

Highlights

Basic salary

1 in 4 executive directors in the FTSE 350 received no salary increase, which is the highest level of pay freezes in the last four years





Where increases were provided, the median ranged between 2% to 3%

Regulatory



There have been no changes to the rules affecting remuneration in UK main market listed companies in 2015

There have been a number of clarifications and amendments



to regulation during the year for financial services sector companies

Annual bonus and deferred annual bonus

1 in 10 executive directors in the FTSE 350 received no annual bonus, slightly lower to the previous year



More than a third of FTSE 350 companies paid their executive directors bonuses of over 80% of the maximum opportunity



The **median maximum bonus deferral** within
the FTSE 350 is **50%**of the award

Shareholders

Average vote in favour of remuneration reports is 94%



0/10/



Lack of disclosure still one of the key reasons for shareholder dissent, largely in the **area of performance targets**

Long term incentives

Median awards for executive directors of FTSE 100 companies was **250% of basic salary** and **155% of basic salary** for executive directors of FTSE 250 companies





The use of some form of **TSR measure**, either as a single measure or in conjunction with another approach, **continues to be the most popular measure** across the FTSE 350

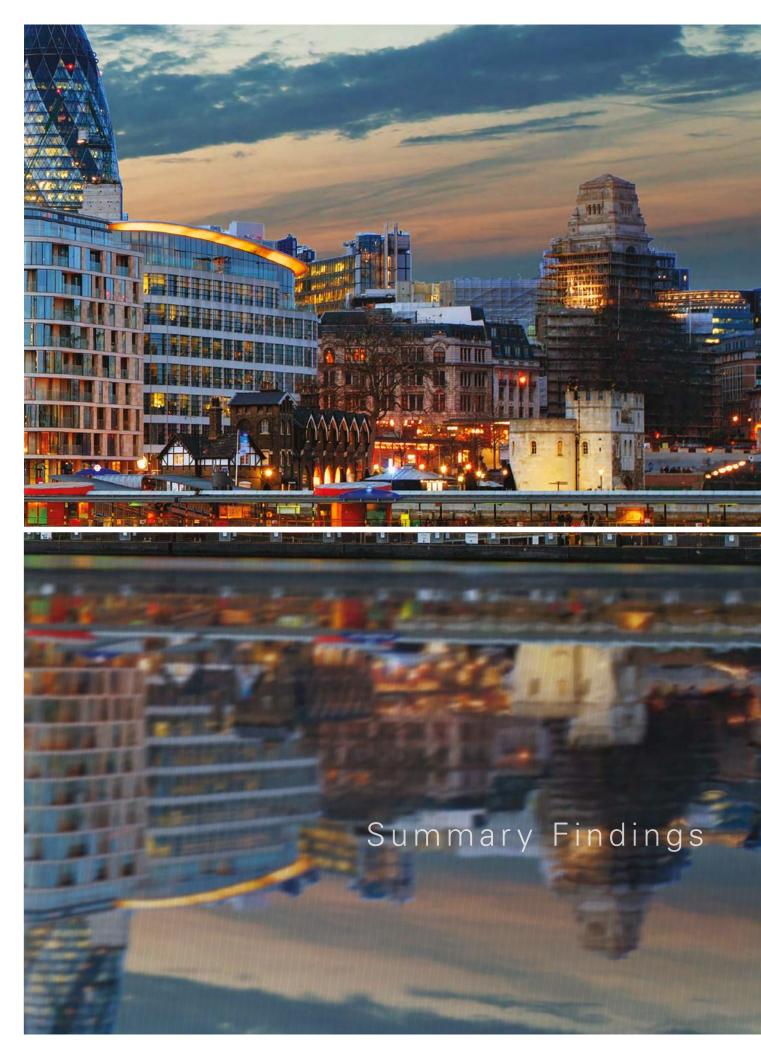
Pensions



Pension value accounts for a quarter of basic salary for executive directors of FTSE 100 companies, and a fifth for executive directors of FTSE 250 companies

Budget pension taxation changes reshape the future role of pension in the reward package





The table below summarises median market practice in FTSE 100 companies for chief executives, finance directors and other executive directors.

FTSE 100

	Chief Executive	Finance Director	Other Executive Directors
Salary increase	2%	2%	2%
Basic salary (£'000s)	838	498	440
Annual bonus			
Maximum bonus (percentage of salary)	175%	150%	150%
Total bonus (percentage of maximum)	74%	76%	83%
Total bonus (percentage of salary)	132%	122%	124%
Most common performance measure	Combination of profit, personal objective and non-financial measures	Combination of profit, personal objective and non-financial measures	Combination of profit, personal objective and non-financial measures
Deferred annual bonus			
Maximum permitted deferral (percentage of annual bonus) ¹	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	300%	240%	250%
Actual award (percentage of salary) 1	251%	226%	224%
Actual gains (percentage of salary)	211%	163%	201%
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
Total earnings (£'000s)²	3,921	2,123	2,048

¹ Face value of award.

Includes benefits, total bonus and cash value of PSP awards vested and share options exercised in the year.
 Total shareholder return

^{**} Earnings per share

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

FTSE 250

	Chief Executive	Finance Director	Other Executive Directors
Salary increase	2%	3%	3%
Basic salary (£'000s)	504	330	325
Annual bonus			
Maximum bonus (percentage of salary)	130%	120%	100%
Total bonus (percentage of maximum)	68%	44%	67%
Total bonus (percentage of salary)	87%	83%	85%
Most common performance measure	Combination of profit, personal objective and non-financial measures	Combination of profit, personal objective and non-financial measures	Combination of profit, personal objective and non-financial measures
Deferred annual bonus			
Maximum permitted deferral (percentage of annual bonus) ¹	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	180%	175%	160%
Actual award (percentage of salary) 1	178%	151%	153%
Actual gains (percentage of salary)	189%	147%	154%
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
Total earnings (£'000s)²	1,382	838	1,012

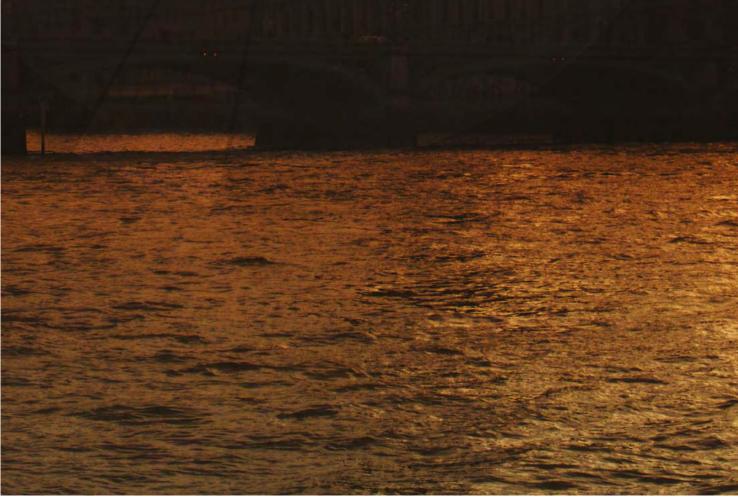
¹ Face value of award

² Includes benefits, total bonus and cash value of PSP awards vested and share options exercised in the year.

^{*} Total shareholder return

^{**} Earnings per share

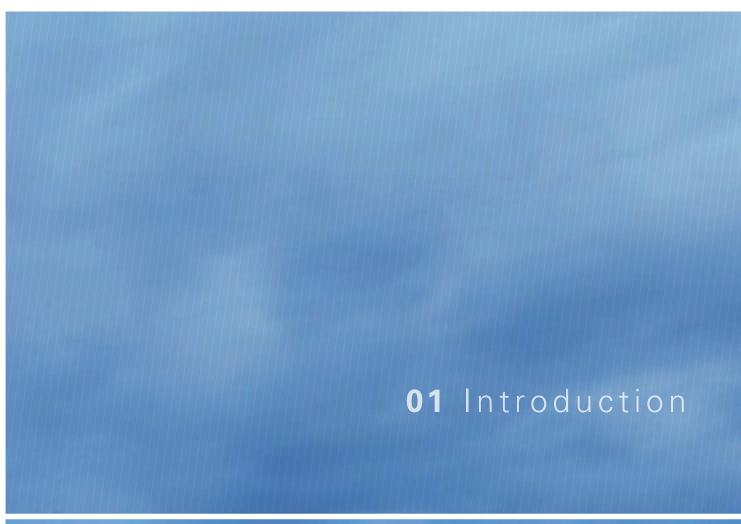




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Use of this guide

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

This guide is designed to provide you with a comprehensive picture of 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 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 based this on current disclosures, following the methodology for the single figure table for remuneration in Directors' Remuneration Reports. Additional information on pensions and plan design for short and long term incentives is shown separately.

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 31 March 2015. 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 2015.

How KPMG can help

KPMG is one of the UK's leading advisers on employee incentives and executive remuneration. We are a member of the Remuneration Consultants Group (RCG) and signatory to its Code of Conduct.

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

We work regularly with clients ranging from Main Market and AIM listed companies to private equity-backed and larger unlisted companies, as well as multinational groups headquartered both 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.
- Remuneration regulatory compliance.
- Design and implementation of incentive plans.
- Corporate transactions.
- Accounting, valuations and modelling.
- Ongoing operation of incentive plans.



This guide analyses the latest trends in FTSE 350 directors' pay. It covers basic salary, incentives and pensions. We also look at the wider factors that impact executive pay and how these have changed over the year.







For the majority of companies 2015 was the second year of operating under the revised disclosure and voting rules in the UK, reporting on the implementation of remuneration policy agreed in 2014. As in previous years the majority of companies received a high level of support from their shareholders, with the average vote in favour of the directors' remuneration report continuing to be over 90%.

Directors' Remuneration Reporting

Perhaps surprisingly, we saw nearly a quarter of companies take a revised remuneration policy to shareholders for vote in 2015. Looking more closely at these companies it can be seen that there are a number of drivers for this.

It is not the case that this just reflects companies introducing malus and/or clawback to their policy as per last year's Corporate Governance Code Review and asking shareholders to vote on this. Nor is it the case that all companies introducing these provisions treated this as an amendment to policy which required a vote. Around a third of those companies taking a revised policy to shareholders had received a significant vote (more than 20%) against either their policy or their annual report on remuneration in 2014, and received a higher level of support in 2015.

An overview of the key themes from the reporting season is shown below.

A key question with the new regulations is whether they have or will encourage a change in approach to remuneration, or whether it is simply another compliance exercise. One rationale for the above statistics could be that companies have recognised shareholder concerns and responded to these, amending their policy and engaging with shareholders on the new approach. It is too early to do more than speculate on this point, but it is suggestive of the fact that companies are taking the concerns raised by shareholders seriously.

Remuneration policy

- The majority of companies incorporated their whole remuneration policy even though not required to do so.
- A small number of companies have references to, or extracts from, the strategic report to help explain the link to strategic direction, but this remains an area where shareholders would like to see improvement.
- The majority of companies have clawback and/or malus provisions following the update to the Corporate Governance Code. For those that do not yet have such provisions many have stated that they will be reviewing their malus/clawback arrangements next year (or at the time of the next binding vote on policy).
- Close to a fifth of the companies who received a significant vote against their policy last year, submitted a new policy to vote this year.
- Only a minority of companies who put a revised policy to a binding vote in 2015 received a significant vote against either their remuneration policy or annual report on remuneration this year.

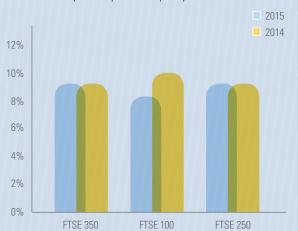
Annual remuneration report

- Generally improved disclosure on annual bonus performance measures with more information on measures and weighting.
- Improved information on specific annual bonus targets with fewer companies relying on the exemption for commercially sensitive information compared to last year.
- However, close to half of FTSE 350 companies continue to use commercial sensitivity as rationale for excluding retrospective annual bonus targets from their annual report on remuneration.
- Few of these companies provide an indication of when annual bonus targets will cease to be commercially sensitive (and therefore when they will be disclosed).

The shareholder perspective

There was only one company in the FTSE 350 that received a majority vote against its annual remuneration report and no company received a majority vote against the policy report.

Percentage of companies with a significant vote against their annual remuneration report compared with prior year



In spite of the increase in the level of disclosure voting agencies still flag lack of disclosure as one of the key reasons for shareholder dissent. This need for improvement applies largely to the area of performance targets where, as noted above, many companies are still not providing retrospective disclosure of specific targets in relation to annual bonus plans, and continue to rely on commercial sensitivity exemptions. Whilst shareholders largely accept that prospective disclosure of targets is difficult, they do expect companies to disclose targets after the end of the relevant year.

Generally where a company has received a significant vote against this is due to a combination of factors. Disclosure of annual bonus targets is a common feature, as are significant basic salary increases and any special bonuses or payments made upon recruitment. The chart below shows the companies with significant votes against annual remuneration reports together with the institutional voting recommendations.



Regulation

There have not been any changes to the remuneration rules affecting UK main market listed companies in 2015, but the financial services sector continues to face an increasing amount of regulation in respect of remuneration and reward arrangements for senior employees.

There have been a number of clarifications and amendments to regulation during the year and a brief overview is provided below.



Main market listed companies' regulation prior to the 2015 reporting season

GC100 and Investor Group Guidance

The GC100 and Investor Group ('the Group') has published a 2014 Statement ('the 2014 Statement') which provides supplemental guidance to the 2013 GC100 and Investor Group Directors' Remuneration Reporting Guidance ('the 2013 Guidance').

Further supplementary guidance is provided in the following areas:

- Assurances regarding remuneration policies.
- 2014 UK Corporate Governance Code impact on remuneration policies previously approved malus and clawback:
 - -The Group suggests that companies that plan to extend withholding and recovery provisions in respect to the 2014 UK Corporate Governance Code "may wish to consider (in consultation with investors) deferring this to the next scheduled policy renewal, presenting for approval a new policy amended accordingly or devising some other solution, for which they may wish to seek appropriate advice.
 - Information about the approved policy in subsequent remuneration reports.
- The Group does not consider that the full policy needs to be included in every report but that "sufficient information should be included to help shareholders easily assess the reported remuneration in the context of relevant aspects of the policy, and that at least the policy table should be included."
- The Group also highlighted that the full policy should be available and signposted on the company's website.

In addition, the 2014 Statement seeks to clarify the following areas:

- Linking remuneration to company strategy.
- Applying the GC100 and Investor Group guidance on discretion.
- Performance targets protecting genuine commercial sensitivity yet achieving transparency.
- Remuneration component maxima.
- Shareholding requirements compliance, time to comply and enforcement by remuneration committees.
- Remuneration committees should aim to improve clarity.



Financial services regulation

Capital Requirements Directive (CRD)

CRD IV came into effect on 1 January 2014 and affects all banks, building societies and certain investment firms. In 2015, the UK regulators clarified the new remuneration rules for in-scope firms, including on the length of variable pay deferral, performance adjustment (clawback and malus), risk adjustment and discretionary pay in bailed out banks. At the European level, new guidelines aimed at local regulators are being discussed at the time of writing this report and are expected to be published in the first quarter of 2016. These are expected to include clarification on the proportionality principle, payment in shares, the application of the Directive to subsidiaries and the where overlapping remuneration requirements exist.

AIFMD (Alternative Investment Fund Managers Directive)

AIFMs include hedge funds, private equity funds, real estate funds and fund of funds, and AIFMD requires such firms to have AIFM authorisation in order to market EU and non–EU funds across Europe. Whilst AIFMs were required to be compliant with AIFMD by 22 July 2014, the remuneration requirements only apply to remuneration earned, allocated or awarded in the first full performance period post authorisation. The Financial Conduct Authority (FCA) clarified a number of points regarding AIFM remuneration this year including proportionality, payments made to partners if the AIFM is structured as a partnership, the requirement to pay identified staff in units, shares or other instruments, as well as minimum retention periods. The disapplication of the pay-out process rules on carried interest was confirmed on grounds of proportionality, given appropriate clawback or make-up arrangements are in place. Finally, the UK Regulator confirmed that carried interest plans are not considered remuneration at all, where arising solely from an individual's return on a co-investment arrangement.

UCITS V (Undertakings in Collective Investments in Transferable Securities)

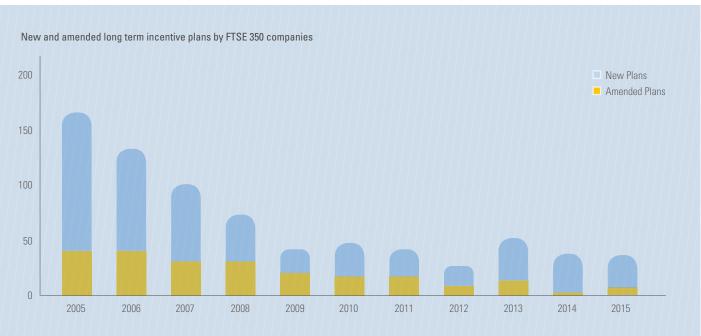
UCITS V directive came into force in August 2014 and UK firms, which manage UCITS, are expected to comply with the remuneration principles for awards of variable remuneration for the first full performance period starting on 18 March 2016. At the time of writing this report, the UK Regulator has drafted the UCITS Remuneration Code, which will apply to those staff working for the management company, whose professional activities have a material impact on the risk profiles of the firm or the UCITS under its management (UCITS Remuneration Code Staff). The proposed UCITS Remuneration Code includes provisions regarding the balance between fixed and variable remuneration, payment of remuneration in the UCITS units or shares, deferral, performance adjustment and restrictions on the use of guaranteed remuneration, all with a strong focus on individual performance.

Solvency II Directive

Solvency II comes into force from 1st January 2016 across the EU. It is being transposed in the UK by the FCA and the PRA and affects majority of insurance and reinsurance firms operating in the UK. The Directive includes provisions for remuneration at both group and business unit level that revolve around the structuring of a remuneration policy and specific arrangements for staff whose professional activities have a material impact on the risk profiles of the firm.

New and amended plans

The number of long term incentive plans taken to shareholders in 2015 has decreased slightly compared to last year as the following graph shows. As in 2014, the use of plans where multiple types of incentives can be granted under one umbrella plan (e.g., performance shares, share options, and deferred bonuses) have been put forward to shareholders for approval.



For those companies introducing new plans, few took an approach that differs significantly from that which has been followed in recent years. The majority are performance share plans (PSPs), and few FTSE 350 companies now have a market value option plan in place for executive directors.

It is worth noting, that no FTSE 100 company introduced a market value option plan for executive directors in 2015. The remainder of introduced new plans are umbrella plans.

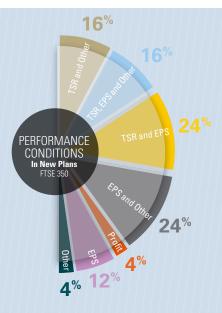
The following table shows new plans introduced by FTSE 350 companies in 2015.

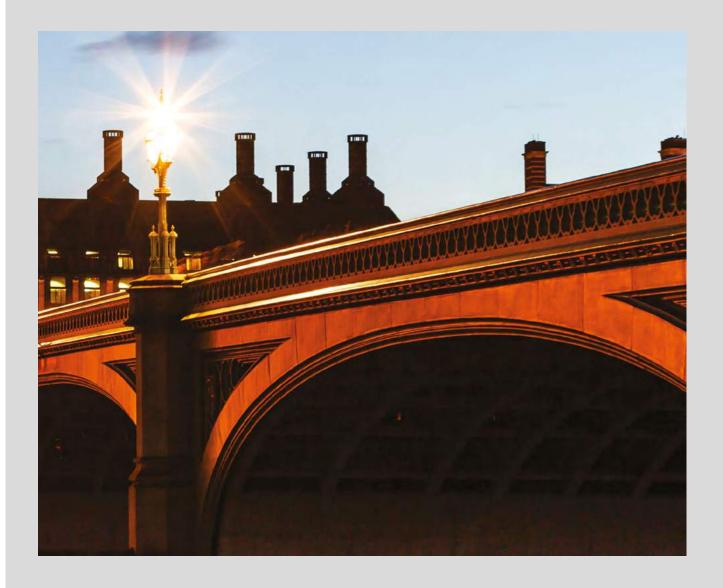
New plans introduced by FTSE 350 companies in 2015 (2014 plans in parentheses)					
Performance share plans	22 (28)				
Umbrella plans	2 (3)				
Other long-term incentive plans	5 (3)				
Total plans introduced by FTSE 350 companies	29 (34)				

Over the last few years we have consistently seen an increase in the use of 'other' measures that are more business/ company specific, and in some cases these include non-financial metrics such as customer service and employee engagement. Despite the slow pace of change in LTIP design in recent years, the increasing use of non-traditional metrics in new or amended plans is a sign that companies want to improve the link to their business strategy. However, because of shareholders concerns with anything that looks different they are perhaps still nervous of taking a substantially different approach.

The following chart shows that the majority of new plans introduced incorporate TSR and/ or EPS as a performance condition, either on their own or in conjunction with another measure. Again this follows common practice in recent years.

FTSE 350 use of performance conditions in new plans





Looking ahead

Other than within the financial services sector, there is no real change expected to regulation which will impact on executive pay.

The disclosure of CEO and all employee pay ratios continues to be debated, but it is unlikely there is any political will to mandate this, and few commentators believe that such a change would bring any real benefit.

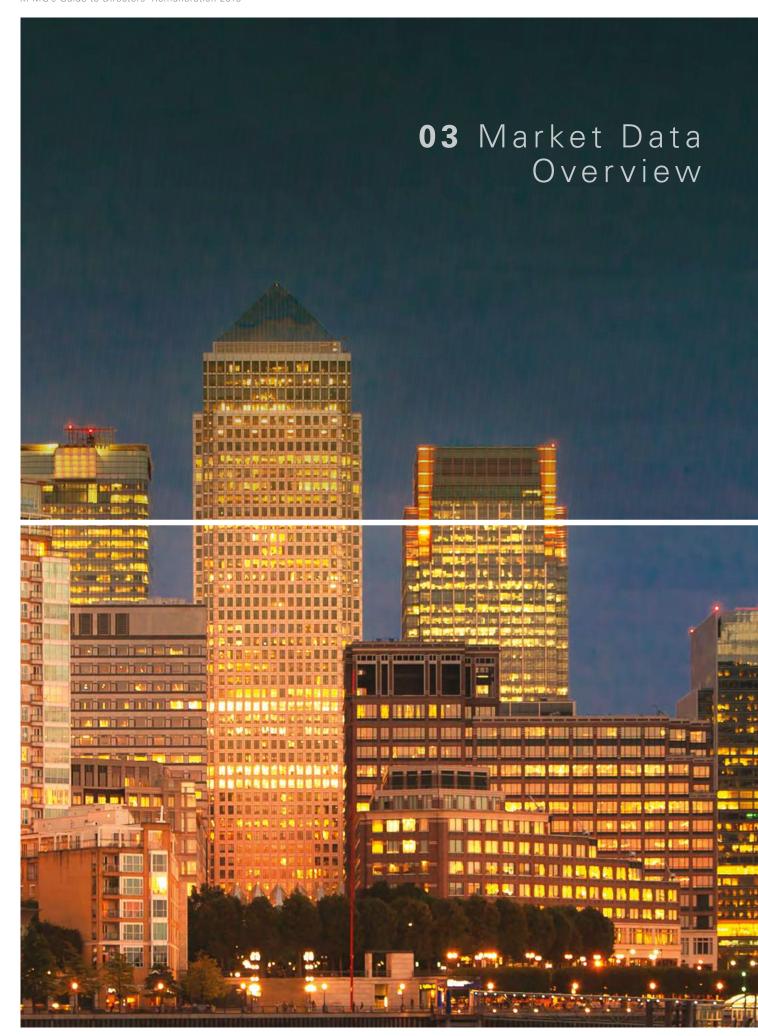
The interaction between companies and shareholders remains of critical importance, and companies should not take shareholder support for granted. On-going engagement and dialogue rather than simply at year-end remains the preferred approach, and avoiding surprises in the annual report is crucial.

While a review of information disclosed in 2015 annual reports shows little real change in quantum, the details that sit within these aggregate numbers do provide some points of interest.

We have already highlighted the continued, if small, increase in the number of companies using a business or company specific measure in their long term incentive plan. There is also continued pressure to increase vesting periods or to incorporate additional holding periods when awards have vested, irrespective of the level of shareholding which an individual executive director may already have. When combined with the deferral of annual bonus payments, which is now commonplace, this again increases the emphasis being placed on the long term. While this makes good sense, it does not tie in with the reality of the average tenure for a Main Market chief executive. This means that focus on the terms attached to leavers and how any discretion is exercised in these circumstances is likely to increase. If the aim of a significant proportion of remuneration is the link to the long term and to reward sustained good performance, is this really working in practice if a majority of individuals do not remain within the business for this period of time?

Another driver for change may come from the changes being made to pension taxation. This has been a constant theme of recent years, but changes announced in the recent Budget have widened the scope of impact from a handful of individuals to a far greater number. The issue of company versus individual responsibility for what is essentially a tax change is one which is being debated by companies, as is the future role of pension in the reward package. Further changes are expected to be announced by the Government following the end of the consultation period for the paper Strengthening the incentive to save: a consultation on pensions tax relief. The data in this guide shows that pension makes up a significant proportion of fixed pay, but we may see companies considering a different approach going forward.

As ever, the key challenge is to ensure that remuneration supports the strategy and key performance indicators for the business. This is clearly not just an issue for executive directors, but is part of driving the desired culture of an organisation to ensure that business goals are achieved. Culture change is something that is currently a big issue within many financial services sector organisations, and we have seen before that what starts in financial services often spreads to all sectors, and remuneration is clearly an important part of this conversation. This may become a topic which is debated at remuneration committee meetings more frequently over the coming year.





When looking at all roles, with fixed pay at similar or modest levels of increase from 2014, variable components of remuneration continue to form a significant proportion of total earnings. Although annual bonus payments have only increased by 3% in the FTSE 350, they continue to pay out at high levels. Payouts under long term incentive awards have broadly remained at similar levels to last year.

Total earnings

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

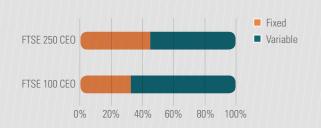
Analysis includes all companies in the sample, regardless of changes in the executive teams during the financial year (2014 data in parentheses).

	Basic salary (£000s)	Total cash (£000s)	Total earnings (£000s)
FTSE 100			
Chief Executive	838 (837)	2,292 (1,862)	3,921 (3,754)
Finance Director	498 (485)	1,268 (999)	2,123 (1,874)
Other Executive Directors	440 (501)	1,107 (1,045)	2,048 (2,087)
FTSE 250			
Chief Executive	504 (481)	1,030 (949)	1,382 (1,560)
Finance Director	330 (325)	678 (624)	838 (912)
Other Executive Directors	325 (300)	671 (566)	1,012 (963)

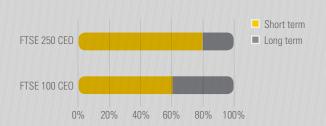
Remuneration mix

In the following charts, the fixed: variable and short: long term elements of remuneration show the mix of total earnings for FTSE 350 CEOs.

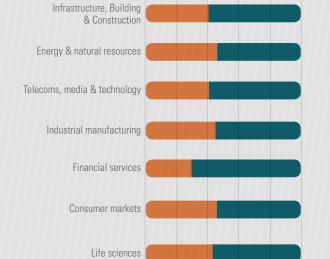
The chart below shows the remuneration mix between fixed and variable for FTSE 350 CEOs. This is based on median total earnings received during the year.



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



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



40%

60%

80%

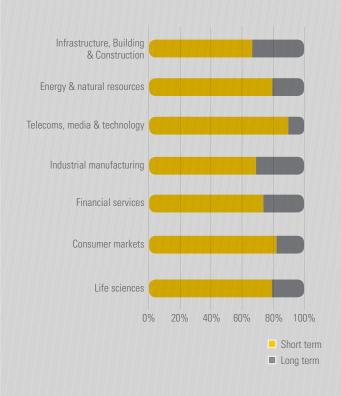
Fixed

Variable

100%

20%

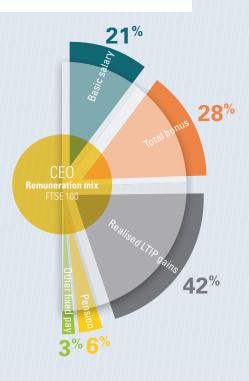
The chart below shows the median short term: long term remuneration mix for CEOs split by sector.

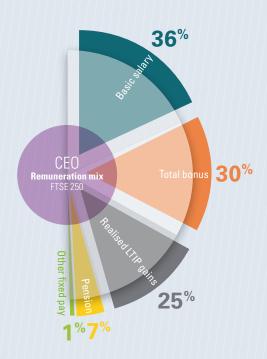


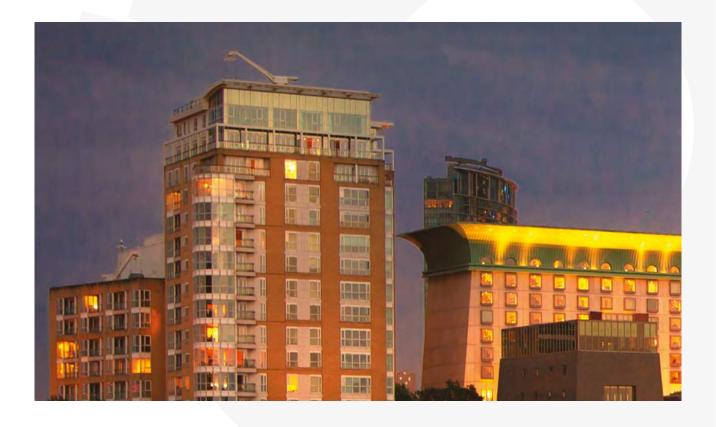
In accordance with the single figure methodology followed in Directors' Remuneration Reports this year, deferred awards paid out in future financial years are included as short term incentives as they are no longer subject to performance.

It should be noted that the impact of the variable remuneration cap for some financial services organisations will not be picked up in the data until the next financial year.

The charts below show the median remuneration mix for CEOs split by pay elements, as reported in the single figure table..







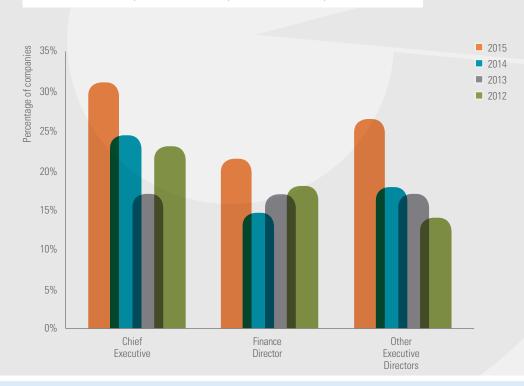
Basic salary

Companies continued to exercise restraint in 2015.

Salary increases have remained modest again this year, with salary freezes at their highest level in the last four years. Almost a third of CEOs in the FTSE 350 received no salary increase, a trend replicated for all executive directors.

Companies remain cautious in their approach, continuing to take into account the increase given to the broader employee population and the wider economic environment. Where increases were provided, the median ranged between 2% to 3%.

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



Salary differentials by reference to role

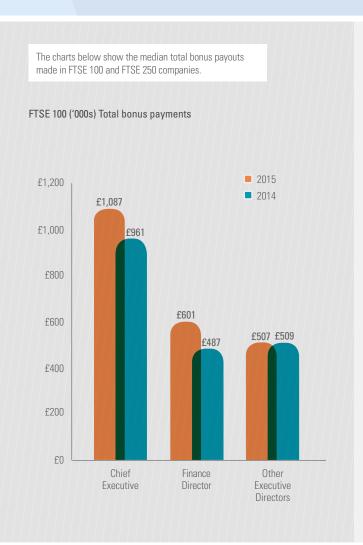
The table below shows the internal ratio between the salaries of the finance director and other executive director positions as a percentage of the chief executive's salary. These percentages remain broadly consistent with the previous two years.

The table below shows FTSE 350 internal ratio of finance director and other executive directors' salaries expressed as a percentage of the CEO's salary.

		Lower Quartile	Median	Upper Quartile
FTSE 100	Finance Director	60%	64%	70%
	Other Executive Directors	53%	61%	69%
ETCE 2E0	Finance Director	61%	65%	72%
FTSE 250	Other Executive Directors	56%	64%	76%

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 for CEOs and finance directors and remained at the same level for other executive directors. In the FTSE 250, bonus payments for CEOs and finance directors have decreased and remained at the same levels for other executive directors. The percentage of FTSE 350 CEOs with a zero bonus in 2015 is 12% and for finance directors is 7%.





More than a third of FTSE 350 companies paid their directors bonuses of over 80% of the maximum opportunity, whereas less than a quarter of companies paid bonuses of less than 50% of maximum.

The majority of companies paid bonuses of at least 70% of the maximum opportunity.

Deferred annual bonus plans

Deferral of at least part of the bonus is now standard practice amongst the majority of companies. The median maximum bonus deferral within the FTSE 350 is 50%. Please see the Incentives section for more details.

Long term incentive plans

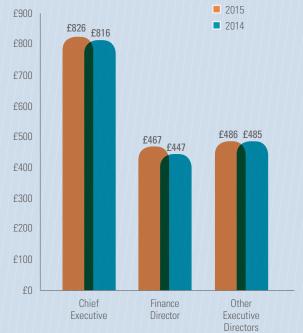
Performance share plans (PSPs) continue to be the most commonly used form of long term incentive plan.

The charts below show the median actual value of performance share plan awards vesting in the year as compared to 2014.

FTSE 100 ('000s) median actual value of performance share plan awards vesting in the year

FTSE 250 ('000s) median actual value of performance share plan awards vesting in the year







The following chart shows the median actual value of performance share plan awards vesting in the year in the FTSE 350 across different sectors.

FTSE 350 CEO only ('000s) median actual value of performance share plan awards vesting in the year across different sectors









In the midst of the highest level of basic salary freezes in recent years, the level of total earnings for both FTSE 100 and FTSE 250 CEOs has increased compared to last year, primarily driven by payouts under long term incentive awards.

The following table shows the median basic salary, total cash and total earnings in the year for FTSE 100 and FTSE 250 companies (2014 data in parentheses).

Analysis includes all companies in the sample, regardless of changes of CEOs during the financial year. The methodology used to calculate these figures can be found in the appendix.

Chief Executive	Basic salary <i>(£000s)</i>	Total cash <i>(£000s)</i>	Total earnings <i>(£000s)</i>
FTSE 100	838 (837)	2,292 (1,862)	3,921 (3,754)
FTSE 250	504 (481)	1,030 (949)	1,382 (1,560)

Basic salary

As mentioned in the overview, basic salary increases have remained low in line with the year before, with more than a third of companies operating a pay freeze at the CEO 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.

	Lower Quartile		Med	Median		Quartile
Chief Executive	2015	2014	2015	2014	2015	2014
FTSE 100	0%	0%	2%	2%	3%	3%
FTSE 250	0%	0%	2%	3%	5%	4%

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.

The tables below show basic salary levels by market capitalisation and turnover bands.

Basic salary by market capitalisation

Chief Executive					
Market Capitalisation		Lower Quartile (£'000s)	Median (£'000s)	Upper Quartile (£'000s)	
	>£15bn	970	1,061	1,133	
FTSE 100	£5bn - £15bn	692	800	910	
	<£5bn	573	658	765	
	All FTSE 100	679	838	987	
	>£2bn	429	560	683	
FTSE 250	£1bn - £2bn	446	515	564	
	<£1bn	414	473	514	
	All FTSE 250	422	504	572	
FTSE 350	All FTSE 350	457	550	759	

Basic salary by turnover

Chief Executive				
Turnover		Lower Quartile (£'000s)	Median (£'000s)	Upper Quartile (£'000s)
	>£15bn	942	987	1,087
FTSE 100	£5bn - £15bn	776	910	975
	<£5bn	593	705	765
	All FTSE 100	679	838	987
	>£1bn	506	560	680
FTSE 250	£500m - £1bn	444	504	533
F13E 200	<£500m	401	428	490
	All FTSE 250	422	504	572
FTSE 350	All FTSE 350	457	550	759

Basic salary by sector within the FTSE 350

Chief Executive			
Sector	Lower Quartile (£'000s)	Median (£'000s)	Upper Quartile (£'000s)
Life Sciences	442	515	717
Consumer Markets	500	572	759
Financial Services	414	498	701
Industrial Manufacturing	490	553	660
Telecoms, Media & Technology	462	508	795
Energy & Natural Resources	510	644	987
Infrastructure, Building and Construction	478	508	634
All FTSE 350	457	550	759

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 the maximum
- The total bonus paid as a percentage of salary
- The total bonus paid in 2015 and in the previous year

When compared to last year's report, maximum bonus opportunity has remained at the same level across the FTSE 100 and the FTSE 250. Total bonus payments have increased from the levels in 2014 in the FTSE 100 and decreased slightly in the FTSE 250.

More than 35% of the FTSE 100 paid their CEO a bonus in excess of 90% of the maximum, while for the FTSE 250 this was around 24%. Less than a quarter of FTSE 350 CEOs received a bonus of less than 30% of the maximum. The majority of companies paid bonuses of over 60% of maximum.

Annual bonus

Chief Executive		FTSE 100			FTSE 250	
	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
Maximum bonus opportunity (% of salary)	150%	175%	200%	100%	130%	150%
Total bonus (% of salary)	87%	132%	166%	46%	87%	124%
Total bonus (% of maximum bonus)	56%	74%	94%	44%	68%	90%
2015 Total bonus (£000s)	679	1,087	1,374	240	420	702
2014 Total bonus (£000s)	594	961	1,395	254	459	719

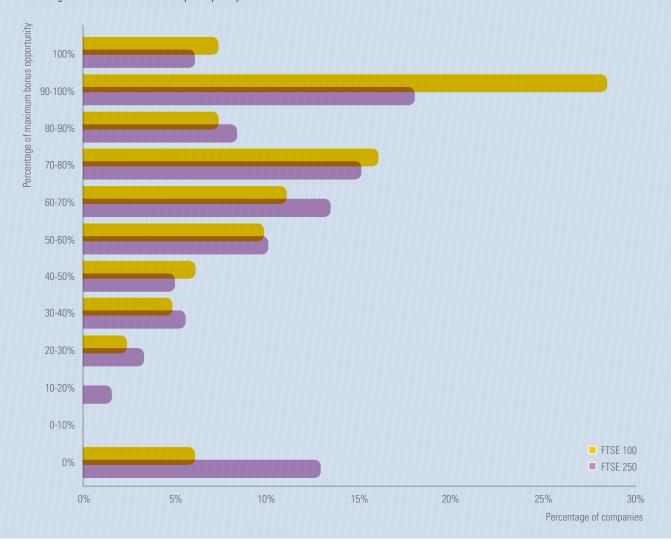
Median annual bonus by sector

Chief Executive				FTSE 350			
Sector (Median)	Life Sciences	Consumer Markets	Financial Services	Industrial Manufacturing	Telecoms, Media & Technology	Energy & Natural Resources	Infrastructure, Building and Construction
Maximum bonus opportunity (% of salary)	125%	150%	150%	125%	170%	150%	150%
Total bonus (% of salary)	77%	100%	129%	81%	91%	94%	107%
Total bonus (% of maximum bonus)	72%	71%	88%	64%	63%	67%	82%
2015 Total bonus (£000s)	345	578	769	437	616	593	552

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 increased across the FTSE 100 and the FTSE 250.

Percentage of maximum annual bonus paid by companies



Long term incentives



Performance share plans continue to be the most commonly used form of long term incentive plan amongst the FTSE 350. The number of companies still operating share option plans is too small to produce meaningful analysis, therefore this section focuses on performance share plans.

The tables below show 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, is also displayed.

Compared with 2014, the median maximum potential award has remained constant across the FTSE 350 while the median actual gains have increased.

Performance share plans

Chief Executive		FTSE 100			FTSE 250	
	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
Maximum award (% of salary)	250%	300%	400%	150%	180%	200%
Actual award (% of salary)	202%	251%	367%	126%	178%	205%
Actual award (£000s)	1,593	2,049	3,150	572	887	1,224
Actual gains (% of salary)	95%	211%	332%	60%	189%	349%

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

Performance share plans by sector

Chief Executive				FTSE 350			
Sector (Median)	Life Sciences	Consumer Markets	Financial Services	Industrial Manufacturing	Telecoms, Media & Technology	Energy & Natural Resources	Infrastructure, Building and Construction
Maximum award (% of salary)	200%	200%	275%	163%	200%	250%	200%
Actual award (% of salary)	200%	201%	203%	172%	202%	188%	176%
Actual award (£000s)	982	1,363	1,283	979	1,554	1,164	902
Actual gains (% of salary)	123%	219%	257%	162%	235%	170%	112%







Median total earnings have increased for finance directors in the FTSE 250 and in the FTSE 100.

The following table shows the median basic salary, total cash and total earnings in the year for FTSE 100 and FTSE 250 companies (2014 data in parentheses).

Analysis includes all companies in the sample, regardless of changes of finance directors during the financial year. The methodology used to calculate these figures can be found in the appendix.

Finance Director	Basic salary <i>(£000s)</i>	Total cash <i>(£000s)</i>	Total earnings <i>(£000s)</i>
FTSE 100	498 (485)	1,268 (999)	2,123 (1,874)
FTSE 250	330 (325)	678 (624)	838 (912)

Basic salary

As mentioned in the overview, basic salary increases have remained low in line with the year before, with almost a quarter of companies operating a pay freeze at the finance director 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.

	Lower Quartile		Med	Median		Quartile
Finance Director	2015	2014	2015	2014	2015	2014
FTSE 100	1%	1%	2%	3%	3%	4%
FTSE 250	2%	2%	3%	3%	6%	6%

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 2015. When compared to the 2014 report the picture is mixed, which highlights the potential difficulties in following a market point too closely.

The tables below show basic salary levels by market capitalisation and turnover bands

Basic salary by market capitalisation

Finance Director							
Market Capitalisation		Lower Quartile (£'000s)	Median (£'000s)	Upper Quartile (£'000s)			
	>£15bn	680	714	727			
FTSE 100	£5bn - £15bn	425	486	539			
	<£5bn	392	441	493			
	All FTSE 100	434	498	627			
	>£2bn	323	382	432			
FTSE 250	£1bn - £2bn	307	338	385			
	<£1bn	264	300	329			
	All FTSE 250	286	330	382			
FTSE 350	All FTSE 350	308	363	470			

Basic salary by turnover

Finance Director				
Turnover		Lower Quartile (£'000s)	Median (£'000s)	Upper Quartile (£'000s)
	>£15bn	560	680	718
FTSE 100	£5bn - £15bn	513	582	682
113L 100	<£5bn	385	432	477
	All FTSE 100	434	498	627
	>£1bn	335	380	430
FTSE 250	£500m - £1bn	300	310	335
1131 230	<£500m	264	290	342
	All FTSE 250	286	330	382
FTSE 350	All FTSE 350	308	363	470

Basic salary by sector within the FTSE 350

Finance Director			
Sector	Lower Quartile (£'000s)	Median (£'000s)	Upper Quartile (£'000s)
Life Sciences	316	339	415
Consumer Markets	314	380	469
Financial Services	289	357	427
Industrial Manufacturing	309	340	425
Telecoms, Media & Technology	300	345	552
Energy & Natural Resources	409	510	722
Infrastructure, Building and Construction	338	378	486
All FTSE 350	308	363	470

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 2015 and in the previous year

When compared to last year's report, the median maximum bonus opportunity has remained broadly similar.

However, median total bonus payments have decreased from the levels seen in 2014 in the FTSE 250, but we have seen an increase across the FTSE 100.

Annual bonus

Finance Director		FTSE 100			FTSE 250	
	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
Maximum bonus opportunity (% of salary)	139%	150%	200%	100%	120%	150%
Total bonus (% of salary)	91%	122%	148%	53%	79%	103%
Total bonus (% of maximum bonus)	59%	76%	93%	44%	65%	89%
2015 Total bonus (£000s)	457	601	813	175	253	361
2014 Total bonus (£000s)	343	487	744	153	290	418

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

Median annual bonus by sector

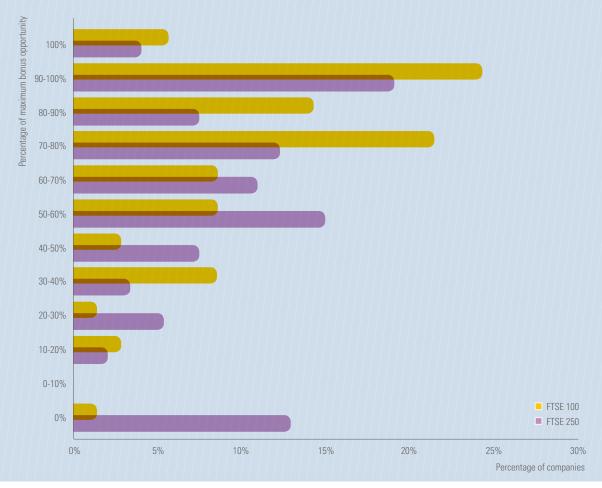
Finance Director				FTSE 350			
Sector (Median)	Life Sciences	Consumer Markets	Financial Services	Industrial Manufacturing	Telecoms, Media & Technology	Energy & Natural Resources	Infrastructure, Building and Construction
Maximum bonus opportunity (% of salary)	100%	150%	150%	100%	125%	150%	120%
Total bonus (% of salary)	71%	90%	124%	68%	84%	108%	68%
Total bonus (% of maximum bonus)	62%	72%	78%	64%	54%	65%	68%
2015 Total bonus (£000s)	227	295	498	222	299	416	257

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.

A third of companies in the FTSE 250 and near to half of the FTSE 100 paid their finance director a bonus in excess of 80% of the maximum. Less than a fifth of finance directors received a bonus of less than 30% of the maximum.

The majority of companies in the FTSE 350 paid bonuses of over 60% of maximum opportunity. It is worth noting that the percentage of executives receiving the maximum bonus has more than halved in the FTSE 350 compared to last year.

Percentage of maximum annual bonus paid by companies



Long term incentives

The tables below show the following information for 2015:

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

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

On the other hand, award levels have decreased for the FTSE 100.

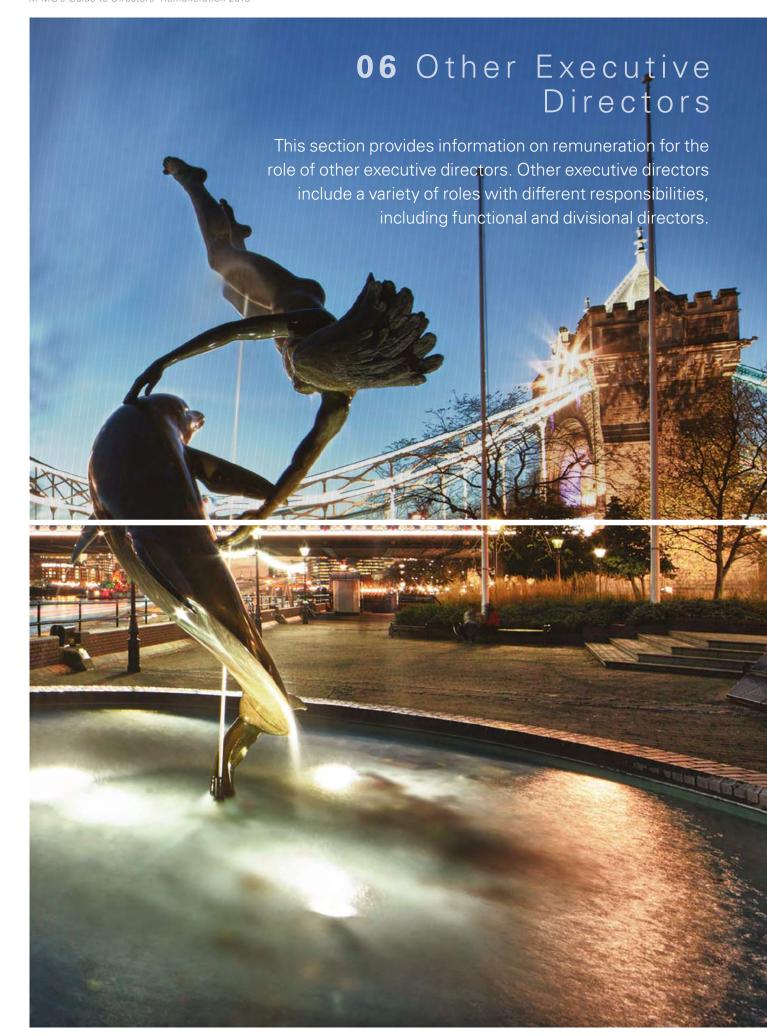
Performance share plans

Finance Director		FTSE 100			FTSE 250	
	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
Maximum award (% of salary)	195%	240%	360%	135%	175%	200%
Actual award (% of salary)	177%	226%	303%	110%	151%	201%
Actual award (£000)	890	1,173	2,057	345	528	705
Actual gains (% of salary)	66%	163%	297%	46%	147%	288%

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

Performance share plans by sector

Finance Director	FTSE 350							
Sector (Median)	Life Sciences	Consumer Markets	Financial Services	Industrial Manufacturing	Telecoms, Media & Technology	Energy & Natural Resources	Infrastructure, Building and Construction	
Maximum award (% of salary)	201%	200%	198%	150%	200%	220%	150%	
Actual award (% of salary)	201%	158%	192%	152%	202%	170%	151%	
Actual award (£000)	718	618	723	568	721	734	633	
Actual gains (% of salary)	90%	162%	189%	155%	282%	103%	55%	





We have seen total earnings for other executive directors in the FTSE 250 increase this year when compared to last year, while they remained at broadly the same level in the FTSE 100.

Total earnings

The following table shows the median basic salary, total cash and total earnings in the year for FTSE 100 and FTSE 250 companies (2014 data in parentheses).

Analysis includes all companies in the sample, regardless of changes of executive directors during the financial year. The methodology used to calculate these figures can be found in the appendix.

Other Directors	Basic salary (£000s)	Total cash (£000s)	Total earnings <i>(£000s)</i>
FTSE 100	440 (501)	1,107 (1,045)	2,048 (2,087)
FTSE 250	325 (300)	671 (566)	1,012 (963)

Basic salary

More than a quarter of other executive directors received a pay freeze this year, compared to 18% the year before.

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.

	Lower Quartile		Med	Median		Quartile
Other Directors	2015	2014	2015	2014	2015	2014
FTSE 100	0%	0%	2%	2%	4%	4%
FTSE 250	0%	2%	3%	3%	5%	5%

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 2014 report it is difficult to identify trends across the different size bands; this reflects the differing nature of the roles included within this category of executives.

The tables below show basic salary levels by market capitalisation and turnover bands.

Basic salary by market capitalisation

Other Directors				
Market Capitalisation		Lower Quartile (£'000s)	Median (£'000s)	Upper Quartile (£'000s)
	>£10bn	493	575	688
FTCF 100	£5bn - £10bn	354	434	525
FTSE 100	<£5bn	324	339	371
	All FTSE 100	353	440	582
	>£2bn	310	377	419
FTSE 250	£1bn - £2bn	243	323	350
F13E 200	<£1bn	246	289	342
	All FTSE 250	264	325	377
FTSE 350	All FTSE 350	300	353	444

Basic salary by turnover

Other Directors				
Turnover		Lower Quartile (£'000s)	Median (£'000s)	Upper Quartile (£'000s)
	>£10bn	521	588	654
FTSE 100	£2bn - £10bn	337	353	483
1131 100	<£2bn	325	354	389
	All FTSE 100	353	440	582
	>£1bn	311	346	387
FTSE 250	£400m - £1bn	232	282	331
1101 200	<£400m	242	307	368
	All FTSE 250	264	325	377
FTSE 350	All FTSE 350	300	353	444

Basic salary by sector within the FTSE 350

Other Directors			
Sector	Lower Quartile (£'000s)	Median (£'000s)	Upper Quartile (£'000s)
Life Sciences	270	340	410
Consumer Markets	314	346	483
Financial Services	323	360	427
Industrial Manufacturing	288	324	387
Telecoms, Media & Technology	180	294	375
Energy & Natural Resources	354	432	605
Infrastructure, Building and Construction	345	378	449
All FTSE 350	300	353	444

Annual bonus plans

When compared to the 2014 report, maximum bonus opportunity has remained broadly flat across the FTSE 350. Median total bonus payments have shown to increase slightly from last year in the FTSE 250, but remained broadly at the same levels in the FTSE 100.

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

• The maximum potential bonus

- The total bonus paid as a percentage of the maximum
- The total bonus paid as a percentage of salary
- The total bonus paid in 2015 and in the previous year

Annual bonus

Other Directors	FTSE 100			FTSE 250		
	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
Maximum bonus opportunity (% of salary)	125%	150%	200%	100%	100%	150%
Total bonus (% of salary)	70%	124%	150%	55%	85%	138%
Total bonus (% of maximum bonus)	49%	83%	95%	41%	67%	85%
2015 Total bonus (£000s)	358	507	728	165	276	389
2014 Total bonus (£000s)	352	509	845	158	261	399

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

Median annual bonus by sector

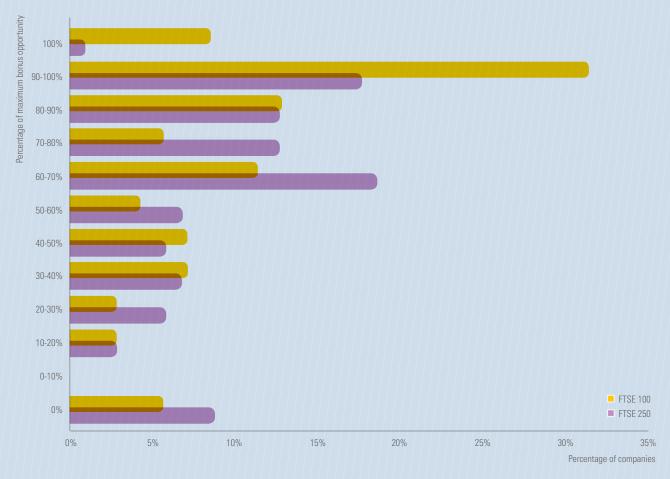
Other Directors				FTSE 350			
Sector (Median)	Life Sciences	Consumer Markets	Financial Services	Industrial Manufacturing	Telecoms, Media & Technology	Energy & Natural Resources	Infrastructure, Building and Construction
Maximum bonus opportunity (% of salary)	125%	150%	150%	100%	200%	140%	120%
Total bonus (% of salary)	81%	86%	139%	66%	128%	102%	68%
Total bonus (% of maximum bonus)	64%	74%	85%	65%	70%	52%	68%
2015 Total bonus (£000s)	276	271	532	197	358	375	253

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.

Over a third of companies in the FTSE 350 paid their other directors a bonus in excess of 80% of the maximum, and in the FTSE 100 this reaches above 90%.

Less than a quarter in the FTSE 250 and less than a fifth of other directors in the FTSE 100 received a bonus of less than 30% of the maximum. The majority of companies paid bonuses of over 70% of maximum.

Percentage of maximum annual bonus paid by companies



Long term incentives

The data shows that the actual awards made have reduced at the market median across the FTSE 350.

The tables below show the following information for 2015:

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

Performance share plans

Other Directors		FTSE 100			FTSE 250	
	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
Maximum award (% of salary)	160%	250%	280%	110%	160%	190%
Actual award (% of salary)	159%	224%	267%	102%	149%	191%
Actual award (£000)	719	936	1,409	312	430	662
Actual gains (% of salary)	99%	201%	313%	62%	144%	237%

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

Performance share plans by sector

Other Directors				FTSE 350			
Sector (Median)	Life Sciences	Consumer Markets	Financial Services	Industrial Manufacturing	Telecoms, Media & Technology	Energy & Natural Resources	Infrastructure, Building and Construction
Maximum award (% of salary)	180%	160%	200%	150%	200%	220%	160%
Actual award (% of salary)	162%	153%	187%	149%	202%	172%	151%
Actual award (£000)	634	600	644	538	880	669	659
Actual gains (% of salary)	122%	154%	157%	200%	296%	204%	129%

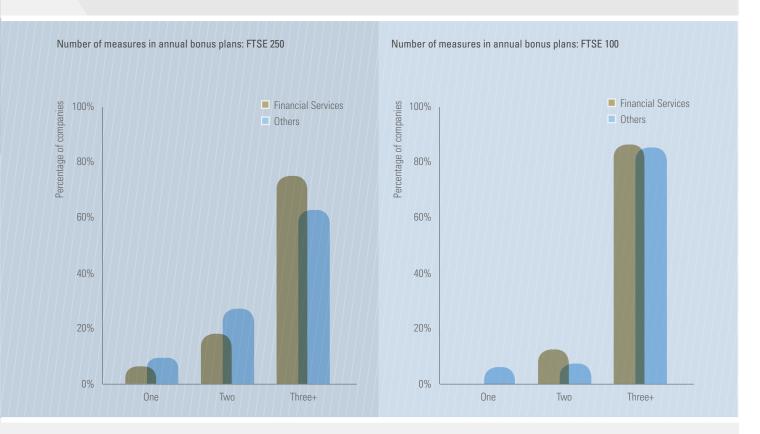




Annual bonus plans continue to be a key element of the remuneration mix. In recent years, the pressure to align annual bonuses paid with performance has led to an increase in the number of performance measures used.

Annual bonus plans

More than 70% of FTSE 350 companies now use three or more performance measures. Financial services sector companies across the FTSE 350 lead the way in structuring their annual bonus plans with three or more performance measures; only four financial services sector companies in the FTSE 250 and none in the FTSE 100 use a single measure.

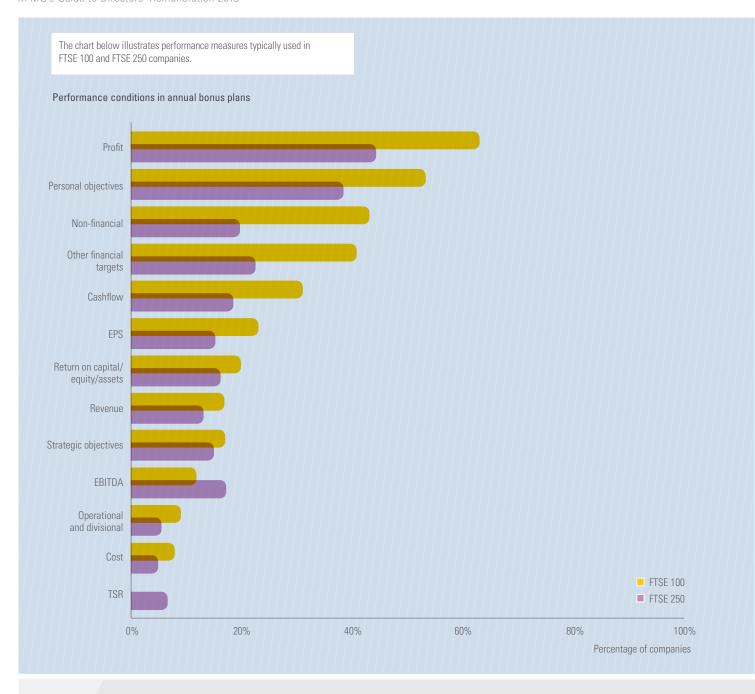


Performance conditions in annual bonus plans

The chart overleaf illustrates performance measures typically used in FTSE 100 and FTSE 250 companies. The totals are greater than 100 percent given the frequent use of multiple performance measures.

The most common combination of performance measures is some form of profit measure in conjunction with a non-financial metric and individual personal objectives. The most common non-financial metrics differ by sector and typically relate to a customer/ client target or an EHS (environmental, health and safety) target.

From the perspective of shareholders, the use of multiple financial and non-financial performance measures aligns to best practice and helps to ensure that a balanced approach is taken. The focus however, will remain on the relationship between these measures and the proportion of the bonus award attached to each measure. For example, a key consideration is on the minimum level of financial performance before any payment is made.



Deferred annual bonus plans

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

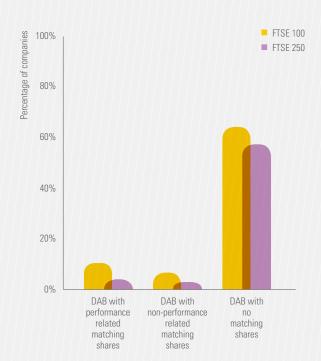
A deferred annual bonus plan involves the voluntary or compulsory deferral of some or all of an annual bonus into company shares, which are then restricted for a period of time (deferred shares). Some live plans provide for matching shares, which typically vest to the extent that performance conditions are met over the performance period, most commonly three years.

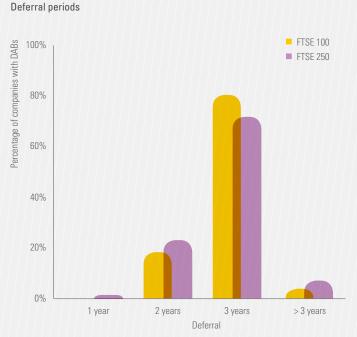
However this type of matching arrangement is becoming less common, and this is reflected in the high proportion of plans which now have compulsory deferral rather than voluntary.

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

The chart below shows the length of deferral period used by FTSE 100 and FTSE 250 companies which have disclosed this information. The most common deferral period remains at 3 years.







The table below shows the type of deferrals made under these plans by FTSE 100 and FTSE 250 companies.

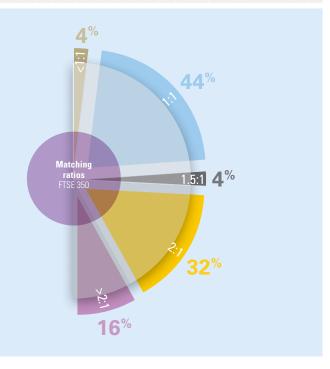
Compulsory vs voluntary deferral

		FTSE 100			FTSE 250	
	Voluntary deferral	Compulsory deferral	Combination of voluntary and compulsory	Voluntary deferral	Compulsory deferral	Combination of voluntary and compulsory
% of plans	6%	84%	10%	7%	89%	4%

Matching ratios

The chart below shows the maximum performance-related matching share award in FTSE 350 companies where a match is provided.

As shown from the type of live DAB plans chart above, less than 15% of FTSE 350 companies grant performance related matching shares.



Performance share plans

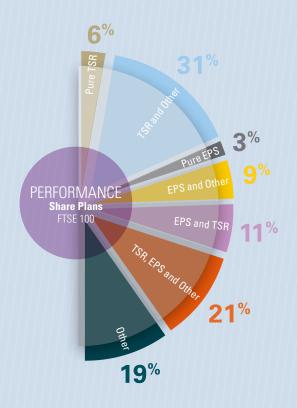
Performance share plans continue to be the most commonly used form of long term incentive plan.

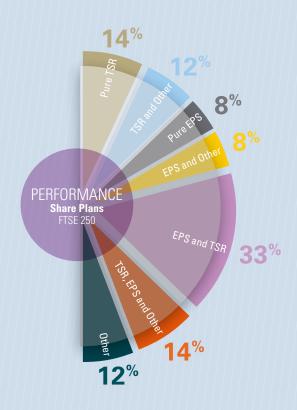
Information relating to awards for each executive director role is contained in the previous sections. The following section provides data relating to the use of performance conditions.

Performance conditions

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

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



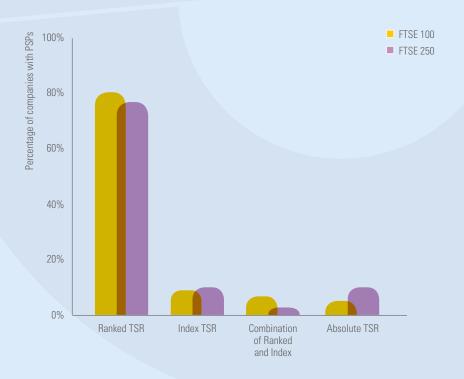


The use of TSR as a performance measure

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. This is more common in the FTSE 250.





Relative TSR performance for maximum award

The table below shows the level of performance required for full vesting under the plan, reflecting that companies are continuing to follow best practice with full vesting not occurring below the upper quartile.

Level of performance required for full vesting

	FTSE 100	FTSE 250
	% of comp	panies
>90th percentile	0%	0%
90th percentile	4%	1%
76th - 89th percentile	21%	12%
75th percentile	74%	85%
<75th percentile	0%	2%





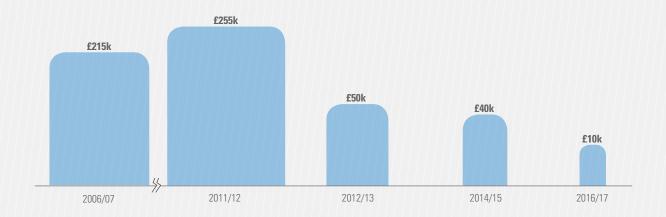
The pension landscape in the UK continues to change. The Government announced changes in the Budget in July that will have perhaps the biggest impact on pensions for high earners that we have seen for many years.

Pensions landscape

In summary, from 6 April 2016 those with earnings above £150,000 will face a restriction in the amount of tax-relieved pension savings they can make each year.

From the 2016/17 tax year the annual allowance for those earning above £150,000 is to be reduced on a tapering basis so that it reduces to £10,000 for those earning above £210,000. For every £2 of income above £150,000, an individual's annual allowance will reduce by £1.

Historic changes to the annual allowance for high earners



The restriction will apply to any individual with 'threshold income' – broadly the individual's net income for the tax year – of more than £110,000. If threshold income exceeds £110,000 the individual must calculate their 'adjusted income' which includes the value of employer pension contributions for the tax year. If adjusted income exceeds £150,000 the taper will apply.

This change adds further complexity to the choices and decision making required by an individual to manage their pension and their tax position, particularly when combined with the reforms that became effective this April where members are able to draw down their defined contribution

pension pots as they wish from age 55 onwards by simply paying tax at their marginal rate on whatever income they choose to draw. The impact of annual bonus payments, release of deferred bonus and vesting under LTIPs all mean that the situation as to who is impacted in any given year is difficult to predict and manage, and from an individual's perspective, could mean an unwanted tax demand.

There is no straightforward solution to this issue, and we anticipate seeing companies taking a variety of approaches. This will become evident in the market data over the course of the next few years.

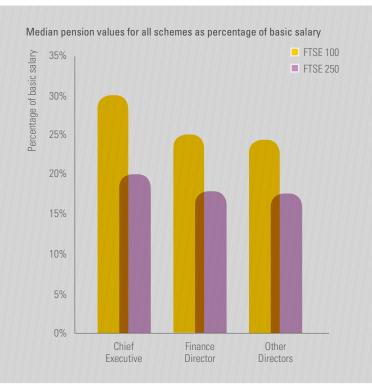
FTSE 350 pension schemes



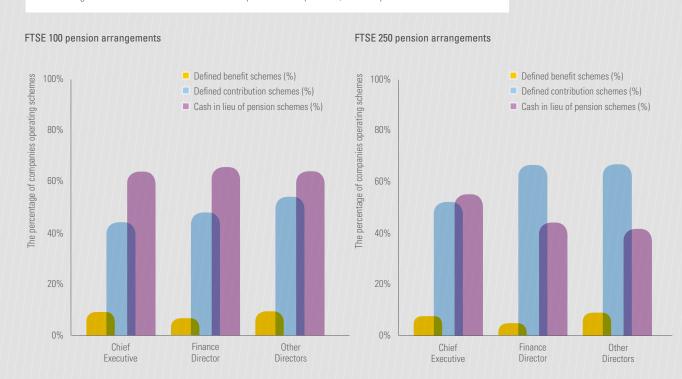
Pension value as a percentage of total earnings is relatively low at around 5%, but they do make up a significant amount of fixed remuneration.

The chart shows the median pension values as a percentage of basic salary. These values reflect those included in the single figure table.

Defined contribution schemes remain the most common pension arrangements across the FTSE 350, while participation in defined benefit schemes continues to diminish.



The following charts show that the use of cash in lieu of pension is also prevalent, but more prominent across the FTSE 100.



It is worth noting that a number of companies operate more than one pension arrangement at executive level, as shown by the table below.

This is often due to a combination of differing new hire policy and existing/legacy pension arrangements.

FTSE 350 use of more than one pension scheme

Use of more than one scheme					
FTSE 100	Chief Executive	15%			
	Finance Director	18%			
	Other Directors	26%			
FTSE 250	Chief Executive	14%			
	Finance Director	14%			
	Other Directors	15%			

The following table shows the median values for each type of pension scheme in the FTSE 100 and FTSE 250.

Median pension values for different schemes

		Cash in lieu of pension schemes (£'000)	Defined contribution schemes (£'000)	Defined benefit schemes (£'000)
FTSE 100	Chief Executive	223	140	145
	Finance Director	120	44	123
	Other Directors	112	48	113
	Chief Executive	98	63	67
FTSE 250	Finance Director	56	40	82
	Other Directors	67	47	94

The following table shows the median values for each type of pension scheme as a percentage of salary in the FTSE 100 and FTSE 250.

Median pension values for different schemes as percentage of salary

		Cash in lieu of pension schemes (% of salary)	Defined contribution schemes (% of salary)	Defined benefit schemes (% of salary)
FTSE 100	Chief Executive	28%	20%	22%
	Finance Director	25%	11 %	25%
	Other Directors	25%	14%	22%
	Chief Executive	20%	15%	19%
FTSE 250	Finance Director	20%	15%	24%
	Other Directors	18%	15%	35%







The role of the non-executive director and its growing level of responsibility has attracted the interest of shareholders and regulators alike. Under the new regulatory regime, non-executive directors of most financial services companies will have similar levels of accountability to senior management.

Fee increases

In spite of the increasing responsibilities companies are cautious in their approach to fee increases for non-executive directors, in the same way as they are for executive directors.

Similarly to executive directors, less than a fifth of the FTSE 350 companies increased fee levels for the chairmen and other non-executive directors.

Percentage of companies not increasing fees		
FTSE 100	86%	89%
FTSE 250	92%	72%

Where increases have been given these often reflect the fact that reviews are not carried out on an annual basis, and as such these may be higher than those for executives.

The following table shows 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.

Median fee increases

		Median
FTSE 100	Non-executive chairman	10%
	Other non-executive directors	8%
FTSE 250	Non-executive chairman	2%
	Other non-executive directors	5%

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

	Market capitalisation	Lower Quartile (£'000s)	Median (£'000s)	Upper Quartile (£'000s)
	>£10bn	425	550	650
FTSE 100	£5bn-£10bn	300	350	370
F15E 100	<£5bn	206	265	303
	All FTSE 100	282	356	500
	>£1.5bn	175	218	270
FTSE 250	£500m-£1.5bn	85	160	185
	<£500m	60	82	103
	All FTSE 250	128	171	219

Chairman fees by turnover

	Turnover	Lower Quartile (£'000s)	Median (£'000s)	Upper Quartile (£'000s)
	>£10bn	385	490	650
FTCF 100	£2.5bn-£10bn	265	300	348
FTSE 100	<£2.5bn	210	300	350
	All FTSE 100	282	356	500
	>£2.5bn	132	183	265
FTSE 250	£500m-£2.5bn	160	180	243
	<£500m	60	135	190
	All FTSE 250	128	171	219

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.

As reported last year, we have seen the number of deputy chairman positions on boards reduce in recent years, 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 overleaf shows fees paid to the deputy chairman across the whole FTSE 350.

Deputy chairman fees

		Lower Quartile (£'000s)	Median <i>(£′000s)</i>	Upper Quartile <i>(£'000s)</i>
FTSE 350	Deputy Chairman	94	111	152

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 <i>(£′000s)</i>	Upper Quartile (£′000s)
FTSE 100	Senior independent	10	18	27
FTSE 250	director	5	7	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

	Market capitalisation	Lower Quartile (£'000s)	Median (£'000s)	Upper Quartile (£'000s)
	>£10bn	65	75	89
FTSE 100	£5bn-£10bn	55	63	70
FISE 100	<£5bn	50	55	55
	All FTSE 100	55	65	75
FTSE 250	>£1.5bn	45	52	55
	£500m-£1.5bn	37	45	50
	<£500m	25	35	48
	All FTSE 250	40	47	54

Non-executive director fees by turnover

	Turnover	Lower Quartile (£'000s)	Median (£'000s)	Upper Quartile (£'000s)
	>£10bn	63	72	84
ETCE 100	£2.5bn-£10bn	54	56	65
FTSE 100	<£2.5bn	51	55	65
	All FTSE 100	55	65	75
	>£2.5bn	40	50	55
FTSE 250	£500m-£2.5bn	44	50	55
	<£500m	32	45	50
	All FTSE 250	40	47	54

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% of companies disclose an additional audit committee chair fee and a remuneration committee chair fee.

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

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.

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

FTSE 100 Committee chairmanship fee levels

	Lower Quartile (£'000s)	Median (£'000s)	Upper Quartile (£'000s)
Remuneration	13	20	30
Audit	15	20	30
Nomination	10	15	19
CSR Committee	10	19	25
Risk Committee	20	30	46
Other	10	15	30

FTSE 250 Committee chairmanship fee levels

	Lower Quartile (£'000s)	Median (£'000s)	Upper Quartile (£'000s)
Remuneration	8	10	11
Audit	8	10	15
Nomination	5	8	10
CSR Committee	6	8	11
Risk Committee	10	10	15
Other	8	10	15

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

Nearly half the FTSE 100 and around a quarter of FTSE 250 companies pay additional fees for membership to the main board committees.

FTSE 100 Committee membership fee levels

	Lower Quartile (£'000s)	Median (£′000s)	Upper Quartile (£'000s)
Remuneration	6	10	15
Audit	9	13	20
Nomination	5	6	9
CSR Committee	5	6	10
Risk Committee	10	13	25
Other	8	13	20

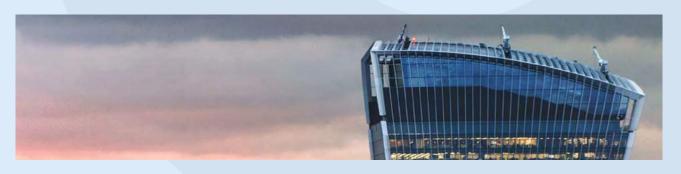
FTSE 250 Committee membership fee levels

	Lower Quartile (£'000s)	Median (£'000s)	Upper Quartile (£'000s)
Remuneration	4	5	7
Audit	4	5	7
Nomination	4	5	7
CSR Committee	4	5	7
Risk Committee	5	7	9
Other	5	6	8

Time commitment

There is insufficient disclosure in companies' annual reports with respect to the time commitment required of a chairman or non-executive director 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 non-executive director 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 nonexecutive director has increased in recent years. The number of board meetings will vary depending on company size and complexity. Most non-executive directors will be chairs or members of at least one committee as well, and these meetings will be in addition to the board meetings.





Data sources:



Unless otherwise stated, all graphs and tables in KPMG's Guide to Directors' Remuneration 2015 have been created by KPMG, from data provided by Manifest Information Services. The data provided by Manifest Information Services 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).

Data sample

FTSE constituents and market capitalisation figures are as at 1st March 2015 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

Pensions

The value of all pension related benefits including payments in lieu of retirement benefits and all retirement benefits in year from participating in pension schemes

Total earnings

The sum of total cash, the value of any share based awards vested during the year, the value of any share options vested during the year and the cash value of pension arrangements. Final figure may also include some miscellaneous payments such as special payments for pensions, one-off bonuses for particular projects and profit share

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 plans** – a type of long term incentive in which participants are allocated free shares or nil cost options 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.

Median and quartile points

For the purposes of the report, 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.

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