

FTSE 100

Non-Executive Director fees in 2016

January 2017



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Foreword

Welcome to the PwC's 2016 Review of Non-Executive Director (NED) fees for FTSE 100 companies. This report provides an update on fee levels and fee increases for Non-Executive Directors, Chairman, Committee Chairman and Committee Members.

In a year of economic uncertainty and increasing focus on executive pay, the restraint exercised at executive level is also evident with regard to NED fees. Median base fees in the FTSE 100 moved from £65,000 to £66,000 last year. Our analysis found that, in 2016, a lower proportion of companies increased base fees and, of those that did, the fee levels increased at the same pace as last year, at a median of 3%. The lower fee increases can partly be explained by a rise in the number of companies opting for annual reviews rather than periodic reviews. This year, of the 45% that reviewed and increased NED rates, one-half had also increased fees in 2015. As a result, base fee increases are falling closer to the rest of the employee population. This trend is not just confined to NED and Chairman's fees but across all other NED roles. For example, Remuneration Committee Chairmen received a median increase at 8% this year (where adjustments were made), whereas in 2015 the median increase was 18%.

Should the Government's proposals on executive pay, published in the Green Paper on Corporate Governance Reform, go through, this will place extra responsibilities on NEDs. For example, the establishment of a shareholder committee, chaired by a designated NED to ensure that executive decision-making takes appropriate account of employee, supplier or consumer issues. Similarly, there may be a designated NED from the remuneration committee that liaises with the wider workforce so that considerations are brought to bear on decisions about executive pay.

The role and responsibilities of NEDs, which have already undergone immense change, will continue to evolve. But it is not just the scope of NED roles that are being challenged. Last year we commented that there will be a continued focus on board diversity that includes not only a range of talent, skills and experience but gender and ethnic diversity. While the progress on gender diversity is now on an upward trajectory, ethnic minority representation in the boardrooms across FTSE 100 companies remains disproportionately low in relation to the UK population. The recent Parker Review highlighted that those from a minority background in the UK make up only 1.5% of FTSE 100 board directors. The review urged company Chairmen to ensure that each FTSE 100 board has at least one ethnic minority director by 2021.

We believe that the increased demands of non-executive director roles will continue and the time commitment and level of scrutiny will grow further. Companies will be digging deeper for the right set of skills and experience, alongside the need for a more diverse set of candidates. Unsurprisingly in the current environment, this has not yet impacted fees.

This report sets out a summary of the data and trends which I hope you find interesting. Please do contact me or any of the contacts on the back of this report if you would like more tailored information.



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Data Snapshot

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

The following roles are covered:

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

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

FTSE100 role	£'000 median fee level	% Median increase (where made)*
Chairman (total fee)	400	4%
Deputy Chairman (total fee)	105	2%
NED (base fee)	66	3%
SID (additional fee)	20	6%
Audit Committee Chairman (additional fee)	22	8%
Remuneration Committee Chairman (additional fee)	20	8%
Nomination Committee Chairman (additional fee)	16	27%
Risk Committee Chairman (additional fee)	30	21%
Other Committee Chairman (additional fee)	20	31%
Audit Committee Member (additional fee)	11	10%
Remuneration Committee Member (additional fee)	10	10%
Nomination Committee Member (additional fee)	8	33%
Risk Committee Member (additional fee)	13	8%
Other Committee Member (additional fee)	10	-
% of companies increasing Chairman fees		45
% of companies increasing NED base fees		45

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

Fee increases in financial and non-financial services sectors

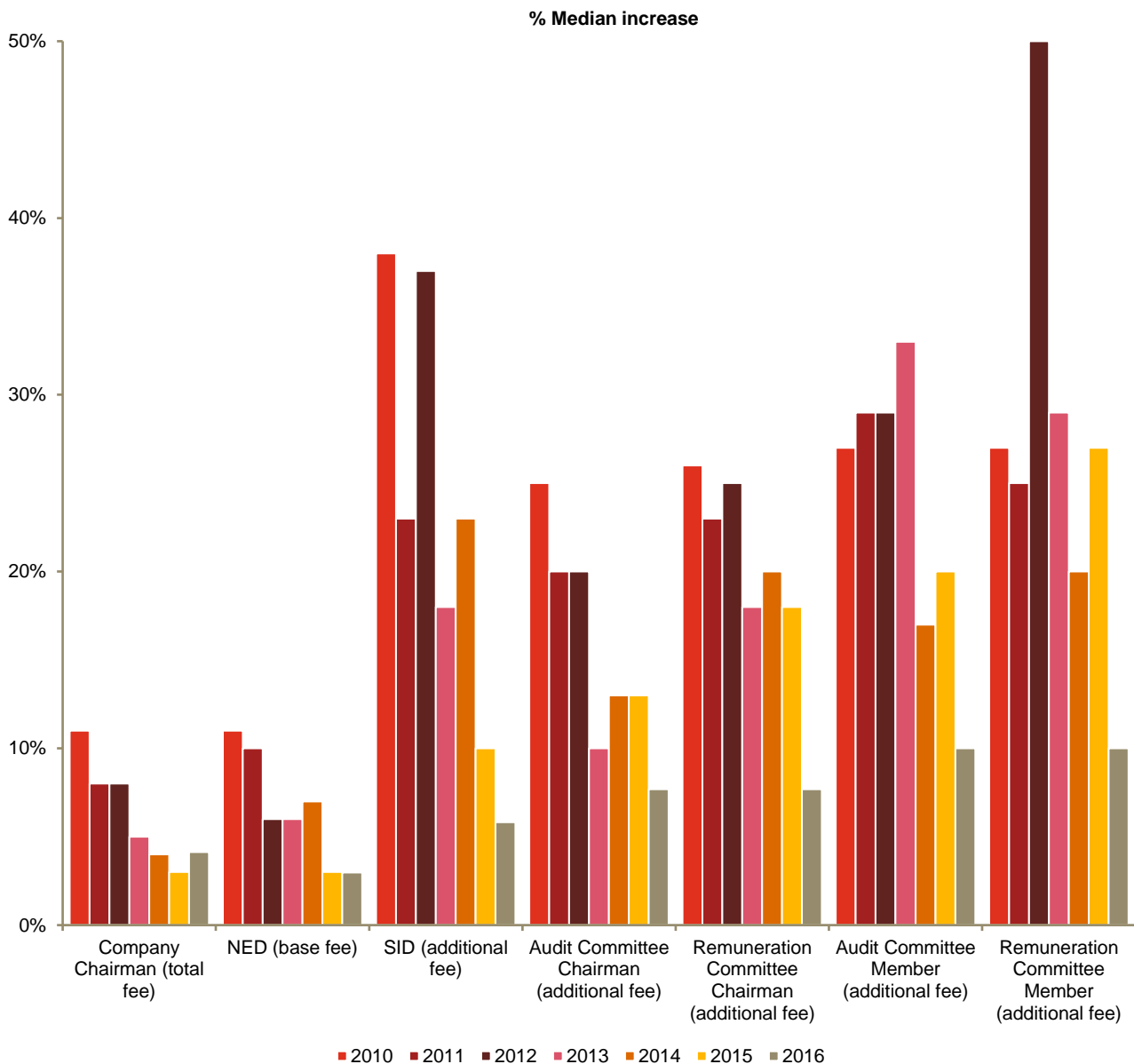
A breakdown of fee increases by NED roles in FS and non-FS sectors shows that, in 2016, Committee Chairmen received higher increases in FS compared with their non-FS counterparts. The reverse is true for Audit Committee Members, whereas Remuneration Committee Members in both sectors received similar increases.

% Median increase where made*						
FTSE 100 role	100	2016		2015		
		FS	Ex FS	100	FS	Ex FS
Company Chairman (total fee)	4%	7%	3%	3%	5%	4%
NED (base fee)	3%	3%	3%	3%	5%	3%
SID (additional fee)	6%	5%	7%	10%	3%	14%
Audit Committee Chairman (additional fee)	8%	20%	6%	13%	29%	13%
Remuneration Committee Chairman (additional fee)	8%	20%	6%	18%	25%	14%
Audit Committee Member (additional fee)	10%	8%	20%	20%	33%	14%
Remuneration Committee Member (additional fee)	10%	10%	11%	27%	33%	20%



Fee increases over the past seven years

The following chart shows median fee increases (where increases have been made) for non-executive roles in the FTSE 100 over the last seven years. This shows that, with the exception of the Company Chairman fee and the NED base fee, the lowest level of median fee adjustments across all other NED roles was in 2016.

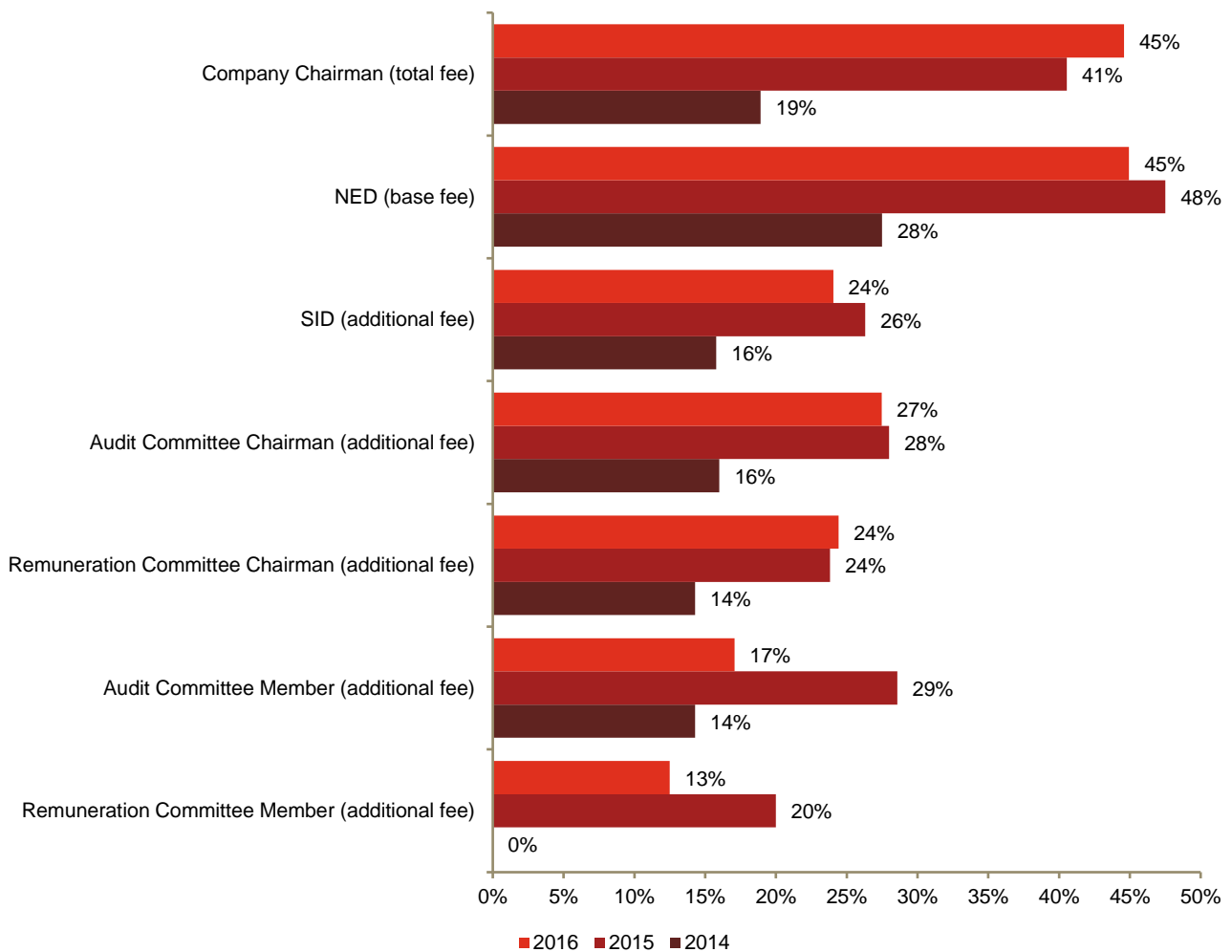


Annual fee increases over last three years

The graph illustrates the percentage of companies increasing fees in 2016 and the same sample of companies which also increased fees in 2015 and 2014.

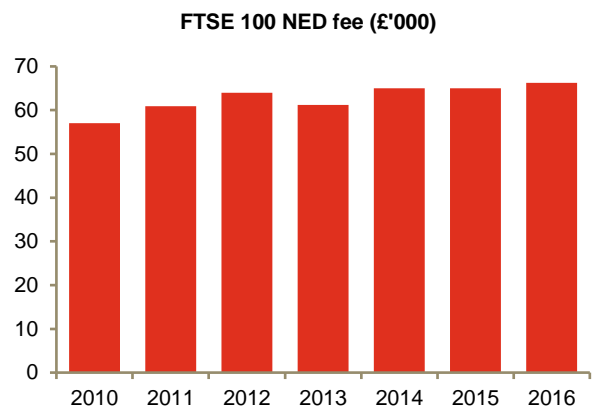
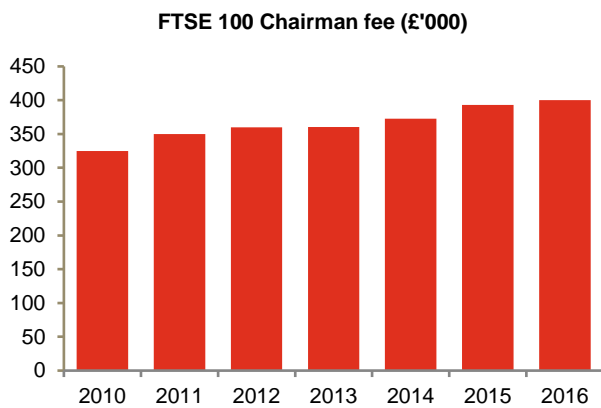
Our three year analysis shows that:

- 45% of companies in the sample increased Chairman fees in 2016. Of these companies 41% also increased fees in 2015 with only 19% increasing fees in three consecutive years.
- The same number increased NED Fees in 2016, with 48% of these also increasing fees in 2015 and 28% increasing fees in three consecutive years.



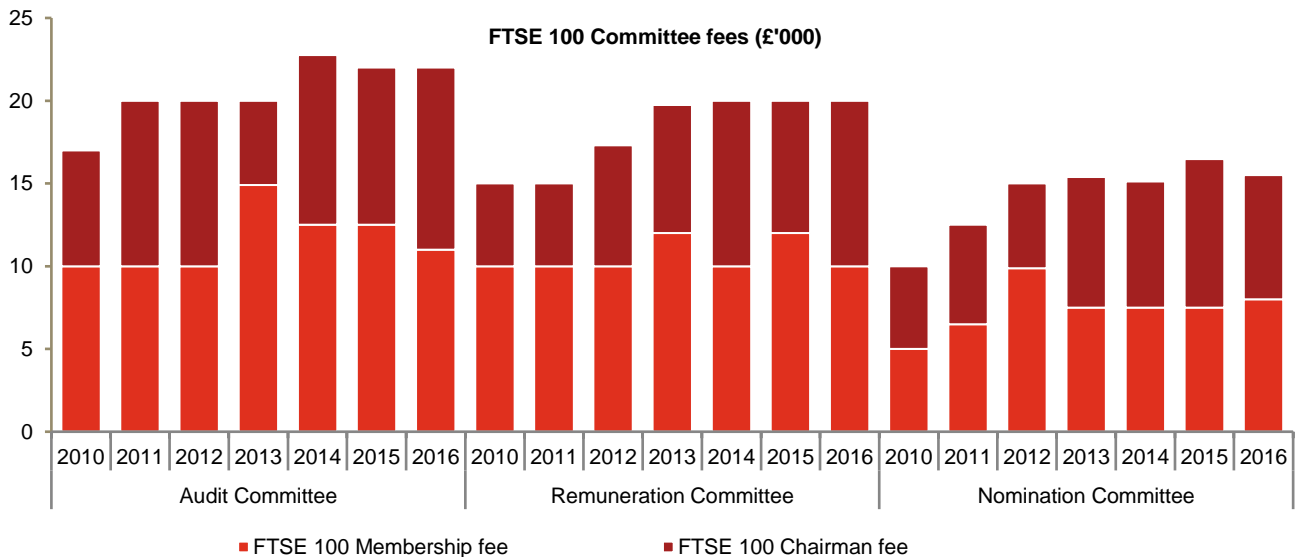
Fee levels over the past seven years

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



Committee fees

Committee Chairmanship and Membership fees in FTSE 100 companies have remained broadly static in 2016.



Summary of fee levels and additional fees

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

Fee levels and additional fee for main non-executive positions			
Position	Lower quartile £'000	Median £'000	Upper quartile £'000
Chairman	300	400	550
Deputy Chairman	90	105	168
NED (base fee)	59	66	75
SID (additional fee)	11	20	30

Committee Chairman's additional fees			
Position	Lower quartile £'000	Median £'000	Upper quartile £'000
Audit Committee	15	22	30
Remuneration Committee	15	20	30
Nomination Committee	13	16	20
Risk Committee	21	30	55
Other Committee	13	20	30

Committee Member's additional fees			
Position	Lower quartile £'000	Median £'000	Upper quartile £'000
Audit Membership	8	11	20
Remuneration Membership	7	10	15
Nomination Membership	5	8	10
Risk Membership	10	13	29
Other Membership	7	10	13

Other information

Shareholding requirements and payment in shares

The Investment Association's (IA) Principles of Remuneration encourage Non-Executive Directors to own shares in the company. The IA also states that NEDs may receive part of their fees in shares bought at market price.

Based on our analysis of disclosed information, 17 companies in the FTSE 100 have shareholding requirements for Chairmen and for NEDs. The requirement ranges from 30% to 400% of fees, but over three quarters of these companies set their requirement at 100% of the fees.

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

Benefits policy

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

FTSE 100 Benefit type	Eligibility (% of companies)	
	Chairman	NED
Bonus	0%	0%
LTIs	1%	1%
Pension	0%	1%
Medical insurance	18%	3%
Permanent health insurance	4%	2%
Life assurance	4%	1%
Financial advice	4%	2%
Car benefit	23%	3%

Gender representation

Last year, Lord Davies increased the target of female representation on the boards of FTSE 350 companies from 25% to 33% by 2020. In 2016 the percentage of all women on FTSE 100 boards was 26%, which represents an improvement over the 23.5% overall representation last year.

Nevertheless, the percentage of non-executive directorships held by women in the FTSE 100 was 31.4%, increasing from 28.5% in 2015. Female NEDs have fared better than their executive counterparts - only 9.7% of women are executive directors, as shown in the table below.

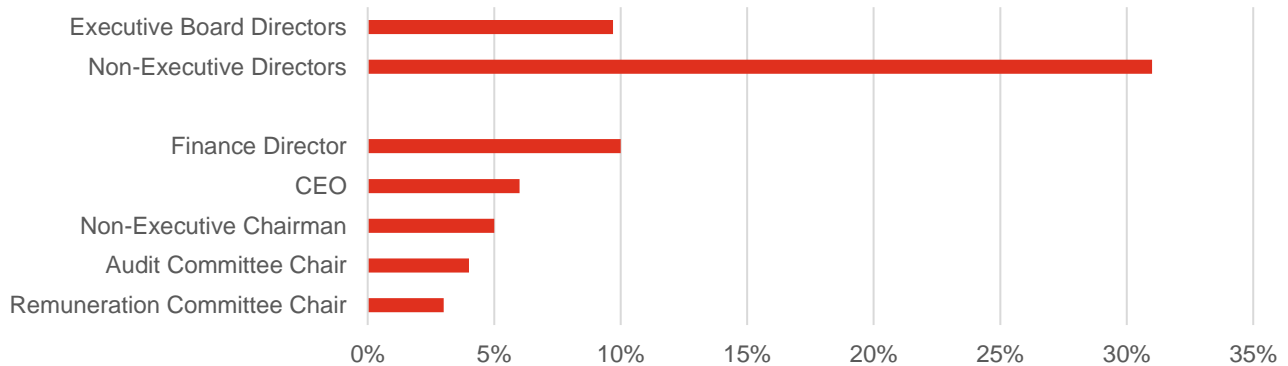
The average age of female NEDs in the FTSE 100 is 57 compared to 61 for male NEDs.

Number and percentage of females holding board directorship 2012-2016 in FTSE 100 (Source: Cranfield School of Management)					
	2016	2015	2014	2013	2012
Female non-executive directorships	253 (31.4%)	239 (28.5%)	211 (25.5%)	176 (21.6%)	143 (22.4%)
Female executive directorships	26 (9.7%)	24 (8.6%)	20 (6.9%)	18 (5.8%)	20 (6.6%)

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

% Female across FTSE 100 in 2016

Source: PwC Annual Report database



Appendix: Contacts

To discuss any of the findings in this report, please contact our survey team or your usual PwC contact.

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