FTSE 100 Review 2021/2

This review highlights trends in executive remuneration at FTSE 100 companies based on annual reports published during the 2022 AGM season and comparing these with reports published in 2021.

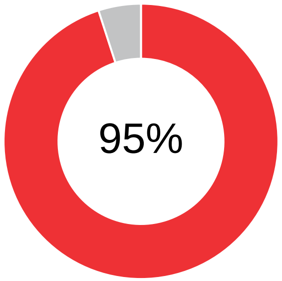
This was the first voting season after the world "returned to normal" following the end of global lockdowns (with the notable exception of China). For FTSE 100 companies this led to a significant increase in the median FTSE 100 CEO pay, with the end of salary freezes and the return of bonus (and to some extent LTIP) performance outcomes to pre-pandemic levels.

Public perceptions on fairness and sustainability have shifted acutely in the wake of the COVID-19 crisis and continue to do so with the "cost-of-living" and energy crisis, and proxy advisors and governmental bodies have urged FTSE 100 companies to put in place business plans, recovery strategies and remuneration outcomes that promote fairness, diversity and sustainability.

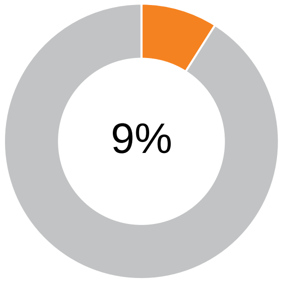
ESG and D&I (Diversity and Inclusion) are becoming increasingly important to stakeholders. This focus has led to a huge increase in the adoption of such metrics in incentive plans and over 70% of FTSE 100 companies now incorporate one or more ESG metrics into their variable pay assessments.

Executive Summary

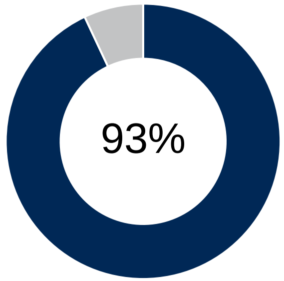
Voting outcomes



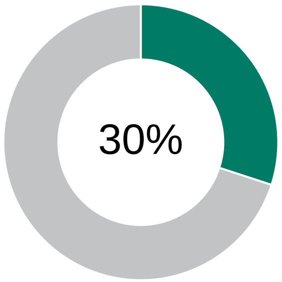
Median vote in favour of directors' remuneration report (96% in 2021)



of companies received a "low vote" (less than 80% support) on their remuneration report



Median vote in favour of directors' remuneration policy



of companies put their remuneration policies up for renewal

companies received a low vote on their remuneration policies

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Executive Summary

Executive Pay

Total Pay

- Executive pay rebounded significantly in 2021
- £3.41 m - median CEO single total figure of remuneration (up from £2.46 m in 2020)
- £1.973 m - median CFO single total figure of remuneration (up from £1.62 m in 2020)
- Pay ratios between top executives and employees widened, median pay ratio of 78:1, up from 65:1 in 2020

Fixed pay

- 32% of companies operated 0% pay increases in salaries in 2021 (down from 44% in 2020)
- The median CEO and CFO pay increase in 2021 was 3%, up from 1-2% in 2020
- Median executive director pension contribution in 2022 was 12% (down from 15% in 2021)
- Over 90% of companies have aligned executive pension contributions with the workforce rate

Variable pay

- Over 90% of FTSE 100 companies awarded CEO bonuses in 2021 (up significantly from 64% in 2020)
- The median annual bonus payout has increased significantly to 85% of maximum from 48% of maximum in 2021
- The median LTIP vesting was 55% of maximum, up from 48% of maximum in 2021

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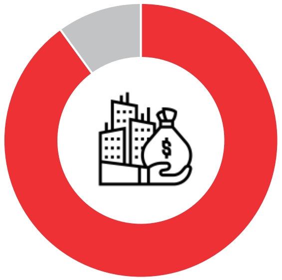
Executive Summary

Types of plan/performance metrics

90%



of FTSE 100 companies use a sole LTIP for their long term variable remuneration

84%

operate a sole performance share plan (PSP)

6%

operate a sole restricted share plan

9%

operate a performance share plan and restricted share plan in conjunction

- Total Shareholder Return ("TSR") and Earnings Per Share ("EPS") remain the most prevalent metrics used in PSPs. They are typically used in combination with each other or in combination with other profit measures.
- Approximately 97% of PSPs use more than one performance metric.

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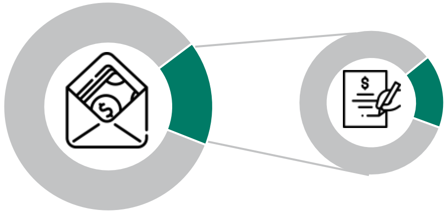
Executive Summary

ESG

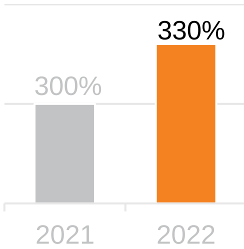
Approximately **71%** of companies incorporated one or more ESG metrics into their variable pay assessments



On average, where an ESG metric was used and its weighting specified, it accounted for **16.26%** of the opportunity in annual bonuses, and **16.43%** of the opportunity in LTIP grants

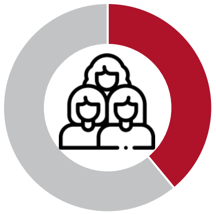
Executive shareholding requirements

Over **90%** of the FTSE 100 companies have a Minimum Shareholding Requirement (MSR) and operate post-cessation holding requirements

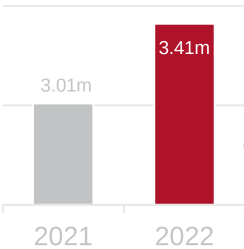


Mean MSR for CEOs was approximately **330%** (increasing from 300% from the previous year)

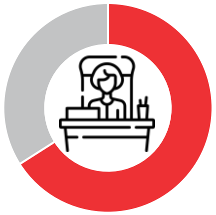
Diversity



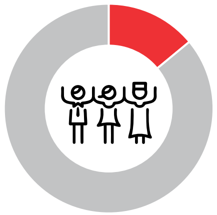
39% of FTSE 100 board members are women



The median female CEO pay in 2021 was £3.01 million, below the median pay of **£3.41 million**



Out of the 39% of women on the board, **66%** were non-executive directors



Ethnic minorities make up **14%** of board members at FTSE 100 companies, an increase from 11.3% in 2019/2020

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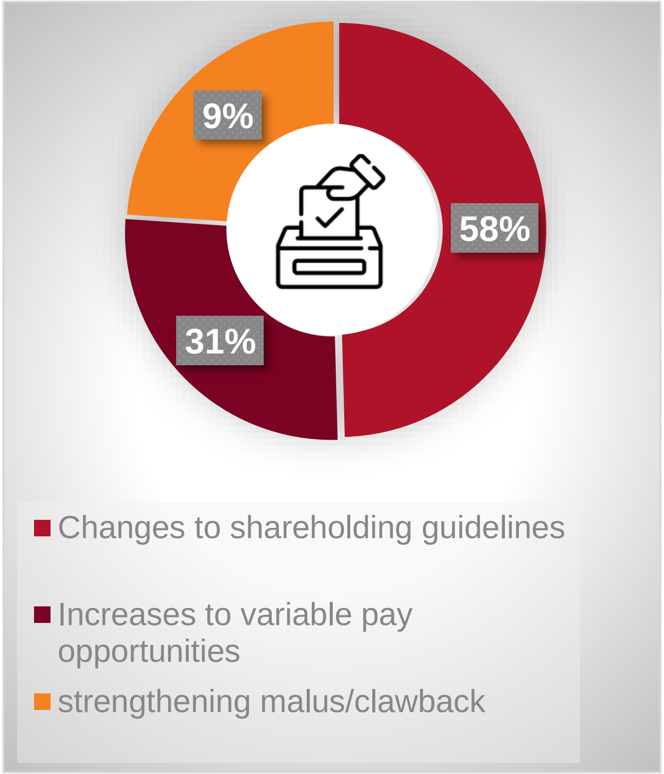
1 Voting Outcomes at AGMs

2022 was a relatively muted year for votes on remuneration policies and reports. Only 31% put their remuneration policies up for shareholder approval (as it was not a regular review year) and no overarching trend emerged regarding the type of changes being proposed.

- We saw the number of companies receiving a vote below 80% for their remuneration reports decrease in 2022, from 13% in 2021 to 9% in 2022. One of these companies lost its vote on its remuneration report.
- The reason for concern expressed by shareholders in 2022 was more varied than in 2021; however, the most common was the application (or lack thereof) of discretion/adjustments on variable pay outcomes.
- Four companies also received a signification vote (being 20% or more) against their remuneration policies in 2022, largely due to increases to variable pay not being supported by sufficient reasoning.
- For 2023, we expect the majority of companies to seek shareholder approval for their Remuneration Policy.



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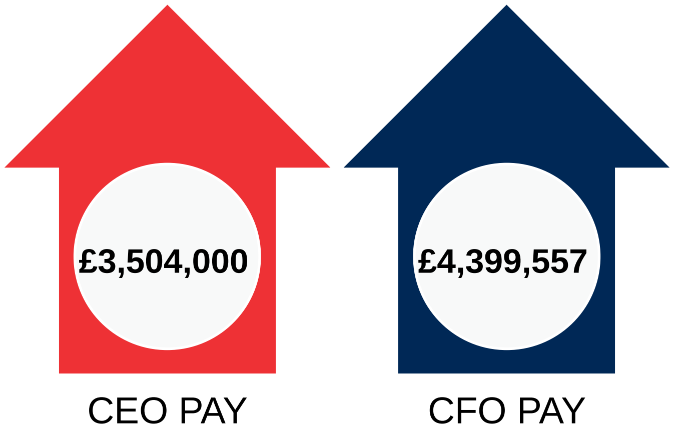
2 Executive Pay

CEO and CFO Pay

Average 2021 pay for CEO and CFO



- The Single Total Figure of Remuneration for CEOs of FTSE 100 companies was £3.41 m in 2021 (compared to £2.46 m in 2020). This represents an increase of 38.6% from 2020.
- This increase means that the median pay for FTSE 100 CEOs is at its highest level since 2018 (£3.93 million).
- The increase in CEO pay is largely due to the return of pre-pandemic variable pay element which comprised of 73% of the CEO's pay package in 2021 (up from 65% in 2020).
- According the High Pay Centres' UK CEO 2021 report, of the 7 female CEOs in the FTSE 100 that held their positions for the whole of 2021 (which excludes 2 female CEOs that were appointed half way through the year), the median female CEO pay was £3.01 m, below the median pay of £3.41 million.

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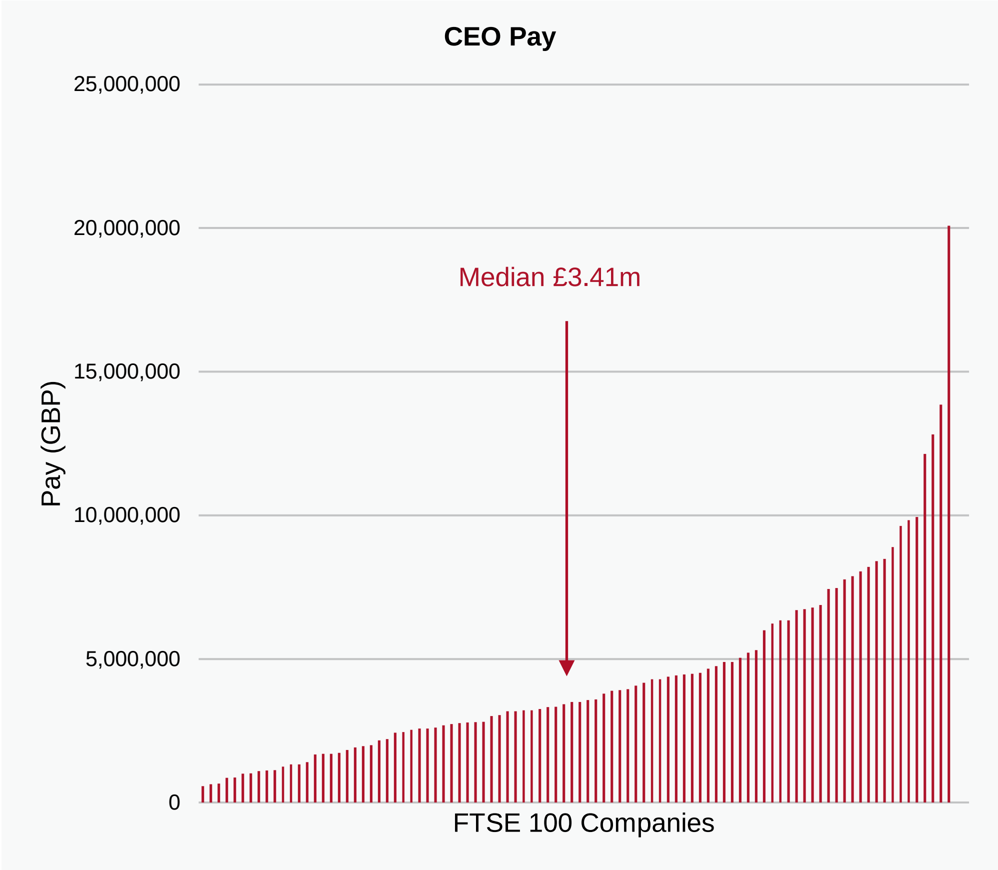
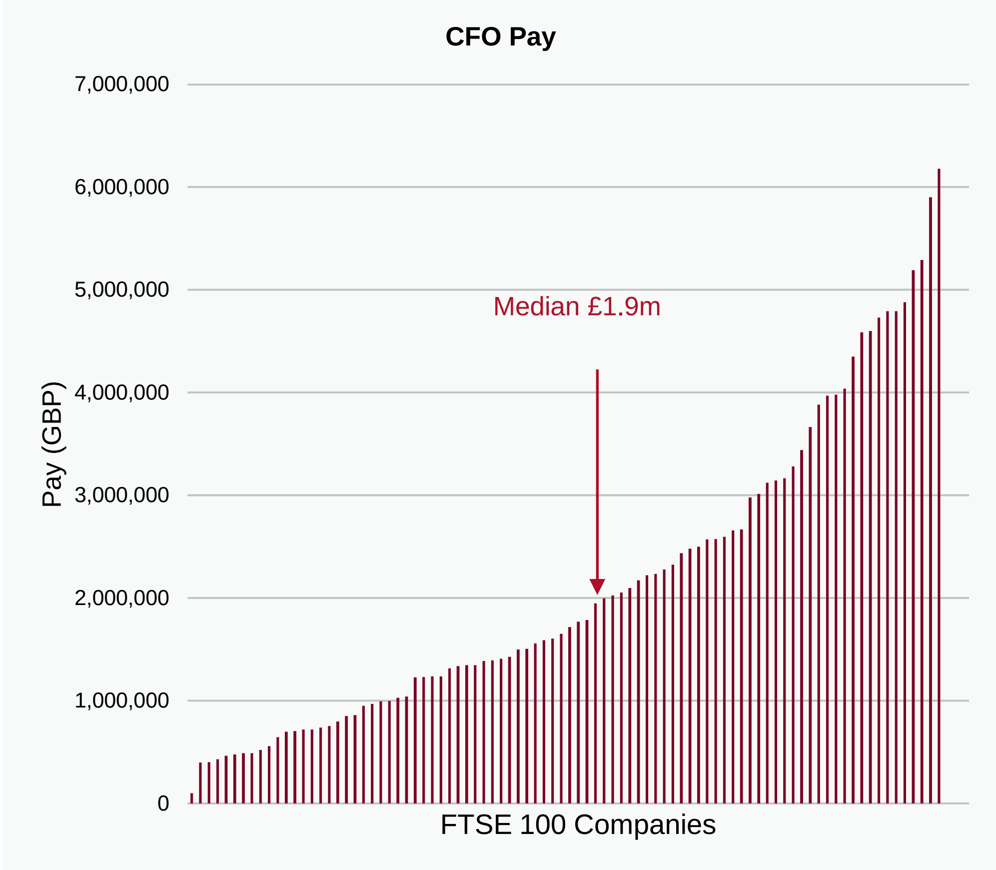
Graph 1A - CEO Pay



Graph 1B - CFO pay

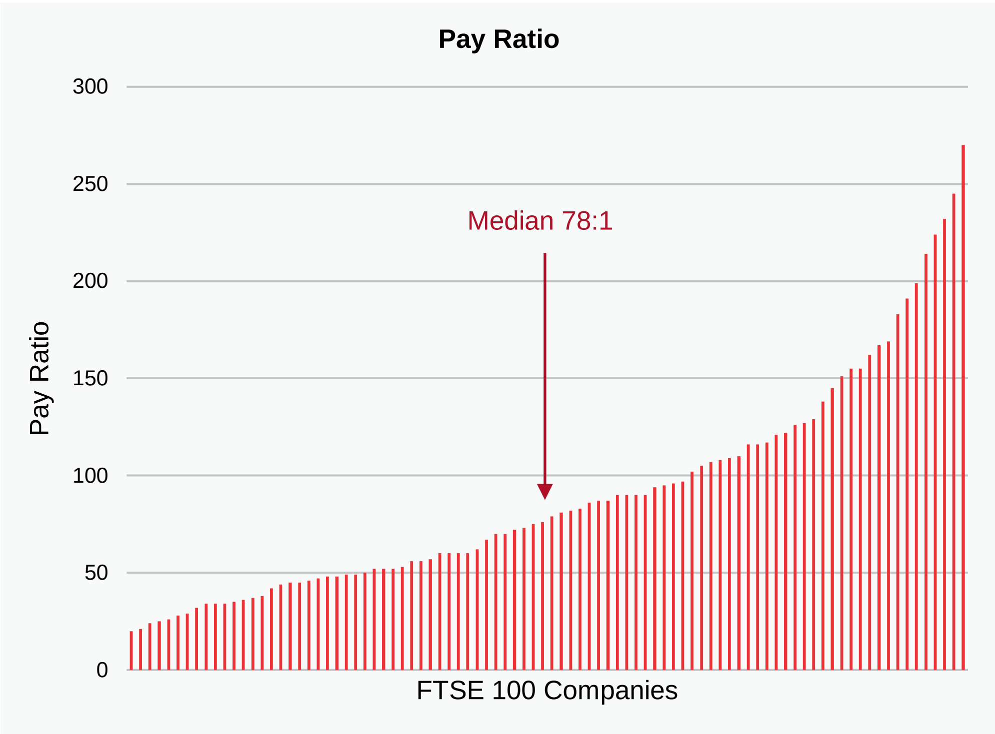


- The median pay for FTSE 100 companies CEOs was £3,410,000.
- The median pay for FTSE 100 companies CFOs was £1,973,000.

CEO Pay Ratio

- From January 2020, all FTSE-listed companies with 250 employees or more have been required to publish the ratio of their CEO pay to the remuneration of their employees at the 25%, median and 75% percentile.
- The FTSE 100 companies covered in our survey had an average pay ratio of 95:1 and a median pay ratio of 78:1, up from 65:1 in 2020.

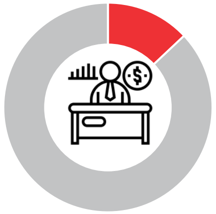
Graph 1C - Pay Ratio



- In August 2022, the High Pay Centre (HPC) and TUC published its data on CEO pay increases for 2022. According to their data for 2021, FTSE 100 firms spent nearly three quarters of a billion on executive pay, with £720.21m awarded to 224 executives.
- The IA's Remuneration Principles (published 9 November 2022) make clear that executive pay must not be excessive and must be commensurate with company performance, actual CEO performance and the experience of key stakeholders. Given the marked recovery in CEO remuneration since the pandemic, companies will need to justify the levels of executive remuneration, especially in the light of the “cost-of-living” crisis.

CEO salary changes

- There was a decline in salary freezes and waivers which had occurred during the pandemic years and it's clear from the findings that executive salary for FTSE 100 companies has recovered to pre-pandemic levels.

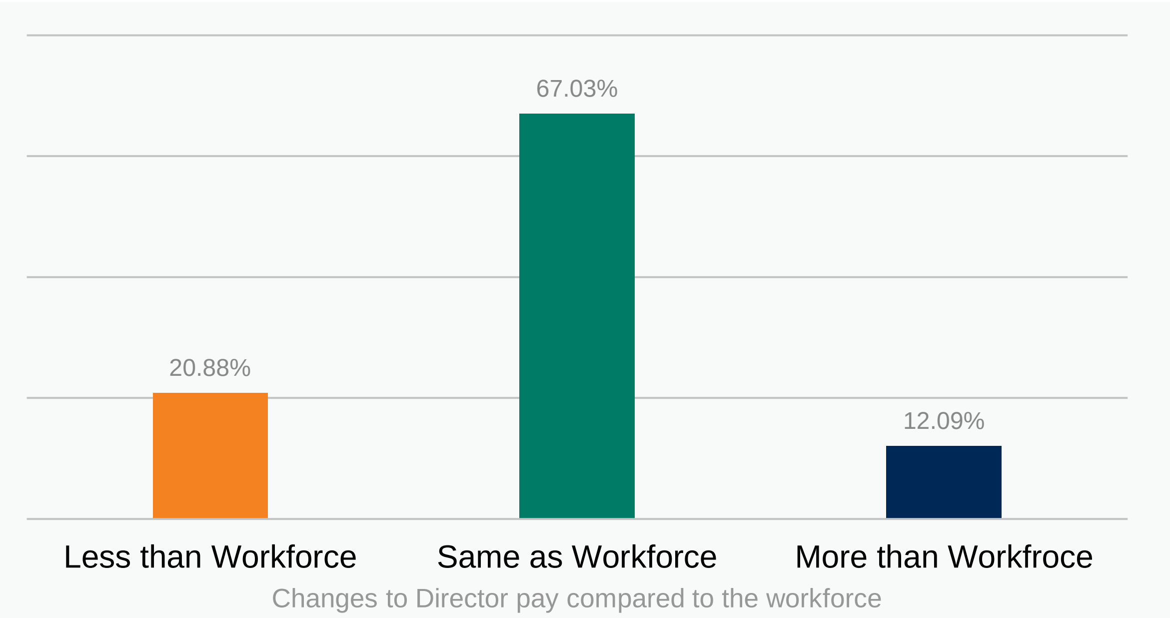


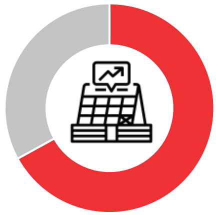
13% of companies did not provide a pay increase in CEO or CFO salaries in 2021 (down from 44% in 2020).

The median CEO and CFO pay increase in 2021 was **3%**, up from 1-2% in 2020.

Salary increases: Executive Directors vs the Workforce

Graph 2 - Executive Directors vs the Workforce





The largest proportion (**67%**) of companies surveyed increased their executive directors pay in line with the increase applied to the general workforce.

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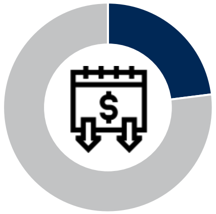
Salary increases: Executive Directors vs the Workforce (Continued)

Looking ahead, the IA and ISS has urged RemCos to practice restraint when considering executive salary increases in 2023. This is due to the disproportionate impact that the inflationary pressure is having on lower paid workers. Any increase to executive salary levels should be considered in tandem with the effect this will have on overall quantum.



Approximately **23%** of the FTSE 100's CEOs received no salary increase in 2022. This is a considerable decrease from 2021, where approximately 45% of CEOs did not receive an increase.

As part of their November 2023 letter to RemCo Chairs, the IA noted that ist members encourage RemCos to consider increases below the rate of salary increases given to all employees and below the rise in inflation.

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3 Annual Bonuses

- Over 90% of FTSE 100 companies awarded CEO bonuses in 2021 (up significantly from 64% in 2020).
- The median annual bonus payout has increased significantly to 85% of maximum from 48% in 2021, which is the highest level for the last 10 years.
- The inclusion of ESG metrics in annual bonus plans has continued to increase; such metrics are now incorporated into 39% of companies' annual bonus plans. In particular there has been an increased focus on sustainability goals as part of these metrics.

Bonus Opportunity

- The maximum bonus opportunity for CEOs has on the whole decreased in 2021/2, while the opportunity for CFOs has increased; the mean maximum annual bonus opportunity was 189% of annual base salary for CEOs, and 172% of annual base salary for CFOs.
- This is as a result of 54% of companies (who disclosed) now having the same maximum bonus opportunity for their CEOs as for their CFOs. For the remaining 46% of companies (who disclosed), the bonus opportunity is higher for CEOs than compared to their CEOs and other executives.
- However, the median bonus opportunity for CEOs and CFOs in 2020/1 and 2021/2 did not change, with opportunities of 200% of base salary and 165% of base salary respectively.
- Amongst FTSE 100 companies, the most common maximum bonus opportunity for a CEO was 300% and for a CFO was 200%.

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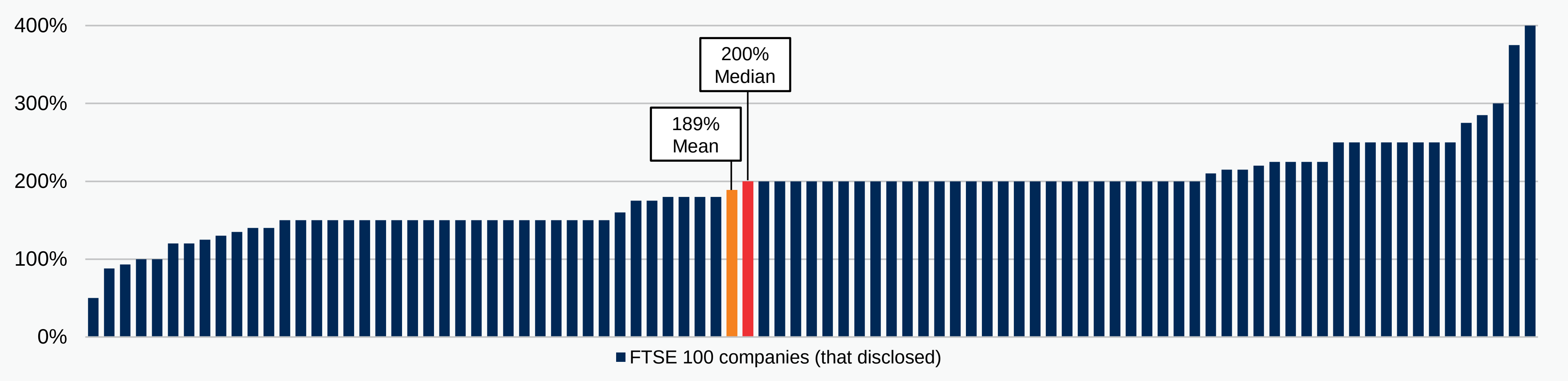
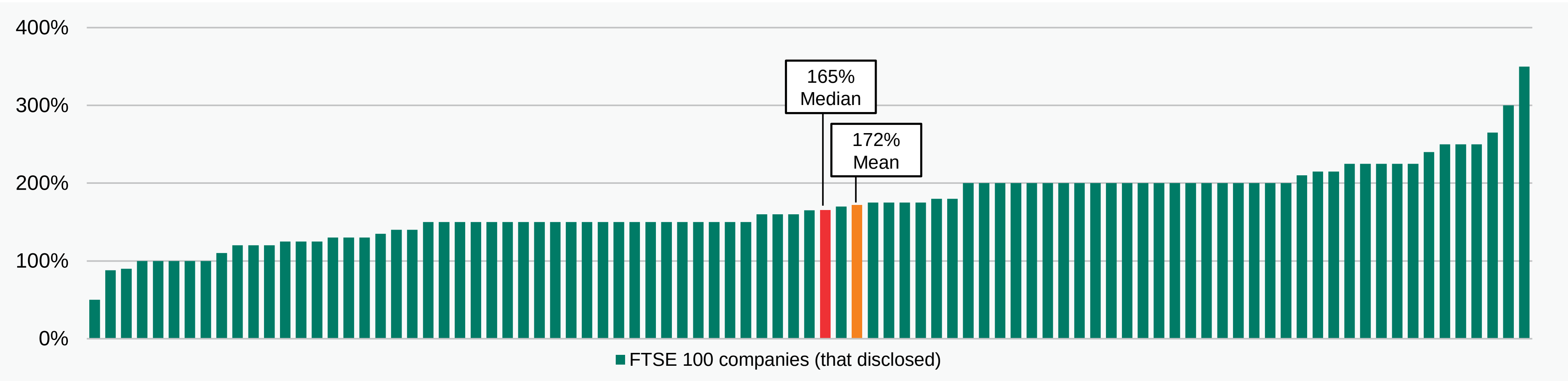
Graph 3A - Maximum annual bonus opportunity for CEOs per FTSE 100 company (% of base salary)

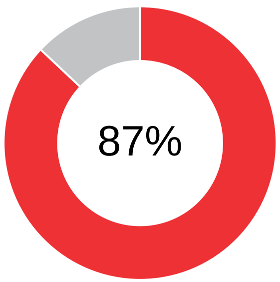


Graph 3B - Maximum annual bonus opportunity for CFOs per FTSE 100 company (% of base salary)

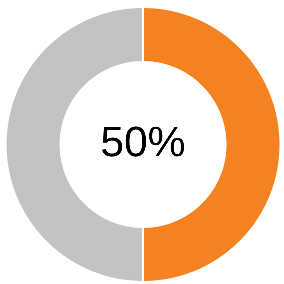


Deferral

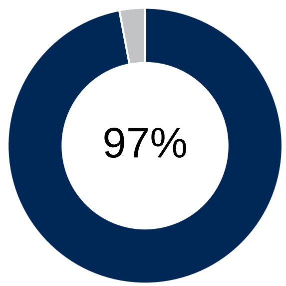
- Deferred share bonus plans require a portion of any annual bonus awarded to be deferred into shares which are released at a later date (subject to continued employment) with no additional performance conditions (as the bonus has already been earned).
- Compulsory share deferral arrangements are currently in place at 87% of FTSE 100 companies (an increase from 83% in our last FTSE review and 84% in 2020).
- Deferral is generally applied to 50% of an annual bonus award (this is currently practised at 57% of companies), with the deferred portion being held for a period of typically three years and being paid in shares.
- It appears that only 1 FTSE 100 company currently has a cash only deferred bonus plan in place. All other companies pay the deferred portion in shares.
- The IA expects for the entire portion of any bonus over 100% of an Executive's annual base salary to be deferred into shares.
- 2% of companies who have compulsory deferral in place declined to disclose the portion of the bonus award that would be deferred.



of FTSE 100 companies have compulsory share deferral arrangements



Deferral is applied to 50% of bonus award at 57 FTSE 100 companies



of FTSE 100 companies pay the deferred portion in shares

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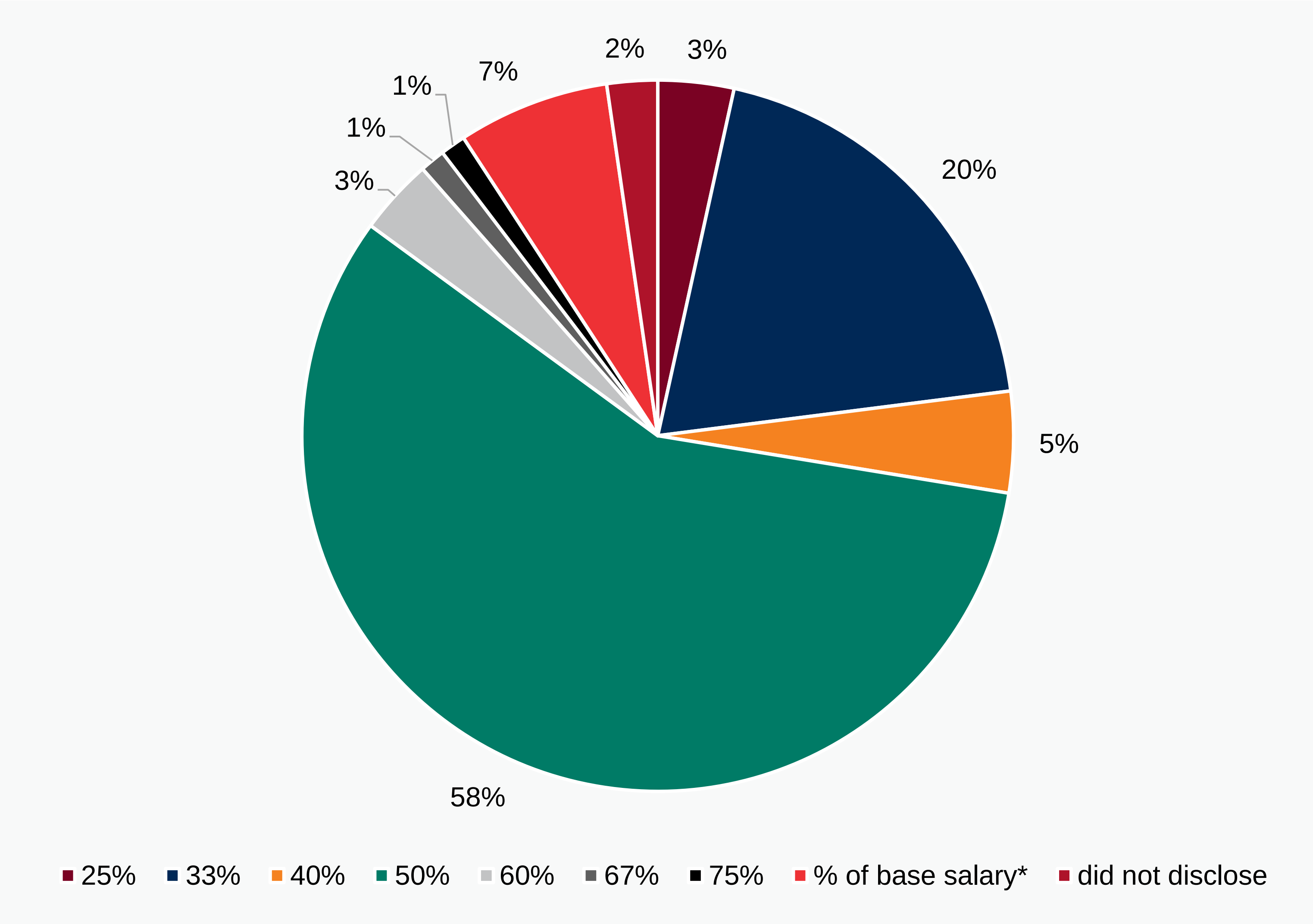
Graph 3C - % of annual bonus deferred (of 87 companies that operate deferral)



*% of base salary: Some companies set out the deferral requirement as a % of a bonus above a threshold (rather than a flat %). 6% of companies defer any portion in excess of 100% of base salary, and 1% of companies defer any portion of a bonus in excess of 50% of base salary.

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4 Executive Pensions

The 2018 UK Corporate Governance Code contains the provision (paragraph 38):

> "The pension contribution rates for executive directors, or payments in lieu, should be aligned with those available to the workforce."

In 2019, the IA warned that by the end of 2022, FTSE 350 companies must pay directors the same pension contributions as the majority of their workforce. In their updated Principles of Remuneration (published November 2022), the IA expects that the workforce rate will apply to all executives, including incumbents in 2023. IVIS will "red top" any policy which fails to do so.

The focus of the IA on pensions has seen almost all FTSE 100 companies implement policies for incoming directors to align their pension with the wider workforce. For existing directors, over 90% of companies will have achieved this goal by the end of 2022.

With the exception of one company, all FTSE 100 companies have aligned the pension provision for new hires.

Median pension contribution in 2022 is 12% (down from 15% in 2021).

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5 Long-Term Incentive Plans (LTIPs)

- The use of a single performance share plan (PSP) (in conjunction with awards of annual deferred bonuses and sometimes stock options) remains the most common approach in the FTSE 100, adopted by 84% of companies. Under a PSP, awards of free shares are granted which typically vest three years later, subject to continued employment and the achievement of performance conditions.

- A restricted share plan (RSP), either in isolation or in conjunction with a PSP, is operated at 15% of FTSE 100 companies. Under an RSP, awards of shares are granted which vest subject to continued employment only (i.e., no performance conditions). However, shares will only be granted subject to strict underpinnings.

- Total Shareholder Return (TSR) and Earnings Per Share (EPS) remain the most prevalent metrics used in PSPs. They are typically used in combination with each other or in combination with other profit measures.

- Approximately 97% of PSPs use more than one performance metric.

- ESG metrics are used by 46% of FTSE 100 companies in their LTIPs (including both PSPs and RSPs).

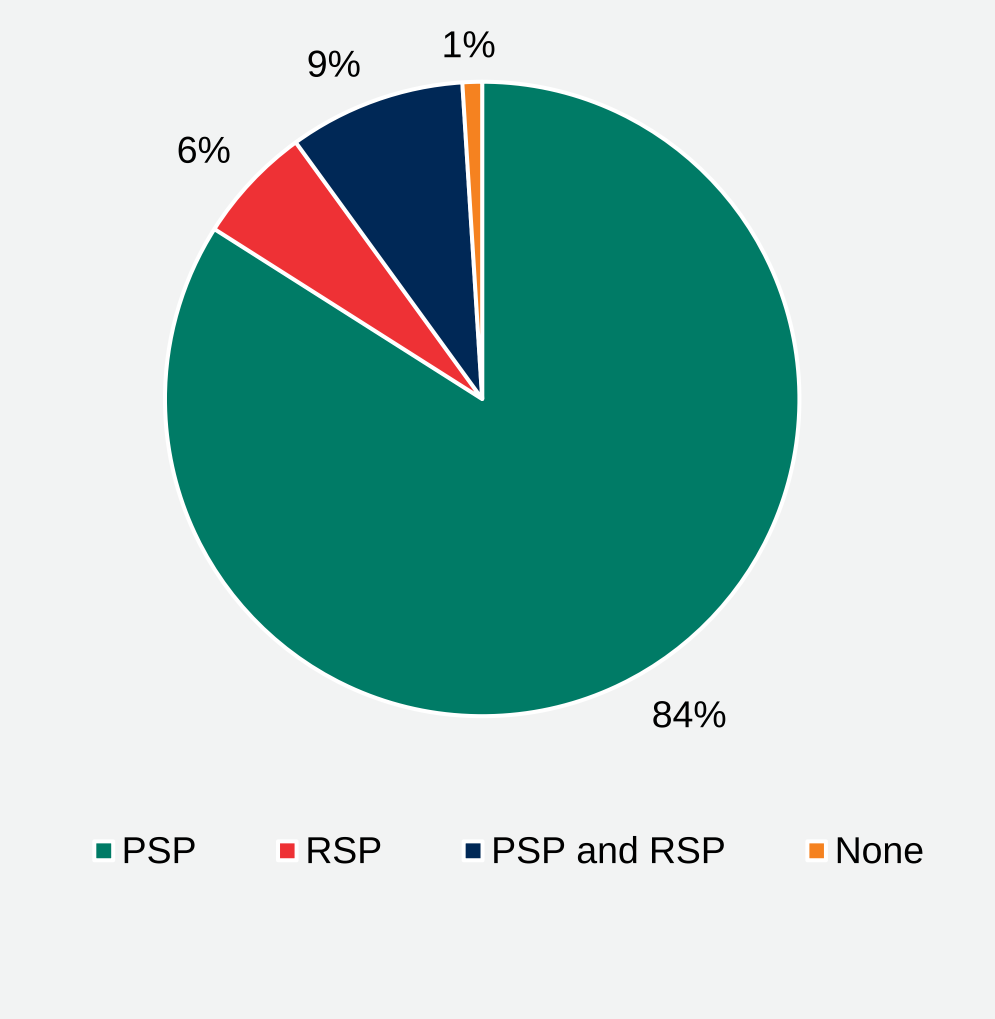
Types of LTIPs

Despite the rhetoric around the potential demise of traditional long-term incentive structures, there has been little evidence of companies introducing different structures or RSPs becoming the blueprint for the future.

This may be due to the shareholder hostility faced by companies that have sought to introduce RSPs in the past. However, notably, 5 companies introduced RSPs in 2021/2, and we expect companies to follow suit in the coming years. In total, 15 companies operate a RSP (6 use a sole RSP, and 9 use an RSP in conjunction with a PSP).

The use of a single PSP still remains the norm in the FTSE 100.

Graph 4 - Types of LTIPs operated



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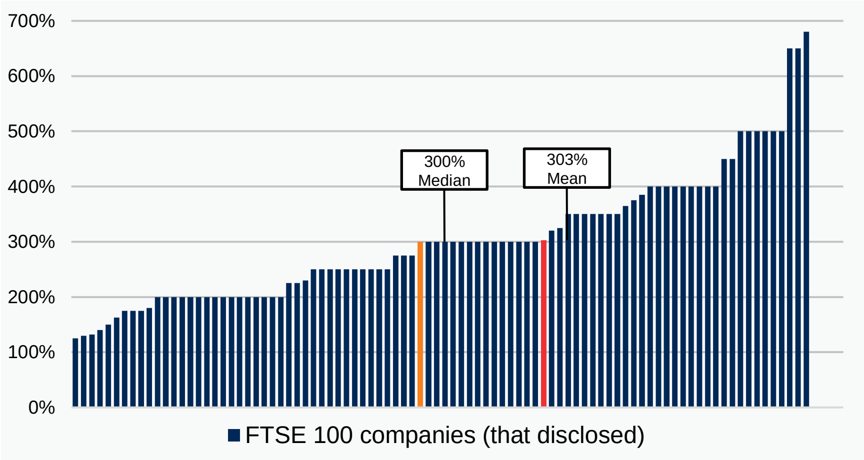
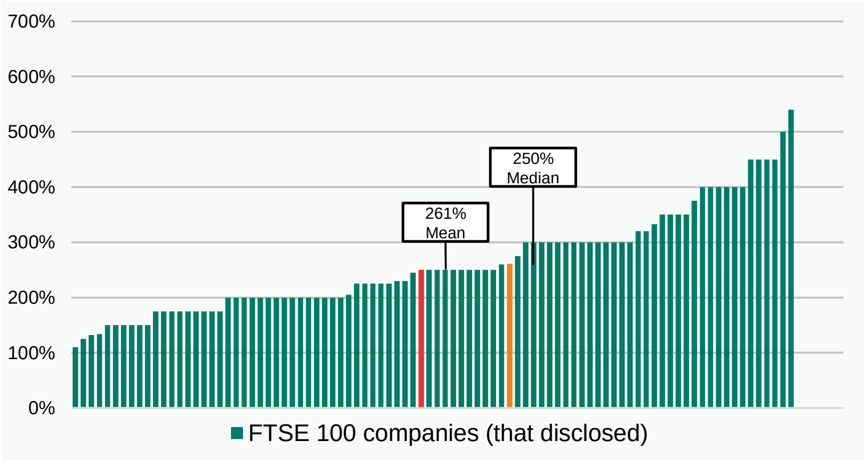
Award Levels

- The median LTIP vesting experienced a minor increase to 55% of maximum from 48% of maximum in 2021.
- At face value, the median maximum annual PSP grant level for CEOs increased substantially compared to the previous year with approximately 250% of salary for 2021 being increased to approximately 300% for 2022. For the CFO, the median grant policy has also increased from approximately 225% of salary in 2021 to 250% in 2022.
- The mean maximum PSP grant level for CEOs was 303% and for CFOs was 261%.
- At 53% of companies there is a higher maximum PSP opportunity for the CEO as compared to the CFO and other executive directors.
- Amongst the FTSE 100 companies, the most common maximum PSP opportunity for a CEO was 200% (as compared to 300% for an annual bonus) and for a CFO was also 200% (the same for annual bonuses).
- Interestingly, 4% of companies with PSPs failed to define a maximum award level for their CEO, CFO or other executive directors.
- For 2023 vestings, the IA has cautioned RemCos to be mindful of any potential windfalls which executives may receive as a result of improved company performance following the pandemic and have urged RemCos to ensure that vestings are reflective of the performance of the executive and their contribution to company performance (and not company performance alone) and are commensurate to the wider stakeholder experience and macroeconomic context.

Graph 5A - Maximum PSP awards for CEOs per FTSE 100 company (% of base salary)



Graph 5B - Maximum PSP awards for CFOs per FTSE 100 company (% of base salary)



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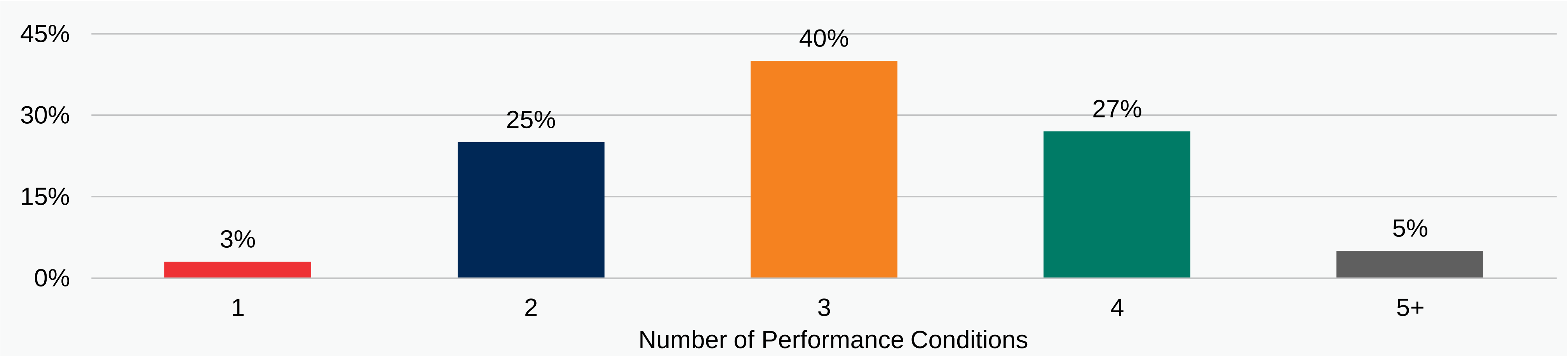
Performance Measures

- It is typical for FTSE 100 companies to operate a balanced scorecard of measures to give a more rounded assessment of performance. This allows companies to capture a broader range of company-specific Key Performance Indicators - this is popular with many investors who prefer to see performance measures linked to underlying company financial and operational performance.
- Overall, 97% of companies used two or more performance metrics and 35% used four or more performance metrics in their PSPs. On average, a FTSE 100 company with a PSP plan uses three broad performance metrics.
- This is unsurprising given the advice of proxy advisers that shareholders prefer multiple metrics in order to provide a more complete picture of performance, since reliance on a single metric may narrow management focus and be more susceptible to manipulation.
- 56% of FTSE 100 companies use one or more ESG metrics in their PSP, an increase from 38% in 2021.

Graph 6A - Number of performance metrics in PSPs



The most commonly used incentive measure continues to be profit. There are different definitions of profit that are used, ranging from EBITDA (earnings before interest, tax, depreciation and amortisation), EBIT (earnings before interest and tax) and PBT (profit before tax). When companies who use EPS (earnings per share) in their annual bonus are also taken into account, an earnings/profit measure is almost universal.

Glass Lewis recommends that "at least one metric should compare the company's performance to a relevant peer group or index." This is indicated in the performance metrics chosen by companies: while 12 PSPs use Absolute TSR as a performance metric, 60 PSPs rely on Relative TSR (comparing their TSR performance to a batch of similar companies or other companies in the FTSE 100).

Overall, Relative TSR is used in 65% of PSPs (a reduction from previous years of around 70%) and EPS is used in 45% (again a reduction from previous years of around 53%). This may be due to an increased reliance on ESG metrics. While TSR and EPS remain the most common measures, around two thirds of plans use one or more other measures in combination with one or both of TSR and EPS.

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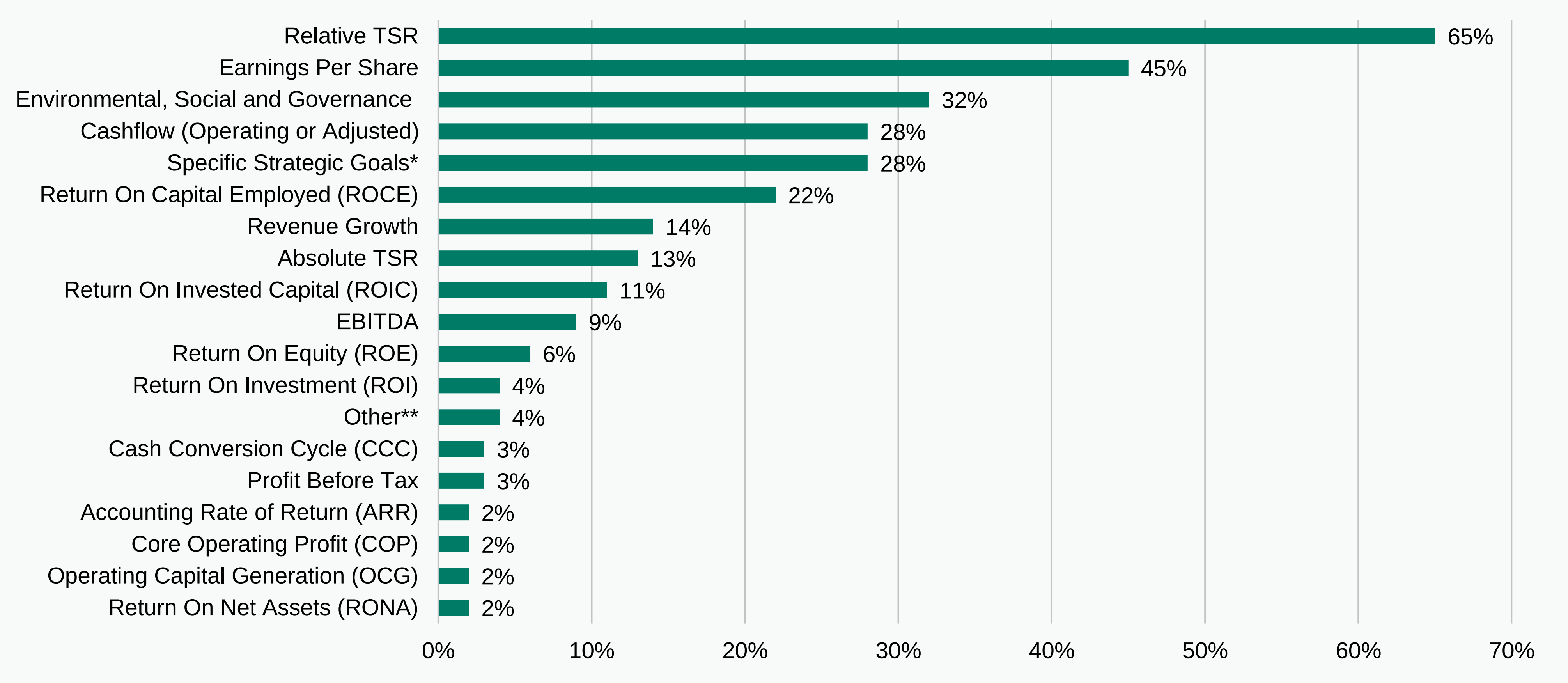
Graph 6B - Prevalence of performance metrics in PSPs



* These are specific targets catered towards the business of the company. Some specific examples include: "Mineral resources increase (contained copper)" (threshold amount of copper produced - Antofagasta Holdings); "Innovative Science: First approvals and NME volume over three years" (AtraZeneca); "Resilient Hyrdocarbons" (reducing production costs per barrel and improving plant reliability - BP); "Brand strategies" (Burberry); "Increased exploration" (ounces of measured and indicated resources discovered - Endeavour Mining").

** Other: Cost-Income Ratio (CIR) - 1%; Leverage - 1%; Long-Term Injury Frequency Rate (LTIFR) - 1%; and Net Asset Value Per Share - 1%.

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6 ESG Metrics in variable pay

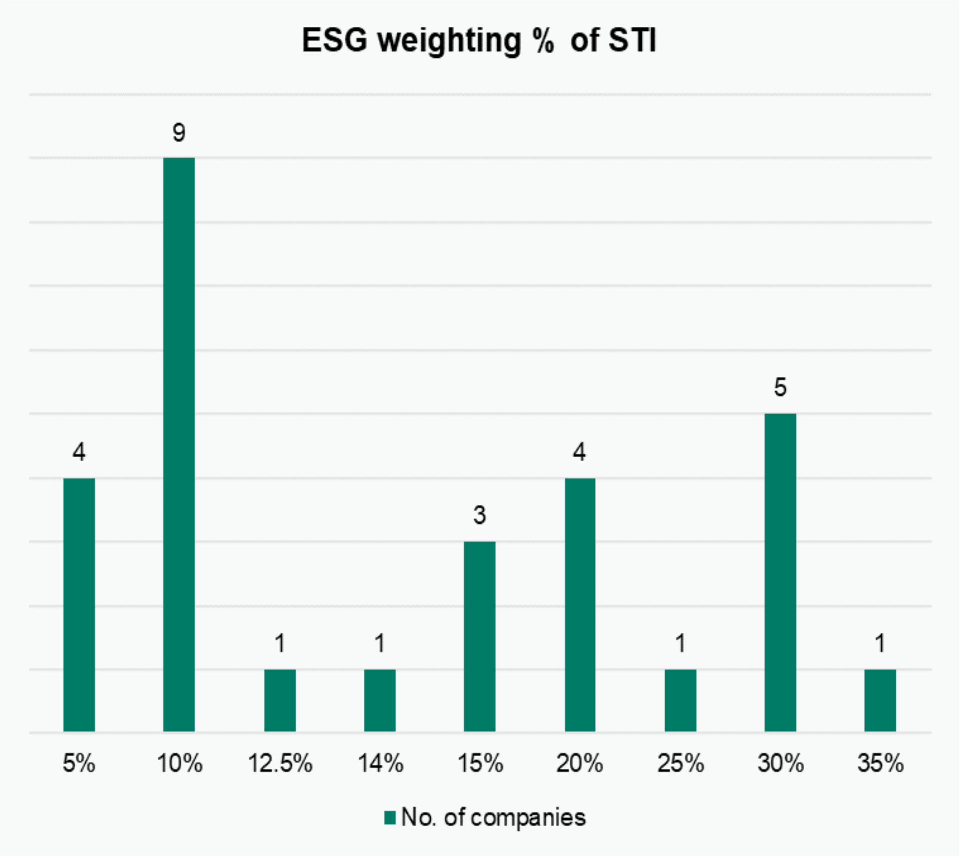
The prevalence of ESG performance measures is increasing, and understandably so, with 71% FTSE 100 companies incorporating one or more ESG metrics into their variable pay assessments.

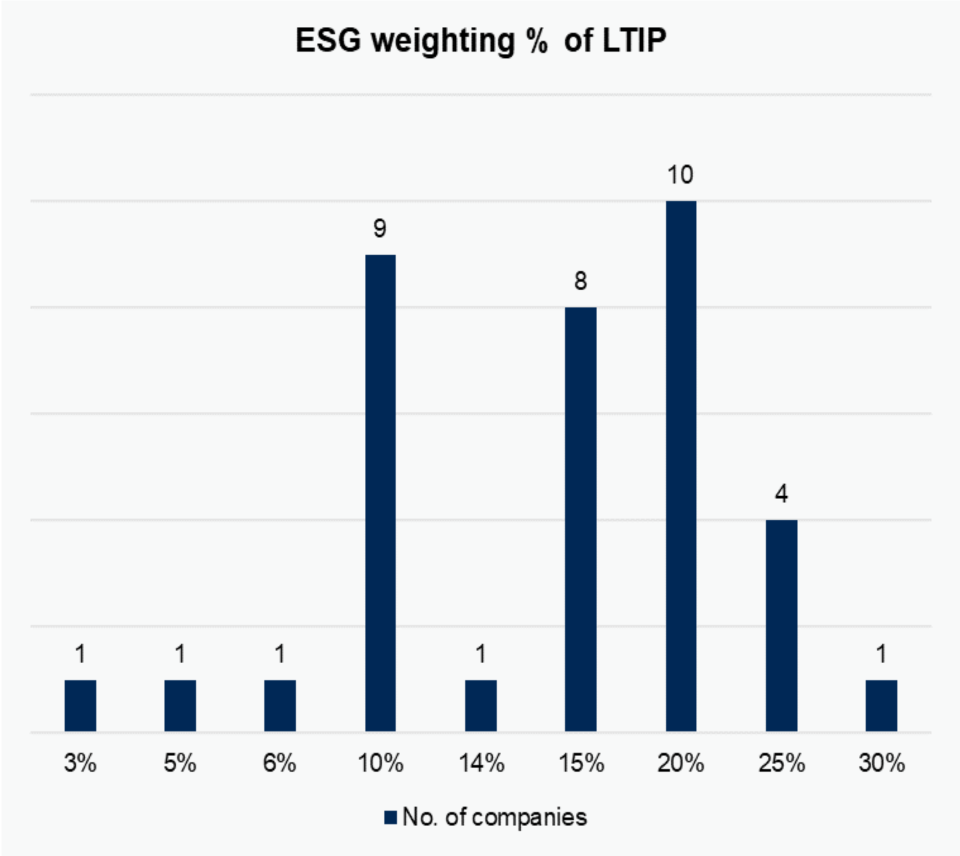
- 43% of FTSE 100 companies included at least one ESG metric in their LTIPs, and 60% of companies included an ESG metric in their annual bonus plans.
- The IA's revised 2022 Principles of Remuneration emphasize the importance of having strategic non-financial performance criteria, such as ESG metrics, in Annual Bonuses and LTIPs, and has noted that "the impact of Environmental, Social and Governance risks on the long-term value of companies is increasingly evident."
- In its November 2022 letter to RemCo Chairs, the IA noted that "several IA members expect all companies to incorporate material ESG risks and opportunities into executive remuneration structures".
- However, other advisors have cautioned that "insufficient oversight of material environmental and social issues can present direct legal, financial, regulatory and reputational risks" that could serve to harm shareholder interests and urge RemCos to only incorporate ESG metrics "where they are material, linked to business strategy, and can be simply measured and disclosed".
- Where ESG metrics are used, proxy advisors expect the metric to be "material to the business, quantifiable, suitably stretching and clearly linked to the implementation of the company's strategy" (IA Principles, November 2022).
- The IA is clear that ESG targets must not be used as a vehicle to increase overall quantum and that RemCos must clearly explain how progress against the targets is being measured and will be disclosed to shareholders.

Types of ESG Metrics

- 71% of FTSE 100 companies have incorporated one or more ESG metrics into their variable pay assessments.
- On average, where an ESG metric was used and its weighting specified, it accounted for 16.26% of the opportunity in annual bonuses, and 16.43% of the opportunity in LTIP grants.

Graph 7 - % weighting of ESG metrics in Annual Bonuses and LTIPs





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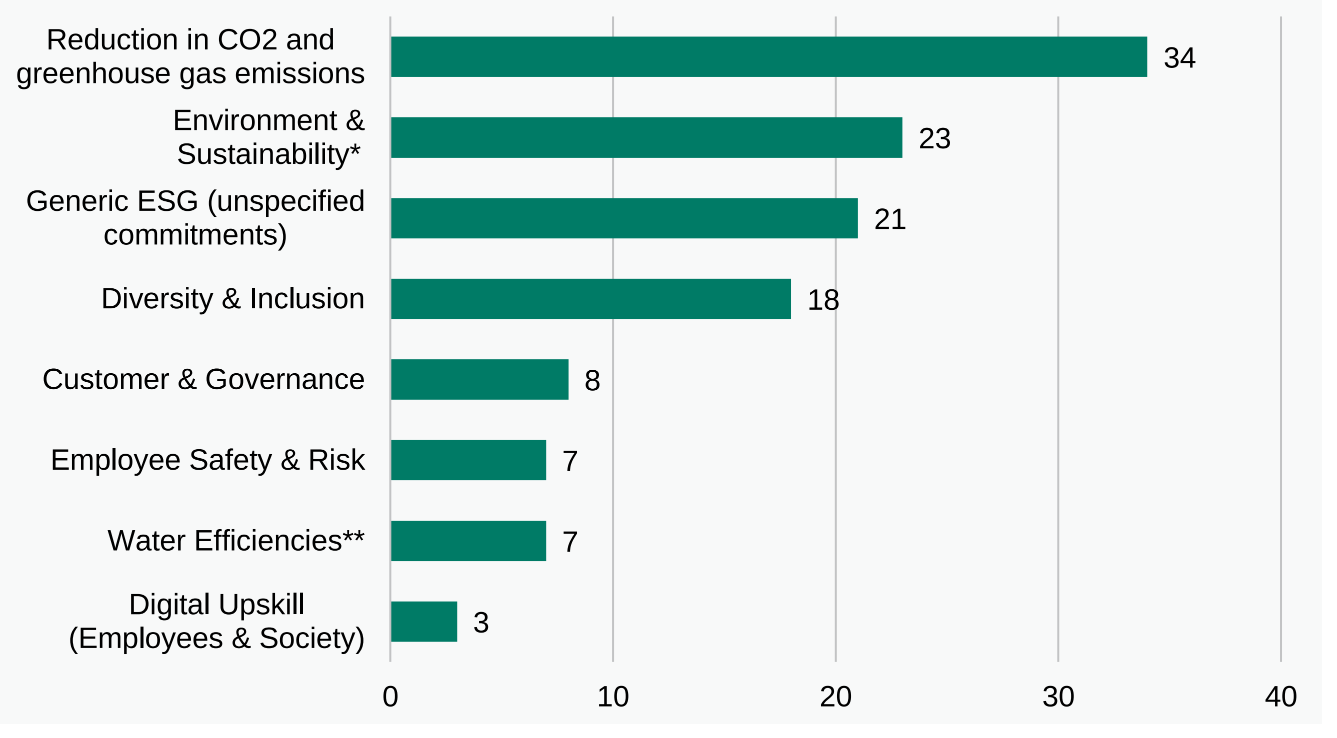
Types of ESG Metrics

- Investors expect ESG metrics to be specific to the company and linked to long-term strategy. Further, proxy advisors have stated that ESG metrics should avoid unnecessary complexity, be simple to be measured and disclosed to shareholders in a meaningful way.

Graph 8 - Most commonly used ESG metrics



The inclusion of ESG metrics in short-term annual bonus plans by many FTSE 100 companies is an indication that some companies view such measures as incentivising the achievement of short-term ESG milestones. These short-term goals could also, in the long-run, benefit longer-term strategic ESG goals.

Where ESG metrics are used in LTIPs, which are typically measured over 3 years, it is clear that longer-term sustainability targets are being pursued. Given that several of the FTSE 100 company aim to be "carbon neutral" by 2030, the tendency is for companies to include specific environmental goals affecting their output and the nature of their businesses, such as water efficiencies and a reduction in carbon emission, as LTI metrics goals.

* Environment & Sustainability encompasses those environmental goals that were unspecified "Sustainability" goals, or those that did not address gas emissions and water targets. Specific examples of this include: "Progress toward a Net Zero Built Environment"; "Replace diesel power capacity with renewable power sources"; "responsible sourcing of our wood and paper products"; "Sustainable financing and investments" (investing in a green, ESG, social bonds or sustainability linked bond facilitation project - Lloyd's Bank); "Elimination of waste to landfill sites"; "Following the five principles of a purpose-led business, as set out in the Blueprint for Better Business (BfBB) framework"; "Measurement towards achieving the UN Sustainability Goals"; and "Maintaining ESG rating".

** Water Efficiencies encompasses performance metrics concerning the responsible usage and reduction of water consumption at a company group. Specific examples of this include: "Increased Water Efficiency" (measuring the ratio of the amount of water required to produce one litre of packaged product); "Maintain 'leading' sector-level performance on critical environmental issues including climate change and water stewardship"; "Water Discharge Reduction"; "Improving the appearance of drinking water" (with the "Better Rivers: Better North West" campaign - United Utilities); and "River Health".

The most common ESG metrics appear to have shifted from regulatory goals to mitigating the threat of climate change. This has led to the increased use of environmentally focused ESG targets, specifically in reduced carbon emissions. This is the case even for companies that are not involved in gas and carbon intensive industries. These goals also align with many companies' strategies to be carbon neutral by 2030 (in some cases by 2050). Directors are therefore under increasing pressure to deliver on the environmental strategies of their companies.

Measurability of an ESG metric can prove challenging depending on the specific risks and goals of a company. To avoid this, several quantifiable goals were set by companies. For instance, several "employee" or "culture" goals have been set by FTSE 100 companies this year on gender and ethnical diversity in senior management roles, and a set reduction in % of CO_2 emissions. Both of these are quantifiable goals that can have threshold, stretch and target achievements. The pressure on companies to ensure that whatever ESG metrics are used are quantifiable, measureable and (perhaps most importantly) verifiable will likely increase as a result of the ensuing recession, and we expect that there will an increasing tendency to favour output as opposed to subjectivity as the measure of success.

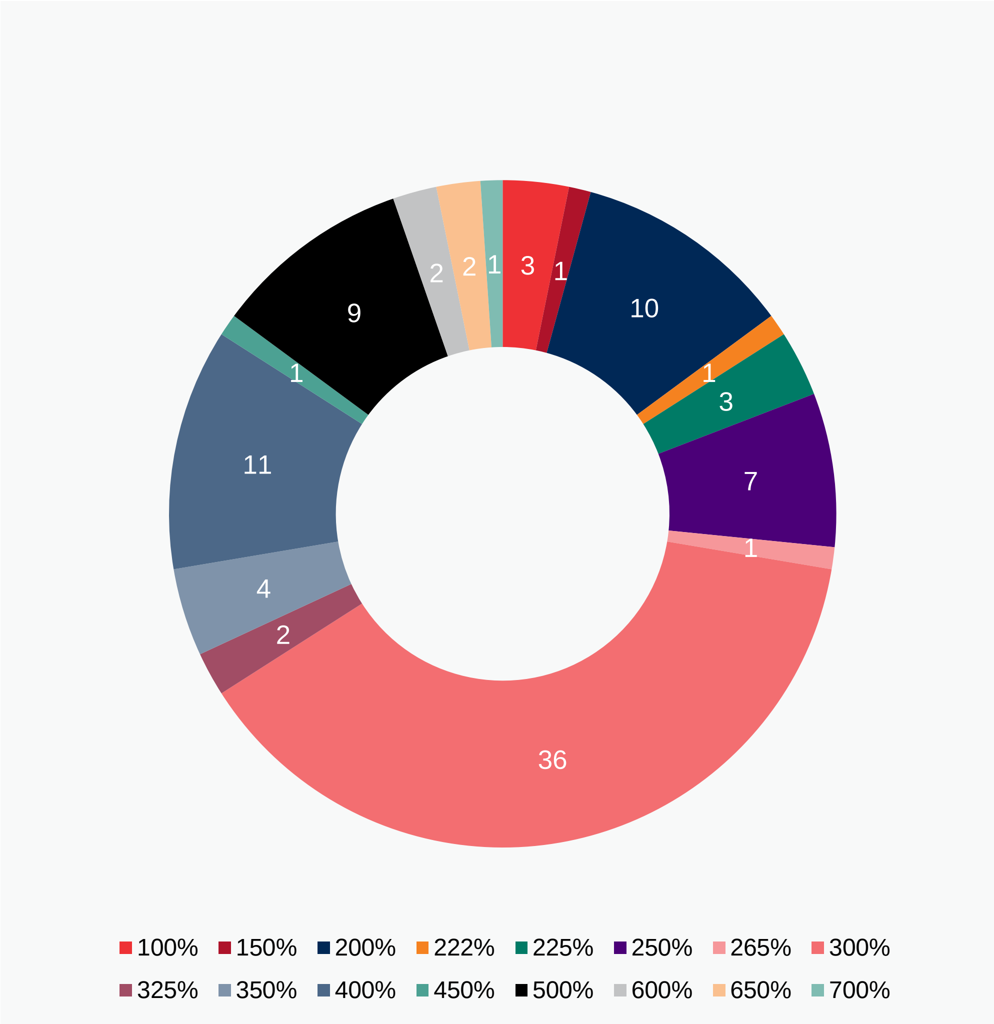
7 Shareholding Requirements

- Overall, 94 of the FTSE 100 companies have a Minimum Shareholding Requirement (**MSR**) for Executives and operate post-cessation holding requirements.
- Around 66% of companies have a higher MSR for the CEO than other Executives, but all companies have the same post-cessation holding periods for all Executives.
- Of the 94 companies that have post-cessation holding obligations, 92 companies require the full MSR to be maintained for a minimum of 12 months.

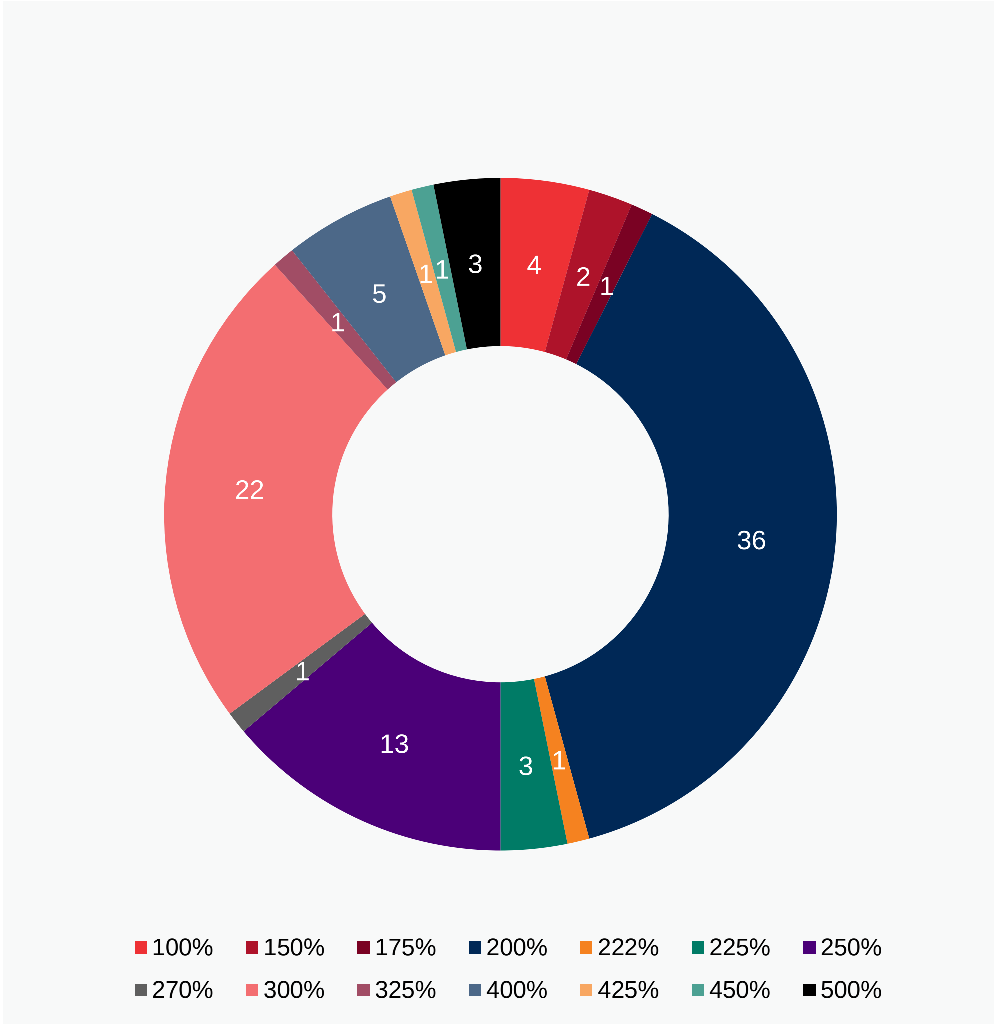
Minimum Shareholding Requirement

- The mean MSR for CEOs in 2020/1 was approximately 300% of base salary. For the 2021/22 review, the mean for CEOs has increased to approximately 330%. The mean MSR for CFOs in 2020/1 was approximately 225% of base salary, which has now increased to approximately 250%.
- The median MSR for CEOs is to maintain 300% of base salary (this is in place at 38% of companies) and the median for CFOs is 200% (also at 38% of companies).
- 34% of companies have an equivalent MSR for their CEOs as compared with their CFOs and/or other Executives, an increase from 25% from last years' review. This is in line with a general increase in the maximum opportunities under companies' LTIPs that CFOs may now be entitled to (see above).

Graph 9A - MSR for CEOs per FTSE 100 company (% of base salary)



Graph 9B - MSR for CFOs per FTSE 100 company (% of base salary)



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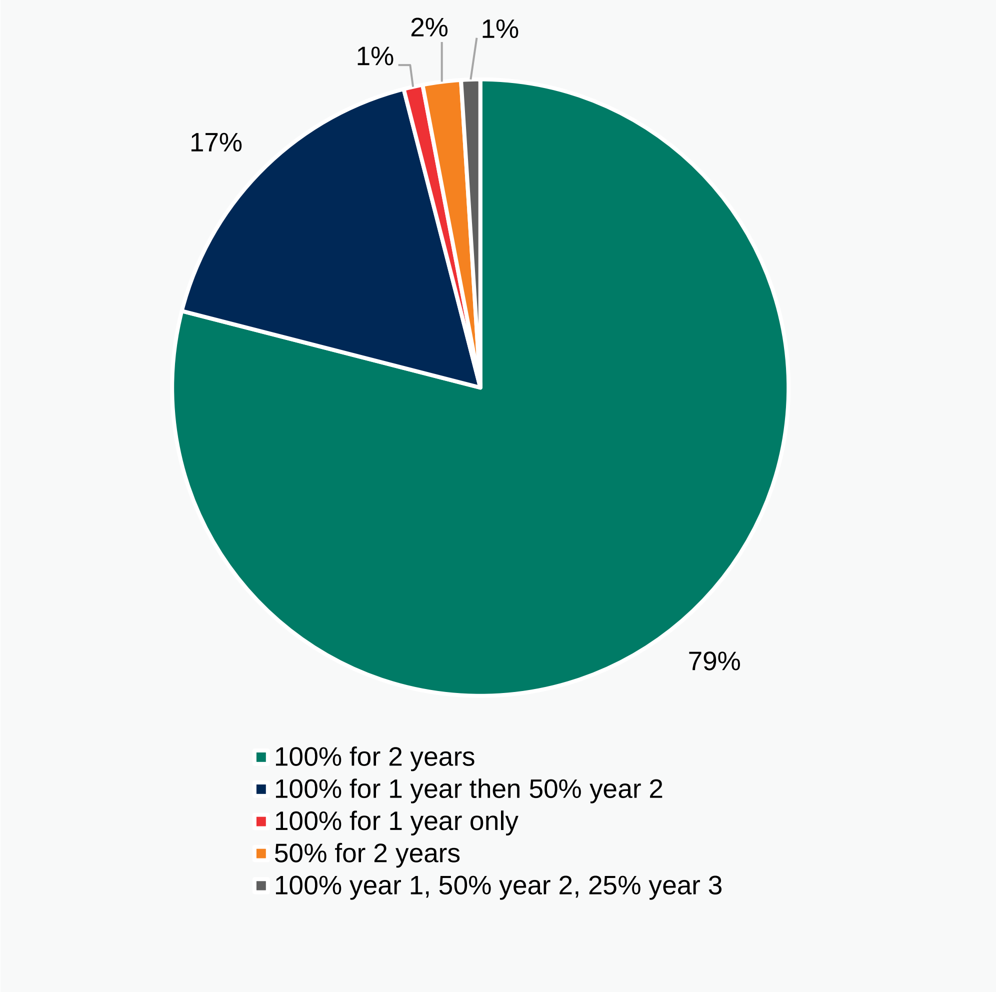
Post-Cessation

The IA expects post-cessation shareholding requirement to apply for a minimum of two years, at the lower of the actual shareholding on departure or the MSR, in order to properly ensure alignment between shareholders and the business. In response, 79% of companies (increased from 72% in 2021) have post-cessation requirements of 2 years.

In relation to the other companies (who have post-cessation holding requirements in place) instead of requiring a 2-year period, these companies require either: (i) the full MSR to be maintained for 1 year post-cessation, with staggered holding (usually reduced to 50%) thereafter - this is in place at 16 companies; (ii) 50% of the MSR to be maintained for 2 years post-cessation; or (iii) the full MSR to be maintained for only 1 year. Only one company had a post-cessation holding requirement that spans 3 years.

Graph 10 - Post-cessation MSR for CEOs and CFOs (period and % of requirement)



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Malus and clawback

- Malus and clawback provisions are ubiquitous for FTSE 100 companies with respect to both their annual bonus and LTI arrangements.

Bonus

Over **98%** of companies have the ability to operate clawback on their cash bonuses and

96% to operate malus on the unvested share portion of their bonus arrangements.

For the majority of companies, clawback may be operated for 3 years following payment and for malus to apply for two years during the deferral period

LTI

100% of companies have the ability to operate malus and

98% have the ability to operate clawback with respect to their LTIs.

For most FTSE 100 companies clawback can be operated for two years post vesting

- Common triggers for both malus and clawback include material misstatement of financial results, corporate failure, serious misconduct, miscalculation of performance and serious damage to reputation.

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8 Board Diversity - Gender

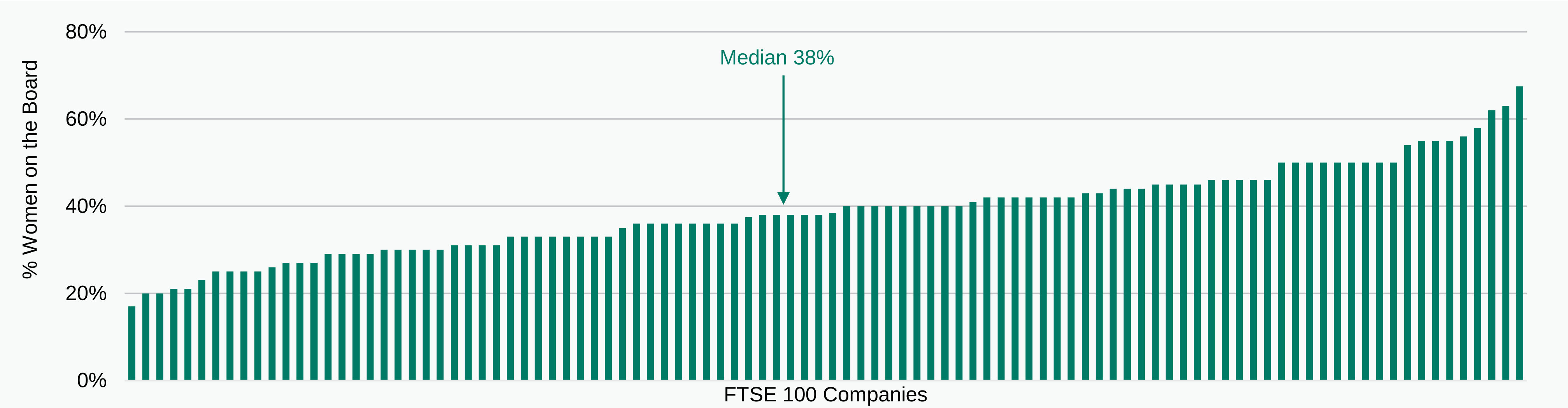
Proportion of women on the board

AVERAGE 39%

MEDIAN 38%

- The average proportion of women on the board of FTSE 100 Companies is 39%.
- According to Glass Lewis findings, there is an increase in gender diverse directors at the FTSE 350 companies from 33% in 2020 up to 39%, reflecting our findings for the FTSE 100 Companies in 2022.

Graph 11A - Gender Board Composition



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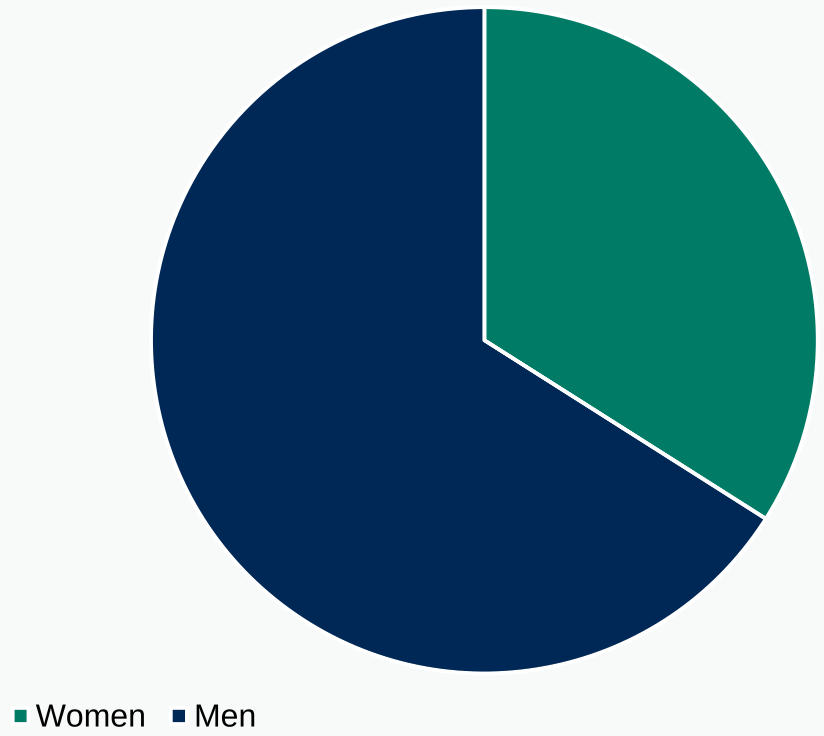
Graph 11B – Average Gender Board Composition



Average board composition - 39% women, 61% men

34 FTSE 100 companies have a woman on the board in an executive role.

Certain roles on the board are still heavily occupied by men. As at October 2022, there are 8 female CEOs in FTSE 100.

Published in 2022, the FTSE Women Leaders Review recommended that 'FTSE 350 companies…have at least one woman in the Chair or Senior Independent Director role on the Board, and/or one woman in the Chief Executive or Finance Director role in the company, by the end of 2025.' Given this recommendation, we will hopefully see a gradual increase in the representation of women in executive roles over the next few years.

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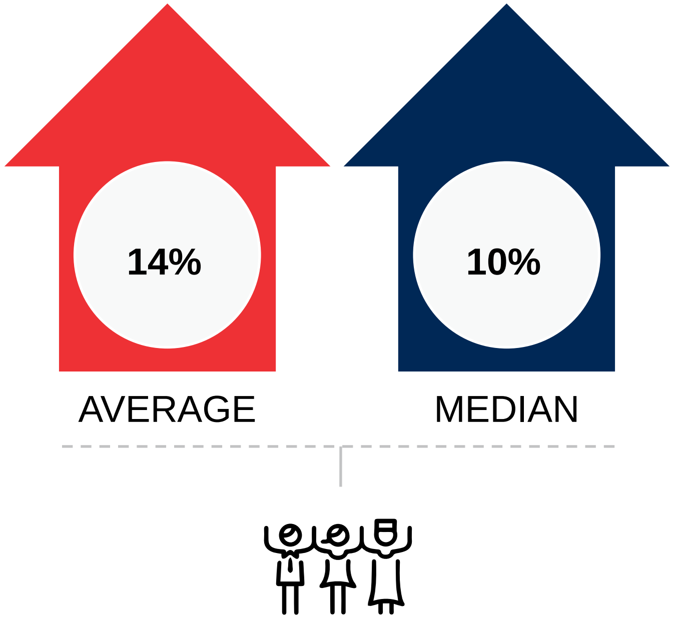
9 Board Diversity - Ethnicity

Proportion of ethnically diverse members of the board



- Currently FTSE 100 companies are not required to disclose the ethnicity of their executive directors or senior management.
- As part of the Parker Review Committee that was commissioned by the UK government to measure the ethnic diversity of FTSE 350 boards between July 2019 and January 2020, 11.3% of FTSE 100 directors (of the 83 FTSE 100 companies that responded to the review) were from ethnic minorities.
- Based on the annual reports that we have reviewed for the 2021/22 reporting season, ethnic minorities make up on average 14% of the board at FTSE 100 companies, a 2.7% increase from 2019/2020.
- 13 of the FTSE 100 companies were found to have no individuals from ethnically diverse backgrounds on their board whatsoever.

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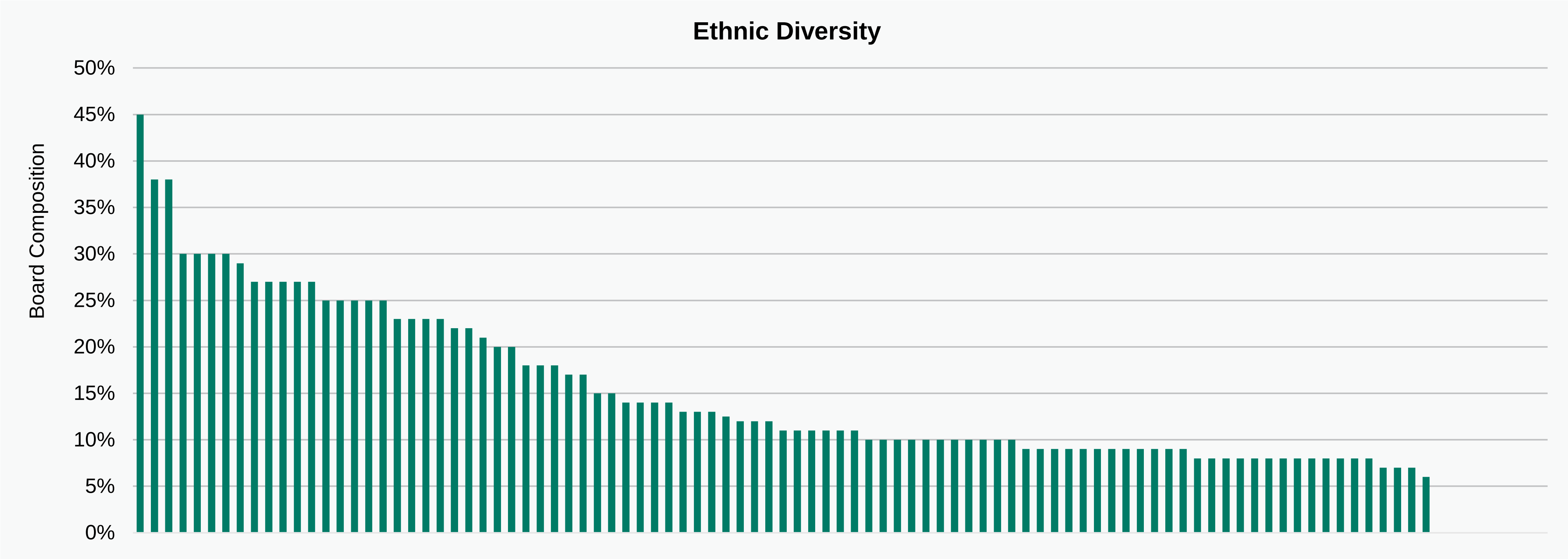
Graph 12 - Ethnic diversity on the Board



- According to the Parker Review, that was updated at the end of 2021, 89 FTSE 100 companies had met the target of having at least one person from an ethnic minority group on its Board. This was expected to reach 94% by May 2022, up significantly from 47% in 2016.
- The report also comments on the intersection between gender and ethnicity, with the 'number of people from minority ethnic groups on FTSE 100 Boards splits evenly between genders'.

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Ethnic Diversity Composition for FTSE 100 companies

1% of Companies have 40% - 50% ethnically diverse board composition

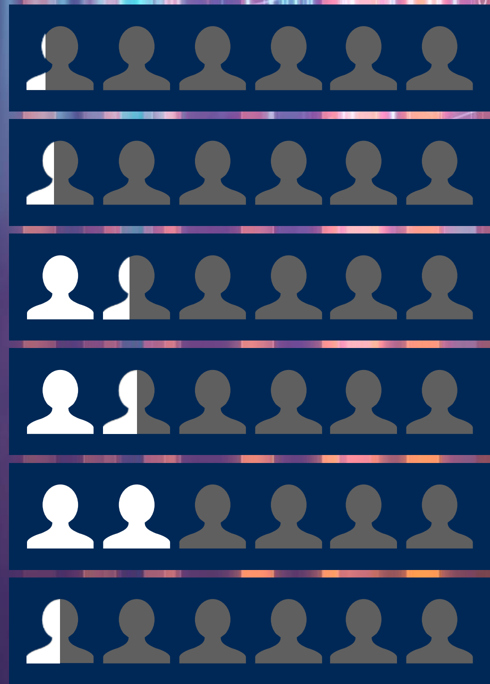
6% of Companies have 30% - 40% ethnically diverse board composition

21% of Companies have 20% - 30% ethnically diverse board composition

24% of Companies have 10% - 20% ethnically diverse board composition

40% of Companies have 1% - 10% ethnically diverse board composition

8% of Companies have 0% ethnically diverse board composition



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Methodology

The FTSE 100 has been 'struck' as at 1 October 2022. The median market capitalisation of the Index as a whole is £7,863m (compared with £8,691m last year). The FTSE 30 has a median market capitalisation of £29,329m and the FTSE 31-100 has a median market capitalisation of £6,060m

The Executive Director data has been sourced from public disclosures in reports & accounts and circulars.

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