



PEOPLE SERVICES

KPMG's Guide to Directors' Remuneration 2013

kpmg.co.uk

HIGHLIGHTS

THE KEY HIGHLIGHTS OF THIS YEAR'S GUIDE ARE:

BASIC SALARY

The number of companies with a basic salary freeze remains broadly similar to last year. This year, around 17 percent of chief executives did not receive a pay rise. Where increases were given these were more in line with those seen across the broader employee population, with a median of between three and four percent.

ANNUAL BONUS AND DEFERRED ANNUAL BONUS

Annual bonus payments remained fairly flat within the FTSE 100 but increased slightly in the FTSE 250. The number of zero bonus payments has also remained broadly the same, with eight percent of FTSE 350 directors receiving no bonus this year.

Some form of deferral continues to feature in most plans. Following the trend that has developed over the last two years, this tends to be compulsory deferral and without any form of matching award.

LONG TERM INCENTIVES

The level of grants under performance share plans has also remained relatively static, with median awards of 200 percent of basic salary for directors of FTSE 100 companies and 150 percent of basic salary for directors of FTSE 250 companies.

REGULATORY

The new regulations in respect of disclosure and voting on directors' pay have been finalised. These take effect from 1 October 2013 and many companies partially adopted the new approach in their latest annual report.

SHAREHOLDERS

Shareholder dissent remained at a relatively low level for most companies with an average vote against remuneration reports of seven percent.

SUMMARY FINDINGS

FTSE 100

The tables below summarises median market practice in FTSE 100 companies for chief executives, finance directors and other executive directors, as reported in this guide.

	Chief Executive	Finance Director	Other Executive Directors
Salary increase	3%	3%	3%
Basic salary (£000s)	851	510	522
Annual bonus			
Maximum bonus (percentage of salary)	180%	160%	160%
Total bonus (percentage of maximum)	60%	71%	70%
Total bonus (percentage of salary)	119%	113%	118%
Most common performance measure	Individual performance/ profit	Individual performance/ profit	Individual performance/ profit
Deferred bonus			
Maximum permitted deferral (percentage of annual bonus)	50%	50%	50%
Typical matching ratio, if applicable	1:1 / 2:1	1:1 / 2:1	1:1 / 2:1
Deferral period	3 years	3 years	3 years
Performance share plans			
Maximum award (percentage of salary) ¹	200%	200%	200%
Actual award (percentage of salary) ¹	200%	191%	200%
Realised LTIP gains (£'000)	1,781	1,154	1,360
Most common performance measure	TSR* relative to comparator group and EPS growth	TSR* relative to comparator group and EPS growth	TSR* relative to comparator group and EPS growth
Share option plans			
Actual gains (percentage of salary) ²	55%	74%	61%
Actual grant (percentage of salary) ¹	250%	289%	300%
Total earnings (£000s) ³	3,217	1,948	2,291

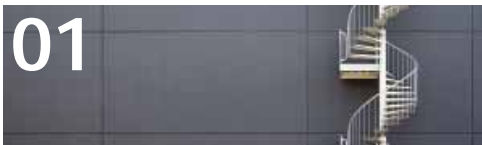








1 Face value of award.
2 The cash value of any share options actually exercised during the year, not the value of any conditional grants that may vest sometime in the future.
3 Includes benefits, total bonus and cash value of PSP awards vested and share options exercised in the year.
* Total shareholder return.

FTSE 250

The table below summarises median market practice in FTSE 250 companies for chief executives, finance directors and other executive directors, as reported in this guide.

	Chief Executive	Finance Director	Other Executive Directors
Salary increase	3%	4%	3%
Basic salary (£000s)	465	309	279
Annual bonus			
Maximum bonus (percentage of salary)	125%	120%	120%
Total bonus (percentage of maximum)	67%	65%	60%
Total bonus (percentage of salary)	93%	75%	83%
Most common performance measure	Individual performance/ profit	Individual performance/ profit	Individual performance/ profit
Deferred bonus			
Maximum permitted deferral (percentage of annual bonus)	50%	50%	50%
Typical matching ratio, if applicable	1:1 / 2:1	1:1 / 2:1	1:1 / 2:1
Deferral period	3 years	3 years	3 years
Performance share plans			
Maximum award (percentage of salary) ¹	150%	150%	150%
Actual award (percentage of salary) ¹	150%	136%	143%
Realised LTIP gains	833	418	370
Most common performance measure	TSR* relative to comparator group and EPS growth	TSR*relative to comparator group and EPS growth	TSR* relative to comparator group and EPS growth
Share option plans			
Actual gains (percentage of salary) ²	56%	72%	27%
Actual grant (percentage of salary) ¹	202%	180%	308%
Total earnings (£000s) ³	1,286	773	767

CONTENTS

01		INTRODUCTION	2
02		THE REMUNERATION LANDSCAPE	4
03		MARKET DATA OVERVIEW	14
04		CHIEF EXECUTIVE	20
05		FINANCE DIRECTOR	28
06		OTHER EXECUTIVE DIRECTORS	36
07		INCENTIVES	44
08		NON-EXECUTIVE DIRECTORS	50
		APPENDIX: METHODOLOGY	56

01



INTRODUCTION

THIS GUIDE ANALYSES TRENDS IN FTSE 350 DIRECTORS' PAY. IT COVERS BASIC PAY AND INCENTIVES, BOTH SHORT AND LONG-TERM. WE ALSO LOOK AT SOME OF THE WIDER FACTORS THAT IMPACT THE EXECUTIVE PAY LANDSCAPE AND HOW THESE HAVE CHANGED OVER THE YEAR.

This guide is designed to provide you with an insight into trends in market practice in remuneration for executive and non executive directors in FTSE 350 companies.

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 new long-term incentive plans.

This guide is structured to show the 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, as far as possible based on current disclosures, followed the proposed approach to calculating a single figure for remuneration. This does not include pension figures which are not currently included in the emoluments table. From next year, with the new single figure disclosure, the impact of pensions on total reward will be much clearer. For many individuals the impact is likely to be significant, and this is an issue shareholders will pay close attention to.

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 March 2013. The analysis of long term incentive plans also includes information from shareholder communications on new plans and amendments to existing plans put forward for approval at AGMs until 31 August 2013.

USE OF THIS GUIDE

This publication is designed to be a comprehensive guide to you as a director or policy maker to assist in remuneration planning at your company.

Where possible we have broken down the data obtained from the FTSE 350 into groupings by market capitalisation and turnover to increase the relevance to you.

We recommend that this guide is used in conjunction with other information and in consultation with your advisers to ensure the data is interpreted correctly and it is relevant to your company.

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

How KPMG can help

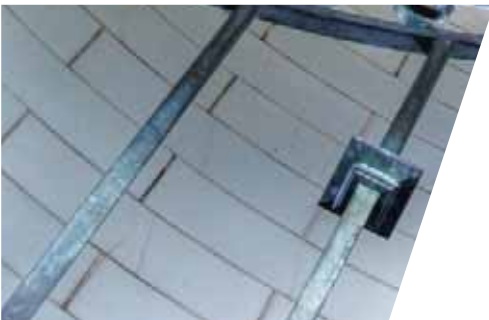
KPMG is one of the UK's leading advisers on employee incentives and executive compensation.

We have a multi-disciplinary team, able to advise on market practice and corporate governance, incentive plan design, tax and the regulatory and accounting aspects of UK and global incentive plans.

We work regularly with clients ranging from FTSE companies and AIM listed companies to private equity-backed and larger unlisted companies, as well as multinational groups headquartered in and out of the UK.

We have significant experience in advising on all of the following matters:

- Executive remuneration strategy and approach
- Executive pay benchmarking
- Remuneration committee governance and regulatory compliance
- Design and implementation of incentive plans
- Corporate transactions
- Accounting, valuations and modelling
- Ongoing operation of incentive plans



THE REMUNERATION LANDSCAPE

LAST YEAR WE PREDICTED THAT THE LINK BETWEEN PAY AND PERFORMANCE WOULD CONTINUE TO DOMINATE THE DEBATE ON EXECUTIVE REMUNERATION AND THAT BASIC PAY INCREASES WOULD REMAIN MODERATE.

OVERVIEW

Summary

- There is less focus on the pursuit of the market median and more focus on the link between pay and performance
- As a result, basic salary increases have remained relatively low
- Although the performance related pay issue remains contentious, it is generally accepted that a proportion of total reward should be variable
- The 2013 AGM season was less contentious than 2012
- Much of the shareholder dissent during the AGM season was in relation to incentive plans

A review of 2013 pay levels shows that this has indeed been the case. We believe that the nature of the debate on basic pay at remuneration committee level has changed, with less focus on following the market (although understanding it remains important) and more focus on ensuring that the pay and performance linkage is transparent, aligned to stakeholder interests, and meaningful for participants.

If we look back to before the financial crisis it was not unusual for basic pay at the executive level to increase by a double digit figure each year. The debate was typically entirely separate from the pay debate for the wider workforce, and decision-making was driven primarily by market data. There was constant pursuit of the market median (or higher), which in turn led to the market data increasing in a never ending spiral. This situation was much criticised by shareholders, but remuneration committees often felt powerless to take a stand and therefore risk losing their key talent.

This situation has now changed. In 2010 we saw the first significant uplift in the number of companies with a pay freeze at executive level. This reflected the financial downturn and subsequent poor performance experienced by many companies, and the trend increased over the following years as companies cut jobs and profit levels fell. Given this context both remuneration committees and executives were unwilling to accept large pay increases, particularly given that wider employee populations were often also experiencing a pay freeze or even pay cuts in order to preserve jobs.

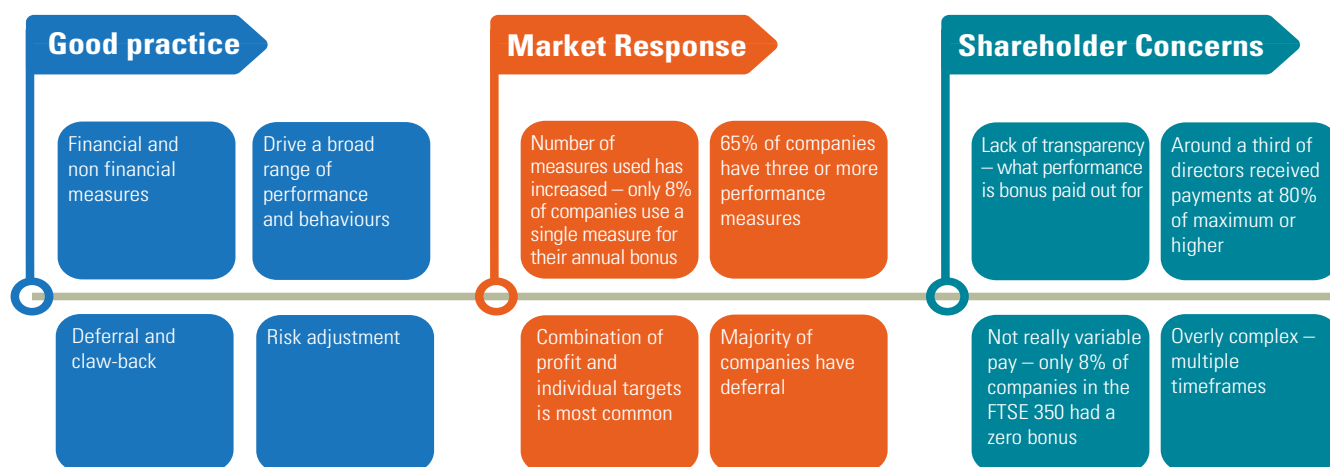
Some observers believed that this situation was only temporary, and that there would be "catch-up" pay increases once the economic situation improved. However, so far this has not proved to be the case. Our experience suggests that many remuneration committees had felt uncomfortable with this situation even before the recession, and now economic conditions have driven a change in behaviour this is something which we believe will largely stick. Given the new disclosure and voting regulations which will take effect from 1st October this year, together with continued scrutiny of pay and tough conditions for many employees, remuneration committees will find it harder to justify significant pay increases which are out of line with those experienced elsewhere in the company. This does not mean that basic pay increases will always be minimal. Where there is a change in role and/or responsibility, or a significant change in the business which means an increase in the size of the role, then we would still expect to see bigger increases. But the annual uplift based purely on market movement, and divorced from the wider company context, is something which remuneration committees seem quite rightly unwilling to go back to, and not just because it is a contentious area for shareholders.

The topic of performance related pay, both short and long-term, continues to be a contentious one. Some observers state that there should be no need for any variable pay, and that the level of basic salary should be sufficient to motivate individuals to do a good job. This is a rather narrow view of the executive pay environment, with shareholders and others wanting to see that pay is properly aligned with their expectations, and that there is the ability to reduce the total amount if performance is not delivered.

However, even if there is a general acceptance that a proportion of total reward should be variable, this does not mean that shareholders are happy with the current structures and approach. As we note later in this report, much of the shareholder dissent during the AGM season was in relation to incentive plans, and often executives also say that they are not motivated by incentives as they are too complex.

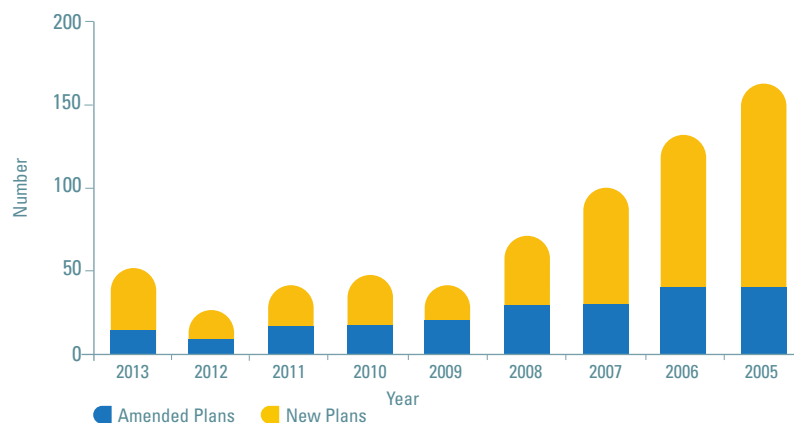
We believe that this debate will intensify as the binding policy vote and single figure disclosures take effect.

Trends in annual bonus design



NEW AND AMENDED LTIPS

As predicted, the number of plans taken to shareholders in 2013 has increased compared to 2012, and we expect this to increase further next year.



For those companies introducing new plans, few took an approach which differs significantly from that which has been prevalent in recent years. The majority are performance share plans.

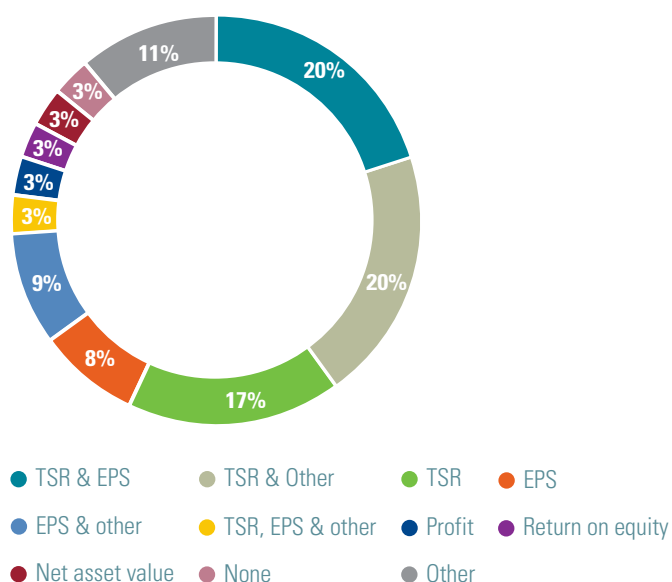
New plans introduced by FTSE 350 companies in 2013	
Performance share plans	28
Deferred share bonus plans	4
Share options plans	3
Other long-term incentive plans	2
Total plans introduced by FTSE 350 companies	37

The chart below shows that, despite criticism of total shareholder return (TSR) as a measure, the majority of new plans still incorporate this as a performance condition, either on its own or in conjunction with another measure. Use of earnings per share (EPS) also remains common.

The small degree of change in LTIP design in recent years seems at odds with the criticism levelled against such plans. It remains difficult for companies to identify performance measures which are more relevant for the business, and which shareholders will support.

We have seen an increase in the use of 'Other' measures which are more business/company specific. In a small number of cases these include non-financial metrics such as customer service.

FTSE 350 use of performance measures in new LTIPS



For those FTSE 350 companies that made amendments to their plans, a change in quantum was the most common amendment, followed by a change to vesting. In most cases, this was a change to vesting in the event of a change of control or a 'good leaver'. A number of companies made multiple amendments.

Amended plans - Reasons		
Reason	Number	%
Quantum	7	30
Vesting - leavers/change in control	5	22
Vesting - performance	1	4
Performance conditions	2	9
Other	8	35

DIRECTORS' REMUNERATION REPORT

Summary of new regulations

- The aim of the regulations is to increase transparency and shareholder power by allowing them a binding vote
- Once the new regulations come into effect, Directors' Remuneration Reports must be split into two reports: a forward looking report on the remuneration policy and a retrospective report disclosing details of director remuneration for the previous year (implementation report)
- Shareholders will continue to have an annual advisory vote on the implementation report, in addition to a binding vote on policy once every three years. All payments must be made in accordance with an approved policy
- The policy report must disclose a description of each element of pay and how it links to the company strategy, performance scenarios showing fixed pay, total remuneration when performing in line with expectations and maximum total remuneration
- The implementation report must include a single figure disclosing each element of total remuneration received in the year

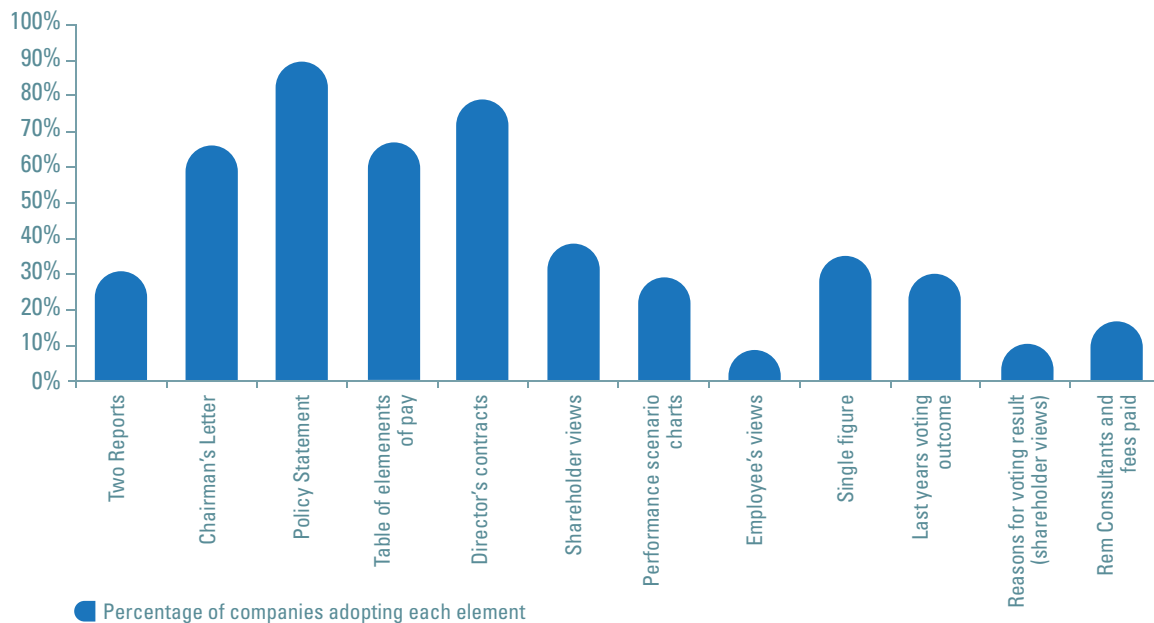
Much of the discussion during 2013 has been in relation to the changing Directors' Remuneration Report (DRR) Regulations which will take effect from 1 October. These regulations can be found in the Large and Medium-sized Companies and Groups (Accounts & Reports) (Amendments) (Regulations 2013).

Many companies have already begun to consider their impact and have early adopted some of the disclosures required by the regulations in their most recent directors' remuneration report.

In order to help assess the potential impact of the regulations we have reviewed the 2013 annual report and accounts across the FTSE and analysed the level of early adoption and compliance.

The chart below shows the percentage of companies across the FTSE who have early adopted the various elements of the new disclosure requirements.

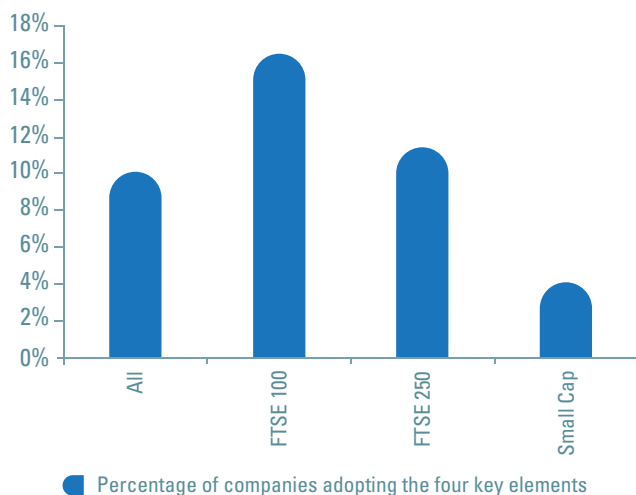
Early adoption of the new DRR requirements



Focus this year has been on the easy to adopt elements of the disclosure requirements such as the Chairman's letter and remuneration policy statement. Only a small proportion of companies have adopted the new, more involved elements of the requirements, for example splitting their remuneration report into two, providing a table outlining key elements of pay and their link to strategy, performance scenarios and a single figure.

The results show that larger companies are more likely to be early adopters, with a higher percentage of companies in the FTSE 100 adopting key elements of the DRR disclosures compared with FTSE 250 and small cap companies.

The chart below shows the percentage of companies which have adopted each of four key elements; namely providing two reports, a table of elements of pay and link to strategy, a single figure for remuneration and performance scenario charts.



Whilst the new regulations are one of the biggest new initiatives for some time, the question as to whether they will drive change still remains unanswered. In a KPMG survey conducted in June 2013 comprising both companies and shareholders 39 percent of respondents believed that the regulations would make no difference.

Indeed, it is legitimate to ask the question as to exactly what the regulations are intended to achieve. It cannot be simply to reduce pay, as this could be achieved in a much more simple fashion, albeit a hugely unpopular move.

When we look at the voting results over the last three years on the directors' remuneration report we see a downward trend in the number on contentious votes. This would suggest that shareholders are largely supportive of the current approach.

If the objective of the changes is to increase transparency and reduce complexity of pay arrangements then it remains to be seen whether this proves to be the case. Analysis of the current year's annual reports does not suggest that this will be achieved, although it is difficult to form a clear view given the need to comply with the existing DRR regulations, in addition to adopting many of the new requirements. Many companies have longer remuneration reports, but this trend may be reversed next year.



FINANCIAL SERVICES REGULATION

Companies in the financial services sector are facing increasing amounts of regulation in respect of the remuneration and reward arrangements for employees whose activities have a material impact on the risk profile of the firm. In addition, general principles such as promoting sound and effective risk management should be applied on a firm-wide basis to all employees. There have been a number of developments during the year and a brief overview is provided below.

In practice, most firms in the FS sector will be affected by more than one set of regulations. Managing the overlapping regulations and developing an effective compliance strategy to map the correct regulations to the correct staff population will be crucial in the coming year.

The Capital Requirements Directive (CRD)

- CRD IV, is to replace CRD III from 1 January 2014 and will affect all banks, building societies and certain investment firms (albeit a lesser number than within scope of CRD III). Variable remuneration, for the first time will be limited for in-scope employees to 100 percent of fixed remuneration, with an increase to 200 percent subject to a shareholder vote. The rules with regard to deferral and payment in shares, share-linked or alternative non-cash instruments are unaffected, however a wider category of capital instruments may be available to use

The Alternative Investment Fund Managers Directive (AIFMD)

- This came into force on 22 July 2013, and introduced remuneration regulation to hedge fund, private equity and real estate sector managers for the first time. AIFMD imposes a deferral and payment in fund units (or similar instruments) requirement to employees (or partners) whose activities have a material impact on the risk profile of the manager or its alternative investment funds. The setting up of a remuneration committee is also recommended as good-practice, despite the fact a number of fund managers will seek to disapply this requirement on the grounds of size under the proportionality principle

Other regulations

- The UCITS V (Undertakings in Collective Investments in Transferable Securities) directive is yet to be finalised but is expected to come into force on 1 January 2016 and will introduce remuneration regulation for the first time to managers of UCITS funds (i.e. funds marketed to EU retail investors that meet the investor protection requirements). The proposed regime is broadly similar to AIFMD albeit the remuneration committee should include employee representatives
- In addition, firms which are MIFID authorised under the Markets in Financial Instruments Directive will need to apply the general principles based MIFID remuneration rules to their sales staff population

SHAREHOLDER ISSUES AND VOTING

Earlier this year KPMG acquired Makinson Cowell, one of Europe's leading independent equity markets advisory firms. One aspect of the advice provided by Makinson Cowell to its clients relates to shareholder engagement on corporate governance and remuneration matters. The Makinson Cowell team also analyse on behalf of its clients the proxy votes lodged ahead of Annual General Meetings.

Following on from the "shareholder spring" of 2012, many companies approached the 2013 AGM season not knowing what to expect. As can be seen from the voting statistics included in this review, in the end the 2013 AGM season was less contentious than the prior year for the FTSE 100, and stable in the FTSE 250.

	FTSE 100			FTSE 250		
	2011	2012	2013	2011	2012	2013
Number of resolutions with greater than 20% oppose	21	6	4	19	19	20
Number of resolutions with greater than 20% oppose and abstain	34	10	4	24	29	25

One reason for this greater level of shareholder support for companies relates to continuing improvements in shareholder engagement.

From the work which Makinson Cowell has undertaken with its clients in recent years the following recommendations have emerged in respect of engagement with shareholders on corporate governance and remuneration issues.

- A good two-way discussion with shareholders is very important. Such discussions should include feedback on previous matters raised by the shareholders. Engagement should not be left to the last minute, when shareholders might have competing demands on their time in the busy AGM season
- Follow-up on information sent to major shareholders and in particular do not assume that no response from a shareholder means that they agree with a particular proposal
- Many shareholders have specialist corporate governance teams that are separate from the fund managers and analysts making the investment decisions. Engagement on corporate governance and remuneration matters should be with these specialists, but for larger shareholders in particular the fund managers and analysts, with whom a company undertakes its investor relations activities, should also be kept informed of proposals and discussions

- The company secretary will often be best placed to oversee shareholder engagement on corporate governance and remuneration matters due to the fact that they are seen as a link to the board of directors and in particular the Chairman of the remuneration committee and the Senior Independent Director. The company secretary will obviously call upon the specialist knowledge within the company's HR team on remuneration matters

- Companies should be aware of the impact of changes to the share register on the engagement process. Any significant reduction in the level of concentration of ownership could necessitate a greater number of shareholders to be contacted on any issue. A movement towards greater overseas ownership brings with it the risk of shareholders automatically following the advice of one of the proxy voting advisory bodies such as ISS Governance and not constructively engaging with the company

Looking ahead to 2014, shareholder engagement will become even more important with the introduction of the binding vote on the remuneration policy. At the very least this will lead to greater demands by companies for discussions with shareholders. The larger FTSE 100 listed companies are likely to continue to get shareholder attention, but smaller companies may have more problems getting the attention of shareholders, unless their engagement starts well in advance.

LOOKING AHEAD

2014 will be a challenging year for companies, as they seek to comply with the new Directors' Remuneration Report Regulations whilst still remaining focused on rewarding executives in a way which is appropriate for their business. It is critical that compliance does not become the main driver of decisions made by the remuneration committee.

For shareholders it is likely to prove equally as challenging, as the level of consultation and engagement increases and the binding vote intensifies the impact of their decisions.

We believe the following issues will be central to the executive pay debate in the next 12 months:

- Improving transparency of the link between incentive payouts and company strategy, and the need for demonstrable achievement which is calculable by reference to results delivered
- A further move by FTSE companies to adopt a tailored and bespoke approach, rather than following the market
- The potential impact of the variable pay cap for financial service companies within the scope of CRD IV. This is likely to influence the mix of pay across the FTSE 350
- The evolving role of institutional shareholders. For example the move from traditional UK investors to more global fund ownership, which as a consequence means that views are more diverse and willingness to engage is variable
- The need for companies to better understand their shareholder base and tailor their approach to consultation accordingly. In some instances there may be a need to accept that not all shareholders will be in agreement



03



MARKET DATA OVERVIEW

FOLLOWING RELATIVELY LITTLE MOVEMENT IN TOTAL EARNINGS OVER THE LAST TWO YEARS, 2013 SHOWS AN INCREASE ACROSS ALL ROLES.

TOTAL EARNINGS

Disclosures in annual reports show that, although basic salary increases have been modest and annual bonus payments are broadly comparable to the prior year, total earnings have increased. This is driven by an increase in gains from LTIPs vesting in the year.

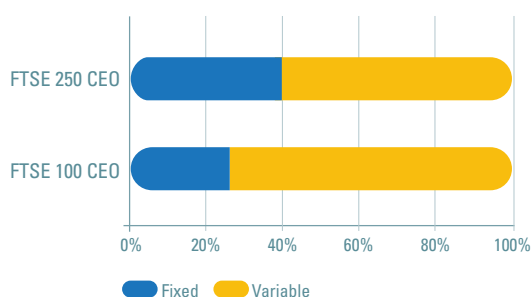
The following table summarises the median basic salary, total cash and total earnings in the year for all the chief executive, finance director and other executive directors (2012 data in parentheses).

	Basic salary (£000s)	Total cash (£000s)	Total earnings (£000s)
FTSE 100			
Chief Executive	851 (830)	1,734 (1,820)	3,217 (3,092)
Finance Director	510 (492)	1,104 (1,049)	1,948 (1,615)
Other Executive Directors	522 (500)	1,133 (1,051)	2,291 (1,694)
FTSE 250			
Chief Executive	465 (450)	914 (811)	1,286 (1,051)
Finance Director	309 (296)	554 (521)	773 (628)
Other Executive Directors	279 (278)	555 (476)	767 (567)

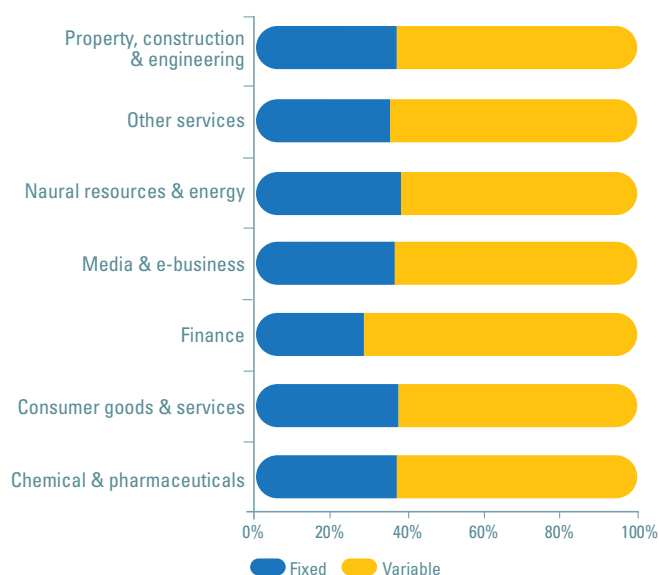
REMUNERATION MIX

In order to provide an indication of the shape of the executive remuneration package we analysed the data to ascertain the mix between fixed and variable, and short and long term reward. This clearly shows the importance of variable pay meaning that it is critical that this component is demonstrably linked to delivery of strategy.

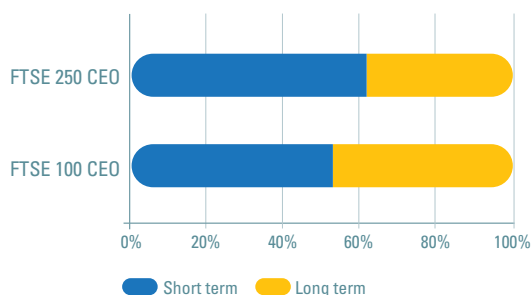
The chart below shows the median remuneration mix between fixed and variable pay for FTSE 350 CEOs. This is based on total earnings received during the year.



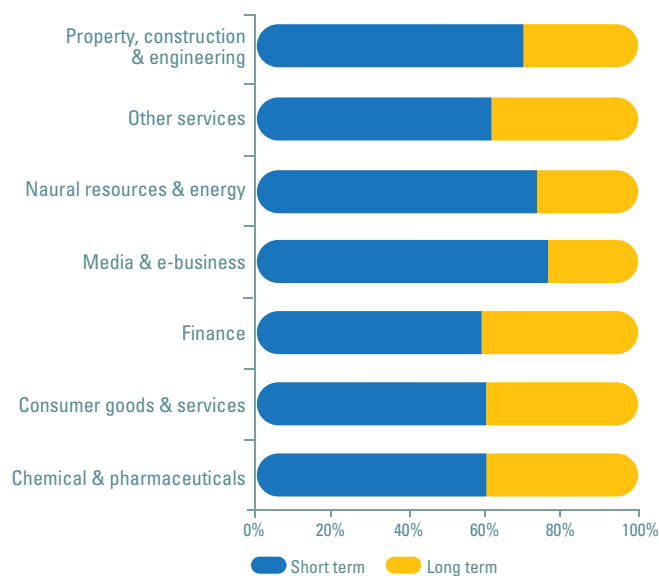
The chart below shows the median remuneration mix between fixed and variable pay for FTSE 350 CEOs split by sector.



The following chart shows the median short term: long term remuneration mix for CEOs, also based on total earnings received during the year.



The chart below shows the median short term: long term remuneration mix for CEOs split by sector.



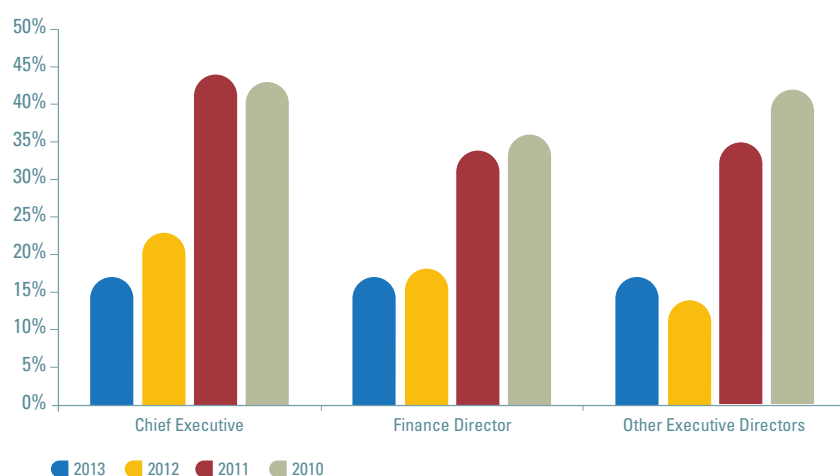
BASIC SALARY

Median salary increases have been in the range of three to four percent, a level broadly similar to that of last year. 17 percent of executive directors did not receive a pay increase, and with certain specific exceptions, companies have remained cautious in their approach, continuing to take into account the increase

given to the broader employee population and the wider economic environment.

The chart below shows the prevalence of basic salary freezes for FTSE 350 companies in the last four years.

Basic salary freezes



SALARY DIFFERENTIALS BY REFERENCE TO ROLE

The table below shows the internal ratio between the salaries of the finance director and other executive director positions as a percentage of the chief executive's salary. These percentages remain broadly consistent with the previous two years.

		Lower quartile	Median	Upper quartile
FTSE 100	Finance Director	59%	63%	70%
	Other Executive Directors	56%	61%	70%
FTSE 250	Finance Director	59%	65%	72%
	Other Executive Directors	57%	63%	75%

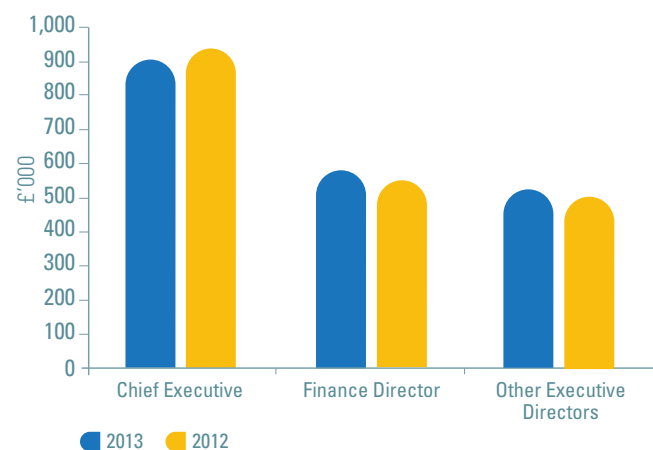
ANNUAL BONUS PLANS

Movements in total bonus payments compared with the previous year differ depending on market listing and role. Within the FTSE 100, total annual bonus payments have increased slightly for the finance director and other executive directors but fallen slightly for the chief executive officer. Within the FTSE 250, bonus payments have increased for all directors.

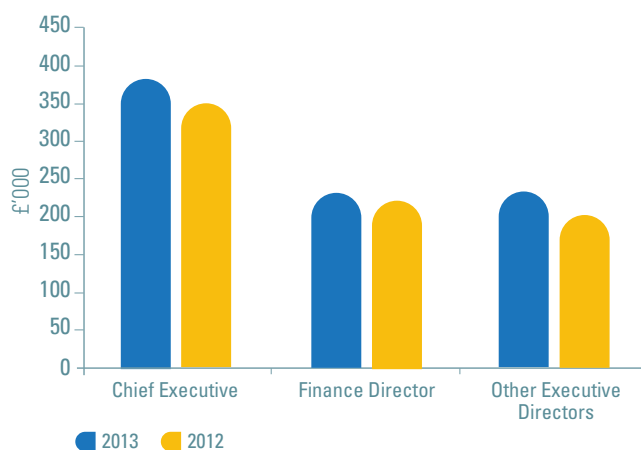
Around a third of companies paid their directors bonuses of over 80 percent of the maximum opportunity and the majority of companies paid bonuses of at least 60 percent of the maximum opportunity.

The charts below show total bonus payouts made in FTSE 100 and FTSE 250 companies.

FTSE 100



FTSE 250



DEFERRED BONUS PLANS

Deferral of at least part of the bonus is now required for the majority of companies. The median maximum bonus deferral within the FTSE 350 is 50 percent.



LONG TERM INCENTIVE PLANS

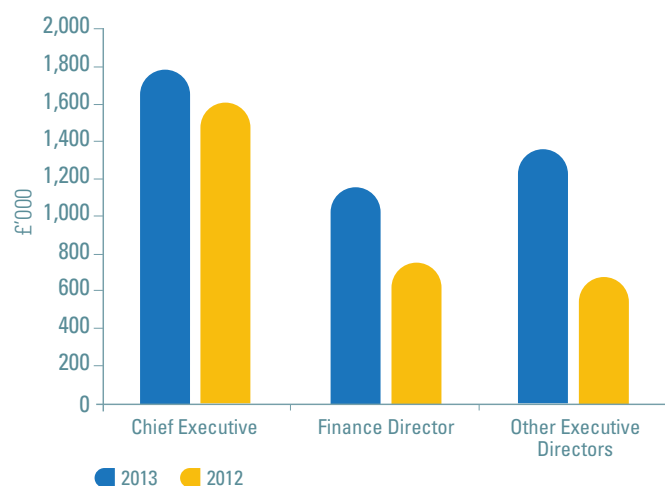
Performance Share Plans (PSPs) continue to be the most commonly used form of long term incentive plan (LTIP).

When considering the value of actual payouts received during the year under PSPs, these have increased across the FTSE 350 and are the main driver in the increase in total earnings. These payouts are based on performance over a three year period and so for many companies will reflect grants made during the economic downturn, when share prices were

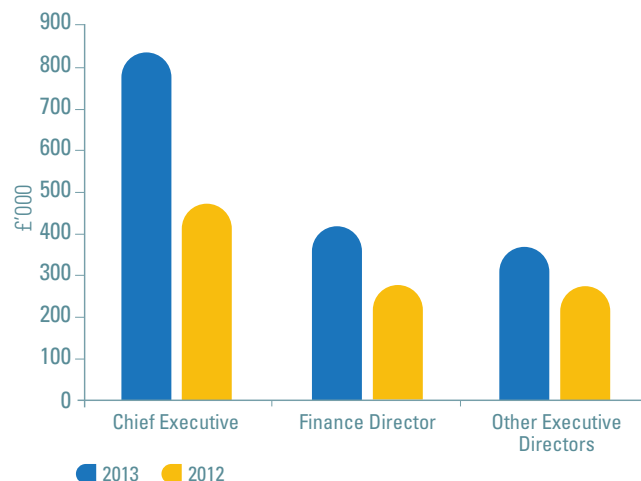
typically lower and therefore participants were awarded a larger number of shares.

The charts below show median actual cash value of PSP awards vesting in the year as compared to 2012.

FTSE 100



FTSE 250



04

CHIEF EXECUTIVE

THE LEVEL OF TOTAL EARNINGS FOR BOTH FTSE 100 AND FTSE 250 CEOS HAS INCREASED WHEN COMPARED TO DATA FROM 2012.

This section provides information on the remuneration for the role of chief executive. This role represents the lead executive director at each company, so actual job titles included are chief executive officer, managing director, executive chairman and CEO, president and CEO.

The table below shows median total earnings for FTSE 100 and FTSE 250 companies. The methodology used to calculate these figures can be found in the appendix.

Median total earnings

Chief Executive	Basic salary (£000s)	Total cash (£000s)	Total earnings (£000s)
FTSE 100	851	1,734	3,217
FTSE 250	465	914	1,286

BASIC SALARY

As mentioned in the overview, basic salary increases have remained low, with around 17 percent of companies operating a pay freeze at board level. The table below shows increases in the FTSE 100 and FTSE 250 in the latest reported financial year, compared with the previous year's figures.

Basic salary increase

Chief Executive	Lower quartile		Median		Upper quartile	
	2013	2012	2013	2012	2013	2012
FTSE 100	1%	1%	3%	3%	3%	9%
FTSE 250	2%	0%	3%	3%	6%	5%

SALARY POSITION AND PAY COMPARATOR GROUPS

There is an assumption that the size of a company is highly correlated with basic salary levels for executive directors. The data below, showing basic salary levels by market capitalisation and turnover bands, supports this assumption. Many companies therefore use market capitalisation as a key factor when comparing salary levels, but the 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 current peers.

Turnover is generally a less volatile indicator and therefore a prudent approach would be to consider both when looking at salaries and form a view as to the appropriateness of the data.

We also show salary by sector across all FTSE 350 companies.

Basic salary by market capitalisation

Chief Executive				
	Market Capitalisation	Lower quartile (£000s)	Median (£000s)	Upper quartile (£000s)
FTSE 100	>£10bn	938	1,029	1,204
	£5bn-£10bn	713	815	851
	<£5bn	625	726	823
	All FTSE 100	716	851	1,031
FTSE 250	>£1.5bn	453	530	625
	£500m-£1.5bn	393	440	504
	<£500m	330	411	471
	All FTSE 250	402	465	565
FTSE 350	All FTSE 350	432	550	791

Basic salary by turnover

Chief Executive				
	Turnover	Lower quartile (£000s)	Median (£000s)	Upper quartile (£000s)
FTSE 100	>£10bn	902	1,013	1,179
	£2.5bn - £10bn	717	797	865
	<£2.5bn	500	667	799
	All FTSE 100	716	851	1,031
FTSE 250	>£2.5bn	627	665	779
	£500m - £2.5bn	446	494	590
	<£500m	354	411	450
	All FTSE 250	402	465	565
FTSE 350	All FTSE 350	432	550	791

Basic salary by sector

Chief Executive	FTSE 350		
Sector	Lower quartile (£000s)	Median (£000s)	Upper quartile (£000s)
Chemicals & pharmaceuticals	455	470	720
Consumer goods & services	475	640	832
Finance	400	500	653
Media & e-business	492	597	882
Natural resources & energy	472	625	1,056
Other services	446	547	730
Property, construction & engineering	425	506	665
All FTSE 350	432	550	791

ANNUAL BONUS PLANS

Nearly all of the companies in the FTSE 100 and FTSE 250 operate annual bonus plans for their executive directors, making it the most common incentive arrangement.

The tables below show the following information for the FTSE 100 and the FTSE 250:

- The maximum potential bonus
- The total bonus paid as a percentage of salary
- The total bonus paid as a percentage of the maximum
- The total bonus paid in 2013 and in 2012

When compared to last year's report maximum bonus opportunity has remained at the same level in the FTSE 100 but increased in the FTSE 250. Total bonus payments have decreased from the levels in 2012 in the FTSE 100, but increased in the FTSE 250.

Over a quarter of companies in the FTSE 100 and over a third in the FTSE 250 paid their CEO a bonus in excess of 80 percent of the maximum. Less than a fifth of CEOs received a bonus of less than 30 percent of the maximum. The majority of companies paid bonuses of over 60 percent of maximum.

Chief Executive	FTSE 100			FTSE 250		
	Lower quartile	Median	Upper quartile	Lower quartile	Median	Upper quartile
Maximum Bonus Opportunity (percentage of salary)	150%	180%	200%	100%	125%	165%
Total Bonus (percentage of salary)	74%	119%	160%	53%	93%	132%
Total Bonus (percentage of maximum bonus)	37%	60%	81%	40%	67%	90%
2013 Total Bonus (£000s)	517	905	1,371	248	385	687
2012 Total Bonus (£000s)	659	937	1,497	203	350	543

The following tables show the same information (at median) split by market capitalisation bands and by turnover bands for 2013. As expected there is a trend of higher payouts in the larger companies compared to the smaller ones.

Annual bonus by market capitalisation

Chief Executive	FTSE 100			FTSE 250		
Market Capitalisation	>£10bn	£5bn - £10bn	<£2.5bn	>£1.5bn	£500m - £1.5bn	<£500m
Maximum Bonus Opportunity (percentage of salary)	200%	200%	150%	150%	125%	110%
Total Bonus (percentage of salary)	115%	142%	109%	109%	81%	49%
Total Bonus (percentage of maximum bonus)	55%	76%	66%	73%	64%	45%
Total Bonus (£000s)	1,040	1,150	812	565	332	261

Annual bonus by turnover

Chief Executive	FTSE 100			FTSE 250		
Turnover	>£10bn	£2.5bn - £10bn	<£2.5bn	>£2.5bn	£500m - £2.5bn	<£500m
Maximum Bonus Opportunity (percentage of salary)	200%	150%	180%	138%	150%	120%
Total Bonus (percentage of salary)	106%	109%	134%	51%	101%	83%
Total Bonus (percentage of maximum bonus)	53%	73%	70%	41%	71%	71%
Total Bonus (£000s)	1,040	779	969	316	491	331

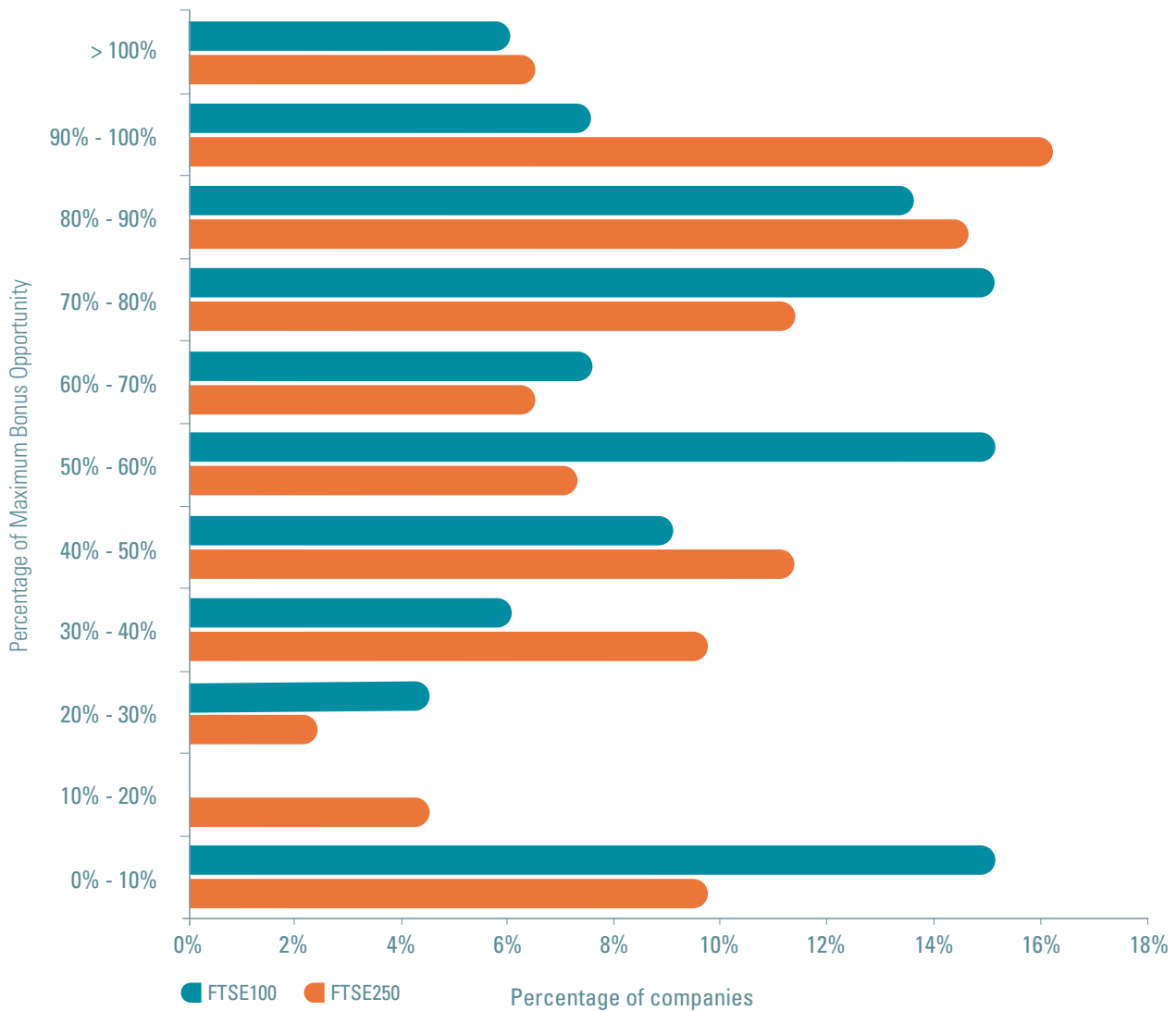
The following table shows the same information (at median) split by sector.

Annual bonus by sector

Chief Executive	FTSE 350						
Sector	Chemicals & pharmaceuticals	Consumer goods & services	Finance	Media & e-business	Natural resources & energy	Other services	Property, construction & engineering
Maximum Bonus Opportunity (percentage of salary)	113%	150%	190%	150%	200%	130%	147%
Total Bonus (percentage of salary)	77%	69%	133%	104%	109%	101%	102%
Total Bonus (percentage of maximum bonus)	59%	51%	73%	63%	61%	77%	70%
Total Bonus (£000s)	357	382	795	573	605	594	476

The chart below shows the distribution of total bonuses (as a percentage of maximum bonus opportunity) for the FTSE 100 and FTSE 250 companies who have disclosed the maximum bonus opportunity. The percentage of maximum opportunity that has paid out has decreased in the FTSE 100 but remained constant in the FTSE 250.

Percentage of maximum annual bonus paid by companies



LONG TERM INCENTIVES

The following tables show the awards made to the chief executive under performance share plans and share option plans.

Performance Share Plans

The tables below show the following information for 2013:

- The actual awards made (i.e. the face value of shares conditionally awarded) both as a percentage of salary and a monetary amount
- The maximum award as a percentage of salary where this is disclosed

- Actual gains as a percentage of salary

Compared with 2012, the median maximum potential award has remained constant across the FTSE 350.

	FTSE 100			FTSE 250		
Chief Executive	Lower quartile	Median	Upper quartile	Lower quartile	Median	Upper quartile
Maximum Award (percentage of salary)	200%	200%	300%	100%	150%	200%
Actual Award (percentage of salary)	188%	200%	300%	102%	150%	200%
Actual Award (£000s)	1,203	1,720	3,451	472	751	1,039
Actual Gains (percentage of salary)	86%	188%	308%	88%	164%	274%

The same information (at median) is shown below for market capitalisation and turnover bands.

PSP by market capitalisation

Chief Executive	FTSE 100			FTSE 250		
Market Capitalisation	>£10bn	£5bn - £10bn	<£5bn	>£1.5bn	£500m - £1.5bn	<£500m
Maximum Award (percentage of salary)	300%	200%	200%	183%	150%	150%
Actual Award (percentage of salary)	294%	200%	187%	181%	125%	142%
Actual Award (£000s)	3,355	1,454	1,309	927	562	453
Actual Gains (percentage of salary)	216%	179%	166%	164%	162%	153%

PSP by turnover

Chief Executive	FTSE 100			FTSE 250		
Turnover	>£10bn	£2.5bn - £10bn	<£2.5bn	>£2.5bn	£500m - £2.5bn	<£500m
Maximum Award (percentage salary)	288%	200%	175%	188%	150%	150%
Actual Award (percentage of salary)	283%	200%	142%	177%	150%	148%
Actual Award (£000s)	3,246	1,550	924	1,147	763	560
Actual Gains (percentage of salary)	184%	176%	248%	91%	170%	159%

PSP by sector

The following table shows the same information (at median) split by sector.

Chief Executive	FTSE 350						
Sector	Chemicals & pharmaceuticals	Consumer goods & services	Finance	Media & e-business	Natural resources & energy	Other services	Property, construction & engineering
Maximum Award (percentage of salary)	150%	150%	200%	150%	200%	163%	150%
Actual Award (percentage of salary)	160%	151%	202%	150%	275%	163%	150%
Actual Award (£000s)	738	898	1,195	960	1,903	991	780
Actual Gains (percentage of salary)	142%	182%	173%	180%	216%	220%	121%

SHARE OPTIONS

The tables below show the following information for share options for 2013:

- The actual awards made (i.e. the face value of shares conditionally awarded) both as a percentage of salary and a monetary amount

- The actual gains made from the exercise of share options during the year both as a percentage of salary and a monetary amount

The data is shown for completeness but the sample sizes are small due to the low number of companies still operating option plans at the executive level. Therefore it would be misleading to conclude too much from this.

	FTSE 100			FTSE 250		
Chief Executive	Lower quartile	Median	Upper quartile	Lower quartile	Median	Upper quartile
Actual Grant (percentage of salary)	183%	250%	346%	135%	202%	264%
Actual Grant (£000s)	1,512	2,036	2,997	513	870	1,173
Actual Gains (percentage of salary)	34%	55%	380%	20%	56%	256%
Actual Gains (£000s)	257	332	3,249	98	240	1,207



05



FINANCE DIRECTOR

MEDIAN TOTAL EARNINGS HAVE INCREASED FOR FINANCE DIRECTORS. AS WITH THE CEO, THIS IS PRIMARILY DRIVEN BY HIGHER LTIP GAINS.

This section provides information on the remuneration for the role of finance director.

The table below shows median total earnings for FTSE 100 and FTSE 250 companies. The methodology used to calculate these figures can be found in the appendix.

Median total earnings

Finance Director	Basic salary (£000s)	Total cash (£000s)	Total earnings (£000s)
FTSE 100	510	1,104	1,948
FTSE 250	309	554	773

Basic salary

The table below shows increases in the FTSE 100 and FTSE 250 in the latest reported financial year, compared with the previous year's figures.

Finance Director	Lower quartile		Median		Upper quartile	
	2013	2012	2013	2012	2013	2012
FTSE 100	1%	2%	3%	3%	4%	8%
FTSE 250	3%	2%	4%	4%	7%	7%

SALARY POSITION AND PAY COMPARATOR GROUPS

The size of a company is highly correlated with basic salary levels for executive directors. This can be seen from the tables below which show the basic salary levels by market capitalisation bands and also by turnover bands. Many companies use market capitalisation as a key factor when comparing salary levels, but the 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 current peers. Turnover is generally a less volatile indicator and therefore a prudent approach would be to consider both when looking at salaries and form a view as to the appropriateness of the data.

Data is shown here for 2013. When compared to the 2012 report the picture is mixed, which highlights the potential difficulties in following a market point too closely.

Basic salary by market capitalisation

Finance Director				
	Market Capitalisation	Lower quartile (£000s)	Median (£000s)	Upper quartile (£000s)
FTSE 100	>£10bn	584	687	759
	£5bn-£10bn	411	505	548
	<£5bn	383	426	459
	All FTSE 100	428	510	682
FTSE 250	>£1.5bn	322	360	425
	£500m-£1.5bn	250	276	317
	<£500m	220	254	308
	All FTSE 250	256	309	368
FTSE 350	All FTSE 350	276	350	468

Basic salary by turnover

Finance Director				
	Turnover	Lower quartile (£000s)	Median (£000s)	Upper quartile (£000s)
FTSE 100	>£10bn	600	694	759
	£2.5bn-£10bn	427	467	515
	<£2.5bn	358	403	446
	All FTSE 100	428	510	682
FTSE 250	>£2.5bn	398	422	464
	£500m-£2.5bn	270	322	380
	<£500m	239	270	316
	All FTSE 250	256	309	368
FTSE 350	All FTSE 350	276	350	468

Basic salary by sector

Finance Director	FTSE 350		
Sector	Lower quartile (£000s)	Median (£000s)	Upper quartile (£000s)
Chemicals & pharmaceuticals	273	330	525
Consumer goods & services	278	380	510
Finance	270	347	587
Media & e-business	289	435	500
Natural resources & energy	333	411	595
Other services	266	324	435
Property, construction & engineering	294	326	408
All FTSE 350	276	350	468

ANNUAL BONUS PLANS

The tables below show the following information for the FTSE 100 and the FTSE 250:

- The maximum potential bonus
- The total bonus paid as a percentage of salary
- The total bonus paid as a percentage of the maximum
- The total bonus paid in 2012 and in 2013

A third of companies in the FTSE 100 and over a third in the FTSE 250 paid their finance director a bonus in excess of 80 percent of the maximum. Less than a fifth of FDs received a bonus of less than 30 percent of the maximum. The majority of companies in the FTSE 100 and FTSE 250 paid bonuses of over 70 percent and 60 percent of maximum opportunity respectively.

When compared to last year's report the median maximum bonus opportunity has increased.

	FTSE 100			FTSE 250		
Finance Director	Lower quartile	Median	Upper quartile	Lower quartile	Median	Upper quartile
Maximum Bonus Opportunity (percentage of salary)	125%	160%	200%	100%	120%	150%
Total Bonus (percentage of salary)	74%	113%	154%	48%	75%	113%
Total Bonus (percentage of maximum bonus)	47%	71%	84%	37%	65%	88%
2013 Total Bonus (£000s)	359	580	756	144	233	392
2012 Total Bonus (£000s)	377	552	764	120	223	335

The following tables show the same information (at median) split by market capitalisation bands and by turnover bands for 2013.

As expected there is a trend of higher payouts in the larger companies compared to the smaller ones. When compared to last year it is difficult to identify trends based on size which reflects the company specific nature of performance targets and measurement which bears no relevance to size.

Annual bonus by market capitalisation

Finance Director	FTSE 100			FTSE 250		
Market Capitalisation	>£10bn	£5bn - £10bn	<£2.5bn	>£1.5bn	£500m - £1.5bn	<£500m
Maximum Bonus Opportunity (percentage of salary)	178%	158%	130%	120%	100%	100%
Total Bonus (percentage of salary)	132%	111%	98%	85%	73%	45%
Total Bonus (percentage of maximum bonus)	65%	77%	76%	73%	61%	43%
Total Bonus (£000s)	729	634	427	335	215	142

Annual bonus by turnover

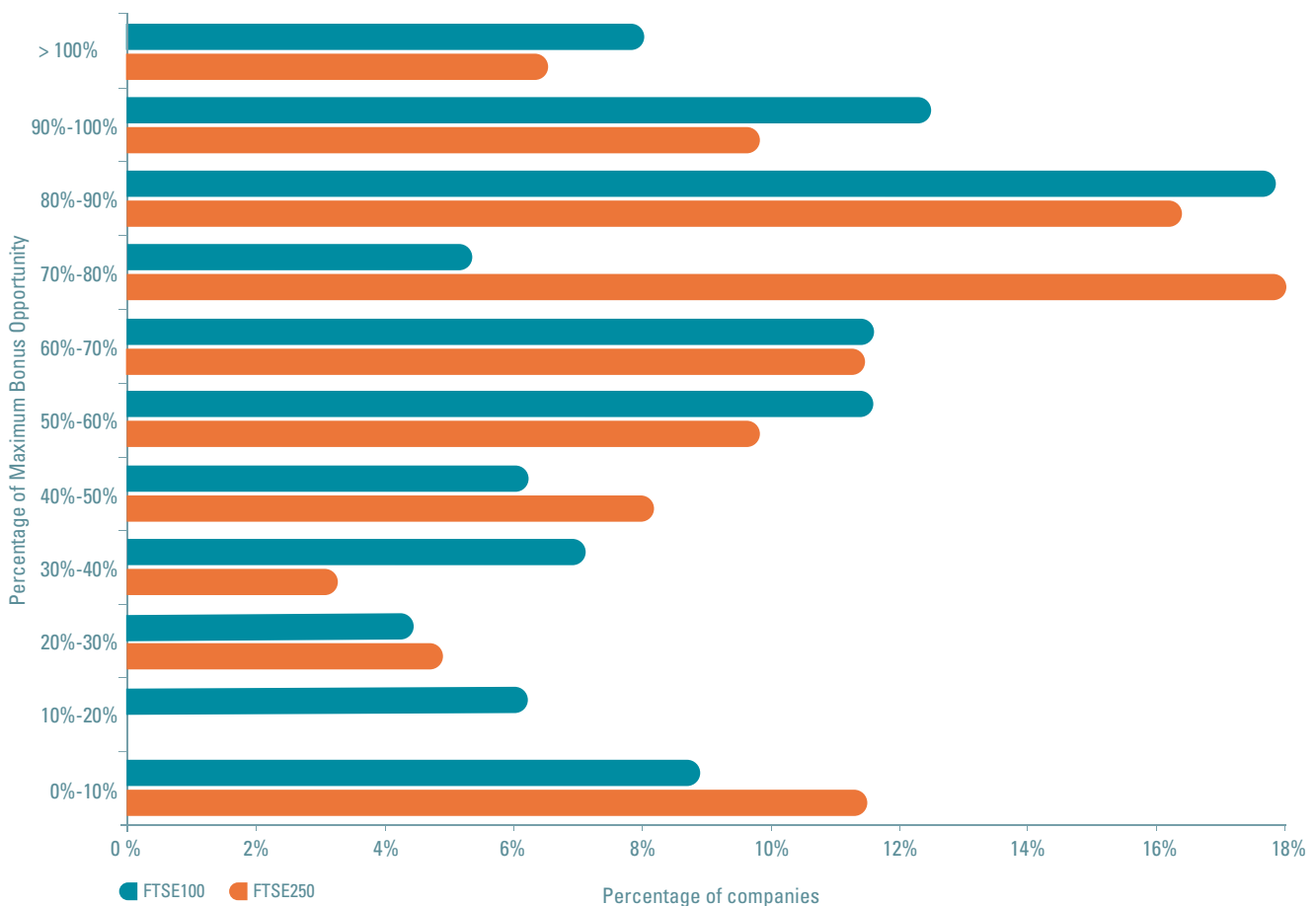
Finance Director	FTSE 100			FTSE 250		
Turnover	>£10bn	£2.5bn - £10bn	<£2.5bn	>£2.5bn	£500m - £2.5bn	<£500m
Maximum Bonus Opportunity (percentage of salary)	180%	140%	150%	120%	120%	100%
Total Bonus (percentage of salary)	131%	98%	134%	51%	80%	75%
Total Bonus (percentage of maximum bonus)	67%	70%	79%	41%	69%	69%
Total Bonus (£000s)	762	442	604	211	259	193

The following table shows the same information (at median) split by sector.

Annual bonus by sector

Finance Director	FTSE 350						
Sector	Chemicals & pharmaceuticals	Consumer goods & services	Finance	Media & e-business	Natural resources & energy	Other services	Property, construction & engineering
Maximum Bonus Opportunity (percentage of salary)	100%	125%	163%	125%	175%	125%	120%
Total Bonus (percentage of salary)	69%	71%	132%	99%	104%	97%	76%
Total Bonus (percentage of maximum bonus)	51%	53%	74%	67%	71%	80%	70%
Total Bonus (£000s)	299	215	500	344	418	339	237

The chart below shows the distribution of total bonuses (as a percentage of maximum bonus opportunity) for the FTSE 100 and FTSE 250 companies who have disclosed the maximum bonus opportunity.



LONG TERM INCENTIVES

The following tables show the awards made to the finance director under performance share plans and share option plans.

Performance Share Plans

The tables below show the following information for 2013:

- The actual awards made (i.e. the face value of shares conditionally awarded) both as a percentage of salary and a monetary amount
- The maximum award as a percentage of salary where this is disclosed

- Actual gains as a percentage of salary

When looking at both the FTSE 100 and FTSE 250 median actual award levels have increased since the previous year.

Finance Director	FTSE 100			FTSE 250		
	Lower quartile	Median	Upper quartile	Lower quartile	Median	Upper quartile
Maximum Award (percentage of salary)	150%	200%	253%	100%	150%	200%
Actual Award (percentage of salary)	125%	191%	244%	100%	136%	188%
Actual Award (£000s)	452	1,154	1,646	228	418	749
Actual Gains (percentage of salary)	98%	196%	295%	81%	143%	242%

The same information (at median) is shown below for market capitalisation and turnover bands.

PSP by market Capitalisation

Finance Director	FTSE 100			FTSE 250		
	>£10bn	£5bn - £10bn	<£5bn	>£1.5bn	£500m - £1.5bn	<£500m
Maximum Award (percentage of salary)	275%	150%	175%	150%	118%	100%
Actual Award (percentage of salary)	201%	189%	157%	172%	103%	99%
Actual Award (£000s)	1,296	494	1,060	468	416	313
Actual Gains (percentage of salary)	215%	141%	271%	119%	148%	134%

PSP by turnover

Finance Director	FTSE 100			FTSE 250		
Turnover	>£10bn	£2.5bn - £10bn	<£2.5bn	>£2.5bn	£500m - £2.5bn	<£500m
Maximum Award (percentage of salary)	240%	200%	125%	150%	113%	150%
Actual Award (percentage of salary)	200%	186%	137%	161%	123%	131%
Actual Award (£000s)	1,252	1,076	1,060	354	402	518
Actual Gains (percentage of salary)	176%	196%	263%	101%	123%	188%

The following table shows the same information (at median) split by sector.

PSP by sector

Finance Director	FTSE 350						
Sector	Chemicals & pharmaceuticals	Consumer goods & services	Finance	Media & e-business	Natural resources & energy	Other services	Property, construction & engineering
Maximum Award (percentage of salary)	150%	150%	200%	150%	200%	163%	150%
Actual Award (percentage of salary)	151%	150%	197%	125%	201%	149%	126%
Actual Award (£000s)	515	624	685	650	1,120	479	414
Actual Gains (percentage of salary)	162%	149%	153%	170%	155%	184%	134%

SHARE OPTIONS

The tables below show the following information for share options for 2013:

- The actual awards made (i.e the face value of shares conditionally awarded) both as a percentage of salary and a monetary amount
- The actual gains made from the exercise of share options during the year both as a percentage of salary and a monetary amount

This data is shown for completeness but the sample sizes are relatively small due to the number of companies still operating option plans at the executive level. Therefore it would be misleading to conclude too much from this.

	FTSE 100			FTSE 250		
Finance Director	Lower quartile	Median	Upper quartile	Lower quartile	Median	Upper quartile
Actual Grant (percentage of salary)	255%	289%	355%	97%	180%	273%
Actual Grant (£000s)	1,143	1,436	2,097	410	633	851
Actual Gains (percentage of salary)	41%	74%	230%	51%	72%	512%
Actual Gains (£000s)	191	428	1,075	123	218	1,225



06

OTHER EXECUTIVE DIRECTORS

OTHER EXECUTIVE DIRECTORS INCLUDE A VARIETY OF ROLES WITH DIFFERENT RESPONSIBILITIES, INCLUDING FUNCTIONAL AND DIVISIONAL DIRECTORS. WE HAVE SEEN TOTAL EARNINGS INCREASE WHEN COMPARED TO LAST YEAR.

This section provides information on the remuneration for the role of other executive directors (ODs).

The table below shows median total earnings for FTSE 100 and FTSE 250 companies. The methodology used to calculate these figures can be found in the appendix.

Median total earnings

Other Director	Basic salary (£000s)	Total cash (£000s)	Total earnings (£000s)
FTSE 100	522	1,133	2,291
FTSE 250	279	555	767

Basic salary

The table below shows increases in the FTSE 100 and FTSE 250 in the latest reported financial year, compared with the previous year's figures.

Other Director	Lower quartile		Median		Upper quartile	
	2013	2012	2013	2012	2013	2012
FTSE 100	0%	2%	3%	4%	5%	7%
FTSE 250	2%	2%	3%	4%	6%	7%

SALARY POSITION AND PAY COMPARATOR GROUPS

The size of a company is highly correlated with basic salary levels for executive directors. This can be seen from the tables below which show the basic salary levels by market capitalisation bands and also by turnover bands. Many companies use market capitalisation as a key factor when comparing salary levels, but the 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 current peers. Turnover is generally a less volatile indicator and therefore a prudent approach would be to consider both when looking at salaries and form a view as to the appropriateness of the data.

When compared to the 2012 report it is difficult to identify trends across the different size bands when compared to last year; this reflects the differing nature of the roles included within this category of executives.

Basic salary by market capitalisation

Other Director				
	Market Capitalisation	Lower quartile (£000s)	Median (£000s)	Upper quartile (£000s)
FTSE 100	>£10bn	520	625	722
	£5bn-£10bn	349	425	510
	<£5bn	364	415	519
	All FTSE 100	410	522	659
FTSE 250	>£1.5bn	293	336	437
	£500m-£1.5bn	201	230	266
	<£500m	291	330	380
	All FTSE 250	228	279	361
FTSE 350	All FTSE 350	261	355	510

Basic salary by turnover

Other Director				
	Turnover	Lower quartile (£000s)	Median (£000s)	Upper quartile (£000s)
FTSE 100	>£10bn	575	644	720
	£2.5bn-£10bn	383	454	544
	<£2.5bn	320	405	474
	All FTSE 100	410	522	659
FTSE 250	>£2.5bn	445	450	500
	£500m-£2.5bn	266	316	380
	<£500m	205	233	303
	All FTSE 250	228	279	361
FTSE 350	All FTSE 350	261	355	510

Basic salary by sector

Other Director	FTSE 350		
	Lower quartile (£000s)	Median (£000s)	Upper quartile (£000s)
Chemicals & pharmaceuticals	267	292	609
Consumer goods & services	246	355	488
Finance	247	342	450
Media & e-business	198	328	658
Natural resources & energy	330	484	670
Other services	230	266	355
Property, construction & engineering	275	360	434
All FTSE 350	261	355	510

ANNUAL BONUS PLANS

The tables below show the following information for the FTSE 100 and the FTSE 250:

- The maximum potential bonus
- The total bonus paid as a percentage of salary
- The total bonus paid as a percentage of the maximum
- The total bonus paid in 2012 and in 2013

When compared to the 2012 report maximum bonus opportunity has remained broadly flat, although median maximum bonuses have increased in the FTSE 250.

Total bonus payments have increased at the median but this is more marked in the FTSE 250 than the FTSE 100.

Over a third of companies across the FTSE 350 paid their other directors a bonus in excess of 80 percent of the maximum. Around a quarter of ODs in the FTSE 100 and less than a fifth of ODs in the FTSE 250 received a bonus of less than 30 percent of the maximum. The majority of companies paid bonuses of over 60 percent of maximum.

Other Director	FTSE 100			FTSE 250		
	Lower quartile	Median	Upper quartile	Lower quartile	Median	Upper quartile
Maximum Bonus Opportunity (percentage of salary)	125%	160%	200%	100%	120%	150%
Total Bonus (percentage of salary)	67%	118%	154%	50%	83%	121%
Total Bonus (percentage of maximum bonus)	39%	70%	91%	41%	60%	90%
2013 Total Bonus (£000s)	311	525	911	149	234	368
2012 Total Bonus (£000s)	302	504	792	120	203	307

The following tables show the same information (at median) split by market capitalisation bands and by turnover bands. As expected there is a trend of higher payouts in the larger companies compared to the smaller ones. When compared

to last year it is difficult to identify trends based on size which reflects the company specific nature of performance targets and measurement which bears no relevance to size.

Annual bonus by market capitalisation

Other Director	FTSE 100			FTSE 250		
Market Capitalisation	>£10bn	£5bn - £10bn	<£5bn	>£1.5bn	£500m - £1.5bn	<£500m
Maximum Bonus Opportunity (percentage of salary)	175%	190%	125%	120%	125%	100%
Total Bonus (percentage of salary)	127%	140%	81%	90%	83%	64%
Total Bonus (percentage of maximum bonus)	72%	70%	61%	55%	60%	63%
Total Bonus (£000s)	715	514	322	298	208	241

Annual bonus by turnover

Other Director	FTSE 100			FTSE 250		
Turnover	>£10bn	£2.5bn - £10bn	<£2.5bn	>£2.5bn	£500m - £2.5bn	<£500m
Maximum Bonus Opportunity (percentage of salary)	180%	155%	125%	120%	100%	125%
Total Bonus (percentage of salary)	124%	96%	120%	49%	96%	78%
Total Bonus (percentage of maximum bonus)	67%	75%	65%	41%	67%	60%
Total Bonus (£000s)	793	422	371	214	269	193

The following table shows the same information (at median) split by sector.

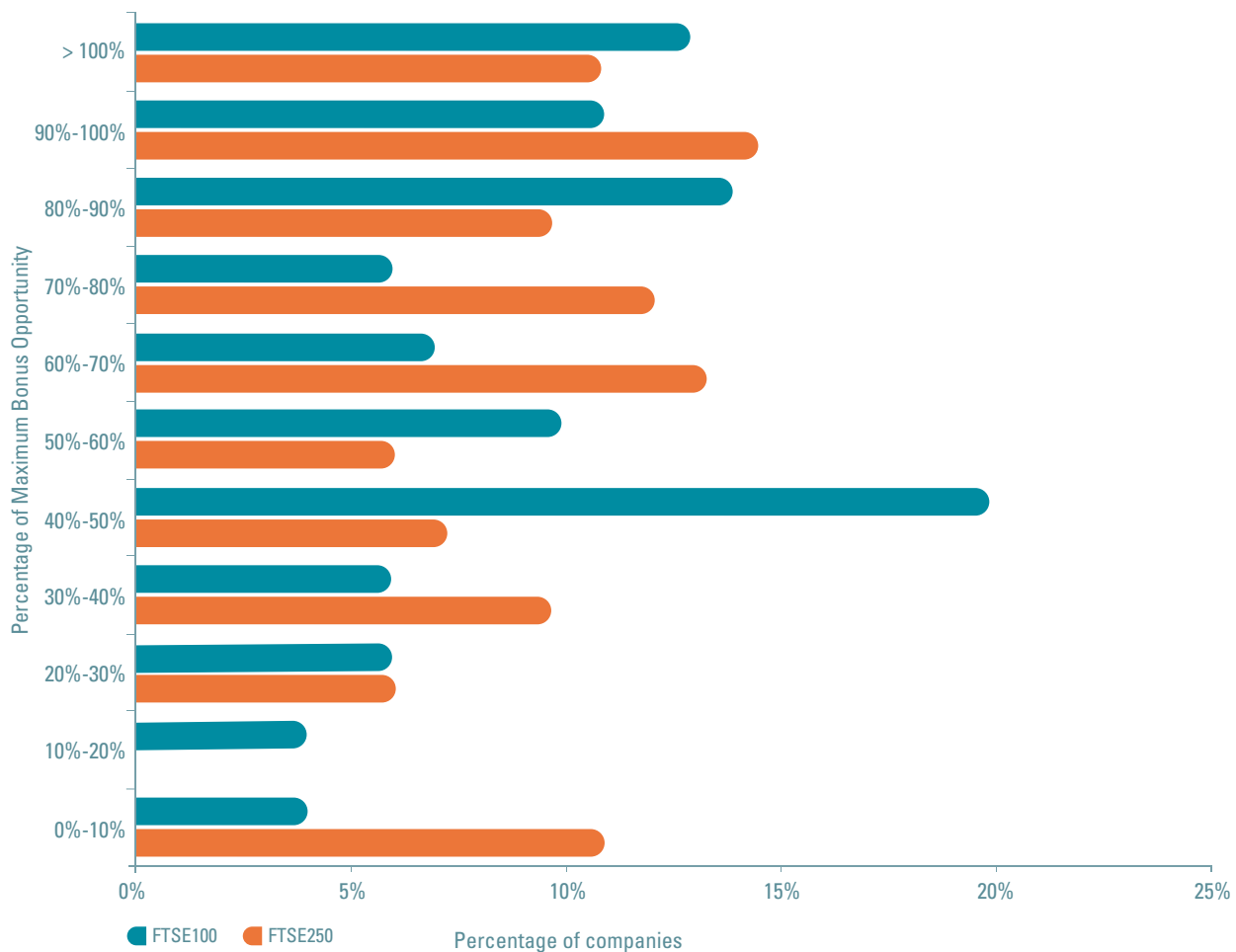
Annual bonus by sector

Other Director	FTSE 350						
Sector	Chemicals & pharmaceuticals	Consumer goods & services	Finance	Media & e-business	Natural resources & energy	Other services	Property, construction & engineering
Maximum Bonus Opportunity (percentage of salary)	145%	120%	200%	113%	168%	120%	125%
Total Bonus (percentage of salary)	91%	65%	120%	92%	103%	101%	91%
Total Bonus (percentage of maximum bonus)	62%	50%	71%	25%	65%	83%	79%
Total Bonus (£000s)	323	252	436	308	419	269	269

The chart below shows the distribution of total bonuses (as a percentage of maximum bonus opportunity) for the FTSE 100 and FTSE 250 companies who have disclosed the maximum bonus opportunity. Approximately 50 percent of other

executives in the FTSE 100 are receiving 70 percent or above of the maximum bonus opportunity.

Percentage of maximum annual bonus opportunity paid



LONG TERM INCENTIVES

The following tables show the awards made to other executive directors under performance share plans and share option plans.

Performance Share Plans

The tables below show the following information for 2013:

- The actual awards made (i.e. the face value of shares conditionally awarded) both as a percentage of salary and a monetary amount

- The maximum award as a percentage of salary where this is disclosed
- Actual gains as a percentage of salary

Other Director	FTSE 100			FTSE 250		
	Lower quartile	Median	Upper quartile	Lower quartile	Median	Upper quartile
Maximum Award (percentage of salary)	144%	200%	300%	100%	150%	200%
Actual Award (percentage of salary)	146%	200%	375%	101%	143%	179%
Actual Award (£000s)	784	1,021	2,527	283	396	640
Actual Gains (percentage of salary)	103%	220%	408%	79%	123%	179%

The same information (at median) is shown below for market capitalisation and turnover bands.

PSP by market capitalisation

Other Director	FTSE 100			FTSE 250		
	>£10bn	£2.5bn - £10bn	<£2.5bn	>£1.5bn	£500m - £1.5bn	<£500m
Maximum Award (percentage of salary)	250%	175%	188%	150%	150%	150%
Actual Award (percentage of salary)	255%	206%	159%	160%	125%	92%
Actual Award (£000s)	1,933	862	777	615	312	298
Actual Gains (percentage of salary)	244%	188%	138%	133%	98%	151%

PSP by turnover

Other Director	FTSE 100			FTSE 250		
	>£10bn	£2.5bn - £10bn	<£2.5bn	>£2.5bn	£500m - £2.5bn	<£500m
Maximum Award (percentage of salary)	250%	200%	113%	150%	150%	150%
Actual Award (percentage of salary)	201%	198%	185%	148%	149%	127%
Actual Award (£000s)	1,352	840	840	751	412	325
Actual Gains (percentage of salary)	220%	128%	475%	413%	117%	129%

The following table shows the same information (at median) split by sector.

PSP by sector

Other Director	FTSE 350						
Sector	Chemicals & pharmaceuticals	Consumer goods & services	Finance	Media & e-business	Natural resources & energy	Other services	Property, construction & engineering
Maximum Award (percentage of salary)	150%	150%	150%	200%	200%	150%	150%
Actual Award (percentage of salary)	331%	126%	185%	100%	300%	141%	129%
Actual Award (£000s)	2,029	441	592	666	1,671	396	570
Actual Gains (percentage salary)	154%	244%	123%	209%	151%	117%	133%

SHARE OPTIONS

The tables below show the following information for share options for 2013:

- The actual awards made (i.e. the face value of shares conditionally awarded) both as a percentage of salary and a monetary amount
- The actual gains made from the exercise of share options during the year both as a percentage of salary and a monetary amount

Data is included for completeness but the sample sizes are relatively small due to the number of companies still operating option plans at the executive level. Therefore it would be misleading to conclude too much from this.

	FTSE 100			FTSE 250		
Other Director	Lower quartile	Median	Upper quartile	Lower quartile	Median	Upper quartile
Actual Grant (percentage of salary)	147%	300%	1,056%	251%	308%	772%
Actual Grant (£000s)	826	1,113	6,233	475	757	2,208
Actual Gains (percentage of salary)	35%	61%	91%	12%	27%	67%
Actual Gains (£000s)	129	198	548	26	41	184

07

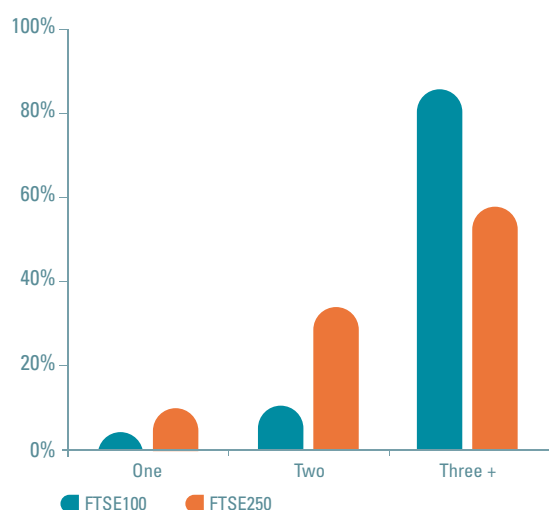
INCENTIVES

THIS SECTION OF THE SURVEY DISCUSSES TRENDS IN INCENTIVE DESIGN. MARKET DATA RELATING TO QUANTUM AND PAYOUTS IS CONTAINED IN THE PREVIOUS SECTIONS.

ANNUAL BONUS PLANS

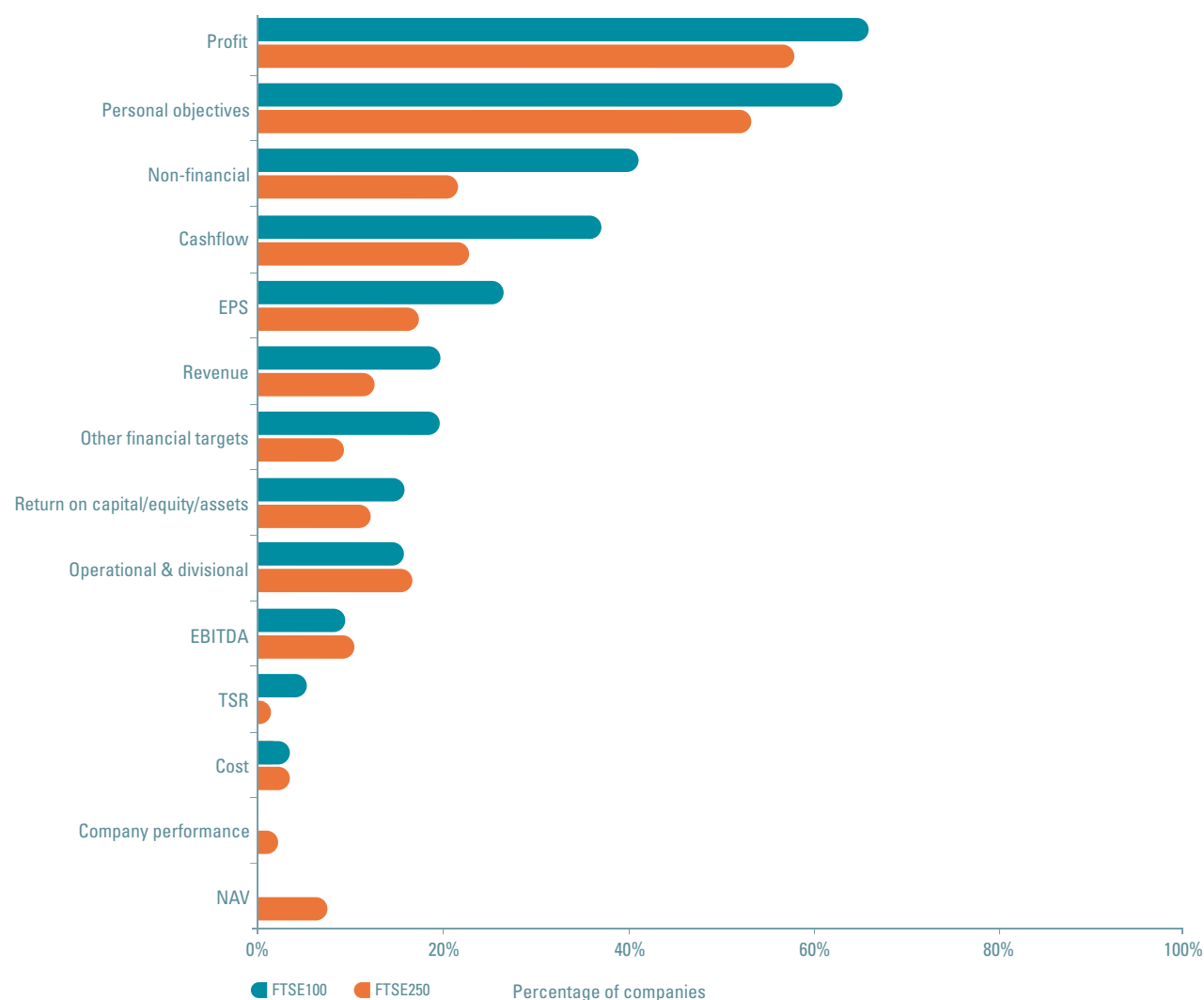
Annual bonus plans continue to be a key element of the remuneration mix. In recent years, the pressure to align annual bonus plans with performance has led to an increase in the number of performance measures used. Only 17 companies in the FTSE 350 use a single performance measure for their annual bonus and 65 percent of FTSE 350 companies use three or more performance measures.

Number of measures in annual bonus plans



The chart below illustrates performance measures typically used in FTSE 350 companies. The totals are greater than 100 percent given the frequent use of multiple performance measures.

Performance conditions in annual bonus plans 2013



The most common combination of performance measure is some form of profit measure in conjunction with personal performance.

This use of a combination of measures fits with good practice and helps to ensure that a balanced approach is taken. Focus on a single measure can be considered in some instances to have driven unwanted behaviour. However, from a shareholder perspective, there is a need to ensure the financial performance of the business justifies the payment of bonuses and the use of discretion to make payments has been an area of criticism. For those companies using a combination of measures,

consideration should be given to the relationship between the measures and whether there should be a minimum level of financial performance before any payment is made. In addition, the proportion of the bonus attaching to each measure is an important point for discussion.

DEFERRED BONUS PLANS

Corporate governance and the need to take account of risk in setting remuneration has driven the need for a deferred element of pay. Deferred bonus plans remain a key tool in remuneration planning although some have been criticised for complexity.

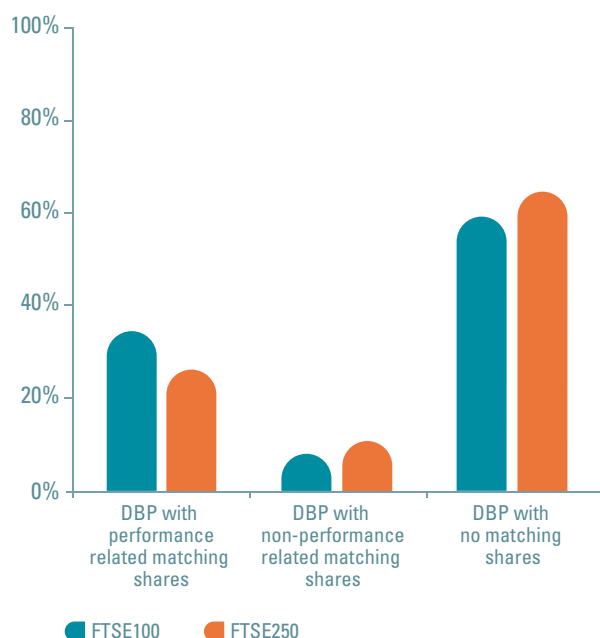
A deferred bonus plan involves the voluntary or compulsory deferral of some or all of an annual bonus into company shares, which are then restricted for a period of time (deferred shares). Some live plans provide for matching shares, which typically

vest to the extent that performance conditions are met over the performance period, most commonly three years.

When compared with 2012, the split between companies operating a deferred bonus with matching shares and those without is broadly the same.

The following chart shows the different types of plan which are currently in operation for the FTSE 100 and the FTSE 250.

Type of live deferred bonus plans in FTSE 350



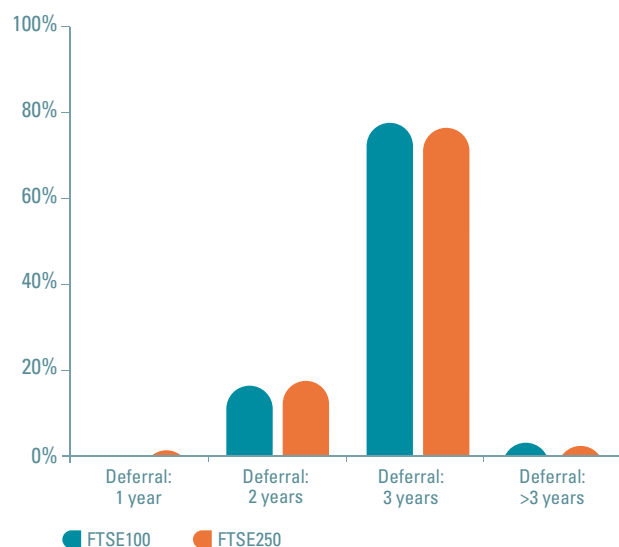
Compulsory vs voluntary deferral

The table below shows the type of deferrals made under these plans by FTSE 100 and FTSE 250 companies for those companies who have disclosed this information.

	FTSE 100			FTSE 250		
	Voluntary deferral (% of plans)	Compulsory deferral (% of plans)	Combination of voluntary & compulsory (% of plans)	Voluntary deferral (% of plans)	Compulsory deferral (% of plans)	Combination of voluntary & compulsory (% of plans)
Percentage of plans	12%	61%	27%	15%	67%	18%

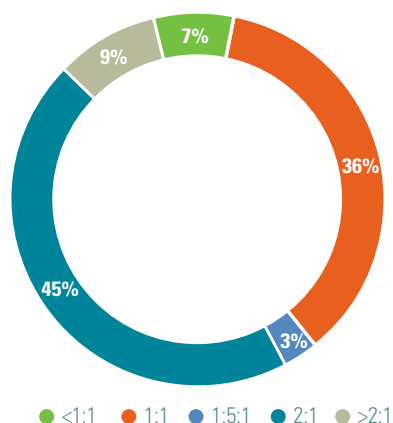
Deferral periods

The chart below shows the length of deferral period used by FTSE 100 and FTSE 250 companies who have disclosed this information. The most common deferral period remains at three years.



Matching ratios

This chart shows the maximum performance-related matching share award in FTSE 350 companies.



PERFORMANCE SHARE PLANS

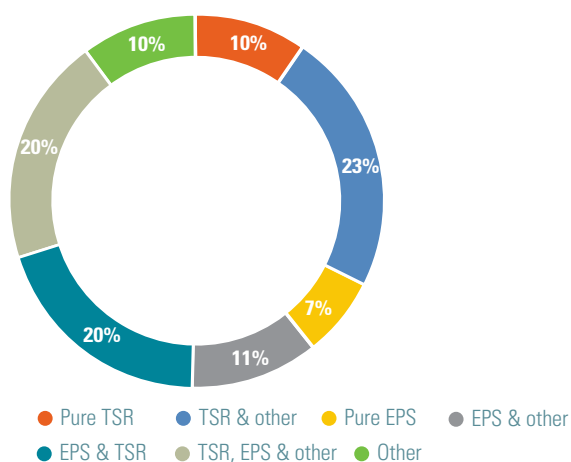
Performance conditions

Performance share plans continue to be the most commonly used form of long-term incentive plan. Information relating to awards for each executive director role is contained in the previous sections. The following section provides data relating to the use of performance conditions.

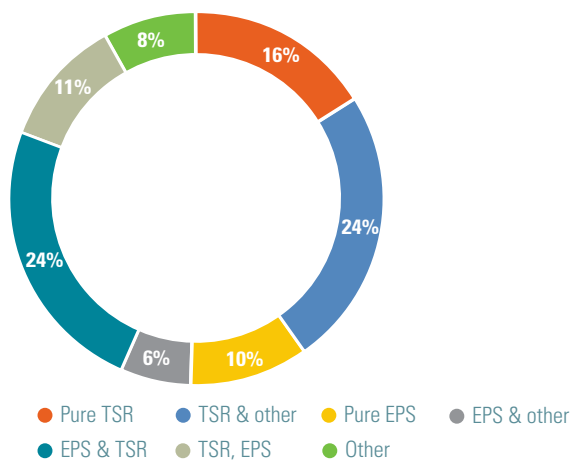
The following charts show the measures that are currently in use. 'Other' measures include profit, cashflow, share price targets, return on capital.

The use of some form of TSR measure, either isolated or in conjunction with another measure, continues to be the most popular measure across the FTSE 350.

FTSE 100



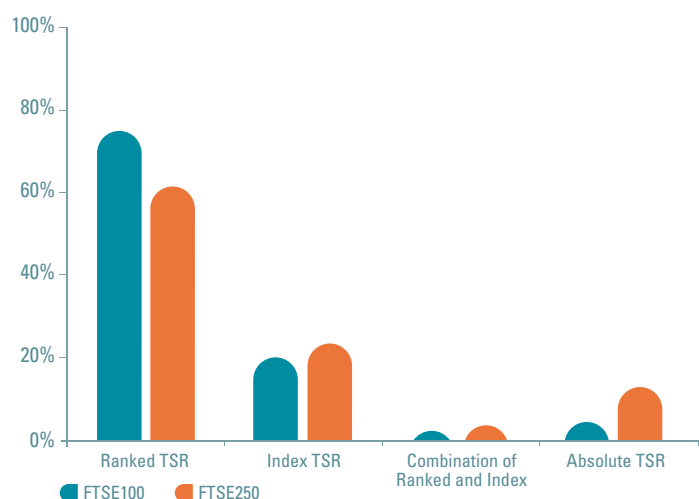
FTSE 250



The use of TSR as a performance measure

Of those companies using TSR as a performance measure, the majority do so on a comparative basis. The traditional ranking approach against a peer group remains the most common methodology. However, a number of companies measure outperformance against an index, particularly in the FTSE 250. A small number of companies use absolute TSR.

TSR Targets



Relative TSR performance for maximum award

The table below shows the level of performance required for full vesting under the plan, reflecting the best practice that full vesting should not occur below the upper quartile.

	FTSE100	FTSE250
>90th percentile	0%	0%
90th percentile	5%	5%
76th - 89th percentile	26%	14%
75th percentile	66%	73%
<75th percentile	3%	8%

08



NON-EXECUTIVE DIRECTORS

THIS SECTION PROVIDES INFORMATION ON THE REMUNERATION FOR THE ROLE OF NON-EXECUTIVE DIRECTOR.

FEE INCREASES

Traditionally, non-executive director fees were not reviewed annually; it was more common to review fee levels every two or three years. As we have noted previously, anecdotal evidence suggests that some companies have begun to conduct annual reviews in line with the practice for executive directors. However, this still appears to be minority practice.

Over recent years there has been increased scrutiny on non-executive directors and a growing level of responsibility for those in the role. This has influenced company practice with fees increasing with the demands of the role. In 2013, although more than half of FTSE 350 companies kept basic fee levels for other non-executive directors unchanged, there has been an increase in the number of companies that have changed the chairman's fees compared with the previous year.

Unchanged fee (percentage of companies)		
	Chairman	Other Non-Executive Director
FTSE 100	49%	59%
FTSE 250	41%	55%

Where increases have been given these often reflect the fact that a review may not have been carried out for one or two previous years, and as such these may be higher than those for executives.

The following tables show the fee increases for the FTSE 100 and FTSE 250 for companies which did increase fee levels. The figures are based on matched samples of individuals as a percentage of basic fees. The level of fee increase is lower than seen in 2012.

		Lower quartile	Median	Upper quartile
FTSE 100	Non-Executive Chairman	3%	6%	20%
	Other Non-Executive Directors	3%	5%	10%
FTSE 250	Non-Executive Chairman	2%	3%	9%
	Other Non-Executive Directors	3%	4%	7%

NON – EXECUTIVE CHAIRMAN

The chairman is responsible for the leadership of the board, ensuring effectiveness in all aspects of its role and setting its agenda. The 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 chairman and other non-executive directors.

The following tables show the total non-executive chairman fees broken down by market capitalisation and turnover, inclusive of any committee fees and irrespective of time commitment. As would be expected, those chairing the largest companies are paid significantly more than those in companies in lower bands.

Chairman fees by market capitalisation

Non-Executive Chairman				
	Market Capitalisation	Lower quartile (£000s)	Median (£000s)	Upper quartile (£000s)
FTSE 100	>£10bn	425	600	700
	£5bn-£10bn	300	338	400
	<£5bn	250	270	318
	All FTSE 100	309	375	550
FTSE 250	>£1.5bn	165	203	254
	£500m-£1.5bn	135	157	193
	<£500m	100	118	151
	All FTSE 250	140	171	220

Chairman fees by turnover

Non-Executive Chairman				
	Turnover	Lower quartile (£000s)	Median (£000s)	Upper quartile (£000s)
FTSE 100	>£10bn	412	550	700
	£2.5bn-£10bn	300	340	390
	<£2.5bn	243	305	344
	All FTSE 100	309	375	550
FTSE 250	>£2.5bn	196	250	283
	£500m-£2.5bn	162	194	241
	<£500m	100	135	165
	All FTSE 250	140	171	220

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-executives in their review of the 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.

In recent years we have seen the number of deputy chairman positions on boards reduce 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 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.

There is insufficient data available to run separate quartile analysis for the FTSE 100 and FTSE 250. However, the table below shows fees paid to the deputy chairman across the whole FTSE 350.

Deputy chairman additional fees

		Lower quartile (£000s)	Median (£000s)	Upper quartile (£000s)
FTSE 350	Deputy Chairman	85	102	191

The table below shows the additional fees paid to SIDs for the FTSE 100 and FTSE 250. It should be noted this is in addition to the basic non-executive directors' fee.

Senior independent director additional fees

		Lower quartile (£000s)	Median (£000s)	Upper quartile (£000s)
FTSE 100	Senior Independent Director	12	20	29
FTSE 250	Senior Independent Director	5	6	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 senior independent director. The figures are broken down by market capitalisation and turnover, and are inclusive of any committee fees and irrespective of time commitment.

Non-executive director fees by market capitalisation

Non-Executive Director				
	Market Capitalisation	Lower quartile (£000s)	Median (£000s)	Upper quartile (£000s)
FTSE 100	>£10bn	65	75	85
	£5bn-£10bn	55	61	69
	<£5bn	50	55	58
	All FTSE 100	55	65	79
FTSE 250	>£1.5bn	44	50	55
	£500m-£1.5bn	40	45	50
	<£500m	41	45	60
	All FTSE 250	41	46	53

Non-executive director fees by turnover

Non-Executive Director				
	Turnover	Lower quartile (£000s)	Median (£000s)	Upper quartile (£000s)
FTSE 100	>£10bn	65	75	86
	£2.5bn-£10bn	56	60	65
	<£2.5bn	52	55	65
	All FTSE 100	55	65	79
FTSE 250	>£2.5bn	48	50	55
	£500m-£2.5bn	45	49	55
	<£500m	40	43	45
	All FTSE 250	41	46	53

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.

Principally this is seen with the audit and remuneration committees. In the FTSE 100 over 70 percent of companies disclose an additional audit committee chair fee and a remuneration committee chair fee.

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

Company size again has an influence over the level of additional fees. The audit committee still commands the highest fee, although we have seen a significant increase in the level of other committee fees over the last couple of years.

It should be noted that the nomination committee is often chaired by the company chairman, and in this situation the role is unlikely to attract additional committee fees.

Committee chairmanship fees

	FTSE 100			FTSE 250		
Other Director	Lower quartile (£000s)	Median (£000s)	Upper quartile (£000s)	Lower quartile (£000s)	Median (£000s)	Upper quartile (£000s)
Remuneration	15	20	28	8	10	11
Audit	15	20	30	8	10	11
Nomination	13	15	19	6	10	11
Other	14	20	25	8	10	14

Committee membership fees

	FTSE 100			FTSE 250		
Other Director	Lower quartile (£000s)	Median (£000s)	Upper quartile (£000s)	Lower quartile (£000s)	Median (£000s)	Upper quartile (£000s)
Remuneration	8	13	16	3	5	7
Audit	9	15	20	3	5	7
Nomination	5	7	10	3	5	6
Other	7	10	15	4	7	13

TIME COMMITMENT

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

Other NED 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 NED has increased in recent years.

The number of Board meetings will vary depending on company size and complexity. Most NEDs will be chairs or members of at least one committee as well, and these meetings will be in addition to the Board meetings.



APPENDIX METHODOLOGY & ASSUMPTIONS

THE ANALYSIS IN THIS GUIDE IS BASED ON THE MOST RECENTLY PUBLISHED ANNUAL REPORT AND ACCOUNTS OF EACH COMPANY AS OF 31 MARCH 2013, AS ANALYSED BY IDS, AN INDEPENDENT RESEARCH ORGANISATION AND PART OF THE THOMSON REUTERS GROUP.

DATA SOURCES

Unless otherwise stated, all graphs and tables in KPMG's Guide to Directors' Remuneration 2013 have been created by KPMG, from data provided by Incomes Data Services (IDS). The data provided by IDS has been further analysed by KPMG, using the methodology outlined below.

In our research we have also drawn on analysis completed by IVIS (Institutional Voting Information Service), and we have analysed company annual report and accounts.

DATA SAMPLE

FTSE constituents and market capitalisation figures are as at 30 May 2013 and turnover figures used for the analysis are as at the relevant reporting date for each company. All FTSE 350 investment trusts are excluded.

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

Basic salary

Annual salary received over a 12-month period as shown in the accounts (not necessarily set at annual review).

Total bonus

Actual annual bonus paid plus any deferred portion of the annual bonus.

Total Cash

The sum of basic salary, benefits and total bonus.

Total Earnings

The sum of total cash, the cash value of any PSP awards vested during the year and the cash value of any share options exercised during the year. Final figure may also include some miscellaneous payments not shown in the published tables.

LONG TERM INCENTIVE PLAN (LTIP) AWARDS

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 Plan (PSP)

A type of long term incentive in which participants are allocated shares 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.

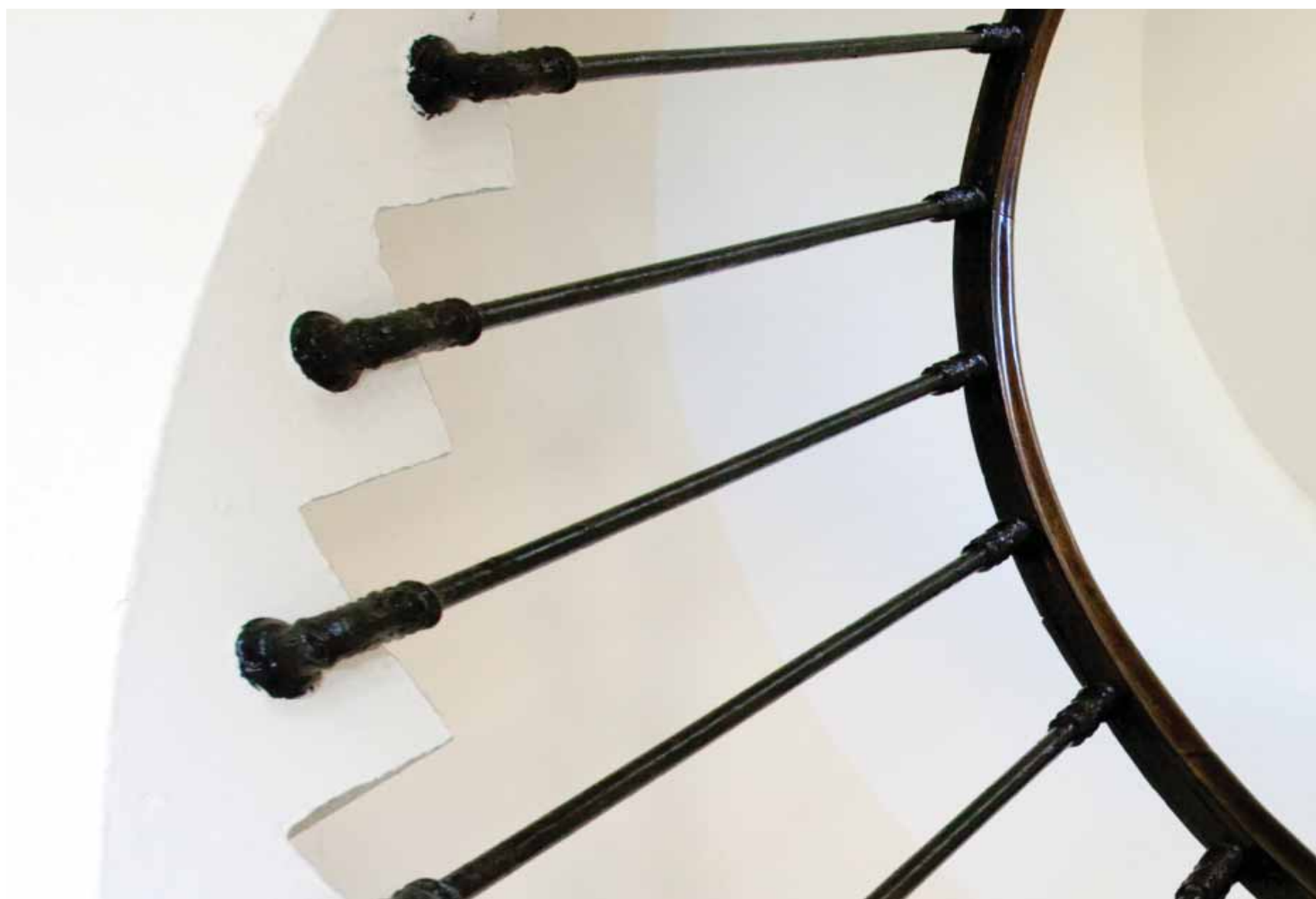
Share Option

A type of long term incentive structured as a call option that gives a right to buy a share some time in the future at a price specified at the outset.

For the actual analysis, the face value of performance shares and options has been estimated for the individual grants using the share price on award or the exercise price of the option.

MEDIAN AND QUARTILE POINTS

For the purposes of the survey, 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.





CONTACT US:

LONDON

David Ellis

020 7311 2021

david.ellis@kpmg.co.uk

SOUTH

Louise Jenkins

0118 964 2171

louise.jenkins@kpmg.co.uk

MIDLANDS

Martin Brown

0117 9054 148

martin.brown2@kpmg.co.uk

NORTH

Chris Barnes

0113 231 3929

chris.barnes@kpmg.co.uk

SCOTLAND

Edward Norrie

0131 527 6724

edward.norrie@kpmg.co.uk

EDITORS:

Caroline Johnson

020 7694 1296

caroline.johnson@kpmg.co.uk

Jessica Sales

020 7694 5383

jessica.sales@kpmg.co.uk

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2013 KPMG LLP, a UK limited liability partnership, is a subsidiary of KPMG Europe LLP and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative, a Swiss entity. All rights reserved. Printed in the United Kingdom.

The KPMG name, logo and "cutting through complexity" are registered trademarks or trademarks of KPMG International.

RR Donnelley I RRD- 285594 | October 2013 | Printed on recycled material.