



FTSE 100

PAY FOR PERFORMANCE LANDSCAPE

When the Proxy season dust has settled



As the proxy season dust has settled, DirectorInsight is releasing its 4th consecutive report on CEO pay of UK's largest listed companies. It provides an in-depth review of CEO pay in comparison to total shareholder return over multiple years and a broader overview on corporate governance themes for this year's proxy season.

Key Findings:

- Shareholders are looking closely at the corporate governance landscape and are challenging issuers and their directors for failing to adhere to corporate governance standards.
- The remuneration outcomes were more in tune in shareholders' perspectives. The average support level for remuneration reports in the FTSE 100 was 92.79% up from last year's 91.07%.
- Investors held Directors accountable for excessive pay and other corporate governance shortcomings.
- Extensive consultations were undertaken by many issuers with their shareholders and proxy advisors.
- Remuneration Committee Chairs were held accountable for pay leaps.
- The Average Total Realised Compensation CEOs earned in the FTSE 100 dropped by 11.4% against last year. The FTSE 100 TSR increased by 20 percentage points.
- WPP's Martin Sorrell was the highest paid CEO in the FTSE 100 for the financial year 2016, even though his pay dropped by 40% compared to financial year 2015. The least paid CEO in the FTSE 100 was Paul Moraviec of ConvaTec Group.
- No female CEO made the list of ten highest paid Chief Executives in the FTSE 100.
- The CEO whose pay grew the most from 2015 to 2016 was Arnold Donald of Carnival Plc/Carnival Corp. His pay gained an increase of 259%.

- A further rebalancing of the CEO's remuneration structure; increase in fixed and short term incentive and decrease in long term variable compensation component. We also saw an entrenchment of deferral of Short term incentive awards.
- DirectorInsight analysis shows that more than 25% of the FTSE 100 companies still have a significant misalignment between pay and performance on a one, three and five-year basis.
- Overboarding emerged as one of the key areas of focus this season. Shareholders voted against directors who had significant number of directorships and therefore competing time pressures.
- Remuneration policies submitted for approval this year also showed further alignment through the increase of stricter shareholding guidelines



INTRODUCTION

The just ended 2017 proxy season started on a comparatively slow pace but ended with several high-profile stand offs between issuers and investors. With the number of Shareholder revolts experienced during 2016 AGM season, 2017 was tipped to be a rebound year for activism. This was particularly in anticipation of the over 66 remuneration policies that were due for renewal in the index and against the background of the U.K government's green paper that was introduced late last year.

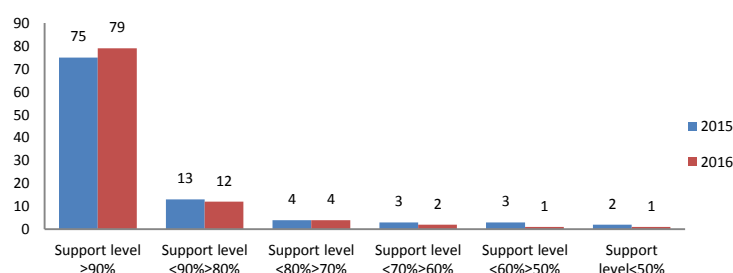
This proxy season experienced a continued focus on corporate governance, executive pay and transparency for shareholders

Interestingly, the number of shareholder springs was relatively small compared to what was witnessed in the prior year. It is a

common belief in the market that many shareholder springs was averted due to the extensive consultations that were undertaken by many issuers with their shareholders and proxy advisors. Hence the results this year showed that remuneration outcomes were more in tune in shareholders' perspectives. Despite the increasingly volatile reception of executive remuneration from both the press and government over recent months, in

overall terms, the average level of support for the Directors' Remuneration Report was good. The average support of remuneration report during the Agm season in the FTSE 100 index was 92.79%. It should also be noted that shareholder activism has evolved from a niche strategy pursued by a limited number of high-profile hedge funds to a widely-accepted approach to investing.

2017 vs 2016 Remuneration report vote outcomes



OF THE TOTAL 100 COMPANIES IN THE INDEX, 99 PUT FORWARD ADVISORY VOTES ON THEIR REMUNERATION REPORTS. A TOTAL OF 79 COMPANIES HAD 90% AND ABOVE IN SUPPORT OF THEIR REPORT. IN COMPARISON, 2015 HAD 75 COMPANIES GAINING 90% AND ABOVE APPROVAL VOTES. FOR 2016, ONLY PEARSON'S REMUNERATION REPORT WAS DEFEATED.

Away from remuneration, there were other interesting trends that were witnessed during the proxy season. Regarding resolutions to re-elect Directors, we saw significant number of directors receiving less than 90% support in 2017. It appears that shareholders were looking more closely at the number of appointments held by Directors and whether Directors could be "over-boarded". This was so in the case of Ireena Vittal at Compass and Irene Lee at HSBC, who were re-elected with 60% and 71% support respectively. Also, two Directors at Reckitt Benckiser received just 60% support on their reappointment because of a severe issue relating to a product recall in South Korea, Elizabeth Corley at Pearson received 73% support because of her role as the Remuneration Committee chair and Vassi Naidoo at Old Mutual received just 79%

support, as he is a non-independent director and a member of the Audit Committee¹.

At BT, Investors protested against the company's auditors, PwC, at the firm's annual general meeting over the auditor's failure to detect the scandal in the company's Italian business. Nearly a quarter (22%) of investors expressed their dissatisfaction with PwC. For board members' re-elections to the board, Shareholders sent a mixed message. 98% of shareholders backed BT's chief executive Gavin Patterson, but Nick Rose, the Senior Independent Director re-election was only approved by 88% of investors. Independent Non-Executive Directors Karen Richardson and Jasmine Whitbread were re-elected by 89.92% and 89.93% respectively. National Grid's Shareholders voted against remuneration committee members for supervising an

¹ The UK Corporate Governance code stipulates that the Audit committee must be comprised of solely independent Non-executive Directors

increase for the CEO's remuneration. Investors approved re-election of the chair of the Remuneration Committee Jonathan Dawson of National Grid by 88%. Other Remuneration Committee members of the company, Mark Williamson and Nora Mead Brownell as well received an average of 88% of votes for their re-election to the Board.

These suggests that Shareholders are looking closely at the corporate governance landscape and are penalizing issuers and their directors for failing to adhere to corporate governance standards.

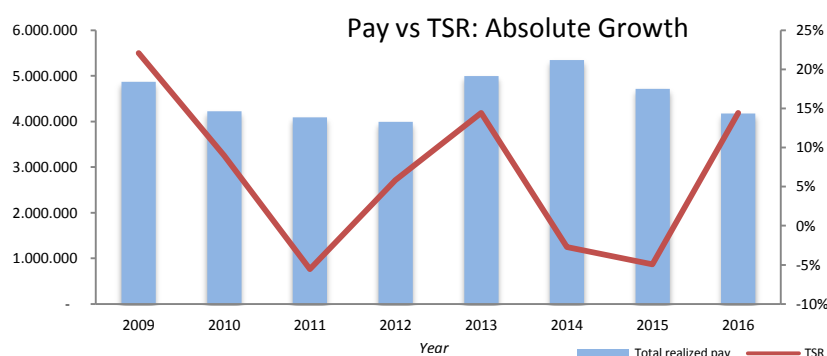


Pay vs. TSR pattern over the years

In 2009, the FTSE 100 CEO Average Total Realised Compensation (TRC) was at GBP 4,864,342 and the Index Total Shareholder Return (TSR) was at 22%. For the financial year 2010, both TRC and TSR decreased at a similar pace. In Financial year 2011, TRC and TSR continued to

fall however, the fall in TSR was much steeper than the Average TRC. Both indicators began to increase after 2011 at a similar pace. There was a sharp increase in 2012, representing a 12% growth in TSR. After financial year 2013, there was a sharp decline in TSR from 14% to -3% in 2014. At the same time, the average TRC increased from GBP 4,995,494 to GBP 5,342,224 representing a growth of 7%. TSR further decreased to -5% for financial year 2015. In Financial year 2016, TSR increased by 19% and the Average TRC dropped by 11.4% from GBP 4,711,777 to GBP 4,174,233.

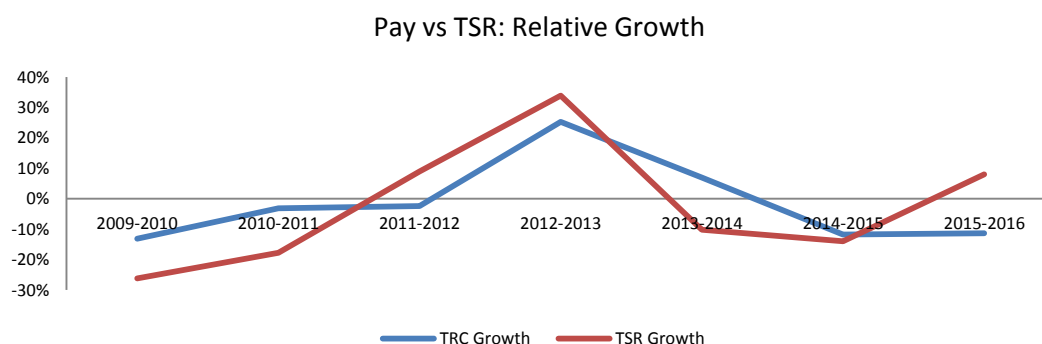
Pay for performance has been a debatable issue for some time now. Studies are at a variance whether putting compensation at risk for executives could better or damage shareholder returns.



2016 AGAINST 2015

TOTAL SHAREHOLDER RETURN CLIMBED 19 PERCENT.

AVERAGE PAY IN THE INDEX HOWEVER DECREASED BY 11.4 PERCENT





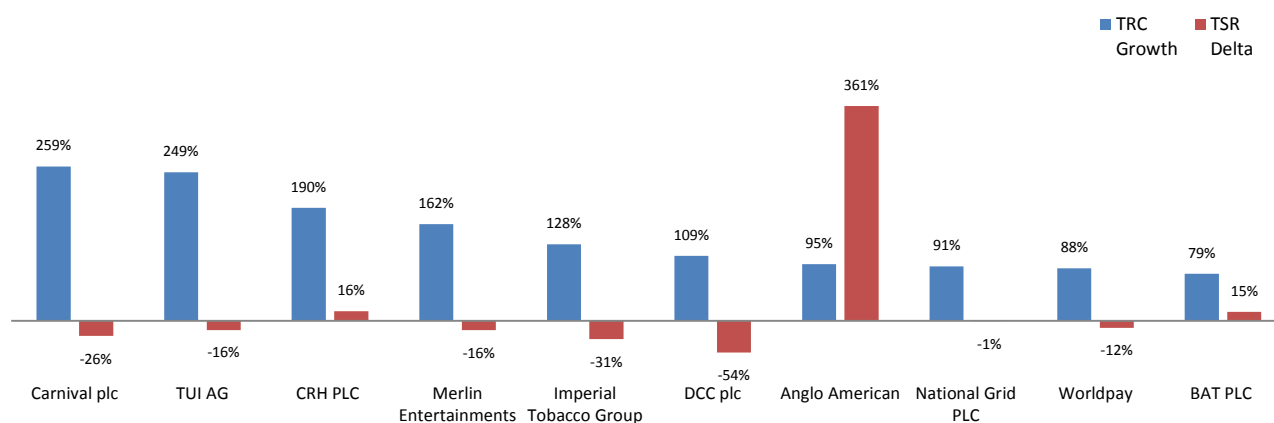
TOP INCOME GROWERS

The graph below shows the CEOs whose pay had the most increase from 2015 to 2016. Carnival plc's CEO Arnold Donald topped with an increase of 259%. In 2016, his total realised pay was approximately GBP 14.5M up from GBP 4.0 in 2015. TSR for the company however dropped 26% from 36% in 2015 to 10% in 2016. Tui Ag CEO Peter Long came second on the list of top pay growers with an increase of 249% in his total realised compensation from 2015 to 2016. TSR also dropped 16% within the same period. Perhaps, the most notable trend is the rate of pay increase and the inverse relationship with TSR change. While pay had a huge quantum positive increase, Shareholder return was at a negative return. For CRH Plc and British American Plc, both pay and TSR had positive outturn. Regardless, pay increase

was at a faster rate than TSR growth. CRH Plc's CEO who placed third, pay grew by 190% from 2015 to 2016, while TSR increased from 31% in 2015 to 47% in 2016 representing a growth of 16%. British American Tobacco's Nicanduro Durante also gained a total increase of 79% in his pay and TSR also increased by 15%.

Anglo American stood out in this case following the turmoil that hit the miner in 2015, it was one of the companies' hit by falling prices in the commodity market. The company subsequently reported a 36% drop in its half-year underlying earnings before taxation (EBIT) for 2015. With these issues and more, the share price of the company was under pressure to perform and TSR for 2015 was at -73%. In 2016 the company's TSR increased by 361% to 285% in and Pay for CEO, Mark Cutifani also increased by 95% from GBP 3.2M to GBP 6.3M.

2016 vs 2015; Top Income Growers

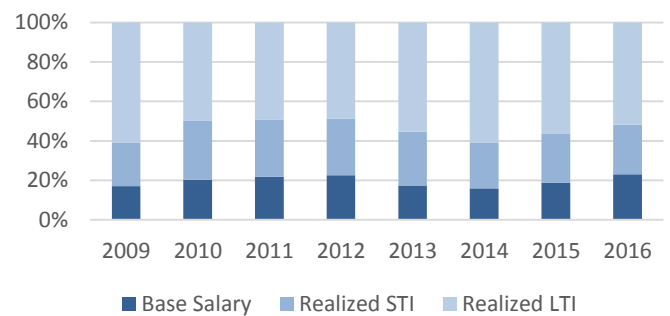
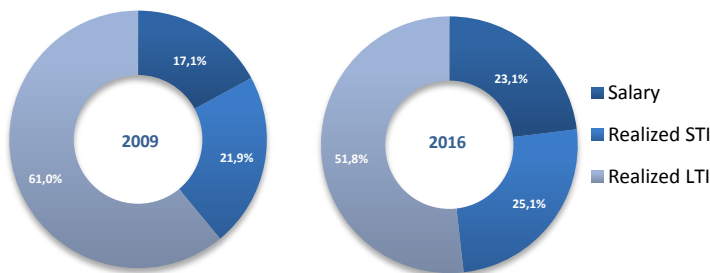




PAY MIX: FIXED Vs. VARIABLE; SHORT TERM Vs. LONG-TERM

From 2009 to 2016, we observe that CEO pay structure has been slightly rebalanced. The proportion of the fixed pay component of compensation increased from 2009- 2012. In 2009, Base Salary formed approximately 17% of average total realised compensation while variable pay formed 83%. The long-term component of the variable pay accounted for more than 60% of the CEO's pay in 2009, this proportion has

however been changing across the years. In 2010, LTI dropped to 50% of average total realised compensation with the STI component of pay mix rising from 22% in 2009 to 2010 in financial year 2010. In 2013, Base salary component of average realised compensation dropped from 23% to 17% with a further drop to 16% in 2014. For financial year 2016, fixed compensation formed 23% of average total realised compensation. This represents a 4% increase from 19% in 2015 while STI components remained flat from 2015 to 2016. LTI however decreased from 56% to 52% from 2015 to 2016.



DIRECTORINSIGHT'S CEO PAY FOR PERFORMANCE TRACKER

The pay for performance analysis conducted by DirectorInsight shows that there is still a significant misalignment between pay and performance in the FTSE 100 companies.

- On a one year basis, 31% of the companies display negative misalignment
- On a three-year basis, we find a proportion of 33% displayed negative misalignment
- On a five-year basis, 26% displayed negative misalignment.


















The table below captures the total CEO realised compensation for all FTSE 100 constituents against their peers in the index, as well as their respective 2016 TSR.















The relative ranking shows that Arnold Donald, president and Chief Executive of Carnival Corp. & plc received a total pay of approximately GBP 14.5M for 2016. This puts him second on the list of the pay tracker with a compensation ranking of 99th percentile and a 2016 TSR ranking at the 53th percentile. The results revealed that on a three-year period his pay increased by 324% and TSR had a negative change of 10% over the same period. An investment of GBP 100 in the company in the year 2014 will be worth GBP 178 in 2016. This is the highest investment return with














companies that are ranked top 10 highest paid CEOs, despite just a little above 10% vote against executive compensation.















Ashtead Group Plc has the second highest investment return over a three-year period from 2014 to 2016 in the index. The pay tracker shows that GBP 100 invested in Ashtead in 2014 will be worth GBP 218 in 2016. In 2016, the CEO of Ashtead Geoffrey Drabble earned a total pay of GBP 3.8M which was ranked 65th percentile on the pay tracker. TSR for the company was 44% earning the company a 86th percentile rank. From 2014 to 2016, the CEO's pay dropped by 44% and TSR also decreased by 10% during the same period. The CEO realised pay between 2014 and 2016 was GBP 14.8M and TSR for the period was 118% which was ranked 99th percentile. For their 2016 remuneration report, Shareholders voted against it by 28.16%.
















Babcock International Plc. CEO emerged as one of the least paid in the FTSE 100 index. The total pay for the CEO was GBP 1M in 2016 ranked 6th percentile in the total Index constituents. TSR was -3% which also ranked 26th percentile. From 2014-2016, compensation dropped by 70% and TSR increased by 6% during the period. These were also ranked 9th percentile and 56th percentile respectively. From the table below, 3YR TSR (2014-2016) is -14%. With that, GBP 100 invested in Babcock in 2014 will be worth GBP 86 in 2016. Rolls Royce, Standard Chartered and Capita remained the companies with the lowest investment return in the index.















FTSE 100		2016				2014-2016				2014-2016					Remuneration Report AGM Vote Outcomes	
		Total Realised Compensation in Million GBP	Compensation Ranking	2016 TSR	Ranking of Performance	Growth 2014-2016 TRC	Δ 2014-2016 TSR	Compensation Ranking	Ranking of Performance	Total Realised Compensation (million GBP)	3Y TSR	Compensation Ranking	Ranking of Performance	Current value of GBP 100 invested in 2014	For %	Against %
	WPP plc	41,4	100	20%	66	-2%	19%	54	68	152,6	43%	100	63	143	79.21	20.79
	Carnival PLC	14,5	99	10%	53	324%	-10%	98	42	21,9	78%	89	90	178	89.03	10.97
	RELX PLC	12,7	98	24%	71	138%	-2%	91	52	33,7	74%	97	87	174	92.88	7.12
	Prudential plc	12,1	97	10%	54	-9%	-4%	49	47	34,0	32%	98	56	132	88.86	11.14
	Sky plc	11,6	96	-8%	21	137%	-18%	90	31	24,7	30%	94	55	130	91.06	8.94
	Reckitt Benckiser Group plc	9,9	95	12%	57	-45%	-2%	22	50	43,8	58%	99	76	158	87.38	12.62
	BP p.l.c.	9,3	94	55%	91	-8%	67%	50	92	32,6	26%	96	50	126	97.05	2.95
	TUI AG	9,2	93	0%	33	N/A(Due to Merger)	-7%	N/A(Due to Merger)	45	11,4	24%	54	45	124	*NA	*NA
	Unilever PLC	8,2	92	16%	60	26%	6%	66	57	22,6	46%	92	64	146	98.14	1.86
	Shire plc	8,0	91	0%	34	73%	-59%	77	7	20,4	66%	88	80	166	93.22	6.78
	Randgold Resources Limited	7,8	90	56%	93	84%	40%	81	84	18,3	73%	85	85	173	97.84	2.16
	Imperial Brands PLC	7,8	89	3%	39	195%	-25%	94	27	13,9	76%	72	89	176	94.69	5.31
	CRH plc	7,7	88	47%	89	217%	43%	96	85	12,9	101%	63	95	201	82.31	17.69
	HSBC Holdings plc	7,4	87	32%	79	42%	36%	67	82	18,7	19%	87	42	119	96.47	3.53
	AstraZeneca PLC	6,9	86	0%	36	88%	-32%	82	20	18,4	41%	86	61	141	61.17	38.83
	Provident Financial	6,9	85	-12%	19	-6%	-70%	51	2	24,3	97%	93	93	197	95.57	4.43
	Anglo American plc	6,3	84	287%	100	76%	293%	78	100	13,1	-3%	64	19	97	95.05	4.95









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	London Stock Exchange Group plc	6,3	83	8%	47	392%	-34%	99	19	11,8	90%	58	92	190	98.56	1.44
	Vodafone	6,0	82	-5%	25	107%	5%	84	54	13,8	-10%	71	15	90	97.40	2.60
	Taylor Wimpey plc	5,8	81	-20%	7	-4%	-46%	52	10	17,5	57%	82	75	157	98.14	1.86
	Barratt Developments plc	5,7	80	-21%	6	1%	-60%	57	5	15,9	51%	78	69	151	98.25	1.75
	Wolseley plc	5,7	79	38%	81	1%	27%	58	73	14,7	56%	74	74	156	98.11	1.89
	British American Tobacco p.l.c.	5,2	78	27%	73	4%	14%	61	62	13,2	61%	65	77	161	92.05	7.95
	Mondi plc	5,1	77	29%	75	-2%	25%	56	71	15,3	74%	76	86	174	98.92	1.08
	Compass Group PLC	4,8	76	31%	77	-23%	15%	36	63	16,5	67%	80	82	167	94.33	5.67
	3i Group	4,8	75	53%	90	-34%	30%	31	76	16,1	108%	79	97	208	96.56	3.44
	Intertek Group plc	4,8	74	27%	74	101%	52%	83	89	9,5	17%	41	41	117	96.76	3.24
	DCC	4,7	73	8%	49	190%	-14%	93	36	8,6	115%	37	98	215	98.50	1.50
	Lloyds Banking Group plc	4,6	72	-10%	20	-75%	-7%	7	46	32,3	-16%	95	10	84	97.92	2.08
	Legal & General Group Plc	4,4	71	-2%	27	6%	-18%	62	30	12,7	29%	61	52	129	93.17	6.83
	Hikma Pharmaceuticals PLC	4,3	70	-17%	13	59%	-83%	75	1	9,5	63%	42	79	163	97.93	2.07

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	Experian	4,2	69	34%	80	-13%	35%	43	81	13,4	51%	67	68	151	83.84	16.16
	National Grid	4,1	68	6%	45	-15%	-16%	42	34	11,2	39%	53	58	139	87.15	12.85
	Diageo plc	3,9	67	17%	61	-30%	22%	35	69	11,7	15%	56	37	115	94.82	5.18
	Aviva plc	3,8	66	-1%	29	113%	-12%	86	39	9,9	21%	44	44	121	97.70	2.30
	Ashtead Group plc	3,8	65	44%	86	-44%	-10%	23	43	14,8	118%	75	99	218	71.84	28.16
	Intercontinental Hotels Group plc	3,8	64	45%	88	-45%	13%	21	61	13,3	100%	66	94	200	96.42	3.58
	GlaxoSmithKline plc	3,7	63	22%	68	-31%	32%	34	79	15,8	15%	77	39	115	96.39	3.61
	Schroders plc	3,7	62	4%	42	-9%	-2%	48	51	14,4	26%	73	49	126	94.74	5.26
	The Royal Bank of Scotland Group plc	3,6	61	-26%	4	44%	-42%	69	13	8,5	-34%	35	5	66	99.60	0.40
	Barclays PLC	3,5	60	5%	43	-66%	13%	11	60	17,6	-11%	83	13	89	97.22	2.78
	RSA Insurance Group plc	3,5	59	41%	85	111%	34%	85	80	7,6	50%	30	67	150	98.78	1.22
	BAE Systems plc	3,4	58	23%	69	-19%	9%	38	59	11,0	55%	49	73	155	97.25	2.75
	Informa plc	3,3	57	24%	70	83%	39%	80	83	7,1	43%	26	62	143	70.77	29.23
	ITV plc	3,3	56	-19%	8	-17%	-35%	39	18	12,3	25%	59	47	125	94.72	5.28
	St. James's Place plc	3,2	55	4%	41	117%	-11%	87	40	10,5	51%	47	70	151	99.44	0.51
	Associated British Foods plc	3,1	54	-17%	14	-56%	-47%	14	9	16,7	16%	81	40	116	98.35	1.65

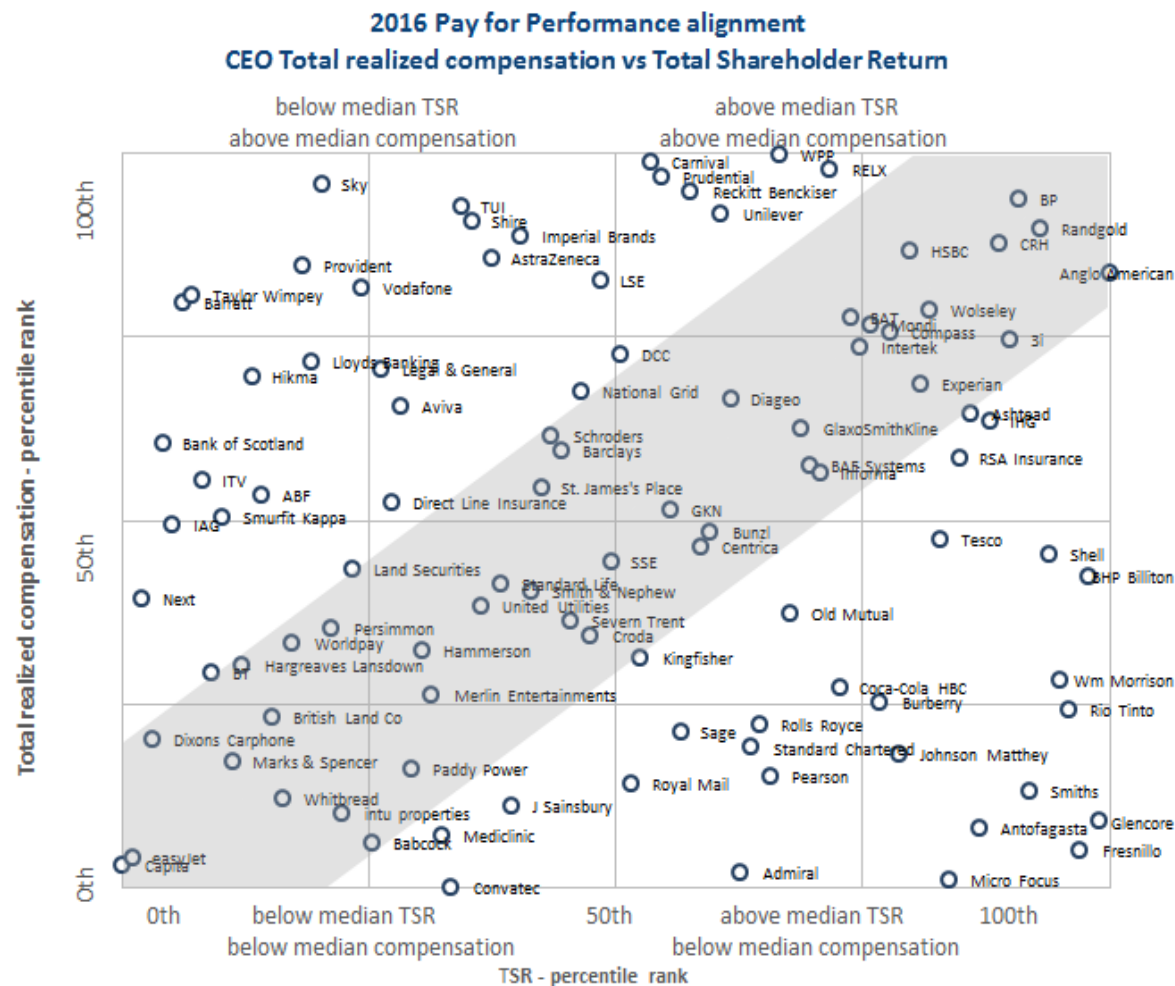
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	Direct Line Insurance Group PLC	3,1	53	-1%	28	-23%	-30%	37	23	10,5	87%	48	91	187	99.32	0.68
	GKN plc	3,0	52	11%	55	208%	17%	95	65	9,0	-4%	40	18	96	99.37	0.63
	Smurfit Kappa Group plc	3,0	51	-18%	10	-65%	-24%	12	29	18,0	13%	84	34	113	86.9	13.1
	IAG	3,0	49	-25%	5	-50%	-46%	17	11	13,5	15%	68	38	115	87.847	12.153
	Bunzl plc	3,0	48	14%	59	-43%	-10%	26	41	13,7	54%	69	72	154	97.77	2.23
	Tesco PLC	3,0	47	38%	82	77%	79%	79	96	7,8	-36%	32	4	64	90.61	9.50
	Centrica plc	2,8	46	14%	58	4%	29%	60	74	8,5	-21%	36	8	79	86.20	13.80
	Royal Dutch Shell plc	2,7	45	59%	94	-84%	54%	1	91	22,3	26%	91	48	126	93.20	6.80
	SSE	2,7	44	8%	48	146%	-18%	92	32	5,5	35%	20	57	135	98.19	1.81
	Land Securities	2,7	43	-6%	24	-33%	-30%	32	24	8,3	21%	34	43	121	98.83	1.17
	BHP Billiton plc	2,7	42	76%	98	-39%	99%	28	98	10,1	-15%	45	11	85	98.90	1.10
	Standard Life plc	2,6	41	1%	37	-4%	-15%	53	35	9,7	15%	43	36	115	97.47	2.53
	Smith & Nephew plc	2,6	40	3%	40	-44%	-38%	24	17	12,8	50%	62	66	150	98.85	1.15
	Next Plc	2,5	39	-29%	2	-43%	-60%	25	6	11,1	5%	51	24	105	99.60	0.40
	United Utilities	2,3	38	0%	35	-10%	-42%	47	15	8,0	52%	33	71	152	98.91	1.09

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	Old Mutual plc	2,2	37	21%	67	-12%	16%	44	64	8,7	25%	39	46	125	72.03	27.97
	Severn Trent	2,1	36	6%	44	130%	-17%	89	33	5,2	47%	18	65	147	97.30	2.70
	Persimmon plc	2,1	35	-8%	22	-32%	-42%	33	14	7,2	68%	28	83	168	90.19	9.73
	Croda International plc	2,1	34	7%	46	46%	-4%	70	48	5,7	40%	23	60	140	97.36	2.64
	Worldpay Group plc	2,1	33	-12%	18	NA(IPO)	NA(IPO)	NA(IPO)	NA(IPO)	3,2	NA(IPO)	7	NA(IPO)	NA(IPO)	98.59	1.41
	Hammerson plc	2,1	32	-1%	31	-49%	-25%	18	26	7,4	27%	29	51	127	99.41	0.59
	Kingfisher	2,1	31	9%	52	43%	17%	68	66	5,5	0%	19	22	100	98.82	1.18
	Hargreaves Lansdown plc	2,0	30	-17%	12	-74%	6%	8	55	11,1	-3%	50	21	97	89.98	10.02
	BT Group	2,0	29	-19%	9	-62%	-28%	13	25	12,7	6%	60	26	106	96.85	3.15
	Wm Morrison Supermarkets PLC	1,9	28	60%	95	51%	84%	72	97	4,9	3%	17	23	103	51.89	48.11
	Coca-Cola HBC AG	1,9	27	25%	72	57%	54%	74	90	5,6	7%	22	31	107	98.83	1.11
	Merlin Entertainment	1,9	26	0%	32	47%	-12%	71	38	4,0	30%	13	54	130	95.78	4.22
	Burberry	1,9	25	29%	76	-76%	19%	6	67	11,7	7%	57	29	107	68.52	31.48
	Rio Tinto plc	1,8	24	68%	96	-67%	77%	10	94	11,4	7%	55	30	107	91.79	8.21
	The British Land Company	1,8	23	-16%	15	-80%	-45%	4	12	13,8	13%	70	33	113	98.24	1.76

FTSE 100		2016				2014-2016				2014-2016					Remuneration Report AGM Vote Outcomes	
		Total Realised Compensation in Million GBP	Compensation Ranking	2016 TSR	Ranking of Performance	Growth 2014-2016 TRC	Δ 2014-2016 TSR	Compensation Ranking	Ranking of Performance	Total Realised Compensation (million GBP)	3Y TSR	Compensation Ranking	Ranking of Performance	Current value of GBP 100 invested in 2014	For %	Against %
	Rolls Royce Holdings plc	1,7	22	18%	64	-42%	48%	27	88	5,9	-44%	24	1	56	98.78	1.22
	Sage Group plc	1,7	21	11%	56	-56%	-8%	15	44	7,1	75%	27	88	175	90.90	9.10
	Dixons Carphone plc	1,6	20	-27%	3	N/A(Due to Merger)	-100%	N/A(Due to Merger)	0	3,3	40%	9	59	140	94.28	5.72
	Standard Chartered PLC	1,6	19	18%	63	-37%	44%	29	86	7,6	-44%	31	2	56	86.78	13.22
	Johnson Matthey	1,6	18	31%	78	24%	26%	64	72	4,1	10%	14	32	110	98.13	1.87
	Marks & Spencer	1,6	17	-17%	11	-2%	-32%	55	21	5,5	-7%	21	17	93	92.01	7.99
	Paddy Power	1,6	16	-1%	30	N/A(Due to Merger)	-13%	N/A(Due to Merger)	37	1,6	103%	3	96	203	97.82	2.18
	Pearson plc	1,5	15	18%	65	-17%	25%	40	70	4,5	-29%	15	6	71	34.59	64.51
	Royal Mail	1,5	14	9%	51	-16%	30%	41	77	4,7	-7%	16	16	93	91.47	8.53
	Smiths Group plc	1,4	13	56%	92	-77%	79%	5	95	11,2	6%	52	25	106	97.82	2.18
	Whitbread PLC	1,3	12	-12%	16	-83%	-42%	3	16	10,3	7%	46	27	107	99.72	0.28
	J Sainsbury	1,3	11	1%	38	-47%	29%	20	75	6,3	-21%	25	9	79	96.30	3.70
	intu properties plc	1,3	10	-7%	23	-12%	-32%	46	22	3,9	14%	11	35	114	99.63	0.37
	Glencore Plc	1,2	9	207%	99	26%	208%	65	99	3,2	-3%	8	20	97	98.24	1.76
	Antofagasta plc	1,1	8	44%	87	235%	46%	97	87	2,6	-10%	6	14	90	99.88	0.12

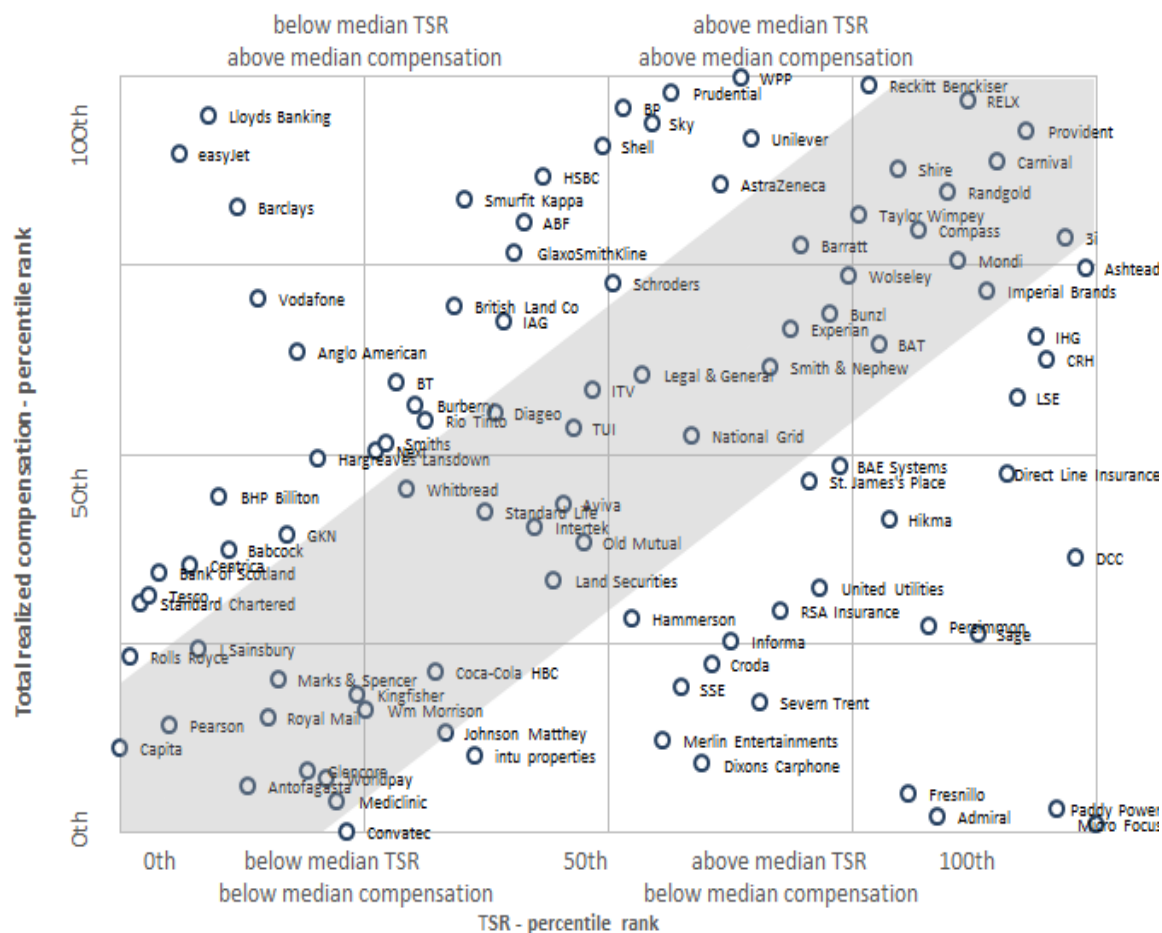
FTSE 100		2016				2014-2016				2014-2016					Remuneration Report AGM Vote Outcomes	
		Total Realised Compensation in Million GBP	Compensation Ranking	2016 TSR	Ranking of Performance	Growth 2014-2016 TRC	Δ 2014-2016 TSR	Compensation Ranking	Ranking of Performance	Total Realised Compensation (million GBP)	3Y TSR	Compensation Ranking	Ranking of Performance	Current value of GBP 100 invested in 2014	For %	Against %
	Mediclinic	1,0	7	N/A(Due to Merger)	N/A(Due to Merger)	N/A(Due to Merger)	N/A(Due to Merger)	N/A(Due to Merger)	N/A (Due to Merger)	1,8	N/A(Due to Merger)	4	N/A(Due to Merger)	N/A(Due to Merger)	96.25	3.75
	Babcock	1,0	6	-3%	26	-70%	6%	9	56	8,6	-14%	38	12	86	99.53	0.47
	Fresnillo PLC	0,9	5	73%	97	15%	70%	63	93	2,5	67%	5	81	167	99.86	0.14
	easyJet plc	0,9	4	-40%	1	-85%	-54%	0	8	22,3	-27%	90	7	73	92.06	7.94
	Capita PLC	0,8	3	-54%	0	-48%	-61%	19	4	4,0	-44%	12	-	56	90.30	9.70
	Admiral Group plc	0,7	2	17%	62	68%	9%	76	58	1,4	71%	2	84	171	94.92	5.08
	Micro Focus International plc	0,3	1	39%	84	1042%	-2%	100	49	0,7	201%	1	100	301	85.65	14.35
	Convatec Group Plc	0,2	0	NA(IPO)	NA(IPO)	NA(IPO)	NA(IPO)	NA(IPO)	NA(IPO)	0,2	NA(IPO)	0	NA(IPO)	NA(IPO)	97.94	2.06

The following charts show a company's relative degree of alignment for CEO pay and TSR performance over a 1, 3, and 5 year period, against other FTSE 100 companies that are included in the pay for performance analysis. The companies that are situated within the grey area are considered companies that have a strong alignment between pay and performance. The companies above and below the grey area, show a pay for performance misalignment at this stage. The entire index constituents were used for this analysis.



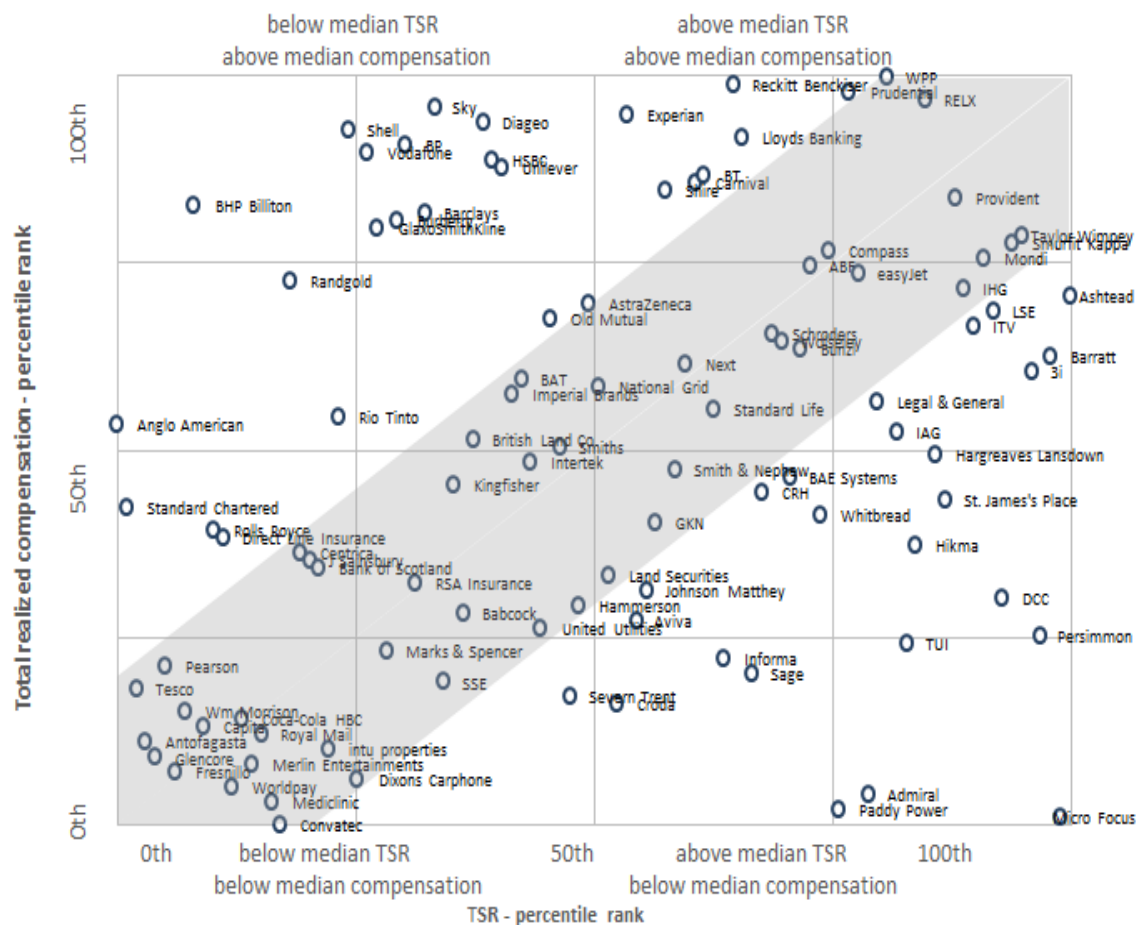
DIRECTORINSIGHT'S PAY FOR PERFORMANCE TRACKER ANALYSIS SHOWS THAT APPROXIMATELY 31% OF THE TOTAL INDEX HAVE NEGATIVE MISALIGNMENT. COMPANIES WHO HAD NEGATIVE MISALIGNMENT IN OUR PREVIOUS ANALYSIS MAINTAINED THEIR NEGATIVE MISALIGNMENT. THESE COMPANIES INCLUDE WPP, TUI AG, SKY PLC. OF THE NEWLY ADDED COMPANIES, CARNIVAL PLC, LAND SECURITIES AND DCC ALSO SHOW NEGATIVE MISALIGNMENT. 27% OF THE TOTAL INDEX CONSTITUENTS DISPLAY POSITIVE MISALIGNMENT. AGAIN, COMPANIES WHICH DISPLAYED POSITIVE MISALIGNMENT IN OUR PREVIOUS ANALYSIS MAINTAINED THIS DEGREE OF MISALIGNMENT. OF THE ADDED COMPANIES; BURBERRY, KINGFISHER, BHP BILLITON, RIO TINTO, AND GLENCORE ARE EXAMPLES OF COMPANIES THAT MAINTAINED THEIR POSITIVE MISALIGNMENT. MEDICLINIC AND JOHNSON MATTHEY PLC ARE THE NEW ENTRANTS SHOWING RELATIVE CONSERVATIVE POLICY IN THE ANALYSIS.

2016 3YR Pay for Performance alignment CEO Total realized compensation vs Total Shareholder Return



DIRECTORINSIGHT'S PAY FOR PERFORMANCE ANALYSIS FINDS THAT OVER A THREE-YEAR PERIOD (2014-2016) A TOTAL OF 33% OF THE TOTAL INDEX CONSTITUENTS DISPLAY NEGATIVE MISALIGNMENT. WPP, PRUDENTIAL PLC, SKY PLC, RECKITT BENCKISER, ASTRAZENECA, UNILEVER PLC AND VODAFONE PLC. ARE EXAMPLES OF COMPANIES THAT MAINTAINED NEGATIVE MISALIGNMENT BETWEEN PAY AND PERFORMANCE FROM THE THREE YEAR STUDY. A TOTAL 14 COMPANIES REPRESENTING 42% OF THE 33% WHICH DISPLAYED NEGATIVE MISALIGNMENT ALSO HAD NEGATIVE MISALIGNMENT OVER THE ONE YEAR STUDY.

2016 5YR Pay for Performance alignment CEO Total realized compensation vs Total Shareholder Return



ANALYSIS FOR PAY FOR PERFORMANCE ON A FIVE-YEAR PERIOD (2011-2016) ALSO HIGHLIGHTS SOME CHANGES. WE NOTE THAT PRUDENTIAL, RECKITT BENCKISER, UNILEVER, ASTRAZENECA, LLOYDS BANKING GROUP, SKY PLC AND VODAFONE CONSISTENTLY DISPLAY NEGATIVE MISALIGNMENT OVER ONE, THREE AND FIVE YEARS' PERIOD OF OUR STUDY. INTERESTINGLY, IN OUR PREVIOUS ANALYSIS WITH THE 86 COMPANIES, THESE COMPANIES DISPLAYED SAME TRAITS. WPP DISPLAYS ALIGNMENT BETWEEN PAY AND PERFORMANCE OVER A 5-YEAR PERIOD (2011-2016). OVERALL 26% OF THE INDEX DISPLAY NEGATIVE MISALIGNMENT BETWEEN PAY AND PERFORMANCE.

APPENDIX

Our methodology on total realised compensation explained

The realised compensation includes all realised components of compensation in the year of interest. It is defined as the sum of total indirect compensation realised and total direct compensation realised for one year. It consists of base salary + benefits + other compensation + bonus + deferred cash bonus + deferred share bonus + value of performance/restricted shares vested + value of performance/restricted options exercised. Total realised pay is calculated based on performance indicators that have been met during the performance period. Most companies clearly disclose the performance period and vesting period, and the percentage that will be paid in the next year. For example, for shares that will vest on March 31, 2016 but where the performance period ends at December 31, 2015, shares are included in realised compensation for the financial year 2015. When the company doesn't disclose the average share price over the last quarter, we use the company year-end share price to calculate the value of the vested multiyear share packages. In line with UK practices, adjustments are usually made in the following year when the company disclose the exact share price on which the shares vested. For options, we calculate realised pay when the options have actually been exercised. In the event there were two CEOs in a year for a company, for example due to a change in CEO, we explored the companies on individual basis and annualized compensations depending on the issue at hand to make the total realised compensation as realistic as possible.

Total Shareholder Return (TSR)

Total shareholder return is defined as the total return of a stock to an investor. It combines annual changes in stock price and dividends paid and are expressed as an annualised percentage. This will be calculated over one year (1Y), three year (3Y) and five year (5Y) period. The growth in 3 yr and 5 yr TSR is calculated by the percentage points of difference between latest year and 3/5 year prior.

Please note that all figures have been rounded up in the table outlining the CEO pay for performance analysis.

Investment return of 100 sterling

This figure looks to calculate how much a 100 sterling company investment would be worth over a period of time by indexing the TSR over multiple years.

Pay for performance Analysis

We conducted a study on CEO realised compensation to determine degree of alignment relative to peers in the FTSE 100 on a 1, 3, 5 years basis. The degree of alignment is determined by subtracting the compensation rank from the performance rank within a scope of +20 or -20. Results obtained on either side determine a more generous or a conservative remuneration policy. Therefore for the three and five years' study, the percentile rank is calculated by the Total Realised Compensation over the period subtracted from the sum of the period TSR performance.

Definition of financial years

FTSE 100 companies have different year end dates. The most common year end dates are displayed below; 31/12, 31/3, 31/7 and 30/9. The main rule applied is that in a specific year, financial year end dates until 31/3 is reported as financial year of the previous year. All financial year end dates after 31/3 are reported as the year in which the financial year ends.

This article is produced by:

Edna Frimpong, Governance Research Analyst

Aniel Mahabier, CEO DirectorInsight

About us



DirectorInsight is a specialist provider of data analytics and intelligence on the “G” of ESG. We help corporations, institutional investors, financial institutions and professional services firms to efficiently and effectively manage the increasing challenges they face in reviewing and addressing corporate governance risks and associated decision-making. DirectorInsight provides an integrated web-based, data technology solution, to independently analyze data on the value creation and governance practices of leading listed companies across the globe, in a single convenient solution. **Please contact us on +31 (0) 20 416 0662 or visit our [website](#) when you would like to obtain further information or a demo.**

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