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Bonuses for FTSE 100 Directors slump by 29% but still over £500,000 despite recession

- **First fall in bonuses in 10 years**
- **But CEO's salaries defy the recession to rise 7.4%**

Bonuses for FTSE 100 Chief Executives* have slumped by 29% over the past year, but are still typically over £500,000 according to research by Incomes Data Services (IDS).

According to IDS, the 29% slump in bonuses is the largest set back in the growth of bonuses paid to FTSE-100 Chief Executives over the last decade.

However, IDS says some shareholders may question whether bonus schemes structured so that they still typically pay-out over £500,000 during the shredding of profits in one of the deepest recessions since the Second World War are sufficiently challenging to CEOs.

As bonuses dipped, FTSE-100 Chief Executives received salary increases several times the rate of inflation. The median salary increase for FTSE 100 Chief Executives in 2008/09 was 7.4%.

The figures, from the IDS *Directors' Pay Report 2009/10*, show that median bonus payments to FTSE 100 Chief Executives have fallen from £707,000 in 2007/08 to £502,000 in 2008/09.

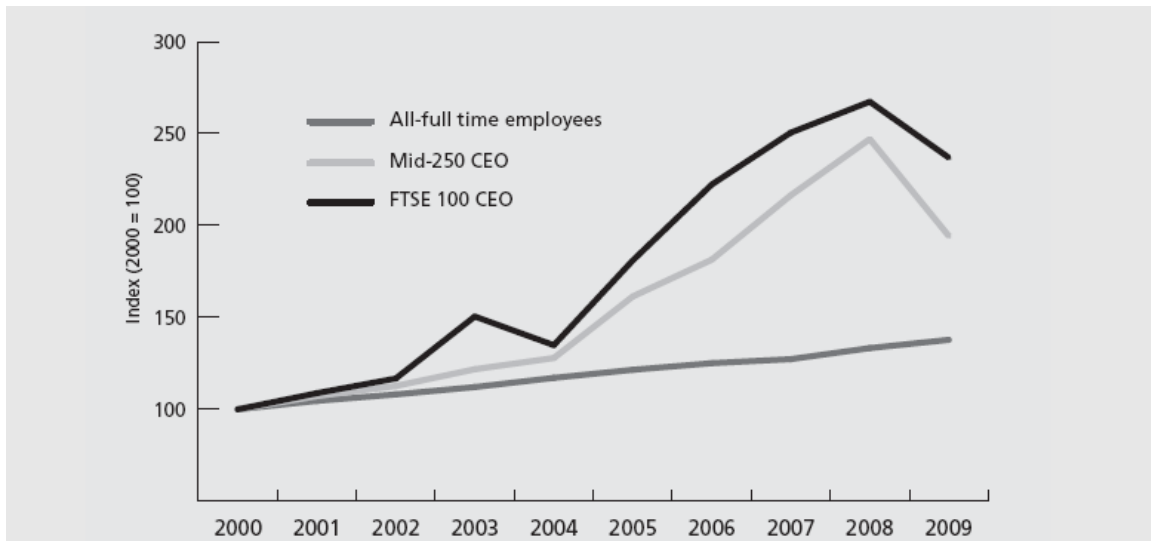
When falls in bonuses are offset against salary increases, median total cash remuneration for FTSE 100 directors fell by just 1.5%.

CEOs are still earning as much in 2009 as they were in 2006 when the economy was booming.

Steve Tatton, Editor of the *Directors' Pay Report*, comments: He adds: "In previous downturns growth in bonuses slowed, but for bonuses to shrink, and almost by a third, is highly unusual."

"But what is also surprising is that the credit crunch, which has led to some of the biggest rescue rights issues in living memory, has had so little impact on the rate at which Chief Executives' salaries are rising. Salaries for FTSE-100 Chief Executive are rising twice as fast as salaries for shop floor workers."

Total earnings of FTSE 100 Chief Executives from 2000 to 2009



According to IDS, the focus on bonus payments during the recession has allowed salary increases for FTSE 100 Chief Executives to slip under the radar.

Steve Tatton says: “This recession is posing difficult questions about how directors should be remunerated. When incentive plans fail to trigger, remuneration committees often respond by redesigning schemes, so that targets are easier to hit. There has been a lot of activity around incentive scheme design over the past year, raising the prospect of high payouts for directors in future years.”

“Obviously companies need to ensure that targets on bonus schemes are achievable otherwise they lose their incentive effect but shareholders get worried that the rules of the game are constantly changed.”

“While bonuses are often linked to performance, remuneration committees have more flexibility over Directors’ salaries. This has led to the slightly odd situation of salaries continuing to rise at several times the rate of inflation even as bonuses collapse.”

According to IDS, some institutional investors, including Aviva and Co-operative, have gone on record saying that they intend to subject Directors’ remuneration to greater scrutiny. RBS and BP shareholders have voted in large numbers against accepting the remuneration committee reports at their respective annual general meetings.

Steve Tatton adds: “Remuneration committees will need to adopt a cautious approach, as shareholder scrutiny is undoubtedly intensifying. They have a difficult communication challenge on their hands. They don’t want to be accused of increasing salaries to make up for missed bonus targets.”

Other key findings:

- CEOs of FTSE 100 construction and building materials companies saw the largest salary increases (12.8%) despite the construction sector being among the hardest hit by the recession

- The IDS report shows that overall, across the whole FTSE 350, bonus payments for Chief Executives are down 31.3% over the past year, from £412,000 to £283,000. Salaries for FTSE 350 Chief Executives were up 6.6% between 2007/08 and 2008/09
- The median salary increase for Chief Executives of FTSE 100 financial services companies was 5.7%, compared to a 5.2% increase for retail sector CEOs and 4.8% for the media & marketing sector CEOs
- Lead directors at financial services provider and asset management specialists Hargreaves Lansdown saw their salaries rise between 100 per cent and 147 per cent last year
- Salaries of directors at Bluebay Asset Management, the fund management company, went down by 40 per cent as a result of the introduction of a £100,000 cap on base pay

*Includes executive Chairmen

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