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Executive pay:
review of FTSE 100 executive pay

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The High Pay Centre is an independent, non-partisan think tank focused on the causes and consequences of economic inequality, with a particular interest in top pay. It runs a programme of research, events and policy analysis involving business, trade unions, investors and civil society focused on achieving an approach to pay practices that enjoys the confidence of all stakeholders.

Report

Executive pay: review of FTSE 100 executive pay

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Acknowledgements

This report was written by Elena Kalinina, Database Marketing Analyst, CIPD, and Louisa Shand, Governance and Risk Adviser, CIPD.

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1 Foreword

Since our previous annual review of FTSE 100 CEO pay awards was published in August 2017, the level and structure of executive pay has continued to be a central theme of wider debates about corporate governance, economic inequality, and prevailing workplace cultures and employment practices. In this year's report, the finding that average (mean) CEO pay has increased by 23% and median pay by 11% will no doubt spark further controversy.

The strong performance of the stock market in the years to 2017 is likely to have been a factor in this year's increase. Payments from long-term incentive plans (LTIPs) typically linked to shareholder returns rose from £213 million in 2016 to £313 million last year. However, this should also prompt questions around the extent to which an individual or small number of executives influence shareholder returns as opposed to other contributory factors, including the role played by the market, wider workforce or the economic context.

Similarly, individual executive pay packages have also continued to attract controversy, particularly the £47 million paid to Persimmon CEO Jeff Fairburn last year. More widely, though the share of total UK incomes accruing to the richest 1% and 0.1% of earners has remained flat and even slightly declined since the financial crisis, it remains high by historical standards in comparison with other Western European economies.[1]

Significant government and regulatory developments have occurred over the past 12 months through proposed changes to the corporate governance code announced in late 2017; the deadline for reporting of gender pay differentials (April 2018); and the confirmation of proposals to require the reporting of CEO/worker pay ratios (June 2018).

In this context, we might have expected greater downward pressure to be exerted on top pay by remuneration committees and shareholders. The new changes introduced as part of the corporate governance code, such as the strengthened requirement to consider executive pay awards in the context of pay practices throughout the organisation and the increased role for stakeholder voice in governance structures, will add impetus in this respect. However, our findings strengthen our conviction that more meaningful change to policy and practice are needed in order to achieve full stakeholder confidence in executive pay practices.

To that end, the High Pay Centre and the CIPD will publish a new report this autumn, examining how reformed remuneration committees might deliver better outcomes on pay – for low, middle and top earners – from the perspective of all stakeholders. We will also continue to scrutinise pay practices and make the case for measures to support good people management, more democratic workplaces and more fulfilling working lives across corporate UK.

Charles Cotton
CIPD Senior Adviser, Performance and Reward

Luke Hildyard
Director, High Pay Centre

2 Executive summary

Our review of FTSE 100 CEO reward shows that mean and median pay packages have both increased. CEOs have seen a rise in pay especially at the top end, and the gulf between the highest paid executives and the rest of the workforce has grown.

CEO mean pay has increased by 23%
The total income received by FTSE 100 CEOs in the financial year ending 2017 was £560.1 million. When we divide this amount equally among all the chief executives covered by our report, they each receive a mean annual package worth £5.7 million a year, based on the 2017 accounts of companies listed in the FTSE 100 in June 2018.

While last year our research showed that mean pay had dropped by 17% from the previous year, this year our research shows a 23% increase in mean FTSE 100 CEO pay, from £4.6 million in 2016[2] to £5.7 million in 2017.

In comparison, data from the Office for National Statistics indicates that mean salaries for all workers in the UK have gone up by 2.5% to £29,009. It would now take a UK worker on a salary of £29,009 a total of 195 years to earn the mean FTSE 100 CEO reward package, or 160 years if we compare CEO mean earnings with only UK full-time workers (who earn a mean salary of £35,423).[3]

These ratios have increased considerably from last year, when it would have taken 162 years for all UK workers, or 134 years for just full-time UK workers, to earn the mean pay of a FTSE 100 CEO in 2016.

Our research reveals that 68 FTSE 100 CEOs now earn more than 100 times the UK mean all-worker salary, a rise from 60 in 2016.

The mean CEO single figure is affected by a couple of very large payouts in Persimmon and Melrose Industries. If we were to exclude Persimmon and Melrose from our analysis, this would bring the mean single figure down from £5.658 million to £4.848 million, although this still represents a 6% increase from last year's equivalent of £4.581 million. If we were to use this figure, it would take a full-time worker on mean pay 137 years to earn the mean FTSE 100 CEO reward package.

By considering the median pay of CEOs, we are able to exclude outliers such as Persimmon and Melrose Industries.

CEO median pay has increased by 11%
Another way of examining FTSE 100 CEO earnings is by calculating the median figure (see page 24 of this report), which is the mid-point in our range of chief executive remuneration packages. Median pay of FTSE 100 CEOs has increased by 11% from £3.5 million in 2016 to £3.9 million in 2017.

If we consider all UK workers (both full-time and part-time), it would take a worker earning the UK median of £23,474 167 years to earn what a typical FTSE 100 CEO earns in just one year, or 137 years if we compare CEO median earnings with UK full-time workers (who earn a median salary of £28,758).

These ratios have increased from last year, when it would have taken 153 years for all UK workers, or 125 years for just full-time UK workers, to earn the median pay of a FTSE 100 CEO in 2016.

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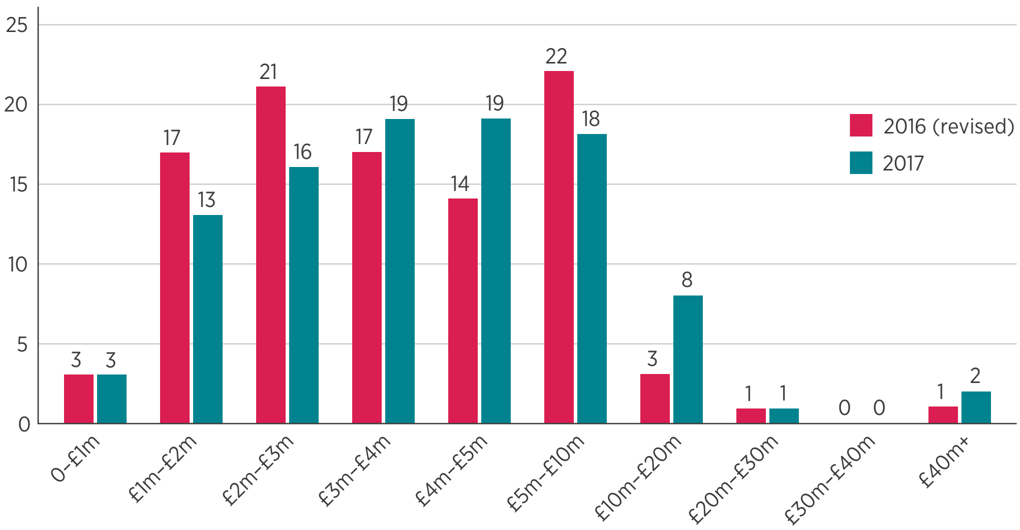
CEO pay distribution

Figure 1 shows the distribution of pay in financial year end (FYE) 2016 and FYE 2017. There has been a decrease in the number of CEOs in the single figure pay bands from £1 million to £3 million but an increase in the number of CEOs in single figure pay bands from £3 million to £5 million. Similarly, there has been a decrease in the numbers in the single figure pay bands from £5 million to £10 million but an increase in the number of CEOs in the pay bands from £10 million and above. The impact of this change in distribution is an increase in median pay. In 2016, 41 of the FTSE 100 CEOs received more than £4 million. By 2017 this number had risen to 48.

Figure 1: Distribution of CEO single figure pay



Mean individual pay packages for the 25 highest paid CEOs have increased by 33%, from £9.7 million in 2016 to £12.9 million in 2017. The mean pay of the 25 lowest paid CEOs in the FTSE 100 has increased by just 9%, from £1.6 million to £1.7 million, though this is still an increase far above the latest rate of inflation of 2.3% in the year ending May 2018.[4]

Headline single figures

The highest paid CEO in the financial year ending 2017 was Jeff Fairburn of Persimmon plc, who received £47.1 million, more than 20 times his pay in 2016. If we were to add up his total earnings over the past five years up to and including FYE 2017 and then divide this number by five, his mean annual salary over this period has been £11.8 million.

Simon Peckham of Melrose Industries plc received £42.8 million, 43 times his previous year's single figure. His mean annual pay for the past five years up to and including FYE 2017 was £9.3 million.

Some of the other biggest pay climbers in 2017 include:

- Berkeley Group Holding plc's Rob Perrins, whose total pay package rose from £10.9 million in 2016 to £27.9 million
- Sky plc's Jeremy Darroch, whose package jumped from £4.6 million to £16.3 million
- Coca-Cola HBC's CEO pay, which increased five-fold to £13.8 million from £2.4 million last year (the majority of this relates to Dimitris Lois, who sadly died during their financial year)
- Intertek's André Lacroix, whose total pay package more than doubled, from £5.5 million to £11.7 million.

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Gender diversity

Overall, FTSE 100 companies are close to meeting the 33% target for women in senior leadership positions by 2020, as set by the Hampton-Alexander Review. Of all board appointments in the FTSE 100, 30% are held by women. Of all 932 board members within the FTSE 100 firms, 283 are female, and the mean proportion of females on the board of each company is also 30%.

However, only 11% of executive board members are women – by the end of the 2017 financial year there were just 24 female executive directors in the FTSE 100 compared with 195 male executive directors.

Individual remuneration packages

Tables 1 and 2 show a list of individual remuneration packages from FYE 2017 and 2016, and the ratio of CEO single figure pay to each company's mean staff package.

Table 1: The ten highest paid CEOs in 2017

Chief executive (2017)	Company	2017 pay	2017 pay ratio
Jeff Fairburn	Persimmon	£47,087k	1,130:1
Simon Peckham	Melrose Industries	£42,764k	1,134:1
Rob Perrins	Berkeley Group	£27,963k	273:1
Jeremy Darroch	Sky	£16,343k	312:1
Martin Sorrell	WPP	£13,930k	295:1
Dimitris Lois (died 2 Oct 2017) and Zoran Bogdanovic (from Dec 2017)	Coca-Cola HBC AG	£13,783k	563:1
Rakesh Kapoor	Reckitt Benckiser	£12,480k	362:1
André Lacroix	Intertek	£11,683k	458:1
Nicandro Durante	British American Tobacco	£11,423k	424:1
Bob Dudley	BP	£10,486k	106:1
Mean of top ten		**£20,794k**	**506:1**

Table 2: The ten highest paid CEOs in 2016,[7] based on revised figures in the 2017 annual reports

Chief executive	Company	2016 pay (revised)	2016 pay ratio (revised)
Martin Sorrell	WPP	£48,148k	1,124:1
Arnold Donald	Carnival	£23,001k	1,259:1
Rakesh Kapoor	Reckitt Benckiser Group	£15,251k	507:1
Pascal Soriot	AstraZeneca	£14,342k	231:1
Erik Engstrom	RELX	£11,399k	182:1
Bob Dudley	BP plc	£8,651k	88:1
Nicandro Durante	British American Tobacco	£8,313k	343:1
Albert Manifold	CRH plc	£8,045k	193:1
Flemming Ornskov	Shire	£7,682k	221:1
Mike Wells	Prudential	£7,370k	109:1
Mean of top ten		**£15,220k**	**426:1**

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The mean of the top ten single figures this year is 37% higher than that of last year's cohort.

The bulk of Persimmon CEO Jeff Fairburn's £47.1 million pay in 2017 was largely due to a long-term incentive plan dating back to 2012 that came to almost £45 million, or 6,651% of base salary. By contrast, his annual salary only increased by 3% while the wages paid to his salaried employees increased by an average of 6.1%.

In addition to Jeff Fairburn, Dave Jenkinson (group managing director) and Mike Killoran (group finance director) were paid a total of £20.4 million and £36.7 million respectively in the FYE 2017.

In February 2018, the executive directors of Persimmon informed the remuneration committee of *'a series of decisions to reduce the scale of payments and extend the holding period under any second tranche'*. All three executives also decided to cap the value of any future exercise of the remaining second vesting entitlement.

Simon Peckham, CEO of Melrose Industries plc, was paid £42.8 million in FYE 2017, mainly due to a 2012 incentive plan that crystallised in 2017 and resulted in a payout of £41.8 million for him as well as for the group finance director, executive chairman and executive vice chairman of Melrose Industries.

Table 3 below shows the remuneration of all seven female CEOs in the FTSE 100. Their total remuneration represents just 3.5% of total FTSE 100 CEO remuneration and their mean 2017 pay of £2.8 million pay is less than half that of their male counterparts (£5.9 million).

Table 3: 2017 remuneration of female CEOs in the FTSE 100

Chief executive	Company	2017 pay	2016 pay (revised)	2017 pay ratio
Emma Walmsley*	GlaxoSmithKline	£4,883k	n/a	69:1
Alison Cooper	Imperial Brands	£4,657k	£5,404k	179:1
Alison Brittain	Whitbread	£2,509k	£634k[8]	142:1
Liv Garfield	Severn Trent	£2,451k	£2,494k	59:1
Moya Greene	Royal Mail	£1,880k	£1,529k	58:1
Veronique Laury	Kingfisher	£1,732k	£1,983k	97:1
Carolyn McCall	easyJet	£757k	£1,453k	14:1
Mean of female CEO pay		**£2,798k**	**£2,567k[9]**	**88:1**

* Emma Walmsley's 2017 pay relates to her first three months on the board followed by nine months as CEO. However, the pay ratio shown in Table 3 relates to the combined pay of both Emma and Sir Andrew Witty, the outgoing CEO who stepped down as CEO after the first three months of the financial year.

From the 2017 cohort, Table 4 shows the ten highest climbers in pay in absolute terms from 2016 to 2017. It should be noted that single figures and ratios can be volatile, for example where LTIPs vest every five years rather than annually.

Table 4: The ten CEOs who saw the highest increase in their pay in absolute terms between 2016 and 2017

Chief executive	Company	2017 pay	2016 pay (revised)	% increase
Jeff Fairburn	Persimmon	£47,087k	£2,124k	2,117
Simon Peckham	Melrose Industries	£42,764k	£987k	4,233
Rob Perrins	Berkeley Group Holding	£27,963k	£10,993k	154
Jeremy Darroch	Sky	£16,343k	£4,619k	254
Dimitris Lois then Zoran Bogdanovic	Coca-Cola HBC AG	£13,783k	£2,356k	485
André Lacroix	Intertek	£11,683k	£5,452k	114
Paul Polman	Unilever	£10,180k	£6,745k	51
Nicandro Durante	British American Tobacco	£11,423k	£8,313k	37
Mark Bristow	Randgold Resources	£7,493k	£4,555k	65
Mark Cutifani	Anglo American	£6,693k	£3,996k	67

Table 5: Key findings from the financial year ending 2017

Measure	2015 (revised)	2016 (revised)	2017
CEO mean pay package	£5.47 million	£4.58 million	£5.66 million
CEO median pay package	£3.79 million	£3.53 million	£3.93 million
Mean ratio of CEO pay to employee pay package	146:1	128:1	145:1
Median ratio of CEO pay to employee pay package	95:1	84:1	77:1
Ratio of median CEO pay to median UK full-time worker	–	125:1	137:1
Ratio of median CEO pay to median UK full-time or part-time worker	–	153:1	167:1
Ratio of mean CEO pay to mean UK full-time worker	–	133:1	160:1
Ratio of mean CEO pay to mean UK full-time or part-time worker	–	162:1	195:1
FTSE 100 companies accredited by the Living Wage Foundation	–	27	34

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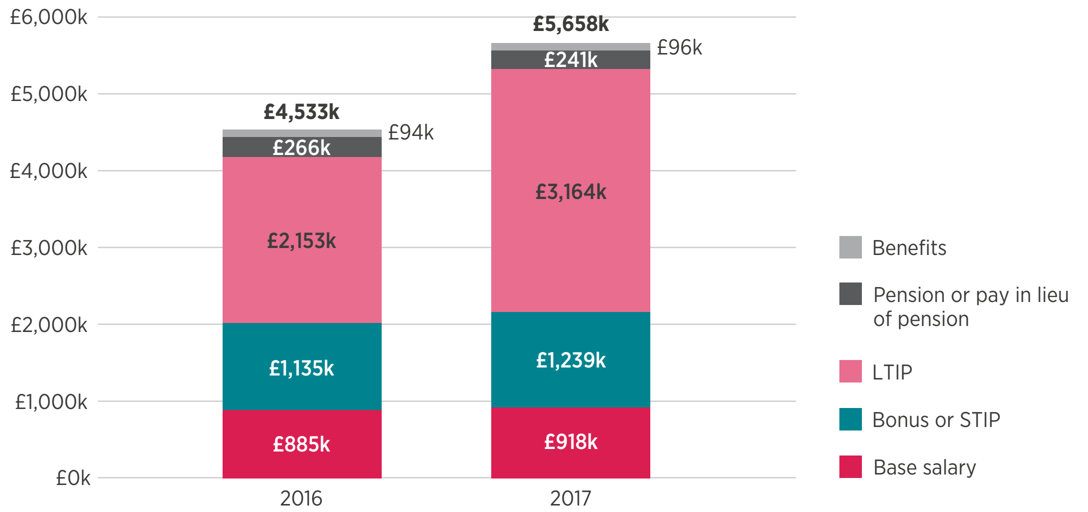
Results of executive pay analysis

3 Breakdown of CEO pay

The CEO single figure consists of a base salary, bonus or short-term incentive plan (STIP), long-term incentive plan (LTIP), pension or pay in lieu of pension and benefits. It excludes National Insurance contributions, which are reported on for the company as a whole.

The majority of CEO pay packages come from variable pay. In fact, only 16% of total remuneration is represented by base salary, lower than the 20% figure from last year's analysis. This is largely due to the rise in LTIPs, as illustrated in Figure 2. Please note that breakdown of 2016 single figure pay shown in Figure 2 relates to numbers reported in 2016 annual reports rather than restated numbers from 2017 reports.

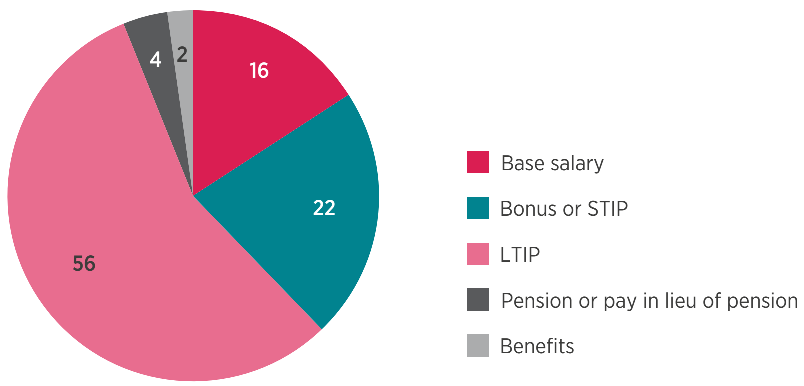
Figure 2: Year-on-year comparison of components of FTSE 100 single figure pay[11]



If fixed pay is treated as a combination of salary, pension[12] and benefits, of every £10 received, typically around just £2.22 is fixed pay.[13] The rest is made up of short-term and long-term incentive plans.

Figure 3 shows the overall breakdown of money awarded to FTSE 100 CEOs in 2017. It is worth bearing in mind that the variable element of total pay has probably not been paid in full yet. The single-figure methodology counts remuneration that is paid or payable and some of the CEO packages will include estimated pay from LTIPs that have yet to vest.

Figure 3: Mean breakdown of FTSE 100 single figure pay (%)



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Long-term incentive plans (LTIPs)
An executive LTIP is a remuneration arrangement whereby an individual gets rewarded after a number of years, such as five-years, for the achievement of a firm's long-term goals.

These represent the largest piece of the pie – 56% of total pay – and an even bigger slice than last year's 48%.

Including those who received no LTIPs, the mean LTIP pay in 2017 was £3.2 million, significantly higher than the 2016 figure of £2.2 million. The median LTIP pay was £1.2 million, only slightly higher than the 2016 median figure of £1.1 million.

The notable differences between the mean and median LTIPs reflect the impact of a small number of LTIPs paid out at the top end.

In both years, 82 CEOs received an LTIP. Some CEOs did not participate in recent LTIP cycles (those of Barclays, Evraz, Fresnillo and Glencore); for others the LTIP requirements were not met (BHP Billiton, Diageo, Pearson, BT Group, Marks & Spencer, easyJet); and in other cases the LTIP will vest in future years.

If we only consider those who received LTIPs, the mean LTIP pay in 2017 was £3.8 million compared with £2.6 million in 2016, and the median LTIP pay in 2017 was £1.8 million compared with £1.4 million in 2016.

The continuing use of LTIPs and their growing size (both in absolute and relative terms) might be considered surprising, given the recent interest in alternative pay mechanisms. For example, the Investment Association Executive Remuneration Working Group in 2016 concluded that firms should adopt a more flexible, individualised approach to executive pay, rather than automatically deferring to the prevailing LTIP model.[14]

Similarly, the Government's 2017 response to the Green Paper on Corporate Governance noted that a large majority of respondents to the consultation question on LTIPs *'expressed concern that LTIPs are not adequately aligning executive remuneration with long-term company performance'*.[15] However, these concerns do not yet appear to have translated into changes in pay practices.

In some cases, remuneration committees do not appear to be exercising discretion when the terms of a pay policy mean a CEO is due a payout, but wider circumstances mean it might not be appropriate. For example, the CEO single figure pay at AngloAmerican rose from £4.0 million to £6.7 million, largely due to £2.9 million of LTIP payments. Despite this, during FYE 2017, nine employees and contractors lost their lives in work-related activities at South African operations managed by AngloAmerican, though this is an improvement on the 11 fatalities from the previous year, a year in which he received no LTIPs.

Short-term incentives or bonuses
An executive STIP, or bonus, is a remuneration arrangement whereby the CEO is rewarded after 12 months for the achievement of short-term goals.

Less than a quarter (22%) of total FTSE 100 CEO pay comes in the form of a bonus or short-term incentive. A large proportion of companies (91) awarded bonuses or STIPs in 2017, paying out a total of £122.7 million.

Median short-term incentives or bonuses come to £1,087,000 and the mean is £1,239,000, suggesting a skew at the top.

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Pensions
Pensions represent just 4% of CEO pay, a drop from 6% last year, and have dropped in absolute terms from £25.4 million in 2016 to £23.9 million in 2017.

In FYE 2017, the median pension or payment in lieu of pension is £213,000 and the mean is £241,000, suggesting a relatively even distribution of pension pay. Both of these figures are slightly lower than the figures recorded in FYE 2016, when they were £225,000 and £266,000 respectively.

As before, in some circumstances the CEO receives no pension contribution at all.[16]

Benefits
The value of the benefit package ranges from £0 to £784,000, but the mean benefit package received by FTSE 100 CEOs in FYE 2017 is worth £96,000 and the median benefits £40,000, indicating a skew at the top.

As with last year, benefits represent 2% of total pay, the smallest piece of the CEO reward pie. They include items such as car allowance or a private chauffeur-driven car, health insurance, life insurance, personal tax return preparation, spouse business-related travel, cost of living adjustment, exchange rate protection, tax gross-up arrangements, security assistance, housing and education allowances, telephone costs, private fuel allowance, financial advice, dental and vision cover, income protection and gym membership.

Some notable benefit recipients include:

- Unilever CEO Paul Polman, who was paid €898,000 (approx. £784,000) in benefits, which included 'medical insurance cover and actual tax return preparation costs, provision of death-in-service benefits and administration, payment to protect against difference between employee social security obligations in country of residence versus UK', the latter coming to over £400,000
- Keith Barr of Intercontinental Hotels, who 'received a lump sum of £500,000 in July 2017 to cover the transitional and transactional costs of localising to the UK'
- the late Dimitris Lois of Coca-Cola HBC AG, who was paid €575,000 (approx. £502,000) in benefits, which included benefits related to relocation such as: housing allowance, company car/allowance, cost of living adjustment, trip allowance, partner allowance, exchange rate protection, tax equalisation, and tax filing support and advice
- John Pettigrew of National Grid, who was paid £497,000 in benefits, which included a 'reimbursement for costs relating to his relocation to London on appointment as Chief Executive'
- Mike Wells from Prudential plc, who received £493,000 in benefits, which included family and education benefits along with £340,000 to cover mortgage interest and £37,000 to cover home leave flights 'to facilitate his appointment as Group CE and move to the UK in 2015'.

Breakdown of employee costs

The majority of employee remuneration within the firms included in our analysis is in the form of wages and salaries. Across the FTSE 100 cohort, just 6.5% of monies paid to employees relates to pension contributions and 2.7% to share-based pay.

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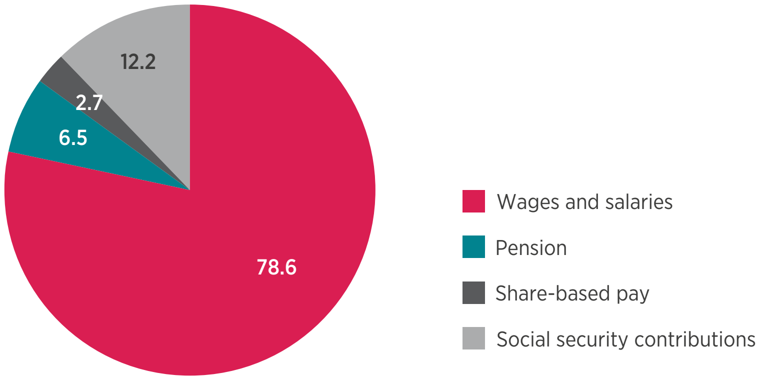
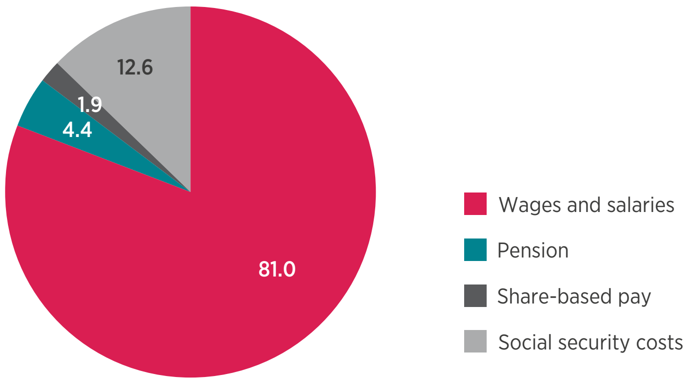
Figure 4: Breakdown of all FTSE 100 employee costs, FYE 2017 (%)



Similarly, the median of the mean pay distribution for each of the FTSE 100 companies shows that share-based pay forms just a small proportion of total staff remuneration, with wages and salaries the most significant aspect of pay.

Figure 5: Median split of employee costs across FTSE 100 companies, FYE 2017 (%)



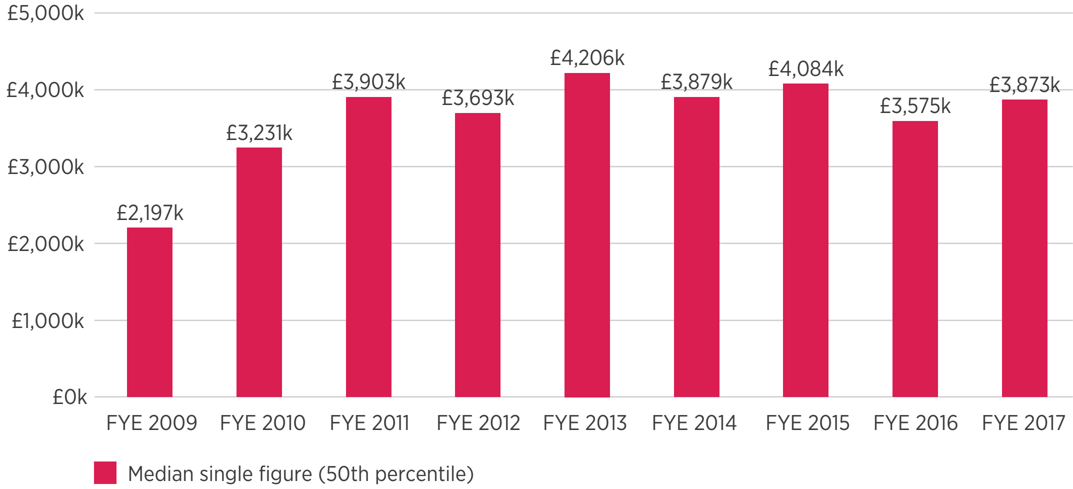
4 Historic single figure trends

We recorded the single figures of companies that have been in the FTSE 100 during the past ten years, taking the cohort as at 31 December each year, since this was the information we had available. As a result, the cohort for 2016/17 is slightly different from the one used in our analysis so far, and that is why these figures may differ slightly from the ones reported earlier.

Our data set is complete from December 2013, but prior to that some companies did not report on single figures, so from December 2009 to December 2012 we had data from between 90 and 97 companies in the FTSE 100.

Median pay of these companies has been oscillating around the £3.9 million mark since 2010/11.

Figure 6: Historic median single figure of FTSE 100 CEOs

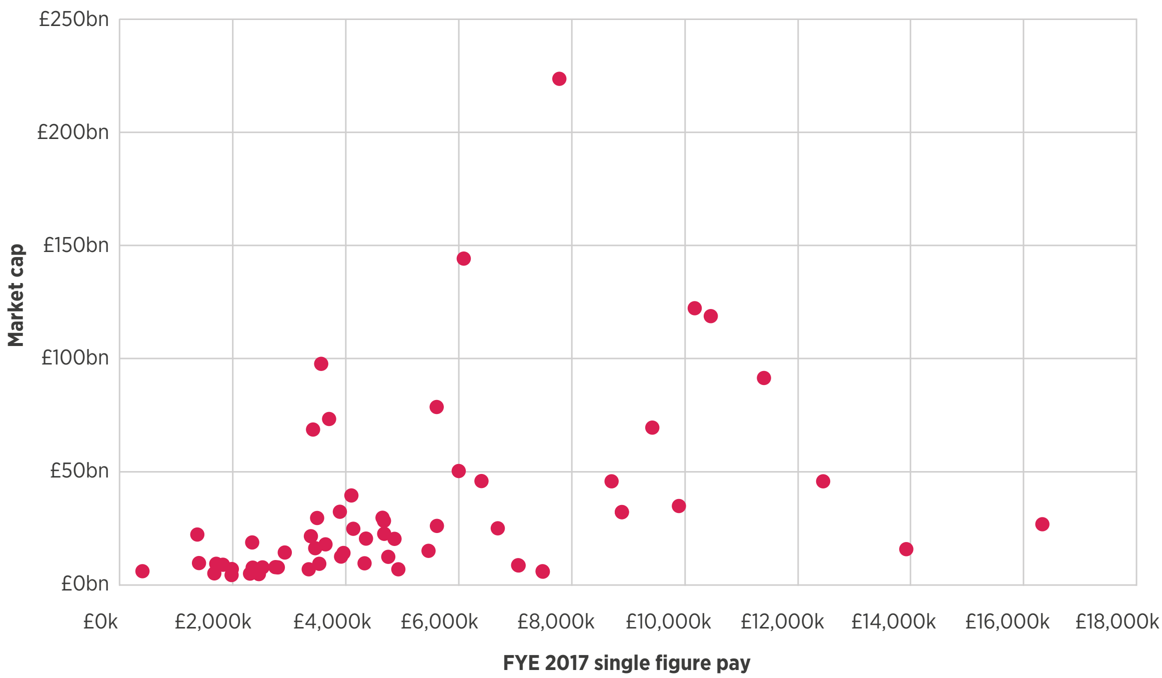


We have also compared the single figures of the companies that have sustained their position in the FTSE 100 31 December list with those that had entered and exited the 31 December list.

In total, 158 companies have been in the FTSE 100 cohort between 2008 and 2017 inclusive. We have based this on the 31 December cohort list of each of these years rather than considering any temporary entry into the FTSE 100 during the year. Where data has been available, we have tracked the historic single figures of 158 these companies, 64 of which have sustained their position in the FTSE 100 31 December list for the duration.

Figure 7 below compares the July 2018 market capitalisation (market cap) of these 64 companies with their single figure pay in FYE 2017. Higher CEO pay correlates with higher market cap for companies with a market cap of up to £50 billion. Above a market cap of £50 billion, there is no apparent link.

Figure 7: Correlation between market cap and FYE 2017 single figure of companies that have remained in the FTSE 100 since December 2017



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Figures 8 and 9 compare the average single figures of those companies that have sustained their position in the FTSE 100 31 December list for that period with those who have dropped out in one or more years. Figure 8 demonstrates that companies which remain in the FTSE 100 generally pay higher levels to their CEOs.

The companies who have maintained their FTSE 100 position for the duration pay higher single figures on average, demonstrated by both median and mean (Figures 8 and 9) results, though the gap between the median pay of the two groups has steadily reduced over the years.

The companies who joined the FTSE 100 after 2008 and then remained in it have seen the fastest growth in single figure pay. By 2017, the median single figure pay of these companies is higher than that of the companies who have been in the FTSE 100 for at least ten years.

Figure 8: Median single figure for FTSE 100 cohort, by consistency

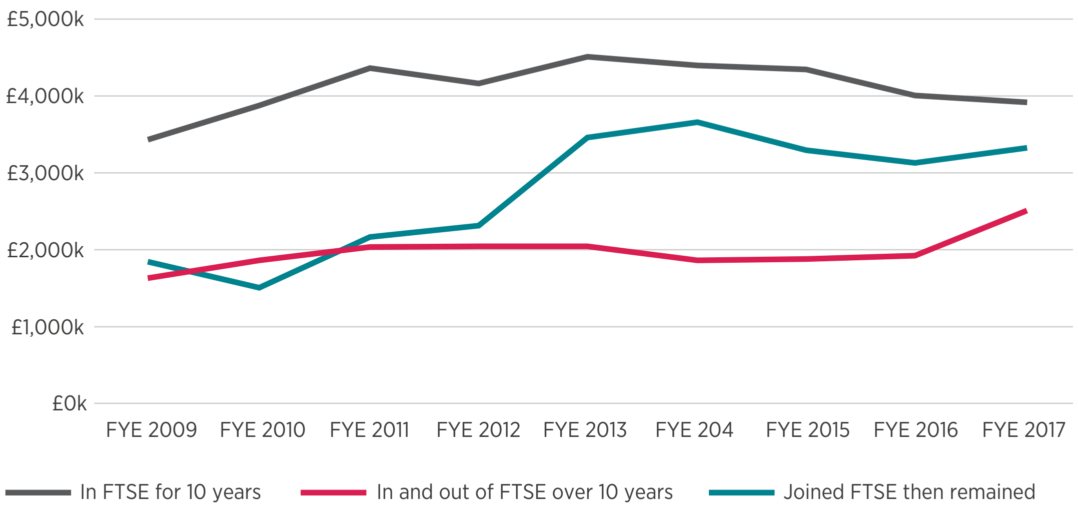
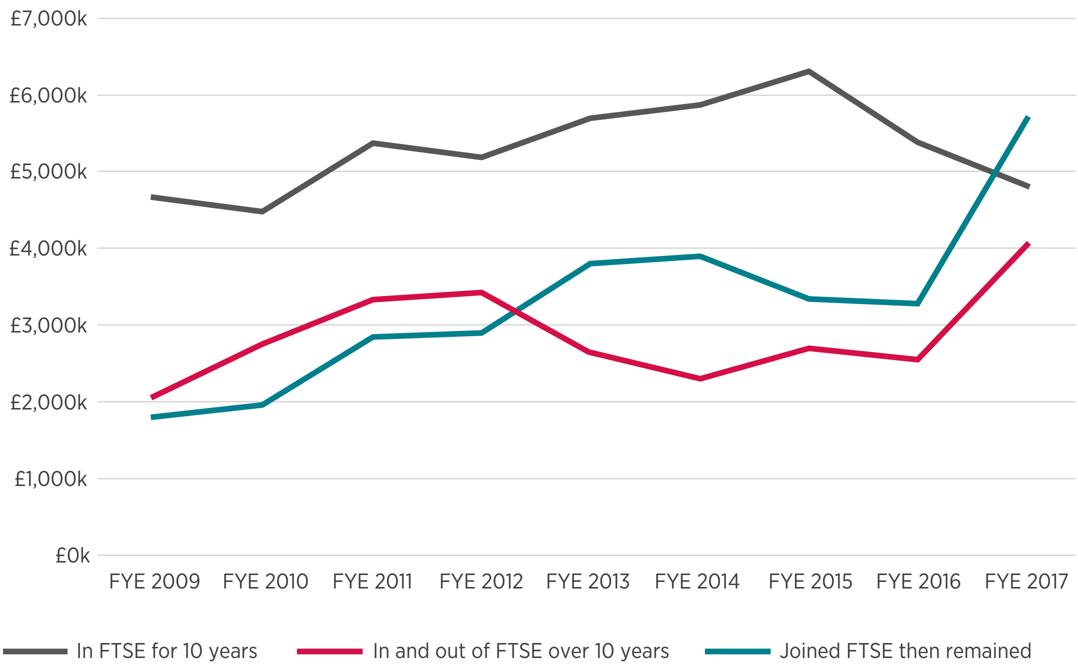
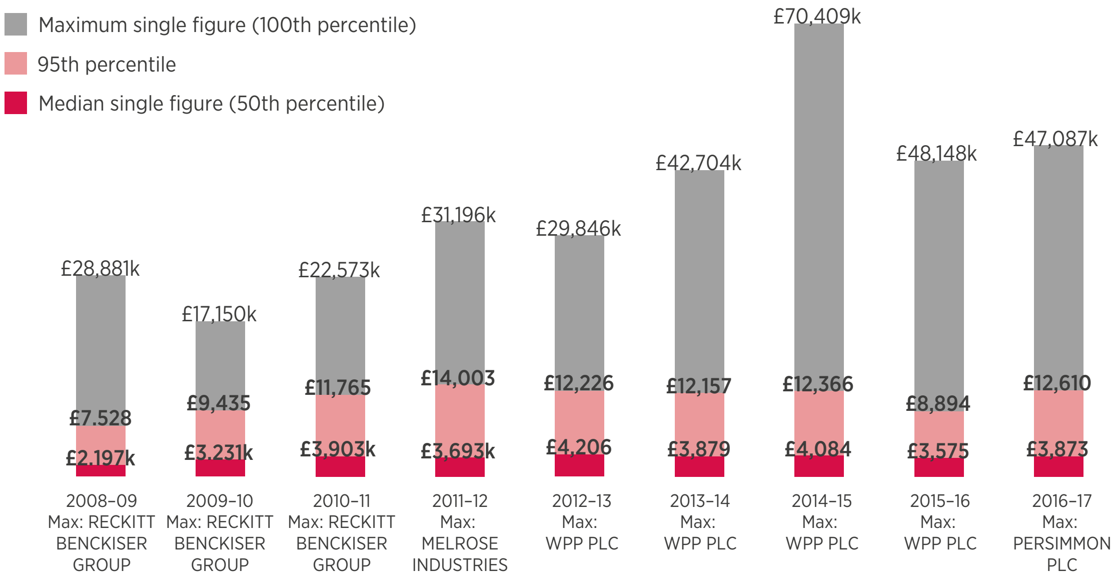


Figure 9: Mean single figure for FTSE 100 cohort, by consistency



As shown in Figure 10, there is a significantly uneven distribution of pay, with large and generally widening gaps between the 95th and 100th percentiles. This figure also demonstrates the overall rise in single-figure maximums since 2008/09, with the 2014/15 maximum figure an outlier to the overall steady trend.

Figure 10: Analysis of single figure of all FTSE 100 company CEOs since 2008–09



5 Pay ratios

The impacts of long-term incentive plans and bonuses contribute to the divide between many CEOs and the majority of their employees. While the mean of each FTSE 100 employee's pay package is worth £53,667 (though the weighted mean[17] is just £34,282), the ratio of CEO pay to mean staff pay is still high.

When calculating what an employee is paid, referred to as their 'pay package', we have included staff wages, bonuses, pensions and any share-based pay but excluded social security costs since these are not given directly to employees or the CEO.

For every £1 paid to their employee on a mean 'pay package', a CEO in 2017 typically earned £77, which is lower than the FYE 2016 figure of £83.

While the median of all CEO to employee ratios (excluding Scottish Mortgage since it is an externally managed investment trust – see Summary of our Approach for more details) is 77:1 – a drop from last year's ratio of 83:1 – the mean of all CEO to employee ratios (excluding Scottish Mortgage) is 145:1, which is significantly higher than last year's equivalent ratio of 128:1.

The CEO to staff pay package ratios vary in size, from 1,134:1 at Melrose Industries down to 12:1 at Admiral Group plc.

The mean staff pay package at Melrose Industries was £37,701. Not only just CEO Simon Peckham, whose single figure was £42,764,000, but also Group Finance Director Geoffrey Martin, Executive Chairman Christopher Miller and Executive Vice-Chairman David Roper, whose single pay packages were £42,576,000, £42,335,000 and £42,334,000 respectively, received over one thousand times that of the average employee.

Research by Vlerick Business School[18] finds that, within the European countries that they

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studied, median pay for UK CEOs is higher than the median pay levels of CEOs in other continental countries, other than Germany. In addition, the pay ratio between the CEO and the average employee in the UK is significantly higher than in continental Europe.[19]

It should be noted that current CEO to mean pay package ratios could potentially be distorted by a small number of very high earners. A CEO to median pay ratio might show even bigger pay differentials than the ones highlighted in this report, and potentially lower ratios if we exclude overseas workers and use FTEs.

It should also be noted that the Government recently announced draft plans requiring listed companies with over 250 employees to publish pay ratios between their chief executive and the UK employee at the median, 75th and 25th percentile of the pay distribution. This will enable more meaningful pay ratio comparisons to be made.

Pay ratios by sector

We calculated industry pay ratios of the FTSE 100 by comparing the CEO single figure with the mean employee pay package for each company, and grouping the results by industry sector. Our median pay ratios take the median ratio results of all the companies within each of the sectors.

In Figure 11 we see the median FTSE 100 CEO ratios of CEO pay to employee pay package broken down by industry classifications using the Industry Classification Benchmark.[20] The figure also shows the median single figures paid to the CEOs of the FTSE 100 companies in each of these sectors.

Median single figures and pay ratios vary by industry sector. Similar to last year, oil and gas is the industry sector with the highest median single figure of £9,132,000, telecoms is replaced by consumer goods in second position, and despite a reduction in the health care median single figure, it has kept third place.

Consumer goods, consumer services and industrials are the three industries with the highest median pay ratio this year. Technology continues to have the lowest ratio and the second lowest median single figure, but both of these numbers have grown significantly compared with the previous year: the single figure has doubled and the median ratio has almost doubled.

Figure 11: Median CEO single figure and ratio of CEO to staff pay package, by sector, FYE 2017

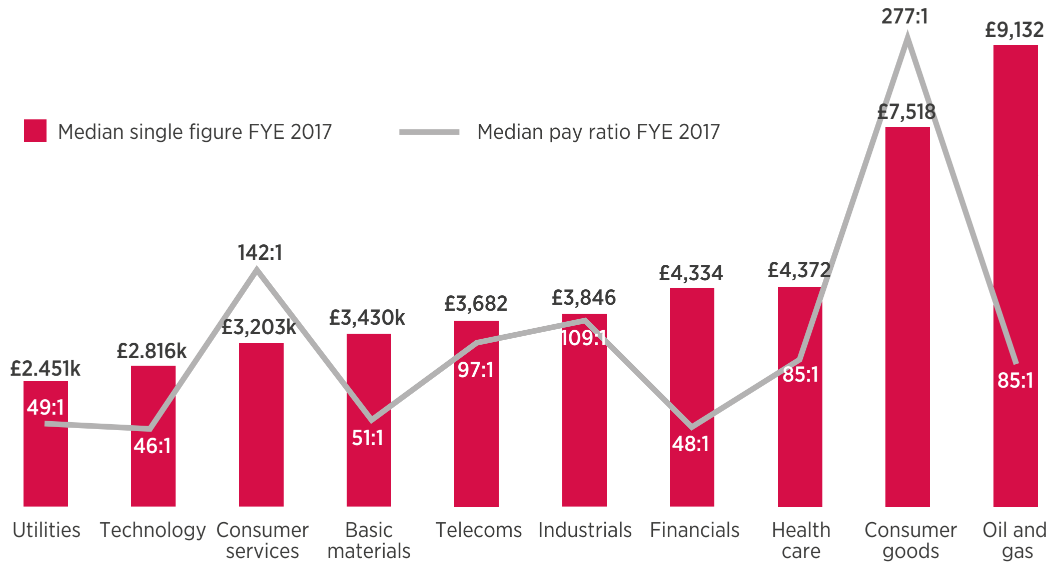

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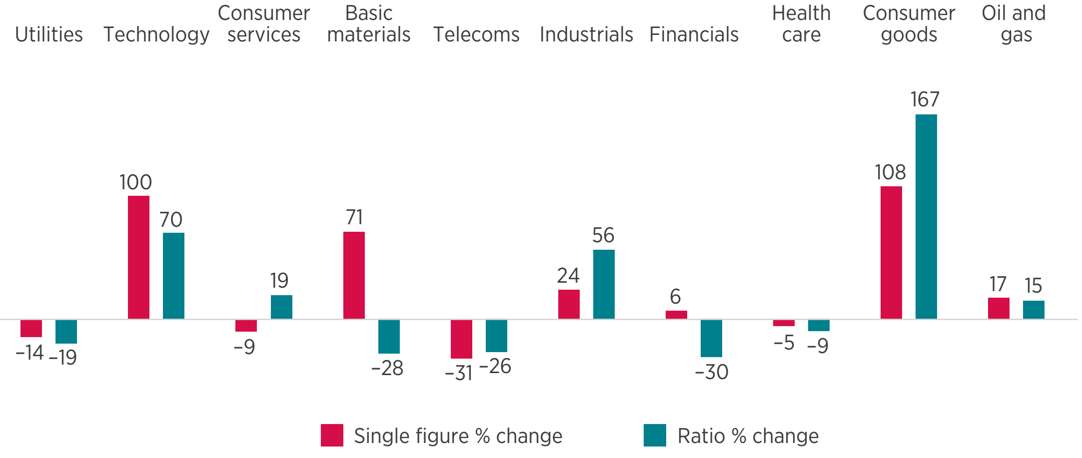
Figure 12 shows an increase in the single figure and a reduction in the ratios from 2016 to 2017 for both the basic materials and financial sectors, indicating average employee pay has grown faster than the CEO pay.

Figure 12: FYE 2016 to FYE 2017 comparison of median single figure and median pay ratio, by sector (%)



The following sections break down the largest four sectors represented in the FTSE 100 by 72 companies: consumer goods, consumer services, financials and industrials.

Consumer goods

Consumer goods is the industry with the highest pay ratio and second highest median single figure in 2017. Out of 12 companies in this industry, 9 have a ratio higher than the overall FTSE 100 median of 77:1. All company pay ratios can be found in Table 7 of the Appendix to this report.

How to interpret Figures 13, 15, 16 and 17

Figures 13, 15, 16 and 17 are separated into four quadrants by the industry median for CEO single figure pay and the industry median for the employee pay package. The **top right quadrant** shows the companies with relatively high CEO single figures (compared with the industry median) and relatively high employee pay packages (compared with the industry median). The **top left quadrant** shows the companies with relatively low CEO single figure and relatively high employee pay packages; the **bottom right quadrant** shows the companies with relatively high single figures and relatively low employee pay packages; and the **bottom left quadrant** shows those companies with relatively low CEO single figures and relatively low employee pay packages. The bubble represents the number of employees in each firm – the more employees a firm has the larger the bubble is.

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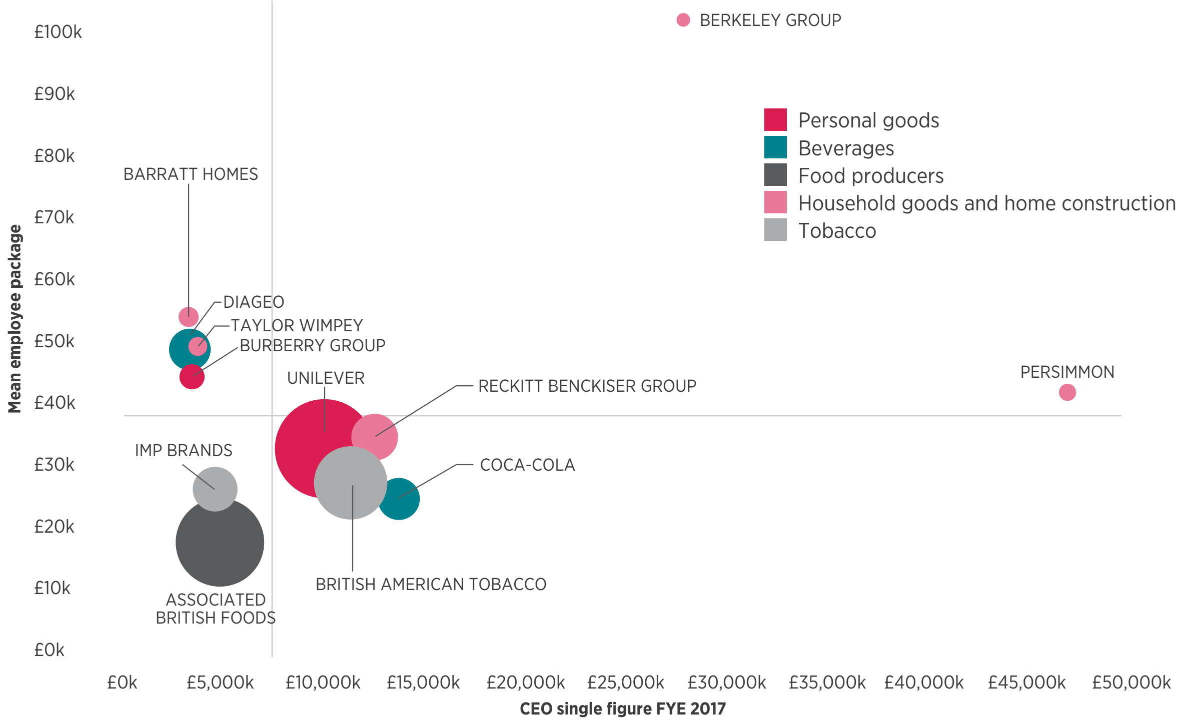
Figure 13: CEO pay and average staff pay package in consumer goods, sized by number of employees

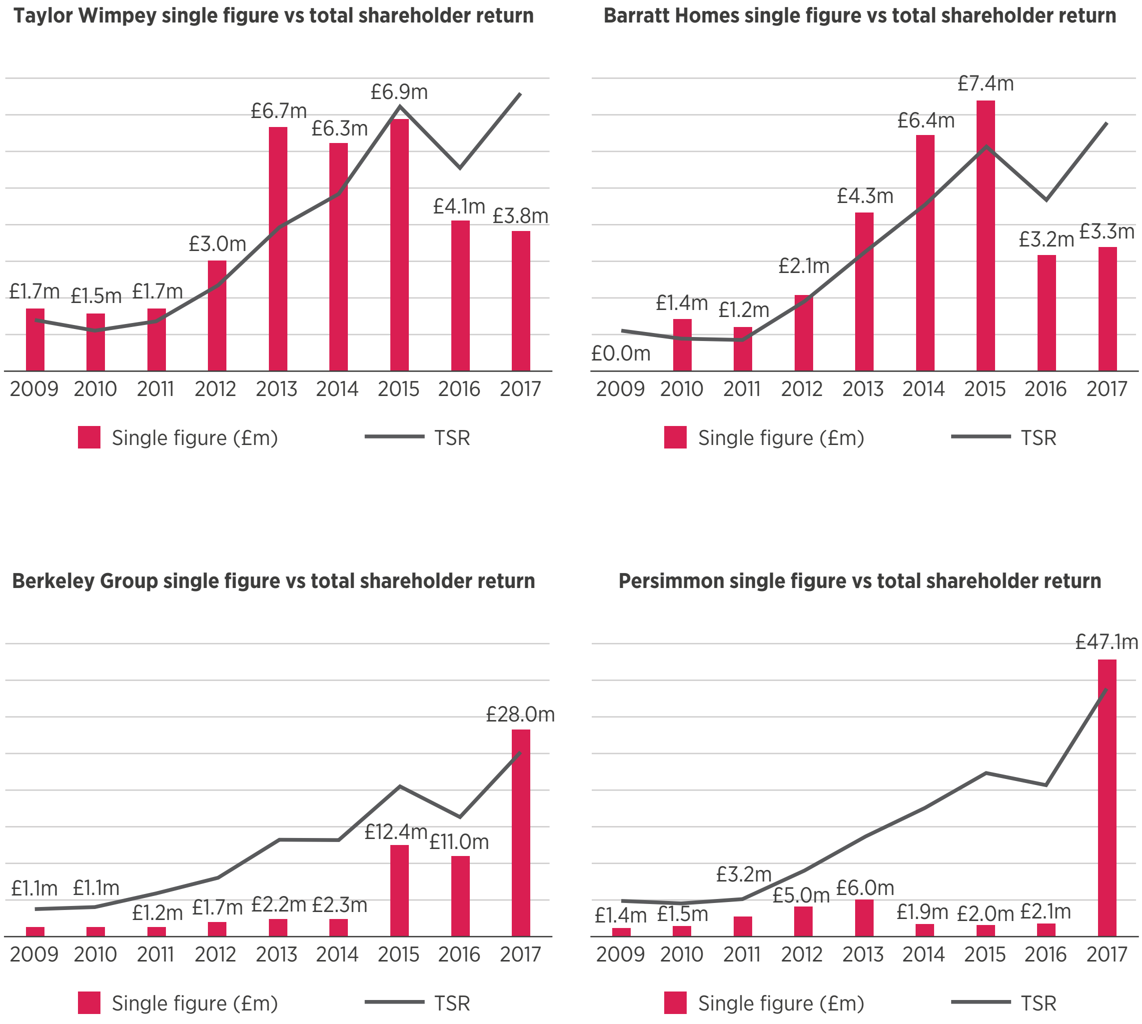


Within this sector, the CEO of Persimmon is the highest paid chief executive this year, receiving 14 times more than the lowest paid CEO within this group. The pay award of £47 million is the highest single figure amongst these companies for the past eight years.

As seen in Figure 14, all of the companies in the house building sector have seen an increase in total shareholder return (TSR) starting in 2013, when the Government 'Help to Buy' scheme was introduced. Taylor Wimpey and Barratt Homes have long-term incentive awards that measure the CEO's performance with a set of financial metrics; among them TSR contributes to 50% and 33% of the awards respectively. Figure 14 shows an increase in TSR that is proportionate to the single figure over the same years.

Berkeley Group and Persimmon have an approach that differs from the rest of the FTSE 100. Their long-term performance awards were introduced in 2011 and 2012, respectively, and measure performance solely on cumulative shareholder return. In 2017 these awards vested for the first time. Berkeley Group's single figure more than doubled compared with the previous year, and Persimmon's chief executive received the highest reward package in the FTSE 100.

Figure 14: Historical CEO single figures and total shareholder return in house building construction



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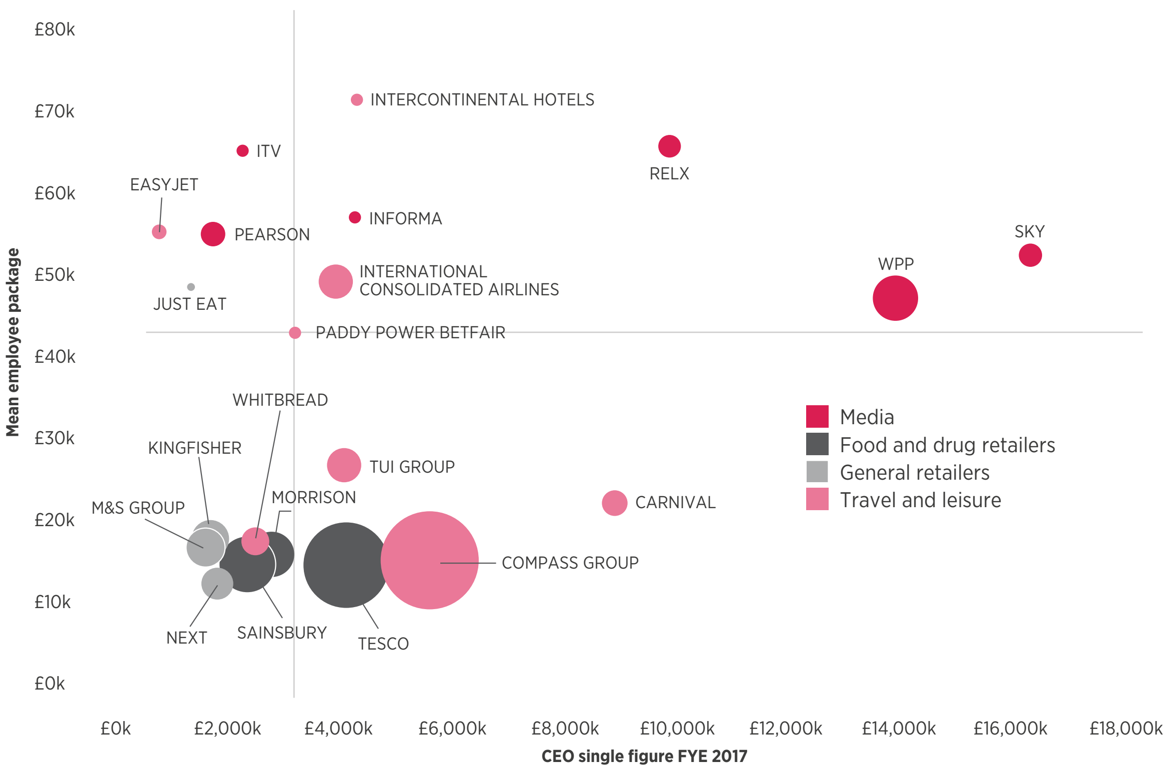
Consumer services

Despite the slight reduction in the median single figure, consumer services is the industry with the second highest median pay ratio. Sixty-two per cent of all companies within this sector have a pay package ratio above the overall FTSE 100 median of 77:1.

The single-figure pay of Sir Martin Sorrell, former CEO of WPP and traditionally one of the highest paid CEOs in the FTSE 100, dropped by 71% in the FYE 2017. This resulted in a considerable reduction in the WPP pay ratio from 1,124:1 in FYE 2016 to 295:1 for FYE 2017. However, despite this fall, his pay package continues to be considerably higher than that of the FTSE 100 median. Similarly, a 61% cut in the single figure of Carnival's CEO Arnold Donald has resulted in a drop in the company's pay ratio from 1,259:1 in FYE 2016 to 400:1 in FYE 2017.

Figure 15: CEO pay and average staff pay package in consumer services, sized by number of employees



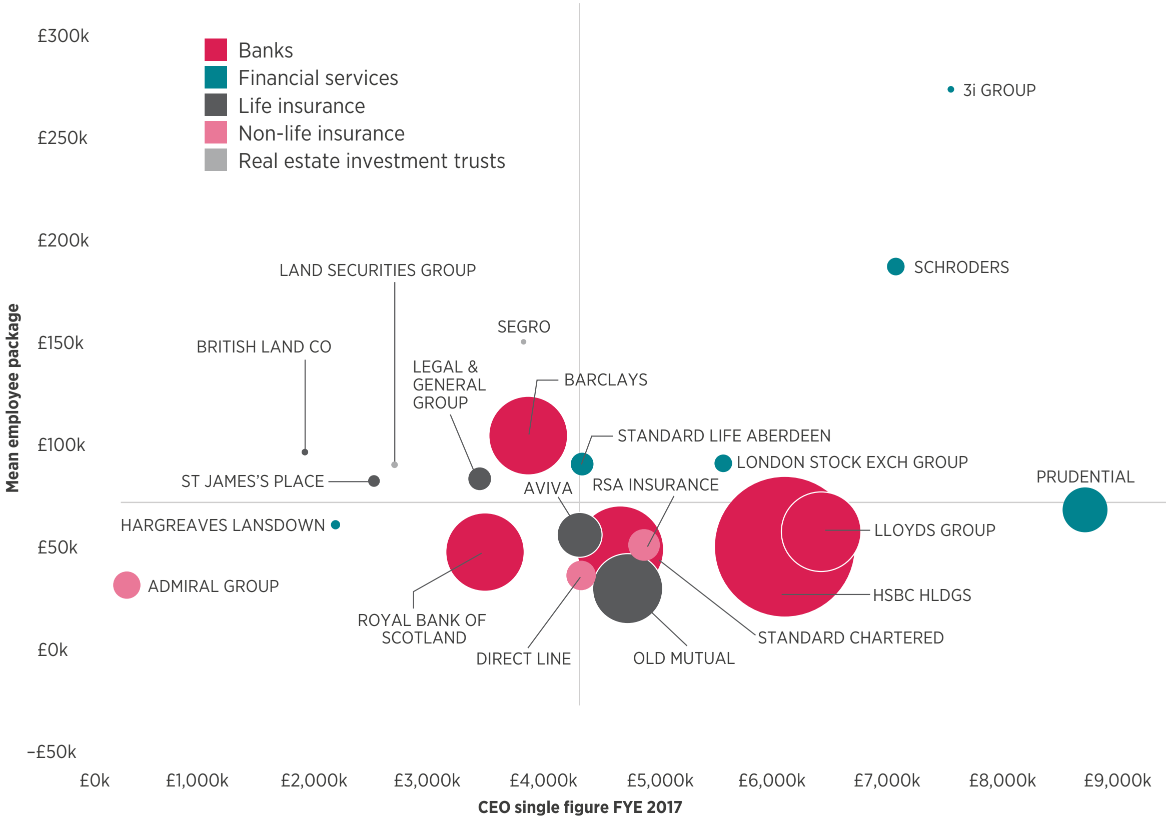
Food and drug retailers have relatively high pay package ratios (see Table 7 in Appendix to this report for pay ratios by company), which is likely to be due to relatively low staff pay. The highest ratios in consumer services are from Carnival and Compass, whose staff pay packages are both relatively low within the cohort.

Mean staff package varies by company size, especially in the travel and leisure, and media sectors. Larger companies tend to have lower mean staff packages. Food and drug retailers and general retailers seem to have a similar staff package regardless of the company size. One exception is Just Eat, a slightly smaller company which has experienced an increase in average employee pay since outsourcing its call centre workers in 2017.

Financial services

Out of all FTSE 100 companies in this sector, only a third have a pay package ratio above the overall median of 77:1 for the FTSE 100. This is due to the fact that these companies have relatively high employee remuneration. In FYE 2017, the mean pay package of 19 out of the 22 companies in this industry sector is above that of the FTSE 100 median. The mean pay packages of 3i Group, Schroders and Segro were £274,021, £187,742 and £150,171 respectively.

Figure 16: CEO pay and mean staff pay package in financial services, sized by number of employees



Industrials

Within this sector, 9 out of 17 companies have a pay ratio above the overall median of 77:1. This is a high proportion compared with FYE 2016, when just 5 out of 15 firms had pay ratios above the median.

The introduction of Melrose Group and G4S to the list this year had an impact on overall sector ratios. Their ratios were 1,134:1 and 466:1 respectively. The ratio for Melrose Group is high because of its long-term performance scheme, which was introduced in 2012 and awarded this year. Comparing five-year mean CEO pay to mean employee package would result in an adjusted ratio of 246:1. The G4S ratio is high largely because of the high proportion of its workforce being based in countries with lower average income. Recalculating the ratio based on CEO to average UK employee pay packages would result in a lower ratio, but these numbers were not available for this research.

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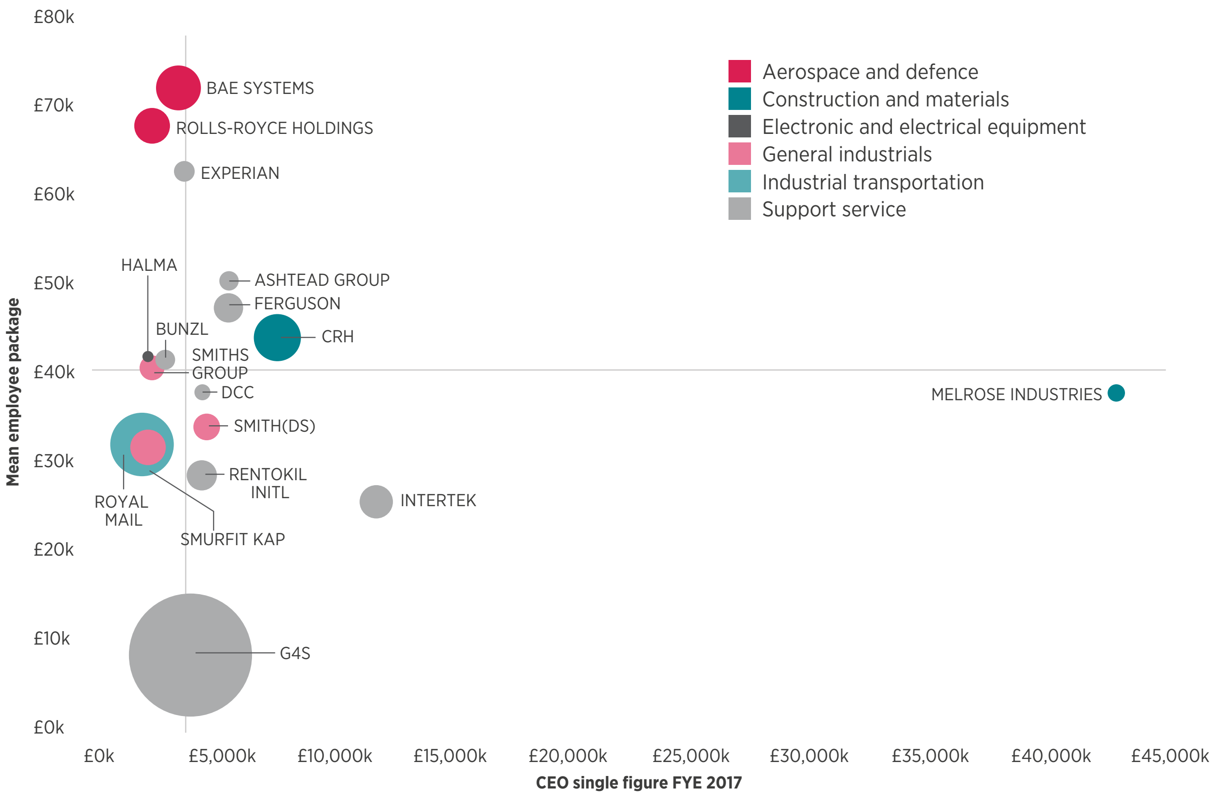
Figure 17: CEO pay and mean staff pay package in industrials, sized by number of employees

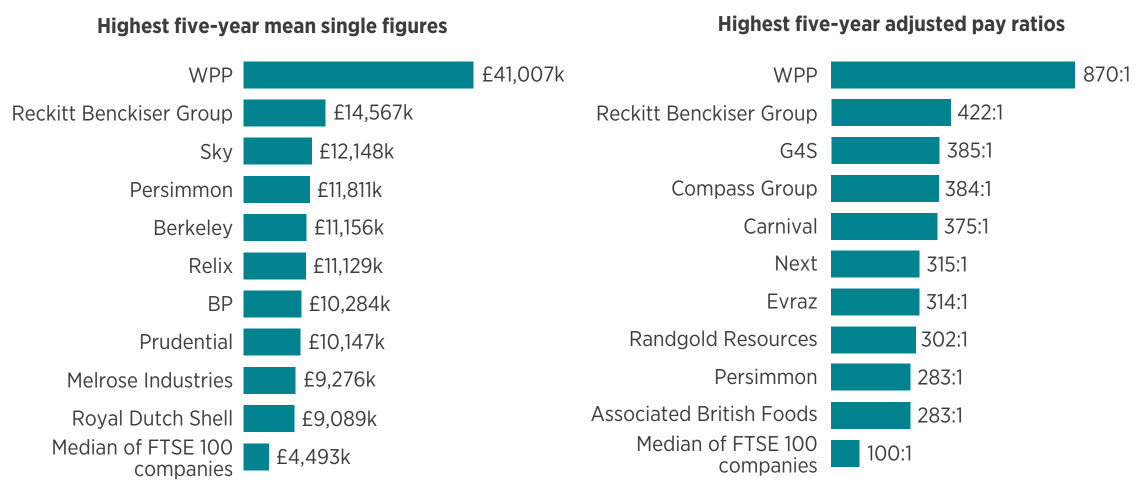


6 Adjusted pay ratios

Because of the differences in remuneration policies and performance criteria, single-figure and pay package ratios can vary significantly year on year, as seen earlier in the example of Melrose Industries' pay ratios.

In order to even out these differences, we compared the mean single figure of the chief executives of our 2017 cohort over the five years up to and including FYE 2017. The ten companies with the highest five-year mean single figures and the ten companies with the highest adjusted pay ratios are both shown in Figure 18.

Figure 18: Highest five-year mean single figures and highest adjusted pay ratios, by company



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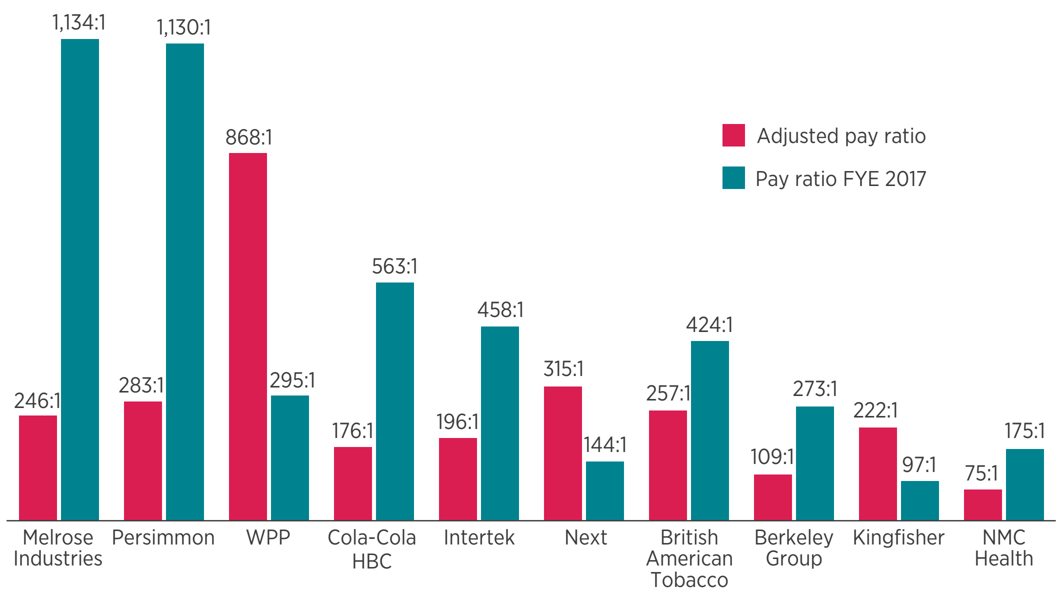
The ten companies with the greatest difference between their five-year adjusted pay ratio and their actual pay ratio for 2017 are shown in Figure 19.

The differences are largely due to companies such as Persimmon and Melrose Industries, whose remuneration policies include pay-outs only in certain years. Both companies had higher pay ratios in this financial year compared with previous years and the five-year adjusted numbers smooth over the fluctuations in pay cycles.

In other cases, the difference between the one-year and five-year pay ratios is due to specific events or changes in policy.

For example, the adjusted ratios for WPP and Next are higher compared with their 2017 ratios. Both of these companies did not pay out any short-term incentives in 2017 and their long-term incentive awards were lower in 2017 compared with the previous year. This meant that the 2017 pay ratios were lower than the five-year adjusted pay ratios.

Figure 19: Companies whose 2017 pay ratios are most impacted when recalculated using five-year mean single figure



7 Diversity analysis

As a FTSE 100 CEO, you are as likely to be named Dave or David as you are to be female. You are also just as likely to be named Steve or Stephen.

By FYE 2017, there were seven Davids in the FTSE 100 CEO list and seven Steves or Stephens. But women have caught up with these levels, increasing steadily over the years from five in 2015 to six in 2016 and to seven in our 2017 cohort.

At this rate it will take another 43 years for women to make up 50% of the FTSE 100 CEOs.

Across all FTSE 100 companies, 38% of all remuneration committee members were female in the FYE 2017 and the number of females on remuneration committees is steadily rising, with 158 females now on FTSE 100 remuneration committees compared with 148 last year. Only five firms had no women on their remuneration committees in the FYE 2017.[21]

Furthermore, 30% of all FTSE 100 board positions are held by women in a fairly even distribution as both the mean and median proportion of females on FTSE 100 boards is at 30%.

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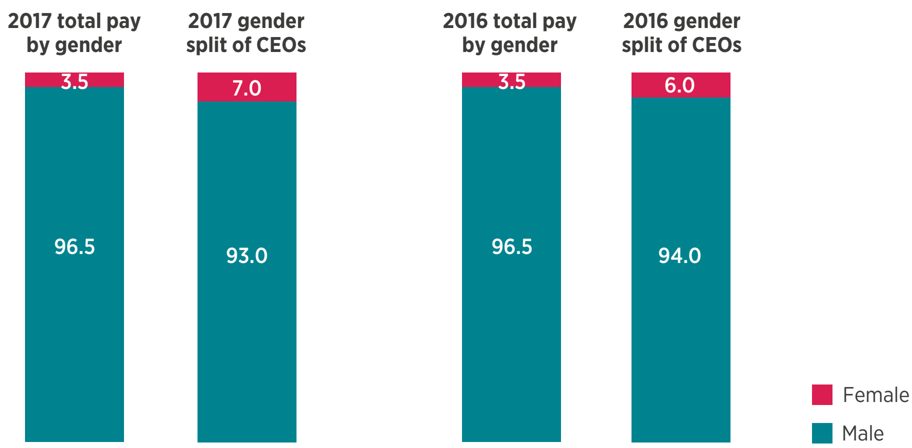
However, despite strong female representation on FTSE 100 boards and increasing female representation on remuneration committees, there are only 24 female executive directors in the FTSE 100 compared with 195 male executives. Female executives represent just 11% of the total number of executives and over three-quarters of FTSE 100 companies (78) have no female executive. It is interesting to note that, of the seven companies who have a female CEO, three of them (43%) have also appointed another female executive, compared with just 14 of the 92 companies (15%) who have a male CEO. Although the percentages vary considerably, we would need a larger sample size to draw any significant conclusions.

There are also significant differences in pay between men and women at CEO level. As a male CEO, you are likely to earn 110% more on average than your female counterpart. Male CEOs in the FTSE 100 earned a mean of £5.9 million in the FYE 2017, compared with £2.8 million for women, although these amounts are somewhat skewed by the large pay received by CEOs from Persimmon and Melrose Industries. This gap falls to 64% when we compare the median single figure of £2.5 million for females with the median single figure of £4.0 million for males.

Out of the 25 highest paid CEOs in the FTSE 100, only one was female – Emma Walmsley of Glaxosmithkline plc, who was paid less than the 24 men on that list.

While women make up 7% of the FTSE 100 CEOs, they earn just 3.5% of the total pay, illustrated in Figure 20.

Figure 20: CEOs and CEO pay, by gender (%)



Gender diversity

On average, according to the FTSE 100 annual reports or accompanying analysis, females occupy 25% of senior management roles in FTSE 100 companies (median is 26%), with proportions ranging from 6% (Fresnillo) to 49% (WPP). The annual reports give a sense that more women are taking up senior positions and most companies expressed their efforts to attract and advance women into more senior positions. This is something we will be able to investigate more thoroughly next year.

Based on our analysis of their annual reports, on average women make up 39% of the FTSE 100 workforce (median is 38%), with proportions ranging from 7% (Randgold Resources) to 75% (Mediclinic).

Ethnic diversity

Only three of the FTSE 100 companies provided a breakdown of the ethnic diversity of their board and 13 provided a breakdown of the workforce as a whole.

8 Our approach

Summary of our approach

We focused our research on the top 100 FTSE companies as at 5 June 2018 and analysed the information published in their annual reports for the financial year ending in 2017.

All our calculations are based on actual figures rather than rounded figures. However, we sometimes present the numbers in this report as rounded.

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

Previous detailed analysis which we refer to in this report was of the FTSE 100 list from March 2016 and May 2015, unless otherwise stated. Eleven companies left/joined the FTSE 100 list between March 2016 and June 2017.

Industry sectors

Companies have been grouped into ten industry groups and broken down further into sectors, as defined by the Industry Classification Benchmark.[22]

Averages (mean and median)

Both the mean and the median are single values that describe the middle or average value of a range of values. The mean is the average of all the numbers in a dataset, that is, you have to add up all the numbers and then divide the result by how many numbers you are dealing with. To find the mean pay received by CEOs working in the FTSE 100, we have added all the CEO single figures together and then divided the total by the number of FTSE CEOs in our sample (99 excluding Scottish Mortgage, since it is an externally managed investment trust).

The median is the numerical value that splits the top 50% of the population from the bottom 50%. To find the median, we have listed all of the data in numerical order. If there is an odd number of values, our median is the number in the middle; if there is an even number of values, the median is the mean of the two central numbers.

Both the mean and median figures are useful in exploring the spread of remuneration enjoyed by FTSE 100 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). Such data can also be useful in exploring whether certain groups, such as men, enjoy higher levels of remuneration than other groups, such as women.

Our research indicates that CEO pay is skewed by a group of very high earners. Whether their level of remuneration is justified is open to debate. Another issue is that these high pay packages can increase the benchmark for all CEO pay packages and this may cause a shift in executive pay levels over the coming years.

Foreign exchange rates

All pay figures have been converted to sterling before making comparisons. We have applied weighted average exchange rates for the 12 months prior to each company's year-end. These are taken from government sources.[23] For our ten-year analysis of single figures, we have taken the spot exchange rate as at 31 December of each year to convert CEO single figures given in foreign currency.

Ratio analysis

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

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

The number for the employee pay package includes wages and bonuses, pension costs and share-based pay but excludes social security costs.

When calculating the mean employee pay package, we divided the total employee pay package by the 12-month average headcount (or full-time equivalent if average headcount is unavailable).

We are aware that some companies have part-time staff which is not reflected in the headcount numbers. It would have been preferable to use the full-time equivalent headcount in all cases to reflect any part-time workers, but this is not usually available.

In some cases, the CEO may be based in a different country from some of their employees, but adjustments were not able to be made for different costs of living in the different countries because of insufficient available information.

Note that pay ratios that are going to be required in the future will differ from ours. They will be based on median (and upper and lower quartile) pay and UK employees. Our pay package calculations are based on mean pay and the whole workforce, which can include non-UK staff, who may earn more or less than their British-based colleagues.

Comparison with UK average pay

When comparing CEO pay with UK employee averages, we sourced UK wage data from the ONS Annual Survey of Hours and Earnings (ASHE).[24]

The ASHE is based on a 1% sample of employee jobs, drawn from HM Revenue and Customs Pay as You Earn records. The ASHE collects information on the levels, distribution and make-up of earnings and hours paid. Results are produced by gender and by various industrial, occupational and geographic breakdowns, as well as by public and private sectors and age groups

The numbers we used from this source are as shown in Table 6.

Table 6: UK earnings data used in this report

Full-time UK worker comparison	2016	2017
Median of UK full-time gross pay (£)	28,195	28,758
Mean of UK full-time gross pay (£)	34,447	35,423

UK all-worker comparison	2016	2017
Median of UK all-worker gross pay (£)	23,084	23,474
Mean of UK all-worker gross pay (£)	28,306	29,009

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9 Our recommendations

The new pay ratio reporting requirement, which will come into force from the start of 2019, will provide further improvements to reporting. The new regulations will require companies to detail the pay differentials between the CEO and workers at each quartile of the pay distribution for UK employees. However, the introduction of the new rules means that the first mandatory disclosures will not appear in annual reports until 2020. Companies should recognise the stakeholder interest in these disclosures and provide them in annual reports as early as possible, since the methodology for calculating pay ratios has already been published. We would also recommend that employers publish the accompanying narrative, such as whether the company believes the median ratio is consistent with the company's wider policies on employee pay, reward and progression.

It is also clear that interest in CEO pay levels and CEO/worker pay ratios is a proxy for pay distribution within firms and within society more generally. To this end, we would encourage companies to provide information on the distribution between their top earners and the wider workforce – one way of doing so might be to disclose the share of total pay within the organisation accruing to the top 1% of earners. Given that they will be calculating the distribution by percentile point as part of the pay ratio and gender pay reporting requirements, this ought not to represent a significant additional reporting burden.

Finally, given the reporting requirements that have been introduced in recent years, it may now be a sensible moment for both companies and regulators to reflect on how useful the different disclosures have been. Remuneration reports are generally too long and too complex – however, it would be simplistic to blame this entirely on regulation, given that some of the more useful and interesting disclosures (such as the single figure for CEO pay or the historic comparison of CEO pay with shareholder returns) are regulatory requirements that were not previously contained in reports, whereas some of the unnecessary passages are not mandated by regulations. Guidance, either via the corporate governance code or through professional associations, could help ensure consistency in this respect.

We suggest that the level and structure of current and historic total directors' pay and pay distribution throughout the organisation (including pay ratios), shareholder returns and company performance against any performance metrics used to calculate CEO pay awards, and the extent of the directors' shareholdings are all integral disclosures to stakeholders and apply to almost all companies. In many cases the value of any additional information may be at best unnecessary and at worst confusing.

Recommendations:

- Companies should introduce pay ratio reporting immediately, rather than wait for the application of mandatory requirements.
- Companies should provide clearer information about wider pay distribution within their organisations. Guidance from regulators or professional associations could help ensure consistency in this respect.
- Policy-makers and companies should review whether existing remuneration report content, aside from pay levels, pay distribution and performance-related pay metrics, is of value to stakeholders, with the objective of reducing the length and complexity of reports.

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As the professional body for HR and people development, the CIPD recognises the key role of people professionals in improving workplace pay transparency and fairness in order to build employee commitment and trust. Concerns about the fairness of reward decisions and outcomes more widely have resulted in such responses as the introduction of gender pay gap reporting in 2017 and, from 2019, the requirement for large listed firms to publish the ratio between their CEO's pay and their employees' pay.

HR professionals with expertise in reward strategy and reward operations should have good insight and understanding, as well as access to evidence to challenge top pay awards where appropriate. Remuneration decisions need to recognise contribution, value, and performance, and should be based on principles of equity and proportionality.

HR needs to have an appreciation of how pay and reward practices work across the organisation, as well as insight on how pay and reward encourages the right behaviours, and the different pay and reward strategies that are available. HR should have a strong and positive voice at the Board level, but particularly through the Remuneration Committee, which in turn should be taking a wider view of reward strategy and how top executive compensation fits in to the overall reward philosophy it has for the wider workforce.

HR plays a vital role in ensuring that there is:

- a clear understanding within the organisation of how employees create and add value, how they are performing, and how reward and incentives can influence behaviours and outcomes. Measures of performance at all levels should be based on more than just financial or operating outcomes, but also linked to how organisational culture and values are reinforced and how positive behaviours are encouraged and individuals developed.
- recognition that business success is a collective endeavour. Too often, corporate achievement is ascribed to the efforts of those at the top of the organisation and that is where reward is disproportionately concentrated. To address this, HR should ensure that there is much more alignment through the organisation over how individuals are rewarded relative to their contribution.
- greater knowledge in organisations of how reward influences employee behaviours. Insights from behavioural science indicate that too many senior executive reward schemes are often too complex, with too much of their pay linked to very long-term performance targets that are too remote to incentivise behaviour.
- an understanding of how excessive rewards for senior leaders in organisations can negatively impact engagement and motivation across the workforce. The CIPD's 2015 research *The view from below: What employees really think about their CEO's pay packet'*, found that 60% of employees surveyed agree that CEO pay levels in the UK demotivate employees. With productivity struggling to improve and a tightening labour market, it's important that organisations understand the effect that inappropriately high executive pay has on the whole workforce and how it can impact on their engagement, motivation and productivity at work.
- high quality data on reward and other workforce metrics in order to increase pay transparency and fairness and to provide the evidence to improve leadership, people management and development practices where required.

10 Appendix: Full list of FYE 2017 single figures

Table 7: Full list of FYE 2017 and FYE 2016 single figures (SF), by company

Chief executive (2017)	Company	Revised FYE 2016 SF	Δ	FYE 2017 SF	FYE 2017 pay ratio
Simon Borrows	3I Group plc	£5,821k	↑	£7,544k	28:1
David Stevens*	Admiral Group plc	£395k	↑	£395k	12:1
Mark Cutifani	Anglo American plc	£3,996k	↑	£6,693k	183:1
Iván Arriagada	Antofagasta	£1,603k	↓	£1,403k	25:1
Geoffrey Drabble	Ashtead Group plc	£3,321k	↑	£5,506k	109:1
George Weston	Associated British Foods plc	£3,133k	↑	£4,855k	282:1
Pascal Soriot	Astrazeneca plc	£14,342k	↓	£9,435k	137:1
Mark Wilson	Aviva plc	£4,523k	↓	£4,334k	77:1
Ian King then Charles Woodburn (from July 2017)	BAE Systems	£3,463k	↓	£3,364k	47:1
Jes Staley	Barclays plc	£4,233k	↓	£3,873k	37:1
David Thomas	Barratt Homes plc	£3,155k	↑	£3,331k	62:1
Rob Perrins	Berkeley Group	£10,993k	↑	£27,963k	273:1
Andrew Mackenzie	BHP Billiton plc	£1,499k	↑	£3,552k	31:1
Bob Dudley	BP plc	£8,651k	↑	£10,486k	106:1
Nicandro Durante	British American Tobacco	£8,313k	↑	£11,423k	424:1
Chris Grigg	British Land Co plc	£3,623k	↓	£1,945k	20:1
Gavin Patterson	BT Group plc	£5,396k	↓	£1,345k	30:1
Frank van Zanten	Bunzl plc	£3,845k	↓	£2,818k	68:1
Christopher Bailey	Burberry Group plc	£1,894k	↑	£3,531k	80:1
Arnold Donald	Carnival	£23,001k	↓	£8,906k	400:1
Iain Conn	Centrica plc	£4,040k	↓	£1,694k	32:1
Dimitris Lois (died 2 October 2017) and Zoran Bogdanovic (from December 2017)	Coca-Cola HBC AG	£2,356k	↑	£13,783k	563:1
Richard Cousins	Compass Group plc	£5,822k	↓	£5,617k	377:1
Albert Manifold	CRH plc	£8,045k	↓	£7,559k	172:1
Steve Foots	Croda Intl.	£2,404k	↑	£3,430k	63:1
Tommy Breen	DCC	£3,112k	↑	£4,408k	117:1
Ivan Menezes	Diageo plc	£4,156k	↓	£3,399k	70:1
Paul Geddes	Direct Line plc	£4,071k	↑	£4,332k	117:1
Carolyn McCall	Easyjet plc	£1,453k	↓	£757k	14:1
Alexander Frolov	Evraz	£3,314k	↑	£4,303k	412:1
Brian Cassin	Experian plc	£3,678k	↓	£3,627k	58:1
Ian Meakins then John Martin (from Aug 2017)	Ferguson	£3,375k	↑	£5,481k	116:1

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Chief executive (2017)	Company	Revised FYE 2016 SF	Δ	FYE 2017 SF	FYE 2017 pay ratio
Octavio Alvidrez	Fresnillo	£807k	↑	£836k	48:1
Ashley Almanza	G4S	£4,790k	↓	£3,846k	466:1
Emma Walmsley	Glaxosmithkline plc	£6,830k	↓	£5,598k	69:1
Ivan Glasenberg	Glencore	£1,097k	↑	£1,180k	51:1
Andrew Williams	Halma	£2,423k	↓	£2,152k	51:1
Ian Gorham then Chris Hill (from February 2017)	Hargreaves Lansdown plc	£2,071k	↑	£2,204k	36:1
Stuart Gulliver	HSBC Hldgs plc	£5,675k	↑	£6,086k	120:1
Alison Cooper	Imp.Brands	£5,404k	↓	£4,657k	179:1
Stephen Carter	Informa	£3,408k	↑	£4,279k	75:1
Richard Solomons then Keith Barr (from June 2017)	Intercontinental Hotels	£3,662k	↑	£4,306k	60:1
Willie Walsh	International Consolidated Airlines Group Sa	£2,462k	↑	£3,954k	81:1
André Lacroix	Intertek	£5,452k	↑	£11,683k	458:1
Adam Crozier	ITV	£3,632k	↓	£2,275k	35:1
Robert Macleod	Johnson Matthey plc	£1,429k	↑	£1,971k	41:1
David Buttress then Peter Plumb from September 2017	Just Eat	£1,274k	↑	£1,362k	28:1
Veronique Laury	Kingfisher plc	£1,983k	↓	£1,732k	97:1
Robert Noel	Land Securities Group plc	£2,014k	↑	£2,721k	30:1
Nigel Wilson	Legal & General Group plc	£5,417k	↓	£3,451k	41:1
António Horta-Osório	Lloyds Group	£5,791k	↑	£6,422k	115:1
Xavier Rolet then David Warren interim CEO (from November 2017)	London Stock Exch Group plc	£6,880k	↓	£5,564k	61:1
Steve Rowe	Marks & Spencer Group plc	£2,015k	↓	£1,642k	97:1
Danie Meintjes	Mediclinic	£632k	↑	£1,029k	27:1
Simon Peckham	Melrose Industries plc	£987k	↑	£42,764k	1134:1
Stephen Murdoch	Micro Focus	£1,097k	↑	£2,296k	27:1
David Hathorn then Peter Oswald (from May 2017)	Mondi	£4,664k	↓	£3,358k	115:1
David Potts*	Morrison (Wm) Supermarkets plc	£2,302k	↑	£2,794k	174:1
John Pettigrew*	National Grid plc	£5,151k	↓	£4,636k	49:1
Lord Simon Wolfson	Next plc	£4,295k	↓	£1,842k	144:1
Prasanth Manghat*	NMC Health	£4,841k	↓	£4,640k	175:1
Bruce Hemphill	Old Mutual	£2,480k	↑	£4,739k	154:1
Breon Corcoran*	Paddy Power Betfair	£3,666k	↓	£3,203k	74:1
John Fallon	Pearson plc	£1,518k	↑	£1,758k	32:1
Jeff Fairburn	Persimmon plc	£2,124k	↑	£47,087k	1130:1
Mike Wells	Prudential plc	£7,370k	↑	£8,702k	127:1
Mark Bristow	Randgold Resources Ltd	£4,555k	↑	£7,493k	380:1

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Chief executive (2017)	Company	Revised FYE 2016 SF	Δ	FYE 2017 SF	FYE 2017 pay ratio
Rakesh Kapoor	Reckitt Benckiser Group plc	£15,251k	↓	£12,480k	362:1
Erik Engstrom	RELX	£11,399k	↓	£9,920k	150:1
Andy Ransom	Rentokil Initl.	£5,580k	↓	£4,368k	153:1
Jean-Sébastien Jacques*	Rio Tinto Group (Gbp)	£4,010k	↑	£3,686k	47:1
Warren East	Rolls-Royce Holdings plc	£2,089k	↑	£2,331k	34:1
Ross McEwan	Royal Bank Of Scotland	£3,702k	↓	£3,487k	72:1
Ben van Beurden	Royal Dutch Shell plc	£6,925k	↑	£7,778k	64:1
Moya Greene	Royal Mail plc	£1,529k	↑	£1,880k	58:1
Stephen Hester	RSA Insurance	£4,478k	↑	£4,918k	95:1
Stephen Kelly	Sage Group plc	£1,723k	↑	£3,336k	66:1
Mike Coupe	Sainsbury (J) plc	£2,802k	↓	£2,349k	157:1
Peter Harrison	Schroders plc	£6,311k	↑	£7,059k	38:1
n/d	Scottish Mort	n/d		n/d	n/d
David Sleath	Segro	£3,788k	↑	£3,832k	26:1
Liv Garfield	Severn Trent plc	£2,494k	↓	£2,451k	59:1
Flemming Ornskov	Shire plc	£7,682k	↓	£4,104k	100:1
Jeremy Darroch	Sky plc	£4,619k	↑	£16,343k	312:1
Olivier Bohuon	Smith & Nephew plc	£2,415k	↑	£3,926k	64:1
Miles Roberts	Smith(Ds)	£4,447k	↑	£4,580k	135:1
Andy Reynolds Smith	Smiths Group plc	£2,964k	↓	£2,320k	57:1
Tom Smurfit	Smurfit Kap.	£1,940k	↑	£2,162k	67:1
Alistair Phillips-Davies	SSE plc	£1,696k	↑	£2,925k	71:1
David Bellamy	St James'S Place plc	£2,632k	↓	£2,539k	31:1
Bill Winters	Standard Chartered plc	£3,392k	↑	£4,683k	94:1
Keith Skeoch and Martin Gilbert	Standard Life Aberdeen plc	£2,789k	↑	£4,345k	48:1
Pete Redfern	Taylor Wimpey plc	£4,072k	↓	£3,809k	77:1
Dave Lewis	Tesco plc	£4,632k	↓	£4,147k	287:1
Friedrich Joussen	TUI Group	£3,526k	↑	£4,072k	152:1
Paul Polman	Unilever plc	£6,745k	↑	£10,180k	315:1
Steve Mogford	United Utilities Group plc	£2,858k	↓	£2,310k	47:1
Vittorio Colao	Vodafone Group plc	£5,224k	↑	£6,018k	164:1
Alison Brittain	Whitbread plc	£3,057k	↓	£2,509k	142:1
Martin Sorrell	WPP	£48,148k	↓	£13,930k	295:1

* Indicates different CEO in FYE 2016

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11 Endnotes

[1] See *World Inequality Database*, via https://wid.world/

[2] 2016 single figures in this report are the revised 2016 figures taken from the 2017 accounts.

[3] All UK earnings data from the Office for National Statistics which have been used in this report can be found in Table 6 on page 25.

[4] www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/may2018

[5] The mean CEO pay for 2016 is £25,000 higher than reported last year because of adjustments to 2016 figures in the FYE 2017 annual reports.

[6] www.persimmonhomes.com/corporate/media/340484/annual-report-2017.pdf

[7] Based on the FTSE 100 cohort as at March 2017.

[8] This figure represents her position as CEO for three months only.

[9] In order to calculate the mean female single figure for 2016, we have quadrupled this figure to form a full-time equivalent pay for the full year.

[10] www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/allemployeesashetable1

[11] This is based on the CEO single figure stated in the annual reports, which is a statutory requirement. We note that certain elements of these figures will not have been paid out, for example variable awards that have vested but have not actually been paid. We also note that in some cases the bonus awarded may not have been accepted by the CEO to whom it was awarded. Averages have been taken from 99 companies, and exclude Scottish Mortgage since it is an investment fund and does not pay any salaries.

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

[13] Overall, the average total fixed amounts paid out across the FTSE 100 is £2.22 for every £10 paid out to all FTSE 100 CEOs. This is a weighted average because certain CEOs can swing this figure. Each CEO, though, will typically receive 36% of their pay as a fixed amount, or £3.58 for every £10 received.

[14] Investment Association, Executive Remuneration Working Group: Final Report, 2016, p10. Available at: https://www.theinvestmentassociation.org/assets/files/press/2016/ERWG%20Final%20Report%20July%202016.pdf

[15] Department for Business, Energy and Industrial Strategy (2017) *Corporate governance reform: the government response to the green paper consultation*, p17. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/640470/corporate-governance-reform-government-response.pdf

[16] Antofagasta, Carnival, Evraz, NMC Health and Randgold Resources Ltd.

[17] Calculated by adding up the pay packages of all employees in the FTSE 100 (excluding the CEOs) and dividing by the average number of employees in the FTSE 100 (excluding the CEOs).

[18] https://www.vlerick.com/~/media/corporate-marketing/our-expertise/pdf/Executive Remuneration2016-DetailedresultsNetherlandspdf.pdf

[19] https://www.vlerick.com/en/research-and-faculty/knowledge-items/knowledge/the-best-performing-companies-pay-their-ceo-s-relatively-less

[20] www.ftse.com/products/indices/icb

[21] Excluding Scottish Mortgage, which has no remuneration committee.

[22] www.ftse.com/products/downloads/ICBStructure-Eng.pdf?_ga=2.190540843.1227816365.1530179304-1172050561.1527757729

[23] www.gov.uk/government/publications/hmrc-exchange-rates-for-2016-monthly and www.gov.uk/government/publications/hmrc-exchange-rates-for-2017-monthly

[24] www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/allemployeesashetable1

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