



ALVAREZ & MARSAL

NON-EXECUTIVE DIRECTOR FEES IN THE FTSE 350 AND SMALLCAP

SUMMER 2021



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NON-EXECUTIVE DIRECTOR FEES IN THE FTSE 350 AND SMALLCAP

Introduction

This update looks at Non-Executive Director actual fees paid and the disclosed fee policies for FTSE 350 and FTSE SmallCap companies with year ends between 1 March 2020 and 31 January 2021. Fee differences between financial services companies and other sectors are also analysed in this report.

Key points to note

- Median actual fees received by Non-Executive Directors in the SmallCap have decreased due to a high proportion of directors taking voluntary reductions in 2020 (typically for three months). In FTSE 350 companies, median fees received were broadly stable year on year, with the exception of some financial services companies where fees received have increased slightly.
- Median policy fee levels for Non-Executive Directors are mostly unchanged year-on-year, with the majority of FTSE 350 and SmallCap companies freezing fee rates.
- The number of companies paying additional responsibility fees for the main Board committees is increasing. The most significant increase is in the percentage of companies paying additional fees for the Designated NED, for the purpose of the employee voice, as the role and time commitment becomes more defined.

Fee analysis by index – total fees received

Tables 1 to 3 provide quartile analyses of Non-Executive Directors' fee levels in FTSE 100, 250 and SmallCap companies, divided between Non-Executive Board Chairs, Senior Independent Directors (who are not deputy chairs), Audit Committee Chairs, Remuneration Committee Chairs and other Non-Executive Directors who chair no committees. Table 4 shows the median increases in Non-Executive Directors fees increased by index and by sector.

Table 1: FTSE 100 quartile analysis of Non-Executive Directors' total fees received

	FTSE 100			FTSE 30			FTSE 31-100		
	LQ	M	UQ	LQ	M	UQ	LQ	M	UQ
Non-Executive Chair	£300,700	£412,500	£639,900	£579,000	£698,000	£752,900	£277,900	£338,600	£436,000
Senior Independent Directors	£100,700	£121,000	£159,600	£137,700	£160,000	£176,000	£97,500	£109,800	£145,000
Audit Committee Chair	£83,100	£102,000	£131,100	£115,300	£143,000	£171,500	£74,000	£88,800	£104,300
Remuneration Committee Chair	£83,500	£108,400	£138,800	£120,000	£146,400	£207,000	£76,500	£89,700	£116,000
Non-Executives not chairing Committees	£77,000	£101,000	£135,000	£112,000	£131,200	£172,000	£70,000	£84,600	£107,400

Table 2: FTSE 250 quartile analysis of Non-Executive Directors' total fees received

	FTSE 250			FTSE 250 (top half)			FTSE 250 (bottom half)		
	LQ	M	UQ	LQ	M	UQ	LQ	M	UQ
Non-Executive Chair	£161,800	£214,500	£271,300	£158,300	£220,000	£297,900	£167,300	£200,000	£250,900
Senior Independent Directors	£61,900	£71,000	£89,500	£63,000	£70,000	£88,000	£61,900	£71,200	£91,000
Audit Committee Chair	£58,100	£65,500	£80,000	£60,600	£69,000	£82,500	£56,700	£60,000	£78,700
Remuneration Committee Chair	£56,500	£64,000	£75,300	£59,000	£66,100	£75,100	£55,000	£63,700	£76,100
Non-Executives not chairing Committees	£54,000	£62,100	£75,500	£56,000	£65,000	£81,700	£51,000	£59,000	£70,600

Table 3: FTSE SmallCap quartile analysis of Non-Executive Directors' total fees received

	FTSE SmallCap			FTSE SmallCap (top half)			FTSE SmallCap (bottom half)		
	LQ	M	UQ	LQ	M	UQ	LQ	M	UQ
Non-Executive Chair	£119,500	£143,500	£173,300	£128,000	£145,000	£175,200	£115,700	£123,500	£159,000
Senior Independent Directors	£54,100	£60,000	£69,000	£59,000	£65,800	£72,500	£48,300	£57,800	£61,300
Audit Committee Chair	£48,000	£55,000	£60,000	£53,100	£58,200	£82,500	£45,000	£50,000	£55,000
Remuneration Committee Chair	£47,500	£54,000	£61,000	£50,500	£56,500	£75,100	£46,000	£52,800	£56,000
Non-Executives not chairing Committees	£46,500	£53,000	£60,000	£48,200	£54,000	£81,700	£45,000	£51,500	£56,800

Table 4: Median change in Non-Executive Directors' total fees received

	FTSE 100			FTSE 250			FTSE SmallCap		
	All	FS	Non-FS	All	FS	Non-FS	All	FS	Non-FS
Non-Executive Chair	0.1%	1.0%	0.0%	0.0%	3.0%	-0.2%	-1.0%	4.7%	-1.9%
Senior Independent Directors	0.3%	5.7%	0.0%	1.9%	2.7%	1.4%	-5.7%	-	-5.7%
Audit Committee Chair	0.0%	5.2%	0.0%	0.0%	1.7%	-1.6%	-1.6%	-	-1.6%
Remuneration Committee Chair	1.3%	7.2%	0.0%	0.0%	1.9%	-1.4%	0.0%	11.1%	-3.8%
Non-Executives not chairing Committees	0.0%	1.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Fees received by NEDs increased most significantly in financial services ("FS") companies, particularly FS companies in the FTSE 100. Median fees received for NEDs in the FTSE 100 as a whole remained broadly flat year on year.

Median total fees received in the FTSE 250 have also remained similar to last year, whereas total fees paid to FTSE SmallCap Non-Executive Directors have seen the largest decreases, mostly as a result of the voluntary fee reduction taken by some companies in 2020 in response to the COVID-19 pandemic. The most significant decrease was seen in fees received by SmallCap Independent Directors which fell by nearly 6%.

Fee analysis by index – additional fees policies

Most companies specify a formal Non-Executive Director fee policy, typically providing details of the 'base fee' plus additional fees for being the Senior Independent Director, chairing and/or being member of each of the main committees or the Designated NED. Tables 5 to 7 provide quartile analyses of the fee policies by index.

Table 5: FTSE 100 quartile analysis of Non-Executive Directors' fee policies

	FTSE 100			FTSE 30			FTSE 31-100			
	LQ	M	UQ	LQ	M	UQ	LQ	M	UQ	
Board Chair	£320,000	£425,000	£615,100	£528,800	£650,000	£729,400	£300,000	£362,500	£76,300	
Base Fee	£65,000	£75,000	£88,000	£80,000	£90,000	£97,700	£62,500	£68,300	£76,300	
Senior Independent Directors	£13,800	£20,000	£30,000	£25,000	£30,000	£45,000	£11,900	£15,400	£20,000	
Committee Chair	Audit	£17,500	£23,500	£31,200	£30,000	£33,100	£50,800	£15,300	£20,000	£26,300
	Remuneration	£16,100	£21,000	£30,000	£30,000	£32,300	£38,800	£15,000	£20,000	£22,500
	Nomination	£10,500	£16,200	£21,400	£21,800	£23,900	£30,700	£10,000	£11,500	£15,000
	Risk	£20,500	£30,000	£68,000	£30,000	£71,200	£76,300	£20,500	£23,100	£30,000
	CSR	£14,000	£25,000	£33,600	£30,000	£33,600	£35,000	£12,800	£13,500	£14,300
Committee Membership	Audit	£10,000	£15,000	£23,400	£16,900	£23,400	£28,500	£8,000	£12,300	£16,400
	Remuneration	£10,000	£15,000	£20,000	£15,000	£20,000	£28,500	£6,700	£10,000	£15,000
	Nomination	£6,200	£10,000	£14,700	£10,600	£14,400	£15,300	£5,000	£6,700	£10,000
	Risk	£10,000	£16,500	£31,000	£30,000	£32,000	£34,000	£10,000	£12,500	£17,300
	CSR	£10,900	£16,800	£18,400	£17,600	£18,400	£19,200	£5,000	£5,000	£5,000
Designated NED	£10,000	£15,000	£20,000	£18,100	£21,800	£28,400	£10,000	£10,300	£16,900	

Table 6: FTSE 250 quartile analysis of Non-Executive Directors' fee policies

	FTSE 250			FTSE 250 (top half)			FTSE 250 (bottom half)			
	LQ	M	UQ	LQ	M	UQ	LQ	M	UQ	
Board Chair	£180,000	£221,300	£290,000	£185,700	£235,000	£300,000	£180,000	£200,000	£275,000	
Base Fee	£50,000	£55,000	£62,100	£53,000	£58,400	£63,800	£50,000	£52,500	£60,000	
Senior Independent Directors	£8,500	£10,000	£15,000	£9,000	£10,600	£15,800	£8,000	£10,000	£12,900	
Committee Chair	Audit	£10,000	£12,000	£16,300	£10,000	£13,500	£18,000	£9,800	£10,700	£15,000
	Remuneration	£10,000	£11,300	£15,000	£10,100	£12,700	£17,000	£9,800	£10,300	£15,000
	Nomination	£8,700	£10,000	£20,000	£10,000	£10,000	£10,300	£8,600	£12,500	£20,000
	Risk	£10,800	£17,500	£26,300	£12,000	£25,000	£27,500	£11,000	£15,000	£20,000
	CSR	£10,000	£10,500	£11,800	£10,500	£11,000	£13,000	£10,000	£10,000	£11,000
Committee membership	Audit	£5,000	£6,000	£10,000	£5,100	£7,500	£10,000	£5,000	£5,000	£7,000
	Remuneration	£5,000	£5,200	£10,000	£5,000	£6,000	£10,000	£5,000	£5,000	£10,000
	Nomination	£4,000	£5,300	£10,000	£4,300	£5,300	£6,600	£4,000	£5,600	£10,000
	Risk	£3,000	£5,000	£10,500	£4,500	£7,500	£10,100	£1,500	£5,000	£14,000
	CSR	£5,000	£5,000	£5,000	£5,000	£5,000	£5,000	£5,000	£5,000	£5,000
Designated NED	£5,400	£8,000	£10,000	£6,100	£9,900	£11,100	£5,500	£7,500	£9,800	

Table 7: FTSE SmallCap quartile analysis of Non-Executive Directors' fee policies

		FTSE SmallCap			FTSE SmallCap (top half)			FTSE SmallCap (bottom half)		
		LQ	M	UQ	LQ	M	UQ	LQ	M	UQ
Board Chair		£125,000	£154,400	£189,800	£140,800	£161,000	£191,000	£120,000	£135,000	£178,500
Base Fee		£42,500	£48,000	£52,000	£46,400	£50,000	£53,500	£40,000	£45,000	£50,200
Senior Independent Directors		£5,000	£7,500	£10,000	£5,000	£7,500	£10,000	£5,000	£7,100	£10,000
Committee Chair	Audit	£7,500	£9,000	£10,000	£7,800	£9,500	£10,000	£5,700	£8,200	£10,000
	Remuneration	£7,000	£8,200	£10,000	£7,500	£9,000	£10,000	£6,300	£8,000	£10,000
Committee membership	Audit	£5,000	£5,000	£5,000	£3,800	£5,000	£7,500	£5,000	£5,000	£5,000
	Remuneration	£5,000	£5,000	£5,000	£3,800	£5,000	£7,500	£5,000	£5,000	£5,000
Designated NED		£5,000	£5,000	£8,000	£5,000	£6,500	£10,000	£5,000	£5,000	£5,500

Table 8: Prevalence of companies paying fees for each role by index and by sector

Table 8 shows the prevalence of paying fees for each role by index and by sector. Paying additional fees for committee memberships is more common in FS companies than in others. For most companies, paying additional fees for committee memberships remains a minority practice.

		FTSE 100		FTSE 250		FTSE SmallCap	
		FS	Non-FS	FS	Non-FS	FS	Non-FS
Board Chair		100%	97%	100%	93%	100%	95%
Base Fee		100%	100%	100%	98%	100%	100%
Senior Independent Directors		95%	94%	77%	85%	86%	81%
Committee Chair	Audit	100%	100%	85%	94%	100%	90%
	Remuneration	100%	100%	69%	91%	100%	90%
	Nomination	10%	17%	12%	9%	-	-
	Risk	90%	3%	42%	4%	57%	-
	CSR	-	40%	-	18%	-	-
Committee Membership	Audit	86%	40%	54%	18%	14%	6%
	Remuneration	86%	40%	54%	17%	14%	6%
	Nomination	57%	25%	27%	8%	-	-
	Risk	76%	-	23%	-	-	-
	CSR	-	4%	-	-	-	-
Designated NED		24%	19%	12%	24%	43%	16%

Fee analysis by sector – additional fees policies

Tables 9 to 11 analyse Non-Executive Directors' fee policies in FTSE 100, 250 and SmallCap companies, divided between financial services companies and other sectors. These show that NED roles in FS companies generally attract a premium compared to NED roles at other companies, particularly for committee responsibilities.

Table 9: FTSE 100 FS vs non-FS quartile analysis of Non-Executive Directors' fee policies

FTSE 100		Financial Services			Other sectors		
		LQ	M	UQ	LQ	M	UQ
Board Chair		£325,000	£475,000	£625,000	£320,000	£408,100	£574,100
Base Fee		£72,000	£75,000	£81,200	£63,900	£71,700	£88,500
Senior Independent Directors		£15,300	£22,500	£37,000	£13,600	£20,000	£27,800
Committee Chair	Audit	£23,000	£30,000	£68,000	£15,900	£21,000	£30,000
	Remuneration	£23,000	£30,000	£60,000	£15,000	£20,000	£30,000
	Nomination	£10,000	£10,000	£10,000	£13,800	£18,300	£22,400
	Risk	£23,000	£30,000	£69,000	-	-	-
	CSR	-	-	-	£14,000	£25,000	£33,600
Committee membership	Audit	£10,600	£16,500	£30,000	£10,000	£15,000	£20,000
	Remuneration	£10,000	£15,000	£30,000	£8,000	£15,000	£18,400
	Nomination	£8,800	£12,500	£15,000	£6,200	£10,000	£10,700
	Risk	£10,000	£16,500	£31,000	-	-	-
	CSR	-	-	-	£10,900	£16,800	£18,400
Designated NED		£10,000	£15,000	£20,500	£10,100	£16,000	£19,600

Table 10: FTSE 250 FS vs non-FS quartile analysis of Non-Executive Directors' fee policies

FTSE 250		Financial Services			Other sectors		
		LQ	M	UQ	LQ	M	UQ
Board Chair		£150,000	£197,500	£292,100	£184,300	£230,000	£287,000
Base Fee		£45,100	£61,000	£69,400	£50,000	£55,000	£60,800
Senior Independent Directors		£8,600	£10,000	£16,300	£8,500	£10,000	£15,000
Committee Chair	Audit	£10,000	£17,500	£25,000	£10,000	£11,300	£15,000
	Remuneration	£9,800	£21,000	£28,800	£10,000	£11,000	£15,000
	Nomination	£11,500	£15,000	£25,000	£9,100	£10,000	£17,600
	Risk	£17,500	£25,000	£31,500	-	-	-
	CSR	-	-	-	£10,000	£11,000	£12,000
Committee membership	Audit	£5,000	£6,800	£10,400	£5,000	£5,000	£8,500
	Remuneration	£4,300	£8,800	£10,000	£5,000	£5,000	£7,400
	Nomination	£4,500	£5,500	£10,900	£3,400	£5,000	£7,000
	Risk	£6,300	£10,300	£13,100	-	-	-
	CSR	-	-	-	-	-	-
Designated NED		£6,600	£7,500	£8,800	£5,100	£8,000	£10,300

Table 11: FTSE SmallCap FS vs non-FS quartile analysis of Non-Executive Directors' fee policies

FTSE SmallCap		Financial Services			Other sectors		
		LQ	M	UQ	LQ	M	UQ
Board Chair		£97,500	£125,000	£157,500	£128,100	£157,300	£190,500
Base Fee		£45,000	£50,000	£56,300	£42,500	£48,000	£51,400
Senior Independent Directors		£5,000	£6,800	£13,400	£5,000	£7,500	£10,000
Committee Chair	Audit	£9,300	£10,000	£13,800	£7,500	£8,600	£10,000
	Remuneration	£6,800	£10,000	£13,800	£7,000	£8,000	£10,000
	Risk	£9,600	£11,300	£16,900	-	-	-
Committee membership	Audit	£10,000	£10,000	£10,000	£4,400	£5,000	£5,000
	Remuneration	£10,000	£10,000	£10,000	£4,400	£5,000	£5,000
Designated NED		£6,500	£8,000	£14,000	£5,000	£5,000	£7,000

Shareholding guidelines

It remains relatively uncommon for there to be shareholding guidelines for NEDs. Only around a quarter of FTSE 100 and between 5% and 10% of FTSE 250 and Small Cap companies disclose having formal NED shareholding guidelines. This is broadly similar to previous years.

Conclusion

Overall, companies are showing similar restraint in reviewing NED fees as they have in reviewing executive director remuneration. This is not a great surprise, as increases in NED fees will be harder to justify while many employees have been impacted by the pandemic, whether that is through furlough, pay freezes, reduced variable pay, redundancy or the impact of changes in working practices. Where fees have increased, this has typically been associated with increasing time commitments, (e.g. in relation to committee responsibilities or the new role of Designated NED) or where fee rates are demonstrably at odds with market norms.

As we come out of the pandemic and the economy recovers it is possible that, along with some wage inflation, we may also see some inflationary pressure on NED fees.

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