

October 29 2010

Issued by Mattison Public Relations on behalf of Incomes Data Services (IDS)

FTSE-100 bosses see earnings rise 55%

- Bonuses up 34%
- 'Business as usual' for big company directors?

FTSE-100 directors saw their total earnings* boosted by an average of 55% while across the FTSE 350 as a whole total board pay went up by an average 45%, according to the latest Directors Pay Report, published by Incomes Data Services. (Year to June 2010)

On the back of these increases FTSE 100 chief executives took home £4.9 million on average in total earnings during the year.

The report shows there has been a dramatic reversal in fortunes in the last 12 months. While basic salary increases across the board were subdued, growing at just 3.6% for FTSE-100 chief executives, pay packages were boosted by a resurgence in bonus payments, the value of share option gains and separate long-term incentive plans (LTIPs).

IDS warn that and "the business as usual" approach of FTSE remuneration committees after such a short period of restraint risks upsetting shareholders.

Steve Tatton, editor of the *IDS Directors Pay Report* comments: "It seems the days of earnings restraint by FTSE-350 directors were short-lived. It is as though the recession never happened."

"It stands in stark contrast to the coalition Government's concerns about pay fairness and calls for senior executives in the public sector to accept pay cuts."

IDS says that while some chief executives may argue that their pay was a result of rising share prices and improved company performance, shareholders are likely to ask whether the business improvement over the period warrants the scale of the increases.

While the FTSE-100 rose 14.5% on the year, bonuses were up by over a third, share option gains by over 90% and LTIPs by over 70%.

Despite the increasing scrutiny of shareholders, FTSE-100 chief executives received bonus payments averaging £701,512, up 34% from last year (based on a matched sample).

Steve Tatton comments: "The size of the rebound in incentives for top company bosses poses some questions for remuneration committees about the design of their incentives."

"This time last year a number of companies actually reduced their bonus ceilings. Twelve months later it appears as if these measures have been reversed, with around 40 companies reporting higher bonus scheme maxima."

Upturn in long term incentives, but cautious share-option sentiment still alive

Paper profits on exercised share options for the FTSE-350 nearly doubled this year, up from a total gain of £95 million to £183 million

The LTIP total payment pot across all FTSE-350 directors soared by 73%, from £150m to £259m.

Steve Tatton comments: "Incentive payments may have declined sharply in the face of a deep recession last year, but it appears that it only needs the mildest of economic recoveries for the payments to bounce back to the same levels they were at during the boom years."

IDS published its survey of FTSE 350 directors' pay since 1998 with all data drawn from the latest available annual accounts. The *Directors' Pay Report 2010/11* looked at 342 of the FTSE 350 annual accounts.

*Total earnings include: basic salary, annual bonus payments, benefits in kind, notional/actual value of exercised share option gains, total cash value of long-term incentive plans and miscellaneous payments (These include special payments for pensions, housing assistance, one-off bonuses for particular projects and profit share.)

ENDS

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