

FTSE 100

Non-Executive Director fees in 2017

February 2018



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Foreword

Welcome to PwC's 2017 review of Non-executive Director (NED) fees in FTSE 100 companies. 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 of NED fees indicates that this trend may have started. In 2017, base NED fees increased by a median of 5% in FTSE 100 companies, representing a rise from 3% in 2016 and the same in 2015. We also found that of the 40% of companies that increased NED fees in 2016, one-half also increased fees in 2017.

Chairman fees also showed a steady increase from previous years with a median increase at 5% in 2017, compared to 4% in 2016 and 3% in 2015. There were noticeable fee increases in other senior NED roles too. For example, where adjustments were made, additional fees of Senior Independent Directors increased by a median of 17% in 2017 compared to 6% in 2016. Additional fees at Audit and Remuneration Committee Chairmen levels also increased by a median of 17% each from 8% in 2016.

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. At 34%, the percentage of female NEDs in the FTSE 100 is at an all-time high. There is no doubt that gender imbalance at board level is being addressed but there is still a way to go before such diversity is also found in key senior NED positions. For example we found, that while the number of women chairing Remuneration Committees has improved in FTSE 100, only 6% held the position of Non-executive Company Chairmen. 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 100 companies.

The following roles are covered:

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

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

FTSE100 role	£'000 Median fee level	% Median increase (where made)*
Chairman (total fee)	401	5
Deputy Chairman (total fee)	110	2
NED (base fee)	70	5
SID (additional fee)	20	17
Audit Committee Chairman (additional fee)	24	17
Remuneration Committee Chairman (additional fee)	20	17
Nomination Committee Chairman (additional fee)	19	20
Risk Committee Chairman (additional fee)	30	18
Other Committee Chairman (additional fee)	20	17
Audit Committee Member (additional fee)	15	17
Remuneration Committee Member (additional fee)	13	18
Nomination Committee Member (additional fee)	10	20
Risk Committee Member (additional fee)	15	-
Other Committee Member (additional fee)	12	20
% of companies increasing Chairman fees		50
% of companies increasing NED base fees		49
Summary of fee levels and additional fees are shown on page 6		

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

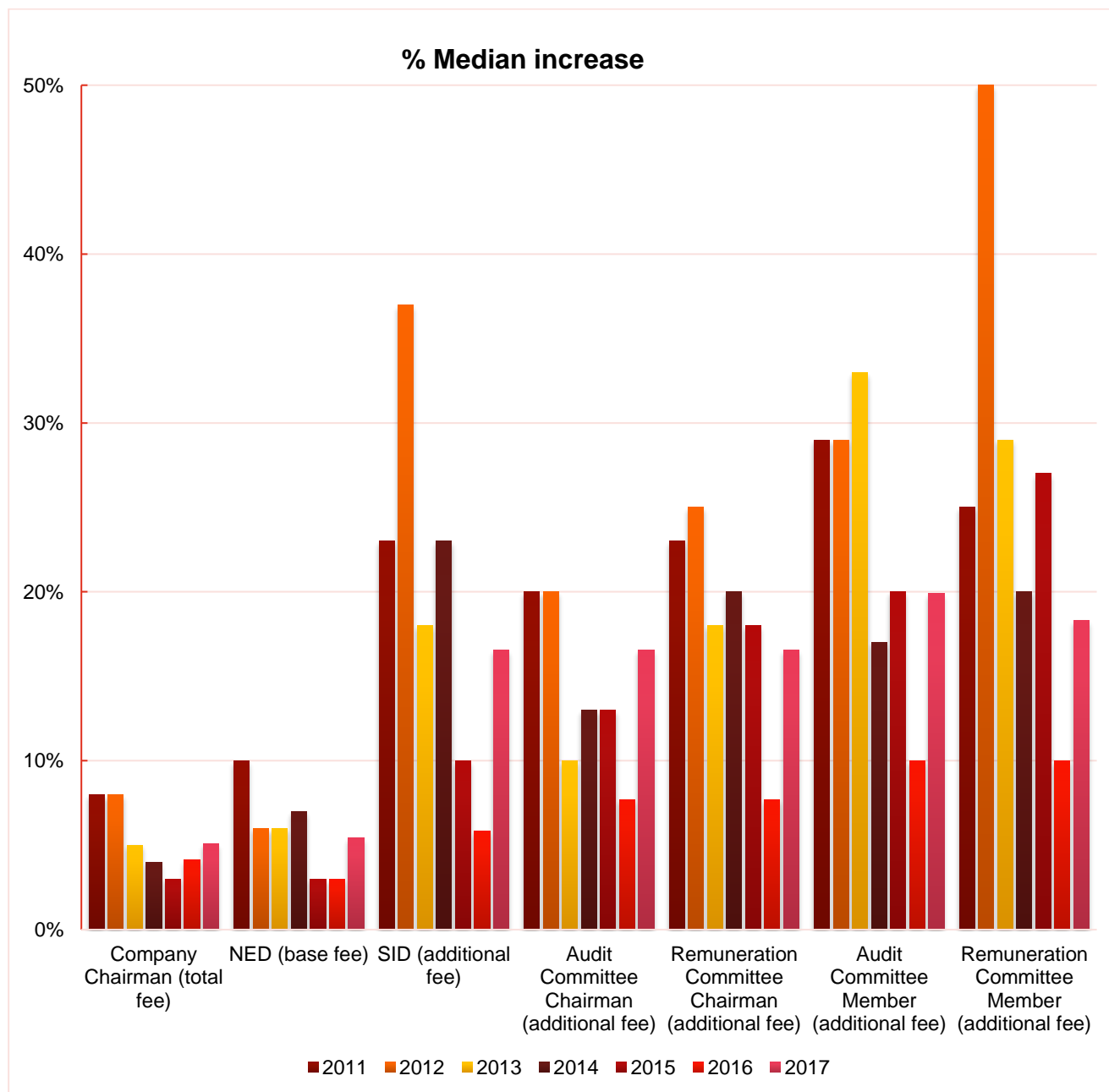
A breakdown of fee increases by NED roles in financial services (FS) and non-FS (ex-FS) sectors shows that, in 2017, the median increase in additional fees for Audit Committee Chairmen was lower in FS compared with their ex-FS counterparts. Members of both Audit and Remuneration Committees in the ex-FS sectors also received higher increases than those in the FS sector.

% Median increase (where made)						
		2017			2016	
FTSE 100 role	100	FS	Ex-FS	100	FS	Ex-FS
Company Chairman (total fee)	5%	4%	6%	4%	7%	3%
NED (base fee)	5%	5%	6%	3%	3%	3%
SID (additional fee)	17%	20%	17%	6%	5%	7%
Audit Committee Chairman (additional fee)	17%	12%	17%	8%	20%	6%
Remuneration Committee Chairman (additional fee)	17%	17%	17%	8%	20%	6%
Audit Committee Member (additional fee)	20%	7%	20%	10%	8%	20%
Remuneration Committee Member (additional fee)	18%	7%	20%	10%	10%	11%



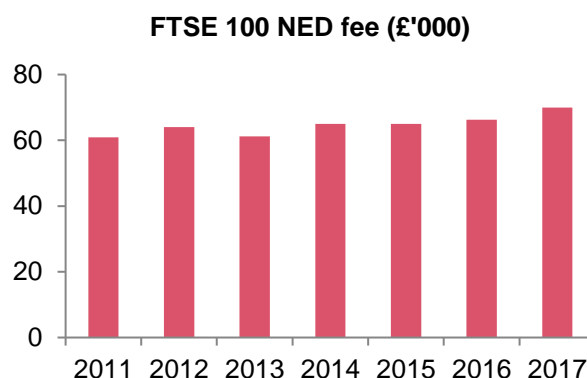
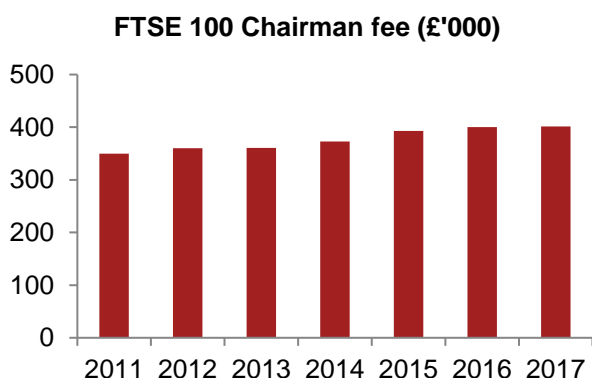
Fee increases over the past seven years

The following chart shows median fee increases (where increases have been made) for non-executive roles in the FTSE 100 over the last seven years. This shows that unlike in 2016, median fees increased across all main NED roles in 2017.



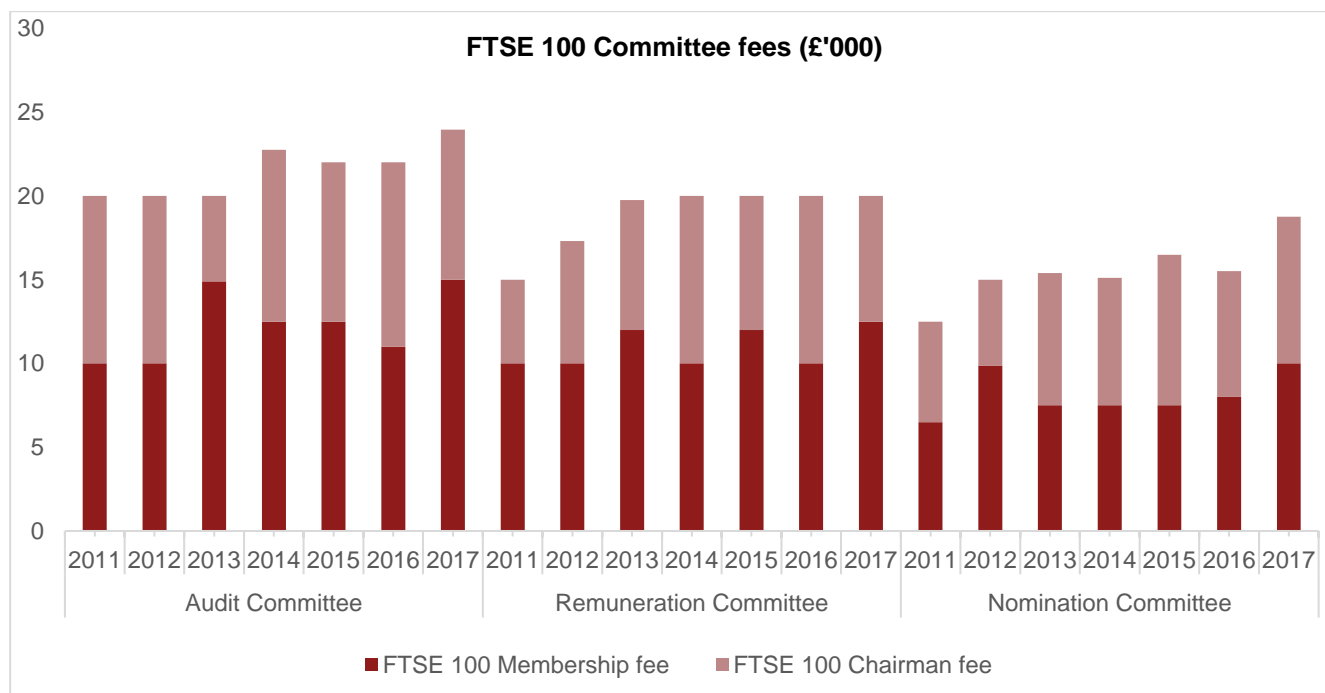
Fee levels over the past seven years

The following charts show median fee levels for Company Chairman and Non-executive roles in the FTSE 100 over the last seven years. NED base fees show a slight increase on prior years, while the median fee for Chairman has remained more or less static.



Committee fees

Committee Membership fees in FTSE 100 companies have increased slightly in 2017. Conversely, there was a marginal drop in Committee Chairmanship fees with the exception of Nomination Committee Chairman.



Summary of fee levels and additional fees

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

Fee levels and additional fee for main non-executive positions			
Position	Lower quartile £'000	Median £'000	Upper quartile £'000
Chairman	321	401	594
Deputy Chairman	100	110	163
NED (base fee)	60	70	77
SID (additional fee)	11	20	30

Committee Chairman's additional fees			
Position	Lower quartile £'000	Median £'000	Upper quartile £'000
Audit Committee	17	24	31
Remuneration Committee	15	20	30
Nomination Committee	13	19	21
Risk Committee	20	30	60
Other Committee	13	20	30

Committee Member's additional fees			
Position	Lower quartile £'000	Median £'000	Upper quartile £'000
Audit Membership	10	15	22
Remuneration Membership	8	13	20
Nomination Membership	7	10	12
Risk Membership	10	15	29
Other Membership	8	12	20

Other information

Shareholding requirements and payment in shares

The Investment Association's (IA) Principles of Remuneration encourage Non-executive Directors to own shares in the company. 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, 20 companies in the FTSE 100 have shareholding requirements for Chairmen and 21 for NEDs. The requirement ranges from 30% to 200% of fees, but over three quarters of these companies set their requirement at 100% of fees.

Only six FTSE 100 companies pay a percentage of fees (typically 25%) in shares.

Benefits policy

The percentage of companies in the FTSE 100 that provide additional benefits are detailed in the table below.

FTSE 100 Benefit type	Eligibility (% of companies)	
	Chairman	NED
Bonus	0	0
LTIs	0	1
Pension	2	1
Medical insurance	22	6
Permanent health insurance	5	2
Life assurance	5	1
Financial advice	12	9
Car benefit	27	5

Gender representation

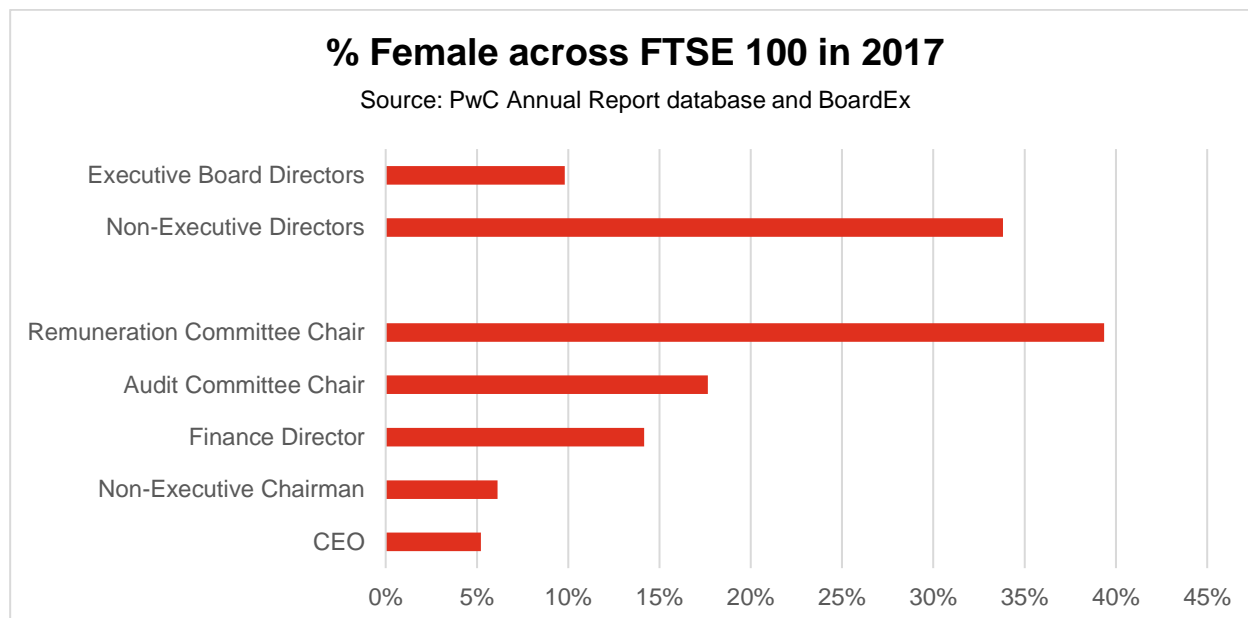
In 2017, the percentage of all women on FTSE 100 board was 27%, which represents a slight improvement from 26% in 2016.

The percentage of Non-executive Directorships held by women in the FTSE 100 in 2017 was 34%, increasing from 31.4% in 2016.

Women have fared better at Remuneration Committee level and 39% of Remuneration Committee Chairs are women. The number of women in Non-executive Company Chairman position remains low at 6%.

The average age of female NEDs in the FTSE 100 is 58 compared to 62 for male NEDs.

The chart below shows the percentage of women in key board positions in FTSE 100 companies.



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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