

THE BIG SQUEEZE



IN THIS CLIMATE NO ONE IS SAFE FROM A PAY CUT, NOT EVEN THE FTSE 100 FDs, AS **LIZ FISHER** DISCOVERS

Our latest survey of the remuneration packages paid to finance directors in the FTSE 100 companies clearly shows the impact of the financial crisis and recession on directors' pay. Whereas last year's survey revealed that an astonishing 49 of the 92 finance directors for which information was available were paid more than £1m in salary, bonuses and benefits during the year, our 2009 survey shows that only 40 (of the 96 CFOs for whom information is available) breached the £1m barrier this year.

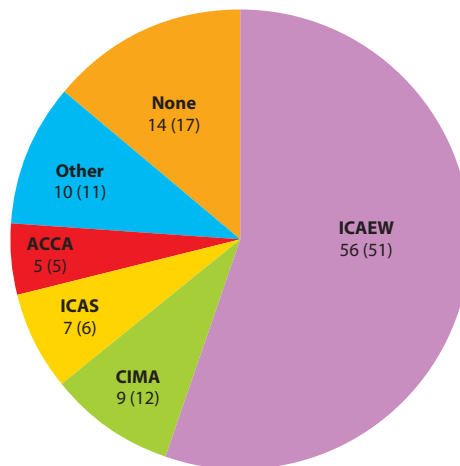
In part, the lower remuneration packages can be explained by a weaker pound, as some companies report remuneration packages in US dollars. Even so, the results show a significant reduction in the number of annual bonuses paid to directors during the year. And while long-term incentive schemes are still paying out, the impact of the recession will surely be seen in these schemes for years to come.

BONUS BACKLASH

Predictably, the financial services sector has been particularly badly hit, with only a handful of companies paying out any bonuses to their directors. The tough economic conditions, combined with a more general backlash against directors' pay, has resulted in significantly reduced bonuses almost across the board. British Airways, Land Securities, Legal & General and Lloyds were among the companies that paid no annual bonuses to any of their directors during the year.

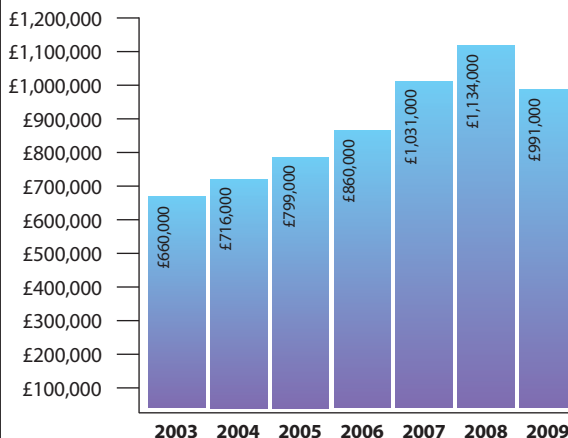
At BT, the remuneration report reveals that Hanif Lalani told the remuneration committee that he did not wish to be considered for a bonus during the last financial year. Lalani received a total of £805,000 during the year, compared with £1,076,000 in the previous 12 months. Lalani has since been appointed chief executive of BT Global services.

FDs AND THEIR INSTITUTES



Note: Prior year survey figure in brackets

AVERAGE REMUNERATION OF FTSE 100 FDs



Source: Accountancy annual survey. Year is year of survey

HOW WE COMPILE THE TABLE

Information is taken directly from the companies' remuneration reports. Pension contributions are, wherever possible, excluded from total remuneration. Total remuneration includes all long-term, short-term and deferred bonus payments as well as benefits in kind and, where applicable, payments received in lieu of pension contributions

Company	Finance director	Institute	Alumni firms	Age	Salary (£000s)	Bonus (£000s)	Total remuneration (£000s)	Remuneration last year (£000s)	Year end
3i Group ¹	Julia Wilson	ICAEW	Arthur Andersen	39	206		207	n/a	31.03.09
Admiral	Kevin Chidwick	ACCA		45	285		290	247	31.12.08
Alliance Trust	David Deards	ICAEW	Arthur Young	49	200	67	284	246	31.01.09
Amec ²	Ian McHoul	ICAEW	KPMG	49	142	140	314	n/a	31.12.08
Anglo American	René Médori			50	660	208	923	1,045	31.12.08
Antofagasta	none								
Associated British Foods	John Bason	ICAEW	Arthur Young	51	523	623	1,167	1,195	13.09.08
AstraZeneca	Simon Lowth			47	550	704	1,304	172	31.12.08
Autonomy Corporation	Sushovan Hussain	ICAEW	Ernst & Young	44	262	270	549	354	31.12.08
Aviva	Philip Scott			55	593	488	1,116	1,261	31.12.08
BAE Systems	George Rose	CIMA		56	593	695	1,360	1,124	31.12.08
BG Group ³	Ashley Almanza	CA (SA)	KPMG	46	649	864	1,518	1,268	31.12.08
BHP Billiton*	Alex Vanselow	CPA (Aus)	AA	46	656	1,771	2,737	1,000	30.06.08
BP*	Byron Grote			60	804	1,045	1,854	1,642	31.12.08
BT Group	Hanif Lalani (now Tony Chanmugan, 55)	CIMA		47	574		805	1,076	31.03.09
Barclays	Chris Lucas	ICAEW	PwC	48	638	800	1,438	1,035	31.12.08
British Airways	Keith Williams	ICAEW	AA	53	434		446	556	31.03.09
British American Tobacco ⁴	Ben Stevens			50	529	729	1,355	n/a	31.12.08
British Land Co	Graham Roberts	ICAEW	AA	51	392	240	659	642	31.03.09
British Sky Broadcasting	Andrew Griffith	ICAEW	Coopers & Lybrand Deloitte	38	106	450	599	n/a	30.06.09
Burberry	Stacey Cartwright	ICAEW	Price Waterhouse	45	520		682	1,147	31.03.09
Bunzl	Brian May	ICAEW	KPMG	44	425	131	665	656	31.12.08
Cable & Wireless ⁵	Tim Pennington			48	157	161	358	n/a	31.03.09
Cadbury	Ken Hanna (now Andrew Bonfield, 46)	ICAEW	Coopers & Lybrand	56	633	1,233	2,081	1,743	31.12.08
Cairn Energy	Jann Brown	ICAS	KPMG	54	345	200	567	397	31.12.08
Capita Group	Gordon Hurst	ICAEW	Coopers & Lybrand	47	257	385	659	605	31.12.08
Carnival*	David Bernstein	CPA		49	210	94	765	513	30.11.07
Centrica	Nick Luff	ICAEW	KPMG	41	553	454	1,196	989	31.12.08
Cobham	Warren Tucker	ICAEW	AA	46	389	374	879	835	31.12.08
Compass Group	Andrew Martin	ICAEW	AA, KPMG	49	519	732	1,480	1,454	30.09.08
Diageo	Nick Rose			51	663	296	996	1,373	30.06.09
Eurasian Natural Resources Corp	Miguel Perry	ICAEW	PwC	38	600	1,500	2,173	3,803	31.12.08
Experian Group	Paul Brooks	ICAEW	KPMG	55	460	779	1,264	955	31.03.09
Fresnillo ⁶	Mario Arreguin			52	n/a	n/a	n/a	n/a	31.12.08
Friends Provident ⁷	Jim Smart (now Evelyn Bourke)	ACCA, CIPFA	Coopers & Lybrand	49	283	125	472	674	31.12.08
G4S	Trevor Dighton	CIMA	Deloitte, KPMG	59	475	392	886	852	31.12.08
GlaxoSmithKline	Julian Heslop	ICAEW	Stoy Hayward, John M Winter	55	476	418	926	864	31.12.08
HSBC Holdings	Douglas Flint	ICAS/CIMA	KPMG	54	700		1,107	1,878	31.12.08
Hammerson	Simon Melliss	ICAEW	Whinney Murray	56	369	93	488	571	31.12.08
Home Retail Group	Richard Ashton	ICAEW	PwC	43	419		432	907	28.02.09
ICAP	Matthew Lester	ICAEW	AA	45	250	1,132	1,386	1,463	31.03.09
Imperial Tobacco Group	Bob Dyrbus	ICAEW	Deloitte Haskins & Sells	56	575	1,841	2,642	2,414	30.09.08
Inmarsat	Rick Medlock	ICAEW	AA	48	274	211	491	473	31.12.08
InterContinental Hotels	Richard Solomons	ICAS	KPMG	47	561	401	980	771	31.12.08
International Power	Mark Williamson	CA (SA)	Thomson McLintock	51	405	222	737	811	31.12.08
Intertek Group	Bill Spencer	CIMA		n/a	270	163	449	394	31.12.08
Invensys ⁸	Steve Hare (now Wayne Edmunds)	ICAEW		48	490	490	1,142	1,160	31.03.09
Johnson Matthey	John Sheldrick	CIMA		59	435	67	626	795	31.03.09
Kazakhmys	Matthew Hird	ICAEW	Deloitte & Touche	36	409	163	572	515	31.12.08
Kingfisher ⁹	Kevin O'Byrne	ICAEW	AA	44	207	205	672	n/a	31.01.09
Land Securities Group	Martin Greenslade	ICAEW	Coopers & Lybrand	44	411		429	1,243	31.03.09
Legal & General Group	Andrew Palmer	ICAEW	Brewer & Co	55	460		480	797	31.12.08
Liberty International ¹⁰	Ian Durant	ICAEW		50	226	227	467	n/a	31.12.08
Lloyds Banking Group ¹¹	Tim Tookey	ICAEW	KPMG	47	104		108	n/a	31.12.08
London Stock Exchange Group ¹²	Doug Webb	ICAEW	Price Waterhouse	47	292	330	623	n/a	31.03.09
Lonmin	Alan Ferguson	ICAS	KPMG	50	422	366	932	215	30.09.08
Man Group*	Kevin Hayes	CPA	Ernst & Young	49	372	1,800	2,898	2,650	31.03.09
Marks & Spencer Group	Ian Dyson	ICAEW	AA	47	675	143	1,009	698	28.03.09
Morrison (Wm) Supermarkets	Richard Pennycook	ICAEW	AA	45	519	417	1,011	1,145	01.02.09
National Grid	Steve Lucas	ICAEW	Robson Rhodes	55	516	709	1,259	1,183	31.03.09
Next	David Keens	ACCA	Gale Brown & Co	56	450	82	560	709	24.01.09
Old Mutual	Jonathan Nicholls (now Philip Broadley, 48, FCA)	ICAEW	Peat Marwick Mitchell	51	525		706	1,084	31.12.08
Pearson	Robin Freestone	ICAEW	Touche Ross	50	450	491	957	1,017	31.12.08
Petrofac*	Keith Roberts			52	299	298	631	572	31.12.08
Prudential ¹³	Tidjane Thiam			45	505	650	1,244	n/a	31.12.08
RSA Insurance Group	George Culmer	ICAEW	Coopers & Lybrand	47	517	490	1,112	1,010	31.12.08
Randgold Resources*	Graham Shuttleworth	CA (SA)		40	266		427	219	31.12.08
Reckitt Benckiser	Colin Day	ACCA		54	415	1,112	1,649	1,582	31.12.08
Reed Elsevier	Mark Armour	ICAEW	PwC	54	613	558	1,193	1,276	31.12.08
Rexam	David Robbie	ICAEW	KPMG	45	410	179	590	563	31.12.08
Rentokil Initial ¹⁴	Andrew Macfarlane (now Michael Murray, 42, CIMA)	ICAEW	Coopers & Lybrand, Ernst & Young	52	520		1075	665	31.12.08
Rio Tinto ¹⁵	Guy Elliott			53	743	see note	860	4,893	31.12.08
Rolls-Royce Group	Andrew Shilston	ICAEW	AA	53	543	210	768	784	31.12.08
Royal Bank of Scotland Group	Guy Whittaker			52	829		1,115	2,450	31.12.08
Royal Dutch Shell**	Peter Voser (now Simon Henry, 48, CIMA)	CIMA		51	805	1,135	1,958	1,650	31.12.08
SABMiller	Malcolm Wyman	CA (SA)	Deloitte	62	660	400	1,146	1,362	31.03.09
Sage Group	Paul Harrison	ICAEW	Price Waterhouse	44	335	251	604	676	30.09.08
Sainsbury (J)	Darren Shapland	ACCA		42	513	321	967	1,042	22.03.09
Schroders ¹⁶	Kevin Parry	ICAEW	KPMG	47	n/a	n/a	n/a	n/a	31.12.08
Scottish & Southern Energy	Gregor Alexander	ICAS	AA	46	466	217	699	689	31.03.09
Segro	David Sleath	ICAEW	AA	48	373		405	718	31.12.08
Sercos Group	Andrew Jenner	ICAEW	Deloitte & Touche	40	357	312	731	697	31.12.08
Severn Trent	Mike McKeon	ICAS	Price Waterhouse	52	419	315	753	586	31.03.09
Shire ¹⁷	Graham Hetherington	CIMA		50	223	240	470	n/a	31.12.08
Smith & Nephew	Adrian Hennah	ICAEW	Price Waterhouse	51	494	503	1,166	1,063	31.12.08
Smiths Group	John Langston	ICAEW	Deloitte Haskins & Sells	58	424	346	808	788	31.07.08
Standard Chartered*	Richard Meddings	ICAEW	Price Waterhouse	50	658	1,763	2,446	2,660	31.12.08
Standard Life	David Nish	ICAS	PwC	48	501	268	885	945	31.12.08
TUI Travel ¹⁸	Paul Bowtell	ICAEW	AA	40	460	529	1,005	n/a	30.09.08
Tesco	Andrew Higginson (now Laurie McLlwee, 46, CIMA)	CIMA		51	778	1,917	2,754	2,810	23.02.09
Thomas Cook Group	Jürgen Buser			42	106	1,434	1,572	n/a	31.10.08
Tullow Oil ¹⁹	Ian Springett	ICAEW	Coopers & Lybrand	51	121	163	302	n/a	31.12.08
Unilever**	James Lawrence			56	359	720	1,096	n/a	31.12.08
United Utilities	Tim Weller	ICAEW	KPMG	46	450	280	761	867	31.03.09
Vedanta Resources ²⁰	DD Jalan	CA (India)		50	n/a	n/a	n/a	n/a	31.03.09
Vodafone Group	Andy Halford	ICAEW	Price Waterhouse	50	666	650	1,508	1,846	31.03.09
Whitbread	Christopher Rogers	ICAEW	Price Waterhouse	48	461	211	1,038	1,250	26.02.09
WPP Group	Paul Richardson	ICAEW	KPMG	51	563	990	1,642	1,599	31.12.08
Wolseley	Stephen Webster	ICAEW	Price Waterhouse	56	540	146	906	939	31.07.08
Xstrata*	Trevor Reid	CA (SA)		48	694	809	1,604	2,578	31.12.08
Totals					43,633	43,338	96,027	91,395	
Average				50	451	536	991	1,116	

* Converted from US dollars at a rate of \$1=£0.6 ** Converted from euros at a rate of €1= £0.7974

Executive remuneration remains a contentious topic, and even with the reduction in bonus payments there are still many potential areas of conflict

Even so, it is clear that executive remuneration remains a contentious topic, and even with the reduction in bonus payments there are still many potential areas of conflict, most significantly executive pensions. Many of the companies in the survey exclude pension contributions from their directors' total remuneration packages. In other cases, the remuneration reports show significant payments made to directors – typically between £100,000 and £250,000 a year – in lieu of pension contributions. Douglas Flint of HSBC, for example, received a payment of £385,000 to fund his personal pension during the year. With private pension schemes decimated by the recession and an increasing number of company schemes restricting employee access or limiting awards, the level of protection afforded to already well-paid directors will not go unnoticed for long.

CAREER MOVES

In spite of the turmoil in many sectors, the survey also shows continued activity in the recruitment market, with many new CFOs appointed during the year. Encouragingly for any accountant aiming for an FD position, a handful of CFOs have made it to the top levels of their company, including Jeremy Darroch, now CEO at BSKyB, Peter Voser, recently appointed CEO at Royal Dutch Shell and Angus Russell, the new CEO at Shire.

Helen Weir, one of the few female finance directors in

the survey, becomes chief executive of UK retail banking at Lloyds.

One of the most high-profile promotions from CFO level during the year has been the meteoric rise of Tidjane Thiam at Prudential. He was poached from Aviva, where he rapidly rose to the position of chief executive Europe, in March 2008 to take up the post of CFO at Prudential. This month he succeeds Mark Tucker as chief executive of the insurer, becoming the first black boss of a FTSE 100 company.

A former partner with McKinsey in Paris, Thiam received a golden hello on joining Prudential of £650,000 in cash and shares, as well as a guaranteed bonus of not less than 100% of salary for 2008.

Julia Wilson is one of four female finance directors in the FTSE 100 following her appointment in October 2008 to the board of 3i Group. Wilson joined 3i in January 2006 as deputy finance director from Cable & Wireless, where she was group director of corporate finance. She joins Stacey Cartwright of Burberry, Jann Brown of Cairn Energy and Evelyn Bourke, who was appointed CFO at Friends Provident in May 2009. Bourke was previously CFO at Standard Life UK Financial Services.

Andrew Bonfield was named the new CFO at the newly demerged Cadbury, where he replaces Ken Hanna, who retired in April 2009. Bonfield, a UK citizen who was educated in South Africa, has spent 10 years at CFO level with other organisations, mainly in the pharmaceuticals industry.

NOTES TO TABLE

1. Appointed November 2008. Previously Simon Ball, who received £568,000, including a payment of £168,000 in lieu of notice, during the financial year
2. Appointed September 2008. Previously Stuart Siddall, who received £217,000 during the financial year
3. Lalani now chief executive of BT Global Services. Chanmugan received £158,000 in salary and a bonus of £103,000 between joining the group in December 2008 and the year end
4. Appointed April 2008. Previously Paul Rayner, who received £1,534,000 during the financial year
5. Appointed November 2008. Previously Tony Rice, who received £1,203,000 during the year
6. Not a board member
7. Appointed August 2008. Interim CFO Charles Bellringer received £527,000 during the year
8. Resigned May 2009
9. Appointed October 2008. Previously Duncan Tatton-Brown, who received £804,000 during the financial year
10. Appointed April 2008. Previously Aidan Smith, who received £504,000 during the financial year, including a severance payment of £414,000
11. Appointed April 2008
12. Appointed June 2008
13. Appointed March 2008, now chief executive. Previously Philip Broadley, who received £440,000 during the year
14. Total remuneration in 2008 includes termination payment of £530,000
15. A revaluation of the directors' long-term incentive scheme under IFRS 2 led to a reduction in the fair value of the awards by \$2.5m
16. Appointed January 2009
17. Appointed July 2008
18. Appointed June 2008
19. Appointed Sept 2008. Previously Tom Hickey, who received £752,457 during the year
20. Not a board member



IN THE MONEY

NOT EVERY FTSE 100 FD IS FEELING THE PINCH. **LIZ FISHER** UNVEILS THE 10 HIGHEST EARNERS

Kevin Hayes, Man Group, £2.898m

Hayes, a CPA, saw his overall remuneration fall during the year from \$4,417,000 to \$3,622,000 but thanks to the weaker pound, can claim to be the highest paid FD in the FTSE 100 this year. It has been a torrid year for the investment management group, which in May reported a 64% fall in pre-tax profits for the year. Hayes also announced that the group would attempt to save \$15m by cutting base salaries.



Miguel Perry, Eurasian Natural Resources Corp, £2.173m

Perry's total remuneration in 2007 amounted to £3.8m in the wake of ENRC's IPO, during which he received a cash bonus of £460,000 and £3.1m in shares. Perry's remuneration is more modest this year and includes an annual bonus of £600,000 and long-term bonus of £900,000.



Andrew Higginson, Tesco, £2.754m

The CIMA-qualified Higginson, who started his career as an internal auditor at Unilever, has enjoyed a meteoric rise at Tesco. In July, the group announced that he would assume the new role of chief executive of retailing services (encompassing its financial services operations). His replacement as CFO, the CIMA-qualified Laurie McIlwee, was appointed in January.



Ken Hanna, Cadbury, £2.081m

The 56-year old chartered accountant received payments from the group's incentive plan of £1.233m during the year, as well as a pension-related salary supplement of £215,000. He announced his retirement in April 2009.



Alex Vanselow, BHP Billiton, £2.737m

The Australian CPA, who succeeded Chris Lynch as CFO of the mining group in March 2008, collected a cash bonus of just over \$1m (£612,800) during the last financial year, as well as share-based payments of \$1,775m. His total remuneration of \$4,561m includes benefits of \$244,299 and pension benefits of \$416,000.



Peter Voser, Royal Dutch Shell, £1.958m

Voser was appointed CEO in July 2009, succeeding Jeroen van der Veer, after a 'comprehensive assessment and review of internal and external candidates'. Voser, a Swiss national, joined Shell in 1982 and has held a number of finance roles in the group, including chief internal auditor.



Bob Dyrbus, Imperial Tobacco, £2.642m

Dyrbus's total remuneration package for this financial year includes an annual bonus of £649,000, a payment from the group's long-term incentive scheme of £648,000 and a £544,000 payment from the short-term scheme. He also received a salary supplement of £210,000 to boost his pension fund.



Byron Grote, BP, £1.854m

Grote saw his remuneration rise from \$2.736m in 2007 to \$3.090m in the latest financial year, including bonus and incentive payments of \$1.742m.



Richard Meddings, Standard Chartered, £2.446m

Chartered accountant Richard Meddings, who was poached by Standard Chartered in 2006 when he was chief operating officer of Barclays' private client group, is another of the FDs to benefit in this year's survey from a weaker pound. His total remuneration fell slightly over the year, from \$4.434m to \$4.077m.



Colin Day, Reckitt Benckiser, £1.649m

Reckitt Benckiser enjoyed a good financial year compared with many of its FTSE 100 counterparts, reporting net revenue growth of 13%. Its executives were rewarded correspondingly, with CFO Day receiving £1.112m in bonus and incentive awards.

