

Your Guide

Directors' remuneration in FTSE AIM 100 companies

January 2023



Introduction

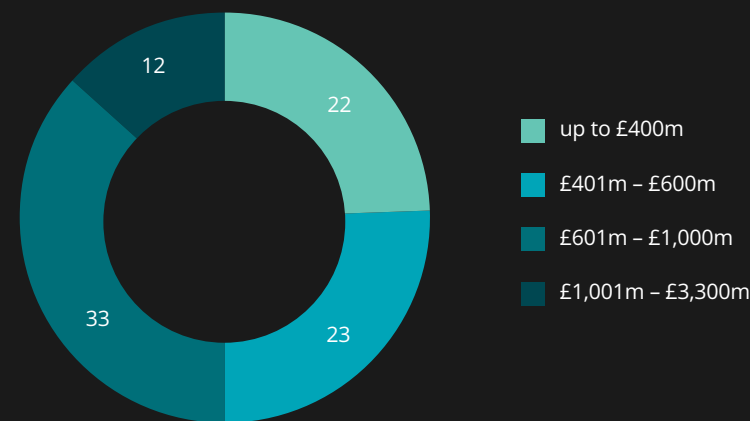
Welcome to Your Guide – Directors' remuneration in FTSE AIM 100 companies.

With an interactive format, this report provides detailed analysis of executive and non-executive remuneration in FTSE AIM 100 companies, including base salary, annual bonus and long-term incentives, pensions, shareholding requirements, non-executive director fees and other aspects of remuneration disclosures and governance.

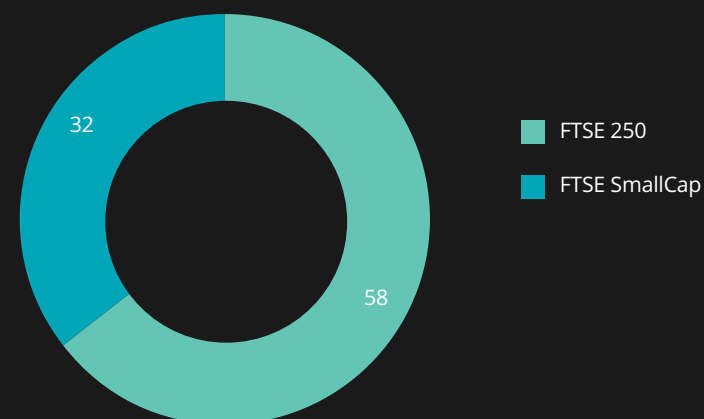
This analysis is based on 90 companies with financial years ending up to and including 28 February 2022. We have excluded investment trusts, companies that do not have any executive Board members or disclose insufficient information and companies who do not follow a recognised UK Corporate Governance Code. As the disclosure of directors' remuneration varies across AIM companies, some analysis may exclude additional companies.

Note: The FTSE AIM 100 is a broad collection of companies with market capitalisations ranging from around £190m to £3.3bn (12-month average as at 1 July 2022).

Distribution of AIM 100 companies by market capitalisation



AIM 100 companies equivalent to main market index



Foreword

Foreword by Juliet Halfhead

Since 2018, AIM companies have been required to formally state which corporate governance code they follow. Around 80% of the AIM 100 adopt the QCA Code for Smaller Quoted Companies. The QCA provides guidance on the structuring and reporting of executive remuneration, however, the guidance is less onerous than the 2018 UK Corporate Governance Code which applies to all Main Market companies. Whilst AIM companies are not required to produce a directors' remuneration report (DRR) or hold a shareholder's vote on directors' remuneration, around 90% of AIM 100 companies do include a separate DRR in their annual report and 60% of these companies put it to an advisory vote at the AGM.

Annual bonus outcomes rebound post COVID-19

AIM 100 Executive Director bonus outcomes for 2021 have rebounded post COVID-19, with the median bonus outcome of 75% of maximum being above typical pre-pandemic levels. This has generally been supported by strong recovery in 2021 corporate performance.

Continued adoption of ESG metrics

The use of ESG metrics within incentive arrangements across the AIM 100 continues to increase. 21 companies disclose the use of ESG metrics within annual bonus plans (2020: 11 companies). 7 companies disclose the use of ESG metrics within long term incentive plans (2020: 2 companies). We continue to see a range of ESG measures adopted, most common are those based on regulatory reporting, culture, environment and/or community metrics.

Where ESG measures are linked to pay, investors are raising the bar in terms of the transparency and stretch of targets to ensure pay reflects genuine progress in this area.



Juliet Halfhead
Partner

"Higher total remuneration packages were largely driven by annual bonus outturns returning to above pre-COVID levels, with a median bonus out-turn of 75% of maximum (2021: 42%)"

Foreword

AGM outcomes

Where AIM companies put their DRR to an advisory shareholder vote and disclose the outcome, support remains high, with a median vote in favour of 96% (in line with previous years). However, seven companies received a low vote of less than 80% in favour during 2022, which is 21% of those that publish the shareholder voting outcome.

A more challenging year ahead

In a challenging economic environment, boards will face heightened scrutiny in the coming year around executive pay decisions and actions taken to support the workforce in light of the deepest squeeze in household living standards in decades.

With rising inflation, we expect to see remuneration committees taking a more considered approach to the annual salary review for executive directors, with early insights suggesting we will see a trend towards executive director increases being lower than the workforce rate. In a period of significant economic and market volatility and narrowing corporate margins, we expect to see a more challenging period ahead with heightened investor scrutiny of incentive outcome to ensure that pay decisions reflect the wider stakeholder experience.

Deloitte LLP
January 2023



Executive summary



Salary

3% median base salary increase for all executive directors

32% of companies implemented a salary freeze for top full time executive director in 2022

25% of companies implemented a salary freeze for other executive directors in 2022



Pension

64 companies operate defined contribution plan or cash equivalent

5%-10% of salary typical contribution or cash equivalent



Annual bonus

125% of salary median maximum bonus opportunity for top full time executive (Other ED's: 100%)

75% of maximum median bonus out-turn for 2021 (2020: 42%)

24 companies disclosed operating some form of bonus deferral



Long-term incentive plans

82 companies disclosed operating an LTIP

55 companies award performance shares; 41 of those disclosed maximum opportunities and vesting levels

23 companies disclosed applying post-vesting holding period

150% of salary median maximum PSP opportunity for all executive directors

71% of maximum median 2021 LTIP vesting (2020: 64%) with a quartile range of 34%-100% of maximum



Shareholding requirements

38 companies disclosed formal shareholding requirement

200% of salary median shareholding requirement for top full time executive director

9 companies disclosed formal post-employment shareholding requirement



Non-executive directors' remuneration

£100,000 median Chair fee

£50,000 median NED base fee

9 companies disclosed awarding shares or options to NEDs



Corporate governance and disclosure

80% of companies adopted the QCA Code and 20% adopted the FRC's UK Corporate Governance Code

17 companies disclosed some level of detail regarding gender pay gap data; one of those also disclosed ethnicity pay gap data

10 companies disclosed some level of detail regarding CEO pay ratio data



Remuneration report and shareholder voting


80 companies

produced a separate directors' remuneration report (DRR)

48 of those 80 companies put the DRR to an advisory shareholder vote

96% median shareholder vote in favour of the DRR

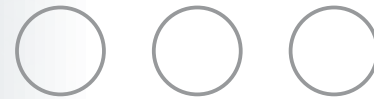
Note: Top full time executive director refers to the highest paid full time role; in most companies this is either the Chief Executive or the Executive Chairman.



Structure and corporate governance

The Quoted Companies Alliance Code (QCA) continues to be the preferred corporate governance code for AIM 100 companies

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Shareholder voting

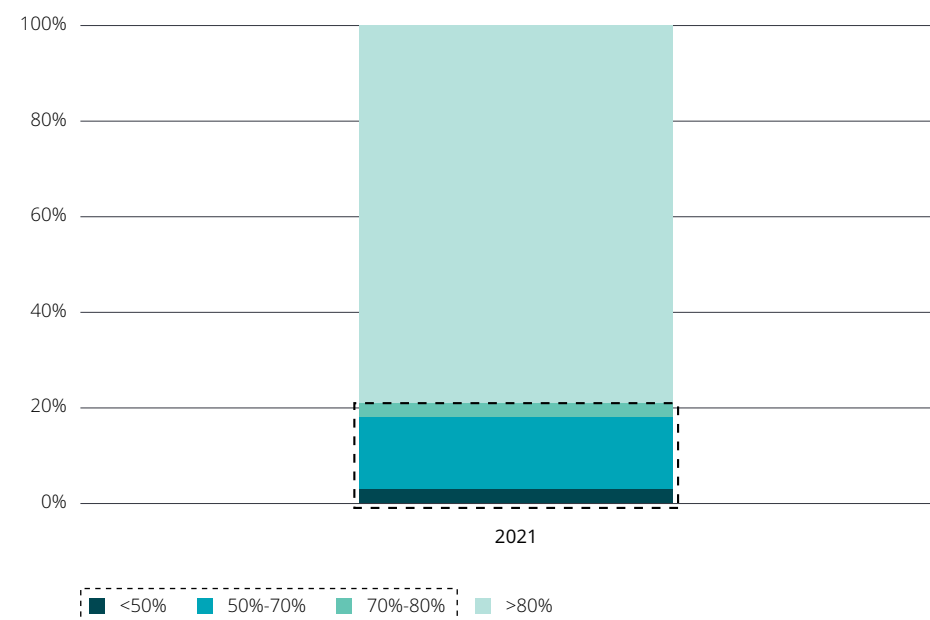
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Shareholder voting

Of the 80 companies that produced a separate directors' remuneration report, 48 (60%) put it to a shareholder vote (2020: 50), with 33 (c.70%) published the voting outcome (2020: 40). The median vote in favour was 96%, in line with previous years.

Vote result	Number of companies
<50%	1
50% – 70%	5
70% – 80%	1
>80%	26
Lower quartile	85%
Median	96%
Upper quartile	100%

Proportion of votes in favour of the directors' remuneration report





Executive directors' remuneration

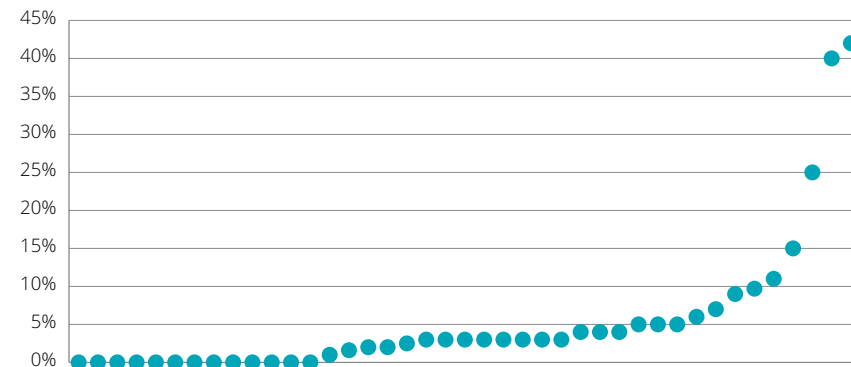


Base salary

Salary increases – Chief executive officer and other executive directors

Around a third of companies have frozen the chief executive's salary for FY 2022, compared to almost half last year

Top full time executive director – salary increases for FY 2022

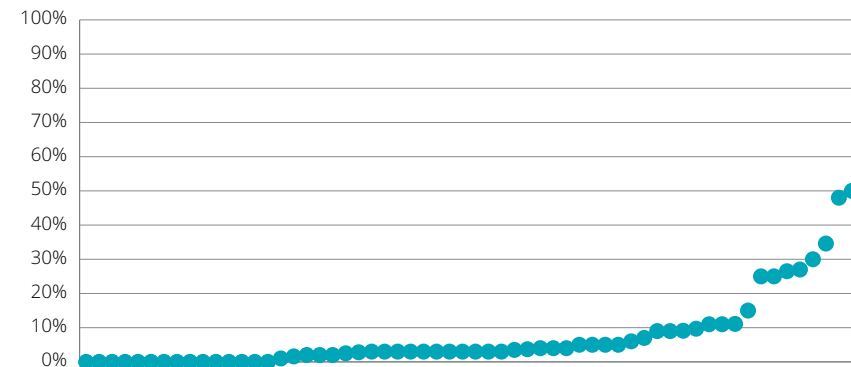


Top full time executive director

0%	32%
0% – 2%	10%
2% – 2.5%	2%
2.5% – 3%	20%
3% – 5%	15%
5% – 10%	10%
More than 10%	11%
Lower quartile	0.0%
Median	3.0%
Upper quartile	5.0%

Forward looking increase disclosed by 41 companies

Other executive directors – salary increases for FY 2022



Other executive directors

0%	25%
0% – 2%	8%
2% – 2.5%	2%
2.5% – 3%	20%
3% – 5%	15%
5% – 10%	10%
More than 10%	20%
Lower quartile	1.0%
Median	3.0%
Upper quartile	9.0%

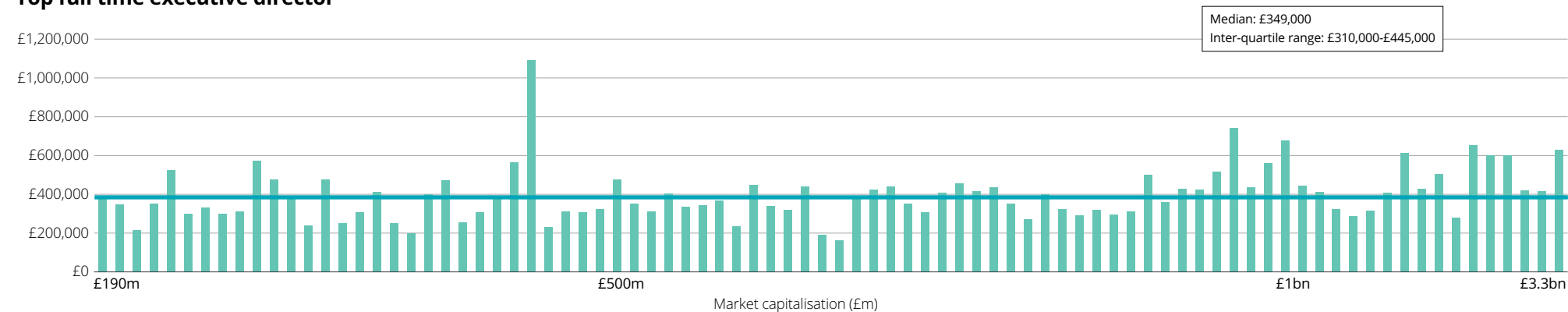
Forward looking increase disclosed by 43 companies

Note: Top full time executive director refers to the highest paid full time role; in most companies this is the chief executive and in others it is the executive chairman

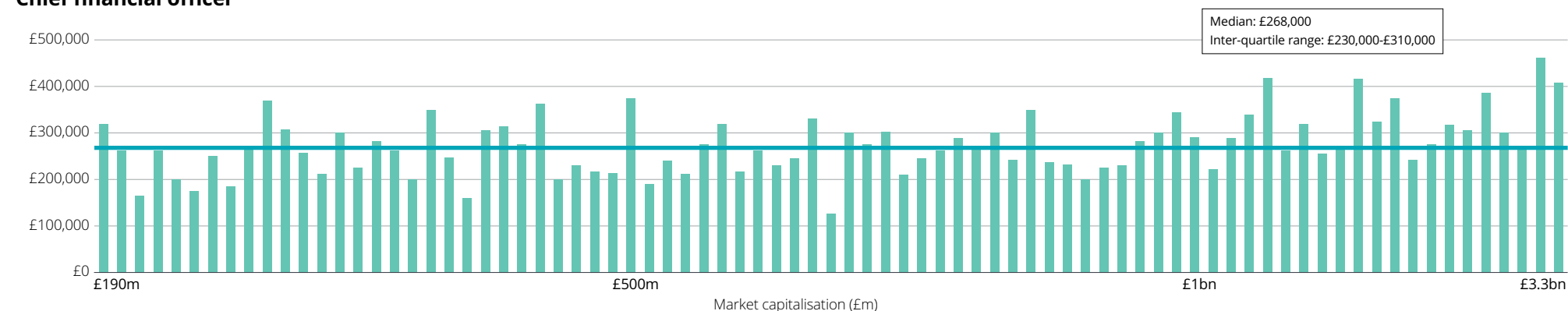
Salary levels

There is limited correlation between market capitalisation and salary levels across the AIM 100

Top full time executive director



Chief financial officer



It is important that salary market data is not used in isolation. Remuneration committees should consider salaries 'in the round', taking into account the executive director's experience, performance and value to the business as well as the performance of the company, pay levels across the wider group and the external environment. Moreover, the company should consider the impact salary increases can have on the overall remuneration package, given their link to pension and variable pay.

This is particularly true for AIM companies where remuneration arrangements can differ considerably depending on financial and legacy issues. We have therefore not analysed salary levels by market capitalisation bands.

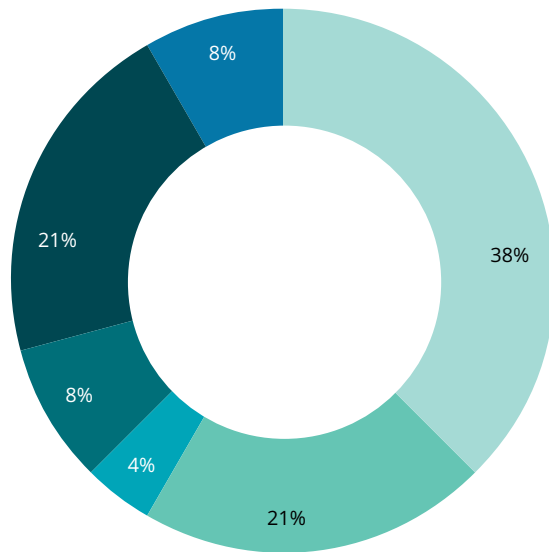


Annual bonus plans

Annual bonus plans – structure

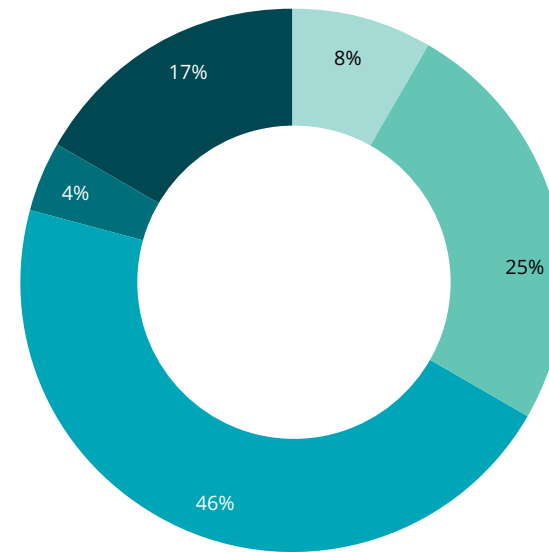
24 companies (29%) with a bonus plan disclosed operating some form of deferral

Proportion Deferred



Less than a third A third A third to half Half More than half Not disclosed

Deferral Period

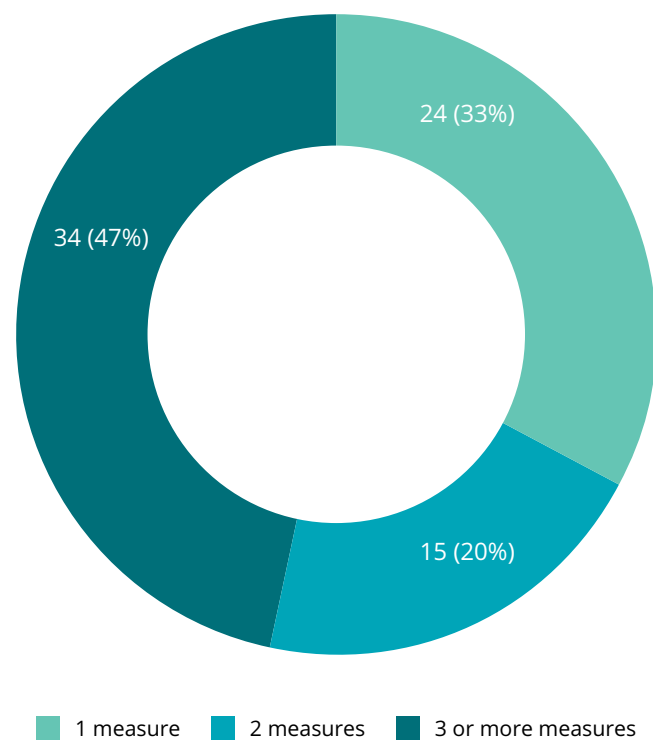


1 year 2 years 3 years 4 years and more Other

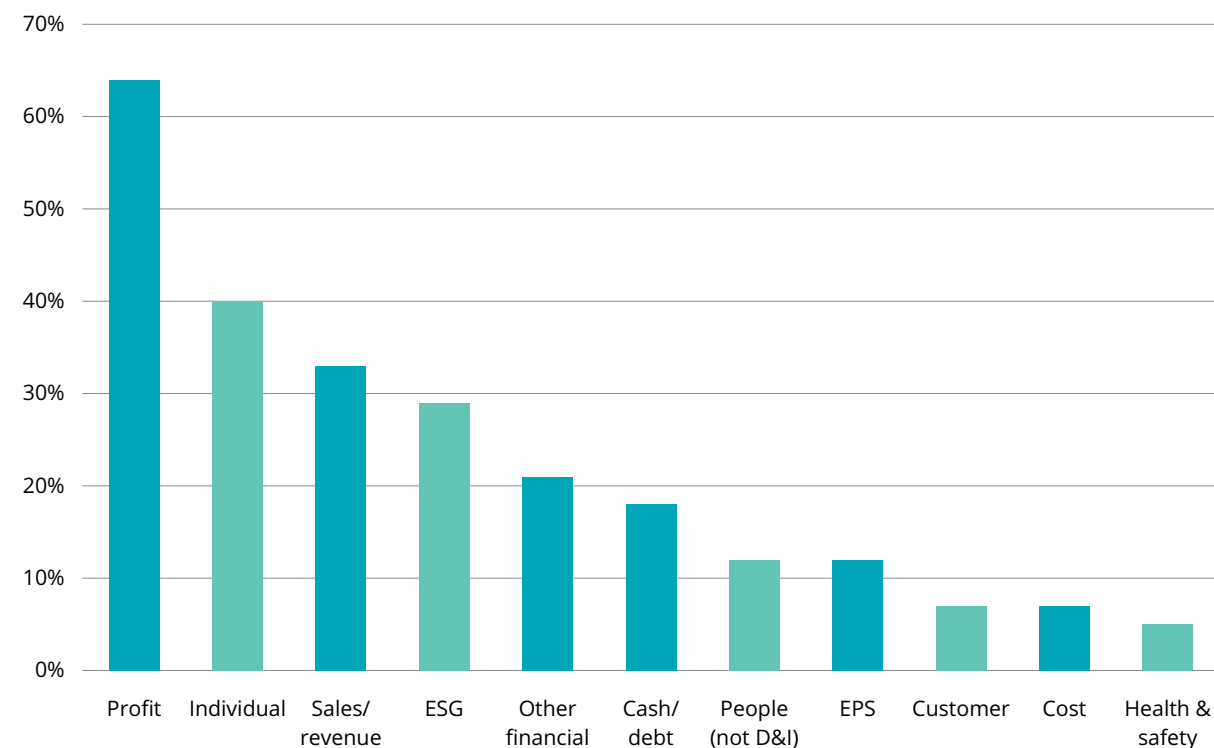
Annual bonus plans – performance measures

Most plans have three or more measures. Whilst profit continues to be the most common measure, 33% of plans with disclosed measures now incorporate ESG metrics (2020: 17%), a similar trend to that seen in FTSE All Share companies.

Number of performance measures



% of plans using each performance measure

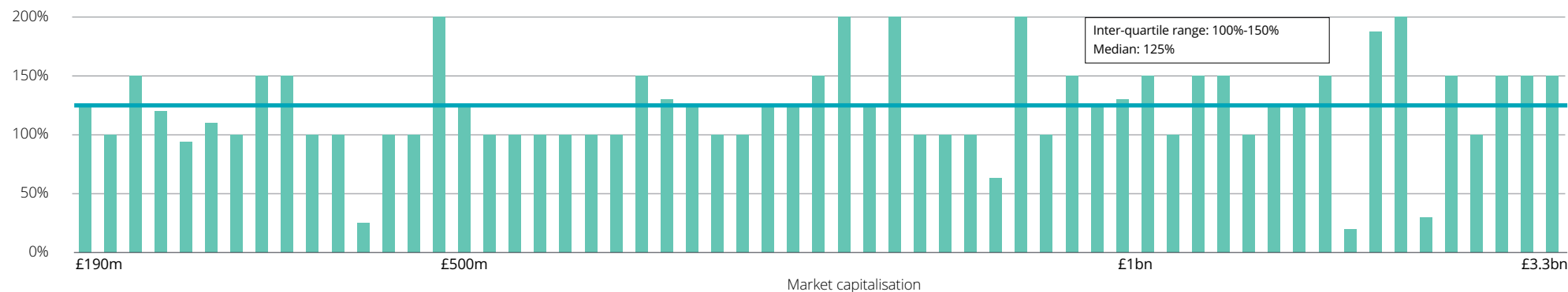


ESG measures include regulatory reporting, culture, environment and community measures

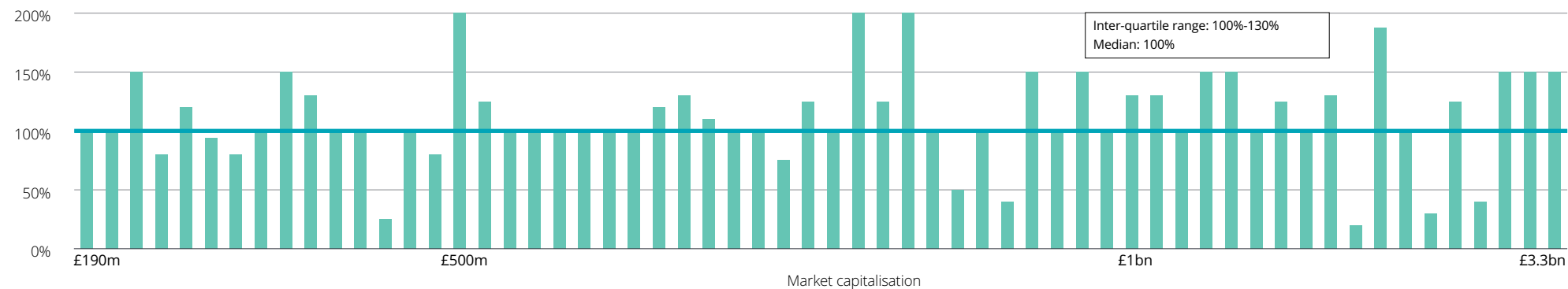
Note: 73 companies disclosed details of performance measures

Annual bonus plans – maximum opportunity (% of salary)

Top full time executive director



Other executive directors



Target awards

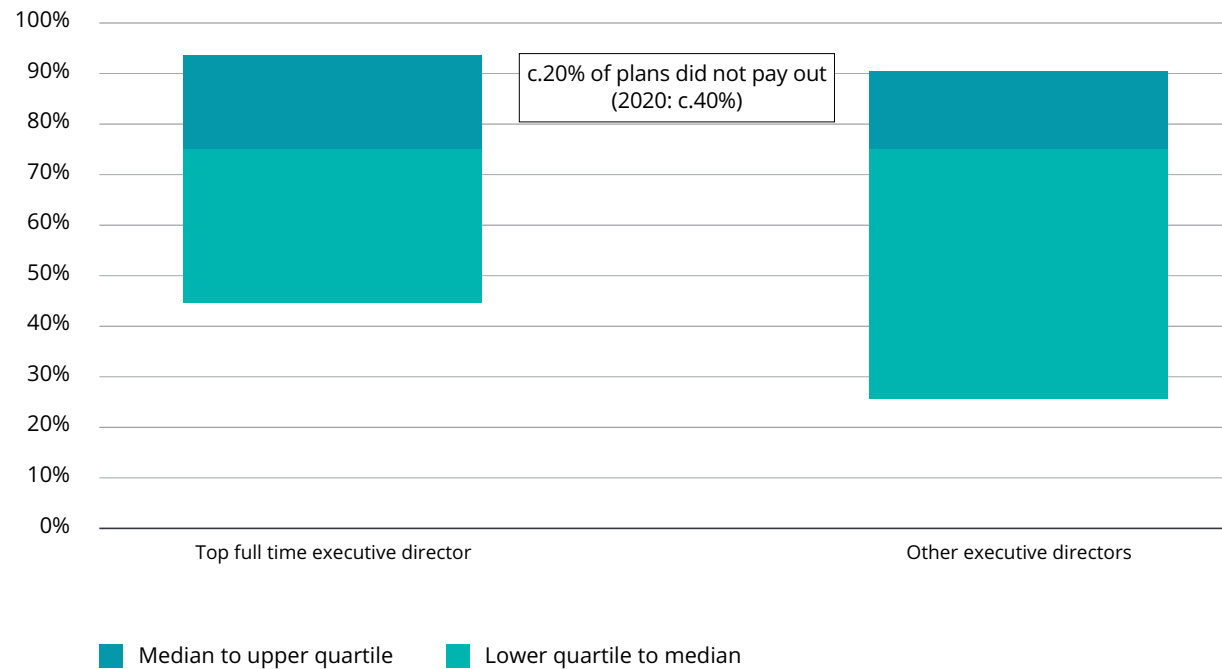
Around 30% of companies disclose the level of payout for target performance. In half of these companies, target awards are typically 50% of the maximum. In the remaining half, target awards are between 33% and 70% of maximum

Note: 86 companies disclosed having an annual bonus scheme in place for the top full time executive director and 59 disclosed the maximum opportunity.

Annual bonus plans – out-turns

Payouts for 2021 were higher than typically seen in recent years, with a median payout of 75% of maximum (2020: 42%, 2019: 60%).

Bonus payout as a % of maximum



During the year the remuneration committees of six companies used downward discretion or cancelled the plan. Two committees used upwards discretion to award bonuses at an exceptional level.

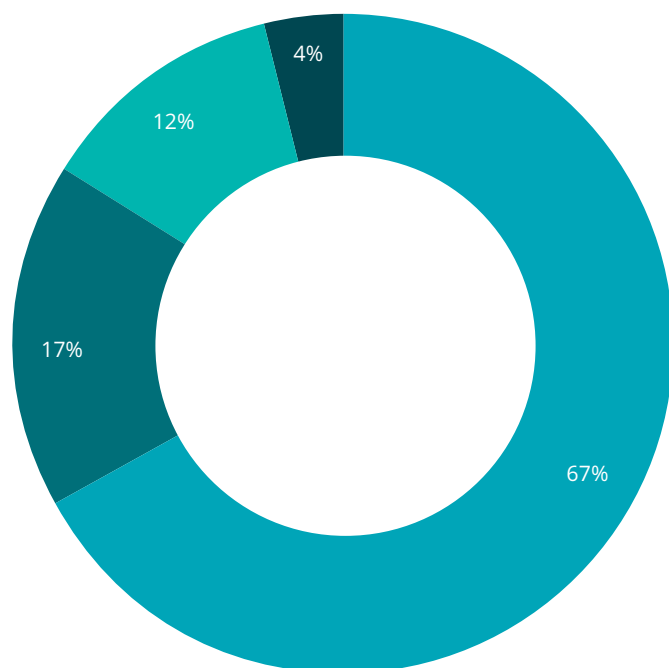


Long-term incentive plans

Long-term incentive plans

Of the 82 companies that disclosed operating an LTIP, two-thirds operate a performance share plan and 17% operate a market value share option plan. In c.30% of LTIPs a post-vesting holding period is applied.

Type of long term incentive plan



■ PSP ■ Share option ■ Other ■ Restricted shares

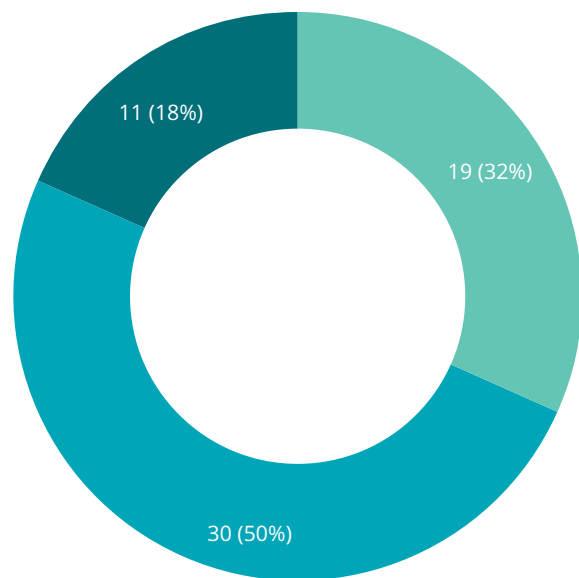
Performance share plans (PSPs) involve annual or regular grants of share awards typically set by reference to a percentage of the participant's salary. Unlike market value share option plans, PSPs deliver the full value of the award, but consequently they will typically have more challenging performance measures.

Three companies have introduced a one-off LTIP, with measures typically based on growth in share price and/or market capitalisation (2020: 4).

Long-term incentive plans – metrics

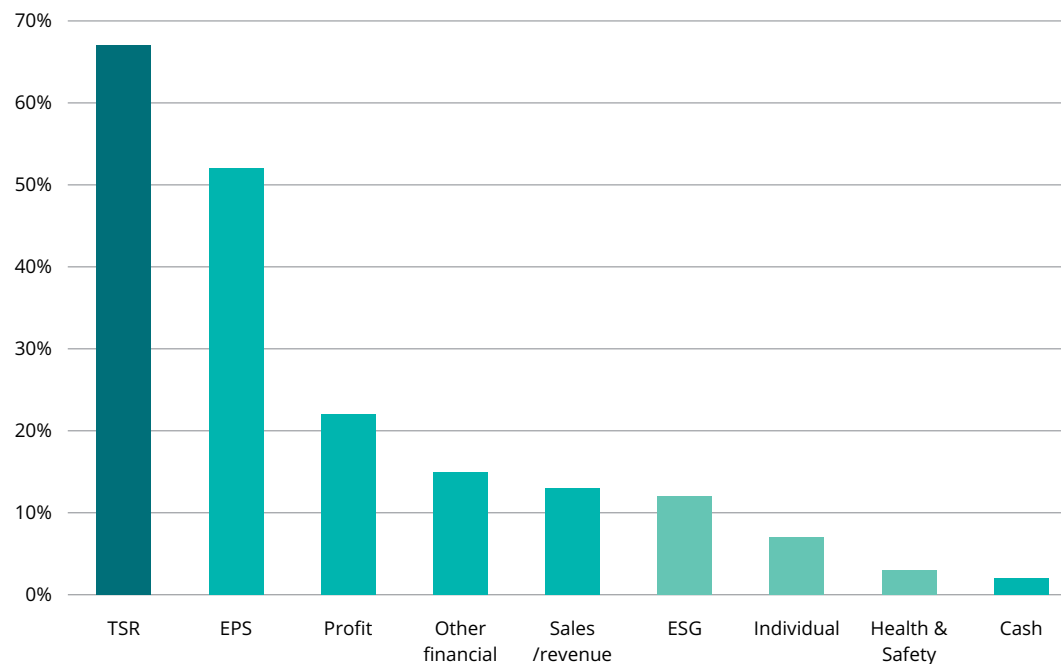
Most plans have one or two measures, with TSR and EPS being the most common. Similar to the trend seen in FTSE All Share companies, AIM 100 companies are increasingly incorporating ESG metrics into long-term incentive plans.

Number of performance measures



1 measure 2 measures 3 or more measures

% of plans using each performance measure



TSR Financial measures Non-financial measures

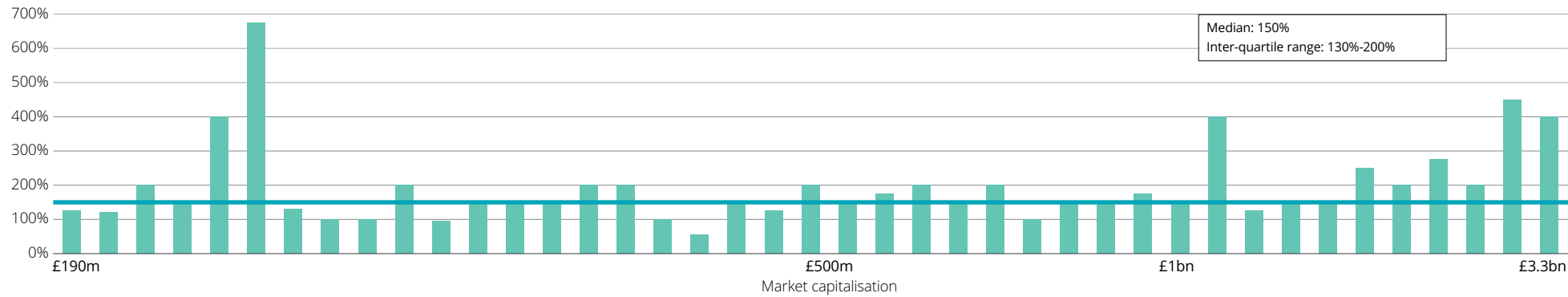
ESG measures include regulatory reporting, culture, environment and community measures

Note: 60 companies disclosed details of performance measures

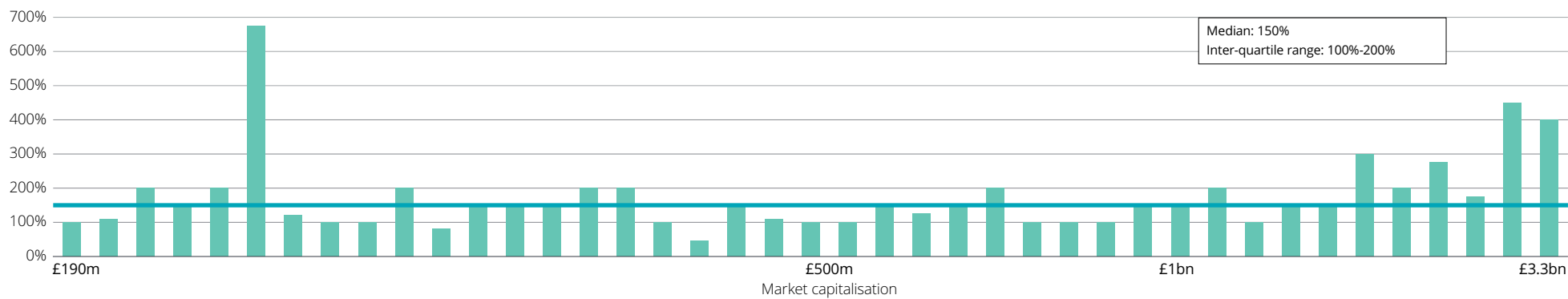
Performance share plans – maximum opportunity (% of salary)



Top full time executive director



Other executive directors



Note: 41 of 55 companies with a PSP disclosed maximum opportunity

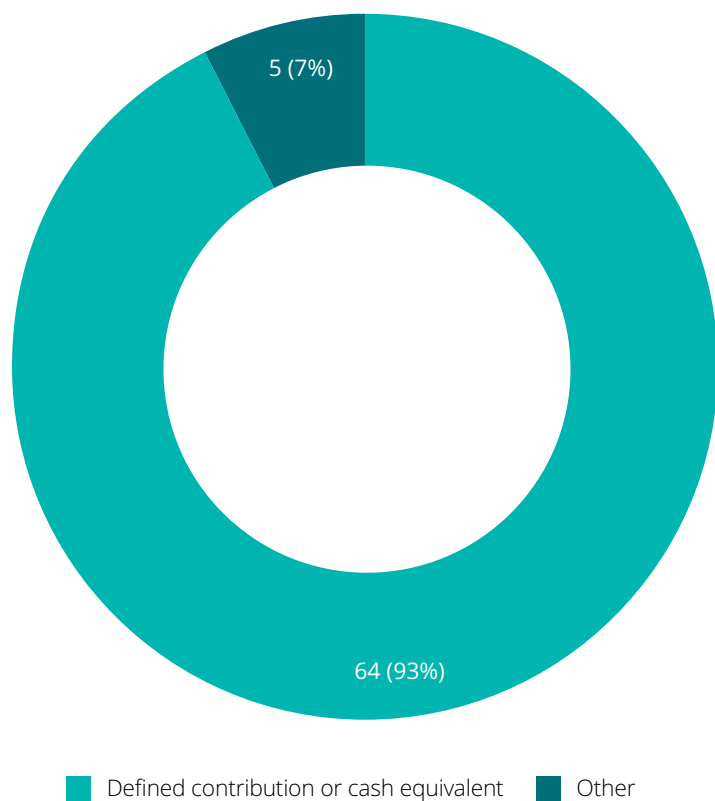


Pensions

Pensions

Median pension contributions have continued to reduce albeit slightly, with a typical quartile range of 5%–10% of salary. Four companies disclosed a reduction in executive pension contributions (2020: 5).

Pension plans



	Top full time executive director	Other executive directors
Lower quartile	5%	5%
Median	8%	6%
Upper quartile	10%	10%
Average	8%	7%



Shareholding requirements, malus and clawback

Shareholding requirements and malus and clawback

38 companies disclosed some form of shareholding requirement (2020: 33). Nine of these companies disclosed post-employment shareholding requirements (2020: 5).

Shareholding requirements (% of salary)

	Top full time executive director	Other executive directors
Lower quartile	150%	100%
Median	200%	150%
Upper quartile	200%	200%

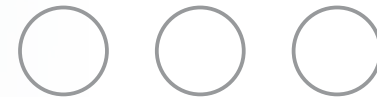
Post-employment shareholding requirements:

- *Two companies apply the shareholding guideline for two years post-employment*
- *Three companies apply the shareholding guideline for one year and 50% of the guideline for the second year post-employment*
- *Four companies apply the shareholding guideline for one year post-employment*

Malus and clawback provisions for incentive plans

50 companies disclose malus and clawback provisions, compared to 44 last year. Where triggers are defined, these are commonly:

- *Misconduct – individual, gross or serious*
- *Reputational damage*
- *Material misstatement of results*
- *Fraud*
- *Failure of risk management*
- *Corporate failure*



Non-executive directors' remuneration

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Chair fee increases	
0%	43%
0% – 2%	20%
3% – 5%	9%
5% – 7%	0%
7% – 10%	9%
Above 10%	20%
Lower quartile	9%
Median	3%
Upper quartile	0%
Average	9%

NED base fee increases	
0%	55%
0% – 3%	18%
3% – 5%	8%
5% – 7%	3%
7% – 10%	5%
Above 10%	11%
Lower quartile	3%
Median	0%
Upper quartile	0%
Average	4%

Non-executive director fees



Chair fees (£)

Market capitalisation (£m)	up to 400	401–600	601–1,000	1,001–3,300	AIM 100
Lower quartile	83,000	77,000	62,000	90,000	78,000
Median	100,000	96,000	87,000	109,000	100,000
Upper quartile	150,000	120,000	105,000	150,000	127,000
Average	112,000	105,000	89,000	115,000	106,000

NED base fees (£)

Market capitalisation (£m)	up to 400	401–600	601–1,000	1,001–3,300	AIM 100
Lower quartile	35,000	43,000	40,000	43,000	40,000
Median	48,000	50,000	45,000	50,000	50,000
Upper quartile	53,000	51,000	51,000	59,000	55,000
Average	45,000	53,000	47,000	47,000	48,000

Additional fees for committee chair and Senior Independent Director (£)

	Remuneration Committee Chair	Audit Committee Chair	Senior Independent Director
Lower quartile	7,000	7,000	5,000
Median	10,000	10,000	8,000
Upper quartile	10,000	10,000	10,000
Average	9,000	9,000	8,000

Five companies disclosed that non-executive directors receive all or part of their fees in shares and four companies disclosed that non-executive directors have been granted share options during the year in addition to receiving cash fees.



All-employee share plans

65 companies (2020: 63) disclosed operating one or more all-employee share plans, with Employee Share Option Plans continuing to be most prevalent

Type of plan	Number of companies
Employee Share Option Plan (ESOP), including tax-efficient Company Share Option Plan (CSOP)	36
Tax efficient Save As You Earn (SAYE) Plan	23
Tax efficient Share Incentive Plan (SIP)	13
Other form of all-employee share plan	11
SIP and SAYE plan	2



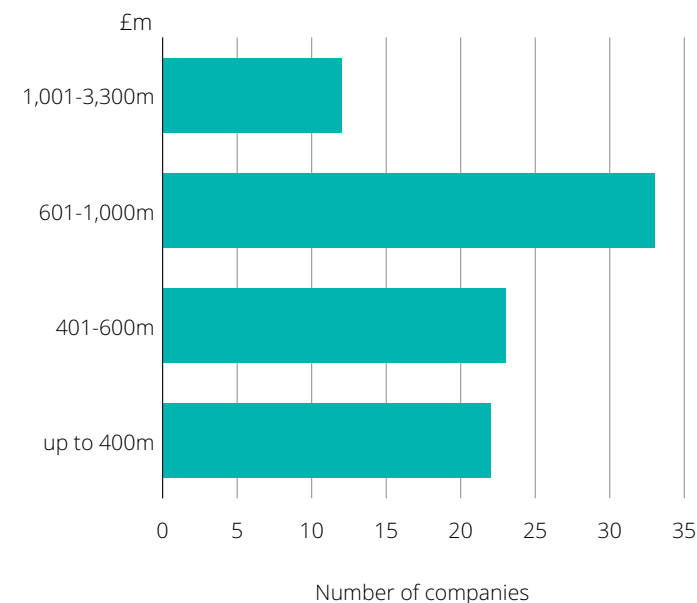
Appendix and contacts

Appendix

Sample based on constituents as at 1 July 2022

AB Dynamics	EMIS Group	Jet2	Renew Holdings
Abcam	Ergomed	Johnson Service Group	Restore
Accesso Technology Group	Eurasia Mining	Jubilee Metals Group	RQIH
Advanced Medical Solutions Group	FD Technologies	Judges Scientific	RWS Holdings
Alliance Pharma	Fevertree Drinks	Kape Technologies	Savannah Energy
Alpha Financial Markets Consulting	Focusrite	Keywords Studios	Serica Energy
Alpha FX Group	Frontier Developments	Kistos	Sigmaroc
Atalaya Mining	FRP Advisory Group	LBG Media	Smart Metering Systems
Benchmark Holdings	FW Thorpe	Learning Technologies Group	Strix Group
Big Technologies	Gamma Communications	Lok'n Store Group	Team17 Group
Boku	GB Group	M.P. Evans Group	Tinybuild
Boohoo Group	Globaldata	Marlowe	Tremor International
Breedon Group	Gooch and Housego	Mattioli Woods	Uniphar
Brooks Macdonald Group	Greatland Gold	Maxcyte	Victoria
Caretech Holdings	Gresham House	Midwich Group	Volex
Central Asia Metals	Hotel Chocolat Group	Mortgage Advice Bureau Holdings	Watkin Jones
CentralNic Group	i3 Energy	Naked Wine	Yellow Cake
Ceres Power Holdings	Ideagen	Next Fifteen Communications Group	YouGov
Craneware	Idox	Nichols	Young and Company's Brewery
CVS Group	Impax Asset Management Group	Numis	
Devolver Digital	Inspeks Group	Pan African Resources	
Dotdigital Group	IQE	Pantheon Resources	
Elixir International	ITM Power	Polar Capital Holdings	
	Jadestone Energy		
	James Halstead		

Market capitalisation



Sample consists of 90 companies and excludes investment trusts, companies that do not have any executive Board members, those who do not disclose sufficient information and companies who do not follow UK Corporate Governance Code. Market capitalisation is 12 month average to 1 July 2022.

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