

# 2022 CEO Value Index

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***Rem.n***  
Remuneration Associates

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# Foreword

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## Better late than never

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2022 offered the London Team which typically creates this unique CEO Value Index some unique challenges. Not only did we lose our Queen, we also saw several Prime Ministers moving out of No. 10, Downing Street. We also completed the complex transaction to acquire (as a team) the international operations of Pearl Meyer.

Remuneration Associates was formed from that buyout in June 2022, and we are very excited about the future.

## We have been busy!

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The creation of each year's Index requires the dedicated work of a selection of our highly experienced team and this year - as in every year of publication since 2012 - we had to fit in the work required to complete our analysis around our not inconsiderable client commitments.

As a result, this year's publication is coming to you at the very end of 2022, a few months after we would typically have made it available (or published it in The Sunday Times).

The great strength of the Index is that such a delay does not matter because of the remarkable consistency of our findings. The analysis is sufficiently robust that it offers the calibration needed by any Remuneration Committee, irrespective of their sector or the size of their company. In certain cases, where share values dramatically fell some months after the close of our chosen 4-year period (as was the case with Just Eat, for example) the conclusions drawn for a single company may appear 'out-of-date'. Importantly, that has no bearing on the value of the Index, which can be used in several important ways:

- As a benchmark to compare and contrast the performance calibration of senior executive incentive pay programmes – either in real time, historically or on a forward-looking basis. We have clients that have requested information to cover all such scenarios, and we would be happy to help you do the same;
- As a source of insight, based on a unique view of executive pay – each year the CEO Value Index offers the opportunity for unique analysis
- As an objective and unbiased historical record of the relationship between CEO pay and performance amongst the largest and most successful companies in the world

We look forward to hearing from you

**Simon Patterson**  
Managing Director  
Remuneration Associates

# Introduction

Published annually since 2012, the CEO Value Index aims to provide a unique insight into pay-for-performance. Our database allows us to understand how Remuneration Committees invest in their top executives, and the lessons learned – on pay levels, and performance levels.

*As a reminder:* the CEO Value Index measures how much value a CEO adds to a company for every pound or dollar they are paid. The Index is a sophisticated methodology, but simple to understand. It can easily be applied by Remuneration Committees to their own decision-making.

Total Remuneration and Total Value Added are calculated over a four year period. In the case of the 2022 Index that is from beginning 2018 through to the end of 2021. *(Note: The calculation only applies to those companies which have added value over the period)*

Over the following pages we take a brief look at some of this year's key findings. If you would like to learn more about the Index or request a tailored report for your company then please don't hesitate to get in touch with us at [info@remunerationassociates.com](mailto:info@remunerationassociates.com)

$$\begin{array}{c} \text{CHANGE IN MARKET CAP} + \text{REINVESTED DIVIDENDS} + \text{SHARE BUYBACKS} \\ \hline \downarrow \\ \text{TOTAL VALUE ADDED OVER 4 YEARS} \\ \hline \text{CEO VALUE INDEX} = \frac{\quad}{\text{TOTAL REMUNERATION OVER 4 YEARS}} \end{array}$$

*NOTE: All remuneration data is sourced from eReward Database and Annual reports, financial information from S&P Capital IQ*

# Introduction – 2022 CEO Value Index Top 10

The 2022 CEO Value Index reviewed the FTSE 350 companies as defined at 30<sup>th</sup> June 2021. Of those reviewed, 28% lost value over the period and 3% delivered more than £1,000 for every £1 paid to the CEO. The following table shows the top performers of the 2022 Index period, i.e. the companies with the highest CEO Value Index, ‘the best value CEOs’.

2022 RANK	COMPANY NAME	INDUSTRY SECTOR	2022 CEO VALUE INDEX	CHANGE IN INDEX	2021 CEO VALUE INDEX	COMMENTARY
1	Rio Tinto Group	Materials	2,610	↑	2,526	<ul style="list-style-type: none"> <li>Consistently in Top 10</li> <li>Top in 2022 Index due to high value add reflecting the surge in commodities in 2021.</li> </ul>
2	Just Eat Takeaway.com N.V.	Consumer Discretionary	2,588	NEW	—	<ul style="list-style-type: none"> <li>New Entrant - first year with 4 years of CEO Remuneration details</li> <li>Over 5x increase in Market Cap over 4 years</li> </ul>
3	BHP Group Limited	Materials	1,662	↓	2,179	<ul style="list-style-type: none"> <li>Consistently in the Top 10.</li> <li>Lower Index due to impact of CEO Remuneration of new CEO in Jan 2020.</li> <li>Previously dual listed – now only on ASX</li> </ul>
4	London Stock Exchange Group plc	Financials	1,567	↑	1,234	<ul style="list-style-type: none"> <li>Frequently in the Top 10</li> <li>Currently in growth by acquisition (TORA, Acadia)</li> </ul>
5	AstraZeneca PLC	Health Care	1,454	↑	1,096	<ul style="list-style-type: none"> <li>Consistently in the Top 10</li> <li>Continued impact of success during Pandemic - benefitting from the inadvertent global ‘PR Campaign’ of being an early Covid-19 vaccine developer?</li> <li>Reported that diminishing returns on Covid-19 related products with increase in revenue attributed to other new treatments</li> </ul>
6	Diageo plc	Consumer Staples	1,434	↑	915	<ul style="list-style-type: none"> <li>Consistently in the Top 10</li> <li>Increase in revenue and Market Cap during Covid-19</li> </ul>
7	Admiral Group plc	Financials	1,198	↓	2,707	<ul style="list-style-type: none"> <li>Consistently in the Top 10 of the CEO Index.</li> <li>Lower Index due to impact of CEO Remuneration of new CEO in Jan 2021.</li> </ul>
8	Melrose Industries PLC	Industrials	1,002	↑	93	<ul style="list-style-type: none"> <li>Increase in Index due to a significantly large LTI paid in 2017 no longer included in rolling 4 year CEO Remuneration.</li> </ul>
9	Kainos Group plc	Information Technology	967	↑	755	<ul style="list-style-type: none"> <li>Only company from the FTSE 250.</li> <li>In high growth phase - maintained 42% returns on capital over past 5 years</li> </ul>
10	Ashtead Group plc	Industrials	929	↑	452	<ul style="list-style-type: none"> <li>Market Cap doubled over the 4 years.</li> <li>Continued growth – currently 26% increase in Revenue in first half of year.</li> </ul>

NOTE: Companies missing from the 2022 Top 10: Polymetal International plc (#11) and GSK plc (#12).

# Which Companies are included in the CEO Value Index

Not all listed companies are eligible for the CEO Value Index (see exclusion list below).

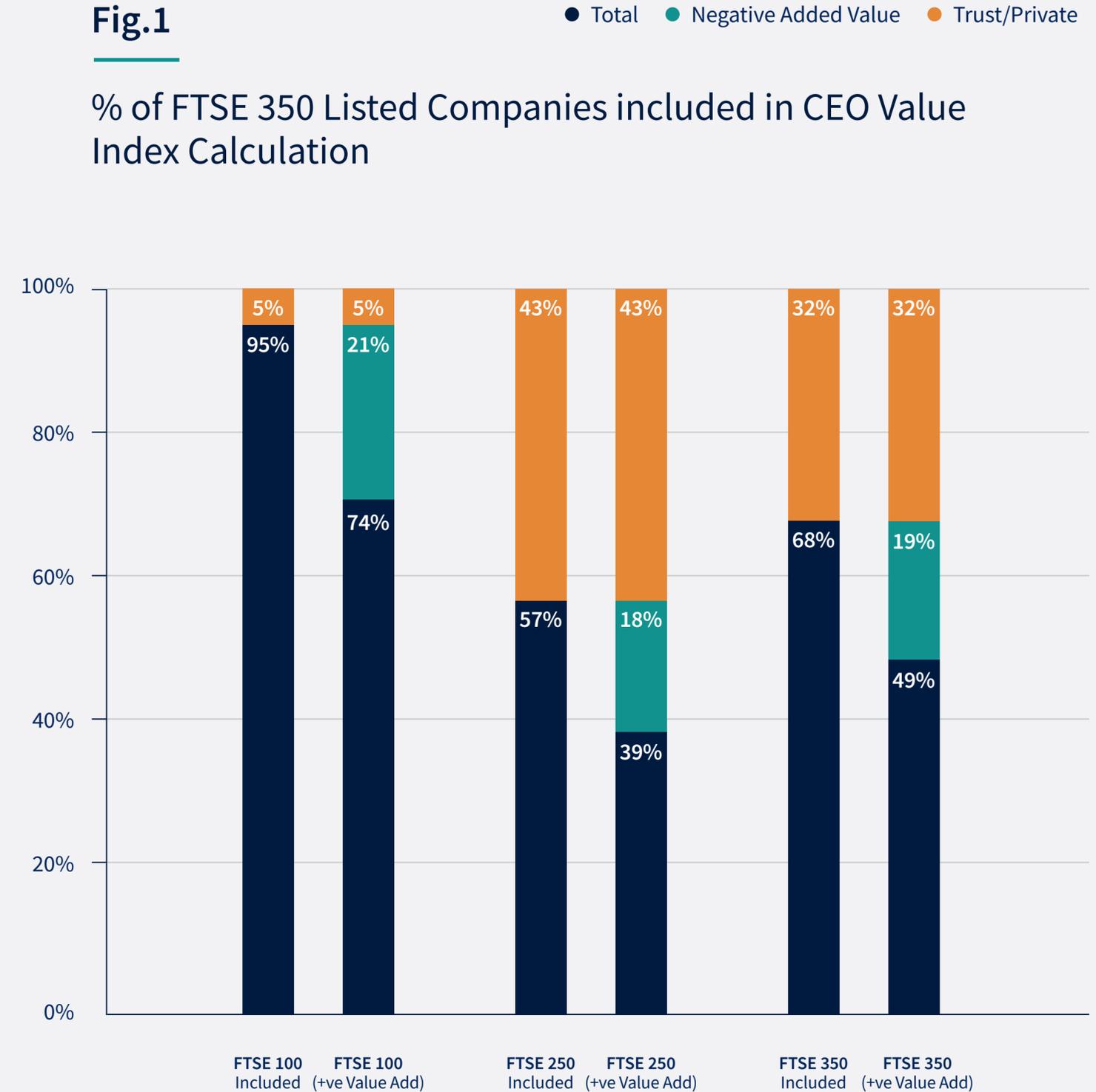
As shown in the graph opposite [Fig.1] 95% of FTSE 100 and 57% of the FTSE 250 were included in the CEO Value Index calculation (238). Of this number, 28% (66) had a negative Value Add. Therefore, a total of 49% of the FTSE 350 (172) companies, were included in the CEO Value Index rankings and analysis.

**EXCLUSIONS:**

The CEO Value Index cannot be calculated for companies if they are a Trust, recently Private, recently acquired, newly public (less than 4 years) and/or have no publicly disclosed CEO remuneration data.

**Fig.1**

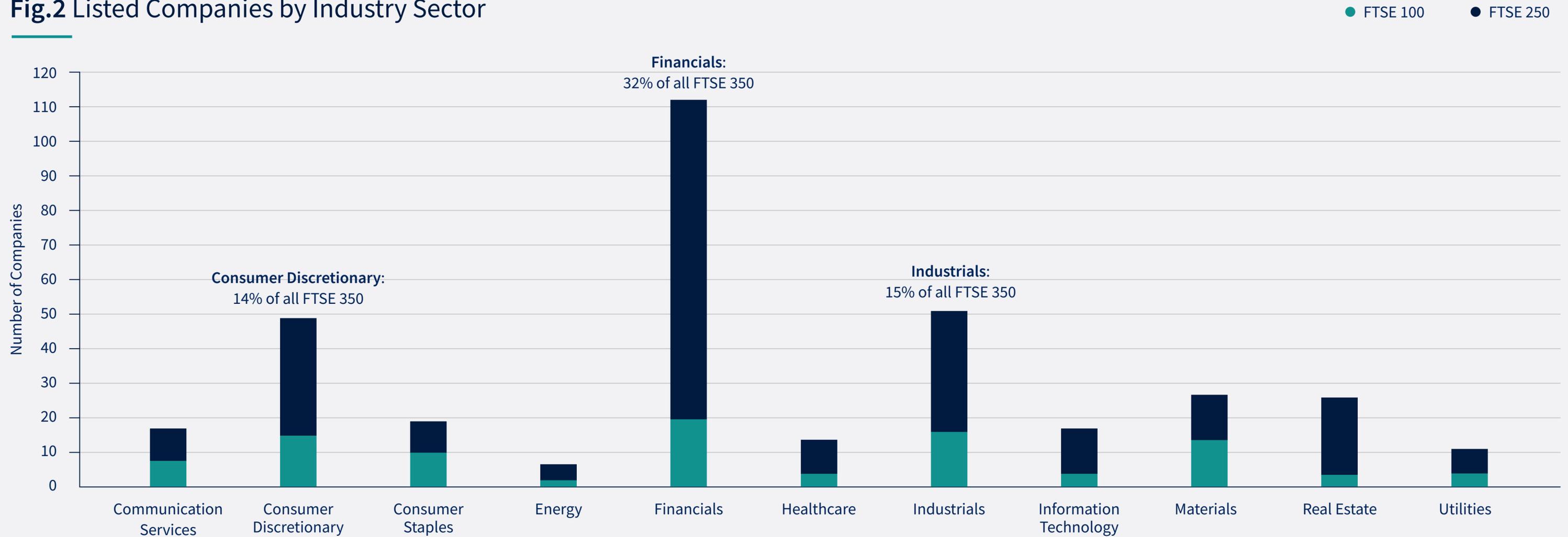
% of FTSE 350 Listed Companies included in CEO Value Index Calculation



# Listed Companies by Industry Sector

The graphs on the following two pages show the split of the FTSE 350 by Industry [Fig. 2] and also the proportion of companies within each sector that are excluded from the CEO Value Index as well as those who have negative Value Add (and hence no Index score) [Fig.3]. The top Sectors represented within the FTSE 350 are Financials, Industrials and Consumer Discretionary.

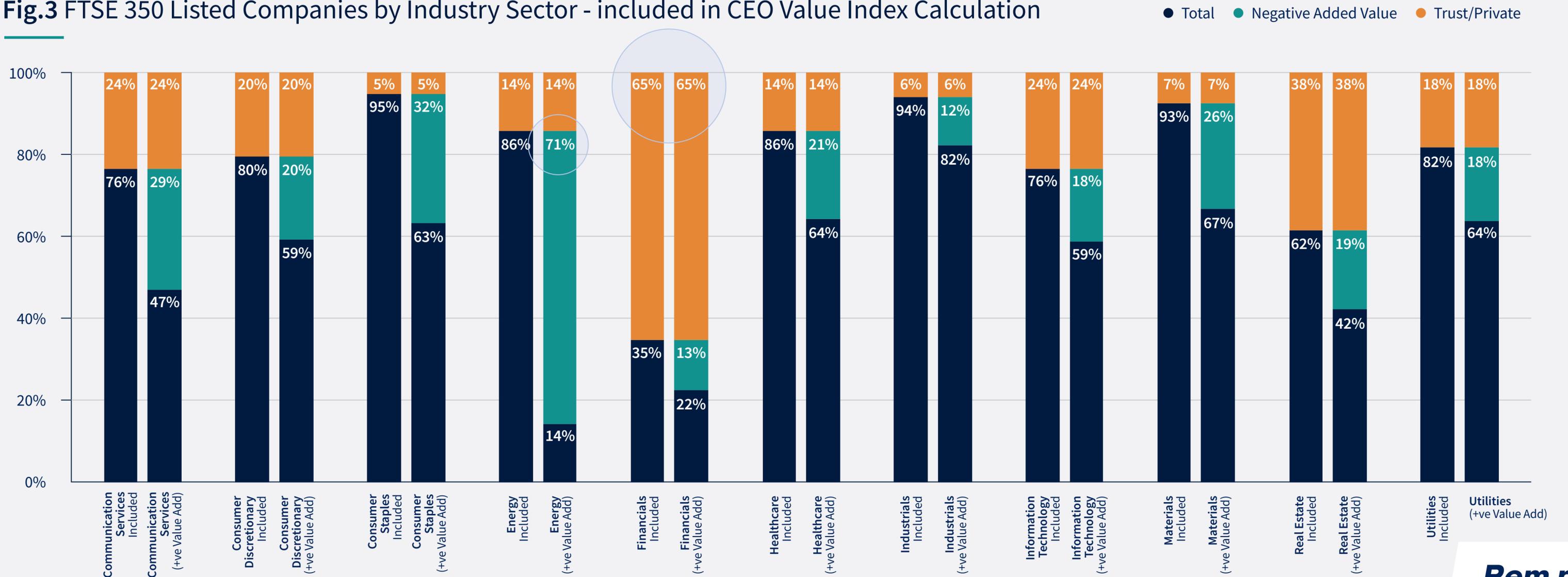
**Fig.2** Listed Companies by Industry Sector



# Listed Companies by Industry Sector (continued)

It is interesting to note that although Financials is by far the largest Industry sector [Fig.2] within the FTSE 350 (32%) – FTSE 100 (20%), FTSE 250 (37%) – it also has the largest proportion (65%) of companies excluded from the CEO Value Index calculation with the majority being Trusts (56%) [Fig.3]. Also, 71% of all the Energy companies had negative Value Add.

**Fig.3 FTSE 350 Listed Companies by Industry Sector - included in CEO Value Index Calculation**

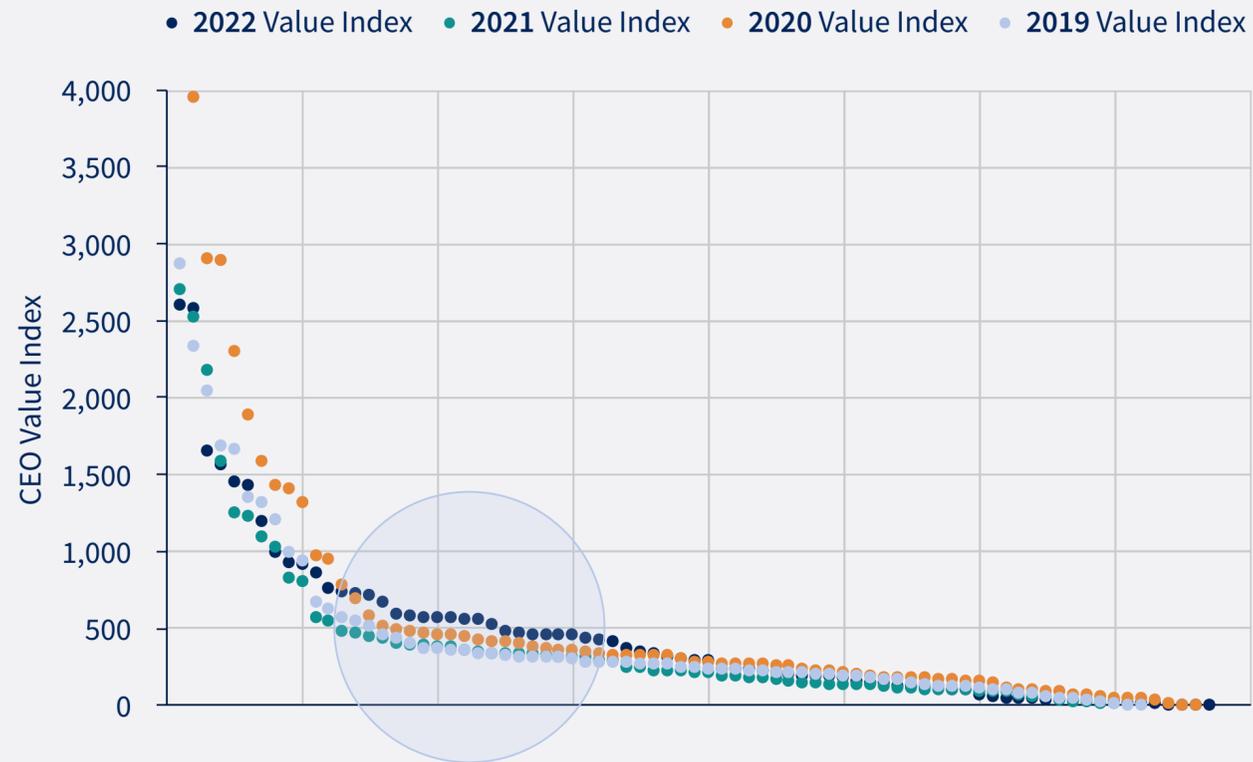


# 2022 CEO Value Index - FTSE 100

The graph below [Fig.4] shows the Value Index scores of all the FTSE 100 companies included in the last four cycles of the CEO Value Index.

It is noted that although the 2022 Index has decreased at the top, the mid-pack companies have performed well [Fig. 4] and so the median is relatively consistent over the past 5 years. [Fig. 5] Therefore, this demonstrates more companies in the FTSE 100, are doing better in delivering value to shareholders as a whole than have done so in the past.

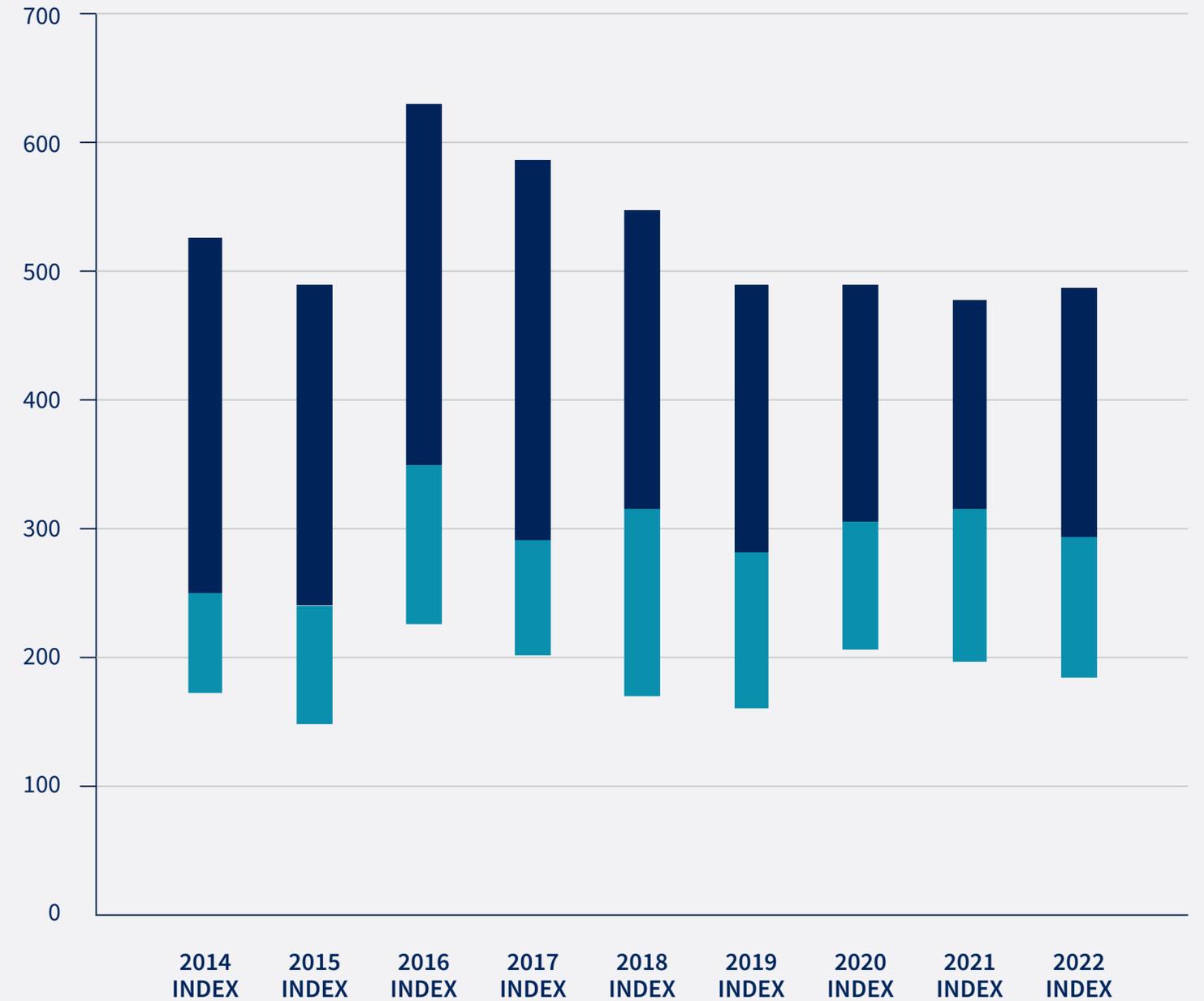
**Fig.4 FTSE 100 CEO Value Index**



**Fig.5**

FTSE 100 CEO Value Index: Quartile Analysis

KEY  
 Upper Quartile  
 Median  
 Lower Quartile



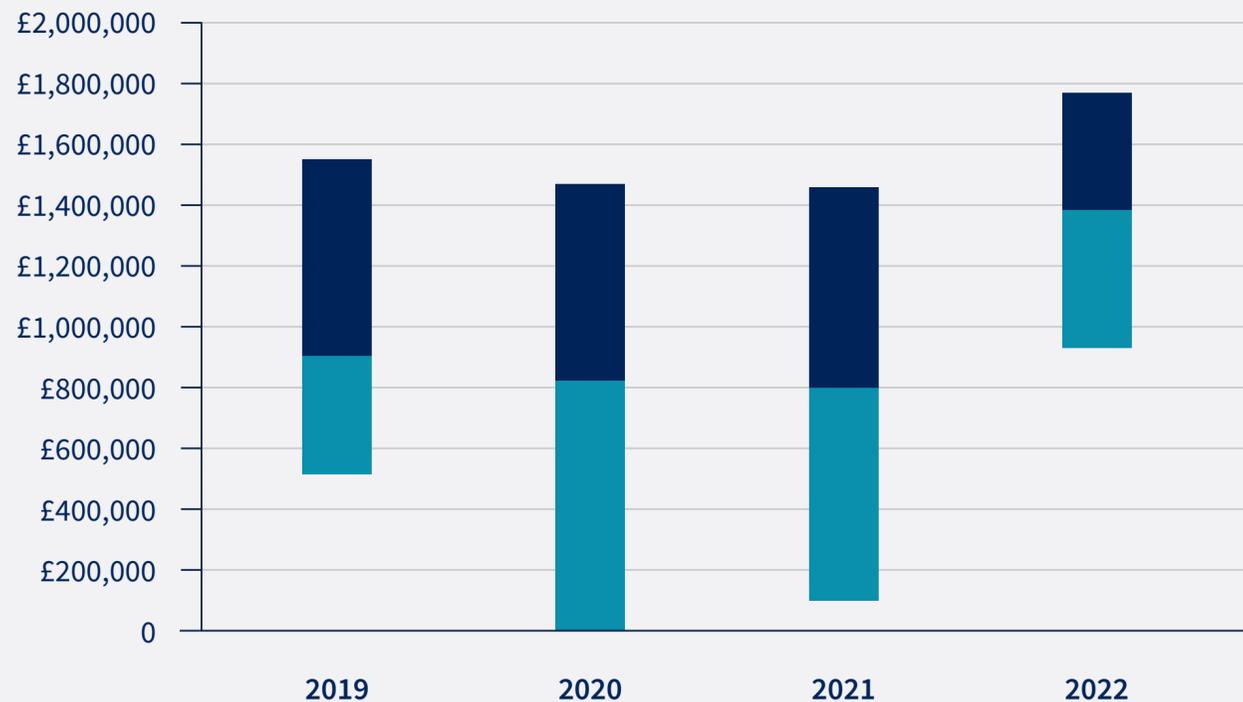
# A closer look at pay in FTSE 100

KEY  
— Upper Quartile  
— Median  
— Lower Quartile

## Short-Term Incentives

Over the past 3 prior years, pay-outs under FTSE 100 short-term incentive schemes have remained remarkably consistent. However, for 2022, the median STI pay-out has increased by 55% above 2019. This can at least in part be attributed to the knock-on Covid-impact of lowered performance measures and therefore, although many CEOs took reductions in base pay and STI over 2020 and 2021, they are now recipients of windfall STI payments.

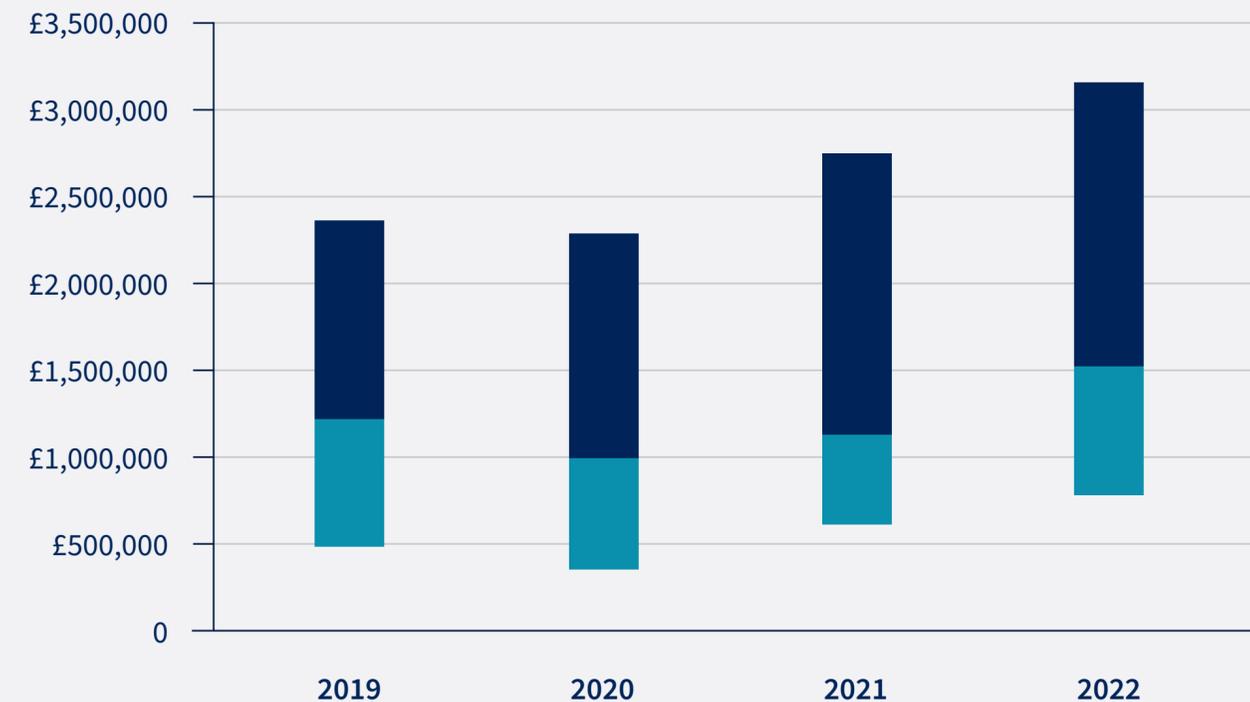
## Short-Term Incentive Pay-Outs For FTSE 100 Over The Last 4 Years



## Long-Term Incentives

Pay-outs under long-term incentive schemes have also increased but to a lesser extent – the expectation being that this steady increase will continue in the next few years as the LTIs awarded during 2019-2021, vest/pay-out in the future.

## LTI Vested Awards for FTSE 100 over the last 4 years



# FTSE 100 Remuneration Breakdown

Looking at pay more recently, we can start to see companies recovering from COVID-19.

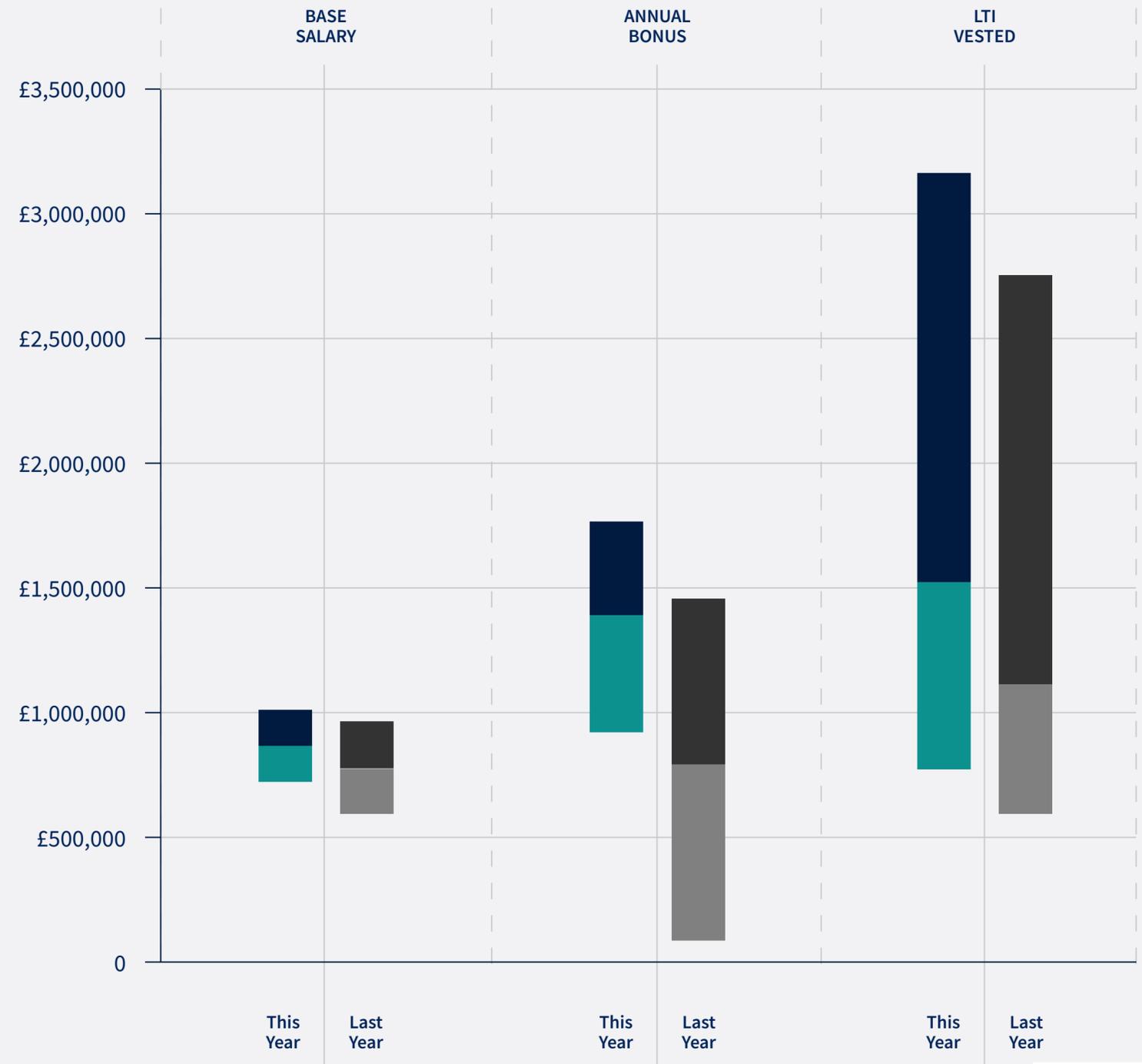
Whilst base salaries have remained relatively flat, annual bonus and long-term incentive plan pay-outs in the most recent year are significantly up from the previous year (potential suggesting windfall gains).

This in turn has had a knock-on effect, increasing total remuneration for executives.

**KEY**

- Upper Quartile
- Median
- Lower Quartile

FTSE 100 Remuneration Breakdown for 2021 and 2022



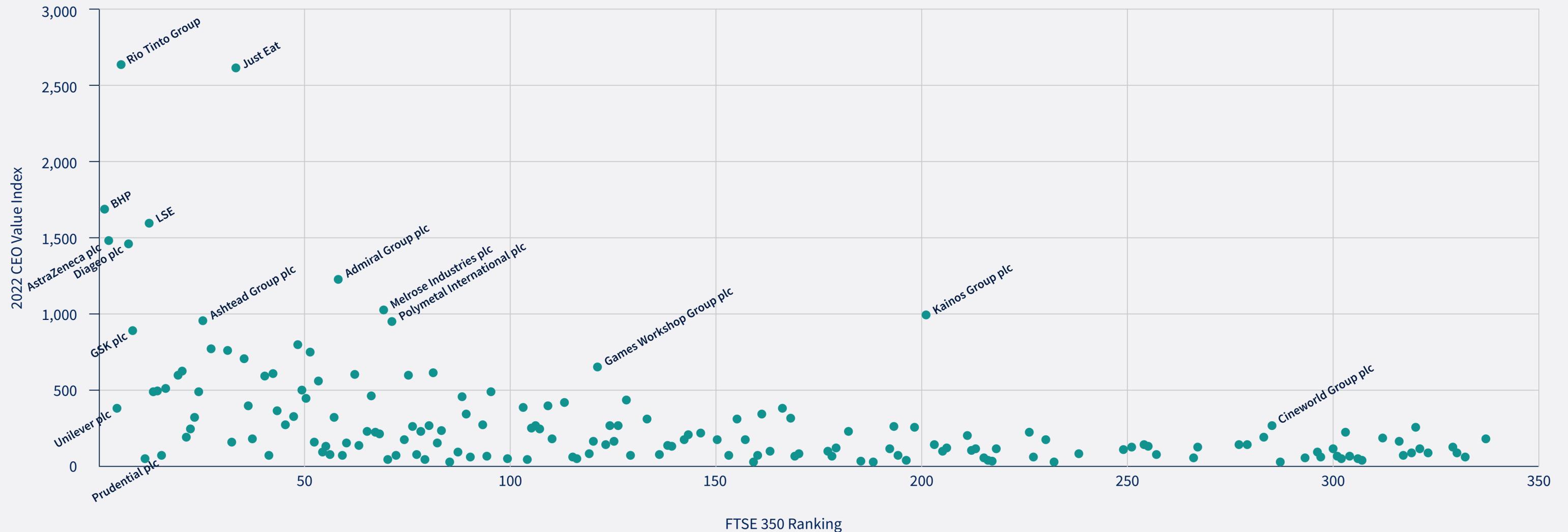
# Summary: Breakdown of 2022 CEO Value Index by FTSE Rank

		FTSE 30	FTSE 31-100	FTSE 101-150	FTSE 151-350
<b>CEO Value Index</b>  <i>£ of value to all shareholders for every £1 of CEO take home pay</i>	Upper Quartile	£1,055	£520	£242	£143
	Median	£529	£236	£151	£77
	Lower Quartile	£341	£105	£108	£39
<b>Median 4-Year Total Remuneration (£m)</b>	Upper Quartile	£32.6m	£14.7m	£11.5m	£8.6m
	Median	£23.7m	£11.6m	£9.3m	£6.4m
	Lower Quartile	£20.0m	£9.0m	£7.3m	£4.3m

NOTE: Excludes any companies with negative Value Add and hence negative CEO Value Index.

# Summary: Breakdown of 2022 CEO Value Index by FTSE Rank

## 2022 CEO Value Index - by FTSE 350 ranking



NOTE: Excludes any companies with negative Value Add and hence negative CEO Value Index.

# Summary of our findings

1

**The largest companies (by market capitalisation) tend to exhibit high Index outcomes (see page 12)...**

...2022 has demonstrated a few notable exceptions – smaller companies delivering excellent ‘value-for-money’

2

**The Index shows remarkable consistency (see page 8) – allowing Remuneration Committee Chairs to calibrate programmes over time, between sectors and between companies of differing sizes...**

...but in 2022, the collective performance of all – in terms of ‘value for money’, as shown by the Index – has slipped back at the top end, but performed well within the ‘mid-pack’

3

**CEOs in larger companies are worth more to their shareholders, pound-for-pound of CEO pay, than CEOs in smaller companies (see page 24)**

4

**The CEO Value Index performance varies significantly from sector to sector (see page 33)**

...and shareholders in energy companies have experienced more downside than others (see page 32)

# More detailed findings from our 2022 report

Value Added

Remuneration

Myths

Sector Analysis

# Value Added

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# How we calculate Total Value Added

$$\begin{array}{ccccccc} \text{CHANGE IN} & & \text{REINVESTED} & & \text{SHARE} & & \text{TOTAL} \\ \text{MARKET CAP} & + & \text{DIVIDENDS} & + & \text{BUYBACKS} & \longrightarrow & \text{VALUE ADDED} \\ & & & & & & \text{OVER 4 YEARS} \end{array}$$

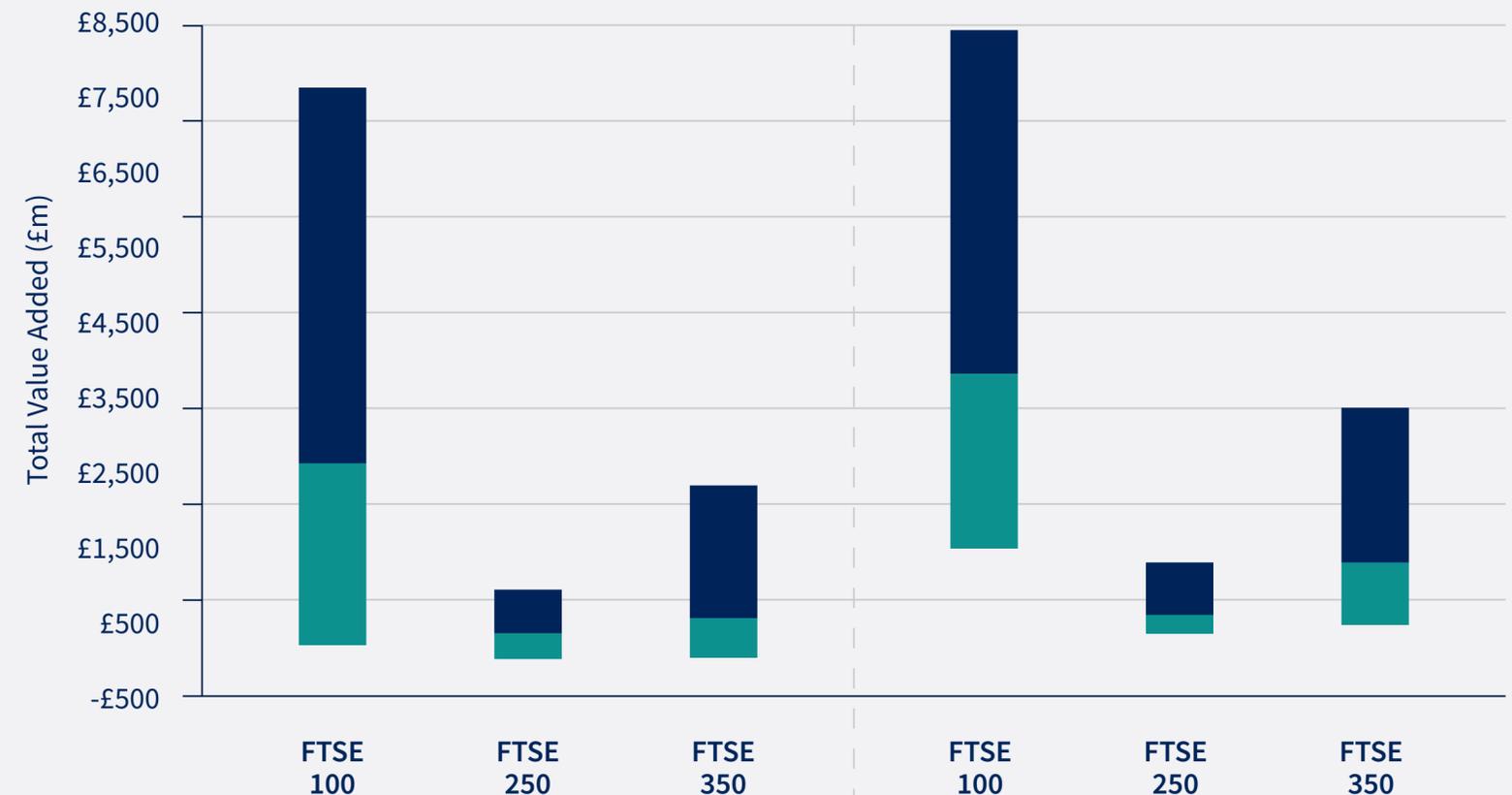
# Median total value added for FTSE 350 companies

As expected, the FTSE 100 median Value Add is considerably above that of the smaller FTSE 250 companies. Notably shows amount of Value Add loss across the FTSE 350, specifically within the FTSE 100 companies.

## KEY

- Upper Quartile
- Median
- Lower Quartile

### Total Value Added by FTSE listing (including and excluding negative values)



	Including Negative Values			Excluding Negative Values		
	FTSE 100	FTSE 250	FTSE 350	FTSE 100	FTSE 250	FTSE 350
UPPER QUARTILE (£m)	£7,688	£913	£2,337	£8,442	£1,303	£3,363
MEDIAN (£m)	£2,635	£351	£546	£3,830	£588	£1,275
LOWER QUARTILE (£m)	£166	-£120	-£78	£1,483	£333	£439

# Value Add Components

This graph demonstrates the impact of each of the 3 components that constitute the Value Add.

We have looked back 10 years – since the first CEO Value Index - and interesting observations are the 30% increase in value add and the increase in proportion attributed by the change in Market Cap. In real terms, this means the change in Market Cap value in 2022 is over twice the value ‘created’ in 2012.

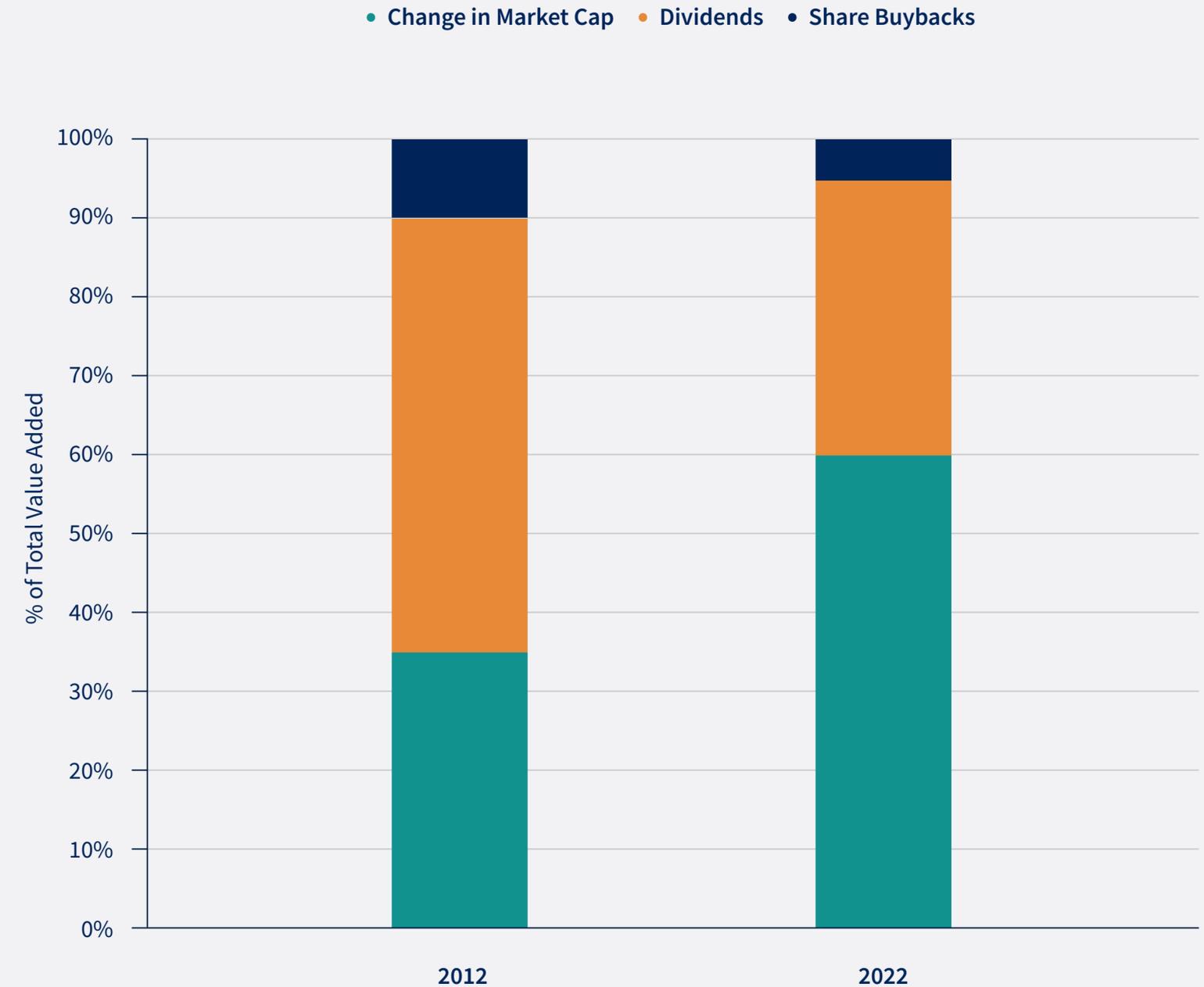
Total value added comprises three elements:

- Change in Market Cap, which reflects share price appreciation or depreciation
- Reinvested dividends
- Share buybacks

## TOTAL VALUE ADDED

2012 = £483bn | 2022 = £620bn

## Components of Value Add - FTSE 100



# Remuneration

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# How we calculate Total Remuneration

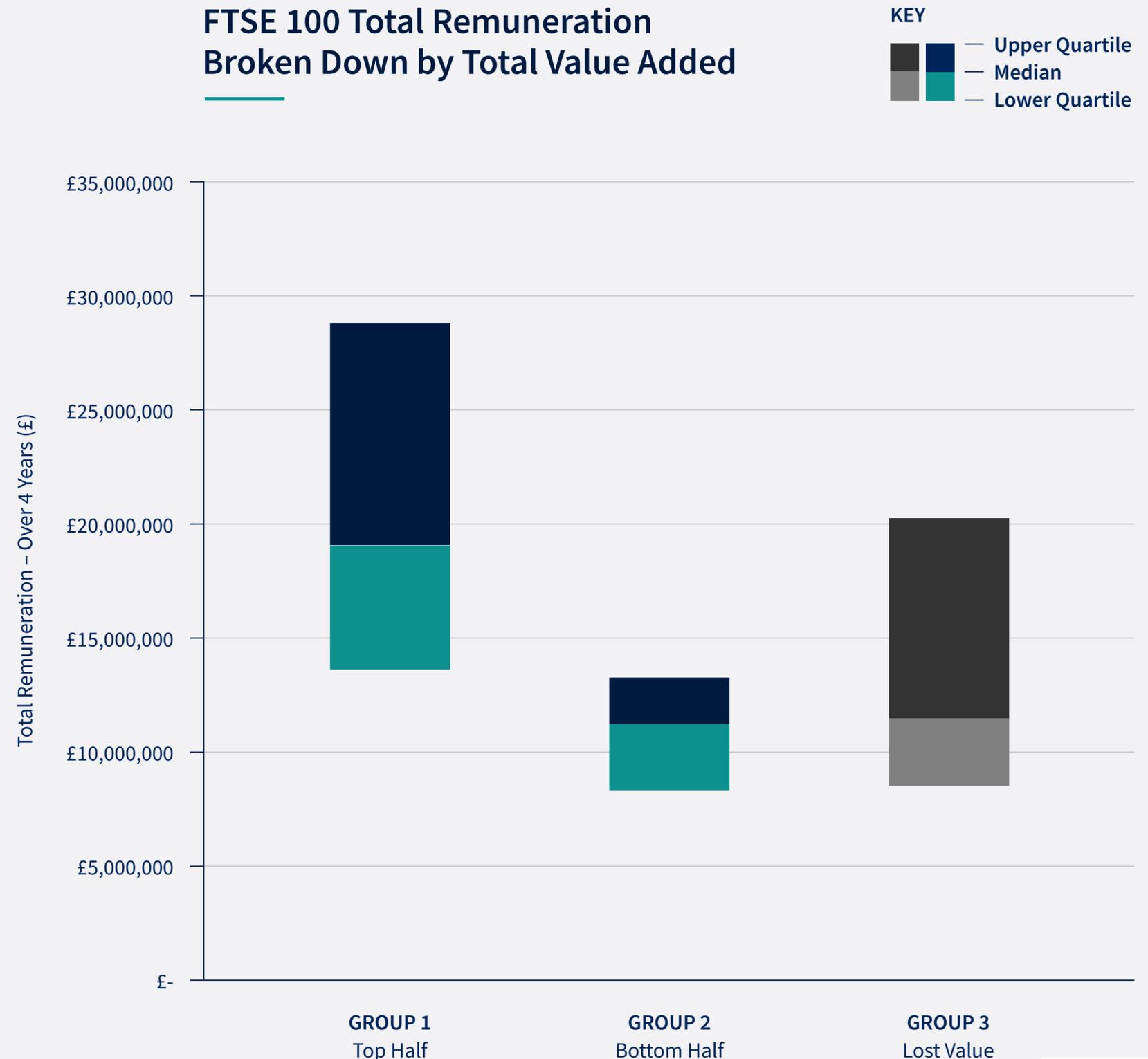


# How does the Remuneration of CEOs in Companies that lost value compare?

The graph opposite highlights the magnitude of pay being awarded at those companies that have lost value over the four-year period.

The graph splits the FTSE 100 into three groups. Groups 1 and 2 divides those companies that added value, with Group 1 being comprised of those companies that added the most value, and Group 2 those that added the least value. Group 3 is comprised of those companies that lost value over the period. The graph below sets out the remuneration paid to each of these three groups.

As we have found in previous years, unsurprisingly, Group 1 companies have the highest total remuneration at upper quartile. However, it is notable that Group 3 companies who lost value for shareholders over the period are paid the same as Group 2 companies and, at upper quartile they're on a par with the median of those companies that added the most value.



## ONE YEAR VIEW

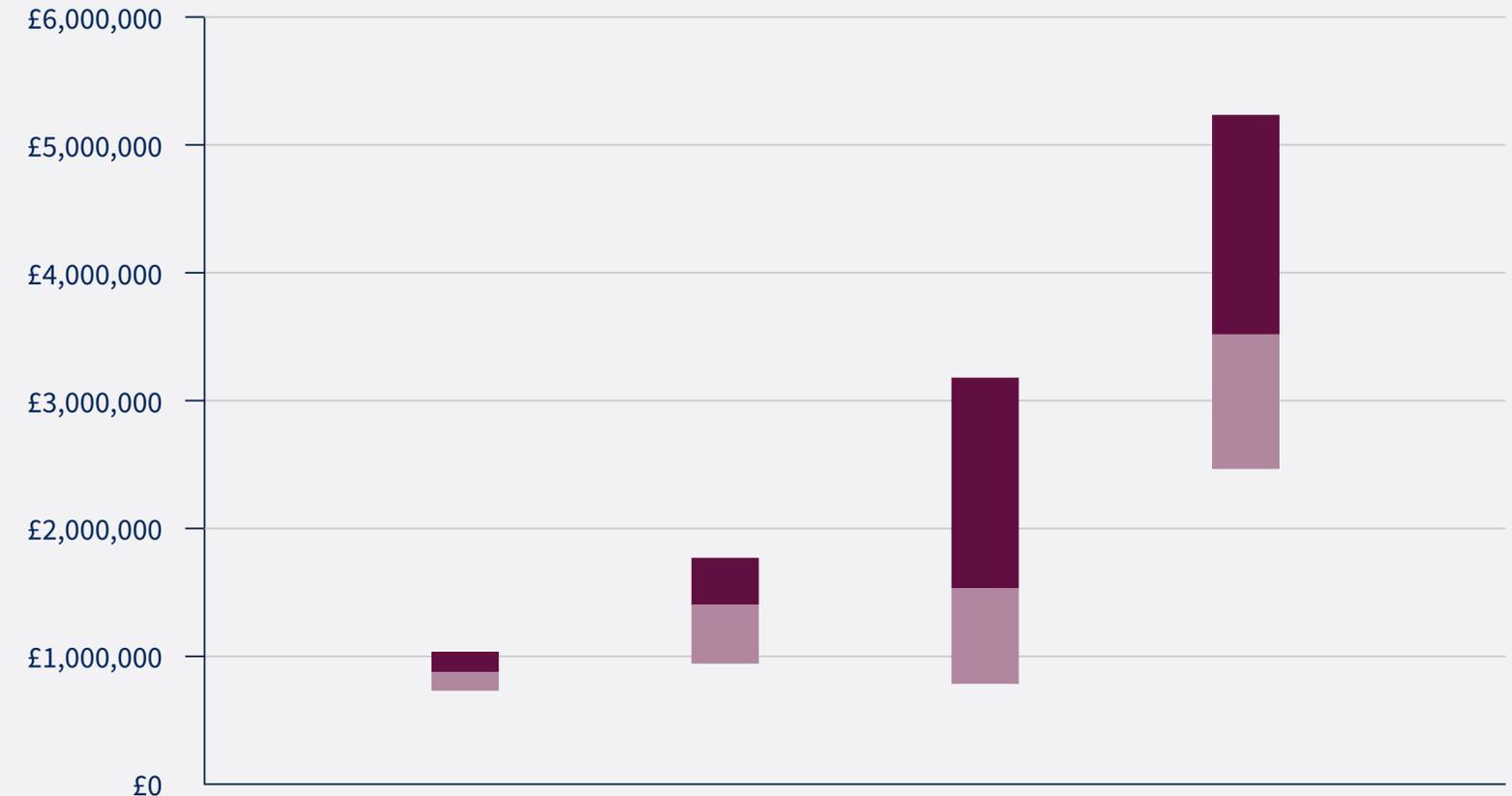
# Components of pay in FTSE 100... LTIs are by far the largest component of pay

This chart breaks up the Total Remuneration for FTSE 100 CEOs into its elements (excluding one off payments) for 2022 Index period.

### KEY

- Upper Quartile
- Median
- Lower Quartile

## Breakdown of Total Remuneration by FTSE 100 for 2022



	Base Salary	Annual Bonus	LTI Vesting	Total Remuneration
UPPER QUARTILE	£1,013,000	£1,765,000	£3,166,101	£5,216,000
MEDIAN	£862,149	£1,388,000	£1,521,000	£3,504,000
LOWER QUARTILE	£721,000	£919,290	£772,221	£2,453,000

## ONE YEAR VIEW

# Components of pay in FTSE 250...

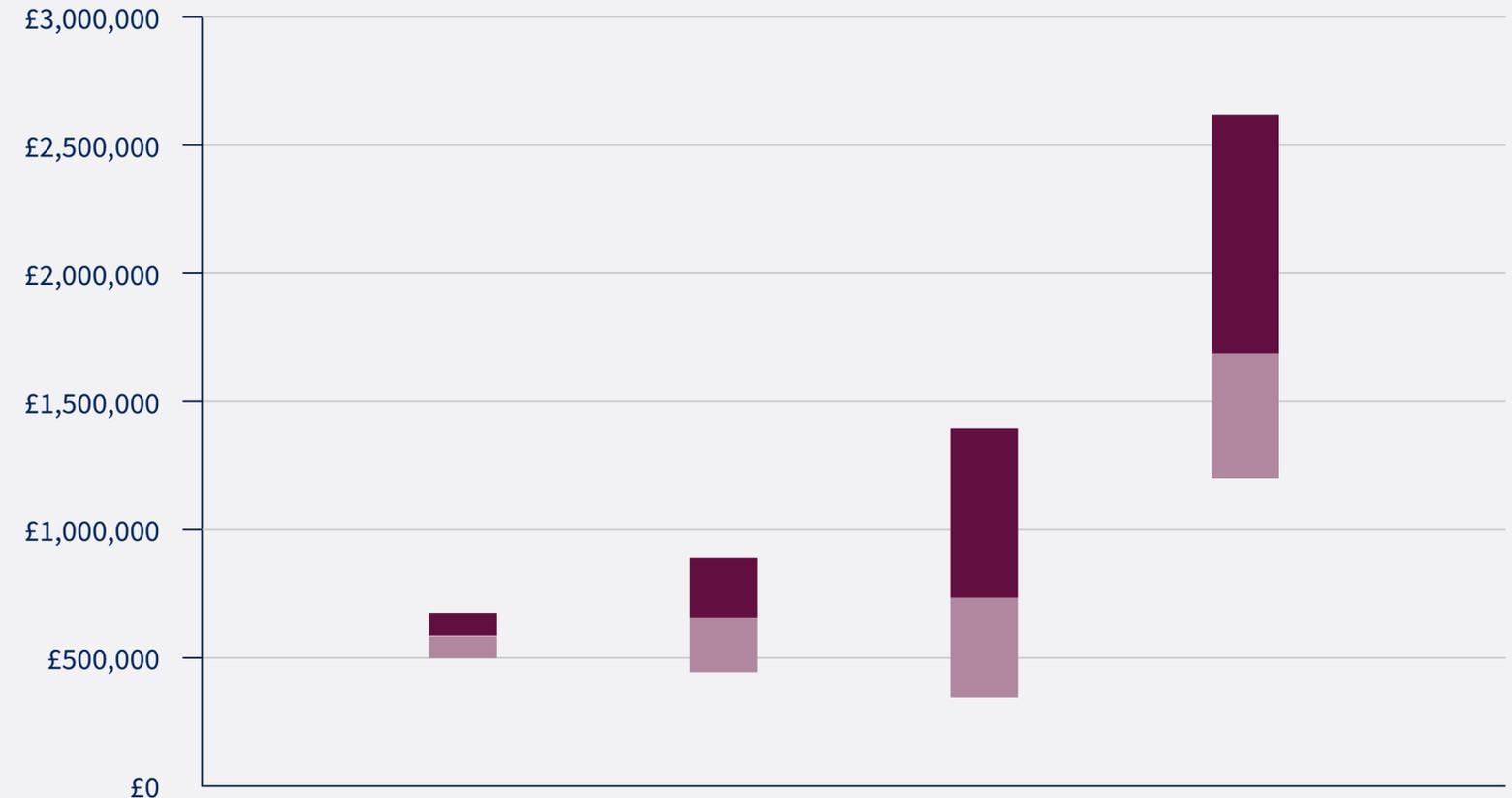
LTI remains the largest portion of total remuneration

This chart breaks up the Total Remuneration for FTSE 250 CEOs into its elements (excluding one off payments) for 2022 Index period.

### KEY

- Upper Quartile
- Median
- Lower Quartile

### Breakdown of Total Remuneration by FTSE 250 for 2022



	Base Salary	Annual Bonus	LTI Vesting	Total Remuneration
UPPER QUARTILE	£679,000	£891,000	£1,398,770	£2,522,075
MEDIAN	£582,098	£654,691	£733,000	£1,685,500
LOWER QUARTILE	£499,000	£443,500	£343,700	£1,198,500

# The cost of a CEO does not tell us whether they are good value

– looking at Value Add against Total Remuneration (4 years)... for 2022

The largest cluster of companies added a relatively small amount of value and paid out relatively low pay. A significant number of outliers paid out large remuneration but added little value.

## FTSE 100 - Total Remuneration (£m) and Value Add (£bn)



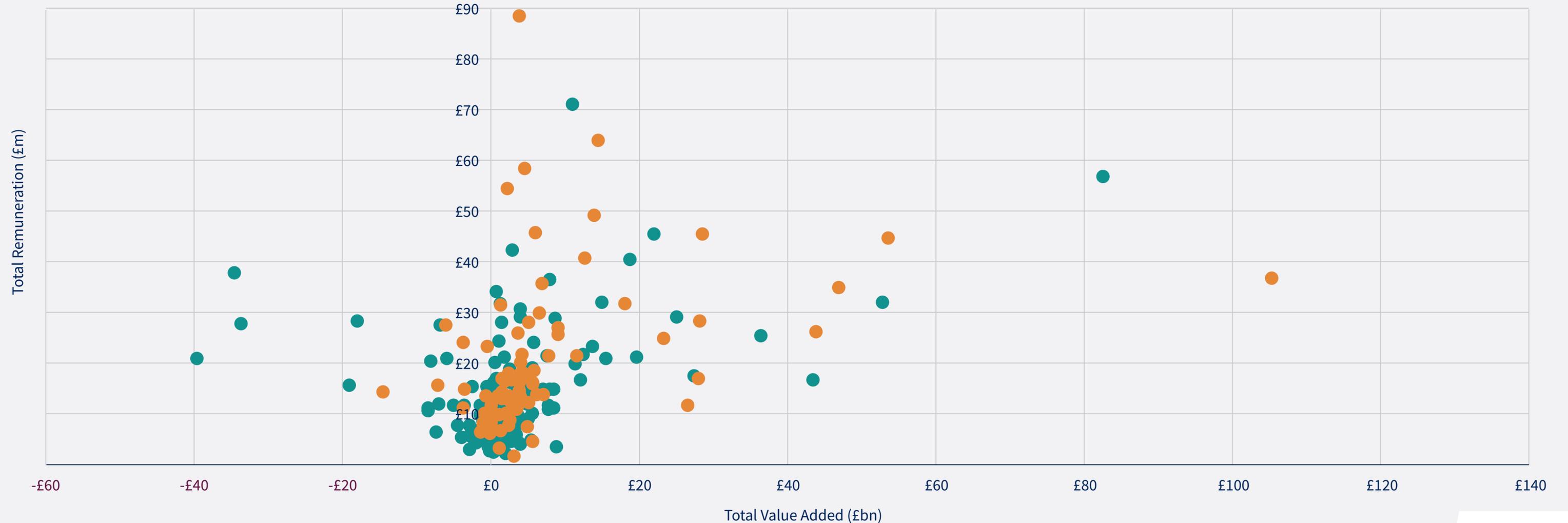
# The cost of a CEO does not tell us whether they are good value

– looking at Value Add against Total Remuneration (4 years)... compared to 2019

The graph below shows an increase in companies with a negative value add in 2022 compared to 2019.

FTSE 100 - Total Remuneration (£m) and Value Add (£bn) - 2019 vs 2022

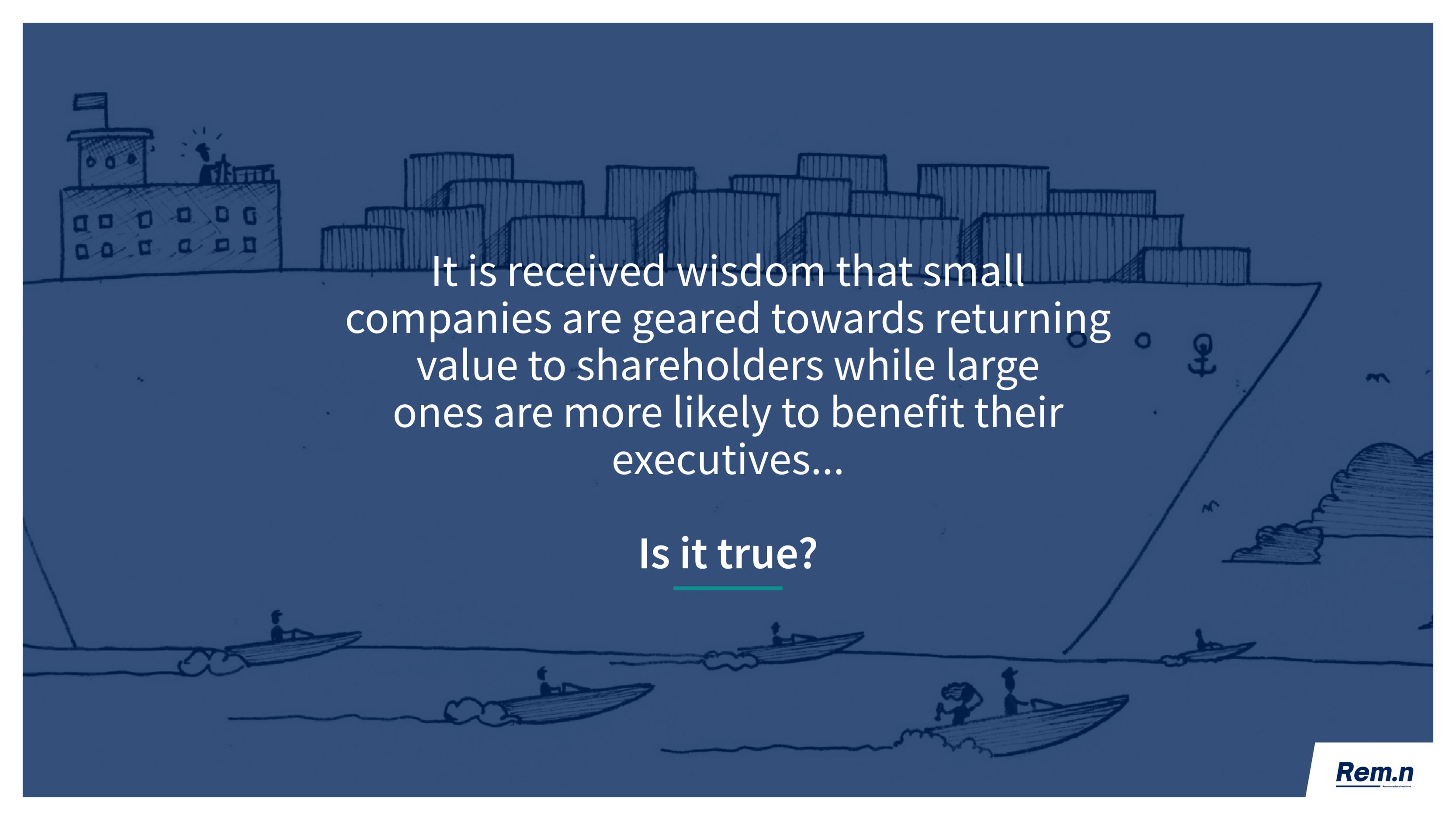
● 2019 ● 2022



MYTH 1

**Small is beautiful**

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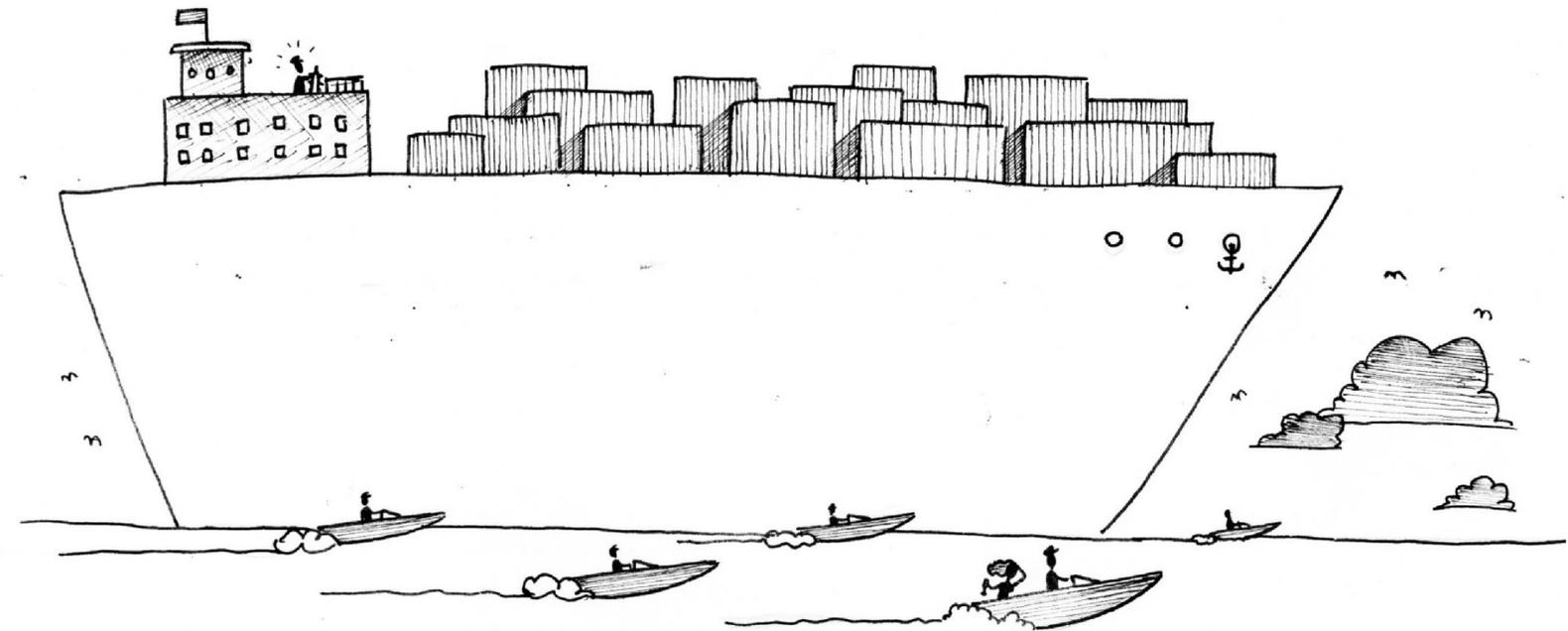
A hand-drawn illustration in a sketchy style. The top part shows a large ship's hull with a cityscape of various buildings on top. On the left, a building has a flag and a person on a balcony. The middle part is a large white text area. The bottom part shows the water with several small rowing boats, each with one or two people. The background is a dark blue gradient.

It is received wisdom that small companies are geared towards returning value to shareholders while large ones are more likely to benefit their executives...

Is it true?

# In fact, CEOs of larger companies are typically better value...

- The Index recognises that moving a large enterprise is a much tougher job than moving a small one
- Imagine a pleasure boat and a Super-tanker travelling at the same speed (or, say, 'TSR') between two locations – both arrive at the same time, but the super-tanker is offloading MUCH more value
- The reality is that small companies are straining to keep pay 'competitive', by comparing with packages offered at companies where the role of 'captain' is in a different league



MYTH 2

**Bankers are overpaid**

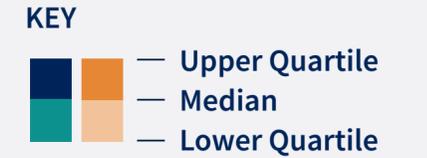
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Banking CEOs  
are often portrayed as  
executive pay 'villains'.

Is this true?



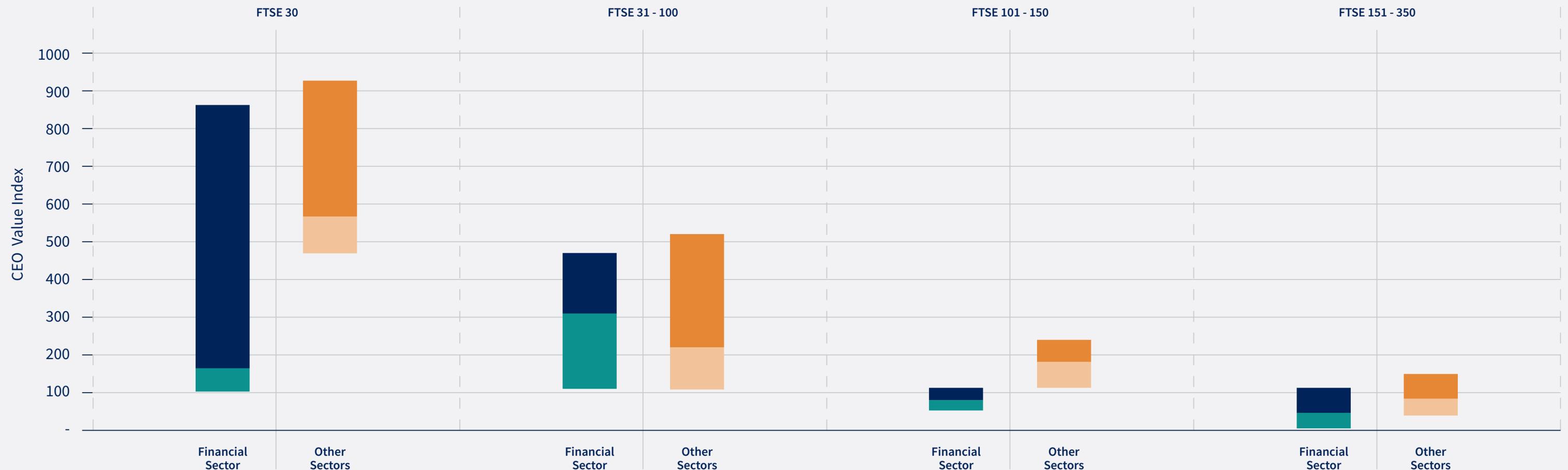
# Are bankers good value for money?



The Index is a rule of thumb: companies in different sectors are structured differently and banks have many well paid executives other than the CEO.

Overall 'Executive Value' might look different. But the Index demonstrates that things are not as simple as 'Bankers are Bad'. As per slide 7, it is noted that only 35% of FTSE 350 Financial companies are included in the CEO Value Index. Of those included, the median is typically below that of other sectors.

## CEO Value Index 2022 – Financial Sector vs all other Sectors



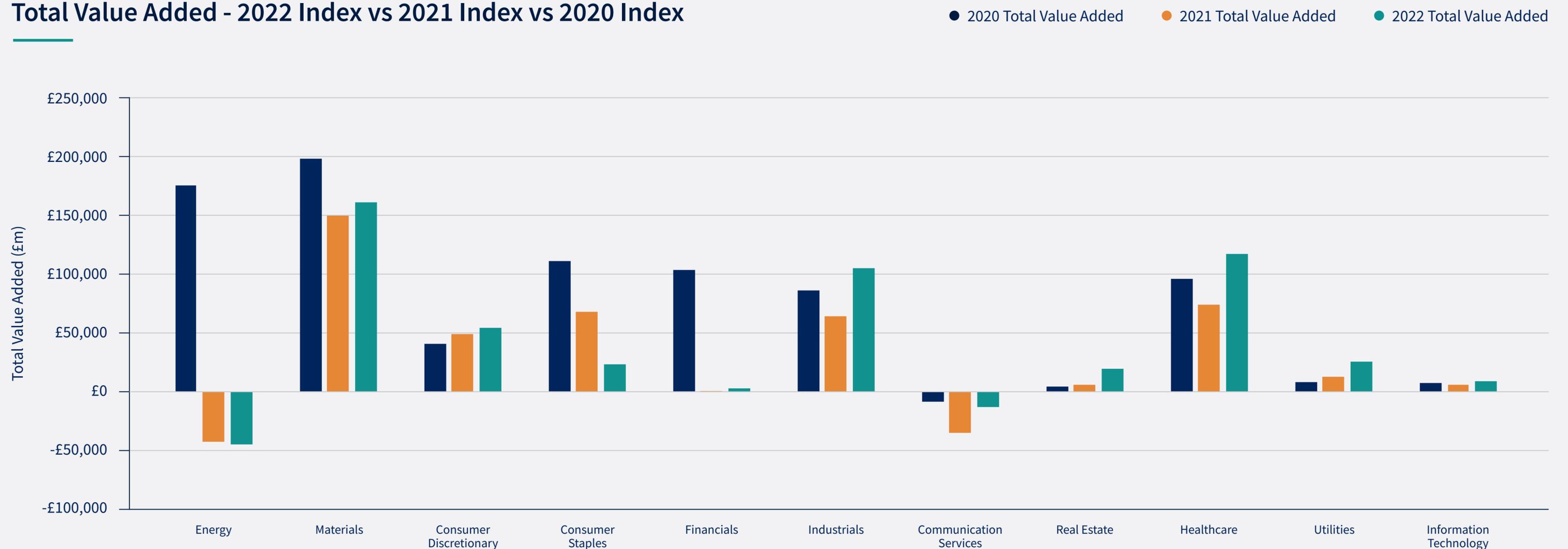
# Sector Analysis

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# Total Value Add by Industry Sector

The highest total value added sectors for 2022 were Materials and Healthcare – this is consistent with 2021 trend. Consumer Staples are significantly down from last year.

## Total Value Added - 2022 Index vs 2021 Index vs 2020 Index



# **Rem.n**

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