

*PwC/IoD  
Channel Island  
Non-executive  
Director  
Remuneration  
Survey  
2015*



# Highlights



## Respondents

- 89 NEDs
- 441 Significant Entities\*
- 1,646 directorships
- Respondents from Guernsey and Jersey - close to 1:1

\*A Significant Entity is, for example, a Fund in a PE Group Structure, not an SPV or Corporate



## Arrangements

- 87% are on a fixed fee basis and 41% have no review policy
- NEDs believe the median fee for a listed position is £30,000

The actual average fee for a listed position is £37,400 and an unlisted position is £21,700



## Pay

- Majority believe remuneration levels are 'about right'
- Total Annual NED income ranges from £4k to over £500k

82% of Guernsey NEDs vs 67% of Jersey NEDs thought current market fees are 'About Right'



*Average days worked per LSE premium Listed Entity (14.6 per unlisted entity)*



*10% of respondents are Female*

# £143k

*Average annual remuneration for NED related activities*

*A clear correlation between years of experience and total remuneration*



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# Foreword

Welcome to the Non-executive Director ('NED') remuneration survey for 2015. This review has been conducted by PricewaterhouseCoopers CI LLP (PwC) in conjunction with the Guernsey and Jersey branch of the Institute of Directors (IoD).

We are delighted by the number of NEDs who chose to participate in this survey. 89 NEDs contributed to data covering a total of 1,646 directorships and provided detailed remuneration data on 441 board positions of 'Significant Entities'. Furthermore, to improve the analysis of the data, we have captured the location of the participants so we can set out any observable differences between Guernsey and Jersey. We would also like to take this opportunity to thank Anne Ewing and Charles Clarke for their assistance in drafting and coordinating the survey.

This review follows our July 2011 NED survey which covered a wider remit, but did touch on remuneration. This year we dive deeper into the hot topics of not only NED remuneration, but also time commitments, years of experience, number of appointments, 'skin in the game' and much more.

The July 2011 survey found that the financial crisis had dramatically increased NEDs' expectations of time spent on each appointment, driven by heightened risk and the inevitable regulatory changes combined with greater business challenges. At that time 61% of NEDs considered their fees to be adequate with 30% saying their fees were too low. It would appear from this measure alone, that fees have somewhat adjusted post financial crisis. Now 75% of NEDs consider their fees to be 'about right' and 24% are saying their fees are 'too low'.

Looking ahead, we predict more of the same steady change for most entities as they continue to operate within the constraints of their remuneration policies. However, the increased responsibility imposed on NEDs by global regulations, particularly impacting the Channel Islands' financial sector, may lead to higher fees to attract and retain individuals to take on what is becoming a very challenging role.

Finally, this review would not have been possible without the time of the 89 participants. We thank all those who participated in the survey and continue to welcome any feedback you may have on the survey process. We hope you find this report useful when reviewing your own board practices. For further information on this survey and PwC's NED programme, please contact one of the individuals named at the end of this publication.

*Alex Burne & Paul Silcock*

# Appointments



Of course, NEDs need to ensure they have capacity to properly service the boards on which they sit and adhere to their duties – but what is the ‘optimum’ capacity? This is impossible to quantify given that different NEDs have different aspirations in terms of how much time they are willing to dedicate to this role. Out of the 89 participants, only 7 would be considered ‘full time’ NEDs i.e. working over 220 days per year. The days dedicated to their duties, on both islands, were of similar distribution, ranging from 21 days or less to more than 253 days. The data collected shows, that for those NEDs with 4 or more Significant Entities, there is a constant of 27 days additional commitment required for activities common to all Significant Entities (e.g. Industry training, research, CPD etc.).

There is a normal ‘bell curve’ distribution when it comes to years of experience which suggests new entrants to the NED circuit replace those that have come to retire at an equal rate.

The median number of directorships across both islands is 8 positions, but the range of data is from 1 to > 50 positions. Although data shows that a number of NEDs are holding a high number of directorships, when linked to significant relationships, you can understand that these companies form part of a smaller group of significant relationships.

The data does show a clear correlation between the years of experience as a NED compared to the number of entities for which they hold positions on the board. A NED with 15-20 years’ experience is likely to hold the most Chairman positions.

In order to make the analysis more meaningful we asked participants to provide detailed remuneration information for board positions of ‘Significant Entities’. From the 89 participants we collected this information across 441 such entities. There was an even split of these entities between Jersey and Guernsey.

# Remuneration

The majority of fee arrangements are on a fixed basis but, on average, a third of these arrangements allow for an element of variability in relation to projects, transactions and corporate actions that would fall outside of normal scope.

Participant's average annual remuneration for NED-related activities is £143,000, with 42% of participants earning over £125,000.

For the majority of NEDs, 66% earned between 20% and 60% of their annual NED income from two positions. When compared with total income 44% of NEDs earned between 20% and 40% from two positions.

When asked what the minimum fee should be for a board position (excluding any additional committee roles) on a Significant Entity, the range of responses was large, but the median for a listed entity was £30,000 and an unlisted entity was £20,000.

Guernsey NEDs appear to be more satisfied with their remuneration, with 82% suggesting that their fees are 'about right' and 15% suggesting their fees are 'too low'. In Jersey the picture is less favourable where these responses were 67% and 33%, respectively. 63% of NEDs reported that their fee remained unchanged in the last fee review and 58% expect their fees to remain flat in the next review.



## *Skin in the Game*

The level of personal financial interest in Significant Entities ranges from 0% of annual fees to over 200% of annual fees. Interestingly, from our data, it is Audit Committee Chairs who are most likely to hold a financial interest in their listed Significant Entities.

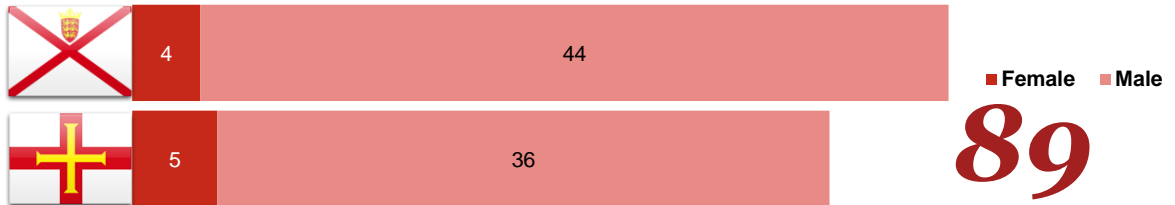
As we would expect, there is no correlation or bias between the numbers of days dedicated to a Significant Entity when the NED does have a personal financial interest.

# ***1***

## ***Respondent Demographics***



# Survey population & demographics



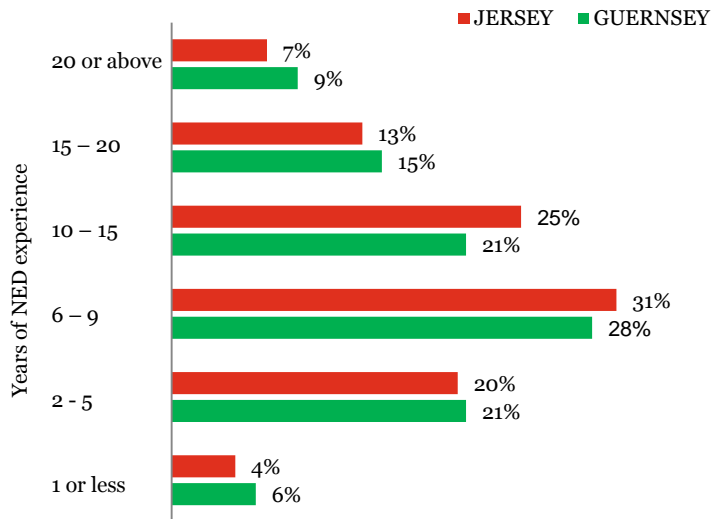
**1,646**  
Directorships

**441**  
Significant Entities

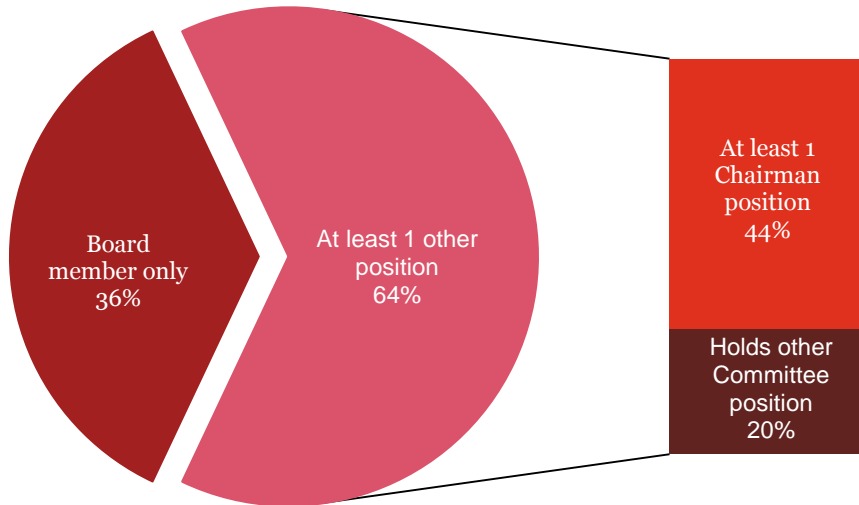
**96%**  
of the respondents  
identified  
themselves as  
Independent NEDs

On average the  
survey took 20  
minutes to complete

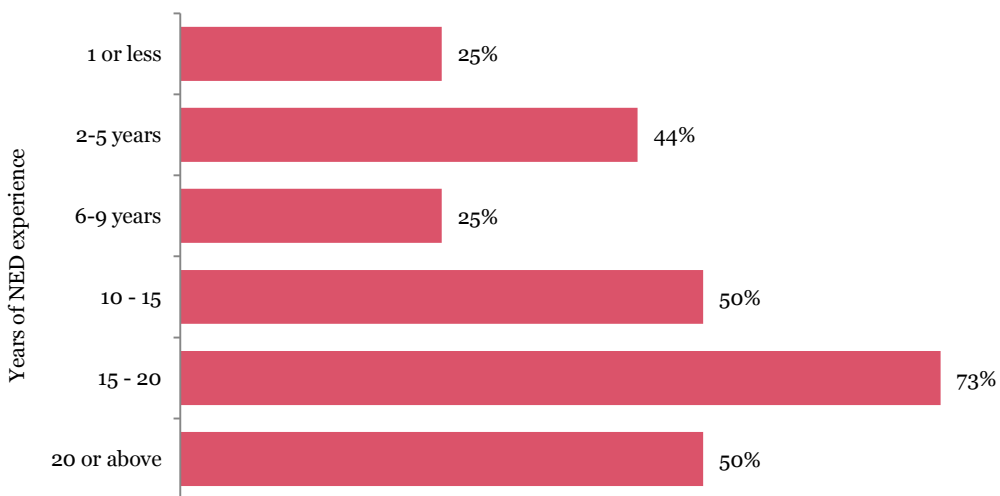
**44%**  
of the respondents  
have more than  
10 years experience  
as NED



# Survey population & demographics



***NEDs with 15-20 years' experience are most likely to hold Chairman positions***



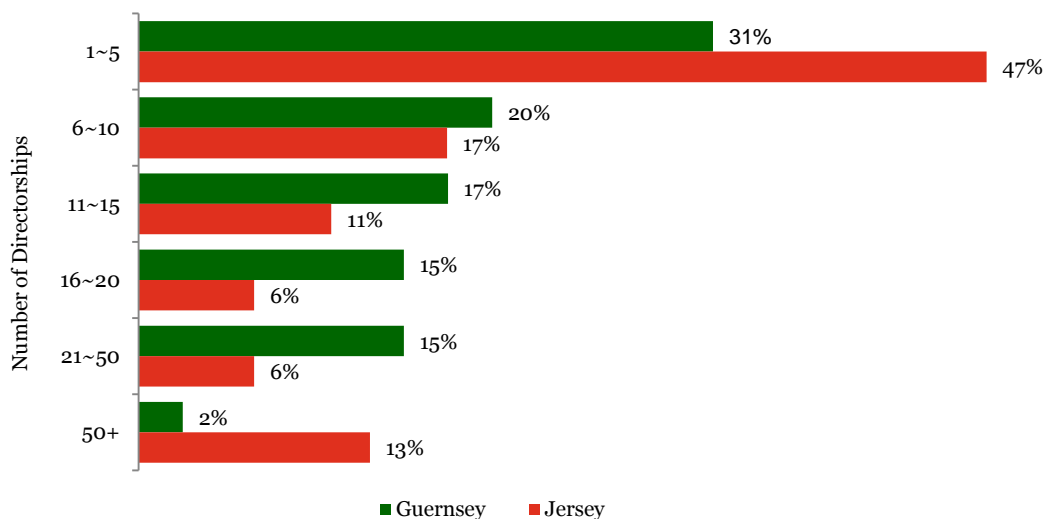
*i.e. 73% of NEDs with 15-20 years' experience hold Chairman positions.*

# 2

## *Appointments*

# Appointments

*'Directors need to ensure they have capacity to properly service the boards on which they sit and adhere to their duties' – A. respondent*



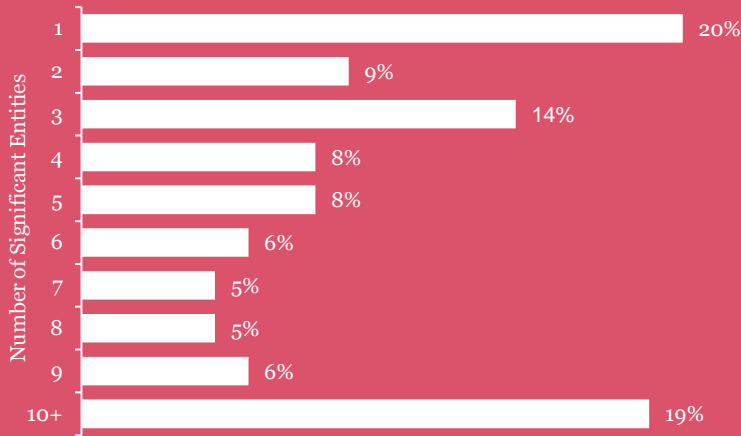
*i.e. 31% of Guernsey respondents had between 1 and 5 directorships.*

***Of the 1,646 directorships, 67% are Jersey based NEDs.  
8 is the median number of directorships.***

# Appointments

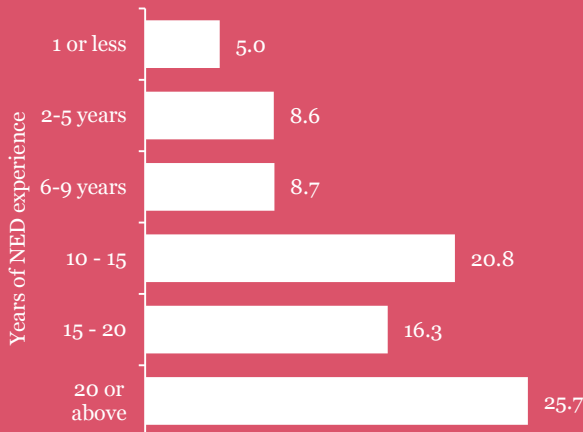
**We obtained detailed remuneration information for 441 of the 454 Significant Entities**

Of the 454 Significant Entities, 47% are held by Jersey-based NEDs and 53% are held by Guernsey-based NEDs

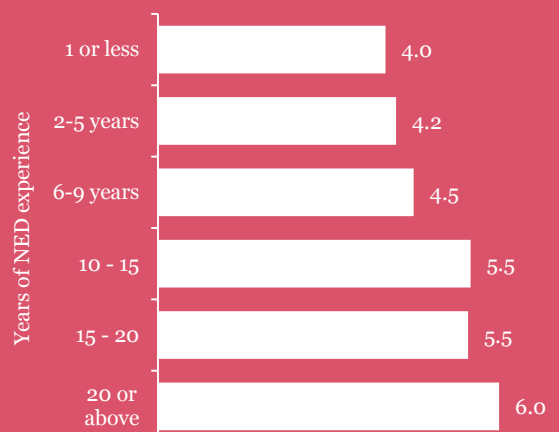


*i.e. 14% of respondents have 3 significant entities.*

**Average number of directorships vs experience**



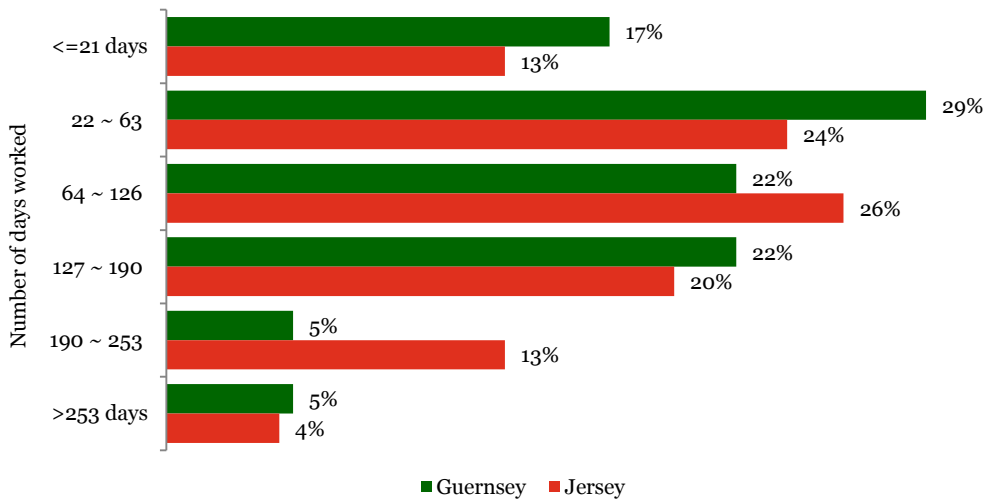
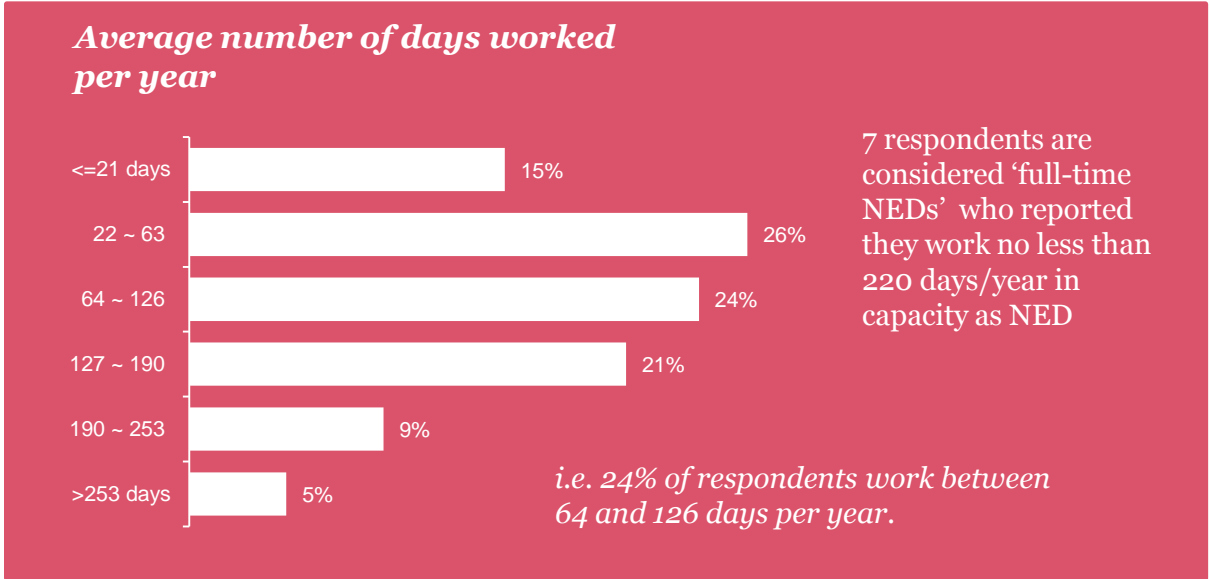
**Average number of Significant Entities vs experience**



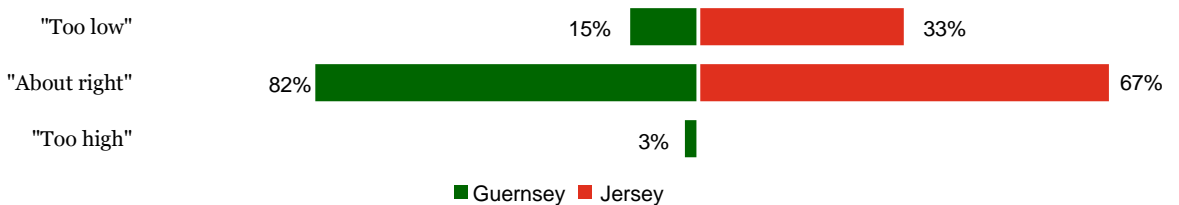
# 3

## *Remuneration*

# Remuneration



**Majority of the respondents believe the current level of NED's remunerations are 'about right'**



# Remuneration

*Number of days worked correlated to the number of Positions*



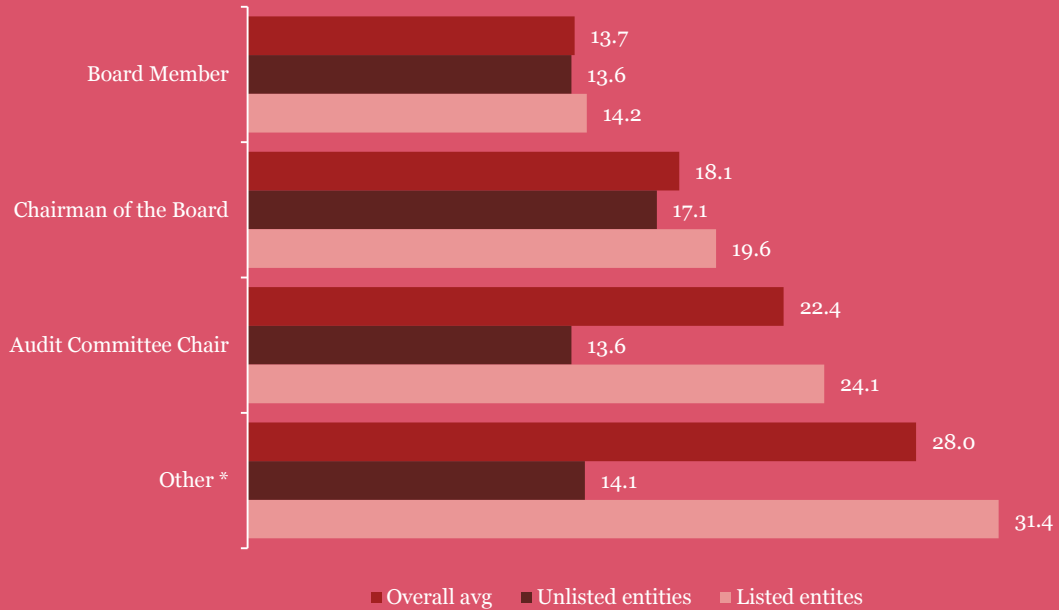
The data shows that for those NEDS with 4 or more Significant Entities there is a constant of 27 days additional commitment required for activities common to all Significant Entities.

*As too few respondents have more than 10 Significant Entities, those data points have been removed from the chart.*



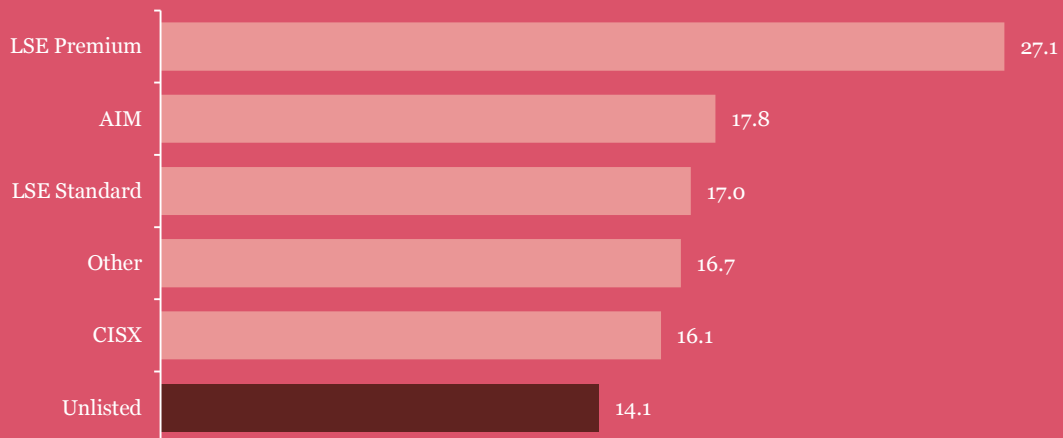
# Remuneration

## Average work days per Significant Entity by role



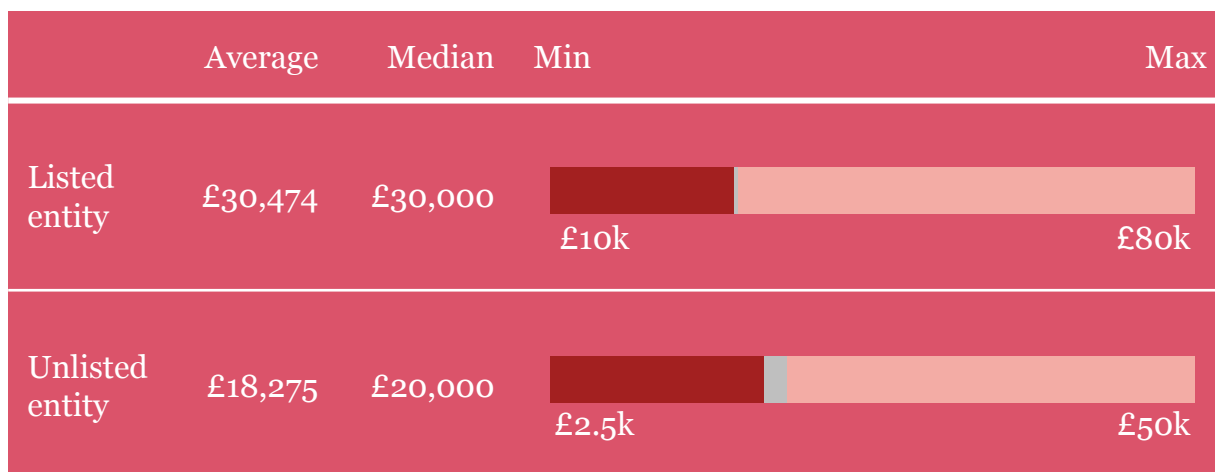
\* 'Other' includes engagement management committee, remuneration committee, risk management committee, senior independent director, etc.. These roles are aggregated because each individually had too few responses.

## Average work days per Significant Entity by type of entity



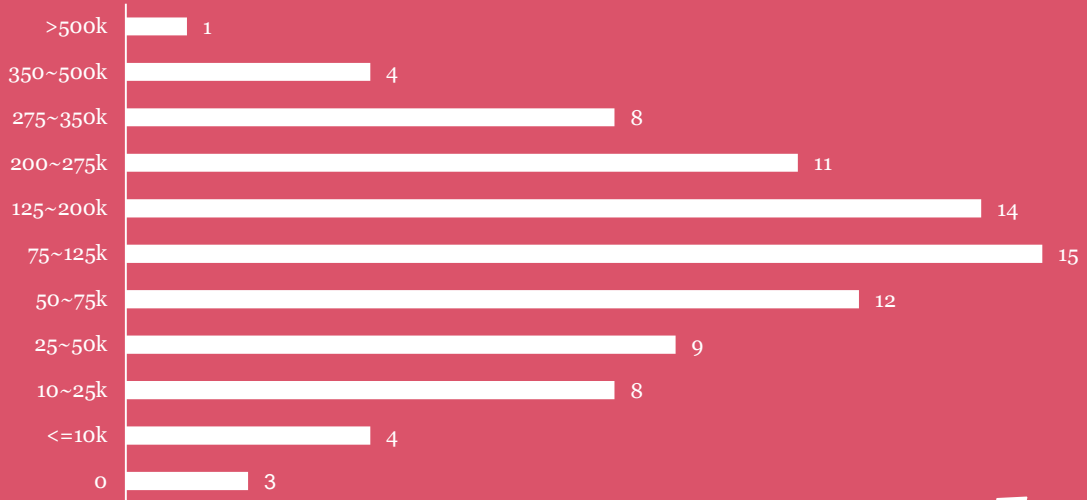
# Remuneration

**Q: What do you believe the minimum fee should be for a Board position on a Significant Entity:**



# Remuneration

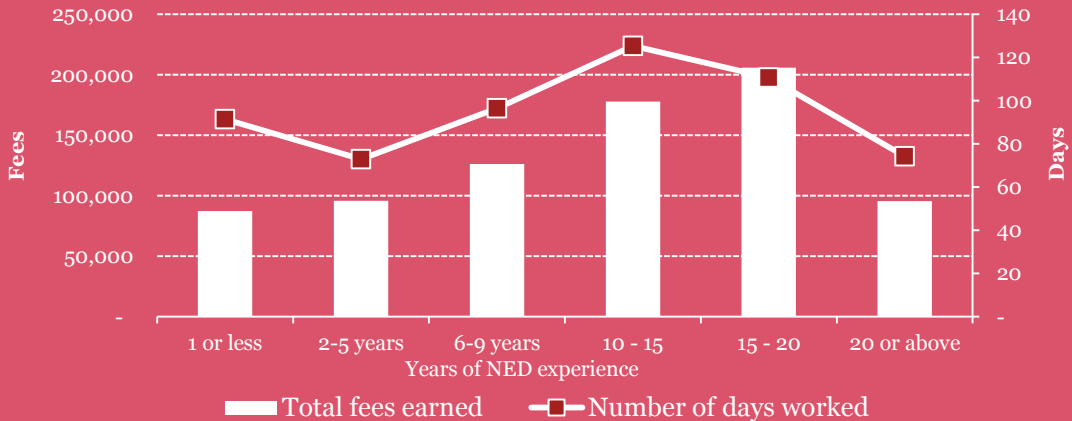
## Total Annual NED Related Remuneration



**£143k**

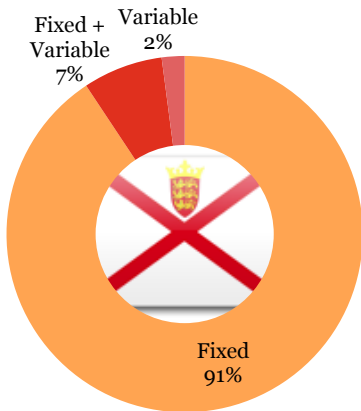
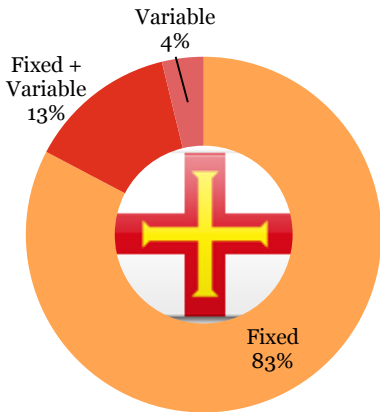
Out of the population of directorships held in Significant Entities, 20 are unpaid positions

Average annual remuneration for NED-related activities

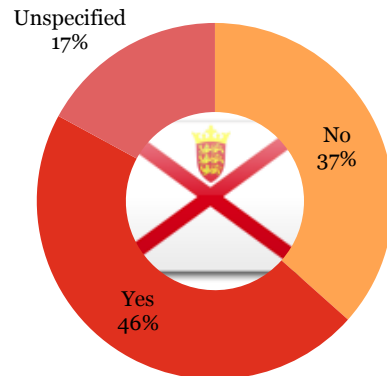
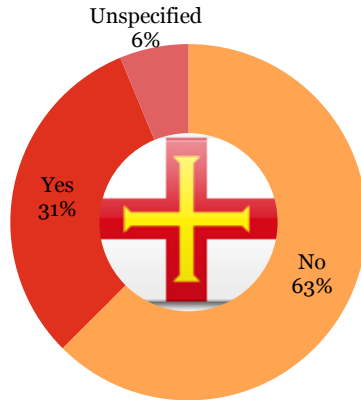


# Remuneration Structure

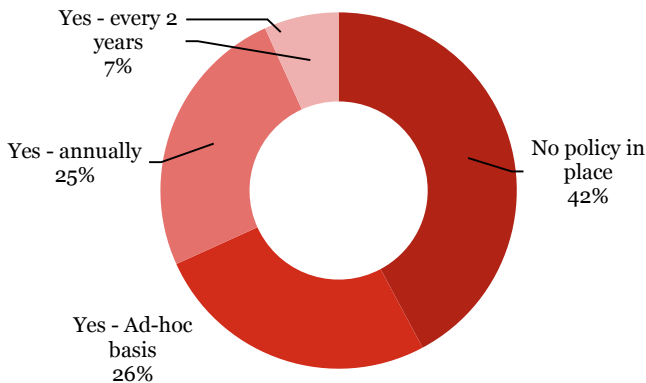
**Fixed vs Variable fee arrangements**



**Arrangements for scope change/  
non-recurring projects or  
corporate actions?**

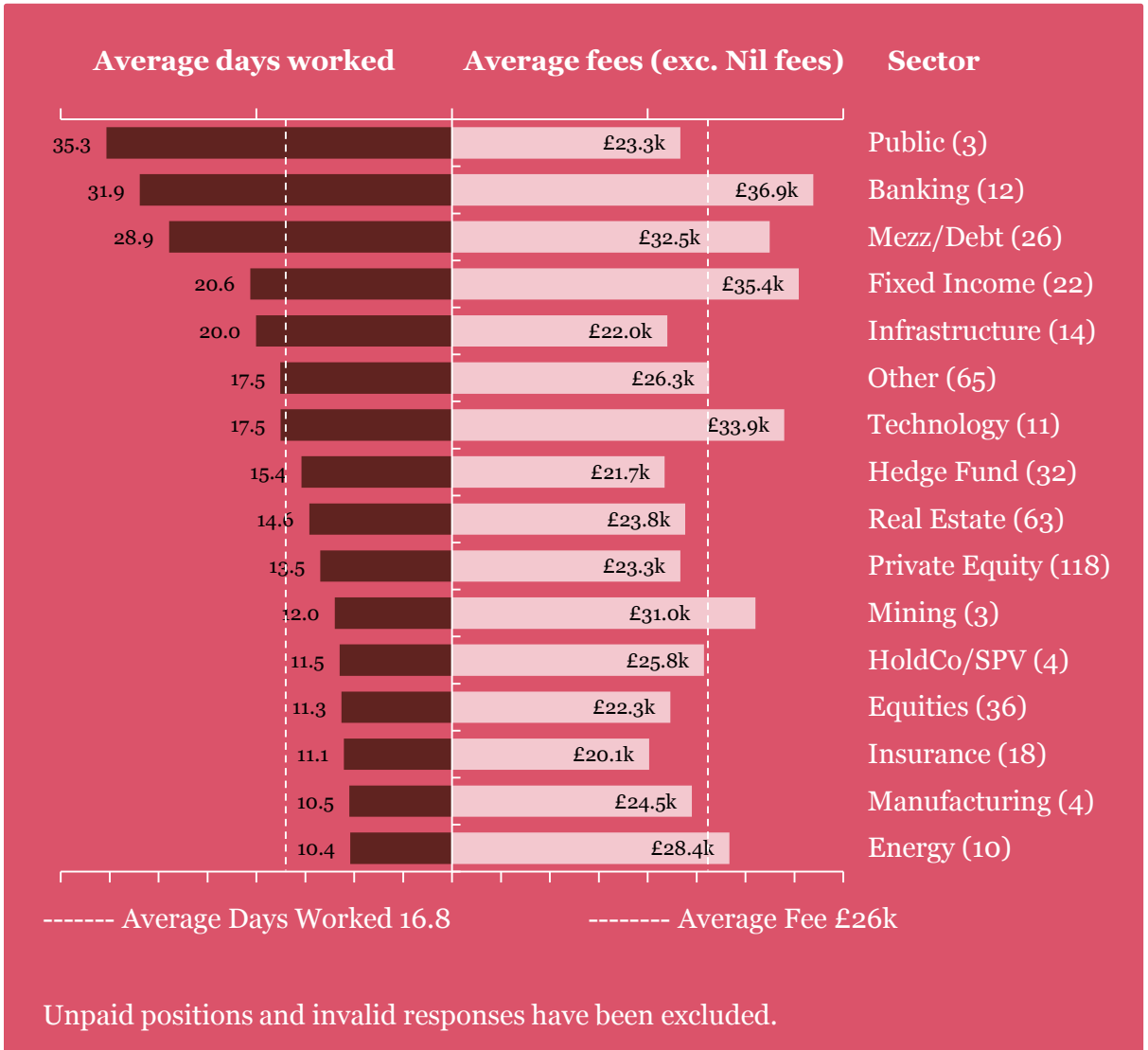


**Do you have a formal policy in place for reviewing fee levels?**

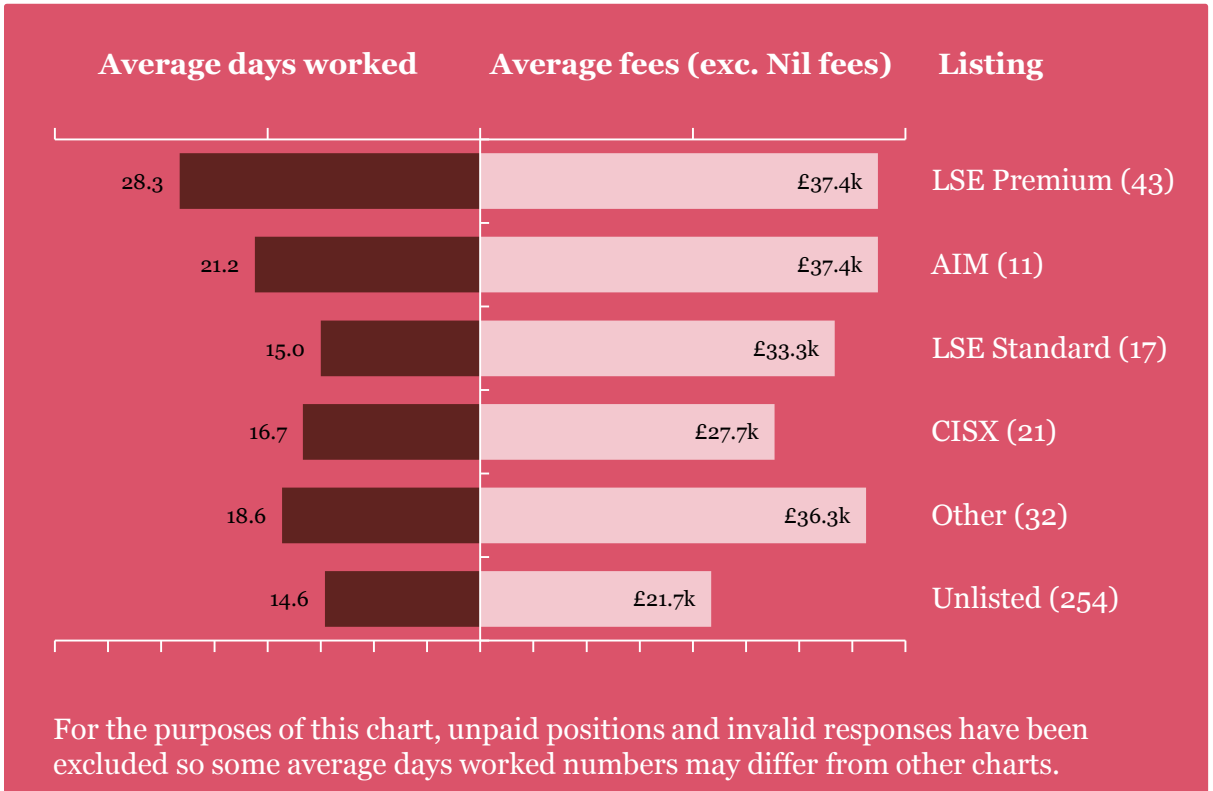


**63% of the Significant Entity NEDs reported their fee remained unchanged in the last fee review, and 58% of the NEDs expect fees to remain flat at the next review.**

# Remuneration by Sector



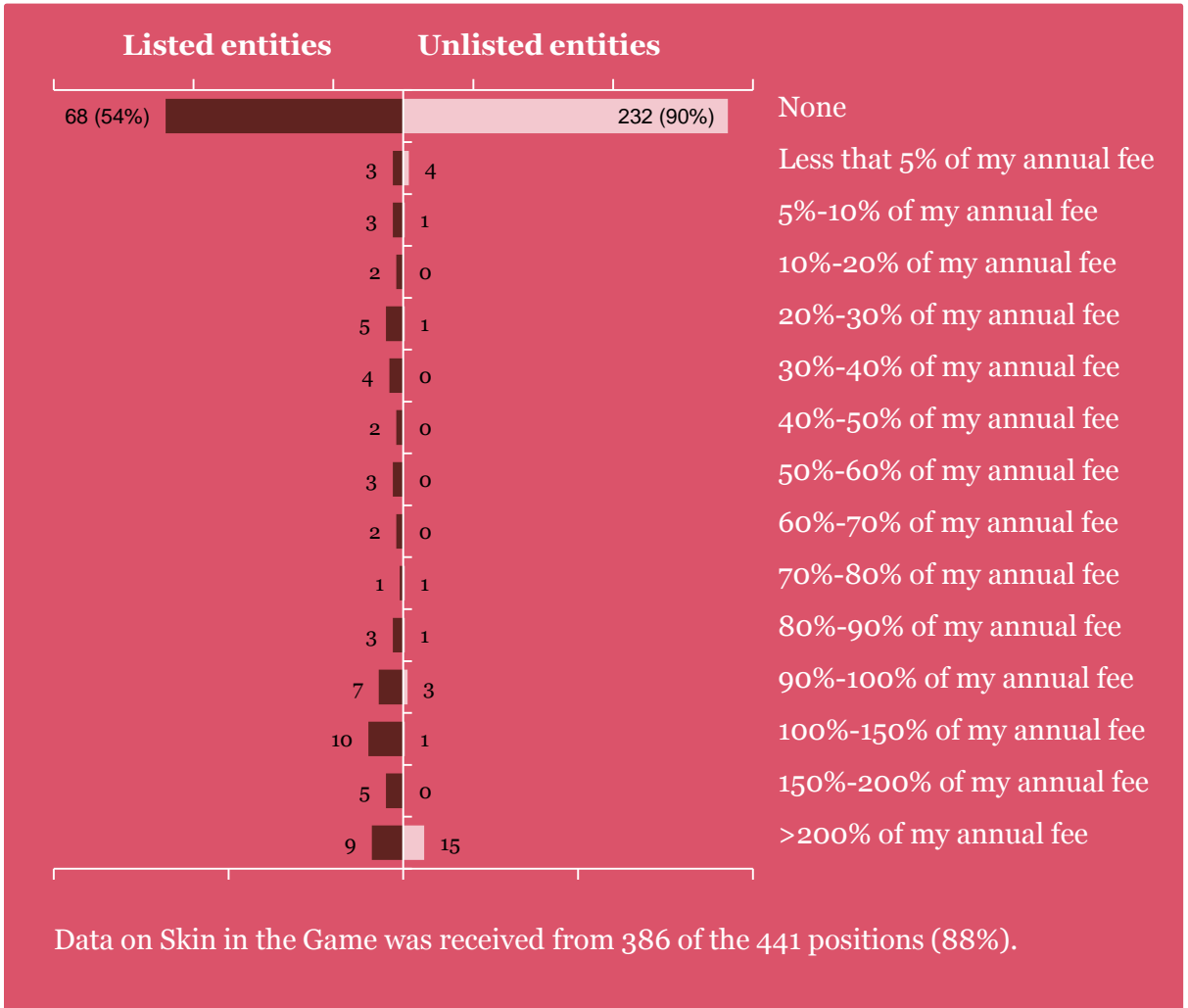
# Remuneration by Listing



4

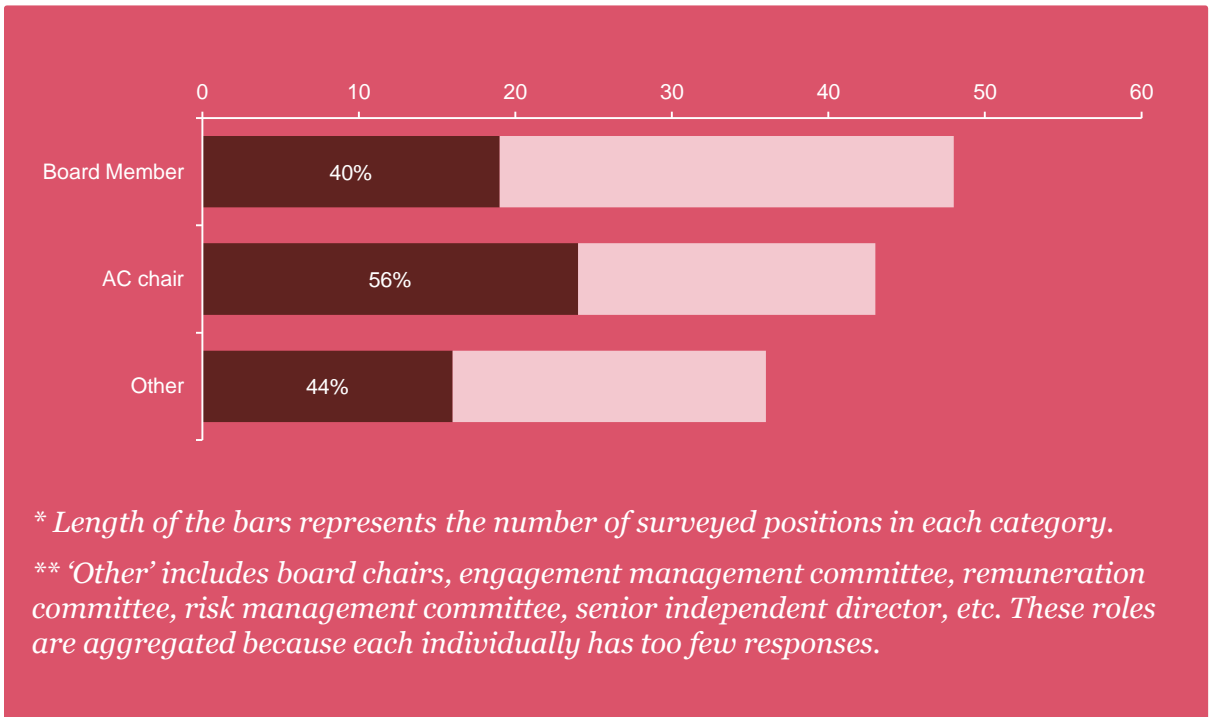
*‘Skin in  
the Game’*

# Personal financial interest in the entities as % of annual director fees

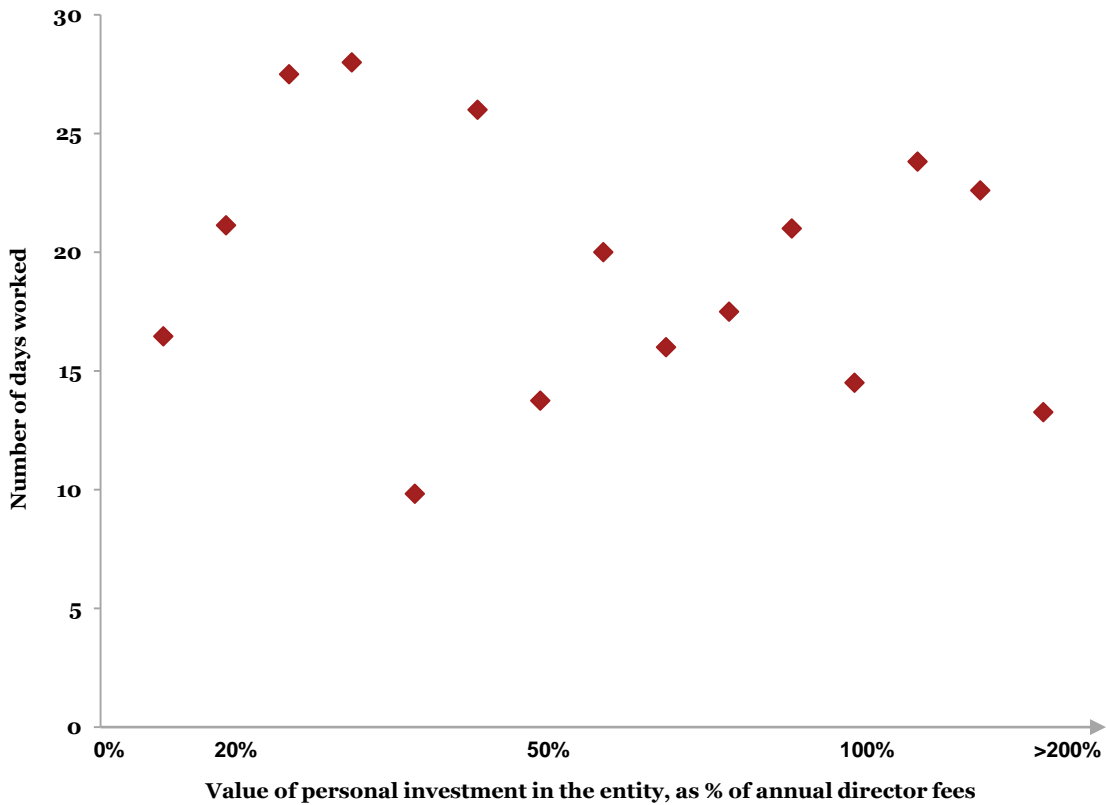




# *% of NEDs with financial interest in listed entities by role*

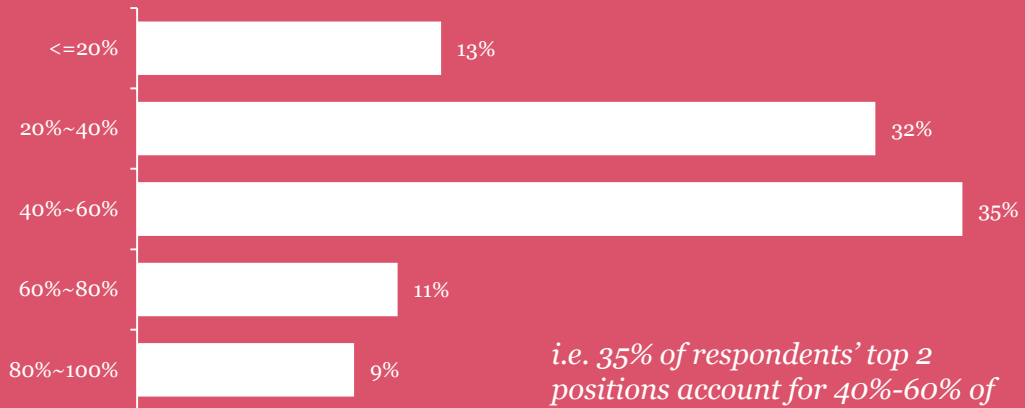


***Number of days worked in capacity as NED of a Significant Entity does not appear to be correlated to the value of NED's personal financial interest in the entity.***



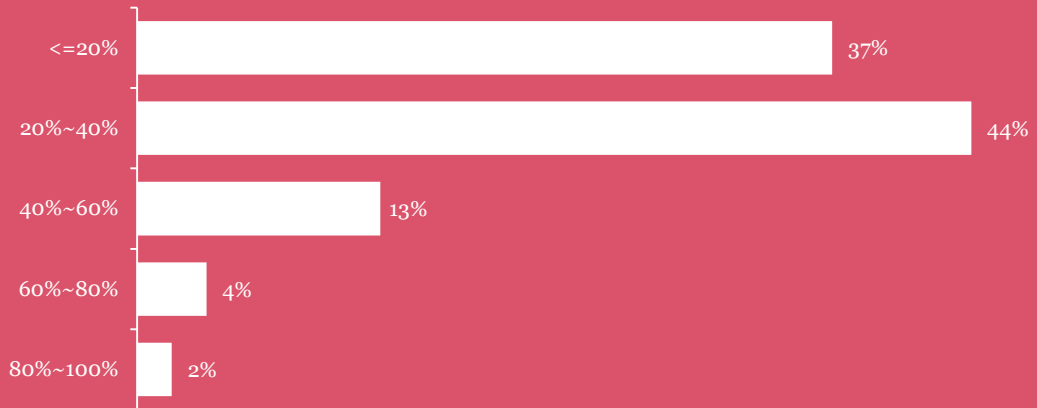
# Reliance on top 2 positions

## Annual NED-related income



*i.e. 35% of respondents' top 2 positions account for 40%-60% of their NED related income.*

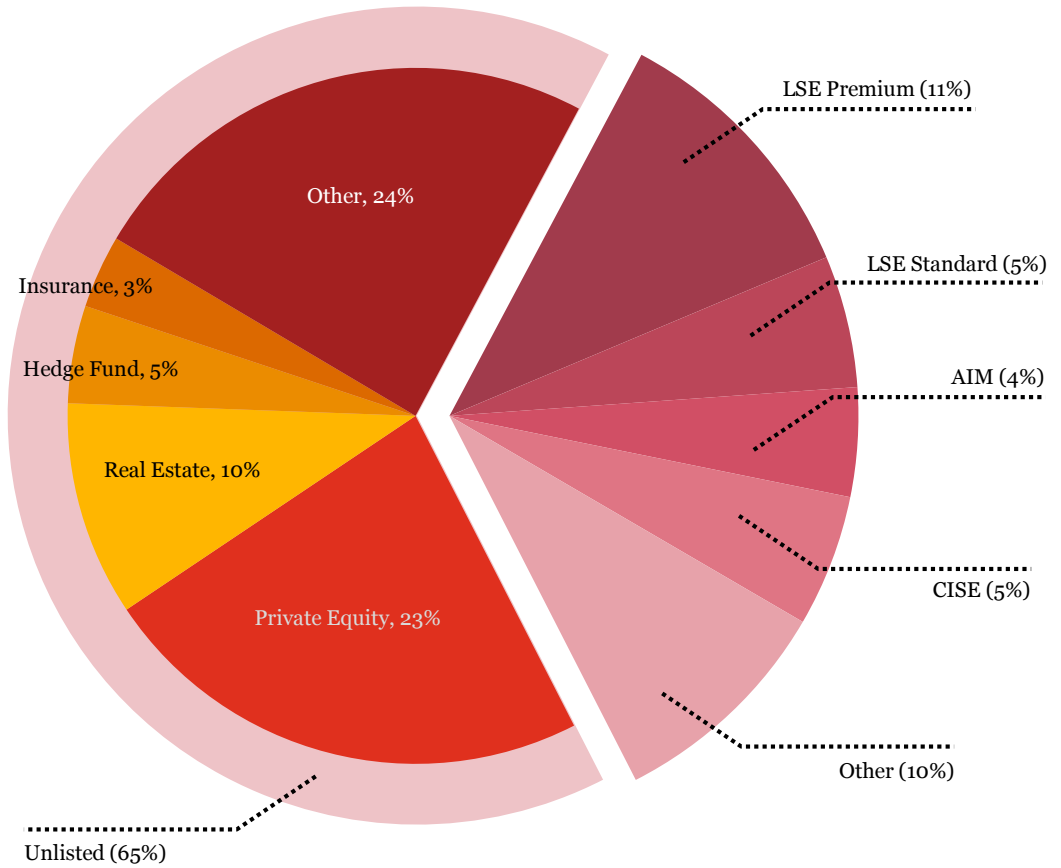
## Annual TOTAL income



*Respondents with less than 5 directorships have been excluded from both charts above.*

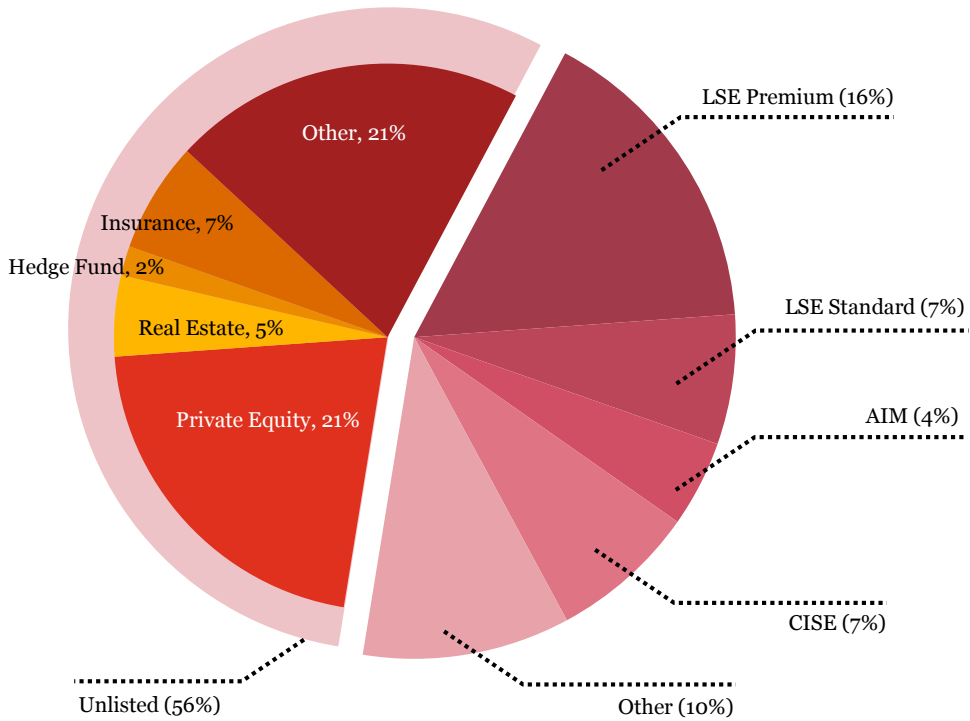
# *Appendix*

# *Based on the information collected of the 441 Significant Entities...*

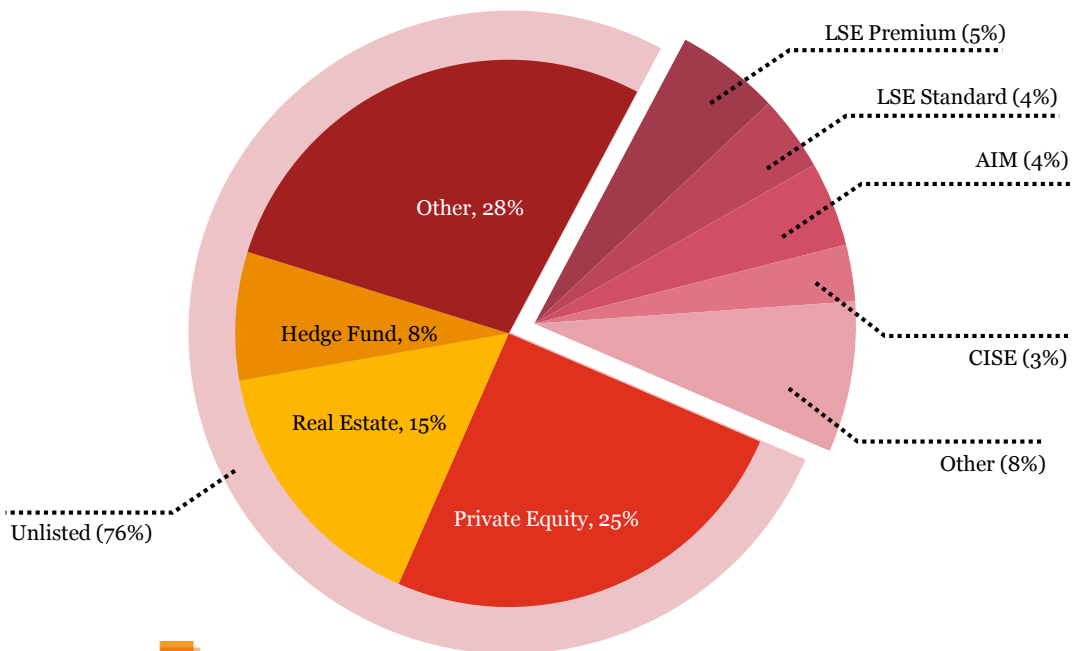


# Significant Entities split by Island

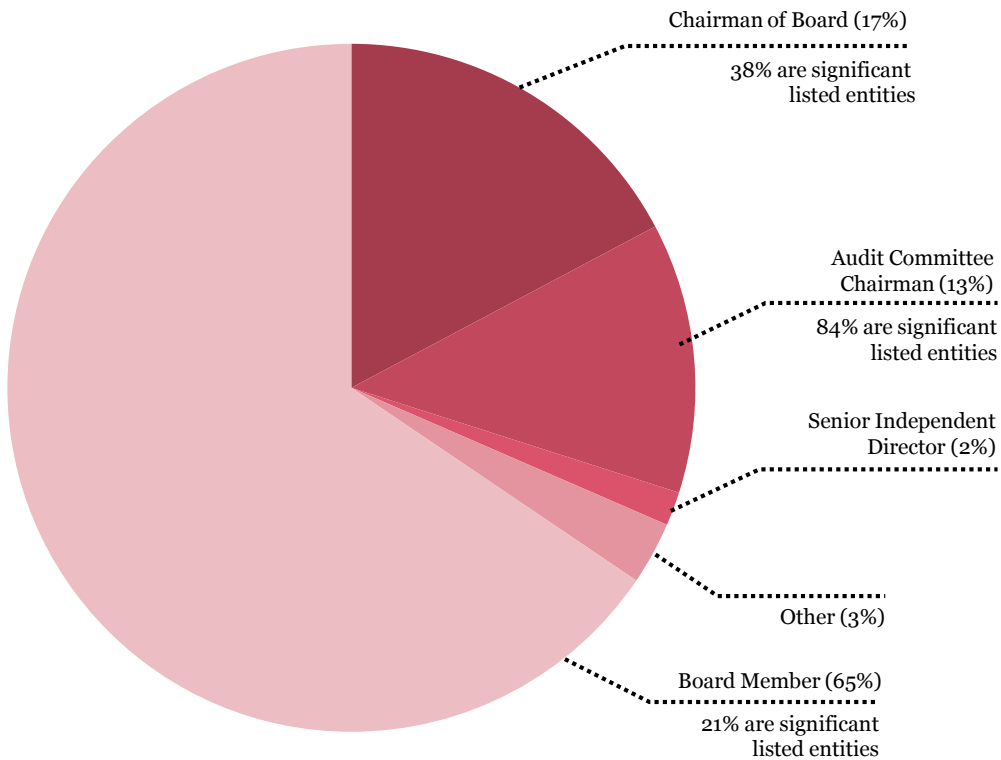
## Guernsey (230 entities)



## Jersey (211 entities)



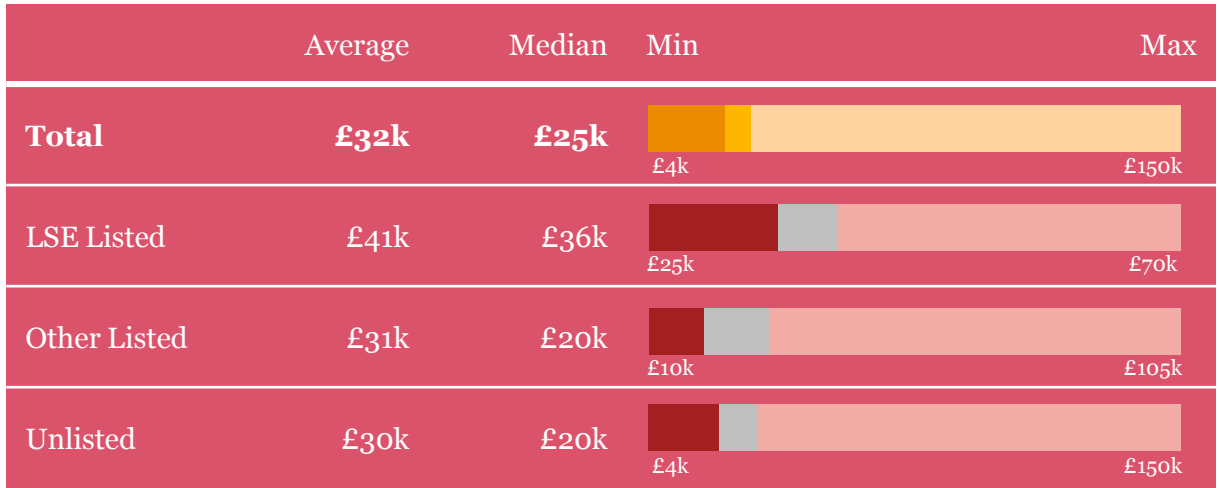
# Based on the information collected of the 441 Significant Entities...



For example, 17% of the 441 collected significant entity directorships were board chairman positions, while 38% of the 17% were in listed entities.

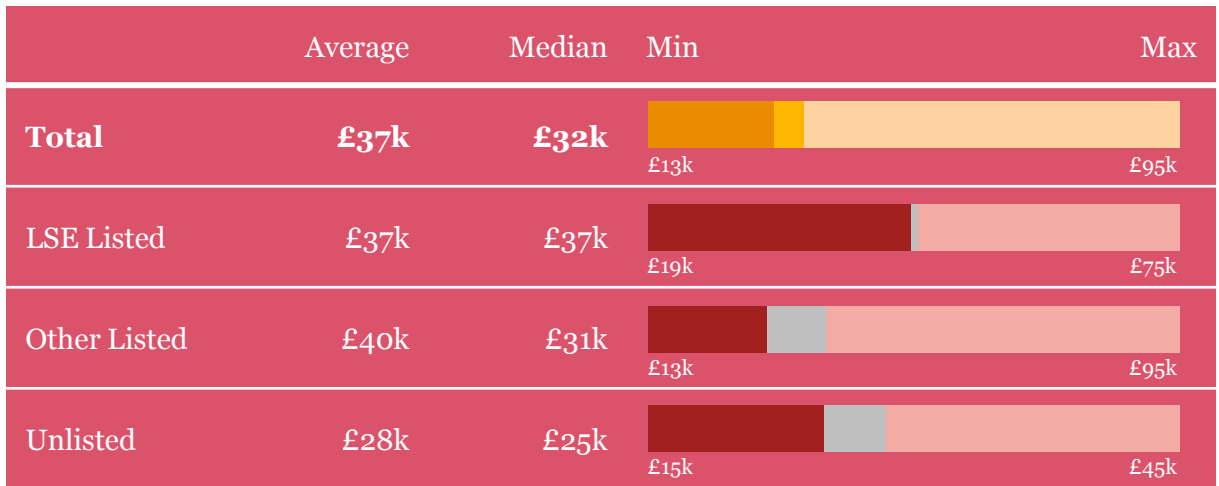
*'Other' includes, engagement management committee, remuneration committee, risk management committee, etc.. These roles are aggregated because each individually has too few responses.*

## Remuneration - Board Chairman



\* All positions with Nil fees excluded.

## Remuneration - Audit Committee Chairman



\* All positions with Nil fees excluded.



## Remuneration per year, as a NED

	Average	Median	Min	Max
<b>Overall</b>	<b>£143k</b>	<b>£100k</b>	£4k	£525k
Per directorship	£16k	£15k	£200	£63k
Per significant entity	£30k	£27k	£1k	£75k

\* All positions with Nil fees excluded.

## NEDs remuneration gender comparison

**The 9 female NEDs surveyed held 30 board positions in Significant Entities:**

	Unlisted	Other	LSE Premium	LSE Standard	Grand Total
Board Member	19	5	1	1	26
Chairman of the Board	2	-	-	-	2
Risk Management Committee	-	1	-	-	1
Audit Committee Chairman	1	-	-	-	1
Grand Total	22	6	1	1	30

**Average annual fee for the 19 board member positions in unlisted entities were £18,184.**

**Average annual fee for the 179 same positions held by male board members were £19,575.**

**The weighted average experience of female NEDs is 6.79 years vs Male NEDs of 10.60 years.**

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