



## Your Guide

# Directors' remuneration in FTSE SmallCap companies

October 2023

# Introduction



## 01 Introduction and foreword

*Welcome to Your Guide – Directors' remuneration in FTSE SmallCap companies.*

*With an interactive format, this report provides detailed analysis of executive and non-executive remuneration in FTSE SmallCap companies, including base salary, annual bonus and long-term incentives, pensions, shareholding requirements, pay ratios, non-executive director fees and other aspects of remuneration policy. This analysis is based on 97 companies with financial years ending up to and including 28 February 2023.*



*If you have any questions or queries about our **Your Guide** reports, please get in touch at [UKExecutiveCompensationConsulting@deloitte.co.uk](mailto:UKExecutiveCompensationConsulting@deloitte.co.uk)*

# Foreword



The median FTSE SmallCap CEO single figure remained broadly similar at £0.89m for 2022 (compared to 2021: £0.86m), mirroring relatively flat performance in the index over the year.

Annual bonus out-turns were below those seen last year, with a median FTSE SmallCap CEO bonus out-turn of 61% of maximum (2021: 75%). Median long-term incentive vesting levels – the extent to which performance conditions are achieved under long-term incentive plans – were 35% of maximum, as vesting levels continued to recover post-COVID (2021: 0%). In line with the provisions of the UK Corporate Governance Code, shares will not generally be released to executives for a further two years.

Nearly all companies demonstrated restraint on executive salary increases for 2023, in light of workforce cost-of-living pressures and investor guidance at the end of last year. Around 70% of 2023 salary increases for CEOs were set below the average rate awarded to the workforce, with a median CEO salary increase of 3.8%, versus a median average salary increase of 6% for the workforce.

## 2023 AGM season

The 2023 AGM season saw similar levels of investor support for directors' remuneration reports compared to last year. 11% of FTSE SmallCap companies received 'low votes' (less than 80% in favour) on their annual remuneration report (2022: 14%), with median support of 96% of votes in favour of the annual remuneration report (2022: 96%).

So far, just under 50% of FTSE SmallCap companies have put a new remuneration policy to a shareholder vote in 2023. Four companies received a 'low vote' on the remuneration policy, with main issues being more significant increases to incentive quantum, operating restricted shares with no performance underpins, and level of bonus payout for achieving target performance.



## The year ahead

While inflation in the UK, US and Euro area appears to have peaked, geopolitical and macroeconomic risks remain a significant challenge for businesses globally and this will remain at the top of the board agenda in the year to come.

In recent months, we have seen an intensifying of the ongoing debate around the long-term competitiveness and success of London's capital markets, including the role of pay and governance in creating an agile and prosperous ecosystem. For UK-listed multinational companies, competing for both talent and business in the US, the disparity in pay levels between UK and US listed markets, combined with more stringent remuneration governance standards in the UK, is increasingly raised as a challenge.

In our view, particularly for many FTSE SmallCap businesses, structural constraints are often more of a barrier than quantum, and a sole focus on the US oversimplifies the debate. To support an environment of greater innovation and growth, remuneration committees need greater flexibility to develop remuneration policies and incentive structures that suit a diverse range of companies with different global footprints, talent markets and business lifecycles. We have set out our thoughts on potential interventions for change in our [thought-piece](#).

Deloitte LLP  
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# Executive summary



## Total 'single figure' remuneration

**£ 0.89m**

median CEO 'single figure' total remuneration  
(2021: £0.86m, 2020: £0.62m)

**£0.65m**

median CFO 'single figure' total remuneration  
(2021: £0.66m, 2020: £0.42m)

**24:1** median CEO pay ratio (2021: 29:1, 2020: 19:1)



## Fixed pay

**3.8%**

median CEO salary increase so far in 2023  
(2022: 3%, 2021: 0%, 2020: 0%)

**17%**

implemented a salary freeze for CEO so far in 2023  
(2022: 16%, 2021: 66%, 2020: 40%)

**6%** median wider workforce increase so far in 2023 (2022: 3.1%)



## Incentive out-turns

**13%**

of plans paying no annual bonus to CEO for 2022  
(2021: 17%, 2020: 55%)

**61%**

of maximum median CEO annual bonus out-turn for 2022  
(2021: 75%, 2020: 0%)

**35%**

of maximum median PSP vesting for 2022  
(2021: 0%, 2020: 14%)



## Executive shareholding requirements

**200%** of salary

median CEO shareholding requirement

**c.190%** of salary

median actual CEO shareholding

**95%**

of companies have a post-employment shareholding requirement



## ESG and incentive plans

**c.75%**

annual bonus plans incorporate ESG metrics

**30%**

long-term incentive plans incorporate ESG metrics



## Alternative incentives

**24%**

of companies operate non-standard incentive arrangements



## 2023 AGM season

**96%**

median vote in favour of directors' remuneration report  
(2022: 96%)

**11%**

of remuneration reports receiving a 'low vote' (<80% support)  
(2022: 14%)

**47%**

of companies put a new remuneration policy to vote

**11%**

of policies receiving a 'low vote'  
(2022: 19%)

### Key issues - remuneration report

- Level of incentive payout relative to business performance and/or wider stakeholder experience
- Potential for windfall gains and quantum of incentives

### Key issues - remuneration report

- Restricted shares with no performance underpins
- Increases to incentive opportunities
- Level of bonus payout for achieving target performance