



EXECUTIVE COMPENSATION SERVICES

NON-EXECUTIVE DIRECTOR FEES IN THE FTSE ALL-SHARE

October 2023

INTRODUCTION

The convergence of several factors is fostering renewed interest in the level of non-executive director (NED) fees in UK-listed companies. In recent years, fee increases have failed to keep pace with UK inflation, resulting in a decline in the real-terms value of NED compensation. Concurrently, growing demand for diverse and highly skilled NED talent, combined with a widely acknowledged escalation in the complexity and time requirements of the role, should have exerted upward pressure on fees. For this year's NED fees report, we therefore take a step back to examine some of these contextual factors.

The remainder of the report then provides the latest market data, trends, and developments regarding NED fees in FTSE 100, 250 and Small Cap companies. We provide a detailed breakdown for all types of NED fees including Chair, NED base fee, Committee and Senior Independent Director (SID) duties, and Employee Engagement NED roles, using data sourced from companies with fiscal year-ends between 1 April 2022 and 31 March 2023. This section also includes additional data points in areas such as the frequency of NED fee reviews, payment in shares and/or the use of shareholding guidelines, and NED travel allowances.

Should you wish to discuss any aspect of the data shown, its implications for your business, or request more specific data cuts or analysis, please reach out to your A&M contact.

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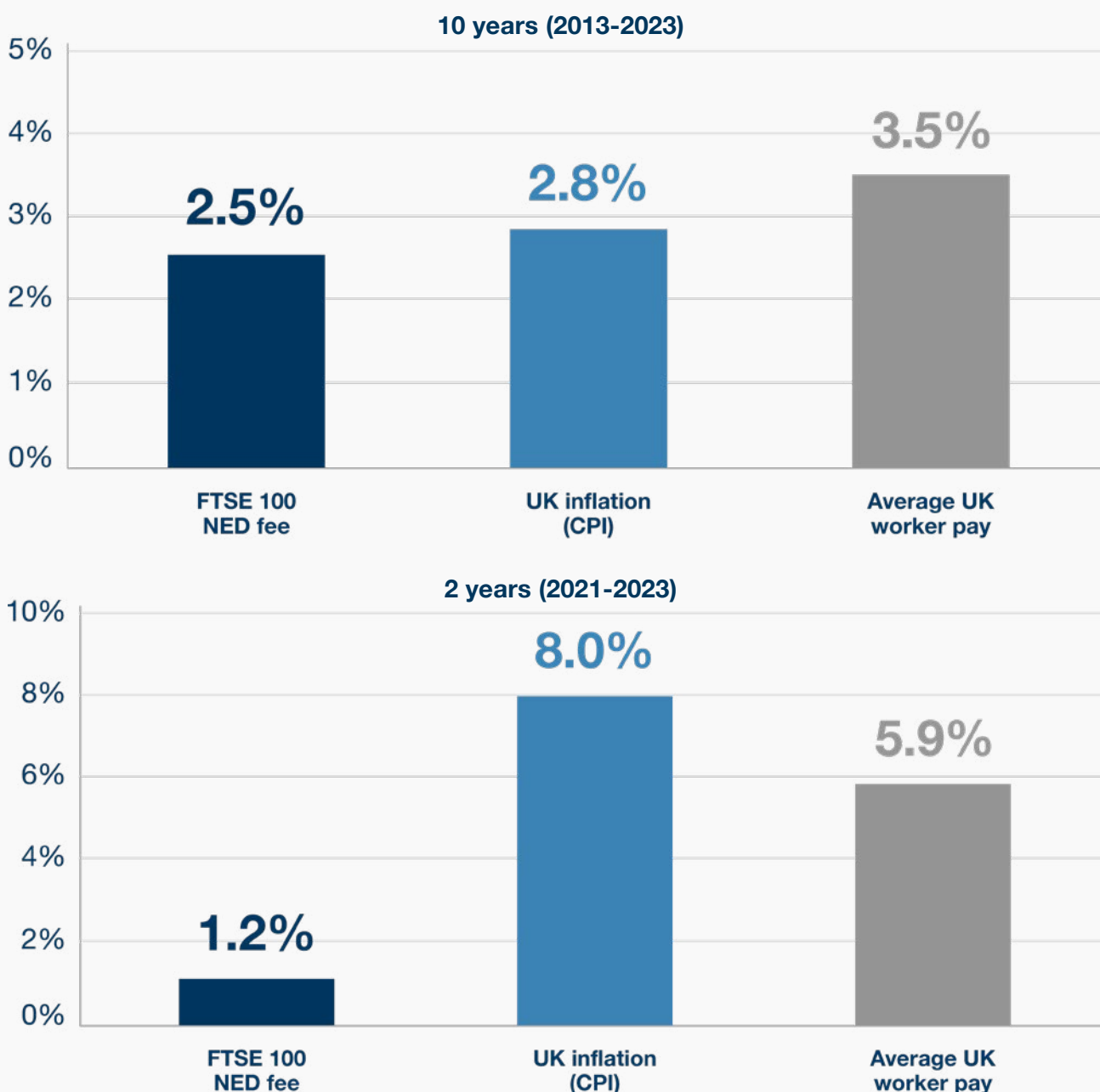
NED FEES IN GREATER FOCUS

Historically, setting NED fees has been relatively straightforward for most companies. However, we perceive that several factors have recently converged to foster greater interest in the level of NED fees in UK-listed companies.

RESTRAINT ON INCREASES HAS ERODED REAL TERMS VALUE

Over the last decade, the median NED base fee in the FTSE 100 increased by an average of c.2.5 percent per annum. For much of this period, this broadly aligned with the underlying level of price inflation in the UK. However, over the last two years, growth in the median NED base fee has materially lagged the heightened level of UK inflation during that period, as well as increases to UK worker average pay. As a result, the median NED base fee has experienced a real-terms decline over this period.

Changes in median FTSE 100 NED base fee vs UK benchmarks (percent CAGR)



EVOLVING APPROACHES TO NED FEE REVIEWS LEADING TO GREATER RESTRAINT?

There is a growing tendency among companies to annually review — although not necessarily increase — NED fees (see *‘Frequency of NED fee reviews’* on page 14). These reviews are often part of the same year-end process in which salary increases are determined for executive directors and the wider workforce (notwithstanding that the decisions are made in each case by different decision-making bodies).

Shareholders do not generally expect to see companies take the same approach to NED fee increases as they do for executive director salary increases (and linking the two could create a potential conflict of interest for the NEDs on the Remuneration Committee).

However, it appears that the ongoing shareholder expectation for ‘restraint’ on executive director salary increases has also influenced the approach taken by many companies to NED fees. For example, in the last 12-18 months, during a period of higher-than normal workforce increases in response to inflation, the vast majority of executive director increases have been set at a ‘discount’ to the employee average, aligning with shareholder expectations. Among the sample of FTSE 100 companies that changed the NED base fee in the most recent period, nearly three quarters applied a discount to the all-employee average salary increase.

GREATER DEMAND FOR SKILLS AND DIVERSITY, INCLUDING FROM A GLOBAL TALENT POOL

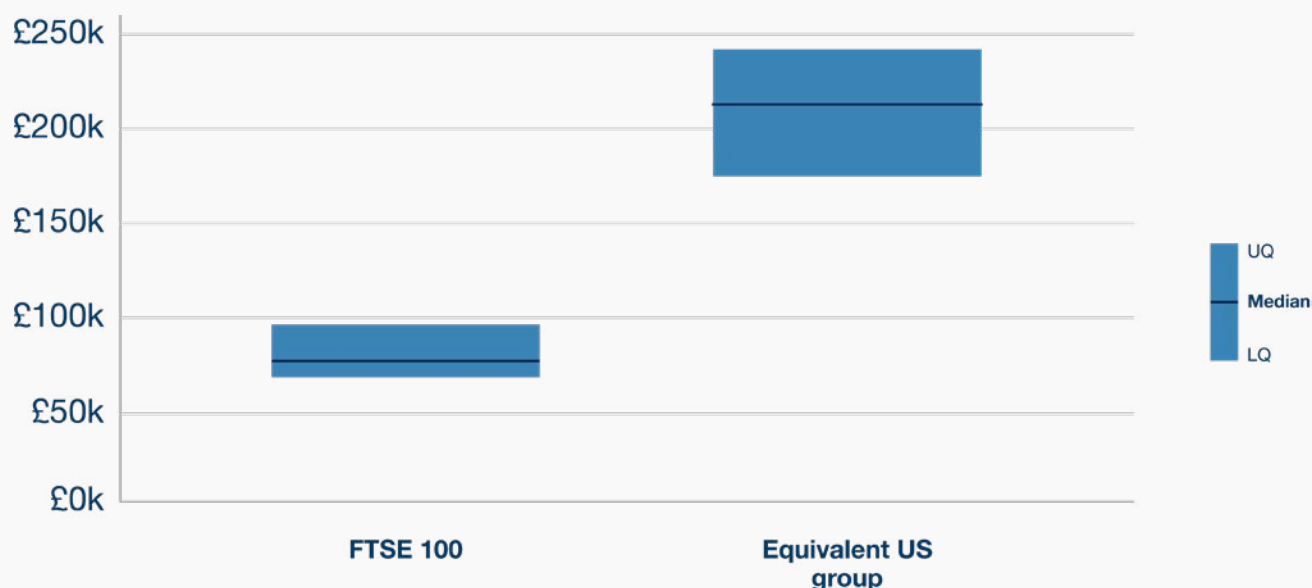
UK-listed companies continue to seek to expand the range and depth of talent on their boards, to best meet the challenges they face and evolving shareholder expectations. This might include improving the skills and experiences of the board in key areas such as ESG, digital, AI, technology/innovation, and emerging markets, as well as fostering diversity at the board across gender, ethnicity, geography and social background. This heightened demand for talent is anticipated to exert upward pressure on NED fee rates.

Some companies may need to compete for NED talent in a global market to secure the required skills and experience. As shown below, equivalently-sized US-listed companies offer a base NED fee that is nearly three times higher than in the UK, albeit often delivered largely in the form of shares. It can therefore be challenging for the UK to compete (on quantum) with US-listed companies for NED talent. While this comparison may not be relevant for many companies, those aiming to attract top internationally-mobile NED talent may face a genuine challenge. We are aware of instances where UK-listed companies have struggled to attract and retain NEDs from the US.



UK vs US comparison – NED base fee

The chart below shows the range of market practice for the NED base fee in the FTSE 100 and a sample of 100 US-listed companies of broadly similar market capitalisation as the FTSE 100.



Conversion calculated using an exchange rate of \$1.27:£1
 Note that in US, around 60-70% of the base fee will be delivered in the form of shares

INCREASED COMPLEXITY AND TIME COMMITMENT OF THE ROLE

Although verifiable data points are not readily available, it is widely acknowledged that both the complexity, risk and required time commitment of the NED role in UK-listed companies have all increased. For instance, if we consider, the way the environment has evolved in our own field of work — the remuneration committee — it becomes evident that several developments over the last decade have increased the complexity and time commitment of the role.

- Since 2013, remuneration committees have been required to prepare and seek approval for a legally binding Remuneration Policy, at least every three years.
- The remit of the committee has expanded beyond executive directors to include the level of management below board, and oversight of remuneration policy and implementation for the wider workforce.
- The frequency and extent of stakeholder engagement have increased, both with respect to investors and, more recently, employees.

For much of the above, the committee chair bears the additional burden. During shareholder consultation, or the appointment/cessation of an executive, the required time commitment can be significantly greater than it is for committee members, and may not be sufficiently reflected in the additional committee chairmanship fee.

The Investment Association acknowledged the impact of heightened complexity and time requirements in its guidance in late 2022:

“IA members recognise that Non-Executive Director (NED) fees have not always reflected the increased complexity and time commitment expected of their role. Given the important oversight role which they play on behalf of the company and their shareholders, Non-Executive Directors should receive fees that reflect the time commitment of their role on the Board and its sub-committees, and the scope and complexity of their role(s). However, where increases are deemed warranted, the reasons for such should be properly explained.”

(IA Principles of Remuneration, November 2022)

RELATIONSHIP BETWEEN NED FEES AND ‘OVERBOARDING’

Recognition of the increased complexity and time commitment discussed above has also fuelled the growing shareholder concern regarding the issue of ‘overboarding’ (where appointment to too many boards may potentially hinder the ability of a NED to allocate adequate time and resources to each one).

Concerns around the potential for overboarding could feasibly impact the NED market by: (i) reducing the pool of available NED talent; and (ii) limiting the aggregate fee income for individuals pursuing a portfolio NED career. Some shareholders and investor bodies may argue that paying NEDs more to enable them to focus on fewer roles would better serve the UK market.



THE NED TALENT MARKET – VIEWS FROM THE FRONTLINE

We spoke to a number of the leading agencies involved in NED recruitment for UK-listed companies to understand the current market environment, and the role which fees play in that.

The issue of fees resonated with those we spoke to as one which the UK market should look to more carefully consider, but also one which can be more nuanced compared to remuneration considerations for executive roles.

For NEDs, financial reward is only one of many factors in the decision to accept or remain in a role, and rarely the primary one. More important factors include the positive benefits of being able to make a valued contribution, utilising their skills and experience, ‘paying back’ into the market, and working with interesting people and businesses. They will also consider the two typical downsides of a role – time commitment and the degree of risk.

It is best to think of fees as one of the factors in that overall assessment – given the potential positive aspects of the role, balanced against the drawbacks, do the fees appear reasonable? Critically, as the nature of some of these other factors change in the UK-listed environment, the overall balance of that assessment is increasingly challenging, magnifying the influence of the fee issue. On a number of occasions, we heard that NEDs are increasingly asking themselves the question – “is it worth it?”

Some of the key factors which are changing in the UK, and were identified to be negatively impacting that risk/reward assessment for NEDs, include:

- **Increased time commitment.** This was widely acknowledged as the most important development which has influenced the NED market. In recent years, the expansion of the board agenda,

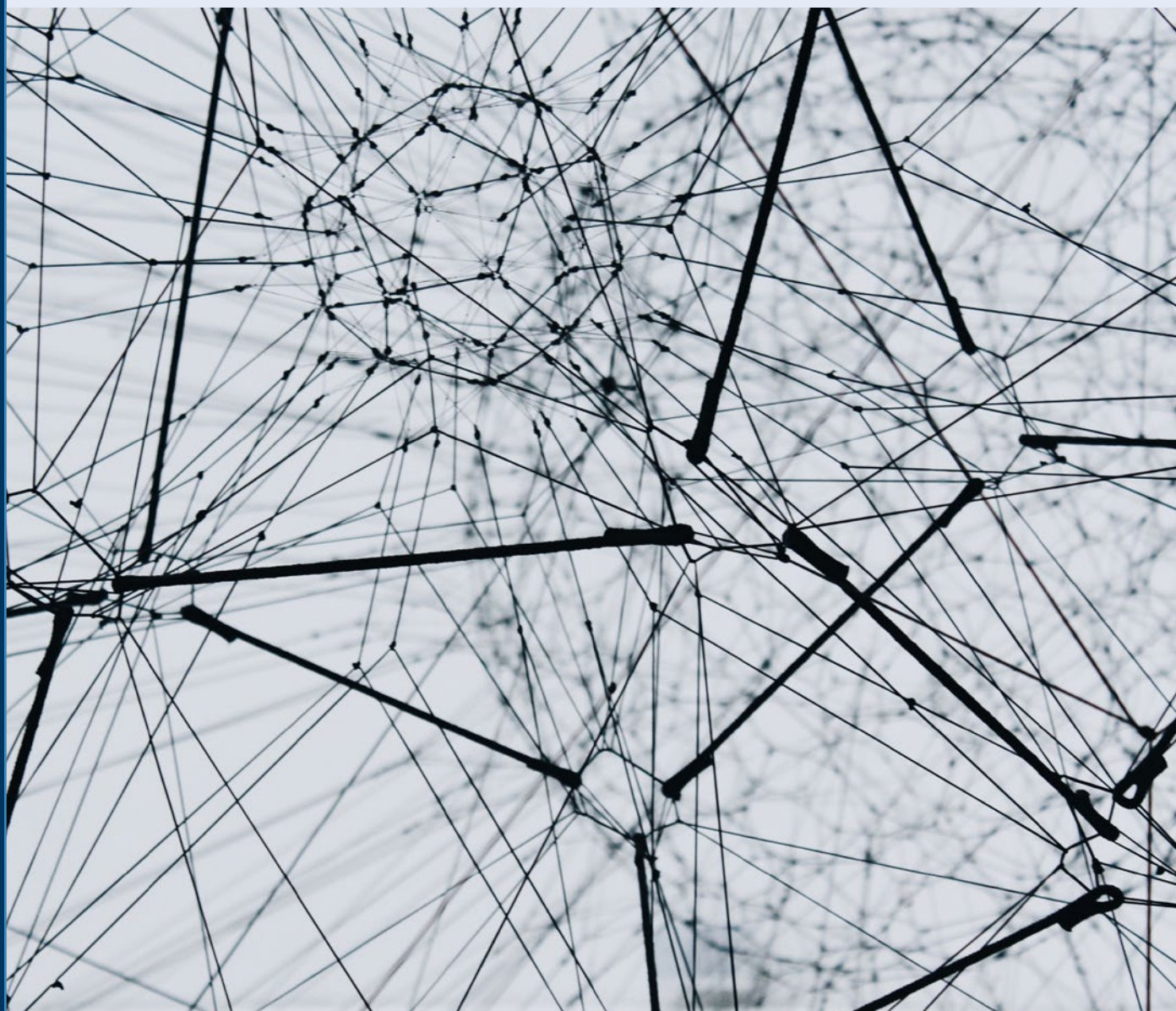
expectations for greater availability (in a virtual world), and restraint on the number of NEDs on a board, have all contributed to the burden. The increasing ‘disconnect’ between fees and this expanded time commitment is a common theme with NEDs, and the overriding sentiment consistently reported to us was one of ‘unfairness’ and frustration. This resonates with a further theme that for NEDs, compensation is often simply a recognition of their perceived value and contribution, which is damaged where a significant and sustained mismatch emerges between time and fees.

- **Nature of the NED role.** As described above, the overall risk/reward assessment for NEDs will take into account the attractiveness of the role. While clearly this is a subjective matter, we heard that a number of trends may be changing the balance here. For example – the shift in the board agenda towards ‘governance’ and away from strategy, ‘scope creep’ towards more ‘executive-type’ responsibilities (for some NED roles), and the perception that there is less trust and ‘respect’ in the role from shareholders.
- **The context of other opportunities.** The risk/reward assessment for a UK-listed company NED role also needs to be considered in the context of other opportunities which exist for typical candidates, where the assessment can sometimes be more favourable. For example, roles in the private or P/E-backed sector (where risk and public visibility is lower), in consulting (more manageable time commitment) or indeed in the charitable sector. We heard all of these options mentioned as increasingly part of the assessment of the market environment for potential NED candidates.

Despite the observations above, most of those we spoke to concluded that the issue of fees was not generally a material impediment to most NED searches and placements.

In other words, the balance of factors in the risk/reward assessment discussed above is still sufficiently positive for many NED candidates. However, this may not necessarily be the case in all situations and it could very feasibly start to change, reducing the pool of high quality NED talent available, if the trends above were to continue. There was also support from most we spoke to for fees to better reflect time commitment, simply to address the 'unfairness' issue and improve overall sentiment towards the UK-listed company NED environment.

One exception to the conclusion above was around the ability of UK-listed companies to successfully attract internationally mobile NED talent from overseas. For some, the 'prestige' of a UK-listed board role still held sufficient currency to support recruitment. However, others suggested that this was an increasingly challenging area, particularly with respect to competing with the US (for both US and global talent). This reflects the relativity of the UK to the US on fees (much lower) and time commitment (typically much higher, particularly when individuals need to commit three days to fly in for every UK-based board meeting). Without some redress to this balance, recruiting high quality international NED talent will remain challenging.



CONCLUSION – IS IT TIME FOR A RE-THINK?

The key observations in this report – NEDs assuming more complex and time-consuming roles whilst their fees have declined in real terms – are compelling in suggesting that an upward re-set of NED fee levels across the UK market might be considered. At the same time, the NED market still functions to attract capable individuals who are well-compensated compared to employees in general, particularly in an ongoing cost-of-living crisis. Some might query whether ‘fixing’ the pay for these roles should be a top priority for the UK market at this time.

On balance, we conclude that there is an issue to address. UK-listed companies must be able to attract and retain high quality non-executive talent to support high functioning boards. While compensation may often not be a key driver for many NEDs, the ‘risk/return’ trade-off has deteriorated, which brings the issue of fees closer to the surface. It is also the right thing to do to ensure that NEDs are rewarded fairly for their contributions, with particular recognition of the expanded time commitment given. For companies looking to secure international talent, there is a compelling commercial need to consider the role of fees. Finally, re-evaluating NED fees might also provide an opportunity to introduce a broader expectation that a portion of NED fees should be delivered in shares.

As with any remuneration issue, the right approach will depend on the business circumstances. We therefore encourage companies to consider their approach within the context of their experience, for example – How difficult have they found it to secure and retain the required NED talent? And how has the complexity and time commitment of their NED roles changed over recent years?

Several approaches merit consideration:

- **Re-set of base fees.** An upward re-alignment of the level of NED fees would require careful consideration of what an appropriate level would be for the company’s situation, a question that cannot be answered by merely examining current market data. Where the base fee is reviewed annually, although the employee average salary increase can be a reference point

in decision-making, we would encourage companies not to ‘formulaically’ link NED fee increases to this, nor to assume the same shareholder expectations which may be relevant for executive director salaries (e.g. for alignment or, more recently, a ‘discount’, to the all-employee increase).

- **Consider payment in shares for material increases.** If looking to implement a material upward re-set of fees, one route would be to deliver the additional amount in shares (in practice achieved through a requirement to purchase shares at the market rate). This approach is consistent with the IA guidance, which states: *“Shareholders encourage non-executive directors to own shares in the company. Chairs and nonexecutives may receive part of their fees in shares bought at the market price”*. Even though it is still relatively uncommon in the UK (see ‘Shareholding requirements and payment in shares’ on page 14), a significant upward revision to fees could provide an opportunity for the UK market to increase this practice.
- **Enhance additional fees for Committee Chair, other Board duties, or international travel.** If it becomes evident that the extra compensation for NEDs with additional duties (such as chairing a committee or acting as SID or Designated Employee NED) does not adequately reflect the ‘premium’ time commitment for that role (for example, by comparing the ‘day rate’ for the differing time commitments of the committee chair and a committee member), an upward reset of those fees could also be considered. For companies that wish to but struggle to recruit NED talent from overseas, it may also be worthwhile to explore the provision of additional travel allowances to create a more compelling fee proposition for the time commitment involved (see ‘Travel allowances for NEDs’ on page 14).

The approach taken should always reflect the unique circumstances and challenges of each business. While some companies may decide that now is not the right time to make material changes, we anticipate that a portion of the market will look to do so in the periods ahead.

FTSE 100

The latest data points for the FTSE 100, along with the FTSE 30 and FTSE 31-100 segments are shown in the following tables - which provide median and quartile analysis on current fee levels and year-on-year changes.

Non-Executive fee levels

		FTSE 100			FTSE 30			FTSE 31-100		
		LQ	M	UQ	LQ	M	UQ	LQ	M	UQ
Board Chair		£363,500	£445,000	£636,500	£629,500	£700,000	£788,000	£335,000	£400,000	£475,000
Base Fee		£70,000	£77,000	£94,000	£89,000	£95,000	£108,500	£67,000	£72,500	£78,000
Senior Independent Director Fee		£16,000	£20,500	£33,000	£30,000	£39,000	£50,000	£15,000	£19,000	£21,000
Designated Employee NED		£10,000	£15,000	£20,000	£19,500	£23,000	£32,500	£10,000	£11,000	£15,000
Committee Chair	Audit	£20,000	£25,000	£35,000	£35,000	£40,000	£63,000	£17,500	£20,000	£27,000
	Remuneration	£18,500	£21,000	£35,000	£33,500	£36,500	£42,000	£17,000	£20,000	£23,500
	ESG	£17,000	£26,500	£35,000	£31,000	£35,000	£43,500	£14,500	£17,000	£21,000
	Nomination	£15,000	£17,000	£22,000	£21,000	£26,000	£30,000	£11,500	£15,000	£17,000
Committee Membership	Audit	£11,500	£17,500	£25,000	£20,000	£25,000	£30,000	£8,000	£15,000	£17,500
	Remuneration	£10,000	£16,000	£20,000	£17,500	£20,000	£30,000	£7,500	£11,500	£16,000
	ESG	£15,000	£16,000	£20,000	£15,500	£20,000	£24,000	£8,000	£10,000	£16,500
	Nomination	£8,000	£10,500	£15,500	£13,000	£15,000	£15,500	£7,500	£8,000	£10,000

Increases from prior year

		FTSE 100			FTSE 30			FTSE 31-100		
		LQ	M	UQ	LQ	M	UQ	LQ	M	UQ
Board Chair		0.0%	2.9%	4.0%	0.0%	2.7%	4.0%	0.0%	3.0%	4.0%
Base Fee		0.0%	3.1%	4.9%	0.0%	4.0%	5.0%	0.0%	3.0%	4.8%

Supporting notes:

- **Designated employee engagement NED fees:** For this role, 34 percent receive an additional fee (up from 25 percent last year). Around one-third of the market set this at an identical level to the additional fee for either chairing the Audit or Remuneration committee or for the SID, but most set it at a discount of typically c.40-50 percent to that level.
- **ESG committee fees:** Around half the FTSE 100 market (47 percent) now operate some form of ESG committee (marginally up from 44 percent last year), although it is more prevalent in larger companies (70% of the FTSE 30). In around half of cases, the committee chair fee it is set at the same level as other key committees, but some set it at a discount of c.15-25 percent to those reference points.
- **Committee membership fees:** When interpreting the data above, it is important to recognize that the payment

of committee membership fees is not universal practice across the market. For Audit and Remuneration committees, 46 percent of the FTSE 100 pay membership fees, although note that the prevalence is higher in both: (i) larger companies (i.e. 70 percent in FTSE 30 compared to around a third in FTSE 31-100) and (ii) Financial Services companies (84 percent of FS companies compared to 37 percent of non-FS companies), likely reflecting the increased regulatory requirements in the sector. Only around a third of the FTSE 100 pays for membership of the ESG committee.

- **Nominations committee fees:** Only a small minority of companies (13 percent) disclose a separate fee for chairing the Nominations Committee, and it is rarely received in practice. This is because this Committee is often chaired by the Board Chair and the additional fee is not payable. Around one-third of companies pay fees for membership of the Nominations Committee.

FTSE 250

The latest data points for the FTSE 250 (as well as the upper and lower halves of that index) are shown in the following tables, which provide median and quartile analysis on current fee levels and year-on-year changes.

Non-Executive fee levels

		FTSE 250			FTSE 250 (Top Half)			FTSE 250 (Bottom Half)		
		LQ	M	UQ	LQ	M	UQ	LQ	M	UQ
Board Chair		£200,000	£236,000	£296,000	£220,000	£264,000	£317,500	£191,500	£212,000	£250,000
Base Fee		£55,000	£60,000	£67,500	£55,500	£61,500	£71,000	£55,000	£58,000	£62,500
Senior Independent Director Fee		£10,000	£10,500	£15,000	£10,000	£11,500	£15,500	£10,000	£10,000	£11,000
Designated NED		£5,500	£8,000	£10,000	£7,500	£9,500	£10,500	£5,000	£7,500	£10,000
Committee Chair	Audit	£10,000	£13,000	£20,000	£11,000	£15,000	£20,000	£10,000	£10,500	£15,000
	Remuneration	£10,000	£12,500	£17,000	£11,000	£15,000	£20,000	£10,000	£10,500	£15,000
	ESG	£10,500	£13,000	£15,000	£11,500	£15,000	£16,000	£10,000	£10,500	£12,000
	Nomination	£11,500	£15,000	£20,000	£12,500	£15,000	£20,000	£11,000	£15,000	£17,500
Committee Membership	Audit	£5,000	£7,500	£10,000	£5,000	£8,000	£10,000	£5,000	£5,000	£10,000
	Remuneration	£5,000	£7,500	£10,000	£5,000	£7,500	£10,000	£5,000	£7,500	£10,500
	ESG	£5,000	£5,500	£9,500	£5,000	£6,000	£10,000	£4,500	£4,500	£5,000
	Nomination	£5,000	£5,500	£10,000	£5,000	£6,000	£10,000	£4,000	£5,000	£5,500

Increases from prior year

		FTSE 250			FTSE 250 (Top Half)			FTSE 250 (Bottom Half)		
		LQ	M	UQ	LQ	M	UQ	LQ	M	UQ
Board Chair		0.0%	2.5%	5.0%	0.0%	2.8%	5.0%	0.0%	0.0%	5.5%
Base Fee		0.0%	3.0%	5.0%	0.0%	3.0%	4.8%	0.0%	3.0%	5.0%

Supporting notes:

- **Designated employee engagement NED fees:** For this role, 29 percent receive an additional fee, broadly unchanged from last year. In around three quarters of those companies, the fee is set at a discount to that for other key duties (i.e. Remuneration or Audit committee chair or the role of SID) and the discount is typically c.35-50 percent of those levels.
- **ESG committee fees:** Over a third of the market (35 percent) now operate some form of ESG committee (up from 24 percent last year). Unlike the FTSE 100, it is much more common (around five of every six companies) to align the fee with that for chairing the Audit or Remuneration committee or serving as SID.

- **Committee membership fees:** The payment of Committee membership fees is much less prevalent outside of the FTSE 100, adopted by only 28 percent of the FTSE 250. Again, their prevalence is higher in the Financial Services sector (57 percent of FS companies vs 21 percent of non-FS companies). Only around 10 percent of the FTSE 250 pays for membership of the ESG committee.
- **Nominations committee fees:** Like the FTSE 100, only a small minority of companies (12 percent) disclose a separate fee for chairing the Nominations Committee, and 14 percent pay fees for membership of the Nominations Committee.

SMALL CAP

The latest data points for the FTSE Small Cap (as well as the upper and lower halves of that index) are presented in the following tables, which provide median and quartile analysis on current fee levels and year-on-year changes.

Non-Executive fee levels

		FTSE SmallCap			FTSE SmallCap (Top Half)			FTSE SmallCap (Bottom Half)		
		LQ	M	UQ	LQ	M	UQ	LQ	M	UQ
Board Chair		£140,000	£165,000	£200,000	£157,500	£175,000	£202,500	£131,500	£150,000	£200,000
Base Fee		£50,000	£52,500	£59,000	£51,000	£55,500	£64,500	£45,000	£50,000	£55,000
Senior Independent Director Fee		£6,000	£10,000	£10,000	£8,000	£10,000	£10,000	£5,000	£8,000	£10,000
Designated NED		£5,000	£5,000	£7,500	£3,500	£5,000	£5,000	£5,000	£5,000	£8,000
Committee Chair	Audit	£8,000	£10,000	£11,500	£9,000	£10,000	£11,000	£7,500	£10,000	£12,000
	Remuneration	£7,500	£10,000	£11,000	£9,000	£10,000	£11,000	£7,500	£9,000	£11,000
	ESG	£6,500	£10,000	£10,500	£6,000	£10,000	£12,000	£7,000	£7,500	£10,000
	Nomination	£6,500	£8,500	£10,000	£7,000	£8,500	£9,500	£7,500	£8,500	£9,500

Increases from prior year

		FTSE SmallCap			FTSE SmallCap (Top Half)			FTSE SmallCap (Bottom Half)		
		LQ	M	UQ	LQ	M	UQ	LQ	M	UQ
Board Chair		0.0%	2.0%	5.0%	0.0%	3.0%	5.0%	0.0%	1.4%	3.5%
Base Fee		0.0%	2.9%	4.5%	0.0%	3.0%	4.9%	0.0%	2.4%	3.9%

Supporting notes:

- Designated employee engagement NED fees:** For this role, 18 percent receive an additional fee, broadly unchanged from last year. Around half the market set this at an identical level to the additional fee for either chairing the Audit or Remuneration committee or for the SID, while the other half set it at a discount of typically around 50 percent to that level.
- ESG committee fees:** Around a quarter of the market now operates some form of ESG committee (up from 17 percent last year). Moreover, 60 percent of these companies align that fee with that for chairing the Audit or Remuneration committee or serving as the SID.
- Committee membership fees:** This type of fee remains uncommon in the Small Cap market, with less than 10 percent offering them. Where in place, they are usually set at around £5,000.
- Nominations committee fees:** A very small minority (five percent) disclose a fee for chairing the Nomination Committee, which is typically set equal to or at a slight discount to the Audit and Remuneration Committee Chair.

FOCUS ON FINANCIAL SERVICES SECTOR

The following tables provide the same data as the previous tables for the FTSE 100 and 250, focusing exclusively on the Financial Services market segment.

- NED roles in FS companies in the FTSE 100 and FTSE 250 tend to attract a premium compared to NED roles in other companies, especially for Committee Chairs.
- The tables show data for the Risk Committee, which is only applicable in the FS Sector.
- Committee membership fees are more commonly provided in the FS Sector.

FTSE 100

		Prevalence	LQ	M	UQ
Board Chair		89%	£375,000	£550,000	£629,500
Base Fee		100%	£74,500	£79,000	£95,000
Senior Independent Director Fee		100%	£16,500	£30,000	£41,500
Designated Employee NED		42%	£13,000	£15,000	£19,000
Committee Chair	Audit	100%	£25,500	£40,000	£74,000
	Remuneration	100%	£25,500	£40,000	£69,000
	ESG	37%	£36,500	£45,000	£52,500
	Nomination	11%	£10,000	£10,000	£10,000
	Risk	89%	£26,000	£40,000	£75,000
Committee Membership	Audit	84%	£15,500	£19,000	£32,000
	Remuneration	84%	£14,500	£18,000	£32,000
	ESG	32%	£18,500	£21,000	£28,000
	Nomination	58%	£10,000	£15,000	£16,000
	Risk	68%	£17,500	£20,000	£34,000

FTSE 250

		Prevalence	LQ	M	UQ
Board Chair		93%	£199,000	£264,000	£350,000
Base Fee		97%	£65,000	£70,000	£76,000
Senior Independent Director Fee		28%	£10,500	£15,000	£20,000
Designated NED		90%	£7,000	£9,000	£10,000
Committee Chair	Audit	90%	£15,000	£25,000	£30,000
	Remuneration	90%	£12,500	£25,000	£30,000
	ESG	23%	£12,500	£15,000	£22,500
	Nomination	20%	£15,000	£18,000	£24,000
	Risk	60%	£16,500	£25,000	£31,000
Committee Membership	Audit	57%	£7,500	£10,000	£15,000
	Remuneration	57%	£7,000	£10,000	£10,500
	ESG	20%	£4,500	£6,000	£9,500
	Nomination	27%	£5,000	£8,000	£13,500
	Risk	40%	£7,500	£10,500	£15,000

ADDITIONAL DATA POINTS

TRAVEL ALLOWANCES FOR NEDs

As discussed in the commentary above, the ability of UK-listed companies to attract NED talent from a global pool underscores the need for a compensation policy that acknowledges the added demands of significant international travel.

Companies typically re-imburse NEDs for international travel and accommodation, typically including any additional personal tax expense that may accrue.

Some companies also provide supplementary cash allowances for travel. In this context, our observations are as follows:

- **Travel allowance prevalence:** It remains relatively unusual practice, estimated at less than 10 percent of the overall market. They are more likely to be included in FTSE 100 companies.
- **Payment per meeting/trip:** The most common approach is to pay an additional fee per meeting/trip, often around £4-5k but sometimes higher. In some cases, the availability and amount can vary based on the destination and length of trip.
- **Higher base fee for International NEDs:** Some companies opt to pay a higher base fee for individuals classified as 'international NEDs', although this is practice is uncommon.

SHAREHOLDING REQUIREMENTS AND PAYMENT IN SHARES

Whilst formal shareholding requirements for executive directors are almost universal in listed companies, it remains relatively uncommon for there to be a shareholding requirement for NEDs.

Only around a quarter of FTSE 100 companies have a formal shareholding requirement, a figure that has remained broadly unchanged from the previous year. Around six percent of FTSE 250 and four percent of SmallCap

companies have a formal requirement. When a shareholding requirement is adopted, the level is almost universally set at 1x the annual fee, with the expectation that this level is achieved within three years of appointment.

Interestingly, only seven percent of the FTSE 100 deliver part of the NED fee in the form of shares. This practice is even less prevalent, at less than two percent, in the FTSE 250 and Small Cap segments. It is worth noting that this contrasts significantly with practice in US-listed companies where it is very common practice for a meaningful portion of the NED fee to be delivered in equity.

FREQUENCY OF NED FEE REVIEWS

An analysis of the frequency of NED fee adjustments indicates that at least 40 percent of the UK market now conducts annual reviews of NED fees, with this proportion remaining broadly consistent across the FTSE 100, 250 and Small Cap markets. It is important to note that due to the limitations of some disclosure, this 40 percent figure might be a conservative estimate, and the true figure is likely to be over 50 percent.

Anecdotally, our experience suggests that for several years the market has been gradually shifting towards more frequent reviews. A decade ago, it was customary to review NED fees on a biennial or triennial basis, often resulting in substantial increases to realign the fees to the market. The transition to annual reviews enables companies to maintain more manageable percentage increases and take into account the relativity to executive director and wider employee changes for the year (although the risk that this creates a potential conflict of interest should be recognised).



APPENDIX

Additional Information

For reference, the tables below show the median market capitalisation (in £m, as at 31 July 2023) of each index and index sub-group used for the analyses in this report.

	FTSE 100	FTSE 30	FTSE 31-100
FTSE 100	8,497	34,392	6,637

	FTSE 250	FTSE 250 (Top Half)	FTSE 250 (Bottom Half)
FTSE 250	1,326	1,871	745

	FTSE SmallCap	FTSE SmallCap (Top Half)	FTSE SmallCap (BottomHalf)
FTSE SmallCap	278	360	161



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