



Board Remuneration in AFM Members

Robert Wharton



Board Remuneration in AFM Members

Changing Times

- Bonus culture
- Corporate governance
- Sector benefit

Member Categorisation

- 18 large, 6 small, 11 medium
- 63% of members

Board Remuneration in AFM Members

Show What?

- Executive/non-executive packages
- Trends/pensions/bonuses
- Board make-up/size/ ladies

Comparators?

- FTSE 350/250/KPMG/PWC
- Grant Thornton/Sunday Times
- Conclusions

Board Remuneration in AFM Members

Large Members

- CEO average pay up 12.2% to £256,731
- 3 members package over £1m but only 3 below £290,000 total remuneration
- Chairmen range £12k to £198k but average £70k

Medium Members

- Average CEO £112k, median £125k. Up 3.7% on salary
- Only 3 of 11 have bonus/LTIP schemes
- Chairman £12k average and median £11k

Small Members

- Average CEO £79k : median £98k
- Chairmen £12k average and median £13k

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Pensions & Bonuses

- Large members pensions changes
- Bonuses averages 46% (all) to 32% (16 members)
- Medium little change on 2010 in pensions
 - 3 of 11 have no pension scheme
 - 3 of 11 have bonus/LTIP 10%/36% range
- Small 3 of 5 have pension schemes
 - largest £20k pension contribution
 - no bonuses/LTIP

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Size of Boards

Large

- 12 of 18 CEOs in post 6 years or less
- 7 new executives out of 55 in 2010 and 2011
- 4 lady executives, 15% and rising in NEDs

Medium

- 9 of 11 CEOs in post 7 years or less
- Other executives only one more than 7 years out of 22
- Ladies form 16.5% of boards out of 85 NEDs, 1 executive
- 11 new NEDs in 2010, 7 in 2011 (should be 9.5)
- 50/50 board of 6 NEDs or more
- But 23 NEDs in post over 14 years

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Size of Boards

Small

- 2 newish CEOs others 5 to 12 years but 2 FDs
- 45 NEDs, 11% ladies, refreshing 3 per annum (should be 5)
- 2 of 6 have 8+ NEDs

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Shareholder Spring

- FTSE 100 CEO average increase 12%
- Total packages 41% up

“Little to stop remuneration continuing to increase”

“mid-cap 8 small . . . generated better returns with simpler remuneration structures”

Shareholder Activity

- Rejected pay packages
- Mised investors sue RBS
- Length of services
- Ladies on board declining

Shareholder engagement to approve future plans

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NEDs

“The pressure on NEDs has become more intense as evidenced by this year’s Shareholder Spring”

- NED traits
 - Independence
 - Financial literacy
 - Risk analysis and impact of technology
 - Courage
 - Integrity
 - Ability to challenge
- Experience at executive level essential
- Chairman is CEO’s best friend

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Board Costs

- Total board cost % of gross written premium

Large Members - range .1% to 2.43%

- average 1.04%
- 8 below .7%
- 3 around 2%
- 5 around 1.2%

Medium Members - range .9% to 3.89%

- No pattern average 2.12%

Small Members - range 3.18% to 8.84%

- average 5.69%
- 2 are well over the average



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QUESTIONS?

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