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6.1% salary rise for AIM directors –three times the rate for UK employees

- Salary increase offsets 7% fall in bonus payments
- Average CEO salary breaks £200,000 barrier for the first time

Directors of AIM-listed companies received salary increases averaging 6.1% in the last financial year, and have reached an average of £168,860¹ reveals the latest research by Incomes Data Services (IDS).

The pay rises mean that the average basic salary of AIM Chief Executive Officers (CEOs) has broken through the £200,000 per annum ceiling for the first time ever to reach £203,191, which with the addition of bonuses and other incentives was boosted to total earnings of £288,917.

Steve Tatton, editor of the report, comments: “It seems tough economic conditions, lower profits and low wage inflation amongst the broader workforce has not stopped AIM CEOs’ pay reaching this milestone.”

According to the IDS data, the increase in base pay for AIM directors has more than made up for a 7% decline in bonus payments that AIM directors suffered over the last year.

Average bonus payments for AIM directors fell from £53,341 in 2009 to £49,590, although IDS point out that these bonus payments will have decreased primarily because those AIM companies had failed to hit the necessary performance targets such as earnings per share or overall profits.

Steve Tatton says: “Given the recessionary times, lower bonuses may seem to be an endorsement of the pay-for-performance culture that has dominated boardroom compensation strategy for more than two decades, but given the depth of the downturn it is not evident that if the equation holds that any payments at all should be awarded under current circumstances.”

“Shareholders could feel directors will not be properly incentivised to perform if what they lose at the swings is made up for them at the roundabout by the remuneration committee.”

Salaries of AIM directors rose across the board with an average rise of 6.1%

- CEOs received an average increase of 5.7% (£203,191)
- Finance directors received an average increase of 5.4% (£142,061)
- All other directors received an average increase of 7.2% (£153,577)

¹ Average salary for AIM company directors is now worth £168,859. Percentage increase based on analysis of smaller matched group.

Regular pay monitoring by IDSPay.co.uk shows that over the same period average settlements across the economy as a whole were running at an average 1.6 per cent, three times lower than salary increases for AIM directors.

Comments Steve Tatton: “With shareholders looking over their shoulders, smaller company remuneration committees need to ensure they draw the right balance between all the various components that go to make up boardroom remuneration.”

As well as looking at AIM companies, the IDS survey also included pay data for the directors of other smaller firms listed on the SmallCap and Fledgling markets. A full breakdown of the results is published in *IDS Executive Compensation Review 354*, August 2010. All data is taken from the latest available published annual accounts with year-end dates between February 2009 and April 2010.

Salary Increases of smaller company directors by position 2009/10

	Median %	Average %
<u>SmallCap</u>		
Lead Executives	2.2%	3.0%
Finance Director	3.3%	4.8%
Other Director	2.6%	3.2%
All SmallCap	2.6%	3.6%
<u>Fledgling</u>		
Lead Executives	2.2%	3.7%
Finance Director	3.4%	3.5%
Other Director	2.3%	3.7%
All SmallCap	2.8%	3.6%
<u>AIM</u>		
Lead Executives	3.1%	5.7%
Finance Director	4.2%	5.4%
Other Director	4.2%	7.2%
All SmallCap	4.0%	6.1%

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