Remuneration of non-executive directors in Belgian listed companies in 2013

Highlights of the analysis*

December 2014

* GUBERNA’s institutional members/partners have access to the detailed report on request.
1. Foreword

One of the missions of GUBERNA is to support companies in developing their governance. As many companies, even listed ones, are often in search of information for benchmarking their remuneration of directors, GUBERNA has been developing over the years a detailed analysis of non-executive directors’ remuneration. This report highlights the most actual picture of non-executive directors’ remuneration (amounts published in 2014 over the year 2013).

This survey represents a substantial investment in research time. As Executive Director of GUBERNA, I especially want to thank Renaud Van Goethem for the “work of monks” to analyse with great attention for nuances the detailed database and for developing relevant indicators and benchmarks. We therefore sincerely hope that our members will appreciate this study and make it into a relevant reference for their governance practice.

Lutgart Van den Berghe
Executive Director GUBERNA

2. Methodology

This research report updates the previous remuneration study of GUBERNA that focussed on the remuneration of non-executive directors in 2011 (the highlights of the 2011 statistics are available on www.guberna.be.). For the purpose of comparison, the methodology followed in this new research report is globally in line with the previous one.

There are two approaches to analyse non-executive directors’ remuneration. The first approach (used in section 4) consists in considering the amounts effectively paid (individually as well as globally), as disclosed in the remuneration reports of the listed companies. The second approach (used from section 5) entails an analysis of the remuneration policies described in the remuneration reports. This second approach is more theoretical but allows a deeper analysis of the remuneration structure and components. In order to get the most accurate insight of non-executive directors’ remuneration, we have used both approaches in this report.

In order to avoid bias due to an over-representation of extreme data in calculating the average, we used the median method which is more appropriate (it actually represents the numerical value ‘in the middle’ of the sample). For each statistical analysis, the “N” indicates the number of companies included in the calculation.

The “total annual calculated remuneration” mentioned in this report is the remuneration calculated by adding the fixed annual remuneration (if any) to the attendance fees (where the fees are multiplied by the number of meetings held in 2013 for those companies effectively paying an attendance fee). The share-based remuneration has not been taken into consideration as this remuneration type is very scarce.
3. Sample

This study focuses on the Belgian listed companies, part of one of the three main indices of the Euronext Brussels stock exchange: BEL 20, BEL Mid and BEL Small. The distinction per type of index is an interesting research element, since it allows analysing the remuneration levels in function of the scale of a company, an element that is internationally known for its determining impact on remuneration levels.

The sample is comprised of 78 companies, amongst which 18 companies from the BEL 20, 31 companies from the BEL Mid and 29 companies from the BEL Small. All data have been collected from the annual reports 2013 (published in the course of 2014).

4. Remuneration effectively paid in 2013

This section focuses on the remuneration effectively paid by the listed companies for their boards of directors in 2013. The cost of the total board ranges from €1.052.705 in BEL 20 companies to €170.000 in BEL Small companies. BEL Mid boards stand in the middle with a median cost of €271.000. The global cost of a board is not the best indicator in order to analyse the remuneration effectively granted to every director. This data is indeed very dependent on the number of directors in each board. Therefore, the next paragraph analyses more in details the global cost of a board member.

In 2013 a paid board member, regardless of his/her function(s), cost €91.067 in a BEL 20 company, €38.150 in a BEL Mid company and €26.844 in a BEL Small company. These amounts have been calculated by dividing the total remuneration of the boards by the number of paid directors. The remuneration per board member has significantly increased over the last two years, in line with the increased commitments. The annual cost of a board member for a company of the BEL 20, BEL Mid and BEL Small has increased respectively with 25%, 20% and 43%.

![Chart 1 – Median remuneration per board member (regardless his/her specific function)](image)
5. Remuneration policies

This section analyses the remuneration levels based on the remuneration policies mentioned in the governance statement of the annual reports of listed companies. The annual remuneration granted to directors is usually made up of various elements. Three classical forms of remuneration can be identified: the remuneration via an annual fixed remuneration, the remuneration via attendance fees and the package combining both systems. The use of one or another system varies from company to company and varies according to the type of the director considered. The next points analyse the remuneration per type of board member.

5.1. Total calculated annual remuneration for ordinary board members and board chairmen (committees excluded)

While board members in BEL Mid and BEL Small companies are mostly remunerated via a fixed annual remuneration only, BEL 20 companies give the preference to the system that combines a fixed annual remuneration and attendance fees. Since 2011, there is a general trend towards this combined remuneration package. The result is different for board chairmen who are mainly remunerated via a fixed remuneration only.

Chart 2 gives an overview of the total annual remuneration granted to a board member and a chairman. These calculated amounts are a hypothetical total remuneration. In companies using attendance fees, directors will be granted a smaller amount if they do not attend all board meetings. This calculated annual remuneration can therefore be considered as the maximum amount a director could get (excluding his/her participation in specialised committees).

![Chart 2 – Total median annual remuneration of board members and board chairmen (2013)](image)
The median annual remuneration for a board member (excluding other responsibilities) ranges from €65,000 in BEL 20 companies, to €24,000 in BEL Mid companies and €15,554 in BEL Small companies.

The median annual remuneration for a chairman is €130,000 in BEL 20 companies, €71,879 in BEL Mid companies and €49,000 in BEL Small companies. These median amounts are about three times higher than those granted to board members in BEL Mid and BEL Small companies. However, when analysing the ratio per company of the chairman remuneration and the board member remuneration, the picture is different. According to this calculation, the median ratio is 200% in BEL 20 and BEL Mid companies and 220% in BEL Small companies. This is in line with what GUBERNA has observed in previous research.

This median remuneration for a board mandate hides a quite substantial difference among listed companies. Especially the BEL Mid (min: €7,000 / max: €130,500) and BEL Small (min: €8,000 / max: €100,000) companies show the widest differentiation in remuneration levels.

There are huge remuneration differences, not only between indexes, but also within the same index category. In BEL 20 companies, the lowest chairman remuneration is €37,500 while the highest reaches €500,000. In BEL Mid companies, the ratio between the lowest (€7,000) and the highest (€261,000) remuneration is larger. But by far the highest dispersion can be found at the BEL Small companies with a range between €8,000 and €354,653.

5.2. **Total calculated annual remuneration for audit committee members and chairmen**

Whatever the stock index, audit committee members are usually paid via attendance fees only. The remuneration package for audit committee chairmen is somewhat different. While remuneration via attendance fees only is still the most popular system, compensation via a fixed remuneration only is also frequently used and has even the preference within BEL Mid companies.

The median remuneration in BEL 20 companies reaches €11,000 for an audit committee member. This median remuneration is €8,885 in BEL Mid companies and €6,000 in BEL Small companies. Remuneration levels for audit committee chairmen are slightly superior as they range from €17,650 for an audit committee chairman of a BEL 20 company to €10,000 in a BEL Mid company and €9,000 in a BEL Small company. An analysis of the remuneration ratio per company between the chairman and the member of the audit committee allows to say that a chairman earns 50% more than an ordinary member in BEL 20 and BEL Small companies and 37% more in BEL Mid companies. Chart 3 shows higher differences because it takes into consideration the total amounts and does not compare the ratios company by company.
The spread of the remuneration is especially important within the group of BEL Small companies where the remuneration ranges from minimum €1,500 to maximum €40,000. There exists also a high degree of heterogeneity of remuneration levels for audit committee chairmen within the same stock indice: the smaller the company, the higher the deviation between remuneration levels. In BEL Small companies, the minimum remuneration is €1,500 while the maximum is €60,000. The gap between the lowest and the highest remuneration for audit committee chairmen is smaller in BEL 20 companies (from €6,000 to €46,500).

5.3. Total calculated annual remuneration for remuneration committee members and chairmen

In most cases (76%), companies have a combined remuneration and nomination committee. This section takes into consideration the compensation for separate remuneration committees as well as for combined remuneration and nomination committees. This report does not contain any specific section on remuneration of separate nomination committees as there are only six companies who have such a separate nomination committee and are transparent on their remuneration policy for this kind of committee.

As it is the case for audit committees, remuneration committee members and chairmen are mostly remunerated via attendance fees only. The second most frequently used system is the remuneration via an annual fixed remuneration only.

Chart 4 highlights the total annual remuneration received by remuneration committee members and chairmen. The total annual remuneration for a committee member rises from €5,000 in BEL Small to €6,000 in BEL Mid and €7,000 in BEL 20 companies. Total annual remuneration for remuneration
committee chairmen ranges from €6,000 in BEL Small companies to €12,000 in BEL 20 companies, with a median of €7,650 in BEL Mid companies.

A higher remuneration for remuneration committee chairmen is less widespread than for board chairmen and audit committee chairmen. In remuneration committees, the median of the individual ratios demonstrates that only remuneration committee chairmen in BEL 20 companies receive 54% more than ordinary members.

As it is the case for the remuneration of the audit committee, the most heterogeneous index is the BEL Small with a minimum of €1,500 per year and a maximum of €23,000. Remunerations within the BEL 20 index are somewhat more homogeneous.

As to remuneration committee chairmen, the most heterogeneous index is the BEL Mid index with total annual remunerations ranging from €1,500 to €30,000. Interestingly, the BEL Small companies are not always paying less than their larger colleagues.

### 6. Calculated remuneration per meeting

The calculation of the annual remuneration of the different kinds of directors has a weakness: it does not take into consideration the workload that falls on the directors’ shoulders. While the workload is difficult to measure and cannot be limited to the number of meetings, this variable can be an interesting element in evaluating the time commitment of a director. Therefore, the table below shows the calculated total remuneration granted per meeting of the board and of the specialised
committees. The total annual remuneration has been divided by the annual number of board meetings held by each company in 2013.¹

This calculation highlights a certain consistency in remunerations according to the index and the “nature” of directorship: directors in bigger companies will be paid more than directors in smaller companies and directors endorsing a function of chairman will receive an additional remuneration. Given that it takes into consideration both the number of directors and the number of meetings, this calculated remuneration per meeting is probably the most correct reference when talking about non-executive directors remuneration. Therefore, the table below is an interesting tool in order to summarize the remuneration levels granted to non-executive directors of Belgian listed companies in 2013.

Table 1 – Calculated total remuneration per meeting in 2013 (median)

<table>
<thead>
<tr>
<th></th>
<th>BEL 20</th>
<th>BEL Mid</th>
<th>BEL Small</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board member</td>
<td>€6.500</td>
<td>€3.104</td>
<td>€2.222</td>
</tr>
<tr>
<td>Board chairman</td>
<td>€13.611</td>
<td>€9.034</td>
<td>€8.333</td>
</tr>
<tr>
<td>Audit committee member</td>
<td>€2.131</td>
<td>€1.833</td>
<td>€1.250</td>
</tr>
<tr>
<td>Audit committee chairman</td>
<td>€3.979</td>
<td>€2.000</td>
<td>€2.250</td>
</tr>
<tr>
<td>Remuneration committee member</td>
<td>€2.025</td>
<td>€1.608</td>
<td>€1.500</td>
</tr>
<tr>
<td>Remuneration committee chairman</td>
<td>€3.000</td>
<td>€2.000</td>
<td>€1.667</td>
</tr>
</tbody>
</table>

¹The calculation is made based on a 100% attendance rate assumption. In reality, attendance rates in listed companies (BEL 20, BEL Mid and BEL Small together) were 93% for board meetings, 94% for audit committee meetings and 96% for remuneration committee meetings.
7. Conclusion

Between 2011 and 2013, the cost of a board of directors in Belgian listed companies has substantially increased, especially in smaller companies. The remuneration of the total board has increased by 14% in BEL 20 companies, by 32% in BEL Mid companies and by 42% in BEL Small companies. However, any comparison between 2011 and 2013 must be relativized because of the significant changes in the stock indices composition.

The annual remuneration per board member (whatever its function) effectively paid in 2013 was €91,067, €38,150 and €26,844, respectively in BEL 20, BEL Mid and BEL Small companies.

Remuneration levels in the BEL Small index are the most heterogeneous. Whatever the remuneration dimension analysed, BEL Small companies have the biggest dispersion between the lowest and the highest remuneration.

The remuneration components have significantly changed between 2011 and 2013. The trend goes clearly towards a mixed remuneration combining an annual fixed remuneration with attendance fees. This trend is particularly observable in BEL Small companies.

Chairmen of the board of directors and chairmen of specialised committees are granted a higher remuneration than an “ordinary” board or committee member. A board chairman in a BEL 20 or BEL Mid company receives about two times the remuneration of an ordinary board member. In BEL Small companies, the board chairman even enjoys 220% of the remuneration granted to the ordinary board member. In a lesser extent, chairmen of specialised committees are also granted a higher remuneration than the ordinary members of specialised committees.

Whatever the remuneration package and the remuneration policy defined by a company, a calculation of the remuneration received by any board or committee member per meeting demonstrates that the size of the stock index and the function endorsed by the director have an impact on the remuneration. A higher stock index and larger responsibilities will engender a higher remuneration per meeting (with one exception²).

² An audit committee chairman in a BEL Small company earns more than an audit committee chairman in a BEL Mid company.
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