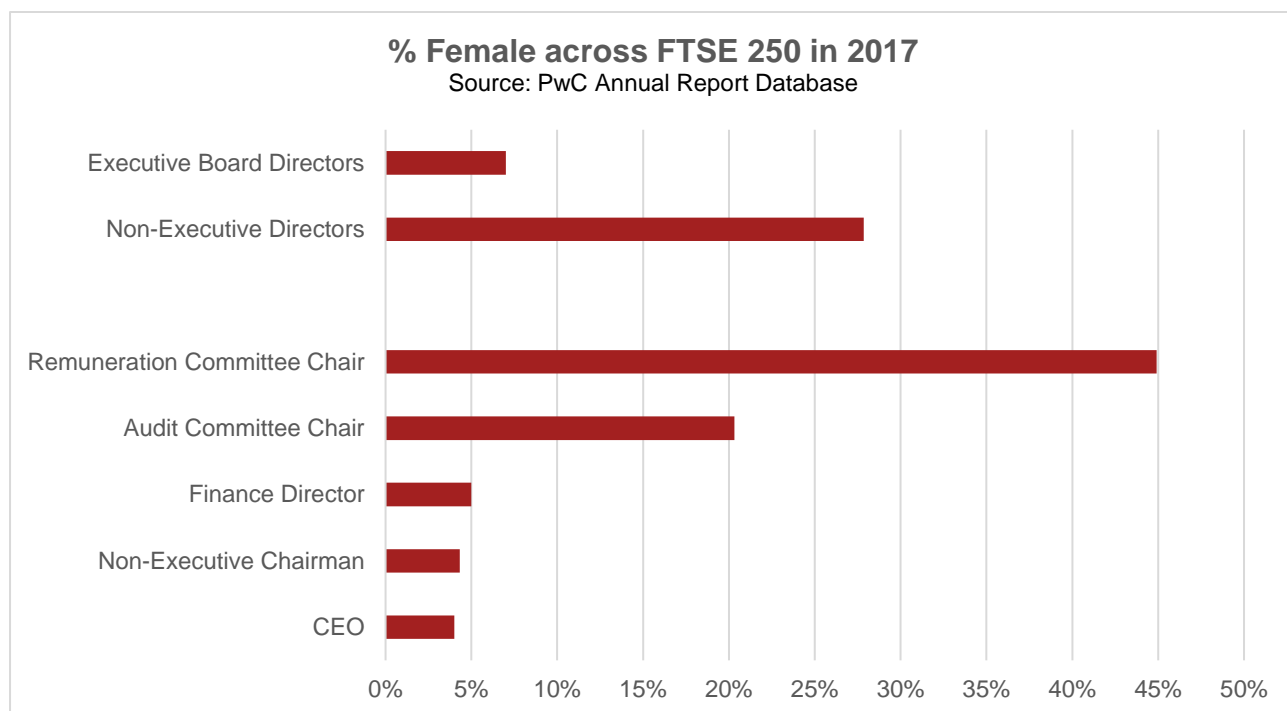
Gender representation

There has been a steady progress in the increase of women directors on the board of FTSE 250 companies.

In 2017, the percentage of women holding Non-Executive directorships in FTSE 250 was 28% increasing from 26% in 2016. The table also shows that female NEDs have fared better than their executive counterparts – only 7% of women are executive directors.

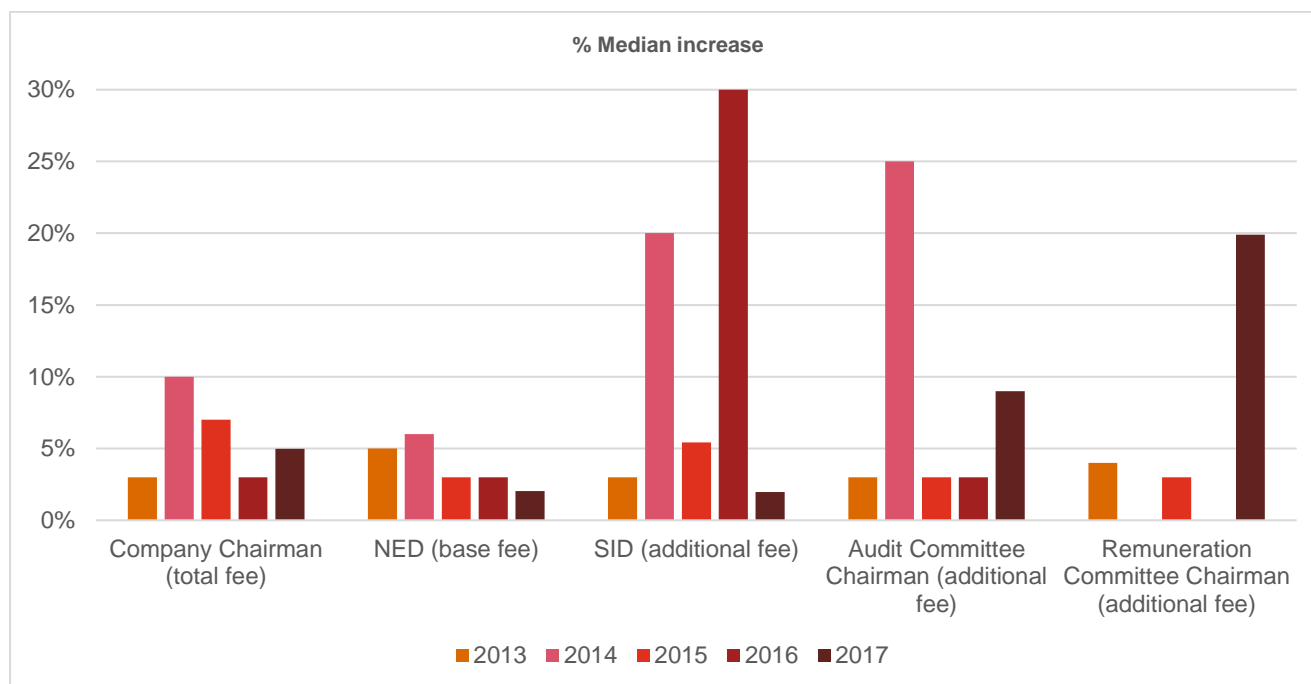
The average age of female NEDs in FTSE 250 is 56 compared to 61 for male NEDs.

The chart below shows the percentage of female in key board positions in FTSE 250 companies.



FTSE SMC fee increases over the past five years

The following chart shows median fee increases for Non-Executive roles in FTSE SMC companies over the last five years where increases have been made. This shows that the median fee increase for Chairmen rose in 2017 compared to 2016 level.

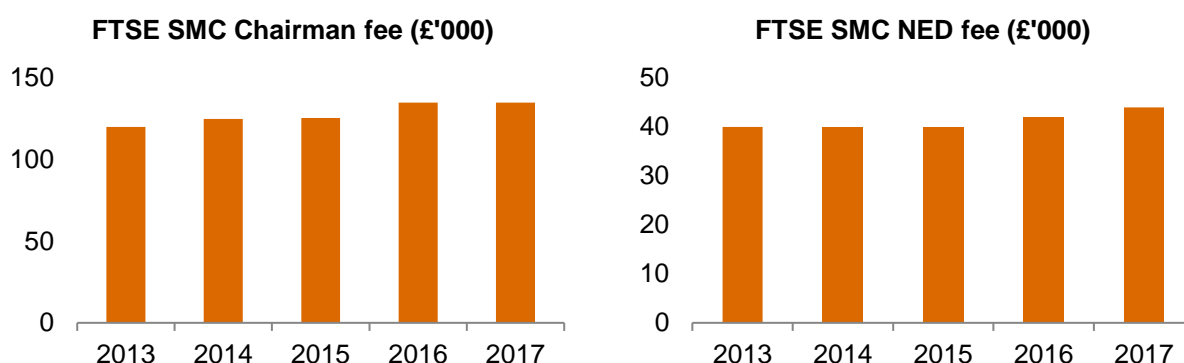


**Insufficient number of companies provided increase levels for Remuneration Committee Chairman fees in 2014 and 2016.*

FTSE SMC fee levels over the past 5 years

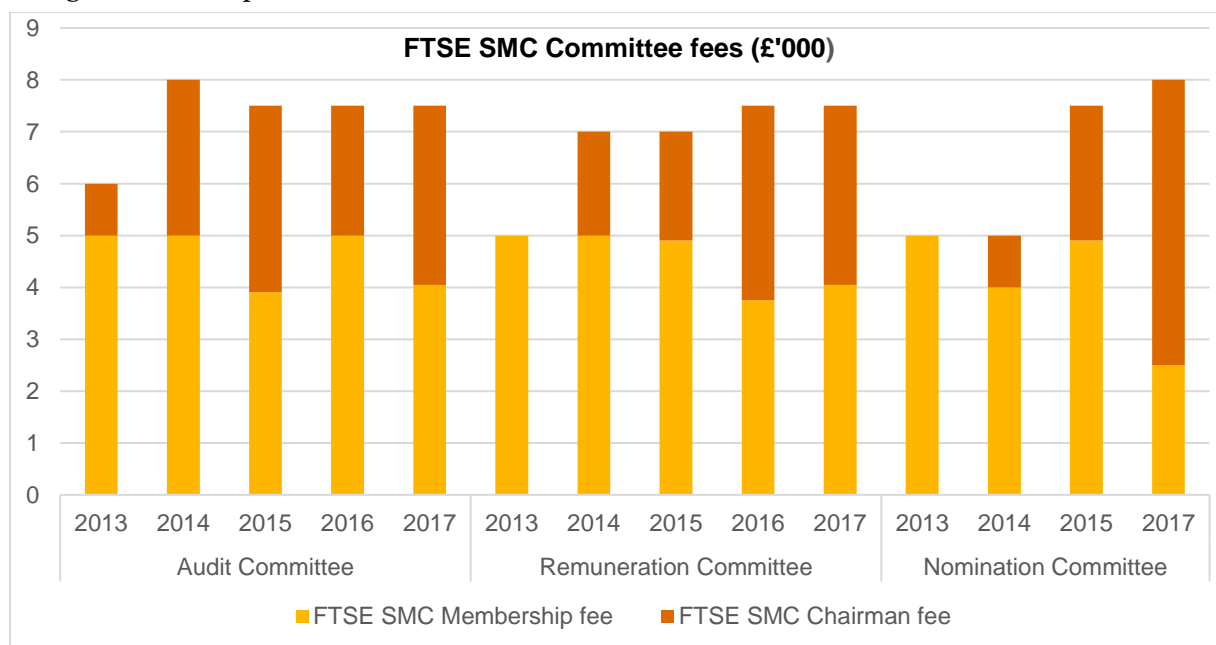
Chairman and NED base fees

The following charts show median fee levels for NED roles in FTSE SMC companies over the last five years. Chairman fees remain static whilst Non-Executive fees show a slight increase on prior years.



Committee fees

Nomination Committee Chairmen saw an increase in fee levels. In part this is explained by the constituent change in SMC companies.



**Insufficient number of companies provided increase levels for Nomination Committee Chairman and Membership fees in 2016 as well as Remuneration and Nomination Committee Chairmen fees in 2013.*

Summary of fee levels and additional fees in SMC

Fee levels and additional fees for Non-Executive roles in FTSE SMC companies			
Position	Lower quartile £'000	Median £'000	Upper quartile £'000
Chairman	110	135	167
NED (base fee)	40	44	50
SID (additional fee)	5	6	10
Committee Chairman			
Audit	5	8	10
Remuneration	5	8	10
Nomination	5	8	10
Committee Member			
Audit	3	4	5
Remuneration	3	4	5
Nomination	3	3	5

Appendix: Contacts

To discuss any of the findings in this report, please contact our Reward Research team or your usual PwC contact.

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