Research report
August 2017

Executive pay
Review of FTSE 100 executive pay packages
The CIPD is the professional body for HR and people development. The not-for-profit organisation champions better work and working lives and has been setting the benchmark for excellence in people and organisation development for more than 100 years. It has 140,000 members across the world, provides thought leadership through independent research on the world of work, and offers professional training and accreditation for those working in HR and learning and development.

The High Pay Centre is an independent non-party think-tank established in 2012 to monitor pay at the top of the income distribution, and set out a road map towards better business and economic success.
Executive pay

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Acknowledgements

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Foreword

‘Will the new minority government devote its limited time to reforming the way that big businesses are governed and its leaders remunerated? Or will it focus all its energy on Brexit?’

Despite the growth in the stock market over the past 12 months, remuneration for FTSE 100 chief executives fell in the financial year to 2016 compared with 2015. What accounts for this fall?

One explanation is that it has become hard for organisations to justify further growth in CEO pay while the wage progression for the typical British worker has been so subdued.

Another is that politicians have become more interested in CEO remuneration. In her speech to launch her leadership campaign last year, Theresa May highlighted and criticised the growing gap between rewards for those at the top and those who were just about managing.

Following on from this, there have been various reviews of corporate governance, such as the House of Commons’ Business, Energy and Industrial Strategy (BEIS) Select Committee inquiry; the Department for BEIS green paper on corporate governance; the Hampton-Alexander Review into FTSE women leaders; and the Parker Review Committee report into UK board ethnic diversity.

Against this backdrop, investors have become just as interested in the level of CEO pay (also known as the quantum) and its ‘fairness’ as the design of the executive remuneration package itself, both in terms of its complexity and its alignment with corporate performance and purpose.

This has resulted in some shareholder rebellions at AGMs. However, firms have also been more likely to engage with their investors in order to arrive at some sort of consensus before making their pay recommendations.

In some instances, firms have even withdrawn their proposals before the vote has taken place.

The question is whether the focus by investors on the levels of executive remuneration would still have occurred if they had not assumed that this year the Government would introduce a corporate governance bill with recommendations concerning pay ratios, worker representatives on the remuneration committee and annual binding votes.

This assumption has been upended by June’s general election results. Will the new minority Government devote its limited time to reforming the way that big businesses are governed and its leaders remunerated? Or will it focus all its energy on Brexit?

Our concern is that if the Government vacates this space, CEO remuneration will accelerate once more, undermining employee engagement and attempts to boost workplace productivity. Therefore, we want to see Theresa May stick to her guns and introduce a bill to reform executive pay before the year end.

Regardless of what the Government may or may not do, we would advise firms to adopt the use of pay ratios. Pay ratios should not be seen as a threat or punishment but rather as a mechanism to bring about greater fairness and transparency at work, and avoid the demotivating effects of unjustified wage gaps.

Charles Cotton
Policy Adviser, Performance and Reward, CIPD

Stefan Stern
Director, High Pay Centre
Executive summary

Our review of FTSE 100 CEO pay packages shows a sharp turnaround in the rising trend of remuneration. FTSE 100 CEOs have seen an overall drop in pay packages, especially at the top end, though the gulf between the highest paid executives and the rest of the workforce still remains.

The average FTSE 100 CEO is now receiving £4.5 million a year, based on the FTSE 100 list in March 2017.

Our analysis of FTSE 100 CEO pay packages reveals that rewards at the very top have dropped to below 2014 levels, though still remain high.

While households have seen their income fall1, our research shows that CEOs have also seen their remuneration drop with average FTSE 100 CEO pay falling by 17%, from £5.4 million in 2015 to £4.5 million in 2016.

Despite this fall, on £28,000 per year, it would take an average UK full-time worker 160 years to earn what an average FTSE 100 CEO could earn in a year. Our research reveals that 60 of the FTSE 100 CEOs earn more than 100 times the UK average salary.

The gap between highest and lowest FTSE 100 pay packages has closed, as companies ‘chase the median’. Average pay packages of the 25 highest paid CEOs have dropped by 24% to £9.4 million in 2016. Conversely, the 32 lowest paid CEOs in the FTSE 100 have seen an increase in their overall package.

The squeeze is largely down to one individual, Sir Martin Sorrell, whose pay package has dropped significantly from £70.4 million to £48.1 million in 2016. If we were to exclude him from the analysis, the fall would decrease from 17% to 15%.

While the overall trend has been downwards, there are exceptions.

Some of the biggest pay climbers this year include:

- AstraZeneca’s Pascal Soriot, whose total pay package rose by almost £5 million to £13 million this year
- CRH plc’s Albert Manifold, whose package virtually doubled from £4.07 million to £8.05 million
- Carnival plc’s Arnold Donald, whose package almost quadrupled from £6 million to £22 million
- British American Tobacco’s Nicandro Durante, whose total pay package rose from £4.5 million to £7.6 million.

Mark Cutifani, CEO of AngloAmerican, saw his pay package rise by half a million to £4.0 million despite the number of fatalities among the workforce increasing to 11 fatalities, compared with six last year.

At BHP plc, the CEO received no short-term incentive because of the collapse of the Samarco dam.

One notable jump in CEO remuneration was Arnold Donald’s of Carnival plc. He earned just over £22 million in 2016 (from £6 million in 2015), the year in which Carnival was ordered to pay £32 million in penalty charges relating to its deliberate pollution of the seas and intentional acts to cover it up. This is the largest-ever criminal penalty involving deliberate vessel pollution.2

The state of pay: summary findings from the financial year ending 2016

- Average pay for a FTSE 100 CEO has dropped to £4.53 million in 2016, a decrease from £5.44 million in 2015, but still higher than the £4.13 million in 2010.
- In 2016, the average pay ratio between FTSE 100 CEOs and the average pay package of their employees was 129:1. In 2015, the ratio was 148:1.
- If we use the ratio measure used in last year’s report, the average pay ratio between FTSE 100 CEOs and their average employee wages (excluding pensions and share-based pay) is 138:1, down from 156:13 in 2015.
- Median FTSE 100 CEO pay is £3.45 million, a drop from recent years and marginally higher than the £3.39 million in 2010.
- The more gradual decrease in median pay reflects the more dramatic drop in pay of CEOs at the top.

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3 This figure is higher than previously calculated, due to more information being available, some further adjustments made for exchange rates and a larger data set.
• Comparing the median pay of a FTSE 100 CEO with that of a UK full-time worker, the pay ratio stands at 122:1, or 149:1 when comparing with all UK employees.
• This ratio rises to 132:1 when comparing the average or ‘mean’ pay of a FTSE 100 CEO with that of a full-time worker across the whole UK economy, or 160:1 when comparing with all UK employees.
• In contrast to the generous pay packages awarded to their executives, only just over a quarter of the 100 FTSE companies are accredited by the Living Wage Foundation for paying the Living Wage to all their UK-based staff.

Table 1: The ten highest paid CEOs in 2016

<table>
<thead>
<tr>
<th>Chief executive</th>
<th>Company</th>
<th>2016 pay</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sir Martin Sorrell</td>
<td>WPP</td>
<td>£48,148,000</td>
</tr>
<tr>
<td>Arnold Donald</td>
<td>Carnival</td>
<td>£22,359,000</td>
</tr>
<tr>
<td>Rakesh Kapoor</td>
<td>Reckitt Benckiser Group plc</td>
<td>£14,609,000</td>
</tr>
<tr>
<td>Pascal Soriot</td>
<td>AstraZeneca plc</td>
<td>£13,389,000</td>
</tr>
<tr>
<td>Erik Engstrom</td>
<td>RELX</td>
<td>£10,563,000</td>
</tr>
<tr>
<td>Bob Dudley</td>
<td>BP plc</td>
<td>£8,399,000</td>
</tr>
<tr>
<td>Albert Manifold</td>
<td>CRH plc</td>
<td>£8,045,000</td>
</tr>
<tr>
<td>Nicandro Durante</td>
<td>British American Tobacco</td>
<td>£7,630,000</td>
</tr>
<tr>
<td>Flemming Ornskov</td>
<td>Shire plc</td>
<td>£7,504,000</td>
</tr>
<tr>
<td>Ben Van Beurden</td>
<td>Royal Dutch Shell plc</td>
<td>£6,925,000</td>
</tr>
</tbody>
</table>

Table 2: The ten highest paid CEOs in 2015

<table>
<thead>
<tr>
<th>Chief executive</th>
<th>Company</th>
<th>2015 pay</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sir Martin Sorrell</td>
<td>WPP</td>
<td>£70,416,000</td>
</tr>
<tr>
<td>Tony Pidgeley</td>
<td>Berkeley Group plc</td>
<td>£23,296,000</td>
</tr>
<tr>
<td>Rakesh Kapoor</td>
<td>Reckitt Benckiser Group plc</td>
<td>£23,190,000</td>
</tr>
<tr>
<td>Jeremy Darroch</td>
<td>Sky plc</td>
<td>£16,889,000</td>
</tr>
<tr>
<td>Flemming Ornskov</td>
<td>Shire plc</td>
<td>£14,638,000</td>
</tr>
<tr>
<td>Bob Dudley</td>
<td>BP plc</td>
<td>£13,296,000</td>
</tr>
<tr>
<td>Erik Engstrom</td>
<td>RELX</td>
<td>£10,869,000</td>
</tr>
<tr>
<td>Mike Wells</td>
<td>Prudential plc</td>
<td>£10,031,000</td>
</tr>
<tr>
<td>Michael Dobson/Peter Harrison</td>
<td>Schroders plc</td>
<td>£8,905,000</td>
</tr>
<tr>
<td>Antonio Horta Osorio</td>
<td>Lloyds Group</td>
<td>£8,773,000</td>
</tr>
</tbody>
</table>

Table 3: Remuneration of female CEOs in the FTSE 100 (2015 and 2016)*

<table>
<thead>
<tr>
<th>Chief executive</th>
<th>Company</th>
<th>2016 pay</th>
<th>2015 pay</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carolyn McCall</td>
<td>easyJet plc</td>
<td>£1,465,000</td>
<td>£6,198,000</td>
</tr>
<tr>
<td>Alison Cooper</td>
<td>Imperial Brands plc</td>
<td>£5,537,000</td>
<td>£3,582,000</td>
</tr>
<tr>
<td>Sir Ian Cheshire/Veronique Laury</td>
<td>Kingfisher plc</td>
<td>n/a</td>
<td>£1,505,000</td>
</tr>
<tr>
<td>Moya Greene</td>
<td>Royal Mail plc</td>
<td>£1,529,000</td>
<td>£1,522,000</td>
</tr>
<tr>
<td>Liv Garfield</td>
<td>Severn Trent plc</td>
<td>£2,433,000</td>
<td>£2,098,000</td>
</tr>
<tr>
<td>Alison Brittain</td>
<td>Whitbread plc</td>
<td>£1,490,000</td>
<td>n/a</td>
</tr>
</tbody>
</table>

*Emma Walmsley, the new CEO of GlaxoSmithKline plc, has not been included in this analysis because she took up her role in 2017.
Results of executive pay analysis

1 Breakdown of CEO pay

The overall pay packages of CEOs are largely made up of variable pay. In fact, only 20% of total remuneration is represented by base salary.

Treating fixed pay as a combination of salary, pension and benefits, of every £10 received, typically around just £3 is fixed pay. The rest is made up of short-term and long-term incentive plans.

Figure 1 shows the overall breakdown of money awarded to the FTSE 100 CEOs in 2016. It is worth bearing in mind that the variable element of total pay has not probably been paid yet. The single figure methodology counts remuneration that is paid or payable, and some of the CEO packages will include estimated pay from long-term incentive plans (LTIPs) that have yet to vest.

Figure 1: Breakdown of average FTSE 100 single figure pay (£)

- Base salary: 2,223k
- Benefits: 876k
- Pension: 91k
- Bonus or STIP: 264k
- LTIP/ISP: 1,142k

Long-term incentive plans
These represent the largest piece of the pie – 48% of total pay. Over £213 million was paid out in LTIPs for FTSE 100 CEOs last year.

Short-term incentives or bonuses
A quarter (25%) of total FTSE 100 CEO pay comes in the form of a bonus or short-term incentive. Almost all companies (93%) awarded bonuses or short-term incentive plans (STIPs) in 2016, paying out a total of £112.5 million.

Pensions
Pensions represent just 6% of the pie. In some instances, the CEO receives no pension at all. For instance, Antofagasta don’t offer pensions to directors, in line with the Corporate Governance Code’s recommendations for non-executive directors, while both executive directors at Hikma have opted for a cash allowance in lieu of pension benefits in 2016, but are expected to return to receiving pension benefits in 2017.

Benefits
CEO benefits represent 2% of total pay, an average of £91,000 per CEO. They typically include items such as car allowance, health insurance, life insurance, tax advice, relocation expenses, housing and education allowances, tax equalisation, exchange rate adjustments and gym membership.

Taylor Wimpey’s CEO Pete Redfern receives a ‘5% discount on the price of a new or part exchange home acquired from the Group in the UK or Spain, but this is limited to a maximum of one home per year.’

Carnival plc’s Arnold Donald’s personal use of aircrafts amounted to just under $100,000 in 2016. This figure excludes fixed costs, which do not change based on usage, such as pilots’ salaries, aircraft depreciation and overhead costs.

Sir Martin Sorrell gets most of his reward in LTIPs, but among the benefits he received last year was a ‘per diem housing allowance paid when the executive uses their own accommodation when travelling outside of their home country’.

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4 We have treated pensions as fixed pay but recognise that in certain circumstances the amounts disclosed as pension entitlement may vary from year to year because of the nature of the pension arrangements.

5 Overall, the average TOTAL fixed amounts paid out across the FTSE 100 is £2.57 for every £10 paid out to ALL FTSE 100 CEOs. This is a weighted average because certain CEOs can swing this figure. Each CEO, though, will typically receive 38% of their pay as a fixed amount, that is £3.80 for every £10 received.

6 This is based on the CEO single figure stated in the annual reports, which is a statutory requirement. We note that certain elements of these figures will not have been paid out, for example, variable awards that have vested but haven’t actually been paid. We also note that in some cases the bonus awarded may not have been accepted by the CEO to whom it was awarded.
2 Pay ratios

‘For every £1 the average employee is paid, their CEO receives £129.’

The impact of long-term incentive plans and bonuses contributes to the divide between the very rich and the less rich. While the average employee of a FTSE 100 company receives a salary package worth £48,000 (though the weighted average is just £36,000), the ratio of CEO pay to average staff pay is still high.

For every £1 the average employee is paid, their CEO receives £129. This is lower than last year’s figure of £148, but is high when compared with the £45 they would have received 20 years ago.7

When comparing CEO pay with their staff, average ratios varied in size considerably. Some CEOs earned over 1,200 times the average pay packages of their staff. For others the ratio is just 15 to 1.

In Figure 2 we see the average FTSE 100 CEO package broken down by industry classifications using the Industry Classification Benchmark.8 The figure also shows the average of the ratios of CEO pay to staff pay package for the FTSE 100 companies in each of these sectors.

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8 http://www.icbenchmark.com/structure

Figure 2: Average ratios of CEO pay to staff pay package, by industry sector
Pay ratios differ by industry. They are lowest in the technology sector and highest in consumer services, followed by consumer goods.

The following analysis breaks down the pay ratios for sectors with more than ten FTSE 100 companies in them, to allow for meaningful comparison.

**Consumer services**

Consumer services is the sector with the highest average pay ratios in our analysis.

Figure 3 shows the pay ratios for each FTSE 100 company in this sector and illustrates that the average pay ratios for this sector are driven by two particular companies, WPP and Carnival plc. These two companies pay the top two CEO packages and, in the case of Carnival plc, have a relatively low average staff pay package of around £18,000 per annum. With ratios of 1,134:1 and 1,264:1, respectively, they swing the stats for other companies in this sector.

Ten of the 21 companies in this sector have pay ratios above the FTSE 100 average (129:1).
### Consumer goods
The sector with second largest pay ratios is consumer goods. Figure 4 shows a breakdown of pay ratios by company in this sector. Again, we see a broad range of pay ratios, from 54 to 493, with Reckitt Benckiser Group plc higher than the rest.

### Financial services
Financial services represents the most number of companies in the FTSE 100, with 23 companies falling into this sector.

Figure 5 shows the pay ratios for the companies in this sector, which are in most cases lower than the average pay ratio for FTSE 100 companies (129:1). This is due to relatively high average staff pay in this sector.

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**Figure 4: CEO pay ratios to average staff package in consumer goods**

<table>
<thead>
<tr>
<th>Company</th>
<th>Pay Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Burberry Group plc</td>
<td>54</td>
</tr>
<tr>
<td>GKN plc</td>
<td>54</td>
</tr>
<tr>
<td>Persimmon plc</td>
<td>54</td>
</tr>
<tr>
<td>Balfour Housing &amp;c</td>
<td>64</td>
</tr>
<tr>
<td>Taylor Wimpey plc</td>
<td>89</td>
</tr>
<tr>
<td>Diageo plc</td>
<td>98</td>
</tr>
<tr>
<td>Coca-Cola HBC AG</td>
<td>108</td>
</tr>
<tr>
<td>Associated British Foods plc</td>
<td>205</td>
</tr>
<tr>
<td>IMPBardic</td>
<td>217</td>
</tr>
<tr>
<td>Unilever plc</td>
<td>239</td>
</tr>
<tr>
<td>British American Tobacco</td>
<td>316</td>
</tr>
<tr>
<td>Reckitt Benckiser Group plc</td>
<td>493</td>
</tr>
</tbody>
</table>

**Figure 5: CEO pay ratios to average staff package in financial services**

<table>
<thead>
<tr>
<th>Company</th>
<th>Pay Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Admiral Group plc</td>
<td>18</td>
</tr>
<tr>
<td>Land Securities Group plc</td>
<td>22</td>
</tr>
<tr>
<td>St James’s Place plc</td>
<td>24</td>
</tr>
<tr>
<td>Schroders plc</td>
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</tr>
<tr>
<td>Barclays plc</td>
<td>33</td>
</tr>
<tr>
<td>HSBC Holdings plc</td>
<td>33</td>
</tr>
<tr>
<td>Hammerson</td>
<td>38</td>
</tr>
<tr>
<td>Standard Chartered Group plc</td>
<td>38</td>
</tr>
<tr>
<td>Legal &amp; General Group plc</td>
<td>42</td>
</tr>
<tr>
<td>Lloyds Group</td>
<td>58</td>
</tr>
<tr>
<td>Royal Bank of Scotland</td>
<td>61</td>
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<tr>
<td>Aviva plc</td>
<td>77</td>
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<tr>
<td>RSA Insurance</td>
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<tr>
<td>Phoenix Life</td>
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<td>Standard Life</td>
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<td>Thanet Insurance</td>
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<td>HSCBC House</td>
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<td>Direct Line Group</td>
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<td>Old Mutual</td>
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<td>Prudential Group</td>
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<tr>
<td>Lloyds Group</td>
<td>135</td>
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<tr>
<td>Provident Financial</td>
<td>137</td>
</tr>
</tbody>
</table>
**Industrials**

The industrial sector is represented by 15 companies in the FTSE 100. Figure 6 shows the pay ratios for firms in this sector. They range from 30:1 for Rolls-Royce to 210:1 for Intertek, but most of the pay ratios are below average for the FTSE 100.

**Figure 6: CEO pay ratios to average staff package in industrials**
Company size

Figure 7 explores an additional element of this analysis - the average headcount of the companies in each sector. The bigger the bubble, the greater the average headcount of the companies we have reviewed.

For example, the average headcount of FTSE 100 companies in the industrial sector is 43,112 in 2016. On average, the CEOs of these companies earn just under £3.5 million and the average staff package is around £43,000.9

The top left quadrant of Figure 7 shows those sectors with higher average CEO pay but lower average staff pay packages, and whose average pay ratios are highest overall. By contrast, the bottom right quadrant represents the sectors with relatively lower CEO pay and relatively higher average staff pay packages, whose average pay ratios are lower overall.

In the other two quadrants, we see a positive correlation between CEO pay and staff pay.

In terms of headcount, we see that larger companies tend to have a higher pay ratio, with the exception of the oil and gas sector, which has relatively high average staff pay packages and so reduces the pay ratio.

One possible reason for high ratios in bigger companies is that large firms, such as supermarkets, will tend to employ more part-time staff. This will affect the pay ratios, which are based on average staff pay by headcount rather than by full-time equivalent staff numbers (since very few companies disclose their FTEs).

Another possible factor is that larger companies are more likely to have more overseas staff whose pay, depending on location, can be lower than the UK equivalent.

While an increasing number of FTSE 100 firms now disclose how many people they employ in the UK in their annual reports, still only around a third (38 of the 100) give this breakdown.

The ratios would reduce if adjustments were able to be made for part-time workers and differences in overseas living costs. It is our recommendation that companies break down staff costs and headcount by country and also specify full-time equivalent staffing figures, to allow a like-for-like comparison of companies’ full-time equivalent pay rather than comparing a variety of salaries across the different markets.

Figure 7: Average CEO single figure vs. average staff package, sized by average company headcount in each industry sector

Note that the ratio of these average pay figures (81:1) is slightly different from the average of the company ratios (92:1). This is to be expected, as ratio of average pay is different from the average of company ratios (unless the average staff packages are the same). To illustrate this by example, if three CEOs were to earn £1 million each and the average staff packages for their companies were £50,000, £50,000 and £200,000, the average CEO pay would be £1 million and the average staff package would be £100,000, so the ratio of the averages would be 10:1. However, the ratios for each of the three companies would be 20:1, 20:1 and 5:1, so the average of the ratios would therefore be 15:1, which is a different result.
As a FTSE 100 CEO, it is more likely that your name is David than you being a female. In fact, it is also more likely that your name is Steve or Stephen.

There are eight Davids in the FTSE 100 CEO list and seven Steves or Stephens, but just six females in the 2016 cohort (one more than in last year’s).

And as a male, you are likely to earn 77% more on average than your female counterpart. Male CEOs in the FTSE 100 earned on average £4.7 million last year, compared with £2.6 million on average for women.

So, while females make up around 6% of the FTSE 100 CEOs, they earn just 4% of the total pay, illustrated in Figure 8.

There are 148 females on FTSE 100 remuneration committees, an 8% rise from last year, possibly in response to such initiatives as the 30% club and the Davies Review for Women on Board. However, nine firms have no women on their remuneration committees.

Despite increasing female representation on remuneration committees, there are still just 30 female executive directors in the FTSE 100. Over three-quarters of FTSE 100 companies (77) have no female executive directors.

‘Despite increasing female representation on remuneration committees, there are still just 30 female executive directors in the FTSE 100.’
4 Brexit

We have seen a significant rise in the number of FTSE 100 companies reporting Brexit as a risk, with 71 companies mentioning it compared with just three last year. A further two firms have reported on the business opportunities for Brexit.

5 Our approach

Summary of our approach
We focused our research on the top 100 FTSE companies as at 22 March 2017 and analysed the information published in their annual reports for the financial year ending in 2016.

We excluded Scottish Mortgage, as it is an externally managed investment trust (and not relevant to this study as it has a different business model from normal trading companies and is obliged by regulation to have non-executive boards that are independent of the manager). Our cross-company analysis is therefore based on the remaining 99 firms.

Year-on-year comparisons are with the FTSE 100 list from May 2015. Six companies left/joined the FTSE 100 list between these two dates, but we chose to compare the FTSE 100 cohort despite this small movement in the list.

Companies have been grouped into ten industry sectors taken from the Industry Classification Benchmark definitions sourced from www.ftse.com/products/indices/icb.

Foreign exchange rates
All pay figures have been converted to sterling before making comparisons. We have applied weighted average exchange rates for the 12 months prior to company year-end. These are sourced from www.gov.uk/government/publications/hmrc-exchange-rates-for-2016-monthly and www.gov.uk/government/publications/hmrc-exchange-rates-for-2015-monthly. Note that, in 2015 analysis, we have used the year-end spot figure for exchange rates.

Ratio analysis
When calculating the pay ratios, we have compared the CEO single figure with various employee or UK average pay packages.

The CEO single figure includes base pay, benefits, pensions, short-term bonuses or incentive plans and long-term incentive plans or LTIPs.

Comparison with average staff pay package
We have compared total CEO pay with the average staff pay packages in their company. We have calculated the staff pay package by totalling wages, pension costs and share-based pay, and subtracting the CEO single figure to form a total staff package excluding the CEO. This figure has then been divided by the 12-month average headcount to get to the average staff pay package.

Our headcount figures are in most cases a 12-month average headcount figure (occasionally the full-time equivalent figure was the only one available to us).

We are aware that some companies have part-time staff, which is not reflected in the headcount figures. It would have been preferable to use the FTE figure in all cases to reflect any part-time workers, but this is not usually available.
In some cases, the CEO may be based in a different country from some of their employees, but adjustments were not able to be made for different costs of living in the different countries because of insufficient available information.

**Comparison with UK average pay**

We also compared total CEO pay with UK employee averages, which were sourced from the ONS’s Annual Survey of Hours and Earnings.

- We have compared the median FTSE 100 CEO pay with the median pay of UK employees (£23,099) and of UK full-time employees (£28,213).
- We have compared the mean FTSE 100 CEO pay with the mean pay of UK employees (£28,296) and of UK full-time employees (£34,414).

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### 6 Our recommendations

**Reporting recommendations**

We would encourage companies to disclose:

- their FTE figures alongside their headcount numbers, and include a breakdown by region of both FTEs and staff costs so a comparison of UK-only pay ratios can be made
- employee figures for contractors as well as permanent staff, for a deeper understanding of the true size of the business
- pay ratios within their organisation. This can include the ratio from the highest to the lowest paid employee, pay ratios between management tiers as well as the ratio between the pay for the CEO and the median worker
- a graph showing the skew of a company income distribution over time to show if it is becoming more evenly distributed or not
- how they invest in, lead and manage their workforce for the long term.