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Analysis of UK CEO Pay in 2022: High Pay Centre

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August 2023

Summary of key findings

- The median FTSE 100 CEO was paid £3.91 million in 2022. This is the highest level of median pay since 2017, and is an increase of 16% on the median FTSE 100 CEO pay in 2021, which stood at £3.38 million.
- The median FTSE 100 CEO pay of £3.91 million is 118 times the median earnings of a UK full-time worker in 2022 (£33,000) [1]. This represents an increase from 108:1 last year and is the widest gap since 2018 (123:1).
- Mean FTSE 100 CEO pay was likewise higher than the previous year, at £4.44 million, up from £4.23 million in 2021.
- The highest paid FTSE 100 CEO received a total of £15.32 million, at AstraZeneca. This is 464 times the pay of the median UK full-time worker.
- 96% of FTSE 100 companies paid their CEO a bonus in 2022, compared to 87% in 2021. However, the mean bonus payment decreased slightly from £1,431k in 2021 to £1,407k in 2022.
- 74% of FTSE 100 companies paid their CEO a Long Term Incentive Payment (LTI), up from 71% in 2021. The mean LTI payment increased from £1,496k in 2021 to £1,791k in 2022.
- Across the FTSE 350 a total of £1.33bn was spent on the pay of 570 executives.
- The median total spend on executive pay (including the CEOs and other executives) for FTSE 100 companies in 2022 was £6.39 million, up from £6.30 million in 2021.
- There were eight female FTSE 100 CEOs in 2022, down one from nine in 2021.
- The median pay for female CEOs was £3.91 million. This is comparable to the median pay of male FTSE 100 CEOs at £3.96 million.
- The median FTSE 250 CEO was paid £1.77 million in 2022, which is a £0.05 million increase on the 2021 figure of £1.72 million.
- In 2022 the median FTSE 250 CEO was paid 54 times the median UK worker. The figure was 55:1 in 2021.
- Mean FTSE 250 CEO pay was higher than the previous year, at £2.37 million, up 11% from £2.13 million in 2021.

Introduction

This report analyses the pay of FTSE 100 and FTSE 250 CEOs in 2022, as documented in the companies' own retrospective annual reports for the year.

The FTSE 350 remains an imperfect proxy for top pay across the UK in general. Many of the companies in the index are international operations with limited presence in this country beyond a listing on the London Stock Exchange.

Conversely, there are many major UK employers that are not included in the index, because they are either privately owned or listed by parent companies in other countries. In some respects, the listed companies attract the most analysis (and criticism) because they are subject to the most demanding disclosure requirements and thus data on their pay practices are obtainable.

Even at listed companies, there is very little clear, consistent data on pay for top earners beyond the executive team. This limits our understanding of intra-firm inequality, the total cost to businesses of highly-paid managers, the value that is generated in return for these costs and the 'opportunity cost' in terms of pay for other workers or investment in innovation and productivity.

It remains the High Pay Centre view that all large employers should be required to provide more information about the pay of their senior managers and that of their wider workforce, as well as their working practices more generally.

Nonetheless, there are still considerable useful insights that FTSE 350 CEO disclosures provide. The index contains many of the UK's biggest private sector employers across a wide range of sectors, whose pay and employment practices as market leaders and reference points have a much wider impact. The fact that pay levels for FTSE 100 CEOs raced away from the average UK worker between the 1980s and the 2000s, mirroring the widening gap between the super-rich and everybody else over the same period, demonstrates how CEO pay can lead and reflect wider societal inequality.

Analysing FTSE pay in 2022, it is important to note that 2022 was the first year in the UK since 2019 without a Covid lockdown. This means that it is possible that companies may still have been experiencing something of a post-Covid bounce, similar to what we saw in 2021. However, it is also worth stating that since FTSE listed companies have operations around the world, continued restrictions in other countries may have affected these companies.

2022 was also the year that war broke out in Ukraine, and inflation which had started to grow in the UK in 2021, rocketed in 2022, starting the year at 5.5%, and ending the year at 10.5%, having hit a 41 year high of 11.1% in October [2]. Those on low and middle incomes were hit particularly hard by the huge spike in energy prices as well as rises in food prices which exceeded overall inflation growing from 4.3% in January 2022 to 16.8% by the end of the year [3].

Real terms wage growth has failed to keep up with rising prices leading to a serious ‘cost-of-living crisis’. Median pay for full-time UK workers grew 5.5% from 2021 to 2022 - far lower than inflation in this period. Higher interest rates and consequently higher mortgage repayments and rents, have further exacerbated the hardship for many households.

Both the Bank of England and the Prime Minister have cautioned against inflation busting pay rises for workers, warning that large pay rises could lead to a wage price spiral, fuelling inflation. While the evidence for this is much contested, it has been used partly to justify below inflation pay rises for public sector employees, and while wage growth has been higher in the private sector, on average it has not kept up with inflation [5].

This economic backdrop inevitably means that large pay awards made to multi-millionaire executives are likely to be politically sensitive. Concerns about economic inequality ensure that the gap between top executives and the wider workforce is closely scrutinised. Many critics argue that CEO pay practices at major UK employers, where the millions of pounds lavished on a handful of top managers represent a cost equivalent to funding life-changing payments for thousands of lower-paid workers, illustrate the damaging impact that our business culture and governance model has on living standards.

At the same time, many of the board members and investors who set executive pay maintain the view that the multi-million pound pay awards made to FTSE executives remain too low. Earlier this year the Chief Executive of the London Stock Exchange (LSE) Julia Hoggett claimed that UK CEOs are not well-paid by international standards and that this represents a long-term risk for the UK economy, in terms of attracting sufficiently capable business leaders [6]. Her comments were subsequently endorsed by a number of leading investment industry figures [7]. In a recent survey of FTSE executives, increasing executive pay was the most popular option of a series of suggestions for improving the appeal of the LSE as a listing venue [8].

These important debates around the conflicts between attracting and retaining good business leadership, combating economic inequality and ensuring that living standards are maximised for the widest number of people will no doubt continue to inspire strong opinions. This report is intended to help ensure that they are informed by facts and data.

Methodology

Our research covers the FTSE 100 and FTSE 250 cohort as at June 2022 and analyses the information published in their annual reports for their financial year ending in 2022.

We excluded FTSE 100 companies Scottish Mortgage Investment Trust, Foreign & Colonial Investment Trust and Pershing Square Holdings from our analysis as they are externally managed investment trusts and therefore not relevant to the study of CEO and employee pay. In the FTSE 250 we excluded 94 companies, the vast majority of whom are also externally managed investment trusts, with a small minority of other companies for whom data was not available.

Figures for total CEO pay are based on the ‘single figure’ disclosed in companies’ annual reports, calculated according to a methodology prescribed by government regulation. In cases where there has been a change of CEO during the financial year, the figure reflects the total remuneration awarded to the two (or more) individuals in their role as CEO, including any one-off costs like transfer expenses and golden handshakes. However, in the cases of Prudential and Taylor Wimpey, where the CEOs held other board roles in 2022, the remuneration report lacks specific details regarding the size of pay components, such as bonuses and LTIs, for the time they served as CEOs. Instead, the report accounts for their entire year of service on the board, making it challenging to calculate their precise pay components. Consequently, analysis of pay components is of 95 out of the 97 companies. Where we have calculated the proportion of CEO pay made up of bonuses and LTIs, we have counted all instances in which a bonus or LTI was not paid as 0. This includes companies where a bonus or LTI scheme was not in place, as well as those where the minimum performance criteria to trigger a pay-out were not met, or where the bonus or LTI was waived on a discretionary basis.

Where 2021 CEO pay has been restated in the 2022 accounts, we have used the restated figures based on 2022 accounts.

In previous years the breakdown of CEO pay has included all employee share plans and other payments which do not fit within the other specified component categories under LTI. This year we have separated them and categorised them under "other". We have also adjusted 2021's figures accordingly, but in previous years these payments are included within the LTI category.

Averages (mean and median)

Both the mean and the median are single values that describe the middle or average of a range of values. The mean is calculated by adding together all the values in a dataset and then dividing the result by the number of values in that dataset. To find the mean pay received by FTSE CEOs, we have added all of the CEO single figures together and then divided the total by the number of FTSE CEOs in our sample (97 excluding Scottish Mortgage, Foreign & Colonial Investment Trust and Pershing Square Holdings, as discussed). The median is found by listing all the values in numerical order. If there is an odd number of values, the median is the number in the middle of the list; if there is an even number of values, the median is the mean of the two middle numbers. Both the mean and median figures are useful in exploring the distribution of single figure outcomes received by FTSE CEOs. If the mean and median single figures for remuneration were the same, this would indicate that there was no skew in how pay has been distributed. If the mean and the median are widely different, the dataset is skewed, either by the presence of very low earners (where the mean is below the median) or by a group of very high earners (where the mean is above the median).

Median is generally the preferred measure of average earnings as it is less affected by outliers than the mean is.

Foreign exchange rates

All pay figures have been converted to sterling before analysing the data. We have used the spot rates closest to each company's year-end. These are taken from government sources [9].

Analysis of Executive Pay in 2022

FTSE 100 CEO pay trends in 2022

The median FTSE 100 CEO took home £3.91 million in 2022. This is the highest level of median pay since 2017, and represents an above inflation increase of 16% on the median FTSE 100 CEO pay in 2021, which stood at £3.38 million (revised) [10]. The rise in CEO pay can be attributed, at least in part, to the economic recovery and related growth experienced in 2021 and 2022 following the Covid-19 shutdowns in 2020, leading to strong incentive pay awards tied to profitability and share prices.

Meanwhile, the median income for full-time workers in the UK was £33,000, an increase of 5.5% from £31,285 in 2021 [11]. The pay ratio of the median FTSE 100 CEO to the median UK full-time worker has also risen to 118:1 in 2022 from 108:1 in 2021.

Mean CEO pay was slightly higher than the previous year, at £4.44 million, up 5% from £4.23 million in 2021.

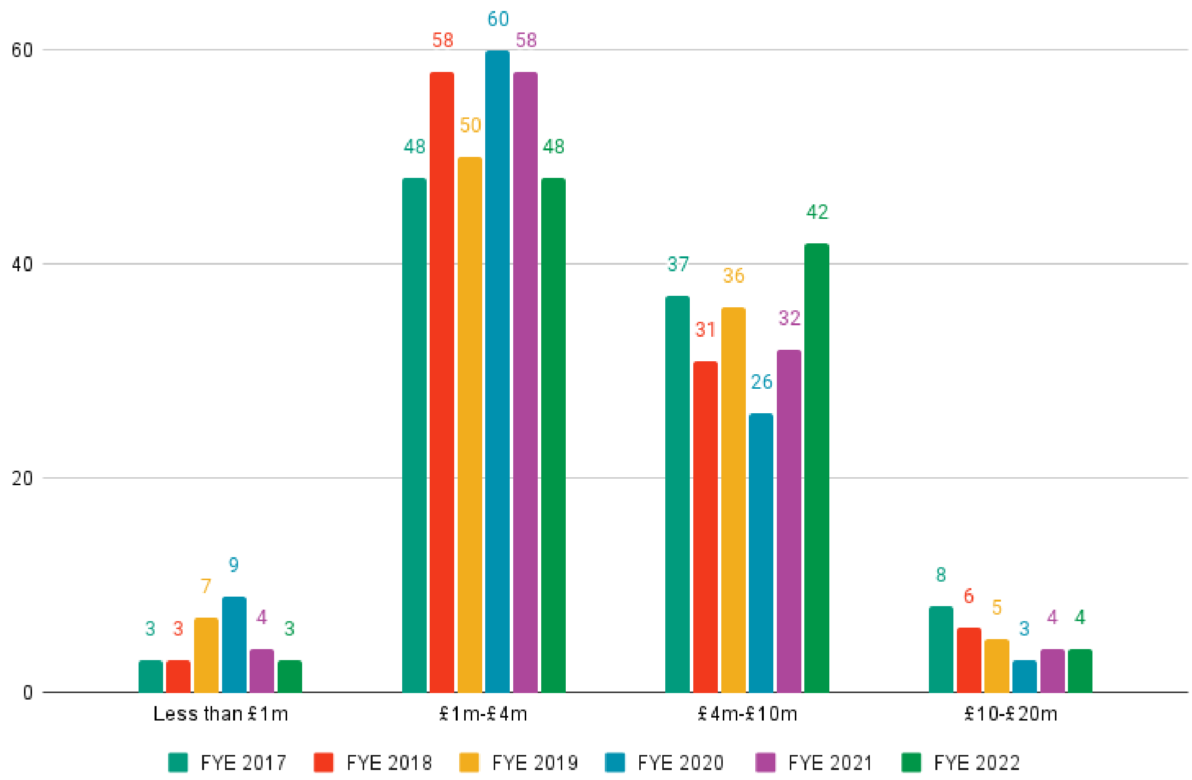
The highest paid FTSE 100 CEO received a total of £15.32 million, at AstraZeneca. This is 464 times the pay of the median UK full-time worker.

Table 1: FTSE 100 companies with the highest CEO pay in 2022

Company	CEO	Pay (£m)
AstraZeneca	Pascal Soriot	15.32
BAE Systems	Charles Woodburn	10.69
CRH plc	Albert Manifold	10.38
BP	Bernard Looney	10.03
Experian	Brian Cassin	9.94
Shell plc	Ben van Beurden	9.70
British American Tobacco	Jack Bowles	9.62
Anglo American plc	Mark Cutifani/ Ducan Wanblad [12]	9.54
Endeavour Mining	Sebastien de Montessus	8.99
GSK plc	Emma Walmsley	8.45

As a result of the general increase in CEO pay this year, there are now a smaller number of CEOs being paid £0-4 million, down from 62 in 2021 to 51 in 2022. However, the number of CEOs paid over £4 million has increased from 36 to 46.

Figure 1. Distribution of FTSE 100 CEO single figure pay (no. of CEOs)



There were 57 companies (59%) that increased their CEO pay in 2022. This is a decrease from 2021 where 72 companies (74%) increased their CEO pay [13]. The three largest absolute increases were at BP (an increase of £5.6 million), BAE Systems (£3.6 million) and Centrica (£3.6 million).

38 companies (40%) awarded their CEO a lower pay package than in 2022. This is a notable increase from 2021 where 24 companies (25%) paid their CEO less. Several companies awarded substantially lower pay in 2022 than they did in 2021: the greatest decreases were at Endeavour Mining (a decrease of £7.9 million), Schroders (£3.7 million) and Flutter Entertainment (£3.2 million).

Table 2: The 5 FTSE 100 companies with the highest absolute increases in CEO pay from 2021 to 2022

Chief Executive	Company	2021 pay (revised) (£m)	2022 pay (£m)	2021-22 increase (£m)
Bernard Looney	BP	4.46	10.03	5.57
Charles Woodburn	BAE Systems	7.07	10.69	3.62
Chris O'Shea	Centrica	0.88	4.49	3.62
Marco Gobbetti/ Jonathan Akeroyd [14]	Burberry	2.25	5.63	3.39
Ben van Beurden	Shell plc	6.34	9.70	3.35

Of the 58 companies that paid their CEO more in 2022, the three largest percentage increases were at Centrica (an increase of 413%), Smiths Group (307%) and Auto Trader Group (230%). Of the 37 companies that paid their CEO less in 2022, the greatest percentage decreases were at Reckitts (a decrease of 97%), JD Sports (52%) and Endeavour Mining (47%).

Table 3: The 5 FTSE 100 companies with the biggest absolute increases in CEOs whose pay increased by the highest percentage from 2021 to 2022

Chief Executive	Company	2021 pay (revised) (£m)	2022 pay (£m)	2021-22 percentage change
Chris O'Shea	Centrica	875	4,490	413
Nathan Coe	Auto Trader Group	523	1,727	230
Marco Gobbetti/ Jonathan Akeroyd [15]	Burberry	2,245	5,633	151
Luis Gallego	International Airlines	1,467	2577	132
Bernard Looney	BP	4.46	10.03	125

Figure 2 shows the trend in median CEO pay since 2009. The median for each year is taken from the June FTSE 100 cohort each year[16].

Figure 2. Median single figure of FTSE 100 CEOs since 2009 (£m)

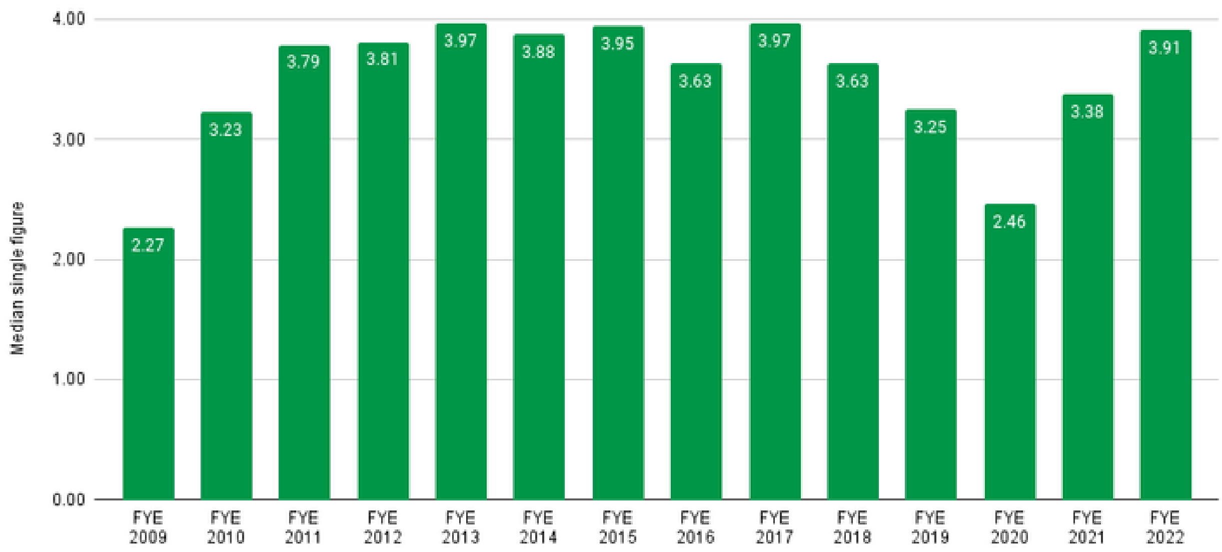


Figure 3. Mean single figure of FTSE 100 CEOs since 2009 (£000s)

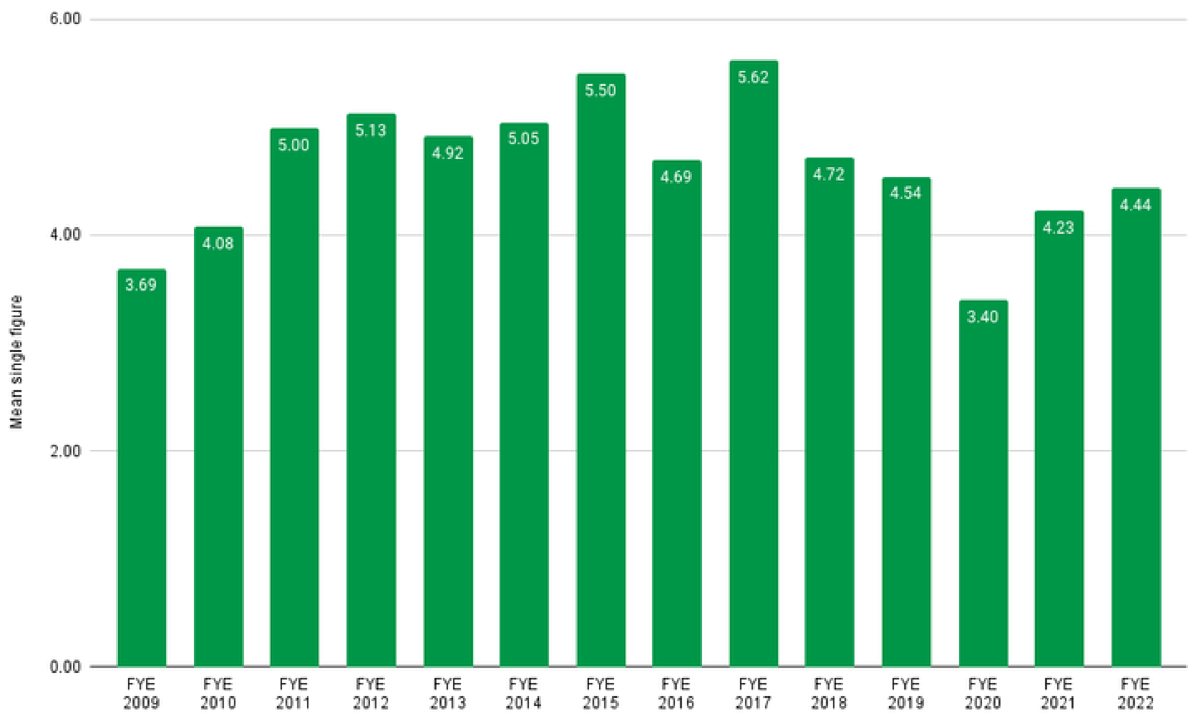


Table 4: Relation of average CEO pay to average UK full-time worker, financial years 2018-22 [17]

Measure	2018	2019	2020		2021		2022	
FTSE 100 companies as at June each year	FTSE 100	FTSE 100	FTSE 100	FTSE 250	FTSE 100	FTSE 250	FTSE 100	FTSE 250
CEO median pay package	£3.63m	£3.25m	£2.46m	£1.25m	£3.38m	£1.72m	£3.91m	£1.77m
CEO mean pay package	£4.72m	£4.54m	£3.4m	£1.56m	£4.23m	£2.13m	£4.44m	£2.37m
Comparison of CEO pay with UK salaries								
Ratio of median CEO pay to median UK full-time worker	123:1	107:1	79:1	40:1	108:1	55:1	118:1	54:1
Ratio of mean CEO pay to mean UK full-time worker	131:1	121:1	88:1	40:1	111:1	56:1	111:1	59:1

CEO pay trends in the FTSE 250

The median FTSE 250 CEO was paid £1.77 million in 2022. This is higher than in 2021, and represents a 3% increase on the median FTSE 250 CEO pay in that year, which stood at £1.72 million.

Mean FTSE 250 CEO pay was likewise higher than the previous year, at £2.37 million, up 11% from £2.13 million in 2021.

As with the FTSE 100, the mean pay of the FTSE 250 is greater than the median pay, signifying a positive skew in FTSE 250 CEO pay distribution. This means extreme values (outliers) in pay tend to be on the higher end of the pay distribution.

The ratio of median CEO pay to median UK full-time worker decreased marginally from 55:1 in 2021 to 54:1 in 2022, whilst the ratio of mean CEO pay to mean UK full-time worker increased from 56:1 in 2021 to 59:1 in 2022.

The highest paid CEO in the FTSE 250 received a total of £11.95 million, at Darktrace. This is 362 times the pay of the median UK full-time worker.

Table 5: The ten FTSE 250 companies with the highest CEO pay in 2022

Company	CEO	Pay (£m)
Darktrace	Poppy Gustafsson	11.95
Clarkson	Andi Case	10.11
Man Group	Luke Ellis	9.31
Indivior	Mark Crossley	8.86
Safestore	Frederic Vecchioli	8.41
Intermediate Capital Group	Benoît Durteste	7.85
Carnival Corporation & plc	Josh Weinstein/ Arnold Donald [18]	6.76
Ithaca Energy	Alan Bruce	6.04 [19]
Liontrust Asset Management	John Ions	6.01
Energean	Mathios Rigas	5.86

What makes up CEO pay?

A CEO pay package, as detailed in the 'single figure' disclosures, typically consists of a base salary, bonus or short-term incentive plan (STI) based on performance over the preceding year, long-term incentives (LTI) based on performance over a longer period, pension or pay in lieu of pension and benefits.

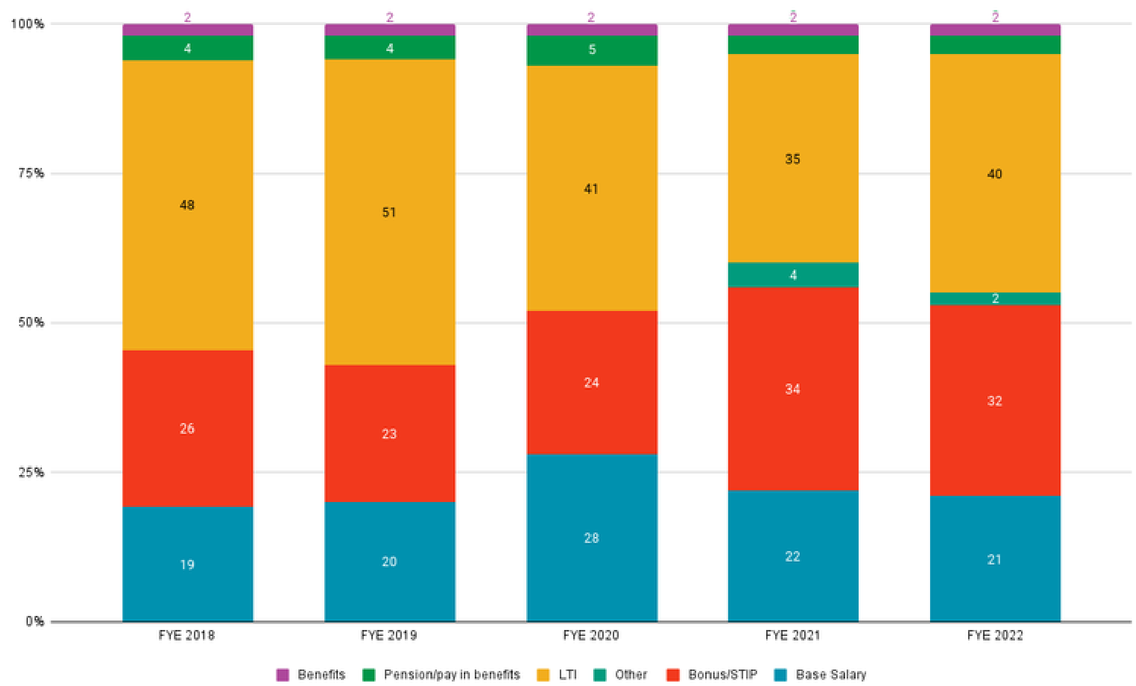
Base salary only represents 21% of total FTSE 100 CEO remuneration, on average. This is in contrast to the vast majority of UK workers, for whom the base salary is by far the largest component of total pay.

The majority of the total CEO pay package is made up of incentive pay, in the form of bonuses and LTIs. Together, these constituted 72% of total FTSE 100 CEO pay in 2022. This marks an increase from the 2021 percentage of 69%, and the 2020 figure of 65%, which were affected by the economic shutdown resulting from the Covid-19 pandemic.

91 (96%) of companies paid their CEO an annual bonus in 2022. This represented an increase from 2021, when 85 (87%) of companies paid a bonus, and notably exceeds 2020 when 61 (64%) of companies paid a bonus. Total bonus came to £133.7 million, slightly lower than £136.7 million in 2021 but substantially higher than £79.5 million in 2020 and £108.5 million in 2019.

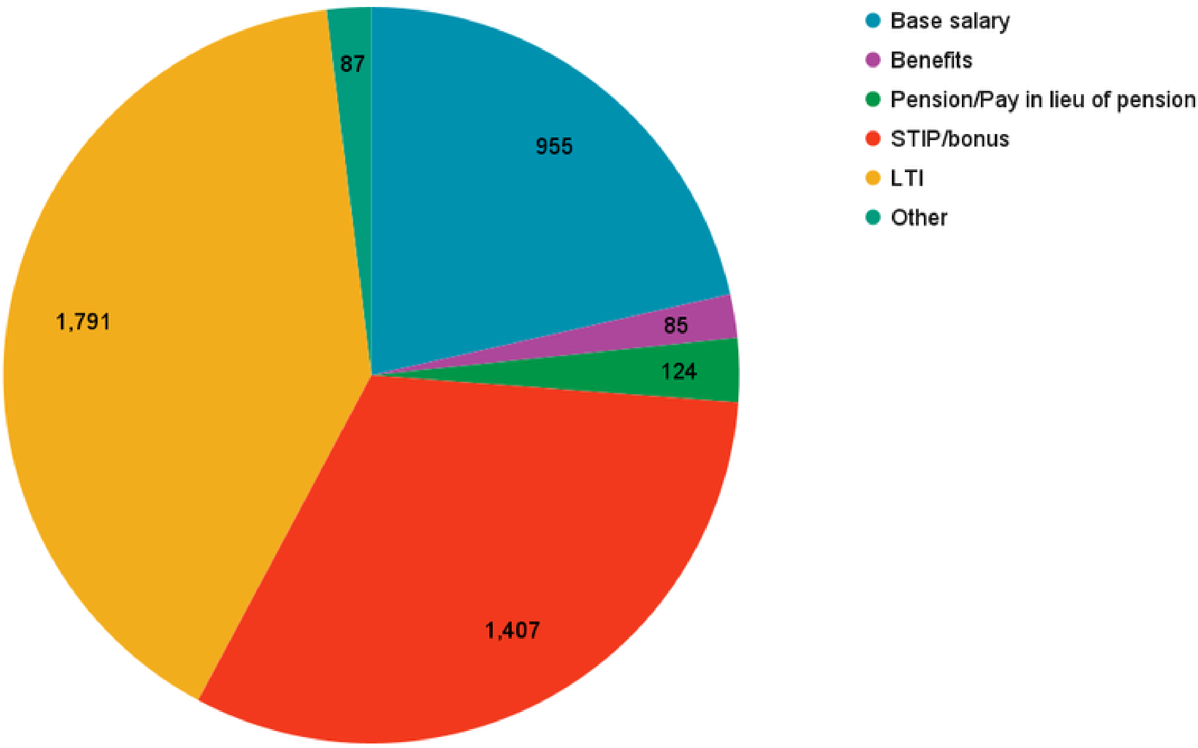
70 (74%) of companies paid their CEO an LTI. This represented a slight increase from 2021, where 69 (71%) of companies paid their CEO an LTI. The total sum of all LTIs paid increased to £170.2 million from £142.1 million in 2021 [20] [21].

Figure 4. Mean year-on-year comparison of components of FTSE 100 single-figure pay (%) [22] [23]



Mean bonus payments in 2022 were slightly lower than 2021, while the mean LTI was higher. The mean bonus payment decreased from £1,431k in 2021 to £1,407k in 2022. This is still considerably higher than the 2020 and 2019 figures of £828k and £1,096k respectively. The mean LTI payment increased from £1,496k in 2021 to £1,791k in 2022. It is important to bear in mind that in the case of some 2022 CEO single figures, the variable element is an estimate, as it has not yet been paid in full.

Figure 5. Mean components in FTSE 100 single-figure pay for 2021 (£000)



In recent years, some companies have been switching away from conventional LTIs and making long-term pay awards in the form of Restricted Shares Plans (RSPs). Unlike a conventional LTI, where an executive is granted shares that only become available or pay out if specific performance criteria are met in the future, an RSP entails an executive being granted an unconditional share award of a defined value that they cannot access for a period of years. This means Restricted Share Plans largely remove performance conditions from the award, thereby making them simpler to understand and oversee, and payouts more certain. The theory is that the heightened certainty around the pay-out means that the value of the award can be reduced without making the scheme less attractive to the executive.

In FYE 2022, five FTSE 100 companies exclusively made their LTI payment in the form of restricted share awards. These companies were Hargreaves Lansdown, HSBC, Lloyds Banking Group, Rolls-Royce, and Weir Group. Additionally, Antofagasta and Natwest allocated a portion of their long-term incentives as restricted shares. Meaning, in FYE 2022, 7% of FTSE 100 companies paid their CEO restricted shares. Several firms such as Whitbread, Burberry, and BT adopted restricted share plans at their 2020 AGMs but the awards have yet to vest. As a result, we anticipate a higher count in the upcoming year's report.

Over the years, performance-contingent LTIs have been criticised primarily due to their complexity, potential for unexpected large payouts (which raises doubts about their "performance-related" nature), and their tendency to drive executives towards short-term decision-making aimed at achieving specific targets.

If RSPs lead to smaller pay awards, this would reduce costs to the company, as well as reducing CEO to worker pay gaps, in turn limiting the potential for reputational risks and resentment from the workforce towards senior management. A simple share award also has advantages over traditional LTIs in terms of being easy to understand and requiring vastly less time and energy for boards and other employees to design and analyse, allowing them to focus on other issues.

Although the limited number of companies utilising restricted shares somewhat diminishes the strength of the comparison, the initial evidence supports the claim that RSPs lead to lower CEO pay and CEO-to-worker pay gaps than conventional LTIs.

Among the five companies where restricted shares served as the exclusive component of their long-term incentives, the average restricted share value was £782k. This value is significantly lower than the mean value of LTIs (excluding those entirely comprised of or containing an RSP element) , which was £1,835k. The average single-figure compensation for CEOs in these five companies was £3,516, which is lower than the average of £4,490k for companies employing convetional LTIs. Furthermore, for the five companies, restricted shares constituted 22% of CEOs salary, in contrast to conventional, performance-contingent LTIs, which accounted for 41% of CEOs salary [24].

The pay of other executives

While CEO pay gets the main focus of high pay at major companies, CEOs are not the only high-earning employees. Indeed, when pay for all top earners is taken into account, the total expenditure on pay for a relatively small number of individuals, and the potential 'opportunity cost' in terms of pay for the wider workforce, returns to shareholders or investment in the business becomes quite substantial.

Unfortunately, disclosure of pay for top earners beyond the CEO remains highly opaque and inconsistent. It is the High Pay Centre view that disclosure requirements for companies in this respect should be much more detailed. However, companies do report consistently on the pay of their other executives, which does begin to provide a little more insight on pay for top earners beyond the CEO even though these disclosures typically only cover two and very rarely more than three or four people.

In 2022 the total expenditure of FTSE 100 companies on their executives' pay package was £725.08m for 218 executives roles [25] - 68% more than the total spend on CEO pay. This marks a slight increase in total expenditure, from £720.21m on 224 executives in 2021. In 2022 the total expenditure of FTSE 250 companies on their executives' pay packages was £604.72m for 352 roles.

This means across the FTSE 350 a total of £1.33bn was spent on the pay packages of 570 executives. The median total spend by FTSE 100 companies on executives was £6.39m, whilst the median total spend by FTSE 250 companies was £2.95m.

There was considerable crossover between the companies with the highest CEO pay and the highest total spend on executive pay packages. However, while AstraZeneca has the highest paid CEO by £3.37 million, there are 6 companies with higher total spend on executive pay across the FTSE 350. This evidence of substantial amounts being paid to executives beyond CEOs shows that the scale of money being spent by companies on their highest paid employees goes beyond just one individual. It highlights the potential that companies have to increase the pay of their wider workforce, were they to moderate how much they spend on top pay.

Table 5: FTSE 100 companies with the highest expenditure on executive pay in 2021

Company	Pay (£m)	Index	Number of Executives
BAE Systems	24.29	100	3
Berkeley Group Holdings	24.22	100	6
Experian	23.99	100	3
Darktrace	20.92	250	2
GSK plc	19.73	100	3
Anglo American plc	19.62	100	4
AstraZeneca	18.06	100	2
BP	15.31	100	2
British American Tobacco	14.55	100	2
Safestore	14.14	250	2

International Comparisons

As noted in our introduction, one of the frequently cited rationales for the high CEO pay in the UK is the perceived influence of the international CEO market. It is believed that offering higher pay for executives can attract the best of a limited talent pool, while lower pay awards than rival markets risk a migration of UK executives to other countries. Whether the pool of people with the potential to take on executive roles is so small and fixed, and whether the individuals in these roles make such a difference to the performance of their businesses, never mind the wider economy, remain open to question. Similarly, the extent to which business leadership skills honed in one country can be seamlessly applied elsewhere in the face of language, cultural or environmental differences, and a wide variety of different stakeholders including investors, customers, suppliers and regulators is also debatable

Nonetheless, it is useful to compare top pay internationally in order to understand how well UK CEOs are rewarded in relation to their international peers [26].

The median FTSE 100 CEO pay of £3.9 million in 2022 is much lower than the median pay of around £12 million ($14.8 million) accruing to S&P 500 CEOs in the US in 2022 [27]. The median market capitalisation of a S&P company was £25.3 billion [28], compared to £8.3 billion for FTSE 100 [29]. This highlights the broader financial rewards available to American corporate leaders, underpinned by the size and global reach of many US-based companies.

In Australia, the median CEO pay for ASX100 CEOs was £2.2 million (AUD$3.93 million) in FY22 [30]. This figure reflects a lower CEO pay compared to the UK and the US, suggesting a more restrained approach to executive compensation. The median market capitalisation of a ASX100 company was £4.4 billion [31].

Canada’s median pay for TSX 100 CEOs was £5.4 million (C$8.6 million) in 2022 [32], placing it between the UK and US in terms of executive remuneration. The median market capitalisation of a TSX100 company was £9.5 billion [33].

France's CEO median pay for CAC40 CEOs was £4.2 million (€4.9 million) in 2021, which is lower than median CEO pay of £4.6 million for the top 40 FTSE 100 companies by market capitalisation in 2021 [34]. The median market capitalisation of a CAC40 company was £29.9 billion, compared to £27.9 billion of the top 40 FTSE 100 companies by market capitalisation [35].

Germany’s CEO mean pay for DAX30 was £5.2 million (€6.1 million) in 2021 [36], which is lower than mean CEO pay of £6.0 million for the top 30 FTSE 100 companies by market capitalisation in 2021. The median market capitalisation of a DAX30 company was £27.0 billion, compared to £34.1 billion of the top 30 FTSE 100 companies by market capitalisation [37].

These comparisons underscore the diverse approaches to CEO compensation across countries, influenced by factors such as company performance, regulatory frameworks, public perception, and shareholder engagement. The variations in CEO pay also highlight the ongoing debates surrounding income inequality and corporate governance, as different countries grapple with aligning executive compensation with organisational performance and societal expectations. More research and discussion is needed into factors that explain CEO pay and what represents a fair and proportionate level, but on the basis of these limited comparisons UK FTSE 100 CEOs do not appear to be lowly paid in comparison with the CEOs of comparable companies in other markets.

Diversity

Of the 97 FTSE 100 companies covered by our report, 8 have female CEOs. This number has decreased from the previous year, where there were 9 female CEOs. Of the companies that had a female CEO for all of their financial year, the median single figure of remuneration was £3.91m. This is comparable to the mean for male FTSE 100 CEOs, which was £3.96m. However, the very small sample size of female CEOs renders pay comparison less meaningful. The most pressing issue is the underrepresentation of women among FTSE 100 CEOs and senior management more broadly.

Out of these 8 female CEOs, 7 have retained their positions from the previous year, while one company, Taylor Wimpey, appointed a female CEO during their 2022 financial year after having a male CEO previously. The other two previous FTSE 100 female CEOs in 2021, from ITV and Harbour Energy, are still in their roles, however these companies have moved from the FTSE 100 to the FTSE 250 index. Taking a broader view of the FTSE 350, women fill only 8% of CEO roles [38]. Despite some progress, such as women occupying 27% of all FTSE 350 Executive Committee positions, the number of female CEOs remains low.

At present, firms are not required to disclose the ethnicity of their CEO or senior management teams – as they must with gender – so it is not possible to ascertain the level of under-representation of ethnic minorities from annual reports and accounts. However, the UK government’s Parker Review Committee conducted a survey on the ethnic diversity of FTSE 350 boards, for which data was collected between October 2022 and January 2023 for boards as at 31 December 2022 [39].

324 companies in the FTSE 350 responded - all of the FTSE 100 and 224 of the FTSE 250. Of the FTSE 100, 96 out of 100 companies (96%) met the target of at least one BME director on the board. There were 178 ethnic minority directors, representing 190 director positions. This represents 18% of all director positions. Only 7 of these were CEO positions, with the majority being NEDs.

Out of the 224 FTSE 250 companies who submitted data, 149 (67%) already meet the target to have one minority ethnic director by December 2024. There were 178 FTSE 250 ethnic minority directors, representing 188 director positions. This represents 11% of all FTSE 250 director positions. Only 14 of these were CEO positions.

Conclusion

The median FTSE 100 CEO pay reached a 5-year high at £3.91 million, representing an 16% increase from the previous year. This marks the second consecutive year of CEO pay growth since the pandemic-induced downturn, refuting the suggestion of an anticipated economic reset post-pandemic that would include curbing top pay and reducing income inequality.

The fact that the substantial, above inflation increase in FTSE 100 CEO pay witnessed in 2021 was repeated in 2022, also dispels the notion that last year's increase was merely a one-time post-lockdown surge.

In the current economic climate, it is surely not desirable that firms including some of the UK's biggest employers are dedicating resources to boosting the pay of multi-millionaire executives while so many of their workers and customers endure the hardships brought on by the cost of living crisis.

This has the potential to be a major reputational issue for business. Polling for the High Pay Centre last year found that 63% of people think that CEOs should not be paid more than ten times their low and mid level employees [40]. Excessive top pay, and poor pay and conditions for lower paid workers were given as two of the top three reasons for lack of trust in business, which has now reached a point where more people think business has a generally negative impact on society than a positive one.

At best, rising CEO pay might be seen as a necessary evil, leading to wider pay gaps but generating greater aggregate wealth from more capable business leaders attracted by higher pay awards. However, this is an extremely spurious claim undermined by all sorts of persuasive counter arguments. The fact that UK executives do not appear ungenerously awarded by comparison with their counterparts in most countries despite comparatively moribund recent business and economic performance, is an unpromising indicator of the impact of even higher top pay.

As part of our forthcoming research programme, the High Pay Centre will be examining some of the recent calls for executive pay increases, and looking to establish whether wider gaps between those at the top and everybody else or a more even balance of pay distribution is the right way to raise living standards and strengthen stakeholder confidence in British business. In the meantime, we hope this report provides an interesting insight into the current state of top pay practices in the UK.

Policy recommendations

The High Pay Centre believes that the following policy recommendations would help to ensure fairer, more proportionate and economically sensible levels of executive pay.

Implementing these policies would boost public confidence in the pay setting process and in business practice more generally. It would also help to ensure that low and middle earners working for large employers get a better share of total expenditure on pay, putting more money in their pocket and boosting their spending power.

- Companies should be required to include a minimum of two elected workforce representatives on the remuneration committees that set pay at UK-listed companies. This would inject 'real world' perspective into deliberations on executive pay levels and ensure that the distribution of pay between high, middle and low earners is a key consideration for committees. If companies can demonstrate that their pay practices are endorsed by fully independent workers' representatives that will also help them to justify their executive pay levels to their own workforce and the wider public.

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- Unions should have legally guaranteed access to workplaces to tell workers about the benefits of union membership and collective bargaining (following the system in place in New Zealand [41]. Executive pay and the share of total incomes captured by the super-rich have risen in parallel with the decline in trade union membership. Enabling workers to strengthen their negotiating power through collective bargaining would be an effective way of ensuring that they get a higher share of what their employer spends on pay relative to top earners, thereby both boosting incomes and reducing inequality.

- Companies should be required to provide more detail about their highest and lowest paid workers. The current disclosure regime requires companies to publish their CEO pay and the ratio between the CEO and the 75th, 50th and 25th percentile point of their UK employee population. However, this means there is little detail on top earners below the CEO, or on the lowest-paid workers at a company, with no detail at all on the extent of their indirectly employed workforce. Disclosures requiring the total spend on earners beyond a certain threshold and the number of workers (including indirectly employed workers) paid less than the real living wage would enable a better discussion of the value generated by top earners, the capacity for companies to re-distribute pay internally and the fairness and proportionality of pay gaps that actually exist.

- New bodies should be established for unions and employers to negotiate across sectors, beginning with hospitality and social care. The issue of pay inequality relates to a number of employment practices including bargaining power, recruitment, productivity and flaws in the operation of remuneration committees that are inhibiting the UK economy and diminishing living standards. Bargaining across sectors would enable agreements to be reached on areas such as pay, training, recruitment and working practices , starting in hospitality and social care where challenges are particularly acute.

- Long-term incentive payments should be phased out, in line with the Conservative 2019 Manifesto commitment to ‘improve incentives to attack the problem of excessive executive pay and rewards for failure’ [41]. CEO pay fell in 2020 and then rebounded spectacularly in 2021 but this was blatantly not a reflection of CEOs leadership falling and then rising in quality rather than factors such as the share price and profitability of the companies responding to the pandemic. It is ludicrous that CEO pay is so contingent on circumstances over which they have little control, and undermines public confidence in business. LTIs, which count for the largest element of CEO pay, should not be paid to senior management only, but replaced either with share awards that are common to all staff, profit sharing mechanisms or other reward structures that ensure that all workers are both incentivised and rewarded for the business success that they collectively create.

Endnotes

[1] [4] [11] [13] Office for National Statistics, Annual Survey of Hours and Earnings, 12 April 2023.

[2] [3] Office for National Statistics, Inflation and prices indices, 19 July 2023.

[5] Guardian (2023) Is Rishi Sunak picking the right targets in his anti-inflation battle? via https://www.theguardian.com/society/2023/jun/27/rishi-sunak-targets-uk-public-sector-pay-anti-inflation-battle.

[6] Julia Hoggett, LSEG, UK's approach to executive compensation via https://www.lseg.com/en/insights/julia-hoggett-ceo-uk-approach-executive-compensation.

[7] Financial Times (2023) City grandees call for higher pay to lure and retain executives via https://www.ft.com/content/b7d1731e-3444-4a17-b326-5e13faa59e69.

[8] Telegraph (2023) Pay us more to boost the City of London, say FTSE chiefs via https://www.telegraph.co.uk/business/2023/07/25/higher-pay-needed-boost-city-of-london-ftse-chiefs/.

[9] HMRC exchange rates for 2022: monthly, via https://www.gov.uk/government/publications/hmrc-exchange-rates-for-2022-monthly.

[10] This differs from the figure given in HPC's report on CEO pay in 2021, as some CEO single figures for 2021 have been revised in companies' 2022 annual reports.

[12] Anglo American plc had two CEOs during the course of their financial year ending 31 December 2022. Duncan Wanblad was appointed as CEO on 19 April. He was preceded by Mark Cutifani. The figures represent their combined pay in the CEO role for that year, which was £5.1m and £4.4m respectively.

[13] There are 96 companies in our 2022 sample as it excludes the three Investment Trusts, and Haleon who were established in 2022. There are 97 companies in our 2021 sample as it excludes two investment trusts and Endeavour whose IPO was in 2021.

[14] [15] Burberry had two CEOs during the course of their financial year ending 2 April 2022. Jonathan Akeroyd was appointed as CEO on 15 March. He was preceded by Marco Gobbetti. The figures represent their combined pay in the CEO role for that year, which was £4.4m and £1.2m respectively.

[16] The data used in Figures 2 and 3 for 2009 to 2019 are taken from: CIPD & HPC (2020) FTSE 100 CEO pay in 2019 and during the pandemic. London: Chartered Institute of Personnel and Development, p.10.

[17] UK wage data used to calculate the ratios in this table is sourced from the ONS Annual Survey of Hours and Earnings (ASHE) 2023. In 2022, the median average salary for full-time workers in the UK was £33,000 and the mean average salary for full-time workers in the UK was £39,966.

[18] Carnival Corporation & plc had two CEOs during the course of their financial year ending 30 November 2022. Josh Weinstein was appointed as CEO on 1 August. He was preceded by Arnold Donald. The figures represent their combined pay in the CEO role for that year.

[19] This represents remuneration earned since appointment as a Director of the Ithaca Energy on 10 October 2022.

[20] The data on bonuses and LTIs for 2019 and 2020 relates to the single-figure data originally given, rather than the data that has been revised the following year.

[21] There are 95 companies in our 2022 sample as it excludes the three Investment Trusts and excludes Taylor Wimpey and Prudential due to serving executives becoming CEO making component parts of CEO pay difficult to ascertain.

[22] The data used in Figure 4 for 2017 to 2019 is taken from: CIPD & HPC (2020) FTSE 100 CEO pay in 2019 and during the pandemic. London: Chartered Institute of Personnel and Development, p.12, via https://highpaycentre.org/hpc-cipd-annual-ftse-100-ceo-pay-review-ceo-pay-flat-in-2019/.

[23] In FYE 2018, FYE 2019 and FYE 2020 LTI represents both LTI and Other (e.g. all-employee share schemes and buyout awards made on appointment) . In FYE 2021 and FYE 2022 LTI and Other have been separated out.

[24] These calculations exclude the two companies that include RSP as a partial element of their LTI.

[25] This figure is of executive roles rather than individual executives i.e. if 3 separate individuals have held the position of CEO at the same company in the same year, the CEO role will still only be counted as 1 executive role.

[26] Figures used have been drawn from a variety of sources and it is important to note that these figures may not adhere to rigorous statistical standards and thus are used primarily for illustrative purposes.

[27] Equilar (2023) Associated Press CEO Pay Study, via https://www.equilar.com/reports/101-equilar-associated-press-ceo-pay-study-2023.

[28] [35] [37] Business insider (2023) Market Cap, via https://markets.businessinsider.com/index/s&p_500.

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[30] ACSI (2023) CEO Pay in ASX200 Companies, via https://acsi.org.au/wp-content/uploads/2023/07/CEO-Pay-in-ASX200-companies-ACSI-Research-July-2023.pdf.

[31] Companies Market Cap (2023) Largest Australian companies by market capitalization, via https://companiesmarketcap.com/australia/largest-companies-in-australia-by-market-cap/.

[32] The Global and Mail (2023) As executives continue their millionaire ways, another kind of green enters the picture, via https://www.theglobeandmail.com/business/article-ceo-canadian-companies-compensation/.

[33] Companies Market Cap (2023) Largest Canadian companies by market capitalization, via https://companiesmarketcap.com/canada/largest-companies-in-canada-by-market-cap/.

[34] Statista (2023) Average and median remuneration of CAC40 company CEOs in France between 2019 and 2021, via https://www.statista.com/statistics/1366591/average-median-compensation-cac40-ceos-france/.

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[38] FTSE Women Leaders Review (2023) Achieving Gender Balance, via https://ftsewomenleaders.com/latest-reports/.

[39] The Parker Review Committee (2023) Improving the Ethnic Diversity of UK Business, via https://assets.ey.com/content/dam/ey-sites/ey-com/en_uk/topics/diversity/ey-parker-review-report-2022.pdf?download.

[40] HPC and abrdn Financial Fairness Trust (2022) High Pay Centre analysis of FTSE 350 pay ratios, p.20, via https://highpaycentre.org/six-out-of-ten-people-think-ceos-should-be-paid-no-more-than-ten-times-their-typical-employee/.

[41] In New Zealand, trade union officials have the legal right to visit workplaces carrying out the type of work covered by the union, in order to discuss union-related issues with workers.

[42] Conservative and Unionist Party (2019), General election manifesto, p35, via https://assets-global.website-files.com/5da42e2cae7ebd3f8bde353c/5dda924905da587992a064ba_Conservative%202019%20Manifesto.pdf.

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