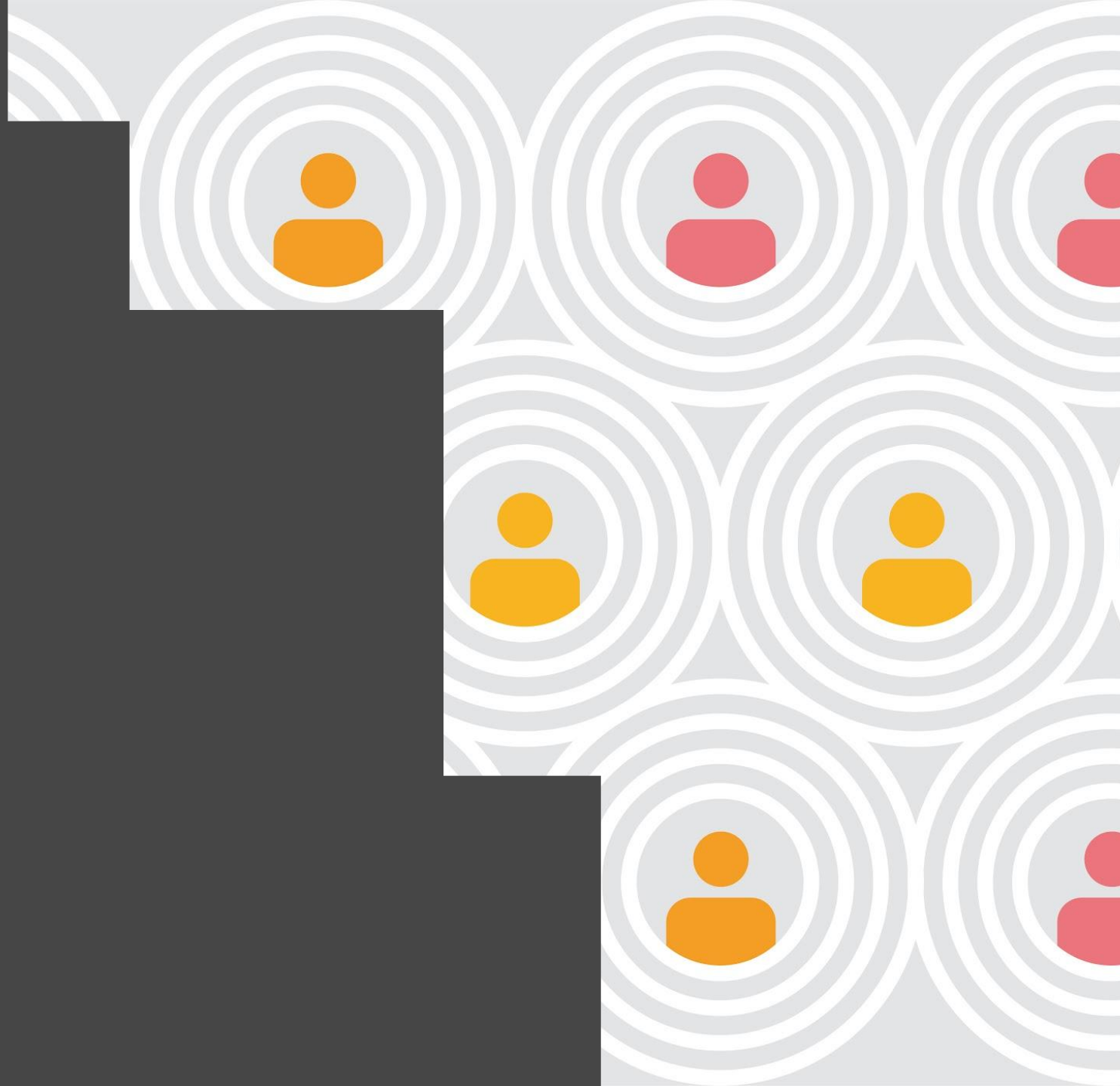


# Fair dues

Keeping pace with fast increasing demand

## PwC's Channel Island non-executive director remuneration survey 2018/2019



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A photograph of two men in an office setting. The man on the left, wearing a blue and white checkered shirt, is looking towards the right. The man on the right, wearing a light blue shirt, is seen in profile, looking towards the left. They appear to be in a discussion. The background shows office furniture and a whiteboard.

“

Levels of remuneration for the chair and all non-executive directors should reflect the time commitment and responsibilities of the role.

**The UK Corporate Governance Code**





# Executive summary

## Fair dues: Keeping pace with fast increasing demand

As both regulatory pressures and business complexity continue to increase, the expectations placed on non-executive directors (NEDs) and the risks they face are ratcheting up. Is NED pay keeping pace with these extra demands?

Drawing on a far-reaching survey of 111 Channel Islands' NEDs, this report looks at the movement in pay scales since the comparable research we carried out in 2015 and whether they believe this is a fair reward for their increased time and responsibilities. We also look at what's keeping NEDs awake at night now and the challenges coming up on the horizon.

The findings are an opportunity to compare your NED fees with your peers. They also provide valuable insights into the sentiments within the NED community at a time of disruption and change.

We would like to thank all the NEDs who took part for sharing their time and insights. If there are any issues raised in the report that you would like to discuss, please feel free to get in touch.

Is NED pay keeping  
pace with these  
extra demands?





# Executive summary

## Overview: NEDs under the spotlight

Changes in remuneration reflect the challenges facing NEDs at a time of complexity, uncertainty and regulatory upheaval

### 1. Big jump in NED pay is tailing off

Median total remuneration rose from £95,000 in 2016 to £162,500 in 2018, which, while a big jump, is in keeping with what NEDs believe is an increasingly demanding and personally risky role.

However, the survey suggests that the big increase in annual income doesn't come from significant hikes in fees, but from NEDs increasing their responsibilities and taking on more Board positions, with a median of 10 positions (8 in 2015). Fee growth may be behind us even though the burdens show no signs of easing. Nearly two-thirds of NEDs reported that their fee was unchanged in the last review and more than half expect their fees to remain flat next time around.

The main divide between rates of pay per directorship is whether the entity is listed or not, though most NEDs are comfortable with the differential. Some sectors are also better rewarded than others, with mezzanine debt and infrastructure at the top and technology at the bottom.

Median total remuneration  
rose from **£95,000** in  
2016 to **£162,500** in  
2018

## 2. More time, more responsibility, more risk

NEDs are earning more partly because they're working more – median days worked went up from 75 in 2015 to 112 in 2018. The extra hours mainly reflect the impact of new and more stringent regulations.

One of the drawbacks of needing to commit more time to fulfil key responsibilities is that it can make NEDs more dependent on a small number of positions. More than 40% of the NEDs in our survey rely on just two positions for 40%-60% of their NED-related income. This dependency can in turn erode the objectivity that is so critical to the NED's role.

Other factors that have pushed up pay include the greater wealth of experience within our NED community – 59% of the NEDs in our survey have over ten years under their belts compared to 45% in 2015. The extra experience helps to put them in line for chairmanships and other higher paid senior positions. The most chairmanships are held by NEDs with 15-20 years of experience, before falling back after that.

Median days worked went up  
from **75** in 2015 to **112** in  
2018

## 3. The bulk of NEDs are happy with what they get paid

NEDs' pay expectations have risen sharply in line with the extra demands – 33% for a listed entity directorship since 2015 and 25% for unlisted. However, the bulk are happy with their fees.

However, more NEDs in Jersey believe their fees are 'too low' (33%) than in Guernsey (15%). A major reason for this is that there are far fewer large listed NED openings in Jersey than Guernsey.



## 4. Gender pay gap persists

Non-executive directorships in the Channel Islands are still mainly a male preserve, with less than 20% of the participants in our survey being women. Data from Cranfield (2019, FTSE 250) shows the percentage of female NEDs is 32.8%.

Men are also much more likely to be chairs than women - 29% of the male participants in our survey, compared to 16% of the women taking part.

This divide is reflected in relative average pay - £2,227 per day for men and £1,354 per day for women. Even when other differentials such as listed versus unlisted entity are stripped out, women still appear to be getting the short end of the straw - average male pay per listed entity is £42,220 compared to £35,857 for women.

How much focus is there on the issue and how to resolve it? Nearly a third of NEDs in our survey believe that the boards they sit on are insufficiently diverse and not enough is being done to address this. Most point to an insufficient pool of experienced local talent as the main reason why the gap isn't closing, though many also cite a lack of will.

Data from Cranfield (2019, FTSE 250) shows the percentage of female NEDs is  
**32%**

## 5. Skin in the game

A significant proportion of the NEDs in our survey have sizeable investments in the companies in which they hold directorships. There is certainly a strong argument to say that if you have faith in the product and your own investments are at stake, you're likely to be an exceptionally committed and active NED. However, others counter that too much personal interest can cloud all-important professional objectivity, a risk that can be compounded by the increasing amount of time that many NEDs now have to devote to a small collection of companies.





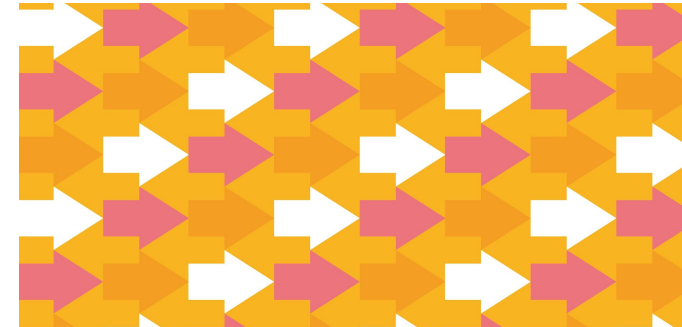
## 6. The right balance between risk and reward

The demands on Channel Islands NEDs are set to increase still further. From a regulatory perspective, the challenges include the new Economic Substance tests, which will add to the scrutiny on the competence of the board and how it spends its time.

From a business perspective, developments ranging from mounting economic headwinds to the increasing use of new and unfamiliar technologies are set to heighten the complexity of business operations and the need for close and informed NED oversight.

These challenging developments are reflected in the risks keeping the NEDs in our survey awake at night.

The recent tailing off in increases in NED fees should therefore be set against the risk of losing the insight and expertise of the people our economy needs to steer through these challenging times. Underpaying may well be a false economy.



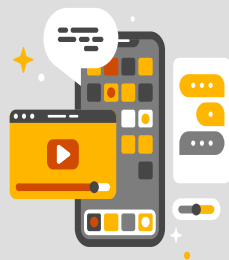


# Appointments



**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' balance?**

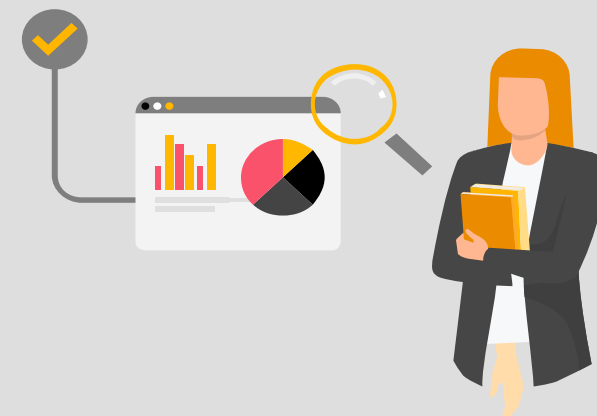
Out of the 111 participants, **only 3** would be considered 'full time' NEDs i.e. **working over 220 days per year.**



**The median number of directorships across both islands is 10 positions, but the range of data is from 1 to 92 positions.**



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.

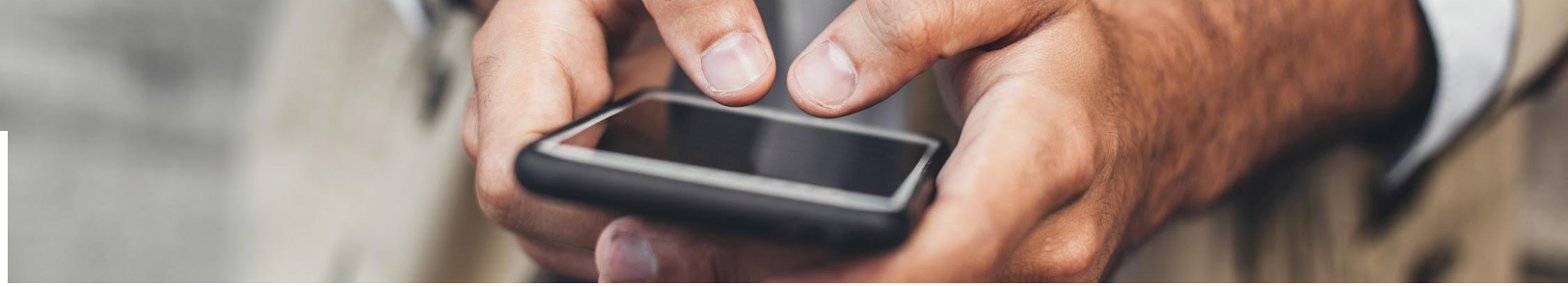


**A NED with 15-20 years' experience is likely to hold the most Chairman positions. In order to make the analysis more meaningful, we asked participants to provide detailed remuneration information for board positions of 'Significant Entities'**

From the **111 participants** we collected this information across **347 such entities**, with an **even split of these entities between Jersey and Guernsey.**



# Remuneration



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

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

Dependency - 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\*, as you expect, the range of responses was large, but the median for a listed entity was £40,000 and an unlisted entity was £25,000.

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 across the islands reported that their fee remained unchanged in the last fee review and 58% expect their fees to remain flat in the next review.

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



**Guernsey NEDs appear to be more satisfied with their remuneration**

**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.



1

# Respondent demographics

# Survey population and demographics



Board positions  
**1,750**



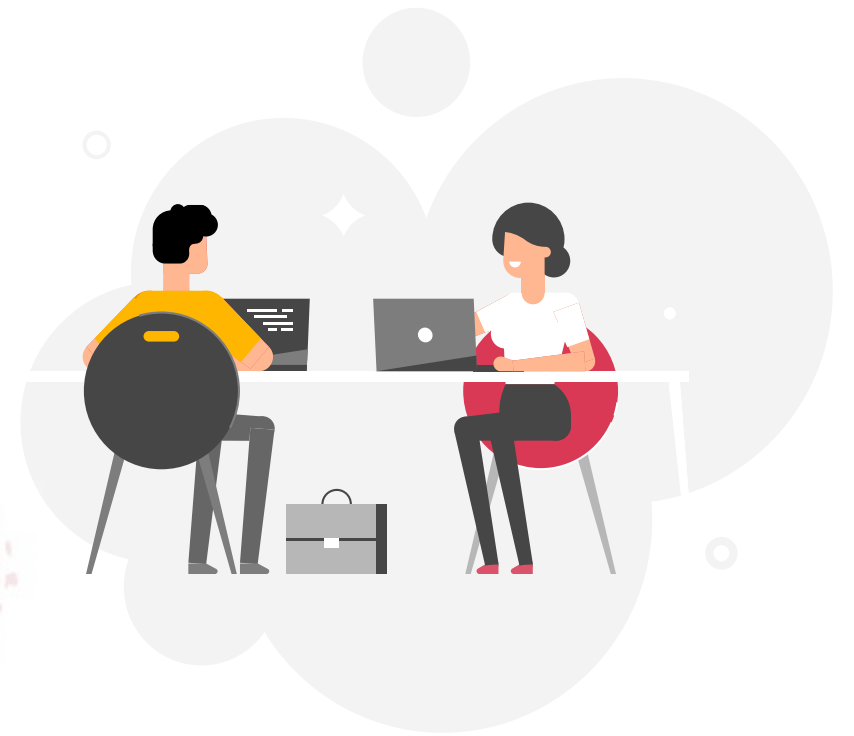
Significant entities  
**347**



Territories covered by  
CI NEDs  
**22**



Entities on which detailed data  
was captured  
**416**



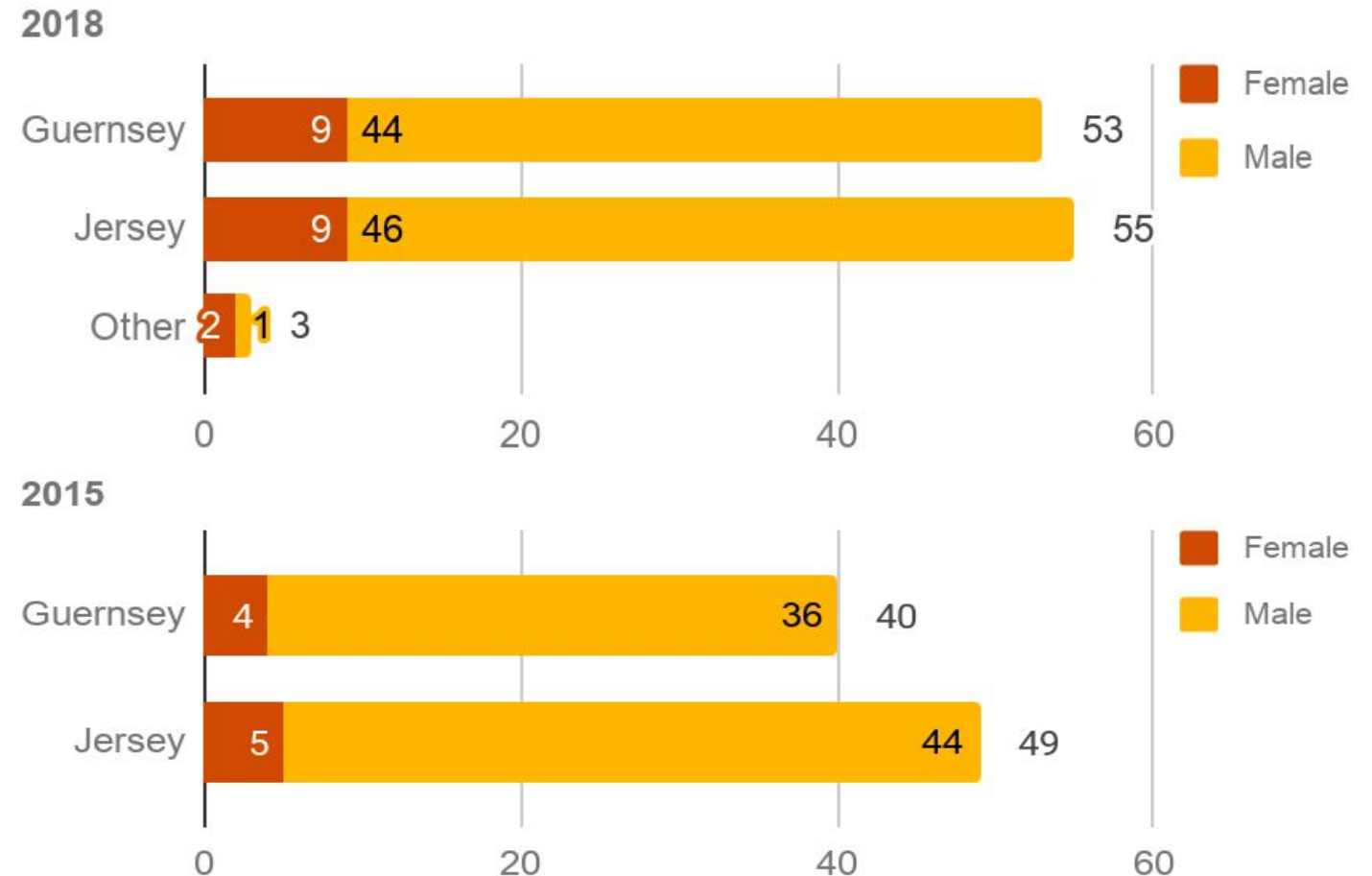
**111** respondents

81 who answered  
every question

# Survey population and demographics

**More respondents participated in 2018 than 2015 with the split across the islands becoming more even**

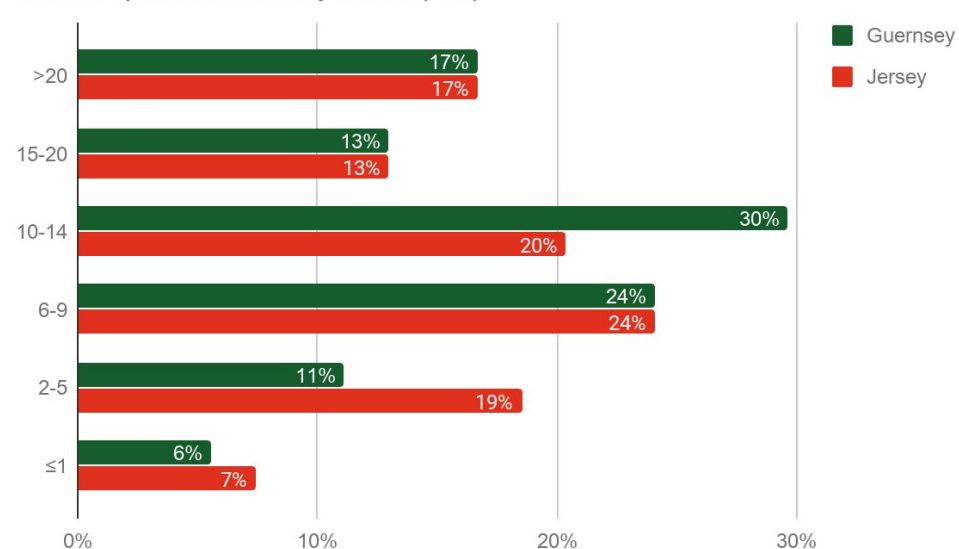
The proportion of female respondents increased from **10%** in 2015 to **18%** in 2018. Given wider trends, this suggests a demographic shift in the pool of NEDs. There are now more female NEDs although verbatim comments suggest more are needed to meet the demands of gender diversity targets.





# Survey population and demographics

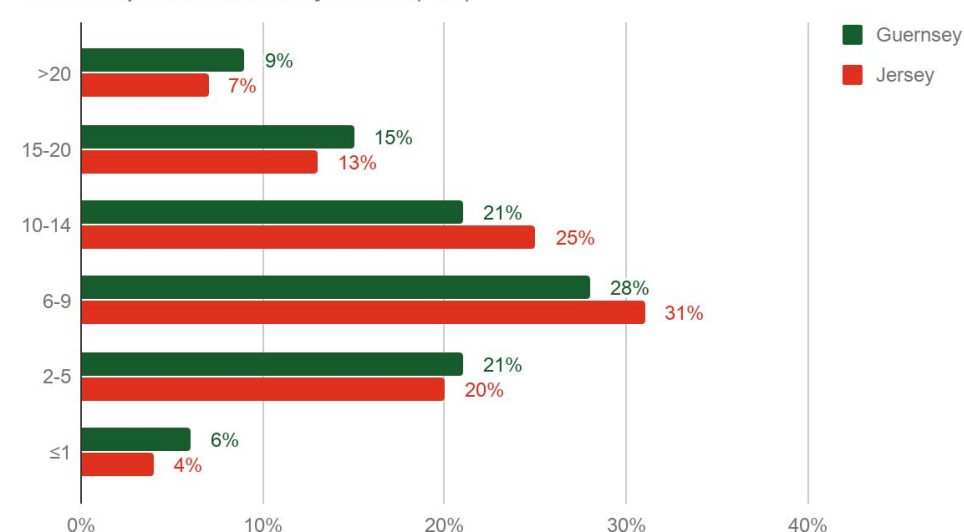
Years of experience brackets by location (2018)



**59%**

of the respondents had more than 10 years' experience as NEDs in 2018

Years of experience brackets by location (2015)



**45%**

of the respondents had more than 10 years experience as NEDs in 2015

# Survey population and demographics

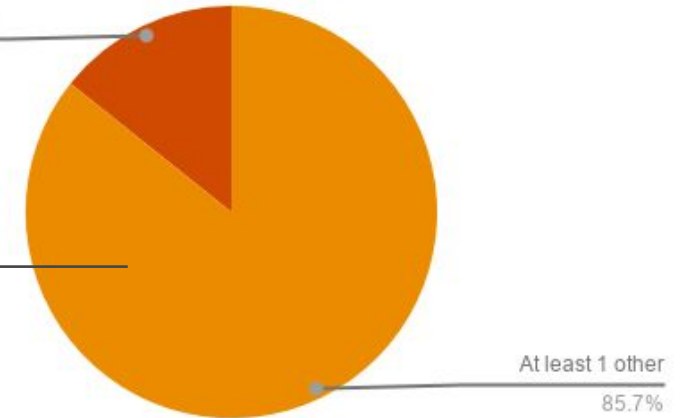
## Overall, NEDs are taking more responsibilities now than before

This is a reflection of how NEDs roles have evolved over the years. However, the increased average experience of our respondents most likely also contributed to this change.

Of those holding other positions, **56%** hold Chairmanships

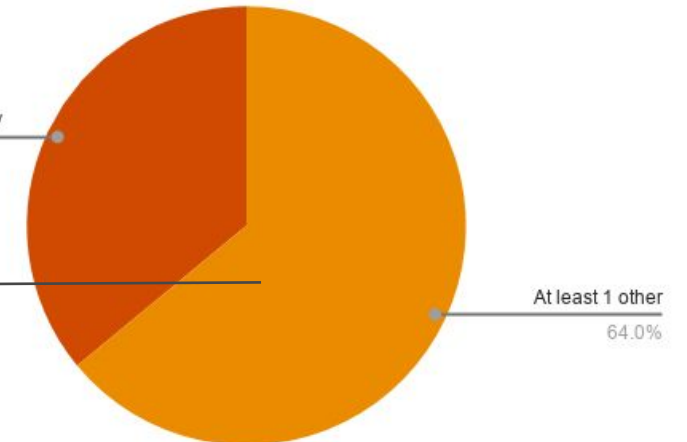
2018

Board member only  
14.3%



2015

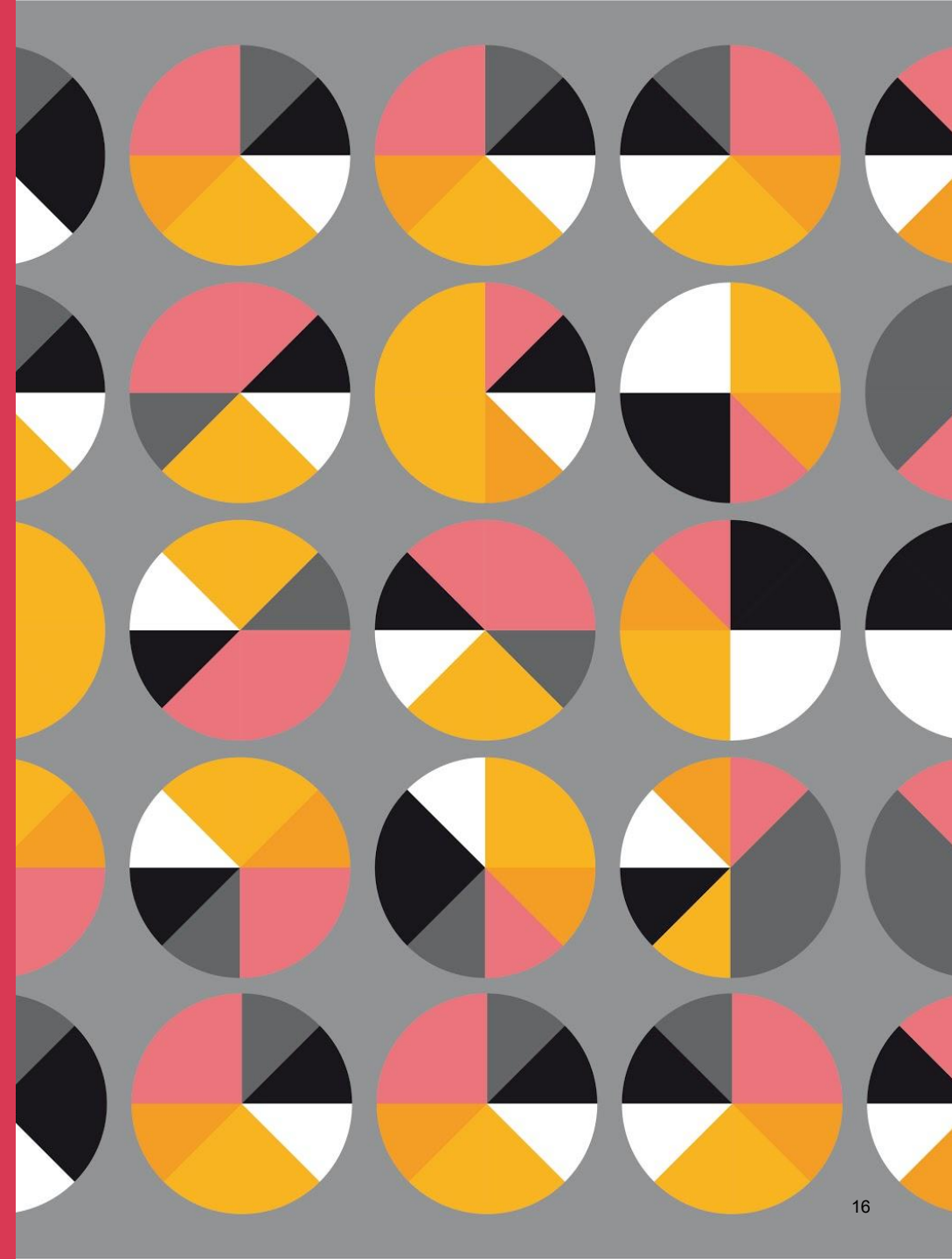
Board member only  
36.0%



Of those holding other positions, **44%** hold Chairmanships

# 2

## Appointments





# Number of board positions by location

## 2015

Of the 1,646 board positions,  
**67%** are Jersey based NEDs.

**8** is the median number of board positions.

## 2018

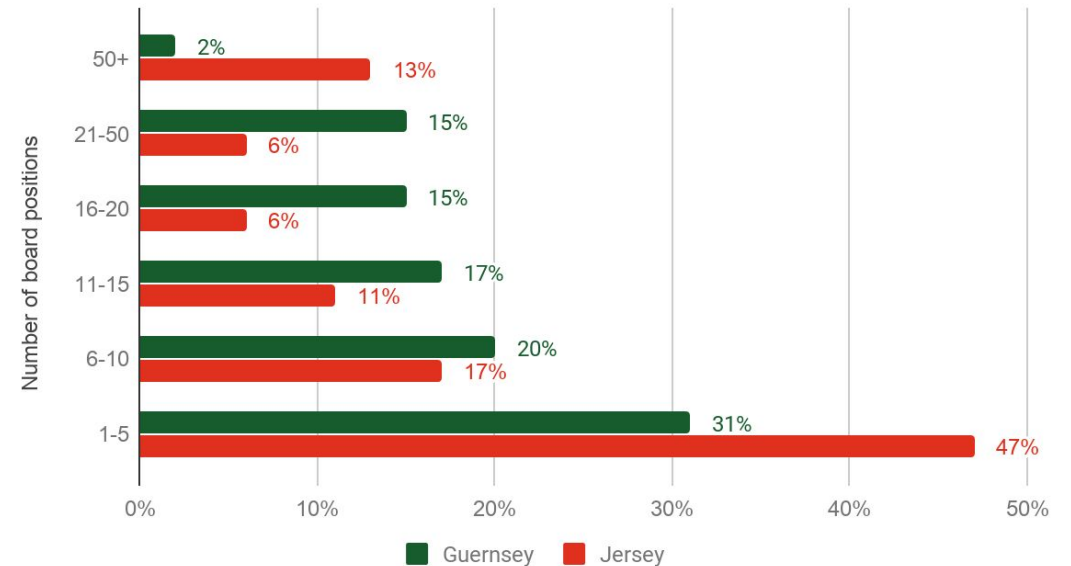
Of the 1,750 board positions,  
**50%** are Jersey based NEDs.

**10** is the median number of board positions.

2018

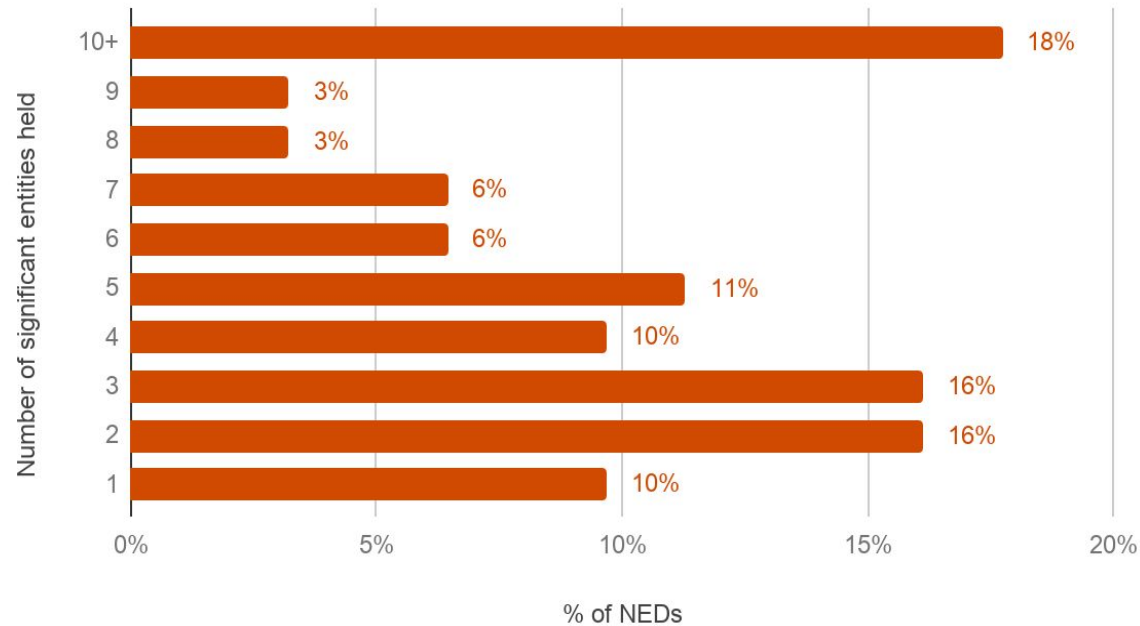


2015



# Number of significant entities per NED

2018



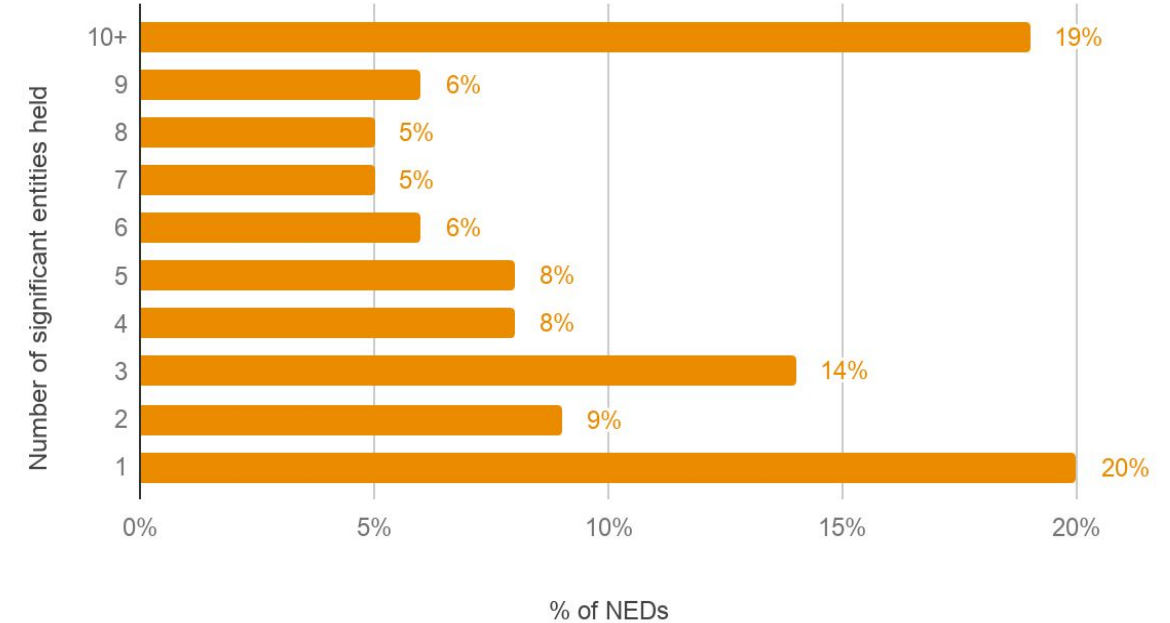
In **2018**, we obtained detailed remuneration information for all 347 of the 347 significant entities. The median number of significant entities held was 2. The average, 3.

i.e. in 2018, 11% of NEDs held positions for 5 significant entities.

The number of significant entities held has dropped

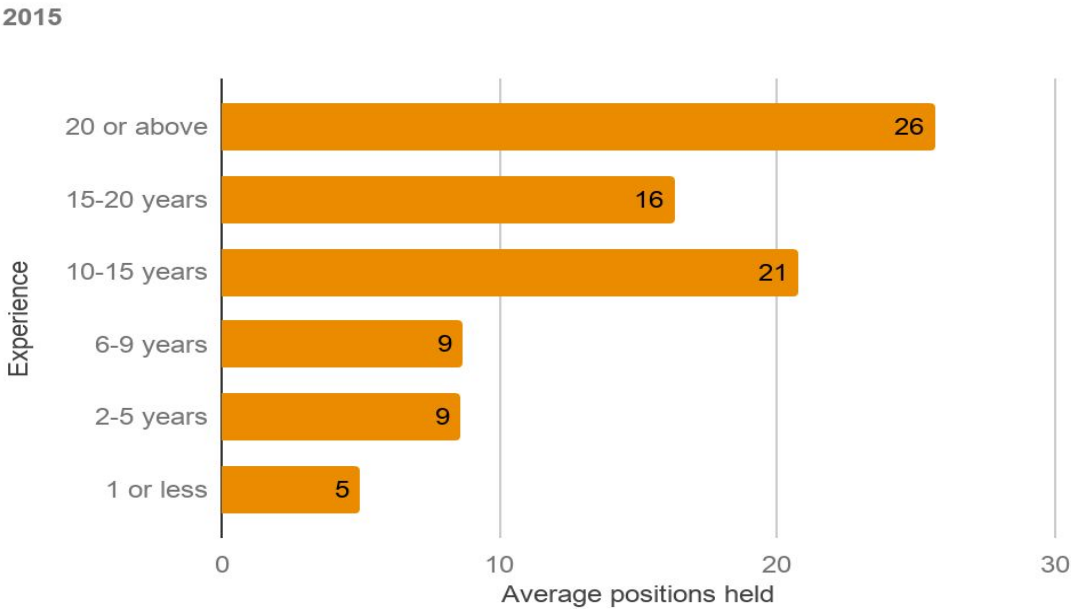
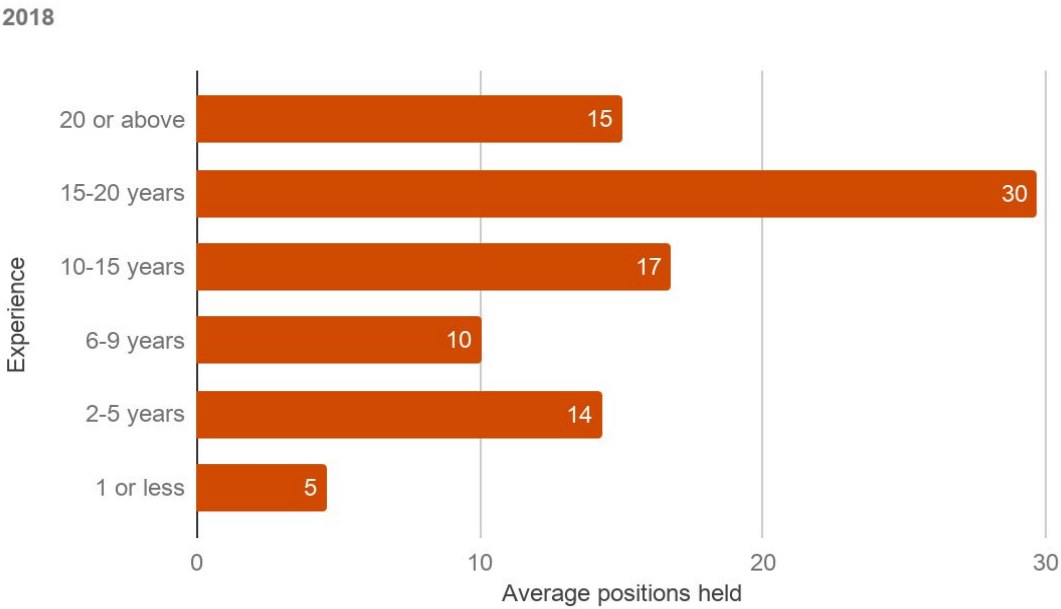
This could be a result of the ever increasing risk and regulatory environment.

2015



In **2015**, we obtained detailed remuneration information for 441 of the 454 significant entities. The median number of significant entities held was 4. The average, 5.

# Average number of board positions by experience



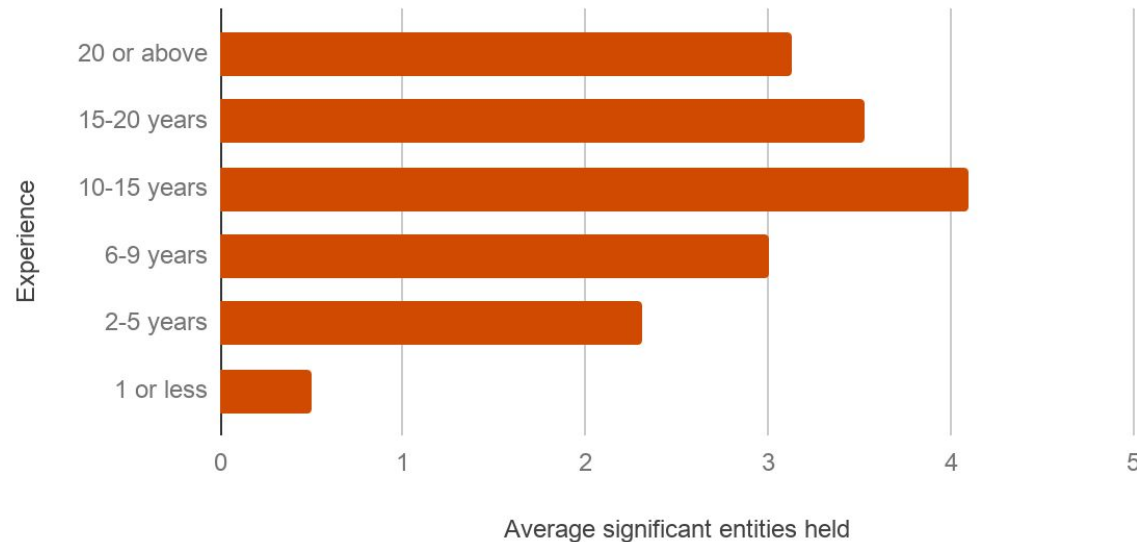
These graphs show how the number of positions held varies across experience brackets. The number of board positions held by each NED was self-reported. These results suggest NEDs with 15-20 years' experience are now significantly the most prolific group, with those with 20+ years' experience now holding less positions. This may be a result of the age demographics or is the constantly changing world becoming less attractive to those in their later years.

# Average number of significant entities by experience

## 2018

- We obtained detailed remuneration information for 347 of the 347 Significant Entities
- Of the 347 Significant Entities, 32.28% are held by Jersey-based NEDs and 65.42% are held by Guernsey-based NEDs

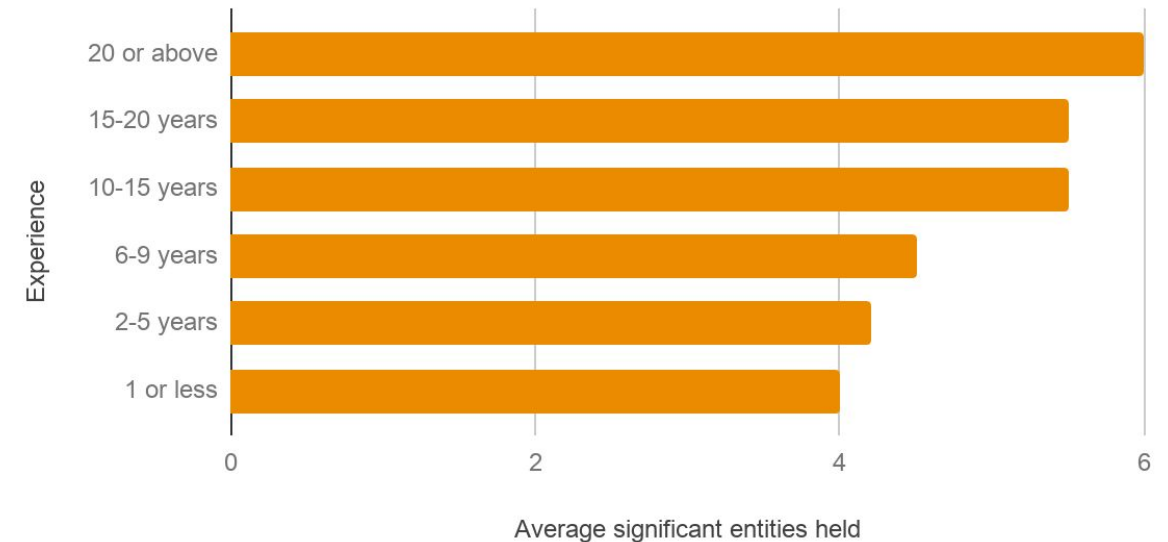
2018



## 2015

- 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

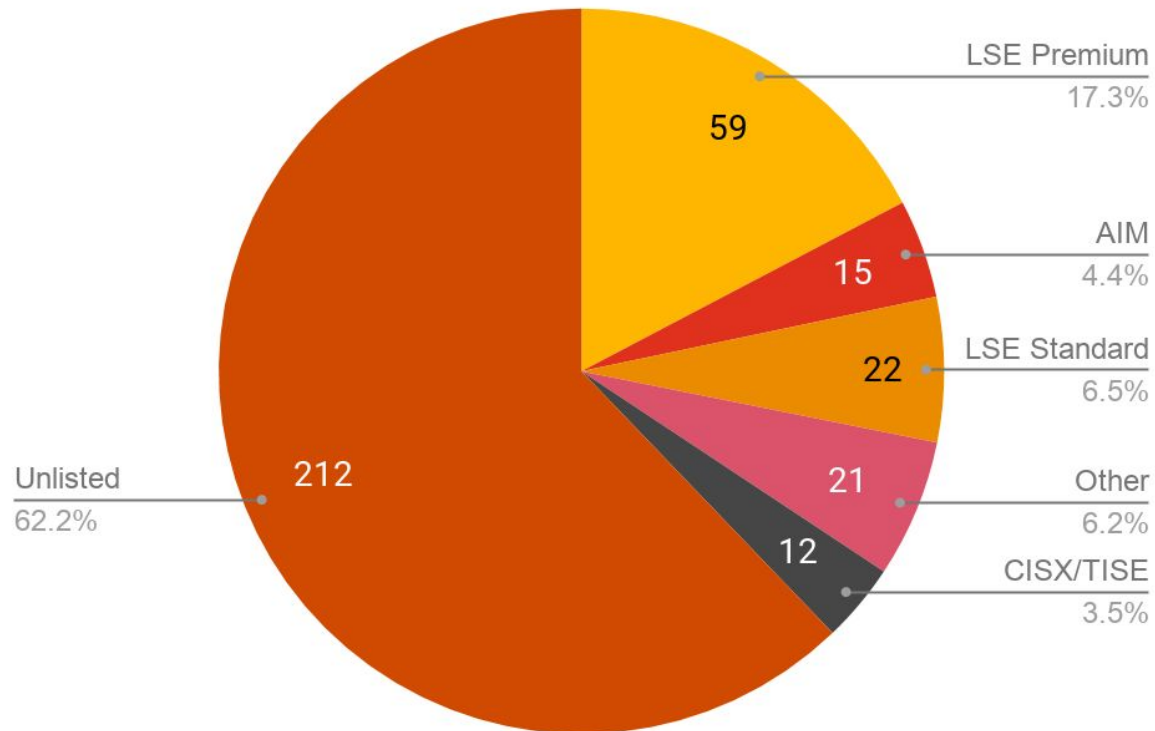
2015



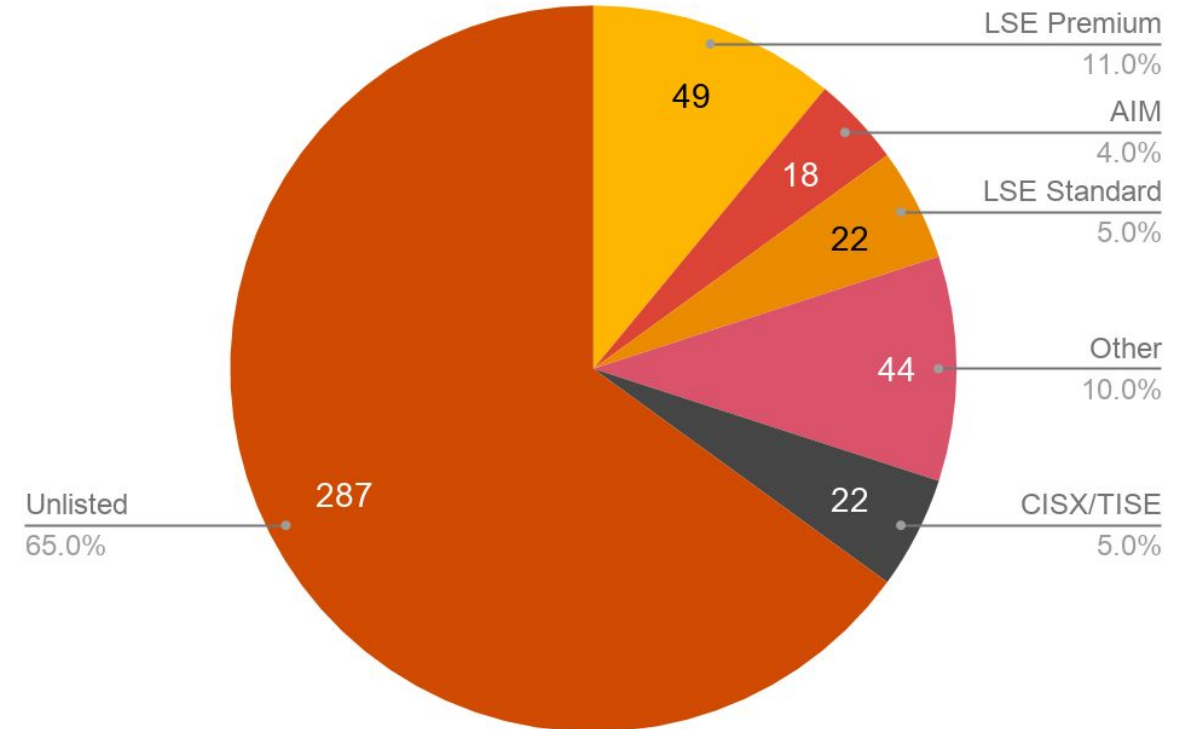
# Significant entities by listing type

The growth in the premium segment of the LSE space can be seen with 59 in 2018 compared to 49 in 2015.

2018



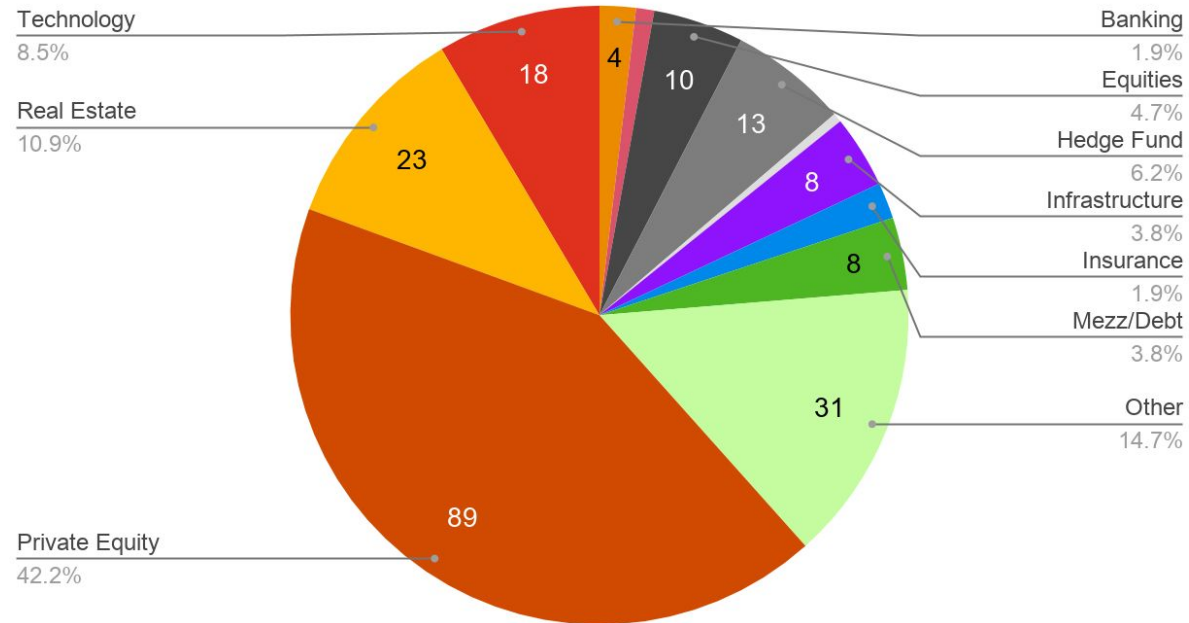
2015



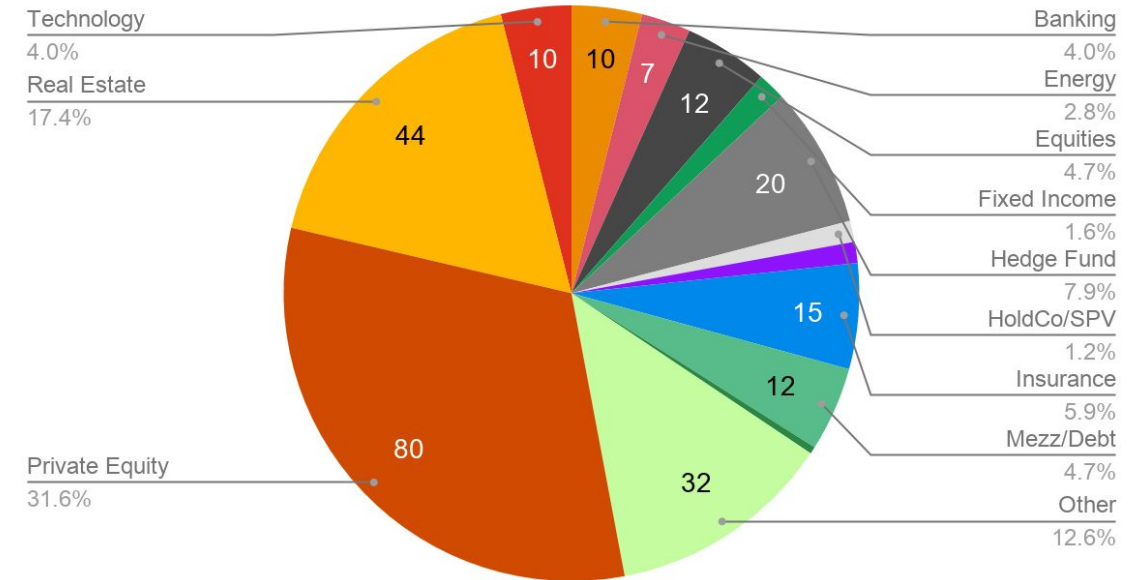


# Unlisted significant entities by industry

2018



2015



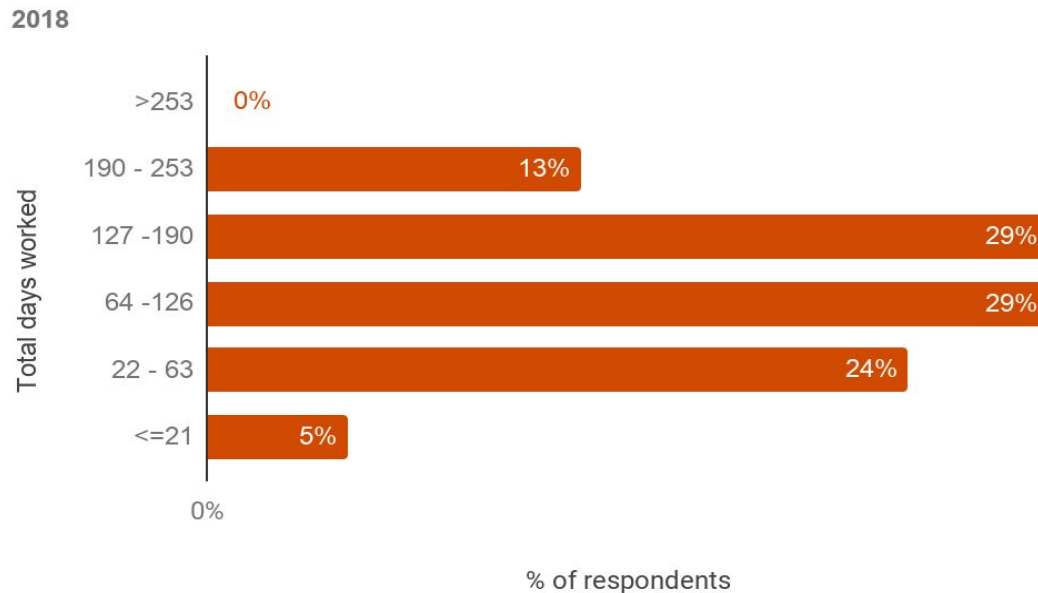
# 3

## Time requirements

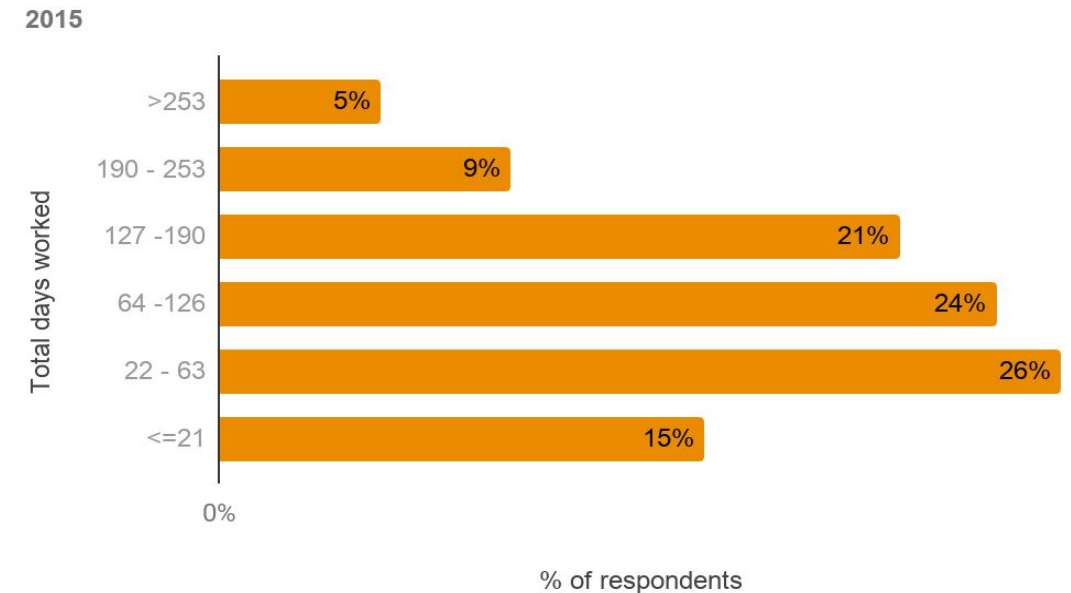


# Total number of days worked per year

Total time requirements for NEDs have increased from 2015 to 2018; with most NEDs working between 64 and 190 days. Yet, the number of “full time” NEDs i.e. working over 220 days per year, decreased from 7 to 3.

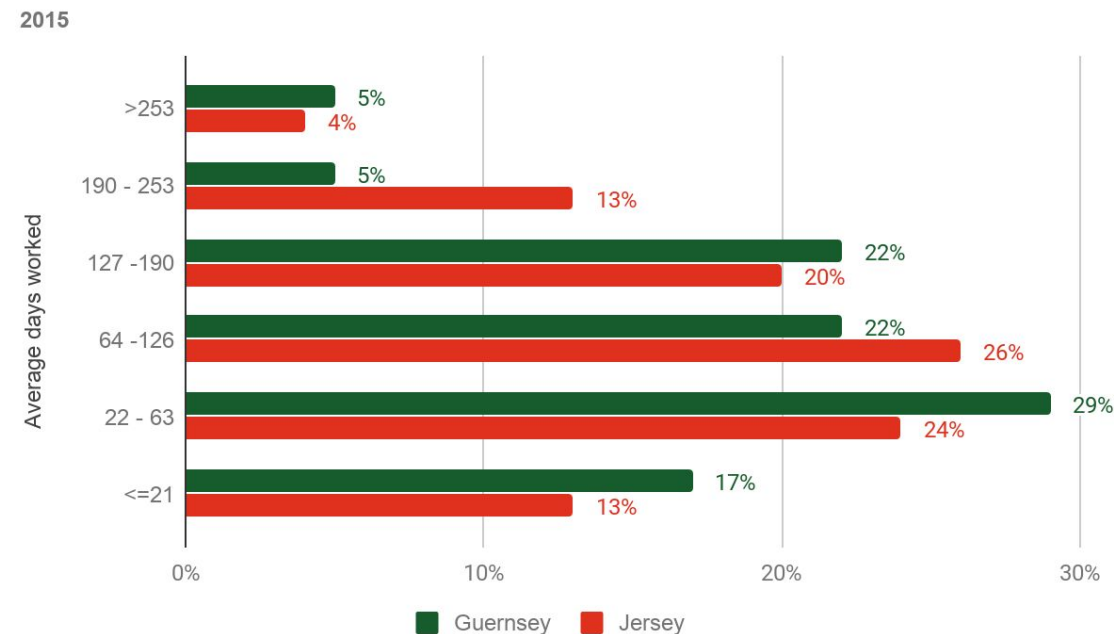
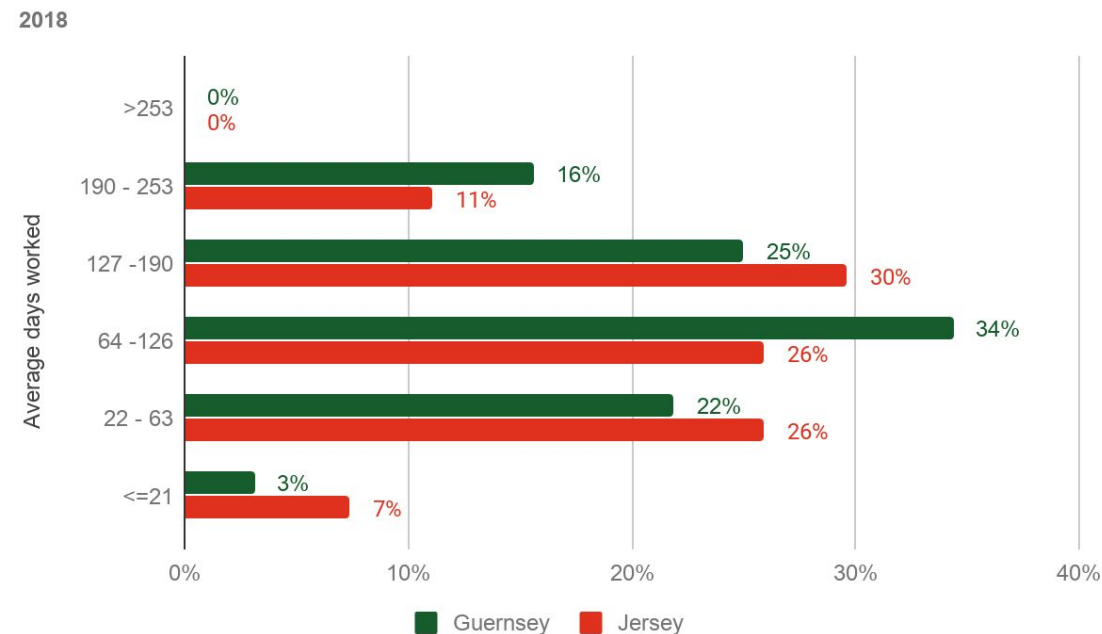


In **2018**, 3 respondents were considered ‘full-time NEDs’ who reported they work no less than 220 days/ year in capacity as NED. The median number of days worked was 112. The average number of days worked was 111.



In **2015**, 7 respondents were considered ‘full-time NEDs’ who reported they work no less than 220 days/ year in capacity as NED. The median number of days worked was 75. The average number of days worked was 95.

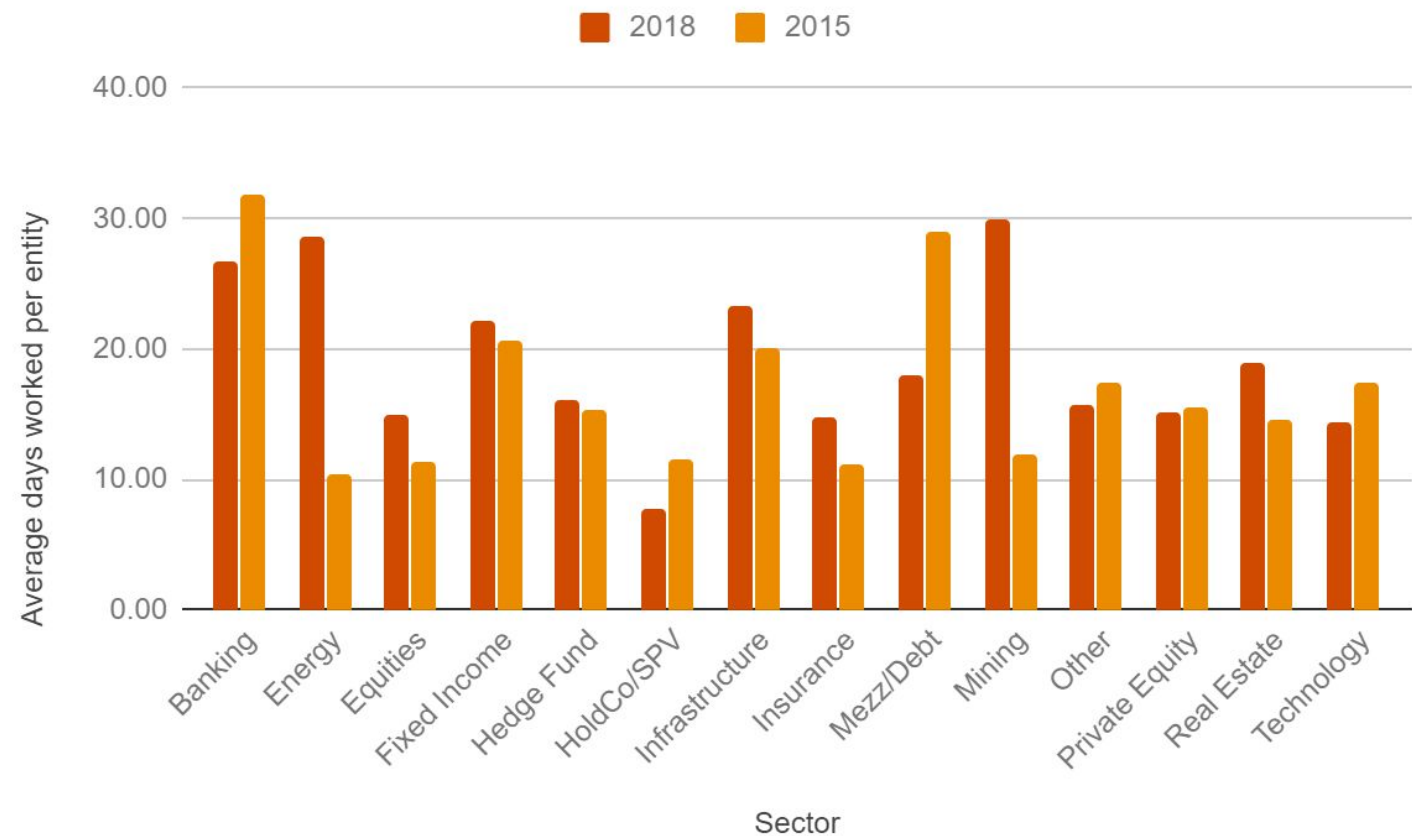
# Total average number of days worked by location



# Average days worked per entity by sector

**This graph shows significant variation of time requirements across industries**

These differences have remained essentially the same since 2015, suggesting there are stable differentiators between being a NED in different industries.





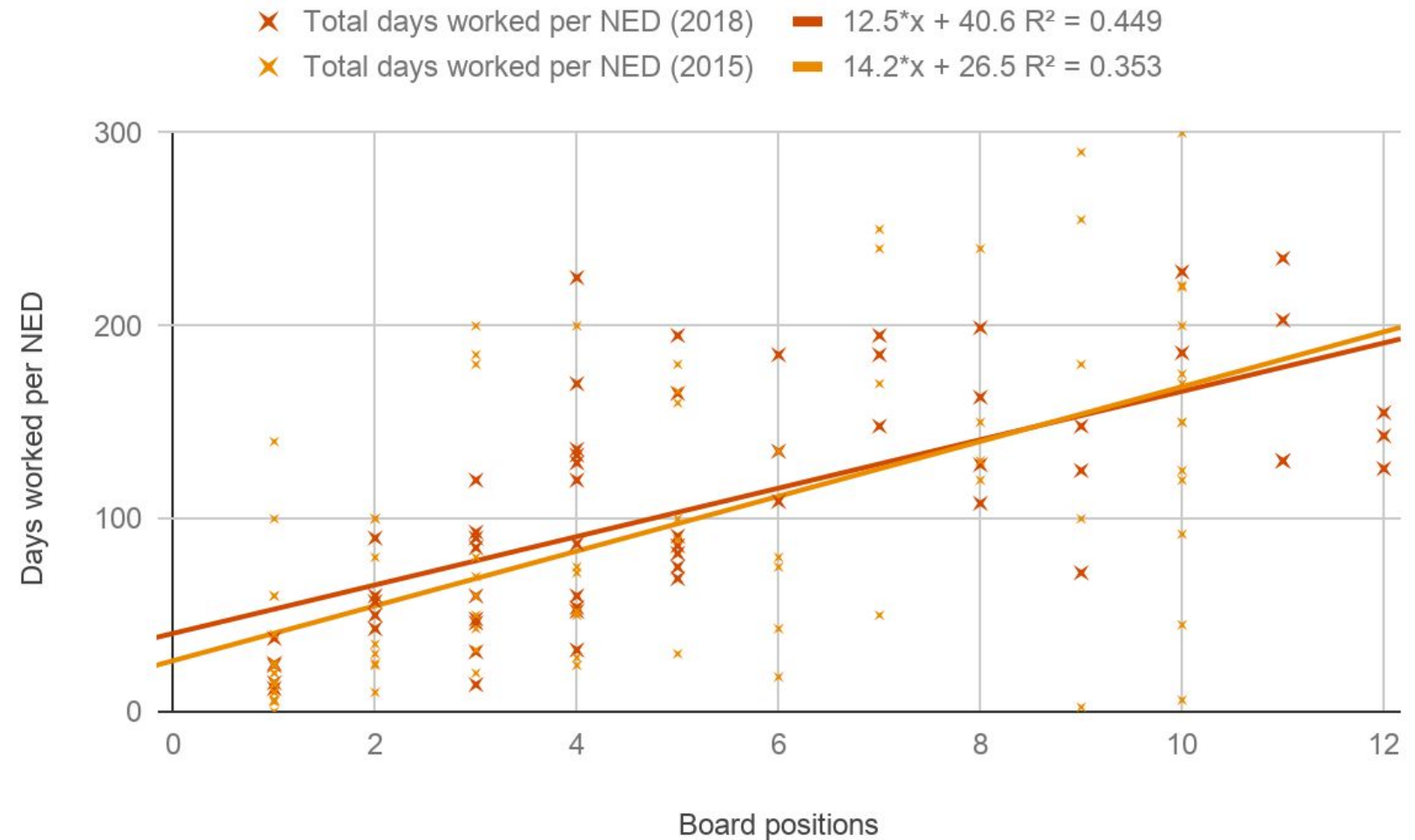
# Number of days worked vs number of positions

**The results show the relationship between board positions and days worked has not changed significantly between 2015 and 2018**

The strengthening of the relationship ( $R^2$ ) is likely due to the increased number of respondents.

While the relationship suggests a consistent 12.5 days additional requirement for each position, the spread of data shows time requirements vary significantly.

Note, those with over 10 entities were excluded from the 2015 data as they were considered outliers. In 2018, over 12 were considered outliers.



## Reasons for time requirements increase

## Regulation, Law & Code (91%)

## Risk management (15%)

## Stakeholder relationships (13%)

Service provider oversight (13%)

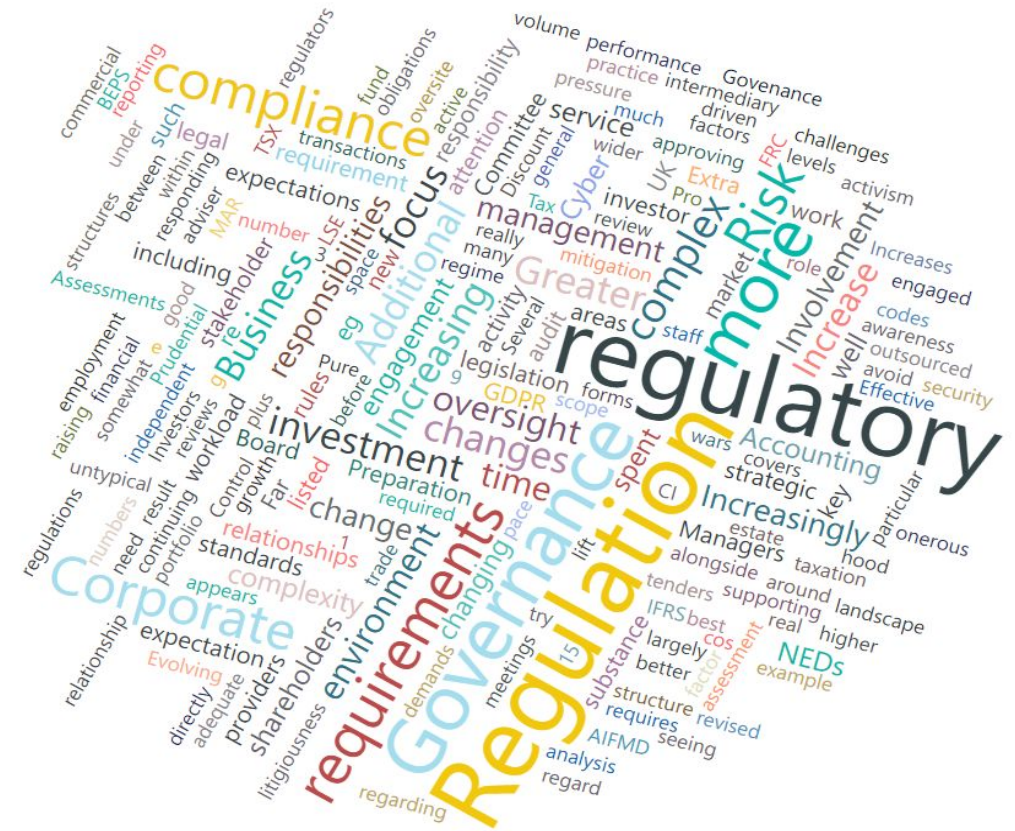
More complex environment (10%)

Business growth (8%)

Both contextual consideration through thematic analysis (left) and word frequency (right) show regulation to be the predominant reason for NEDs increase in time requirements.

The fact that so few mentioned “business growth”, suggests that time requirement increases are due to having to do more for the same positions.

**We've analysed the responses to our question "What would you say is the key factor for the change in your time requirement?" using thematic analysis: 6 themes emerged. The percentage of NEDs who mentioned these themes is included.**





# 4

# Remuneration



# Remuneration and gender

	Men	Women
<b>Respondents</b>	81.82%	18.0%
<b>Hold another position on a board</b>	49%	45%
<b>Sit on a listed board</b>	43%	45%
<b>Guernsey based</b>	83%	17%
<b>Jersey based</b>	83%	17%
<b>Avg Board positions per NED</b>	17.4	14.3
<b>Avg Significant entities per NED</b>	3.4	2.0
<b>Avg Listed entities per NED</b>	1.3	1.0
<b>Avg annual income</b>	£192,879	£132,718
<b>Avg income per entity</b>	£32,733	£23,538
<b>Avg income per sig entity</b>	£32,733	£23,538
<b>Avg income per listed entity</b>	£42,220	£35,857
<b>Avg day rate</b>	£2,227	£1,354



The table right shows when women do hold other positions on boards, they are less likely to be the senior positions or have other roles.

	Men	Women
<b>Chairman of the Board</b>	28.74%	15.79%
<b>Risk Committee</b>	17.96%	21.05%
<b>Audit Committee Chair</b>	38.32%	10.53%
<b>Remuneration Committee</b>	20.96%	21.05%
<b>Senior Independent Director</b>	16.17%	10.53%
<b>Other</b>	23.95%	47.37%

# Feelings about fees

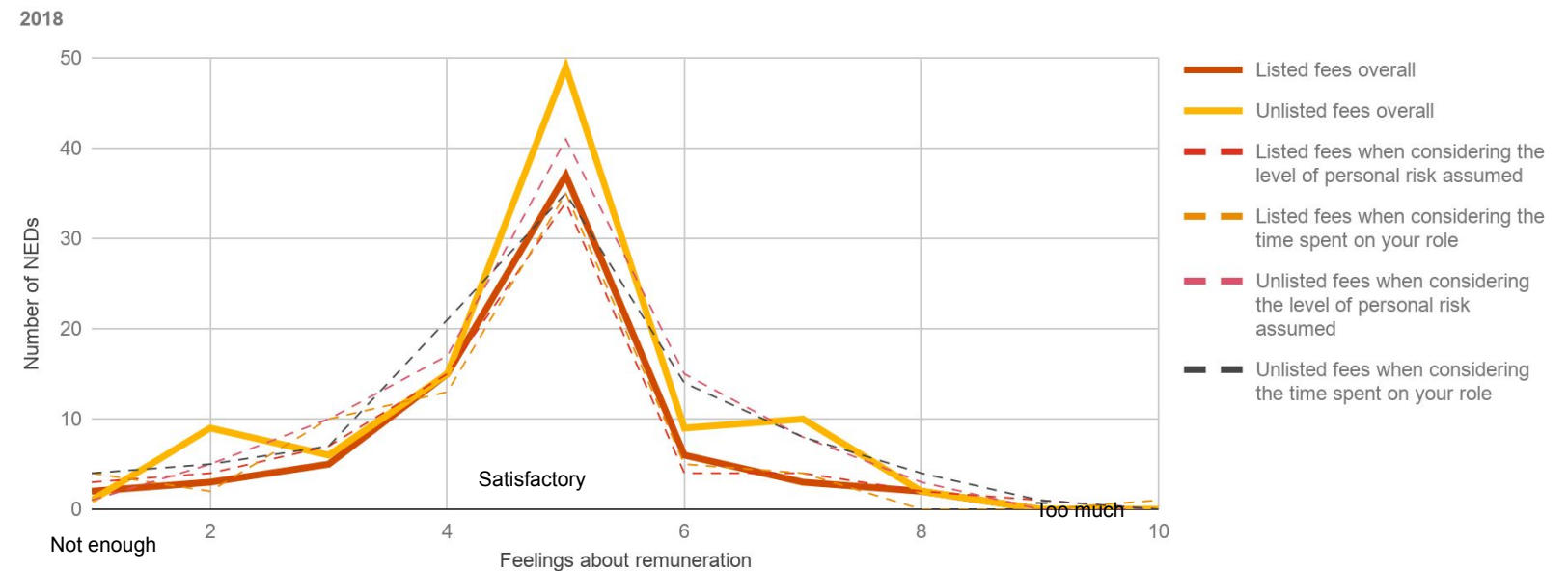


For the Board(s) you sit on, in general, how do you feel about the following: Overall remuneration received.

**In general, the NEDs believe, for the Boards they sit on, both listed and unlisted, the remuneration they receive overall is satisfactory**

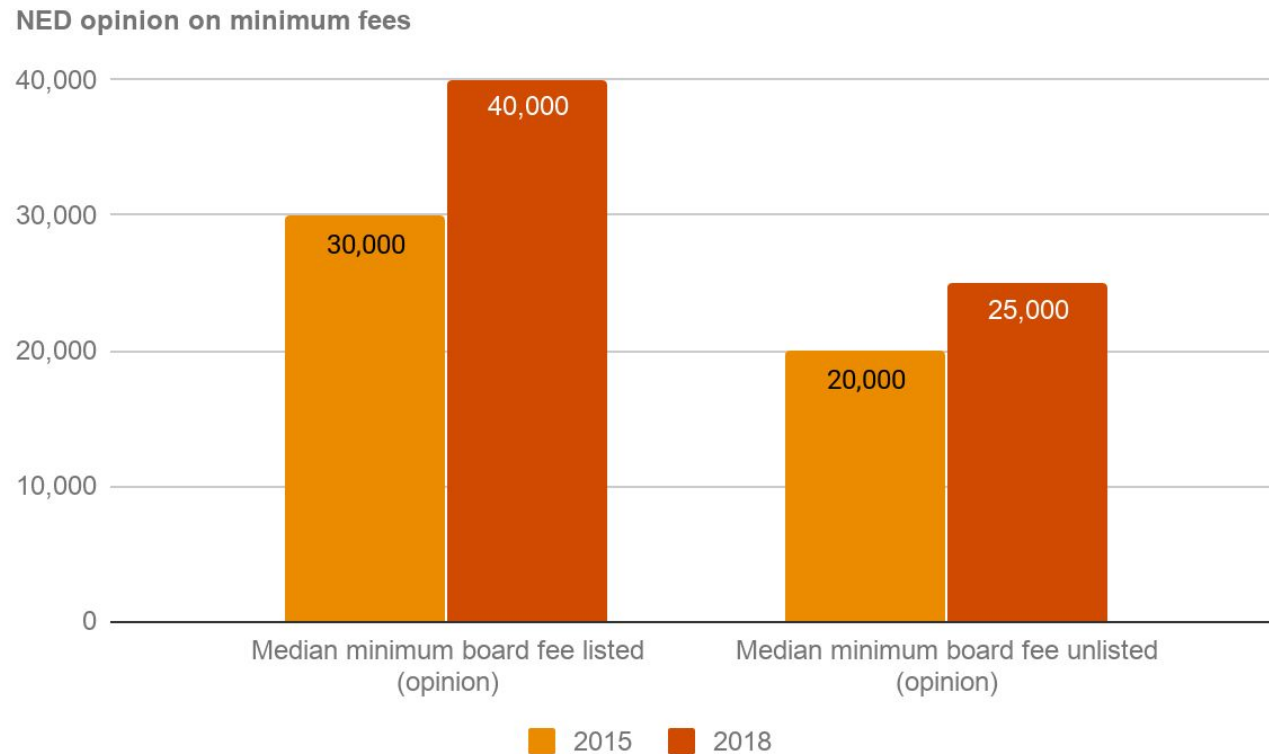
However, it is notable that the more NEDs rated lower than 5 (satisfactory) than higher. This is consistent with 2015 findings and suggests fees have remained in line with NED expectations.

When considering level of personal risk assumed and time spent on role, the story is the same. This suggests neither of these factors is considered under or overvalued by NEDs in regards to remuneration. Also, they are weighted reasonably similarly in NEDs minds for how much remuneration each deserves.





# What do NEDs think fees should look like?

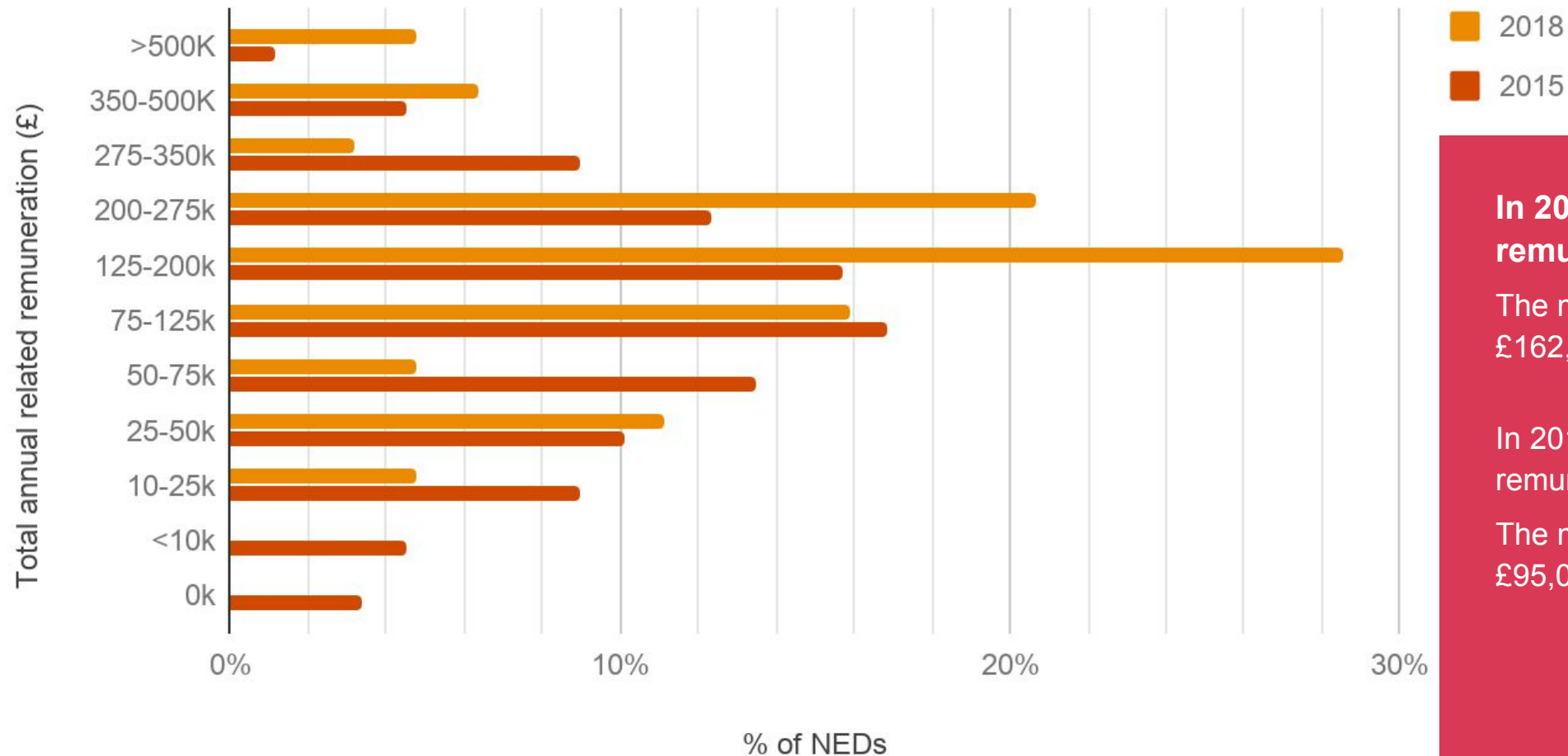


Increases of 33% (listed) and 25% (unlisted) in expected fees are well above inflation (RPI) which would be 7.4% in Guernsey and 11.8% in Jersey over the same 3 year period. This suggests NEDs feel fees should have moved up since 2015. Likely due to increased time requirements, responsibilities and risk.

## Opinion on minimum fees varied significantly in 2018

For listed entities, NEDs suggested from £15,000 to £100,000. For unlisted entities, from £5,000 to £51,000, suggesting respondents may have been thinking of their specific positions, rather than generally.

# Total annual related remuneration



**In 2018, the mean annual remuneration was £180,281**

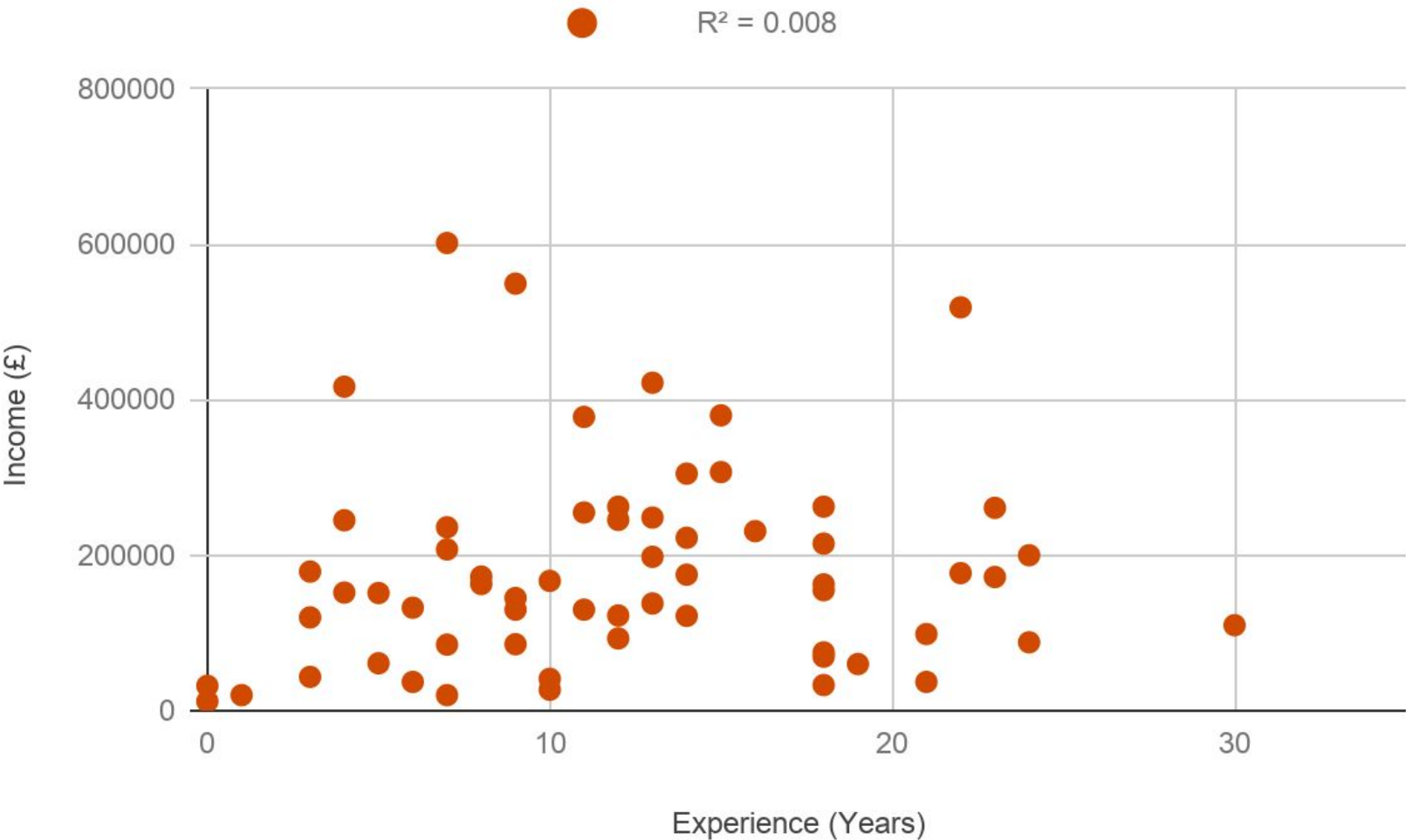
The median remuneration was £162,500.

In 2015, the mean annual remuneration was £142,301

The median remuneration was £95,000.

# Average total income by experience (2018)

This graph demonstrates the average total income has only a weak correlation to the number of years of experience for CI NEDs.



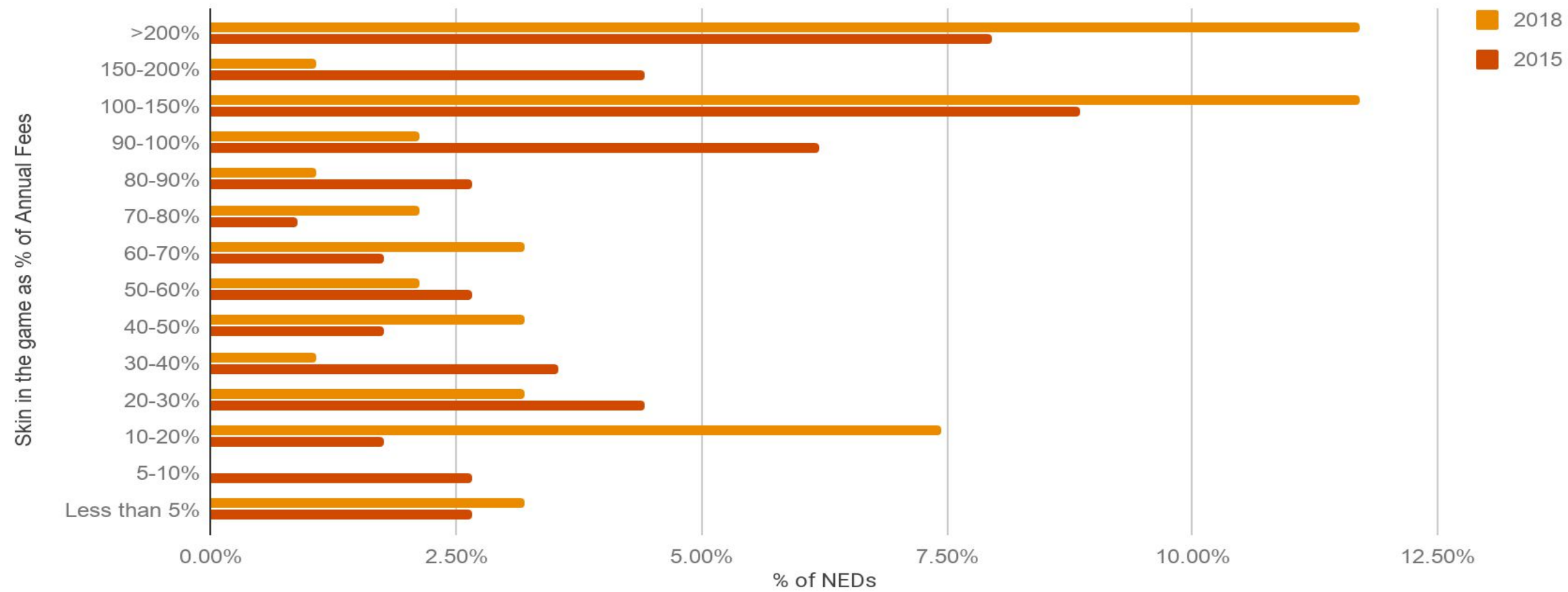
# 5

## Skin in the game



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

Personal financial interest is seen by some as a threat to independence and others as an alignment of interests. While almost 50% of NEDs had none (not shown for clarity).

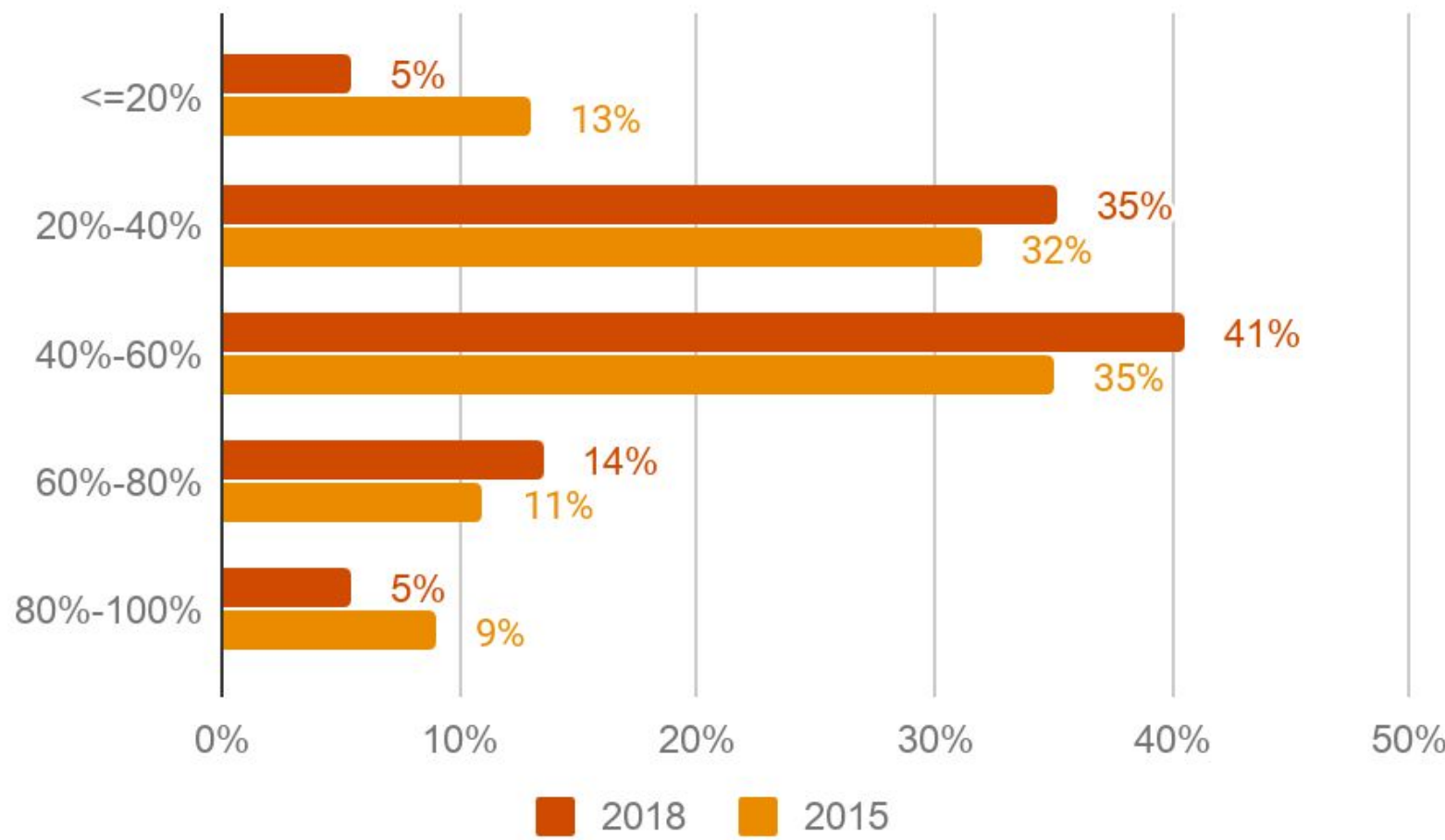




# Reliance on top 2 positions

Reliance on a small number of positions can be seen as a threat to objectivity. Clearly, however, a balance needs to be struck in order to meet the ever increasing time demands discussed previously..

Compounding the difficulty of analysing this data is the lack of information on other aspects of the NEDs financial situation. Meaning, we cannot infer how 50% of total NED remuneration relates to overall income.



41%

i.e. 41% of respondents' top 2 positions account for 40%-60% of their NED related income.

# 6

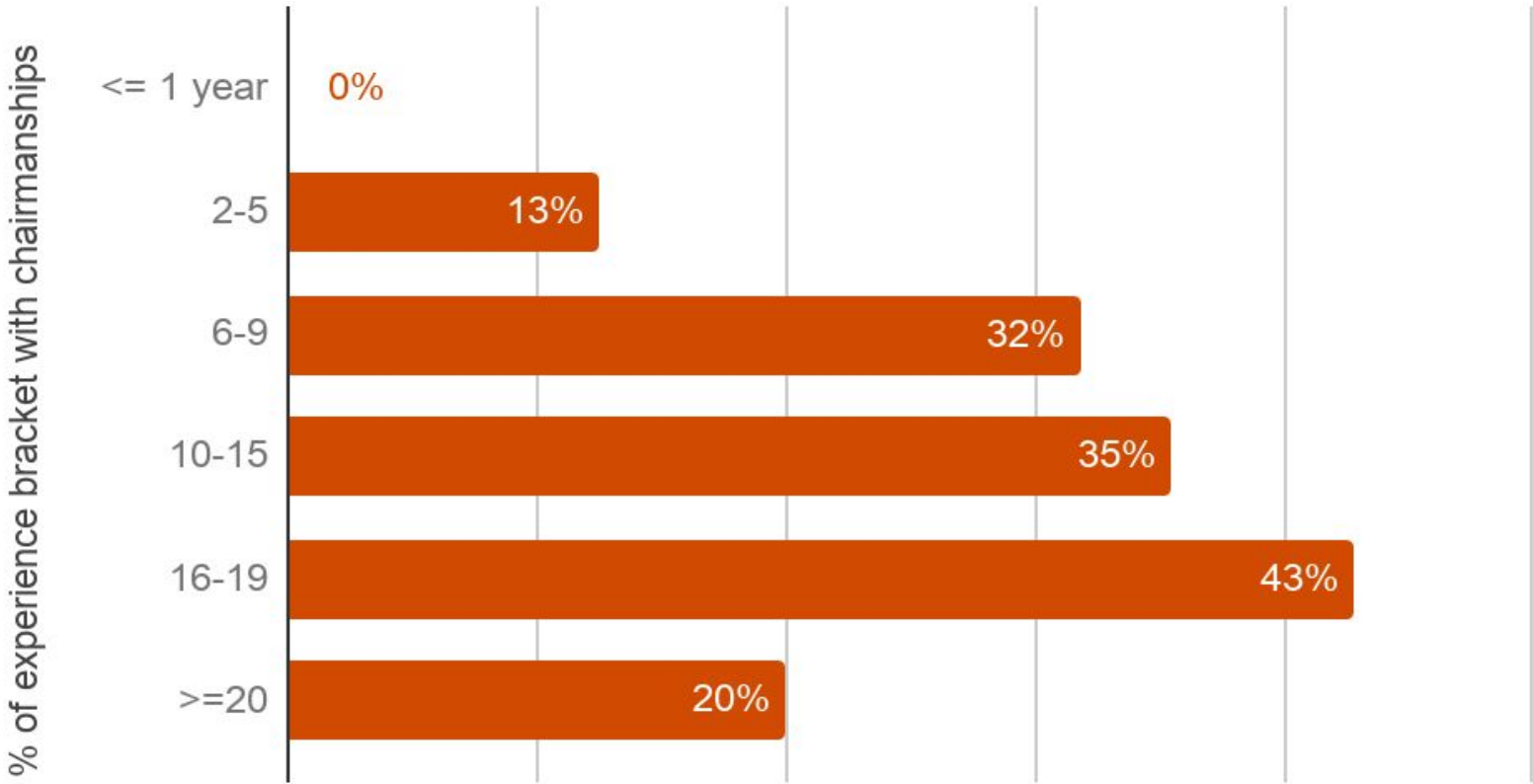
## Roles



# Board roles - Chairmanships



2018

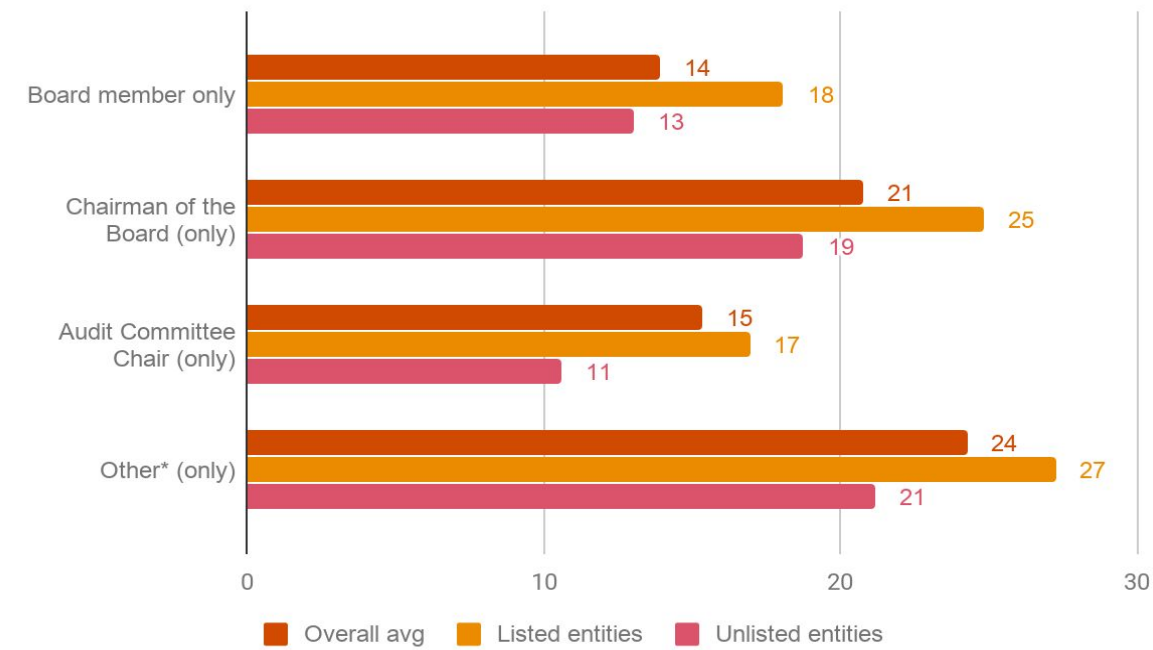


**Significantly less NEDs in each experience bracket held chairmanships in 2018 than 2015**

Unfortunately, we're not able to conclude on whether this is due to a change in demographics of Channel Island NEDs or respondents. The change from the most experienced NEDs holding the most and highest positions, to those with 10-20 years experience is a trend we see throughout these results.

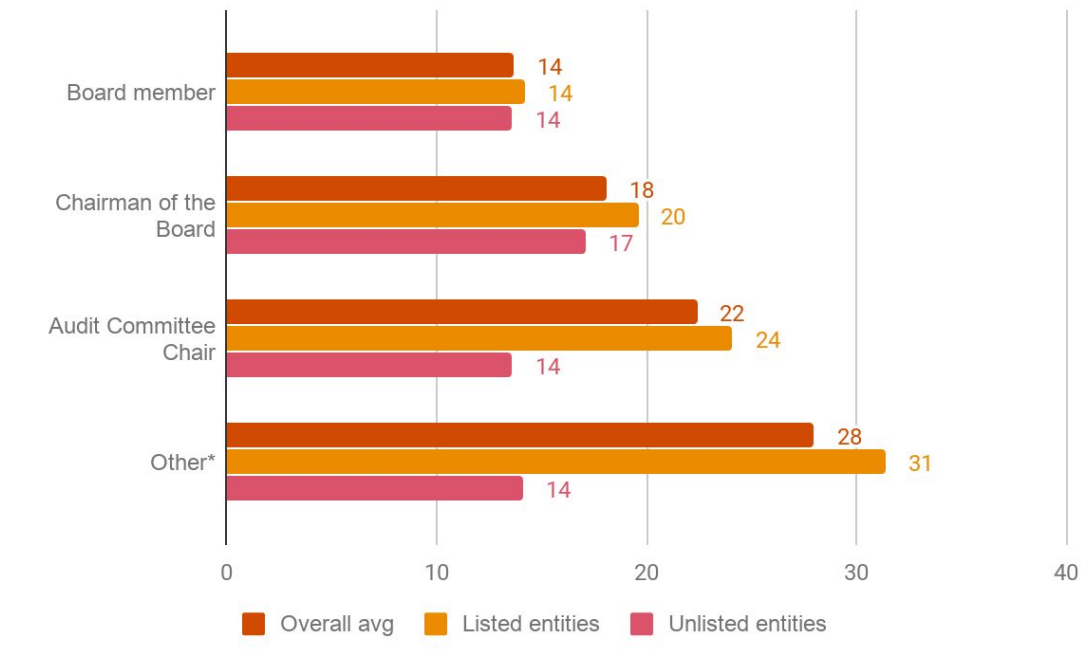
# Days worked role comparison - over time

2018 - Average work days per significant per entity by role



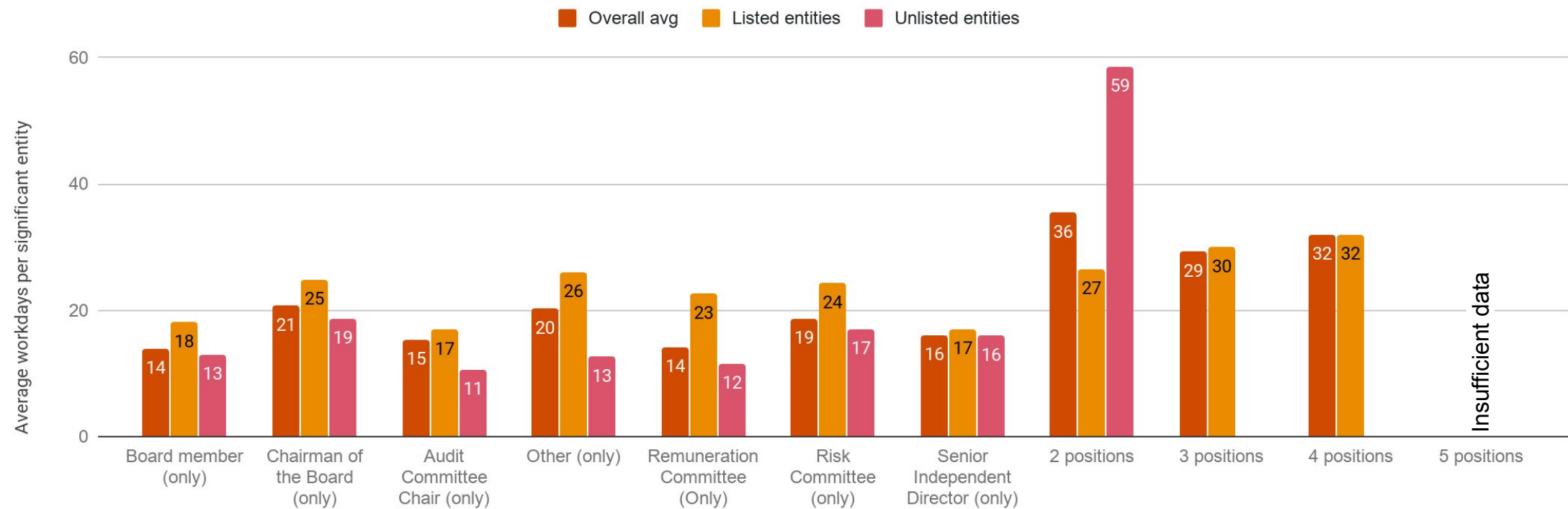
\* 'Other (only)\*' includes remuneration committee, risk committee, senior independent director, etc. These roles are aggregated to allow comparison to 2015

2015 - Average work days per significant per 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.

# Days worked role comparison

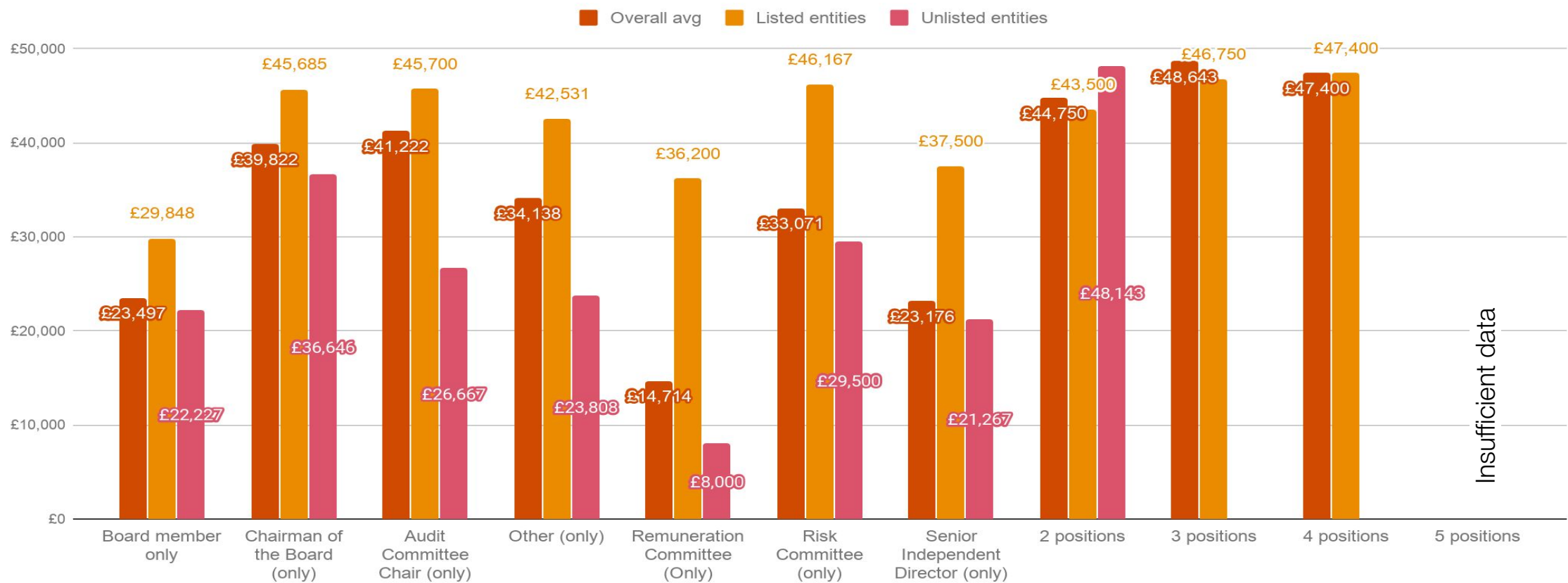


For entities where the NED only held 1 other position on the board, the graph above show the difference in time requirements between positions.

For entities where the NED only held more than 1 position on the board, it was not possible to examine the effects of position type. Effects of each additional position are shown above. Given position type does not appear to vary time requirements, this is unlikely to have affected these results.

# Board roles - Chairmanships

Role comparisons are presented by those who hold only one position on the board or by those who hold multiple.





# Appendix

## Remuneration and days worked by listing type

1. These graphs show remuneration and working requirements have remained relatively stable since 2015. With more stringent listing rules requiring more work and providing higher rewards

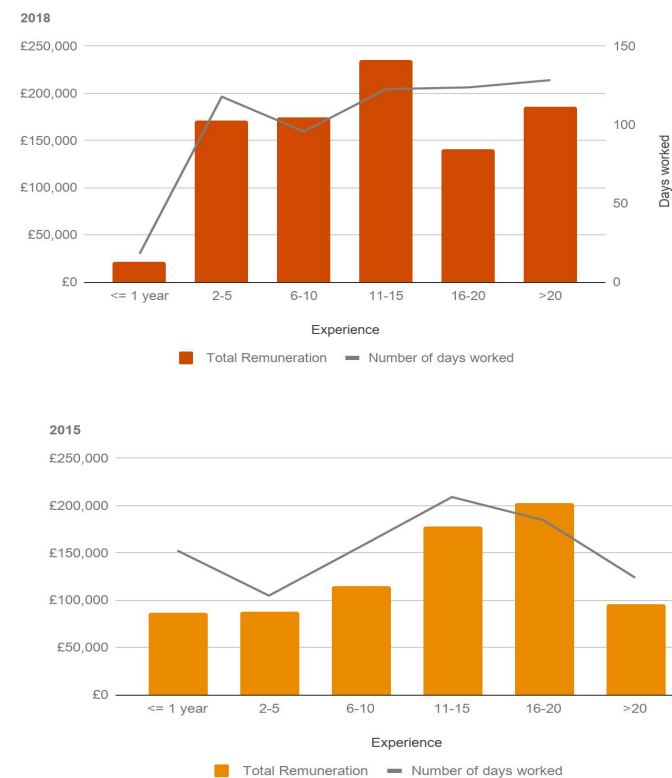


Non-executive Director Remuneration Survey 2018/2019

PwC

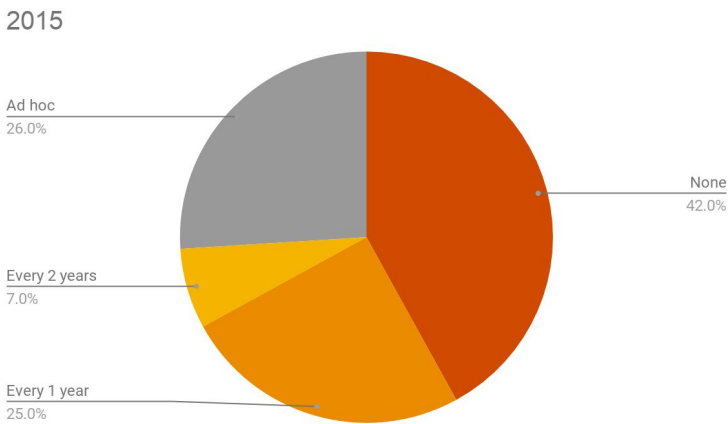
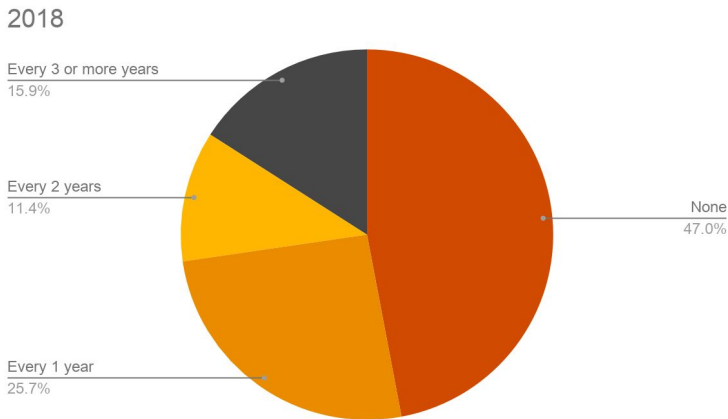
## Total annual remuneration and days worked by experience

2. These graphs show significant variation between 2015 and 2018. Showing time requirements have moved with remuneration across experience brackets



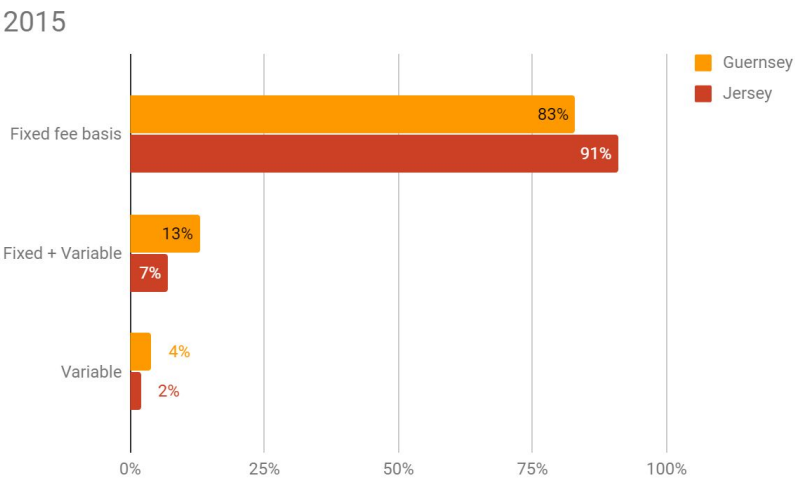
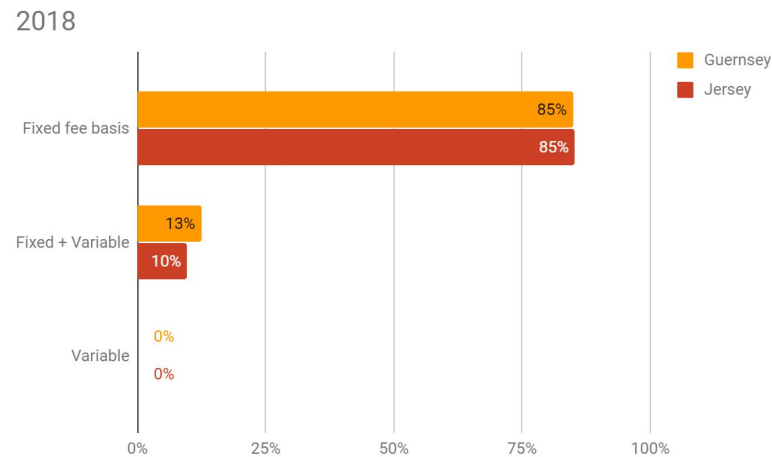
# Remuneration

## 3. Timing of fee reviews



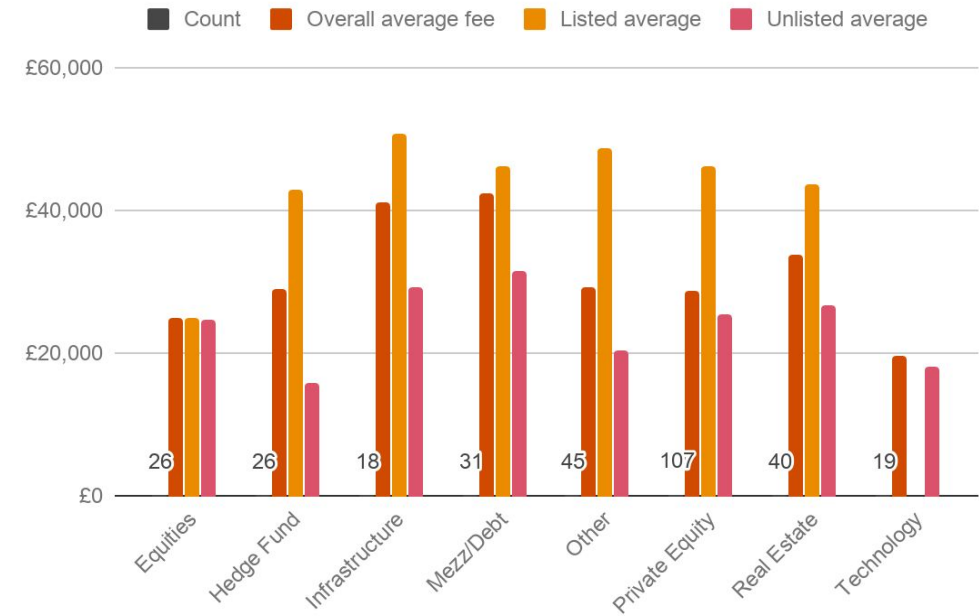
# Remuneration structure - fixed vs variable fee arrangements

## 4. In 2018, as in 2015, most arrangements are fixed across both islands



# Remuneration by industry

5. To maintain anonymity, only those industries where we collected more than 10 significant entities are included below

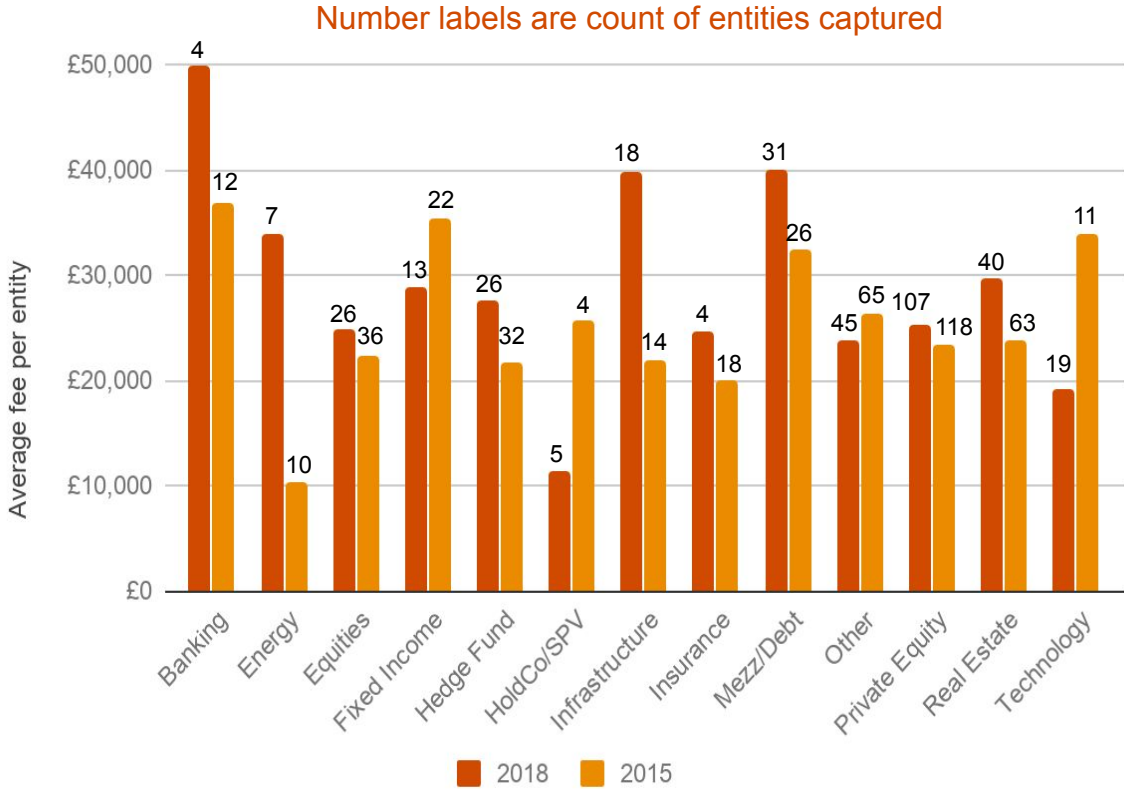


Industry	Count	Overall average fee	Listed average	Unlisted average
Equities	26	£24,865	£24,938	£24,750
Hedge Fund	26	£28,880	£42,917	£15,923
Infrastructure	18	£41,133	£50,740	£29,125
Mezz/Debt	31	£42,335	£46,083	£31,563
Other	45	£29,217	£48,808	£20,435
Private Equity	107	£28,783	£46,118	£25,472
Real Estate	40	£33,848	£43,553	£26,674
Technology	19	£19,500	-	£18,222

\*Technology listed average was excluded from this table as it contained only one respondent.

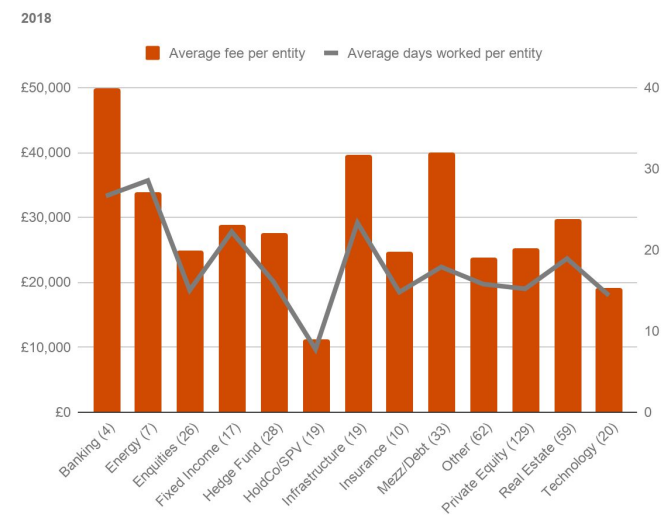
# Remuneration by industry - changes

6. Changes

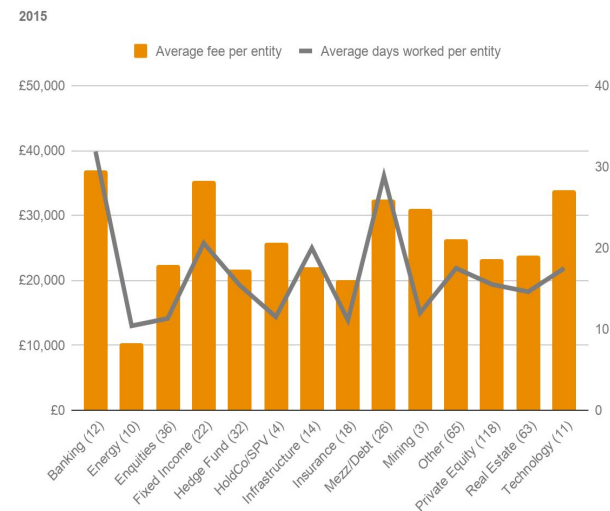


Mining is not included to maintain confidentiality as only one entity was captured.

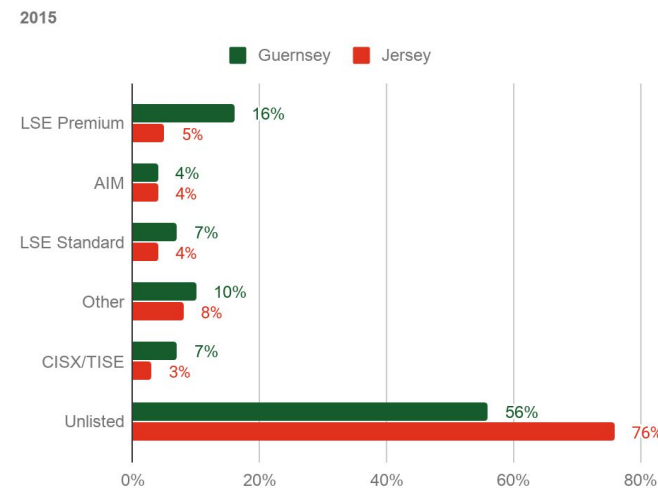
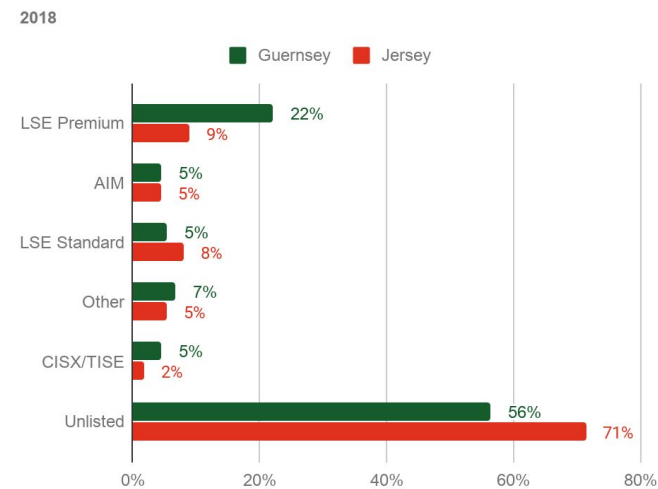
7. Remuneration versus time requirements by industry



Mining is not included in 2018 to maintain confidentiality as only one entity was captured.



8. Listing type split by Island



# Why are Boards not more diverse?

## Key statistics

- 30% of respondents felt that the Boards they sit on are not suitably diverse.
- 73% of those respondents saw Gender as the main area lacking diversity.
- Of those who said Gender, 36% believed that this lack of diversity was not being addressed.
- 64% of NEDs felt that there was an insufficient pool of local talent to tackle this lack of Gender diversity.

We asked the NEDS 'What would you say is the biggest blocker to achieving a suitably diverse Board?' and 5 key themes were identified.

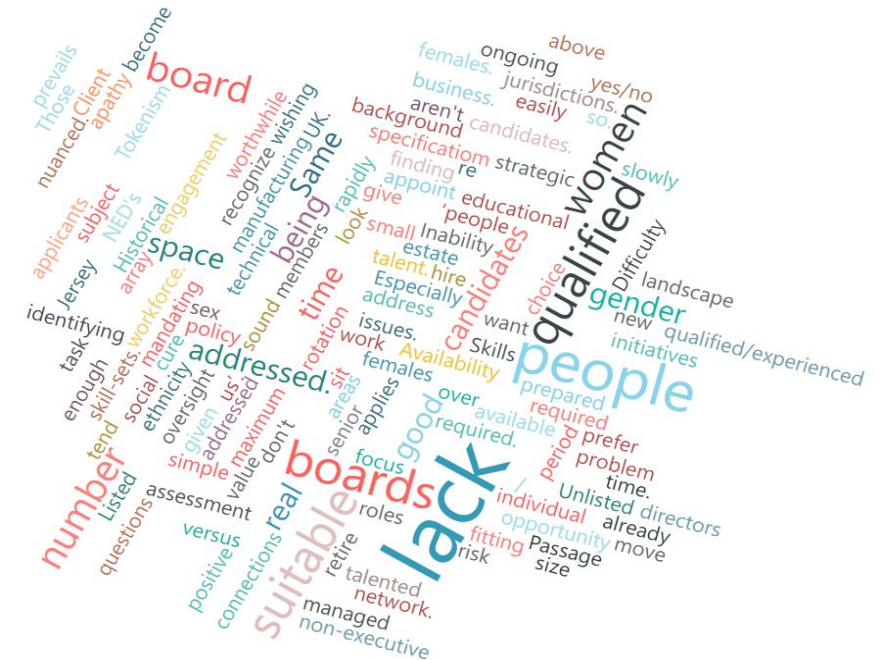
1 Experience

2 Slow replenishment

3 Lack of will

4 Availability

5 Engagement





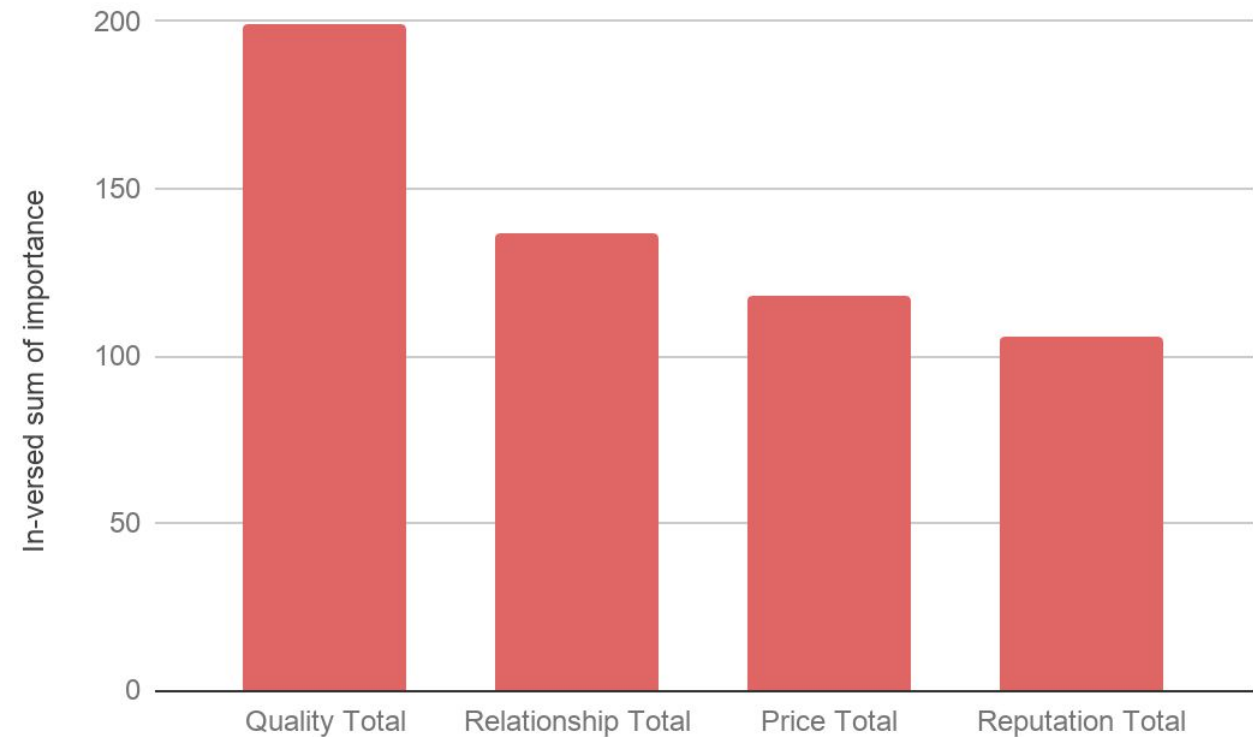


# What do NEDs seek most from an audit firm?

We asked NEDs what they valued most and what they would like more of from their auditors. The same themes emerged from the answers to both questions, indicating a consensus of what makes a good audit firm:

- Planning and timeliness
- Understanding the business
- Relationship & Communication
- Technical Capabilities
- Professionalism
- Proactiveness
- Value for money

It's pleasing to see that quality is top of the agenda for the NED community, aligned to our own action plan to provide greater focus on the quality and public interest responsibilities of PwC's audit services.



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# Thank you

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