



Early insights from FTSE 250 Directors' Remuneration Report publications – 2024

By 19 April, 94 FTSE 250 companies had published their 2023 annual report and accounts, representing c. 58% of index constituents*. This update, the second in our 2024 series, provides an analysis of key insights so far.

Over recent months, one of the main areas of debate on executive remuneration has been how the approach in the UK contributes (or otherwise) to its competitiveness as a place for businesses to list and thrive. We published an [article](#) in November 2023 setting out our views on how the approach to remuneration could evolve.

While we are cognisant that remuneration is only a small but emotive part of the debate, it has clearly informed the decisions made by some FTSE 350 remuneration committees during this AGM season and we have recently supported a number of companies navigating this challenge. To date, we have seen a greater proportion of [FTSE 100](#) companies taking an “atypical” approach than in the FTSE 250, with six FTSE 100 companies (10%) and six FTSE 250 companies (6%) tabling such Policies respectively. This compares to 3% in the FTSE 100 and 5% in the FTSE 250 in 2023. While we have only seen one example of a hybrid approach (i.e. combining performance and restricted shares) in the FTSE 100, we have seen an additional three companies

tabling such proposals in the FTSE 250, i.e. 50% of those making an atypical change. As we would expect, atypical changes to quantum have been proportionately less prevalent in the FTSE 250.

To date, none of the major proxy agencies have made significant changes to their 2024 policy guidelines in response to the competitiveness debate. In their February 2024 letter to FTSE 350 remuneration committee chairs, the IA emphasised that their Principles of Remuneration are just that – principles – as opposed to binding rules, and they intend to carry out a fundamental review of their Principles later in 2024 stating that “they should not dictate market practice”. The results of our broader investor outreach exercise at the end of last year suggest that there may be more openness from institutional investors to companies making proposals on structure, such as hybrid LTIs, when supported by sufficiently compelling rationale.

* Excluding Investment Trusts and other companies with no Executive Directors

We also observe the following key themes compared to last year:

- narrowing of the gap between all employee and ED salary increases;
- no change to median incentive opportunities;
- slightly increased incentive payouts;
- fewer applications of discretion on formulaic incentive out-turns, whether up or down; and
- continued growth in the number of companies increasing Chair and/or NED fees on an annual basis.

Implementation for 2024

Base salary

With inflation levels now more in line with long-term norms, median salary increases for the wider workforce have reduced from around 6.0% in 2023 to 4.5%. Around 60% of executive director (ED) increases disclosed so far have been set below those of the wider workforce (2023: c. 80% for CEOs and c. 70% for CFOs).

Median ED salary increases:

4.0%

slightly below those of the wider workforce

11%/10% of CEOs/CFOs received no salary increase (2023: 14%/11%)

Annual bonus

No change to median bonus opportunity

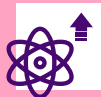
16% of companies have changed bonus opportunities: 13% have increased and 3% have decreased (including one discontinuation)

Long-term incentives (LTIs)

No change to median LTI opportunity

25% have increased LTI opportunities and 1% has decreased (in the context of a switch of vehicle)

38% of those increasing LTI opportunities (9 companies) have also increased annual bonus opportunities (2023: 55%)



Fourteen companies increasing LTI opportunities are doing so within previously approved policy limits and ten are increasing policy limits. The range of increases is wide, typically from 10% to 100% of salary (although one company is increasing the CEO's award by over 400% of salary).



6% of companies are changing the structure of variable pay or their LTI vehicle.

Two companies have moved from atypical to market-standard structures: both are replacing their RSP with a PSP.

Four companies have adopted atypical structures: three have introduced a RSP to run alongside their PSP; and one has discontinued its bonus and PSP and introduced a SVP.



5% of companies are making one-off reductions to their LTI awards this year. In two cases, this reflects a return to normal levels after exceptional awards last year; for two others, the reduced awards are for new, less experienced, incumbents starting in the role.



6% are making changes to annual bonus deferral, most of which suggest a softening of the feature: five out of six are reducing the level of mandatory deferral (for three-fifths of these, the reduction applies only once share ownership guidelines have been met); one company is introducing bonus deferral following its move to the main market.

Chair and NED fees

Around 50-55% of companies (similar to last year) have increased either their all-inclusive Chair and/or basic NED fee. Median levels of increase are 4.8% for Chairs (2023: 5.0%) and 4.6% for NEDs (2023: 4.5%), above increases for both EDs and the wider workforce.

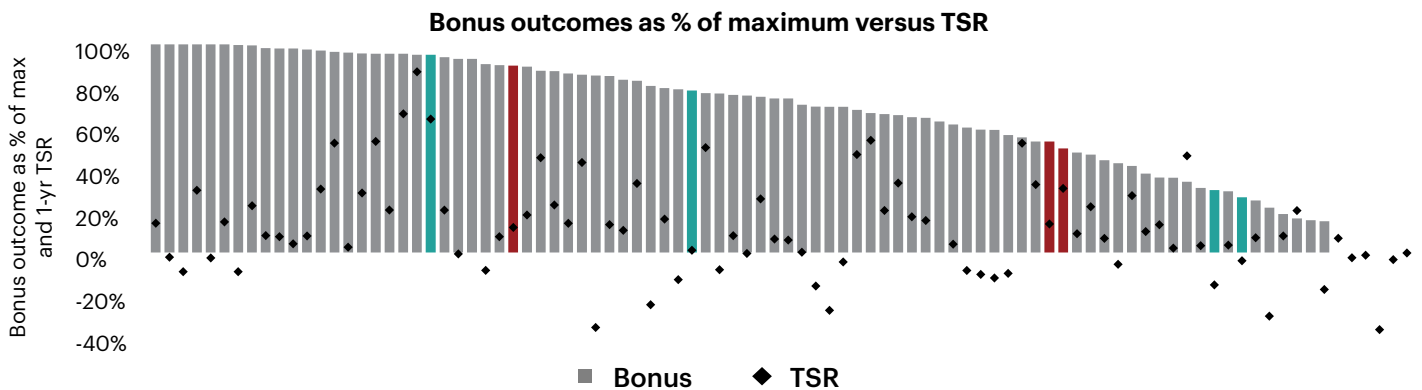
Around two thirds of companies (up from around 60% last year) making increases to Chair and/or NED fees this year are doing so for a second consecutive year.

Incentive outcomes for 2023

Summary

- The median annual bonus payout is 74% of maximum
 - This is a little higher than last year (69%) and longer-term median levels (c. 70% of maximum)
- LTI payouts vary more widely than annual bonus outcomes but the median so far is 64% of maximum
 - This is also a little higher than last year (60%) and higher than longer-term median levels (c. 55% of maximum)
- Interventions have been more prevalent for annual bonus than LTI outcomes but, overall, less prevalent than last year:
 - Bonuses were reduced at 9% of companies (2022/23: 14%)
 - Formulaic LTI outcomes were reduced at 2% of companies (2022/23: 4%)
 - Three companies increased the annual bonus payout (3% vs 4% in 2022/23); there have been no increases to LTI vesting to date (4% in 2022/23)

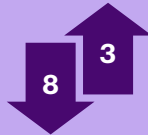
Annual bonus



Green bar – overall downwards discretion; **Red bar** – overall upwards discretion
 TSR is measured point to point, 1 Jan 23 - 31 Dec 23

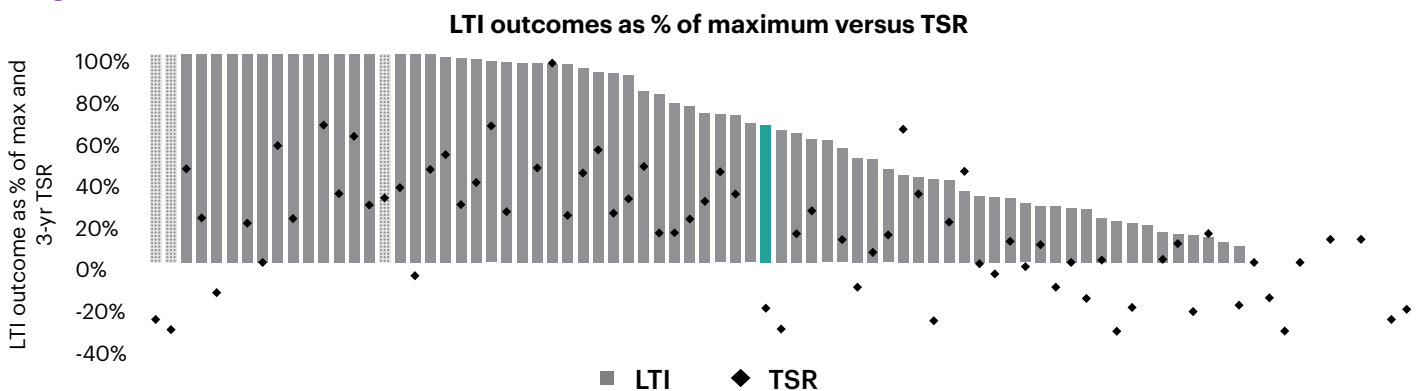
74%

Median bonus outcome, as % of maximum



6 RemCos used their discretion to reduce formulaic outcomes (two to zero), and one CEO waived receipt of, and another forfeit their right to, their bonus: reductions range from 2.5% to 100% of bonus.
 3 RemCos used their discretion to increase formulaic outcomes.

Long-term incentives

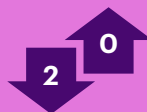


Green bar – overall downwards discretion; **Patterned fill** – restricted share awards
 TSR is measured point to point, 1 Jan 21 - 31 Dec 23

64%

Median LTI outcome, as % of maximum

12% of companies' LTIs lapsed entirely (2022/23: 17%)



1 RemCo used its discretion to reduce formulaic outcomes, and none have increased.
 One CEO forfeit their right to any vested LTIs.

Further information

For more information on FTSE 250 market data and pay trends please contact your WTW contact or:

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This report includes data sourced from **WTW's Global Executive Compensation Analysis Team**. This report is based on the FTSE 250 as at 1 April 2024.



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