Guide to Directors' Remuneration 2017

KPMG Board Leadership Centre

December 2017

A wide-ranging overview of Executive and Non-Executive Directors' remuneration trends in FTSE 350 companies

kpmg.com/uk/remreport17

Summary findings

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)	871	552	546
Annual bonus			
Maximum bonus (percentage of salary)	200%	200%	175%
Total bonus (percentage of maximum)	72%	70%	73%
Total bonus (percentage of salary)	130%	124%	138%
Most common performance measure	Combination of profit, personal objectives and other financial measures		
Deferred annual bonus			
Maximum permitted deferral (percentage of annual bonus)	50%	50%	50%
Deferral period	3 years	3 years	3 years
Performance share plans			
Maximum award (percentage of salary)[1]	250%	205%	200%
Actual award (percentage of salary)[1]	245%	201%	196%
Actual gains (percentage of salary)	166%	160%	142%
Most common performance measure	Relative TSR* and EPS** in conjunction with other measures		
Total earnings[2] (£'000s)	**3,478**	**2,128**	**1,951**

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

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)	543	359	360
Annual bonus			
Maximum bonus (percentage of salary)	150%	147%	150%
Total bonus (percentage of maximum)	70%	64%	60%
Total bonus (percentage of salary)	100%	100%	91%
Most common performance measure	Combination of profit, personal objectives and non-financial measures		
Deferred annual bonus			
Maximum permitted deferral (percentage of annual bonus)	40%	40%	40%
Deferral period	3 years	3 years	3 years
Performance share plans			
Maximum award (percentage of salary)[1]	200%	150%	150%
Actual award (percentage of salary)[1]	166%	150%	150%
Actual gains (percentage of salary)	137%	136%	151%
Most common performance measure	TSR* relative to comparator group and EPS** growth		
Total earnings[2] (£'000s)	**1,496**	**906**	**941**

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

KPMG

Highlights

Basic salary

Similarly to last year, around **1 in 5** Executive Directors in the FTSE 350 received no salary increase.

Regulatory

There have not been major changes to remuneration rules affecting UK main market listed companies in 2017, but there has been a great amount of discussion and debate surrounding boardroom pay, e.g. the Government Green Paper.

The EBA Remuneration Guidelines came into effect on 1 January 2017.

Annual bonus and deferred annual bonus

Less than **1 in 10** Executive Directors in the FTSE 350 received no annual bonus, a slightly lower fraction than last year.

Around a third of Executive Directors in the FTSE 350 received annual bonuses of **over 80%** of the maximum opportunity.

Pensions

There is increased shareholder focus on aligning the pension arrangements for Executive Directors with the wider workforce in the FTSE 350. The median maximum employer contribution for pension has reduced by **7% and 17%** of basic salary for DC plans and pension cash supplement respectively in the FTSE 100.

Long term incentives

Median awards were **245% and 166%** of basic salary for Chief Executive of FTSE 100 and FTSE 250 companies respectively. TSR and EPS remain the most prevalent performance measures. Around a third of companies introduced or increased post-vesting holding periods across the FTSE 350.

Shareholders

The average votes in favour of the policy report and the annual remuneration report were both above **90%** despite increased focus from the Government and investor bodies.

Diversity

Across the executive director population, only 6.8% (up from 6.1% in 2016) are currently women while the vast majority (93.2%) are men. Of the positions occupied by women approximately two-fifths (43%) are Finance Directors

Contents

01

Introduction

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.

Use of this guide

This publication is designed to be a wide-ranging 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 wide-ranging 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 30 June 2017. 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 20 September 2017.

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:

- Reward strategy and approach.
- Mix of pay and remuneration benchmarking.
- Remuneration committee governance.
- Remuneration regulatory compliance.
- Design and implementation of incentive plans.
- Corporate transactions.
- Accounting, valuations and modelling.
- Ongoing operation of incentive plans.
- Job evaluation and grading.
- Directors' Remuneration Reports.

KPMG

02

The remuneration landscape

Over the last decade, remuneration of UK directors has remained firmly in the spotlight. Although this year was no different, the four key drivers of this – namely companies, shareholders, Government and public opinion have arguably shaped the narrative in different ways to previous years. Despite some very public exceptions, the majority of companies continued to receive high levels of support from their shareholders, with the average vote in favour of the directors' remuneration report over 90%. 2017 was hardly the *shareholder spring II* headlined, nevertheless, the Government and investor bodies seem to have increased their focus on executive pay.

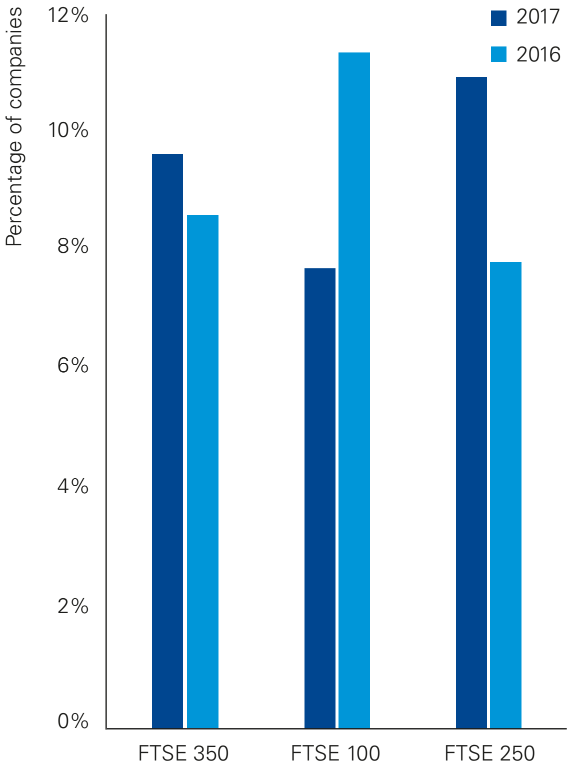
> Despite the media discussion of another 'shareholder spring', the majority of FTSE 350 companies received a high level of support from their shareholders.

The shareholder perspective

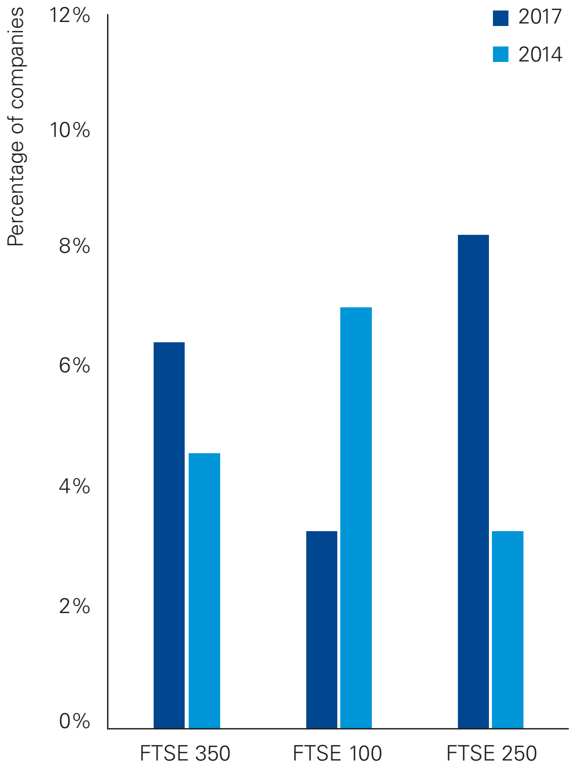
The 2017 AGM season saw only two companies in the FTSE 350 receive majority votes against their annual remuneration report and no companies received a majority vote against their policy report.

Similarly to last year, the average vote in favour of the directors' remuneration report was over 90% amongst FTSE350 companies. However, the overall percentage of companies with a significant vote against (defined as more than 20%) has increased, suggesting there has been some increased shareholder dissent.

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



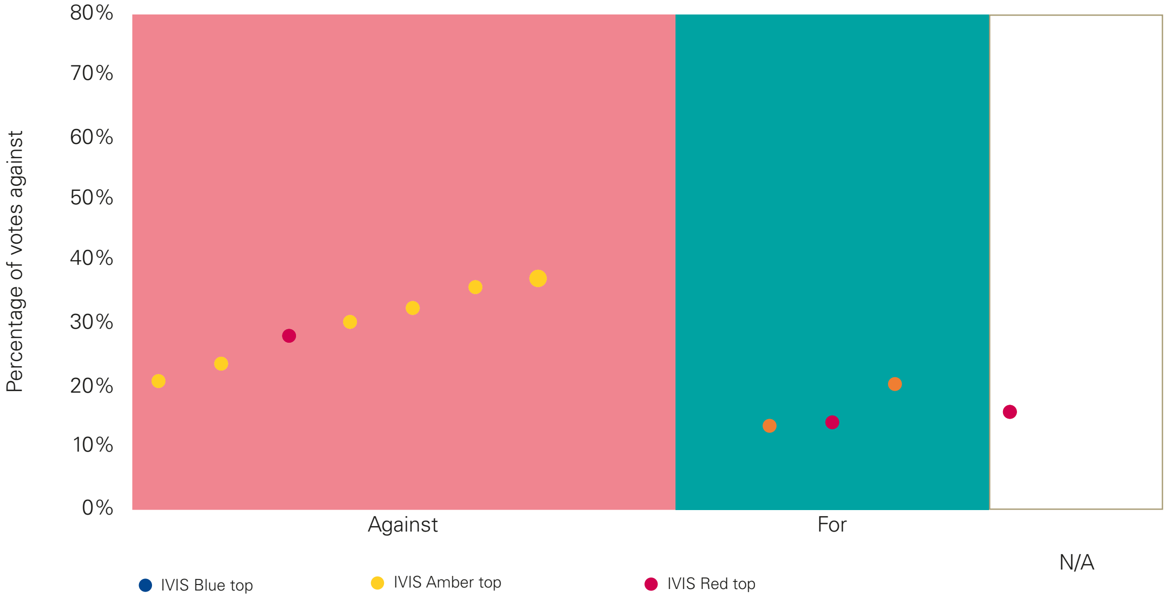
Percentage of companies with a significant vote against their policy report



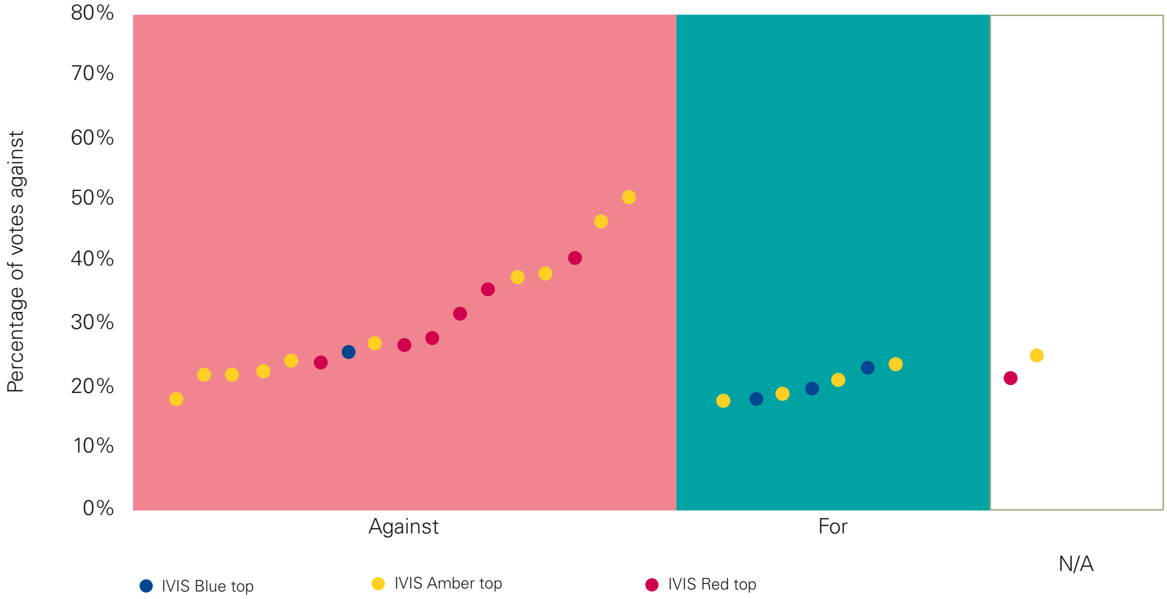
This year's voting on remuneration policy is compared with 2014 as 2014 was the last time when the majority of companies put their remuneration policy to a shareholder binding vote.

Once again this year, where a company has received a significant vote against, this is due to a combination of factors. Common features remain the lack of disclosure of annual bonus targets, significant increase in base salary or variable incentive opportunity or overall quantum and link between pay and performance. Concerns around quantum are the most frequently raised issue for remuneration policy reports receiving a negative voting recommendation; while a weak link between pay and performance is the most common rationale given by proxy voting agencies when issuing a negative voting recommendation for the annual remuneration report. However, similarly to last year, it is interesting to note that there seems to be limited correlation between institutional voting recommendations and shareholder vote. The charts below show the companies with significant votes against annual remuneration report and policy report together with their IVIS and ISS voting recommendations. This year saw an improved disclosure in retrospective targets for annual bonus plans, which has been one of the biggest concerns of proxy agencies and shareholders in previous years. However, voting agencies still flag lack of such disclosure in some cases.

FTSE 350 companies with a significant vote against their policy reports and institutional voting recommendations



FTSE 350 companies with significant votes against annual remuneration reports and institutional voting recommendations



Red/amber/blue dots refer to IVIS recommendations; light blue and pink shading refer to ISS recommendations.

Main market listed companies' regulation landscape

As with last year, there have not been any changes to remuneration rules affecting UK main market listed companies but there have been discussions and debate on how this could be changed. Various organisations have released revised guidance which should be considered in the implementation of existing regulatory requirements.

Investment Association (IA)

November 2017

In November 2017 the Investment Association (IA) issued an update of its Principles of Remuneration and an accompanying open letter to remuneration committee chairmen.

Issues to consider for the 2018 AGM season

Level of remuneration

- All companies should follow the example set by some, predominantly large, companies to exercise restraint on variable remuneration increases and consider whether the remuneration potential should be reduced. The IA also highlights concerns with incremental increases to variable remuneration maximums and with the impact of salary increases and even "automatic" inflationary salary increases on total compensation.
- Companies need to justify to investors the level of remuneration paid to executive directors, and take into account the wider social context of executive pay, rather than looking at benchmarking alone.
- Companies are expected to disclose the pay ratios between the CEO and median or average employees, as well as the CEO and the executive team, as part of justifying and explaining the levels of executive remuneration in the business.
- The IA reiterates that executive directors should have pension contribution rates at the same level as the general workforce.

Remuneration structure

- Whilst there are a number of shareholders that are unsupportive of restricted shares, there are a growing number of shareholders that will support the introduction of restricted shares for the right company, in the right circumstances.
- However, new remuneration structures should not be proposed to move to a restricted share model on the sole basis that the current remuneration structures are not paying out to executive directors.
- Companies are encouraged to adopt the most appropriate remuneration structure which is not limited to the traditional LTIP and restricted share model.

Shareholder consultation

- It is important that dialogue between companies and shareholders is meaningful and treated as a two-way process.
- The IA notes that failure to properly understand the views of shareholders has led a number of companies to withdraw their resolutions prior to the AGM and that these companies should ensure that they conduct a full analysis of shareholder feedback and consult further before re-submitting their remuneration policies.

Investment Association (IA)
November 2017

Pay for performance

- Financial targets disclosure: the IA reiterates that shareholders expect full disclosure of threshold, target and maximum performance targets, either disclosed at the time of payment of the award, or within 12 months where an explicit explanation of the commercial sensitivity has been set out.
- Target adjustment: if metrics used for executive remuneration have been adjusted from headline KPI or reported numbers, companies must set out why this is appropriate, and provide a breakdown of how the remuneration target has been adjusted from the headline KPI.
- Non-financial target disclosure: the IA reiterates that shareholders expect a thorough explanation as to why personal or strategic targets have paid out, not just a description of non-financial performance indicators. Insufficient information on non-financial targets will trigger an Amber Top. There will be increased scrutiny on payments made for non-financial performance where financial targets are not met.

Accountability of Remuneration Committee Chairs

- The IA notes that the 2017 AGM season saw an increase in the number of investors voting against the re-election of individual directors based on the decisions they make at the Remuneration Committee and highlights that members have a range of escalation approaches in their voting policies. For example, some members vote against the Remuneration Committee Chair if they vote against a remuneration resolution in two successive years, or if a remuneration resolution does not get majority support, some members vote against the re-election of the Remuneration Committee Chair at the next AGM.

Changes to the Principles

Discretion

- Any discretion specific to a particular incentive scheme should be disclosed in the remuneration policy in addition to the plan rules.
- Shareholders discourage the payment of variable remuneration to executive directors if the business has suffered an exceptional negative event, even if some specific targets have been met. In such circumstances, shareholders should be consulted on the implementation of the remuneration policy and any proposal payments should be carefully explained.

Pay for employees below Board level

- When fulfilling relevant reporting obligations in relation to workforce pay, such as the Gender Pay Gap Reporting legislation or when publishing executive pay to employee pay ratios, Remuneration Committees are expected to provide context relevant to the business and fully explain why these figures are appropriate.

Shareholder consultation

- As part of the consultation process, the Remuneration Committee should provide details of the whole remuneration structure, not just the proposed changes, so that investors can have the whole picture of the remuneration framework.
- After the conclusion of the consultation process and prior to finalising the details in the Annual Remuneration Report, the Remuneration Committee should review the proposals in light of any events which have occurred subsequently to ensure that the proposals remain appropriate.

Benefits

- Any benefits relating to the relocation of an executive should be disclosed at the time of appointment, be in place for a limited period, and details should be disclosed to shareholders. Each element of any relocation benefits should be detailed in the Annual Remuneration Report.

Investment Association (IA)
November 2017

Annual bonus

- The definition of any performance measures should be clearly disclosed. Any adjustments made to the metrics as set out in the company's accounts should be clearly explained and the impact of the adjustment on the outcome disclosed.
- The wording around the timeframe within which bonus targets must be disclosed has been strengthened, now stating that targets for performance at threshold, target and maximum performance targets, should be either disclosed at the time of payment of the award, or within 12 months where an explicit explanation of the commercial sensitivity has been set out.
- The wording on bonus deferral has also been strengthened, with an expectation inserted that a portion of the bonus should be deferred where opportunity is greater than 100% of salary.

Types of long term scheme

- LTIPs:
  - Performance conditions should be carefully chosen, so they are suitable for measurement over a long period of time.
  - Threshold vesting amounts, should not be significant by comparison with annual base salary. Full vesting should reflect exceptional performance and should therefore be dependent on achievement of significantly greater value creation than that applicable to threshold vesting.
- Restricted shares:
  - The total vesting and post-vesting holding period should be at least five years.
  - Restricted share awards should be accompanied with significant shareholding requirements.
  - Some members expect that restricted share awards should be subject to an appropriate underpin.
  - The expected discount rate for moving from an LTIP to restricted share awards should be a minimum 50% of grant levels and should be held at this level in future and not gradually increased over time.
  - Companies that have demonstrated a history of sensible approach to remuneration and have established a relationship of trust with its investors are more likely to get acceptance for such a scheme.

The Government Green Paper on Corporate Governance

November 2016

The Government published a Green Paper on Corporate Governance, which launched a consultation on a range of policy proposals. The paper has an introduction from the Prime Minister which states that the focus of the Green paper is on ensuring that executive pay is properly aligned to long-term performance, giving greater voice to employees and consumers in the boardroom and raising the bar for governance standards in the largest privately-held companies.

In August 2017, the Government published its conclusions following the green paper consultation. Below is a summary of their conclusions.

Executive pay

- The Government intends to invite the Financial Reporting Council (FRC) to revise the UK Corporate Governance Code to:
  - Include some more specific guidance around what premium listed companies should do when they encounter significant shareholder opposition to their remuneration policy and remuneration report.
  - Give remuneration committees broader responsibility for overseeing pay and incentives across the whole company and require more engagement with the wider workforce.
  - Extend the recommended minimum vesting and post-vesting holding period for exec share awards from 3 to 5 years (most companies already do this and it's already in the Investment Association Principles of Remuneration).
- Introduce secondary legislation requiring:
  - Disclosure of pay ratio (ratio of CEO pay to average pay of workforce) including narrative explaining any changes year to year.
  - Clearer explanation in remuneration policies of a range of potential outcomes from complex, share-based incentive schemes.
- Invite the Investment Association to maintain a public register of listed companies who have encountered significant shareholder opposition (a vote against of 20% or more).

Strengthening the employee, customer and wider stakeholder voice

- Introduce legislation that requires all companies of a significant size (so private as well as public) to explain how their directors comply with the requirements to have regard to employee and other interests.
- Invite the FRC to consult on the development of a new principle in the Corporate Governance Code related to strengthening employee and other stakeholder voices, requiring premium listed companies to adopt one of three mechanisms: a designated Non-Executive Directors to represent the workforce, creating a formal employee advisory council or a director from the workforce to be nominated.

Corporate governance in privately held companies

- Invite the FRC to develop voluntary set of corporate governance principles for large private companies.
- Introduce secondary legislation to require companies of a significant size to disclose their corporate governance arrangements in their Directors' Report and on their website, including whether they follow any formal code. Consideration is being given as to whether to extend this to LLPs of equivalent scale.

Pensions and Lifetime Savings Association (PLSA)
January 2017

PLSA released a document in January 2017 outlining their principles and guidelines, with the aim of assisting members in:

- Promoting the long-term success of the companies in which they invest
- Ensuring that the board and management of these companies are held accountable to shareholders

In relation to remuneration, they highlight specific principles from the UK Corporate Governance Code and outline their expectations in relation to those principles.

UK Corporate Governance Code Principles:

D.1 Executive Directors' remuneration should be designed to promote the long-term success of the company. Performance element should be transparent, stretching and rigorously applied.

D.2 There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his or her own remuneration.

PLSA Principles

- Pay should be aligned to long-term strategy and the desired corporate culture through the organisation
- Pay schemes should be clear, understandable for both investors and executive directors, and ensure that executive directors rewards reflect returns to long-term shareholders
- Remuneration committees should use the discretion afforded them by shareholders to ensure that awards properly reflect business performance
- Companies and shareholders should have appropriately regular discussions on strategy and long-term performance.

Financial services regulation

The EBA Remuneration Guidelines
January 2017

The EBA Remuneration Guidelines, effective from 1 January 2017, requires institutions to have in place on 1 January 2017 the respective governance arrangements; remuneration policies, practices and procedures for 2017. The EBA Remuneration Guidelines apply to the structure of variable remuneration awards granted for the performance year 2017 onwards.

The Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) have notified the EBA that compliance with all aspects of the EBA Remuneration Guidelines, except for the provision that the limit on awarding variable remuneration to 100% of fixed remuneration, or 200% with shareholder approval ('the bonus cap'), must be applied to all firms subject to CRD IV.

All firms must comply with all other aspects of the EBA Remuneration Guidelines, and all existing domestic requirements. In the following sections, the PRA provides additional clarification of its expectations regarding a number of specific remuneration requirements.

PRA final guidance on remuneration
April 2017

In September 2016, the PRA published its updated guidance on remuneration. In April 2017, the PRA published its Policy Statement on 'The PRA's expectations on remuneration' and Supervisory Statement on 'Remuneration' following PRA's consultation paper on its updated guidance.

A summary of the key points contained within the final guidance is as follows:

Proportionality

- The PRA confirms that, not only may Level 3 firms and below be able to continue to disapply the bonus cap, such firms may also be able to disapply the "pay out process" rules (i.e. the rules on deferral, payment in non-cash instruments and performance adjustment, including the rules relating to clawback)
- It is also confirmed that all firms can continue to apply the individual de minimis threshold, meaning that, where an individual's variable remuneration is no more than 33% of their total remuneration, and their total remuneration is no more than £500,000, the rules on guaranteed variable remuneration (and buy-outs) and the pay-out process rules can be disapplied.

Identification of MRTs

- The final Supervisory Statement reflects the PRA's continuing emphasis on firms taking a holistic approach to MRT identification
- The PRA expects all firms to apply the Commission Delegated Regulation which sets out regulatory technical standards (RTS) for identifying MRTs "as a minimum standard". The PRA states expressly that its expectations as to the types of roles that should be identified as MRTs "may evolve over time"
- The final Supervisory Statement also provides more detail on how firms should identify staff involved in credit or trading risk
- For the purpose of identifying staff working in asset management, the PRA sets out a number of specific criteria that should also be considered by dual-regulated firms.

Performance adjustment

- Where there has been a material failure of risk management or misconduct, the PRA expands on the circumstances in which it expects performance adjustments to be applied, to include where employees in control functions could be considered to be responsible for weakness and failings in control functions relevant to the failure or misconduct that has occurred.

Long-term incentive plans

- The final Supervisory Statement contains a separate section on LTIPs, focusing on the use of different metrics, which reflects the general position taken by the PRA to date; in particular, in relation to the appropriateness of non-financial measures in the quantitative metrics.

Guaranteed variable remuneration

- The PRA confirms that it expects any sign-on awards to be counted towards the bonus cap and to be subject to deferral, malus and clawback.

FCA remuneration in CRD IV firms: final guidance and changes to Handbook
May 2017

In May 2017, the FCA published its Policy Statement setting out final rules and guidance that make changes to the FCA Handbook rules and guidance to incorporate the EBA Remuneration Guidelines.

The FCA also provided feedback to the comments received in the consultation:

- The FCA agrees that 'retention awards' are different from guaranteed variable remuneration.
- When establishing a remuneration committee, the EBA Remuneration Guidelines set out that the 'significant' subsidiary test must be carried out on a standalone entity basis. The FCA explains that 'significant' subsidiary broadly encompasses significant IFPRU firms, or global and other systemically important institutions. Where a firm is dual regulated, they will also need to consider the significance criteria established by the PRA
- In relation to long-term incentive plans, the FCA expects to see individual performance considered both at the point of granting the award, and in the period prior to vesting, irrespective of whether the future performance measures are linked to firm level or division targets and measures.

Institutional Investors

A number of large institutional investors have published their updated voting guidelines during the year.

Legal and General Investment Management (LGIM)
2017

- The structure of remuneration and the payments awarded should be fair, balanced and understandable. This means fair in terms of what the company has achieved; balanced in terms of quantum to the executive, employees and shareholders; and understandable for the recipient, the board and shareholders
- Awards should incentivise long-term thinking by management and be aligned to and support the achievement of the business strategy and objectives
- Executives should have meaningful direct equity holdings while employed and thereafter; buying shares is one of the best ways of aligning the interests of management and shareholders
- Significant changes to existing remuneration strategy should be subject to a two-way consultation with shareholders prior to the company seeking specific voting approval
- Boards should retain ultimate flexibility to apply discretion and 'sense-check' the final payments to ensure that they align with the underlying long-term performance of the business.

Hermes Investment Management (Hermes)
2017

Shareholding

- Less leveraged pay packages composed of higher levels of fixed pay which include a significant proportion of salary paid in shares (together with individual personal share purchases)
- An approved ex-ante total cap on overall pay as well as for individual components.

Alignment

- Strategic performance metrics to replace TSR within incentive schemes alongside relevant metrics focused towards impact on stakeholders
- Remuneration Committees to adjust pay outcomes in light of both relative and absolute TSR performance. Incorporating one or both as an underpin may be appropriate
- Tail-risk built into pay structures, for example sales of shares restricted to a third per year post departure.

Simplicity

- Single incentive scheme structure reflecting primarily strategic goals, together with operational and personal objectives.

Accountability

- More ownership of and accountability for pay outcomes, including greater use of discretion
- Publication of a pay ratio and associated policy illustrating CEO to wider workforce pay
- Chair to write annually to the workforce explaining the CEO's pay award in the context of company performance and pay practices at the company and elsewhere.

Stewardship

- Greater quality engagement along the entirety of the ownership chain with consideration of fairness.

Blackrock
2017

In January 2017, Blackrock published a paper highlighting their beliefs and expectations related to executive remuneration practices.

The paper outlined the framework they use to determine voting practices:

- Seek to understand the link between strategy and remuneration
- Review remuneration granted during the year in terms of potential pay out at threshold, target and maximum
- Assess the relevance of stated peer group and impact of peer selection on remuneration decisions
- Conduct analysis over various time horizons, generally 3-5 years
- Review key changes and consider the rationale for those changes
- Expect to see clear explanation for extraordinary pay items
- Engage with companies where concerns are identified
- Consideration of Blackrock's historical voting decisions, engagement activity, other corporate governance concerns at the company and the views of portfolio managers
- Assess Board's responsiveness to previous shareholder voting results and other shareholder feedback.

It was also stated in the paper that Blackrock will vote against remuneration or election of remuneration committee members when:

- There is misalignment between pay-out and performance
- There is no connection between strategy, long-term shareholder value and remuneration
- There is excessive remuneration relative to peers
- There is overreliance on discretion
- There is insufficient disclosure
- There is lack of Board responsiveness to investor concern
- There is no disclosure of performance criteria for vesting of LTIPs
- There is an LTIP plan that allows for re-testing
- There is retrospective changes to performance criteria.

The paper also provided Blackrock's general remuneration guidelines:

- Fixed remuneration
  - The starting point for determining fixed pay should be the appropriate cost to the business for the specific position.
  - Transparency in relation to benchmarking - salary increases should have strong supporting rationale, benchmarking should not be the only justification. Market capitalisation alone is not considered as an appropriate justification for an increase in salary.
- Pensions
  - Pension contributions as a % of salary should be in line with the general workforce.
- Recruitment
  - Any disparity with the former executive should be explained in detail.
- Variable pay
  - There is no 'one size fits all' approach to remuneration structures, therefore Blackrock does not express a preference for specific remuneration vehicles. It expects company pay policy, strategy and business cycle to be taken into account and the rationale explained fully.
  - Blackrock is wary of 'output' metrics only (e.g. EPS and TSR). Preference is for 'input' metrics within management's control
  - 60% should be based on quantitative criteria.
- Restricted schemes:
  - Must be justified, with a reduced value (50%); should have a longer vesting/holding period (5 years).
  - An underpin should be applied to these schemes.

Standard Life
2017

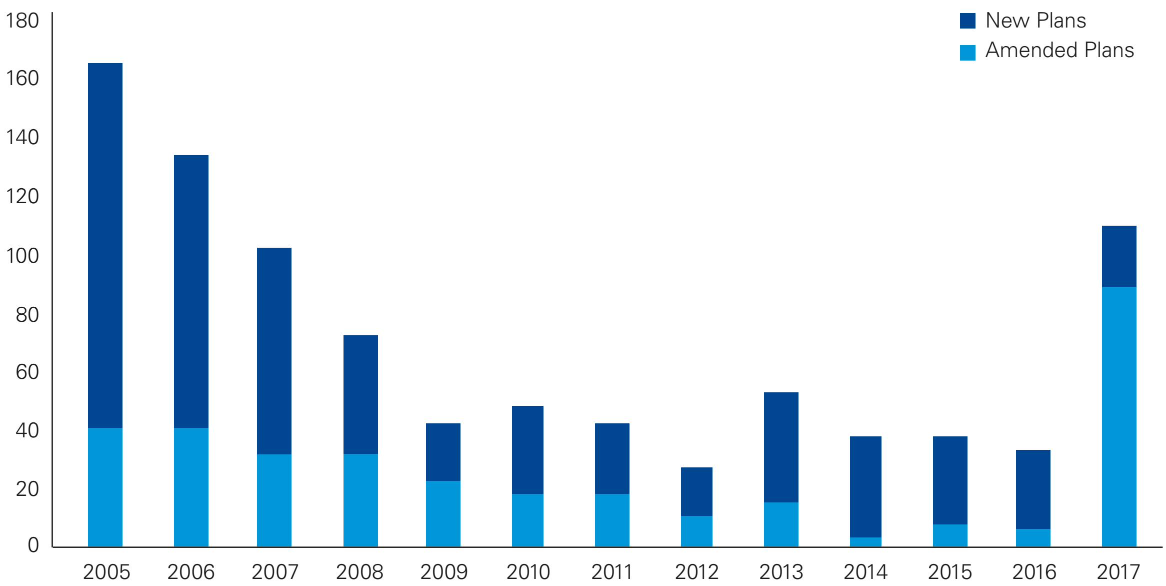
In February 2017, the Head of Equities from Standard Life urged investors to do more to make their displeasure known over executive pay:

- "We continue to see too many proposals that would bring a substantial increase [in pay], and we have to signal that we are not happy with that."
- "If we don't succeed, then we might have much more draconian action from the government, which would be much less flexible and worse overall for shareholders."

New and amended long term incentive plans

The number of new long-term incentive plans taken to shareholders this year has continued to decrease slightly compared with previous years as the following graph shows. However this year saw a significant increase in the number of amended long-term incentive plans, as companies took the opportunity to make relevant changes at the same time of their remuneration policy vote.

New and amended long term incentive plans by FTSE 350 companies



As in 2016, the use of performance share plans (PSPs) continues to be the most prevalent type of plan put to shareholders for approval. Only two companies (one in the FTSE 100 and one in the FTSE 250) have introduced a restricted share plan for their Executive Directors. All other new plans are PSPs.

The following table shows new plans introduced by FTSE 350 companies in 2017.

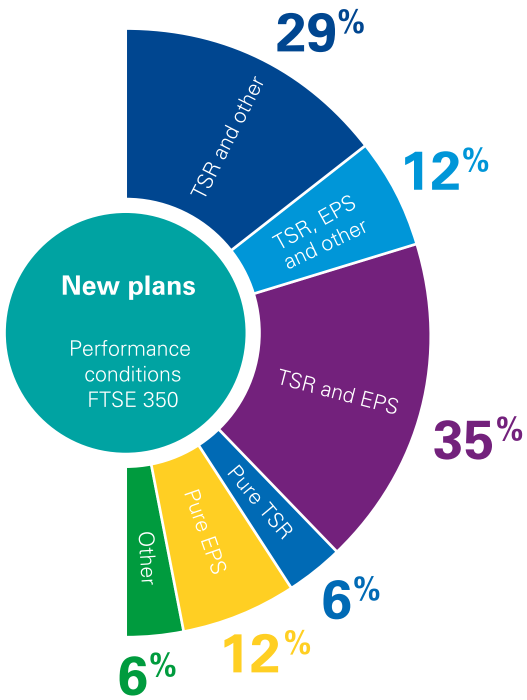
New plan introduced by FTSE 350 companies in 2017 (2016 plans in parentheses)	
Performance share plans	18 (22)
Other long-term incentive plans	2 (4)
Total plans introduced by FTSE 350 companies	20 (26)

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 continuous discussion and debate on whether companies should move away from TSR measures for their long-term incentive plans, the most prevalent measures adopted in the new plans this year are still TSR and EPS related, either on their own or in conjunction with another measure.

The chart below shows the performance measures adopted in the new plans this year.

FTSE 350 use of performance conditions in new plans

While guidance has stated that companies should have the flexibility to select a plan which is appropriate for the business, experience continues to show that shareholders are more comfortable with conventional practice.



03

Market data overview

> Over the last few years, fixed pay for Executive Directors in the FTSE 350 has maintained a similar level of increase as those across all other employee groups.

Total earnings

The following table summarises the median basic salary, total cash and total earnings in the year for all Chief Executives, Finance and Other Executive Directors.

The analysis includes all companies, regardless of any changes in the executive team during the financial year (2016 data in parentheses).

	Basic salary (£000s)	**Total cash** (£000s)	**Total earnings** (£000s)
FTSE 100			
Chief Executive	871 (832)	1,872 (2,265)	3,478 (3,673)
Finance Director	552 (539)	1,134 (1,504)	2,128 (2,206)
Other Executive Directors	546 (410)	1,135 (1,077)	1,951 (1,883)
FTSE 250			
Chief Executive	543 (525)	1,042 (1,105)	1,496 (1,557)
Finance Director	359 (345)	652 (710)	906 (966)
Other Executive Directors	360 (332)	651 (671)	941 (981)

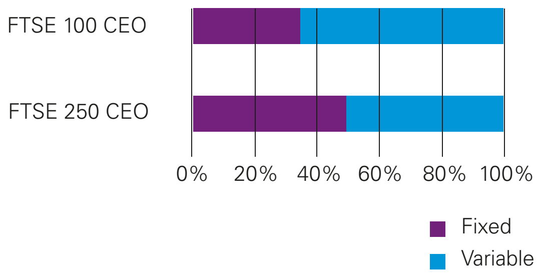
> The variable components of pay, both short and long term, continue to form a significant proportion of total earnings and continue to pay out at high levels (around 70% of maximum annual bonus for Chief Executives across the FTSE 350).

> Annual bonus payments including deferred bonus remain at a high level and have increased by 24% in cash terms across the FTSE 350 this year.

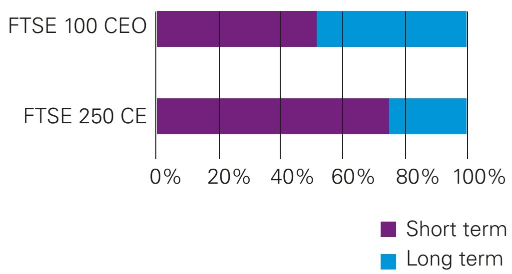
Remuneration mix

The following charts show the mix of total earnings for FTSE 350 Chief Executives, comparing the fixed: variable and short: long term elements of remuneration. This is based on median total earnings received during the year.

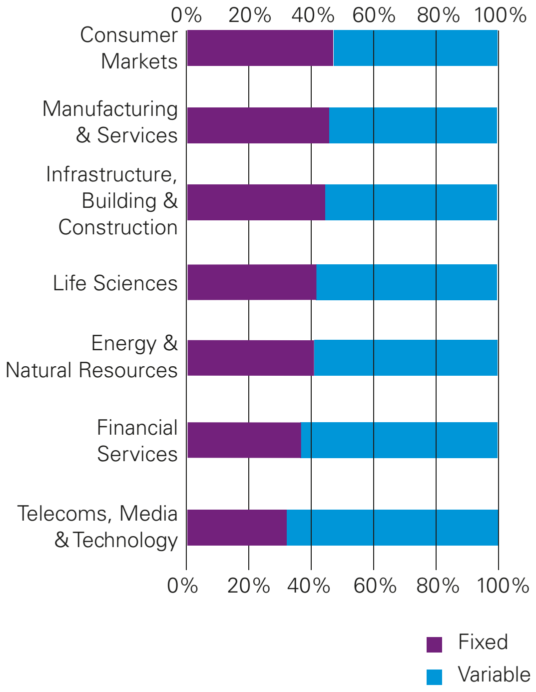
The chart below shows the remuneration mix between fixed and variable. This is based on median total earnings received during the year.



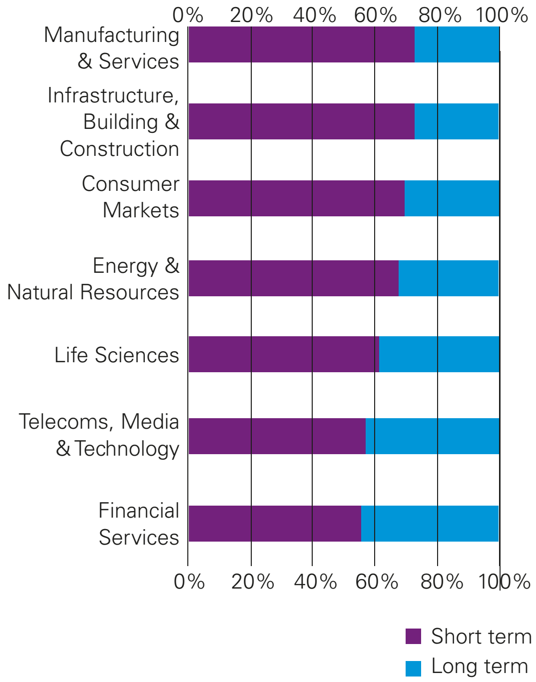
The following chart shows the median short term: long term remuneration mix for CEOs, also based on total earnings received in the year.



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

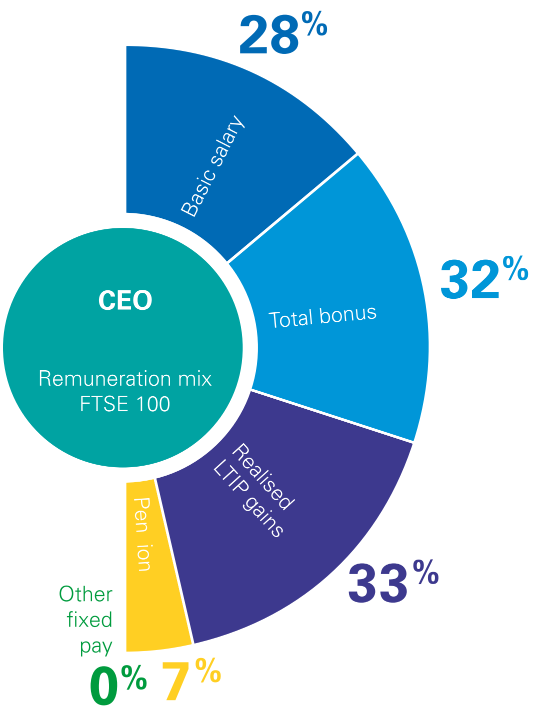


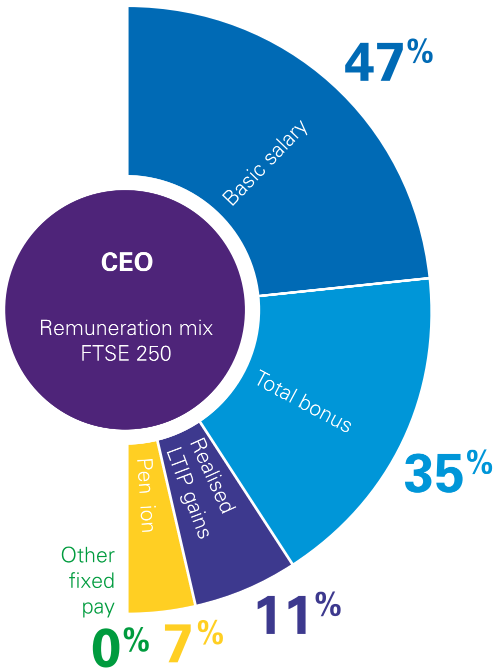
The chart below shows the median short term: long term remuneration mix for CEOs split by sector.



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

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



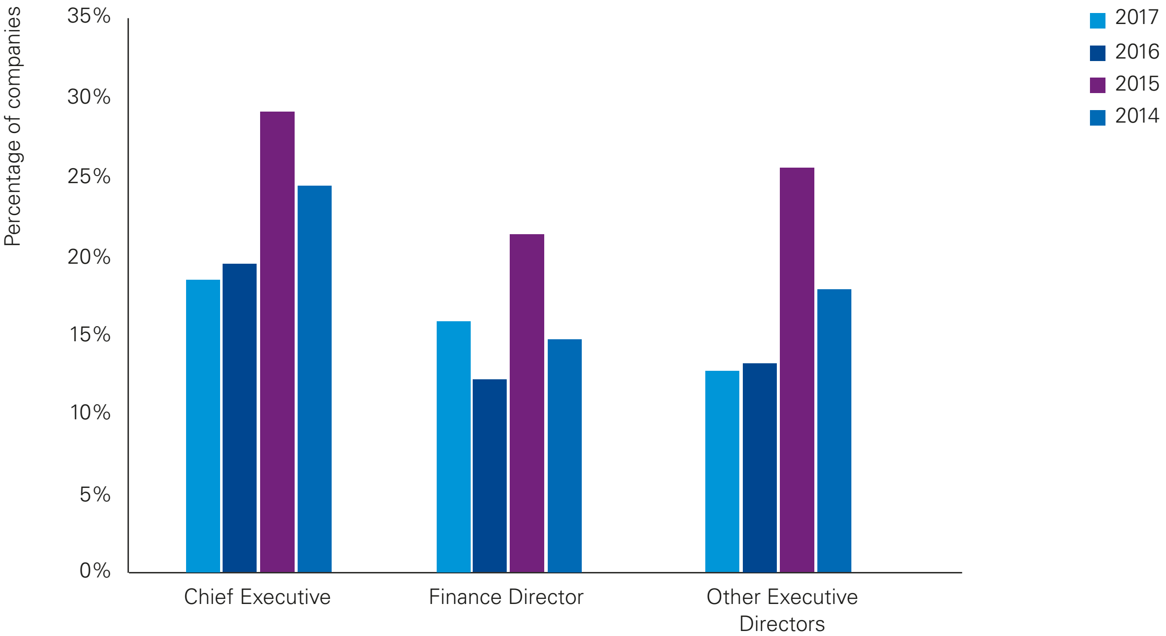


> Incentive awards pay-outs form a significant proportion of total earnings and have remained at similar level in the FTSE 350 to last year.

Basic salary

The chart below shows the prevalence of basic salary freezes for the last four years in the FTSE 350. There is a slight decrease in the percentage of Executive Directors who received a salary freeze this year compared to last year except for Finance Directors across the FTSE 350 where the prevalence increased.

Basic salary freezes 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 Directors positions as a percentage of the Chief Executive's salary. These percentages remain broadly consistent with previous years.

		Lower Quartile	Median	Upper Quartile
FTSE 100	Finance Director	59%	64%	70%
	Other Executive Directors	56%	63%	78%
FTSE 250	Finance Director	60%	66%	70%
	Other Executive Directors	58%	66%	76%

"Companies continued to exercise restraint in 2017 and salary increases have remained modest. Almost a fifth of Chief Executives in the FTSE 350 received no salary increase. Companies remain cautious in their approach, continuing to take into account increases across the broader employee population and the wider economic environment. Where increases were provided, the median ranged around 2.5%."

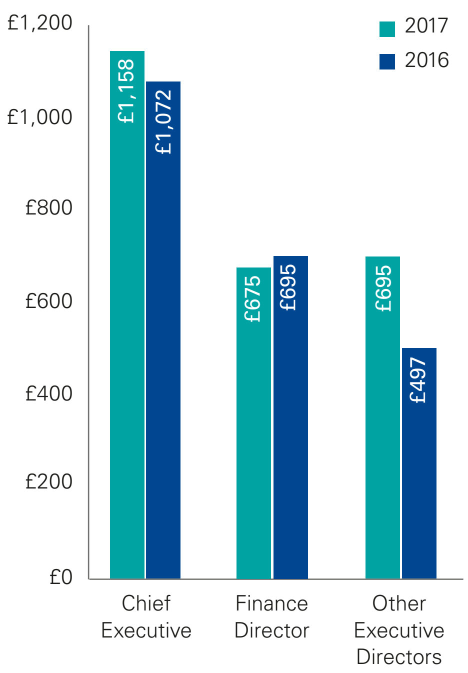
Annual bonus plans

Within the FTSE 100, total annual bonus payments have increased for Chief Executives and Other Executive Directors and have gone down for Finance Directors. In the FTSE 250, bonus payments have increased for all directors. Across the FTSE 350 7% of Chief Executives and Finance Directors received a zero bonus in 2017.

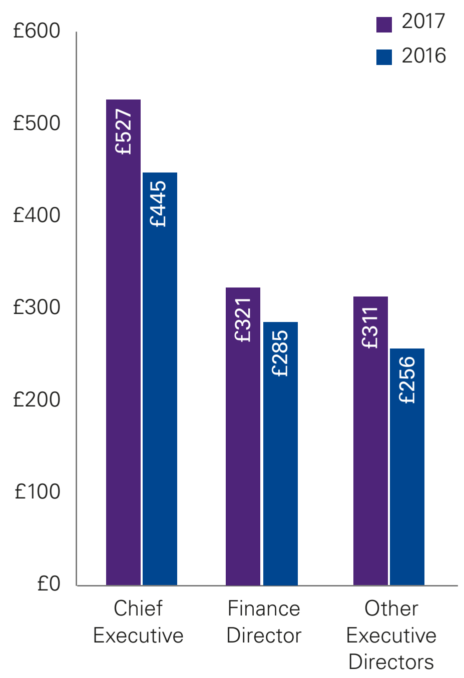
Over a third of FTSE 350 companies paid their directors bonuses of over 80% of the maximum opportunity, whereas 30% of companies paid bonuses of less than 50% of maximum.

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

FTSE 100 ('000s) Total bonus payments



FTSE 250 ('000s) Total bonus payments



Bonus deferral

Deferral of at least part of the bonus is standard practice amongst the majority of FTSE 350 companies and one that is expected by virtually all shareholder and regulatory bodies.

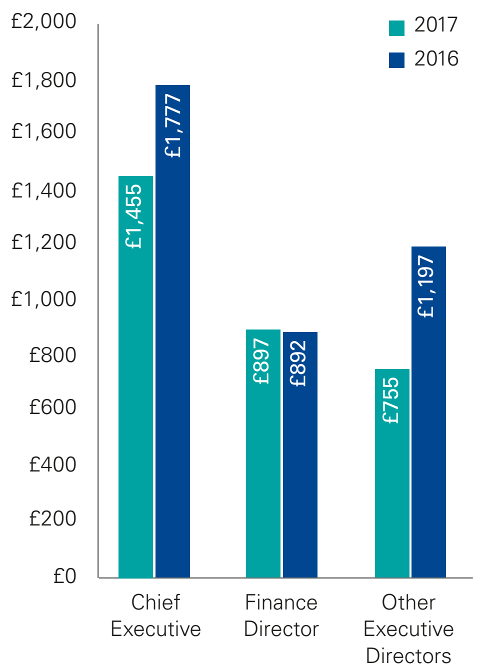
The median maximum bonus deferral within the FTSE 350 is 50%. Please see the Incentives section for more details.

Long term incentive plans (LTIPs)

Performance share plans (PSPs) continue to be the most commonly used form of LTIP while the use of share options continues to decline. Please see the Incentives section for more details on the design of PSPs.

The charts below show the median actual value of LTIP (PSP) awards vesting in the year as compared to 2016.

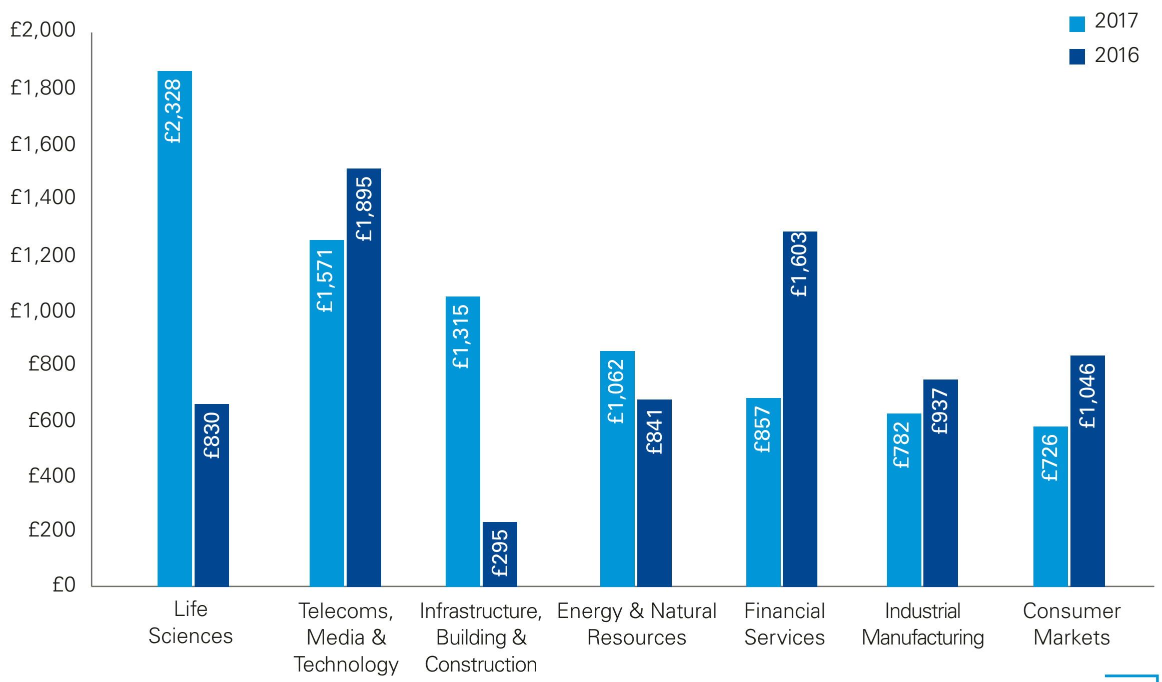
FTSE 100 ('000s) median actual value of performance share plan awards vesting in the year



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 ('000s) CEOs only median actual value of performance share plan awards vesting in the year by sector



> "Gains under long term incentive plans account for about a quarter of the overall remuneration package for Chief Executives in the FTSE 350 while benefits and pensions account for around 7%. The investor and regulator have increasing focus on the quantum of pay allocated to pension"

04

Chief Executive

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 level of total earnings for both FTSE 100 and FTSE 250 Chief Executives has decreased by 5% and 4% respectively compared to last year. Although there are differences between the ends of the FTSE spectrum, these are primarily driven by the variable award pay-outs rather than a shift in remuneration policy."

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 (2016 data in parentheses).

The analysis includes all companies, regardless of any changes in incumbent during the financial year. The methodology used can be found in the appendix.

Chief Executive	Basic salary (£000s)	Total cash (£000s)	Total earnings (£000s)
FTSE 100	871 (832)	1,872 (2,265)	3,478 (3,673)
FTSE 250	543 (525)	1,042 (1,105)	1,496 (1,557)

Basic salary increases

As mentioned in the Market Data Overview, basic salary increases have remained low in line with the year before, with 18% of Chief Executives seeing a base salary freeze this year.

The table below shows increases in the FTSE 100 and FTSE 250 for the latest reported financial year, as well as the previous year.

Chief Executive	Lower Quartile		Median		Upper Quartile	
	2017	2016	2017	2016	2017	2016
FTSE 100	1%	1%	2%	3%	3%	5%
FTSE 250	1%	2%	2%	3%	5%	8%

Salary position and pay comparator groups

The assumption that the size of a company is highly correlated with basic salary levels for Executive Directors is supported by the data below, which shows basic salary levels by market capitalisation and turnover bands.

Many companies use market capitalisation as a key criteria 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 in assessing whether the data are appropriate.

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)
FTSE 100	>£15bn	1,002	1,125	1,195
	£5bn - £15bn	747	805	896
	<£5bn	583	618	729
	All FTSE 100	766	871	1,055
FTSE 250	>£2bn	541	615	729
	£1bn - £2bn	486	550	609
	<£1bn	413	459	524
	All FTSE 250	469	543	646
FTSE 350	All FTSE 350	509	604	822

Basic salary by turnover

Chief Executive

Turnover		**Lower Quartile** (£'000s)	**Median** (£'000s)	**Upper Quartile** (£'000s)
FTSE 100	>£15bn	928	1,069	1,195
	£5bn - £15bn	785	918	1,069
	<£5bn	661	769	845
	All FTSE 100	766	871	1,055
FTSE 250	>£1bn	542	590	720
	£500m - £1bn	475	532	652
	<£500m	420	468	536
	All FTSE 250	469	543	646
FTSE 350	All FTSE 350	509	604	822

Basic salary by sector within the FTSE 350

Chief Executive

Sector	**Lower Quartile** (£'000s)	**Median** (£'000s)	**Upper Quartile** (£'000s)
Life Sciences	560	760	1,038
Energy & Natural Resources	574	721	976
Telecoms, Media & Technology	480	695	820
Consumer Markets	537	639	813
Manufacturing & Services	540	606	750
Financial Services	431	550	750
Infrastructure, Building and Construction	466	545	707
FTSE 350	509	604	822

Annual bonus plans

Around a fifth of the FTSE 100 and FTSE 250 paid their Chief Executive a bonus in excess of 90% of the maximum. 1 in 10 of FTSE 350 Chief Executives received a bonus of less than 30% of the maximum. The percentage of maximum opportunity that has paid out has increased across the FTSE 100 and the FTSE 250.

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

- The maximum potential bonus as a percentage of salary
- The total bonus paid as a percentage of salary
- The total bonus paid as a percentage of the maximum opportunity
- The total bonus paid in 2017 and in the previous year

Median annual bonus by FTSE index

Chief Executive	FTSE 100			FTSE 250		
	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
Maximum bonus opportunity (% of salary)	150%	200%	200%	125%	150%	150%
Total bonus (% of salary)	87%	130%	181%	61%	100%	138%
Total bonus (% of maximum bonus)	54%	72%	88%	43%	70%	88%
2017 Total bonus (£'000)	674	1,158	1,733	320	524	869
2016 Total bonus (£'000)	550	1,072	1,586	209	439	699

The following table shows the median information by sector.

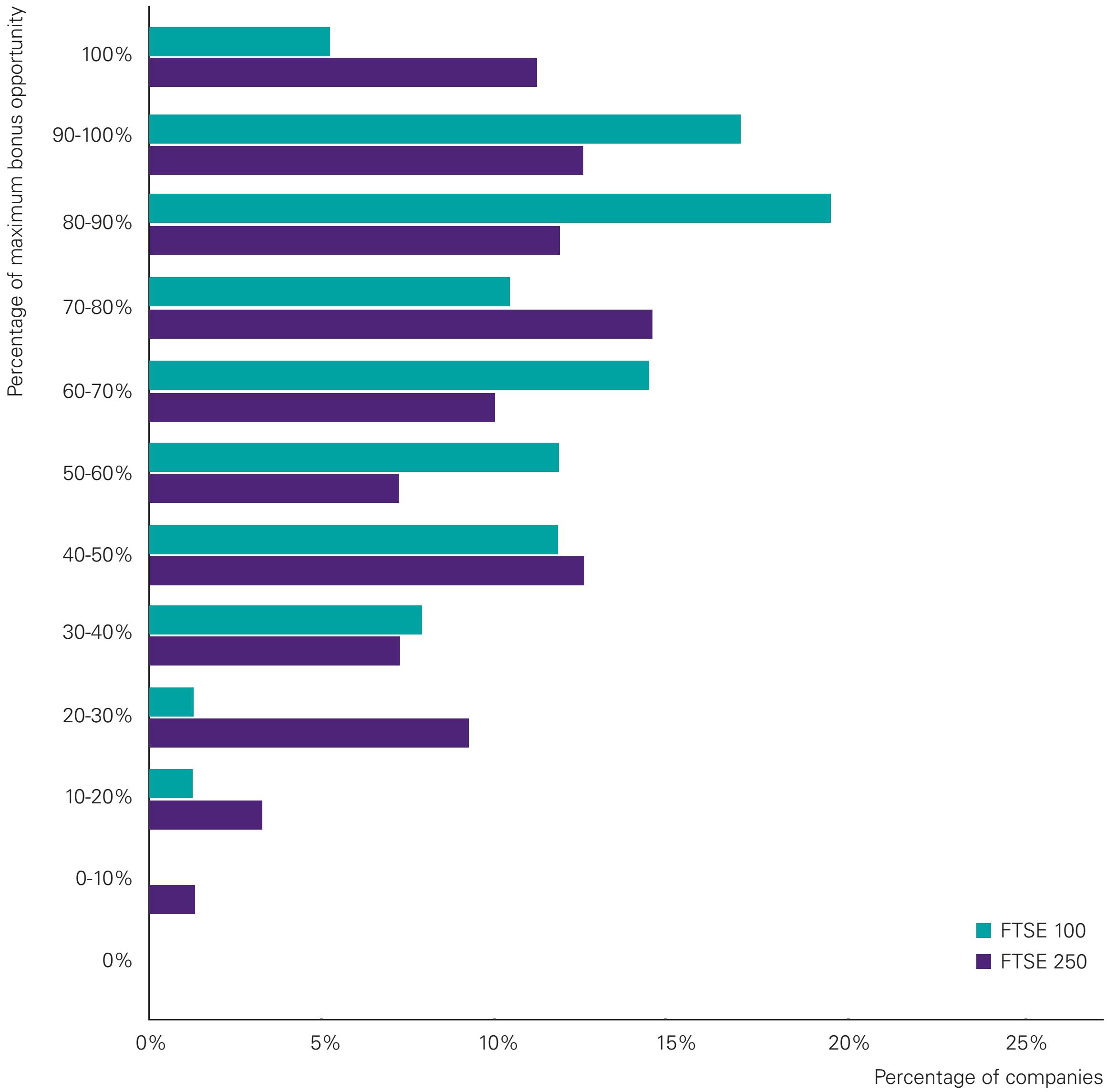
Median annual bonus by sector

Chief Executive	FTSE 350						
Sector (Median)	Life Sciences	Consumer Markets	Financial Services	Manufacturing & Services	Telecoms, Media & Technology	Energy & Natural Resources	Infrastructure, Building and Construction
Maximum bonus opportunity (% of salary)	150%	175%	150%	150%	180%	150%	150%
Total bonus (% of salary)	97%	102%	123%	109%	124%	99%	102%
Total bonus (% of maximum bonus)	67%	63%	74%	81%	78%	70%	69%
2017 Total bonus (£'000)	638	774	776	631	1,088	570	628

Annual bonus plans (continued)

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.

Percentage of maximum annual bonus paid by companies



Long term incentives (LTIP)

Performance share plans continue to be the most commonly used form of LTIP amongst the FTSE 350. The number of companies still operating share options 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 to last year, the median maximum potential award has reduced across the FTSE 350 while the median actual gains have increased.

Performance share plans by FTSE index

Chief Executive	FTSE 100			FTSE 250		
	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
Maximum award (% of salary)	200%	250%	350%	150%	200%	200%
Actual award (% of salary)	200%	245%	350%	125%	166%	205%
Actual award (£'000)	1,544	2,087	3,484	665	938	1,319
Actual gains (% of salary)	93%	166%	263%	49%	137%	207%

The following table shows the median information by sector.

Performance share plans by sector

Chief Executive	FTSE 350						
Sector (Median)	Consumer Markets	Energy & Natural Resources	Financial Services	Infrastructure, Building and Construction	Life Sciences	Manufacturing & Services	Telecoms, Media & Technology
Actual award (% of salary)	200%	200%	200%	131%	200%	200%	204%
Actual award (£'000)	1,243	1,678	1,222	803	1,500	1,217	1,500
Actual gains (% of salary)	134%	145%	146%	199%	228%	105%	253%

05

Finance Director

This section provides information on the remuneration for the role of Finance Director.

> Median total earnings have reduced for Finance Directors by 4% and 6% in the FTSE 100 and FTSE 250 respectively, driven by reduction in variable elements of pay.

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 (2016 data in parentheses).

The analysis includes all companies in the sample, regardless of any changes in incumbent during the financial year. The methodology used can be found in the appendix.

Finance Director	Basic salary (£000s)	Total cash (£000s)	Total earnings (£000s)
FTSE 100	552 (539)	1,134 (1,504)	2,128 (2,206)
FTSE 250	359 (345)	652 (710)	906 (966)

Basic salary increases

The percentage of Finance Directors receiving a pay freeze has increased to 16% from 12% last year.

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	
	2017	2016	2017	2016	2017	2016
FTSE 100	1%	2%	2%	3%	3%	4%
FTSE 250	2%	2%	3%	3%	4%	7%

Salary position and pay comparator groups

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)
FTSE 100	>£15bn	650	709	786
	£5bn - £15bn	465	515	571
	<£5bn	423	459	475
	All FTSE 100	474	552	678
FTSE 250	>£2bn	361	408	448
	£1bn - £2bn	315	355	399
	<£1bn	277	325	351
	All FTSE 250	314	359	414
FTSE 350	All FTSE 350	336	410	517

Basic salary by turnover

Finance Director

Turnover		Lower Quartile (£'000s)	Median (£'000s)	Upper Quartile (£'000s)
FTSE 100	>£15bn	588	700	745
	£5bn - £15bn	530	571	676
	<£5bn	424	474	513
	All FTSE 100	474	552	678
FTSE 250	>£1bn	354	404	440
	£500m - £1bn	326	369	419
	<£500m	277	299	344
	All FTSE 250	314	359	414
FTSE 350	All FTSE 350	336	410	517

Basic salary by sector within the FTSE 350

Finance Director

Sector	Lower Quartile (£'000s)	Median (£'000s)	Upper Quartile (£'000s)
Energy & Natural Resources	402	531	672
Telecoms, Media & Technology	296	453	508
Life Sciences	371	451	564
Consumer Markets	353	424	542
Manufacturing & Services	347	400	473
Financial Services	313	369	478
Infrastructure, Building and Construction	301	357	407
FTSE 350	336	410	517

Annual bonus plans

Around a third of companies in the FTSE 350 paid their Finance Director a bonus in excess of 80% of the maximum. 1 in 10 Finance Directors received a bonus of less than 30% of the maximum within the FTSE 350. The majority of companies in the FTSE 350 paid bonuses of over 50% of maximum opportunity. The percentage of Finance Directors receiving the maximum bonus remained the same as last year at 10%.

The tables below show the following information for the FTSE 100 and the FTSE 250:
- The maximum potential bonus as a percentage of salary
- The total bonus paid as a percentage of salary
- The total bonus paid as a percentage of the maximum opportunity
- The total bonus paid in 2017 and in the previous year

Median annual bonus by FTSE index

Finance Director	FTSE 100			FTSE 250		
	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
Maximum bonus opportunity (% of salary)	150%	200%	200%	120%	147%	150%
Total bonus (% of salary)	80%	124%	146%	54%	100%	124%
Total bonus (% of maximum bonus)	56%	70%	84%	38%	64%	88%
2017 Total bonus (£'000)	410	675	934	191	321	450
2016 Total bonus (£'000)	550	1,072	1,586	209	439	699

The following table shows median information by sector.

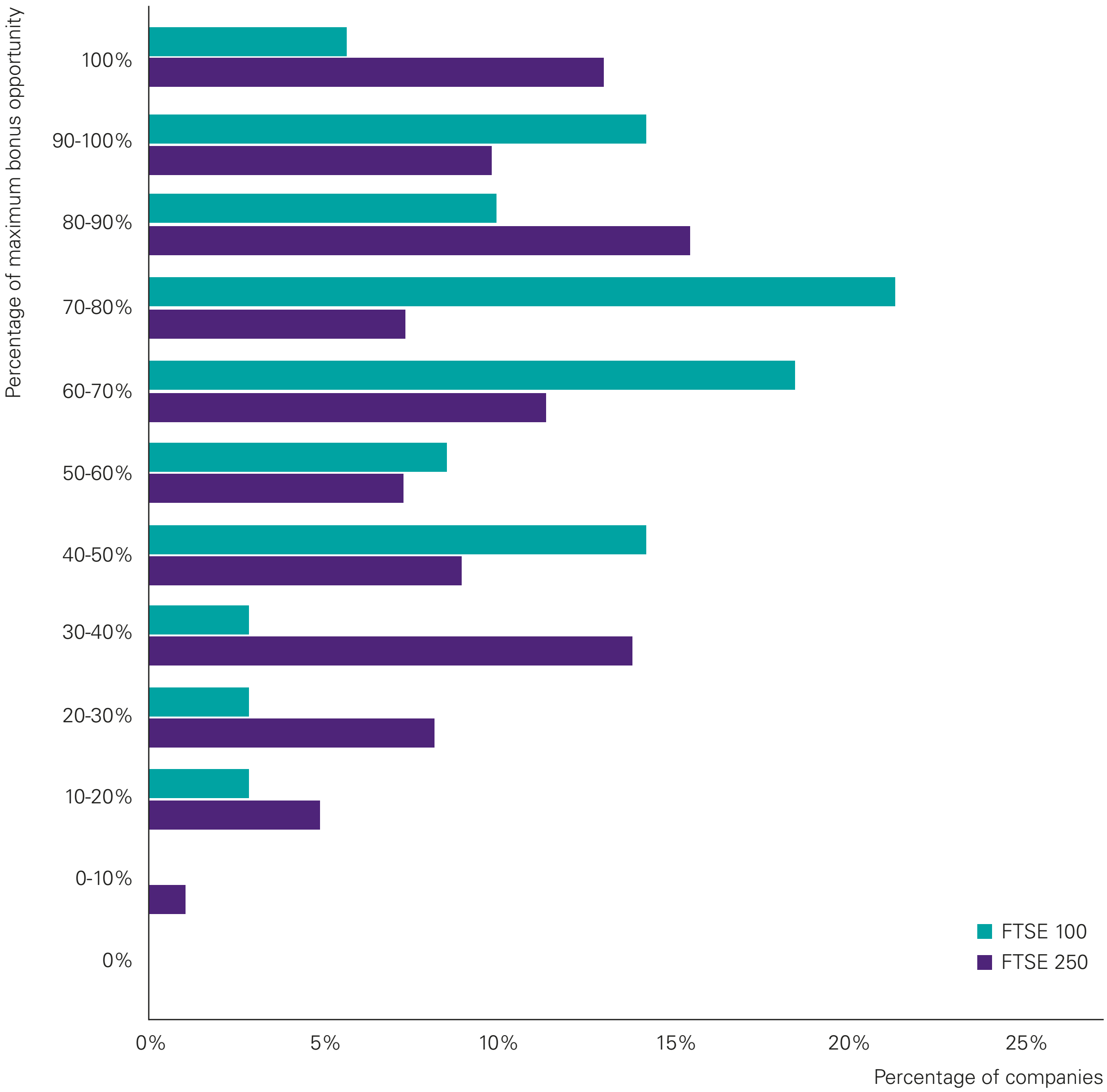
Median annual bonus by sector

Finance Director	FTSE 350						
Sector (Median)	Consumer Markets	Energy & Natural Resources	Financial Services	Infrastructure, Building and Construction	Life Sciences	Manufacturing & Services	Telecoms, Media & Technology
Maximum bonus opportunity (% of salary)	150%	163%	150%	150%	150%	150%	150%
Total bonus (% of salary)	84%	110%	115%	117%	113%	79%	98%
Total bonus (% of maximum bonus)	66%	73%	69%	81%	78%	60%	64%
2017 Total bonus (£'000)	396	594	434	415	543	334	334

Annual bonus plans (continued)

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

Percentage of maximum annual bonus paid by companies



Long term incentives (LTIP)

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 last year, the median maximum potential award have remained at broadly the same level across the FTSE 350 while the median actual gains have increased.

Performance share plans by FTSE index

Finance Director	FTSE 100			FTSE 250		
	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
Maximum award (% of salary)	200%	250%	350%	150%	200%	200%
Actual award (% of salary)	171%	201%	272%	118%	150%	200%
Actual award (£'000)	792	1,116	1,675	385	545	745
Actual gains (% of salary)	82%	160%	244%	43%	136%	198%

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

Performance share plans by sector

Finance Director	FTSE 350						
Sector (Median)	Consumer Markets	Energy & Natural Resources	Financial Services	Infrastructure, Building and Construction	Life Sciences	Manufacturing & Services	Telecoms, Media & Technology
Actual award (% of salary)	150%	176%	199%	150%	209%	175%	175%
Actual award (£'000)	646	884	759	469	948	722	699
Actual gains (% of salary)	140%	78%	151%	194%	152%	124%	223%

06

Other Executive Directors

This section provides information on the remuneration for the role of Other Executive Directors. Other Executive Directors include a variety of roles with different responsibilities, including functional and divisional directors.

> We have seen total earnings for Other Executive Directors in the FTSE 100 increased by 4% this year when compared to last year, while they decreased by 4% in the FTSE 250.

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 (2016 data in parentheses).

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

Other Executive Directors	Basic salary (£000s)	Total cash (£000s)	Total earnings (£000s)
FTSE 100	546 (410)	1,135 (1,077)	1.951 (1,883)
FTSE 250	360 (332)	651 (671)	941 (981)

Basic salary increases

The percentage of Other Executive Directors receiving a pay freeze this year remained the same as last year at 13%.

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 Executive Directors	Lower Quartile		Median		Upper Quartile	
	2017	2016	2017	2016	2017	2016
FTSE 100	1%	2%	2%	3%	9%	8%
FTSE 250	2%	2%	3%	3%	5%	4%

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

Basic salary by market capitalisation

Other Executive Directors

Market Capitalisation		**Lower Quartile** (£'000s)	**Median** (£'000s)	**Upper Quartile** (£'000s)
FTSE 100	>£15bn	702	749	839
	£5bn - £15bn	412	505	602
	<£5bn	336	413	473
	All FTSE 100	415	546	700
FTSE 250	>£2bn	360	407	488
	£1bn - £2bn	272	311	371
	<£1bn	246	273	356
	All FTSE 250	305	360	423
FTSE 350	All FTSE 350	336	407	541

Basic salary by turnover

Other Executive Directors

Turnover		**Lower Quartile** (£'000s)	**Median** (£'000s)	**Upper Quartile** (£'000s)
FTSE 100	>£15bn	628	736	833
	£5bn - £15bn	458	548	651
	<£5bn	377	422	503
	All FTSE 100	415	546	700
FTSE 250	>£1bn	353	395	485
	£500m - £1bn	342	378	412
	<£500m	254	310	356
	All FTSE 250	305	360	423
FTSE 350	All FTSE 350	336	407	541

Basic salary by sector within the FTSE 350

Other Executive Directors

Sector	**Lower Quartile** (£'000s)	**Median** (£'000s)	**Upper Quartile** (£'000s)
Energy & Natural Resources	503	611	797
Infrastructure, Building and Construction	374	461	521
Life Sciences	302	442	647
Consumer Markets	328	410	545
Telecoms, Media & Technology	335	394	434
Manufacturing & Services	333	390	504
Financial Services	331	375	450
FTSE 350	336	407	541

Annual bonus

When compared to previous year, maximum bonus opportunity has increased by around 20% across the FTSE 350.

Median total bonus payments have reduced by around a third from last year across the FTSE 350.

Nearly 40% of companies in the FTSE 100 paid their Other Executive Directors a bonus in excess of 80% of the maximum, while less than a third of companies in the FTSE 250 did.

No companies in the FTSE 100 and less than one fifth of companies in the FTSE 250 paid their Other Executive Directors a bonus of less than 30% of the maximum.

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

- The maximum potential bonus as a percentage of salary
- The total bonus paid as a percentage of salary
- The total bonus paid as a percentage of the maximum opportunity
- The total bonus paid in 2017 and in the previous year

Median annual bonus by FTSE index

Other Executive Directors	FTSE 100			FTSE 250		
	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
Maximum bonus opportunity (% of salary)	150%	175%	200%	100%	150%	163%
Total bonus (% of salary)	79%	138%	170%	63%	91%	124%
Total bonus (% of maximum bonus)	49%	73%	88%	37%	60%	84%
2016 Total bonus (£'000)	408	695	1,005	191	311	469

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

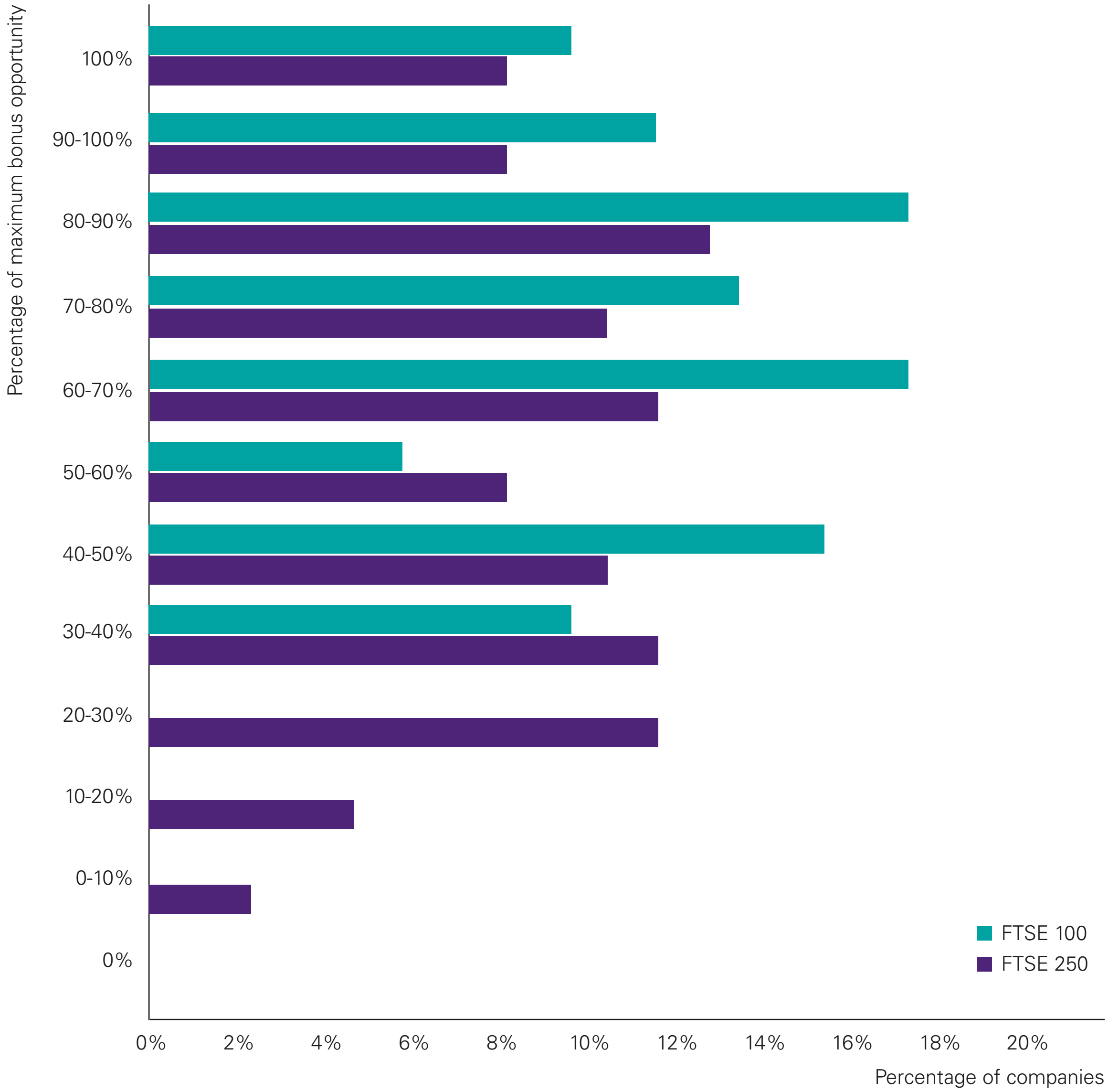
Median annual bonus by sector

Other Executive Directors	FTSE 350						
Sector (Median)	Consumer Markets	Energy & Natural Resources	Financial Services	Infrastructure, Building and Construction	Life Sciences	Manufacturing & Services	Telecoms, Media & Technology
Maximum bonus opportunity (% of salary)	125%	163%	150%	150%	150%	150%	150%
Total bonus (% of salary)	79%	93%	120%	134%	139%	95%	68%
Total bonus (% of maximum bonus)	66%	72%	68%	58%	69%	65%	45%
2016 Total bonus (£'000)	377	681	441	593	922	357	273

Annual bonus plans (continued)

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.

Percentage of maximum annual bonus paid by companies



Long term incentives (LTIP)

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 last year, the median maximum potential award has decreased by 4% in the FTSE 100 and increased by 11% in the FTSE 250 and the median actual gains have decreased.

Performance share plans by FTSE index

Other Executive Directors	**FTSE 100**			**FTSE 250**		
	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
Maximum award (% of salary)	200%	240%	300%	150%	200%	200%
Actual award (% of salary)	150%	196%	259%	100%	150%	201%
Actual award (£'000)	712	1,100	1,785	310	506	816
Actual gains (% of salary)	46%	142%	199%	43%	151%	226%

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

Performance share plans by sector

Other Executive Directors	**FTSE 350**						
Sector (Median)	Consumer Markets	Energy & Natural Resources	Financial Services	Infrastructure, Building and Construction	Life Sciences	Manufacturing & Services	Telecoms, Media & Technology
Actual award (% of salary)	139%	127%	200%	198%	132%	165%	172%
Actual award (£'000)	535	1,129	777	906	619	712	747
Actual gains (% of salary)	134%	122%	149%	920%	112%	98%	146%

07

Incentives

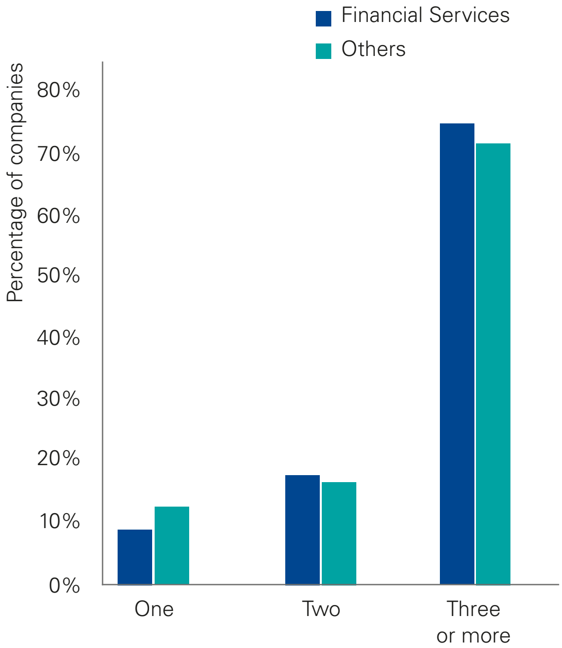
This section provides the directions of trends in incentives, specifically the structure of incentives and their performance measures. Market data relating to quantum and pay-outs for each Executive Director role is contained in the previous sections.

> Short and long-term incentive plans continue to be key elements of the remuneration mix. As shareholders increasingly focus on the alignment between pay and long-term performance, we have seen a significant increase in the number of companies who introduced/increased the holding period for their LTIP or increased shareholding requirement this year.

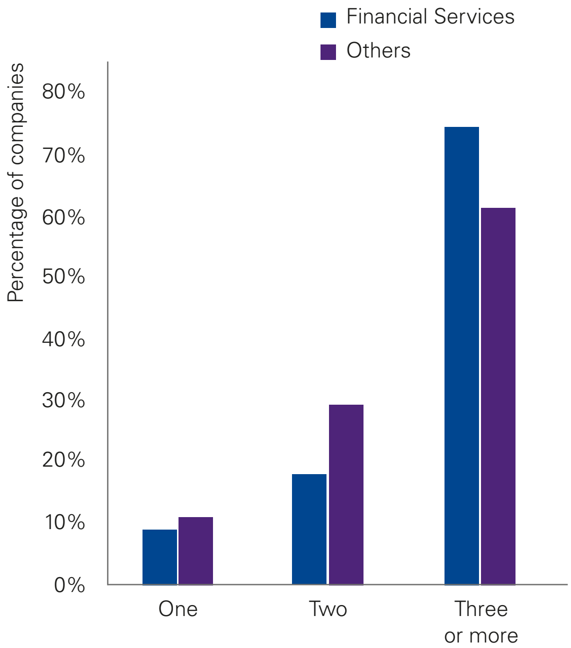
Annual bonus plans

More than two-thirds of FTSE 350 companies use three or more performance measures, with financial services sector companies continuing to lead the way; only two financial services sector companies in the FTSE 100 and four in the FTSE 250 use a single measure.

Number of measures in annual bonus plans: FTSE 100



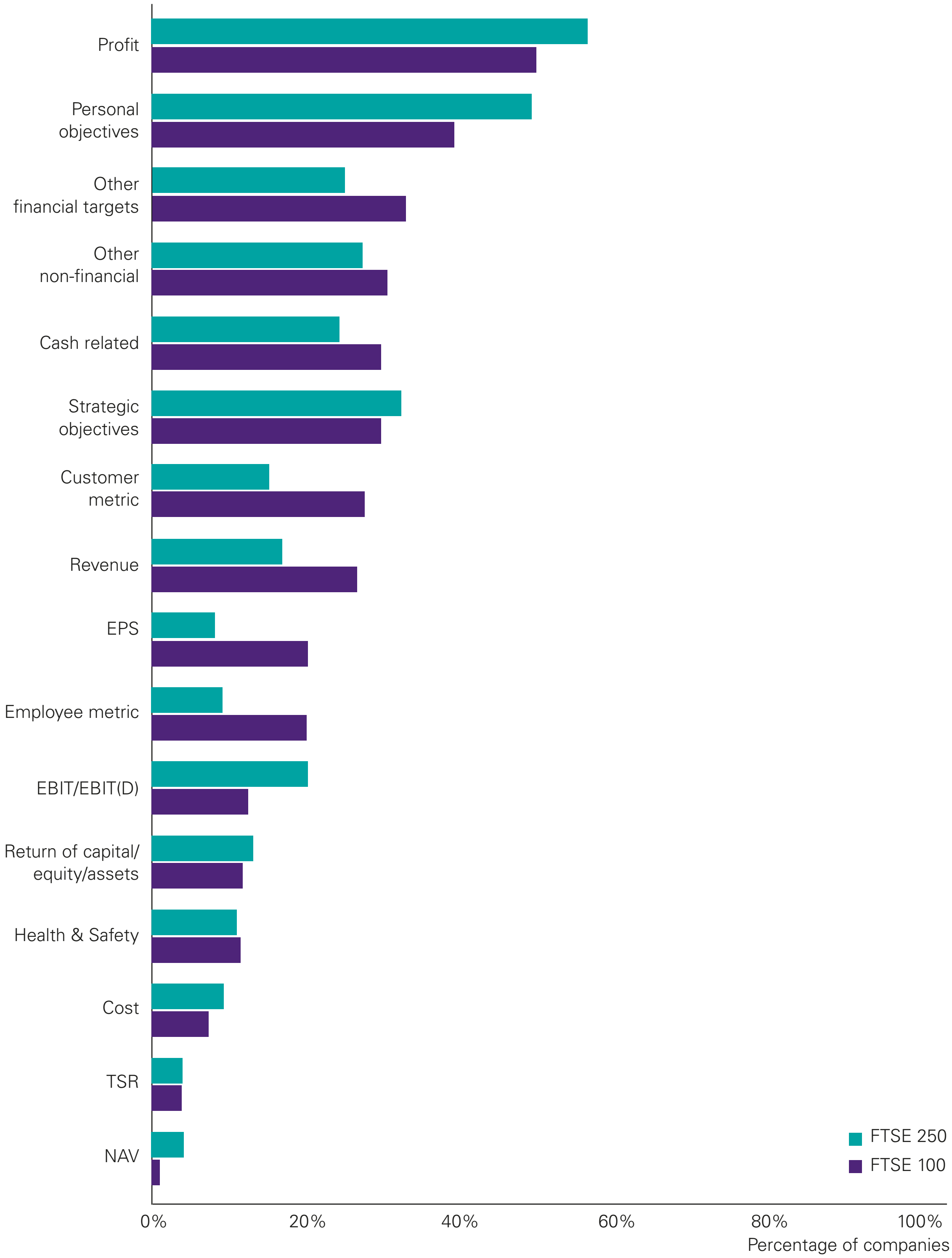
Number of measures in annual bonus plans: FTSE 250



Performance measures in annual bonus plans

The chart below shows the 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 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 strategic targets, a customer target, an employee metric or an HSE (Health, safety and environment) target. From the shareholders perspective, the use of multiple financial and non-financial performance measures aligns to best practice and helps to ensure that a balanced approach is taken. Their 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 the minimum level of financial performance before any payment is made.

Performance conditions in annual bonus plans



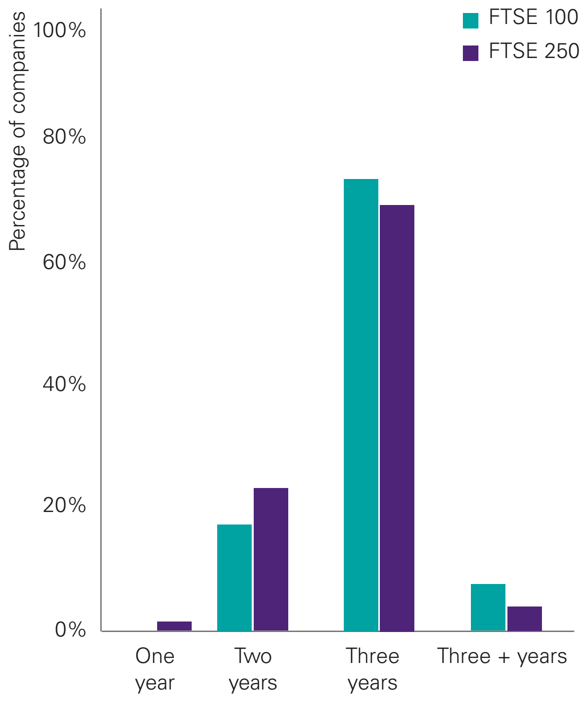
Deferred annual bonus plans

Corporate governance and the need to take account of risk in setting remuneration has driven an increase in the deferred element of pay. Deferred bonus plans (DABs) remain a key tool in remuneration planning.

A deferred annual bonus plan involves the compulsory or voluntary deferral of some or all of an annual bonus into company shares, which are then restricted for a period of time (deferred shares). 89% of FTSE 100 and 76% of FTSE 250 companies now operate a deferred bonus plan with the majority being compulsory deferral. The median maximum deferral remained at the same level as last year being 50% of bonus across the FTSE 350.

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 remained at 3 years.

Deferral Periods



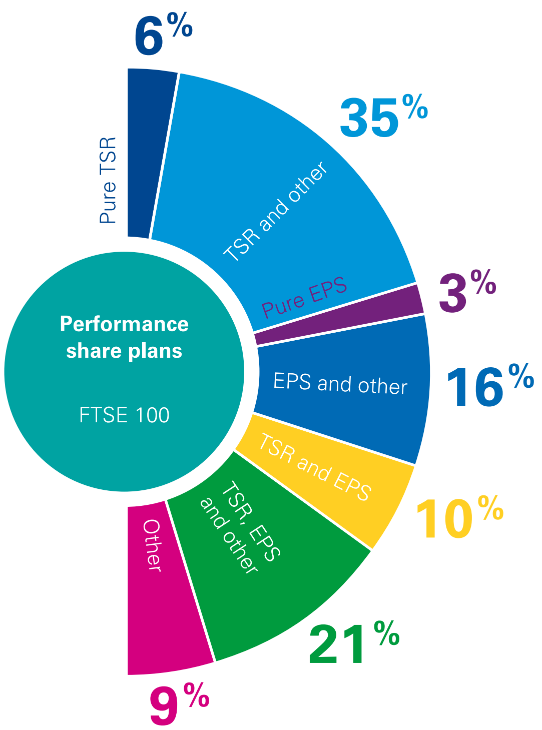
Performance share plans

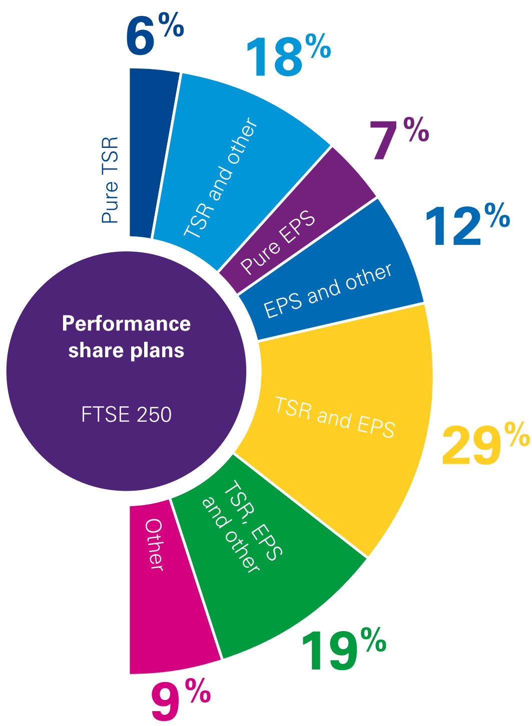
Performance share plans (PSP) continue to be the most commonly used form of long term incentive plan. Information relating to awards for each Executive Director role is contained in the previous sections. The following section provides information relating to the use of performance measures, maximum grant and holding period.

Performance measures

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

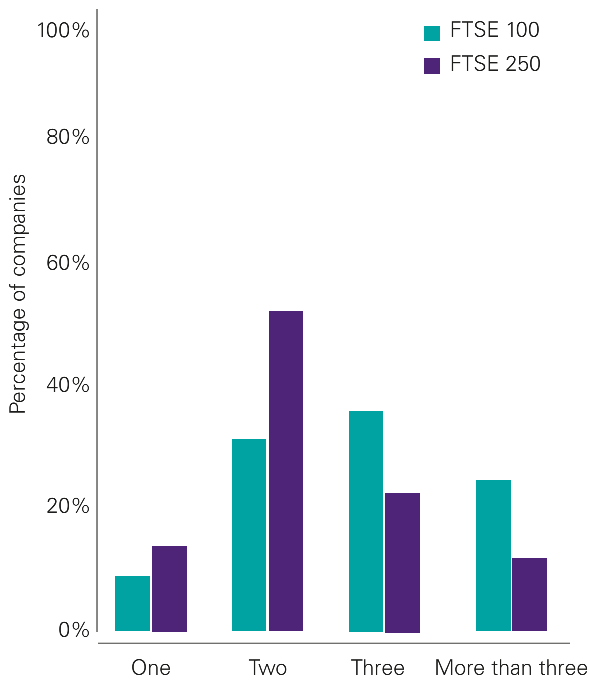
The following charts show the measures that are currently in use. 'Other' measures include profit, cashflow, share price targets, EBITDA and return on capital.





The following chart shows the number of measures that are currently in use. Although there has been increasing focus on simplicity from the shareholders, the use of multiple performance measures remained at similar level to last year.

Number of measures in performance share plans



Post-vesting holding period

There has been increased focus from shareholders on the alignment between executive remuneration and long-term company performance in recent years. As the majority of the FTSE 350 companies put their 2017 remuneration policies to a shareholder binding vote this year, there has been a significant rise in the number of companies who introduced or increased their post-vesting holding period for the LTIPs. 21% of FTSE 100 and 71% of FTSE 250 companies introduced or increased the post-vesting holding period this year with the median holding period being 2 years.

Shareholding requirement

Echoing the increase in post-vesting holding period, shareholding requirement is another area of increased shareholder focus. We have seen more companies increasing or introducing a shareholding requirement. In the FTSE 100, median shareholding requirement for the Chief Executive Director and Other Executive Directors have increased by 5% and 14% respectively this year while it remained the same for the Finance Director.

The table below shows the median shareholding requirements for Chief Executive Director, Finance Director and Other Executive Directors in the FTSE 100 and FTSE 250 as well as the percentage of companies which increased and introduced shareholding requirement this year.

Median shareholding requirements

		FTSE 100	FTSE 250
Chief Executive (% of salary)	2017	250%	200%
	2016	238%	200%
Finance Director (% of salary)	2017	200%	200%
	2016	200%	150%
Other Executive Directors (% of salary)	2017	200%	150%
	2016	175%	100%
% of companies increased shareholding requirement	CEO	24%	22%
	CFO	24%	23%
	Other Executive Directors	17%	17%
% of companies introduced shareholding requirement	CEO	4%	10%
	CFO	5%	10%
	Other Executive Directors	13%	14%

08

Pensions

This section provides information on the pension arrangements of Executive Directors and the role of pension in the total remuneration mix.

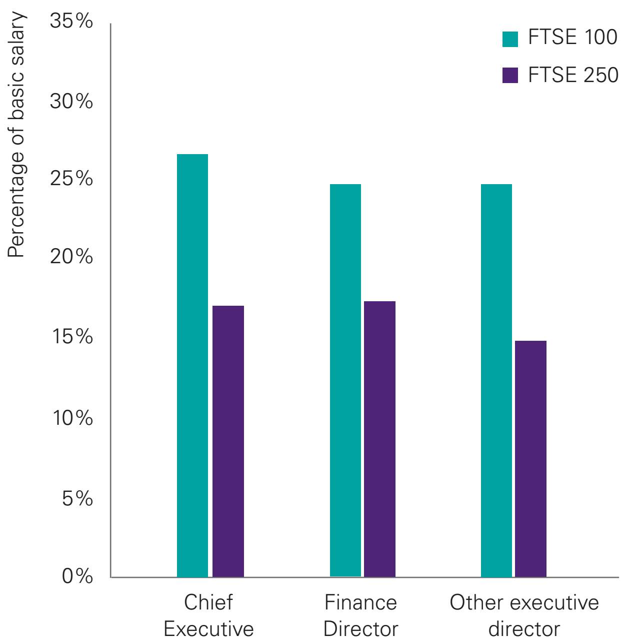
> Shareholders have shown an increased focus on the disparity of pension arrangements between Executive Directors and the broader employee population this year. However, pension levels remain the same as last year at around a quarter of basic salary for FTSE 100 Chief Executives.

Pensions have seen continuous change over the last decade, the outcome of which has been the steady erosion of traditional pension provision – either defined benefit or defined contribution at senior executive level. For those executives who have been increasingly caught by the reducing lifetime and annual allowances, the employers' response has been largely to replace the pension provisions with a cash supplement. For FTSE 100 Executive Directors this provision is now equivalent to 25% of basic salary at the median level and makes up around 7% of total earnings. This has now started to come under the increased scrutiny of shareholders – with some shareholders calling for employer contributions for executives to be brought into line with those of the broader employee population. If companies fail to do so, shareholders will expect an explanation as to when they intend to do so, and a clear rationale if there is no intention to do so.

FTSE 350 pension schemes

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

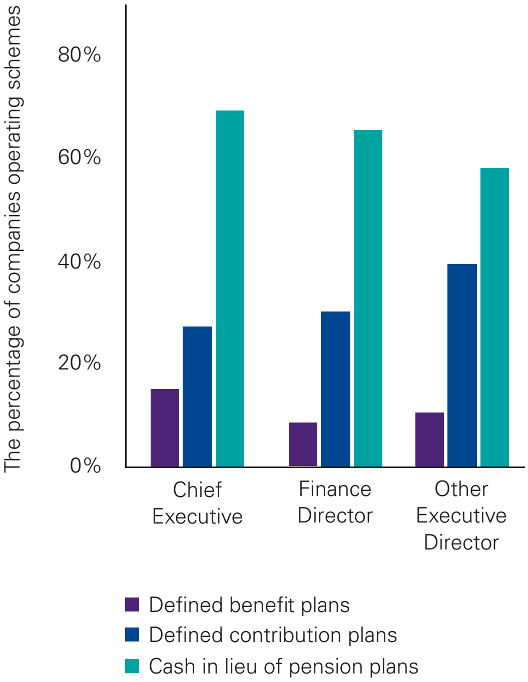
Median pension values for all schemes as percentage of base salary



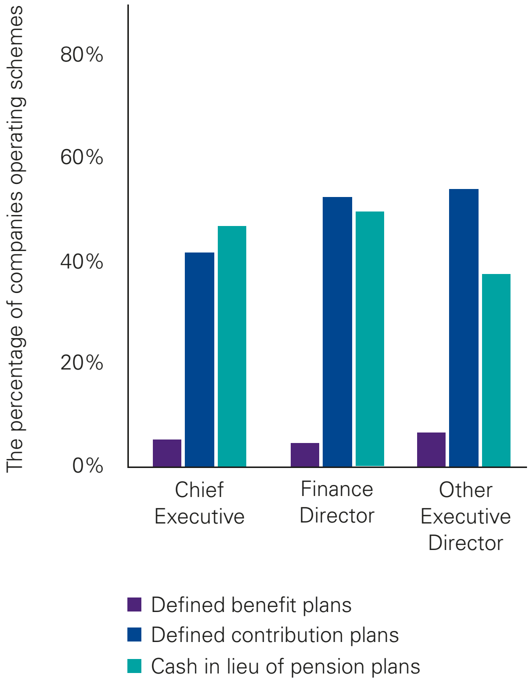
> Pension value as a percentage of total earnings is relatively low at around 7%, but they do make up a significant amount of fixed remuneration.

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

FTSE 100 pension arrangements



FTSE 250 pension arrangements



Cash in lieu of pensions is the most common pension arrangement across the FTSE 350, while participation in defined benefit plans continues to diminish.

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

This is often due to a 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	11%
	Finance Director	5%
	Other Executive Directors	15%

Use of more than one scheme

FTSE 250	Chief Executive	6%
	Finance Director	10%
	Other Executive Directors	6%

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

Median pension values for different schemes

		Cash in lieu of pension schemes (£'000)	Defined contribution schemes (£'000)
FTSE 100	Chief Executive	213	169
	Finance Director	143	102
	Other Executive Directors	104	99
FTSE 250	Chief Executive	111	77
	Finance Director	70	48
	Other Executive Directors	56	50

The following table shows the median values for each type of pension plan 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)
FTSE 100	Chief Executive	25%	24%
	Finance Director	25%	20%
	Other Executive Directors	23%	21%
FTSE 250	Chief Executive	20%	15%
	Finance Director	19%	13%
	Other Executive Directors	16%	15%

The median maximum employer contribution for pension as % of salary has reduced by 7% and 17% for DC plans and pension supplement respectively this year in the FTSE 100 which echoes the increased focus from shareholders on reducing disparity between pension arrangements for Executive Directors and the broader employee population.

The table below shows the median pension contribution and the percentage of companies which reduced pension contribution for the Executive Directors this year.

Median pension contribution

	DC (% of salary)		Pension supplement (% of salary)		% of companies reduced pension contribution	
	2017	2016	2017	2016	DC	Pension supplement
FTSE 100	25%	27%	25%	30%	11%	14%
FTSE 250	20%	20%	20%	20%	7%	7%

KPMG

09

Non-Executive Directors

This section provides information on remuneration for the role of chairman and Non-Executive Directors.

> As the majority of FTSE 350 companies are putting their remuneration policy to a shareholder binding vote this year, we have seen a significant rise in the number of companies increasing annual fee levels for the chairmen and other Non-Executive Directors this year.

Fee increases

Nearly half of FTSE 350 companies increased fee levels for the chairmen and other Non-Executive Directors, compared to less than 20% last year.

Percentage of companies not increasing fees

	Non-executive chairman	Other Non-Executive Directors
FTSE 100	51%	52%
FTSE 250	26%	27%

Fees are not typically reviewed or increased on an annual basis, and as such increases may initially appear to be higher than those for Executive Directors.

The following table shows the fee increases for the FTSE 100 and FTSE 250 for companies which did increase fee levels.

Median fee increases

		Median
FTSE 100	Non-executive chairman	3%
	Other Non-Executive Directors	2%
FTSE 250	Non-executive chairman	5%
	Other Non-Executive Directors	3%

Non-executive chairman

The chairman is responsible for the leadership of the board, ensuring effectiveness in all aspects of its role and setting the 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 smaller companies.

Chairman fees by market capitalisation

		Lower Quartile (£'000s)	Median (£'000s)	Upper Quartile (£'000s)
FTSE 100	>£10bn	450	600	700
	£5bn-£10bn	278	350	405
	<£5bn	275	300	330
	All FTSE 100	305	400	559
FTSE 250	>£2bn	220	270	305
	£1bn-£2bn	175	200	247
	<£1bn	141	163	187
	All FTSE 250	169	208	269

Chairman fees by turnover

		Lower Quartile (£'000s)	Median (£'000s)	Upper Quartile (£'000s)
FTSE 100	>£10bn	426	543	700
	£2.5bn-£10bn	300	350	431
	<£2.5bn	264	308	371
	All FTSE 100	305	400	559
FTSE 250	>£2.5bn	216	270	309
	£500m-£2.5bn	185	225	276
	<£500m	150	170	187
	All FTSE 250	169	208	269

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 the 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.

Deputy chairman fees

		Lower Quartile (£'000s)	Median (£'000s)	Upper Quartile (£'000s)
FTSE 100	Deputy chairman	104	133	194
FTSE 250	Deputy chairman	73	83	135

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	11	20	27
FTSE 250	Senior independent director	7	10	12

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 SID.

The figures are broken down by market capitalisation and turnover, and are inclusive of any committee fees and irrespective of time commitment.

Non-Executive Directors fees by market capitalisation

		Lower Quartile (£'000s)	Median (£'000s)	Upper Quartile (£'000s)
FTSE 100	>£10bn	72	78	93
	£5bn-£10bn	60	63	70
	<£5bn	55	60	63
	All FTSE 100	61	69	79
FTSE 250	>£2bn	54	58	65
	£1bn-£2bn	48	50	55
	<£1bn	45	50	55
	All FTSE 250	48	53	60

Non-Executive Directors fees by turnover

		Lower Quartile (£'000s)	Median (£'000s)	Upper Quartile (£'000s)
FTSE 100	>£10bn	68	75	87
	£2.5bn-£10bn	60	64	70
	<£2.5bn	55	60	70
	All FTSE 100	61	69	79
FTSE 250	>£2.5bn	51	57	64
	£500m-£2.5bn	50	54	60
	<£500m	45	49	55
	All FTSE 250	48	53	60

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, e.g. in the Corporate Governance Reform green paper published by the government, it is proposed that "the chairs of remuneration committees are required to have served for at least 12 months on a remuneration committee before taking up the role, on the basis that remuneration committees need to have extensive knowledge of the company, the personalities of the executives, and the shareholder base in order to be truly effective.

Company size again has an influence over the level of additional fees. The risk committee still commands the highest additional fees for members although we have seen a significant increase in the level of other committee fees over the last few years, in particular the remuneration committee chair fee. However this year the remuneration committee chair fee remained the same as last year.

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	15	20	30
Audit	16	23	30
Nomination	15	17	21
CSR Committee	12	14	20
Risk Committee	21	30	60
Other	15	23	34

FTSE 250 Committee chairmanship fee levels

	Lower Quartile (£'000s)	**Median** (£'000s)	**Upper Quartile** (£'000s)
Remuneration	9	10	13
Audit	10	10	15
Nomination	8	10	11
CSR Committee	10	11	15
Risk Committee	10	15	20
Other	10	10	17

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

Half of FTSE 100 and around a fifth of FTSE 250 companies pay additional fees for membership of the main board committees.

FTSE 100 Committee membership fee levels

	Lower Quartile (£'000s)	Median (£'000s)	Upper Quartile (£'000s)
Remuneration	8	12	20
Audit	8	14	20
Nomination	7	10	13
CSR Committee	5	7	10
Risk Committee	12	20	30
Other	8	12	24

FTSE 250 Committee membership fee levels

	Lower Quartile (£'000s)	Median (£'000s)	Upper Quartile (£'000s)
Remuneration	5	5	10
Audit	5	5	10
Nomination	4	5	8
CSR Committee	7	9	10
Risk Committee	5	8	10
Other	5	8	10

Time commitment

There is insufficient disclosure in companies' annual reports with respect to the time commitment required of a chairman or Non-Executive Directors 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 Directors 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 Non-Executive Directors 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.

10

Diversity

This section provides a breakdown of demographic and remuneration information for Executive Directors by gender, across the FTSE 100 and FTSE 250.

Introduction

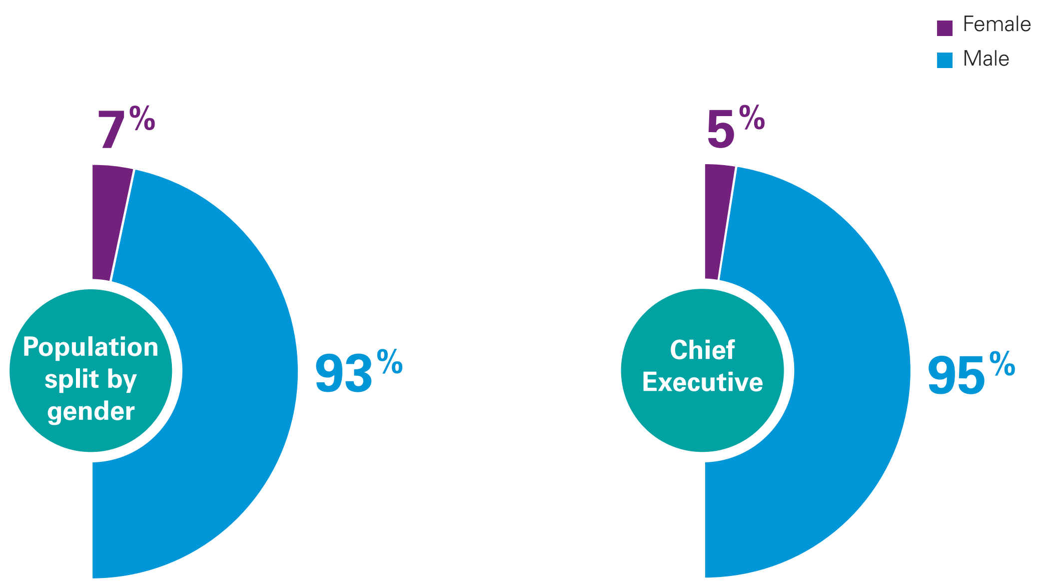
The introduction of Gender Pay Gap (GPG) reporting for any organisation with 250 UK employees or more in the private, public and voluntary sectors has served to intensify the gender and pay debate generally, and the board room and executive committees are not immune from this. By April 2018 the above mentioned category of organisations will be required to report their gender pay gap annually. Companies reporting a high GPG might be seen as less than fully committed to fair pay as well as promotion and development opportunities for women. However, it is important to distinguish between equal pay and gender pay, which are all too often conflated by the media and, therefore, also by the public. This section of the report deals predominantly with the proportions of men and women in Executive Director roles, and remuneration on a broadly role comparable basis.

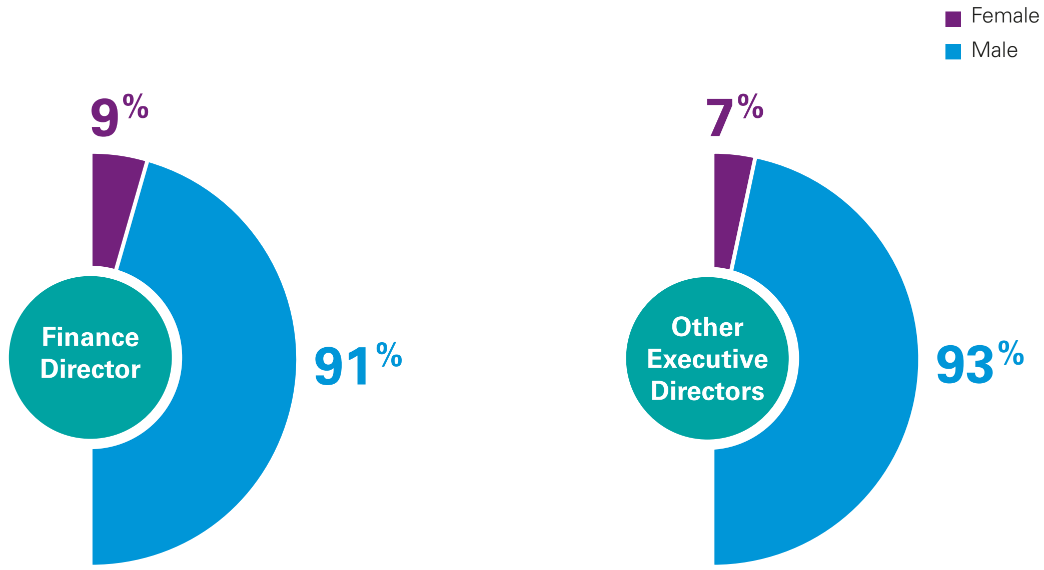
Board composition

Across the Executive Director population in this report, only 6.8% (up from 6.1% in 2016) are currently women while the vast majority (93.2%) are men. A 2016 independent review of the FTSE 100 initiated by the Government, and headed up by Sir Philip Hampton Chair of GlaxoSmithKline and Dame Helen Alexander previous Chair of UBM, concluded that a third of the executive pipeline positions should be filled by women by 2020. Achieving this ‘voluntary’ target will likely be very stretching, if not unachievable in that timeline, and will require sustained political and public pressure.

Of the Executive Director positions occupied by women approximately two-fifths (43%) are Finance Directors, just over a quarter (28%) are CEOs and the remainder fall into the Other Executive Directors category. There are currently no female CEOs in companies larger than £15 billion.

A 2016 collaborative research project between KPMG, Why Women Work, YSC and the 30% Club showed that despite progress in gender diversity at Board level, the number of women at executive committee level has not increased in global companies. It also shows that there has been no increase in female participation in executive committees for over two years in FTSE 100 companies.





Remuneration levels

Whilst it is undeniable that there is still a significant issue with the number of women, for whatever reason, not making it to the top two rungs of the corporate ladder (i.e. main board and executive committee) the analysis in the following tables suggests that for those who do make it to FTSE 350 main board level, there is no real discernible pattern when trying to ascertain a pay bias one way or the other. It should be noted that the data do need to be treated with caution, because the sample size for women is small.

Basic salary

The table below shows median basic salary by gender and by turnover bands in the latest reported financial year.

Basic salary

Turnover		**Chief Executive Officer**		**Finance Director**		**Other Executive Directors**	
		Male (£'000s)	Female (£'000s)	Male (£'000s)	Female (£'000s)	Male (£'000s)	Female (£'000s)
FTSE 100	>£15bn	1,081	-	711	630	764	606
	£5bn - £15bn	925	647	562	580	532	-
	<£5bn	766	704	468	482	433	396
	All FTSE 100	900	704	537	579	541	396
FTSE 250	>£1bn	592	581	404	390	394	394
	£500m - £1bn	527	650	367	444	360	-
	<£500m	465	-	296	293	312	273
	All FTSE 250	540	581	357	319	353	377
FTSE 350	All FTSE 350	597	650	406	439	393	394

Annual bonus pay-outs

The table below shows median actual annual bonus pay-outs by gender and by turnover bands in the latest reported financial year.

Bonus

Turnover		**Chief Executive Officer**		**Finance Director**		**Other Executive Directors**	
		Male (£'000s)	Female (£'000s)	Male (£'000s)	Female (£'000s)	Male (£'000s)	Female (£'000s)
FTSE 100	>£15bn	1,518	-	848	852	1,180	962
	£5bn - £15bn	916	709	500	454	486	-
	<£5bn	785	616	431	245	518	279
	All FTSE 100	1,087	616	617	657	637	279
FTSE 250	>£1bn	609	496	305	322	450	158
	£500m - £1bn	464	803	287	463	196	n/a
	<£500m	388	-	223	135	190	273
	All FTSE 250	438	550	263	323	244	216
FTSE 350	All FTSE 350	582	616	363	372	342	273

Total earnings

The table below shows median total earnings by gender and by turnover bands in the latest reported financial year.

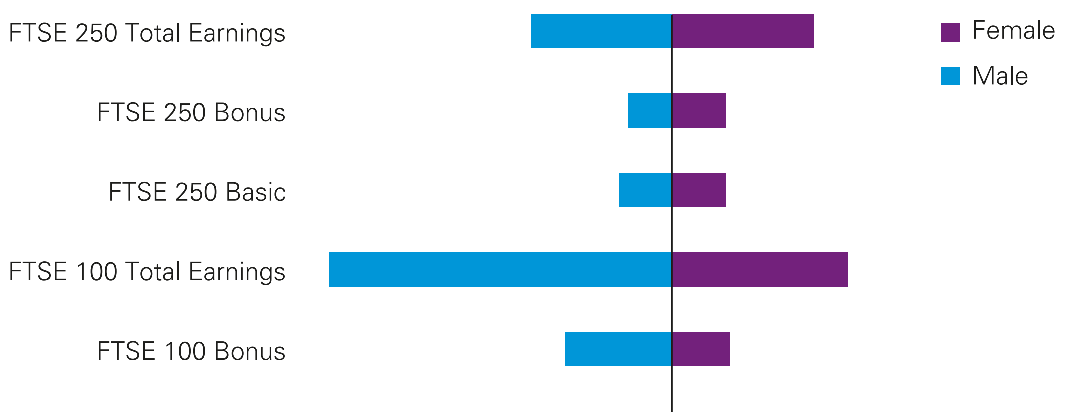
Total Earnings

Turnover		Chief Executive Officer		Finance Director		Other Executive Directors	
		Male (£'000s)	Female (£'000s)	Male (£'000s)	Female (£'000s)	Male (£'000s)	Female (£'000s)
FTSE 100	>£15bn	4,151	-	2,909	2,584	2,915	2,150
	£5bn - £15bn	3,958	1,806	2,163	1,376	1,613	-
	<£5bn	3,320	2,451	1,703	1,005	1,404	988
	All FTSE 100	3,566	1,880	2,120	1,814	1,896	988
FTSE 250	>£1bn	1,841	1,362	940	922	1,400	735
	£500m - £1bn	1,625	2,076	931	1,010	576	-
	<£500m	1,175	-	772	510	838	563
	All FTSE 250	1,451	1,477	890	872	886	649
FTSE 350	All FTSE 350	2,048	1,732	1,166	1,131	1,203	735

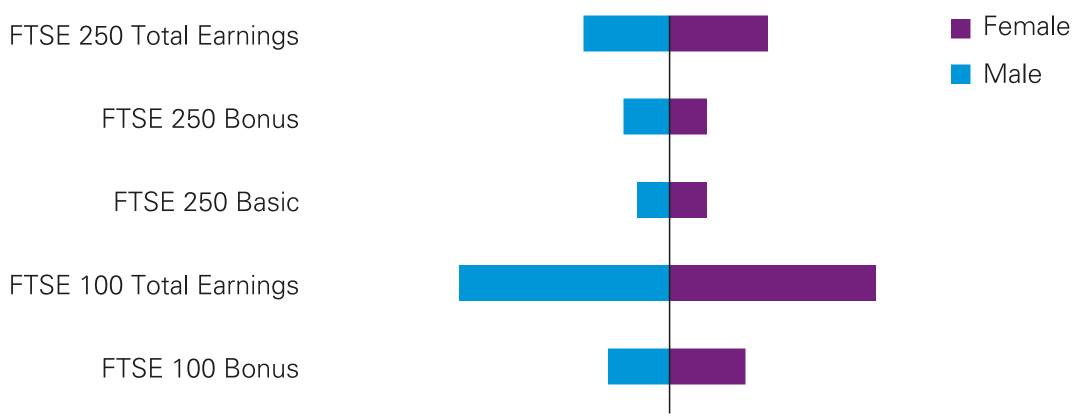
From the remuneration tables above, it can be seen that there are categories which are 'winners and losers' based on the segmentation analysis. For example, the median basic salary for male Finance Directors is 7.0% lower than female Finance Directors in the FTSE 100 but 12.0% higher in the FTSE 250. Annual bonus pay-outs for female Finance Directors are 6.0% and 23.0% higher respectively, while female total earnings are 14.0% and 2.0% lower respectively.

The charts below show median basic salary, annual bonus pay-outs and total earnings across the whole FTSE 100 and whole FTSE 250 in the latest reported financial year, by position and by gender.

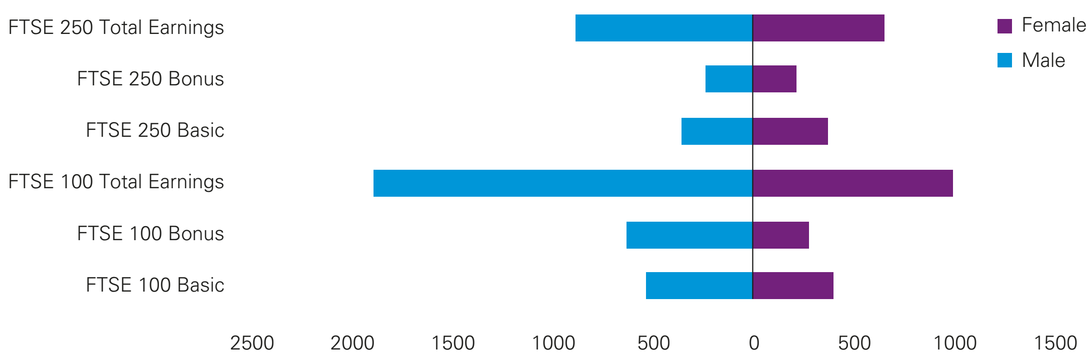
Chief Executive Officer earnings by Gender



Finance Director earnings by Gender



Other Executive Directors earnings by Gender



Sector differentials

The following tables show base salary, bonus and total earnings across the whole of the FTSE 100 and whole of the FTSE 250. It is worth noting that as a proportion of the total Executive Director population the highest representation of women can be found in the Telecoms, Media and Technology sector (11.5%; FTSE 250 only), followed by the Consumer markets sector (10.6%) and Life Sciences (9.4%).

The following tables show median basic salary, bonus pay-out and total earnings, by sector in the latest reported financial year. Again the data need to be treated with caution due to the small female sample size.

FTSE 100

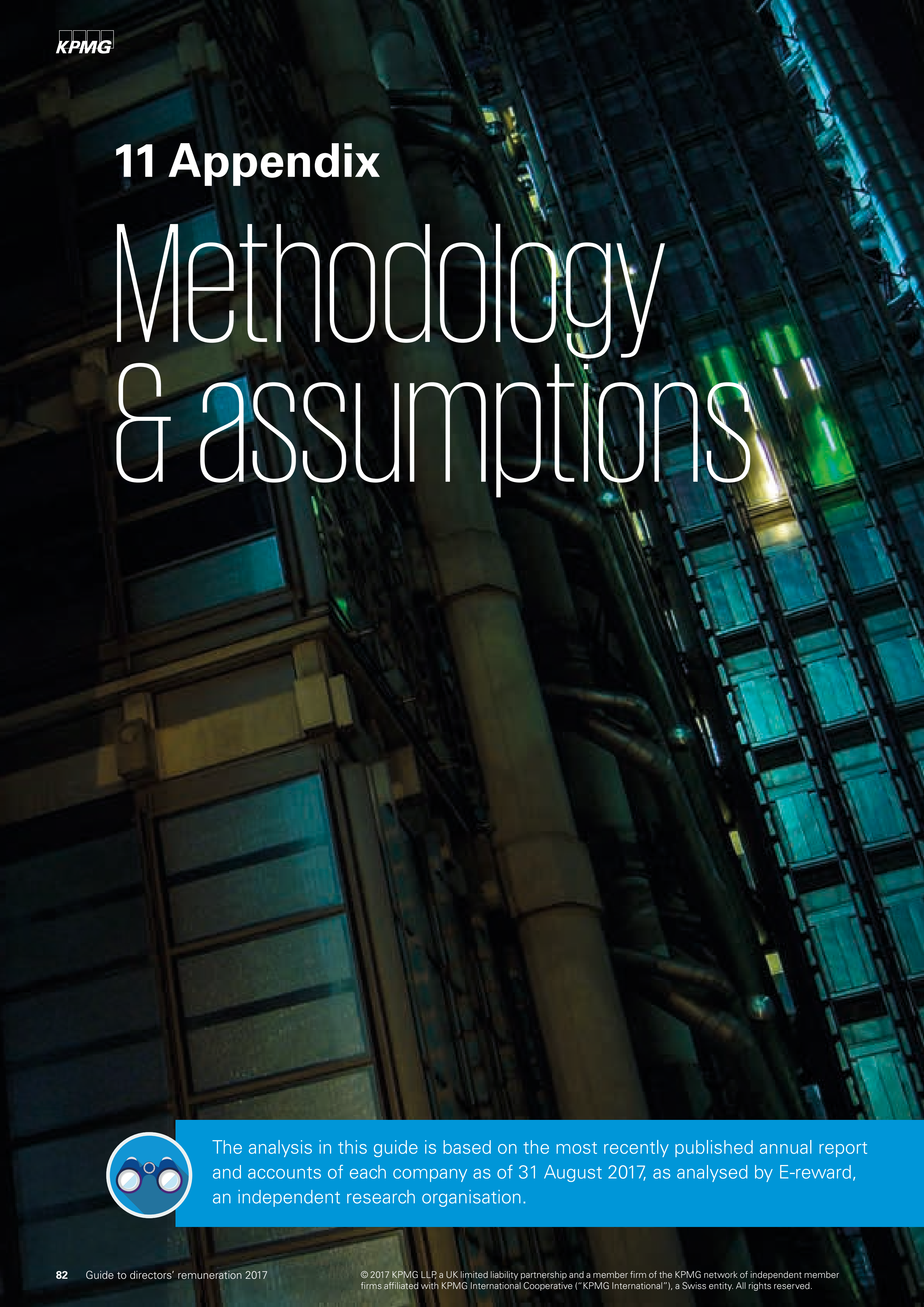
Sector	Basic salary		Total bonus		Total Earnings	
	Male (£'000s)	Female (£'000s)	Male (£'000s)	Female (£'000s)	Male (£'000s)	Female (£'000s)
Life Sciences	722	592	844	-	£2,733	794
Consumer Markets	676	580	624	345	£2,494	£1,359
Financial Services	604	550	744	890	£2,524	£2,367
Manufacturing & Services	550	515	416	1,007	£2,351	£2,192
Telecoms, Media & Tech.	730	-	474	-	2,748	-
Energy & natural Resources	800	535	910	488	2,925	1,828
Infrastructure, Building & Construction	535	588	782	852	2,124	3,365

FTSE 250						
Sector	Basic salary		Total bonus		Total Earnings	
	Male (£'000s)	Female (£'000s)	Male (£'000s)	Female (£'000s)	Male (£'000s)	Female (£'000s)
Life Sciences	396	483	335	402	1,077	1,664
Consumer Markets	437	507	274	188	1,149	915
Financial Services	374	398	363	348	1,170	1,071
Manufacturing & Services	429	360	300	107	1,033	702
Telecoms, Media & Tech.	425	338	328	254	928	872
Energy & natural Resources	510	482	444	544	1,221	1,252
Infrastructure, Building & Construction	411	300	327	450	968	821

Gender pay reporting, equal pay reporting and fairness

As mentioned at the top of this section, there is often a conflation of gender pay and equal pay which is not at all helpful to employees' understanding and concerns. While gender pay reporting ultimately aims to deal with equality of opportunity across a company by revealing how men and women are spread across different pay bands within a company, equal pay concerns pay for men and women doing equal work. Addressing equal pay as distinct from gender pay reporting could give companies additional evidence and supporting narrative should they be challenged on equal pay as a result of publishing their Gender Pay Gap.

The gender pay gap is of course just one example of the increased focus on the issue of 'fairness' across the UK. The wider diversity and inclusion debate covers, for example, the representation of black and minority ethnic (BAME) people across the national workforce. In addition there is an active 'fair pay agenda' with the introduction of the national living wage, equal pay for equal work and recent proposals in relation to CEO pay as a ratio against a company's average pay. Many of these issues are as relevant at board level, as across the general employee population.



11 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 August 2017, as analysed by E-reward, an independent research organisation.

Data sources

Unless otherwise stated, all graphs and tables have been created by KPMG, from data provided by E-reward. The data provided by E-reward has been further analysed by KPMG, using the methodology outlined below.

Data sample

FTSE constituents and market capitalisation figures are as at 31 August 2017 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 Directors 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.

Contact us

Chris Barnes
020 7694 2738
chris.barnes@kpmg.co.uk

Andrew Johnson
011 3231 3670
andrew.johnson@kpmg.co.uk

Steve Munday
020 7694 3586
steve.munday@kpmg.co.uk

Edward Norrie
0131 5276724
edward.norrie@kpmg.co.uk

Joanne Brien
0161 2464553
joanne.brien@kpmg.co.uk

kpmg.com/uk/remreport17

kpmg.com/uk

CREATE | CRT088720 | December 2017