

FTSE 100

Non-Executive Director Fees in 2015

January 2016



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Foreword

Welcome to the PwC's 2015 Review of Non-Executive Director (NED) fees for the FTSE 100 in which we report on trends for the roles of Non-Executive Chairman and Directors based on data published during 2015.

In last year's survey, we commented on a trend towards annual reviews and more regular increases in fees – a move away from the traditional 'periodic' fee reviews, where fees were typically reviewed and adjusted every two or three years. We have seen this trend continue, although practice remains mixed. In the last financial year, of the 62% of companies that disclosed information on the timing of reviews, 56% conduct annual reviews of NED fees.

In 2015, we found that nearly two-thirds of FTSE 100 organisations reviewed fees but only around half of these made changes and this has resulted in little change in the overall fee levels. The most notable trend in 2015 was a fall in the size of increases made. We are now seeing typical increases in NED fees more in-line with those awarded to Executive Directors and the broader employee population. In 2015, median NED base fees and Chairmanship fees in FTSE 100 companies increased by 3%, compared to 11% in 2010 and 7% in 2014. This lower level of increase is in part a reflection of the move to an annual review schedule, but given that a proportion of the FTSE 100 still carry out a review less frequently it remains to be seen whether this trend will persist.

In fact, there are a number of upward pressures which may filter through to future fee reviews. Increasing regulation and responsibilities are impacting NEDs' workload every year. The role of both Audit and Remuneration Committee Chairmen are now both high profile and carry significant responsibility. Another example is the Senior Managers and Certification Regime (SMCR) for financial services firms, which comes into force in March 2016. This will further raise the profile and accountability of certain NED roles, specifically the Chairman of the Board, Senior Independent Director and Chairmen of the Risk, Audit and Remuneration Committees.

In addition to fee rates, in this report, we also looked at female representation in NED positions. Achieving the right gender balance is increasingly one of the principal requirements of a modern board structure. We found the percentage split of NED roles by gender to be 70% male and 30% female in FTSE 100 companies compared to less than 15% in 2010. While this surpasses the original Davies Report target of 25% (now increased to 33%), this has not yet translated into appointment of women in the most senior NED roles. For example, we found that there were only two female Chairs on the board of FTSE 100 companies.

We believe there will be a continued focus on diverse board composition, not just in terms of gender but also background, experience and skills, which given the increasing demands on these roles, will be critical. Compliance, governance and regulations will mean further significant time commitment across all industries and all size of companies. These issues could further influence both the attractiveness of roles and the supply of NEDs with the right skills and experience who undertake a number of non-executive positions and perhaps ultimately fees for an increasingly challenging role.



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Executive summary

This report provides an analysis of non-executive fee levels and trends in FTSE 100 companies.

The following roles are covered:

- Chairman
- Deputy Chairman
- Non-Executive Director (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.

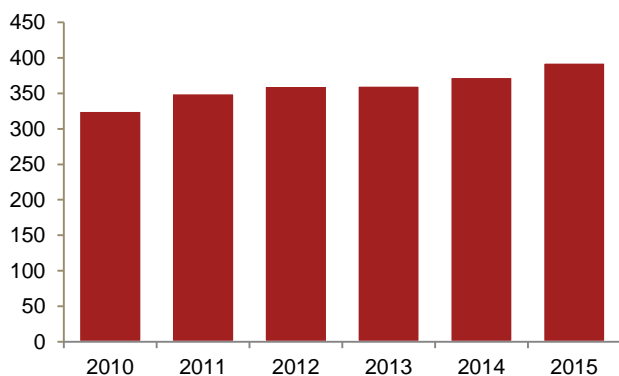
FTSE100 role	£'000 median fee level	% Median increase (where made)*
Chairman (total fee)	393	3%
Deputy Chairman (total fee)	105	2%
NED (base fee)	65	3%
SID (additional fee)	20	10%
Audit Committee Chairman (additional fee)	22	13%
Remuneration Committee Chairman (additional fee)	20	18%
Nomination Committee Chairman (additional fee)	16	40%
Audit Committee Member (additional fee)	13	20%
Remuneration Committee Member (additional fee)	12	27%
Nomination Committee Member (additional fee)	8	—
% of companies increasing Chairman fees		43%
% of companies increasing NED base fees		36%
% of companies making changes to Committee fees		35%
Average gender ratio	70% male/30% female	
Number of companies with Female Chairs	2	
% of companies requiring shareholding by NEDs		19%
% of companies making payment in shares		8%

* Details of the percentage of companies making changes are on page 5.

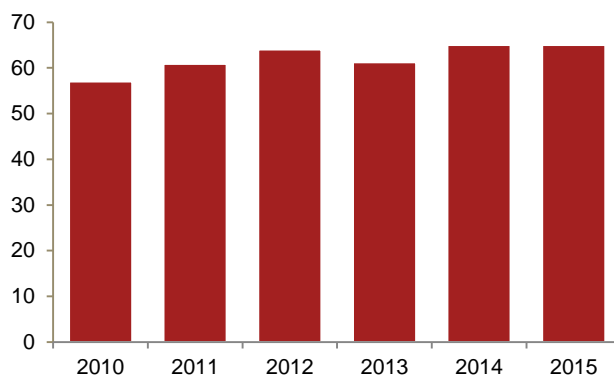
Fee levels over the past six years

The following charts show median fee levels for non-executive roles in FTSE 100 over the last six years. Chairman fees show a slight increase on prior years but the median base fee is unchanged for Non-Executive Directors.

FTSE 100 Chairman fee (£'000)

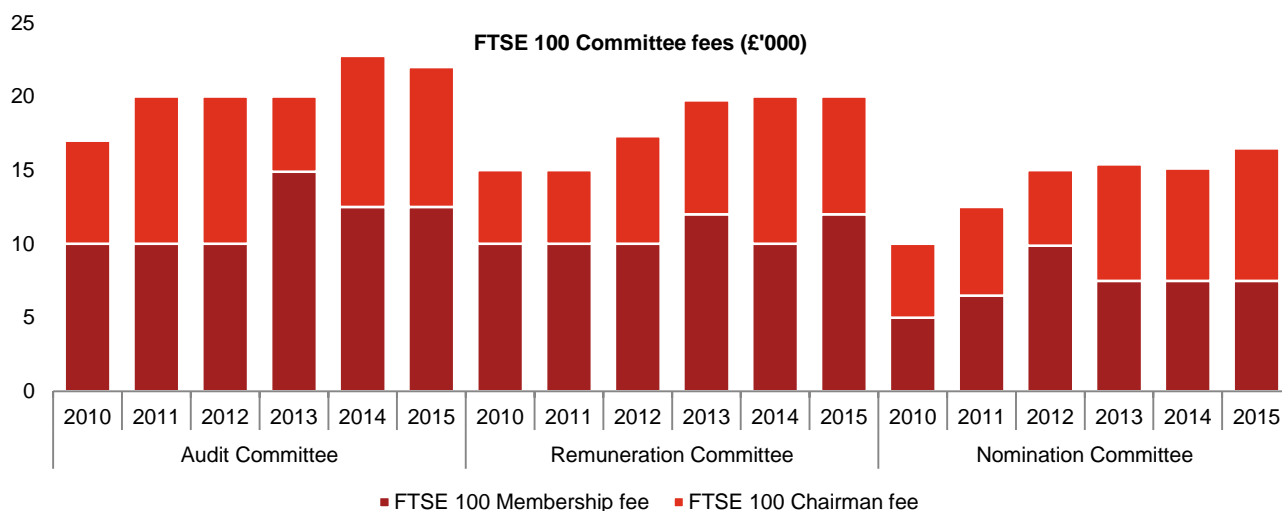


FTSE 100 NED fee (£'000)



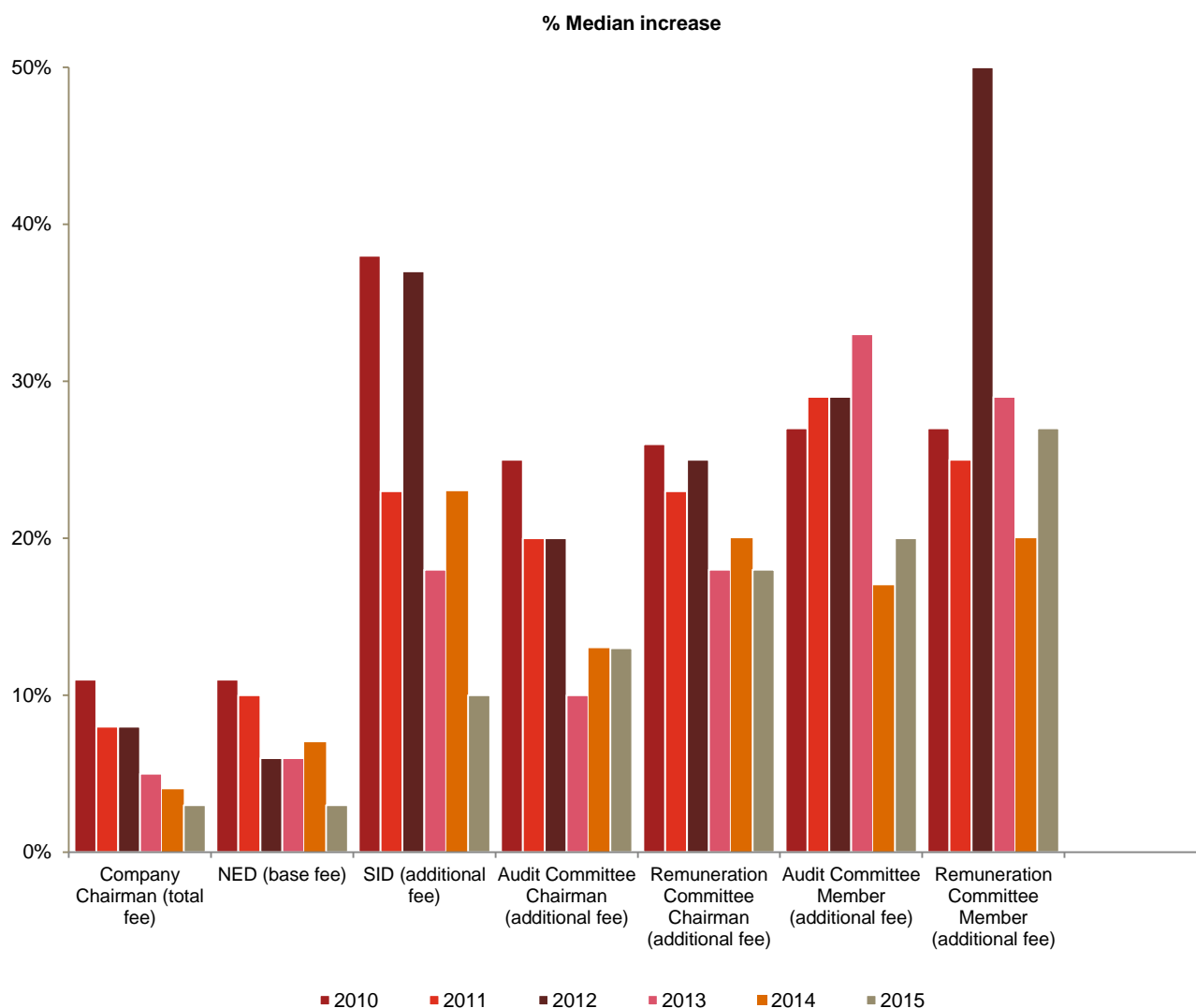
Committee fees

Committee chairmanship and membership fees in FTSE 100 companies have remained broadly static in 2015, with the exception of median Remuneration Committee membership fees which have increased by £2,000 and Nominations Committee chairman fees which increased by £1,000 at the median.



Fee increases over the past six years

The following chart shows median fee increases for non-executive roles in FTSE 100 companies over the last six years where increases have been made. This shows the lowest level of median fee adjustments were in 2015.



Fee increases in 2015

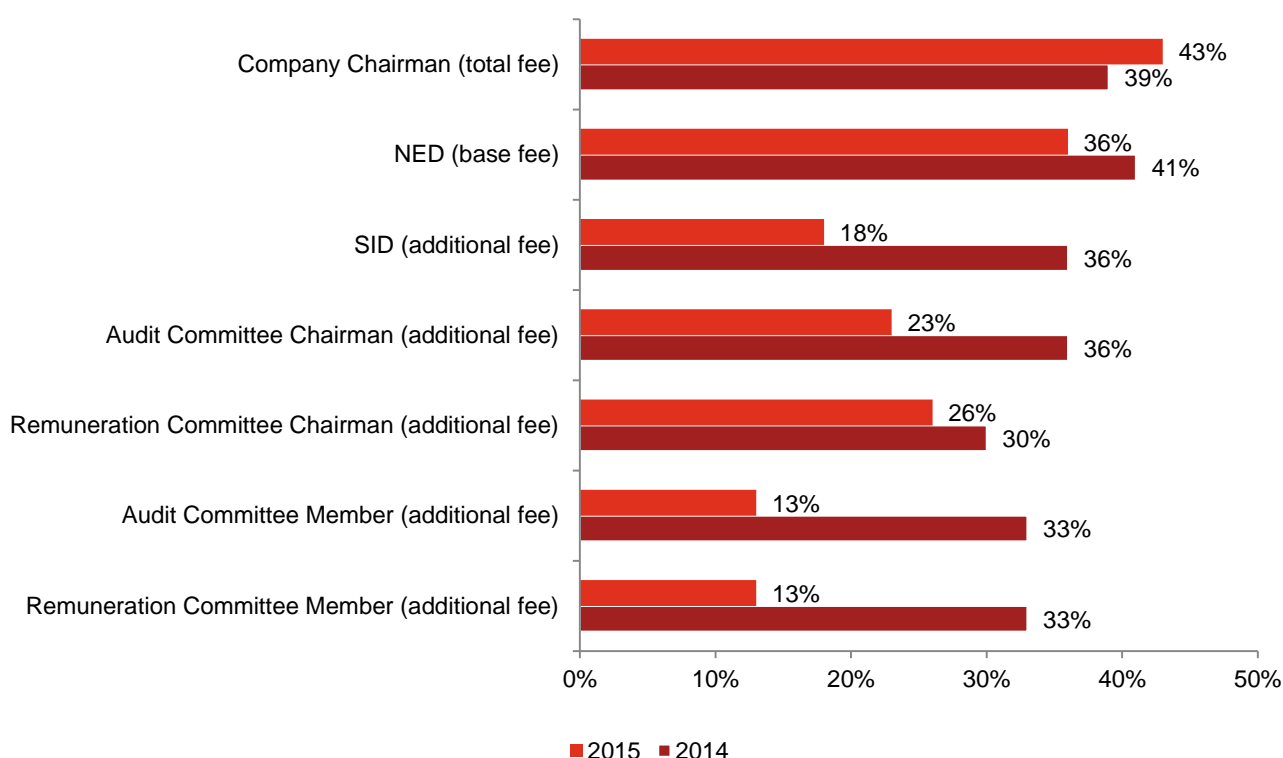
2015 saw a fall in the number of companies making fee increases for NEDs but an increase in those making changes to Chairman fees.

43% of companies increased Chairman fees in 2015 compared to 39% in 2014, as shown in the graph below.

Of these, 39% of companies increased fees in both 2014 and 2015. A further 18% of companies increased fees for Chairmen in 2013, 2014 and 2015.

For NEDs, of the 36% making changes in 2015, 15 companies adjusted fees in the last two years and 6 companies adjusted fees in all of the last three years.

% of companies making increases by role



Annual reviews

There is no requirement for companies to disclose the frequency of NED fee reviews. However, in the last financial year, 62% companies disclosed that they conducted a review. Of this, 56% have an annual review policy.

Chairman total fee and Deputy Chairman base fee levels

The following tables show fee levels for non-executive roles in FTSE 100 companies. There has been little change in these figures since last year, although the overall Chairman fee level increased by 5%. Notably, the largest increases have been outside of the financial services sector. Only 15% companies have Deputy Chairmen, so while the fee level has fallen from 2014, it is due to changes in the small sample.

Chairman				Deputy Chairman		
FTSE 1-30						
£'000	1-30	1-30 ex FS	1-30 FS	1-30	1-30 ex FS	1-30 FS
Lower quartile	490	486	588	99	–	–
Median	616	675	700	105	105	–
Upper quartile	700	660	738	179	–	–
FTSE 1-50						
£'000	1-50	1-50 ex FS	1-50 FS	1-50	1-50 ex FS	1-50 FS
Lower quartile	400	419	373	100	102	–
Median	525	500	625	108	108	–
Upper quartile	658	650	738	250	218	–
FTSE 51-100						
£'000	51-100	51-100 ex FS	51-100 FS	51-100	51-100 ex FS	51-100 FS
Lower quartile	257	257	284	–	–	–
Median	320	300	338	101	105	–
Upper quartile	382	377	378	–	–	–
FTSE 100						
£'000	100	100 ex FS	100 FS	100	100 ex FS	100 FS
Lower quartile	310	300	330	97	98	–
Median	393	400	370	105	106	100
Upper quartile	550	525	515	183	174	–

Key: ex FS = excluding financial services; FS = financial services only

NED base fee and Senior Independent Director additional fee levels

As noted earlier in this review, NED base fees have not changed significantly since last year. SID fees are also largely unchanged.

NED (base fee)				SID (additional fee)		
FTSE 1-30						
£'000	1-30	1-30 ex FS	1-30 FS	1-30	1-30 ex FS	1-30 FS
Lower quartile	71	73	68	23	21	30
Median	83	84	73	30	27	35
Upper quartile	92	91	86	31	30	48
FTSE 1-50						
£'000	1-50	1-50 ex FS	1-50 FS	1-50	1-50 ex FS	1-50 FS
Lower quartile	65	67	65	20	20	25
Median	73	75	70	26	25	35
Upper quartile	90	89	86	30	30	48
FTSE 51-100						
£'000	51-100	51-100 ex FS	51-100 FS	51-100	51-100 ex FS	51-100 FS
Lower quartile	52	52	54	10	10	10
Median	58	58	59	12	12	10
Upper quartile	64	63	66	20	20	18
FTSE 100						
£'000	100	100 ex FS	100 FS	100	100 ex FS	100 FS
Lower quartile	58	58	59	11	12	10
Median	65	65	65	20	20	20
Upper quartile	78	80	71	27	25	33

Key: ex FS = excluding financial services; FS = financial services only

Committee fees

The following tables show additional committee fee levels both for committee chairs and committee members by type of committee.

Audit Committee

Chairman				Member		
FTSE 1-30						
£'000	1-30	1-30 ex FS	1-30 FS	1-30	1-30 ex FS	1-30 FS
Lower quartile	25	25	48	13	12	18
Median	30	30	50	20	17	25
Upper quartile	44	35	65	20	20	30
FTSE 1-50						
£'000	1-50	1-50 ex FS	1-50 FS	1-50	1-50 ex FS	1-50 FS
Lower quartile	22	21	30	10	10	11
Median	30	26	50	17	15	23
Upper quartile	35	30	65	20	20	30
FTSE 51-100						
£'000	51-100	51-100 ex FS	51-100 FS	51-100	51-100 ex FS	51-100 FS
Lower quartile	15	13	19	5	5	5
Median	16	15	20	9	8	9
Upper quartile	20	20	30	12	11	12
FTSE 100						
£'000	100	100 ex FS	100 FS	100	100 ex FS	100 FS
Lower quartile	15	15	20	8	8	10
Median	22	20	30	13	13	13
Upper quartile	30	30	48	20	20	24

Key: ex FS = excluding financial services; FS = financial services only

Remuneration Committee

Chairman				Member		
FTSE 1-30						
£'000	1-30	1-30 ex FS	1-30 FS	1-30	1-30 ex FS	1-30 FS
Lower quartile	25	25	43	11	10	16
Median	28	25	50	15	14	25
Upper quartile	35	30	60	20	15	30
FTSE 1-50						
£'000	1-50	1-50 ex FS	1-50 FS	1-50	1-50 ex FS	1-50 FS
Lower quartile	20	20	30	10	10	11
Median	25	25	50	14	13	23
Upper quartile	30	28	60	19	15	30
FTSE 51-100						
£'000	51-100	51-100 ex FS	51-100 FS	51-100	51-100 ex FS	51-100 FS
Lower quartile	13	12	14	5	4	5
Median	15	15	20	6	6	8
Upper quartile	20	20	30	10	8	12
FTSE 100						
£'000	100	100 ex FS	100 FS	100	100 ex FS	100 FS
Lower quartile	15	15	18	8	6	10
Median	20	20	30	12	11	13
Upper quartile	29	25	45	15	15	20

Key: ex FS = excluding financial services; FS = financial services only



Nomination Committee

Chairman				Member		
FTSE 1-30						
£'000	1-30	1-30 ex FS	1-30 FS	1-30	1-30 ex FS	1-30 FS
Lower quartile	18	17	43	8	8	8
Median	20	20	50	9	9	10
Upper quartile	25	22	60	10	10	14
FTSE 1-50						
£'000	1-50	1-50 ex FS	1-50 FS	1-50	1-50 ex FS	1-50 FS
Lower quartile	16	15	30	8	8	7
Median	20	20	50	10	9	10
Upper quartile	23	22	60	11	10	15
FTSE 51-100						
£'000	51-100	51-100 ex FS	51-100 FS	51-100	51-100 ex FS	51-100 FS
Lower quartile	8	8	14	4	3	–
Median	13	9	20	5	4	5
Upper quartile	19	18	30	5	5	–
FTSE 100						
£'000	100	100 ex FS	100 FS	100	100 ex FS	100 FS
Lower quartile	10	10	18	5	5	5
Median	16	17	30	8	8	8
Upper quartile	20	20	45	10	10	13

Key: ex FS = excluding financial services; FS = financial services only



Risk Committee

The absence of quartile data is because Risk Committees are found in only 15 FTSE 100 companies.

Chairman		Member	
FTSE 1-30			
£'000	1-30	1-30 FS	1-30 FS
Lower quartile	–	–	–
Median	50	50	23
Upper quartile	–	–	–
FTSE 1-50			
£'000	1-50	1-50 FS	1-50 FS
Lower quartile	30	30	10
Median	50	50	20
Upper quartile	60	60	30
FTSE 51-100			
£'000	51-100	51-100 FS	51-100 FS
Lower quartile	20	20	–
Median	25	25	11
Upper quartile	30	30	–
FTSE 100			
£'000	100	100 FS	100 FS
Lower quartile	25	25	10
Median	30	30	13
Upper quartile	50	50	25

Key: ex FS = excluding financial services; FS = financial services only



Other Committee

Examples include CSR, Ethics and Health and Safety Committees.

Chairman				Member		
FTSE 1-30						
£'000	1-30	1-30 ex FS	1-30 FS	1-30	1-30 ex FS	1-30 FS
Lower quartile	20	20	–	10	9	–
Median	25	24	43	12	10	24
Upper quartile	31	28	–	18	13	–
FTSE 1-50						
£'000	1-50	1-50 ex FS	1-50 FS	1-50	1-50 ex FS	1-50 FS
Lower quartile	20	20	–	10	10	–
Median	25	21	45	12	12	25
Upper quartile	33	27	–	18	13	–
FTSE 51-100						
£'000	51-100	51-100 ex FS	51-100 FS	51-100	51-100 ex FS	51-100 FS
Lower quartile	10	8	13	5	–	–
Median	13	10	16	5	5	5
Upper quartile	16	13	19	5	–	–
FTSE 100						
£'000	100	100 ex FS	100 FS	100	100 ex FS	100 FS
Lower quartile	13	12	16	6	6	5
Median	20	20	35	10	10	13
Upper quartile	28	25	43	14	12	25

Key: ex FS = excluding financial services; FS = financial services only



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 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, 17 companies in the FTSE 100 have shareholding requirements for the Chairman and 18 for NEDs. The requirement ranges from 30% to 200% of fees but three quarters of these companies set their requirement at 100% of the fees.

Based on our analysis of disclosed information, eight FTSE 100 companies pay a percentage of fees (typically 25%) in shares.

Gender representation

The split of non-executive roles by gender in the FTSE 100 is 70% male and 30% female. This has increased from 15% in 2010. We note the following:

FTSE 100	
% of companies with female Chair	2%
% of companies with female Committee Chair	26%
Average (Mean) % of female NEDs	30%
Average (Mean) total number of NEDs	8

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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