



# UK Pharmaceutical Executive Pay

Insight into Director Remuneration

Executive Summary & Key Findings

## 1. Introduction

**UK Pharmaceutical Executive Pay - *Insight into Director Remuneration*** represents an effort to understand the pay of executive directors and non-executive directors working in the top 40 UK public biotechnology, healthcare and pharmaceutical companies.

In putting together this report we aimed to answer a number of questions including:

- What are the remuneration packages of the directors of a pharmaceutical company?
- Which are the ten highest and ten lowest paying UK pharmaceutical companies?
- What are the main components of the director's remuneration and what is the share of each in total earnings?
- Is there any relation between salary, company size and performance?
- Is there a relationship between salary and line of business (sector)?
- How are the remuneration packages constructed?
- How do UK pharmaceutical companies' director pay packages compare to other industries?

The report is limited just to companies headquartered or publicly listed in the United Kingdom. This does mean a number of major foreign-owned companies are excluded from the report as these companies tend not to publish details of executive remuneration, or if they do it is relevant for the home country and not the host country. Making inter-country like-for-like comparisons is difficult as standards of living and national average salaries vary immensely, plus currency exchange rates can significantly skew results.

In the report, some of the executive positions have been grouped together. This has been done to ensure that equivalent positions are grouped and analysed as a whole so that meaningful comparisons and analysis can be carried out. This allows companies to use this report to benchmark their remuneration levels and to review the current practices of the industry.

Our survey is based on the salary levels and bonus arrangements for 342 board members, 155 executive directors, and 187 non-executive directors. Details of the jobs grouped are:

- Chairman
- Chief Executive Officer (CEO)
- Chief Financial Officer (CFO)
- Chief Operating Officer (COO)
- Chief Scientific Officer (CSO)
- Non-executive directors

The companies included in this report have annual sales of over £68bn and profits after tax of £10bn. They employ approximately 410,000 personnel and have an aggregate market capitalisation of £95bn.

### **Some findings we found interesting....**

- Paradoxically, pharmaceutical companies are among the highest and the lowest paying companies at the director level: they come in second in the Top 25 FTSE-100 list and first in the Bottom 25 FTSE-100 list.
- Bonuses form an integral part of the directors pay packages: they represent nearly 40% of the total director remuneration.

- Women are underrepresented on the board of UK pharmaceutical companies. Out of the 340 directors in the survey, only 21 (6%) are women and only five out of those 21 hold executive level positions. The highest paid woman earns a tenth of the highest paid male executive.
- For an industry that thrives on research and development, only 43% of the companies have a Scientific Officer or R&D director on their board as against 88% finance directors. Also the average pay packages of the Chief Scientific Officer (CSO) is the among the lowest for all executives at 36% of that paid to Chief Executive Officers (CEOs).

We intend to continue to develop our survey and would appreciate any feedback on how it could be improved.

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## 2. Executive Summary

### Salary and bonus levels

**Average earnings of a UK pharmaceutical company lead executive is £418,000**

Figure 2.1 breaks down remuneration into its main components: basic salary; taxable benefits; bonuses; pensions, and shows the corresponding figure of total earnings.

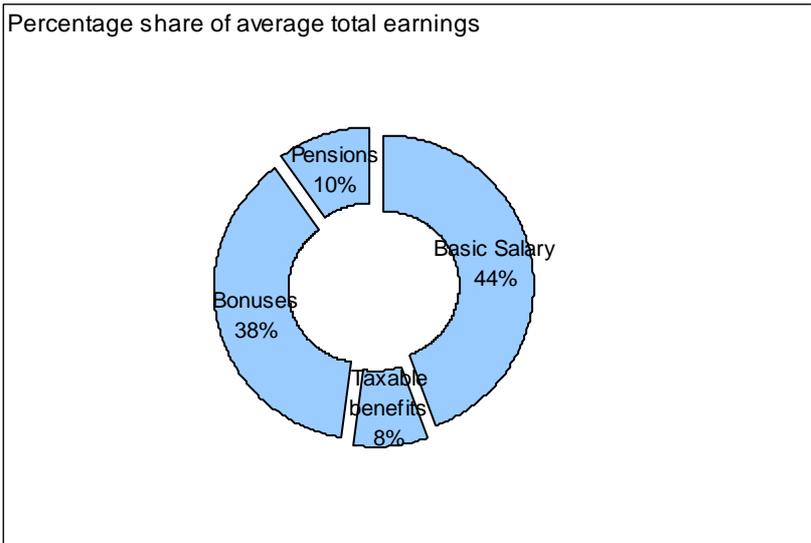
The report shows that the average earnings of a CEO are £608,000; of a CFO are £343,000; of a COO are £252,000 and lastly of a CSO are £219,000. For non-executives directors, the average total earnings stand at £42,000.

**Figure 2.1 Remuneration of UK pharmaceutical companies' lead executives**

Particulars	Number	Minimum	Maximum	Median	Average
Basic salary	136	£12,000	£916,000	£155,000	£207,000
% of total earnings	-	37%	27%	65%	44%
Taxable benefits	105	£400	£472,000	£9,000	£21,000
% of total earnings	-	8%	14%	7%	8%
Bonuses	76	£2,000	£1,485,000	£55,000	£163,000
% of total earnings	-	40%	44%	28%	38%
Pensions	104	£550	£565,000	£10,000	£27,000
% of total earnings	-	11%	17%	7%	10%
<b>Total earnings</b>	<b>136</b>	<b>£5,000</b>	<b>£3,352,000</b>	<b>£177,904</b>	<b>£418,000</b>

Source: Piribo Analysis

**Figure 2.2 Contribution of main components in the total earnings**



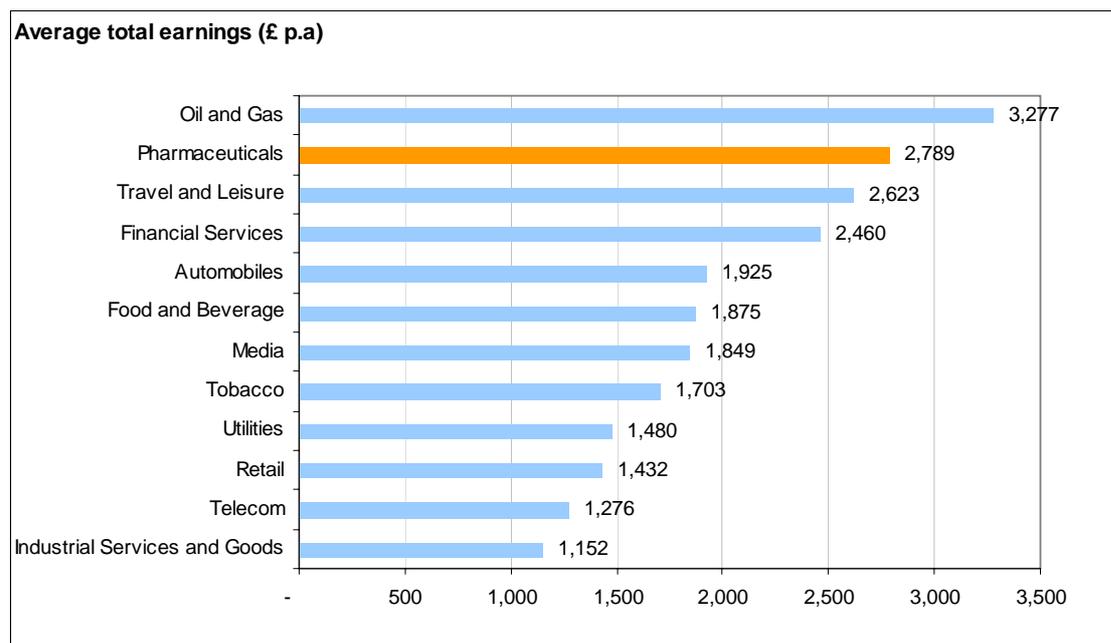
Source: Piribo Analysis

## Pharmaceutical companies' remuneration packages versus other industries

### Only oil and gas pay better than pharmaceuticals

UK pharmaceutical companies come in second in the list of the top 25 FTSE-100 index in terms of average director salary<sup>1</sup>. There are a total of three pharmaceutical companies in the top 25 list: Reckitt Benckiser, GlaxoSmithKline and AstraZeneca (the "big 3"). The average executive pay package of these three companies is £2.8m, second after Oil and Gas at £3.2m. Financial Services with six has the maximum number of companies in the top 25 list followed by Media, Food and Beverages, and Pharmaceutical companies with three each.

**Figure 2.3** Top 25 FTSE-100 companies by average total earnings of directors



Classified by sector

Source: Piribo Analysis

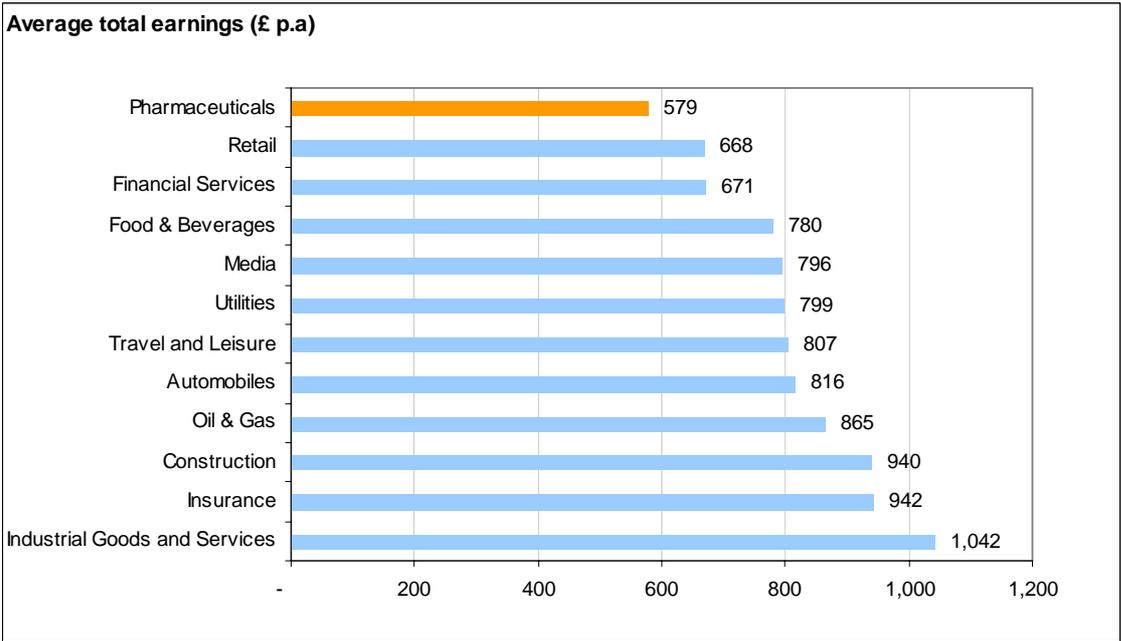
### Pharmaceuticals 'top' the bottom 25 list

UK pharmaceutical companies top the bottom 25 FTSE-100 index by average director salary. The 'culprit', pulling the average down, is Alliance Unichem with an average executive pay package of £579,000. Ironically, Alliance also has the distinction of employing the richest CEO among all pharmaceutical companies with a total net worth (market value of share capital) of a staggering £550m!

The maximum number of companies in the bottom 25 list comes from the Media and Insurance sector with four each followed by Financial Services.

<sup>1</sup> To ascertain how the pay packages of the directors of the UK pharmaceutical companies compare to other industries we used the sector composition of the FTSE-100 index. This is an index of the 100 most highly capitalised blue chip companies, representing approximately 80% of the UK market.

**Figure 2.4** Bottom 25 FTSE-100 companies by average total earnings of directors



Classified by sector  
Source: Piribo Analysis

### 3. Key Findings

#### Director profile

- **The industry is controlled by middle-aged men**  
Over 39% of directors are in the 51 to 60 years of age bracket. The average age for executive and non-executive directors is 50 years and 58 years, respectively.
- **Women are a minority**  
Just 6% of company board members are women – only 21 out of a total of 342. The highest paid male board member earns almost ten times more than the highest paid female board member.
- **An MBA is not essential but plenty of brains are present**  
Fewer than 15% of board members have a Masters in Business Administration (MBA) but almost a quarter have a PhD (22%), and another 25% have some form of postgraduate qualification.
- **R&D is underrepresented**  
A high percentage (88%) of companies have a Finance Director on the board but fewer than half the companies (43%) have a Scientific Officer/R&D Director on the board. For an industry that claims to thrive on scientific innovation this is a surprising finding.

#### Remuneration

The average salary of a UK pharmaceutical company CEO is £695,000, whilst the Chairman's average salary is £131,000. The median basic salary of an executive director on the board of a UK pharmaceutical company is £178,000.

- **The biggest pays the best**  
GlaxoSmithKline's board is the highest paid. This famous organisation is the UK's biggest pharmaceutical company.
- **Profits do affect take-home pay**  
Of the ten lowest paying companies, only four actually make a profit.
- **CEO salaries outstrip their fellow board members**  
CEOs earn double that of a finance director and five times that of a marketing director.
- **There is an income divide**  
Of the total number of executive directors included in this report, 9% earn 35% of the aggregate salary of all the firms.

#### Bonus and benefits

Average taxable benefits make up 10% of basic salary payable to executive directors.

- **Bonuses are not for everyone**  
Fifty-one per cent of companies do not pay their executive directors a bonus. Where bonuses are paid, the median value is £55,000.

#### Pensions

A quarter of executive directors do not receive pension contributions from their employers.

The average pension contribution to an executive director is £42,000 per annum. Ten executives own shares in their respective companies, worth at today's market value about £76m.

- **Pension contribution does not reflect company size**  
Only two out of the big five companies are included the list of highest pension contributors. Perhaps smaller companies take a long-term approach to staff care?

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