



Your Guide

Directors' remuneration in FTSE 100 companies

September 2024

Introduction



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

With an interactive format, this report provides detailed analysis of executive and non-executive remuneration in FTSE 100 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 95 companies with financial years ending up to and including 31 December 2023.



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

Foreword



Looking back over the past year, executive pay came into heightened focus as part of a wider debate around the UK governance environment and its impact on the competitiveness of UK capital markets.

In November 2023, the Capital Markets Industry Taskforce (CMIT) published detailed recommendations for reform in a number of governance and stewardship areas including executive remuneration, and in February 2024 the Investment Association (IA) committed to a fundamental review of its Principles of Remuneration, which are expected to be published in the autumn.

2024 AGM season

The 2024 AGM season saw a notable increase in large, global FTSE 100 companies moving forward with more radical pay proposals. This included companies with a significant US footprint citing the disparity in pay levels between the UK and the US – as well as more stringent remuneration governance standards – as a challenge when competing for and retaining senior talent in a global market.

Just under one-third (c.29%) of companies sought approval for a new remuneration policy, with over one-half proposing increases to incentive levels and/or introduction of more innovative pay structures. These included 'hybrid' long-term incentive proposals (comprising a mix of performance and restricted share awards), as well as increases to long-term incentive opportunities. 22% of the FTSE 100 now operate non-standard long-term incentive arrangements.

With increasing focus on the complexity of executive alignment features in the UK, a further four companies reduced or removed the level of bonus deferral where the executive shareholding guideline is met, bringing the total to 14.

Notwithstanding more radical proposals, we saw very strong levels of proxy and investor support for directors' remuneration policies. Only two companies received 'low votes' (less than 80% in favour), with a median of 95% of votes in favour. While not all proposals had the support of proxy agencies, a number of companies engaged extensively with investors, with some boards showing a willingness to weather a lower AGM vote on pay proposals that close the gap against relevant global peers.

We also saw the highest levels of support for directors' remuneration reports in recent years. Only one company received a 'low vote' on the directors' remuneration report, with a median of 96% of votes in favour (2023: 95%).

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Pay out-turns

The median FTSE 100 CEO package remained relatively flat year on year, with a median 'single figure' out-turn of £4.19m for 2023 (2022: £4.16m) – albeit with the highest inter-quartile range of out-turns seen in recent years, reflecting a continuation of strong incentive out-turns and performance across the index.

Annual bonus payouts were slightly lower than last year, following high payouts post-COVID, with a median payout of 75% of maximum for 2023 (2022: 80%). Around one-quarter of companies used discretion and judgement to reduce bonuses to reflect performance factors such as health and safety, ESG factors or risk and governance issues.

Median long-term performance share plan vesting – the extent to which performance conditions are achieved – was 72% of maximum (2022: 59%). Under the UK Corporate Governance Code provisions, shares will not generally be released to executives for a further two years.

In light of investor and proxy guidance issued last year, over 90% of 2024 salary increases for CEOs were set at or below the average rate awarded to the workforce, with a median CEO salary increase of 4% to date.

The year ahead

With an ongoing programme of reform aimed at boosting UK capital markets – and 'green shoots' of optimism around the outlook ahead – the new Labour government has committed to focus on growth and economic stability.

In the coming year we expect to see a continued theme of UK-listed multinationals 'pushing the envelope' on pay proposals, looking to close the gap against relevant peers and develop policies to suit a range of global footprints, talent markets and business lifecycles. While we have seen greater openness to pay policies on a case-by-case basis, investors and proxy agencies will continue to carefully scrutinise pay comparators and the rationale for change.

The changing environment presents new and different challenges for remuneration committees – navigating the evolving expectations of different stakeholders, including investors, executives and employees – as well as an ongoing focus on societal fairness and potential changes to workers' rights. With many perspectives in the debate, the new IA Principles of Remuneration will shed further light on evolving investor views and areas of focus for the year ahead.

Executive summary



Total 'single figure' remuneration

£4.19m

median CEO total 'single figure' remuneration
(2022: £4.16m, 2021: £3.59m)

£1.88m

median CFO total 'single figure' remuneration
(2022: £2.17m, 2021: £2.18m)



Fixed pay

4%

median CEO salary increase so far in 2024
(2023: 4%, 2022: 3%, 2021: 1%)

15%

CEOs not awarded salary increase so far in 2024
(2023: 15%, 2022: 11%, 2021: 47%)

4.3% median wider workforce increase so far in 2024 (2023: 5.9%)



Incentive out-turns

75%

of maximum median CEO annual bonus out-turn for 2023
(2022: 80%, 2021: 86%)

24%

of companies exercised downward discretion on bonus out-turn for 2023
(2022: 13%, 2021: 27%)

72%

of maximum median PSP vesting for 2023
(2022: 59%, 2021: 58%)



Executive shareholding requirements

300% of salary

most common CEO shareholding requirement

c.520% of salary

median actual CEO shareholding

99%

of companies have a post-employment shareholding requirement



ESG and incentive plans

c.80%

annual bonus plans incorporate ESG metrics

c.60%

performance share plans incorporate ESG metrics



Alternative incentives

22%

of companies operate non-standard incentive arrangements



2024 AGM season so far

96%

median vote in favour of directors' remuneration report
(2023: 95%)

1

company receiving a 'low vote' (<80% support)
(2023: 8)

29%

of companies put a new remuneration policy to vote

2

policies receiving a 'low vote'
(2023: 2)

Key issues

Lower policy votes generally associated with companies seeking significant increases to pay levels. In some cases, proposals included structural changes which deviated from current mainstream UK market practice.

Consistent with prior years, shareholders also provided pushback where companies deemed to have not responded to lower voting outcomes in prior years, or where incentive outcomes were not deemed to be commensurate with performance.