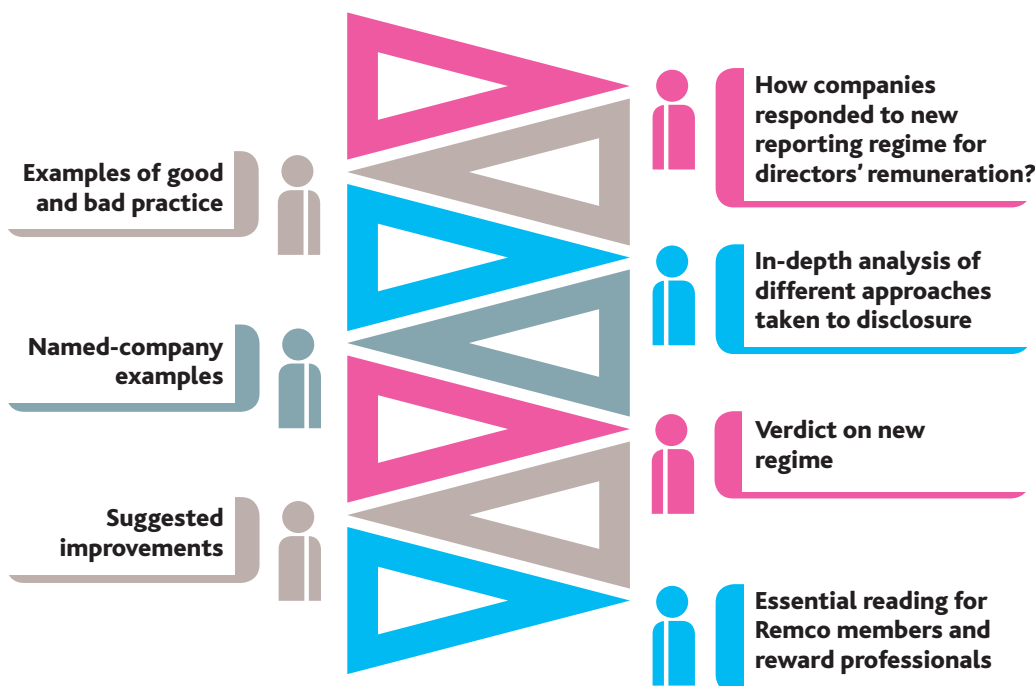


THE GUIDE FOR REMUNERATION COMMITTEES

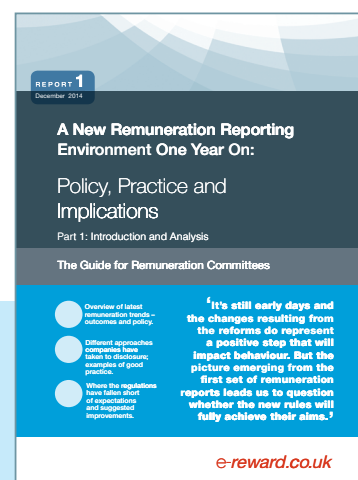
# A NEW REMUNERATION REPORTING ENVIRONMENT ONE YEAR ON:

## Policy, Practice, and Implications



An invaluable reference guide focusing on named companies and answering the following questions:

- › How did major UK companies interpret the new regulations and what were the resulting disclosure *and* remuneration policies to emerge?
- › Were there major differences in the level of detail provided from different organisations under each section?
- › What is the overall assessment of the new regulations, what are the strengths and weaknesses and how can they be improved?
- › What important issues did the regulations miss and what are the implications for future policy and practice.



# New Remuneration Reporting Regime for Directors



## One Year On

Far-reaching government reforms in executive pay – affecting the way that companies must report their directors' remuneration and how shareholders vote on it – came into effect in October 2013 with new legislation on remuneration reports for UK-listed companies.

One year on, almost all companies have now made their first reports under the new regime. This new research project by e-reward.co.uk has examined the first batch of remuneration disclosures.

20 pages

Median length of remuneration report.



## About the e-reward.co.uk research

- Focuses mainly on **UK's largest companies**, the FTSE 100.
- Draws on information from **smaller companies**, and even **overseas**, where disclosure or policy exhibited unique practice.
- **Almost 200 company reports** examined, including 90% of FTSE 100 available up to mid-November 2014.
- Draws extensively on **named-company examples**, highlighting numerous notable instances of good, poor and innovative practice.
- **100 different tables and charts** relating to each section of the regulations with most containing numerous named-company examples.

Average fee level paid to remuneration consultants.

£131,396

£3 m £3 m £3 m £3 m

## Total remuneration

Median total remuneration for FTSE 100 CEOs has remained over £3m for last 4 years; in preceding year (just following economic crisis) it was £2.4m.

£1m

Bonuses

## Bonuses

More than 50 directors received bonuses over £1m in latest year.

## LTIPs

As many as 90 directors made long-term incentive gains in excess of £1m; 7 gained more than £5m.

>£1m  
90 directors

>£5m  
7 directors

## Salary levels next year\*

£866k

Chief executive

£513k

Finance directors

£477k

Other directors

\* Where actual salary levels stated, median FTSE 100.



How many times a typical committee meets each year.

2.5%

Median salary rises for main FTSE 100 board positions – chief executive, finance director and other director – over last 12 months.

## Pros and cons of new regulations

### Pros

- ✓ New votes provide shareholders with real power.
- ✓ More information and better disclosure – e.g. recruitment policy.
- ✓ "Rewards for failure" should be addressed.
- ✓ Slowdown in remuneration growth likely to continue.
- ✓ More engagement with shareholders.
- ✓ Voting outcomes on remuneration policy and future implementation were largely positive.
- ✓ Disclosure of discretion and judgement permitted in policies improved.
- ✓ Clawback and malus details enhanced.

### Cons

- ✗ Some regulations watered down or interpreted in a way to make information emerging of little use.
- ✗ Don't tackle "rewards for mediocrity".
- ✗ Some companies didn't comply fully with spirit of reforms, disclosing the minimum required – results in less information.
- ✗ Don't tackle problem that shareholdings aren't dominant part of most remuneration packages.
- ✗ Some regulations interpreted in different ways by different organisations – makes some comparisons problematic.

£0.5 billion  
Total face value of awards from deferred, matching and LTIP schemes in FTSE 100.

# A NEW REMUNERATION REPORTING ENVIRONMENT

## ONE YEAR ON: Policy, Practice, and Implications

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Far-reaching government reforms in executive pay – affecting the way that companies must report their directors' remuneration and how shareholders vote on it – came into effect in October 2013, with new legislation on remuneration reports for UK-listed companies.

- **One year on . . .**
- **Almost all companies have now made their first reports under the new regime. This new research project by E-reward.co.uk has examined the first batch of remuneration disclosures.**
- **So how did everyone respond . . .**
- **Much of the guidance over the last year outlined how organisations *should* interpret the new regulations, but this study uniquely examines what they *did* do.**

**Organisations chose a whole variety of approaches making it clear that disclosure has some way to go before a consensus on best practice is arrived at and the policies themselves continue to evolve.**

Despite all the guidance available, organisations were provided with a reasonable amount of scope to interpret the different regulations and our report highlights how approaches varied, as well as outlining the more and less common forms of disclosure that were provided.

### Contrast disclosure and policy with the market

In addition to approaches to disclosure, the study illustrates how companies' policies vary for each element of remuneration.

This makes it possible to build up a comprehensive picture of the latest reporting environment and the policies to emerge.

### The whole spectrum of strategies

Additionally, the report compares and contrasts how different companies approached disclosure under the new regulations and will allow you to understand the whole range of strategies used for each discrete element of remuneration policy – effectively to benchmark both disclosure practices and policy.

#### About the e-reward.co.uk research

- › Focuses mainly on **UK's largest companies**, the FTSE 100.
- › Draws on information from **smaller companies**, and even **overseas**, where disclosure or policy exhibited unique practice.
- › **Almost 200 company reports** examined, including 90% of FTSE 100 available up to mid-November 2014.
- › Draws extensively on **named-company examples**, highlighting numerous notable instances of good, poor and innovative practice.
- › **100 different tables and charts** relating to each section of the regulations with most containing numerous named-company examples.

## Clear and concise information in one place

Remuneration policy can be a complex and technical area so each section is structured in the same way to make things as clear as possible.

### For each element of remuneration:

- › What each regulation stipulated
- › Guidance from The GC100 and Investor Group
- › Any relevant institutional investor recommendations
- › How named organisations interpreted each regulation in terms of disclosure including more and less common approaches taken
- › The remuneration policies that emerged highlighting similarities and differences in strategies taken
- › Actual amounts earned in the year.

### A clear map for you during this tricky transitional period

All the key information is contained within this **one reference publication**, making this essential reading for remuneration committee members and reward and HR specialists responsible for executive reward.

'We believe our Directors' Remuneration Report (DRR) is a full disclosure of our policies and practices in line with the requirements of the new regulations.

However, this is the first year in which companies are reporting in this form and we are aware that new best practice will emerge. We will review the results of this reporting round prior to our next DRR and will aim to meet what will be evolving good practice.'

Aviva

ARGUABLY  
THE BEST  
STUDY  
OUT THERE

The e-reward.co.uk study provides the most comprehensive examination of the new regulations outlining disclosure, policy and outcomes as well as discussing future implications for disclosure and policy.

It's an essential guide for anyone involved in the executive remuneration field.

## THE GOOD, THE BAD AND THE INNOVATIVE – NAMED COMPANY EXAMPLES

Unlike many consultant and other reports, the study draws extensively on named-company examples, highlighting numerous notable instances of good, poor and innovative practice.

In addition, it presents aggregated analysis of both policy and actual outcomes with tables providing results for:

### Remuneration policy

- › Aggregated analysis of future policy tables such as remuneration maxima
- › Incentive scheme breakdowns of types of awards, performance periods and holding periods
- › Analysis of performance measures and outcomes in the latest year
- › Shareholding requirements levels and conditions attached
- › In-depth examinations of the discretion, clawback and malus permitted in policies
- › Analysis of some of the less prominent non-core elements of remuneration such as relocation and recruitment
- › Remuneration report lengths and number of committee meetings
- › Gender breakdowns
- › Conclusions challenging certain aspects of accepted practice with suggested alternatives.

### Remuneration levels

- › Single figure tables for all elements of remuneration
- › Actual salary rates
- › Bonuses, deferred and matching shares profits
- › Long-term incentive and share option gains
- › Scheme interests awarded in the year
- › Non-executive director fees
- › Shareholding levels
- › Recruitment, relocation and payments for loss of office in the year
- › Remuneration scenarios for the coming year
- › Five-year analysis of chief executive pay levels and chief executive versus staff pay comparisons.

## THREE-PART RESEARCH PROGRAMME

The e-reward.co.uk research is published in three parts:

### Part 1

#### Introduction and analysis

(available December 2014)

##### Introduction to the new regime.

- › Overview of the latest remuneration trends in terms of outcomes and policy
- › Discussion of the different approaches companies have taken to disclosure with examples of good practice as well as highlighting those parts of the regulations that appear to have fallen short of expectations and suggested improvements
- › Overall verdict on the success of the new regime, while outlining some of the implications for future policy.

A **checklist** summarises the range of approaches that companies used when disclosing all the main elements of remuneration policy that appear in the future policy table, as well as the corresponding institutional investor requirements.

### Part 2

#### Annual statements and annual remuneration report

(January 2015)

##### Examines all aspects of the regulations covering annual statements and annual remuneration reports.

- › Annual statements
- › Single total figure of remuneration
- › Total pensions entitlements
- › Scheme interests awarded during the financial year
- › Statement of directors' shareholding and share interests
- › Payments to past directors
- › Payments for loss of office
- › Performance graph and table
- › Percentage change in remuneration of director undertaking the role of chief executive officer compared to staff
- › Relative importance of spend on pay
- › Consideration of matters relating to directors' remuneration
- › Statement of voting at general meeting.

### Part 3

#### Future policy, outcomes and implementation

(February 2015)

##### Outlines companies' future policies, how the policies will be implemented in the coming year and the outcomes resulting from their implementation in the previous period.

- › Salaries
- › Benefits
- › Relocation
- › Pensions
- › Short-term incentives
- › Long-term incentive plans
- › Share options
- › Clawback and malus
- › Discretion and judgement
- › Choice of performance targets
- › Non-executive directors
- › Recruitment
- › Service contracts and loss of office policy
- › Illustrations of application of remuneration policy
- › References to other staff
- › Consideration of shareholders' views.

**Order your copy of the report now!**

**Title:**

A New Remuneration Reporting Environment One Year On: Policy, Practice, and Implications

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## E-REWARD EXECUTIVE REMUNERATION DATABASE

### Head of Executive Remuneration Research:

Steve Glenn.

The E-reward Executive Remuneration Database was launched in 2014 with the purpose of providing comprehensive and accurate information in this evolving area of reward.

**Comprehensive:** Records all the key remuneration data from remuneration reports – including pay, incentive gains, scheme design, pensions and benefits, as well as the new information required since late 2013.

**Authoritative:** Our senior analysts are executive pay experts with over 20 years' experience in the field. This means they have a deep understanding of the subject matter, history and terminology – resulting in more accurate and authoritative output and comment.

**High-quality data:** As well as the raw figures, the database incorporates many additional text fields which provide context to the hard data. It highlights examples of practice that are either notable or depart from the norm – making it easy to search for very specific instances when the need arises.

**Accurate:** The database has many built-in features to ensure that the data entered is accurate and our team undertakes numerous extensive cross-checks to ensure that all the information included is consistent and correct.

**Highly flexible:** Executive remuneration is an evolving and fluid area. The database mirrors this. We are not tied to any online or other platform so we are able to make changes where necessary – almost immediately with no down time.

**Timely:** Our analysts are continually updating our list of accounts in order to ensure that the latest available remuneration reports are incorporated into the database as soon as possible.

**Bespoke research:** For more information email our experienced team at [paul@e-reward.co.uk](mailto:paul@e-reward.co.uk) to discuss executive remuneration research tailored to fit your requirements.